

**REDEVELOPMENT AGENCY
OF THE CITY OF CONCORD
BASIC COMPONENT UNIT FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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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, 2011, 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, 2011 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.

As disclosed in Note 13, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the Agency's ability to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued an Order in *CRA v. Matosantos*, which, as modified by the Court on August 17, partially stays implementation of ABx1 26 and ABx1 27, although the partial stay leaves in effect the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011 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.

As of July 1, 2010, the Redevelopment Agency adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 10 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

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.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Agency. Such information has been subjected to the auditing procedures applied in our audit of the component unit financial statements, and in our opinion is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Mazze Associates

October 28, 2011

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 2011 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

Agency-Wide:

- Total Agency revenues were \$17.6 million, a decrease of \$1.0 million from the prior year.
- Total Agency expenses were \$48.3 million, compared with \$19.9 million in 2010.
- The Agency's net assets were (\$16.2) million at June 30, 2011, a decrease of \$30.6 million over the prior year.

Fund Basis:

- Total revenues at the Fund level were \$17.4 million, compared with \$18.2 million in 2010.
- Total expenditures were \$16.3 million, a decrease of \$8.3 million over the prior year.
- Net transfers out and other financing uses totaled \$14.7 million.
- Fund balances decreased \$13.6 million in fiscal 2011, to a new total of \$44.4 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 (\$16.2) million in 2011 from \$14.4 million in 2010. This decrease is the Change in Net Assets reflected in the Statement of Activities. The Agency's June 30, 2011 net assets are discussed below:

- Cash and investments available for the Agency's operations were \$14 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 \$8.4 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 \$22.9 million. These loans were made under various programs and are substantially all long-term in nature.
- In fiscal year 2010, the Agency owned land that cost \$11.4 million, which was being held for resale or redevelopment. As discussed in Note 1F, the Agency and the City entered into a cooperative agreement where by the Agency conveyed all of its real property to the City, including the land being held for resale or redevelopment in the amount of \$11.4 million.
- In fiscal year 2010, the agency owned capital assets in the amount of \$21.8 million, net of depreciation. These assets included the land, construction in progress, and buildings and structures. As discussed in Note 7, the Agency and the City entered into a cooperative agreement where by the Agency conveyed all of its real property to the City, including the capital assets in the amount of \$21.8 million.
- Equity in Partnership of \$1.7 million is the Agency's investment in a partnership that assisted in the construction of low-and-moderate income housing, as discussed in Note 5.
- Long-term debt totaled \$65 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 2011. Long-term debt is discussed further in Note 8.
- Other assets and liabilities included normal business receivables and payables.

- Restricted net assets were \$39.7 million, including \$3.4 million restricted for payment of debt service and \$36.3 restricted for low and moderate income activities.
- 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 \$55.9 million at June 30, 2011.

Fiscal 2011 Governmental Activities

The Agency's fiscal 2011 revenue came primarily from property tax increments, which was \$15.7 million after the reduction of \$1.2 million for tax increment pass through payments and for tax increment rebates. Despite Agency efforts in the community, assessed values in the area have been lowered, and property tax increment decreased \$0.8 million. Investment earnings contributed \$0.3 million in fiscal 2011.

Agency expenses of \$48.3 million in fiscal 2011 were principally for \$36.5 million in transfers between the Agency and the City, as discussed in Note 6C. Additional expenses were for development purposes, which totaled \$8.4 million, and interest on long term debt, which amounted to \$3.4 million.

At June 30, 2011, the Agency's Governmental Funds reported combined fund balances of \$44.4 million, which is a decrease of \$13.6 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 \$15.7 million in fiscal 2011, a \$0.8 million decrease from the previous year after \$1.2 million in tax increment pass through payments and tax increment rebate payments. The Fund's expenditures were primarily for planning and economic development projects including the Monument Corridor Pedestrian Infrastructure Improvements, the Citywide Entryway Signage and Downtown Wayfinder Program, the Demolition of RDA Properties, and the Concord Reuse Project (Naval Weapons Station). Intra-fund transfers out were made totaling \$6.4 million and \$14.7 million was transferred to the City in fiscal 2011. The Fund balance decreased \$13.6 million in fiscal 2011 to a new balance of \$44.4 million.

The Low and Moderate Income Housing Fund received \$3.4 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 year 2011, which is similar to the prior year earnings, and expended \$1.4 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 6A. No repayment is expected until 2020. The Low and Moderate Income Housing Fund advanced the General Fund \$3 million to help retire \$8.3 million of the City's 1995 Lease Revenue Bonds during September 2009. This advance is discussed in Note 6D.

The Agency has made loans to eligible individuals and several non-profit organizations totaling \$22.9 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 4 to the financial statements.

The Debt Service Fund received transfers of \$6.4 million from the General Capital Projects Fund. These transfers funded debt service expenditures totaling \$6.4 million in fiscal 2011. 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

In March 2011, the Agency entered into a cooperative agreement with the City where by it conveyed all of its real property to the City. The conveyance has been recorded as a transfer in the amount of \$21.8 million to the City during fiscal 2010-11. The transaction is further discussed in Note 7 and in the Management's Discussion and Analysis in the Comprehensive Annual Financial Report for the City of Concord.

DEBT ADMINISTRATION

At June 30, 2011, 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 8 to the financial statements.

PROPOSED DISSOLUTION OF REDEVELOPMENT AGENCIES

As discussed in Note 13, redevelopment agencies may be undergoing significant legislative change. Further discussion of these changes can be found in the Comprehensive Annual Financial Report for the City of Concord.

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, 2011

	<u>Governmental Activities</u>
ASSETS:	
Cash and Investments (Note 3)	\$14,043,003
Cash with Fiscal Agents (Note 3)	8,423,610
Accounts Receivable	55,198
Interest Receivable	35,943
Prepaid items	4,950
Loans and Notes Receivable, Net of Reserves (Note 4)	22,945,224
Advance to the City (Note 6D)	3,000,000
Equity in Partnership (Note 5)	<u>1,729,715</u>
Total Assets	<u>50,237,643</u>
LIABILITIES:	
Accrued Liabilities	101,928
Bonds Interest Payable	1,331,990
Long-Term Debt (Note 8):	
Due in One Year	4,690,000
Due in More Than One Year	<u>60,350,623</u>
Total Liabilities	<u>66,474,541</u>
NET ASSETS (DEFICIT) (Note 10):	
Restricted for:	
Low and moderate income activities	36,281,336
Debt Service	<u>3,393,836</u>
Total Restricted Net Assets	<u>39,675,172</u>
Unrestricted Net Assets (Deficit)	<u>(55,912,070)</u>
Total Net Assets	<u><u>(\$16,236,898)</u></u>

See accompanying notes to financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Activities
Expenses:	
Community Development	\$706,906
Planning & Economic Development	5,764,927
Public Works & Engineering	1,913,381
Interest on Long Term Debt	3,416,588
Transfers to the City of Concord (Note 6C)	36,465,420
Total Program Expenses and Transfers	48,267,222
General Revenues:	
Incremental Property Taxes	15,699,754
Investment Earnings	511,680
Lease	1,225,232
Other	173,492
Total General Revenues	17,610,158
Change in Net Assets	(30,657,064)
Net Assets - Beginning	14,420,166
Net Assets - Ending	(\$16,236,898)

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, 2011

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Total Governmental Funds
ASSETS:					
Cash and Investments (Note 3)	\$7,517,116		\$6,486,285	\$39,602	\$14,043,003
Cash with Fiscal Agents (Note 3)		\$8,423,610			8,423,610
Accounts Receivable	55,198				55,198
Interest Receivable	2,452		33,491		35,943
Loans and Notes Receivable (Note 4)	19,336,539		3,608,685		22,945,224
Due From Other Funds (Note 6E)			5,029,774		5,029,774
Advance to Other Funds (Note 6A)	9,495,937				9,495,937
Advance to the City (Note 6D)	3,000,000				3,000,000
Equity in Partnership (Note 5)			1,729,715		1,729,715
Prepaid Items	3,688		1,262		4,950
Total Assets	\$39,410,930	\$8,423,610	\$16,889,212	\$39,602	\$64,763,354
LIABILITIES:					
Accrued Liabilities	\$101,928				\$101,928
Due To Other Funds (Note 6E)		\$5,029,774			5,029,774
Deferred Revenue	3,027,666		\$2,677,368		5,705,034
Advance from Other Funds (Note 6A)			9,495,937		9,495,937
Total Liabilities	3,129,594	5,029,774	12,173,305		20,332,673
FUND BALANCES					
Fund Balance (Note 10)					
Nonspendable prepaids	3,688		1,262		4,950
Restricted for Low and Moderate Income Housing	36,277,648				36,277,648
Restricted for Debt Service		3,393,836			3,393,836
Assigned for Redevelopment Projects			4,714,645	\$39,602	4,754,247
TOTAL FUND BALANCES	36,281,336	3,393,836	4,715,907	39,602	44,430,681
Total Liabilities and Fund Balances	\$39,410,930	\$8,423,610	\$16,889,212	\$39,602	\$64,763,354

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, 2011

Total fund balances reported on the Governmental Funds Balance Sheet	\$44,430,681
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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:

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.	5,705,034
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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	(1,331,990)
Long-Term Debt	(67,112,808)
Deferred Loss on Refunding of Debt Issue	<u>2,072,185</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$16,236,898)</u></u>
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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, 2011

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Total Governmental Funds
REVENUES					
Incremental Property Taxes	\$3,379,532		\$13,518,130		\$16,897,662
Less Tax Increment Pass Through Payment			(851,108)		(851,108)
Less Tax Increment Rebate			(346,800)		(346,800)
Investment Earnings	210,938	\$13,446	80,664		305,048
Lease Income (Note 8C)			1,225,232		1,225,232
Other	2,472		171,020		173,492
Total Revenues	3,592,942	13,446	13,797,138		17,403,526
EXPENDITURES					
Community Development			706,906		706,906
Planning & Economic Development	1,237,135		4,751,630		5,988,765
Public Works & Engineering	200,966		1,705,134	\$7,281	1,913,381
Debt Service:					
Principal		3,690,000	847,211		4,537,211
Interest and Fiscal Charges		2,668,371	503,104		3,171,475
Total Expenditures	1,438,101	6,358,371	8,513,985	7,281	16,317,738
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,154,841	(6,344,925)	5,283,153	(7,281)	1,085,788
OTHER FINANCING SOURCES (USES)					
Transfers to the City (Note 6C)	(67,547)		(14,599,062)		(14,666,609)
Transfers In (Note 6B)		6,358,372			6,358,372
Transfers (Out) (Note 6B)			(6,358,372)		(6,358,372)
Total Other Financing Sources	(67,547)	6,358,372	(20,957,434)		(14,666,609)
NET CHANGE IN FUND BALANCES	2,087,294	13,447	(15,674,281)	(7,281)	(13,580,821)
Fund Balances at Beginning of Year	34,194,042	3,380,389	20,390,188	46,883	58,011,502
FUND BALANCES AT END OF YEAR	\$36,281,336	\$3,393,836	\$4,715,907	\$39,602	\$44,430,681

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, 2011

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 (\$13,580,821)

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.

Transfer of capital assets to the City is deducted from fund balance (21,798,811)

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 3,739,000
 Repayment of leases payable principal is added back to fund balance 798,211
 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 430,470
 Interest Payable 50,914

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$30,657,064)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tax Increment	\$3,130,368	\$3,130,368	\$3,379,532	\$249,164
Use of Money and Property	193,000	193,000	210,938	17,938
Other Revenue			2,472	\$2,472
Total Revenues	<u>3,323,368</u>	<u>3,323,368</u>	<u>3,592,942</u>	<u>269,574</u>
EXPENDITURES				
Public Works & Engineering	275,152	200,558	200,966	(408)
Planning & Economic Development	3,148,592	3,006,511	1,237,135	1,769,376
Total Expenditures	<u>3,423,744</u>	<u>3,207,069</u>	<u>1,438,101</u>	<u>1,768,968</u>
OTHER FINANCING SOURCES				
Transfers to the City	(65,119)	(65,119)	(67,547)	(2,428)
Total Other Financing Sources (Uses)	<u>(65,119)</u>	<u>(65,119)</u>	<u>(67,547)</u>	<u>(2,428)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	<u>(\$165,495)</u>	<u>\$51,180</u>	2,087,294	<u>\$2,036,114</u>
Fund Balance at Beginning of Year			<u>34,194,042</u>	
Fund Balance at End of Year			<u>\$36,281,336</u>	

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, although the City and Agency are independent units of government and their assets are accounted for in separate funds. Generally accepted accounting principles requires that the Agency be treated as a component unit for financial reporting purposes and its activities and funds are included as part of the City's reporting entity. 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. On April 26, 2011, the City Council adopted Ordinance 11-3 approving and adopting the Redevelopment Plan for the Concord Community Reuse Redevelopment Project. The project area is approximately 5,046 acres in the Concord Naval Weapons Station base area.

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.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

In March 2011, acting under authority granted by Sections 33220 and 33490 of the Health and Safety Code, the Agency and City entered into a Real Property Transfer and Cooperative Agreement whereby the Agency conveyed to the City all of its real property, including its thirty seven parcels that had been recorded as property held for redevelopment with a book value of \$11,416,332. Under the Agreement, the City will use the property for redevelopment purposes consistent with the California Redevelopment Law and to implement and carry out the Redevelopment Plan for the Central Concord Project Area. The conveyance has been recorded as a transfer to the City during fiscal 2010-11.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Executive Director submits to the Agency Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of separate resolutions for the Agency.
4. The Executive Director is authorized to transfer budgeted amounts from one program, department or account to another within the same fund. All transfers of appropriations affecting Personnel Service type accounts require the Director of Human Resources and Executive Director approval. Expenditures may not legally exceed budgeted appropriations at the fund level without Board approval.
5. The Agency is required to adopt an annual operating budget on or before June 30 for the ensuing fiscal year for the its Low and Moderate Income Special Revenue Fund. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds. The Board may amend the budget during the fiscal year.
6. All governmental fund type annual operating budgets are adopted on a basis consistent with generally accepted accounting principles except for capital outlay expenditures for Special Revenue Funds, which are budgeted on a project time frame rather than an annual basis.
7. All governmental fund type annual operating budgets are adopted on a basis consistent with generally accepted accounting principles except for capital outlay expenditures for Special Revenue Funds which are budgeted on a project time frame rather than on an annual basis, in conjunction with #6 above.

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 - 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	\$14,043,003
Cash with fiscal agents	<u>8,423,610</u>
Total Cash and Investments	<u><u>\$22,466,613</u></u>

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

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (Continued)

- (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 may not invest any funds in any security that could result in zero interest accrual if held to maturity.

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

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

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

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

Investment Type	Remaining Maturity (in Months) 12 or Less
California Local Agency Investment Fund	\$14,043,003
Held by bond trustee:	
Money Market Mutual Funds (U.S. Securities)	8,423,610
Total investments	\$22,466,613

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, 2011, these investments have an average maturity of 237 days.

Money market funds are available for withdrawal on demand and at June 30, 2011, have an average maturity of 49 days.

GASB Statement 31 requires governments to present investments at fair value. The Agency adjusts the carrying value of its investment to reflect the fair value at each fiscal year-end, and it includes the effect of this adjustment in income for that fiscal year. At June 30, 2011, the cost of investments was \$31,308 more than the Agency's fair market value. The Agency's policy is to hold investments to maturity.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 - 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, 2011 for each investment type:

<u>Investment Type</u>	<u>AAAm</u>	<u>Total</u>
Money Market Mutual Funds (U.S. Securities)	<u>\$8,423,610</u>	<u>\$8,423,610</u>
Total Investments	<u>\$8,423,610</u>	8,423,610
Not rated:		
California Local Agency Investment Fund		<u>14,043,003</u>
Total Investments		<u>\$22,466,613</u>

NOTE 4 – 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, they are not expected to be repaid during fiscal year 2012.

Housing Conservation	\$2,740,623
Downtown Revitalization and Low and Moderate Income Housing Rehabilitation	14,623,628
Lakeside Apartments	2,571,555
Virginia Lane	2,657,712
Lehmer's Investment Company	143,373
California Automotive Retailing Group	<u>208,333</u>
Total Loans and Notes Receivable	<u>\$22,945,224</u>

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 4 – LOANS, NOTES RECEIVABLE AND DEVELOPMENT AGREEMENTS (Continued)

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

A. *Housing Conservation*

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

B. *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, is one loan amounting to \$17,163, which was made to a current employee and a loan to a former employee was fully repaid during the fiscal year.

C. *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.

D. *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.

E. *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 amended in July 2009 to extend the payment terms. The monthly interest payments began in August 2010. The Agency expects the loan to be repaid by August 28, 2012.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 4 – LOANS, NOTES RECEIVABLE AND DEVELOPMENT AGREEMENTS (Continued)

F. *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.

During fiscal year 2011, sales tax collections exceeded the threshold, therefore the Agency disbursed \$57,134 to Fry's in accordance with the terms of the agreement. At June 30, 2011, 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.

G. *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, 2011 the balance of loan is \$208,333.

NOTE 5 – 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, 2010; the Redevelopment Agency's equity in the Partnership's assets was \$1,729,715 at that date and its share of the Partnership's net income for the year then ended was \$171,020. The Agency made no monetary contributions to the partnership during the year. Financial statements for the Partnership can be obtained from the Concord Redevelopment Agency, 1950 Parkside Drive, Concord, CA 94519.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 6 – 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, 2011 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. During the fiscal year, the General Capital Projects Fund transferred \$6,358,372 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 2011, the General Capital Projects Fund transferred \$3,115,183 to the City to fund capital projects and operations. The Low and Moderate Income Housing Special Revenue Fund transferred \$67,547 to the City to pay for operational costs associated with the Agency's affordable housing activities.

As discussed in note 1F and 7, the Agency conveyed all of its Land Held for Redevelopment in the amount of \$11,416,332 and capital assets in the amount of \$21,798,811 to the City.

D. *Advance to the City*

In 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.

E. *Current Interfund Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2011, the General Capital Projects Fund was owed \$5,029,774 from the Debt Service Fund.

F. *Redevelopment Reimbursement Agreements*

In February 2011, under the provisions of Health and Safety Code section 33220, the City agreed to aid and cooperate with the Agency by implementing the planning, undertaking, construction or operation of redevelopment projects and the Agency agreed to reimburse it for costs incurred. During fiscal 2010-11, the Agency reimbursed the City \$539,662 and \$3,960,645, for low/mod and other activities, respectively.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 7 – 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, 2011:

	Balance at June 30, 2010	Transfers	Balance at June 30, 2011
<i>Governmental Activities</i>			
Capital assets not being depreciated:			
Land	\$875,884	(\$875,884)	
Construction in progress	1,217,509	(1,217,509)	
Total capital assets not being depreciated	2,093,393	(2,093,393)	
Capital assets being depreciated:			
Buildings and structures	30,947,333	(30,947,333)	
Less: depreciation	(11,302,939)	11,302,939	
Grounds and Improvements	64,920	(64,920)	
Less: depreciation	(3,896)	3,896	
Total capital assets being depreciated	19,705,418	(19,705,418)	
Governmental activity capital assets, net	\$21,798,811	(\$21,798,811)	

In March 2011, the Agency, acting in accordance with Health and Safety Code Sections 33220 and 33430, entered into a Real Property Transfer and Cooperative Agreement with the City whereby the Agency conveyed all of its real property to the City. Under the Agreement, the City will use the property for redevelopment purposes consistent with the California Redevelopment Law and to implement and carry out the Redevelopment Plan for the Central Concord Project Area. The conveyance has been recorded as a transfer to the City during fiscal 2010-11.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 8 – LONG-TERM DEBT

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

	Original Principal Amount	Balance as of June 30, 2010	Retirements	Balance as of June 30, 2011	Current Portion
2004 Tax Allocation Refunding Bonds					
3.9-5.05%, due 07/01/25	\$72,310,000	\$60,895,000	\$3,690,000	\$57,205,000	\$3,835,000
Less deferred amount on refunding		(2,368,212)	(296,027)	(2,072,185)	
Total Tax Allocation Bonds		58,526,788	3,393,973	55,132,815	3,835,000
Loans Payable:					
Police Facilities, 2.70- 5.25%, due 08/01/13	9,700,000	1,581,968	409,705	1,172,263	440,000
Parking Garage, 4.0-5.13% due 03/01/23	9,580,000	6,057,051	388,506	5,668,545	415,000
Total Loans Payable		7,639,019	798,211	6,840,808	855,000
Refunding Lease Agreement:					
3.6%, due 09/01/2019	3,116,000	3,116,000	49,000	3,067,000	
Total Governmental Activity Debt		<u>\$69,281,807</u>	<u>\$4,241,184</u>	<u>\$65,040,623</u>	<u>\$4,690,000</u>

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 TABs are secured by a surety bond issued by AMBAC Assurance Corporation which disclosed bankruptcy in November 2010. The Agency has not obtained a replacement surety as of June 30, 2011.

The pledge of future tax increment revenues ends upon repayment of the \$75,842,223 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 2011, tax increment revenues amounted to \$16,897,662 which represented coverage of 2.66% over the \$6,354,172 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 \$1,225,232 in fiscal 2011. 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.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 8 – LONG-TERM DEBT (Continued)

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.

E. Repayment Requirements

At June 30, 2011 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
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	5,472,500	2,067,881
2017 - 2021	27,486,500	6,368,752
2022 - 2026	14,240,808	1,807,672
Total	67,112,808	<u>\$20,850,065</u>
Reconciliation of long-term debt:		
Less unamortized deferred amount on refunding	<u>(2,072,185)</u>	
Total	<u>\$65,040,623</u>	

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 9 – RISK MANAGEMENT

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

<u>Type of Coverage (Deductible)</u>	<u>Coverage Limits</u>
General Liability (\$500,000)	\$35,000,000
Workers' Compensation (\$500,000)	Statutory
All Risk Property Including Flood (\$10,000 per occurrence all risk and \$25,000 flood)	\$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.

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, 2011, 2010 and 2009, the amount of settlements did not exceed insurance coverage.

NOTE 10 – NET ASSETS AND FUND BALANCES

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

A. Net Assets

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

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

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 10 - 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. Fund Balances

The Agency's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the Agency to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Agency prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Agency Board which may be altered only by formal action of the Agency Board. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the Agency's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Agency Board or its designee and may be changed at the discretion of the Agency Board or its designee. This category includes encumbrances; Nonspendables, when it is the Agency's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 10 - NET ASSETS AND FUND BALANCES (Continued)

C Encumbrances

The Agency uses an encumbrance system as an extension of normal budgetary accounting for government funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recoded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2011 were \$154,411 and \$1,540,204 in the Low and Moderate Income Housing Fund and General Capital Projects Fund, respectively.

NOTE 11 - PASS-THROUGHS AND REBATES

In order to mitigate financial impacts on other property tax supported entities caused by the 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 2010-2011, the Agency paid \$851,108 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 2010-2011, the Agency paid \$346,800 to the developer.

NOTE 12 - 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 in fiscal year 2009-10. The Agency's obligation due May 10, 2011 was \$1,239,872, which was paid. 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.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 13 – PROPOSED DISSOLUTION OF REDEVELOPMENT AGENCIES

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an “alternative voluntary redevelopment program” requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated \$1.7 billion for fiscal year 2012 and an estimated \$400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011 the California Supreme Court issued an Order, under which, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and ABx1 27. The stay did not include the section of ABx1 26 that suspends new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay existing obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 23, 2011.

In addition, ABx1 26 directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller’s Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency’s redevelopment activities are currently subject to the Supreme Court Order described above. These facts indicate that, depending on the outcome of the California Redevelopment Association’s challenge to ABx1 26 and 27 before the Supreme Court, there is a possibility the Agency may not continue as a going concern through 2012. The continuation of the Agency will initially depend upon whether the Supreme Court rules in favor of the petitioners in *CRA v. Matosantos*. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 13 – PROPOSED DISSOLUTION OF REDEVELOPMENT AGENCIES (Continued)

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City, which has already acted to opt-in to the alternative voluntary redevelopment program, will likely ratify that action. Going forward, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. It is anticipated that the City's annual remittances would be reimbursed by the Agency from tax increment revenues of Central Concord Project Area. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be \$6,184,135. The City filed an appeal of that amount in accordance with the provisions of Health and Safety Code Section 34194(b)(2)(L). On October 14, 2011, the City received a response from the State Department of Finance with a partial approval of the appeal. The City's payment was reduced to \$5,849,170. The City will likely continue to seek additional reduction in the amount of the payment.
2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to make the required payments under ABx1 27, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency would be subject to the suspension provisions of ABx1 26 and would be dissolved in accordance with such provisions. Any transfers of Agency assets subsequent to January 1, 2011 to the City, including those discussed in Notes 1F, 6 and 7, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.
3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of October 28, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
EXCESS SURPLUS CALCULATION

Excess surplus is defined in Health and Safety Code Section 33334.12(b) as any unexpended and unencumbered amount in an Agency's Low and Moderate Income Housing Fund that exceeds the greater of \$1,000,000 or the aggregate amount deposited into the Low and Moderate Income Housing Fund during the preceding four fiscal years, as of the beginning of the fiscal year.

If excess surplus exists, the Agency must lawfully spend the excess or transfer it to a housing authority or other public agency in the following fiscal year, expend or encumber in the next two fiscal years or face sanctions. Essentially, agencies have a three-year window to expend, encumber, or transfer the excess surplus.

	Low and Moderate Income Housing Funds -- All Project Areas July 1, 2010	
Opening Fund Balance -- July 1, 2010		\$34,194,042
Less Unavailable Amounts:		
Encumbrances (Section 33334.12(g)(2))	(113,626)	
Loans Receivable	(16,380,549)	
Advances	(12,495,937)	
Prepays	0	
		(28,990,112)
Available Low and Moderate Income Housing Funds		5,203,930
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years - fiscal years ended:		
June 30, 2010	\$3,569,743	
June 30, 2009	3,540,562	
June 30, 2008	3,161,891	
June 30, 2007	2,998,627	
Total	\$13,270,823	
Base limitation	\$1,000,000	
Greater amount		13,270,823
Computed Excess Surplus - July 1, 2010		None

**INDEPENDENT AUDITOR'S 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 Governing Board of
The Redevelopment Agency of the City of Concord
Concord, California

We have audited the financial statements of Redevelopment Agency of the City of Concord, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 2011. The report included a special emphasis paragraph concerning proposed redevelopment dissolution and a paragraph discussing the implementation of Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted 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

Management of the City of Concord is responsible for establishing and maintaining effective 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 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. 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.

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 identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. These are listed as items in our separately issued Memorandum on Internal dated October 28, 2011.

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. 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 or other matters 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 October 28, 2011, which is an integral part of our audit and should be read in conjunction with this report.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, 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.

Mage + Assate

October 28, 2011

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE
CALIFORNIA HEALTH AND SAFETY CODE
AS REQUIRED BY SECTION 33080.1**

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Members of the Governing Board of
The Redevelopment Agency of the City of Concord
Concord, California

Compliance

We have audited the Redevelopment Agency of the City of Concord's compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June, 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, 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.

Mage & Assante

October 28, 2011