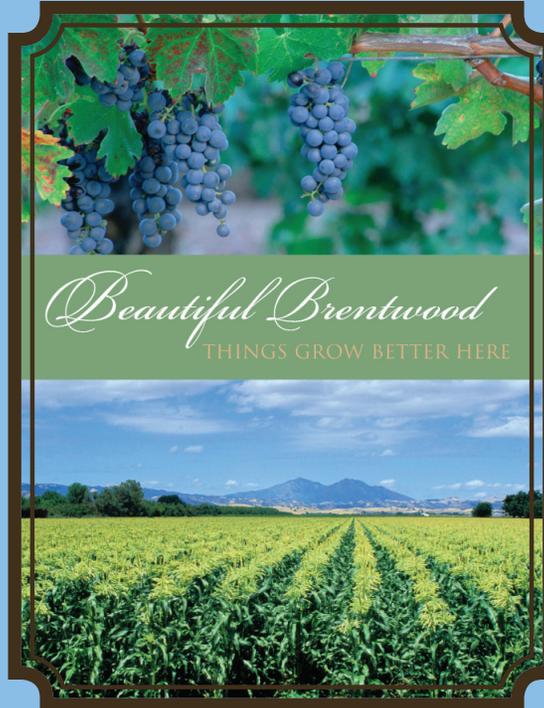


*City of Brentwood*

**BRENTWOOD REDEVELOPMENT AGENCY  
FINANCIAL STATEMENTS**

*A COMPONENT UNIT OF THE CITY OF BRENTWOOD*



708 Third Street  
Brentwood, CA 94513

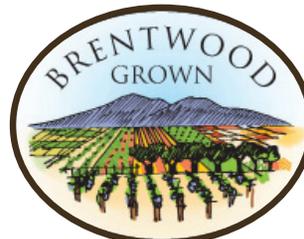
*With Independent Auditor's Reports Thereon*

*Fiscal Year Ended  
June 30, 2010*



Every year the City selects a theme for the covers of its major financial documents - the Capital Improvement Program (CIP), the Operating Budget, the Cost Allocation Plan, the General Fund Fiscal Model the Comprehensive Annual Financial Report (CAFR) and the Public Facilities Fee Report. This year each of the covers will portray a “Snapshot of Brentwood” highlighting some of the many reasons visitors, businesses and residents are drawn to the City of Brentwood.

COVER: This year’s cover for the Brentwood Redevelopment Agency Financial Statements provides a “snapshot” of some of Brentwood’s biggest attractions - parks, agriculture and schools. The City has been recognized for it’s numerous parks and trails and awarded KaBoom!’s “Playful City USA” honor for the third year in a row. Over the past few years City staff and local farmers worked together to create the “Brentwood Grown” certification program to help local farmers with their marketing efforts and create additional value for their products. In 2009, Heritage High School (depicted on the cover) was the City’s third high school to be recognized as a California Distinguished School.



# BRENTWOOD REDEVELOPMENT AGENCY

## FINANCIAL STATEMENTS

A COMPONENT UNIT OF THE CITY OF BRENTWOOD  
WITH INDEPENDENT AUDITOR'S REPORT THEREON

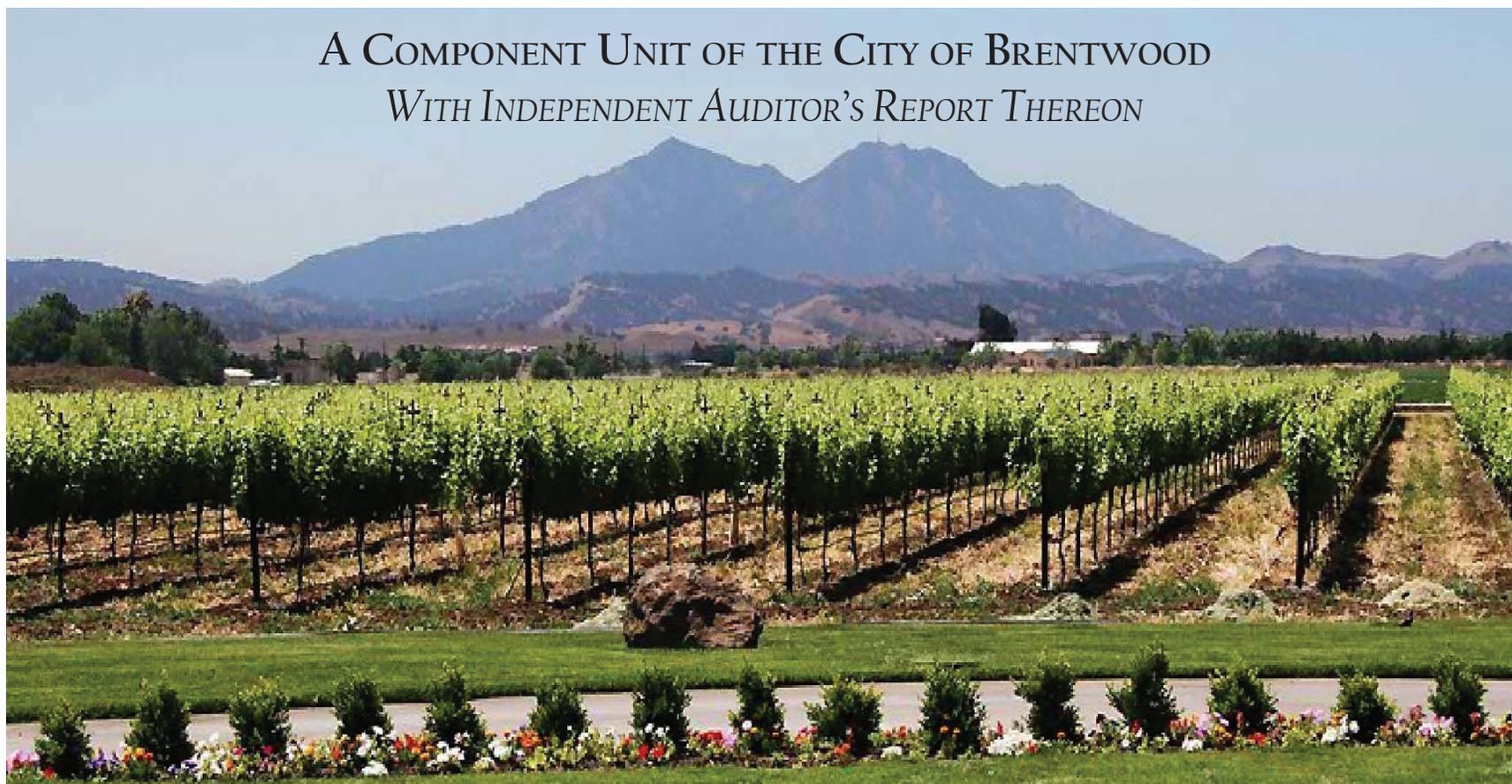


Photo Courtesy of Perkes Photography

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

*FISCAL YEAR ENDED*  
*JUNE 30, 2010*



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*For Fiscal Year Ended June 30, 2010*

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## INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board  
Brentwood Redevelopment Agency  
Brentwood, California

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

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, 2010, 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, 2010 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 15, 2010 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.

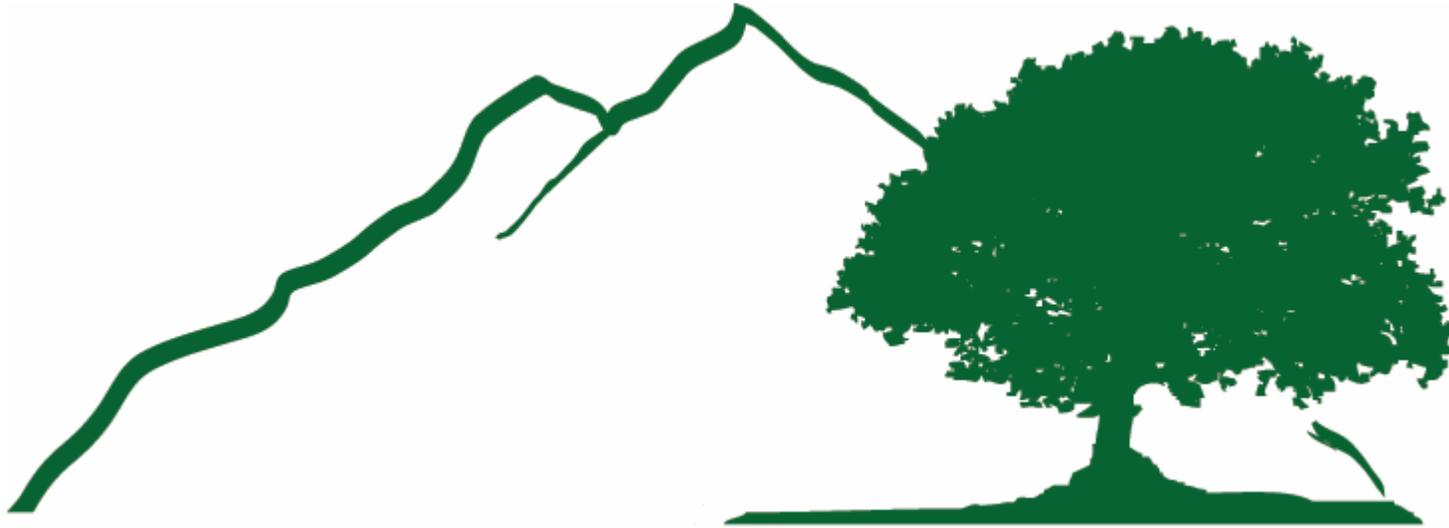
As described in Note 2F, effective in fiscal 2009-10, the Agency early-implemented the provisions of GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.

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 15, 2010



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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, 2010. Please read it in conjunction with the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

**FINANCIAL HIGHLIGHTS**

- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$8,976,086.
- The Agency's total net assets decreased by \$15,288,468. This decrease is attributable to the \$12.6 million bond issuance.
- The total revenues from all sources were \$21,927,857 as compared to the total cost for all Agency programs of \$25,241,057 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 are found beginning on page 17 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Agency’s total net assets for fiscal year ended June 30, 2010 decreased \$15,288,468 compared to the prior year. The decrease in net assets is attributable to the Civic Center bonding and the construction of various projects. The Agency’s total net assets are (\$8,976,086). The Agency would typically have a negative net asset balance as they incur debt to fund projects.

The net assets is a deficit balance because long-term debt is in excess of capital assets owned by the Agency. The Agency issues debt for construction and/or acquisition of assets. Upon completion of construction or acquisition the capital assets are turned over to the City or to private parties within the redevelopment project area. The debt will be repaid with future property tax increment revenue.

For the year ended June 30, 2010, certain account classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the 2009-10 presentation.

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Current and Other Assets	\$ 20,355,772	\$ 23,667,881
Assets Held for Resale	2,367,488	2,717,488
Non-Current Assets	252,020	-
<b>Total Assets</b>	<b>22,975,280</b>	<b>26,385,369</b>
Current Liabilities	1,536,509	1,866,316
Long-Term Liabilities Outstanding	30,414,857	18,206,671
<b>Total Liabilities</b>	<b>31,951,366</b>	<b>20,072,987</b>
Net Assets:		
Restricted	8,715,054	10,961,667
Unrestricted	(17,691,140)	(4,649,285)
<b>Total Net Assets (Deficit)</b>	<b>\$ (8,976,086)</b>	<b>\$ 6,312,382</b>

During the current fiscal year, the Agency's total revenue decreased by 22.97% compared to the prior year. The decrease was primarily due to a decrease of \$603,003 in investment earnings and a decrease of \$1,448,621 in property taxes, which was due to the County's reassessment of property values.

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues:</b>		
<b>General Revenues:</b>		
Taxes:		
Property Taxes	\$ 6,220,979	\$ 7,669,600
Investment Earnings	660,317	1,263,320
Fees and Other Revenues	-	380
<b>Total Revenues</b>	<b>6,881,296</b>	<b>8,933,300</b>
<b>Expenses:</b>		
General Government	2,533,562	1,435,349
Pass Through to County and Other Agencies	3,836,188	1,599,785
Interest on Long-Term Debt	899,869	917,706
<b>Total Expenses</b>	<b>7,269,619</b>	<b>3,952,840</b>
Increase in Net Assets Before Transfers	(388,323)	4,980,460
Transfers	(14,900,145)	(100,000)
Increase (decrease) in Net Assets	(15,288,468)	4,880,460
Net Assets 7/1	6,312,382	1,431,922
Net Assets (Deficit) 6/30	<u>\$ (8,976,086)</u>	<u>\$ 6,312,382</u>

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

Governmental funds reported combined ending fund balances of \$21,697,757 as of June 30, 2010. This is a decrease of \$3,313,200 for the fiscal year. All of the fund balances are considered restricted or non-spendable fund balances. The balance in the RDA Low Income Housing Fund is legally restricted 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 restricted and non-spendable fund balance of the Redevelopment Agency funds was \$21,697,757. During the current fiscal year, the fund balance of the Redevelopment Agency funds decreased by \$3,313,200. The key factor contributing to this decrease was a decrease in property tax revenue and investment income. Total revenues decreased by 22.97%, while total cost of all programs and services increased by 83.94%. The increase in expenditures was due to the construction of the Civic Center projects. Fund balance represents 273% of the total Redevelopment Agency funds operating expenditures.

**BUDGETARY HIGHLIGHTS**

Comparing the FY 2009/10 original budget (or adopted) expenditures and transfers out in the amount of \$30,435,389, to the final budget amount of \$30,795,670 shows a net increase of \$360,281.

<u>Beginning Balance</u>	+	<u>Supplemental Changes</u>	=	<u>Final Budget</u>
\$30,435,389		\$360,281		\$30,795,670

Supplemental budget changes include the following:

- \$2,086,215 decrease in transfers out
- \$2,052,299 increase in pass through expenditures is due to the Supplemental Educational Revenue Augmentation Fund payment.

**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 2009/10 by \$470,000 for the CIP 2001 Revenue Bonds. The Agency increased its liability by \$12,631,578 for the Civic Center Project Lease Revenue Bonds. Detailed information regarding long-term debt activity can be found in Note #4 on pages 23 – 26 in this report.

	<b>Balance June 30, 2009</b>	<b>Incurred or Issued</b>	<b>Satisfied or Matured</b>	<b>Balance June 30, 2010</b>
<b>Governmental Activities</b>				
CIP 2001 Revenue Bonds	\$ 18,615,000	\$ -	\$ (470,000)	\$ 18,145,000
Civic Center Project Lease Revenue Bonds	-	12,631,578	-	12,631,578
<b>Total Governmental Activities</b>	<b>\$ 18,615,000</b>	<b>\$ 12,631,578</b>	<b>\$ (470,000)</b>	<b>\$ 30,776,578</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The key assumptions in the forecast for fiscal year 2010/11 were:

- On-going diminishing assessed property values resulted in an anticipated decrease of 8.7% in tax increment revenues for 2010/11 from 2009/10.
- Deflationary trends are reflective of the cautious nature of the real estate market and the recession.
- Pass-through payments to other taxing agencies in accordance with negotiated and statutory pass-through agreements were reduced from 2009/10 as a direct result of reduced tax increment revenues.
- Approximately \$2.2M of the Agency's \$5.4M 2010/11 Admin and Projects budget is directly related to capital improvement projects which are coordinated and identified in the City's 2010-2014 Capital Improvement Program.
- General non-housing operational expenses remained fairly static due to the completion of demolition activities in 2009/10 and the establishment of a new Downtown Restaurant Incentive Program in 2010/11.
- General housing operational expenses decreased from 2009/10 due to completion of demolition activities.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES** *(Continued)*

Items specifically addressed in the 2010/11 budget were:

- Decreased rental income from Los Mexicanos Grocery located on Brentwood Boulevard as a result of a renegotiated lease rate and term.
- Supplemental Educational Augmentation Revenue Fund (SERAF) payment to the State for 2010/11 in the amount of \$540,397.
- Finalize construction drawings for the Downtown Streetscape and Infrastructure Projects; commence demolition and construction activities, fund the construction support agreement and agreement for three art elements.
- Participate in the creation, preservation and improvement of housing opportunities within the Redevelopment Project Areas and the City.
- Fund \$1.3M of housing set-aside funds to participate with Mercy Housing in the rehabilitation of the existing Green Valley Apartments.
- Fund \$400,000 of housing set-aside funds to assist in the installation of elevators at Brentwood Senior Commons.
- Consideration of a new Apartment Rehabilitation Program by the Agency Board.
- 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 and Safety Grant Improvement Program.
- Continue the Home Rehabilitation and Preservation Program.
- Commence the new Downtown Restaurant Incentive Program.
- Continue supporting Downtown amenities such as flower rotation and tree lighting.
- Continue clean-up investigation of under-utilized parcels in the Downtown.
- Fund various capital improvement projects such as the New Community Center, the restoration of the City Park, Library relocation, and Harvest Park Basin in-fill project.

**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](mailto:dept-finance@ci.brentwood.ca.us).

***Statement of Net Assets***

*June 30, 2010*

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Investments	\$ 20,349,491
Receivables	4,122
Prepays	2,159
Land Held for Resale	2,367,488
Non-Current Assets:	
Deferred Charges	252,020
<b>Total Assets</b>	<b>22,975,280</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	1,019,653
Deposits Held	5,850
Long-Term Liabilities Due Within One Year	511,006
Total Current Liabilities	1,536,509
Non-Current Liabilities Due in More Than One Year:	
Bonds Payable	30,291,578
Net OPEB Obligation	105,941
Compensated Absences Payable	17,338
Total Non-Current Liabilities	30,414,857
<b>Total Liabilities</b>	<b>31,951,366</b>
<b>NET ASSETS</b>	
Restricted for:	
Debt Service	8,715,054
Unrestricted	(17,691,140)
<b>Total Net Assets</b>	<b>\$ (8,976,086)</b>

**Brentwood Redevelopment Agency**

**Statement of Activities and Changes in Net Assets**  
*For Year Ended June 30, 2010*

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Government Activities</b>					
General Government	\$ 2,533,562	\$ -	\$ -	\$ -	\$ (2,533,562)
Pass Through to County and Other Agencies	3,836,188	-	-	-	(3,836,188)
Interest on Long-Term Debt	899,869	-	-	-	(899,869)
<b>Total Governmental Activities</b>	<u>\$ 7,269,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,269,619)</u>
		General Revenues:			
		Taxes:			
		Property Taxes			6,220,979
		Investment Earnings			660,317
		Transfers to the City			(14,900,145)
			<b>Total General Revenues and Transfers</b>		<u>(8,018,849)</u>
			<b>Change in Net Assets</b>		(15,288,468)
			<b>Net Assets - Beginning of Year</b>		6,312,382
			<b>Net Assets (Deficit) - End of Year</b>		<u>\$ (8,976,086)</u>

**Balance Sheet**  
**Governmental Funds**  
 June 30, 2010

	RDA Low Income Housing	Redevelopment Debt	Redevelopment Projects	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 5,680,247	\$ 9,681,554	\$ 4,987,690	\$ 20,349,491
Receivables	2,031,292	1,074	2,478	2,034,844
Prepays	411	-	1,748	2,159
Land Held for Resale	1,040,359	-	1,327,129	2,367,488
<b>Total Assets</b>	<b>\$ 8,752,309</b>	<b>\$ 9,682,628</b>	<b>\$ 6,319,045</b>	<b>\$ 24,753,982</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 12,222	\$ 967,574	\$ 39,857	\$ 1,019,653
Deferred Revenue	2,030,722	-	-	2,030,722
Deposits Held	-	-	5,850	5,850
<b>Total Liabilities</b>	<b>2,042,944</b>	<b>967,574</b>	<b>45,707</b>	<b>3,056,225</b>
Fund Balances:				
Nonspendable	1,040,770	-	1,328,877	2,369,647
Restricted	5,668,595	8,715,054	4,944,461	19,328,110
<b>Total Fund Balances</b>	<b>6,709,365</b>	<b>8,715,054</b>	<b>6,273,338</b>	<b>21,697,757</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,752,309</b>	<b>\$ 9,682,628</b>	<b>\$ 6,319,045</b>	<b>\$ 24,753,982</b>

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

*June 30, 2010*

<b>Fund Balances of Governmental Funds</b>	\$	21,697,757
 Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Governmental Funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		252,020
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		(30,776,578)
Net OPEB Obligation		(105,941)
Compensated Absences		(43,344)
		(149,663)
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>(8,976,086)</b>

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For Year Ended June 30, 2010**

	RDA Low Income Housing	Redevelopment Debt	Redevelopment Projects	Totals
<b>REVENUES</b>				
Taxes	\$ 1,244,196	\$ 4,976,783	\$ -	\$ 6,220,979
Uses of Money and Property	133,828	363,651	162,838	660,317
<b>Total Revenues</b>	<b>1,378,024</b>	<b>5,340,434</b>	<b>162,838</b>	<b>6,881,296</b>
<b>EXPENDITURES</b>				
Current:				
General Government	502,260	-	2,251,605	2,753,865
Pass Through to County and Other Agencies	-	3,836,188	-	3,836,188
Debt Service:				
Principal	-	470,000	-	470,000
Interest and Fiscal Charges	-	899,869	-	899,869
<b>Total Expenditures</b>	<b>502,260</b>	<b>5,206,057</b>	<b>2,251,605</b>	<b>7,959,922</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>875,764</b>	<b>134,377</b>	<b>(2,088,767)</b>	<b>(1,078,626)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds	-	-	12,631,578	12,631,578
Premium on Bonds Issued	-	-	33,993	33,993
Transfers In	-	-	2,380,990	2,380,990
Transfers Out	-	(2,380,990)	(14,900,145)	(17,281,135)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(2,380,990)</b>	<b>146,416</b>	<b>(2,234,574)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>875,764</b>	<b>(2,246,613)</b>	<b>(1,942,351)</b>	<b>(3,313,200)</b>
<b>Fund Balance, Beginning of Year</b>	<b>5,833,601</b>	<b>10,961,667</b>	<b>8,215,689</b>	<b>25,010,957</b>
<b>Fund Balance, End of Year</b>	<b>\$ 6,709,365</b>	<b>\$ 8,715,054</b>	<b>\$ 6,273,338</b>	<b>\$ 21,697,757</b>

***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, 2010*

**Net Changes in Fund Balances - Total Governmental Funds** \$ (3,313,200)

Amounts reported for governmental activities in the Statement of Activities are different because:

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Government Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents bond proceeds.	(12,631,578)
This amount represents long-term debt repayments.	470,000
This amount represents the increase in Net OPEB Obligations	(58,873)
This amount represents deferred bond issuance costs and unamortized bond premiums	252,020

To record the net change in compensated absences in the Statement of Activities	(6,837)
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<b>Changes in Net Assets of Governmental Activities</b>	\$ (15,288,468)
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**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 Agency.

**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, 2010. 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.

**B. FUND BALANCES**

The Agency’s fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54). Non-spendable fund balances are not expected to be converted to cash and are comprised of prepaid items and land held for resale by the Agency. Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires that these resources be used only for a specific purpose. Committed fund balances have constraints imposed by formal action of the Agency Board which may be altered only by formal action of the Agency Board. Assigned fund balances are amounts constrained by the Agency’s intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Agency Board and may be changed at the discretion of the Agency Board. Unassigned fund balance represents amounts that have not been restricted, committed, or assigned.

**NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

The Agency considers restricted amounts to have been spent prior to unrestricted amounts when an expenditure is incurred for purposes for which both are available. Committed, assigned, and unassigned amounts, in this order, are considered to be spent when an expenditure is incurred for purposes for which either is available.

Detailed classifications of the Agency’s Fund Balances, as of June 30, 2010, are shown below.

	<b>RDA Low Income Housing</b>	<b>Redevelopment Debt</b>	<b>Redevelopment Projects</b>	<b>Total</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid Expenses	\$ 411	\$ -	\$ 1,748	\$ 2,159
Land Held for Resale	1,040,359	-	1,327,129	2,367,488
<b>Total Nonspendable Fund Balances</b>	<b>1,040,770</b>	<b>-</b>	<b>1,328,877</b>	<b>2,369,647</b>
<b>Restricted for:</b>				
Debt Service	-	8,715,054	-	8,715,054
Community Facilities Projects	-	-	-	-
Civic Center Projects	-	-	-	-
Redevelopment Projects	-	-	4,944,461	4,944,461
Redevelopment Low Income Housing	5,668,595	-	-	5,668,595
<b>Total Restricted Fund Balances</b>	<b>5,668,595</b>	<b>8,715,054</b>	<b>4,944,461</b>	<b>19,328,110</b>
<b>Total Fund Balances</b>	<b>\$ 6,709,365</b>	<b>\$ 8,715,054</b>	<b>\$ 6,273,338</b>	<b>\$ 21,697,757</b>

**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. The Agency’s total cash and investments as of June 30, 2010 is \$20,349,491.

**NOTE # 3 – CASH AND INVESTMENTS (Continued)**

**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.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio*</b>	<b>Maximum Investment in One Issuer</b>
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 Funds	N/A	15%	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	\$50M/Account	\$50M/Account
California Asset Management Program	N/A	N/A	N/A
Time Deposits	5 years	25%	None

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

**NOTE # 3 – CASH AND INVESTMENTS (Continued)**

**Credit Risk** – The City’s portfolio is comprised of the highest quality government and corporate securities. Consistent with City policy, over 87% 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, or Money Market Mutual Funds (MMMF) which are all unrated. Investments at June 30, 2010, 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, 2010.

	<u>Fair Value</u>	<u>Credit Rating</u>
City of Brentwood's Pooled Investments	\$ 20,349,491	Unrated

**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**

A portion of the City’s pooled investments are invested in LAIF. 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 City that as of June 30, 2010, the amortized cost of the pool was \$69,441,630,091. The fair value was \$69,555,776,576. The City 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. 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.

**NOTE # 4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE**

**Loans Under Redevelopment Agency Programs** – The Agency engages in programs designed to encourage either construction or improvements to low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to either homeowners or developers who agree to spend these funds in accordance with the Agency’s terms. These balances have been offset by deferred revenue as they are not expected to be repaid during the next fiscal year. A total of \$2,030,722 is owed to the Redevelopment Agency under these programs.

**Reservation for Loans Expected to be Forgiven** – The loans under Agency programs provide for the eventual forgiveness of the loan balances if the borrower complies with all the terms of the loan over its full term. The Agency accounts for these loans as conditional grants in the entity-wide financial statements and provides a reserve against their eventual forgiveness. The balance as of June 30, 2010 is \$2,030,722.

**NOTE # 5 – LONG-TERM OBLIGATIONS**

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

	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Payments Adjustments</b>	<b>Balance June 30, 2010</b>	<b>Amounts Due Within One Year</b>
CIP 2001 Revenue Bonds	\$ 18,615,000	\$ -	\$ (470,000)	\$ 18,145,000	\$ 485,000
Civic Center Project Lease Revenue Bonds	-	12,631,578	-	12,631,578	-
Net OPEB Obligation	47,068	58,873		105,941	-
Accumulated Compensated Absences	36,507	64,222	(57,385)	43,344	26,006
	<u>\$ 18,698,575</u>	<u>\$ 12,754,673</u>	<u>\$ (527,385)</u>	<u>\$ 30,925,863</u>	<u>\$ 511,006</u>

**NOTE # 5 – LONG-TERM OBLIGATIONS (Continued)**

**A. BONDS**

**i. CIP 2001 Revenue 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, 2010, the outstanding principal balance of bonds is \$18,145,000. 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 \$29,858,572 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 363% over the life of the bonds. For fiscal year 2010, tax increment revenue amounted to \$4,976,783, which represented coverage of 3.63 times \$1,369,869 of debt service. The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2010:

Year Ending June 30,	Principal	Interest	Total
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	575,000	790,238	1,365,238
2016-2020	3,295,000	3,509,347	6,804,347
2021-2025	4,235,000	2,545,309	6,780,309
2026-2030	5,415,000	1,343,125	6,758,125
2031-2032	2,560,000	129,500	2,689,500
Total	<u>\$ 18,145,000</u>	<u>\$ 11,713,572</u>	<u>\$ 29,858,572</u>

**ii. Civic Center Project Lease Revenue Bond**

On October 16, 2009, the Brentwood Infrastructure Financing Authority (BIFA) issued \$48,000,000 in Civic Center Project Lease Revenue Bonds, Series 2009A \$4,055,000 and Taxable Series 2009B \$43,945,000 to finance the construction of a new City Hall, Community Center, Senior Center, library improvements and other public capital improvements.

**NOTE # 5 – LONG-TERM OBLIGATIONS (Continued)**

The Agency entered into a Reimbursement agreement with the Brentwood Infrastructure Financing Authority that indicates the agency will pay a proportional amount of the City’s Base Rental Payments for specific and allowable projects that the Agency has agreed to fund. The Civic Center Project Lease Revenue Bonds generated \$12,631,578 for allowable Agency projects of which \$2,000,000 was used to fund a portion of the construction of the New Community Center, leaving unspent proceeds held by the City \$10,631,579 as of June 30, 2010.

Interest is payable semi-annually on April 1 and October 1. Interest rates range from 3.0 percent to 7.647 percent annually. As of June 30, 2010, the Agency’s portion of the outstanding principal balance of the bonds is \$12,631,578. The pledge of future tax increment revenues ends upon repayment of \$30,554,283 remaining debt service on the bonds. The repayment of the debt service is scheduled to occur in 2040.

For FY2009/10, the Agency does not have any debt service payments due to capitalized interest. Debt service payments against principal will not commence until FY2012/13. The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2010:

Year Ending June 30	Principal	Interest	Total
2011	\$ -	\$ 888,080	\$ 888,080
2012	-	888,080	888,080
2013	164,474	885,613	1,050,087
2014	169,737	880,600	1,050,337
2015	175,000	874,554	5,592,036
2016-2020	1,481,579	4,182,327	5,529,145
2021-2025	1,814,474	3,672,284	5,275,470
2026-2030	2,269,737	2,944,672	4,938,294
2031-2035	2,882,895	1,976,811	4,503,971
2036-2040	3,673,683	729,685	838,784
	<u>\$ 12,631,578</u>	<u>\$ 17,922,705</u>	<u>\$ 30,554,283</u>

The taxable portion of the bonds were sold as “Build America Bonds” pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt and therefore the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury to BIFA or its designee equal to 35% of the interest payable on the bonds. Such subsidy will be payable on or about the date that the Agency makes its debt service payments.

**NOTE # 5 – LONG-TERM OBLIGATIONS (Continued)**

**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 \$105,941 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, 2010, is:

Governmental      \$17,338

**NOTE # 6 – 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.

**NOTE # 6 – BRENTWOOD REDEVELOPMENT AGENCY TAX SHARING AGREEMENTS (Continued)**

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 \$967,575 in negotiated pass-through payments for the 2009/10 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.

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 \$241,314 in statutory pass-through payments for the 2009/10 fiscal year.

**Supplemental Educational Revenue Augmentation Fund**

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 two fiscal years, with \$1.7 billion paid in FY 2009/10 and \$350 million being paid in FY 2010/11. The Brentwood Redevelopment Agency paid \$2,627,299 in FY 2009/10 and is required to pay \$540,397 in FY 2010/11. The State Department of Finance determines 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. The California Redevelopment Association has filed for an appeal against the SERAF payments mandated by Assembly Bill x4-26. The outcome of the appeal is uncertain at this time.

***NOTE # 7 – 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 # 8 – SUBSEQUENT EVENTS***

In August 2010, the City Council authorized an amendment to the contract between the City and the California Public Employees’ Retirement System in order to establish a Tier 2 retirement benefits structure. The newly established Tier 2 became effective for new Miscellaneous employees hired on or after October 1, 2010. The amended benefits for the Tier 2 structure include: 1) Change the retirement benefit plan from 2.7% at 55 to 2% at 60; 2) Amending the time period used to calculate pension benefits from highest one year salary to an average of the three year final compensation; 3) Lowering the annual cost of living allowance increase from 5% to 2%; and 4) Requiring that all employees in Tier 2 pay the entire portion of the CalPERS employee required contribution.

The City estimates that the savings associated from this action will be minor for the next several years, however, will become substantial over the longer term as current employees turn over and are replaced by new employees with the reduced benefit structure.



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*Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual*  
*Special Revenue Fund*  
*For Year Ended June 30, 2010*

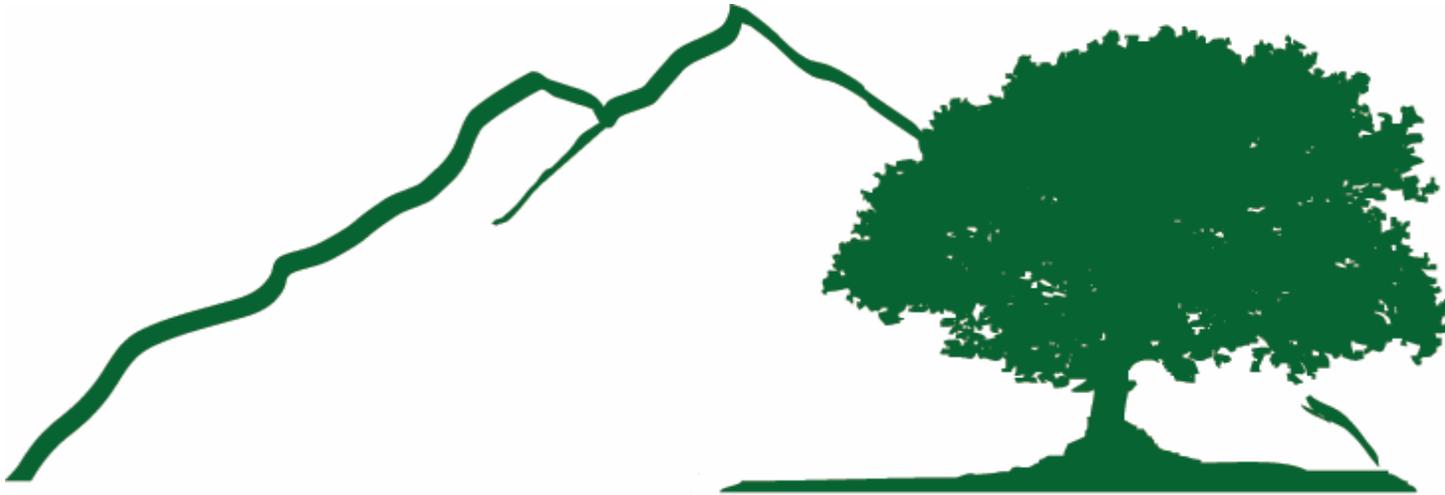
	<b>RDA Low Income Housing</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes	\$ 1,420,333	\$ 1,319,171	\$ 1,244,196	\$ (74,975)
Uses of Money and Property	240,000	240,000	133,828	(106,172)
<b>Total Revenues</b>	<u>1,660,333</u>	<u>1,559,171</u>	<u>1,378,024</u>	<u>(181,147)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	859,313	884,313	502,260	382,053
<b>Total Expenditures</b>	<u>859,313</u>	<u>884,313</u>	<u>502,260</u>	<u>382,053</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>801,020</u>	<u>674,858</u>	<u>875,764</u>	<u>200,906</u>
<b>Net Change in Fund Balances</b>	<u>\$ 801,020</u>	<u>\$ 674,858</u>	<u>875,764</u>	<u>\$ 200,906</u>
<b>Fund Balance, Beginning of Year</b>			<u>5,833,601</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 6,709,365</u>	

*Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual*  
*Debt Service Fund*  
*For Year Ended June 30, 2010*

	Redevelopment Debt			
	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 5,681,333	\$ 5,276,684	\$ 4,976,783	\$ (299,901)
Uses of Money and Property	500,000	500,000	363,651	(136,349)
<b>Total Revenues</b>	<u>6,181,333</u>	<u>5,776,684</u>	<u>5,340,434</u>	<u>(436,250)</u>
<b>EXPENDITURES</b>				
Current:				
Pass Through to County and Other Agencies	2,133,400	4,185,699	3,836,188	349,511
Debt Service:				
Principal	470,000	470,000	470,000	-
Interest and Fiscal Charges	900,000	900,000	899,869	131
<b>Total Expenditures</b>	<u>3,503,400</u>	<u>5,555,699</u>	<u>5,206,057</u>	<u>349,642</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,677,933</u>	<u>220,985</u>	<u>134,377</u>	<u>(86,608)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(3,458,467)	(3,458,467)	(2,380,990)	1,077,477
<b>Total other Financing Sources (Uses)</b>	<u>(3,458,467)</u>	<u>(3,458,467)</u>	<u>(2,380,990)</u>	<u>1,077,477</u>
<b>Net Change in Fund Balances</b>	<u>\$ (780,534)</u>	<u>\$ (3,237,482)</u>	<u>(2,246,613)</u>	<u>\$ 990,869</u>
<b>Fund Balance, Beginning of Year</b>			<u>10,961,667</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 8,715,054</u>	

*Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual*  
**Capital Projects Fund**  
*For Year Ended June 30, 2010*

	Redevelopment Projects			
	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Uses of Money and Property	\$ 115,400	\$ 115,400	\$ 162,838	\$ 47,438
<b>Total Revenues</b>	<u>115,400</u>	<u>115,400</u>	<u>162,838</u>	<u>47,438</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,168,466	2,537,663	2,251,605	286,058
<b>Total Expenditures</b>	<u>2,168,466</u>	<u>2,537,663</u>	<u>2,251,605</u>	<u>286,058</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,053,066)</u>	<u>(2,422,263)</u>	<u>(2,088,767)</u>	<u>333,496</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds	10,000,000	12,478,156	12,631,578	153,422
Premium on Bonds Issued	-	33,993	33,993	-
Transfers In	3,458,467	3,458,467	2,380,990	(1,077,477)
Transfers Out	(20,445,743)	(18,359,528)	(14,900,145)	3,459,383
<b>Total other Financing Sources (Uses)</b>	<u>(6,987,276)</u>	<u>(2,388,912)</u>	<u>146,416</u>	<u>2,535,328</u>
<b>Net Change in Fund Balances</b>	<u>\$ (9,040,342)</u>	<u>\$ (4,811,175)</u>	<u>(1,942,351)</u>	<u>\$ 2,868,824</u>
<b>Fund Balance, Beginning of Year</b>			<u>8,215,689</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 6,273,338</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**

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, 2010, and have issued our report thereon dated October 15, 2010. We have conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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

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 15, 2010