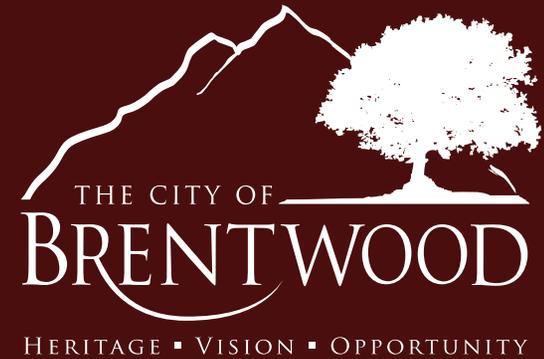


**BRENTWOOD REDEVELOPMENT AGENCY
FINANCIAL STATEMENTS**
A COMPONENT UNIT OF THE CITY OF BRENTWOOD



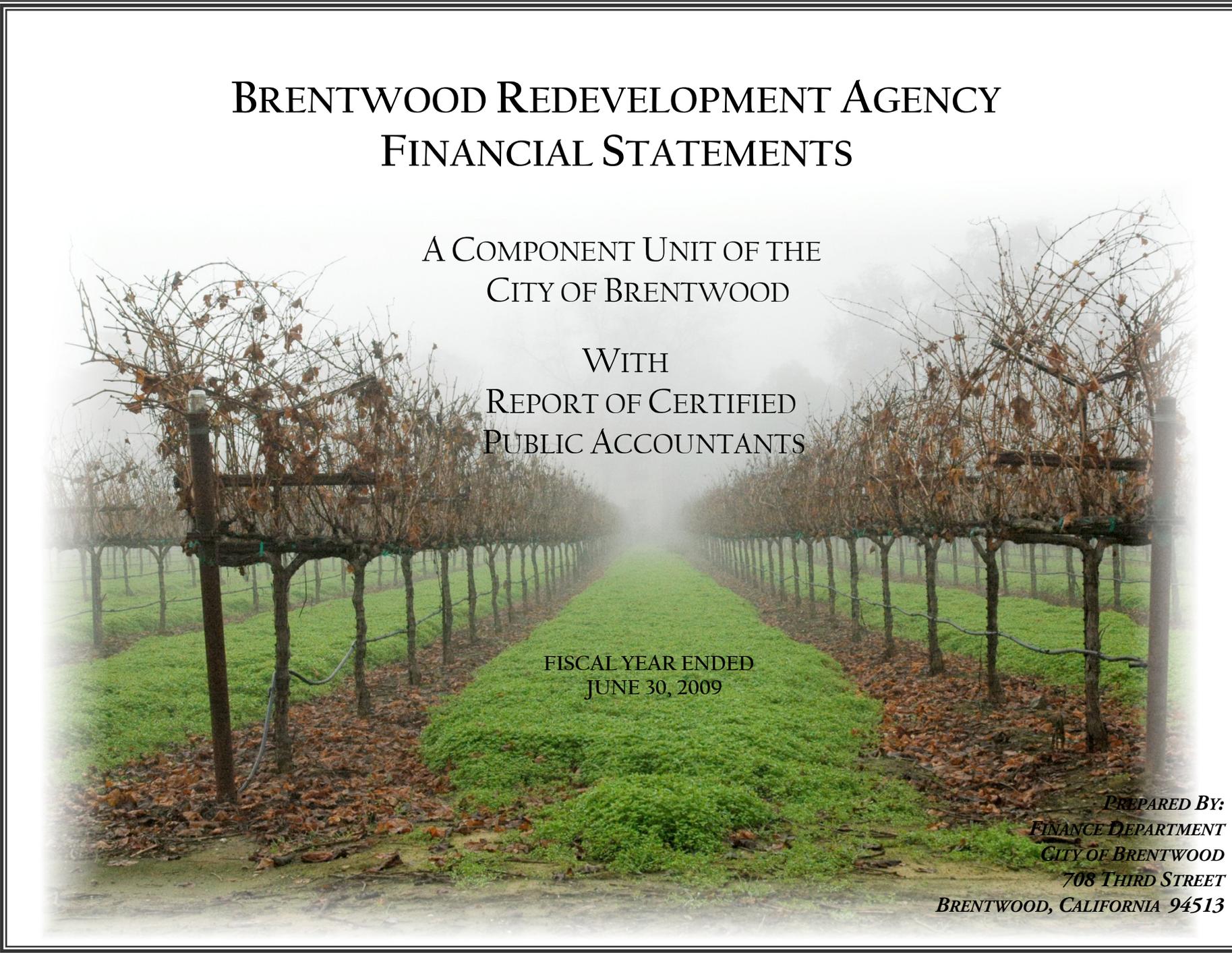
*708 Third Street
Brentwood, CA 94513*

*With Report of Certified Accountants
Fiscal Year Ended June 30, 2009*



Every year the City selects a theme for the covers of its major financial documents - the Capital Improvement Program Budget (CIP), the Operating Budget, the Cost Allocation Plan, the Fiscal Model and the Comprehensive Annual Financial Report (CAFR). This year each of the covers will portray a major project completed within the last year.

COVER: This year's RDA Financials cover shows four of the key projects which were completed this year. The first picture in the top row is a picture of the Water Treatment Plant, a project jointly constructed with the Contra Costa Water District. The second picture in the top row is a picture of the new Streets of Brentwood retail center which opened in October 2008. The first picture in the second row is a picture of the Brentwood Senior Activity Center which opened on January 9, 2009 and the final picture shows the new Library which opened on June 22, 2009.



BRENTWOOD REDEVELOPMENT AGENCY FINANCIAL STATEMENTS

A COMPONENT UNIT OF THE
CITY OF BRENTWOOD

WITH
REPORT OF CERTIFIED
PUBLIC ACCOUNTANTS

FISCAL YEAR ENDED
JUNE 30, 2009

PREPARED BY:
FINANCE DEPARTMENT
CITY OF BRENTWOOD
708 THIRD STREET
BRENTWOOD, CALIFORNIA 94513



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For Fiscal Year Ended June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

ACCOUNTANCY CORPORATION

3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

Members of the Governing Board
Brentwood Redevelopment Agency
Brentwood, California

We have audited the accompanying component unit financial statements of the governmental activities and each major fund of the Brentwood Redevelopment Agency, a component unit of the City of Brentwood, California, for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General 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.

As discussed in Note 1, the component unit financial statements referred to above present only the Agency and are not intended to present the financial position of the City of Brentwood and the results of its operations in conformity with generally accepted accounting principles of the United States of America.

In our opinion, the component unit financial statements referred to above present fairly in all material respects the financial position of the governmental activities, each major fund of the Brentwood Redevelopment Agency as of June 30, 2009 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles of the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

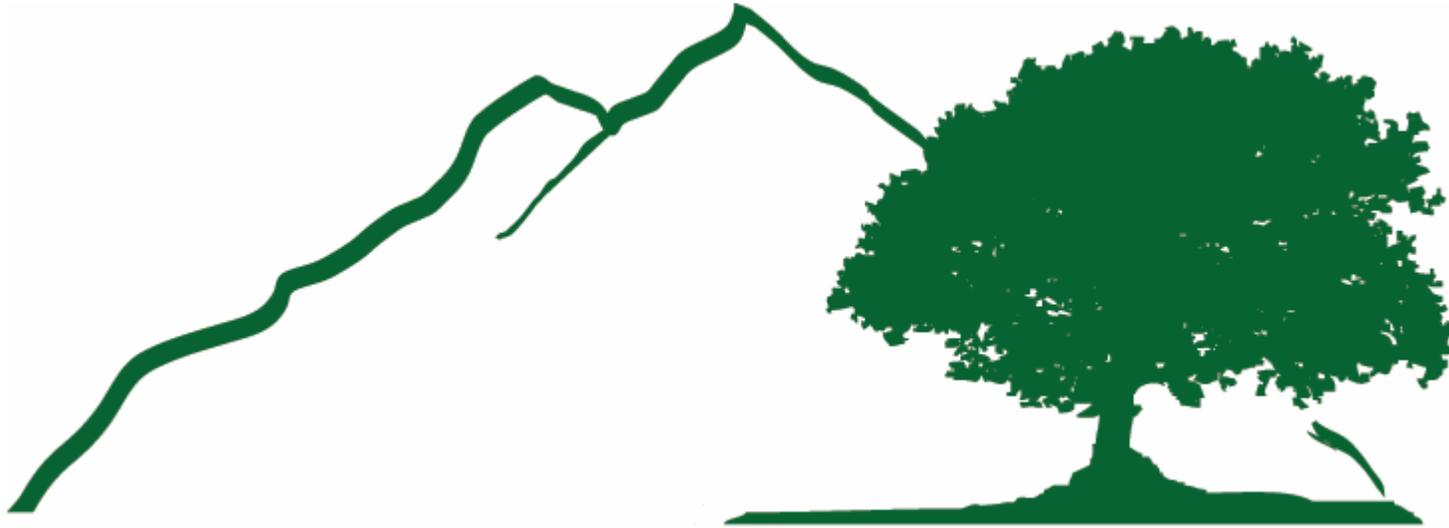
Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods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

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



October 16, 2009

A Professional Corporation



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This discussion and analysis of the City of Brentwood Redevelopment Agency's, herein referred to as "Agency," financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$6,312,382.
- The Agency's total net assets increased by \$4,880,460. This increase is attributable to a pending \$10 million bond issuance. Once the bonds are issued, the Redevelopment Agency will have debt service payments.
- The total revenues from all sources were \$10,094,233 as compared to the total cost for all Agency programs of \$5,605,507 including transfers in and transfers out.

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 are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements.

The **Government-Wide Financial Statements** present the financial picture of the Agency from the economic resources measurement focus using the accrual basis of accounting.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the Agency as a whole. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. In addition, these two statements report the Agency's net assets and changes in them. Over time, increases or decreases in the Agency's net assets are one indicator of whether its financial health is improving or deteriorating. The Government-Wide Financial Statements, which include only the Agency itself, can be found on pages 11 - 12 of this report.

The **Fund Financial Statements** provide detailed information about the most significant funds, not the Agency as a whole. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund Financial Statements are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. The Agency uses only Governmental Funds which are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Governmental Funds – All of the Agency’s basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental Fund statements provide a detailed, short-term view of the Agency’s general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency’s programs. The differences of results in the Governmental Fund Financial Statements to those in the Government-Wide Financial Statements are explained in a reconciliation following each Governmental Fund Financial Statement. The Governmental Fund Financial Statements can be found on pages 13 – 16 of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to obtain a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements can be found beginning on page 17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Agency’s total net assets for fiscal year ended June 30, 2009 increased \$4,880,460 compared to the prior year. The increase in net assets is attributable to several budgeted items which were delayed in FY 2008/09. The Agency’s total net assets are \$6,312,382. The Agency anticipates spending the funds on several projects in the upcoming years.

	Governmental Activities	
	2009	2008
Current and Other Assets	\$ 25,698,603	\$ 19,881,241
Assets Held for Resale	2,717,488	2,805,668
Total Assets	28,416,091	22,686,909
Current Liabilities	3,897,038	2,629,863
Long-Term Liabilities Outstanding	18,206,671	18,625,124
Total Liabilities	22,103,709	21,254,987
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(18,615,000)	(19,065,000)
Restricted	24,927,382	20,496,922
Total Net Assets	\$ 6,312,382	\$ 1,431,922

During the current fiscal year, the Agency's total revenue decreased by 2.27% compared to the prior year. The decrease was primarily due to a decrease of \$212,137 in investment earnings and a decrease of \$168,238 in property taxes, which was due to the County's reassessment of property values.

	Governmental Activities	
	2009	2008
Revenues:		
General Revenues:		
Taxes:		
Property Taxes	\$ 7,669,600	\$ 7,837,838
Investment Earnings	1,263,320	1,294,351
Fees and Other Revenues	380	3,845
Total Revenues	8,933,300	9,136,034
Expenses:		
General Government	1,435,349	1,377,431
Pass Through to County and Other Agencies	1,599,785	1,643,431
Interest on Long-Term Debt	917,706	934,300
Total Expenses	3,952,840	3,955,162
Increase in Net Assets Before Transfers	4,980,460	5,180,872
Transfers	(100,000)	(2,225,494)
Increase (decrease) in Net Assets	4,880,460	2,955,378
Net Assets 7/1	1,431,922	(1,523,456)
Net Assets 6/30	\$ 6,312,382	\$ 1,431,922

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds reported combined ending fund balances of \$25,010,957 as of June 30, 2009. This is an increase of \$4,488,726 for the fiscal year. All of the fund balances are considered reserved fund balances. The balance in the RDA Low Income Housing Fund is legally reserved for low and moderate income housing purposes.

The Agency has three major funds: 1) RDA Low Income Housing, 2) Redevelopment Debt and 3) Redevelopment Projects. Refer to Note #1C, found on pages 17 – 18, for specific descriptions of the funds. At the end of the current fiscal year, the reserved fund balance of the Redevelopment Agency funds was \$25,010,957. During the current fiscal year, the fund balance of the Redevelopment Agency funds increased by \$4,488,726. The key factor contributing to this increase was a decrease in transfers out. Total revenues decreased by 2.22%, while total cost of all programs and services decreased by 1.02%. Fund balance represents 576% of the total Redevelopment Agency funds operating expenditures.

BUDGETARY HIGHLIGHTS

Comparing the FY 2008/09 original budget (or adopted) expenditures and transfers out in the amount of \$24,885,215, to the final budget amount of \$19,595,689, shows a net decrease of \$5,289,526.

<u>Beginning Balance</u>	-	<u>Supplemental Changes</u>	=	<u>Final Budget</u>
\$24,885,215		\$5,289,526		\$19,595,689

Supplemental budget changes include the following:

- \$6,329,500 decrease in Agency funding for the Downtown Parking Solutions project
- \$1,115,000 increase for the demolition of Davis Camp located at 7030 Brentwood Boulevard

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Agency has no capital assets.

Debt Administration - The Brentwood Redevelopment Agency's Debt, considered a liability of governmental activities, decreased in FY 2008/09 by \$450,000. Detailed information regarding long-term debt activity can be found in Note #4 on pages 23 – 24 in this report.

	Balance June 30, 2008	Incurred or Issued	Satisfied or Matured	Balance June 30, 2009
Governmental Activities				
CIP 2001 Revenue Bonds	\$ 19,065,000	\$ -	\$ (450,000)	\$ 18,615,000
Total Governmental Activities	\$ 19,065,000	\$ -	\$ (450,000)	\$ 18,615,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key assumptions in the forecast for fiscal year 2009/10 were:

- Tax increment revenues were cautiously estimated and intentionally forecasted to decrease by 5% from 2008/09, due to the decline in property assessments, the lack of new construction and the decline in property improvements.
- Deflationary trends are reflective of the cautious nature of the real estate market and the recession.
- Interfund transfers from the Agency to the City increased by 44% for general support and services provided to Agency-funded projects and programs.
- Salary and benefit costs increased to reflect more staff time related to managing increased redevelopment projects and programs.

Items specifically addressed in the 2009/10 budget were:

- Issuance of \$10 million bond to fund necessary infrastructure and community facilities to support both Downtown and Brentwood Boulevard redevelopment.
- Added rental income from Los Mexicanos Grocery located on Brentwood Boulevard.
- Prior to the State adopting a budget-balancing maneuver in mid-2009, which shifts \$2.6 million from the Brentwood Redevelopment Agency in May 2010, \$575,000 was budgeted for Education Augmentation Revenue Fund (ERAF) as pre-emptive measure. Available funding for projects could be constrained if the California Redevelopment Association's challenge of the State's budget-balancing maneuver is unsuccessful.
- Prepare mandated 5-year Implementation Plan for 2010/14.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

- Prepare, adopt and begin construction drawings of a streetscape plan for the revitalization of the Downtown.
- Participate in the creation, preservation and improvement of housing opportunities within the Redevelopment Project Areas and the City.
- Consideration of a proposal to use \$1.3 million of housing set-aside funds in order to participate with Mercy Housing in the rehabilitation of the existing Green Valley Apartments.
- Continue the Downtown Façade Improvement Program and commence the Brentwood Boulevard Façade Improvement Program when the Brentwood Boulevard Corridor Specific Plan is adopted.
- Continue the Health & Safety Grant Improvement Program.
- Commence a new Home Preservation Program.
- Create a Downtown Business Incentive Program targeting restaurants and establishing a dining district.
- Continue supporting Downtown amenities such as flower rotation and tree lighting.
- Fund various capital improvement projects such as: the New Community Center; Downtown Streetscape; Downtown Infrastructure; study and planning and phase for Downtown Parking Solutions and the restoration of the City Park and Harvest Park Basin.

REQUESTS FOR INFORMATION

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, or need any additional financial information, contact the Finance Department, located at 708 Third Street, Brentwood, California 94513, either by phone (925) 516-5460 or e-mail dept-finance@ci.brentwood.ca.us.

Statement of Net Assets

June 30, 2009

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 22,157,664
Restricted Cash and Investments	1,492,507
Receivables	2,047,202
Prepays	1,230
Land Held for Resale	2,717,488
Total Assets	28,416,091
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	1,368,562
Deferred Revenue	2,030,722
Deposits Held	5,850
Long-Term Liabilities Due Within One Year	491,904
Total Current Liabilities	3,897,038
Non-Current Liabilities Due in More Than One Year:	
Bonds Payable	18,145,000
Net OPEB Obligation	47,068
Compensated Absences Payable	14,603
Total Non-Current Liabilities	18,206,671
Total Liabilities	22,103,709
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	(18,615,000)
Restricted for:	
Debt Service	10,961,667
Specific Projects and Programs	13,965,715
Total Net Assets	\$ 6,312,382

Balance Sheet
Governmental Funds
June 30, 2009

	RDA Low Income Housing	Redevelopment Debt	Redevelopment Projects	Totals
ASSETS				
Current Assets:				
Cash and Investments	\$ 4,798,579	\$ 12,288,878	\$ 5,070,207	\$ 22,157,664
Restricted Cash and Investments	-	-	1,492,507	1,492,507
Receivables	2,032,396	4,282	10,524	2,047,202
Prepays	258	-	972	1,230
Land Held for Resale	1,040,359	-	1,677,129	2,717,488
Total Assets	\$ 7,871,592	\$ 12,293,160	\$ 8,251,339	\$ 28,416,091
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 7,269	\$ 1,331,493	\$ 29,800	\$ 1,368,562
Unearned Revenue	2,030,722	-	-	2,030,722
Deposits Held	-	-	5,850	5,850
Total Liabilities	2,037,991	1,331,493	35,650	3,405,134
Fund Balances:				
Reserved for:				
Prepays	258	-	972	1,230
Land Held for Resale	1,040,359	-	1,677,129	2,717,488
Debt Service	-	10,961,667	-	10,961,667
Specific Projects and Programs	4,792,984	-	6,537,588	11,330,572
Total Fund Balances	5,833,601	10,961,667	8,215,689	25,010,957
Total Liabilities and Fund Balances	\$ 7,871,592	\$ 12,293,160	\$ 8,251,339	\$ 28,416,091

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

June 30, 2009

Fund Balances of Governmental Funds \$ 25,010,957

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.

Bonds	(18,615,000)
Net OPEB Obligation	(47,068)
Compensated Absences	(36,507)
	<hr/>

Net Assets of Governmental Activities \$ 6,312,382

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2009

	RDA Low Income Housing	Redevelopment Debt	Redevelopment Projects	Totals
REVENUES				
Taxes	\$ 1,533,920	\$ 6,135,680	\$ -	\$ 7,669,600
Uses of Money and Property	206,786	654,499	402,035	1,263,320
Fees and Other Revenues	152	-	228	380
Total Revenues	<u>1,740,858</u>	<u>6,790,179</u>	<u>402,263</u>	<u>8,933,300</u>
EXPENDITURES				
Current:				
General Government	287,425	-	1,089,658	1,377,083
Pass Through to County and Other Agencies	-	1,599,785	-	1,599,785
Debt Service:				
Principal	-	450,000	-	450,000
Interest and Fiscal Charges	-	917,706	-	917,706
Total Expenditures	<u>287,425</u>	<u>2,967,491</u>	<u>1,089,658</u>	<u>4,344,574</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,453,433</u>	<u>3,822,688</u>	<u>(687,395)</u>	<u>4,588,726</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,160,933	1,160,933
Transfers Out	-	(1,160,933)	(100,000)	(1,260,933)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,160,933)</u>	<u>1,060,933</u>	<u>(100,000)</u>
NET CHANGE IN FUND BALANCES	1,453,433	2,661,755	373,538	4,488,726
Fund Balance, Beginning of Year	4,380,168	8,299,912	7,842,151	20,522,231
Fund Balance, End of Year	<u>\$ 5,833,601</u>	<u>\$ 10,961,667</u>	<u>\$ 8,215,689</u>	<u>\$ 25,010,957</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, 2009

Net Changes in Fund Balances - Total Governmental Funds	\$ 4,488,726
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.	450,000
This amount represents the increase in Net OPEB Obligations	(47,068)
To record the net change in compensated absences in the Statement of Activities	<u>(11,198)</u>
Changes in Net Assets of Governmental Activities	<u><u>\$ 4,880,460</u></u>

NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. DESCRIPTION OF THE REPORTING ENTITY**

The Brentwood Redevelopment Agency (the “Agency”) was established pursuant to the State of California Health and Safety Code, Section 33000, entitled “Community Redevelopment Law”. On August 20, 1981 the City Council became the governing board of the Brentwood Redevelopment Agency. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Brentwood. The Agency is a component unit of the City of Brentwood, the primary government, and the funds of the Agency have been included in the governmental activities in the City’s financial statements.

Prior to July 1, 2000, 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. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. The Statement of Activities and Changes in Net Assets demonstrates the degree to which direct and indirect expenses, for a given function or segment, are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Indirect expenses are expenses which are allocated based on the City’s annual Cost Allocation Plan and Schedule of City Fees. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) operating grants and contributions, including special assessments and 3) capital grants and contributions. Taxes and other items not properly included among program revenue are reported as general revenues. The Agency currently has no program revenues.

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

The Government-Wide Financial Statements are reported using an economic resources focus and the accrual basis of accounting. 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, regardless of the timing of the related cash flows.

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

The Governmental Fund Financial Statements are reported using a current financial resources measurement focus called the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. Under the 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 for revenues subject to accrual (generally 60 days after year-end) which are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, including property and sales taxes, and inter-governmental revenue associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of the special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Fund Types

The Agency reports the following major Governmental Funds: Special Revenue Funds, Debt Service Funds and Capital Project Funds. Descriptions of the Agency's funds are presented below.

Special Revenue Funds account for specific revenues that are legally restricted to expenditures for particular purposes. Below are specific descriptions of the Special Revenue Funds:

- *RDA Low Income Housing* – This fund accounts for the RDA's 20% tax increment set-aside. The monies are to be used to increase and improve the community's supply of low and moderate income housing in the redevelopment project area.

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. Specific descriptions of these funds are as follows:

- *Redevelopment Debt* – This fund accounts for transactions related to proceeds from tax allocation bonds.

Capital Project Funds account for the acquisition and construction of major capital facilities and infrastructure. Below are specific descriptions of the Capital Project Funds:

- *Redevelopment Projects* – This fund accounts for transactions related to proceeds from bonds and other resources and their use to perform redevelopment activities within the redevelopment project area.

NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY****i. Use of Restricted / Unrestricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

ii. Cash and Investments

The Agency pools all of its cash and investments with the City of Brentwood. The City pools idle cash from all funds for the purpose of increasing income through investment activities. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 40, the City's investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The City generally holds all investments until maturity or until market values equal or exceed cost. Therefore, the reported value of securities in the investment pool does not reflect realized gains or losses but rather the fair value of those investments as of June 30, 2009. Interest income earned on pooled cash and investments is allocated to the Agency based on month-end cash balances.

iii. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

iv. Tax Incremental Revenues

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

- a. The assessed valuation of all property within the Project Areas was frozen on the date of adoption of the Redevelopment Plan.
- b. Property taxes related to any incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency. All taxes on the "frozen" assessed valuation of the property are allocated to the City and other taxing authorities receiving taxes from the Project Areas.

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

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation, or any elimination of present exemptions, would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City. The Agency is also authorized to finance the Redevelopment Plan from other sources including: assistance from the City, the State and Federal governments, interest income or the issuance of Agency debt.

NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. BUDGETARY INFORMATION**

- General Budget Policies

Prior to July 1, the budget is legally enacted through passage of a resolution. The Agency Board periodically reviews the budgets and adopts supplemental appropriations (amendments) at the fund level when required. The level of budgetary control is established at the fund level and expenditures may not exceed budgeted appropriations at the fund level without Agency Board approval. In the financial statements, the final budget amounts include amendments to the original budget. Individual amendments were not material in relation to original appropriations.

- Budget Basis of Accounting

Budgetary comparisons are presented for the Special Revenue, Debt Service and Capital Project funds.

NOTE # 3 – CASH AND INVESTMENTS**A. CASH AND DEPOSITS**

The City of Brentwood maintains a cash investment pool that is available for all funds, including the funds of the Agency. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents, under the provisions of bond indentures. Each fund type balance in the pool is reflected on the combined balance sheet as Cash and Investments.

NOTE # 3 – CASH AND INVESTMENTS (Continued)

Cash and investments appear on the balance sheet as follows:

Cash and Investments	\$ 22,157,664
Restricted Cash and Investments	<u>1,492,507</u>
Total Cash and Investments	<u><u>\$ 23,650,171</u></u>

B. INVESTMENTS

The Agency’s funds are invested as a component of pooled cash in accordance with the City’s investment policy. The Agency apportions interest earnings to all funds based on their monthly cash balance in accordance with California Government Code Section 53635. The table below identifies the investment types authorized for the Agency by the City’s investment policy, which is more restrictive than California Government Code 53635. The table also identifies certain provisions of the City’s investment policy which address interest rate risk, credit risk and concentration of risk. This table does not address investments of debt proceeds, held by bond trustee, which are governed by the provisions of debt agreements of the City rather than the general provisions of the City’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	15%	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	\$40 Million **	\$40 Million **
Time Deposits	5 years	25%	None

* Excluding amounts held by bond trustee not subject to California Government code restrictions.

** LAIF has a \$40 Million Maximum Investment Threshold

NOTE # 3 – CASH AND INVESTMENTS (Continued)

Credit Risk – The Agency’s portfolio is comprised of the highest quality government and corporate securities. Consistent with City policy, over 88% of the City’s pooled investment portfolio consists of investments with Standard and Poor’s highest ratings. This percentage does not include U.S. Treasury Bonds / Notes, LAIF, Money Market Mutual Funds (MMMF) or Guaranteed Investment Contracts (GICs) which are all unrated. Investments at June 30, 2009, held on behalf of the Brentwood Redevelopment Agency are presented below, categorized separately to give an indication of the level of risk associated with each investment.

Investments are reported at fair value and were available upon demand at June 30, 2009.

	<u>Fair Value</u>	<u>Credit Rating</u>
Local Agency Investment Funds	\$ 1,492,507	Unrated
City of Brentwood's Pooled Investments	<u>22,157,664</u>	Unrated
	<u>\$ 23,650,171</u>	

Custodial Credit Risk – Investments – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities which are in possession of another party. The California Government Code does not contain legal or policy requirements limiting the exposure to custodial credit risk. The City’s investment policy requires the assets of the Agency be secured through the third party custody and safekeeping procedures. Bearer instruments shall be held only through third party institutions. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery vs. payment procedure.

C. INVESTMENT IN STATE TREASURER’S POOL

LAIF is an external investment pool sponsored by the State of California authorized under Section 16429.1,2,3 of the California Government code. The fund is a voluntary program, created by statute, as an investment alternative for California local governments and special districts. The fund is administered by the California State Treasurer. The Agency is a voluntary participant in the investment pool. The management of LAIF has indicated to the Agency that as of June 30, 2009, the amortized cost of the pool was \$50,784,427,116. The fair value was \$50,850,687,742. The Agency deposits excess cash in LAIF, which is not required to be categorized. The fair value for these deposits was provided by the pool sponsor.

NOTE # 3 – CASH AND INVESTMENTS (Continued)

D. CASH AND INVESTMENTS WITH FISCAL AGENT

The Agency has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds and lease obligations. These monies appear on the financial statements as Restricted Cash and Investments. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, may be invested by trustees or fiscal agents in accordance with the ordinances, resolutions or indentures specifying the types of investments allowed.

E. FAIR VALUE OF INVESTMENTS

Methods and assumptions used to estimate fair value:

- The Agency maintains investment accounting records on a cost basis and adjusts those records to “fair value” on an annual basis.
- The Fund investment custodians provide fair values on each investment instrument on a monthly basis.
- The investments held by the Fund are widely traded in the financial markets and trading values are readily available from numerous published sources.
- The Fund has elected to report its money market investments (those investments with maturities of less than one year) at amortized cost adjusted to market value on a yearly basis.

The Agency holds an investment in LAIF that is subject to being adjusted to “fair value”. The Agency is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The Agency relied upon information provided by the State Treasurer in estimating the Agency’s fair value position of its holding in LAIF. The Agency had a contractual withdrawal value of \$1,492,507 whose pro-rata share of fair value was estimated by the State Treasurer to be \$1,494,454. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

NOTE # 4 – LONG-TERM OBLIGATIONS

The following summarizes changes in long-term debt obligations during the year:

	Balance		Payments	Balance	Amounts Due
	June 30, 2008	Additions	Adjustments	June 30, 2009	Within
					One Year
Bonds Payable	\$ 19,065,000	\$ -	\$ (450,000)	\$ 18,615,000	\$ 470,000
Net OPEB Obligation	-	57,492	(10,424)	47,068	-
Accumulated Compensated Absences	25,309	46,460	(35,262)	36,507	21,904
	\$ 19,090,309	\$ 103,952	\$ (495,686)	\$ 18,698,575	\$ 491,904

NOTE # 4 – LONG-TERM OBLIGATIONS (Continued)

A. BONDS

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, 2009, the outstanding principal balance of bonds is \$18,615,000. The Agency has pledged future tax increment revenues, less amounts required to be set aside in the Low Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of future tax increment revenues ends upon repayment of \$31,228,441 remaining debt service on the bonds. The repayment of the debt service is scheduled to occur in 2032. Projected tax increment revenues are expected to provide coverage over debt service of 449% over the life of the bonds. For fiscal year 2009, tax increment revenue amounted to \$6,135,680, which represented coverage of 4.49 times \$1,367,706 of debt service. The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2009:

Year Ending June 30	Principal	Interest	Total
2010	\$ 470,000	\$ 899,869	\$ 1,369,869
2011	485,000	880,769	1,365,769
2012	505,000	860,653	1,365,653
2013	525,000	839,081	1,364,081
2014	550,000	815,550	1,365,550
2015-2019	3,145,000	3,666,731	6,811,731
2020-2024	4,030,000	2,756,163	6,786,163
2025-2029	5,155,000	1,607,375	6,762,375
2030-2034	3,750,000	287,250	4,037,250
	<u>\$ 18,615,000</u>	<u>\$ 12,613,441</u>	<u>\$ 31,228,441</u>

B. NET OPEB OBLIGATION

The Redevelopment Agency provides certain post-retirement health care benefits. In accordance with GASB 45, the Agency’s net Other Post-Employment Benefits (OPEB) obligation of \$47,068 has been included in these financial statements. Further information can be found in the City’s Comprehensive Annual Financial Report (CAFR).

C. ACCUMULATED COMPENSATED ABSENCES

The long-term compensated absences balance at June 30, 2009, is:

Governmental	\$14,603
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NOTE #5 – BRENTWOOD REDEVELOPMENT AGENCY TAX SHARING AGREEMENTS

The Brentwood Redevelopment Agency entered into tax sharing agreements for the North Brentwood Redevelopment Project Area with the following entities: East Diablo Fire District; Brentwood Union School District; Liberty Union High School District; Oakley School District; Knightsen School District; Byron Elementary School District, the Contra Costa Mosquito Abatement District and the Contra Costa County Office of Education. The agreements call for a pass-through of their negotiated share of the tax increment revenue. The pass-through amounts from these agreements are not currently subordinated to other Agency debt. All payments due to date have been paid annually.

The Brentwood Redevelopment Agency entered into tax-sharing agreements for the North Brentwood Redevelopment Project Area with the Contra Costa Community College District, the East Bay Regional Park District and the Byron/Brentwood/Knightsen Union Cemetery District. The agreements call for a pass-through of their negotiated share of the tax increment revenue. The pass-through amounts from these agreements are currently subordinated to other Agency debt. All payments due to date have been paid annually.

The Brentwood Redevelopment Agency entered into tax sharing agreements with Contra Costa County, Contra Costa Library and the Contra Costa Flood Control District for the North Brentwood Redevelopment Project Area. The agreements call for a pass-through of a portion of the general tax levy. Under these agreements, a part of the pass-through amount owed by the Redevelopment Agency to the taxing agencies was deferred for the first twelve years. The accrued deferred amounts, interest and the pass-through of the annual tax increment were paid over a four-year period with the entire deferred portion of the pass-throughs being repaid in full by fiscal year 2006/07. From this point forward, the agreements provide for pass-through of 100% of the tax increment which would have been allocated to these taxing agencies but for the adoption of the North Brentwood Redevelopment Project.

The Brentwood Redevelopment Agency has entered into a tax-sharing agreement with the East Bay Regional Park District for the North Brentwood Redevelopment Project Area. The agreement calls for a pass-through of their negotiated share of tax increment revenue and the voter approved Measure AA tax levy. The Agency accurately and timely passes through both amounts each year based on increment allocation factors and annual Measure AA tax rate as provided by the Contra Costa County Auditor's office.

The Brentwood Redevelopment Agency paid a total of \$1,331,493 in negotiated pass-through payments for the 2008/09 fiscal year.

Brentwood Redevelopment Agency Statutory Pass-Through Payments

Assembly Bill 1290 (AB1290), passed in 1994, provided for statutory pass-through payments to taxing agencies when redevelopment agencies amend their plans. In 2000, the Brentwood Redevelopment Agency amended the Brentwood and North Brentwood Redevelopment Plans to financially merge the two project areas. Consequently, the 2000 Merger Amendment triggered statutory pass-through payments to taxing entities from the Brentwood ("Downtown") Project Area in 2002/03. All payments due to date have been paid to the appropriate taxing entities and payments will continue in accordance with the provisions of AB1290.

NOTE #5 – BRENTWOOD REDEVELOPMENT AGENCY TAX SHARING AGREEMENTS (Continued)

In 2001, the Brentwood Redevelopment Agency amended The Merged Redevelopment Plan by adding territory in the North Brentwood Redevelopment Area. This amendment triggered statutory pass-through payments to taxing entities from the added territory starting in FY 2005/06. All payments due to date have been paid to the appropriate taxing entities and payments will continue in accordance with the provisions of AB1290.

The Brentwood Redevelopment Agency paid a total of \$268,292 in statutory pass-through payments for the 2008/09 fiscal year.

NOTE # 6 – CONTINGENCIES**A. LITIGATION**

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management there is no pending litigation which is likely to have a material adverse affect on the financial position of the Agency.

NOTE # 7 – SUBSEQUENT EVENTS

In August 2009, the Governor signed budget bill AB 26 4x which calls for California Redevelopment Agencies to pay a total of \$2.05 billion to the County Supplemental Educational Revenue Augmentation Fund (SERAF). These payments are to be made over the next two fiscal years, with \$1.7 billion being paid in FY 2009/10 and \$350 million being paid in FY 2010/11. The Brentwood Redevelopment Agency will be required to pay \$2,624,786 in FY 2009/10 and \$540,397 in FY 2010/11. The State Department of Finance will determine each agency's SERAF payment by November 15th of each year, with payments due by May 10th of the applicable year. The obligation to make the SERAF payment is subordinate to obligations to repay bonds; however, if the Agency fails to make the SERAF payment the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

In return for taking redevelopment property tax money, agencies will receive a one-year extension on redevelopment plan limits. This would extend Downtown Original Area to Year 2026, Downtown Added Area to Year 2027, North Brentwood Original Area to Year 2033 and North Brentwood Added Area to Year 2033. Previous attempts by the State to require redevelopment agencies to contribute funds to the State have been challenged in court and have been struck down, as was in the case in *CRA v. Genest*. The State claims that the 2009 budget legislation adequately addresses the constitutional issues raised by the Superior Court in *Genest* by directing the redevelopment funds to schools and students within the boundaries of a redevelopment agency project area. The California Redevelopment Association and its attorneys believe that AB 26 4x is unconstitutional on the same grounds that AB 1389 was successfully challenged in *Genest*. At this time it is unknown if the Brentwood Redevelopment Agency will be required to make the payments specified in AB 26 4x.

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Revenue Fund

For Year Ended June 30, 2009

	RDA Low Income Housing			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 1,400,000	\$ 1,482,957	\$ 1,533,920	\$ 50,963
Uses of Money and Property	154,553	140,000	206,786	66,786
Fees and Other revenues	-	-	152	152
Total Revenues	<u>1,554,553</u>	<u>1,622,957</u>	<u>1,740,858</u>	<u>117,901</u>
EXPENDITURES				
Current:				
General Government	1,850,566	791,940	287,425	504,515
Total Expenditures	<u>1,850,566</u>	<u>791,940</u>	<u>287,425</u>	<u>504,515</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(296,013)</u>	<u>831,017</u>	<u>1,453,433</u>	<u>622,416</u>
Net Change in Fund Balances	<u>\$ (296,013)</u>	<u>\$ 831,017</u>	<u>1,453,433</u>	<u>\$ 622,416</u>
Fund Balance, Beginning of Year			<u>4,380,168</u>	
Fund Balance, End of Year			<u>\$ 5,833,601</u>	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Debt Service Fund

For Year Ended June 30, 2009

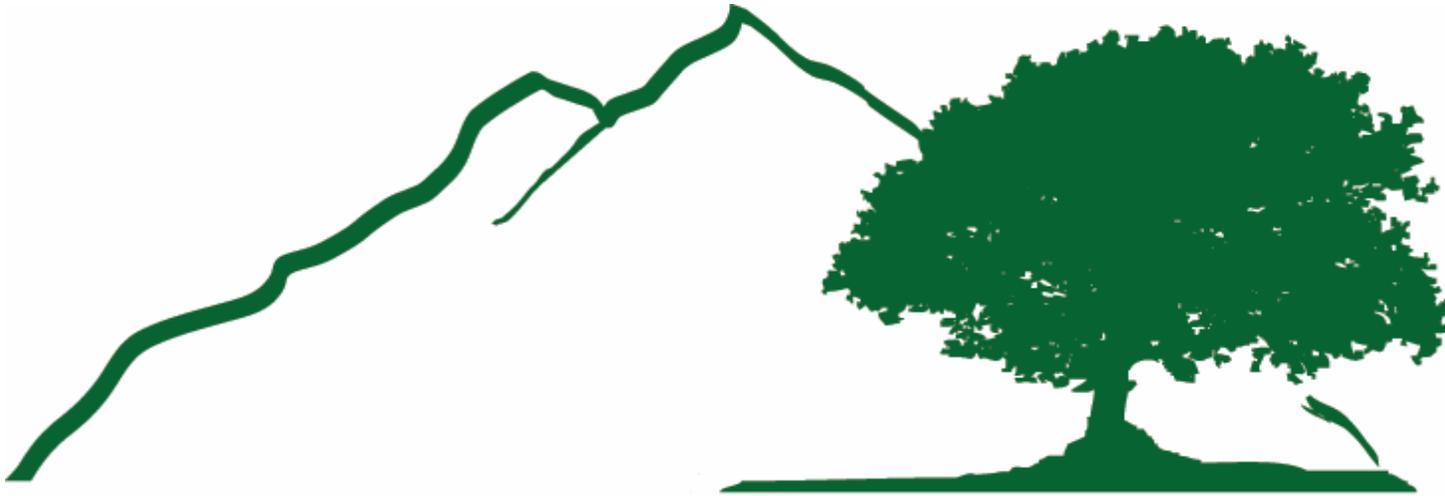
	Redevelopment Debt			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 5,600,000	\$ 5,931,830	\$ 6,135,680	\$ 203,850
Uses of Money and Property	441,000	791,000	654,499	(136,501)
Total Revenues	6,041,000	6,722,830	6,790,179	67,349
EXPENDITURES				
Current:				
Pass Through to County and Other Agencies	2,100,000	2,400,000	1,599,785	800,215
Debt Service:				
Principal	450,000	450,000	450,000	-
Interest and Fiscal Charges	2,013,887	917,706	917,706	-
Total Expenditures	4,563,887	3,767,706	2,967,491	800,215
REVENUES OVER (UNDER) EXPENDITURES	1,477,113	2,955,124	3,822,688	867,564
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,532,611)	(2,562,762)	(1,160,933)	1,401,829
Total other Financing Sources (Uses)	(1,532,611)	(2,562,762)	(1,160,933)	1,401,829
Net Change in Fund Balances	\$ (55,498)	\$ 392,362	2,661,755	\$ 2,269,393
Fund Balance, Beginning of Year			8,299,912	
Fund Balance, End of Year			\$ 10,961,667	

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Capital Projects Fund

For Year Ended June 30, 2009

	Redevelopment Projects			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Uses of Money and Property	\$ 1,247,230	\$ 2,808,924	\$ 402,035	\$ (2,406,889)
Fees and Other Revenues	-	-	228	228
Total Revenues	<u>1,247,230</u>	<u>2,808,924</u>	<u>402,263</u>	<u>(2,406,661)</u>
EXPENDITURES				
Current:				
General Government	15,938,151	12,373,281	1,089,658	11,283,623
Total Expenditures	<u>15,938,151</u>	<u>12,373,281</u>	<u>1,089,658</u>	<u>11,283,623</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(14,690,921)</u>	<u>(9,564,357)</u>	<u>(687,395)</u>	<u>8,876,962</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,532,611	2,562,762	1,160,933	(1,401,829)
Transfers Out	(1,000,000)	(100,000)	(100,000)	-
Total other Financing Sources (Uses)	<u>532,611</u>	<u>2,462,762</u>	<u>1,060,933</u>	<u>(1,401,829)</u>
Net Change in Fund Balances	<u>\$ (14,158,310)</u>	<u>\$ (7,101,595)</u>	<u>373,538</u>	<u>\$ 7,475,133</u>
Fund Balance, Beginning of Year			<u>7,842,151</u>	
Fund Balance, End of Year			<u>\$ 8,215,689</u>	



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

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

Members of the Governing Board
Brentwood Redevelopment Agency
Brentwood, California

We have audited the financial statements of the Brentwood Redevelopment Agency as of and for the year ended June 30, 2009, and have issued our report thereon dated October 16, 2009. We have conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. As part of our audits, we prepared and issued our separate Memorandum on Internal Control dated October 16, 2009.

Compliance and Other Matters

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

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.

Mane & Associates

October 16, 2009