

Brisbane Community Redevelopment Agency

Brisbane, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2010

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

Brisbane Community Redevelopment Agency
Basic Financial Statements
For the year ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Governing Board
of the Brisbane Community Redevelopment Agency
Brisbane, California

We have audited the accompanying basic 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, California (City), as of and for the year ended June 30, 2010, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

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, 2010, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 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 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 read in conjunction with this report in considering the results of our audit.

To the Honorable Members of the Governing Board
of the Brisbane Community Redevelopment Agency
Brisbane, California
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The Management Discussion and Analysis and the Required Supplementary Information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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 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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 28, 2010

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, 2010.

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 provides 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 2009/10 was the State of California's take of tax increment from the redevelopment agencies to balance the state budget. The Agency will have another take in FY 2010/11.

Fiscal Year 2009-10 financial highlights include the following:

- At June 30, 2010, the Agency had negative net assets (excess of liabilities over assets) of \$4.6 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, 2010 the Agency's total net assets increased by \$.6 million due to increases in 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, 2010			
(in \$ Thousands)			
	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>
Current assets	\$ 6,763	\$ 6,807	\$ (44)
Non current assets	3,241	2,935	306
Capital assets	3,761	3,762	(1)
Total Assets	13,765	13,504	261
Current liabilities	388	345	43
Long-term liabilities	18,014	18,374	(360)
Total Liabilities	18,402	18,719	(317)
Net Assets:			
Invested in capital assets, net of debt	3,761	3,762	(1)
Restricted	4,192	4,217	(25)
Unrestricted	(12,590)	(13,196)	606
Total Net Assets	\$ (4,637)	\$ (5,217)	\$ 580

The Agency's governmental net assets increased by \$.6 million compared to the previous year. This increase in net assets is explained below.

- Non current assets increased with the First Time Home Buyer loans.
- Repayments of long-term debt outstanding decreased by \$40,000.
- Unrestricted net assets decreased by \$.6 million. This was due to a payment on the Advance of \$280,000 and the increase in non current assets.

Governmental Activities and Changes in Net Assets

Condensed Statement of Activities and Changes in Net Assets			
Governmental Activities			
(in \$ Thousands)			
Revenues by Source	2010	2009	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	5,006	4,504	502
Investment earnings	67	150	(83)
Other revenue	0	0	(0)
Transfer	(1,947)	(1,990)	43
Total General Revenues & Transfers	3,126	2,664	462
Total Revenues	3,126	2,664	462
Expenses by Function			
Public Works	2,330	679	1,651
Interest on long-term debt (unallocated)	216	213	3
Total Expenses	2,546	892	1,654
Increase (Decrease) in Net Assets	580	1,772	(1,192)
Net Assets - Beginning	(5,216)	(6,988)	1,772
Net Assets - Ending	<u>\$(4,636)</u>	<u>\$(5,216)</u>	<u>\$580</u>

At June 30, 2010, the Agency's deficit net assets was reduced by \$580 thousand due to higher property tax based revenues for the year. The Agency's total operating expenses were \$2.5 million and were comprised of public works projects expenditures and interest on debt. Revenues consisted of property taxes and investment earnings.

The primary difference between FY 2009 and FY 2010 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 2009/2010 Property Tax was based on 2008 values. It is anticipated that property values attributable to 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 Redevelopment Agency had an ending Fund Balance of \$(10,190,759). This includes \$21,168,382 in Advances from the Brisbane Public 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 administration charges that were not budgeted at the beginning of the year. This was the amount that the State of California required from the Agencies to balance the state books.

The Low and Moderate Housing Special Revenue Fund issued loans for First Time Home Buyers that had not been budgeted.

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, 2010 (in \$ Thousands)		
Governmental Activities	2010	2009
<i>Capital Assets</i>		
Land and improvements	\$3,761	\$3,762
Construction in Progress	0	0
Total Governmental	\$3,761	\$3,762

DEBT ADMINISTRATION

Each of the Agency's debt issues is discussed in detail in Note 8. At June 30, 2010, the Agency's debt comprised:

Long-term Debt at June 30, 2010 (in \$ Thousands)			
	2010	2009	Increase/ Decrease
<u>Governmental Activity Debt</u>			
<i>General Long-term Obligations</i>			
1998 Housing Set-Aside	\$1,305	\$1,345	\$(40)
Total Governmental Activities	\$1,305	\$1,345	\$(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 took \$1.7 billion away from all state redevelopment agencies statewide in FY2009/2010 and will take another \$350,000,000 next year. The Brisbane Redevelopment Agencies "share" was \$1,717,528 for fiscal year 2009/2010.

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 which will require a variance. The City is looking at a community developed Specific Plan that has a combination of retail, commercial, and open space. The owner's Specific

Plan includes housing as well as the community developed elements. 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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Brisbane Community Redevelopment Agency
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 6,763,411
Total current assets	<u>6,763,411</u>
Noncurrent assets:	
Restricted cash and investments	117,926
Loans receivable	3,122,876
Capital assets:	
Non-depreciable	3,687,108
Depreciable, net	<u>73,891</u>
Total capital assets	<u>3,760,999</u>
Total noncurrent assets	<u>7,001,801</u>
Total assets	<u><u>13,765,212</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,992
Interest payable	24,718
Advances from the Brisbane Public Financing Authority - due within one year	315,000
Long-term debt - due within one year	<u>45,000</u>
Total current liabilities	<u>387,710</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	13,165,000
Long-term debt - due in more than one year	<u>1,260,000</u>
Total noncurrent liabilities	<u>18,014,104</u>
Total liabilities	<u><u>18,401,814</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	3,760,999
Restricted for:	
Debt service	4,192,486
Unrestricted	<u>(12,590,087)</u>
Total net assets (Deficit)	<u><u>\$ (4,636,602)</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, 2010

Functions / Programs	Net (Expense) Revenue and Changes in Net Assets
	Governmental Activities
Primary government:	
Governmental activities:	
Public works - engineering and administration	\$ (2,330,921)
Interest on the long-term debt (unallocated)	(215,856)
Total primary government	<u>(2,546,777)</u>
General revenues:	
Property taxes and special assessments	5,006,004
Use of money & property	67,301
Transfers to other City funds	<u>(1,946,847)</u>
Total general revenues and transfers	<u>3,126,458</u>
Change in net assets	579,681
Net assets - beginning of year	<u>(5,216,283)</u>
Net assets - end of year	<u>\$ (4,636,602)</u>

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FUND FINANCIAL STATEMENTS

Brisbane Community Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2010

	Project Area #1 Special Revenue	Project Area #2 Special Revenue	Low & Moderate Income Housing Special Revenue	1986 Tax Allocation Bonds	Housing Bonds Debt Service	Total Governmental Funds
ASSETS						
Cash and investments	\$ 1,390,526	\$ 210,191	\$ 5,162,694	\$ -	\$ -	\$ 6,763,411
Restricted cash and investments held by fiscal agents	-	-	-	-	117,926	117,926
Loans receivables	-	-	3,122,876	-	-	3,122,876
Due from other funds	-	-	1,217,528	-	-	1,217,528
Advances to other funds	-	-	4,099,278	-	-	4,099,278
Total assets	\$ 1,390,526	\$ 210,191	\$ 13,602,376	\$ -	\$ 117,926	\$ 15,321,019
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 872	\$ -	\$ 2,120	\$ 2,992
Due to other funds	645,019	572,509	-	-	-	1,217,528
Deferred revenue	-	-	3,122,876	-	-	3,122,876
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	13,480,000	-	-	-	-	13,480,000
Total liabilities	20,520,293	1,865,617	3,123,748	-	2,120	25,511,778
Fund Balances:						
Reserved for:						
Advances	-	-	4,099,278	-	-	4,099,278
Encumbrances	-	-	2,650	-	-	2,650
Debt service	-	-	-	-	117,926	117,926
Unreserved, undesignated for:						
Special revenue funds	(19,129,767)	(1,655,426)	6,376,700	-	(2,120)	(14,410,613)
Total fund balances (deficit)	(19,129,767)	(1,655,426)	10,478,628	-	115,806	(10,190,759)
Total liabilities and fund balances	\$ 1,390,526	\$ 210,191	\$ 13,602,376	\$ -	\$ 117,926	\$ 15,321,019

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, 2010

Total Fund Balances - Total Governmental Funds \$ (10,190,759)

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. 3,760,999

Revenues that are deferred in the governmental funds because they are not currently available are reported as revenue in the Statement of Activities. 3,122,876

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. (24,718)

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 (45,000)

Long-term debt - due in more than one year (1,260,000)

Total long-term debt (1,305,000)

Net Assets (Deficit) of Governmental Activities **\$ (4,636,602)**

Brisbane Community Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Project Area #1 Special Revenue	Project Area #2 Special Revenue	Low & Moderate Income Housing Special Revenue	1986 Tax Allocation Bonds	Housing Bonds Debt Service	Total Governmental Funds
REVENUES:						
Taxes and special assessments	\$ 3,206,858	\$ 717,131	\$ 1,082,015	\$ -	\$ -	\$ 5,006,004
Use of money and property	17,996	1,202	48,093	-	10	67,301
Total revenues	3,224,854	718,333	1,130,108	-	10	5,073,305
EXPENDITURES:						
General government	93	-	306,500	-	-	306,593
Public works - engineering and administration	1,344,731	862,540	122,325	-	-	2,329,596
Debt service:						
Principal	-	-	-	-	40,000	40,000
Interest and fiscal charges	91,840	45,259	-	-	79,483	216,582
Total expenditures	1,436,664	907,799	428,825	-	119,483	2,892,771
REVENUES OVER (UNDER) EXPENDITURES	1,788,190	(189,466)	701,283	-	(119,473)	2,180,534
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	117,362	117,362
Transfers out	-	-	(117,362)	-	-	(117,362)
Transfers out to the City of Brisbane	(1,755,959)	(190,885)	-	(3)	-	(1,946,847)
Total other financing sources (uses)	(1,755,959)	(190,885)	(117,362)	(3)	117,362	(1,946,847)
Net change in fund balances	32,231	(380,351)	583,921	(3)	(2,111)	233,687
FUND BALANCES (DEFICIT):						
Beginning of year	(19,161,998)	(1,275,075)	9,894,707	3	117,917	(10,424,446)
End of year	\$ (19,129,767)	\$ (1,655,426)	\$ 10,478,628	\$ -	\$ 115,806	\$ (10,190,759)

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 233,687

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)

Revenues that have not met the revenue recognition criteria in the governmental funds are recognized and netted against expense in the Government-Wide Financial Statements. 306,500

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

Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as expenditures in the governmental funds. The following amount represents the change in accrued interest from the prior year. 726

Change in Net Assets of Governmental Activities \$ 579,681

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NOTES TO BASIC FINANCIAL STATEMENTS

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements
For the year ended June 30, 2010

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 or expenses as appropriate. 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.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

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

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 reconciliation of the Governmental Fund Financial Statements to the Government-Wide Financial Statements is 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.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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

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
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The GASB issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The Agency did not have any infrastructure capital assets at June 30, 2010.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

I. Deferred Revenue

In the Government-Wide Financial Statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as deferred 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.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. POOLED CASH AND INVESTMENTS

Summary of Cash and Investments

The Agency had the following cash and investments at June 30, 2010:

Cash and Investment	\$ 6,763,411
Restricted Cash and Investments with Fiscal Agents	117,926
Total	\$ 6,881,337

The Agency's funds are pooled with the City's cash and investments in order to generate optimum interest income.

Investments Authorized by the City's Investment Policy

The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy (the Policy), adopted on January 3, 2006, which is more conservative than that allowed by State statute.

Under provisions of this policy, the City is authorized to invest in the following types of investments:

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

Liquidity Standard: As a means of maintaining liquidity, the City's investment policy limits are as follows:

Maturity	% of Portfolio
Up to six months	25% (Minimum)
Six months to five years	75% (Maximum)

Investment in State Investment Pool

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. POOLED CASH AND INVESTMENTS, Continued

Investment in State Investment Pool, Continued

The City's investments with LAIF at June 30, 2010, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes - debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or state maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities - generally, mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF had invested 5.42% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.001643776 was used to calculate the fair value of the investments in LAIF.

Disclosures Relating to Interest Rate Risk:

Interest rate risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities, so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Disclosures Relating to Credit Risk:

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organization (NRSROs). It is the City's policy to limit its investments in these investment types to the equivalent of A1 or better issued by Standard & Poor's and Moody's Investors Service.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

Concentration of Credit Risk:

The investment policy of the City contains limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one non government sponsored issuer that represent 5% or more of total City investment.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. LOANS RECEIVABLE AND DEFERRED REVENUE

As of June 30, 2010, loans receivable consisted of the following:

Bridge Housing Corporation	\$	2,336,086
First Time Homebuyers		431,500
Peninsula Habitat for Humanity		355,290
Total loans receivable	\$	3,122,876

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, 2010, 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.

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. Another loan was made on September 29, 2009 for \$185,000 and a third loan on January 8, 2010 for \$121,500. Payment of principal and interest is due upon the sale of the properties. Homes 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 homes. As of June 30, 2010, the outstanding amount of the loans was \$431,500.

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. On February 26, 2010, the Habitat for Humanity loan was conveyed to seven home owners at \$50,756 each. As of June 30, 2010, the loan receivable balance was \$355,290. The full amount of the loan was recorded as deferred revenue in the Governmental Fund Financial Statements.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. INTERFUND TRANSACTIONS

Advances

Advances for the period ended June 30, 2010, which represent a portion of the 20% housing set-aside funding deferred until future projects and funding become available, were as follows:

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

Due To, Due From Other Funds

The following transactions are short-term inter-fund receivables and payables from the Low and Moderate Income Housing Fund to project area #1 and #2 special revenue funds for the State of California takeaway needed to balance the 2009/10 budget.

	Due From other funds
	Low & Moderate Income Housing Special Revenue Fund
Due To other funds	
Project Area #1 Special Revenue Fund	\$ 645,019
Project Area #2 Special Revenue Fund	572,509
	<u>\$ 1,217,528</u>

Transfers

Transfers for the period ended June 30, 2010, were as follows:

	Transfers Out
	Low & Moderate Income Housing Special Revenue Fund
Transfers In	
Housing Bonds Debt Service Fund	\$ 117,362

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

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. CAPITAL ASSETS

Capital assets of the Agency for the year ended June 30, 2010 are presented in the table below.

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 3,687,108	\$ -	\$ -	\$ 3,687,108
Capital assets, being depreciated:				
Land improvements	80,051	-	-	80,051
Accumulated depreciation	(4,928)	(1,232)	-	(6,160)
Total capital assets, being depreciated	75,123	(1,232)	-	73,891
Total capital assets	\$ 3,762,231	\$ (1,232)	\$ -	\$ 3,760,999

The depreciation expense for capital assets for the year ended June 30, 2010 was \$1,232, which was charged to Public Works – Engineering and Administration activity.

6. ADVANCES FROM THE BRISBANE PUBLIC FINANCING AUTHORITY

Activity in the Advance from the Brisbane Public Financing Authority (Authority) for the year ended June 30, 2010, was as follows:

Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year	Due in More than One Year
\$ 13,760,000	\$ -	\$ (280,000)	\$ 13,480,000	\$ 315,000	\$ 13,165,000

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). On the same date the Agency and the Authority entered into a bond purchase contract (Contract) whereby the Authority issued Brisbane Public Financing Authority 2001 Revenue Bonds, Series A in the amount of \$26,300,000 in part to acquire the Agency's Bonds. Accordingly, because of the contract, the Agency's bonds are treated as an advance between the Agency and Authority.

The original terms of the Agency's bonds indenture remain unchanged. 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 \$27,825,220. Principal and interest paid for the current year and the total tax revenue were \$1,931,200 and \$3,206,858, respectively. The outstanding balance of the Bonds and advance was \$13,480,000 at June 30, 2010.

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. ADVANCES FROM THE BRISBANE PUBLIC FINANCING AUTHORITY, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
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	495,000	1,436,400	1,931,400
2016-2020	3,530,000	6,133,200	9,663,200
2021-2025	6,220,000	344,220	6,564,220
2026	1,725,000	207,000	1,932,000
Total	\$ 13,480,000	\$ 14,345,220	\$ 27,825,220

7. LONG-TERM DEBT

Activity in the long-term debt for the year ended June 30, 2010, was as follows:

Description	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Revenue Bonds:						
1998 Housing Set-Aside	\$ 1,345,000	\$ -	\$ (40,000)	\$ 1,305,000	\$ 45,000	\$ 1,260,000
Total	\$ 1,345,000	\$ -	\$ (40,000)	\$ 1,305,000	\$ 45,000	\$ 1,260,000

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. LONG-TERM DEBT, Continued

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 \$110,000 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 \$2,082,548. Principal and interest paid for the current year and the total 20% tax increment were \$115,242 and \$245,551, respectively. The outstanding balance of the bonds was \$1,305,000 at June 30, 2010.

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

For the Years Ending June 30,	Principal	Interest	Total
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	55,000	61,988	116,988
2016-2020	320,000	258,780	578,780
2021-2025	425,000	153,188	578,188
2026-2027	315,000	27,503	342,503
Total	\$ 1,305,000	\$ 777,548	\$ 2,082,548

8. DEFICIT FUND BALANCES

The governmental activities in the Government-Wide Financial Statements had a deficit net assets of \$4,636,602 with \$12,590,087 classified as deficit unrestricted net assets. The deficit will be eliminated by future tax increments.

At June 30, 2010, 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	\$ (19,129,767)
Project Area #2	(1,655,426)

Brisbane Community Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following governmental funds had an excess of expenditures over appropriations at June 30, 2010:

Fund	Final Appropriation	Expenditures	Expenditures over Appropriations
Special Revenue Funds:			
Project Area #1	\$ 293,436	\$ 1,436,664	\$ (1,143,228)
Project Area #2	390,343	907,799	(517,456)
Low and Moderate Income Housing	114,495	428,825	(314,330)

10. 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, 2010, 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.

11. SUBSEQUENT EVENTS

Redevelopment Agency funds have been estimated for a takeaway by the State of California. This decision was litigated by the California Redevelopment Association and other parties with the hope that this would be considered unconstitutional. The court's decision is currently being appealed and the results have not yet been determined. The 2009-10 payment was \$1,717,528 and it is anticipated another \$350,000 will need to be submitted if the ruling is not overturned.

REQUIRED SUPPLEMENTARY INFORMATION

Brisbane Community Redevelopment Agency
Required Supplementary Information
For the year ended June 30, 2010

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 1).
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. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements are the final amended amounts.
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, 2010

1. BUDGETARY INFORMATION, Continued

The following are 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	\$ 2,900,000	\$ 2,900,000	\$ 3,206,858	\$ 306,858
Use of money and property	-	-	17,996	17,996
Total revenues	<u>2,900,000</u>	<u>2,900,000</u>	<u>3,224,854</u>	<u>324,854</u>
EXPENDITURES:				
General government	-	-	93	(93)
Public works - engineering and administration	201,596	201,596	1,344,731	(1,143,135)
Debt service - interest and fiscal charges	-	91,840	91,840	-
Total expenditures	<u>201,596</u>	<u>293,436</u>	<u>1,436,664</u>	<u>(1,143,228)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,698,404</u>	<u>2,606,564</u>	<u>1,788,190</u>	<u>(818,374)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out to the City of Brisbane	(2,081,725)	(2,081,725)	(1,755,959)	325,766
Total other financing sources (uses)	<u>(2,081,725)</u>	<u>(2,081,725)</u>	<u>(1,755,959)</u>	<u>325,766</u>
Net change in fund balance	<u>\$ 616,679</u>	<u>\$ 524,839</u>	32,231	<u>\$ (492,608)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(19,161,998)	
End of year			<u>\$ (19,129,767)</u>	

Brisbane Community Redevelopment Agency
Required Supplementary Information, Continued
For the year ended June 30, 2010

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	\$ 691,868	\$ 691,868	\$ 717,131	\$ 25,263
Use of money and property	-	-	1,202	1,202
Total revenues	691,868	691,868	718,333	26,465
EXPENDITURES:				
Public works - engineering and administration	337,584	345,084	862,540	(517,456)
Debt service - interest and fiscal charges	-	45,259	45,259	-
Total expenditures	337,584	390,343	907,799	(517,456)
REVENUES OVER (UNDER) EXPENDITURES	354,284	301,525	(189,466)	(490,991)
OTHER FINANCING SOURCES (USES):				
Transfers out to the City of Brisbane	(307,495)	(307,495)	(190,885)	116,610
Total other financing sources (uses)	(307,495)	(307,495)	(190,885)	116,610
Net change in fund balance	\$ 46,789	\$ (5,970)	(380,351)	\$ (374,381)
FUND BALANCE (DEFICIT):				
Beginning of year			(1,275,075)	
End of year			\$ (1,655,426)	

Brisbane Community Redevelopment Agency
Required Supplementary Information, Continued
For the year ended June 30, 2010

1. BUDGETARY INFORMATION, Continued

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

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 957,718	\$ 957,718	\$ 1,082,015	\$ 124,297
Use of money and property	-	-	48,093	48,093
Total revenues	<u>957,718</u>	<u>957,718</u>	<u>1,130,108</u>	<u>172,390</u>
EXPENDITURES:				
General government	-	-	306,500	(306,500)
Public works - engineering and administration	114,495	114,495	122,325	(7,830)
Total expenditures	<u>114,495</u>	<u>114,495</u>	<u>428,825</u>	<u>(314,330)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>843,223</u>	<u>843,223</u>	<u>701,283</u>	<u>(141,940)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(120,243)	(120,243)	(117,362)	2,881
Total other financing sources (uses)	<u>(120,243)</u>	<u>(120,243)</u>	<u>(117,362)</u>	<u>2,881</u>
Net change in fund balance	<u>\$ 722,980</u>	<u>\$ 722,980</u>	583,921	<u>\$ (139,059)</u>
FUND BALANCE:				
Beginning of year			<u>9,894,707</u>	
End of year			<u>\$ 10,478,628</u>	

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SUPPLEMENTARY INFORMATION

Brisbane Community Redevelopment Agency
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
1986 Tax Allocation Bonds Debt Service Fund
For the year ended June 30, 2010

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

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 10	\$ 10
Total revenues	-	-	10	10
EXPENDITURES:				
Debt service:				
Principal	40,000	40,000	40,000	-
Interest and fiscal charges	80,243	80,243	79,483	760
Total expenditures	120,243	120,243	119,483	760
REVENUES OVER (UNDER) EXPENDITURES	(120,243)	(120,243)	(119,473)	770
OTHER FINANCING SOURCES (USES):				
Transfers in	120,243	120,243	117,362	(2,881)
Total other financing sources (uses)	120,243	120,243	117,362	(2,881)
Net change in fund balance	\$ -	\$ -	(2,111)	\$ (2,121)
FUND BALANCE:				
Beginning of year			117,917	
End of year			\$ 115,806	

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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**

To the Honorable Members of the Governing Board
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, 2010, and have issued our report thereon dated December 28, 2010. 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 basic 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 a 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.

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.

To the Honorable Members of the Governing Board
of the Brisbane Community Redevelopment Agency
Brisbane, California
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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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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 entity, 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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 28, 2010