MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Concord issues its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"* (GASB 34). GASB 34 requires the City to provide this overview of its financial activities for the fiscal year, which should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL 2012 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

Government-Wide

- The City's total net assets were $805 million at June 30, 2012 compared to $796 million at June 30, 2011, up $9 million from the prior year. Of this total, $728 million were governmental assets and $76 million were business-type assets.
- Government-wide governmental revenues include program revenues of $29.8 million and general revenues of $72 million for a total of $101 million, down $5 million from the prior year's total.
- Total government-wide governmental expenses were $109 million, a decrease of $10 million from the prior year.
- Government-wide business-type revenues were $21 million while expenses were $25 million.

Fund Level

- Governmental Fund balances decreased $25 million in fiscal 2012 to $62 million.
- Governmental Fund revenues decreased to $98 million in fiscal 2012, down $9 million from the prior year.
- Governmental Fund expenditures decreased to $102 million in fiscal 2012, down $4.6 million from the prior year.
- General Fund revenues of $74.2 million in fiscal 2012 reflected an increase of $7.5 million from the prior year.
- General Fund expenditures of $69.5 million reflected an increase of $0.9 million when compared to the prior year.
- The net transfers in reflected in the General Fund totaled $9.1 million out for fiscal 2012 compared with net transfers of $12.8 million in for fiscal 2011.
- General Fund balance of $12.6 million at June 30, 2012 decreased $4.4 million from fiscal 2011.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in five parts:

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

THE BASIC FINANCIAL STATEMENTS

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

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

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

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

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-Major Funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The fiduciary statements provide financial information about the activities of the Concord Retirement System Pension Trust Fund and the Redevelopment Successor Agency (RSA), for which the City acts solely as agent.

The Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

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

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

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

Fiduciary Statements

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

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

The analyses presented below focus on the net assets (Table 1) and changes in net assets (Table 2) of the City as a whole. The information summarizes the Citywide Statement of Net Assets and Statements of Activities stated more fully in the Financial Section of this report. The dissolution of the City of Concord Redevelopment Agency (RDA) and subsequent transfer of assets and debt to the Successor Agency is evidenced in the Citywide Statement of Net Assets and Statements of Activities on the following page.

Table 1: Citywide Net Assets As of June 30, 2012 and 2011 (Dollars in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Cash and Investments	$64.6	$86.6	$32.1	$32.1	$96.7	$118.7
Other Assets	56.0	57.4	2.8	3.1	58.8	60.5
Capital Assets	655.6	686.1	77.9	81.1	733.5	767.2
Total Assets	**776.2**	**830.1**	**112.8**	**116.3**	**889.0**	**946.4**
Long-Term Debt Outstanding	16.1	83.5	22.0	22.9	38.1	106.4
Other Liabilities	31.9	30.7	14.4	13.6	46.3	44.3
Total Liabilities	**48.0**	**114.2**	**36.4**	**36.5**	**84.4**	**150.7**
Net Assets:						
Invested in Capital Assets, Net of Debt	644.0	622.7	56.1	59.4	700.1	682.1
Restricted	64.7	81.6			64.7	81.6
Unrestricted	19.5	11.6	20.3	20.4	39.8	32.0
Total Net Assets	**$728.2**	**$715.9**	**$76.4**	**$79.8**	**$804.6**	**$795.7**

Table 2: Citywide Changes in Net Assets For the Years Ended June 30, 2012 and 2011 (Dollars in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
EXPENSES						
General Government	$13.1	$11.4			$13.1	$11.4
Public Safety	43.4	43.1			43.4	43.1
Public Works	32.0	37.6			32.0	37.6
Community and Economic Development	10.6	15.8			10.6	15.8
Parks and Recreation Services	7.0	7.2			7.0	7.2
Interest on Long-Term Debt	3.3	3.9			3.3	3.9
Sewer			$23.1	$21.7	23.1	21.7
Golf Course			1.3	1.3	1.3	1.3
Total Expenses	**109.4**	**119.0**	**24.4**	**23.0**	**133.8**	**142.0**
REVENUES						
Program Revenues:						
Charges for Services	15.3	20.8	20.7	19.5	36.0	40.3
Operating Contributions and Grants	7.9	6.1			7.9	6.1
Capital Grants	6.6	8.6		0.0	6.6	8.6
Total Program Revenues	29.8	35.5	20.7	19.5	50.5	55.0
General Revenues:						
Taxes:						
Property Taxes	19.4	27.1			19.4	27.1
Sales Taxes	33.9	24.6			33.9	24.6
Other Taxes	9.6	9.2			9.6	9.2
Motor Vehicle in Lieu	8.1	8.8			8.1	8.8
Investment Earnings	0.6	0.6	0.3	0.4	0.9	1.0
Misc. Revenues and Transfers	0.0	0.1	0.0	0.0	0.0	0.1
Total General Revenues	71.6	70.4	0.3	0.4	71.9	70.8
Total Revenues	**101.4**	**105.9**	**21.0**	**19.9**	**122.4**	**125.8**
Change in Net Assets before Transfers	(8.0)	(13.1)	(3.4)	(3.1)	(11.4)	(16.2)
Extraordinary Item (Note 18)	20.3	0.0	0.0	0.0	20.3	0.0
Change in Net Assets	**12.3**	**(13.1)**	**(3.4)**	**(3.1)**	**8.9**	**(16.2)**
Beginning Net Assets	**715.9**	**729.0**	**79.8**	**82.9**	**795.7**	**811.9**
Ending Net Assets	**$728.2**	**$715.9**	**$76.4**	**$79.8**	**$804.6**	**$795.7**

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

Governmental Activities

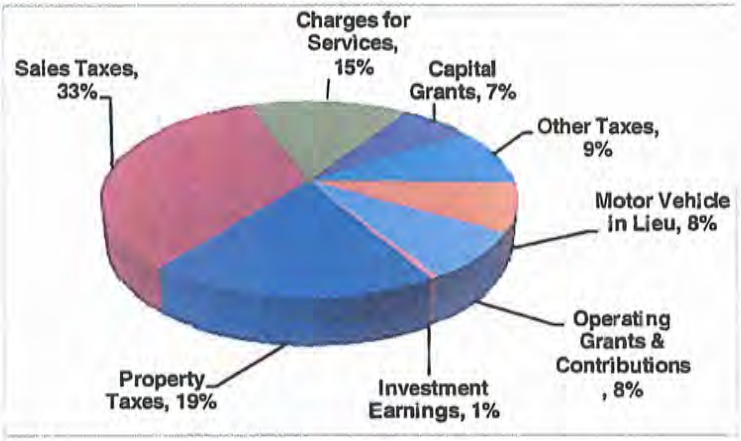
Table 3: Governmental Net Assets As of June 30, 2012 and 2011 (Dollars in Millions)

	Governmental Activities	
	2012	2011
Cash and Investments	$64.6	$86.6
Other Assets	56.0	57.4
Capital Assets	655.6	686.1
Total Assets	**776.2**	**830.1**
Long-Term Debt Outstanding	16.1	83.5
Other Liabilities	31.9	30.7
Total Liabilities	**48.0**	**114.2**
Net Assets:		
Invested in Capital Assets, Net of Debt	644.0	622.7
Restricted	64.7	81.6
Unrestricted	19.5	11.6
Total Net Assets	**$728.2**	**$715.9**

The City's net assets from Governmental Activities increased $12.3 million, or 1.7%, to $728.2 million in 2012. The Governmental Net Assets has significant variances from the prior year in both assets and liabilities, primarily resulting from the dissolution of the RDA and the reallocation of former RDA assets and liabilities to the Successor Agency, as discussed below.

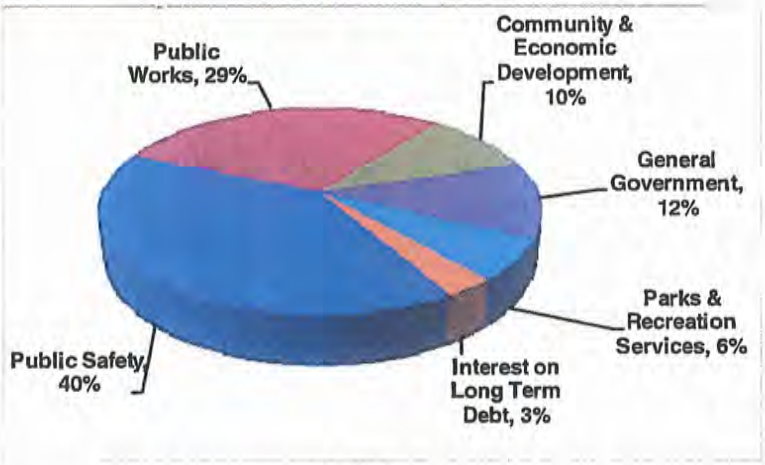
- Cash and investments decreased $22 million, or 25%, to $64.6 million due to the dissolution of the RDA which resulted in the transfer of Redevelopment Agency cash and assets to the Successor Agency.
- Capital assets, net of depreciation, decreased $30.5 million. This decrease is primarily due to the dissolution of the RDA which resulted in a net capital asset transfer to the Successor Agency in the amount of $18.6 million. The remaining $11.9 million decrease results from depreciation and retirements exceeding improvements and additions to infrastructure.
- Long-term debt decreased $67.4 million. This decrease is primarily due to the dissolution of the RDA which resulted in a transfer of debt to the Successor Agency in the amount of $62.1 million. The remaining decrease is the result of scheduled debt service payments.
- Net assets invested in capital assets, net of related debt, increased $21.3 million.
- Restricted net assets decreased $16.9 million primarily due to the dissolution of the RDA.
- Unrestricted net assets reflect the resources that can be used to finance day-to-day operations. Unrestricted net assets increased $7.9 million from the prior fiscal year to $19.5 million at June 30, 2012 primarily due to the dissolution of the RDA and the resulting transfer of assets and debt.

Governmental Activities - Sources of Revenues For the Year Ended June 30, 2012 (see Table 4)



As the Sources of Revenues Chart above shows, 19%, or $19.4 million, of the City's fiscal 2012 governmental activities revenue came from property taxes, 33%, or $33.9 million came from sales taxes, and 15%, or $15.3 million, came from charges for service. The remaining 33% came primarily from three sources – grants, motor vehicle in lieu, and other taxes. The Extraordinary Item of $20.3 million is excluded from the percentages above and is comprised of the net transfer of RDA assets and liabilities to the Successor Agency. See Note 18 for more detailed information.

Governmental Activities - Functional Expenses For the Year Ended June 30, 2012 (see Table 4)



The Functional Expenses Chart above includes only current year expenses, which are discussed in detail below. Public Safety accounted for $43.4 million or 40% of expenses, while Public Works accounted for $32.0 million or 29% of expenses, followed by Community and Economic Development which accounted for $10.6 million or 10% of expenses. The remaining 21% was spread among General Government; Parks and Recreation Services; and interest expense.

The expenses reflected above do not include capital outlay, which is now added to the City's capital assets on the Government-Wide Financial Statements. In 2012, the City's capital assets declined a net of $33.7 million, as discussed above. The details of the changes in capital assets are discussed in Note 7.

declined a net of $33.7 million, as discussed above. The details of the changes in capital assets are discussed in Note 7.

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

Table 4: Changes in Governmental Net Assets
For the Years Ended June 30, 2012 and 2011 (Dollars in Millions)

	Governmental Activities 2012	2011
EXPENSES		
General Government	$13.1	$11.4
Public Safety	43.4	43.1
Public Works	32.0	37.6
Community & Economic Development	10.6	15.8
Community & Recreation Services	7.0	7.2
Interest on Long-Term Debt	3.3	3.9
Total Expenses	**109.4**	**119.0**
REVENUES		
Program Revenues:		
Charges for Services	15.3	20.8
Operating Contributions and Grants	7.9	6.1
Capital Grants	6.6	8.6
Total Program Revenues	29.8	35.5
General Revenues:		
Taxes:		
Property Taxes	19.4	27.1
Sales Taxes	33.9	24.6
Other Taxes	9.6	9.2
Motor Vehicle in Lieu	8.1	8.8
Investment Earnings	0.6	0.6
Miscellaneous Revenues	0.0	0.1
Total General Revenues	71.6	70.4
Total Revenues	**101.4**	**105.9**
Change in Net Assets before Transfers	(8.0)	(13.1)
Transfers	20.3	0.0
Change in Net Assets	**$12.3**	**($13.1)**

Total governmental expenses were $109.4 million in fiscal 2012, reflecting a $9.6 million decrease from the prior year. Decreases in Public Works ($5.6 million) and Community and Economic Development ($5.2 million) were offset by increases in General Government and Public Safety.

Total governmental revenues decreased $4.5 million to $101.4 million in fiscal 2012. The decrease is primarily the result of a $7.7 million decrease in property tax revenue and a $5.5 million decrease in charges for service offset by increases in sales tax revenue and operating grants of $9.3 million and $1.8 million, respectively.

Governmental Activities

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

Table 5: Governmental Activities Net Program Expense As of June 30, 2012 and 2011 (Dollars in Millions)

	Net (Expense) Revenue from Services	
	2012	2011
General Government	($11.5)	($10.4)
Public Safety	(41.4)	(41.3)
Public Works	(12.8)	(20.0)
Community & Economic Development	(8.9)	(7.6)
Community & Recreation Services	(1.7)	(0.3)
Interest on Long-Term Debt	(3.3)	(3.9)
Total	**($79.6)**	**($83.5)**

Business-Type Activities

The net assets of Business-Type Activities decreased to $76.4 million in fiscal 2012, down $3.4 million from $79.8 million in the prior year. Business-Type activities include the Sewer Fund and the Golf Course Fund with net assets of $74.9 million and $1.5 million, respectively.

Table 6: Business-Type Activities Net Assets As of June 30, 2012 and 2011 (Dollars in Millions)

	Business-Type Activities	
	2012	2011
Cash and Investments	$32.1	$32.1
Other Assets	2.8	3.1
Capital Assets	77.9	81.1
Total Assets	**112.8**	**116.3**
Long-Term Debt Outstanding	22.0	22.9
Other Liabilities	14.4	13.6
Total Liabilities	**36.4**	**36.5**
Net Assets:		
Invested in Capital Assets, Net of Debt	56.1	59.4
Unrestricted	20.3	20.4
Total Net Assets	**$76.4**	**$79.8**

Table 7: Changes in Business-Type Activities Net Assets As of June 30, 2012 and 2011 (Dollars in Millions)

	Business-Type Activities 2012	2011
Net Revenues from Business-Type Activities:		
Sewer Fund	($3.8)	($3.4)
Golf Course Fund	0.1	(0.1)
General Revenues:		
Investment Earnings	0.3	0.4
Other	0.0	0.0
Total	**($3.4)**	**($3.1)**

The Sewer Fund generated service fee revenues of $19.4 in fiscal 2012, reflecting a $1.1 million, or 6%, increase over the prior year. Operating expenses increased by $1.5 million, or 7%, to $23.2 million. As a result, the Sewer Fund experienced a $3.8 million operating loss for the year attributable to the City's support of capital project for treatment at the Central Contra Costa Sanitary District. The Golf Course Fund realized a nominal gain in fiscal year 2012.

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2012, the City's governmental funds reported combined fund balances of $62.1 million, a $25.3 million decrease when compared with last year's combined fund balance of $87.4 million. The Redevelopment Agency fund balance decreased $44.4 million with $20.3 million transferred to the Successor Agency and $30.7 million transferred to the Concord Housing Fund, the former RDA's Low and Moderate Housing Fund successor agency.

Governmental fund revenues decreased $8.3 million, or 8%, this year to $98.3 million from $106.6 million in the prior year. General Fund revenues increased $7.5 million, or 11%, due to receiving the first full year of Measure Q sales tax ($10 million). Redevelopment Agency revenues decreased $7.9 million due to its dissolution. General Reimbursable Project revenues decreased $7.6 million. Other Governmental fund revenues decreased $0.6 million.

Governmental expenditures decreased $4.6 million this year to $102.1 million from $106.7 million in the prior year. General Fund expenditures increased $0.9 million to $69.5 million. Redevelopment Agency expenditures decreased $6.0 million. General Reimbursable Project expenditures increased $2.1 million. Other Governmental fund expenditures decreased $1.7 million.

Other Financing Sources (Uses) are primarily comprised of transfers among the various funds in the City. During fiscal 2012, the General Fund received transfers in of approximately $2.9 million to reimburse operating costs and fund debt service and transferred out $12.0 million comprised primarily of land and improvements returned to the Redevelopment Agency and then to the Successor Agency as the result of the California State Controller's claw back demand.

Proprietary Funds

Enterprise fund net assets decreased to $76.4 million in fiscal 2012, down $3.4 million from $79.8 million in the prior year. Enterprise operating revenues were $20.7 million this year, up $1.2 million from last year. Enterprise Fund operating expenses were $23.5 million in fiscal 2012, up $1.5 million from $22.0 million in the prior year.

Internal service fund net assets decreased to $45.7 million in fiscal 2012, down $21.4 million from $67.1 million in the prior year. This decrease is primarily due to the dissolution of the RDA which resulted in a transfer of buildings and improvements to the Successor Agency in the amount of $18.1 million. The remaining decrease is the result of operating expenses exceeding revenues.

ANALYSES OF MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund revenues totaled $74.2 million, reflecting an increase of $7.5 million, or 11%, over the prior fiscal year, due primarily to revenue from the voter-approved Measure Q sales tax. General Fund operating expenditures increased $0.9 million primarily due to a change in the way internal service charges are allocated. In prior years, the costs were allocated to departments and in fiscal 2012, the charges were paid from General Government.

Table 8: Changes in General Fund As of June 30, 2012 and 2011 (Dollars in Millions)

	General Fund Revenues and Expenditures 2012	2011
REVENUES		
Taxes:		
Property Taxes	$11.4	$11.4
In Lieu Property Taxes - VLF	8.1	8.3
Sales Taxes	18.2	17.7
Measure Q Sales Taxes	10.0	2.1
In Lieu Sales Taxes	5.7	4.8
Other Taxes	9.4	9.1
Licenses and Permits	1.3	1.2
Intergovernmental	0.4	0.9
Charges for Services	7.6	9.5
Investment Earnings	0.4	0.2
Miscellaneous Revenues	1.7	1.5
Total Revenues	**74.2**	**66.7**
EXPENDITURES		
General Government	$12.3	$10.5
Public Safety	41.9	40.1
Public Works	5.8	8.5
Community and Economic Development	4.7	3.8
Parks and Recreation Services	4.7	5.6
Interest on Long-Term Debt	0.1	0.1
Total Expenditures	**69.5**	**68.6**
Excess (Deficiency) of Revenues Over Expenditures	**4.7**	**(1.9)**
OTHER FINANCING SOURCES (USES)		
Transfers In	2.9	13.8
Transfers Out	(12.0)	(1.0)
Total Other Financing Sources (Uses)	**(9.1)**	**12.8**
Net Change in Fund Balance	**(4.4)**	**10.9**
Fund Balance at Beginning of Year	**17.0**	**6.1**
Ending Fund Balance	**$12.6**	**$17.0**

Property taxes remained flat compared to the prior year at $11.4 million. Sales tax, excluding Measure Q funds, had a nominal increase of $0.5 million. The City received the first full year of Measure Q sales tax of $9.97 million in fiscal 2012 compared to one fiscal quarter in 2011 of $2.1 million.

At June 30, 2012, the General Fund fund balance totaled $12.6 million compared to $17.0 million in the prior year. The variance of $4.4 million primarily results from the return of assets to the former RDA offset by Measure Q sales tax revenue. The ending fund balance consisted of $2.2 million categorized as nonspendable; $7.6 was assigned; and $2.9 million was unassigned. Refer to Note 9 for more information.

Former Redevelopment Agency

This fund accounts for all activities and elimination of the former Redevelopment Agency (RDA), including property tax increment and other former Redevelopment Agency revenues; the accumulation of funds to pay debt service on the Agency's bonds and lease agreements; and capital projects in the former Redevelopment Agency's project areas.

On June 28, 2011, the State of California adopted the Redevelopment Dissolution Act (ABx1 26 and ABx1 27) as part of the FY 2011-12 State Budget. In December 2012, the California Supreme Court upheld ABx1 26 and struck down ABx1 27. As a result, the RDA was dissolved on February 1, 2012, and was replaced by the Successor Agency Private Purpose Trust Fund and the Concord Housing Fund, as special revenue fund, as the City opted to fill the role of the Housing Successor Agency. RDA activity reported in these financial statements include the regular activity of the RDA from July 1, 2011 through January 31, 2012 and the subsequent transfer of all remaining assets to the appropriate successor funds. The approved Successor Agency Private Purpose Trust Fund activities to wind down former RDA affairs include paying off existing obligations, disposing of properties, and the liquidation of reserves. The Successor Agency Private Purpose Trust Fund is not a component unit of the City and is instead a separate legal entity overseen by an Oversight Board and the State Department of Finance. The City's role is fiduciary in nature. Additional information about the dissolution of the RDA is included in the transmittal letter and the notes to the financial statements.

General Reimbursable Projects Fund

This fund tracks capital project costs that are reimbursable from grants. The fund's revenues were $2.9 million in fiscal 2012, a decrease of $7.6 million compared to $10.5 million in fiscal 2011. Fund expenditures were $11.7 million in fiscal 2012 compared to $9.5 million in fiscal 2011.

The fund had a deficit balance at year end of $0.9 million compared to $7.5 million in fiscal 2011 primarily due to the use of reserves from debt proceeds for the citywide energy efficiency projects.

Other Governmental Funds

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

ANALYSES OF MAJOR PROPRIETARY FUNDS

Sewer Fund

Net assets of the Sewer Fund at fiscal year end were $74.9 million, a decrease of $3.6 million compared to $78.5 million at June 30, 2011. Net assets invested in capital assets were $54.1 million and $20.8 million were unrestricted at June 30, 2012.

Golf Course Fund

Golf Course revenues increased to $1.4 million in fiscal 2012 from $1.3 million in fiscal 2011 while operating expenses remained flat. Net assets increased slightly to $1.5 million.

CAPITAL ASSETS

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

In accordance with GASB 34, in fiscal 2002, the City recorded the cost of all its infrastructure assets and computed the amount of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal 2012, the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 9 below:

Table 9: Capital Assets For the Years Ended June 30, 2012 and 2011 (Dollars in Millions)

	Balance at June 30, 2012	Balance at June 30, 2011
Governmental Activities		
Land	$15.1	$16.0
Construction in Progress	10.5	4.0
Ground Improvements	16.4	15.7
Buildings and Improvements	46.1	77.3
Machinery and Equipment	11.5	10.9
Vehicles	8.6	8.1
Streets	426.6	425.0
Sidewalks	47.3	47.0
Storm Drains/Catch Basins	443.3	443.3
Street Lights	4.3	2.5
Traffic Signals	26.2	25.7
Less: Accumulated Depreciation	(400.3)	(389.5)
Governmental Activity Capital Assets, Net	**$655.6**	**$686.0**
Business-Type Activities		
Land	$0.4	$0.4
Construction in Progress	1.3	0.3
Buildings and Improvements	8.7	8.7
Machinery and Equipment	0.2	0.3
Sewer Lines	209.5	209.3
Less: Accumulated Depreciation	(142.2)	(137.9)
Business-Type Activity Capital Assets, Net	**$77.9**	**$81.1**

The principal additions to governmental capital assets in fiscal 2012 were construction projects not completed as of year end. The reduction of $31.2 million in Buildings and Improvements resulted from the transfer of assets back to the RDA. Business-Type capital assets remained relatively flat. The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Further detail on capital assets, current year additions, construction in progress and depreciation can be found in Note 7.

DEBT ADMINISTRATION

The City made all scheduled debt service payments. Each of the City's debt issues is discussed in detail in Note 8 to the Financial Statements. In September 2012, the City issued Wastewater Revenue Refunding Bonds to provide for a refunding of the 2004 Wastewater System Certificates of Participation. Refer to Note 19 for more detailed information. At June 30, 2012, the City's debt was comprised of the following issues:

Table 10: Outstanding Debt As of June 30, 2012 and 2011 (Dollars in Millions)

	June 30, 2012	June 30, 2011	Net Change
Governmental Activity Debt:			
Revenue Bonds:			
1993 Lease Revenue Bonds, 2.70 - 5.25%, due 8/1/19	$0.0	$1.4	($1.4)
1995 Lease Revenue Bonds, 6.33 - 8.24%, due 8/1/20	3.4	4.0	(0.6)
2001 Lease Revenue Bonds, 4.00 - 5.13%, due 3/1/23	0.0	6.5	(6.5)
Tax Allocation Bonds:			
Tax Allocation Refunding Bonds, Series 2004			
3.90 - 5.05%, due 7/1/25	0.0	57.2	(57.2)
Less deferred amount on refunding	0.0	(2.0)	2.0
Certificates of Participation:			
ABAG 41 - Centre Concord, 4.00 - 5.00%, due 8/1/18	0.0	0.1	(0.1)
Refunding Lease Agreement			
3.60%, due 9/2/13	1.2	4.6	(3.4)
Lease Purchase Agreement			
4.75%, due 6/30/27	8.3	8.4	(0.1)
Notes Payable:			
3.00%, due 03/01/14	1.4	1.3	0.1
Capital Lease:			
Key Government Finance, 4.65%, due 09/15/12	0.0	0.2	(0.2)
Cisco VOIP Equipment, 3.95%, due 7/9/14	0.3	0.3	0.0
Hubb Systems Mobile Digital Computers, 4.75%, due 7/9/1	0.2	0.3	(0.1)
Motorola Safety Radio, 3.03%, due 12/1/16	0.9	1.1	(0.2)
NetApp Capital Solutions Software, 3.44%, due 04/01/16	0.3	0.0	0.3
Color Hybrid Multi-Function Printer Equipment, 5.5%, due 1	0.1	0.1	0.0
Total Governmental Activity Debt	**$16.1**	**$83.5**	**($67.3)**
Business-Type Activity Debt:			
Enterprise Long Term Debt:			
2004 Certificates of Participation, Wastewater System Improvements, 2.00 - 4.63%, due 2/1/29	$9.7	$10.1	($0.4)
2007 Certificates of Participation, Wastewater System Improvements, 3.75 - 4.50%, due 2/1/32	11.1	11.4	(0.3)
ABAG 41 Certificates of Participation, Diablo Creek Golf Course, 4.00 - 5.00%, due 8/1/18	1.3	1.4	(0.1)
Total Business-Type Activity Debt	**$22.1**	**$22.9**	**($0.8)**

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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