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

FOR THE YEAR ENDED JUNE 30, 2010

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OF THE CITY OF CONCORD
BASIC COMPONENT UNIT FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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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, 2010, 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, 2010 and the respective changes in financial position and budgetary comparisons listed as part of the basic component unit financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010 on our consideration of the City of Concord's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Maze & Associates

November 5, 2010

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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 2010 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

Agency-Wide:

- Total Agency revenues were $18.7 million, a decrease of $0.4 million from the prior year.
- Total Agency expenses were $19.9 million, compared with $15.8 million in 2009.
- The Agency's net assets were $14.4 million at June 30, 2010, a decrease of $1.2 million over the prior year.

Fund Basis:

- Total revenues at the Fund level were $18.2 million, compared with $18.8 million in 2009.
- Total expenditures were $24.6 million, an increase of $7.3 million over the prior year.
- Net transfers in and other financing sources totaled $1.5 million.
- Fund balances decreased $4.9 million in fiscal 2010, to a new total of $58 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 for each of 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 decreased to $14.4 million in 2010 from $15.7 million in 2009. This decrease is the Change in Net Assets reflected in the Statement of Activities. The Agency's June 30, 2010 net assets are discussed below:

- Cash and investments available for the Agency's operations were $21.5 million, all of which was invested in accordance with applicable State statutes and City ordinances in the City of Concord cash and investment pool.

- Cash and investments held by fiscal agents totaled $3.4 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 $22.7 million. These loans were made under various programs and are substantially all long-term in nature.

- The Agency owns land that cost $11.4 million, which is being held for resale or redevelopment as discussed in Note 1F. There was no change in the value of land held for resale during fiscal year 2010.

- Capital assets were $21.8 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 $1.6 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 $69.3 million, all of which was Tax Allocation Bonds secured by future allocations of property tax increments or ground lease revenues; Loans Payable; and a Refunding Lease Agreement entered into in fiscal year 2010. Long-term debt is discussed further 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's investment in capital assets at June 30, 2010. The $14.2 million balance relates to the net capital value less the outstanding balance of debt associated with the Police Facility and the Parking Structure.

- Restricted net assets were $14.8 million, including $3.4 million restricted for payment of debt service and $11.4 million that may only be used for community development projects.

- Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The Agency's unrestricted net deficit totaled $14.5 million at June 30, 2010.

Fiscal 2010 Governmental Activities

The Agency's fiscal 2010 revenue came primarily from property tax increments, which was $16.5 million after the reduction of $1.4 million for tax increment pass through payments and for tax increment rebates. Agency efforts in the community have resulted in higher assessed values in the area, and property tax increment increased $0.4 million. Investment earnings contributed an additional $0.2 million in fiscal 2010.

Agency expenses of $19.9 million in fiscal 2010 were principally for development purposes, which totaled $14.3 million, and interest on long term debt, which amounted to $3.8 million. The Agency also transferred $1.8 million to the City of Concord, which it accounts for it as an expense as explained in Note 5C.

At June 30, 2010, the Agency's Governmental Funds reported combined fund balances of $58.0 million, which is a decrease of $4.9 million compared with the prior year. This decrease represented the excess of total fund expenditures, transfers out over total fund revenues and transfers in for the year.

All the Agency's tax increments are received by the General Capital Projects Fund. Revenues are then transferred to other funds for debt service and to low-and-moderate-income for housing purposes. Net tax increment revenues were $16.5 million in fiscal 2010, a $0.4 million increase from the previous year after $1.4 million in tax increment pass through payments and tax increment rebate payments. The Fund's expenditures were primarily made up of the Agency's $6.0 million payment to the County's Supplemental Educational Revenue Augmentation Fund as explained in Note 11 and $2.4 million in expenditures for projects including the Monument Corridor Streetscape Improvements, the Citywide Entryway Signage and Downtown Wayfinder Program, the Clayton Road Sidewalk Repair, and the Concord Reuse Project (Naval Weapons Station). Intra-fund transfers out were made totaling $9.8 million and $1.8 million was transferred to the City in fiscal 2010. The Fund balance decreased $4.9 million in fiscal 2010 to a new balance of $58 million.

The Low and Moderate Income Housing Fund received $3.6 million in transfers from the General Capital Projects Fund, representing the 20% set-aside for this purpose as required by California law. The Fund also earned $0.2 million in investment income in fiscal 2010, which is similar to the prior year earnings, and expended $1.7 million on the development of low-and-moderate-income housing.

The General Capital Projects Fund also owes the Low and Moderate Income Housing Fund $9.5 million in prior year low and moderate income housing set-asides, as discussed in Note 5A. No repayment is expected until 2020. The Low and Moderate Income Housing Fund advanced the General Fund $3 million to help retire $8.5 million of the City's 1995 Lease Revenue Bonds during September 2009. This advance is discussed in Note 5D.

The Agency has made loans to eligible individuals and several non-profit organizations totaling $22.7 million to assist them in constructing low and moderate income housing. Interest on these loans is at or 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 funded debt service expenditures totaling $6.4 million in fiscal 2010. The Fund accounts for the payment of interest and principal on the Agency's Tax Allocation Bonds issued in 1988, 1993 and 2004.

The Police Facilities Lease Revenue Capital Projects Fund activity was minimal because these facilities were substantially completed in prior years; closure of the Fund awaits a few final disbursements on a project currently in process in the Police Facility.

CAPITAL ASSETS

Capital assets of $21.8 million at June 30, 2010 represent land, buildings and structures. The principal item constructed in fiscal 2010 was the Citywide Entryway Signage and Downtown Wayfinder Program on which $0.2 million was expended. This project is expected to be completed in early fiscal 2011. 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, 2010, the Agency's debt comprised several Tax Allocation Bond issues with interest rates of from 3.90% to 5.05%, all secured by property tax increment revenues; Loans Payable owed to the City; and a Refunding Lease Agreement entered into on June 24, 2010 used to retire a portion of the Loans Payable. Further detail on the Agency's debt activity and balances may be found in Note 7 to the financial statements.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

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STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

The Statement of Net Assets reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's capital assets and all its long-term debt. The Statement of Net Assets summarizes the financial position of the Agency in a single column.

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

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

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS:	
Cash and Investments (Note 2)	$21,470,204
Cash with Fiscal Agents (Note 2)	3,380,389
Accounts Receivable	775
Interest Receivable	46,616
Loans and Notes Receivable, Net of Reserves (Note 3)	22,679,759
Advance to the City (Note 5D)	3,000,000
Land Held for Redevelopment (Note 1F)	11,416,332
Equity in Partnership (Note 4)	1,558,695
Capital Assets, Net of Depreciation (Note 6)	21,798,811
Total Assets	85,351,581
LIABILITIES:	
Accounts, Deposits and Contracts Payable	152,884
Accrued Liabilities	113,820
Bonds Interest Payable	1,382,904
Long-Term Debt (Note 7):	
Due in One Year	4,554,000
Due in More Than One Year	64,727,807
Total Liabilities	70,931,415
NET ASSETS (DEFICIT) (Note 9):	
Invested in Capital Assets, Net of Related Debt	14,159,792
Restricted for:	
Debt Service	3,380,389
Community Development Projects	11,416,332
Total Restricted Net Assets	14,796,721
Unrestricted Net Assets (Deficit)	(14,536,347)
Total Net Assets	$14,420,166

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Activities
Expenses:	
Community Development	$1,741,211
Planning & Economic Development	12,052,965
Public Works & Engineering	536,742
Interest on Long Term Debt	3,774,678
Transfers to the City of Concord (Note 5C)	1,831,113
Total Program Expenses and Transfers	19,936,709
General Revenues:	
Incremental Property Taxes	16,492,512
Investment Earnings	461,912
Lease	1,290,074
Other	195,546
Transfers to the City (Note 5C)	247,290
Total General Revenues	18,687,334
Change in Net Assets	(1,249,375)
Net Assets - Beginning	15,669,541
Net assets - Ending	$14,420,166

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

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

LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND

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

DEBT SERVICE FUND

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

GENERAL CAPITAL PROJECTS FUND

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

POLICE FACILITIES LEASE REVENUE BONDS CAPITAL PROJECTS FUND

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

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Total Governmental Funds
ASSETS:					
Cash and Investments (Note 2)	$5,419,246		$16,004,075	$46,883	$21,470,204
Cash with Fiscal Agents (Note 2)		$3,380,389			3,380,389
Accounts Receivable			775		775
Interest Receivable	8,098		38,518		46,616
Loans and Notes Receivable (Note 3)	19,186,423		3,493,336		22,679,759
Advance to Other Funds (Note 5A)	9,495,937				9,495,937
Advance to the City (Note 5D)	3,000,000				3,000,000
Land Held for Redevelopment (Note 1F)			11,416,332		11,416,332
Equity in Partnership (Note 4)			1,558,695		1,558,695
Total Assets	$37,109,704	$3,380,389	$32,511,731	$46,883	$73,048,707
LIABILITIES:					
Accounts, Deposits and Contracts Payable	$4,347		$148,537		$152,884
Accrued Liabilities	105,441		8,379		113,820
Deferred Revenue	2,805,874		2,468,690		5,274,564
Advance from Other Funds (Note 5A)			9,495,937		9,495,937
Total Liabilities	2,915,662		12,121,543		15,037,205
FUND BALANCES					
Fund Balances (Note 9)					
Reserved for:					
Encumbrances	113,626		1,770,750	$13,300	1,897,676
Loans and Notes	16,380,549		1,024,646		17,405,195
Advances	12,495,937				12,495,937
Prepaid Items					
Land Held for Redevelopment			11,416,332		11,416,332
Investment in Partnership			1,558,695		1,558,695
Debt Service		$3,377,587			3,377,587
Low and Moderate Income Housing	5,091,089				5,091,089
Unreserved:					
Designated for:					
Capital Projects	112,841		2,895,408		3,008,249
Unrealized Increase in Fair Value of Investments		2,802			2,802
Unreserved, Undesignated			1,724,357	33,583	1,757,940
TOTAL FUND BALANCES	34,194,042	3,380,389	20,390,188	46,883	58,011,502
Total Liabilities and Fund Balances	$37,109,704	$3,380,389	$32,511,731	$46,883	$73,048,707

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
GOVERNMENTAL FUNDS
RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total fund balances reported on the Governmental Funds Balance Sheet	$58,011,502
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	21,798,811
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	5,274,564
LONG TERM ASSETS AND LIABILITIES	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Bond Interest Payable	(1,382,904)
Long-Term Debt	(71,650,019)
Deferred Loss on Refunding of Debt Issue	2,368,212
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$14,420,166

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Total Governmental Funds
REVENUES					
Incremental Property Taxes			$17,848,718		$17,848,718
Less Tax Increment Pass Through Payment			(1,160,646)		(1,160,646)
Less Tax Increment Rebate			(195,560)		(195,560)
Investment Earnings	$174,007	$14,518	28,240	($111)	216,654
Lease Income (Note 7C)			1,290,074		1,290,074
Other			195,546		195,546
Total Revenues	174,007	14,518	18,006,372	(111)	18,194,786
EXPENDITURES					
Community Development			1,741,211		1,741,211
Planning & Economic Development	1,632,648		9,695,490		11,328,138
Public Works & Engineering	58,862		695,755	28,371	782,988
Debt Service:					
Principal		3,540,000	567,113	3,116,000	7,223,113
Interest and Fiscal Charges		2,812,972	722,961		3,535,933
Total Expenditures	1,691,510	6,352,972	13,422,530	3,144,371	24,611,383
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,517,503)	(6,338,454)	4,583,842	(3,144,482)	(6,416,597)
OTHER FINANCING SOURCES (USES)					
Proceeds from the issuance of long term debt (Note 7)				3,116,000	3,116,000
Transfers from the City (Note 5C)	5,100		242,190		247,290
Transfers to the City (Note 5C)	(77,786)		(1,753,327)		(1,831,113)
Transfers In (Note 5B)	3,569,743	6,189,958			9,759,701
Transfers (Out) (Note 5B)			(9,759,701)		(9,759,701)
Total Other Financing Sources	3,497,057	6,189,958	(11,270,838)	3,116,000	1,532,177
NET CHANGE IN FUND BALANCES	1,979,554	(148,496)	(6,686,996)	(28,482)	(4,884,420)
Fund Balances at Beginning of Year	32,214,488	3,528,885	27,077,184	75,365	62,895,922
FUND BALANCES AT END OF YEAR	$34,194,042	$3,380,389	$20,390,188	$46,883	$58,011,502

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

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	($4,884,420)
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	246,246
Depreciation expense is deducted from fund balance	(930,368)
LONG TERM DEBT PROCEEDS AND PAYMENTS	
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Proceeds from the issuance of long term debt	(3,116,000)
Repayment of debt principal is added back to fund balance	3,540,000
Repayment of leases payable principal is added back to fund balance	3,683,113
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	450,799
Interest Payable	57,282
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	($1,249,375)

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Use of Money and Property	$205,762	$205,762	$174,007	($31,755)
Total Revenues	205,762	205,762	174,007	(31,755)
EXPENDITURES				
Public Works & Engineering	67,654	67,654	58,862	8,792
Planning & Economic Development	3,654,117	3,855,025	1,632,648	2,222,377
Total Expenditures	3,721,771	3,922,679	1,691,510	2,231,169
OTHER FINANCING SOURCES				
Transfers from the City			5,100	5,100
Transfers to the City	(46,820)	(46,820)	(77,786)	(30,966)
Transfers In	3,199,168	3,199,168	3,569,743	370,575
Total Other Financing Sources (Uses)	3,152,348	3,152,348	3,497,057	344,709
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($363,661)	($564,569)	1,979,554	$2,544,123
Fund Balance at Beginning of Year			32,214,488	
Fund Balance at End of Year			$34,194,042	

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

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

a. The assessed valuation of all property within each Agency project area is determined and "frozen" for allocation purposes on the date of adoption of that project area's Redevelopment Plan by a designation of a fiscal year assessment roll.

b. Increments in property taxes resulting from any increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all property taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

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

B. Basis of Presentation

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

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

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

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

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.

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, 2010 the Agency held the following properties for resale or redevelopment:

a) During fiscal year 2009 the Agency purchased six parcels of land located in the downtown area to assist in implementing the Agency's Strategic Plan.

b) A parcel of land held by the Agency was purchased in fiscal year 2007 which will be held for resale for future development projects.

c) A parcel of land held by the Agency was purchased in fiscal year 2004 which is to be sold in the future for redevelopment projects.

d) A parcel of land was purchased in fiscal year 2002 which is to be sold in the future for the Town Center Project.

e) One property purchased in fiscal year 2001 which is to be sold for the purpose of constructing a new hotel in downtown Concord.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Two parcels consisting of land and buildings purchased for redevelopment into an auto sales center in fiscal year 1989. In fiscal year 2006, the Agency sold 3.8 acres of one of the parcels to a developer. The Agency sold the remaining acreage subsequent to June 30. During fiscal year 2008, the value of land held for resale was decreased $3,210,123 to reflect the value of the sale which occurred subsequent to year end. During fiscal year 2009, the Agency sold the other parcel for $170,000.

g) A parcel purchased in fiscal year 1999 which is to be sold in the future for development projects.

h) Five properties purchased between 1982-1987 which are being held for resale for future development projects.

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

NOTE 2 - CASH AND INVESTMENTS

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

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

A. Classification

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

Cash and investments available for Agency operations	$21,470,204
Cash with fiscal agents	3,380,389
Total Cash and Investments	$24,850,593

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				$50 million per account
Time Certificates of Deposit	5 years		30%	10%
Derivative Securities (B)	5 years			None

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

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

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. *Investments Authorized by Debt Agreements*

The Agency 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.

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
California Local Agency Investment Fund	$21,470,204
Held by bond trustee:	
U.S. Treasury Notes	3,298,680
Money Market Mutual Funds (U.S. Securities)	81,709
Total investments	$24,850,593

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, 2010, these investments have an average maturity of 203 days.

Money market funds are available for withdrawal on demand and at June 30, 2010, have an average maturity of 54 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, 2010, the cost of investments was $99,526 less than the Agency's fair market value. The Agency's policy is to hold investments to maturity.

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, 2010 for each investment type:

Investment Type	AAAm	Total
Money Market Mutual Funds (U.S. Securities)	$81,709	$81,709
Total Investments	$81,709	81,709
Exempt from rating:		
U.S. Treasury Notes		3,298,680
Not rated:		
California Local Agency Investment Fund		21,470,204
Total Investments		$24,850,593

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 2010.

Housing Conservation	$2,530,594
Downtown Revitalization and Low and Moderate Income Housing Rehabilitation	14,534,860
Lakeside Apartments	2,547,640
Virginia Lane	2,645,015
Lehmer's Investment Company	190,400
California Automotive Retailing Group	231,250
Total Loans and Notes Receivable	$22,679,759

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

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

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

Downtown Revitalization and Low and Moderate Income Housing Rehabilitation
Low and no interest loans are made by the Agency to provide businesses assistance for rehabilitating buildings in the downtown area and to business or individuals for the rehabilitation of housing within the City of Concord owned and/or occupied by persons of low and moderate income. Included in these loans, are two loans amounting to $38,542 and $20,733, which were made to a former and a current employee, respectively.

Lakeside Apartments
The Agency entered into a loan agreement with Lakeside Apartments, L.P. for the acquisition and rehabilitation of Lakeside apartments. The outstanding balance of the loan bears interest at a rate of 1% per annum. The Agency expects the loan to be repaid on November 5, 2058. The repayments on the loan shall be made from residual receipts.

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

Lehmer Investment Company Development Agreement
In August 2008, the City and the Agency entered into a $170,000 loan agreement with Lehmer Investment Company for the purchase of the Agency's parking lot at 1925 Market Street. The outstanding balance of the loan bears interest at a rate of 3% per annum. Subsequently, the loan agreement was amendment in July 2009 to extend the payment terms. The monthly interest payments began in August 2010. The Agency expects the loan to be repaid on August 28, 2012.

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.

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

During fiscal year 2010, sales tax collections exceeded the threshold, therefore the Agency disbursed $196,040 to Fry's in accordance with the terms of the agreement. The City reimbursed the Agency for the payment to Fry's. At June 30, 2010, 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.

California Automotive Retailing Development Agreement
In July 2009 the Agency entered into a $250,000 interest free loan agreement with California Automotive Retailing Group to rehabilitate and improve an existing automotive dealership site at 1330 Concord Avenue. Monthly payments of $2,083 for 120 months started on October 1, 2009. The Agency expects the loan to be repaid on September 1, 2019. As of June 30, 2010 the balance of loan is $231,250.

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, 2009; the Redevelopment Agency's equity in the Partnership's assets was $1,558,695 at that date and its share of the Partnership's net income for the year then ended was $154,211. 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, 2010 the amount due that Fund under the repayment plan totaled $9,495,937. The advance does not bear interest, and payment on the advance is expected to begin in fiscal 2020.

B. Transfers Between Funds

With Board approval, resources may be transferred from one Agency fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. In the fiscal year, the General Capital Projects Fund transferred $3,569,743 to the Low and Moderate Income Housing Special Revenue Fund for the State required set-aside increment tax revenues and also transferred $6,189,958 to the Debt Service Fund to fund debt service payments.

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

C. *Transfers Between the City and the Agency*

With Board and Council approval, transfers are made between the City and the Agency to reimburse the entity which has made an expenditure on behalf of another entity. In fiscal 2010, the General Capital Projects Fund transferred $1,753,327 to the City to fund capital projects and operations. The Low and Moderate Income Housing Special Revenue Fund transferred $77,786 to the City to fund operations. In addition, the City's General Fund transferred $242,190 to the General Capital Projects Fund and the City's Housing and Community Services Special Revenue Fund transferred $5,100 to the Low and Moderate Income Housing Fund to fund loans.

D. *Advance to the City*

During September 2009 the City's General Fund borrowed $3 million from the Low and Moderate Income Housing Fund to help retire $8.2 million of the 1995 Lease Revenue Bonds. The advance bears interest at the LAIF rate plus 0.5% to be paid on a quarterly basis. The General Fund will begin repayment of these funds no later than fiscal year 2014-2015.

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.

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset transactions and balances comprise the following at June 30, 2010:

	Balance at June 30, 2009	Additions	Balance at June 30, 2010
Governmental Activities			
Capital assets not being depreciated:			
Land	$875,884		$875,884
Construction in progress	971,263	$246,246	1,217,509
Total capital assets not being depreciated	1,847,147	246,246	2,093,393
Capital assets being depreciated:			
Buildings and structures	30,947,333		30,947,333
Less: depreciation	(10,374,519)	(928,420)	(11,302,939)
Grounds and Improvements	64,920		64,920
Less: depreciation	(1,948)	(1,948)	(3,896)
Total capital assets being depreciated	20,635,786	(930,368)	19,705,418
Governmental activity capital assets, net	$22,482,933	($684,122)	$21,798,811

NOTE 7 – LONG-TERM DEBT

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

	Original Principal Amount	Balance as of June 30, 2009	Additions	Retirements	Balance as of June 30, 2010	Current Portion
Governmental Activity:						
2004 Tax Allocation Refunding Bonds						
3.9-5.05%, due 07/01/25	$72,310,000	$64,435,000		$3,540,000	$60,895,000	$3,690,000
Less deferred amount on refunding		(2,664,239)		(296,027)	(2,368,212)	
Total Tax Allocation Bonds		61,770,761		3,243,973	58,526,788	3,690,000
Loans Payable:						
Police Facilities, 2.70- 5.25%, due 08/01/13	9,700,000	4,888,509		3,306,541	1,581,968	420,000
Parking Garage, 4.0-5.13% due 03/01/23	9,580,000	6,433,623		376,572	6,057,051	395,000
Total Loans Payable		11,322,132		3,683,113	7,639,019	815,000
Refunding Lease Agreement:						
3.6%, due 09/01/2019	3,116,000		$3,116,000		3,116,000	49,000
Total Governmental Activity Debt		$73,092,893	$3,116,000	$6,927,086	$69,281,807	$4,554,000

NOTE 7 – LONG-TERM DEBT (Continued)

B. Tax Allocation Bonds

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

The pledge of future tax increment revenues ends upon repayment of the $82,196,395 in remaining debt service on the Redevelopment Agency's Tax allocation bonds which is scheduled to occur in 2026. As disclosed in the originating offering documents, pledged future tax increment revenues are expected to provide coverage over debt service of 1.63 over the life of the long term debt. For fiscal year 2010 tax increment revenues amounted to $17,848,818 which represented coverage of 2.81 over the $6,348,772 in debt service.

C. Loans Payable

The Agency constructed police facilities and a three-level, 432-space parking structure, which are leased by the City. Revenues from these leases totaled $1,290,074 in fiscal 2010. 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. Refunding Lease Agreement

On June 24, 2010 the Agency entered into a Refunding Lease Agreement in the amount of $3,116,000. The proceeds from the Agreement were used to retire a portion of the loans payable. The Agreement bears interest at 3.6% and is due semi-annually on March 1 and September 1. RDA payments are due annually on September 1 until September 1, 2019.

NOTE 7 – LONG TERM DEBT (Continued)

E. Repayment Requirements

At June 30, 2010 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
2011	$4,554,000	$3,178,987
2012	4,690,000	2,992,038
2013	4,885,000	2,767,385
2014	5,080,000	2,538,646
2015	5,258,000	2,307,691
2016 - 2020	29,914,000	7,676,721
2021 - 2025	15,300,000	2,490,193
2026	1,969,019	77,391
Total	71,650,019	$24,029,052
Reconciliation of long-term debt:		
Less unamortized deferred amount on refunding	(2,368,212)	
Total	$69,281,807	

NOTE 8 – RISK MANAGEMENT

The City is a member of the California State Association of Counties - Excess Insurance Authority (CSAC-EIA), a joint powers authority. CSAC-EIA provides coverage against the following types of loss risks, including commercial insurance coverage, under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
General Liability ($500,000)	$35,000,000
Workers' Compensation ($500,000)	Statutory
All Risk Property Including Flood ($10,000 per occurrence all risk and $25,000 flood)	$602,500,000
Earthquake (5% with a $100,000 minimum)	$50,000,000

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

NOTE 8 – RISK MANAGEMENT (Continued)

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

Audited financial statements for CSAC-EIA are available from CSAC-EIA at 75 Iron Point Circle, Folsom, CA 95630.

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

For the years ended June 30, 2010, 2009 and 2008, 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.

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, 2010, 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.

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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

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

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

NOTE 10 – PASS-THROUGHS AND REBATES

In order to mitigate financial impacts on other property tax supported entities caused by the Agency's adoption of the Redevelopment Projects, the Agency has agreements with several agencies under which it must pass-through a portion of property tax increments to them. During fiscal 2009-2010, the Agency paid $1,160,646 to these agencies.

Similarly, the Agency has an agreement with a developer under which it rebates a portion of tax increment assessed on project improvements constructed pursuant to the agreement. During fiscal 2009-2010, the Agency paid $195,560 to the developer.

NOTE 11 – SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its first SERAF payment of $6,022,327 in fiscal year 2009-10.

Based on the calculations in AB26 4X, the Agency's SERAF is estimated to be $1,238,664 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payment. The obligation to make the SERAF payment is subordinate to obligations to repay bonds. However, if the Agency fails to make the full SERAF payment, the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

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

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

We have audited the financial statements of the Redevelopment Agency of the City of Concord as of and for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit included tests of compliance with provisions of the *Guidelines for Compliance Audits of California Redevelopment Agencies*. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated November 5, 2010.

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

Moss Adams

November 5, 2010