

**REDEVELOPMENT AGENCY  
OF THE CITY OF CONCORD  
BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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

**FOR THE YEAR ENDED JUNE 30, 2009**

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## INDEPENDENT AUDITORS' REPORT

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

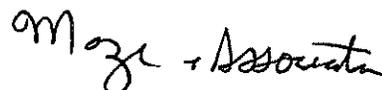
We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Concord, a component unit of the City of Concord, California as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic component 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, 2009 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 October 23, 2009 on our consideration of the City of Concord's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.



October 23, 2009

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## REDEVELOPMENT AGENCY OF THE CITY OF CONCORD

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Government Accounting Standards Board Statement 34 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*" (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 2009 FINANCIAL HIGHLIGHTS**

Financial highlights of the year include the following:

##### *Agency-Wide:*

- Total Agency revenues were \$19.1 million, an increase of \$0.2 million from the prior year.
- Total Agency expenses were \$15.8 million, compared with \$18.2 million in 2008.
- The Agency's net assets were \$15.7 million at June 30, 2009, an increase of \$3.2 million over the prior year.

*Fund Basis:*

- Total revenues at the Fund level were \$18.8 million, compared with \$18.1 million in 2008.
- Total expenditures were \$17.3 million, a decrease of \$2 million over the prior year.
- Net transfers out and other financing uses totaled \$2 million.
- Fund balances decreased \$.4 million in fiscal 2009, to a new total of \$62.9 million.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This report is in two parts:

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

### The Basic Financial Statements

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

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

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

The Fund Financial Statements report the Agency's operations in more detail than the Agency-Wide Financial 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. 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 assets from Governmental Activities increased to \$15.7 million in 2009 from \$12.4 million in 2008. This increase is the Change in Net Assets reflected in the Statement of Activities. The Agency's June 30, 2009 net assets are discussed below:

- Cash and investments available for the Agency's operations were \$29.5 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 totaled \$3.5 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 \$21.8 million. These loans were made under various programs and are substantially all long-term in nature.
- The Agency owns land that cost \$11.4 million, which it is being held for resale or redevelopment as discussed in Note 1F. During fiscal 2009, the value of land held for resale was increased \$4.6 million to reflect the value of property purchased.
- Capital assets were \$22.5 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 \$1.4 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 \$73.1 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.
- 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, 2009. The \$11.2 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 \$14.9 million, including \$3.5 million restricted for payment of debt service and \$11.4 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 deficit totaled \$10.4 million at June 30, 2009.

### **Fiscal 2009 Governmental Activities**

The Agency's fiscal 2009 revenue came primarily from property tax increments, which was \$16.1 million after the reduction of \$1.6 million for tax increment pass through payments and for tax increment rebates. Agency efforts in the community have resulted in higher assessed values in the area, and property tax increment increased \$1.5 million. Investment earnings contributed an additional \$1.5 million in fiscal 2009.

Agency expenses of \$15.8 million in fiscal 2009 were principally for development purposes, which totaled \$10 million, and interest on long term debt, which amounted to \$3.8 million. The Agency also transferred \$2 million to the City of Concord, which it accounts for it as an expense as explained in Note 5C.

At June 30, 2009, the Agency's Governmental Funds reported combined fund balances of \$62.9 million, which is a decrease of \$0.4 million compared with the prior year. This decrease represented the excess of total fund expenditures, transfers out over total fund revenues and transfers in for the year.

All the Agency's tax increments are received by the General Capital Projects Fund. Revenues are then transferred to other funds for debt service and to low-and-moderate-income for housing purposes. Net tax increment revenues were \$16.1 million in fiscal 2009, a \$1.5 million increase from the previous year after \$1.6 million in tax increment pass through payments and tax increment rebate payments. The Fund's expenditures were primarily for planning and economic development projects including the Monument Corridor Streetscape Improvements, Monument Boulevard/Meadow Lane improvements, the City Entryway Signage Program, and the Concord Reuse Project (Naval Weapons Station), amounting to \$2.8 million in fiscal 2009. Intra-fund transfers out were made totaling \$9 million and \$2 million was transferred to the City in fiscal 2009. During fiscal 2009, the value of land held for resale was increased \$4.6 million to reflect the purchase of property. The Fund balance decreased \$0.4 million in fiscal 2009 to a new balance of \$62.9 million.

The Low and Moderate Income Housing Fund received \$3.5 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 \$0.2 million in investment income in fiscal 2009, which is similar to the prior year earnings, and expended \$2 million on the development of low-and-moderate-income housing.

The General Capital Projects Fund also owes the Low and Moderate Income Housing Fund \$9.5 million in prior year low and moderate income housing set-asides, as discussed in Note 5A. No repayment is expected until 2020.

The Agency has made loans to eligible individuals and several non-profit organizations totaling \$21.8 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 \$5.4 million from the General Capital Projects Fund. These transfers, together with \$0.1 million in investment income, funded debt service expenditures totaling \$6.4 million in fiscal 2009. 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 completed in prior years, closure of the Fund awaits a few final disbursements.

## **CAPITAL ASSETS**

Capital assets of \$22.5 million at June 30, 2009 represent land, buildings and structures. The principal item constructed in fiscal 2009 was the Citywide/Park Signage Program on which \$0.1 million was expended. The Citywide/Park Signage project is expected to be completed in fiscal 2010. The project will be transferred to the City of Concord, since the City will be responsible for maintenance of the project. Further detail on the Agency's capital assets may be found in Note 6 to the financial statements.

## **DEBT ADMINISTRATION**

At June 30, 2009, the Agency's debt comprised several Tax Allocation Bond issues with interest rates of from 3.90% to 5.75%, 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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**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

**STATEMENT OF NET ASSETS AND  
STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities 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, 2009**

	Governmental Activities
<b>ASSETS:</b>	
Cash and Investments (Note 2)	\$29,510,001
Cash with Fiscal Agents (Note 2)	3,528,885
Accounts Receivable	62,513
Interest Receivable	144,565
Loans and Notes Receivable, Net of Reserves (Note 3)	21,804,980
Prepaid Items	15,257
Land Held for Redevelopment (Note 1F)	11,416,332
Equity in Partnership (Note 4)	1,404,484
Capital Assets, Net of Depreciation (Note 6)	22,482,933
Total Assets	90,369,950
<b>LIABILITIES:</b>	
Accounts, Deposits and Contracts Payable	52,001
Accrued Liabilities	115,329
Bonds Interest Payable	1,440,186
Long-Term Debt (Note 7):	
Due in One Year	4,315,000
Due in More Than One Year	68,777,893
Total Liabilities	74,700,409
<b>NET ASSETS (DEFICIT) (Note 9):</b>	
Invested in Capital Assets, Net of Related Debt	11,160,801
Restricted for:	
Debt Service	3,528,885
Community Development Projects	11,416,332
Total Restricted Net Assets	14,945,217
Unrestricted Net Assets (Deficit)	(10,436,477)
Total Net Assets	\$15,669,541

See accompanying notes to financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Governmental Activities
<b>Expenses:</b>	
General Government	\$2,236
Building, Engineering & Neighborhood Services	138,670
Planning & Economic Development	6,350,751
Community & Recreation Services	24,173
Public Works	3,491,322
Interest on Long Term Debt	3,866,494
Transfers to the City of Concord (Note 5C)	1,968,820
Total Program Expenses and Transfers	15,842,466
<b>General Revenues:</b>	
Incremental Property Taxes	16,086,968
Investment Earnings	1,503,254
Lease	1,434,690
Other	45,547
Total General Revenues	19,070,459
Change in Net Assets	3,227,993
Net Assets - Beginning	12,441,548
Net assets - Ending	\$15,669,541

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 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.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2009

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Investments (Note 2)	\$6,613,088		\$22,821,548	\$75,365	\$29,510,001
Cash with Fiscal Agents (Note 2)		\$3,528,885			3,528,885
Accounts Receivable	22,263		40,250		62,513
Interest Receivable	21,378		123,187		144,565
Loans and Notes Receivable (Note 3)	18,731,392		3,073,588		21,804,980
Advance to Other Funds (Note 5A)	9,495,937				9,495,937
Prepaid Items			15,257		15,257
Land Held for Redevelopment (Note 1F)			11,416,332		11,416,332
Equity in Partnership (Note 4)			1,404,484		1,404,484
<b>Total Assets</b>	<b><u>\$34,884,058</u></b>	<b><u>\$3,528,885</u></b>	<b><u>\$38,894,646</u></b>	<b><u>\$75,365</u></b>	<b><u>\$77,382,954</u></b>
<b>LIABILITIES:</b>					
Accounts, Deposits and Contracts Payable			\$52,001		\$52,001
Accrued Liabilities	\$106,755		8,574		115,329
Deferred Revenue	2,562,815		2,260,950		4,823,765
Advance from Other Funds (Note 5A)			9,495,937		9,495,937
<b>Total Liabilities</b>	<b><u>2,669,570</u></b>		<b><u>11,817,462</u></b>		<b><u>14,487,032</u></b>
<b>FUND BALANCES</b>					
Fund Balances (Note 9)					
Reserved for:					
Encumbrances	272,731		1,207,650		1,480,381
Loans and Notes	16,168,577		812,638		16,981,215
Advance to Other Funds	9,495,937				9,495,937
Prepaid Items			15,257		15,257
Land Held for Redevelopment			11,416,332		11,416,332
Investment in Partnership			1,404,484		1,404,484
Debt Service		\$3,528,751			3,528,751
Low and Moderate Income Housing	6,233,314				6,233,314
Unreserved:					
Designated for:					
Capital Projects	43,929		2,742,435		2,786,364
Unrealized Increase in Fair Value of Investments		134			134
Unreserved, Undesignated			9,478,388	\$75,365	9,553,753
<b>TOTAL FUND BALANCES</b>	<b><u>32,214,488</u></b>	<b><u>3,528,885</u></b>	<b><u>27,077,184</u></b>	<b><u>75,365</u></b>	<b><u>62,895,922</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$34,884,058</u></b>	<b><u>\$3,528,885</u></b>	<b><u>\$38,894,646</u></b>	<b><u>\$75,365</u></b>	<b><u>\$77,382,954</u></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, 2009

Total fund balances reported on the Governmental Funds Balance Sheet	\$62,895,922
<p>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:</p>	
<p><b>CAPITAL ASSETS</b></p>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	22,482,933
<p><b>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</b></p>	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	4,823,765
<p><b>LONG TERM ASSETS AND LIABILITIES</b></p>	
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p>	
Bond Interest Payable	(1,440,186)
Long-Term Debt	(75,757,132)
Deferred Loss on Refunding of Debt Issue	<u>2,664,239</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$15,669,541</u></u>

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2009

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Incremental Property Taxes			\$17,702,809		\$17,702,809
Less Tax Increment Pass Through Payment			(1,238,338)		(1,238,338)
Less Tax Increment Rebate			(377,503)		(377,503)
Investment Earnings	\$172,122	\$90,798	973,743	\$472	1,237,135
Lease Income (Note 7C)			1,434,690		1,434,690
Other			45,547		45,547
<b>Total Revenues</b>	<u>172,122</u>	<u>90,798</u>	<u>18,540,948</u>	<u>472</u>	<u>18,804,340</u>
<b>EXPENDITURES</b>					
General Government			2,236		2,236
Building, Engineering & Neighborhood Services	55,339		83,331		138,670
Planning & Economic Development	1,933,914		3,826,804		5,760,718
Community & Recreation Services			24,173		24,173
Public Works			3,489,086	2,236	3,491,322
Debt Service:					
Principal		3,530,000	749,593		4,279,593
Interest and Fiscal Charges		2,905,170	685,097		3,590,267
<b>Total Expenditures</b>	<u>1,989,253</u>	<u>6,435,170</u>	<u>8,860,320</u>	<u>2,236</u>	<u>17,286,979</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,817,131)</u>	<u>(6,344,372)</u>	<u>9,680,628</u>	<u>(1,764)</u>	<u>1,517,361</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to the City (Note 5C)	(68,047)		(1,900,773)		(1,968,820)
Transfers In (Note 5B)	3,540,562	5,431,718			8,972,280
Transfers (Out) (Note 5B)			(8,972,280)		(8,972,280)
<b>Total Other Financing Sources</b>	<u>3,472,515</u>	<u>5,431,718</u>	<u>(10,873,053)</u>		<u>(1,968,820)</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,655,384	(912,654)	(1,192,425)	(1,764)	(451,459)
Fund Balances at Beginning of Year	30,559,104	4,441,539	28,269,609	77,129	63,347,381
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$32,214,488</u>	<u>\$3,528,885</u>	<u>\$27,077,184</u>	<u>\$75,365</u>	<u>\$62,895,922</u>

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, 2009

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 (8451,459)

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 133,904  
 Depreciation expense is deducted from fund balance (930,368)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance 3,530,000  
 Repayment of leases payable principal is added back to fund balance 749,593  
 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 472,550  
 Interest Payable 19,800

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$3,227,993

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of Money and Property	<u>\$251,618</u>	<u>\$251,618</u>	<u>\$172,122</u>	<u>(\$79,496)</u>
Total Revenues	<u>251,618</u>	<u>251,618</u>	<u>172,122</u>	<u>(79,496)</u>
<b>EXPENDITURES</b>				
Building, Engineering & Neighborhood Services	93,013	93,013	55,339	37,674
Planning & Economic Development	<u>2,627,904</u>	<u>2,627,904</u>	<u>1,933,914</u>	<u>693,990</u>
Total Expenditures	<u>2,720,917</u>	<u>2,720,917</u>	<u>1,989,253</u>	<u>731,664</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers to the City		(83,355)	(68,047)	15,308
Transfers In	<u>3,121,768</u>	<u>3,121,768</u>	<u>3,540,562</u>	<u>418,794</u>
Total Other Financing Sources (Uses)	<u>3,121,768</u>	<u>3,038,413</u>	<u>3,472,515</u>	<u>434,102</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$652,469</u>	<u>\$569,114</u>	1,655,384	<u>\$1,086,270</u>
Fund Balance at Beginning of Year			<u>30,559,104</u>	
Fund Balance at End of Year			<u>\$32,214,488</u>	

See accompanying notes to financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**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. In 2006, the Central Concord Redevelopment Plan was amended to add three new subareas. The North Concord Subarea totals 188 acres; the Willow Pass Subarea is comprised of 89 acres; and the Monument Corridor Subarea affects 123 acres. The amended Project Areas total 1,070 acres.

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**  
**For the Year Ended June 30, 2009**

**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 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.

**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**  
**For the Year Ended June 30, 2009**

**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, 2009 the Agency held the following properties for resale or redevelopment:

- a) During fiscal year 2009 the Agency purchased six parcels of land located in the downtown area to assist in implementing the Agency's Strategic Plan
- b) A parcel of land held by the Agency was purchased in fiscal year 2007 which will be held for resale for future development projects.
- c) A parcel of land held by the Agency was purchased in fiscal year 2004 which is to be sold in the future for redevelopment projects.
- d) A parcel of land was purchased in fiscal year 2002 which is to be sold in the future for the Town Center Project.
- e) One property purchased in fiscal year 2001 which is to be sold 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**  
**For the Year Ended June 30, 2009**

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

- f) Two parcels consisting of land and buildings purchased for redevelopment into an auto sales center in fiscal year 1989. In fiscal year 2006, the Agency sold 3.8 acres of one of the parcels to a developer. The Agency sold the remaining acreage subsequent to June 30. During fiscal year 2008, the value of land held for resale was decreased \$3,210,123 to reflect the value of the sale which occurred subsequent to year end. During fiscal year 2009, the Agency sold the other parcel for \$170,000
- g) A parcel purchased in fiscal year 1999 which is to be sold in the future for development projects.
- h) Five properties purchased between 1982-1987 which are being held for resale for future development projects.

These parcels are recorded at the lower of cost or net realizable value.

**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 monthly 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	\$29,510,001
Cash with fiscal agents	<u>3,528,885</u>
Total Cash and Investments	<u><u>\$33,038,886</u></u>

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**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			None

(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, in accordance with the California Government Code, the Agency may not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages. 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**  
**For the Year Ended June 30, 2009**

**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.

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:

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

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

Investment Type	Remaining Maturity (in Months) 12 or Less
California Local Agency Investment Fund	\$29,510,001
Held by bond trustee:	
Money Market Mutual Funds (U.S. Securities)	206,813
Federal Agency Securities	3,322,072
Total investments	\$33,038,886

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, 2009, these investments have an average maturity of 235 days.

Money market funds are available for withdrawal on demand and at June 30, 2009, have an average maturity of 49 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, 2009, the cost of investments was \$29,545 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**  
**For the Year Ended June 30, 2009**

**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, 2009 for each investment type:

Investment Type	AAAm	AAA	Total
Federal Agency Securities		\$3,322,072	\$3,322,072
Money Market Mutual Funds (U.S. Securities)	\$206,813		206,813
Total Investments	\$206,813	\$3,322,072	3,528,885
Not rated:			
California Local Agency Investment Fund			29,510,001
Total Investments			\$33,038,886

*F. Concentration of Credit Risk*

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investments fund that represent 5% or more of total Entity-Wide investments are as follows at June 30, 2009:

Issuer	Type of Investments	Amount
Federal Home Loan Bank	Federal Agency Securities	\$3,322,072

**NOTE 3 - LOANS, NOTES RECEIVABLE AND DEVELOPMENT AGREEMENTS**

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 2009.

Housing Conservation	\$2,336,645
Downtown Revitalization and Low and Moderate Income Housing Rehabilitation	14,145,736
Lakeside Apartments	2,546,710
Virginia Lane	2,585,489
Lehmer's Investment Company	190,400
Total Loans and Notes Receivable	\$21,804,980

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 3 – LOANS, NOTES RECEIVABLE AND DEVELOPMENT AGREEMENTS (Continued)**

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

**Housing Conservation**

This program involves loans made to rehabilitate housing within the City of Concord.

**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, are two loans amounting to \$57,789 and \$24,198, which were made to a former and a current employee, respectively.

**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 1% 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.

**Virginia Lane**

In June 1999, the City and the Agency entered into a \$1,984,200 loan agreement with Eden Housing for rehabilitation of Golden Glen and Maplewood Apartments. The outstanding balance of the loan bears interest at a rate of 3% per annum. The repayments on the loan shall be made from residual receipts. The Agency expects the loan to be repaid on March 2, 2061.

**Lehmer Investment Company Development Agreement**

In August 2008, the City and the Agency entered into a \$170,000 loan agreement with Lehmer Investment Company for the purchase of the Agency's parking lot at 1925 Market Street. The outstanding balance of the loan bears interest at a rate of 3% per annum. The monthly interest payments will begin in August 2009. The Agency expects the loan to be repaid on August 28, 2011.

**Fry's Electronics Development Agreement**

The Agency entered into a \$3,900,000 loan agreement with Fry's Electronics to provide assistance with rehabilitation of the building and surrounding site improvements. The substance of the agreement is that Fry's will be paid a portion of future sales tax revenues produced by the development. These payments are conditioned on the generation of annual sales tax revenues by the development of at least \$500,000 per year, adjusted annually for inflation, and the Agency is not required to use any other resources to pay these amounts. Beginning with the year that the sales tax collections first exceed the threshold, the Agency has agreed to pay Fry's compound interest of 7% on the loan principal balance not yet disbursed to Fry's, however the calculation of this annual interest due is limited to the lesser of the actual calculation or the principal amount of the loan disbursed to Fry's in that year. The loan will be forgiven after ten calendar years as long as the building remains operated by Fry's Electronics. In addition, the Agency has entered into an agreement with the City under which the City has agreed to annually reimburse the Agency for any amounts that it has paid to Fry's, but that reimbursement is subordinated to the City's other obligations.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 3 – LOANS, NOTES RECEIVABLE AND DEVELOPMENT AGREEMENTS (Continued)**

During fiscal year 2009, sales tax collections did not exceed the threshold, therefore the Agency did not disburse interest to Fry's in accordance with the terms of the agreement. At June 30, 2009, the remaining portion of sales tax revenues subject to reimbursement was \$3.9 million plus interest at 7%. The agreement terminates in 2019, regardless of whether the entire loan amount has been disbursed.

**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, 2007; the Redevelopment Agency's equity in the Partnership's assets was \$1,404,484 at that date and its share of the Partnership's net income for the year then ended was \$47,244. The Agency made no monetary contributions to the partnership during the year. Financial statements for the Partnership can be obtained from the Concord Redevelopment Agency, 1950 Parkside Drive, Concord, CA 94519.

**NOTE 5 – INTERFUND TRANSACTIONS**

*A. 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, 2009 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 2020.

*B. Transfers Between Funds*

With Board 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 \$3,540,562 to the Low and Moderate Income Housing Special Revenue Fund for the State required set-aside increment tax revenues and also transferred \$5,431,718 to the Debt Service Fund to fund debt service payments.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 5 – INTERFUND TRANSACTIONS (Continued)**

*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 2009, the General Capital Projects Fund transferred \$1,900,773 to the City to fund capital projects, and as reimbursement of lease payments made to the Agency. The Low and Moderate Income Housing Special Revenue Fund transferred \$68,047 to the City to fund its share of future postretirement healthcare benefits.

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

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

Capital asset transactions and balances comprise the following at June 30, 2009:

	Balance at June 30, 2008	Additions	Transfers	Balance at June 30, 2009
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$875,884			\$875,884
Construction in progress	902,279	\$133,904	(\$64,920)	971,263
Total capital assets not being depreciated	1,778,163	133,904	(64,920)	1,847,147
Capital assets being depreciated:				
Buildings and structures	30,947,333			30,947,333
Less: depreciation	(9,446,099)	(928,420)		(10,374,519)
Grounds and Improvements			64,920	64,920
Less: depreciation		(1,948)		(1,948)
Total capital assets being depreciated	21,501,234	(930,368)	64,920	20,635,786
Governmental activity capital assets, net	\$23,279,397	(\$796,464)		\$22,482,933

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 7 – LONG-TERM DEBT**

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

	Original Principal Amount	Balance as of July 1, 2008	Retirements	Balance as of June 30, 2009	Current Portion
<i>Governmental Activity:</i>					
<i>1993 Tax Allocation Bonds:</i>					
<i>1993 Senior Bonds:</i>					
Capital Appreciation Bonds, 5.7-5.75%, repaid 07/01/08	\$1,103,675	\$2,520,000	\$2,520,000		
<i>2004 Tax Allocation Refunding Bonds</i>					
3.9-5.05%, due 07/01/25	72,310,000	65,445,000	1,010,000	\$64,435,000	\$3,540,000
Less deferred amount on refunding		(2,960,266)	(296,027)	(2,664,239)	
<b>Total Tax Allocation Bonds</b>		<u>65,004,734</u>	<u>3,233,973</u>	<u>61,770,761</u>	<u>3,540,000</u>
<i>Loans Payable:</i>					
Police Facilities, 2.70- 5.25%, due 08/01/19	9,700,000	5,263,510	375,001	4,888,509	380,000
Parking Garage, 4.0-5.13% due 03/01/23	9,580,000	6,808,215	374,592	6,433,623	395,000
<b>Total Loans Payable</b>		<u>12,071,725</u>	<u>749,593</u>	<u>11,322,132</u>	<u>775,000</u>
<b>Total Governmental Activity Debt</b>		<u>\$77,076,459</u>	<u>\$3,983,566</u>	<u>\$73,092,893</u>	<u>\$4,315,000</u>

**B. Tax Allocation Bonds**

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

The pledge of future tax increment revenues ends upon repayment of the \$2,520,000 in remaining debt service on the 1993 Bonds which occurred July 1, 2008. For fiscal year 2009 tax increment revenues amounted to \$17,702,809 which represented coverage of 7.02 over the \$2,520,000 in debt service. As of June 30, 2009 the bonds were fully repaid.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**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.

The pledge of future tax increment revenues ends upon repayment of the \$88,545,164 in remaining debt service on the Redevelopment Agency's Tax allocation bonds which is scheduled to occur in 2026. As disclosed in the originating offering documents, pledged future tax increment revenues are expected to provide coverage over debt service of 1.63 over the life of the long term debt. For fiscal year 2008 tax increment revenues amounted to \$17,702,809 which represented coverage of 4.53 over the \$3,309,771 in debt service.

**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 \$1,434,690 in fiscal 2009. 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, 2009 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
2010	\$4,315,000	\$4,185,821
2011	4,505,000	3,960,499
2012	4,690,000	3,723,152
2013	4,885,000	3,473,368
2014	5,080,000	3,210,123
2015-2019	28,995,000	11,349,270
2020-2024	19,010,000	3,477,994
2025-2026	4,277,132	382,564
Total	75,757,132	<u>\$33,762,791</u>
Reconciliation of long-term debt:		
Less unamortized deferred amount on refunding	<u>(2,664,239)</u>	
Total	<u>\$73,092,893</u>	

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 8 – RISK MANAGEMENT**

The City is a member of the California State Association of Counties - Excess Insurance Authority (CSAC-EIA), a joint powers authority. CSAC-EIA 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:

<u>Type of Coverage (Deductible)</u>	<u>Coverage Limits</u>
General Liability (\$500,000)	\$35,000,000
Workers' Compensation (\$500,000)	Statutory
All Risk Property Including Flood (\$10,000 per occurrence all risk and \$25,000 flood)	\$600,000,000
Earthquake (5% with a \$100,000 minimum)	\$50,000,000

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

The City's deposits with CSAC-EIA are in accordance with formulas established by CSAC-EIA. 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 CSAC-EIA are available from CSAC-EIA at 3017 Gold Canal Drive, Rancho Cordova, CA 95670.

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

For the years ended June 30, 2009, 2008 and 2007, 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**  
**For the Year Ended June 30, 2009**

**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, 2009, 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.

**NOTE 10 – PASS-THROUGHS AND REBATES**

In order to mitigate financial impacts on other property tax supported entities caused by the Agency's adoption of the Redevelopment Projects, the Agency has agreements with several agencies under which it must pass-through a portion of property tax increments to them. During fiscal 2008-2009, the Agency paid \$1,238,338 to these agencies.

Similarly, the Agency has an agreement with a developer under which it rebates a portion of tax increment assessed on project improvements constructed pursuant to the agreement. During fiscal 2008-2009, the Agency paid \$377,503 to the developer.

AB1389 directs that a portion of the incremental property taxes which had been received in prior years by redevelopment agencies be paid instead to the County educational revenue augmentation fund (ERAF). In a lawsuit filed by the California Redevelopment Association (CRA), the ERAF portion of AB1389 was found to be unconstitutional. As a result, the Agency did not pay its fiscal year 2008-09 ERAF of \$1,238,664. The case is currently under appeal, therefore it has not been determined whether the Agency will be required to make the ERAF payment in the future.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
**NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 11 – SUBSEQUENT EVENT**

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes which had been received in fiscal year 2006-07 by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance will determine each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. Based on the calculations in AB26 4X, the Agency's SERAF's are estimated to be \$6,016,369 in fiscal year 2009-10 and \$1,238,664 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The payment due in fiscal year 2009-10 represents 20% of the Agency's cash and investments available for operations at June 30, 2009. The obligation to make the SERAF payment is subordinate to obligations to repay bonds, however if the Agency fails to make the SERAF payment the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

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**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS  
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, 2009, and have issued our report thereon dated October 23, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control that we consider to be material weaknesses, as defined above.

*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 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.



October 23, 2009

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
STATUS OF PRIOR YEAR FINDINGS**

**08-01: RDA Monitoring Reports**

According to Health & Safety Code Section 33418, an Agency should monitor, on an ongoing basis, housing available to low and moderate income families. Monitoring reports from property owners should be submitted annually. Reports should include rental rates, income, and family size. When there is a change in tenancy, current data should be submitted to the Agency by owners. The Agency should monitor activity by requiring owners to submit their monitoring reports.

In 2007, the City recognized that the quality of monitoring of long term rental obligations had been sporadic. To correct that problem, US Communities, a local company that specializes in that type of service, was placed under contract to review records and conduct onsite visits of all properties subject to this monitoring. US Communities has contracts with several other agencies to provide this service and has a unique software package for tracking this information. All of the City's projects have now been entered into the software and US Communities staff, in consultation with the Redevelopment and Housing Manager, is now in the process of notifying property owners or their management companies of any discrepancies and the required corrective action. Either US Communities or a similarly qualified company will be retained to perform this service on an ongoing basis.

Similar to the monitoring of the lease and rental rate documentation, these properties need regular physical inspections to ensure that they are being maintained to Housing Code and habitability standards. In 2007, the City assigned this activity to the Neighborhood Preservation Division, Code Enforcement Section. That division has a citywide multifamily housing inspection program but it did not previously include those projects funded through Housing Division programs. For consistency of inspection standards and record keeping, those programs have been combined. Code Enforcement staff is working closely with US Communities to coordinate inspections and data management.

***Current Status:***

**Current Status to finding 08-01: RDA Monitoring Reports**

The Agency continues to monitor on an ongoing basis its long term rental housing and conduct physical inspection of properties to ensure that they are being maintained to Code.

**08-02: RDA Financial Reporting**

Health & Safety Code §33080.1 requires that the Agency submit the following reports to the State Controller's Office and to the Board within six months after year end:

- a. Independent auditor's report on financial statements
- b. Independent auditor's report on legal compliance
- c. Annual report of Financial Transactions of Community Redevelopment Agencies
- d. Housing activities report
- e. Blight progress report
- f. Loan report
- g. Property report

For the year ended June 30, 2007, the Housing Activities Report was submitted to the State approximately 2 months late and all of the above reports were submitted to the Board approximately 2 months late. The Agency should ensure that the reports are filed timely.

The Redevelopment Agency concurs with the auditor's comments.

***Current Status:***

Current Status to finding 08-02: RDA Financial Reporting

For the year ending June 30, 2008, the Agency submitted all reports to the State Controller's office as stated above. The Agency is on track to file its June 2009 report per Health and Safety Code 33080.1.