

Brisbane Community Redevelopment Agency

Brisbane, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2009



Brisbane Community Redevelopment Agency
Basic Financial Statements
For the year ended June 30, 2009

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information, unaudited)	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities and Changes in Net Assets	13
Fund Financial Statements:	
<i>Government Fund Financial Statements:</i>	
Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	19
Notes to Basic Financial Statements	21
Required Supplementary Information:	
Budgetary Information.....	34
Budgetary Comparison Schedule - Project Area #1 Special Revenue Fund	35
Budgetary Comparison Schedule - Project Area #2 Special Revenue Fund	36
Budgetary Comparison Schedule - Low and Moderate Income Housing Special Revenue Fund.....	37
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
1986 Tax Allocation Bonds Debt Service Fund	40
Housing Bonds Debt Service Fund	41
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Brisbane Community Redevelopment Agency
Brisbane, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Brisbane Community Redevelopment Agency (Agency), a component unit of the City of Brisbane, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These 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 and the standards applicable to 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 basic financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the basic financial statements date of June 30, 2009 and the year then ended, the State of California (State) has borrowed, deferred paying certain revenues and proposed taking other funds from local governments including cities, counties, districts and agencies. These actions by the State include:

- Redevelopment Agency funds – prepared to be taken for fiscal year 2010

The above amount is significant to the Agency and may affect its ongoing operations. Certain lawsuits are in process to stop such State actions. For more detailed information, see Note 12 attached in the Notes to Basic Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

To the Board of Directors
of the Brisbane Community Redevelopment Agency
Brisbane, California
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009 on our consideration of Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grants. 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 Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the Agency adopted Statement of Governmental Accounting Standards Board No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension Plans*, No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*.

The Required Supplementary Information, such as Management's Discussion and Analysis and budgetary comparison information as listed in the foregoing table of contents, 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Capricci & Carson

Oakland, California
December 28, 2009

Management's Discussion and Analysis

As management of the Redevelopment Agency of Brisbane we offer the readers of the Redevelopment Agency's financial statements this narrative overview and analysis of the financial activities of the Redevelopment Agency for the fiscal year ended June 30, 2009.

The purpose of the Redevelopment Agency is to alleviate blight and support economic development. To fulfill its purpose, the agency incurs debt to buy land and build infrastructure and facilities. The Agency also pays for its on-going operations. This results in the Agency's liabilities being greater than its assets. However, the liabilities are not greater than the present value of its stream of income.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

The basic financial statements include only the Redevelopment Agency of the City of Brisbane, which is a component unit of the City and is reported in the City's financial statements using the blended method.

This report also contains other required supplementary information in addition to the basic financial statements for further information and analysis.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

The Government-Wide Financial Statements present a corporate-like long-term picture of the Agency and provide readers with a broad view of the Agency's finances. These statements present governmental activities and include all assets of the Agency (including capital assets) as well as all liabilities (including long-term debt).

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the Agency as a whole and about its activities. These statements include *all* assets and liabilities of the Agency using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial position of the Agency.

The Statement of Activities and Changes in Net Assets presents information showing how the Agency's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by Government Accounting and Standards Board (GASB) Statement No. 34.

The Agency only has governmental activities, including Public Works Engineering and administration, which are shown in the Statement of Net Assets and the Statement of Activities and Changes in Net Assets. Property tax increment and interest income finance these activities.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the Agency's most significant funds, called major funds. Each Major Fund is presented individually, with all Non-major Funds combined in a single column on each fund statement. Subordinate schedules present the detail of these Non-major Funds.

Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund financial statements are prepared on the modified accrual basis of accounting which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the Government-wide Financial Statements.

In order to better understand the Agency's long-term and short-term requirements, it is useful to compare the Agency's Governmental Fund Statements with the governmental activities in the Government-Wide Financial Statements. Reconciliation is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

All of the Agency's funds were determined to be major funds. These funds include Project Area #1 Special Revenue Fund, Project Area #2 Special Revenue Fund, the Low and Moderate Income Housing Special Revenue Fund, and the Debt Service Funds, which are reported in detail in the Governmental Fund Financial Statements.

FINANCIAL HIGHLIGHTS

The significant change the Agency's financial picture in FY 2008/09 was the State of California's attempt to take tax increment from the redevelopment agencies to balance the state budget. This appears to be an ongoing problem and a lawsuit has been filed to prohibit these "takes".

Fiscal Year 2008-09 financial highlights include the following:

- At June 30, 2009, the Agency had negative net assets (excess of liabilities over assets) of \$5 million as a result of long-term debt to Brisbane Public Finance Authority (BPFA), the City, and in the Low-and-Moderate Income-Housing Fund.
- During the fiscal year ended June 30, 2009 the Agency's total net assets increased by \$1.8 million due to increases in property taxes, supplemental property taxes.
- The Agency is dependent on tax increment revenues and investment income.
- The Agency's total bonded debt decreased by \$40,000 during the current fiscal year as a result of current debt service repayments.

FINANCIAL PERFORMANCE

Government-Wide Financial Statements – Governmental Activities

The following analysis focuses on the net assets and changes in net assets of the Agency's Governmental Activities, presented in the Government-wide Statement of Net Assets and Statement of Activities.

Governmental Activities			
Net Assets at June 30, 2009			
(in \$ Thousands)			
	2009	2008	Increase/ (Decrease)
Current assets	\$ 6,807	\$ 5,501	\$ 1,306
Non current assets	2,935	2,935	(0)
Capital assets	3,763	3,763	(0)
Total Assets	13,505	12,200	1,305
Current liabilities	345	494	(149)
Long-term liabilities	18,374	18,694	(320)
Total Liabilities	18,720	19,188	(469)
Net Assets:			
Invested in capital assets, net of debt	3,763	3,763	(0)
Restricted	4,218	4,218	(0)
Unrestricted	(13,196)	(14,970)	1,774
Total Net Assets	\$ (5,214)	\$ (6,988)	\$ 1,774

The Agency's governmental net assets increased by \$1.8 million compared to the previous year. This increase in net assets is explained below.

- Cash and investments and interest receivable increased by \$1.3 million. This was due to an increase in property tax revenues based on 2007 valuations.
- There were no changes in Other Assets or Capital Assets.
- Repayments of long-term debt outstanding decreased by \$40,000.
- Current liabilities removed the temporary loan from the City of Brisbane of \$116,000.
- Unrestricted net assets decreased by \$1,774. This was due to a payment on the Advance of \$280,000 and the increase in cash.

Governmental Activities and Changes in Net Assets

Condensed Statement of Activities and Changes in Net Assets			
Governmental Activities			
(in \$ Thousands)			
Revenues by Source	2009	2008	Increase/ (Decrease)
Program revenues			
Charges for Services	\$0	\$0	\$(0)
Capital Grants and Contributions	0	0	(0)
Total Program Revenues	0	0	0
General revenues & transfers			
Property Taxes	4,504	4,232	272
Investment earnings	150	216	(66)
Other revenue	0	0	(0)
Transfer	(1,990)	(1,703)	(287)
Total General Revenues & Transfers	2,665	2,745	(81)
Total Revenues	2,665	2,745	(81)
Expenses by Function			
Public Works	679	669	10
Interest on long-term debt (unallocated)	213	220	(7)
Total Expenses	892	889	3
Increase (Decrease) in Net Assets	1,772	1,856	(84)
Net Assets - Beginning	(6,988)	(8,844)	1,856
Net Assets - Ending	(5,216)	\$(6,988)	\$1,772

The Agency's total operating expenses were \$892,000. Revenues consisted of property taxes and investment earnings. The agency decreased its net assets by about \$84,000 dollars this fiscal year.

The difference between FY 2008 and FY 2009 was due to the property value at the time of enrollment. San Mateo County uses the prior year's valuation when enrolling the properties. That means that the 2008/2009 Property Tax was based on 2007 values. It is anticipated that the value of the Agency will stay consistent in the near future with a couple of projects in the planning stages but not coming to fruition within the next couple of years.

FUND FINANCIAL STATEMENTS

The Community Development Agency had an ending Fund Balance of \$(10,424,446). This includes \$21,448,382 in Advances from the Agency's Financing Authority and the City of Brisbane. This is a long-term debt which the Agency's property tax revenue will be able to repay over the life of the loan.

BUDGETARY HIGHLIGHTS

The RDA Special Revenue Fund Area #1 and #2 had expenditures for interest and fiscal charges that were not budgeted at the beginning of the year. The Agency Board making interest payments on advances from other funds during the two-year budget cycle.

RDA Special Revenue Fund Area #1 was over budgeted for legal services including the Implementation Plan review.

RDA Special Revenue Fund Area #2 had property that was reassessed at lower values than anticipated.

The Low and Moderate Housing Special Revenue Fund was not able to close on the purchase of property to be developed for low and moderate housing by fiscal year end. This supplemental appropriation will be carried forward.

CAPITAL ASSETS

GASB 34 requires the Agency to record all of its capital assets including infrastructure, not recorded in prior years. Infrastructure includes roads, bridges, signals, and similar assets used by the entire population. At year end, net capital assets of the governmental activities totaled \$3.8 million.

Capital Assets at June 30, 2009		
(in \$ Thousands)		
Governmental Activities	2009	2008
<i>Capital Assets</i>		
Land and improvements	\$3,763	\$3,763
Construction in Progress	0	0
Total Governmental	\$3,763	\$3,763

DEBT ADMINISTRATION

Each of the Agency's debt issues is discussed in detail in Note 8. At June 30, 2009, the Agency's debt comprised:

Long-term Debt at June 30, 2009			
(in \$ Thousands)			
	2009	2008	Increase/ Decrease
<u>Governmental Activity Debt</u>			
<i>General Long-term Obligations</i>			
1998 Housing Set-Aside	\$1,345	\$1,385	\$(40)
Total Governmental Activities	\$1,345	\$1,385	(40)

The Agency had no new debt during the current fiscal year.

ECONOMIC OUTLOOK

In an effort to balance their budget, the State of California is attempting to take \$1.7 billion away from redevelopment agencies statewide in FY2009/2010 and another \$350,000,000 the following year. The Brisbane Redevelopment Agencies "share" would be \$1,700,000 for fiscal year 2009/2010. The California Redevelopment Association has filed a lawsuit over the legality of the state's move.

Located within the limits of Redevelopment Area 2 is the largest (over 500 acres) undeveloped commercial parcel of land within San Mateo County. This parcel is contiguous with the boundaries of the City/County of San Francisco and is located within seven minutes of the San Francisco International Airport. The commercial development of this parcel is expected to take place over the next 5-10 years since the owner has submitted a Specific Plan for the site. The Specific Plan has a combination of retail, commercial, and open space. While the related economic benefits to the Agency from the development of this parcel cannot be estimated at this time, it is anticipated to be significant, possibly capable of providing the Agency with future revenues.

Development of bio-tech buildings at Sierra Point, in Redevelopment Area 1, is working through the permitting process. Given the current economic downtrend, these projects may be pushed out to later dates.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is intended to provide residents, taxpayers, investors, and creditors with a general overview of the Agency's finances. Questions about this report should be directed to the Finance Department, at 50 Park Place, Brisbane, California.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Brisbane Community Redevelopment Agency
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 6,798,374
Interest receivable	8,368
Total current assets	<u>6,806,742</u>
Noncurrent assets:	
Restricted cash and investments	117,916
Loans receivable	2,816,376
Capital assets:	
Non-depreciable	3,687,108
Depreciable, net	75,123
Total capital assets	<u>3,762,231</u>
Total noncurrent assets	<u>6,696,523</u>
Total assets	<u><u>13,503,265</u></u>
LIABILITIES	
Current liabilities:	
Interest payable	25,444
Advances from the Brisbane Public Financing Authority - due within one year	280,000
Long-term debt - due within one year	40,000
Total current liabilities	<u>345,444</u>
Noncurrent liabilities:	
Advances from the City of Brisbane	3,589,104
Advances from the Brisbane Public Financing Authority - due in more than one year	13,480,000
Long-term debt - due in more than one year	1,305,000
Total noncurrent liabilities	<u>18,374,104</u>
Total liabilities	<u><u>18,719,548</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	3,762,231
Restricted for:	
Debt service	4,217,198
Unrestricted	<u>(13,195,712)</u>
Total net assets	<u><u>\$ (5,216,283)</u></u>

See accompanying Notes to Basic Financial Statements.

Brisbane Community Redevelopment Agency
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2009

Functions / Programs	Net (Expense) Revenue and Changes in Net Assets
Primary government:	
Governmental activities:	
Public works - engineering and administration	\$ (679,148)
Interest on the long-term debt (unallocated)	(213,480)
Total primary government	(892,628)
General revenues:	
Property taxes	4,504,022
Investment earnings	150,321
Transfers to other City funds	(1,990,015)
Total general revenues and transfers	2,664,328
Change in net assets	1,771,700
Net assets - beginning of year	(6,987,983)
Net assets - end of year	\$ (5,216,283)

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

Brisbane Community Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2009

	Project Area #1 Special Revenue	Project Area #2 Special Revenue	Low & Moderate Income Housing Special Revenue	1986 TAB's Debt Service	Housing Bonds Debt Service	Total Governmental Funds
ASSETS						
Cash and investments	\$ 991,968	\$ 17,891	\$ 5,788,511	\$ 3	\$ 1	\$ 6,798,374
Restricted cash and investments held by fiscal agents	-	-	-	-	117,916	117,916
Receivables:						
Interest	1,308	142	6,918	-	-	8,368
Loans	-	-	2,816,376	-	-	2,816,376
Advances to other funds	-	-	4,099,278	-	-	4,099,278
Total assets	\$ 993,276	\$ 18,033	\$ 12,711,083	\$ 3	\$ 117,917	\$ 13,840,312
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred revenue	\$ -	\$ -	\$ 2,816,376	\$ -	\$ -	\$ 2,816,376
Advances from the City of Brisbane	2,295,996	1,293,108	-	-	-	3,589,104
Advances from other funds	4,099,278	-	-	-	-	4,099,278
Advances from the Brisbane Public Financing Authority	13,760,000	-	-	-	-	13,760,000
Total liabilities	20,155,274	1,293,108	2,816,376	-	-	24,264,758
Fund Balances:						
Capital contribution to the City of Brisbane						
Advances	-	-	4,099,278	-	-	4,099,278
Debt service	-	-	-	-	117,916	117,916
Unreserved, undesignated for:						
Special revenue funds	(19,161,998)	(1,275,075)	5,795,429	3	1	(14,641,640)
Total fund balances	(19,161,998)	(1,275,075)	9,894,707	3	117,917	(10,424,446)
Total liabilities and fund balances	\$ 993,276	\$ 18,033	\$ 12,711,083	\$ 3	\$ 117,917	\$ 13,840,312

See accompanying Notes to Basic Financial Statements.

Brisbane Community Redevelopment Agency
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
June 30, 2009

Total Fund Balances - Total Governmental Funds	<u>\$ (10,424,446)</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities were not current financial resources and therefore were not reported in the governmental funds.	<u>3,762,231</u>
Revenues that are deferred in the governmental funds because they are not currently available are reported as revenue in the Statement of Activities.	<u>2,816,376</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds.	<u>(25,444)</u>
Long-term liabilities were not due and payable in the current period and therefore they were not reported in the governmental funds:	
Long-term debt - due within one year	(40,000)
Long-term debt - due in more than one year	<u>(1,305,000)</u>
Total long-term debt	<u>(1,345,000)</u>
Net Assets (Deficit) of Governmental Activities	<u><u>\$ (5,216,283)</u></u>

Brisbane Community Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

	Project Area #1 Special Revenue	Project Area #2 Special Revenue	Low & Moderate Income Housing Special Revenue	1986 TAB's Debt Service	Housing Bonds Debt Service	Total Governmental Funds
REVENUES:						
Taxes and special assessments	\$ 2,836,583	\$ 699,891	\$ 967,548	\$ -	\$ -	\$ 4,504,022
Use of money and property	23,354	-	126,651	2	314	150,321
Total revenues	2,859,937	699,891	1,094,199	2	314	4,654,343
EXPENDITURES:						
Public works - engineering and administration	199,447	284,623	193,846	-	-	677,916
Debt service:						
Principal	-	-	-	-	40,000	40,000
Interest and fiscal charges	91,840	45,259	-	-	77,413	214,512
Total expenditures	291,287	329,882	193,846	-	117,413	932,428
REVENUES OVER (UNDER) EXPENDITURES	2,568,650	370,009	900,353	2	(117,099)	3,721,915
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	115,971	115,971
Transfers out	-	-	(115,971)	-	-	(115,971)
Transfers out to the City of Brisbane	(1,768,910)	(221,105)	-	-	-	(1,990,015)
Total other financing sources (uses)	(1,768,910)	(221,105)	(115,971)	-	115,971	(1,990,015)
Net change in fund balances	799,740	148,904	784,382	2	(1,128)	1,731,900
FUND BALANCES:						
Beginning of year	(19,961,738)	(1,423,979)	9,110,325	1	119,045	(12,156,346)
End of year	\$ (19,161,998)	\$ (1,275,075)	\$ 9,894,707	\$ 3	\$ 117,917	\$ (10,424,446)

See accompanying Notes to Basic Financial Statements.

Brisbane Community Redevelopment Agency
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 1,731,900

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

Depreciation expense on capital assets was reported in the Government-Wide Statements of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds. (1,232)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets. 40,000

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense was not reported as an expenditure in governmental funds. The following amount represents the change in accrued interest from the prior year. 1,032

Change in Net Assets of Governmental Activities \$ 1,771,700

This page intentionally left blank.

NOTES TO BASIC FINANCIAL STATEMENTS

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Brisbane Community Redevelopment Agency (Agency), a blended component unit of the City of Brisbane (City), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

A. *Financial Reporting Entity*

The Agency is a blended component unit of the City whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency is controlled by the City, and has the same governing board as the City. All accounting and administrative functions for the Agency are performed by the City. The financial statements are intended to present the financial position and results of operations of the Agency, and not of the City.

B. *Basis of Accounting and Measurement Focus*

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

Government-Wide Financial Statements

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

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. The following interfund activities have been eliminated in the Statement of Net Assets:

- Advances to/from other funds
- Transfers in/out

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated.

The Agency has presented all funds as major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in the Governmental Fund Financial Statements to the net assets presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property taxes, other taxes and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The reconciliations of the Governmental Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

C. 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.

D. Cash, Cash Equivalents and Investments

The Agency, as a component unit of the City, pools its available cash for investment purposes with the City. The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments, Continued

The Agency participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

E. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt.

F. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Advances to other funds, reported in the Governmental Fund Financial Statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not available expendable financial resources.

G. Capital Assets

Government-Wide Financial Statements - Capital assets, which include land, and land improvements, are reported in the applicable governmental activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Gifts or contributions of capital assets are recorded at fair market value when received. Agency policy has set the capitalization threshold for reporting capital assets at the following:

General capital assets	\$5,000
------------------------	---------

Governmental Fund Financial Statements - The Governmental Fund Financial Statements do not present capital assets. Consequently, capital assets is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

H. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities.

In the Governmental Fund Financial Statements, governmental fund types do not recognize interest payable when the liability is incurred; interest expenditures are recorded when paid.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. *Unearned Revenue/Deferred Revenue*

In the Government-Wide Financial Statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-Wide Financial Statements are long-term assessments, long-term loans receivable, and prepaid charges for services.

In the Governmental Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The Agency records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, interest on interfund advances receivable, long-term assessments and loans receivable.

J. *Long-Term Liabilities*

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Governmental Fund Financial Statements - The Governmental Fund Financial Statements do not present long-term debt. Consequently, long term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

K. *Net Assets*

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets" as defined above.

L. *Fund Balances - Reservations and Designations*

In the Governmental Fund Financial Statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Property Taxes

Under California law, secured property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas.

Lien Date	January 1
Levy Date	July 1
Due Date	November 1 and February 1
Collection Date	December 10 and April 10

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the "alternate method of property tax distribution (known as the Teeter Plan) by the City and the County of San Mateo. The Teeter Plan authorizes the Auditor/Controller of the County of San Mateo to allocate 100% of the secured property taxes billed, but not yet paid.

N. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires Agency management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

O. New Pronouncements

In 2009, the Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pension Plans* - This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* - This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. New Pronouncements, Continued

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* – The Statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB’s authoritative literature.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* – This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB’s accounting and financial reporting literature for state and local governments.

2. POOLED CASH AND INVESTMENTS

Cash and investments of the Agency at June 30, 2009 amounted to \$ 6,798,374.

The Agency’s cash is included in a City-wide cash and investment pool, the details of which are presented in the City’s basic financial statements. Under the provisions of the Agency’s investment policy, and in accordance with California Government Code, the following investments are authorized:

Negotiable Certificates of Deposit	Government Agency Securities
Time Certificates of Deposit	Treasury Bonds, Bills, and Notes
Bankers Acceptances	Medium-Term Corporate Notes
Commercial Paper	State of California Local Agency Investment Fund

The Agency’s investments are carried at fair value as required by generally accepted accounting principles in the United States. The Agency adjusts the carrying value of its investments to reflect the fair market value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

See the City’s Comprehensive Annual Financial Report for disclosures related to cash and investments and the related risk categorizations.

3. RESTRICTED CASH AND INVESTMENT WITH FISCAL AGENTS

The cash and investments with fiscal agents in the amount of \$117,916 include certain amounts which are held by fiscal agents to be used only for specific capital outlays, payment of certain long-term debt and maintaining required reserves. These funds have been invested only as permitted by specific State statutes governing their investment or applicable Agency ordinance, resolution, or bond indenture.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

4. LOAN RECEIVABLE AND DEFERRED REVENUE

As of June 30, 2009, loans receivable consisted of the following:

Bridge Housing Corporation	\$ 2,336,086
First Time Homebuyers	125,000
Peninsula Habitat for Humanity	<u>355,290</u>
Total loan receivable	\$ <u>2,816,376</u>

In 1999, the Agency and the Bridge Housing Corporation entered into a loan agreement, in which the Agency would loan to the Bridge Housing Corporation, an amount not to exceed \$2,500,000. The obligation to repay the loan is evidenced by a note receivable. The terms of the note provide that the Bridge Housing Corporation make repayments, to the extent of surplus cash. Such annual payments are due and payable in arrears no later than June 1 each year with respect to the previous calendar year, and shall be accompanied by the Developer's report of surplus cash. As of June 30, 2009, the loan receivable balance was \$2,336,086. The full amount of the loan was recorded as deferred revenue in the Governmental Fund Financial Statements since the revenue did not meet the availability criteria. In the Government-Wide Financial Statements the amount was recognized as revenue.

The Agency has provided various loan programs for First Time Homebuyers. In general, the loans provide secondary financing for low and moderate income buyers in the City. The loans have deferred payments in order to allow the buyers to maximize their purchasing capacity. A loan was made to a borrower on October 28, 2006 in the amount of \$125,000. Payment of principal and interest is due upon the sale of the property. Units are sold at market value and the Agency also receives as payment a share of the appreciation based on the percentage of the Agency loan to the original purchase price. The Agency has first right of refusal to purchase the unit. As of June 30, 2009, the outstanding amount of the loan was \$125,000. In the Government-Wide Financial Statement the amount was recognized as revenue.

In 2005, the Agency authorized the execution of a Disposition, Development, and Loan Agreement with Peninsula Habitat for Humanity for conveyance of property and disbursement of a construction loan for development of seven units of affordable ownership housing for very low income families at 20 Plumas Street and 700 San Bruno Avenue. The loan was first drawn down in Fiscal Year 2007. As of June 30, 2009, the loan receivable balance was \$355,290. The full amount of the loan was recorded as deferred revenue in the Governmental Fund Financial Statements since the revenue did not meet the availability criteria. In the Government-Wide Financial Statement the amount was recognized as revenue.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS

Advances

Advances for the period ended June 30, 2009, were as follows:

	Advances to other funds
	Low & Moderate Income Housing Special Revenue Fund
Advances from other funds	Special Revenue Fund
Project Area #1 Special Revenue Fund	\$ 4,099,278

The advance represents a portion of the 20% housing set-aside funding deferred until future projects and funding become available.

Transfers

Transfers for the period ended June 30, 2009, were as follows:

	Transfers Out
	Low & Moderate Income Housing Special Revenue Funds
Transfers In	Special Revenue Funds
Housing Bond Debt Service Fund	\$ 115,971

The Agency Board authorized transfers from the special revenue fund to the debt service fund in order to pay required debt service payments.

6. CAPITAL ASSETS

Capital assets of the Agency for the year ended June 30, 2009 are presented in the table below.

	Balance July 1, 2008	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2009
Capital assets, not being depreciated:					
Land	\$ 3,687,108	\$ -	\$ -	\$ -	\$ 3,687,108
Capital assets, being depreciated:					
Land improvements	80,051	-	-	-	80,051
Accumulated depreciation	(3,696)	(1,232)	-	-	(4,928)
Total capital assets, being depreciated	76,355	(1,232)	-	-	75,123
Total Capital assets	\$ 3,763,463	\$ (1,232)	\$ -	\$ -	\$ 3,762,231

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

The depreciation expense for capital assets for the year ended June 30, 2009 was \$1,232, which was charged to Public Works – Engineering and administration activity.

7. ADVANCES FROM THE BRISBANE PUBLIC FINANCING AUTHORITY

Activity in the Advance from the Brisbane Public Financing Authority (Authority) for the year ended June 30, 2009, was as follows:

Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More than One Year
\$ 14,010,000	\$ -	\$ (250,000)	\$ 13,760,000	\$ 280,000	\$ 13,480,000

On March 1, 2001 the Agency issued \$15,000,000 of Brisbane Community Redevelopment Project Area #1 2001 Tax Allocation Bonds (Bonds) to refund the 1984 Tax Allocation Bonds and to satisfy the Agency's obligation under the 1984 Lease/Leaseback agreement (Deferred Rent Payable).

The Bonds mature annually through May 1, 2026 in amounts ranging from \$80,000 to \$1,725,000 beginning May 1, 2003. The Bonds bear interest at a rate per annum equal to 12%. The interest payment is due on May 1 every year starting 2001. The Bonds are subject to optional and mandatory redemption prior to maturity. The Bonds are payable from and secured by certain tax revenues payable to the Agency. The outstanding principal and interest remaining to be paid on the bonds is \$32,854,400. Principal and interest paid for the current year and the total tax revenue were \$1,933,200 and \$2,836,583 respectively. The outstanding balance of the Bonds was \$13,760,000 at June 30, 2009.

The Agency and the Authority entered into a bond purchase contract (Contract) on March 1, 2001. According to the Contract, the Authority issued Brisbane Public Financing Authority 2001 Revenue Bonds, Series A in the amount of \$26,300,000 to acquire the Bonds. Accordingly, the total amount of the Bonds, \$15,000,000, is presented as advances between the Agency and Authority.

The annual debt service requirements on the Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 280,000	\$ 1,651,200	\$ 1,931,200
2011	315,000	1,617,600	1,932,600
2012	355,000	1,579,800	1,934,800
2013	395,000	1,537,200	1,932,200
2014	445,000	1,489,800	1,934,800
2015-2019	3,150,000	6,511,200	9,661,200
2020-2024	5,555,000	4,108,800	9,663,800
2025-2026	3,265,000	598,800	3,863,800
Total	\$ 13,760,000	\$ 19,094,400	\$ 32,854,400

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT

Activity in the long-term debt for the year ended June 30, 2009, was as follows:

Description	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Classification	
					Amounts Due Within One Year	Amounts Due in More Than One Year
Revenue Bonds:						
1998 Housing Set-Aside	\$ 1,385,000	\$ -	\$ (40,000)	\$ 1,345,000	\$ 40,000	\$ 1,305,000
Total	\$ 1,385,000	\$ -	\$ (40,000)	\$ 1,345,000	\$ 40,000	\$ 1,305,000

1998 Housing Set Aside Revenue Bonds

The Agency issued \$1,660,000 principal amount 1998 Housing Set-Aside Revenue Bonds to affect a loan to Bridge Housing Corporation in connection with the construction of a 14 unit multi-family rental housing project called the Brisbane Senior Homes Apartments. The bonds mature annually through September 1, 2013, in amounts ranging from \$25,000 to \$50,000 and term bonds maturing in 2027. The interest on the bonds is payable semiannually on each March 1 and September 1, with rates from 4.25% to 5.70%. The bonds are payable solely from the 20% tax increment housing set-aside of Redevelopment Area #2. Annual principal and interest payments on the bonds are expected to require less than 50% of the set-aside revenues. The outstanding principal and interest remaining to be paid on the bonds is \$2,197,791. Principal and interest paid for the current year and the total 20% tax increment were \$117,412 and \$235,900, respectively. The outstanding balance of the bonds was \$1,345,000 at June 30, 2009.

The annual debt service requirement on the bonds is as follows:

For the Years Ending June 30,	Principal	Interest	Total
2010	\$ 40,000	\$ 75,242	\$ 115,242
2011	45,000	72,915	117,915
2012	45,000	70,429	115,429
2013	50,000	67,780	117,780
2014	50,000	64,967	114,967
2015-2019	305,000	276,593	581,593
2024-2024	400,000	176,700	576,700
2025-2027	410,000	48,165	458,165
Total	\$ 1,345,000	\$ 852,791	\$ 2,197,791

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. DEFICIT FUND BALANCES

The governmental activities in the Government-Wide Financial Statements had deficit net assets of \$5,216,283 with \$13,195,712 classified as deficit unrestricted net assets. The deficit will be eliminated from future tax increments.

At June 30, 2009, the following governmental funds had deficit fund balances which will be eliminated through the reduction of expenditures and/or the use of new funding sources:

Special Revenue Funds:	
Project Area #1	\$ (19,161,998)
Project Area #2	(1,275,075)

10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following governmental funds had an excess of expenditures over appropriations at June 30, 2009:

Fund	Final Appropriation	Expenditures	Expenditures over Appropriations
Special Revenue Funds:			
Project Area #1	\$ 194,687	\$ 199,447	\$ (4,760)

11. COMMITMENTS AND CONTINGENCIES

The Agency is presently involved in certain matters of litigation that have arisen in the normal course of conducting Agency business. Agency management believes, based upon consultation with the Agency Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Agency. Additionally, Agency management believes that the Agency's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

As of June 30, 2009, in the opinion of Agency management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Agency.

12. SUBSEQUENT EVENT

Subsequent to June 30, 2009, the State of California (State) has decided to borrow, to defer certain revenue payments and to take certain funds from local governments including the Agency. These amounts are significant to the Agency and are as follows:

- Redevelopment Agency \$1,715,862

Agency funds have been estimated for a two year takeaway by the State. This decision is to be litigated by the California Redevelopment Association and other parties with hope that this will be considered unconstitutional as was last year's State proposed takeaway.

REQUIRED SUPPLEMENTARY INFORMATION

Brisbane Community Redevelopment Agency
Required Supplementary Information
For the year ended June 30, 2009

1. BUDGETARY INFORMATION

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

The Agency Board strives to adopt its budget each year by July 1.

1. A Board goal setting session is scheduled to determine the major objectives of the Agency's financial plan for the year. Goals are approved by the Board and incorporated into a detailed preliminary budget, which is issued for public comment. After a series of public hearings, the budget is adopted by the Board prior to the beginning of the ensuing fiscal year (July 1st).
2. The Agency Executive Director is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the special revenue funds and debt service funds.
4. Budgets for all governmental funds are adopted on a basis consistent with GAAP.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the Agency is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2009, based on the calculations by Agency Management, proceeds of taxes did not exceed the appropriations limit.
6. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and reappropriated amounts for prior-year encumbrances. The Executive Director must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications.

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances. Unexpended appropriations lapse at year-end and are reappropriated in the following year.

Brisbane Community Redevelopment Agency
Required Supplementary Information, Continued
For the year ended June 30, 2009

1. BUDGETARY INFORMATION, Continued

The following is the budget comparison schedules for all major special revenue funds.

Budgetary Comparison Schedule, Project Area #1 Special Revenue Fund

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 2,665,747	\$ 2,665,747	\$ 2,836,583	\$ 170,836
Use of money and property	-	-	23,354	23,354
Total revenues	<u>2,665,747</u>	<u>2,665,747</u>	<u>2,859,937</u>	<u>194,190</u>
EXPENDITURES:				
Public works - engineering and administration	194,687	194,687	199,447	(4,760)
Debt service:				
Interest and fiscal charges	-	-	91,840	(91,840)
Total expenditures	<u>194,687</u>	<u>194,687</u>	<u>291,287</u>	<u>(96,600)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,471,060</u>	<u>2,471,060</u>	<u>2,568,650</u>	<u>97,590</u>
OTHER FINANCING SOURCES (USES):				
Transfers out to the City of Brisbane	(2,119,272)	(2,119,272)	(1,768,910)	350,362
Total other financing sources (uses)	<u>(2,119,272)</u>	<u>(2,119,272)</u>	<u>(1,768,910)</u>	<u>350,362</u>
Net change in fund balance	<u>\$ 351,788</u>	<u>\$ 351,788</u>	799,740	<u>\$ 447,952</u>
FUND BALANCE:				
Beginning of year			(19,961,738)	
End of year			<u>\$ (19,161,998)</u>	

Brisbane Community Redevelopment Agency
Required Supplementary Information, Continued
For the year ended June 30, 2009

1. BUDGETARY INFORMATION, Continued

Budgetary Comparison Schedule, Project Area #2 Special Revenue Fund

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 1,050,741	\$ 1,050,741	\$ 699,891	\$ (350,850)
Total revenues	<u>1,050,741</u>	<u>1,050,741</u>	<u>699,891</u>	<u>(350,850)</u>
EXPENDITURES:				
Public works - engineering and administration	329,967	329,967	284,623	45,344
Debt service:				
Interest and fiscal charges	-	-	45,259	(45,259)
Total expenditures	<u>329,967</u>	<u>329,967</u>	<u>329,882</u>	<u>85</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>720,774</u>	<u>720,774</u>	<u>370,009</u>	<u>(350,765)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out to the City of Brisbane	(306,262)	(356,262)	(221,105)	135,157
Total other financing sources (uses)	<u>(306,262)</u>	<u>(356,262)</u>	<u>(221,105)</u>	<u>135,157</u>
Net change in fund balance	<u>\$ 414,512</u>	<u>\$ 364,512</u>	148,904	<u>\$ (215,608)</u>
FUND BALANCE:				
Beginning of year			<u>(1,423,979)</u>	
End of year			<u>\$ (1,275,075)</u>	

Brisbane Community Redevelopment Agency
Required Supplementary Information, Continued
For the year ended June 30, 2009

1. BUDGETARY INFORMATION, Continued

Budgetary Comparison Schedule, Low and Moderate Income Housing Special Revenue Fund

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes and special assessments	\$ 993,328	\$ 993,328	\$ 967,548	\$ (25,780)
Use of money and property	133,608	133,608	126,651	(6,957)
Total revenues	1,126,936	1,126,936	1,094,199	(32,737)
EXPENDITURES:				
Public works - engineering and administration	100,077	2,125,077	193,846	1,931,231
Total expenditures	100,077	2,125,077	193,846	1,931,231
REVENUES OVER (UNDER) EXPENDITURES	1,026,859	(998,141)	900,353	1,898,494
OTHER FINANCING SOURCES (USES):				
Transfers out	(122,413)	(122,413)	(115,971)	6,442
Total other financing sources (uses)	(122,413)	(122,413)	(115,971)	6,442
Net change in fund balance	\$ 904,446	\$ (1,120,554)	784,382	\$ 1,904,936
FUND BALANCE:				
Beginning of year			9,110,325	
End of year			\$ 9,894,707	

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

Brisbane Community Redevelopment Agency
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
1986 TAB's Debt Service Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 2	\$ 2
Total revenues	-	-	2	2
OTHER FINANCING SOURCES (USES):				
Transfer out to the City of Brisbane	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ -	2	\$ 2
FUND BALANCE:				
Beginning of year			1	
End of year			<u>\$ 3</u>	

Brisbane Community Redevelopment Agency
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Housing Bonds Debt Service Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 314	\$ 314
Total revenues	-	-	314	314
EXPENDITURES:				
Debt service:				
Principal	40,000	40,000	40,000	-
Interest and fiscal charges	82,413	82,413	77,413	5,000
Total expenditures	122,413	122,413	117,413	5,000
REVENUES OVER (UNDER) EXPENDITURES	(122,413)	(122,413)	(117,099)	5,314
OTHER FINANCING SOURCES (USES):				
Transfers in	122,413	122,413	115,971	(6,442)
Total other financing sources (uses)	122,413	122,413	115,971	(6,442)
Net change in fund balance	\$ -	\$ -	(1,128)	\$ (1,128)
FUND BALANCE:				
Beginning of year			119,045	
End of year			<u>\$ 117,917</u>	

This page intentionally left blank.

**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**

To the Board of Directors
of the Brisbane Community Redevelopment Agency
Brisbane, California

We have audited the basic financial statements of the Brisbane Community Redevelopment Agency (Agency), a component unit of the City of Brisbane (City), California, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with generally accepted auditing standards in the United States 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 audit procedures for the purpose of expressing our opinion 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

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

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 200
Irvine, California 92606

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

The Board of Directors
of the Brisbane Community Redevelopment Agency
Brisbane, California
Page 2

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. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors of the Agency, others within the Agency, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Oakland, California
December 28, 2009