



CITY OF BRENTWOOD
REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2002

WITH

REPORT OF CERTIFIED
PUBLIC ACCOUNTANTS

REDEVELOPMENT AGENCY

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

To the Board Chairman and
Board Members of the Brentwood
Redevelopment Agency
City of Brentwood, California

We have audited the accompanying financial statements of the Brentwood Redevelopment Agency, a component unit of the City of Brentwood, California, as of and for the year ended June 30, , as listed in the table of contents. These financial statements are the responsibility of the Brentwood Redevelopment Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 *Governmental Auditing Standards*, issued by the Controller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Brentwood Redevelopment Agency as of June 30, , and the respective changes in financial positions, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, the accompanying financial statements reflect certain changes as required by GASB Statement No. 34 for the year ended June 30, 2002. This resulted in a change in the format and content of the basic financial statements.

The Required Supplementary Information, including Management's Discussion and Analysis as listed in the table of contents, is not required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This Required Supplementary Information is the responsibility of the management of the Brentwood Redevelopment Agency. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brentwood Redevelopment Agency's basic financial statements. The other supplementary information listed in the table of contents, including additional budgetary comparison schedules, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 6, , on our consideration of the Brentwood Redevelopment Agency's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

VAVRINEK, TRINE, DAY & CO., LLP

Pleasanton, California
September 6,



Management's Discussion and Analysis

Fiscal Year Ended June 30, 2002

As management of the Brentwood Redevelopment Agency ("Agency"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2002. It is encouraged that the readers consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$4,607,287 (*net assets*).
- The Agency's total deficit net assets increased by \$944,102. This decrease is attributable to an unfavorable variance of revenues as compared to expenses.
- The total revenues from all sources were \$3,499,197 as compared to the total cost for all Agency programs of \$4,443,299.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. In time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2002

The *statement of activities* presents information on how the Agency's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements include only the Agency itself.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The Agency uses only governmental funds.

Governmental Funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the Low-Moderate Income Housing Fund, Debt Services Fund and the Capital Project Fund, and are all considered to be major funds. There are no non-major funds.

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2002

The Agency adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with this budget.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information The Agency's Capital Projects Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual is presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, liabilities exceeded assets by \$4,607,287 at the close of the most recent fiscal year. This was an increase by \$944,102 over the prior fiscal year.

The Agency's combined Net Assets for fiscal year ended June 30, 2002 were: \$ (4,607,287)

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2002

	Governmental Activities	
	2002	2001
Current and other assets	\$ 17,763,606	\$ 2,390,115
Capital assets	475,811	475,811
Total assets	\$ 18,239,417	\$ 2,865,926
Long-term liabilities outstanding	\$ 22,563,215	\$ 6,444,195
Other liabilities	283,489	84,916
Total liabilities	\$ 22,846,704	\$ 6,529,111
Net assets:		
Invested in capital assets, net of related debt	\$ (22,563,215)	\$ (6,444,195)
Restricted	17,955,928	2,039,520
Unrestricted	-	741,490
Total Net Assets	\$ (4,607,287)	\$ (3,663,185)

During the current fiscal year, the Agency's deficit net assets increased by \$944,102. The key element of this decrease is due to the increased interest and expenses associated with the refunding of the Tax Allocation Bond, and the acquisition of the 2001 CIP Bond.

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2002

	Governmental Activities	
	2002	2001
Revenues:		
Program Revenues:		
Fees and Other Revenues	104,154	-
General revenues:		
Taxes:		
Property taxes	2,923,087	2,320,477
Investment earnings	471,956	143,912
Total revenues	3,499,197	2,464,389
Expenses		
General Government	898,255	1,022,638
Community Development	299,596	3,468
Development Services	1,903,485	-
Interest on Long-Term Debt	1,341,963	2,068
Total expenses	4,443,299	1,028,174
Increase (decrease) in net assets before transfers	(944,102)	1,436,215
Transfers	-	-
Increase (decrease) in net assets	(944,102)	1,436,215
Net assets 7/1/01, as restated	(3,663,185)	(5,099,400)
Net assets 6/30/02	(4,607,287)	(3,663,185)

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2002

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Agency's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$17,955,928, an increase of \$15,174,918 in comparison with the prior year. All of the fund balance constitutes *reserved fund balance*, which is available for spending on only specific services and programs, except for the balances in the Low-Moderate Income Housing fund which are legally reserved for low and moderate income housing purposes.

The Capital Projects Fund is the chief operating fund of the Agency. At the end of the current fiscal year, reserved fund balance of the Capital Projects Fund was \$15,292,458. Fund balance represents 390% of total Capital Projects Fund operating expenditures.

All of the Agency's funds are classified as governmental funds.

During the current fiscal year, the fund balance of the Agency's Capital Projects Fund increased by \$14,869,612. The key factor in this growth was due to Loan and Bond Proceeds increasing \$18,367,917 from a year ago. This increase was due primarily to the issuance of the new redevelopment tax allocation bonds. Also, total revenues increased from a year ago by \$313,289 (818%) while total cost of all programs and services increased by \$3,035,217 (343%).

The Agency has two other major funds: Low-Moderate Income Housing and the Debt Service Fund. The Low-Moderate Income Housing Fund, a special revenue fund, is used to account for funds that are set aside for low and moderate income housing, as well as related expenditures. The Debt Service Fund is for the accumulation of resources to be used for the repayment of Agency debt.

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2002

BUDGETARY HIGHLIGHTS

Comparing the FY 2001/02 original budget (or adopted) amount of \$4,863,061 to the final budget amount of \$8,957,044 shows a net increase of \$4,093,983.

Supplemental budget changes were made at the mid-year budget review. They include the following:

- \$3,240,000 Tax Allocation Bond was refinanced into the CIP 2001 Revenue Bonds
- \$35,000 reorganization resulting from reclassifications
- \$89,400 additional studies and amendments
- \$729,583 additional projects, improvements and programs

Capital Assets

The Agency has no capital assets.

Long-Term Debt

The Brentwood Redevelopment Agency's Debt, considered a liability of governmental activities, increased in FY 2001/02 by \$16,119,020. This increase was due primarily to the issuance of the new redevelopment tax allocation bonds.

Management’s Discussion and Analysis

Fiscal Year Ended June 30, 2002

- **CIP 2001 Revenue Bonds**

On September 27, 2001, the Brentwood Infrastructure Financing Authority issued \$21,415,000 in Brentwood Capital Improvement Revenue Bonds, Series 2001, to finance the refunding of the Agency’s \$3,240,000 outstanding principal amount of the Brentwood Redevelopment Project Tax Allocation Bonds, Series A, and to finance Redevelopment projects. Total annual debt service payments, including interest at 3.0 percent to 5.375 percent, \$1,315,294 to \$1,372,750.

Year Ending June 30,	Principal	Interest	Total
2003	\$ 315,000	\$ 1,000,294	\$ 1,630,294
2004	380,000	989,869	1,749,869
2005	395,000	977,750	1,767,750
2006	405,000	964,244	1,774,244
2007	420,000	949,806	1,789,806
2008-2012	2,345,000	4,493,297	9,183,297
2013-2017	2,875,000	3,944,681	9,694,681
2018-2022	3,640,000	3,154,469	10,434,469
2023-2027	4,675,000	2,098,625	11,448,625
2028-2032	5,965,000	774,375	8,430,496
Total	<u>\$21,415,000</u>	<u>\$19,347,410</u>	<u>\$ 57,903,531</u>

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2002

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key assumptions in the forecast for fiscal year 2002/03 were:

1. Tax Increment revenues will increase by 25% due to an estimated rise in assessed valuation and general growth.
2. The Agency's 2002/03 Budget takes into account the historical trends of the Tax Increment.
3. Inflationary trends in the region compare favorably to national indices.

New items specifically addressed in the 2002/03 budget were:

- Update of our trade area demographic information
- Creation and distribution of marketing materials
- Debt service on the 2001 Series Tax Allocation Bonds
- Downtown Parking Study
- Sunset Industrial Complex Construction and Marketing
- Assembly of properties located at Oak and Walnut
- Installation of Sewer and Water facilities in Downtown
- Property acquisition for Christian Church Homes

All of these factors were considered in preparing the Agency's budget for the 2002/03 fiscal year.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report, separate reports of the Agency's component units or need any additional financial information, contact the Office of Finance at 708 Third Street, Brentwood, California 94513, phone (925) 516-5415 or e-mail dept-finance@ci.brentwood.ca.us.

City of Brentwood Redevelopment Agency

Statement of Net Assets

June 30, 2002

	Governmental
	Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 2,319,479
Restricted Cash and Investments	14,863,382
Receivables	577,328
Prepays	3,417
Land Held for Resale	475,811
Total Assets	18,239,417
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts Payable	282,489
Deposits Held	1,000
Non-current liabilities due in more than one year:	
Bonds payable	21,415,000
Notes Payable	1,148,215
Total Liabilities	22,846,704
Net Assets:	
Investment in Capital Assets, Net of Related Debt	(22,563,215)
Restricted for:	
Debt Service	947,323
Specific Projects and Programs	17,008,605
Total Net Assets	\$ (4,607,287)

City of Brentwood Redevelopment Agency
Statement of Activities and Changes in Net Assets
For Year Ended June 30, 2002

	Program Revenues				Net Governmental Activities
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Government Activities					
General Government	\$ 898,255				\$ (898,255)
Community Development	299,596				(299,596)
Development Services	1,903,485				(1,903,485)
Debt Services:					
Interest	1,341,963				(1,341,963)
Total Governmental Activities	\$ 4,443,299	-	-	-	(4,443,299)
		General Revenues:			
		Taxes:			
					2,923,087
					471,956
					104,154
					3,499,197
					(944,102)
					(3,663,185)
					\$ (4,607,287)

City of Brentwood Redevelopment Agency

Balance Sheet
Governmental Funds
June 30, 2002

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects Funds</u>	
	Redevelopment Low/Moderate Income Housing	Redevelopment Debt	Redevelopment Projects	Totals
ASSETS				
Current Assets:				
Cash and Investments	\$ 1,404,314	\$ 796,690	\$ 118,475	\$ 2,319,479
Restricted Cash and Investments	-	-	14,863,382	14,863,382
Receivables	98,173	376,985	102,170	577,328
Prepays	-	-	3,417	3,417
Land Held for Resale	248,113	-	227,698	475,811
Total Assets	\$ 1,750,600	\$ 1,173,675	\$ 15,315,142	\$ 18,239,417
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 33,453	\$ 226,352	\$ 22,684	\$ 282,489
Deposits Held	1,000	-	-	1,000
Total Liabilities	\$ 34,453	\$ 226,352	\$ 22,684	\$ 283,489
Fund Balances:				
Reserved for:				
Prepays	-	-	3,417	3,417
Land Held for Resale	248,113	-	227,698	475,811
Debt Service	-	947,323	-	947,323
Specific Projects and Programs	1,468,034	-	15,061,343	16,529,377
Total Fund Balances	\$ 1,716,147	\$ 947,323	\$ 15,292,458	\$ 17,955,928
Total Liabilities and Fund Balances	\$ 1,750,600	\$ 1,173,675	\$ 15,315,142	\$ 18,239,417

City of Brentwood Redevelopment Agency

***Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2002***

Fund Balances of Governmental Funds	\$ 17,955,928
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not reported in the governmental balance sheet.	<u>(22,563,215)</u>
Net Assets of Governmental Activities	<u><u>\$ (4,607,287)</u></u>

City of Brentwood Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2002

	Special Revenue	Debt Service	Capital Projects Funds	
	Redevelopment Low/Moderate Income Housing	Redevelopment Debt	Redevelopment Project	Totals
REVENUES				
Taxes	\$ 584,617	\$ 2,338,470	\$ -	\$ 2,923,087
Uses of Money and Property	73,545	63,131	335,280	471,956
Fees and Other Revenues	80,800	7,050	16,304	104,154
Total Revenues	738,962	2,408,651	351,584	3,499,197
EXPENDITURES				
Current:				
General Government	319,837	-	578,418	898,255
Community Development	-	299,596	-	299,596
Development Services	130,257	-	1,773,228	1,903,485
Debt Service:				
Principal Retirement	-	495,000	1,560,980	2,055,980
Interest and Fiscal Charges	-	1,333,550	8,413	1,341,963
Total Expenditures	450,094	2,128,146	3,921,039	6,499,279
REVENUES OVER (UNDER) EXPENDITURES	288,868	280,505	(3,569,455)	(3,000,082)
OTHER FINANCING SOURCES (USES)				
Loan and Bond Proceeds	-	3,047,083	18,367,917	21,415,000
Refunding Bonds Issued	-	(3,240,000)	-	(3,240,000)
Transfers In	126,400	-	198,977	325,377
Transfers Out	(126,400)	(71,150)	(127,827)	(325,377)
Total other Financing Sources (Uses)	-	(264,067)	18,439,067	18,175,000
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	288,868	16,438	14,869,612	15,174,918
Fund Balance, Beginning of Year	1,427,279	930,885	422,846	2,781,010
Fund Balance, End of Year	\$ 1,716,147	\$ 947,323	\$ 15,292,458	\$ 17,955,928

City of Brentwood Redevelopment Agency

***Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2002***

Net Change Fund Balances - Total Governmental Funds \$ 15,174,918

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of revenues, Expenditures, and Changes in Fund Balances

Increases in long-term liabilities provide current financial resources to governmental funds as other financing sources. This revenue is not recognized in the government-wide financial statements.

(16,119,020)

Change in Net Assets of Governmental Activities

\$ (944,102)

CITY OF BRENTWOOD REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Brentwood Redevelopment Agency (the Agency) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The Agency has implemented GASB Statements No. 33 and 34 and these statements are presented according to those requirements. The following is a summary of the significant policies.

A. Description of the Reporting Entity

The Redevelopment Agency of the City of Brentwood is a separate governmental entity established October 1, 1981, pursuant to the provisions of California statutes for the purpose of redeveloping certain areas of the City. The Agency is a component unit of the City of Brentwood, the primary government, and is included in the City's combined financial statements.

Prior to July 1, 2001, the Agency consisted of two project areas known as the Brentwood Downtown Project and the North Brentwood Project. The Brentwood Downtown Project plan was adopted July 13, 1982, and amended November 29, 1983. The North Brentwood Project plan was adopted June 25, 1991. These plans are designed to alleviate existing conditions within the designated project areas in accordance with Redevelopment law.

As of July 1, 2000, the Agency has amended the Redevelopment Plans for the Brentwood and North Brentwood Redevelopment Projects to merge the two project areas and provide authority to construct additional public facilities within the merged project area. Merging the two project areas per the amendments allows the Agency to establish a single unified tax increment limit applicable to both projects areas, which will give the Agency greater flexibility for future financing.

B. Basis of Accounting/Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government – Wide Financial Statements

The Agency Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Agency.

CITY OF BRENTWOOD REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

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

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and infrastructure as well as long-term debt, if any, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Agency are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance for all major governmental funds and aggregated non-major funds. The Agency has presented all major funds that met the qualifications of GASB Statement No. 34. In addition, the Agency has presented the Low Income Housing Special Revenue Fund, the Debt Service Fund, and the Capital Project fund, as major funds because the Agency believes that financial position and activities of these funds are significant to the Agency as a whole.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after the year end) are recognized when due. The primary sources susceptible to accrual are property tax increment and investment income.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

CITY OF BRENTWOOD REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

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

The Agency reports the following major governmental funds:

- Special Revenue Funds - Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.
- Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs.
- Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

C. Budgetary Data

Annual budgets are adopted for all the governmental funds on a basis consistent with accounting principles generally accepted in the United States of America.

D. Tax Increment Revenues

Incremental property tax revenues are established pursuant to California Community Redevelopment Law and result from the excess levied and collected each year in designated project areas over and above the amount which would have been produced, at current rates, by the assessed value as shown on the last equalized property tax assessment roll prior to the effective date of the ordinance establishing the designated project areas.

Incremental property taxes are considered as revenues of the project area when notification is received from the Count of Contra Costa and received within 60 days of the fiscal year-end.

E. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first then unrestricted resources as needed.

F. Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures at the date of the financial statements. Actual results could differ from those estimates.

CITY OF BRENTWOOD REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

NOTE # 2 - CASH AND INVESTMENTS

The Agency pools all of its cash and investments with the City of Brentwood. Interest income earned on pooled cash and investments is allocated monthly to the Agency based on month-end cash balances.

Authorized Investments

Under provision of the Agency's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Bonds issued by the City of other local California agencies
- Negotiable Certificates of Deposits
- Bankers Acceptances
- Commercial Paper and Medium Term Notes
- State of California - Local Agency Investment Funds
- Repurchase Agreements
- Reverse Repurchase Agreements
- Corporate Medium Term Notes
- Securities of the State of California, or its agencies

Pooled Deposits/Credit Risk

The California Government Code requires California banks and savings and loan associations to secure an Agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110 percent of an Agency's deposits. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of the Agency's total deposits.

The Agency may waive collateral requirements for deposits, which are fully insured by federal depository insurance.

CITY OF BRENTWOOD REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE # 3 – LONG-TERM LIABILITIES

The following summarizes the changes in debt obligations:

	Balance Beginning of Year	Additions	Payments	Balance End of Year
Advances from the City of Brentwood	\$ 3,204,195		\$ (2,055,980)	\$ 1,148,215
Bonds payable	3,240,000	21,415,000	(3,240,000)	21,415,000
	<u>\$ 6,444,195</u>	<u>\$ 21,415,000</u>	<u>\$ (5,295,980)</u>	<u>\$ 22,563,215</u>

Advances from the City of Brentwood:

These obligations are subordinate to any external debt of the Agency. Interest accrued at rates based on the current Local Agency Investment Fund (LAIF) rate. Any unpaid accrued interest is added to the total obligation on a quarterly basis. The obligation is being repaid from incremental tax revenues. There is no fixed due date. Because of the uncertain timing of any repayments to the City of Brentwood, the Agency has recognized as a revenue the annually budgeted advances from the City. The Agency recognize principal repayment as an expenditure in the period paid.

CITY OF BRENTWOOD REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #3 – LONG-TERM LIABILITIES (CONTINUED)

Bonds payable

The Agency issued Tax Allocation Bonds, dated October 1, 2001 to finance Redevelopment projects. Interest is payable semi-annually on May 1, and November 1. Interest rates range from 3.0 percent to 5.375 percent annually. As of June 30, 2002, the outstanding principal balance of bonds is \$21,415,000. The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2002:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$ 315,000	\$ 1,000,293	\$ 1,315,293
2004	380,000	989,868	1,369,868
2005	395,000	977,750	1,372,750
2006	405,000	964,244	1,369,244
2007	420,000	949,806	1,369,806
2008-2012	2,345,000	4,493,296	6,838,296
2013-2017	2,875,000	3,944,685	6,819,685
2018-2022	3,640,000	3,154,470	6,794,470
2023-2027	4,675,000	2,098,625	6,773,625
2028-2032	5,965,000	774,375	6,739,375
	<u>\$ 21,415,000</u>	<u>\$ 19,347,412</u>	<u>\$ 40,762,412</u>

CITY OF BRENTWOOD REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

NOTE #4 - NORTH BRENTWOOD RDA TAX SHARING AGREEMENTS

The Agency entered into tax sharing agreements with the East Diablo Fire District, The Brentwood Union School District, the Liberty Union High School District, the Oakley School District, the Knightsen School District, the Bryon Elementary School, the Contra Costa Mosquito Abatement District and the Contra Costa County Office of Education. The agreements call for a pass-through of their share of the general tax levy. The pass-through amounts from these agreements are not currently subordinated to other Agency debt.

The Agency entered into tax sharing agreements with the Contra Costa Community College District, the East Bay Regional Park District and the BBK Union Cemetery District. The agreements call for a pass-through of their share of the general tax levy. The pass-through amounts from these agreements are currently subordinated to other Agency debt.

The Agency entered into tax sharing agreements with the Contra Costa Library and the Contra Costa Flood Control District. The agreements call for a pass-through of a portion of the general tax levy.

NOTE #5 - CONTINGENCIES

Pass-Through Agreement - East Bay Regional Park District

The Brentwood Redevelopment Agency has entered into a tax sharing agreement with the East Bay Regional Park District. The agreement calls for a pass-through of the Park District's general levy tax portion, and the voter approved tax levy.

Litigation

The Agency is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the Agency that the outcome will have not material adverse effect on the financial position of the Agency.



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Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AUDIT GUIDELINES FOR CALIFORNIA REDEVELOPMENT AGENCIES

The Agency Members of the Board of the
City of Brentwood Redevelopment Agency
Brentwood, California

We have audited the basic financial statements of the City of Brentwood Redevelopment Agency, Brentwood California (the "Agency") as of and for the year ended June 30, 2002, and have issued our report thereon dated September 6, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the agency are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants, However, providing an opinion on compliance with those provisions was not an objective of our audit and, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does

not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of Brentwood Redevelopment Agency and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

VAVRINEK, TRINE, DAY & CO., LLP

Pleasanton, California
September 6, 2002



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Agency Members of the Board of the
Brentwood Redevelopment Agency
Brentwood, California

We have audited the financial statements of , as of and for the year ended June 30, , and have issued our report thereon dated September 6, . We conducted our audit 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 Controller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts.

Compliance

As part of obtaining reasonable assurance about whether 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial

reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and the State Controller's office and is not intended to be and should not be used by anyone other than these specified parties.

VAVRINEK, TRINE, DAY & CO., LLP

Pleasanton, California
September 6,