



**CITY OF BRENTWOOD
REDEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

JUNE 30, 2003

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 governmental activities and each major fund of the Brentwood Redevelopment Agency, a component unit of the City of Brentwood, California, as of and for the year ended June 30, 2003, which collectively comprise the Brentwood Redevelopment Agency's basic financial statements 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 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, 2003, 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.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 30, 2003, 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.

The required supplementary information, including management's discussion and analysis and the budgetary comparison information, as listed in

the table of contents, are not required part of the basic financial statements, but are 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.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
October 30, 2003

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, 2003. 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

- Due to the nature of the redevelopment financing, agency liability normally exceed assets, thus resulting in a deficit in the statement of net assets. Therefore, the Agency traditionally carries a deficit to collect tax increment revenues. This is due to the nature of tax increment financing method allowed under California law, where a redevelopment agency issues bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increments. The tax allocation bond has a remaining balance of \$21,100,000, paid off through tax increments through the year 2032. Therefore, the liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$7,117,534 (*net assets*).
- The Agency's total deficit net assets increased by \$2,510,247. The key element of this decrease is due to the \$3 million funding of the Sunset Industrial Complex located within the Redevelopment area. This project is expected to increase the RDA's tax revenues by \$150,000 annually.
- The total revenues from all sources were \$3,843,669 as compared to the total cost for all Agency programs of \$6,353,916. General governmental expenses increased 477% from last year. This represents an increase in salaries and employees' benefits. For the most part, the increase in the Agency's expenses paralleled increases in the cost of living in the San Francisco Bay Area. Total expenditures for the Capital Project Funds represent 56% of the overall expenditures for all funds as a result of the funding of the Sunset Industrial Complex.

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.

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.

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.

Required Supplementary Information - The Agency's budgetary information is included in this section. The Agency's Budget to Actual Fund Schedule of Revenues, Expenditures and Changes in Fund Balances are found in the Financial Statements.

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 \$7,117,534 at the close of the most recent fiscal year. This was an increase by \$2,510,247 over the prior fiscal year.

The Agency's combined Net Assets for fiscal year ended June 30, 2003 were: \$(7,117,534)

	Governmental Activities	
	<u>2003</u>	<u>2002</u>
Current and Other Assets	\$ 14,168,415	\$ 17,763,606
Assets Held for Resale	475,811	475,811
Total Assets	<u>14,644,226</u>	<u>18,239,417</u>
Long-term Liabilities Outstanding	21,423,310	22,563,215
Current Liabilities	338,450	283,489
Total Liabilities	<u>21,761,760</u>	<u>22,846,704</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(21,405,000)	(22,563,215)
Restricted	14,287,466	17,955,928
Total Net Assets	<u>\$ (7,117,534)</u>	<u>\$ (4,607,287)</u>

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2003

During the current fiscal year, the Agency's deficit net assets increased by \$2,510,247. The key element of this decrease is due to the \$3 million funding of the Sunset Industrial Complex located within the Redevelopment area. This project is expected to increase the RDA's tax revenues by \$150,000 annually.

	Governmental Activities	
	<u>2003</u>	<u>2002</u>
Revenues:		
Program Revenues:		
Fees and Other Revenues	\$ 19,940	\$ 104,154
Taxes:		
Property Taxes	3,381,931	2,923,087
Investment Earnings	441,798	471,956
Total Revenues	<u>3,843,669</u>	<u>3,499,197</u>
Expenses:		
General Government	4,286,709	898,255
Community Development	421,874	299,596
Development Services	602,470	1,903,485
Interest on Long-Term Debt	1,042,863	1,341,963
Total Expenses	<u>6,353,916</u>	<u>4,443,299</u>
Increase (decrease) in Net Assets	(2,510,247)	(944,102)
Net Assets 7/1/02	<u>(4,607,287)</u>	<u>(3,663,185)</u>
Net Assets 6/30/03	<u><u>\$ (7,117,534)</u></u>	<u><u>\$ (4,607,287)</u></u>

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 \$14,305,226, a decrease of \$3,650,702 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 \$11,519,574. Fund balance represents 276% 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 decreased by \$3,772,884. The key factor in this decrease was the funding of the Sunset Industrial Complex. The funding is expected to increase the Agency's tax revenues by \$150,000 annually. Also, total revenues decreased from a year ago by \$24,803 (7.1%) while total cost of all programs and services increased by \$255,083 (6.5%).

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.

BUDGETARY HIGHLIGHTS

Comparing the FY 2002/03 original budget (or adopted) expenditures amount of \$8,881,261 to the final budget amount of \$11,542,793 shows a net increase of \$2,661,532.

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

- \$85,000 - Additional Professional Services
- \$550,000 - Pay off outstanding loan from the City
- \$2,026,532 - Additional projects, improvement 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, decreased in FY 2002/03 by \$1,158,215. Detailed information regarding long-term debt activity can be found in the Notes to the Basic Financials.

	<u>Balance June 30, 2002</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2003</u>
Governmental Activities				
Advances from the City of Brentwood	\$ 1,148,215	-	\$ 843,215	\$ 305,000
CIP 2001 Revenue Bonds	21,415,000	-	315,000	21,100,000
Total Governmental Activities	<u>\$ 22,563,215</u>	<u>\$ -</u>	<u>\$1,158,215</u>	<u>\$ 21,405,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key assumptions in the forecast for fiscal year 2003/04 were:

- Tax increment revenues will increase by 10% due to estimated rise in assessed valuation and general growth within the Merged Redevelopment Project Areas, based on historical trends of tax increment revenues.
- The Brentwood "Downtown" Redevelopment Project Area will experience an \$11M decrease in assessed value due to the loss of personal property as a result of US Print bankruptcy.
- Land sale proceeds from the sale of Sunset Industrial Complex parcels shall reimburse the Agency for its contribution to infrastructure improvements at the Complex. Any excess receipts from the proceeds of the sales beyond the actual costs shall be shared between the City and Agency in amounts equitable to their contributions.
- Inflationary trends in the region compare favorably to national indices.

Redevelopment related projects and programs specifically addressed in the 2003/04 budget were:

- Debt service on 2001 Series Tax Allocation Bonds.
- Debt service on Certificates of Participation.
- Negotiated and statutory pass-through agreements with taxing agencies.
- Shift of redevelopment funds to the State's Educational Revenue Allocation Fund.
- Continued downtown retail/parking studies.
- Continued support of Sunset Industrial Complex, and voluntary relocation of businesses along Brentwood Boulevard to the Sunset Industrial Complex.
- Installation of water and sewer facilities in Downtown.
- O'Hara Avenue and Second Street re-alignment.
- Reimbursement Agreement for Sand Creek Business Center and Gregory Ranch.
- Redevelopment of Oak and Walnut properties.
- Financial contribution to housing projects, inside and outside the Merged Project Areas, to create, preserve and improve affordable housing opportunities. Such projects include Habitat for Humanity, Villa Amador, Sycamore Square, First Street 8-plex, and Gregory Ranch town homes.

All of these factors were considered in preparing the Agency's budget for the 2003/04 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.



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City of Brentwood Redevelopment Agency

Statement of Net Assets

June 30, 2003

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 2,889,293
Restricted Cash and Investments	11,215,287
Receivables	63,110
Prepays	725
Land Held for Resale	475,811
Total Assets	14,644,226
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts Payable	317,450
Long-Term Debt Due Within One Year	685,000
Deposits Held	21,000
Compensated Absences Payable	550
Non-Current Liabilities Due in More Than One Year:	
Bonds Payable	20,720,000
Compensated Absences Payable	17,760
Total Liabilities	21,761,760
Net Assets:	
Investment in Capital Assets, Net of Related Debt	(21,405,000)
Restricted for:	
Debt Service	1,083,429
Specific Projects and Programs	13,204,037
Total Net Assets	\$ (7,117,534)



City of Brentwood Redevelopment Agency

Balance Sheet

Governmental Funds

June 30, 2003

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Funds</u>	
	Redevelopment Low/Moderate Income Housing	Redevelopment Debt	Redevelopment Projects	Totals
ASSETS				
Current Assets:				
Cash and Investments	\$ 1,466,186	\$ 1,368,059	\$ 55,048	\$ 2,889,293
Restricted Cash and Investments	-	-	11,215,287	11,215,287
Receivables	9,483	4,256	49,371	63,110
Prepays	145	-	580	725
Land Held for Resale	248,113	-	227,698	475,811
Total Assets	\$ 1,723,927	\$ 1,372,315	\$ 11,547,984	\$ 14,644,226
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 594	\$ 288,886	\$ 27,970	\$ 317,450
Deposits Held	21,000	-	-	21,000
Compensated Absences Payable	110	-	440	550
Total Liabilities	21,704	288,886	28,410	339,000
Fund Balances:				
Reserved for:				
Prepays	145	-	580	725
Land Held for Resale	248,113	-	227,698	475,811
Debt Service	-	1,083,429	-	1,083,429
Specific Projects and Programs	1,453,965	-	11,291,296	12,745,261
Total Fund Balances	1,702,223	1,083,429	11,519,574	14,305,226
Total Liabilities and Fund Balances	\$ 1,723,927	\$ 1,372,315	\$ 11,547,984	\$ 14,644,226



*Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets*

June 30, 2003

Fund Balances of Governmental Funds	\$ 14,305,226
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	<u>(21,422,760)</u>
Net Assets of Governmental Activities	<u><u>\$ (7,117,534)</u></u>

City of Brentwood Redevelopment Agency

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2003

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Funds</u>	
	<u>Redevelopment Low/Moderate Income Housing</u>	<u>Redevelopment Debt</u>	<u>Redevelopment Projects</u>	<u>Totals</u>
REVENUES				
Taxes	\$ 676,386	\$ 2,705,545	\$ -	\$ 3,381,931
Uses of Money and Property	69,907	65,050	306,841	441,798
Fees and Other Revenues	-	-	19,940	19,940
Total Revenues	<u>746,293</u>	<u>2,770,595</u>	<u>326,781</u>	<u>3,843,669</u>
EXPENDITURES				
Current:				
General Government	161,257	-	4,107,692	4,268,949
Community Development	-	421,874	-	421,874
Development Services	534,040	-	68,430	602,470
Debt Service:				
Principal Retirement	-	1,158,215	-	1,158,215
Interest and Fiscal Charges	-	1,042,863	-	1,042,863
Total Expenditures	<u>695,297</u>	<u>2,622,952</u>	<u>4,176,122</u>	<u>7,494,371</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>50,996</u>	<u>147,643</u>	<u>(3,849,341)</u>	<u>(3,650,702)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	553,215	1,428,204	1,981,419
Transfers Out	(64,920)	(564,752)	(1,351,747)	(1,981,419)
Total Other Financing Sources (Uses)	<u>(64,920)</u>	<u>(11,537)</u>	<u>76,457</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(13,924)</u>	<u>136,106</u>	<u>(3,772,884)</u>	<u>(3,650,702)</u>
Fund Balance, Beginning of Year	<u>1,716,147</u>	<u>947,323</u>	<u>15,292,458</u>	<u>17,955,928</u>
Fund Balance, End of Year	<u>\$ 1,702,223</u>	<u>\$ 1,083,429</u>	<u>\$ 11,519,574</u>	<u>\$ 14,305,226</u>



*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities and Changes in Net Assets
For Year Ended June 30, 2003*

Net Changes in Fund Balances - Total Governmental Funds	\$ (3,650,702)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Repayment of bond principal is an expenditure in Governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Assets.	1,158,215
To record the net change in compensated absences in the Statement of Activities	<u>(17,760)</u>
Changes in Net Assets of Government Activities	<u><u>\$ (2,510,247)</u></u>

City of Brentwood Redevelopment Agency

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

All Special Revenue Funds

For Year Ended June 30, 2003

		Redevelopment Low/Moderate Income Housing			
		Original Budget	Final Budget	Actual	Variance
REVENUES					
Taxes		\$ 556,237	\$ 556,237	\$ 676,386	\$ 120,149
Uses of Money and Property		75,000	75,000	69,907	(5,093)
Fees and Other revenues		200,000	200,000	-	(200,000)
	Total Revenues	<u>831,237</u>	<u>831,237</u>	<u>746,293</u>	<u>(84,944)</u>
EXPENDITURES					
Current:					
General Government		342,774	342,774	161,257	181,517
Development Services		-	540,722	534,040	6,682
	Total Expenditures	<u>342,774</u>	<u>883,496</u>	<u>695,297</u>	<u>188,199</u>
REVENUES OVER (UNDER) EXPENDITURES		<u>488,463</u>	<u>(52,259)</u>	<u>50,996</u>	<u>103,255</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out		-	-	(64,920)	(64,920)
	Total other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(64,920)</u>	<u>(64,920)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES		<u>\$ 488,463</u>	<u>\$ (52,259)</u>	<u>(13,924)</u>	<u>\$ 38,335</u>
	Fund Balance, Beginning of Year			<u>1,716,147</u>	
	Fund Balance, End of Year			<u>\$ 1,702,223</u>	

City of Brentwood Redevelopment Agency

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

All Debt Service Funds

For Year Ended June 30, 2003

	Redevelopment Debt			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 2,213,949	\$ 2,213,949	\$ 2,705,545	\$ 491,596
Uses of Money and Property	61,000	61,000	65,050	4,050
Total Revenues	<u>2,274,949</u>	<u>2,274,949</u>	<u>2,770,595</u>	<u>495,646</u>
EXPENDITURES				
Current:				
Community Development	435,005	421,091	421,874	(783)
Debt Service:				
Principal Retirement	633,215	1,158,215	1,158,215	-
Interest and Fiscal Charges	1,003,949	1,042,863	1,042,863	-
Total Expenditures	<u>2,072,169</u>	<u>2,622,169</u>	<u>2,622,952</u>	<u>(783)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>202,780</u>	<u>(347,220)</u>	<u>147,643</u>	<u>494,863</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	554,000	554,000	553,215	(785)
Transfers Out	(782,659)	(782,659)	(564,752)	217,907
Total other Financing Sources (Uses)	<u>(228,659)</u>	<u>(228,659)</u>	<u>(11,537)</u>	<u>217,122</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (25,879)</u>	<u>\$ (575,879)</u>	136,106	<u>\$ 711,985</u>
Fund Balance, Beginning of Year			<u>947,323</u>	
Fund Balance, End of Year			<u>\$ 1,083,429</u>	

City of Brentwood Redevelopment Agency

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

All Capital Projects Funds

For Year Ended June 30, 2003

	Redevelopment Projects			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Uses of Money and Property	\$ 1,870,920	\$ 1,870,920	\$ 306,841	\$ (1,564,079)
Fees and Other Revenues	-	-	19,940	19,940
Total Revenues	<u>1,870,920</u>	<u>1,870,920</u>	<u>326,781</u>	<u>(1,544,139)</u>
 EXPENDITURES				
Current:				
General Government	4,112,709	5,683,519	4,107,692	1,575,827
Development Services	391,950	391,950	68,430	323,520
Total Expenditures	<u>4,504,659</u>	<u>6,075,469</u>	<u>4,176,122</u>	<u>1,899,347</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,633,739)</u>	<u>(4,204,549)</u>	<u>(3,849,341)</u>	<u>355,208</u>
 OTHER FINANCING SOURCES (USES)				
Transfers In	2,053,095	2,053,095	1,428,204	(624,891)
Transfers Out	(1,179,000)	(1,179,000)	(1,351,747)	(172,747)
Total other Financing Sources (Uses)	<u>874,095</u>	<u>874,095</u>	<u>76,457</u>	<u>(797,638)</u>
 REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (1,759,644)</u>	<u>\$ (3,330,454)</u>	<u>(3,772,884)</u>	<u>\$ (442,430)</u>
Fund Balance, Beginning of Year			<u>15,292,458</u>	
Fund Balance, End of Year			<u>\$ 11,519,574</u>	



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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 Government Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

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 project 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 on the purposes for which they are to be spent and the mean 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.

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 area 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. Charge for services include revenues from customer 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.

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 Incremental 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 County of Contra Costa and received within 60 days of the fiscal year-end.

E. Uses 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.

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 issues 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 100 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.

NOTE # 3 – LONG-TERM LIABILITIES

The following summarizes the changes in debt obligations:

	Balance Beginning of Year	Additions	Payments	Balance End of Year	Amounts Due Within One Year
Advances from the City of Brentwood	\$ 1,148,215	\$ -	\$ (843,215)	\$ 305,000	\$ 305,000
Bonds Payable	21,415,000	-	(315,000)	21,100,000	380,000
Accumulated Compensated Absences (net)	-	18,500	(190)	18,310	550
	<u>\$ 22,563,215</u>	<u>\$ 18,500</u>	<u>\$ (1,158,405)</u>	<u>\$ 21,423,310</u>	<u>\$ 685,550</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 recognizes principal repayment as an expenditure in the period paid.

Year Ending <u>June 30,</u> 2004	Principal	Interest	Total
	<u>\$ 305,000</u>	<u>\$ 9,760</u>	<u>\$ 314,760</u>

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, 2003, the outstanding principal balance of bonds is \$21,100,000. The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2003:

Year Ending	Principal	Interest	Total
June 30,			
2004	380,000	989,869	1,369,869
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	435,000	934,300	1,369,300
2009-2013	2,435,000	4,398,078	6,833,078
2014-2018	3,005,000	3,811,400	6,816,400
2019-2023	3,830,000	2,959,544	6,789,544
2024-2028	4,910,000	1,859,000	6,769,000
2029-2032	4,885,000	503,125	5,388,125
Total	<u>\$ 21,100,000.00</u>	<u>\$ 18,347,115.72</u>	<u>\$ 39,447,115.72</u>

Compensated Absences

The long-term compensated absences balance at June 30, 2003 is:

Governmental \$17,760

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 Byron 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 agreement 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 agreement are currently subordinated to the 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 call 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 not have material adverse effect on the financial position of the agency.



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BUDGETARY INFORMATION

The Brentwood Redevelopment Agency provides support and identification of commercial, retail, and industrial development programs, business assistance programs, public improvements and facilities programs, and the assistance and participation in the expansion and improvement of the supply of very low, low and moderate income housing within the Merged Redevelopment Project Areas.

The two-year budget process begins with a strategic planning meeting with the Agency Board that identifies the types and levels of financial support for commercial, retail, and industrial development programs, public improvements, and the creation of housing opportunities. Based on the redevelopment projects supported by the Agency Board, the projected revenue assumptions and the existing financial obligations, the Redevelopment Manager prepares the budget document that is proposed to the Agency Board. Through a series of workshops, the final adoption of the two-year budget occurs in June. Before the beginning of the second year of the two-year budget cycle, the Agency will review progress during the first year and approve adjustments for the second year, as recommended by staff.

Through the development and monitoring of the annual operations budget, the Agency Board sets the direction of the Redevelopment Agency, allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Agency's economic resources, as well as financially supports the priority objectives set by the Agency Board.

The annual budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates the Agency's priorities to the community, businesses, developers, property owners, employees and other public agencies. Additionally, it establishes the foundation for effective financial planning by providing resource planning and revenue enhancement opportunities, cost controls, and performance measures that permit the evaluation and adjustment of the Agency's performance.

The Agency's budget is prepared and based on five expenditure categories: administration, supplies and services, debt service, contribution to redevelopment projects, and contributions to capital improvement projects. Those expenditures that are operational in nature, and known as *recurring costs*, include costs associated with personnel, supplies and services, and debt service. Those expenditures that are outside the normal operational budget and support the goals and objectives of the Agency's Five-Year Implementation Plan and Redevelopment Plans, are known as *one-time costs*, and include costs associated with contributions to redevelopment projects and capital improvement projects.

The Agency's budget is also based on four revenue categories: tax increment revenues, tax allocation bond proceeds, interest income, and land sales. All revenues and expenditures are kept separate from the City's General Fund for reporting purposes and identification of the use of redevelopment funds. The Agency follows the Budget and Fiscal Policies adopted by the Agency Board on April 24, 2001.



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

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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, 2003, and have issued our report thereon dated October 30, 2003. 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 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
October 30, 2003



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

VALUE THE DIFFERENCE

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 the City of Brentwood Redevelopment Agency as of and for the year ended June 30, 2003, and have issued our report thereon dated October 30, 2003. 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 the financial statements of the City of Brentwood Redevelopment Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 the City of Brentwood Redevelopment Agency's internal controls 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.

Varrinet, Trine, Day & Co., LLP.

Pleasanton, California
October 30, 2003