

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

**FOR THE YEAR ENDED JUNE 30, 2007**

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**REDEVELOPMENT AGENCY  
OF THE CITY OF CONCORD  
Basic Component Unit Financial Statements  
For the Year Ended June 30, 2007**

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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, 2007, 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, 2007 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 26, 2007 on our consideration of the Agency's internal control structure and on its compliance with laws and regulations

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

*Maze and Associates*

October 26, 2007

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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 2007 FINANCIAL HIGHLIGHTS**

Financial highlights of the year include the following:

##### *Agency-Wide:*

- Total Agency revenues were \$29.7 million, an increase of \$14.5 million from the prior year.
- Total Agency expenses were \$13.4 million, compared with \$12.3 million in 2006.
- The Agency's net assets were \$11.8 million at June 30, 2007, an improvement of \$16.2 million over the prior year.

*Fund Basis:*

- Total revenues at the Fund level were \$17.4 million, compared with \$14.7 million in 2006.
- Total expenditures were \$14.1 million, an increase of \$0.9 million over the prior year.
- Net transfers out and other financing uses were \$14.9 million.
- Fund balances increased \$18.2 million in fiscal 2007, to a new total of \$65.8 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 \$11.8 million in 2007 from a deficit of \$4.4 million in 2006. This increase is the Change in Net Assets (Deficit) reflected in the Statement of Activities. The Agency's June 30, 2007 net assets are discussed below:

- Cash and investments available for the Agency's operations were \$33.6 million, all of which was invested in accordance with applicable State statutes and City ordinances in the City of Concord cash and investment pool.
- Cash and investments held by fiscal agents were \$4.3 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 \$20.7 million. These loans were made under various programs and substantially all are long-term in nature.
- The Agency owns land that cost \$10 million, which is being held for resale or redevelopment as discussed in Note 1F. During fiscal 2007 the Agency purchased one parcel for \$1.3 million.
- Capital assets were \$24.4 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 \$1.2 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 \$80.7 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, 2007. The \$11.6 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 \$14.3 million, including \$4.3 million restricted for payment of debt service and \$10 million that may only be used for community development projects.
- Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The Agency's unrestricted net assets (deficit) totaled \$14.1 million at June 30, 2007.

### **Fiscal 2007 Governmental Activities**

The Agency's fiscal 2007 revenue came primarily from property tax increments, which was \$13.9 million after the reduction of \$0.3 million and \$0.8 million for tax increment pass through payments and tax increment rebates, respectively. Agency efforts in the community have resulted in higher assessed values in the area, and property tax increment increased \$1.6 million. Investment earnings contributed an additional \$2 million in fiscal 2007.

Agency expenses of \$13.4 million in fiscal 2007 were principally for development purposes, which totaled \$6.6 million, and interest on long term debt, which amounted to \$4.2 million. The Agency also transferred \$2.4 million to the City of Concord, which it accounts for it as an expense as explained in Note 5C.

At June 30, 2007, the Agency's Governmental Funds reported combined fund balances of \$65.8 million, which is an increase of \$18.2 million compared with the prior year. This increase represented the excess of total fund revenues and transfers in over total fund expenditures and transfers out for the year.

All the Agency's tax increments are received by the General Capital Projects Fund. Revenues are then transferred to other funds for debt service and low-and-moderate-income housing purposes. Net tax increment revenues were \$13.9 million in fiscal 2007, a \$2.5 million increase from the previous year after the \$0.3 million tax increment pass through payment and \$0.8 million tax increment rebate payment. The Fund's expenditures were primarily for planning and economic development projects including the East Street undergrounding of utilities, ADA improvements, and the Concord Reuse Project (Naval Weapons Station), amounting to \$4.2 million in fiscal 2007. Intra-fund transfers out were made totaling \$9.2 million and \$2.4 million was transferred to the City in fiscal 2007. During fiscal 2007 the Agency sold one parcel to a developer for \$17.2 million which resulted in a gain on the sale of \$12 million. The Fund balance increased \$18.2 million in fiscal 2007 to a new balance of \$65.8 million.

The Low and Moderate Income Housing Fund received \$3 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 2007, up slightly from the prior year due to increased cash balances, and expended \$1.4 million on the development of low-and-moderate-income housing.

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

The Agency has made loans to eligible individuals and several non-profit organizations totaling \$20.7 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 \$6.2 million from the General Capital Projects Fund. These transfers, together with \$0.2 million in investment income, funded debt service expenditures totaling \$6.4 million in fiscal 2007. The Fund accounts for the payment of interest and principal on the Agency's Tax Allocation Bonds issued in 1988, 1993 and 2004.

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

## **CAPITAL ASSETS**

Capital assets of \$24.4 million at June 30, 2007 represent land, buildings and structures. The principal item constructed in fiscal 2007 was the Todos Santos Plaza improvements on which \$0.4 million was expended. The project is expected to be completed in fiscal 2008. 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, 2007, the Agency's debt comprised several Tax Allocation Bond issues with interest rates of from 3.9% 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, 2007**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and investments (Note 2)	\$33,555,034
Cash with fiscal agents (Note 2)	4,345,231
Accounts receivable	10,329
Interest receivable	355,916
Loans and notes receivable, net of reserves (Note 3)	20,692,784
Prepaid items	22,918
Land held for redevelopment (Note 1F)	9,960,312
Equity in partnership (Note 4)	1,221,894
Capital Assets, net of depreciation (Note 6)	<u>24,387,446</u>
Total assets	<u>94,551,864</u>
<b>LIABILITIES:</b>	
Accounts, deposits and contracts payable	30,328
Accrued liabilities	456,273
Bonds interest payable	1,526,586
Long-term debt (Note 7):	
Due in one year	4,100,000
Due in more than one year	<u>76,627,955</u>
Total liabilities	<u>82,741,142</u>
<b>NET ASSETS (Note 9):</b>	
Invested in capital assets, net of related debt	<u>11,620,474</u>
Restricted for:	
Debt service	4,345,231
Community development projects	<u>9,960,312</u>
Total restricted net assets	<u>14,305,543</u>
Unrestricted net assets	<u>(14,115,295)</u>
Total net assets	<u><u>\$11,810,722</u></u>

See accompanying notes to financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Governmental Activities</u>
<b>Expenses:</b>	
General Government	\$41,839
Building, Engineering & Neighborhood Services	76,435
Planning and Economic Development	6,676,371
Public Works	35,067
Interest on long term debt	4,189,034
Transfers to the City of Concord	<u>2,425,756</u>
Total program expenses	<u>13,444,502</u>
<b>General revenues:</b>	
Incremental property taxes	13,904,384
Investment earnings	2,344,474
Lease	1,330,950
Other	123,142
Gain on sale of capital assets	<u>11,994,854</u>
Total general revenues and transfers	<u>29,697,804</u>
<b>Change in Net Assets</b>	16,253,302
Net Assets (Deficit)-Beginning	<u>(4,442,580)</u>
Net assets-Ending	<u><u>\$11,810,722</u></u>

See accompanying notes to financial statements

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<b>FUND FINANCIAL STATEMENTS</b>
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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, 2007

	<u>Low and Moderate Income Housing</u>	<u>Debt Service</u>	<u>General Capital Projects</u>
<b>ASSETS:</b>			
Cash and investments (Note 2)	\$3,704,034		\$29,777,417
Cash with fiscal agents (Note 2)		\$4,345,231	
Accounts receivable	201		10,128
Interest receivable			355,916
Loans and notes receivable (Note 3)	18,144,819		2,547,965
Advance to other funds (Note 5A)	9,495,937		
Prepaid items	1,943		20,975
Land held for redevelopment (Note 1F)			9,960,312
Equity in partnership (Note 4)			1,221,894
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$31,346,934</u>	<u>\$4,345,231</u>	<u>\$43,894,607</u>
<b>LIABILITIES:</b>			
Accounts, deposits and contracts payable			\$30,328
Accrued liabilities	\$456,273		
Deferred revenue	2,035,505		1,868,521
Advance from other funds (Note 5A)			9,495,937
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,491,778</u>	<hr/>	<u>11,394,786</u>
<b>FUND BALANCES</b>			
Fund balances (Note 9)			
Reserved for:			
Encumbrances	15,979		1,414,029
Loans and notes	16,109,314		679,444
Advance to other funds	9,495,937		
Prepaid items	1,943		20,975
Land held for redevelopment			9,960,312
Equity in partnership			1,221,894
Debt service		\$4,338,301	
Low and moderate income housing	2,548,018		
Unreserved:			
Designated for:			
Capital projects	683,965		2,364,042
Unrealized increase in fair value of investments		6,930	
Unreserved, undesignated			16,839,125
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>28,855,156</u>	<u>4,345,231</u>	<u>32,499,821</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$31,346,934</u>	<u>\$4,345,231</u>	<u>\$43,894,607</u>

See accompanying notes to financial statements

<u>Police Facilities Lease Revenue Capital Projects</u>	<u>Total Governmental Funds</u>
\$73,583	\$33,555,034
	4,345,231
	10,329
	355,916
	20,692,784
	9,495,937
	22,918
	9,960,312
	1,221,894
<u>\$73,583</u>	<u>\$79,660,355</u>
	\$30,328
	456,273
	3,904,026
	9,495,937
	<u>13,886,564</u>
	1,430,008
	16,788,758
	9,495,937
	22,918
	9,960,312
	1,221,894
	4,338,301
	2,548,018
	3,048,007
	6,930
<u>\$73,583</u>	<u>16,912,708</u>
<u>73,583</u>	<u>65,773,791</u>
<u>\$73,583</u>	<u>\$79,660,355</u>

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 GOVERNMENTAL FUNDS  
 RECONCILIATION OF GOVERNMENTAL  
 FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
 JUNE 30, 2007

Total fund balances reported on the governmental funds balance sheet	\$65,773,791
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:	
<b>CAPITAL ASSETS</b>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	24,387,446
<b>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</b>	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	3,904,026
<b>LONG TERM ASSETS AND LIABILITIES</b>	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Bond interest payable	(1,526,586)
Long-term debt	(83,984,248)
Deferred loss on refunding of debt issue	3,256,293
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$11,810,722</b>

See accompanying notes to financial statements

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REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Low and Moderate Income Housing</u>	<u>Debt Service</u>	<u>General Capital Projects</u>
<b>REVENUES</b>			
Incremental property taxes			\$14,993,137
less tax increment pass through payment			(254,361)
less tax increment rebate			(834,392)
Investment earnings	\$189,858	\$151,664	1,688,260
Lease income (Note 7C)			1,330,950
Other	2,357		120,785
	<u>192,215</u>	<u>151,664</u>	<u>17,044,379</u>
<b>EXPENDITURES</b>			
General Government			41,839
Building, Engineering & Neighborhood Services	34,851		41,584
Planning and Economic Development	1,399,750		4,166,119
Public Works			751,938
Debt service:			
Principal		3,265,000	620,480
Interest and fiscal charges		3,098,035	710,470
	<u>1,434,601</u>	<u>6,363,035</u>	<u>6,332,430</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,242,386)</u>	<u>(6,211,371)</u>	<u>10,711,949</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of property			17,294,854
Transfers to the City (Note 5C)	(582,672)		(1,843,084)
Transfers in (Note 5B)	2,998,627	6,201,450	
Transfers (out) (Note 5B)			(9,200,077)
	<u>2,415,955</u>	<u>6,201,450</u>	<u>6,251,693</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,173,569	(9,921)	16,963,642
Fund balances at beginning of year	<u>27,681,587</u>	<u>4,355,152</u>	<u>15,536,179</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u><u>\$28,855,156</u></u>	<u><u>\$4,345,231</u></u>	<u><u>\$32,499,821</u></u>

See accompanying notes to financial statements

<u>Police Facilities Lease Revenue Capital Projects</u>	<u>Total Governmental Funds</u>
	\$14,993,137
	(254,361)
	(834,392)
\$3,010	2,032,792
	1,330,950
	123,142
<u>3,010</u>	<u>17,391,268</u>
	41,839
	76,435
	5,565,869
	751,938
	3,885,480
	3,808,505
	<u>14,130,066</u>
<u>3,010</u>	<u>3,261,202</u>
	17,294,854
	(2,425,756)
	9,200,077
	(9,200,077)
	<u>14,869,098</u>
3,010	18,130,300
<u>70,573</u>	<u>47,643,491</u>
<u>\$73,583</u>	<u>\$65,773,791</u>

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, 2007

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 \$18,130,300

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	534,788
Depreciation expense is deducted from fund balance	(928,419)
Retirements of capital assets are deducted from fund balance	(5,300,000)

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	3,265,000
Capital appreciation bonds accretion is deducted from fund balance	(133,477)
Repayment of leases payable principal is added back to fund balance	620,480
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	(47,988)
Interest payable	48,975
Conditional grant	359,670
	359,670

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$16,253,302
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See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$185,426	\$185,426	\$189,858	\$4,432
Other			2,357	2,357
Total Revenues	<u>185,426</u>	<u>185,426</u>	<u>192,215</u>	<u>6,789</u>
<b>EXPENDITURES</b>				
Building, Engineering & Neighborhood Services	39,551	39,551	34,851	4,700
Planning & Economic Development	1,604,404	1,638,429	1,399,750	238,679
Total Expenditures	<u>1,643,955</u>	<u>1,677,980</u>	<u>1,434,601</u>	<u>243,379</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,613,122	2,613,122	2,998,627	385,505
Transfers out		(489,505)	(582,672)	(93,167)
Total Other Financing Sources (Uses)	<u>2,613,122</u>	<u>2,123,617</u>	<u>2,415,955</u>	<u>292,338</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$1,154,593</u>	<u>\$631,063</u>	1,173,569	<u>\$542,506</u>
Fund balance at beginning of year			<u>27,681,587</u>	
Fund balance at end of year			<u>\$28,855,156</u>	

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

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

**A. General**

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

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

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

**C. Major Funds**

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

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

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

**DEBT SERVICE FUND**

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

**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, 2007 the Agency held the following properties for resale or redevelopment:

- a) A parcel of land held by the Agency was purchased in fiscal year 2007 which will be held for resale for future development projects.
- b) 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.
- c) A parcel of land was purchased in fiscal year 2002 which is to be sold in the future for the Town Center Project.
- d) 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

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

- e) 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 expects the remaining acreage to be sold in the near future.
- f) A parcel purchased in fiscal year 1999 which is to be sold in the future for development projects.
- g) 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	\$33,555,034
Cash with fiscal agents	4,345,231
Total Cash and Investments	<u><u>\$37,900,265</u></u>

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

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

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

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

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

- (A) Total combined corporate debt (Commercial Paper and Medium Term Notes) may not exceed 30% of the cost value of the portfolio.
- (B) Investments in derivative securities will be made using the Prudent Investor Rule and will be limited to federal agency callable issues.

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

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

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

**C. *Investments Authorized by Debt Agreements***

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

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

**D. *Interest Rate Risk***

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

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

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

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

Investment Type	Remaining Maturity (in Months)	
	12 or Less	Total
Federal Agency Securities	\$1,988,995	\$1,988,995
California Local Agency Investment Fund	30,416,124	30,416,124
City of Concord Investment Pool	1,149,915	1,149,915
Held by bond trustee:		
Money Market Mutual funds (U.S. Securities)	255,377	255,377
Federal Agency Securities	882,941	882,941
U.S. Treasury Notes	3,206,913	3,206,913
Total investments	<u>\$37,900,265</u>	<u>\$37,900,265</u>

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2007, these investments have an average maturity of 176 days.

Money market funds are available for withdrawal on demand and at June 30, 2007, have an average maturity of 26 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, 2007, the cost of investments was \$16,748 less than the Agency's fair market value. The Agency's policy is to hold investments to maturity.

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

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

*E. Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Pooled investments are not rated because of their pooled, rather than individual, nature. Presented below is the actual rating as of June 30, 2007 for each investment type:

Investment Type	AAA	Total
Federal Agency Securities	\$2,871,936	\$2,871,936
Money Market Mutual Funds (U.S. Securities)	255,377	255,377
Total investments	\$3,127,313	3,127,313
Not rated:		
California Local Agency Investment Fund		30,416,124
City of Concord Investment Pool		1,149,915
Exempt from credit rating disclosures:		
U.S. Treasury Notes		3,206,913
Total Investments		\$37,900,265

**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 2008.

Housing Conservation	\$1,992,216
Downtown Revitalization and	
Low and Moderate Income Housing Rehabilitation	13,735,252
Lakeside Apartments	2,498,879
Virginia Lane	2,466,437
Total loans and notes receivable	\$20,692,784

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

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

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

**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, a loan in the amount of \$94,596 has been made to a City employee for the rehabilitation of a residential property.

**Lakeside Apartments**

The Agency entered into a loan agreement with Lakeside Apartments, L.P. for the acquisition and rehabilitation of Lakeside apartments. The outstanding balance of the loan bears interest at a rate of 2% 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.

**Conditional Grants**

The Agency entered into an Owner Participation Agreement in fiscal 2003 with a developer to develop a high-rise office project on a property. A loan was made to the developer and this loan provides for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The Agency accounted for these loans as conditional grants in the Agency-wide financial statements, and provided a reserve against their eventual forgiveness. At June 30, 2007, the loan had been forgiven.

**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.

**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

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

During fiscal year 2007, sales tax collections exceeded the threshold, therefore the Agency disbursed interest to Fry's in accordance with the terms of the agreement. At June 30, 2007, 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, 2006; the Redevelopment Agency's equity in the Partnership's assets was \$1,221,894 at that date and its share of the Partnership's net income for the year then ended was \$122,061. 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, 2007 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 \$2,998,627 to the Low and Moderate Income Housing Special Revenue Fund for the State required set-aside increment tax revenues and also transferred \$6,201,450 to the Debt Service Fund to fund debt service payments.

**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 2007, the General Capital Projects Fund transferred \$1,843,084 to the City to fund capital projects, to fund its share of future postretirement healthcare benefits and as reimbursement of lease payments made to the Agency. The Low and Moderate Income Housing Special Revenue Fund transferred \$582,672 to the City to fund its share of future postretirement healthcare benefits.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

**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, 2007:

	Balance at June 30, 2006	Additions	Retirements	Balance at June 30, 2007
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$6,175,884		(\$5,300,000)	\$875,884
Construction in progress		\$534,788		534,788
Total capital assets not being depreciated	<u>6,175,884</u>	<u>534,788</u>	<u>(5,300,000)</u>	<u>1,410,672</u>
Capital assets being depreciated:				
Buildings and structures	30,947,333			30,947,333
Less: depreciation	(7,042,140)	(928,419)		(7,970,559)
Total capital assets being depreciated	<u>23,905,193</u>	<u>(928,419)</u>		<u>22,976,774</u>
Governmental activity capital assets, net	<u>\$30,081,077</u>	<u>(\$393,631)</u>	<u>(\$5,300,000)</u>	<u>\$24,387,446</u>

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

**NOTE 7 – LONG-TERM DEBT**

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

	Original Principal Amount	Balance as of July 1, 2006	Additions	Retirements	Balance as of June 30, 2007	Current Portion
<i>Governmental Activity:</i>						
<i>1993 Tax Allocation Bonds:</i>						
<i>1993 Senior Bonds:</i>						
Capital Appreciation Bonds, 5.7- 5.75%, due 07/01/08	\$1,103,675	\$2,308,799	\$133,477		\$2,442,276	\$60,000
<i>2004 Tax Allocation Refunding Bonds</i>						
3.9-5.05%, due 07/01/25	72,310,000	72,040,000		\$3,265,000	68,775,000	3,330,000
Less deferred amount on refunding		(3,552,320)		(296,027)	(3,256,293)	
Total Tax Allocation Bonds		<u>70,796,479</u>	<u>133,477</u>	<u>2,968,973</u>	<u>67,960,983</u>	<u>3,390,000</u>
<i>Loans Payable:</i>						
Police Facilities, 2.70- 5.25%, due 08/01/19	9,700,000	5,918,454		290,446	5,628,008	350,000
Parking Garage, 4.0-5.13% due 03/01/23	9,580,000	7,468,998		330,034	7,138,964	360,000
Total Leases Payable		<u>13,387,452</u>	<u>0</u>	<u>620,480</u>	<u>12,766,972</u>	<u>710,000</u>
<b>Total Governmental Activity Debt</b>		<u><u>\$84,183,931</u></u>	<u><u>\$133,477</u></u>	<u><u>\$3,589,453</u></u>	<u><u>\$80,727,955</u></u>	<u><u>\$4,100,000</u></u>

**B. Tax Allocation Bonds**

Tax Allocation Bonds 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.

1993 Capital Appreciation Bonds outstanding balance increased \$133,477 due to the increase in accreted value; unaccreted discount totaled \$137,724 at June 30, 2007. Principal and interest payment of \$60,000 and \$2,520,000 are due on July 1, 2007 and July 1, 2008, respectively.

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

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

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

**C. Leases 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 \$1,330,950 in fiscal 2007. 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, 2007 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	Accretion
2008	\$3,962,276	\$4,507,621	\$137,724
2009	4,270,000	4,354,624	
2010	4,315,000	4,185,821	
2011	4,505,000	3,960,499	
2012	4,690,000	3,723,152	
2013-2017	26,575,000	14,531,482	
2018-2022	25,260,000	6,106,367	
2023-2026	10,406,972	1,178,078	
Total	83,984,248	<u>\$42,547,644</u>	<u>\$137,724</u>
Reconciliation of long-term debt:			
Less unamortized deferred amount on refunding	<u>(3,256,293)</u>		
Total	<u>\$80,727,955</u>		

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

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

**NOTE 8 – RISK MANAGEMENT**

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

Type of Coverage (Deductible)	Coverage Limits
General Liability (\$500,000)	\$25,000,000
Worker's Compensation (\$500,000)	200,000,000
All Risk Property Including Flood (\$10,000)	600,000,000
Earthquake & Flood (10% with a \$100,000 minimum)	50,000,000

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

The City's deposits with CPEIA are in accordance with formulas established by CPEIA. 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 CPEIA are available from CPEIA at 3017 Gold Canal Drive, Suite 300, Rancho Cordova, CA 95670.

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

For the years ended June 30, 2007, 2006 and 2005 the amount of settlements did not exceed insurance coverage.

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

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

**A. Net Assets**

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

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

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

**NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)**

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

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

**B. Reserves**

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The Agency cannot modify or remove these restrictions or reserves. At June 30, 2007, reserves included:

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

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

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

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

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

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# MAZE & ASSOCIATES

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*

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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, 2007, and have issued our report thereon dated October 26, 2007. 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. However, we did note other matters that are included in the Schedule of Other Matters in our separate Memorandum on Internal Control dated October 26, 2007.

### *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*, except as noted on the Schedule of Current Year Findings.

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.

*Maze and Associates*

October 26, 2007

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
SCHEDULE OF CURRENT YEAR FINDINGS**

**07-01: 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

While the above reports were submitted to the State Controller's Office timely, the Agency was unable to provide evidence that the above reports for the year ended June 30, 2006 were submitted to the Board by December 31, 2006. In order to be in compliance with the Health & Safety Code, the Agency should ensure that the reports are filed timely.

**Management's Response:**

The Agency cannot find written proof that the FY05/06 annual report was presented to the Board before December 31, 2006. The Redevelopment Agency plans to submit this report to the Board at the next available opportunity.