

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2008 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Bonds. See "TAX MATTERS" within.



\$53,200,000
BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY
WATER REVENUE BONDS
SERIES 2008

Dated: Dated of Delivery**Due: July 1, as shown on inside cover**

The captioned bonds (the "2008 Bonds") are being issued by the Brentwood Infrastructure Financing Authority (the "Authority") to (i) finance and refinance various capital improvements to the City of Brentwood's (the "City") water system, as more particularly described herein, (ii) refund a portion of the Authority's Water and Sewer Revenue Bonds, 1996 Series A, (iii) fund the Series 2008 Reserve Requirement, and (iv) pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2008 Bonds.

The 2008 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2008 Bonds will not receive physical certificates representing their interest in the 2008 Bonds. So long as the 2008 Bonds are registered in the name of Cede & Co., as nominee of DTC, referenced herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2008 Bonds. Interest on the 2008 Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2009. Payments of the principal of, premium, if any, and interest on the 2008 Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Bank National Association (the "Trustee"), so long as DTC or Cede & Co. is the registered owner of the 2008 Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – DTC AND THE BOOK-ENTRY SYSTEM".

The 2008 Bonds are payable from, and secured by a lien on, certain payments received by the Authority from the City under the Installment Sale Agreement (defined herein) and from certain interest and other income derived from certain funds and accounts held under the Trust Agreement (collectively, the "Revenues," as more fully described herein). The obligation of the City to make payments under the Installment Sale Agreement is limited solely to Net Water Revenues consisting generally of all gross income and revenue from the City's Water System (as described herein), less the maintenance and operations costs of the Water System. See "SECURITY FOR THE 2008 BONDS - Trust Agreement".

The 2008 Bonds are subject to redemption prior to maturity as more fully described herein.

The 2008 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. The full faith and credit of neither the Authority, the City nor the Redevelopment Agency of the City of Brentwood is pledged for the payment of the principal of or interest or premium, if any, on the 2008 Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the principal of or interest or premium, if any, on the 2008 Bonds. The payment of the principal of or interest or premium, if any, on the 2008 Bonds does not constitute a debt, liability or obligation of the Authority, the City or the Redevelopment Agency of the City of Brentwood for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

For a discussion of some of the risks associated with the purchase of the 2008 Bonds, see "RISK FACTORS" and "CONSTITUTIONAL LIMITATIONS ON TAXES, RATES AND CHARGES" herein.

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2008 Bonds. Investors should read the entire Official Statement before making any investment decision.

MATURITIES, AMOUNTS, INTEREST RATES, AND PRICES OR YIELDS
SEE INSIDE COVER

The 2008 Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel and for the Authority and the City by the City Attorney of the City. It is anticipated that the 2008 Bonds will be available for delivery to DTC on or about November 13, 2008.



MATURITY SCHEDULE

<u>Maturity Date</u> (July 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> †	<u>Maturity Date</u> (July 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> †
2009	\$420,000	4.50%	1.85%	10727W AA8	2018	\$1,460,000	5.75%	4.67%	10727W AK6
2010	280,000	4.50	2.80	10727W AB6	2019	1,545,000	5.75	4.87*	10727W AL4
2011	300,000	4.50	3.15	10727W AC4	2020	1,635,000	5.50	5.03*	10727W AM2
2012	1,100,000	4.50	3.49	10727W AD2	2021	1,725,000	5.50	5.16*	10727W AN0
2013	1,145,000	4.50	3.70	10727W AE0	2022	1,820,000	5.50	5.23*	10727W AP5
2014	1,200,000	5.00	3.90	10727W AF7	2023	1,915,000	5.50	5.29*	10727W AQ3
2015	1,255,000	5.00	4.11	10727W AG5	2024	2,025,000	5.50	5.36*	10727W AR1
2016	1,320,000	5.00	4.29	10727W AH3	2025	2,140,000	5.50	5.40*	10727W AS9
2017	1,385,000	5.50	4.48	10727W AJ9					

\$9,700,000 5.50% Term Bonds due July 1, 2030 – Yield 5.80% CUSIP 10727W AX8†
 \$20,830,000 5.75% Term Bonds due July 1, 2038 – Yield 6.00% CUSIP 10727W BF6†

† CUSIP Copyright 2008, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. None of the Authority, the City or the Underwriter take any responsibility for the accuracy of such numbers.

* Priced to par call on July 1, 2018.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2008 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2008 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been provided by the Authority and the City and other sources that are believed by the Authority and the City to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expression of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the Authority or the City since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority or the City in any way, regardless of the level of optimism communicated in the information. Neither the Authority nor the City is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. Such forward-looking statements include, but are not limited to, certain statements contained in the information in Appendix A attached hereto.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY AND THE CITY DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

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BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY

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\$53,200,000
BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY
WATER REVENUE BONDS
SERIES 2008

INTRODUCTION

The purpose of this Official Statement (which includes the cover page and the appendices attached hereto) is to provide information concerning the issuance, sale and delivery by the Brentwood Infrastructure Financing Authority (the “Authority”) of its Water Revenue Bonds, Series 2008 (the “2008 Bonds”), in the aggregate principal amount of \$53,200,000. The Authority is a joint exercise of powers authority organized under the laws of the State of California and composed of the City of Brentwood, California (the “City”) and the Redevelopment Agency of the City of Brentwood (the “Redevelopment Agency”). The Authority was formed in 1989 to assist in the financing of various public capital improvements, including a portion of the design, acquisition and construction of additions, betterments and improvements to the City’s municipal water system (the “Water System”).

The 2008 Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), Article 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and a Master Trust Agreement, dated as of November 1, 2008 (the “Master Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Trust Agreement, dated as of November 1, 2008 (the “First Supplemental Trust Agreement”, and, together with the Master Trust Agreement and any supplemental trust agreements, the “Trust Agreement”). The Master Trust Agreement contemplates additional series of bonds on a parity with, or subordinate to, the 2008 Bonds, to be issued pursuant to additional supplemental trust agreements under the Master Trust Agreement. All such bonds, as well as the 2008 Bonds, are referred to herein as the “Bonds.” The proceeds of the sale of the 2008 Bonds will be used to (i) finance and refinance various capital improvements to the Water System, as more particularly described in Appendix A, (ii) refund a portion of the Authority’s Water and Sewer Revenue Bonds, 1996 Series A (the “Series 1996 Bonds”), (iii) fund the Series 2008 Reserve Requirement (as defined herein), and (iv) pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2008 Bonds. See “THE PLAN OF FINANCE – The Project” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The 2008 Bonds are payable from, and secured by a lien on, (1) certain payments (collectively, the “2008 Payments”) received by the Authority from the City under a Master Installment Sale Agreement, dated as of November 1, 2008 (the “Master Installment Sale Agreement”), as supplemented by a First Supplemental Installment Sale Agreement, dated as of November 1, 2008 (the “First Supplemental Installment Sale Agreement”, and, together with the Master Installment Sale Agreement and any subsequent supplemental installment sale agreements, the “Installment Sale Agreement”), and (2) from certain interest and other income derived from certain funds and accounts held under the Trust Agreement (collectively, the “Revenues”, as more fully described herein). The Master Installment Sale Agreement contemplates additional payments on a parity with, or subordinate to, the 2008 Payments, to be made pursuant to additional supplemental installment sale agreements under the Master Installment Sale Agreement. All such payments, as well as the 2008 Payments, are referred to herein as the “Payments.”

The obligation of the City to make such payments is a special obligation of the City payable solely from Net Water Revenues (as defined herein), consisting primarily of all gross income and revenue

received by the City from the ownership or operation of the Water System, less the maintenance and operations costs of the Water System. See "SECURITY FOR THE 2008 BONDS - Trust Agreement".

Concurrently with the issuance of the 2008 Bonds, the Trustee is to establish, maintain and hold in trust a separate fund designated as the Series 2008 Reserve Fund. Moneys available to the Series 2008 Reserve Fund will be used and withdrawn solely for the purpose of paying principal of and interest on the 2008 Bonds in the event 2008 Payments deposited with the Trustee are insufficient therefor. For more information concerning the Series 2008 Reserve Fund, see "SECURITY FOR THE 2008 BONDS" herein.

THE 2008 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES. THE FULL FAITH AND CREDIT OF NEITHER THE AUTHORITY, THE CITY NOR THE REDEVELOPMENT AGENCY OF THE CITY OF BRENTWOOD IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2008 BONDS AND NO TAX OR OTHER SOURCE OF FUNDS, OTHER THAN THE REVENUES, IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE 2008 BONDS. THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2008 BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY, THE CITY OR THE REDEVELOPMENT AGENCY OF THE CITY OF BRENTWOOD FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The summaries and references of documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See "APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for summaries of certain of such definitions. The proposed form of opinion of Bond Counsel is set forth in Appendix F.

THE 2008 BONDS

Description

The 2008 Bonds will be dated their date of issuance and will bear interest at the rates set forth on the cover page of this Official Statement, payable on January 1, 2009, and semiannually thereafter on January 1 and July 1 of each year. Subject to the redemption provisions set forth herein, the 2008 Bonds will mature on the dates and in the amounts set forth on the cover page hereof. Interest on the 2008 Bonds shall be payable in lawful money of the United States of America by check mailed by first-class mail on each interest payment date to the Owner thereof as of the close of business on the fifteenth day of the calendar month immediately preceding such interest payment date; provided, that upon the written request of an Owner of one million dollars (\$1,000,000) or more in aggregate principal amount of 2008 Bonds received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such Owner), interest shall be paid by wire transfer in immediately available funds. Interest on the 2008 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The principal of and premium, if any, on the 2008 Bonds are payable when due upon presentation thereof at the Corporate Trust Office of the Trustee, in lawful money of the United States of America.

Registration, Transfers and Exchanges

The 2008 Bonds will be executed and delivered as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the 2008 Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined herein). Beneficial Owners will not be entitled to receive physical delivery of the 2008 Bonds. In the event that the book-entry-only system is no longer used with respect to the 2008 Bonds, the 2008 Bonds will be registered and transferred in accordance with the Trust Agreement. See “APPENDIX G - DTC AND THE BOOK-ENTRY SYSTEM”.

Redemption

Optional Redemption. The 2008 Bonds are also subject to redemption prior to their respective stated maturities at the direction of the Authority, from moneys deposited by the Authority or the City from any source of available funds, as a whole or in part (in such maturities as are designated by the Authority at the direction of the City or, if the Authority fails to designate such maturities, in order of maturity selected by the Authority and by lot within a maturity) on any date on or after July 1, 2018, at the principal amount of the Bonds to be redeemed plus accrued interest thereon, without premium.

Mandatory Sinking Fund Redemption. The 2008 Bonds maturing on July 1, 2030 are also subject to redemption prior to their respective stated maturities, on any July 1 on or after July 1, 2026, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption date, without premium, as set forth below.

Sinking Fund Redemption Date (July 1)	Principal Amount
2026	\$2,250,000
2027	1,715,000
2028	1,810,000
2029	1,910,000
2030*	2,015,000

*Final Maturity

The 2008 Bonds maturing on July 1, 2038 are also subject to redemption prior to their respective stated maturities, on any July 1 on or after July 1, 2031, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption date, without premium, as set forth below.

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Sinking Fund Redemption Date (July 1)	Principal Amount
2031	\$2,125,000
2032	2,245,000
2033	2,375,000
2034	2,510,000
2035	2,655,000
2036	2,810,000
2037	2,970,000
2038*	3,140,000

*Final Maturity

Notice of Redemption. Notice of redemption of any 2008 Bond will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to (i) to the respective Holders of any 2008 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, and (ii) to the Securities Depositories by facsimile and by first-class mail. Notice of redemption to the Holders and the Securities Depositories shall be given by first class mail. Each notice of redemption shall state the date of such notice, the date of issue of the 2008 Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the 2008 Bonds of such maturity, if any, to be redeemed and, in the case of the 2008 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2008 Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2008 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any 2008 Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such CUSIP numbers. Failure by the Trustee to give notice to any one or more of the Securities Depositories or failure of any Holder or any Securities Depository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

Rescission of Notice of Redemption. The Authority will have the right to rescind any optional redemption by written notice of rescission. The Trustee is required to mail notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

Effect of Notice of Redemption. If notice of redemption has been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2008 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2008 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice together with interest accrued thereon to the redemption date, interest on the 2008 Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption from funds held by the Trustee for

such payment and such funds are hereby pledged to such payment. All 2008 Bonds redeemed pursuant to the Trust Agreement shall be canceled upon surrender thereof.

Debt Service Requirements on the 2008 Bonds

The amounts required to be set aside each year ending July 1 for principal and interest relating to the 2008 Bonds are as follows:

<u>Year Ending July 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 420,000.00	\$ 1,858,366.25	\$ 2,278,366.25
2010	280,000.00	2,915,362.50	3,195,362.50
2011	300,000.00	2,902,762.50	3,202,762.50
2012	1,100,000.00	2,889,262.50	3,989,262.50
2013	1,145,000.00	2,839,762.50	3,984,762.50
2014	1,200,000.00	2,788,237.50	3,988,237.50
2015	1,255,000.00	2,728,237.50	3,983,237.50
2016	1,320,000.00	2,665,487.50	3,985,487.50
2017	1,385,000.00	2,599,487.50	3,984,487.50
2018	1,460,000.00	2,523,312.50	3,983,312.50
2019	1,545,000.00	2,439,362.50	3,984,362.50
2020	1,635,000.00	2,350,525.00	3,985,525.00
2021	1,725,000.00	2,260,600.00	3,985,600.00
2022	1,820,000.00	2,165,725.00	3,985,725.00
2023	1,915,000.00	2,065,625.00	3,980,625.00
2024	2,025,000.00	1,960,300.00	3,985,300.00
2025	2,140,000.00	1,848,925.00	3,988,925.00
2026	2,250,000.00	1,731,225.00	3,981,225.00
2027	1,715,000.00	1,607,475.00	3,322,475.00
2028	1,810,000.00	1,513,150.00	3,323,150.00
2029	1,910,000.00	1,413,600.00	3,323,600.00
2030	2,015,000.00	1,308,550.00	3,323,550.00
2031	2,125,000.00	1,197,725.00	3,322,725.00
2032	2,245,000.00	1,075,537.50	3,320,537.50
2033	2,375,000.00	946,450.00	3,321,450.00
2034	2,510,000.00	809,887.50	3,319,887.50
2035	2,655,000.00	665,562.50	3,320,562.50
2036	2,810,000.00	512,900.00	3,322,900.00
2037	2,970,000.00	351,325.00	3,321,325.00
2038	3,140,000.00	180,550.00	3,320,550.00

THE PLAN OF FINANCE

The Project

A portion of the proceeds of the 2008 Bonds will be used to finance a new surface water treatment facility, pump station, distribution line, and other associated infrastructure that will be located adjacent to the Randall-Bold Water Treatment Plant (the “RBWTP”), including the refinancing of commercial paper issued by the Contra Costa Water District (“CCWD”) for certain capital costs, as more

particularly described in Appendix A (the “Water Project”). The City and CCWD have jointly designed and are jointly constructing the Water Project, and by agreement, CCWD will operate and maintain it for the exclusive use of serving treated water to the City. Ownership of the Water Project is transferable to the City after the City pays in full all outstanding capital and operating costs incurred by CCWD for the Water Project.

Currently, the City has completed the first phase of the Water Project, which consists of a large diameter distribution line and pump station which are dedicated to conveying treated water from either the existing RBWTP or the proposed treatment facility to the City’s distribution system. The second phase of the Water Project, the proposed treatment facility, is currently under construction and is anticipated to be completed by the end of 2008.

The cost of construction and associated soft costs of the Water Project is currently estimated at approximately \$65 million dollars.

The City has completed CEQA compliance procedures and all other significant regulatory approvals related to the Water Project to be financed with a portion of the proceeds of the 2008 Bonds.

Plan of Refunding

The Authority intends to use a portion of the proceeds of the 2008 Bonds to refund and defease a portion of the outstanding Series 1996 Bonds which will be redeemed on December 15, 2008. The Series 1996 Bonds were issued and delivered by the Authority in December 1996 and are currently outstanding in the aggregate principal amount of \$7,710,000.

Upon delivery of the 2008 Bonds, a portion of the proceeds thereof, together with other available funds of the Authority, is to be deposited into an irrevocable separate escrow account, to be held by U.S. Bank National Association, as escrow agent (the “Escrow Agent”) pursuant to an Escrow Agreement, dated as of November 1, 2008 between the Authority and the Escrow Agent (the “Escrow Agreement”). In addition, the City will be depositing funds on hand to cash defease the remaining portion of the outstanding Series 1996 Bonds. The funds deposited to such escrow account are to be held in cash or used to purchase direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, scheduled to mature on or before December 15, 2008, the redemption date for the Series 1996 Bonds. Upon delivery of the 2008 Bonds, the arithmetical accuracy of certain computations relating to the defeasance of the Series 1996 Bonds will be verified by Grant Thornton LLP. See “VERIFICATION” below.

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ESTIMATED SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of funds related to the issuance of the 2008 Bonds.

Sources of Funds

Principal Amount of 2008 Bonds	\$53,200,000.00
Less: Net Original Issue Discount	(254,645.70)
Amounts released from 1996 Bond funds	<u>695,489.23</u>
Total Sources of Funds	\$53,640,843.53

Uses of Funds

Deposit to Water Project Account ⁽¹⁾	\$41,000,000.00
Escrow Fund for Series 1996 Bonds to be refunded	7,902,544.16
Debt Service Reserve Fund	3,989,262.50
Costs of Issuance ⁽²⁾	<u>749,036.87</u>
Total Uses of Funds	\$53,640,843.53

⁽¹⁾ \$41,000,000 will be used to retire commercial paper notes issued by CCWD for the Water Project.

⁽²⁾ Includes legal fees, printing costs, rating agency fees, underwriter's discount and other miscellaneous expenses.

SECURITY FOR THE 2008 BONDS

Trust Agreement

The 2008 Bonds and the interest thereon are payable solely from, and are secured by a lien on Revenues, which are defined in the Trust Agreement as all payments received by the Authority from the City under the Installment Sale Agreement (the "2008 Payments," as further described below) and certain interest, and other income derived from certain funds held under the Trust Agreement.

All Revenues and any other amount (including proceeds of the sale of the 2008 Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) are irrevocably pledged under the Trust Agreement to the payment of the interest and premium, if any, on and principal of the 2008 Bonds as provided therein, and the Revenues may not be used for any other purpose while any of the 2008 Bonds remain Outstanding; *provided*, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge constitutes a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the 2008 Bonds in accordance with the terms of the 2008 Bonds and the Trust Agreement. In the Trust Agreement, the Authority assigns to the Trustee all of the Authority's rights and remedies under the Installment Sale Agreement.

Subject to the Trust Agreement, all money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts within the Revenue Fund in the following order of priority:

- (a) Interest Account,
- (b) Principal Account; Sinking Accounts,

- (c) Reserve Fund, and
- (e) Fees and Expense Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in the Trust Agreement.

Interest Account. On or before the last Business Day of each month beginning in January 2009, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness (which, under the Trust Agreement, shall be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the Interest Account from the proceeds of any Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which, under the Trust Agreement, shall be governed by subparagraph (b) below) is on deposit in such fund; provided that from the date of delivery of Bonds constituting Current Interest Bonds until the first Interest Payment Date with respect to such Bonds the amounts set aside in such fund with respect to such Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said Interest Payment Date with respect to such Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Authority, or if the Authority shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus one hundred basis points (provided, however, that the amount of such deposit into the Interest Account for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Account for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six months upon all of the Bonds and then Outstanding and on January 1 and July 1 of each year any excess amounts in the Interest Account not needed to pay interest on such date (and not held to pay interest on the Bonds having Interest Payment Dates other than January 1 and July 1) shall be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Account from the proceeds of any Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates).

Principal Account; Sinking Accounts. On or before the last Business Day of each month beginning in July 2009, the Trustee shall deposit in the Principal Account as soon as practicable in such month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having annual maturity dates within the next twelve months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next twelve-month period into the respective

Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Reserve Fund that would be in excess of the Reserve Requirement applicable to such Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

In the event that the Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Account on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding twelve-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current twelve-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Account so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued under the Trust Agreement and then Outstanding and maturing by their terms within the next twelve months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such twelve-month period, but less any amounts deposited into the Principal Account during such twelve-month period and theretofore paid from the Principal Account to redeem or purchase Term Bonds during such twelve-month period; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Reserve Fund that would be in excess of the Reserve Requirement applicable to such Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than July 1 of each year, the Trustee shall request from the Authority a Certificate of the Authority setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On July 1 of each year or as soon as practicable thereafter any excess amounts in the Principal Account not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than July 1) shall be transferred to the Authority.

Reserve Fund. Upon the issuance of the 2008 Bonds, the amount of \$3,989,262.50 will be deposited into the Series 2008 Reserve Fund (as defined below), being the Series 2008 Reserve Requirement. Upon the occurrence of any deficiency in any Reserve Fund, the Trustee shall make such deposit to such Reserve Fund as is required pursuant to the Trust Agreement, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Reserve Requirement. The Series 2008 Reserve Requirement means, as of any date of determination, the least of (a) ten per cent (10%) of the amount of the 2008 Bonds, or (b) the Maximum Annual Debt Service on the 2008 Bonds, or (c) one hundred twenty-five per cent (125%) of the Average Annual Debt

Service on the 2008 Bonds, all as computed by the City under the Code and specified in writing to the Trustee.

The Trust Agreement establishes a special account of the City within the Reserve Fund to be known as the "Series 2008 Reserve Fund" (the "Series 2008 Reserve Fund") to be held in trust by the Trustee. Any withdrawal from the Series 2008 Reserve Fund shall be replenished from Revenues first available for such purpose, but in any event within one year from the date of withdrawal. All investment earnings on amounts on deposit in the Series 2008 Reserve Fund and any amounts on deposit in the Series 2008 Reserve Fund in excess of the Series 2008 Reserve Requirement shall be transferred by the Trustee to the Revenue Fund. All amounts in the Series 2008 Reserve Fund shall be used and withdrawn by the City, as hereinafter provided, solely for the purpose of (i) paying principal of and interest on the 2008 Bonds in the event moneys in the Revenue Fund are insufficient therefor, or (ii) for the payment of the final principal and interest payment on the 2008 Bonds. Notwithstanding the provisions of the Trust Agreement, investments in the Series 2008 Reserve Fund shall only be valued as of July 1 of each Fiscal Year.

In lieu of funding the Reserve Requirement initially in cash, or in replacement of moneys then on deposit in the Reserve Fund, the City may also deliver to the Trustee a Financial Guaranty (as defined in the Installment Sale Agreement) securing an amount, together with moneys, Permitted Investments or letters of credit on deposit in the Reserve Fund, no less than the Reserve Requirement applicable to the Reserve Fund. Prepayment of any draw under any such insurance policy, and any expenses and accrued interest related to such draw (collectively the "Policy Costs") shall commence in the first month following each such draw, and shall be paid at the time specified above in an amount not less than one-twelfth of the aggregate of the Policy Costs related to such draw. If and to the extent that cash has also been deposited in the Reserve Account, all such cash shall be used (including any investments purchased with such cash), which shall be liquidated and the proceeds thereof applied as required under the Trust Agreement) prior to any drawing under the insurance policy, and repayment of any Policy Costs shall be made prior to any replenishment of any such cash amounts. If the City shall fail to repay any Policy Costs in accordance herewith, the insurance company issuing such insurance policy shall be entitled to exercise any and all remedies available at law or under the Trust Agreement, other than (i) an acceleration of the interest on or principal of the Bonds as provided for in Installment Sale Agreement; or (ii) any other remedy which would adversely affect Bond Holders. In the event that such insurance policy for any reason lapses or expires, the City shall immediately implement the actions described above or make the required deposits to the Reserve Account.

Fees and Expense Account. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." At the direction of the Authority, after the transfers described in the Trust Agreement have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund amounts necessary for payment of fees, expenses and similar charges (including fees, expenses and similar charges relating to any Liquidity Facility or Credit Enhancement for the Bonds owing in such month or following month by the Authority in connection with the Bonds. The Authority shall inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

Any Revenues remaining in the Revenue Fund after the foregoing transfers described in the Trust Agreement, except as the Authority shall otherwise direct in writing or as is otherwise provided in a Supplemental Trust Agreement, shall be transferred to the Authority on the same Business Day or as soon as practicable thereafter. The Authority may use and apply the Revenues when received by it for any lawful purpose of the Authority, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Trust Agreement relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine.

If five days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the Revenue Fund, the Interest Account, the Principal Account, including the Sinking Accounts therein, and, as and to the extent applicable, any Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. In the Trust Agreement, the Authority has covenanted and agreed to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

Installment Sale Agreement and Pledge of Net Water Revenues

2008 Payments. The City is obligated to make 2008 Payments, but solely from Net Water Revenues, which are defined in the Installment Sale Agreement as, for any Fiscal Year or twelve calendar month period, the Water Revenues during such Fiscal Year or twelve calendar month period less the Maintenance and Operation Costs during such Fiscal Year or twelve calendar month period.

“Water Revenues” means, for any Fiscal Year or twelve calendar month period all income and revenue received or receivable by the City during such Fiscal Year or twelve calendar month period from the ownership or operation of the Water System, determined in accordance with generally accepted accounting principals, including:

- all rates, fees and charges (including connection fees and charges) received by the City for the Water Service and the other services of the Water System,
- all proceeds of insurance covering business interruption loss relating to the Water System,
- all connection fees and charges payable to the City for the Water Service made available or provided by the Water System,
- all payments for the lease of property comprising a part of the Water System,
- all other income and revenue howsoever derived by the City from the ownership or operation of the Water System or arising from the Water System;

and also including all Payment Agreement Receipts (as such term is defined in the Installment Sale Agreement), and including all income from the investment of amounts on deposit in the Water Revenue Fund, the Parity Obligation Fund and the Rate Stabilization Fund, but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and any advances or contributions in aid of construction and excluding any income from the investment of amounts on deposit in the Improvement Fund and excluding any earnings of a separate utility system acquired and constructed by the City pursuant to the Installment Sale Agreement. Notwithstanding the foregoing, there shall be deducted from Water Revenues any amounts transferred into the Rate Stabilization Fund as contemplated by the Installment Sale Agreement, and there shall be added to Water Revenues any amounts transferred out of the Rate Stabilization Fund as contemplated by the Installment Sale Agreement.

“Maintenance and Operation Costs” generally means, for any Fiscal Year or twelve calendar month period, the reasonable and necessary costs paid or incurred by the City during such Fiscal Year or twelve calendar month period, for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and

working order, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

The obligation of the City to pay the Payments from Net Water Revenues is absolute and unconditional, and until such time as the Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to the Trust Agreement), the City will not discontinue or suspend any Payments required to be paid by it under the Installment Sale Agreement when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

The City covenants in the Installment Sale Agreement to deposit all Water Revenues received by it in the City of Brentwood Water Revenue Fund (the "Water Revenue Fund"). Moneys in the Water Revenue Fund will be used:

(A) to pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) as they become due and payable.

(B) on or before the fifth day before the last Business Day in each month, the Treasurer, Director of Finance & Information Systems of the City (the "Director of Finance") shall, from the remaining money then on deposit in the Water Revenue Fund, deposit in the "City of Brentwood Parity Obligation Payment Fund," which fund the Director of Finance agrees to hold and maintain so long as any Parity Payments due under the Installment Sale Agreement shall be Outstanding the following amounts in the following order of priority:

(1) a sum equal to (a) the interest and principal payments becoming due and payable under all Supplemental Installment Sale Agreement that are Parity Obligations, plus (b) the net payments becoming due and payable on all Parity Payment Agreements (except any Termination Payments), plus (c) any other amounts with respect to Parity Obligations (including any letter of credit and remarketing fees), in each case, during the next succeeding month; plus

(2) (unless otherwise covered by subparagraph (B)(1) above) a sum equal to (a) one-sixth (1/6) of the amount of interest becoming due and payable under all Supplemental Installment Sale Agreement that are Parity Obligations on the next succeeding Interest Payment Date, plus (b) one-twelfth (1/12) of the amount of principal becoming due and payable under all Supplemental Installment Sale Agreement that are Parity Obligations on the next succeeding Principal Payment Date, except that no such deposit need be made if the Director of Finance then holds money in the Parity Obligation Payment Fund equal to the amount of interest becoming due and payable under all Supplemental Installment Sale Agreement that are Parity Obligations on the next succeeding Interest Payment Date plus the amount of principal becoming due and payable under all Supplemental Installment Sale Agreement that are Parity Obligations on the next succeeding Principal Payment Date plus the net payments due on all Parity Payment Agreements on such dates (except any Termination Payments) plus any other amounts becoming due and payable with respect to Parity Obligations (including any letter of credit and remarketing fees); plus

(3) all amounts due to make up any deficiency in the Reserve Funds and Reserve Accounts for Parity Obligations in accordance with the provisions of the applicable Issuing Document, including all Reserve Fund Credit Facility Costs.

(C) to make such deposits in the Rate Stabilization Fund as the City may determine from time to time in accordance with the Installment Sale Agreement.

All money on deposit in the Parity Obligation Payment Fund shall be transferred by the Director of Finance to the Trustee or other third party payee thereof to make and satisfy the Parity Payments due on the next applicable Payment Dates.

After the payments contemplated by subparagraphs (A), (B) and (C) above have been made, any amounts remaining in the Water Revenue Fund may from time to time be used for the payment of the interest and principal payments becoming due and payable under all Supplemental Installment Sale Agreement that are Subordinate Obligations; so long as certain conditions are met, including that all Maintenance and Operations Costs are being and have been paid and are then current.

After the required deposits have been made, any amounts thereafter remaining in the Water Revenue Fund may be used for any lawful purpose, including, but not limited to the payment of any Termination Payments on all Subordinate Payment Agreements.

Water Rate Covenant; Collection of Water Rates and Charges. The City covenants under the Installment Sale Agreement to fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which are estimated to yield Adjusted Annual Net Water Revenues for such Fiscal Year equal to the Coverage Requirement (as defined herein). The City may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but covenants not to reduce the rates, fees and charges then in effect unless the Adjusted Annual Net Water Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements described in this paragraph.

The City further covenants to have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water Service.

Issuance of Parity Obligations. Under the terms of the Installment Sale Agreement, the City may at any time execute any obligations payable on a parity with the 2008 Payments (“Parity Obligations”), provided certain conditions are met, including that the City has demonstrated that, during the last audited Fiscal Year or any twelve month calendar month period during the immediately preceding eighteen calendar month period, the Adjusted Annual Net Water Revenues were at least equal to the Coverage Requirement for all Outstanding Supplemental Installment Sale Agreement plus the Parity Obligation proposed to be executed. Additionally, in connection with the execution of Parity Obligations, the City must deliver a certificate stating during the last audited Fiscal Year, Adjusted Annual Net Water Revenues were equal to at least one hundred percent (100%) of Maximum Annual Debt Service calculated for all Outstanding Parity Obligations and all proposed additional Parity Obligations.

“Coverage Requirement” means, for any Fiscal Year or 12 calendar month period,

- (1) an amount of Adjusted Annual Net Water Revenues equal in each case to at least:
 - (i) 125% of the Adjusted Annual Debt Service for such Fiscal Year or 12 calendar month period,
 - (ii) 110% of the sum of the Adjusted Annual Debt Service plus the Adjusted Subordinate Annual Debt Service for such Fiscal Year or twelve (12) calendar month period, and
 - (iii) 100% of all obligations of the City payable in such Fiscal Year or 12 calendar month period;
- (2) an amount of Net Operating Revenues equal to at least 100% of all obligations of the City payable in such Fiscal Year or 12 calendar month period;

provided, that for purposes of determining compliance with the Coverage Requirement, certain specific provisions with respect to variable rate and other types of debt instruments apply. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Certain Definitions of the Master Installment Agreements – Coverage Requirement”.

Additionally, instead of meeting the requirements described above, the City may also enter into Parity Obligations if it receives an Engineer’s Report to the effect that that the estimated Adjusted Annual Net Water Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Parity Obligation proposed to be entered into is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligation proposed to be entered into is executed, or (ii) the date on which substantially all Water Projects financed with the Parity Obligation proposed to be entered into plus all Water Projects financed with all existing Supplemental Installment Sale Agreement are expected to commence operations, will be at least equal to the Coverage Requirement for such period.

Certain allowances for adjustments to Net Water Revenues from new connections or any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the issuance of Parity Obligations, as permitted under the Installment Sale Agreement. See “APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – CERTAIN PROVISIONS OF THE MASTER INSTALLMENT SALE AGREEMENT – Parity Obligations”

Notwithstanding the foregoing, there are no limitations on the ability of the City to enter into any Parity Obligation at any time to refund any outstanding Obligation which results in a net present value savings to the City, inclusive of all costs of such refunding.

Issuance of Subordinate Obligations. The City may at any time enter into any Subordinate Obligations payable as provided in the Installment Sale Agreement; provided that no Event of Default (as defined in the Installment Sale Agreement) has occurred and is continuing and the provisions relating to the conditions for the execution of Parity Obligations are satisfied for the execution of such Subordinate Obligation, assuming that the Coverage Requirement is met. See “Issuance of Parity Obligations” above.

Nothing contained in the Installment Sale Agreement shall limit the ability of the City to enter into obligations payable from a lien on Net Water Revenues that is subordinate both to the lien of Net Water Revenues that secures the 2008 Payments and any Parity Obligations and the lien of Net Water Revenues that secures any Subordinate Obligations.

Rate Stabilization Fund. The Installment Sale Agreement establishes the City of Brentwood Water Rate Stabilization Fund (the “Rate Stabilization Fund”), which fund the Director of Finance will hold and maintain as directed by the City so long as any Payments are due under the Installment Sale Agreement. The City may at any time deposit in the Rate Stabilization Fund any Net Water Revenues and any other money available to be used therefor, the City may at any time withdraw from the Rate Stabilization Fund any money therein for deposit in the Water Revenue Fund and the City shall withdraw from the Rate Stabilization Fund any money therein for deposit in the Water Revenue Fund in the event there are insufficient amounts in the Water Revenue Fund to make the deposits and transfers required by the Installment Sale Agreement; provided, that any such deposits or withdrawals may be made up to and including the date that is one hundred eighty (180) days after the end of the Fiscal Year or twelve (12) calendar month period for which such deposit or withdrawal will be taken into account in determining Adjusted Annual Water Revenues; and provided further, that no deposit of Net Water Revenues shall be made into the Rate Stabilization Fund to the extent that such deposit would prevent the City from meeting the Coverage Requirement in any Fiscal Year or twelve (12) calendar month period.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated as of December 1, 1989 between the City and the Redevelopment Agency. The agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Authority is empowered to assist in financing projects and certain public improvements, such as the design, acquisition and construction of additions, betterments and improvements to the Water System. Under the Act, the Authority has the power to issue revenue bonds to assist in the financing of public capital improvements.

THE WATER SYSTEM

See Appendix A for information concerning the operations and finances of the Water System.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the 2008 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2008 Bonds and does not necessarily reflect the relative importance of the various issues. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating the 2008 Bonds. There can be no assurance that other risk factors will not become material in the future.

General

The payment of principal of and interest on the 2008 Bonds is secured solely by a pledge of the Revenues and certain funds under the Trust Agreement. The realization of the Revenues is subject to, among other things, the capabilities of management of the City, the ability of the City to provide water services to its users, and the ability of the City to establish and maintain water fees and charges sufficient to provide the required debt service coverage as well as pay for maintenance and operation costs.

Among other matters, drought, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of Net Water Revenues realized by the City.

Earthquakes, Floods and Other Natural Disasters

Earthquakes, floods or other natural disasters could interrupt operation of the Water System and cause increased costs and thereby interrupt the ability of the City to realize Net Water Revenues. The City is not obligated under the Installment Sale Agreement to have earthquake or flood insurance.

Permits and Regulation

The water operations of the City are subject to permits from state regulatory agencies. Non-compliance with such permits may result in significant penalties from such state agencies or other enforcement actions that could have a material adverse effect on the finances and operations of the City.

The kind and degree of water treatment and water quality effected through the Water System is regulated, to a large extent, by the federal government and/or the State of California. In the event that the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state agencies, should impose stricter water quality standards upon the Water System, the City's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction federal or state regulation will take with respect to water quality or treatment standards, although it is likely that, over time, both will impose more stringent standards with attendant higher costs.

Investment of Funds

All funds and accounts held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement. See APPENDIX B attached hereto for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or by the City, including but not limited to the Rate Stabilization Funds, could have a material adverse effect on the security of the 2008 Bonds.

Limitations on Remedies and Bankruptcy

The rights and remedies provided in the Trust Agreement and the Installment Sale Agreement may be limited by and are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as APPENDIX F), will be similarly qualified.

The enforcement of the remedies provided in the Trust Agreement and the Installment Sale Agreement could prove both expensive and time consuming. In addition, the rights and remedies provided in the Trust Agreement and the Installment Sale Agreement may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. If the City were to file a petition under Chapter 9 of the

Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Installment Sale Agreement.

System Demand

There can be no assurance that the demand for water services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the covenants to fix rates and charges for the Water System so as to produce net revenues equal to 125% of debt service.

System Expenses

There can be no assurance that the City's expenses will be consistent with the descriptions in this Official Statement. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant.

Limited Obligations

The 2008 Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Water Revenues. The obligation of the City to make the 2008 Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Installment Sale Agreement to pay the 2008 Payments solely from the Net Water Revenues. There is no assurance that the City can succeed in operating the Water System such that the Net Water Revenues in the future amounts projected in this Official Statement will be realized.

Limitations on Remedies and Limited Recourse on Default

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Water Revenues sufficient to make the 2008 Payments may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, RATES AND CHARGES – Articles XIIC and XIID of the California Constitution" below. Failure by the City to pay the 2008 Payments required to be made under the Installment Sale Agreement constitutes an event of default under the Installment Sale Agreement and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such 2008 Payments.

The remedies available to the owners of the 2008 Bonds upon the occurrence of an event of default under the Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Installment Sale Agreement and the Trust Agreement, the rights and obligations under the Installment Sale Agreement and the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public entities in the State of California. The opinion to be delivered by Bond Counsel

concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See “APPENDIX F – PROPOSED FORM OF OPINION OF BOND COUNSEL”.

If the City fails to comply with its covenants under the Installment Sale Agreement or fails to make the 2008 Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2008 Bonds.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2008 Bonds or, if a secondary market exists, that any 2008 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

CONSTITUTIONAL LIMITATIONS ON TAXES, RATES AND CHARGES

Article XIII A of the California Constitution

Section 1(a) of Article XIII A of the California Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by each county and apportioned among the county and other public agencies and funds according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction, or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

On June 18, 1992, following a number of challenges to the provisions of Article XIII A, the United States Supreme Court upheld the decision in *Nordlinger v. Hahn*, 225 Cal. App. 3d 1259, a case involving residential property taxation decided by the State Court of Appeals. The 8 to 1 majority held that the Article XIII A assessment method serves a rational state interest by providing certainty regarding property taxes to homeowners and therefore does not violate provisions of the Equal Protection Clause codified in the 14th Amendment of the U.S. Constitution.

The effect of Article XIII A on the City’s finances, then, has been to restrict ad valorem tax revenues for general purposes to the statutory allocation of the 1% levy while leaving intact the power to levy ad valorem taxes in whatever rate or amount may be required to pay debt service on its general obligation bonds. The Authority and the City cannot predict whether any further challenges to the State’s present system of property tax assessment will be made, or what the outcome of impact on any of the City of any such challenge might be.

Article XIII B of the California Constitution

An initiative amendment to the California Constitution (Article XIII B) was approved by the California electorate on November 6, 1979. This amendment establishes limits on certain annual appropriations of state and local government entities. Initially, the limits are based generally on appropriations for the Fiscal Year 1978-79 with future adjustments permitted for changes in the cost of living, population and certain other factors. The definition of appropriations subject to limitation is stated so as to exclude, among other things, (1) appropriations of proceeds received by a government entity from user fees to the extent such proceeds do not exceed the costs reasonably borne by such entity in providing the product or service, (2) the appropriations of any special district “which did not as of the 1977-78 fiscal year levy an ad valorem tax on property in excess of 12½ cents per \$100 of assessed value”, and (3) “appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979, or a bonded indebtedness thereafter approved . . .” by vote of the electors of the issuing entity. In addition, the amendment provides that nothing in it “will be construed to impair the ability of the State or any local government to meet its obligations with respect to existing or future bonded indebtedness.”

The City is of the opinion that its water fees and charges do not exceed the costs they reasonably bear in providing such services and therefore are not subject to the limits of Article XIII B.

Articles XIII C and XIII D of the California Constitution

Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by the voters on November 5, 1996. The initiative added Articles XIII C and XIII D to the California Constitution, creating additional requirements for the imposition by most local governments of “general taxes,” “special taxes,” “assessments,” “fees,” and “charges.” The Authority and the City may be local governments within the meaning of Articles XIII C and XIII D. Articles XIII C and XIII D became effective, pursuant to its terms, as of November 6, 1996, although compliance with some of its provisions were deferred until July 1, 1997, and certain of its provisions purport to apply to any tax imposed for general governmental purposes (i.e., “general taxes”) imposed, extended or increased on or after January 1, 1995 and prior to November 6, 1996.

Article XIII D imposes substantive and procedural requirements on the imposition, extension or increase of “fee” or “charge” subject to its provisions. A “fee” or “charge” subject to Article XIII D includes any levy, other than an ad valorem tax, special tax or assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership. Article XIII D prohibits, among other things, the imposition of any proposed fee or charge, and, possibly, the increase of any existing fee or charge, in the event written protests against the proposed fee or charge are presented at a required public hearing on the fee or charge by a majority of owners of the parcels upon which the fee or charge is to be imposed. Generally, voters residing within the district who do not own property within the district are not entitled to vote for any assessment, however, if a court so determines, under certain circumstances, an assessment may not be imposed unless approved by a two-thirds vote of the electorate residing in the affected area, in addition to being approved by the property owners through the required public hearing. In the view of the City Attorney, rates for water service usage charged by the City are fees or charges under Article XIII D. Furthermore, in the view of the City Attorney, connection fees likewise are subject to Article XIII D. Accordingly, the City has complied with the procedural requirements related to public hearings in connection with its fees and charges subject to Article XIII D.

Article XIII D also provides that “standby charges” are considered “assessments” and must follow the procedures required for “assessments” under Article XIII D and imposes several procedural

requirements for the imposition of any assessment, which may include (1) various notice requirements, including the requirement to mail a ballot to owners of the affected property; (2) the substitution of a property owner ballot procedure for the traditional written protest procedure, and providing that “majority protest” exists when ballots (weighted according to proportional financial obligation) submitted in opposition exceed ballots in favor of the assessments; and (3) the requirement that the levying entity “separate the general benefits from the special benefits conferred on a parcel” of land. Any change to the City’s current standby charge could require notice to property owners and approval by a majority of such owners returning mail-in ballots approving or rejecting any imposition or increase of such standby charge. Article XIID also precludes standby charges for services that are not immediately available to the parcel being charged. This could adversely impact the ability of the City to collect standby charges on undeveloped land.

Article XIID provides that all existing, new or increased assessments are to comply with its provisions beginning July 1, 1997. Existing assessments imposed on or before November 5, 1996, and “imposed exclusively to finance the capital costs or maintenance and operations expenses for [among other things] water” are exempted from some of the provisions of Article XIID applicable to assessments.

Article XIIC extends the people’s initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIC to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. It is not clear what scope the courts will give the initiative provisions of Article XIIC.

No assurance may be given that Articles XIIC and XIID will not have a material adverse impact on the City’s Net Water Revenues.

Other Initiative Measures

Articles XIIA, XIIB, XIIC and XIID were adopted pursuant to California’s constitutional initiative process. From time to time other initiative measures could be adopted by California voters, placing additional limitations on the ability of the City to increase revenues.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expects to deliver an opinion at the time of issuance of the 2008 Bonds substantially in the form set forth in Appendix F hereto, subject to the matters discussed below.

To the extent the issue price of any maturity of the 2008 Bonds is less than the amount to be paid at maturity of such 2008 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2008 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2008 Bonds which is excluded from gross income for federal income tax purposes and State of California

personal income taxes. For this purpose, the issue price of a particular maturity of the 2008 Bonds is the first price at which a substantial amount of such maturity of the 2008 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2008 Bonds accrues daily over the term to maturity of such 2008 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2008 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2008 Bonds. Beneficial Owners of the 2008 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2008 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2008 Bonds in the original offering to the public at the first price at which a substantial amount of such 2008 Bonds is sold to the public.

2008 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium 2008 Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium 2008 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium 2008 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2008 Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2008 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2008 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2008 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the 2008 Bonds may adversely affect the value of, or the tax status of interest on, the 2008 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2008 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the 2008 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2008 Bonds. Prospective purchasers of the 2008 Bonds should consult their own tax

advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2008 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2008 Bonds ends with the issuance of the 2008 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the Beneficial Owners regarding the tax-exempt status of the 2008 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and the City, and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority and the City legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the 2008 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2008 Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

Upon the delivery of the 2008 Bonds, Orrick, Herrington & Sutcliffe, San Francisco, California, Bond Counsel to the Authority, will issue its opinion approving the validity of the 2008 Bonds, the proposed form of which opinion is set forth in Appendix F hereto. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel and for the Authority and the City by the City Attorney. Orrick, Herrington & Sutcliffe LLP expresses no opinion regarding the accuracy, completeness or fairness of information contained in this Official Statement.

CONTINUING DISCLOSURE

The City has covenanted on behalf of itself and the Authority, for the benefit of the holders and beneficial owners of the 2008 Bonds, to provide certain financial information and operating data relating to the City and the 2008 Bonds (the "Annual Report") by not later than 270 days after the end of the City's fiscal year (presently June 30), commencing with the report for the 2006-07 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The City will file, or cause to be filed, the Annual Report with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The City will file, or cause to be filed, the notices of material events with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE". These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

The City has never failed to comply in all material respects with its previous continuing disclosure undertakings under SEC Rule 15c2-12(b)(5).

ABSENCE OF LITIGATION

To the best knowledge of the Authority and the City, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Authority to restrain or enjoin the authorization, execution or delivery of the 2008 Bonds, the pledge of the Revenues or the collection of the payments to be made pursuant to the Trust Agreement, the obligation of the City to pay 2008 Payments from the Net Water Revenues made pursuant to the Installment Sale Agreement, or in any way contesting or affecting validity of the 2008 Bonds, the Trust Agreement, the Installment Sale Agreement, the Escrow Agreement or the agreement for the sale of the 2008 Bonds.

In addition, there is no litigation pending or threatened against the Authority, the City or the Redevelopment Agency which, in the opinion of the City Attorney of the City, would materially adversely affect the Water System or the sources of payment for the 2008 Bonds.

RATING

S&P has assigned its underlying municipal bond rating of “AA” to the 2008 Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such ratings should be obtained from S&P at the following address: 25 Broadway, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. The Authority and the Underwriter have undertaken no responsibility either to bring to the attention of the owners of the 2008 Bonds any proposed change in or withdrawal of the rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the rating might have an adverse effect on the market price or marketability of the 2008 Bonds.

FINANCIAL STATEMENTS

Attached as APPENDIX E are the audited financial statements of the City (the “Financial Statements”) for Fiscal Year 2006-07, which include financial statements for the Water System, prepared by the City’s Finance Department and audited by Maze & Associates, of Pleasant Hill, California (the “Auditor”).

The Auditor’s letter concludes that the Financial Statements, as presented, are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured as measured by the financial activity of its various funds.

The Financial Statements include information regarding certain funds of the City, including its General Fund, which are not pledged to make 2008 Payments or to otherwise pay debt service on the 2008 Bonds. Additionally, the City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City. In addition, the Auditor has not reviewed this Official Statement.

UNDERWRITING

The 2008 Bonds are being purchased by RBC Capital Markets Corporation (the “Underwriter”). The Underwriter has agreed to purchase the 2008 Bonds, subject to certain conditions, at a price equal to \$52,439,954.30 (representing the principal amount of the 2008 Bonds, less an Underwriter’s discount of

\$505,400, less a net original issue discount of \$254,645.70. The Underwriter is committed to purchase all of the 2008 Bonds if any are purchased.

The 2008 Bonds are offered for sale at the initial prices stated on the cover page of this Official Statement, which may be changed from time to time by the Underwriter. The 2008 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

FINANCIAL ADVISOR

Del Rio Advisors, LLC, Modesto, California, has served as Financial Advisor to the Authority with respect to the sale of the 2008 Bonds. The Financial Advisor has assisted the Authority in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the 2008 Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Authority to determine the accuracy or completeness of this Official Statement. Due to their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein.

The Financial Advisor will receive compensation from the Authority contingent upon the sale and delivery of the 2008 Bonds.

VERIFICATION

Upon delivery of the 2008 Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the Authority relating to the: (i) adequacy of forecasted receipts of principal and interest on the defeasance securities and cash to be held pursuant to the Escrow Agreement, (ii) forecasted payments of principal and interest with respect to the Series 1996 Bonds on and prior to their projected maturity and/or redemption dates; and (iii) yields with respect to the 2008 Bonds and on the obligations and other securities to be deposited pursuant to the Escrow Agreement, will be verified by Grant Thornton LLP, independent certified public accountants (the "Verification Agent"). Such verification shall be based solely upon information and assumptions supplied to the Verification Agent by the Underwriter. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Trust Agreement, the Installment Sale Agreement, the Escrow Agreement and other documents referred to herein may be obtained from the Trustee or from the Authority.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2008 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority and the City.

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APPENDIX A

INFORMATION RELATING TO THE WATER SYSTEM

The Water System

The City's water distribution system consists of a pipeline system, six water tanks with a total storage capacity of 18.8 million gallons, three pressure zones, six water booster pump stations, and eight groundwater wells located within the city limits (the "Water System"). In the spring and summer, 60% of the water is from a surface water source, the Sacramento Delta, while the remaining amount is provided from the City's groundwater wells. During periods of low demand, the storage tanks are filled for later use during peak day and hour consumption. The water is sampled and tested on a regular basis to ensure compliance with all state and federal drinking water standards, and the City's Water Division staff performs daily site checks to ensure well productivity and to maintain the optimum operating performance of the delivery systems.

The City delivers water to more than 16,000 connections through approximately 172 miles of water mains, with the Water System being funded through user charges and impact fees. The City's water customers are primarily residential. For example, in 2006, 94% of the City's water accounts were residential, accounting for 76% of the City's water use. In 2007, the City's wells supplied 1.3 billion gallons of water. During the same year, the City also purchased an additional 2.5 billion gallons from the Randall-Bold Water Treatment Plant ("RBWTP").

Effects of Growth

Fueled by residential development, the City has grown rapidly with a population that increased from 23,090 in 2000 to the current population of 50,614, a 119% increase. From 2002 to 2006, there was a 32% increase in total water customers, and water usage increased 92% over that same period. The following table shows the growth in water consumption since 2004:

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TABLE 1
CITY OF BRENTWOOD
Water Consumption History
(1,000 gallons/month)
As of September 2008

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
January	91,674	163,952	113,518	150,665	141,763
February	97,740	105,496	121,916	164,332	122,570
March	131,472	323,029	118,643	164,331	176,966
April	189,216	405,294	121,370	259,138	381,819
May	333,298	468,321	483,723	408,152	356,627
June	322,913	370,569	490,477	456,413	404,116
July	442,935	390,962	474,510	456,291	457,492
August	380,884	476,207	479,985	678,786	442,366
September	458,161	484,317	411,998	446,639	455,380
October	223,494	319,641	341,652	335,802	--
November	223,106	250,633	250,629	232,740	--
December	<u>138,910</u>	<u>157,049</u>	<u>145,562</u>	<u>172,223</u>	--
Total	3,033,803	3,915,470	3,553,983	3,925,512	--

Source: City of Brentwood.

The population growth within the City has substantially increased the demand for water collection and treatment facilities. The City has implemented the majority of the items outlined in the Interim Water Supply Plan prepared by John Carollo Engineers and dated April 1995 (the “Water Master Plan”). Camp Dresser and McKee Consulting Engineers recently updated the Water Master Plan in 2006. This update confirms the infrastructure already built and updates the required master planned facilities to reflect the City’s revised general plan.

As part of its efforts to meet increasing demand, the City entered into an agreement with the East Contra Costa Irrigation District (“ECCID”) in December 1999, which gives the City a permanent entitlement to 14,800 acre feet annually of surface water. The acquired water is pumped to the RBWTP for treatment on an interim basis under an agreement dated January 1, 2000 and amended on September 24, 2003 with the Contra Costa Water District (“CCWD”). CCWD and the Diablo Water District (“DWD”) jointly own the RBWTP. The RBWTP has a treatment capacity of 40 million gallons per day (“mgd”). Pursuant to the agreement with CCWD, the City is required to have a long-term treatment solution in place by January 2009, which will consist primarily of the new water treatment plant to be constructed adjacent to the RBWTP.

The Project

As a long-term solution, the City concluded that the most cost-effective option would be for the City to purchase 3,200 acre-feet per year (6 mgd) of existing treatment capacity from the RBWTP and to construct a scaled-down water treatment facility adjacent to the RBWTP. A portion of the proceeds of the 2008 Bonds will be used to finance a new surface water treatment facility, pump station, distribution line, and other associated infrastructure that will be located adjacent to the RBWTP site (the “Water Project”).

The City and CCWD have jointly designed and are jointly constructing the Water Project, and by agreement, CCWD will operate and maintain it for the exclusive use of serving treated water to the City. Ownership of the Water Project is transferable to the City after the City pays in full all outstanding capital

and operating costs incurred by CCWD for the Water Project. The cost of construction and associated soft costs of the Water Project are estimated at approximately \$65 million dollars.

Currently, the City has completed the first phase of the Water Project, which consists of a large diameter distribution line and pump station which are dedicated to conveying treated water from either the existing RBWTP or the proposed treatment facility to the City's distribution system. The second phase of the Water Project, the proposed treatment facility, is currently under construction and is anticipated to be completed by the end of 2008. The treatment facility will initially have 12 to 15 mgd of treatment capacity and will be expandable to 30 mgd. The water treatment plant will use conventional treatment, including but not limited to settled water ozonation and granular activated carbon filters. Additionally, the City will also purchase capacity rights in shared facilities, including two new solid lagoons and back-up power facilities, as well as the already existing main power supply, back-up power facilities and RBWTP roads and access. The City will be granted a leasehold interest followed by a permanent easement for use of RBWTP land owned by CCWD and DWD and will be granted a permanent easement on land owned solely by CCWD.

As part of the Water Project, CCWD will divert the City's ECCID water supply, up to 14,800 acre feet annually, via the Contra Costa Canal (the "Canal") and a new turnout to the water treatment plant, as long as excess capacity in the Canal is available. When the excess capacity is no longer available (currently estimated to be 2020), either the City shall fund and CCWD will construct new conveyance facilities for the City's benefit, or the City will participate financially in a joint project with CCWD to expand the existing canal.

While the Water Project is under its ownership, CCWD will be responsible for implementing capital improvements to the facility. Any expansion of the project or treatment facility beyond the initial capacity would be designed and constructed jointly by the City and CCWD under the same terms as the initial design and construction or by the City with CCWD's participation, if ownership has been transferred.

Rate Structure

In accordance with California law and subject to certain State constitutional restrictions, the City Council may, from time to time, and at its discretion, fix, alter, change, amend, or revise any connection charges, fixed monthly services fees, commodity charges, and other fees related to the Water System. Consequently, the City Council periodically reviews such charges and fees to determine if they are sufficient to cover maintenance and operations costs, capital improvement expenditures, and debt service requirements. Such charges and fees are set by the City Council for the services provided by the Water System after a majority protest hearing is held. Neither the City nor the Water System is subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body in connection with the establishment of charges and fees related to the Water System.

The water rate structure consists of a fixed monthly base rate, which varies by meter size, plus a variable tiered consumption charge based upon metered water consumption. There are four usage tiers for residential customers and two usage tiers for non-residential customers.

On September 25, 2007, the City adopted Ordinance No. 848, which provides for an increase in the monthly base rate and consumption charge during Fiscal Years 2007-08 to 2012-13, effective November 9, 2007. Annually on July 1, the monthly base rate and consumption charge will increase 3% to account for inflation.

Under the ordinance, rates per billing unit per month for water delivered or furnished within the limits of the City will be as shown below:

TABLE 2
CITY OF BRENTWOOD
Water Rates Per Billing Unit Per Month

Monthly Base Rate	Rate Between <u>7/1/06 – 11/8/07</u>	Effective <u>11/9/07</u>	Effective <u>7/1/08⁽¹⁾</u>
5/8" or 3/4" meter	\$ 15.98	\$ 16.46	\$ 16.95
1" meter	24.07	24.69	25.43
1 1/2" meter	47.84	49.38	50.86
2" meter	79.79	82.30	84.77
3" meter	132.08	148.13	152.58
4" meter	212.80	213.97	220.39
6" meter	425.70	444.40	457.74
Consumption Charge	(per 1,000 gallons = 1 unit)		
Tier 1: Units 1-10	\$ 2.50	\$ 2.58	\$ 2.65
Tier 2: Units 11-20	2.98	3.07	3.16
Tier 3: Units 21-30	3.57	3.68	3.79
Tier 4: Units 31+	4.16	4.28	4.41
Non-Residential			
Tier 1: Units 1-10	\$ 2.50	\$ 2.58	\$ 2.65
Tier 2: Units 11+	2.98	3.07	3.16
Non-Potable			
Tier 1: Units 1+	n/a	\$ 0.949	\$ 0.977

⁽¹⁾ Reflects annual inflation adjustment of 3%.
Source: City of Brentwood.

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Water User Accounts

The following table shows the customer accounts and percentage of service charge revenues for the fiscal years ended June 30, 2004 through June 30, 2008:

TABLE 3
CITY OF BRENTWOOD
Customer Accounts as a Percentage of Revenues
(Five Fiscal Years Ended June 30, 2008)

<u>Fiscal Year</u> <u>Ended</u>	<u>Number of Residential</u> <u>Accounts</u>	<u>Percentage of</u> <u>Revenues</u>	<u>Number of Other</u> <u>Accounts</u>	<u>Percentage of</u> <u>Revenues</u>
2004	11,976	80.45%	832	19.55%
2005	13,242	81.80%	689	18.20%
2006	14,246	77.17%	805	22.83%
2007	15,185	74.00%	966	26.00%
2008	15,346	73.00%	1028	27.00%

Source: City of Brentwood.

Account Delinquencies

Monthly utility billings by the City include both water and wastewater charges, as well as charges for solid waste disposal. All bills are due on the 25th day following the original billing date, and if not paid by the due date, the City will add a five percent delinquency penalty to the following bill. Additionally, the City will mail notices if payment is not made in time and will discontinue water service if payment is not made within 40 days of the original billing date. The delinquency rates for the solid waste, wastewater, and water systems of the City (expressed as a percentage of annual total revenues received by the City with respect to the water, wastewater, and solid waste disposal services combined) for the five fiscal years ended June 30, 2008 are set forth in the following table:

TABLE 4
CITY OF BRENTWOOD
Delinquency Rate of the Solid Waste, Wastewater and Water Systems
(Five Fiscal Years Ended June 30, 2008)

<u>Fiscal Year</u>	<u>Delinquency Rate</u>
2004	3.39%
2005	3.67%
2006	2.77%
2007	2.58%
2008	3.46%

Source: City of Brentwood.

Water Facilities Fee

Each property applying for new water service is charged a water facilities fee (the "Water Facilities Fee"). This fee is a calculation of pro rata fiscal responsibility development shares in the cost of providing water facilities. The calculation is based on the estimated cost of constructing water treatment facilities necessary to serve the population of the City at general plan build-out and projecting that cost

over the number of residential, commercial, and industrial units estimated in the City’s general plan. The fee is reviewed periodically by the City Council, and the City Council may from time to time adjust the fee to reflect changes in the projected costs for the necessary improvements. Each property must pay the fee when the permit is issued, based upon meter size and capacity, as shown below.

Water Facilities Fees for single and multifamily units are charged based on a per unit charge basis; office, commercial, and industrial uses are charged on a square footage basis. Pursuant to its authority under City Council Resolution No. 2005-222, dated September 13, 2005, the City imposed the following fees effective August 1, 2007:

**TABLE 5
CITY OF BRENTWOOD
Water Facilities Fees
As of August 1, 2007⁽¹⁾**

<u>Use</u>	<u>Water Facilities Fee</u>
Single Family Residential	\$7,135.87/unit
Multifamily Residential	5,600.14/unit
Office	1.5387/sq. ft.
Commercial	1.5387/sq. ft.
Industrial	0.8905/sq. ft

⁽¹⁾ Under the 2005-2006 Development Fee Program adopted pursuant to Resolution No. 2005-222, the City may, on July 1 of each year, increase its Water Facilities Fee by the same percentage as the percentage increase in construction costs for the preceding calendar year, based on the Engineering News Record Construction Cost Index (“ENR Index”). These fees are based on a 7.2% increase in the ENR Index from the preceding year.

Source: City of Brentwood.

If a developer constructs a portion of the facilities included in the list of improvements which are the basis for the Water Facilities Fee, the developer is given a credit against its obligation to pay Water Facilities Fees. If the City’s reimbursement obligation to the developer is greater than the Water Facilities Fee payment, the City enters into a reimbursement agreement which obligates the City to reimburse the developer when fees have been collected from other developers and the fund has a positive balance. The current average fee per unit actually paid in cash, after taking into account in-kind contributions to the Water System installed by developers, is \$5,353.57.

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Comparative Rates

Comparative water service rates for areas in the vicinity of the City are shown in the table below.

TABLE 6
CITY OF BRENTWOOD
Comparative Water Rates Per Year
As of August 2007

City/Agency	Annual Charge
Golden State Water (Bay Point)	\$1,113.71
Vallejo	\$878.64
Pittsburg	\$802.80
Contra Costa Water District (Concord)	\$766.49
Dublin San Ramon Services District	\$710.88
Fairfield	\$695.54
Diablo Water District (Oakley)	\$672.84
Pleasanton	\$657.00
Brentwood	\$654.48
Livermore	\$598.79
East Bay Municipal Utility District	\$581.52
Benicia	\$580.92
American Canyon	\$570.00
Antioch	\$522.36
Tracy	\$316.20

Source: City of Brentwood.

Largest Users

The ten principal users of the Water System, excluding the City, for the fiscal year ended June 30, 2008 are shown below:

TABLE 7
CITY OF BRENTWOOD
Top Water System Accounts
Based on Average Monthly Amount Paid
Fiscal Year 2007-08

<u>User</u>	<u>Account Amount</u>	<u>Units Used</u>
Marsh Creek Apartments	\$2,636.26	883
Towncentre Common Apartments	2,134.81	823
Ron Nunn Elementary (BUSD)	2,325.36	751
Contra Costa Housing Authority	2,117.73	742
Brentwood Garden Apartments	1,866.99	723
Arbor Ridge Apartments	1,641.13	645
LUHS Alternative Education	1,633.75	542
Woodgate Mobile Home Park	1,344.59	528
Raley's #336	1,395.40	464
Brentwood Park Apartments	1,117.94	440

Source: City of Brentwood.

Miscellaneous Revenue

The Water System also charges other miscellaneous water charges, including service and meter installation fees, vacant parcel charges, new facility charges, and fire hydrant usage charges (“Miscellaneous Water Service”). Miscellaneous Water Service charges accounted for approximately 1% of the Water Revenues in Fiscal Year 2007-08.

Historical and Projected Operating Results

The tables on the following pages show the historical and projected Net Water Revenues and debt service coverage for the years indicated.

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TABLE 8
CITY OF BRENTWOOD
Historical Net Water Revenues and Debt Service Coverage
Five Fiscal Years ended June 30, 2008

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08*</u>
Charges for Services	\$9,270,794	\$10,218,547	\$11,896,327	\$15,186,796	\$15,717,912
Other Income	135,635	13,413	368,322	161,673	297,702
Reserve Fund Earnings	0	0	0	0	0
Interest Earnings	622,897	231,440	358,427	792,166	705,848
Total	<u>\$10,029,326</u>	<u>\$10,463,400</u>	<u>\$12,623,076</u>	<u>\$16,140,635</u>	<u>\$16,721,462</u>
Operating Expenses					
Personnel Services	\$1,542,144	\$1,739,046	\$1,926,578	\$2,052,155	\$2,366,775
Repairs and Maintenance	576,979	370,357	355,811	588,904	432,139
Material, Supplies & Maintenance	1,898,609	2,429,703	3,902,701	3,514,126	2,592,225
Purchased Water	2,189,463	2,724,262	2,817,407	3,113,733	3,538,733
Depreciation and Amortization	896,619	1,180,584	1,246,157	1,278,603	1,352,088
Total	<u>\$7,103,814</u>	<u>\$8,443,952</u>	<u>\$10,248,654</u>	<u>\$10,547,521</u>	<u>\$10,281,960</u>
Total (excluding Depreciation)	\$6,207,195	\$7,263,368	\$9,002,497	\$9,268,918	\$8,929,872
CCWD Connection Fee	\$747,831	\$747,831	\$753,806	\$756,913	\$767,429
Debt Service 1996 (MADs)	691,500	691,500	691,500	691,500	691,500
Total	<u>\$1,439,331</u>	<u>\$1,439,331</u>	<u>\$1,445,306</u>	<u>\$1,448,413</u>	<u>\$1,458,929</u>
Connection Fees	\$7,384,499	\$4,616,771	\$5,629,901	\$5,477,655	\$1,008,025
Net Revenues (without Connection Fees)	\$3,822,131	\$3,200,032	\$3,620,579	\$6,871,717	\$7,791,590
Net Revenues (with Connection Fees)	\$11,206,630	\$ 7,816,803	\$9,250,480	\$12,349,372	\$8,799,615
Net Revenue Coverage (Senior Debt)	16.21	11.30	13.38	17.86	12.73
Net Revenue Coverage (Senior Debt w/o Connection Fees)	5.53	4.63	5.24	9.94	11.27
Net Revenue Coverage (All Obligations w/o Connection Fees)	2.66	2.22	2.51	4.74	5.34

* Unaudited.

Source: City of Brentwood.

TABLE 9
CITY OF BRENTWOOD
Projected Net Water Revenues and Debt Service Coverage
Five Fiscal Years ending June 30, 2013

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Charges for Services	\$17,073,373	\$18,181,870	\$19,321,870	\$20,536,870	\$21,831,870
Other Income	150,000	150,000	150,000	150,000	150,000
Reserve Fund Earnings	136,373	202,870	202,870	202,870	202,870
Interest Earnings	475,776	473,322	450,698	444,565	475,986
Total	<u>\$17,835,522</u>	<u>\$19,008,062</u>	<u>\$20,125,438</u>	<u>\$21,334,305</u>	<u>\$22,660,726</u>
Operating Expenses					
Personnel Services	\$2,824,925	\$2,966,000	\$3,114,000	\$3,270,000	\$3,434,000
Repairs and Maintenance	705,372	741,000	778,000	817,000	858,000
Material, Supplies & Maintenance	3,586,925	3,778,581	3,962,833	4,121,830	4,288,795
Purchased Water	4,512,500	4,738,000	4,975,000	5,224,000	5,485,000
Depreciation and Amortization	1,607,088	2,682,088	2,717,088	2,752,088	2,752,088
Total	<u>\$13,236,810</u>	<u>\$14,905,669</u>	<u>\$15,546,921</u>	<u>\$16,184,918</u>	<u>\$16,817,883</u>
Total (excluding Depreciation)	\$11,629,722	\$12,223,581	\$12,829,833	\$13,432,830	\$14,065,795
Debt Service Series 2008 Bonds	\$2,278,366	\$3,195,363	\$3,202,763	\$3,989,263	\$3,984,763
CCWD Connection Fee	767,429	767,429	767,429	767,429	767,429
Total	<u>\$3,045,795</u>	<u>\$3,962,792</u>	<u>\$3,970,192</u>	<u>\$4,756,692</u>	<u>\$4,752,192</u>
Connection Fees	\$443,814	\$ 828,313	\$380,785	\$1,175,992	\$506,042
Net Revenues					
(without Connection Fees)	\$6,205,800	\$6,784,481	\$7,295,605	\$7,901,475	\$8,594,931
Net Revenues					
(with Connection Fees)	\$6,649,614	\$7,612,794	\$7,676,390	\$9,077,467	\$9,100,973
Net Revenue Coverage					
(Senior Debt)	2.92	2.38	2.40	2.28	2.28
Net Revenue Coverage					
(Senior Debt w/o Connection Fees)	2.72	2.12	2.28	1.98	2.16
Net Revenue Coverage (All					
Obligations w/o Connection Fees)	2.04	1.71	1.84	1.66	1.81

Source: City of Brentwood.

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are brief summaries of certain provisions of the Trust Agreement, the Master Installment Sale Agreement and the First Supplemental Installment Sale Agreement pertaining to the issuance of the Series 2008 Bonds. These summaries do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the full terms of the respective documents listed below. Capitalized terms not otherwise defined herein have the meaning specified in the respective document.

CERTAIN PROVISIONS OF THE TRUST AGREEMENT

Definitions Applicable to the Trust Agreement

The following are definitions of certain terms used in this summary of Certain Provisions of the Trust Agreement or elsewhere in this Official Statement.

“Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

“Authority” means the Brentwood Infrastructure Financing Authority created pursuant to the Act and its successors and assigns in accordance with the Trust Agreement.

“Average Annual Debt Service” means the average Fiscal Year Annual Debt Service over all Fiscal Years during which the Bonds are scheduled to remain Outstanding.

“Bonds” means the Series 2008 Bonds. The term “Series 2008 Bonds” means the “Brentwood Infrastructure Financing Authority Water Revenue Bonds, Series 2008.” The term “Additional Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. The term “Serial Bonds” means Bonds for which no sinking fund payments are provided. The term “Term Bonds” means Bonds which are payable on or before their specified maturing dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Business Day” means any day (other than a Saturday or a Sunday) on which banks in New York, New York, are open for business and on which the Trustee is open for business at its principal corporate trust office.

“Certificate of the Authority” means an instrument in writing signed by the Chair, Vice-Chair or Treasurer/Controller of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose.

“City” means the City of Brentwood, a municipal corporation, duly organized and existing under and by virtue of the Constitution and laws of the State.

“Code” means the Internal Revenue Code of 1986, as amended.

“Credit Enhancement” means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other

financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

“Credit Provider” means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

“Current Interest Bonds” means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Trust Agreement providing for the issuance of such Series of Bonds and that pay interest to the Holders thereof on a periodic basis prior to maturity.

“Defeasance Securities” mean the following:

1. Cash
2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series — “SLGs”)
3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities
4. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book entry form are acceptable.
5. Pre-refunded municipal bonds rates “Aaa” by Moody’s and “AAA” by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.
6. Obligation issued by the following agencies which are backed by the full faith and credit of the U.S.
 - a. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
 - b. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
 - c. Federal Financing Bank
 - d. General Services Administration
Participation certificates
 - e. U.S. Maritime Administration
Guaranteed Title XI financing
 - f. U.S. Department of Housing and Urban Development (HUD)
Project Notes

Local Authority Bonds

New Communities Debentures – U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Holder” means any person who shall be the registered owner of any Outstanding Bond.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom —

(a) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or any of its members;

(b) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or any of its members; and

(c) is not connected with the Authority as a member, officer or employee of the Authority or any of its members, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or any of its members.

“Installment Payments” means the installment payments due under the Installment Sale Agreements.

“Installment Sale Agreement” means, collectively, the Master Installment Sale Agreement, and any Supplemental Installment Sale Agreements.

“Insurance” means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on a Series of Bonds as provided in such financial guaranty insurance policy or municipal bond insurance policy.

“Insurer” means any provider of Insurance with respect to a Series of Bonds.

“Liquidity Facility” means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility securing or guaranteeing the payment of purchase price of such Series of Bonds and issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

“Net Proceeds” shall have the meaning ascribed to such term in the Installment Sale Agreement.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority and satisfactory to and approved by the Trustee (who shall be under no liability by reason of such approval).

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions concerning disqualified Bonds) all Bonds except

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of the section of the Trust Agreement concerning defeasance; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

“Permitted Investments” mean any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy (copies of which the City shall provide on a current basis to the Trustee) and to the extent then permitted by law:

A. Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

- 1. United States Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
- 2. Farmers Home Administration
Certificates of beneficial ownership
- 3. Federal Financing Bank
- 4. Federal Housing Administration Debentures
- 5. General Services Administration
Participation certificates
- 6. Government National Mortgage Association (“GNMA”)
GNMA – guaranteed mortgage-backed bonds
GNMA – guaranteed pass-through obligations
- 7. United States Maritime Administration
Guaranteed Title XI financing
- 8. United States Department of Housing and Urban Development
Project Notes
Local Authority Bonds
New Communities Debentures - United States government guaranteed debentures
United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Federal Home Loan Bank System
Senior debt obligations
- b. Federal Home Loan Mortgage Corporation (“FHLMC”)
Participation Certificates
Senior debt obligations
- c. Federal National Mortgage Association (“FNMA”)
Mortgage-backed securities and senior debt obligations
- d. Resolution Funding Corporation (“REFCORP”) obligations
- e. Form Credit System
Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m,” or “AA-m” and if rated by Moody’s, rated “Aaa,” “Aa1” or “Aa2,” including funds for which the Trustee or any of its affiliates (including any holding company, subsidiaries, or other affiliates) provides investment advisory or other management services.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements approved in writing by the Insurer.

H. Commercial paper rated, at the time of purchase, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase.

I. Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime – 1” or “A3” or better by Moody’s and “A-1+” or “A” or better by S&P.

K. Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

a. Repos must be between the municipal entity and a dealer bank or securities firm

(1) Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Ratings Group and Moody's, or

(2) Banks rated "A" or above by Standard & Poor's Ratings Group and Moody's Investor Services.

b. The written repo contract must include the following:

(1) Securities which are acceptable for transfer are:

(a) Direct U.S. governments

(b) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

(2) The term of the repo may be up to 30 days

(3) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

(4) The trustee has a perfected first priority security interest in the collateral.

(5) Valuation of Collateral

(a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(b) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

c. Legal opinion which must be delivered to the municipal entity:

Repo meets guidelines under state law for legal investment of public funds.

L. Any state administered pool investment fund in which the City is statutorily permitted or required to invest.

M. Any other investment approved by the Insurer.

"Rating Agencies" shall have the meaning ascribed to such term in the Installment Sale Agreement.

"Rebate Fund" means the fund by that name established and maintained pursuant to the Trust Agreement.

“Reserve Facility” means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Trust Agreement, and delivered to the Trustee in satisfaction of all or a portion of the Reserve Requirement applicable to one or more Series of Bonds.

“Reserve Facility Provider” means any issuer of a Reserve Facility.

“Reserve Requirement” with respect to a Series of Bonds for which the Authority shall have established a Reserve Fund shall have the meaning specified in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

“Reserve Fund” means any fund by that name established with respect to one or more Series of Bonds pursuant to the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds.

“Resolution” means the Resolution of the Authority adopted on February 1, 2006 authorizing the issuance of the Bonds.

“Revenue Fund” means the Water Bond Revenue Fund established and maintained pursuant to the Trust Agreement.

“Revenues” means all Installment Payments and other payments paid by the City and received by the Authority pursuant to any Installment Sale Agreement and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) pursuant to the Trust Agreement.

“Series” whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

“Supplemental Installment Sale Agreement” means any installment sale agreement then in full force and effect which has been duly executed and delivered by the Authority and the City amendatory to the Master Installment Sale Agreement as supplemented thereto; but only if and to the extent that such Supplemental Installment Sale Agreement is specifically authorized under the Master Installment Sale Agreement.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of the Master Trust Agreement or supplemental to the Master Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Master Trust Agreement.

“Tax Certificate” means each Tax Certificate delivered by the Authority at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Trust Agreement” means the Master Trust Agreement, dated as of November 1, 2008, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

“Trustee” means U.S. Bank National Association, or any successor thereto action pursuant to the Trust Agreement.

“Variable Rate Indebtedness” means any indebtedness, including Bonds, the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

“Water System” has the meaning ascribed to such term in the Master Installment Sale Agreement.

“Written Request of the Authority” means an instrument in writing signed by the Chair, Vice-Chair or Treasurer/Controller of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose.

Pledge and Assignment of Revenues

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms of the Trust Agreement and thereof. The Authority assigns to the Trustee all of the Authority’s rights and remedies under the Installment Sale Agreement.

Receipt and Deposit of Revenues in the Revenue Fund

In order to carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Authority agrees and covenants that all Revenues when and as received shall be received by the Authority in trust under the Trust Agreement for the benefit of the Holders and shall be deposited when and as received by the Authority in a revenue account and sinking account in the Revenue Fund which fund is created and which fund the Authority agrees and covenants to maintain with the Trustee so long as any Bonds shall be Outstanding under the Trust Agreement. All Revenues shall be accounted for through and held in trust in the Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement. All Revenues, whether received by the Authority in trust or deposited with the Trustee as provided for in the Trust Agreement, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses described in the Trust Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority. Any money deposited in the Revenue Fund from the Capitalized Interest Account pursuant to the following paragraph may only be applied for the purpose of paying the interest on the Bonds.

Investment of Certain Funds

Subject to certain provisions of the Trust Agreement described below under “Covenant’s of the Authority – Tax Covenants”, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested and reinvested in Permitted Investments at the Written Request of the Authority received not less than two (2) Business Days prior to the date of making such investment. In the absence of any such Written Request, the Trustee shall invest all such funds and accounts for which such instruction have not been received in investments described in clause D of the

definition of Permitted Investments. All money held in the Reserve Funds shall be invested and reinvested in Permitted Investments with a term to maturity not exceeding five years, provided, that an investment which is subject to redemption at par at any time prior to maturity shall be deemed to have a maturity equal to the redemption date for purposes of this paragraph, and all such Permitted Investments shall be valued by the Trustee not less frequently than semi-annually on or before each January 1 and July 1, beginning January 1, 2009 at the lower of the cost or market value thereof. Subject to certain provisions of the Trust Agreement, all interest or profits received on any money so invested shall be deposited in the Revenue Fund. The Trustee may act as a principal or agent in making or disposing of any investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Trust Agreement, but shall account for each separately.

Additional Bonds

Subsequent to the issuance of the Series 2008 Bonds, the Authority may by Supplemental Trust Agreement establish one or more additional Series of Bonds, payable from Revenues and secured by the pledge made under the Trust Agreement equally and ratably with the Series 2008 Bonds, and the Authority may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Authority, but only, with respect to each additional Series of Bonds issued subsequent to the Series 2008 Bonds issued under the Trust Agreement, upon compliance by the Authority with the provisions of the Trust Agreement and any additional requirements set forth in said Supplemental Trust Agreement and subject to the specific conditions set forth below, each of which is made a condition precedent to the issuance of any such additional Series of Bonds.

(1) The Authority shall be in compliance with all agreements and covenants contained in the Trust Agreement, and no Event of Default shall have occurred and be continuing.

(2) The Supplemental Trust Agreement shall require that the proceeds of the sale of such Additional Bonds shall be applied to the completion of the Water Project, or for the refunding or repayment of any Bonds then Outstanding or any other obligation of the Water System, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds shall be applied to the payment of the interest due or to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed twelve (12) months thereafter.

(3) Subject to the provisions of the Trust Agreement, in the event a Supplemental Trust Agreement providing for the issuance of such Series shall require either (i) the establishment of a Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Trust Agreement providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Trust Agreement providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Authority or from both such sources or may be made in the form of a Reserve Facility.

(4) The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

(5) The Authority and the City shall enter into a Supplemental Installment Sale Agreement in accordance with the Master Installment Sale Agreement.

Whenever the Authority and the City shall determine to execute and deliver any Additional Bonds pursuant to the Trust Agreement, the Authority and the Trustee shall enter into a Supplemental Trust Agreement providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

The Supplemental Trust Agreement shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Trust Agreement, shall provide for the distinctive designation, denominations, method of numbering, dates, interest rates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be issued, the City and the Authority shall file or cause to be filed a Certificate of the City that the requirements of the Trust Agreement have been met.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the City and of the Authority stating that all applicable provisions of the Trust Agreement have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Trust Agreement then delivered to the Trustee), the Trustee shall execute and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Trust Agreement, to, or upon the Written Request of, the Authority.

Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

- (1) Bonds of any Series authorized pursuant to the Trust Agreement; or
- (2) Obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Revenues after the prior payment of all amounts then required to be paid under the Trust Agreement from Revenues for principal, premium, interest and reserve fund requirements for the Bonds, as the same become due and payable and at the times and in the manner as required in the Trust Agreement.

Certain Covenants of the Authority

Punctual Payment and Performance. The Authority will punctually pay out of the Revenues the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained in the Trust Agreement and in the Bonds.

Against Encumbrances. The Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

Tax Covenants; Rebate Fund. In addition to the other accounts created pursuant to the Trust Agreement, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained under the Trust Agreement designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to each Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in each Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of certain sections of the Trust Agreement relating to the pledge of Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account, the application of funds upon acceleration and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this paragraph and by each Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of each Tax Certificate.

Any funds remaining in the Rebate Fund after redemption and payment with respect to each Series of Bonds or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee and satisfaction of the Rebate Requirement (as defined in the applicable Tax Certificate), shall be withdrawn by the Trustee and remitted to or upon the written direction of the Authority.

The Authority has covenanted to comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to each Series of Bonds, and to not use or permit the use of any proceeds of the Series 2008 Bonds or any funds of the Authority, directly or indirectly, in any manner, or to take or omit to take any action, that would cause any of the Series 2008 Bonds to be treated as an obligation not described in Section 103(a) of the Code. In the event that at any time the Authority is of the opinion that it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of each Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

Accounting Records and Reports. The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee and the applicable Credit Provider, if any, at reasonable hours and under reasonable conditions. Not more than six months after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee and the applicable Credit Provider, if any, a complete financial statement, audit or annual report covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year; provided, however, that in no event shall the Trustee be responsible for reviewing any such financial statements or any of the information contained therein or taking notice of any fact contained therein. The applicable Credit Provider, if any, shall have the right to direct an accounting at the Authority's expense, and the Authority's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the applicable Credit Provider, if any, shall be deemed a default under the Trust Agreement; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Holder of the applicable Series of Bonds. The Authority shall also keep or cause to be kept such other information as required under the Rebate Certificate.

Prosecution and Defense of Suits. In addition to the indemnity provided in the Trust Agreement, the Authority agrees that it shall defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant shall remain in full force and effect even though all Bonds secured may have been fully paid and satisfied.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Holder, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them under the Trust Agreement.

The Trustee

Appointment, Removal and Resignation. U.S. Bank National Association shall serve as the Trustee for the Bonds for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment in San Francisco, California, with the rights and obligations provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in San Francisco or Los Angeles, California.

The Authority may at any time, unless there exists any event of default as defined in the Trust Agreement and subject to the prior written consent of each Credit Provider then providing Credit Enhancement for any Series of Bonds, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company in good standing doing business and having a principal office in San Francisco or Los Angeles, California, duly authorized to exercise trust powers, having a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Holders and each Credit Provider then issuing any Series of Bonds notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing and, so long as any Series 2008 Bonds are Outstanding, shall provide notice of such appointment to each Credit Provider then issuing then issuing any Series of Bonds. For so long as a Credit Enhancement is in full force and effect with respect to any Series of Bonds and the Credit Provider providing such Credit Enhancement is not failing to make a payment as required therewith, the Trustee may be removed at any time, at the request of any Credit Provider, for any breach of the trust set forth in the Trust Agreement by giving advice of

such renewal to the Trustee and each Credit Provider then issuing any Series of Bonds. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required under the Trust Agreement. Notwithstanding any other provision of the Trust Agreement, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to each Credit Provider then issuing any Series of Bonds, which approval shall not be unreasonably withheld, shall be appointed.

The Trustee is authorized to redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the Authority and shall destroy such Bonds and a certificate of destruction shall be delivered to the Authority. The Trustee shall keep accurate records of all Bonds paid and discharged and canceled by it.

The Authority shall from time to time, subject to any agreement between the Authority and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures including but not limited to advances to and fees and expenses of independent accountants and in-house and other counsel or other experts employed by it and reasonably required in the exercise and performance of its rights and obligations under the Trust Agreement, and, to the extent permitted by law, indemnify and hold the Trustee and its officers, directors, employees and agents harmless against any claim, loss, liability, damages, expenses (including legal fees and expenses) or advances not arising from the Trustee's own active or passive negligence, willful misconduct or breach of fiduciary duty, which the Trustee may incur in the exercise and performance of its rights and obligations under the Trust Agreement. The obligations of the Authority under this paragraph to compensate, indemnify, reimburse and hold the Trustee harmless shall constitute additional indebtedness under the Trust Agreement, and such indebtedness shall have priority over the Bonds in respect of all property and funds held or collected by the Trustee as such, except funds held in trust by the Trustee for the benefit of the holders of particular Bonds, including, without limitation, funds held by the Trustee in trust to redeem all or a portion of Outstanding Bonds prior to their respective maturities for which a notice of redemption has been sent as provided in the Trust Agreement.

Liability of Trustee. The recitals of facts, agreements and covenants in the Trust Agreement and in the Bonds shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the use of any proceeds of the Bonds, the correctness of the same, the collection of the Revenues or makes any representation as to the sufficiency or validity of the Trust Agreement, of the Bonds or any security therefor or any offering material distributed in connection with the Bonds and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence, willful misconduct or breach of fiduciary duty.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and such Bond is registered in such person's name.

Whenever the Trustee shall deem it necessary or desirable that a factual or legal matter be established or proved prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be in the Trust Agreement specifically prescribed) may, in the

absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate conforming to the requirements in the Trust Agreement or an opinion of counsel, which certificate or opinion shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

In accepting the trust created, the Trustee acts solely as Trustee for the Holders and not in its individual capacity and all persons, including without limitation the Holders, the Authority, the Credit Providers and the City, having any claim against the Trustee arising from the Trust Agreement not attributable to the Trustee's negligence or willful misconduct shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment except as otherwise provided in the Trust Agreement. The duties and obligations of the Trustee shall be determined solely by the express provisions of the Trust Agreement, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Trust Agreement, and no implied covenants or obligations (fiduciary or otherwise) shall be read into the Trust Agreement against the Trustee. The Trustee shall not be liable with respect to any action taken or not taken under the Trust Agreement in good faith in accordance with the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding or any Credit Provider then providing Credit Enhancement for any Series of Bonds. The Trustee shall, during the existence of any event of default (which has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise of use under the circumstances in the conduct of its own affairs. The permissive right of the Trustee to do things enumerated in the Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents and such immunities and exceptions and its right to payment of its fees and expenses shall survive its resignation or removal and the final payment and defeasance of the Bonds. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds. The Trustee, in its individual or any other capacity, may become the owner of any Bonds or other obligations of any party to the Trust Agreement with the same rights which it would have if not the Trustee. At any and all reasonable times, the Trustee, and its agents shall have the right to fully inspect all books, papers and records of the Authority of the City pertaining to the Bonds, and to take such memoranda therefrom and with regard thereto and make photocopies thereof as may be desired. The Trustee shall not be required to give any bond or surety in respect of the execution of said trusts and powers or otherwise in respect of the premises. Before taking or refraining from any action under the Trust Agreement at the request or direction of the Holders or any Credit Provider then providing Credit Enhancement for any Series of Bonds, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished to it and be in full force and effect.

None of the provisions contained in the Trust Agreement or in the Installment Sale Agreement shall require the Trustee to expend for risk its own funds or continue to do so or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall reasonably believe that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee may rely and shall be protected in acting or failing to act upon any certificate, request, requisition, facsimile transmission, electronic mail, paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Trust Agreement except failure by the Authority to make any payment or principal or interest under the Trust Agreement when due, unless the Trustee shall be specifically notified in writing at its principal corporate trust office of such default by the Authority, any Credit Provider then providing Credit Enhancement for any Series of Bonds, the City or the Holders of not less than twenty-five percent (25%) of the aggregate

principal amount of Bonds then outstanding. Notwithstanding any other provision of the Trust Agreement, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or official action or evidence thereof, in addition so that by the terms of the Trust Agreement required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing the rights of the Trustee with respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Trust Agreement provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Amendments Permitted

The Trust Agreement and the rights and obligations of the Authority, the Trustee and the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of (i) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, or (ii) each Credit Provider then providing Credit Enhancement for any Series of Bonds, provided that the Credit Enhancement provided by such Credit Provider is in full force and effect and the Credit Provider is not failing to make a payment as required in connection therewith, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the City without their prior written assent thereto, respectively.

The Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but with the written consent of each Credit Provider then providing a Credit Enhancement for any Series of Bonds which shall be materially and adversely affected by such amendment, which consent shall not be unreasonably withheld; provided, however, that such written consent shall be required only if the Credit Enhancement provided by such Credit Provider is in full force and effect and if the Credit Provider is not then failing to make a payment as required in connection therewith, but only to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;
- (b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement; or

(c) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939;

(d) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of the Trust Agreement;

(e) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Authority may deem desirable; subject to the provisions of the Trust Agreement;

(f) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(g) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(h) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(i) to modify the auction provisions applicable to any Series of Bonds in accordance with the terms and provisions set forth in the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds;

(j) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(k) if the Authority agrees in a Supplemental Trust Agreement to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(l) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(m) to modify, alter, amend or supplement the Trust Agreement in any other respect, including amendments that would otherwise be described in the first paragraph of this section, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Trust Agreement or if notice of the proposed amendments is given to Holders of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the provisions of the Trust Agreement or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(n) for any other purpose that does not materially and adversely affect the interests of the Holders of the Bonds.

Events of Default

If one or more of the following events shall happen, that is to say:

- (a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;
- (b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;
- (c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee or any Credit Provider; or
- (d) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such event of default the Trustee, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing. Such notice shall include a reference to or a summary of the rights and remedies available to the Holders as set forth in the Trust Agreement.

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

The Trustee shall immediately notify each Credit Provider providing Credit Enhancement for any Series of Bonds of any events of default described under the Trust Agreement.

Enforcement Proceedings

If one or more of the events of default shall happen and be continuing, the Trustee may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Provider providing such Credit Enhancement, or if such Credit Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding so long as the Trustee is indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement and under the Master Installment Sale Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Provider providing such Credit Enhancement.

Application of Funds Upon Acceleration

All moneys in the accounts and funds within the Revenue Fund as provided in the Trust Agreement and described above under the captions “Receipt and Deposit of Revenues in the Revenue Fund” and “Investment of Certain Funds” upon the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority under the Trust Agreement shall be transmitted to the Trustee and shall be applied by the Trustee in the following order.

First, to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel, and to the payment of the fees, costs and expenses of the Trustee (including any predecessor trustee), if any, in carrying out the provisions of the Trust Agreement, including reasonable compensation to its accountants and counsel (in each case with interest thereon at the highest rate of interest then applicable to the Bonds); and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Remedies not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law. If any remedial action under the Trust Agreement is discontinued or abandoned, the Trustee, Bondholders and the applicable Credit Provider shall be restored to their former positions.

Limitation on Bondholders' Right to Sue

No Holder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as defined under the Trust Agreement; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request and consent shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, consent, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any owner of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner provided for in the Trust Agreement, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner provided for in the Trust Agreement and for the equal benefit of all Holders of the Outstanding Bonds.

Credit Provider Directs Remedies Upon Even of Default

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined therein, the Credit Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Holders of the Bonds secured by such Credit Enhancement, provided that the Credit Provider's consent shall not be required as otherwise provided in the Trust Agreement if such Credit Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Provider.

Defeasance

(a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, then the Holders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities, in each case the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Notwithstanding anything in this section to the contrary, if the principal of or interest on a Series of Bonds shall be paid by a Credit Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the Authority shall not be deemed to be satisfied or considered paid by the Authority by virtue of such payments, and the right, title and interest of the Authority in the Trust Agreement and the obligations of the Authority under the Trust Agreement shall not be discharged and shall continue to exist and to run to the benefit of such Credit Provider, and such Credit Provider shall be subrogated to the rights of the Holders of the Bonds of such Series.

Liability of Authority Limited to Revenues

Notwithstanding anything contained in the Trust Agreement, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided in the Trust Agreement for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants in the Trust Agreement contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Trust Agreement, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided in the Trust Agreement. The Bonds are not a debt of the Authority, the State of California or any of its political subdivisions, and neither the Authority, said State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Trust Agreement. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Acquisition of Bonds by Authority

All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

CERTAIN PROVISIONS OF THE MASTER INSTALLMENT SALE AGREEMENT

Definitions Applicable to the Master Installment Sale Agreement

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Adjusted Annual Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Annual Debt Service for such Fiscal Year or twelve (12) calendar month period minus the amount of such Annual Debt Service paid from the proceeds of Parity Obligations or from any interest earnings from amounts on deposit in all Reserve Funds and Reserve Accounts established in connection with Parity Obligations, as set forth in a Certificate of the City.

“Adjusted Annual Net Water Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Adjusted Annual Water Revenues during such Fiscal Year or twelve (12) calendar month period minus the Maintenance and Operation Costs during such Fiscal Year or twelve (12) calendar month period.

“Adjusted Annual Water Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Water Revenues during such Fiscal Year or twelve (12) calendar month period plus the deposits in the Revenue Fund from the Rate Stabilization Fund during or allocable to such Fiscal Year or twelve (12) calendar month period minus the deposits in the Rate Stabilization Fund from the Revenue Fund during or allocable to such Fiscal Year or twelve (12) calendar month period.

“Adjusted Subordinate Annual Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Subordinate Annual Debt Service for such Fiscal Year or twelve (12) calendar month period minus the amount of such Subordinate Annual Debt Service paid from the proceeds of Subordinate Obligations or from any interest earnings from amounts on deposit in all Reserve Funds and Reserve Accounts established in connection with Subordinate Obligations, as set forth in a Certificate of the City

“Annual Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Parity Payments required to be made under all Supplemental Installment Sale Agreements in such Fiscal Year or twelve (12) calendar month period.

“Average Annual Debt Service” means the sum of the Annual Debt Service for the remaining Fiscal Years to the last Fiscal Year in which any Parity Payments are due under the last Outstanding Supplemental Installment Sale Agreement divided by the number of such Fiscal Years.

“Balloon Contract” means any Supplemental Installment Sale Agreement described as such in such Supplemental Installment Sale Agreement.

“Bond Insurer” means any insurance company that is then providing a policy of insurance for any Outstanding Parity Obligations.

“Certificate of the City” means an instrument in writing signed by the Mayor, Mayor Pro Tem, City Administrator or Director of Finance of the City, or by any other officer of the City duly authorized by the City for that purpose.

“Code” means the Internal Revenue Code of 1986, as amended, and regulations issued thereunder.

“Connection Fees” means all initial connection fees or sewer impact fees and charges payable to the City for the Water Service made available or provided by the Water System.

“Contract Resource Obligation” means an obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to the Master Installment Sale Agreement, to make payments for Water Service or any other commodity or service to another person or entity (including without limitation a separate utility system created pursuant to the Master Installment Sale Agreement), the payments under which without the application of Master Installment Sale Agreement would not be treated as Maintenance and Operation Costs in accordance with Generally Accepted Accounting Principles.

“Contracts” means all installment sale contracts, capital leases or similar obligations of the City authorized and executed by the City under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from Water Revenues on a parity with the payment of the Parity Payments.

“Coverage Requirement” means, for any Fiscal Year or twelve (12) calendar month period: (1) an amount of Adjusted Annual Net Water Revenues equal in each case to at least (i) one hundred twenty-five per cent (125%) of the Adjusted Annual Debt Service for such Fiscal Year or twelve (12) calendar month period, (ii) one hundred ten per cent (110%) of the sum of the Adjusted Annual Debt Service plus the Adjusted Subordinate Annual Debt Service for such Fiscal Year or twelve (12) calendar month period, and (iii) one hundred per cent (100%) of all obligations of the City which are charges, liens or encumbrances upon or payable from the Water Revenue Fund in such Fiscal Year or twelve (12) calendar month period; and (2) an amount of Net Operating Revenues equal to at least one hundred per cent (100%) of all obligations of the City which are charges, liens or encumbrances upon or payable from the Water Revenue Fund in such Fiscal Year or twelve (12) calendar month period (including, for purposes of the section of the Master Installment Sale Agreement related to the amount of rates, fees, and charges only, all amounts owed to any issuer of a Financial Guaranty then in effect and deposited in a Reserve Fund or Reserve Account under the terms of such Financial Guaranty; provided, that for purposes of determining compliance with the Coverage Requirement, the following provisions shall apply:

(A) Generally. Except as otherwise provided by subparagraph (B) of this proviso with respect to Variable Interest Rate Contracts and by subparagraph (C) of this proviso with respect to Obligations with respect to which a Payment Agreement is in force, interest on any Obligation shall be calculated based on the actual amount of interest that is payable under such Obligation;

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to the rate (the “assumed RBI-based rate”) that is ninety per cent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which such calculation is made;

(C) Interest on Obligations with respect to which a Payment Agreement is in force. Interest deemed to be payable on any Obligation with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of such Obligation and such Payment Agreement, including but not limited to the effects that (i) such Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed

interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Obligation with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Obligation plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Obligation, the following assumptions shall be made:

(1) City Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the City with respect to an Obligation resulting in the payment of a net variable interest rate with respect to such Obligation and Payment Agreement by the City, the interest rate on such Obligation for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Obligation, minus (ii) the fixed rate paid by the Qualified Counterparty to the City, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the assumed RBI-based rate; and

(2) City Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the City with respect to an Obligation resulting in the payment of a net fixed interest rate with respect to such Obligation and Payment Agreement by the City, the interest on such Obligation shall be included in the calculation of the Coverage Requirement (but only during the period the Payment Agreement is in effect) by including for each Fiscal Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement; and

(D) For purposes of calculating the Annual Debt Service or the Subordinate Annual Debt Service on any Balloon Contract, it shall be assumed that the principal of such Balloon Contract, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments of principal and interest over a term of thirty (30) years.

“Date of Operation” means, with respect to any uncompleted Water Project, the estimated date by which such Water Project will have been completed and, in the opinion of an Independent Engineer, will be ready for continuous and reliable operation by the City.

“Engineer’s Report” means a report signed by an Independent Engineer.

“Event of Default” means an event described under “Events of Default” below.

“Financial Guaranty” means a policy of municipal bond insurance or surety bonds issued by a municipal bond insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category by S&P and Moody’s and, if rated by A.M. Best & Company, also in the highest rating category by A.M. Best & Company.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period selected and designated by the Board of Directors as the Fiscal Year of the City.

“Improvement Fund” means the City of Brentwood Improvement Fund established under the Master Installment Sale Agreement.

“Independent Certified Public Accountant” means any firm of certified public accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the City, and each of whom –

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Independent Engineer” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to sanitation collection systems, appointed and paid by the City, and who or each of whom –

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to make reports to the City.

“Infrastructure Bank Agreement” means, with respect to the Wastewater Installment Sale Agreement, that certain Enterprise Fund Installment Sale Agreement, dated as of March 15, 2006, by and between the City and the California Infrastructure and Economic Development Bank.

“Interest Payment Date” means a date on which any interest installment of the Payments is due and payable.

“Issuing Document” means the Master Trust Agreement and any other indenture, trust agreement or other document the obligations issued or delivered pursuant to which are secured by Payments under Contracts; provided, that the trustee under each Issuing Document shall be the Trustee.

“Maintenance and Operation Costs” means, for any Fiscal Year or twelve (12) calendar month period, all reasonable and necessary costs paid or incurred by the City during such Fiscal Year or twelve (12) calendar month period for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all amounts due under Contract Resource Obligations (but only at the times described in the section of the Master Installment Sale Agreement related to Contract Resource Obligations), and including all administrative costs of the City that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any), insurance premiums and payments into pension funds, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Master Installment Sale Agreement or of any resolution authorizing the execution of any Supplemental Installment Sale Agreement or of such Supplemental Installment Sale Agreement, such as compensation, reimbursement and indemnification of the Trustee and fees and expenses of Independent Certified Public Accountants and Independent Engineers and the Director of Finance, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

“Maximum Annual Debt Service” means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Parity Debt.

“Net Operating Revenues” mean, for any Fiscal Year or any designated twelve (12) month period in question, the Adjusted Annual Net Water Revenues during such Fiscal Year or twelve month period less the Connection Fees during such Fiscal Year or twelve month period.

“Net Proceeds” means, when used with respect to any condemnation award or any insurance proceeds received with respect to the Water System, the amount of such condemnation award or insurance proceeds remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such award or proceeds.

“Net Water Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Water Revenues during such Fiscal Year or twelve (12) calendar month period less the Maintenance and Operation Costs during such Fiscal Year or twelve (12) calendar month period.

“Obligations” means all Parity Obligations and all Subordinate Obligations.

“Outstanding” means, with respect to the Payments, all Payments which have not been paid or otherwise satisfied as provided in the Master Installment Sale Agreement, and with respect to the Supplemental Installment Sale Agreements, all Supplemental Installment Sale Agreements the Payments under which have not been paid or otherwise satisfied as provided in the Master Installment Sale Agreement.

“Parity Obligation Payment Fund” means the City of Brentwood Parity Obligation Payment Fund established under the Master Installment Sale Agreement.

“Parity Obligations” means all Supplemental Installment Sale Agreements, Payment Agreements or other loan agreements entered into by the City, the Parity Payments under which (other than Termination Payments) are secured by a senior lien on Net Water Revenues created by the Master Installment Sale Agreement and are payable on a parity therefrom.

“Parity Payment Agreement” means a Payment Agreement which is a Parity Obligation.

“Parity Payments” means all installment payments scheduled to be paid by the City under all Parity Obligations.

“Payment Agreement” means a written agreement for the purpose of managing or reducing the City’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to (but not necessarily concurrent with), the entering into of any Supplemental Installment Sale Agreement, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

“Payment Agreement Payments” means the amounts periodically required to be paid by the City to all Qualified Counterparties under all Payment Agreements.

“Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the City under all Payment Agreements.

“Payment Date” means any date on which Payments are scheduled to be paid by the City.

“Payments” means the Parity Payments and the Subordinate Payments.

“Principal Payment Date” means a date on which any principal installment of the Payments is due and payable.

“Qualified Counterparty” means a party (other than the City or a party related to the City) who is the other party to a Payment Agreement and (1) (a) who is rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), (b) whose senior debt obligations are rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments, or (d) whose obligations under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments, and (2) who is otherwise qualified to act as the other party to a Payment Agreement under all applicable laws of the State.

“Rating Agencies” means Moody’s and S&P, as the case may be, together with any other nationally recognized municipal securities rating agency or agencies selected by the Authority that is then rating any obligations secured by Parity Payments at the request of the Authority.

“RBI” means the Bond Buyer Revenue Bond Index or comparable index, or, if no comparable index can be obtained, eighty per cent (80%) of the interest rate on actively traded thirty (30) year United States Treasury Bonds, except that if no such United States Treasury Bonds are actively traded, it means eighty per cent (80%) of the interest rate on actively traded United States Treasury obligations or other obligations generally recognized to constitute “benchmark securities” in the municipal bond industry.

“Request of the City” means an instrument in writing signed by the Director of Finance, or by any officer of the City duly authorized by the City Council for that purpose.

“Reserve Fund” and “Reserve Account” shall have the meanings given to such terms in any Issuing Document or Supplemental Installment Sale Agreement.

“Reserve Fund Credit Facility Costs” means the repayment of draws, expenses and accrued interest or other similar costs payable in connection with a Financial Guaranty deposited with the Trustee for the credit of a Reserve Fund or Reserve Account.

“Subordinate Annual Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Subordinate Payments required to be made under all Supplemental Installment Sale Agreements in such Fiscal Year or twelve (12) calendar month period.

“Subordinate Obligations” means all Supplemental Installment Sale Agreements or Payment Agreements the Subordinate Payments under which (other than Termination Payments related to Subordinate Payment Agreements) are secured by the subordinate lien on Net Water Revenues created thereby and are payable on a parity therefrom.

“Subordinate Payment Agreements” means a Payment Agreement which is a Subordinate Obligation.

“Subordinate Payments” means all installment payments scheduled to be paid by the City under all Subordinate Obligations.

“Supplemental Installment Sale Agreements” means all installment sale agreements supplemental to the Master Installment Sale Agreement executed and entered into by the City and the Authority under and pursuant to the Master Installment Sale Agreement and applicable law, as originally executed and entered into and as they may from time to time be amended or supplemented in accordance therewith and with the Master Installment Sale Agreement.

“Water Project” means any additions, betterments, extensions or improvements to the Water System designated by the City Council of the City as a designated Water Project, the design, acquisition or construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Bonds, Contracts, or Supplemental Installment Sale Agreements.

“Water Project Accounts” means collectively all the accounts established in the Improvement Fund pursuant to any Supplemental Installment Sale Agreements or other agreements incidental thereto to finance the acquisition and construction of all the Water Projects.

“Water Revenue Fund” means the City of Brentwood Water Revenue Fund established under the Master Installment Sale Agreement.

“Water Revenues” means, for any Fiscal Year or twelve (12) calendar month period, all income and revenue received or receivable by the City during such Fiscal Year or twelve (12) calendar month period from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including all Connection Fees) received by the City for the Water Service and the other services of the Water System and all proceeds of insurance covering business interruption loss relating to the Water System and all connection fees and charges payable to the City for the Water Service made available or provided by the Water System and all payments for the lease of property comprising a part of the Water System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water System or arising from the Water System, and including all Payment Agreement Receipts, and including all income from the investment of amounts on deposit in the Revenue Fund, the Parity Obligation Payment Fund and the Rate Stabilization Fund, but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and any advances or contributions in aid of construction and excluding any income from the investment of amounts on deposit in the Improvement Fund and excluding any earnings of a separate utility system acquired and constructed by the City pursuant to the Master Installment Sale Agreement. Notwithstanding the foregoing, there shall be deducted from Water Revenues any amounts transferred into the Rate Stabilization Fund as contemplated by the Master Installment Sale Agreement, and there shall be added to Water Revenues any amounts transferred out of the Rate Stabilization Fund as contemplated by the Master Installment Sale Agreement.

“Water Service” means the sanitation collection service furnished, made available or provided by the Water System.

“Water System” means all facilities for providing sanitation collection service owned by the City and all other facilities acquired and constructed by the City and determined to be a part of the Water System, together with all additions, betterments and improvements to such facilities or any part thereof

acquired and constructed by the City, but excluding any separate utility system acquired or constructed by the City pursuant to the Master Installment Sale Agreement.

“Tax Certificate” means any certificate or agreement delivered with respect to the maintenance of the tax-exempt status of Payments the interest component of which is intended to be excluded from gross income pursuant to Section 103 of the Code.

“Termination Payments” means any payments due and payable to a Qualified Counterparty in connection with the termination of a Payment Agreement.

“Variable Interest Rate” means any variable interest rate or rates to be paid under any Supplemental Installment Sale Agreements, the method of computing which variable interest rate shall be as specified in the applicable Supplemental Installment Sale Agreement, which Supplemental Installment Sale Agreement shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

“Variable Interest Rate Contracts” means, for any period of time, any Supplemental Installment Sale Agreements that bear a Variable Interest Rate during such period, except that no Supplemental Installment Sale Agreement shall be treated as a Variable Interest Rate Contract if the net economic effect of interest rates on any particular Payments or such Supplemental Installment Sale Agreement and interest rates on any other Payments of the same Supplemental Installment Sale Agreement, as set forth in such Supplemental Installment Sale Agreement, or the net economic effect of a Payment Agreement with respect to any particular Payments, in either case is to produce obligations that bear interest at a fixed interest rate, and any Supplemental Installment Sale Agreement with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Contract if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

Acquisition, Construction, Sale and Purchase of the Water Projects

The Authority agrees to finance and refinance the costs of the design, acquire and construct the Water Projects for, and to sell the Water Projects to, the City, and the City agrees to buy the Water Projects from the Authority; and in order to implement this provision, the Authority appoints the City as its agent for the purpose of such acquisition and construction, and the City agrees to enter into such construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the Water Projects, and the City agrees that as such agent it will cause the acquisition and construction of the Water Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose under the Installment Sale Agreement, and that it will use its best efforts to cause the acquisition and construction of the Water Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted. Notwithstanding the foregoing, it is expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Water Projects and that all such costs and expenses shall be paid by the City, regardless of whether the funds deposited in the corresponding Water Project Funds are sufficient to cover all such costs and expenses.

Improvement Fund

There is established the “City of Brentwood Water Improvement Fund,” which fund the Director of Finance agrees to hold and maintain until the completion of the acquisition and construction of all Water Projects to be financed from the Water Project Accounts established in such fund as provided in all Supplemental Installment Sale Agreements; and all money in the Improvement Fund (and interest earnings thereon) shall be used and withdrawn by the Director of Finance to pay the costs of the acquisition and construction of the Water Projects (or to reimburse the City for such costs paid by it), including the payment of interest on the Obligations upon receipt of a Request of the City filed with the Director of Finance, each of which shall be sequentially numbered and shall state the person or entity to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment is a proper charge against the related Water Project Account in the Improvement Fund and has not been the subject of a previous Request of the City. After the completion of the acquisition and construction of each Water Project to be financed from the related Water Project Account in the Improvement Fund, any remaining balance of money in such Project Account shall be transferred to the City for any lawful purpose of the City subject to the provisions of any Tax Certificate.

Parity Obligations

The City may at any time execute any Parity Obligations (other than the Parity Obligations issued pursuant to the First Supplemental Installment Sale Agreement) payable as provided in the Installment Sale Agreement; provided:

(a) There shall be on file with the City either:

(1) A Certificate of the City demonstrating that, during the last audited Fiscal Year or any twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Water Revenues were at least equal to the Coverage Requirement for all Outstanding Supplemental Installment Sale Agreements plus the Parity Obligation proposed to be executed; provided, that for the purpose of providing this Certificate, the City may adjust the foregoing Adjusted Annual Net Water Revenues to reflect:

(A) An allowance for Net Water Revenues that would have been derived from each new connection to the Water System that was made prior to the execution of any Outstanding Supplemental Installment Sale Agreement but which, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in existence, in an amount equal to ninety per cent (90%) of the estimated additional Net Water Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or twelve (12) calendar month period, and

(B) An allowance for Net Water Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the execution of such Outstanding Supplemental Installment Sale Agreement but which, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in effect, in an amount equal to ninety per cent (90%) of the estimated additional Net Water Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or twelve (12) calendar month period; or

(2) An Engineer’s Report that the estimated Adjusted Annual Net Water Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which

interest on the Parity Obligation proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligation proposed to be executed is executed, or (ii) the date on which substantially all Water Projects financed with the Parity Obligation proposed to be executed plus all Water Projects financed with all existing Supplemental Installment Sale Agreements are expected to commence operations, will be at least equal to the Coverage Requirement for such period; provided, that for the purpose of providing this Engineer's Report, the Independent Engineer may adjust the foregoing estimated Adjusted Annual Net Water Revenues to reflect:

(A) An allowance for Net Water Revenues that are estimated to be derived from any increase in the rates, fees and charges for Water Service in effect and being charged or from any increase in the rates, fees and charges for Water Service that are expected to be charged; and

(B) An allowance for Net Water Revenues that are estimated to be derived from customers of the Water System anticipated to be served by the additions, betterments or improvements to the Water System to be financed by the Parity Obligation proposed to be executed together with any additional Supplemental Installment Sale Agreements expected to be executed and entered into during such five (5)-year period;

and provided further, that if estimates of Connection Fees are assumed for inclusion in the foregoing Adjusted Annual Net Water Revenues, such report shall project that in each of the Fiscal Years for which projections are to be made only seventy-five per cent (75%) of the estimated Connection Fees in each of such Fiscal Years shall be treated as Water Revenues during such period.

(b) A Certificate of the City that during the last audited Fiscal Year, Adjusted Annual Net Water Revenues were equal to at least one hundred percent (100%) of Maximum Annual Debt Service calculated for all Outstanding Parity Obligations and all proposed additional Parity Obligations.

(c) A Certificate of the City that the Water Project to be acquired and constructed with the proceeds of such Parity Obligation is technically feasible and the estimated cost of the acquisition and construction thereof is reasonable, and (after giving effect to the completion of all uncompleted Water Projects) the rates, fees and charges estimated to be fixed and prescribed for the Water Service for each Fiscal Year from the Fiscal Year in which such Parity Obligation is executed to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Water Project are economically feasible and reasonably considered necessary based on projected operations for such period.

(d) At the time of such execution of Parity Obligations, no Event of Default shall have occurred and be continuing.

(e) If required by the terms of such Parity Obligations, a separate reserve has been or will be established therefor and that provisions have been made to fund such reserve.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any outstanding Obligation.

Subordinate Obligations

The City may at any time execute any Subordinate Obligations payable as described in the provisions of the Master Installment Sale Agreement relating to the Water Revenue Fund and the pledge of Net Water Revenues; provided that no Event of Default has occurred and is continuing and the provisions of the Master Installment Sale Agreement relating to the conditions for the execution of Parity Obligations are satisfied for the execution of such Subordinate Obligation assuming that the first

paragraph of the definition of Coverage Requirement above is defined as (i) one hundred ten per cent (110%) of the sum of the Adjusted Annual Debt Service plus the Adjusted Subordinate Annual Debt Service for such Fiscal Year or twelve (12) calendar month period and (ii) one hundred per cent (100%) of all obligations of the City payable in such Fiscal Year or twelve (12) calendar month period.

Nothing contained in the Master Installment Sale Agreement shall limit the ability of the City to execute obligations payable from a lien on Net Water Revenues that is subordinate to the lien of Net Water Revenues for both Parity Obligations and Subordinate Obligations contained in the Master Installment Sale Agreement.

Certain Covenants of the City

Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms of the Master Installment Sale Agreement, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Installment Sale Agreement required to be observed and performed by it, and will not terminate the Contracts for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Water Projects or the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either of them or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Master Installment Sale Agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with the Master Installment Sale Agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority, the Trustee or any force majeure, including Acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Use of Proceeds. The Authority and the City agree that the proceeds of the Supplemental Installment Sale Agreements will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition, construction, expansion, reconstruction and rehabilitation of the Water Projects and to pay the incidental costs and expenses related thereto as provided in the Master Installment Sale Agreement.

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Water System and will keep the Water System free of any and all liens against any portion of the Water System. In the event any such lien attaches to or is filed against any portion of the Water System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so; provided, that if any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend it against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Water System.

Sale or Other Disposition of Property. The City will only sell, transfer or otherwise dispose of any of the facilities of the Water System or any real or personal property comprising a part of the Water System consistent with one or more of the following limitations:

(1) The City in its discretion may carry out such a sale, transfer or other disposition (each, as used in this section, a “transfer”) if the facilities or property of the Water System transferred are not material to the operation of the Water System, or shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Water System, or are no longer necessary, material or useful to the operation of the Water System; or

(2) The City in its discretion may carry out such a transfer if the aggregate depreciated cost value of the facilities or property of the Water System transferred in any one Fiscal Year comprises no more than ten per cent (10%) of the total assets of the Water System; or

(3) The City in its discretion may carry out such a transfer if the City receives from the transferee an amount equal to the fair market value of the facilities or property of the Water System transferred (as used in this subparagraph, “fair market value” means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, with a willing buyer and a willing seller each acting prudently and knowledgeably and assuming that the price is not affected by coercion or undue stimulus) and if the proceeds of such transfer are used (i) to promptly prepay, or irrevocably set aside for the prepayment of, first the Parity Payments and, thereafter, the Subordinate Payments, and/or (ii) to provide for the cost of additions, betterments or improvements to the Water System; provided, that before any such transfer is made under this subparagraph, (A) the City shall obtain an Engineer’s Report that upon such transfer and the use of the proceeds thereof as proposed by the City, the remaining facilities or property of the Water System will retain their operational integrity and the estimated Adjusted Annual Net Water Revenues during each of the five (5) Fiscal Years next following the Fiscal Year in which the transfer is to occur will be at least equal to the estimated Coverage Requirement in each of such Fiscal Years, taking into account (w) the estimated reduction in Net Water Revenues resulting from such transfer, (x) the use of the proceeds of such transfer for the prepayment of first, the Parity Payments and thereafter, the Subordinate Payments, (y) the estimated additional Revenues from customers anticipated to be served by any additions, betterments or improvements to the Water System financed by the portion of the proceeds received from such transfer, and (z) any other adjustment permitted in the preparation of an Engineer’s Report related to the execution of Parity Obligations, or (B) the City shall obtain confirmation from the Rating Agencies to the effect that the ratings then in effect will not be reduced or withdrawn upon such transfer.

Prompt Acquisition and Construction of the Water Projects. The City will take all necessary and appropriate steps to acquire and construct the Water Projects, as agent of the Authority, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Maintenance and Operation of the Water System; Budgets. The City will maintain and preserve the Water System in good repair and working order at all times and in accordance with sound engineering practices and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. The City will adopt and file with the Authority, not later than October 1 of each year, a budget approved by the Board of Directors setting forth the estimated Revenues and Maintenance and Operation Costs for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and such amended budget shall be filed by the City with the Authority. Upon adoption of its budget, not later than October 1 of each year, the City will file with the Trustee a certificate of the City that such budget has been adopted by the Board of Directors and that said budget provides for the payment of all Maintenance and Operation Costs and all required payments from the Parity Obligation Payment Fund throughout the then-current Fiscal Year.

Compliance with Contracts for Use of the Water System. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the City is a party thereto.

Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Water Revenues or any part thereof or which might impair the security of the Payments.

Insurance. The City will procure and maintain such insurance relating to the Water System which it shall deem advisable or necessary to protect its interests and the interests of the Authority and the Trustee, which insurance shall afford protection in such amounts and against such risks as are usually covered in the State in connection with sanitation systems comparable to the Water System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with sanitation systems in the State comparable to the Water System and is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained in the Master Installment Sale Agreement shall provide that the Authority and the Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports. The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System and the Revenues and the Maintenance and Operation Costs, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

The City will prepare and file with the Authority and the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2008) financial statements of the City for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to his attention in connection with such examination that caused him to believe that the City was not in compliance with any of the financial agreements or covenants contained in the Master Installment Sale Agreement.

Protection of Security and Rights of the Authority. The City will preserve and protect the security of the Master Installment Sale Agreement and the rights of the Authority to the Payments under the Master Installment Sale Agreement and will warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may be lawfully imposed upon the Water System or any part thereof when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which are estimated to yield Adjusted Annual Net Water Revenues for such Fiscal Year equal to at least the Coverage Requirement for such Fiscal Year. The City may make adjustments

from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Adjusted Annual Net Water Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the requirements of this section.

Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water System.

Eminent Domain and Insurance Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Water System, the Net Proceeds thereof, at the option of the City, shall be applied either to the prepayment of the Payments or to acquire and construct additions, betterments or improvements to the Water System to replace the condemned or destroyed portion of the Water System.

Separate Utility Systems. The City may create, acquire, construct, finance, own and operate one or more additional systems for sanitation service or other commodity or service, and the revenues of that separate utility system shall not be included in the Revenues and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand such separate utility system. Neither the Revenues nor the Net Water Revenues shall be pledged by the City to the payment of any obligations of a separate utility system except (1) as a Contract Resource Obligation upon compliance with the covenant described below under “Contract Resource Obligations”, or (2) with respect to the Net Water Revenues, on a basis subordinate to the lien of the Parity Obligations and Subordinate Obligations on the Net Water Revenues.

Contract Resource Obligations. The City may at any time enter into one or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of sanitation services or other capacity or service relating to the Water System. The City may determine that, and may agree under a Contract Resource Obligation to provide that, all payments under that Contract Resource Obligation (including payments prior to the time that sanitation services or other capacity or service is being provided, or during a suspension or after termination of supply or service) shall be Maintenance and Operation Costs if the following requirements are met at the time such a Contract Resource Obligation is entered into:

(a) No Event of Default as defined in the Master Installment Sale Agreement has occurred and is continuing.

(b) There shall be on file with the City an Engineer’s Report stating that (i) the payments to be made by the City in connection with the Contract Resource Obligation are reasonable for the services or capacity rendered; (ii) the source of any new capacity, and any facilities to be constructed to provide the capacity, are sound from a sanitation or other service planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide capacity or service no later than a date set forth in the Engineer’s Report; and (iii) the Adjusted Annual Net Water Revenues (further adjusted by the Independent Engineer’s estimate of the payments to be made in accordance with the Contract Resource Obligation) for the five (5) Fiscal Years following the year in which the Contract Resource Obligation is incurred, as such Adjusted Annual Net Water Revenues are

estimated by the Independent Engineer in accordance with the provisions of and adjustments permitted in the provisions of the Master Installment Sale Agreement related to the execution of Parity Obligations, will be at least equal to the Coverage Requirement.

Payments required to be made under Contract Resource Obligations shall not be subject to acceleration.

Nothing in this section shall be deemed to prevent the City from entering into other agreements for the acquisition of sanitation or other commodity or service from existing facilities and from treating those payments as Maintenance and Operation Costs; and nothing in this section shall be deemed to prevent the City from entering into other agreements for the acquisition of sanitation or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Net Water Revenues subordinate to that of the Contracts.

Additional Covenants. The City may provide additional covenants pursuant to any Supplemental Installment Sale Agreement, including covenants relating to any credit support and/or liquidity support obtained for Obligations; provided, however, that such additional covenants do not materially and adversely affect the right of Owners of outstanding Obligations issued prior to any such Supplemental Installment Sale Agreement.

Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Master Installment Sale Agreement and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the Master Installment Sale Agreement.

Events of Default

If one or more of the following Events of Default shall happen, that is to say –

(1) if default shall be made in the due and punctual payment of any Payment under any Supplemental Installment Sale Agreement or any Parity Obligation when and as the same shall become due and payable;

(2) if default shall be made by the City in the performance of any other of the agreements or covenants contained in the Master Installment Sale Agreement or in any Supplemental Installment Sale Agreement required to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority or the Trustee; or

(3) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) or (3) above, the Authority shall, upon written approval of the applicable Credit Provider, and for any other such Event of Default the Authority may, by notice in writing to the applicable Credit

Provider and the City given not later than three (3) Business Days after it receives notice of an Event of Default or direction to proceed under an Event of Default, declare the entire amount of the unpaid principal amount of the Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained in the Master Installment Sale Agreement to the contrary notwithstanding; provided, that if at any time after the entire amount of the unpaid principal amount of the Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire amount of the unpaid Payments due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Net Water Revenues Upon Event of Default.

All Net Water Revenues upon the date of the declaration of acceleration by the Authority and all Net Water Revenues thereafter received shall be applied in the following order (subject on a pro rata basis to the acceleration provisions of parity obligations) –

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of the Master Installment Sale Agreement, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the principal amount of the unpaid Parity Payments (except any Termination Payments), and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference;

Third, to the payment of the unpaid principal amount of the Parity Payments (except any Termination Payments) then due and payable with interest on the overdue principal and interest amounts of the unpaid Parity Payments at the rate or rates of interest then applicable to such Parity Payments if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Parity Payments on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference;

Fourth, to the payment of any other amounts becoming due and payable with respect to Parity Obligations (including any letter of credit and remarketing fees);

Fifth, to the payment of the Subordinate Payments (except any Termination Payments) then due and payable and any other amounts becoming due and payable with respect to Subordinate Obligations (including any letter of credit and remarketing fees) and any Termination Payments on all Parity Payment Agreements; and

Sixth, to the payment of all other amounts due and payable by the City, including, but not limited to the payment of any Termination Payments on all Subordinate Payment Agreements.

Other Remedies

The Authority shall have the right –

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the agreements and covenants required to be performed by it or him contained in the Master Installment Sale Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver

Nothing in the Installment Sale Agreement shall affect or impair the obligation of the City, which is absolute and unconditional, to pay from Net Water Revenues, first the Parity Payments and second, the Subordinate Payments to the Authority at the respective due dates or upon prepayment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Master Installment Sale Agreement.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by or any applicable law or by the Master Installment Sale Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Master Installment Sale Agreement conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Installment Sale Agreement or existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any applicable law.

Discharge of Obligations

(a) If the City shall pay or cause to be paid all the Payments at the times and in the manner provided in the Master Installment Sale Agreement, the right, title and interest of the Authority in the

Master Installment Sale Agreement and the obligations of the City thereunder and under all Supplemental Installment Sale Agreements shall cease, terminate, become void and be completely discharged and satisfied.

(b) All or any portion of the Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided in the applicable Issuing Document, or if not so provided therein, in the manner described in paragraph (c) below.

(c) All or any portion of the Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (i) notice is provided by the City to the Authority, (ii) there shall have been deposited with the Authority either money in an amount which shall be sufficient, or Defeasance Securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Authority, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant or other party satisfactory to the Trustee regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the prepayment premiums, if any, applicable thereto and (iii) all fees and expenses with respect to the Obligations shall have been paid.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and the payment in full of all fees and expenses of the Authority, the Authority, upon receipt of a Request of the City, shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority and shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Master Installment Sale Agreement, and the Authority shall pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant to the Master Installment Sale Agreement other than such money and such investments as are required for the payment or prepayment of the Payments, which money and investments shall continue to be held in trust for the payment of the Payments.

Amendments to Master Installment Sale Agreement

The City and the Authority shall not supplement, amend, modify or terminate any of the terms of the Master Installment Sale Agreement, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent shall be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the holders of Obligations or result in any material impairment of the security given for the payment of the Obligations, or (b) the Trustee first obtains the written consent of a majority in aggregate principal amount of the Parity Obligations then Outstanding and of all Bond Insurers acting unanimously to such supplement, amendment, modification or termination, and, if the supplement, amendment, modification or termination affects the definition of the term "Coverage Requirement" or any of the other defined terms used in such definition or the sections of the Master Installment Sale Agreement related to the Improvement Fund, conditions for the execution of Parity Obligations, sale or disposition of property, or covenants concerning amounts of rates, fees and charges, the Trustee shall also first obtain the written consent of a majority in aggregate principal amount of Subordinate Obligations then Outstanding and of all Bond Insurers acting unanimously; provided, that any supplement that complies with the provisions of the Master Installment Sale Agreement related to execution of supplemental installment sale agreements shall not be deemed to materially adversely affect the interests of the holders of Obligations or result in

any material impairment of the security given for the payment of the Obligations; and provided further, that no such supplement, amendment, modification or termination shall reduce the amount of Payments to be made to the Authority or the Trustee by the City pursuant to the Master Installment Sale Agreement, or extend the time for making such Payments, or permit the creation of any lien prior to or on a parity with the lien created by the Master Installment Sale Agreement on the Payments without the written consent of all of the holders of all Obligations then Outstanding and of all Bond Insurers acting unanimously.

Liability of City Limited to Net Water Revenues

Notwithstanding anything contained in the Master Installment Sale Agreement, the City shall not be required to advance any money derived from any source of income other than the Net Water Revenues for the payment of first, the Parity Payments and second, the Subordinate Payments or for the performance of any agreements or covenants required to be performed by it contained in the Master Installment Sale Agreement; provided, that the City may advance money for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make first, the Parity Payments and second, the Subordinate Payments is a special obligation of the City payable solely from the Net Water Revenues as provided in the Master Installment Sale Agreement, and such obligations do not constitute a debt of the City or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

CERTAIN PROVISIONS OF THE FIRST SUPPLEMENTAL INSTALLMENT SALE AGREEMENT

Certain Definitions of the First Supplemental Installment Sale Agreement

“1996 Installment Sale Agreement” means that certain 1996 Waster Installment Sale Agreement executed and entered into as of December 1, 1996, by and between the City and the Authority, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance therewith.

“1996 Installment Sale Payments” means the Installment Sale Payments scheduled to be paid by the City under and pursuant to the 1996 Installment Sale Agreement.

“Purchase Price” means the principal amount plus the interest thereon owed by the City to the Authority under the conditions and terms of the First Supplemental Installment Sale Agreement.

“Refunding Price” means the portion of the principal amount of the 2008 Payments plus the interest thereon owed by the City to the Authority for the refunding a portion of the 1996 Installment Sale Payments under the terms of the First Supplemental Installment Sale Agreement.

“Reserve Account” means that Account within the Reserve Fund held under the Trust Agreement relating to the First Supplemental Installment Sale Agreement.

Payment of the 2008 Payments

The City shall, subject to any rights of prepayment, pay the Authority the Purchase Price and the Refunding Price, without offset or deduction of any kind, by paying the principal installments of the 2008 Payments annually in the amounts and on July 1 in each of the years and in accordance with the

Installment Sale Agreement, together with the interest installments of the 2008 Payments (which interest installments shall be paid semi-annually on each January 1 and July 1 and shall constitute interest paid on the principal amount of the City's obligation to make the 2008 Payments to the Authority under the First Supplemental Installment Sale Agreement) and any amounts due to make up any deficiency in the Reserve Account as provided in the First Installment Sale Agreement.

The obligation of the City under the First Supplemental Installment Sale Agreement shall constitute a "Parity Obligation" under the Master Installment Sale Agreement.

The obligation of the City to make the 2008 Payments to the Authority under the First Supplemental Installment Sale Agreement is, subject to the Master Installment Sale Agreement, absolute and unconditional, and until such time as the 2008 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to of the Master Installment Sale Agreement), the City shall not discontinue or suspend any 2008 Payment required to be paid by it under this section when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such 2008 Payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or non-performance by any party to any agreement for any cause whatsoever.

Certain Covenants of the City

Tax Covenants. The City agrees and covenants that it will at all times do and perform all acts and things permitted by law and the First Supplemental Installment Sale Agreement and the Trust Agreement which are necessary in order to assure that interest paid on the Series 2008 Bonds (or any of them) will be excluded from gross income for federal income tax purposes, and that it will take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City agrees and covenants to comply with the provisions of the Tax Certificate related to the Series 2008 Bonds which are incorporated in the First Supplemental Installment Sale Agreement. This covenant shall survive payment in full or defeasance of the Series 2008 Bonds.

Continuing Disclosure. The City agrees and covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the First Supplemental Installment Sale Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default under the Master Installment Sale Agreement or the Trust Agreement; provided that the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Holders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Series 2008 Bonds and upon being provided with indemnification reasonably acceptable to it, shall) or any Holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations described in this section.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the CITY OF BRENTWOOD (the “City”), for and on behalf of itself and the Brentwood Infrastructure Financing Authority (the “Authority”), in connection with the execution and delivery of the Authority’s Water Revenue Bonds, Series 2008 (the “Bonds”). The Bonds are being executed and delivered pursuant to a Master Trust Agreement, dated as of November 1, 2008 (the “Master Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Trust Agreement, dated as of November 1, 2008 (the “First Supplemental Trust Agreement”, and, together with the Master Trust Agreement the “Trust Agreement”). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Central Post Office*” means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate.

“*Dissemination Agent*” means U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*National Repository*” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available from the Securities and Exchange Commission on the Internet at www.sec.gov.

“*Official Statement*” means the Official Statement relating to the Bonds.

“*Participating Underwriter*” means RBC Capital Markets Corporation, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Report Date*” means not later than 270 days after the end of the City’s fiscal year (presently June 30).

“*Repository*” means each National Repository and each State Repository.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Report Date, commencing with the report for the 2007-08 Fiscal Year, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee and the Participating Underwriter. Not later than 15 business days before the Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. The audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Report Date, if not available by the Report Date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City under this Disclosure Certificate.

(b) If the City is unable to provide to the Repositories an Annual Report by the Report Date, the City shall, by written direction, cause the Dissemination Agent to provide to each Repository and to the Municipal Securities Rulemaking Board and each State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Report Date the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City, which shall include financial statements of the City’s municipal water system (the “Water System”) prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Report Date, financial information and operating data with respect to the City and the Water System for the preceding fiscal year, substantially as set forth in Exhibit B hereto.

Any or all of the items listed in Exhibit B may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of Holders.
- (viii) Contingent or uncheduled redemption of Bonds.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, by written direction, cause the Dissemination Agent to promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee and the Participating Underwriter, together with written direction to the Trustee whether or not to notify the Holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent; Use of Central Post Office.

(a) The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. Any Dissemination Agent may resign by providing 30 days' written notice to the City and the Trustee.

(b) The City reserves the right to make any filing with a Repository which is required by this Disclosure Certificate by submitting such filing information to the Central Post Office.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions of this Section, the first annual financial information filed pursuant to this Disclosure Certificate containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent, but shall terminate upon the termination of the City's obligations under this Certificate pursuant to Section 6 of this Certificate.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Authority: Brentwood Infrastructure Financing Authority
c/o City of Brentwood
708 Third St.
Brentwood, CA 94513
Attention: Director of Finance and Information
Systems
Fax: (925) 516-5401

To the City: City of Brentwood
708 Third St.
Brentwood, CA 94513
Attention: Director of Finance and Information
Systems
Fax: (925) 516-5401

To the Trustee/Dissemination Agent

U.S. Bank National Association
One California Street, Suite 2100
San Francisco, CA 94111
Attention: Corporate Trust Services
Fax: (415) 273-4590

To the Participating Underwriter:

RBC Capital Markets Corporation
345 California Street, Suite 2800
San Francisco, CA 94104
Attention: Bob Williams
Fax: (415) 445-8679

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2008

CITY OF BRENTWOOD

By _____
Treasurer, Director of Finance
& Information Systems

ACCEPTED AND AGREED:

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By _____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF BRENTWOOD
Name of Issue: \$53,200,000 Brentwood Infrastructure Financing Authority,
Water Revenue Bonds, Series 2008
Date of Issuance: November 13, 2008

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated as of November 1, 2008, executed by the City of Brentwood, on its own behalf and on behalf of the Brentwood Infrastructure Financing Authority. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT

By: _____

Title: _____

cc: City of Brentwood
Trustee

EXHIBIT B
ANNUAL REPORT
\$53,200,000
BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY
WATER REVENUE BONDS
SERIES 2008

Date of this Annual Report: _____

For Fiscal Year: _____

This Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated as of November 1, 2008 executed by the undersigned (the "City") for and on behalf of itself and the Brentwood Infrastructure Financing Authority (the "Authority") in connection with the issuance of the above-captioned bonds by the Authority.

Capitalized terms used in this Annual Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

Any or all of the items listed below may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

I. Audited Financial Statements

Attached are audited financial statements of the City, which include financial statements of the City's municipal Water System (the "Water System") prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

II. Financial Information and Operating Data of the Systems

Unless otherwise provided in the audited financial statements, an update for the prior fiscal year of the financial information and operating data with respect to the Systems of the following type (or information comparable thereto) included in the Official Statement relating to the Bonds:

- a) The information in Appendix A to the Official Statement under the caption "Rate Structure."
- b) Table 2 of Appendix A to the Official Statement entitled "City of Brentwood – Water Rates Per Billing Unit Per Month."
- c) Table 3 of Appendix A to the Official Statement entitled "City of Brentwood - Customer Accounts as a Percentage of Revenues."
- d) Table 7 of Appendix A to the Official Statement entitled "City of Brentwood – Top Water System Accounts."

- e) Table 8 of Appendix A to the Official Statement entitled “City of Brentwood - Historical Net Water Revenues and Debt Service Coverage.”

III. Additional Information, as needed

APPENDIX D

THE CITY OF BRENTWOOD

The following information concerning the City and surrounding areas are included only for the purpose of supplying general information regarding the community. The 2008 Bonds are not a debt of the Authority, the City, the Redevelopment Agency, or the State or any of its political subdivisions and neither said Authority, said City, said Redevelopment Agency, said State, nor any of its political subdivisions is liable therefor. See "SECURITY FOR THE 2008 BONDS" in the forepart of this Official Statement.

The City is located in eastern Contra Costa County (the "County") across the San Francisco Bay approximately 45 miles northeast of San Francisco, 65 miles southwest of Sacramento and 10 miles east of Antioch. The City contains approximately 14.8 square miles in total area and its population has increased significantly in recent years.

Farmers first settled in the City in 1878. Until the past decade, the City had retained its agricultural orientation. In recent years, new residential subdivisions have transformed the City into a more suburban environment, as evidenced by its rapid population growth. Land uses in and around the City are characterized by older farming districts and an original downtown area, contrasted with rapidly expanding residential neighborhoods in the peripheral areas of the City.

The City enjoys close proximity to major regional employment areas, including San Francisco and the northern Bay Area, Walnut Creek and the San Ramon corridor in the County, and the Stockton and central San Joaquin Valley area to the east. The City is also close to major regional recreation areas, including Mt. Diablo State Park approximately 25 miles to the west, the Sierra Nevada Mountains 90 miles to the east, and the Sacramento Delta waterway to the north.

Municipal Government

The City was incorporated in 1948 as a general law city. The City Council is made up of four council members elected at large to serve four-year overlapping terms, with elections held every two years. The mayor is directly elected to serve a two-year term. The City Council and mayor appoint a city manager to administer the daily affairs of the City and to implement policies established by the City Council.

The City's municipal functions include police protection, water service, highways and streets, sanitation, youth services, public improvements, parks and recreation services, community development and general administrative services. The City has approximately 275 employees.

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Population

The following chart indicates historic population estimates of the City, the County, and the State of California (the “State”).

TABLE 1
HISTORICAL CITY, COUNTY AND STATE POPULATION DATA
(As of January 1, 2008)

Year	City of Brentwood	Contra Costa County	State of California
2003	34,109	996,159	35,691,472
2004	38,395	1,008,178	36,245,016
2005	42,050	1,019,101	36,728,196
2006	45,892	1,029,377	37,172,015
2007	48,677	1,037,580	37,559,440
2008	50,614	1,051,674	38,049,462

Source: State of California, Department of Finance.

Effective Buying Income

Effective Buying Income is defined as personal income less personal tax and nontax payments, a number often referred to as disposable or after-tax income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.), and personal contributions to social insurance.

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The following table summarizes the median household Effective Buying Income for the County, the State, and the United States for the period 2002 through 2006.

TABLE 2
EFFECTIVE BUYING INCOME
As of January 1, 2002 through 2006

Year	Area	Median Household Effective Buying Income
2002	Contra Costa County	\$54,448
	California	42,484
	United States	38,035
2003	Contra Costa County	\$54,862
	California	42,924
	United States	38,201
2004	Contra Costa County	\$56,165
	California	43,915
	United States	39,324
2005	Contra Costa County	\$56,979
	California	44,681
	United States	40,529
2006	Contra Costa County	\$58,497
	California	46,275
	United States	41,255

Sources: Sales & Marketing Management Survey of Buying Power (for 2002-2004) and Demographics USA (for 2005 and 2006).

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Assessed Valuation

The following table shows the assessed valuation for the City for the fiscal years ending June 30, 2003 through June 30, 2008.

TABLE 3
CITY OF BRENTWOOD
Assessed Value and Estimated Actual
Value of Taxable Property⁽¹⁾

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2008	\$ 6,846,457,166	\$ 523,981,184	\$ 72,172,090	\$ 783,572,929	\$ 107,975,826	\$ 8,118,207,543	1.3200%
2007	6,113,626,591	470,049,609	59,128,465	626,092,781	96,882,748	7,172,014,698	1.0038%
2006	4,154,730,562	349,720,006	36,479,015	1,151,608,684	93,209,265	5,599,329,002	1.0040%
2005	3,515,069,389	287,458,470	40,651,651	736,390,251	82,710,234	4,496,859,527	1.0051%
2004	3,042,749,265	186,451,612	36,523,807	386,365,328	80,350,496	3,571,739,516	1.0063%
2003	2,287,079,944	165,902,523	44,072,038	412,113,848	62,211,396	2,846,956,957	1.0095%

⁽¹⁾ General property taxes are calculated at 1% of total assessed value less local exemptions.
Source: City of Brentwood.

The following table identifies the ten largest property taxpayers within the City for Fiscal Year 2007-08.

TABLE 4
CITY OF BRENTWOOD
Principal Property Taxpayers
Fiscal Year 2007-2008

Taxpayer	Taxable Assessed Value	Percent of District's Total Taxable Value
Barrington Estates LLC	\$ 104,081,434	1.28%
Trilogy Vineyards LLC	85,952,958	1.06%
Sand Creek Crossing LLC	57,841,763	0.71%
DS Lone Tree Plaza LLC	42,872,415	0.53%
John Muir/Mt. Diablo Health	40,584,970	0.50%
HPH Properties	39,304,620	0.48%
Richmond American Homes of California	32,052,615	0.39%
Prestige Homes Limited Partnership	28,450,854	0.35%
Brighton Station Investment Properties LLC	27,476,092	0.34%
Washington Mutual Bank	21,528,415	0.27%
Total	\$ 480,146,136	5.91%

Source: City of Brentwood.

Commercial Activity

Total taxable sales during the first and second quarters of calendar year 2007 in the City were reported to be \$209,107,000, a 5.68% increase over the total taxable sales of \$197,874,000 reported during the first and second quarters of calendar year 2006. The following table presents the number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City. Yearly figures are not yet available for 2007 and 2008.

**TABLE 5
CITY OF BRENTWOOD
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2002	292	\$169,876	561	\$199,316
2003	362	198,832	687	232,542
2004	387	298,821	745	334,262
2005	426	348,694	828	388,356
2006	456	362,644	893	409,480

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first and second quarters of calendar year 2007 in the County were \$6,821,893,000, a 3.49% increase over the total taxable sales of \$6,591,638,000 reported during the first and second quarters of calendar year 2006. The following table presents the number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County. Yearly figures are not yet available for 2007 and 2008.

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TABLE 6
CONTRA COSTA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2002	10,836	\$9,044,346	22,541	\$12,159,424
2003	11,575	9,025,114	23,253	12,223,295
2004	11,717	9,697,365	23,571	12,990,538
2005	11,776	10,072,084	23,692	13,480,075
2006	11,467	10,275,907	23,249	13,867,661

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

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Employment

Contra Costa County and Alameda County comprise the Oakland Metropolitan Statistical Area. The following table outlines civilian labor force, employment, and unemployment statistics for the Oakland Metropolitan Statistical Area.

TABLE 7
OAKLAND METROPOLITAN STATISTICAL AREA
(Alameda and Contra Costa Counties)
Civilian Labor Force, Employment and Unemployment, Employment by Industry
(Annual Averages)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Civilian Labor Force ⁽¹⁾	1,264,100	1,258,300	1,254,900	1,277,600	1,285,400
Employment	1,183,200	1,189,800	1,196,700	1,217,700	1,217,500
Unemployment	80,900	68,500	58,200	59,900	67,900
Unemployment Rate	6.4%	5.4%	4.6%	4.7%	5.3%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,100	1,100	1,200	1,200	1,200
Natural Resources and Mining	1,200	1,100	1,100	1,200	1,200
Construction	63,800	67,100	69,200	69,000	67,300
Manufacturing	97,900	96,300	95,800	94,000	92,600
Wholesale Trade	47,900	48,400	48,100	48,600	48,200
Retail Trade	109,600	112,000	114,800	113,800	112,900
Transportation, Warehousing and Utilities	33,800	34,200	33,700	35,700	36,200
Information	31,600	30,900	30,000	29,600	28,700
Finance and Insurance	48,800	50,600	50,500	46,800	43,000
Real Estate and Rental and Leasing	17,900	18,300	18,500	16,700	16,000
Professional and Business Services	143,700	147,400	150,600	152,700	152,700
Educational and Health Services	115,300	115,800	118,700	121,600	124,000
Leisure and Hospitality	77,700	79,000	81,500	84,400	85,200
Other Services	35,800	34,600	34,900	35,000	35,700
Federal Government	17,900	17,200	17,300	17,300	16,800
State Government	47,500	45,900	45,200	45,000	45,500
Local Government	114,500	116,100	117,600	120,800	126,800
Total, All Industries ⁽³⁾	<u>1,006,000</u>	<u>1,016,000</u>	<u>1,028,700</u>	<u>1,033,400</u>	<u>1,034,000</u>

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽³⁾ Totals may not add due to rounding.

Source: Labor Division of the California State Employment Development Department.

Major Employers

The following table lists the largest employers within the County in alphabetical order.

TABLE 8
COUNTY OF CONTRA COSTA
Major Employers
(As of January 2008)

Employer Name	Location	Industry
ADP	San Ramon	Payroll Preparation Service
BART	Richmond	Transit Lines
Berlex Biosciences	Richmond	Pharmaceutical Preparation (Manufacturers)
Big Blow Tyre Barn	Crockett	Real Estate Loans
Chevron Corporation	San Ramon	Oil Refiners (Manufacturers)
Chevron Global Downstream LLC	San Ramon	Service Stations-Gasoline & Oil
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Medical Center	Martinez	Government Offices-County
Diablo Valley College	Pleasant Hill	Schools-Universities & Colleges Academic
Doctor's Medical Center	San Pablo	Hospitals
John Muir Physical Rehab	Concord	Rehabilitation Services
John Muir Physician Referral	Walnut Creek	Hospitals
Kaiser Permanente Medical Center	Walnut Creek	Hospitals
Kaiser Permanente Medical Center	Martinez	Health Plans
Martinez Refining Co.	Martinez	Petroleum Products (Manufacturers)
Muirlab	Walnut Creek	Laboratories-Medical
PMI Mortgage Insurance Co.	Walnut Creek	Insurance-Mortgage
Richmond City Offices	Richmond	Government Offices-City, Village & TWP
San Ramon Regional Medical Center	San Ramon	Hospitals
Shell Oil Products Co.	Martinez	Service Stations-Gasoline & Oil
St Mary's College-California	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Center	Antioch	Hospitals
Tesoro Refining & Marketing	Pacheco	Oil Refiner (Manufacturers)
U.S. Veterans Medical Center	Martinez	Hospitals
USS-POSCO Industries	Pittsburg	Steel Mill (Manufacturers)

Source: California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database.

Construction

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

**TABLE 9
CITY OF BRENTWOOD
Building Permit Valuation
(Valuation in Thousands of Dollars)**

<u>Permit Valuation</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
New Single-family	\$260,659.7	\$271,770.0	\$301,457.8	\$111,963.7	\$77,304.2
New Multi-family	0.0	19,093.3	4,089.8	7,591.6	157.1
Res. Alterations/Additions	<u>1,189.9</u>	<u>2,551.8</u>	<u>2,926.1</u>	<u>10,610.6</u>	<u>7,287.4</u>
Total Residential	\$261,849.6	\$293,415.1	\$308,473.7	\$130,165.9	\$84,748.7
New Commercial	\$23,395.9	\$33,637.2	\$13,319.3	\$25,445.9	\$25,805.5
New Industrial	1,626.4	5,113.1	7,453.0	1,715.3	876.7
New Other	10,444.3	14,130.6	21,133.3	1,001.7	2,072.5
Com. Alterations/Additions	<u>3,353.5</u>	<u>13,076.4</u>	<u>6,502.3</u>	<u>5,564.3</u>	<u>6,889.3</u>
Total Nonresidential	\$38,820.1	\$65,957.4	\$48,407.9	\$33,727.2	\$35,644.0
<u>New Dwelling Units</u>					
Single Family	1,361	1,306	1,413	417	254
Multiple Family	<u>0</u>	<u>226</u>	<u>82</u>	<u>102</u>	<u>2</u>
TOTAL	1,361	1,532	1,495	519	256

Source: City of Brentwood.

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TABLE 10
CONTRA COSTA COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

Permit Valuation	2003	2004	2005	2006	2007
New Single-family	\$1,263,359.9	\$1,113,572.4	\$1,525,515.3	\$495,289.6	\$433,321.5
New Multi-family	190,449.4	123,332.9	106,511.5	11,737.7	20,633.5
Res. Alterations/Additions	<u>230,427.8</u>	<u>233,108.3</u>	<u>293,394.4</u>	<u>96,617.7</u>	<u>80,490.7</u>
Total Residential	\$1,684,237.2	\$1,470,013.6	\$1,925,421.2	\$603,645.0	\$534,445.7
New Commercial	\$128,738.0	\$102,549.3	\$87,900.5	\$26,014.8	\$22,197.5
New Industrial	33,047.1	17,421.4	21,155.9	98,462.2	150,441.5
New Other	53,034.2	68,104.1	122,625.7	21,444.2	26,954.5
Com. Alterations/Additions	<u>197,298.8</u>	<u>187,108.9</u>	<u>161,187.6</u>	<u>1,319.7</u>	<u>137.4</u>
Total Nonresidential	\$412,118.0	\$375,183.8	\$392,869.7	\$147,240.9	\$199,730.9
<u>New Dwelling Units</u>					
Single Family	4,965	4,222	5,452	1,470	1,295
Multiple Family	<u>1,930</u>	<u>1,261</u>	<u>860</u>	<u>5</u>	<u>13</u>
TOTAL	6,895	5,483	6,312	1,475	1,308

Source: Contra Costa County.

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Utilities

Pacific Gas & Electric provides gas and electric services in the City. AT&T provides telephone service. Water is supplied by City wells and the East Bay Municipal Utility District through the City water lines and filtration plant. The City supplies sewer services.

Education

The City is part of the Brentwood Union School District and Liberty Union High School District which provides K-12 public education needs. There are three high schools, two junior highs and seven elementary schools located in the City.

Near the City are five colleges: an extension of the Los Medanos Community College in Pittsburg, Diablo Valley Community College in Concord, California State University, East Bay in Concord and San Joaquin Delta Community College, and University of the Pacific in Stockton.

Transportation

The City, located near the cities of Antioch and Stockton, is in close proximity to a highly developed transportation network. State Highway 4 runs in an east/west direction through the City, intersecting Interstate 680 near Martinez and Interstate 80 in Hercules. To the east, Highway 4 leads to Stockton where it intersects with Interstate 5. The highways provide the City with access to major regional workplace and recreation areas. The City is close to both regional and international airports: the Concord Airport, the Stockton Airport, and the Oakland International Airport.

TABLE 11
PROXIMITY TO MAJOR URBAN CENTERS

<u>Proximity</u>	<u>Distance</u>	<u>Time</u>
Antioch to Brentwood	10 miles	15 minutes
Concord to Brentwood	26 miles	30 minutes
Oakland to Brentwood	46 miles	50 minutes
Stockton to Brentwood	37 miles	30 minutes
San Francisco to Brentwood	54 miles	80 minutes
Sacramento to Brentwood	75 miles	90 minutes

Source: City of Brentwood.

The City is also served by bus lines and railroads. Bay Area Rapid Transit (“BART”) provides a bus service from Antioch connecting to the existing Concord BART station. BART stations in West Pittsburg and Pittsburg opened recently, further extending the rapid transit system into the east County area.

Contra Costa County

Situated northeast of San Francisco, the County is bounded by the San Francisco and San Pablo Bays, the Sacramento River Delta and Alameda County. Hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County’s heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area to a suburban region. The County has extensive and varied transportation facilities

including ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

The County is home to over 1,050,000 people and thousands of businesses who are served by 18 cities, 201 special districts, and the County. The County also provides municipal services for residents of unincorporated areas.

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APPENDIX E
AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

ACCOUNTANCY CORPORATION

3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
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maze@mazeassociates.com
www.mazeassociates.com

Honorable Mayor and City Council
City of Brentwood, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brentwood, California as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the City as of June 30, 2006 were audited by other auditors whose report dated November 28, 2006 was unqualified.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the basic financial statements are free of 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brentwood, California at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated October 12, 2007 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis and the Required Supplementary Information are not a required part of the basic financial statements but are supplementary information required by the Government 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 this information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Brentwood. Such information has been subjected to the auditing procedures applied in our 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.

The introductory section and statistical section listed in the table of contents were not audited by us and we do not express an opinion on this information.

Maze and Associates

A Professional Corporation

October 12, 2007



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This discussion and analysis of the City of Brentwood's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Letter of Transmittal, the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$658.6 million. Of this amount, \$81.2 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$79.3 million due primarily to development impact fees and contributed assets.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$117.6 million, an increase of \$.5 million in comparison to the prior year.
- The City's total long-term debt decreased by \$3.3 million.
- Internal Service (Replacement) Funds have net assets of \$26.0 million at year end, which is an increase of \$5.0 million from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Brentwood ("the City") and its component units using the blended approach as prescribed by government accounting standards. The City's basic financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements.

The **Government-Wide Financial Statements** present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City, including infrastructure, as well as all liabilities, including long-term debt. Additionally, certain eliminations have occurred, as prescribed by GASB 34, in regards to interfund activity, payables and receivables.

Governmental Activities – Most of the City's basic services are reported in this category including the General Government, Public Safety, Community Development, Engineering, Public Works, Community Services and Parks and Recreation. Property and sales taxes, user fees, interest income, franchise fees and state and federal grants finance these activities.

Business-Type Activities – The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Wastewater, Solid Waste, Water, City Rental and Housing activities are reported in this category.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. In addition, these two statements report the City's net assets and changes in them. Over time, increases or decreases in the City's net assets are one indicator of whether its financial

health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads. The Government-Wide Financial Statements can be found on pages 17 – 18 of this report.

The **Fund Financial Statements** provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants and other money.

The City's Fund Financial Statements are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. The Governmental Fund financials are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The Proprietary Fund financials are prepared using the economic resources measurement focus and the accrual basis of accounting. The Fiduciary Funds are agency funds which only report a balance sheet and do not have a measurement focus. The Fund Financial Statements can be found on pages 19 – 27 of this report.

Governmental Funds – Most of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental Fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund Financial Statements to those in the Government-Wide Financial Statements are explained in a reconciliation following each Governmental Fund Financial Statement. The Governmental Fund Financial Statements can be found on pages 19 – 22 of this report.

Proprietary Funds – When the City charges customers for services it provides, whether to outside customers or other units of the City, these monies are generally reported in Proprietary Funds. The City maintains two different types of Proprietary Funds – Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. Examples of Enterprise Funds include Water and Solid Waste. Internal Service Funds are used to report activities which provide supplies and services for the City's other programs and activities. Two examples are the City's Information Systems Replacement Fund and the Fleet Maintenance Services Fund. Internal Service Funds are reported with governmental activities in the Government-Wide Financial Statements, found on pages 17 – 18 of this report.

Proprietary Funds provide a more detailed version of the information provided in the Government-Wide Financial Statements. Cash flows for the Proprietary Funds and the Internal Service Funds are provided, as well as combining statements for the individual Internal Service Funds. The Proprietary Fund Financial Statements can be found on pages 23 – 25 of this report.

Fiduciary Funds – The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners and others. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Government-Wide Financial Statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Fiduciary Fund Financial Statement can be found on page 27 of this report.



Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements can be found on pages 29 – 70 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning: 1) budgetary comparison schedules for the general fund and each major special revenue fund and 2) the City's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information can be found on pages 71 – 74 of this report.

Combining and Individual Fund Statements and Schedules

Combining and Individual Fund Statements and Schedules for the following funds can be found on pages 75 – 123 of this report: Non-Major Governmental Funds, Internal Service Funds, Fiduciary Funds, General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net assets for the City as a whole increased 13.7% from \$579.3 million at June 30, 2006 to \$658.6 million at June 30, 2007. This increase of \$79.3 million comes from the change in net assets as recorded in the Statement of Activities and which flows through the Statement of Net Assets. Invested in capital assets, net of related debt, increased \$67.4 million during the year. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves can't be used to liquidate these liabilities.

An additional portion of the City's net assets represent resources which are subject to external restrictions on how they may be used. This restricted amount is \$110.3 million as of June 30, 2007. The remaining balance of unrestricted net assets, \$81.2 million as of June 30, 2007, may be used to meet the City's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 154,808,543	\$ 147,961,234	\$ 57,381,055	\$ 48,422,953	\$ 212,189,598	\$ 196,384,187
Capital Assets	379,572,774	334,722,847	174,573,049	157,837,344	554,145,823	492,560,191
Total Assets	<u>534,381,317</u>	<u>482,684,081</u>	<u>231,954,104</u>	<u>206,260,297</u>	<u>766,335,421</u>	<u>688,944,378</u>
Current Liabilities	\$ 17,030,668	\$ 15,008,427	\$ 6,107,518	\$ 6,808,029	\$ 23,138,186	\$ 21,816,456
Long-Term Liabilities Outstanding	36,781,822	37,499,176	47,805,597	50,339,477	84,587,419	87,838,653
Total Liabilities	<u>53,812,490</u>	<u>52,507,603</u>	<u>53,913,115</u>	<u>57,147,506</u>	<u>107,725,605</u>	<u>109,655,109</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 342,332,679	\$ 294,803,288	\$ 124,783,446	\$ 104,790,118	\$ 467,116,125	\$ 399,593,406
Restricted	79,105,723	81,395,898	31,204,635	30,182,173	110,310,358	111,578,071
Unrestricted	59,130,425	53,977,292	22,052,908	14,140,500	81,183,333	68,117,792
Total Net Assets - Restated	<u>\$ 480,568,827</u>	<u>\$ 430,176,478</u>	<u>\$ 178,040,989</u>	<u>\$ 149,112,791</u>	<u>\$ 658,609,816</u>	<u>\$ 579,289,269</u>

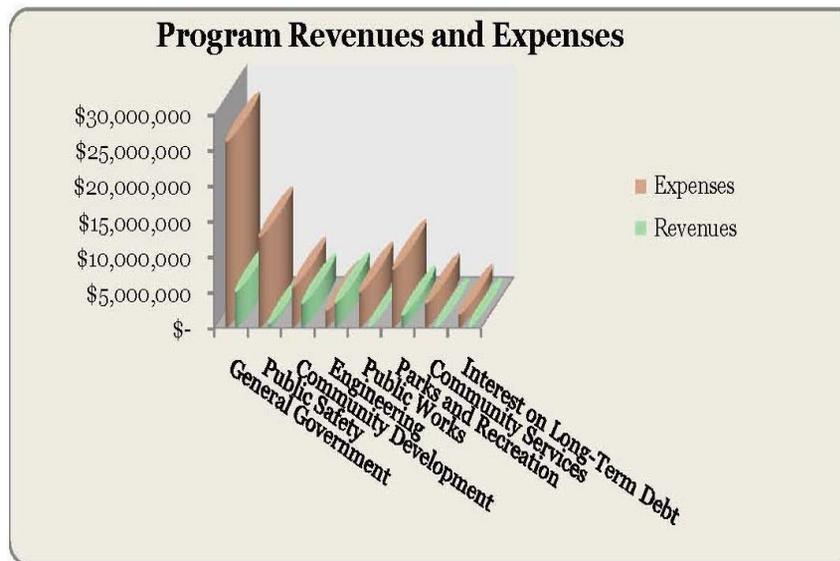
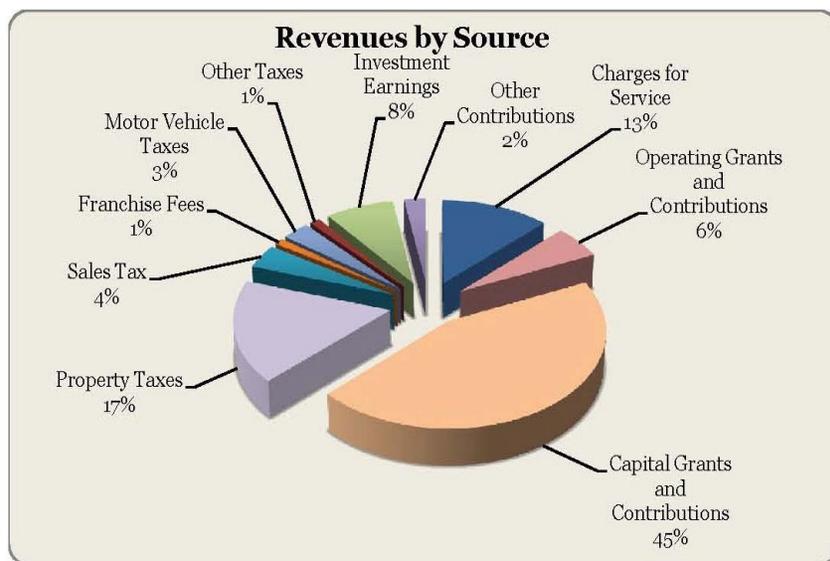
Governmental Activities – The City’s net assets from governmental activities increased 11.7% from \$430.2 million to \$480.6 million. This increase represents 63.5% of the City’s total growth in net assets. The majority of this increase was due to an increase in fixed assets through capital contributions.

Business-Type Activities –The City’s net assets from Business-Type activities increased 19.4% from \$149.1 million to \$178.0 million. Investment in capital assets, net of related debt, increased \$20.0 million due to capital asset contributions from development. Overall, the unrestricted net assets increased by \$7.9 million

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 14,225,400	\$ 16,189,709	\$ 31,451,819	\$ 27,067,781	\$ 45,677,219	\$ 43,257,490
Operating Grants and Revenues	6,443,633	200,915	-	-	6,443,633	200,915
Capital Grants and Contributions	50,529,249	212,611	22,969,310	-	73,498,559	212,611
General Revenues:						
Taxes:						
Property Taxes	19,676,078	14,887,469	-	-	19,676,078	14,887,469
Sales Tax	4,661,529	5,411,724	-	-	4,661,529	5,411,724
Franchise Fees	1,230,265	1,021,258	-	-	1,230,265	1,021,258
Public Service Taxes	527,766	1,000,573	-	-	527,766	1,000,573
Measure C, TOT	598,358	532,035	-	-	598,358	532,035
Motor Vehicle Taxes	3,597,495	3,502,237	-	-	3,597,495	3,502,237
Other Taxes	260,577	188,636	-	-	260,577	188,636
Investment Earnings	8,960,696	3,639,789	2,535,390	1,199,763	11,496,086	4,839,552
Impact Fees	-	31,600,393	-	11,381,912	-	42,982,305
Capital Contributions	-	33,424,231	-	6,287,482	-	39,711,713
Intergovernmental	42,737	1,151,837	-	-	42,737	1,151,837
Interfund Services	48,484	4,627,478	-	-	48,484	4,627,478
Miscellaneous	2,726,006	3,328,605	-	-	2,726,006	3,328,605
Total Revenues	113,528,273	120,919,500	56,956,519	45,936,938	170,484,792	166,856,438
Expenses:						
General Government	26,103,080	17,927,800	-	-	26,103,080	17,927,800
Public Safety	12,768,274	10,952,967	-	-	12,768,274	10,952,967
Community Development	5,704,796	3,960,793	-	-	5,704,796	3,960,793
Engineering	2,332,730	4,063,792	-	-	2,332,730	4,063,792
Public Works	4,967,567	1,815,288	-	-	4,967,567	1,815,288
Parks and Recreation	8,129,353	6,965,572	-	-	8,129,353	6,965,572
Community Services	3,402,377	2,059,834	-	-	3,402,377	2,059,834
Other	-	2,918,908	-	-	-	2,918,908
Interest on Long-Term Debt	1,839,058	1,766,038	-	-	1,839,058	1,766,038
Wastewater	-	-	6,264,947	5,995,237	6,264,947	5,995,237
Solid Waste	-	-	6,259,740	6,018,649	6,259,740	6,018,649
Water	-	-	11,181,295	12,073,423	11,181,295	12,073,423
City Rentals	-	-	729,754	728,604	729,754	728,604
Housing	-	-	1,481,274	1,215,548	1,481,274	1,215,548
Total Expenses	65,247,235	52,430,992	25,917,010	26,031,461	91,164,245	78,462,453
Increase in Net Assets Before Transfers	48,281,038	68,488,508	31,039,509	19,905,477	79,320,547	88,393,985
Transfers	2,111,311	57,512,251	(2,111,311)	(57,512,251)	-	-
Increase in Net Assets	50,392,349	126,000,759	28,928,198	(37,606,774)	79,320,547	88,393,985
Net Assets 7/1 - Restated	430,176,478	304,175,719	149,112,791	186,719,565	579,289,269	490,895,284
Net Assets 6/30	\$ 480,568,827	\$ 430,176,478	\$ 178,040,989	\$ 149,112,791	\$ 658,609,816	\$ 579,289,269

Governmental Activities – The cost of all Governmental activities this year was \$65.2 million. Net revenues, as shown in the Statement of Activities, were \$6.0 million. A portion of the cost for these activities was paid either by those who directly benefited from the programs (\$14.2 million), by other governments and organizations that subsidized certain programs with operating grants and contributions (\$6.4 million), or capital grants and contributions (\$50.5 million). Public Works finished the year with net revenues of \$29.3 million as a result of significant dedicated infrastructure. Overall, the City’s governmental program revenues were \$71.2 million.

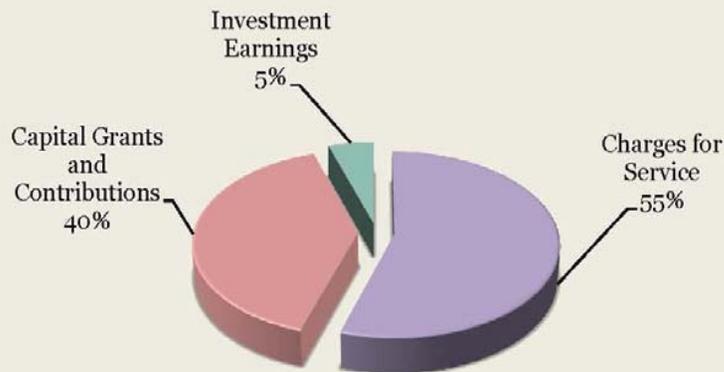
Total resources available during the year to finance governmental operations were \$545.8 million consisting of net assets at July 1, 2006 of \$430.2 million, program revenues of \$71.2 million and general revenues and transfers of \$44.4 million. Total Governmental activities during the year were \$65.2 million, thus net assets were increased by \$50.4 million to \$480.6 million.



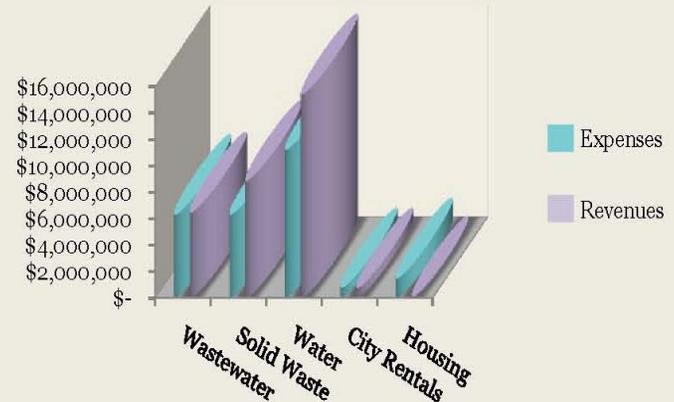
Business-Type Activities – The cost of all Business-Type activities this year was \$25.9 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users of the systems were \$31.5 million. Capital Grants and Contributions totaled \$23.0 million and Investment earnings were \$2.5 million.

Total resources available during the year to finance Business-Type activities were \$203.9 million consisting of net assets at July 1, 2006 of \$149.1 million, charges for services of \$31.4 million, capital contributions of \$23.0 million and general revenues and net transfers of \$.4 million. Total Business-Type activities during the year were \$25.9 million, thus net assets increased by \$28.9 million to \$178.0 million.

Revenues by Source



Program Revenues and Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year-end the City's General Fund had a fund balance of \$25,399,565. This is an increase of \$2,885,228 compared to last year. The increase is attributable to budgeted positions which remained unfilled during the year.

Thoroughfares, which is reported as a Special Revenue fund, had a decrease in fund balance of \$2,722,261 due primarily to a transfer of funds to the Street Improvement Projects fund.

Community Facilities, which is reported as a Special Revenue fund, had a decrease in fund balance of \$2,383,151 due to transfers to the Community Facilities Projects fund for future projects.

Redevelopment Debt, which is reported as a Debt Service fund, had an increase in fund balance of \$2,151,977 as tax increment revenue currently exceeds debt service requirements. We anticipate issuing additional bonds in the next few years which will raise our debt service requirements.

Capital Improvement Financing Program (CIFP) 2005-1, which is reported as a Capital Projects fund, had a decrease in fund balance of \$7,866,703. This was primarily due to reimbursements paid to developers for the construction of certain capital assets and infrastructure. The majority of the revenue for the CIFP 2005-1 fund was received in fiscal year 2005/06 with the funding of CIFP 2005-1. Current revenues consist only of interest income.

Community Facilities Improvement Projects, which is reported as a Capital Projects Fund, had an increase in fund balance of \$3,543,476 due to transfers which were received for upcoming projects.

Street Improvement Projects, which is reported as a Capital Projects Fund, had an increase in fund balance of \$940,867 due to transfers which were received for upcoming projects.

Equipment Replacement, which is reported as an Internal Service fund, had an increase in net assets of \$1,623,439. This was due to a transfer of assets into the fund as well as the City's continued effort to ensure that the fund will be capable of replacing all City equipment as needed.

Insurance, which is reported as an Internal Service fund, had an increase in net assets of \$2,273,406. A significant portion of this increase was due to the City transferring savings achieved through prepaying our Public Employees Retirement System (PERS) employer contributions at a discounted rate. This fund, which is used to pay for retiree medical benefits, workers compensation and property insurance costs, will potentially provide a significant funding source for the City when Governmental Accounting Standards Board (GASB) Statement Number 45 is implemented.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2006/07 original budget (or adopted) General Fund expenditures and transfers out in the amount of \$43,829,563, to the final budget amount of \$43,944,834 shows a net increase of \$115,271.

<u>Beginning Balance</u>	+	<u>Supplemental Changes</u>	=	<u>Final Budget</u>
\$43,829,563		\$115,271		\$43,944,834

During the fiscal year, the total revenues and transfers in for the General Fund were \$41,313,308. This was \$2,225,568 less than budgeted. The shortfall was due to a considerable slowdown in development. The City finished the year approximately 60% under building permit projections. The total expenses and transfers out for the General Fund were \$38,428,080. This was \$5,516,754 less than budgeted. There were two main factors which contributed to the savings:

- Salary and benefit savings of \$2,400,000, plus \$200,000 in supplies, training and related expenses, due to budgeted positions remaining unfilled during the fiscal year.
- Expenses related to development activities were lower due to the slowdown in development.

Supplemental changes to the FY 2006/07 General Fund budget were:

- \$39,152 for personnel changes during the year
- \$17,000 for an Economic Development Study
- \$59,119 for Parks and Recreation programs

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The capital assets of the City are those assets which are used in the performance of the City's functions. At June 30, 2007, capital assets net of accumulated depreciation of the Governmental activities totaled \$375,470,697, excluding intangible assets. Capital assets net of accumulated depreciation of the Business-Type activities totaled \$164,790,630, excluding intangible assets. Depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to Note #5, found on pages 53 – 55 of this report, for detailed information regarding capital assets. The City has elected to use the depreciation method as allowed by GASB Statement No. 34 for infrastructure reporting.

	Original Cost	Accumulated Depreciation	Book Value
Capital Assets – Governmental:			
Land	\$ 26,858,232	\$ -	\$ 26,858,232
Land Improvements	1,085,213	547,629	537,584
Buildings	12,324,480	2,505,154	9,819,326
Infrastructure	286,718,469	39,546,469	247,172,000
Machinery and Equipment	3,642,188	1,726,731	1,915,457
Vehicles	7,017,722	3,457,267	3,560,455
Work in Progress – CIP & Infrastructure	85,607,643	-	85,607,643
Total Capital Assets – Governmental	<u>\$ 423,253,947</u>	<u>\$ 47,783,250</u>	<u>\$ 375,470,697</u>
Capital Assets – Business-Type:			
Land	\$ 1,655,954	\$ -	\$ 1,655,954
Land Improvements	1,230,303	681,254	549,049
Buildings	10,256,670	2,314,418	7,942,252
Infrastructure	142,406,099	14,874,435	127,531,664
Machinery and Equipment	1,047,548	589,458	458,090
Work in Progress – CIP & Infrastructure	26,653,621	-	26,653,621
Total Capital Assets – Business-Type	<u>\$ 183,250,195</u>	<u>\$ 18,459,565</u>	<u>\$ 164,790,630</u>

Debt Administration – Debt, considered a liability of Governmental Activities, decreased in fiscal year 2006/07 by \$626,074. Per capita debt outstanding decreased from \$851 to \$787 per capita compared to the prior fiscal year. Detailed information regarding long-term debt activity can be found in Note #6 on pages 55 – 62 in this report.

Debt of the Business-Type activities decreased by \$2,658,053 in fiscal year 2006/07 due primarily to regularly scheduled principal payments.

	Balance June 30, 2006	Incurred or Issued	Satisfied or Matured	Balance June 30, 2007
Governmental Activities				
Capital Leases	\$ 17,754	\$ -	\$ 17,754	\$ -
Notes Payable	1,867,208	-	128,348	1,738,860
Bonds Payable	36,124,302	191,936	815,000	35,501,238
Accumulated Compensated Absences	1,129,640	1,548,298	1,405,206	1,272,732
Total Governmental Activities	<u>\$ 39,138,904</u>	<u>\$ 1,740,234</u>	<u>\$ 2,366,308</u>	<u>\$ 38,512,830</u>
Business-Type Activities				
Capital Leases	\$ 190,955	\$ -	\$ 190,955	\$ -
Notes Payable	42,731,268	250,445	2,440,395	40,541,318
Bonds Payable	10,240,000	-	295,000	9,945,000
Accumulated Compensated Absences	231,225	373,093	355,241	249,077
Total Business-Type Activities	<u>\$ 53,393,448</u>	<u>\$ 623,538</u>	<u>\$ 3,281,591</u>	<u>\$ 50,735,395</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key assumptions in the General Fund revenue forecast for fiscal year 2007/08 were:

1. Sales Tax revenues are expected to increase by 12% due to growth in new commercial and retail centers. This is well below the City's recent averages of greater than 20% annual growth.
2. Investment income will increase by an estimated \$100,000 due to the recent rise in interest rates.
3. Approximately 500 new housing units will be constructed.
4. Business License revenues are estimated to increase to \$637,500 for fiscal year 2007/08, which is an increase of \$106,250 compared to fiscal year 2006/07. This projected increase is due to new businesses and continued code enforcement. This revenue is significant because it is considered discretionary and therefore it isn't subject to being taken away by the State.

The City of Brentwood is feeling a significant financial impact from the slow housing market and slowdown in general building activity. The City's population, which has increased at an annual average rate of 12.8% over the past decade, is expected to increase by less than 5% per year over the next several years. Key budgetary impacts addressed in the 2007/08 budget year were:

- Building, planning and engineering revenues, when taken as a whole, will decline about \$250,000 from the already depressed levels of 2006/07. This represents a budgetary decline of 51% from our peak budgeted revenue which was set during the 2004/05 fiscal year.
- Property taxes, which have consistently grown at 25% per year for the past several years, are projected to grow at 13% for the 2007/08 fiscal year.
- Property Transfer Taxes are expected to increase slightly from fiscal year 2006/07, although they will remain significantly below the amounts received in the early to mid 2000's.
- In 2005/06, the City implemented a 10-year plan to minimize its dependence on development impact fees. As part of this plan staff members funded through CIP are having their allocations changed from allocations funded by development impact fees to allocations funded by the General Fund. By 2008/09, we will have just 8.02 full time employees (FTE's) funded by development impact fees.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Finance Department, located at 708 Third Street, Brentwood, California 94513, either by phone (925) 516-5460 or e-mail dept-finance@ci.brentwood.ca.us.



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Statement of Net Assets

June 30, 2007

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 117,805,486	\$ 49,152,744	\$ 166,958,230
Restricted Cash and Investments	32,881,173	926,763	33,807,936
Receivables	3,656,894	5,110,630	8,767,524
Prepays	136,890	29,084	165,974
Land Held for Resale	1,088,957	-	1,088,957
Notes Receivable	-	58,500	58,500
Total Current Assets	<u>155,569,400</u>	<u>55,277,721</u>	<u>210,847,121</u>
Non-Current Assets:			
Deferred Charges	-	457,591	457,591
Long-Term Notes Receivable	450,000	434,886	884,886
Internal Balances	(1,210,857)	1,210,857	-
Capital Assets, Net of Accumulated Depreciation & Amortization:			
Intangible Assets	4,102,077	9,782,419	13,884,496
Land	26,858,232	1,655,954	28,514,186
Land Improvements	537,584	549,049	1,086,633
Buildings	9,819,326	7,942,252	17,761,578
Infrastructure	247,172,000	127,531,664	374,703,664
Machinery and Equipment	1,915,457	458,090	2,373,547
Vehicles	3,560,455	-	3,560,455
Work in Progress	85,607,643	26,653,621	112,261,264
Total Non-Current Assets	<u>378,811,917</u>	<u>176,676,383</u>	<u>555,488,300</u>
Total Assets	<u>534,381,317</u>	<u>231,954,104</u>	<u>766,335,421</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	8,107,040	2,522,825	10,629,865
Other Liabilities	372,173	61,763	433,936
Unearned Revenue	103,912	393,981	497,893
Deposits Held	6,716,535	199,151	6,915,686
Long-Term Debt Due Within One Year	1,731,008	2,929,798	4,660,806
Total Current Liabilities	<u>17,030,668</u>	<u>6,107,518</u>	<u>23,138,186</u>
Non-Current Liabilities Due in More Than One Year:			
Bonds Payable	34,646,238	9,635,000	44,281,238
Notes Payable	1,626,491	38,070,966	39,697,457
Compensated Absences Payable	509,093	99,631	608,724
Total Non-Current Liabilities	<u>36,781,822</u>	<u>47,805,597</u>	<u>84,587,419</u>
Total Liabilities	<u>53,812,490</u>	<u>53,913,115</u>	<u>107,725,605</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	342,332,679	124,783,446	467,116,125
Restricted for:			
Debt Service	7,664,578	-	7,664,578
Specific Projects and Programs	71,441,145	31,204,635	102,645,780
Unrestricted	59,130,425	22,052,908	81,183,333
Total Net Assets	<u>\$ 480,568,827</u>	<u>\$ 178,040,989</u>	<u>\$ 658,609,816</u>

City of Brentwood

Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Thoroughfares	Capital Improvement Financing Program 2005-1	Street Improvement Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current Assets:						
Cash and Investments	\$ 33,678,202	\$ -	\$ -	\$ 11,900,753	\$ 51,027,069	\$ 96,606,024
Restricted Cash and Investments	-	-	19,510,034	371,942	12,999,197	32,881,173
Receivables	1,220,959	265,854	-	23,254	2,461,731	3,971,798
Prepays	124,588	-	-	-	4,333	128,921
Due from Other Funds	-	97,069	-	-	2,328,221	2,425,290
Land Held for Resale	-	-	-	-	1,088,957	1,088,957
Total Assets	<u>\$ 35,023,749</u>	<u>\$ 362,923</u>	<u>\$ 19,510,034</u>	<u>\$ 12,295,949</u>	<u>\$ 69,909,508</u>	<u>\$ 137,102,163</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 2,803,737	\$ 2,137	\$ -	\$ 1,482,626	\$ 3,447,435	\$ 7,735,935
Due to Other Funds	-	1,923,488	-	-	302,364	2,225,852
Internal Balances	-	-	-	-	1,410,295	1,410,295
Other Liabilities	-	-	-	371,942	231	372,173
Unearned Revenue	103,912	344,411	-	-	552,370	1,000,693
Deposits Held	6,716,535	-	-	-	-	6,716,535
Total Liabilities	<u>9,624,184</u>	<u>2,270,036</u>	<u>-</u>	<u>1,854,568</u>	<u>5,712,695</u>	<u>19,461,483</u>
Fund Balances:						
Reserved for:						
Prepays	124,588	-	-	-	4,333	128,921
Land Held for Resale	-	-	-	-	1,088,957	1,088,957
Debt Service	-	-	-	-	7,664,578	7,664,578
Specific Projects and Programs	-	-	19,510,034	10,441,381	55,859,953	85,811,368
Unreserved, Reported in:						
General Fund	25,274,977	-	-	-	-	25,274,977
Special Revenue	-	(1,907,113)	-	-	(385,141)	(2,292,254)
Capital Projects	-	-	-	-	(35,867)	(35,867)
Total Fund Balances	<u>25,399,565</u>	<u>(1,907,113)</u>	<u>19,510,034</u>	<u>10,441,381</u>	<u>64,196,813</u>	<u>117,640,680</u>
Total Liabilities and Fund Balances	<u>\$ 35,023,749</u>	<u>\$ 362,923</u>	<u>\$ 19,510,034</u>	<u>\$ 12,295,949</u>	<u>\$ 69,909,508</u>	<u>\$ 137,102,163</u>

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

June 30, 2007

Total Fund Balances - Total Governmental Funds	\$	117,640,680
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		374,484,935
Internal Service Funds are used by management to charge costs of certain activities, such as data processing and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets.		25,982,982
The long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		896,784
Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the Governmental Funds Balance Sheet.		<u>(38,436,554)</u>
Net Assets of Governmental Activities	\$	<u><u>480,568,827</u></u>

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
 For Year Ended June 30, 2007

	General Fund	Thoroughfares	Capital Improvement Financing Program 2005-1	Street Improvement Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 15,761,372	\$ -	\$ -	\$ -	\$ 10,081,439	\$ 25,842,811
Licenses	509,618	-	-	-	-	509,618
Permits and Fines	6,130,221	-	-	-	-	6,130,221
Uses of Money and Property	1,761,114	580,847	1,135,497	-	4,785,586	8,263,044
Intergovernmental	4,277,770	-	-	42,737	702,343	5,022,850
Franchises	965,066	-	-	-	-	965,066
Charges for Other Services	776,584	-	-	-	-	776,584
Charges to Other Funds	5,590,646	-	-	-	-	5,590,646
Fees and Other Revenues	1,132,736	3,728,802	-	211,935	16,713,267	21,786,740
Total Revenues	36,905,127	4,309,649	1,135,497	254,672	32,282,635	74,887,580
EXPENDITURES						
Current:						
General Government	5,940,065	388,256	9,002,200	2,761,782	7,936,822	26,029,125
Public Safety	13,948,795	-	-	-	180,680	14,129,475
Community Development	4,446,696	-	-	-	1,645,545	6,092,241
Engineering	2,532,147	-	-	-	-	2,532,147
Public Works	2,486,963	-	-	-	-	2,486,963
Parks and Recreation	5,626,310	-	-	-	2,298,314	7,924,624
Community Services	449,819	-	-	-	2,964,629	3,414,448
Capital Outlay	-	-	-	6,780,350	4,587,405	11,367,755
Debt Service:						
Principal	-	-	-	-	832,754	832,754
Interest and Fiscal Charges	-	-	-	-	1,647,122	1,647,122
Total Expenditures	35,430,795	388,256	9,002,200	9,542,132	22,093,271	76,456,654
REVENUES OVER (UNDER) EXPENDITURES	1,474,332	3,921,393	(7,866,703)	(9,287,460)	10,189,364	(1,569,074)
OTHER FINANCING SOURCES (USES)						
Transfers In	4,408,181	-	-	10,228,327	12,571,734	27,208,242
Transfers Out	(2,997,285)	(6,643,654)	-	-	(15,487,438)	(25,128,377)
Total Other Financing Sources (Uses)	1,410,896	(6,643,654)	-	10,228,327	(2,915,704)	2,079,865
NET CHANGE IN FUND BALANCES	2,885,228	(2,722,261)	(7,866,703)	940,867	7,273,660	510,791
Fund Balance, Beginning of Year, Restated	22,514,337	815,148	27,376,737	9,500,514	56,923,153	117,129,889
Fund Balance, End of Year	\$ 25,399,565	\$ (1,907,113)	\$ 19,510,034	\$ 10,441,381	\$ 64,196,813	\$ 117,640,680

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 Year Ended June 30, 2007

Net Changes in Fund Balances - Total Governmental Funds	\$	510,791
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount shown represents the capital assets recorded in the current period.		11,367,755
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(3,930,209)
The net effect of various miscellaneous transactions involving Capital Assets (e.g. sales, trade-ins and contributions) is to increase net assets.		36,827,245
To record the net change in compensated absences in the Statement of Activities.		(137,025)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.		
This amount represents long-term debt repayments.		961,102
This amount represents accretion interest.		(191,936)
Revenues in the Governmental Funds that have been previously recognized in the Statement of Activities.		(21,103)
Internal Service Funds are used by management to charge the costs of certain activities, such as data processing and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities.		5,005,729
Changes in Net Assets of Governmental Activities	\$	50,392,349

Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-Type Activities - Enterprise Funds						Governmental
	Wastewater	Solid Waste	Water	City Rentals	Housing	Totals	Activities - Internal Service Funds
ASSETS							
Current Assets:							
Cash and Investments	\$ 24,835,481	\$ 4,382,264	\$ 13,475,721	\$ 80,614	\$ 6,378,664	\$ 49,152,744	\$ 21,199,462
Restricted Cash and Investments	176,894	-	749,869	-	-	926,763	-
Receivables	1,068,932	1,458,963	2,394,413	155,091	33,231	5,110,630	135,096
Prepays	9,159	7,508	10,559	941	917	29,084	7,966
Notes Receivable	-	-	58,500	-	-	58,500	-
Total Current Assets	26,090,466	5,848,735	16,689,062	236,646	6,412,812	55,277,721	21,342,524
Non-Current Assets:							
Deferred Charges	94,951	-	362,640	-	-	457,591	-
Due from Other Funds	35,331	-	45,516	-	-	80,847	-
Long-Term Notes Receivable	-	-	292,500	-	142,386	434,886	-
Internal Balances	-	-	1,410,295	-	-	1,410,295	-
Capital Assets:							
Intangible Assets	-	-	10,597,532	-	-	10,597,532	-
Land	97,376	254,420	62,556	-	1,241,602	1,655,954	-
Buildings	2,895,398	14,000	5,780,724	-	1,566,547	10,256,669	-
Infrastructure	80,206,322	696,851	61,502,927	-	-	142,406,100	-
Machinery and Equipment	546,109	86,354	415,086	-	-	1,047,549	2,744,534
Vehicles	-	-	-	-	-	-	7,017,722
Land Improvements	58,494	1,000,000	171,809	-	-	1,230,303	-
Work in Progress	1,866,492	604,802	24,182,327	-	-	26,653,621	-
Less Accumulated Depreciation and Amortization	(7,459,510)	(587,653)	(11,209,309)	-	(18,207)	(19,274,679)	(4,674,417)
Total Capital Assets, Net of Accumulated Depreciation	78,210,681	2,068,774	91,503,652	-	2,789,942	174,573,049	5,087,839
Total Non-Current Assets	78,340,963	2,068,774	93,614,603	-	2,932,328	176,956,668	5,087,839
Total Assets	104,431,429	7,917,509	110,303,665	236,646	9,345,140	232,234,389	26,430,363
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	727,950	306,822	1,399,463	15,293	73,297	2,522,825	371,105
Due to Other Funds	-	-	-	-	280,285	280,285	-
Other Liabilities	-	-	61,763	-	-	61,763	-
Unearned Revenue	-	-	351,001	42,980	-	393,981	-
Deposits Held	-	4,456	137,000	35,925	21,770	199,151	-
Long-Term Debt Due Within One Year	1,776,834	-	1,003,518	-	-	2,780,352	-
Compensated Absences Payable	37,451	45,454	53,824	1,389	11,328	149,446	45,765
Total Current Liabilities	2,542,235	356,732	3,006,569	95,587	386,680	6,387,803	416,870
Non-Current Liabilities Due in More Than One Year:							
Bonds Payable	1,970,357	-	7,664,643	-	-	9,635,000	-
Notes Payable	29,744,923	-	8,326,043	-	-	38,070,966	-
Compensated Absences Payable	24,968	30,302	35,883	926	7,552	99,631	30,511
Total Non-Current Liabilities	31,740,248	30,302	16,026,569	926	7,552	47,805,597	30,511
Total Liabilities	34,282,483	387,034	19,033,138	96,513	394,232	54,193,400	447,381
Net Assets:							
Invested in Capital Assets, Net of Related Debt	45,052,642	2,068,774	74,872,088	-	2,789,942	124,783,446	5,087,839
Restricted for:							
Special Projects and Programs	19,090,859	1,347,187	4,469,432	35,925	6,261,232	31,204,635	-
Unrestricted	6,005,445	4,114,514	11,929,007	104,208	(100,266)	22,052,908	20,895,143
Total Net Assets	\$ 70,148,946	\$ 7,530,475	\$ 91,270,527	\$ 140,133	\$ 8,950,908	\$ 178,040,989	\$ 25,982,982

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds					Totals	Governmental
	Wastewater	Solid Waste	Water	City Rentals	Housing		Activities - Internal Service Funds
Operating Revenues:							
Charges for Services	\$ 6,197,721	\$ 8,814,556	\$ 15,186,796	\$ 710,573	\$ 117,601	\$ 31,027,247	\$ 8,162,059
Other Income	243,990	11,943	161,673	6,966	-	424,572	866,147
Total Operating Revenues	6,441,711	8,826,499	15,348,469	717,539	117,601	31,451,819	9,028,206
Operating Expenses:							
Personnel Services	1,605,935	2,151,922	2,052,155	95,179	462,963	6,368,154	1,712,295
Repairs and Maintenance	36,585	268,487	588,904	111,182	14,351	1,019,509	555,142
Materials, Supplies and Services	2,662,811	3,760,780	6,627,859	523,393	985,753	14,560,596	1,752,273
Depreciation and Amortization	1,248,578	69,482	1,278,603	-	18,207	2,614,870	963,450
Total Operating Expenses	5,553,909	6,250,671	10,547,521	729,754	1,481,274	24,563,129	4,983,160
Operating Income (Loss)	887,802	2,575,828	4,800,948	(12,215)	(1,363,673)	6,888,690	4,045,046
Non-Operating Revenues (Expenses):							
Interest Income	1,250,969	177,050	792,166	4,211	310,994	2,535,390	933,471
Interest Expense	(700,578)	(9,069)	(593,383)	-	-	(1,303,030)	-
Connection Fees Paid	-	-	(40,391)	-	-	(40,391)	-
Loss on Disposal of Capital Assets	(10,460)	-	-	-	-	(10,460)	(4,234)
Total Non-Operating Revenues (Expenses)	539,931	167,981	158,392	4,211	310,994	1,181,509	929,237
Income (Loss) before Contributions and Transfers	1,427,733	2,743,809	4,959,340	(8,004)	(1,052,679)	8,070,199	4,974,283
Contributions - Impact Fees and Credits	2,224,681	-	5,477,655	-	1,323,770	9,026,106	-
Capital Asset Contributions	4,785,952	-	8,021,809	-	1,135,443	13,943,204	-
Transfers In	-	214,274	112,000	320,589	-	646,863	535,844
Transfers Out	(812,080)	(188,422)	(1,454,978)	(302,694)	-	(2,758,174)	(504,398)
Change in Net Assets	7,626,286	2,769,661	17,115,826	9,891	1,406,534	28,928,198	5,005,729
Net Assets, Beginning of Year, Restated	62,522,660	4,760,814	74,154,701	130,242	7,544,374	149,112,791	20,977,253
Net Assets, End of Year	\$ 70,148,946	\$ 7,530,475	\$ 91,270,527	\$ 140,133	\$ 8,950,908	\$ 178,040,989	\$ 25,982,982



City of Brentwood

**Statement of Cash Flows
Proprietary Funds
For Year Ended June 30, 2007**

	Business-Type Activities - Enterprise Funds					Totals	Governmental Activities - Internal Service Funds
	Wastewater	Solid Waste	Water	City Rentals	Housing		
Cash Flows from Operating Activities							
Cash Received from Customers/Other Funds	\$ 6,094,481	\$ 8,618,841	\$ 14,989,828	\$ 683,887	\$ 117,601	\$ 30,504,638	\$ 901,461
Cash Received from Interfund Services	-	-	-	-	-	-	8,073,177
Cash Payments to Suppliers of Goods and Services	(1,859,758)	(2,959,578)	(6,949,467)	(337,618)	(892,921)	(12,999,342)	(1,835,060)
Cash Payments to Employees for Services	(1,605,935)	(2,151,922)	(2,052,155)	(95,179)	(462,963)	(6,368,154)	(1,712,295)
Cash Payments for Interfund Services	(547,847)	(1,070,393)	(527,239)	(304,820)	(39,013)	(2,489,312)	(338,804)
Other Receipts/Payments	401,019	(575)	125,167	45,513	(63,730)	507,394	268,296
Net Cash Provided By (Used for) Operating Activities	2,481,960	2,436,373	5,586,134	(8,217)	(1,341,026)	9,155,224	5,356,775
Cash Flows from Non-Capital Financing Activities							
Transfers Received	-	214,274	112,000	320,589	-	646,863	535,844
Transfers Paid	(812,080)	(188,422)	(1,454,978)	(302,694)	-	(2,758,174)	(504,398)
Due from Other Funds	-	-	541,875	-	-	541,875	-
Net Cash Provided By (Used for) Non-Capital Financing Activities	(812,080)	25,852	(801,103)	17,895	-	(1,569,436)	31,446
Cash Flows from Capital and Related Financing Activities							
Proceeds from Capital Debt	210,054	-	-	-	-	210,054	-
Contributions - Impact Fees and Credits	2,224,681	-	5,477,655	-	1,323,770	9,026,106	-
Interest Paid on Debt	(700,578)	(9,069)	(593,383)	-	-	(1,303,030)	-
Principal Paid on Debt	(1,743,810)	(190,955)	(991,585)	-	-	(2,926,350)	-
Acquisition and Construction of Assets	(549,106)	(78,010)	(4,760,207)	-	-	(5,387,323)	(1,552,823)
Net Cash Provided By (Used for) Capital and Related Financing Activities	(558,759)	(278,034)	(867,520)	-	1,323,770	(380,543)	(1,552,823)
Cash Flows from Investing Activities							
Interest on Investments	1,250,969	177,050	792,166	4,211	310,994	2,535,390	933,471
Net Cash Provided By Investing Activities	1,250,969	177,050	792,166	4,211	310,994	2,535,390	933,471
Net Increase (Decrease) in Cash and Cash Equivalents	2,362,090	2,361,241	4,709,677	13,889	293,738	9,740,635	4,768,869
Cash and Cash Equivalents - Beginning of Year	22,650,285	2,021,023	9,515,913	66,725	6,084,926	40,338,872	16,430,593
Cash and Cash Equivalents - End of Year	\$ 25,012,375	\$ 4,382,264	\$ 14,225,590	\$ 80,614	\$ 6,378,664	\$ 50,079,507	\$ 21,199,462
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities:							
Operating Income (Loss)	\$ 887,802	\$ 2,575,828	\$ 4,800,948	\$ (12,215)	\$ (1,363,673)	\$ 6,888,690	\$ 4,045,046
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used for) Operating Activities :							
Depreciation and Amortization	1,248,578	69,482	1,278,603	-	18,207	2,614,870	963,450
Receivables, Net	47,492	(220,369)	(243,385)	24,956	(72,164)	(463,470)	37,625
Inventories	6,296	12,135	9,910	541	2,544	31,426	177,104
Accounts Payable and Other Payables	291,792	48,240	(174,127)	(7,951)	68,170	226,124	133,846
Accrued Expenses	-	-	6,435	6	5,890	12,331	(296)
Deposits	-	(48,943)	(92,250)	(13,554)	-	(154,747)	-
Net Cash Provided By (Used for) Operating Activities	\$ 2,481,960	\$ 2,436,373	\$ 5,586,134	\$ (8,217)	\$ (1,341,026)	\$ 9,155,224	\$ 5,356,775
Noncash Capital Activities:							
Capital Assets Contributed	\$ 4,785,952	\$ -	\$ 8,021,809	\$ -	\$ 1,135,443	\$ 13,943,204	\$ -



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Statement of Fiduciary Net Assets
Agency Funds
June 30, 2007

ASSETS

Cash and Investments	\$	10,828,614
Restricted Cash and Investments		7,294,921
Interest Receivable		<u>38,918</u>
Total Assets	\$	<u><u>18,162,453</u></u>

LIABILITIES

Accounts Payable and Accrued Liabilities	\$	1,748,838
Due to Others		65,133
Due to Bondholders		<u>16,348,482</u>
Total Liabilities	\$	<u><u>18,162,453</u></u>



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

The City of Brentwood is governed by a five member City Council under the Council-Manager form of government. The accompanying financial statements present the City of Brentwood (the primary government) and its component units, entities for which the government is considered financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if the organization is fiscally dependent (i.e. unable to adopt a budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

In addition to reporting directly for the City operations, two component units, the Brentwood Redevelopment Agency and Brentwood Infrastructure Financing Authority, have been included in the primary reporting entity and are treated as blended component units.

- Brentwood Redevelopment Agency

The Brentwood Redevelopment Agency (the "Agency") was established pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law". On August 20, 1981 the City Council became the governing board of the Brentwood Redevelopment Agency. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Brentwood. The funds of the Agency have been included in the governmental activities in the financial statements. Separate financial statements for the Redevelopment Agency (RDA) may be obtained from the City of Brentwood Finance Department.

- Brentwood Infrastructure Financing Authority

The Brentwood Infrastructure Financing Authority (the "Authority"), formed on March 14, 1995, is a joint powers authority organized under Section 6500 *et seq.* of the California Government Code between the City and the Agency for the purpose of acting as a vehicle for various financing activities of the City and the Agency. The Board of Directors is the Brentwood City Council. The primary purpose of the Authority is to render financial assistance to the City and the Agency by issuing debt and financing the construction of public facilities. Separate financial statements are not required for the Authority, and therefore, are not issued.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. The Statement of Activities and Changes in Net Assets demonstrates the degree to which direct and indirect expenses, for a given function or segment, are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Indirect expenses are expenses which are allocated based on the City's annual Cost Allocation Plan and Schedule of City Fees. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) operating grants and contributions, including special assessments and 3) capital grants and contributions. Taxes and other items not included among program revenue are reported as general revenues.

Summaries of governmental activities, which are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges. Fiduciary activities of the City are not included in these statements.

Separate financial statements are provided for Governmental Funds, Proprietary Funds and Fiduciary Funds even though the latter are excluded from the Government-Wide Financial Statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the Fund Financial Statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities. These are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, Internal Service Fund transactions have been eliminated. However, the transactions between governmental and business-type activities, which are presented as transfers, have not been eliminated from the Statement of Activities.

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

The Government-Wide Financial Statements and the Proprietary Fund Financial Statements are reported using an economic resources focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows.

The Governmental Fund Financial Statements are reported using a current financial resources measurement focus called the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after year-end) which are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incur-

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

red. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

For Proprietary Funds, all assets and liabilities, whether current or non-current, are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total 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.

Operating revenues in the Proprietary Funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. Proprietary Fund types include Enterprise Funds and Internal Service Funds.

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary Funds represent agency funds, which are custodial in nature (assets equal liabilities). Agency funds do not involve measurement of results of operations.

Financial reporting is based upon all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB Pronouncements issued after November 30, 1989, are not followed in preparation of the accompanying financial statements. Reconciliations of the 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.

Fund Types

A *Major Fund* is a fund whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all Governmental or Enterprise funds and at least five percent of the aggregate amount for all Governmental and Enterprise funds for the same item. The General Fund is always considered a major fund. Any other Governmental or Enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

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

The government reports the following major Governmental Funds: General Fund, Thoroughfares, Capital Improvement Financing Program 2005-1 and Street Improvement Projects. Descriptions of the City's funds are presented below.

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds account for specific revenues that are legally restricted to expenditures for particular purposes. Thoroughfares is the only Special Revenue Fund included as a major Governmental Fund. Below are specific descriptions of the Special Revenue Funds:

- *Thoroughfares* – This fund accounts for development fees collected for the design and construction of roadways within the City of Brentwood.
- *Gas Tax* – This fund accounts for monies received from the State of California under Street and Highways Code Sections 2105, 2106, 2107 and 2107.5.
- *Police Grants* – This fund accounts for all Police, Federal, State and County grants requiring segregated fund accounting.
- *Other Grants* – This fund accounts for miscellaneous Federal, State and County grants requiring segregated fund accounting.
- *Citywide Parks Districts* – This fund accounts for special benefit assessments levied on property owners for citywide park maintenance.
- *Community Facilities Districts* – This fund accounts for special benefit assessments levied on property owners for police services, fire services, joint use school facilities, open space preservation and flood and storm drain construction, acquisition and maintenance.
- *Community Facilities* – This fund accounts for development fees collected for the design and construction of public facilities within the City of Brentwood.
- *Vehicle Abatement* – This fund accounts for monies which can only be used for the abatement, removal and disposal, as public nuisances, of any abandoned, wrecked, dismantled or inoperative vehicles, or parts thereof, from private or public property.
- *Economic Development* – This fund accounts for fees collected from the development of property in the Harvest Business Park which are used to enhance economic development.
- *Storm Drainage* – This fund accounts for development fees collected for the design and construction of storm drainage systems within the City of Brentwood. *This fee is no longer collected.*
- *RDA Low Income Housing* – This fund accounts for the RDA's 20% tax increment set-aside. The monies are to be used to increase and improve the community's supply of low and moderate income housing within the redevelopment project area.

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

- PEG Media – This fund accounts for Public Access, Educational and Governmental (PEG) television channels provided for the citizens of Brentwood.
- Asset Forfeiture – This fund accounts for property or funds seized by the Police Department. After a case has been tried and a guilty verdict is returned, the funds are considered forfeited. This fund must be used specifically for drug prevention programs.
- Open Space – This fund accounts for development fees collected for the preservation of open space within the City of Brentwood.
- Measure C – This fund accounts for the local jurisdiction portions of the Local Street Maintenance Fund allocation. The monies can only be spent on local streets and roads, transit operations, growth management planning and compliance, bicycle and pedestrian trails and parking facilities.
- Facility Fee Administration – This fund accounts for development fees collected for the administration of the Developer Facility Fee Program.
- Parks and Trails – This fund accounts for development fees collected for the design and construction of parks and trails.
- Agriculture Administration – This fund accounts for 20% of the Agriculture Preservation fees collected from developers. Monies are to be used for administrative purposes associated with establishing, monitoring and managing farmland conservation easements.
- Public Art Administration – This fund accounts for fees collected for the administration of the Public Art Program.
- Public Art Acquisition – This fund accounts for development fees collected for the acquisition and construction of Public Art.
- Arts Commission – This fund accounts for monies which are used for Arts Commission programs.
- Agricultural Park and History Center – This fund accounts for monies to be used for the development of an Agricultural Park and History Center.
- Fire Fees – This fund accounts for the Fire Facilities Impact Fee. The monies are used to provide funding for the fire facilities required to serve new development in the City of Brentwood through the year 2020 (build out of the General Plan).
- Agriculture Land – This fund accounts for 80% of the Agriculture Preservation fees collected from developers. The monies are used for farmland mitigation purposes.
- Parking In Lieu – This fund accounts for development fees collected for off street parking facilities located within the Downtown area.
- Lighting and Landscape Districts – This fund accounts for special benefit assessments levied on property owners for street lighting and landscape maintenance.

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



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

- Redevelopment Debt – This fund accounts for transactions related to proceeds from tax allocation bonds.
- Capital Improvement Program 2001 – This fund accounts for debt service transactions, including revenue collections and payments of principal and interest, on long-term obligations. This bond refinanced the Roadway Bonds and the Tax Allocation Bond, and financed the Technology Center.
- 2002 General Obligation Bond – This fund accounts for tax levies from which general obligation principal and interest payments are made as the 2002 General Obligation Bond matures. This bond was used to finance the new Police Station.
- Capital Lease Program – This fund accounts for principal and interest payments on purchased equipment.

Capital Project Funds account for the acquisition and construction of major capital facilities and infrastructure not financed by Proprietary Funds. The Capital Improvement Financing Program 2005-1 and Street Improvement Projects funds are the only major Capital Project Funds included in the major Governmental Funds. Below are specific descriptions of the Capital Project Funds:

- Capital Improvement Financing Program 94-1 (2004 A&B Refi) – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructure. CIFP 2004 A&B refinanced CIFP 94-1.
- Capital Improvement Financing Program 2000-1 (2004 C Refi) – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructure. CIFP 2004 C refinanced CIFP 2000-1.
- Capital Improvement Financing Program 2002-1 (2005 A&B Refi) – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructure. CIFP 2005 A&B refinanced CIFP 2002-1.
- Capital Improvement Financing Program 2003-1 (2006 A&B Refi) – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures.
- Capital Improvement Financing Program 2004-1(2006 A&B Refi) – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures.
- Capital Improvement Financing Program 2005-1 – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures.
- Capital Improvement Financing Program 2006-1 – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures.
- 2002 Series A&B – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures.



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

- 2006 Series A&B – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures.
- Capital Improvement 2001 – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructure.
- Randy Way District Improvements – This fund accounts for transactions from assessment bonds and other resources and their use to finance infrastructure improvements within the Randy Way Assessment District.
- City Capital Improvement Financing Program – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct public capital improvements.
- Capital Project Administration – This fund accounts for administrative costs associated with all capital improvement projects.
- Community Facilities Improvement Projects – This fund accounts for various community facilities improvement projects associated with either the construction or improvement of the City’s community facilities.
- Park Improvement Projects – This fund accounts for various park improvement projects associated with either the construction or improvement of the City’s parks.
- Drainage Improvement Projects – This fund accounts for various drainage improvement projects associated with either the upgrade or replacement of the City’s storm drain collection system.
- Street Improvement Projects – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain street improvements.
- Vineyards Projects – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to finance infrastructure improvements within the Vineyards assessment district.
- Redevelopment Projects – This fund accounts for transactions related to proceeds from bonds and other resources and their use to perform redevelopment activities within the redevelopment project area.

Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City Council is that the costs of providing goods or services to the general public, on a continuing basis, be financed or recovered primarily through user charges. The government reports the following major Proprietary Funds:

- Wastewater Enterprise – This fund accounts for the operation, maintenance and capital improvement projects of the wastewater system which is funded by user charges and other fees.
- Solid Waste Enterprise – This fund accounts for the operation, maintenance and capital improvement projects of the solid waste system. These activities are funded by user charges and impact fees.



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

- Water Enterprise – This fund accounts for the operation, maintenance and capital improvement projects of the water system. These activities are funded by user charges and impact fees.
- City Rentals Enterprise – This fund accounts for all the City facilities rented and maintained through this fund.
- Housing Enterprise – This fund accounts for the administrative and operational expenses for the Housing Division and Housing rental stock. This now includes Affordable Housing In Lieu.

Additionally, the government reports for the following fund types:

Internal Service Funds account for the financing of either goods or services provided by one department to other departments of the City on a cost reimbursement basis. Specific descriptions of these funds are as follows:

- Emergency Preparedness – To provide a source of funding for the City to be financially prepared for either a critical or catastrophic event.
- Information Services – To provide a source of funding for the development and coordination of the City's information systems' needs.
- Equipment Replacement – To provide a source of funding for vehicle and equipment replacement.
- Information Systems Replacement – To provide a source of funding for the on-going replacement of information systems such as computers and the phone system.
- Facilities Replacement – To provide a source of funding for repairs to City facilities.
- Tuition Program – To provide a source of funding for expenditures relating to continuing education.
- Fleet Maintenance – To provide a source of funding for the on-going maintenance of all City vehicles, except Police.
- Facilities Maintenance Services – To provide a source of funding for the custodial, janitorial and maintenance needs of the City's facilities and buildings.
- Parks and LLD Replacement – To provide a source of funding for the replacement of landscaping, equipment and facilities in the Citywide Parks and Lighting and Landscape Districts (LLD).
- Insurance – To provide a source of funding for the City's property insurance costs and retiree medical benefit costs.

Fiduciary Funds account for Agency funds which consist of:

- Assessments – Special obligations payable from, and secured by, specific revenue sources.



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

- Pass-Through Funds – Special funds used for the collection and distribution of development fees collected on behalf of other agencies.
- Asset Seizure – Special funds to be used exclusively to support law enforcement and prosecutorial efforts of the agency.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**i. Use of Restricted / Unrestricted Net Assets**

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

ii. Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. In compliance with GASB Statement No. 40, the City's investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The City generally holds all investments until maturity or until market values equal or exceed cost. Therefore, the reported value of securities in the investment pool does not reflect realized gains or losses but rather the fair value of those investments as of June 30, 2007.

iii. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. All cash and investments of the Proprietary Fund types are pooled with the City's pooled cash and investments.

iv. Use of Estimates

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

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

v. Prepaid Items and Land Held for Resale

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Land held for resale is valued at the lower of cost or estimated net realizable value.

vi. Capital Assets

The City’s assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for capital assets at \$10,000 or more. Gifts or contributions of capital assets are recorded at fair market value when received. In accordance with GASB Statement No. 34, the City has included the value of all infrastructures in the Basic Financial Statements. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Land Improvements	20 years
Building and Structures	50 years
Machinery and Equipment	3 - 20 years
Vehicles	3 - 8 years
Infrastructure	65 years

The City defines infrastructure as long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These assets include the street system, water purification and distribution system, sewer collection and treatment system, park and recreation lands and improvement system, storm water conveyance system and buildings, combined with the site amenities such as parking and landscaped areas, used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

vii. Compensated Absences Payable

The following totals may be accumulated by employees each year:

- A total of 11 to 28 vacation days

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

- Up to either 60, 80 or 120 hours of compensatory time off, depending on employee's classification, or 120 hours of administrative leave
- 12 days of sick leave

Sick leave is not paid at termination but is used for additional service credits towards retirement. Half of an employee's accrued sick leave (up to \$8,000) may be cashed in when the employee retires from the City of Brentwood. Under certain restrictive circumstances, limited amounts of sick leave can be converted to vacation time. Vacation time is only allowed to accumulate up to one and one-half year's worth of earnings.

All employees may elect to receive a lump sum payment of up to 40 hours of accumulated vacation each March. Mid-Managers, Department Directors and the City Manager are eligible to elect payment of up to 80 hours in March. Additionally, each October employees with three years of service may elect to receive a lump sum payment of up to 40 hours of accumulated vacation time. Mid-Managers, Department Directors and the City Manager are eligible to elect payment of up to 80 hours. Liabilities for compensated absences are included as a liability in the Government-Wide Financial Statements and are liquidated by the fund which has recorded the liability. The long-term portion of compensated absences in Governmental-Type activities is liquidated by the General Fund.

viii. Property Tax

Property tax valuation, lien and levy for secured and unsecured property is March 1st of each year. Fifty percent of secured taxes are due on November 1 and February 1 of each fiscal year and are delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1 and delinquent on August 31. Contra Costa County bills and collects the City's property taxes and the remittance of them to the City is accounted for in the City's General Fund. City property tax revenues are recognized when levied, to the extent that they result in current receivables. The City receives their full assessment of property tax and the County retains all delinquent charges.

ix. Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under the plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them. Distribution may be made only at termination of employment, retirement, death or in an emergency as defined by the Plan. In accordance with GASB 32, the City revised the plan to no longer make the funds available to the City's general creditors and accordingly the City does not report any assets or liabilities associated with this plan in the accompanying financial statements.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**x. New GASB Pronouncements**

In July 2004, GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the Government-Wide financial statements. 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.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations. This Statement generally provides for prospective implementation – meaning employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The City will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The City is in the process of determining the impact implementation of this Statement will have on the Government-Wide financial statements.

In September 2006, GASB issued GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that the City will use to ascertain whether certain transactions should be regarded as sales or as collateralized borrowing. Statement No. 48 also includes disclosure requirements for future revenues that are pledged or sold. The requirements of Statement No. 48 are effective for fiscal periods beginning after December 15, 2006. The City does not anticipate that Statement No. 48 will have a significant impact on its financial statements.

In December 2006, GASB issued GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement provides guidance on calculating and reporting the costs and obligations associated with pollution cleanup efforts. The requirements of Statement No. 49 are effective for fiscal periods beginning after December 15, 2007. The City does not anticipate that Statement No. 49 will have a significant impact on its financial statements.

xi. Motor Vehicle Taxes

Motor vehicle taxes are collected by the State and remitted to the City. They are not restricted.

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

- General Budget Policies

The City operates on a two year budget cycle. During the first year of the cycle the next two budget years are legally enacted through passage of a resolution prior to July 1. The City Council periodically reviews the budgets and adopts supplemental appropriations (amendments) at the fund level when required over the ensuing two years. The level of budgetary control is established at the fund level and expenditures may not exceed budgeted appropriations at the fund level without City Council approval. In the financial statements, the final budget amounts include amendments to the original budget. Individual amendments were not material in relation to original appropriations.

- Budget Basis of Accounting

Budgetary comparisons are presented for the General, Special Revenue, certain Debt Service and certain Capital Project funds. The funds listed below are not legally required to adopt budgets as their appropriations are established by the related bond documentation and/or other legal agreements.

Capital Project Funds

Capital Improvement Financing Program 94-1 (2004 A&B Refi)	Capital Improvement Financing Program 2006-1
Capital Improvement Financing Program 2000-1 (2004 C Refi)	2002 Series A&B
Capital Improvement Financing Program 2002-1 (2005 A&B Refi)	2006 Series A&B
Capital Improvement Financing Program 2003-1 (2006 A&B Refi)	Capital Improvement 2001
Capital Improvement Financing Program 2004-1 (2006 A&B Refi)	Randy Way District Improvements
Capital Improvement Financing Program 2005-1	

Debt Service Funds

2002 General Obligation Bond

B. DEFICIT FUND EQUITY

The following funds have either a deficit fund or accumulated deficit balance as of June 30, 2007, which were due to timing issues at year-end. Coverage of these funds was addressed in the fiscal year 2007/08 Operating Budget.

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

Special Revenue:

Thoroughfares	\$ 1,907,113
Facility Fee Administration	\$ 863,430
Community Facilities	\$ 62,116

Capital Projects:

Capital Project Administration	\$ 32,968
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C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of the “Due To / From Other Funds” balance, as of June 30, 2007, is shown below. The due from amounts for Thoroughfares, Leases, Community Facilities, Open Space, Measure C and Other Grants are due to timing issues and are expected to be paid during the next fiscal year. The due from Housing Enterprise amounts are development fees related to the construction of housing units which, when completed, will become rental units for the City’s Housing Program. The development fees will be paid over the next several years from the Housing rental stream.

Due To / From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Community Facilities Improvements	Thoroughfares	\$ 1,923,488
Community Facilities Improvements	Capital Lease Program	96
Community Facilities Improvements	Community Facilities	61,047
Community Facilities Improvements	Open Space	299
Community Facilities Improvements	Measure C	238,118
Police Grants	Other Grants	2,804
Thoroughfares	Housing Enterprise	97,069
Community Facilities	Housing Enterprise	31,148
Facility Fee Administration	Housing Enterprise	4,725
Parks and Trails	Housing Enterprise	66,496
Wastewater Enterprise	Housing Enterprise	35,331
Water Enterprise	Housing Enterprise	45,516
	Total	\$ 2,506,137

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

The following interfund loan, for costs associated with the Public Employee Retirement System (PERS), is to be repaid over the next three years.

Interfund Loan

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Enterprise	Facility Fee Administration - Non-Major Funds	\$ 1,410,295
	Total	<u><u>\$ 1,410,295</u></u>

Interfund Transfers

Fund Description	General Fund	Street Improvement Projects	Internal Service Funds	Non-Major Governmental Funds	Solid Waste Enterprise	Water Enterprise	City Rentals Enterprise	Total Transfers Out
General Fund	\$ -	\$ 1,808,283	\$ 281,394	\$ 587,019	\$ -	\$ -	\$ 320,589	\$ 2,997,285
Thoroughfares Fund	-	5,048,398	-	1,595,256	-	-	-	6,643,654
Internal Service Funds	-	-	-	504,398	-	-	-	504,398
Non-Major Governmental Funds	4,408,181	2,450,562	-	8,414,421	214,274	-	-	15,487,438
Wastewater Enterprise	-	324,000	20,091	355,989	-	112,000	-	812,080
Solid Waste Enterprise	-	-	188,422	-	-	-	-	188,422
Water Enterprise	-	597,084	45,937	811,957	-	-	-	1,454,978
City Rentals Enterprise	-	-	-	302,694	-	-	-	302,694
Total Transfers In	<u>\$ 4,408,181</u>	<u>\$ 10,228,327</u>	<u>\$ 535,844</u>	<u>\$ 12,571,734</u>	<u>\$ 214,274</u>	<u>\$ 112,000</u>	<u>\$ 320,589</u>	<u>\$ 28,390,949</u>

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

Transfers are indicative of funding for either capital projects, lease payments or debt service, subsidies of various City operations or reallocations of special revenues. The following schedule briefly summarizes the City’s significant, unusual or non-consistent fund type transfer activity:

Transfer To	Amount	Purpose
Capital Projects	\$ 650,000	Provide a subsidy to cover a portion of the costs for the 400 Guthrie Lane Parking Lot project.
City Rentals Enterprise	320,589	Provide a subsidy to cover a portion of the costs for the City Rentals Enterprise.
Capital Projects	1,484,621	Provide a subsidy to cover a portion of the costs for the Pavement Management Program.
Capital Projects	766,930	Provide a subsidy to cover a portion of the costs for the 118 Oak Street Remodel project.
General Fund	840,330	Gas Tax revenue to subsidize the Street Maintenance Division.
Capital Projects	1,080,000	Provide a subsidy to cover a portion of the costs for the Agricultural Park and History Center project.
Capital Projects	4,180,664	Provide a subsidy to cover a portion of the costs for the New City Hall project.
Capital Projects	334,282	Provide a subsidy to cover a portion of the costs for the Community Beautification project.
Capital Projects	402,262	Provide a subsidy to cover a portion of the costs for the Chloramination of Wells project.
Capital Projects	2,431,174	Provide a subsidy to cover a portion of the costs for the Walnut Boulevard Widening project.
Capital Projects	1,388,984	Provide a subsidy to cover a portion of the costs for the Lone Tree Way - Union Pacific Undercrossing project.
Capital Projects	531,337	Provide a subsidy to cover a portion of the costs for the Well #15 project.
Capital Projects	350,000	Provide a subsidy to cover a portion of the costs for the Jeffery Way Realignment / Widening project.
Capital Projects	294,002	Provide a subsidy to cover a portion of the costs for the Sand Creek Road East A & B project.
Capital Projects	559,500	Provide a subsidy to cover a portion of the costs for the Brentwood Boulevard Widening - Central project.
Capital Projects	295,700	Provide a subsidy to cover a portion of the costs for the Logan Way Extension project.
Capital Projects	266,896	Provide a subsidy to cover a portion of the costs for the American Avenue Extension project.
Capital Projects	808,500	Provide a subsidy to cover a portion of the costs for the Sand Creek Road Widening - UPRR to O'Hara Avenue project.
Capital Projects	250,000	Provide a subsidy to cover a portion of the costs for the Financial Software project.
Capital Projects	4,444,381	Provide a subsidy to cover a portion of the costs for the Surface Water Treatment Facility Phases I & II project.

NOTE # 3 – CASH AND INVESTMENTS

A. CASH AND DEPOSITS

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

The carrying amounts of the City’s cash deposits were \$1,598,311 at June 30, 2007. The bank balance, before reconciling items, was \$4,075,302. The bank balance is collateralized for up to 110%, insured for up to \$100,000 and is held by a pledging financial institution in the City’s name. The market value of the pledged securities must equal 110% as stated by California Government Code Section 53651, but the City may waive collateral requirements for cash deposits that are insured by the Federal Deposit Insurance Corporation (FDIC). The City’s cash and investment balances are as follows:

Pooled Deposits:	
Demand Deposits	\$ 1,598,311
Petty Cash	4,430
Pooled Investments	217,286,960
Total Cash and Investments	<u>\$ 218,889,701</u>

Cash and investments appear on the financial statements as follows:

Cash and Investments	
Governmental Activities	\$ 117,805,486
Business-Type Activities	49,152,744
Fiduciary Funds	10,828,614
	<u>177,786,844</u>
Restricted Cash and Investments	
Governmental Activities	32,881,173
Business-Type Activities	926,763
Fiduciary Funds	7,294,921
	<u>41,102,857</u>
Total Cash and Investments	<u>\$ 218,889,701</u>

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

The City apportions interest earnings to all funds based on their monthly cash balance in accordance with California Government Code Section 53635. The table below identifies the investment types authorized for the City by the City's investment policy, which is more restrictive than California Government Code 53635. The table also identifies certain provisions of the City's investment policy which address interest rate risk, credit risk and concentration of risk. This table includes permitted investments for the management of the City's cash. In addition, these guidelines are used for the investments of debt proceeds held by bond trustees, which are governed by the provision of the City's debt agreements.

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

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

Credit Risk – The City's portfolio is comprised of the highest quality government and corporate securities. Consistent with City policy, over 83% of the rated portfolio consists of investments with Standard and Poor's highest ratings. This percentage does not include U.S. Treasury Bonds / Notes, LAIF, Money Market Mutual Funds (MMMF) or Guaranteed Investment Contracts (GICs) which are all unrated. Investments at June 30, 2007, held on behalf of the City of Brentwood are presented below, categorized separately to give an indication of the level of risk associated with each investment.

NOTE # 3 – CASH AND INVESTMENTS (Continued)

At June 30, 2007, the City had no investments in repurchase agreements or foreign currency investments. At no time during the fiscal year did the City borrow funds through use of a reverse-repurchase agreement even though such transactions are authorized by the City’s investment policy. Investments are reported at fair value.

	Fair Value	Credit Rating	% of Rated Portfolio
Medium Term Corporate Notes	\$ 3,588,000	AA	3%
Medium Term Corporate Notes	2,982,128	AA+	3%
Medium Term Corporate Notes	6,614,505	AA-	5%
Medium Term Corporate Notes	2,331,977	AAA	2%
Commercial Paper	5,257,317	A-1+	4%
Federal Agency Bonds / Notes	<u>102,267,897</u>	AAA	83%
Total Rated Investments	123,041,824		
U.S. Treasury Bonds / Notes	29,270,702	Not Rated	
Local Agency Investment Fund	29,008,984	Not Rated	
Money Market Mutual Funds	34,174,695	Not Rated	
Guaranteed Investment Contracts	<u>1,790,755</u>	Not Rated	
Total Unrated Investments	<u>94,245,136</u>		
Total Investments	<u>\$ 217,286,960</u>		

Concentration of Credit Risk – The City’s investment policy contains no limitations on the amount the City may invest in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds or external investment pools, which represent 5% or more of the City’s total investments are shown below:

Concentration of Credit Risk*

Issuers	Fair Value	% of Portfolio
Federal Home Loan Mortgage Corp.	\$ 23,871,594	10.99
Federal Home Loan Bank	34,276,740	15.77
Federal National Mortgage Association	31,909,329	14.69
Federal Farm Credit Bank	12,210,234	5.62

* Excludes LAIF and MMMF

NOTE # 3 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk – The City’s investment policy limits the investment portfolio to maturities of less than five years as a means of limiting exposure to fair value losses arising from interest rates. Currently, 80% of the investment portfolio is concentrated in the 0 to 2 year maturity range.

Investment Maturities

	<u>Fair Value *</u>	<u>0-6 mos**</u>	<u>6-12 mos.</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>% of Portfolio</u>
U.S. Treasury Notes/Bonds	29,270,702	-	-	26,777,752	2,492,950	30.00
Medium-Term Corporate Notes and Commercial Paper	20,773,927	5,257,317	2,331,976	5,849,985	7,334,649	9.60
Federal Agency Bonds/Notes	102,267,897	13,229,167	9,000,910	45,622,890	34,414,930	46.00
Local Agency Investment Funds	29,008,984	29,008,984	-	-	-	13.20
Money Market Mutual Funds	34,174,695	34,174,695	-	-	-	0.56
Guaranteed Investments Contracts	1,790,755	-	-	-	1,790,755	0.64
Totals	<u>\$ 217,286,960</u>	<u>\$ 81,670,163</u>	<u>\$ 11,332,886</u>	<u>\$ 78,250,627</u>	<u>\$ 46,033,284</u>	
% of Portfolio		37.59	5.22	36.01	21.18	100.00

*Fair Value includes accrued interest

**Callable Securities are reported at 0-6 months

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

NOTE # 3 – CASH AND INVESTMENTS (Continued)**C. INVESTMENT IN STATE TREASURER'S POOL**

LAIF is an external investment pool sponsored by the State of California authorized under Section 16429.1,2,3 of the California Government code. The fund is a voluntary program, created by statute, as an investment alternative for California local governments and special districts. The fund is administered by the California State Treasurer. The City is a voluntary participant in the investment pool. The management of LAIF has indicated to the City that as of June 30, 2007, the amortized cost of the pool was \$65,786,597,418. The fair value was \$65,756,665,963. The City deposits excess cash in LAIF, which is not required to be categorized. The fair value for these deposits was provided by the pool sponsor.

D. CASH AND INVESTMENTS WITH FISCAL AGENT

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds and lease obligations, plus monies held by a third-party administrator of the City's Housing Rental Program. The City has also set up escrow bank accounts to hold retention payments due to certain contractors. These monies appear on the financial statements as Restricted Cash and Investments. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, may be invested by trustees or fiscal agents in accordance with the ordinances, resolutions or indentures specifying the types of investments allowed.

E. FAIR VALUE OF INVESTMENTS

Methods and assumptions used to estimate fair value:

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

The City holds an investment in LAIF that is subject to being adjusted to "fair value". The City is required to disclose its methods and assumptions used to estimate the market value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holding in LAIF. The City had a contractual withdrawal value of \$29,008,984 whose pro-rata share of fair value was estimated by the State Treasurer to be \$28,995,786. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

Notes to the Basic Financial Statements

NOTE # 4 – RECEIVABLES

Accounts receivables at June 30, 2007 were comprised of the following:

	<u>Taxes</u>	<u>Accounts</u>	<u>Inter-Governmental</u>	<u>Interest</u>	<u>Utilities</u>	<u>Loans</u>	<u>Total Receivables</u>
Governmental Activities:							
General Fund	\$ 170,366	\$ 540,849	\$ 450,942	\$ 58,802	\$ -	\$ -	\$ 1,220,959
Internal Services	-	74,396	-	34,375	-	26,325	135,096
Special Revenue	247,344	450,000	748,786	61,027	-	-	1,507,157
Debt Service	-	-	-	20,812	-	-	20,812
Capital Projects	-	23,254	1,110,651	88,965	-	-	1,222,870
Total Governmental Activities	<u>\$ 417,710</u>	<u>\$ 1,088,499</u>	<u>\$ 2,310,379</u>	<u>\$ 263,981</u>	<u>\$ -</u>	<u>\$ 26,325</u>	<u>\$ 4,106,894</u>
Business - Type Activities:							
Wastewater	\$ -	\$ 7,390	\$ -	\$ 43,900	\$ 1,017,642	\$ -	\$ 1,068,932
Solid Waste	-	33,780	-	7,508	1,417,675	-	1,458,963
Water	-	88,284	-	24,011	2,021,893	260,225	2,394,413
Housing	-	21,770	-	11,461	-	-	33,231
City Rentals	-	154,952	-	139	-	-	155,091
Total Business-Type Activities	<u>\$ -</u>	<u>\$ 306,176</u>	<u>\$ -</u>	<u>\$ 87,019</u>	<u>\$ 4,457,210</u>	<u>\$ 260,225</u>	<u>\$ 5,110,630</u>

NOTE #5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets, including infrastructure, in the Government-Wide Statement of Net Assets. Capital assets of the primary government as of June 30, 2007 are as follows:

	Balance July 1, 2006	Increases	Decreases	Transfers ⁽³⁾	Balance June 30, 2007
Governmental Activities : ⁽¹⁾					
Capital Assets, Not Being Depreciated:					
Land	\$ 27,288,471	\$ -	\$ (430,239)	\$ -	\$ 26,858,232
Work in Progress - CIP	95,114,876	11,367,755	-	(20,874,988)	85,607,643
Total Capital Assets, Not Being Depreciated	<u>122,403,347</u>	<u>11,367,755</u>	<u>(430,239)</u>	<u>(20,874,988)</u>	<u>112,465,875</u>
Capital Assets, Being Depreciated:					
Land Improvements	1,085,213	-	-	-	1,085,213
Buildings	12,324,480	-	-	-	12,324,480
Infrastructure	231,100,703	37,242,778	-	18,374,988	286,718,469
Machinery and Equipment	3,299,956	583,846	(241,614)	-	3,642,188
Vehicles	6,725,656	985,013	(692,947)	-	7,017,722
Total Capital Assets Being Depreciated	<u>254,536,008</u>	<u>38,811,637</u>	<u>(934,561)</u>	<u>18,374,988</u>	<u>310,788,072</u>
Less Accumulated Depreciation for:					
Land Improvements	497,216	50,413	-	-	547,629
Buildings	2,259,510	245,644	-	-	2,505,154
Infrastructure	36,029,532	3,516,937	-	-	39,546,469
Machinery and Equipment	1,633,876	333,137	(240,282)	-	1,726,731
Vehicles	3,353,992	682,220	(578,945)	-	3,457,267
Total Accumulated Depreciation	<u>43,774,126</u>	<u>4,828,351</u>	<u>(819,227)</u>	<u>-</u>	<u>47,783,250</u>
Total Capital Assets, Being Depreciated, Net	<u>210,761,882</u>	<u>33,983,286</u>	<u>(115,334)</u>	<u>18,374,988</u>	<u>263,004,822</u>
Governmental Activities Capital Assets, Net	<u>\$ 333,165,229</u>	<u>\$ 45,351,041</u>	<u>\$ (545,573)</u>	<u>\$ (2,500,000)</u>	<u>\$ 375,470,697</u>
Business-Type Activities : ⁽²⁾					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,114,092	\$ 541,862	\$ -	\$ -	\$ 1,655,954
Work in Progress - CIP	22,549,824	5,387,324	-	(1,283,527)	26,653,621
Total Capital Assets, Not Being Depreciated	<u>23,663,916</u>	<u>5,929,186</u>	<u>-</u>	<u>(1,283,527)</u>	<u>28,309,575</u>
Capital Assets, Being Depreciated:					
Land Improvements	1,230,303	-	-	-	1,230,303
Buildings	9,600,472	593,582	-	62,616	10,256,670
Infrastructure	129,807,256	12,807,761	(1,429,829)	1,220,911	142,406,099
Machinery and Equipment	1,120,327	-	(72,779)	-	1,047,548
Total Capital Assets Being Depreciated	<u>141,758,358</u>	<u>13,401,343</u>	<u>(1,502,608)</u>	<u>1,283,527</u>	<u>154,940,620</u>
Less Accumulated Depreciation for:					
Land Improvements	621,600	59,654	-	-	681,254
Buildings	2,122,409	192,009	-	-	2,314,418
Infrastructure	12,961,630	1,997,322	(84,517)	-	14,874,435
Machinery and Equipment	563,431	76,186	(50,159)	-	589,458
Total Accumulated Depreciation	<u>16,269,070</u>	<u>2,325,171</u>	<u>(134,676)</u>	<u>-</u>	<u>18,459,565</u>
Total Capital Assets, Being Depreciated, Net	<u>125,489,288</u>	<u>11,076,172</u>	<u>(1,367,932)</u>	<u>1,283,527</u>	<u>136,481,055</u>
Business-Type Activities Capital Assets, Net	<u>\$ 149,153,204</u>	<u>\$ 17,005,358</u>	<u>\$ (1,367,932)</u>	<u>\$ -</u>	<u>\$ 164,790,630</u>

⁽¹⁾ Intangible Assets (Amortized), equaling \$4,102,077, are not included within the Note for the Governmental Capital Assets

⁽²⁾ Intangible Assets (Amortized), equaling \$9,782,419, are not included within the Note for the Business-Type Capital Assets

⁽³⁾ There was a reclassification of infrastructure to intangible assets for \$2,500,000 during the year in the Governmental Funds

NOTE #5 – CAPITAL ASSETS (Continued)

For the year ended June 30, 2007, depreciation expense on capital assets was charged to the governmental function as follows:

Governmental Activities:	
General Government	\$ 258,935
Public Safety	56,608
Community Development	8,033
Public Works	2,867,704
Parks and Recreation	673,621
Internal Service	963,450
Total Depreciation Expense - Governmental Activities	<u><u>\$ 4,828,351</u></u>
Business-Type Activities:	
Water	\$ 995,005
Wastewater	1,242,477
Solid Waste	69,482
Housing	18,207
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 2,325,171</u></u>

* Intangible and amortized assets are not included within the Note for either Governmental or Business-Type capital assets.

A. Intangible Assets

i. Water Rights

In an agreement between the City of Brentwood and the Contra Costa Water District (CCWD), dated February 29, 2000, the City is obligated to reimburse CCWD \$597,532 as a buy-down cost per acre foot of water. The City capitalized this expenditure as of June 30, 2001 and will amortize the expense over 65 years.

In an amendatory agreement between Brentwood and CCWD, dated September 24, 2003, the City purchased the treatment capacity right of up to 3,200 acre feet per year of water per year, from the Randall-Bold Water Treatment Plant, for \$10,000,000. The City capitalized this expenditure as of June 30, 2004 and will amortize the expense over 40 years. The capacity right doesn't confer title or ownership of the facility, but merely reserves capacity in the facility.

NOTE #5 – CAPITAL ASSETS (Continued)

ii. Joint Use Facilities

The governing bodies of the City, Liberty Union High School District (LUHSD) and Brentwood Union School District (BUSD) have recognized the public need for additional facilities. As a result of these cooperative efforts, the City has made contributions to these school districts relating to the joint use of these facilities. The City has capitalized these expenditures and will amortize the expense over 65 years.

- As of June 30, 2002, \$1,000,000 for the BUSD Gym allocated at Edna Hill Middle School
- As of June 30, 2003, \$650,000 for the LUHSD Gym located at Liberty High School
- As of June 30, 2005, \$95,000 for the LUHSD Ball Fields located at Liberty High School
- As of June 30, 2005, \$2,500,000 for the LUHSD Community Pool and Gym located at Heritage High School

NOTE # 6 – LONG-TERM OBLIGATIONS

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

A. GOVERNMENTAL ACTIVITIES

	Balance June 30, 2006	Additions	Payments Adjustments	Balance June 30, 2007	Amounts Due Within One Year
Bonds					
2002 General Obligation Bonds	\$ 6,384,302	\$ 191,936 ⁽¹⁾	\$ (140,000)	\$ 6,436,238	\$ 160,000
CIP 2001 Revenue Bonds	29,740,000	-	(675,000)	29,065,000	695,000
Total Bonds	<u>36,124,302</u>	<u>191,936</u>	<u>(815,000)</u>	<u>35,501,238</u>	<u>855,000</u>
Capital Leases (Governmental)					
Various Equipment	17,754	-	(17,754)	-	-
Total Capital Leases (Governmental)	<u>17,754</u>	<u>-</u>	<u>(17,754)</u>	<u>-</u>	<u>-</u>
Notes Payable					
Village Community Resource Center	500,634	-	(128,348)	372,286	112,369
Heritage High Joint Use Pool	1,366,574	-	-	1,366,574	-
Total Notes Payable	<u>1,867,208</u>	<u>-</u>	<u>(128,348)</u>	<u>1,738,860</u>	<u>112,369</u>
Other					
Accumulated Compensated Absences	1,129,640	1,548,298	(1,405,206)	1,272,732	763,639
Sub-Total General Long-Term Debt	<u>39,138,904</u>	<u>1,740,234</u>	<u>(2,366,308)</u>	<u>38,512,830</u>	<u>1,731,008</u>
Total General Long-Term Debt	<u>\$ 39,138,904</u>	<u>\$ 1,740,234</u>	<u>\$ (2,366,308)</u>	<u>\$ 38,512,830</u>	<u>\$ 1,731,008</u>

(1) Accreted Interest

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)**i. Bonds**

- **2002 General Obligation Bonds**

On February 28, 2002, the City issued \$5,999,976 in General Obligation Bonds, Series 2002 to finance the construction, acquisition and improvement of a new police station. Total annual debt service payments, including interest at 3.625 percent to 5.68 percent, range from \$208,666 to \$925,000. The 2002 General Obligation Bond shall increase in value by the accumulation of earned interest from its initial denominational (principal) amount with such interest compounded semiannually on January 1st and July 1st.

Year Ending June 30	Principal	Interest	Total
2008	\$ 160,000	\$ 141,956	\$ 301,956
2009	180,000	135,756	315,756
2010	205,000	126,756	331,756
2011	230,000	119,325	349,325
2012	260,000	107,825	367,825
2013-2017	1,820,000	306,138	2,126,138
2018-2022	1,007,807	1,702,193	2,710,000
2023-2027	941,077	2,513,923	3,455,000
2028-2031	726,093	2,718,908	3,445,001
Sub-total	5,529,977	\$ 7,872,780	\$ 13,402,757
Accretion to date	906,261		
	<u>\$ 6,436,238</u>		

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

- **CIP 2001 Revenue Bonds**

On September 27, 2001, the Brentwood Infrastructure Financing Authority issued \$32,080,000 in Brentwood Capital Improvement Revenue Bonds, Series 2001 to: 1) finance the refund of the CIP Bonds under a Facilities Lease, 2) refund a series of tax allocation bonds issued by the Redevelopment Agency of the City of Brentwood and 3) finance Redevelopment projects. Total annual debt service payments, including interest at 3.0 percent to 5.375 percent, range from \$1,684,500 to \$2,105,294.

Year Ending June 30	Principal	Interest	Total
2008	\$ 695,000	\$ 1,387,881	\$ 2,082,881
2009	725,000	1,361,256	2,086,256
2010	755,000	1,332,563	2,087,563
2011	780,000	1,301,863	2,081,863
2012	815,000	1,269,453	2,084,453
2013-2017	4,625,000	5,770,019	10,395,019
2018-2022	5,850,000	4,500,059	10,350,059
2023-2027	7,520,000	2,801,750	10,321,750
2028-2032	7,300,000	948,000	8,248,000
Total	<u>\$ 29,065,000</u>	<u>\$ 20,672,844</u>	<u>\$ 49,737,844</u>

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

ii. Notes Payable

- On July 1, 2004 the City entered into an agreement with Village Community Resource Center (VCRC) whereby the City committed to a seven year funding program totaling \$801,134, with an interest rate of zero percent per annum, enabling the VCRC to: 1) develop a social center and 2) help the VCRC become a self-sufficient agency. The final payment shall be made on or before June 30, 2011.

Year Ending June 30	Payments
2008	\$ 112,369
2009	98,379
2010	86,131
2011	75,407
Total	<u>\$ 372,286</u>

- Heritage High Joint Use Pool**

On October 13, 2005 the City entered into a long-term agreement with Liberty Union High School District for two joint use projects at Heritage High School. The projects consist of a 50-meter pool and a gymnasium with office space. The City will pay \$2,500,000 to the school district for these joint facilities, no later than July 31, 2009, using “good year” revenue. Good year revenue is defined as actual Park and Trail development fees received in excess of the projected Park and Trail development fee revenue published in the City’s annual Capital Improvement Program. Remaining payments are estimated as follows:

Year Ending June 30	Estimated Principal
2008	\$ -
2009	683,287
2010	683,287
Total	<u>\$ 1,366,574</u>

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

iii. Accumulated Compensated Absences

- The long-term compensated absences balances at June 30, 2007, are:

Governmental	\$ 509,093
Business-Type	\$ 99,631

B. BUSINESS-TYPE ACTIVITIES

	Balance June 30, 2006	Additions	Payments Adjustments	Balance June 30, 2007	Amounts Due Within One Year
Capital Leases					
Solid Waste - Transfer Station	\$ 190,955	\$ -	\$ (190,955)	\$ -	\$ -
Total Capital Leases	190,955	-	(190,955)	-	-
Notes Payable					
CCWD Water Connection Fee	9,799,478	40,391	(756,913)	9,082,956	756,913
State Water Resources Loan (Wastewater)	32,931,790	210,054	(1,683,482)	31,458,362	1,713,439
Total Notes Payable	42,731,268	250,445	(2,440,395)	40,541,318	2,470,352
Wastewater Revenue Bonds	2,094,080	-	(60,328)	2,033,752	63,395
Water Revenue Bonds	8,145,920	-	(234,672)	7,911,248	246,605
Other					
Accumulated Compensated Absences	231,225	373,093	(355,241)	249,077	149,446
Total All Business-Type Funds	\$ 53,393,448	\$ 623,538	\$ (3,281,591)	\$ 50,735,395	\$ 2,929,798

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

i. Notes Payable

• **CCWD – Water Connection Fee**

On February 29, 2000, the City entered into an agreement with CCWD to pay all water connection fees for Brentwood’s customers residing within CCWD’s Los Vaqueros Service Area. Brentwood shall pay annually for its actual and anticipated future connections for a period of 20 years. The minimum amount required per year is 239 connections, for a total of 4,780 connections over 20 years. The established rate, at June 30, 2007, was \$3,167 per connection, with an interest rate of zero percent per annum.

Year Ending	Principal
June 30	
2008	\$ 756,913
2009	756,913
2010	756,913
2011	756,913
2012	756,913
2013-2017	3,784,565
2018-2019	1,513,826
Total	<u>\$ 9,082,956</u>

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

- **State Water Resources Loan (Wastewater)**

In December 2000, the City entered into a loan contract with the State of California’s State Water Resources Control Board for the purpose of financing the Wastewater Treatment Plant 5MGD Expansion project. Under the terms of the contract, the City has agreed to repay the State \$45,580,886 in exchange for receiving \$37,983,920 in proceeds used to fund the project. The difference between the repayment obligation and proceeds amounted to \$7,596,966 upon issue and represents in-substance interest on the outstanding balance. This in-substance interest amount has been recorded as a discount on debt at an imputed yield of 1.81% per year and is being amortized over the remaining life of the contract. As of June 30, 2007, the City’s gross repayment obligation totaled \$36,500,720 and is being reported in the accompanying financial statement net of the unamortized discount of \$5,042,358. During FY 2006/07, the City repaid \$1,683,482 on the obligation and amortized \$597,812 of the discount which was reported as interest expense.

Year Ending June 30	Principal	Interest	Total
2008	\$ 1,713,439	\$ 567,856	\$ 2,281,295
2009	1,744,368	536,927	2,281,295
2010	1,775,856	505,439	2,281,295
2011	1,807,912	473,383	2,281,295
2012	1,840,547	440,748	2,281,295
2013-2017	9,713,249	1,693,226	11,406,475
2018-2022	10,622,146	784,329	11,406,475
2023	2,240,845	40,450	2,281,295
Total	<u>\$ 31,458,362</u>	<u>\$ 5,042,358</u>	<u>\$ 36,500,720</u>

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

ii. Bonds

• **Water/Wastewater Revenue Bonds**

On December 11, 1996, the City issued \$12,195,000 in Water/Wastewater Revenue Bonds, with interest rates ranging from 4.0 to 5.5 percent, due July 1, 2026. The balance at June 30, 2007, is \$9,945,000. Future payments for these bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 310,000	\$ 549,906	\$ 859,906
2009	330,000	534,096	864,096
2010	345,000	516,936	861,936
2011	365,000	498,651	863,651
2012	385,000	479,306	864,306
2013-2017	2,255,000	2,059,351	4,314,351
2018-2022	2,945,000	1,360,341	4,305,341
2023-2026	3,010,000	435,094	3,445,094
Total	<u>\$ 9,945,000</u>	<u>\$ 6,433,681</u>	<u>\$ 16,378,681</u>
Wastewater Fund Portion	\$ 2,033,752	\$ 1,315,688	\$ 3,349,440
Water Fund Portion	7,911,248	5,117,993	13,029,241
	<u>\$ 9,945,000</u>	<u>\$ 6,433,681</u>	<u>\$ 16,378,681</u>

NOTE # 7 – SPECIAL ASSESSMENT DISTRICTS (No City Liability)

The following issues of Special Assessment District Bonds, issued pursuant to the Municipal Improvement Act of 1915, are not reported in long-term debt. These are special obligations payable from, and secured by, specific revenue sources described in the bond resolutions and official statements of the respective issues. The City is the collecting and paying agent for the debt issued by these districts, but neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged for the payment of these bonds. Debt Service for the special assessment district bonds is reported in the agency funds.

NOTE # 7 – SPECIAL ASSESSMENT DISTRICTS (Continued)

Special Assessment District Bonds	Assessment District Debt
Brentwood Infrastructure Financing Authority - 1996 Reassessment Bonds, Series A and B • Dated December 20, 1996 • Annual debt service payments, including interest at 4.05 percent to 6.8 percent, range from \$707,720 to \$763,230 • Final payment due September 2017	\$ 11,750,000
Brentwood Refunding Reassessment District, Series 1993 • Special Assessment debt dated July, 1993 • Annual debt service payments, including interest at 4.5 percent to 7.0 percent, range from \$577,020 to \$767,445 • Final payment due September 2007	480,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2002 A & B (Refinancing of CIFP's 98-1 and 99-1) • Dated June 20, 2002 • Annual debt service payments, including interest at 4.75 percent to 6.0 percent, range from \$636,000 to \$1,332,718 • Final payment due September 2029	17,462,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2004 A & B (Refinancing of CIFP 94-1) • Dated February 12, 2004 • Annual debt service payments, including interest at 2.0 percent to 5.2 percent, range from \$826,735 to \$2,407,520 • Final payment due September 2029	32,837,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2004 C (Refinancing of CIFP 2000-1) • Dated November 19, 2004 • Annual debt service payments, including interest at 2.0 percent to 4.375 percent, range from \$796,706 to \$818,338 • Final payment due September 2030	11,675,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2005 A & B (Refinancing of CIFP 2002-1) • Dated June 16, 2005 • Annual debt service payments, including interest at 2.5 percent to 5.0 percent, range from \$1,046,784 to \$1,057,496 • Final payment due September 2032	15,730,000
Brentwood Infrastructure Financing Authority - CIFP 2005-1 Infrastructure Revenue Bonds, Series 2005 • Dated August 3, 2005 • Annual debt service payments, including interest at 3.0 percent to 4.625 percent, range from \$2,616,165 to \$2,621,171 • Final payment due September 2035	39,550,000
Brentwood Infrastructure Financing Authority - CIFP 2006-1 Infrastructure Revenue Bonds, Series 2006 • Dated August 16, 2006 • Annual debt service payments, including interest at 3.90 percent to 5.20 percent, range from \$1,134,205 to \$1,139,455 • Final payment due September 2036	17,195,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2006 A&B (Refinancing of CIFP 2003-1 & 2004-1) • Dated January 11, 2007 • Annual debt service payments, including interest at 3.625 percent to 5.0 percent, range from \$825,608 to \$1,905,000 • Final payment due September 2034	35,750,000
Total Assessment District Debt	\$ 182,429,000

NOTE # 8 – CLASSIFICATION OF NET ASSETS

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

- Investment In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed.
- Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

NOTE # 9 – DEFINED BENEFIT PENSION PLAN**A. PLAN DESCRIPTION**

The City of Brentwood's defined benefit pension plans (Miscellaneous and Safety Plans), provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by the State statutes within the Public Employee's Retirement Law. The City of Brentwood selects optional benefit provisions from the benefits menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

B. FUND POLICY

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Based on CalPERS requirements, active plan members in the Miscellaneous Plan are required to contribute eight percent of their annual covered salary, while active plan members in the Safety plan are required to contribute nine percent of their annual covered salary. An employer is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rate for fiscal year 2006/07 was 13.849 percent for miscellaneous employees and 29.746 percent for safety employees. The contribution requirements of the plan members are established by State Statute and the employer contribution rate is established and may be amended by CalPERS. For fiscal

NOTE # 9 – DEFINED BENEFIT PENSION PLAN (Continued)

year 2006/07, the City of Brentwood paid both the member contribution amounts and the employer contribution amounts for all full-time, benefited, active plan members.

C. ANNUAL PENSION COST

For fiscal year 2006/07, the City of Brentwood’s annual pension cost was \$5,572,961. This amount equals the City’s required and actual contributions. The required contribution for fiscal year 2006/07 was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method, with the contributions determined as a percent of pay. The actuarial assumptions included: a) 7.75 percent investment rate of return (net of administrative expenses), b) projected salary increases that vary by duration of service, age and type of employment ranging from 3.25 percent to 14.45 percent for miscellaneous members and c) payroll growth of 3.25%. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial values of the Plan’s assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. The Plan’s unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period ends June 30, 2022, for the Safety Plan and June 30, 2035 for the Miscellaneous Plan.

D. THREE-YEAR TREND INFORMATION FOR THE PLANS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 4,667,092	100%	\$ -
6/30/2006	\$ 5,221,470	100%	\$ -
6/30/2007	\$ 5,572,961	100%	\$ -

As required by new State law, effective July 1, 2005, the City’s Safety Plan was terminated and the employees in the plan were required by CalPERS to join a new State-wide pool. One of the conditions of entry to the pool was for the City to true-up any unfunded liabilities in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CalPERS. The City satisfied its Safety Plan’s unfunded liabilities by agreeing to contribute to the Side Fund through an addition to its normal contribution rates. The balance of the Safety Plan’s Side Fund, \$3,170,355 at June 30, 2007, will be repaid over the next nine years.

NOTE # 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disaster; errors and omissions; injuries to employees and unemployment claims. The City, along with other Contra Costa County cities, belongs to the Municipal Pooling Authority of Northern California (MPANC). MPANC, also referred to as the “Authority”, is a public entity risk pool currently operating as a common risk management and insurance program for the members. The City pays an annual premium to the Authority for the following: Liability (\$20 million coverage, \$10,000 deductible); Employer’s Resource Management Association (ERMA) (\$1 million, \$50,000 deductible on employment claims); Fire and Property (\$350 million coverage, \$5,000 deductible); Flood (\$20 million, \$100,000 to \$250,000 minimum deductible per occurrence); Earthquake, in selected locations (\$40 million, deductible of 5% of reported value with \$100,000 minimum deductible per occurrence); Auto (\$250,000 coverage, Police \$3,000 deductible, all others \$2,000) and Workers Compensation (\$200 million coverage, \$0 deductible). The Agreement provides that the Authority will be self-sustaining through member premiums and assessments. The Authority purchases commercial insurance in excess of those amounts covered by the Authority's self-insurance pool.

The Authority was formed in June of 1977, under a “joint exercise of power agreement”, to provide general liability, workers' compensation, property and employee benefits insurance coverage. The Authority is governed by a Board of Directors composed of one appointed official from each City. Members at June 30, 2006, were the cities of Antioch, Brentwood, Clayton, El Cerrito, Hercules, Lafayette, Manteca, Martinez, Oakley, Orinda, Pacifica, Pinole, Pittsburg, Pleasant Hill, Richmond, San Pablo, San Ramon and Walnut Creek and the towns of Danville and Moraga. Audited financial information can be obtained from the Authority located at 1911 San Miguel Drive, Walnut Creek, CA 94596.

There have been no significant reductions in any of the City’s areas of insurance, other than a reduction in the Authority’s Fire and Property coverage from \$1 billion, for the fiscal year ended June 30, 2006, to \$350 million for the fiscal year ended June 30, 2007. Settled claims have not exceeded coverage for these risks in any of the last three fiscal years. There were no outstanding claims payable at year end and the Incurred But Not Reported (IBNR) amount was calculated to be immaterial for presentation purposes.

NOTE # 11 – POST-RETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note #9, the City provides certain post-retirement health care benefits to employees who retire from the City and who meet the following criteria: 1) they retire on or after reaching age 50 and 2) they have at least five years of cumulative service credits with organizations participating in a CalPERS Defined Benefit Pension Plan. Employees hired after August 1, 2004 are subject to a 20-year vesting schedule and are eligible for benefits after: 1) five years of service with the City and 2) 10 years of cumulative service credits with organizations participating in a CalPERS Defined Benefit Pension Plan.

Coverage is also included for one employee dependent. Currently, 46 retirees are receiving these benefits. The City pays up to \$900.35 per month for health insurance for miscellaneous retirees and up to \$924.38 per month for safety retirees. Expenditures for post-retirement health care benefits are recognized on a pay as you go method. During fiscal year 2006/07, expenditures of \$387,747 were recognized for post-retirement health care.

NOTE # 12 – BRENTWOOD REDEVELOPMENT AGENCY TAX SHARING AGREEMENTS

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

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

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



NOTE # 12 – BRENTWOOD REDEVELOPMENT AGENCY TAX SHARING AGREEMENTS (Continued)

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

Brentwood Redevelopment Agency Statutory Pass-Through Payments

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

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

NOTE # 13 – CONTINGENT LIABILITIES**A. LITIGATION**

The City is involved as a defendant in one legal action. An unfavorable outcome in this matter could result in a loss ranging from \$0 to \$40,000. The City intends to vigorously defend this matter and, while it isn't feasible to either predict or determine the outcome in the case, it is the opinion of the City that the outcome will have no material adverse effect on the financial position of the City.

B. FEDERAL GRANTS

The City has received State and Federal Funds for specific purposes that are subject to review by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

NOTE # 13 – CONTINGENT LIABILITIES (Continued)

C. DEVELOPER FEE CREDITS

The City entered into several agreements with various developers and merchant builders who are developing numerous residential and commercial projects throughout the City. The City agreed to grant the developer’s impact fee credits since the developers constructed certain improvements beyond what was needed to serve their specific projects. The value of credits does not increase for inflation nor do they accrue interest. Any unused credits may be used by the developers on other projects located elsewhere in the City. The value of the credits as of June 30, 2007 was \$20,192,249, after a total of \$5,631,298 were used as credits through fiscal year 2006/07. The accounting for the amounts due are not recorded as indebtedness since the payments (use of the credits) are contingent upon the collection of development fees from building growth that has not yet occurred.

D. CONSTRUCTION COMMITMENTS

As of June 30, 2007, the City had the following commitments with respect to unfinished capital projects:

<u>Project Name</u>	<u>Outstanding Commitment</u>
Brentwood Boulevard Widening - Central	\$ 885,242
BUSD Joint Use Community Gymnasium	1,500,000
Surface Water Treatment Facility Phases I & II	5,738,441
	<u>\$ 8,123,683</u>

NOTE # 14 – SUBSEQUENT EVENTS

On August 7, 2007 the City issued \$840,000 of Infrastructure Revenue Bonds. The Randy Way Sewer Line Assessment District encompasses 34 dwelling units. Net proceeds of the sale of the bonds will be used to finance a portion of the costs of the acquisition, construction and the installation of certain capital improvements.

In September 2007 the City reached a settlement agreement with a general contractor and their subcontractors arising from a disputed public works construction contract. As part of the agreement the general contractor agrees to defend and indemnify the city against any and all subcontractor and supplier claims, if any, in connection with the contract. The settlement agreement calls for the City to pay the general contractor \$465,000 on or before September 27, 2007. The City has accrued the full amount of this payment as a liability in the Park Improvement Projects Fund.

NOTE # 15 – FUND BALANCE RESTATEMENTS

The City has determined two fixed assets, a long-term receivable and an interfund payable, were recorded incorrectly in previous years. The two fixed assets were in the Water and Vehicle Replacement Fund and had been inappropriately capitalized in a previous year. They have therefore been removed from beginning fund balance and from the fixed asset totals.

The long-term receivable had been recorded as income rather than being deferred in the PEG Media fund. Therefore, an adjustment to beginning fund balance was recorded in order to defer revenue recognition under modified accounting rules. The interfund payable in the Facility Fee Administration Fund had been recorded as a long term liability in previous years which excluded it from presentation on the fund financial statements. An adjustment to beginning fund balance has been recorded in order to establish the payable. The effects of the restatements on the beginning balances are as follows: 1) a decrease to the Water fund of \$1,357,472, 2) a decrease to the Vehicle Replacement fund of \$109,767, 3) a decrease to the PEG Media fund of \$450,000 and 4) a decrease to the Facility Fee Administration fund of \$1,910,295.

Budgetary Comparison Schedule, General Fund
For Year Ended June 30, 2007

	Budget Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 16,148,439	\$ 15,793,439	\$ 15,761,372	\$ (32,067)
Licenses	631,250	531,250	509,618	(21,632)
Permits and Fines	9,594,051	7,746,051	6,130,221	(1,615,830)
Uses of Money and Property	1,451,575	1,726,575	1,761,114	34,539
Intergovernmental	3,559,685	4,256,748	4,277,770	21,022
Franchises	920,893	920,893	965,066	44,173
Charges for Other Services	1,659,653	1,597,153	776,584	(820,569)
Charges to Other Funds	5,520,484	5,520,484	5,590,646	70,162
Fees and Other Revenues	1,597,822	1,634,659	1,132,736	(501,923)
Total Revenues	41,083,852	39,727,252	36,905,127	(2,822,125)
EXPENDITURES				
Current:				
General Government	7,968,016	8,021,399	5,940,065	2,081,334
Public Safety	14,654,135	14,656,249	13,948,795	707,454
Community Development	5,264,503	5,264,503	4,446,696	817,807
Engineering	2,978,488	2,978,487	2,532,147	446,340
Public Works	2,853,913	2,853,913	2,486,963	366,950
Parks and Recreation	6,382,521	6,439,796	5,626,310	813,486
Community Services	562,550	565,050	449,819	115,231
Total Expenditures	40,664,126	40,779,397	35,430,795	5,348,602
REVENUES OVER (UNDER) EXPENDITURES	419,726	(1,052,145)	1,474,332	2,526,477
OTHER FINANCING SOURCES (USES)				
Transfers In	3,329,094	3,811,624	4,408,181	596,557
Transfers Out	(3,165,437)	(3,165,437)	(2,997,285)	168,152
Total Other Financing Sources (Uses)	163,657	646,187	1,410,896	764,709
NET CHANGE IN FUND BALANCES	\$ 583,383	\$ (405,958)	2,885,228	\$ 3,291,186
Fund Balance, Beginning of Year			22,514,337	
Fund Balance, End of Year			\$ 25,399,565	

*Budgetary Comparison Schedule, Thoroughfares
For Year Ended June 30, 2007*

	Budget Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Uses of Money and Property	\$ 20,000	\$ 20,000	\$ 580,847	\$ 560,847
Fees and Other Revenues	17,400,000	11,900,000	3,728,802	(8,171,198)
Total Revenues	<u>17,420,000</u>	<u>11,920,000</u>	<u>4,309,649</u>	<u>(7,610,351)</u>
EXPENDITURES				
Current:				
General Government	5,682,584	450,360	388,256	62,104
Total Expenditures	<u>5,682,584</u>	<u>450,360</u>	<u>388,256</u>	<u>62,104</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>11,737,416</u>	<u>11,469,640</u>	<u>3,921,393</u>	<u>(7,548,247)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(7,172,624)	(10,828,749)	(6,643,654)	4,185,095
Total other Financing Sources (Uses)	<u>(7,172,624)</u>	<u>(10,828,749)</u>	<u>(6,643,654)</u>	<u>4,185,095</u>
NET CHANGE IN FUND BALANCES	<u>\$ 4,564,792</u>	<u>\$ 640,891</u>	<u>(2,722,261)</u>	<u>\$ (3,363,152)</u>
Fund Balance, Beginning of Year			<u>815,148</u>	
Fund Balance, End of Year			<u>\$ (1,907,113)</u>	

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgets for governmental funds are prepared in accordance with GAAP for the United States of America. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The annual budget, which covers the period from July 1 to June 30, establishes the foundation for effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on three expenditure categories: personnel, supplies and services, and capital outlay. These are considered operational in nature and reflect recurring costs. Capital improvement projects include asset acquisitions, facilities, systems and infrastructure improvements typically over \$10,000, and/or those items "outside" of the normal operational budget. These reflect one-time costs.

The City collects and records revenue and expenditures for Governmental Activities and Business-Type Activities. The City's budget reflects an organization whose top priorities continue to be:

- Provide and build public facilities
- Provide and maintain an adequate public infrastructure
- Plan and manage growth to maintain and enhance our small town character
- Enhance and promote Brentwood's economic vitality
- Provide friendly customer service

DEFINED BENEFIT PENSION PLAN

Funded Status of Plans

Miscellaneous:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Accrued Liability As a % of Payroll
6/30/2004	\$ 24,884,866	\$ 20,675,251	\$ 4,209,615	83.1%	\$ 13,533,385	31.1%
6/30/2005	\$ 30,745,530	\$ 25,232,747	\$ 5,512,783	82.1%	\$ 14,033,438	39.3%
6/30/2006	\$ 37,323,519	\$ 29,802,610	\$ 7,520,909	79.8%	\$ 15,565,585	48.3%

As required by new State law, effective July 1, 2005, the City's Safety Plan was terminated and the employees in the plan were required by CalPERS to join a new State-wide pool.

City of Brentwood

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

Special Revenue Funds

	Gas Tax	Police Grants	Other Grants	Citywide Parks Districts	Community Facilities Districts	Community Facilities	Vehicle Abatement	Economic Development
ASSETS								
Current Assets:								
Cash and Investments	\$ -	\$ 154,833	\$ -	\$ 690,699	\$ 62,220	\$ -	\$ 81,001	\$ 5,039
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Receivables	-	37,203	5,149	1,251	1,234	-	13,688	9
Prepays	-	-	-	787	-	-	-	-
Due from Other Funds	-	2,804	-	-	-	31,148	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Total Assets	\$ -	\$ 194,840	\$ 5,149	\$ 692,737	\$ 63,454	\$ 31,148	\$ 94,689	\$ 5,048
LIABILITIES AND FUND BALANCES								
Current Liabilities:								
Accounts Payable and Accrued Liabilities	\$ -	\$ 19,727	\$ 2,345	\$ 319,187	\$ 4,979	\$ 1,069	\$ -	\$ -
Due to Other Funds	-	-	2,804	-	-	61,047	-	-
Internal Balances	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	231	-	-	-	-
Unearned Revenue	-	-	-	-	-	31,148	-	-
Total Liabilities	-	19,727	5,149	319,418	4,979	93,264	-	-
Fund Balances:								
Reserved for:								
Prepays	-	-	-	787	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Specific Projects and Programs	-	175,113	-	-	-	-	-	-
Unreserved, Reported in:								
Special Revenue	-	-	-	372,532	58,475	(62,116)	94,689	5,048
Capital Projects	-	-	-	-	-	-	-	-
Total Fund Balances	-	175,113	-	373,319	58,475	(62,116)	94,689	5,048
Total Liabilities and Fund Balances	\$ -	\$ 194,840	\$ 5,149	\$ 692,737	\$ 63,454	\$ 31,148	\$ 94,689	\$ 5,048

Continued

City of Brentwood

Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2007

Special Revenue Funds (Continued)

	Storm Drainage	RDA Low Income Housing	PEG Media	Asset Forfeiture	Open Space	Measure C	Facility Fee Administration	Parks and Trails	Agriculture Administration
ASSETS									
Current Assets:									
Cash and Investments	\$ 9,658	\$ 2,258,661	\$ 436,303	\$ 51,785	\$ -	\$ -	\$ 546,704	\$ 1,199,648	\$ 1,180,973
Restricted Cash and Investments	-	-	-	-	-	-	-	-	-
Receivables	3	3,937	450,770	85	299	461,249	1,229	8,362	1,987
Prepays	-	215	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	4,725	66,496	-
Land Held for Resale	-	389,849	-	-	-	-	-	-	-
Total Assets	\$ 9,661	\$ 2,652,662	\$ 887,073	\$ 51,870	\$ 299	\$ 461,249	\$ 552,658	\$ 1,274,506	\$ 1,182,960
LIABILITIES AND FUND BALANCES									
Current Liabilities:									
Accounts Payable and Accrued Liabilities	\$ -	\$ 5,276	\$ -	\$ -	\$ -	\$ -	\$ 1,068	\$ 1,068	\$ 2,430
Due to Other Funds	-	-	-	-	299	238,118	-	-	-
Internal Balances	-	-	-	-	-	-	1,410,295	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	450,000	-	-	-	4,725	66,497	-
Total Liabilities	-	5,276	450,000	-	299	238,118	1,416,088	67,565	2,430
Fund Balances:									
Reserved for:									
Prepays	-	215	-	-	-	-	-	-	-
Land Held for Resale	-	389,849	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Specific Projects and Programs	-	2,257,322	437,073	51,870	-	223,131	-	1,206,941	1,180,530
Unreserved, Reported in:									
Special Revenue	9,661	-	-	-	-	-	(863,430)	-	-
Capital Projects	-	-	-	-	-	-	-	-	-
Total Fund Balances	9,661	2,647,386	437,073	51,870	-	223,131	(863,430)	1,206,941	1,180,530
Total Liabilities and Fund Balances	\$ 9,661	\$ 2,652,662	\$ 887,073	\$ 51,870	\$ 299	\$ 461,249	\$ 552,658	\$ 1,274,506	\$ 1,182,960

Continued

Combining Balance Sheet
Non-Major Governmental Funds (Continued)
 June 30, 2006

Special Revenue Funds (Continued)

	Public Art Administration	Public Art Acquisition	Arts Commission	Agricultural Park and History Center	Fire Fees	Agriculture Land	Parking In Lieu	Lighting and Landscape Districts
ASSETS								
Current Assets:								
Cash and Investments	\$ 41,733	\$ 518,014	\$ 79,299	\$ -	\$ 1,134,432	\$ 8,759,656	\$ 22,891	\$ 2,543,135
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Receivables	60	877	141	232,000	1,972	15,015	41	4,742
Prepays	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Total Assets	\$ 41,793	\$ 518,891	\$ 79,440	\$ 232,000	\$ 1,136,404	\$ 8,774,671	\$ 22,932	\$ 2,547,877
LIABILITIES AND FUND BALANCES								
Current Liabilities:								
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 960	\$ -	\$ -	\$ -	\$ -	\$ 281,400
Due to Other Funds	-	-	-	-	-	-	-	-
Internal Balances	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-
Total Liabilities	-	-	960	-	-	-	-	281,400
Fund Balances:								
Reserved for:								
Prepays	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Specific Projects and Programs	41,793	518,891	78,480	232,000	1,136,404	8,774,671	22,932	2,266,477
Unreserved, Reported in:								
Special Revenue	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-
Total Fund Balances	41,793	518,891	78,480	232,000	1,136,404	8,774,671	22,932	2,266,477
Total Liabilities and Fund Balances	\$ 41,793	\$ 518,891	\$ 79,440	\$ 232,000	\$ 1,136,404	\$ 8,774,671	\$ 22,932	\$ 2,547,877

Continued

Combining Balance Sheet
Non-Major Governmental Funds (Continued)
 June 30, 2006

	Debt Service Funds				Capital Project Funds		
	Redevelopment Debt	Capital Improvement Program 2001	2002 General Obligation Bond	Capital Lease Program	Capital Improvement Financing Program 94-1 (2004 A&B Refi)	Capital Improvement Financing Program 2000-1 (2004 C Refi)	Capital Improvement Financing Program 2002-1 (2005 A&B Refi)
ASSETS							
Current Assets:							
Cash and Investments	\$ 6,986,517	\$ 111,881	\$ 104,383	\$ -	\$ -	\$ -	\$ -
Restricted Cash and Investments	-	2,109,750	-	-	275,538	639,922	1,170,923
Receivables	20,133	197	386	96	889,715	-	41,518
Prepays	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-
Total Assets	\$ 7,006,650	\$ 2,221,828	\$ 104,769	\$ 96	\$ 1,165,253	\$ 639,922	\$ 1,212,441
LIABILITIES AND FUND BALANCES							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 1,439,011	\$ 229,658	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	96	-	-	-
Internal Balances	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-
Total Liabilities	1,439,011	229,658	-	96	-	-	-
Fund Balances:							
Reserved for:							
Prepays	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-
Debt Service	5,567,639	1,992,170	104,769	-	-	-	-
Specific Projects and Programs	-	-	-	-	1,165,253	639,922	1,212,441
Unreserved, Reported in:							
Special Revenue	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
Total Fund Balances	5,567,639	1,992,170	104,769	-	1,165,253	639,922	1,212,441
Total Liabilities and Fund Balances	\$ 7,006,650	\$ 2,221,828	\$ 104,769	\$ 96	\$ 1,165,253	\$ 639,922	\$ 1,212,441

Continued

Combining Balance Sheet
Non-Major Governmental Funds (Continued)
 June 30, 2007

Capital Project Funds (Continued)

	Capital Improvement Financing Program 2003-1 (2006 A&B Refi)	Capital Improvement Financing Program 2004-1 (2006 A&B Refi)	Capital Improvement Financing Program 2006-1	2002 Series A & B	2006 Series A & B	Capital Improvement 2001	Randy Way District Improvements	City Capital Improvement Financing Program
ASSETS								
Current Assets:								
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,674	\$ 62,690	\$ 1,451,614
Restricted Cash and Investments	-	-	4,513,142	382,794	107,842	-	-	-
Receivables	-	-	-	-	179,419	24	74	2,562
Prepays	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Total Assets	\$ -	\$ -	\$ 4,513,142	\$ 382,794	\$ 287,261	\$ 13,698	\$ 62,764	\$ 1,454,176
LIABILITIES AND FUND BALANCES								
Current Liabilities:								
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,068
Due to Other Funds	-	-	-	-	-	-	-	-
Internal Balances	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	1,068
Fund Balances:								
Reserved for:								
Prepays	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Specific Projects and Programs	-	-	4,513,142	382,794	287,261	13,698	62,764	1,453,108
Unreserved, Reported in:								
Special Revenue	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-
Total Fund Balances	-	-	4,513,142	382,794	287,261	13,698	62,764	1,453,108
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 4,513,142	\$ 382,794	\$ 287,261	\$ 13,698	\$ 62,764	\$ 1,454,176

Continued

Combining Balance Sheet
Non-Major Governmental Funds (Continued)
 June 30, 2007

Capital Project Funds (Continued)

	Capital Project Administration	Community Facilities Improvement Projects	Park Improvement Projects	Drainage Improvement Projects	Vineyards Projects	Redevelopment Projects	Total Non-Major Governmental Funds
ASSETS							
Current Assets:							
Cash and Investments	\$ -	\$ 12,541,965	\$ 3,041,327	\$ 160,515	\$ 1,640,883	\$ 5,134,936	\$ 51,027,069
Restricted Cash and Investments	-	-	-	-	-	3,799,286	12,999,197
Receivables	90	25,807	-	286	2,897	57,224	2,461,731
Prepays	2,899	-	-	-	-	432	4,333
Due from Other Funds	-	2,223,048	-	-	-	-	2,328,221
Land Held for Resale	-	-	-	-	-	699,108	1,088,957
Total Assets	\$ 2,989	\$ 14,790,820	\$ 3,041,327	\$ 160,801	\$ 1,643,780	\$ 9,690,986	\$ 69,909,508
LIABILITIES AND FUND BALANCES							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 35,957	\$ 420,597	\$ 645,441	\$ 802	\$ 1,880	\$ 33,512	\$ 3,447,435
Due to Other Funds	-	-	-	-	-	-	302,364
Internal Balances	-	-	-	-	-	-	1,410,295
Other Liabilities	-	-	-	-	-	-	231
Unearned Revenue	-	-	-	-	-	-	552,370
Total Liabilities	35,957	420,597	645,441	802	1,880	33,512	5,712,695
Fund Balances:							
Reserved for:							
Prepays	2,899	-	-	-	-	432	4,333
Land Held for Resale	-	-	-	-	-	699,108	1,088,957
Debt Service	-	-	-	-	-	-	7,664,578
Specific Projects and Programs	-	14,370,223	2,395,886	159,999	1,641,900	8,957,934	55,859,953
Unreserved, Reported in:							
Special Revenue	-	-	-	-	-	-	(385,141)
Capital Projects	(35,867)	-	-	-	-	-	(35,867)
Total Fund Balances	(32,968)	14,370,223	2,395,886	159,999	1,641,900	9,657,474	64,196,813
Total Liabilities and Fund Balances	\$ 2,989	\$ 14,790,820	\$ 3,041,327	\$ 160,801	\$ 1,643,780	\$ 9,690,986	\$ 69,909,508

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For Year Ended June 30, 2007

	Special Revenue Funds							Economic Development
	Gas Tax	Police Grants	Other Grants	Citywide Parks Districts	Community Facilities Districts	Community Facilities	Vehicle Abatement	
REVENUES								
Taxes	\$ 840,330	\$ -	\$ -	\$ 1,535,645	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	-	10,490	-	20,285	31,078	244,233	3,257	252
Intergovernmental	-	172,745	68,349	-	-	-	-	-
Fees and Other Revenues	-	-	-	27,609	2,079,752	1,417,581	67,880	-
Total Revenues	840,330	183,235	68,349	1,583,539	2,110,830	1,661,814	71,137	252
EXPENDITURES								
Current:								
General Government	-	-	12,096	-	-	7,141	-	-
Public Safety	-	180,135	-	-	-	-	545	-
Community Development	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	2,040,914	-	-	-	-
Community Services	-	-	-	-	21,196	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Total Expenditures	-	180,135	12,096	2,040,914	21,196	7,141	545	-
REVENUES OVER (UNDER) EXPENDITURES	840,330	3,100	56,253	(457,375)	2,089,634	1,654,673	70,592	252
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	531,196	-	-	-	-
Transfers Out	(840,330)	-	(56,253)	-	(2,071,287)	(4,037,824)	(15,000)	-
Total Other Financing Sources (Uses)	(840,330)	-	(56,253)	531,196	(2,071,287)	(4,037,824)	(15,000)	-
Net Change in Fund Balances	-	3,100	-	73,821	18,347	(2,383,151)	55,592	252
Fund Balance, Beginning of Year, Restated	-	172,013	-	299,498	40,128	2,321,035	39,097	4,796
Fund Balance, End of Year	\$ -	\$ 175,113	\$ -	\$ 373,319	\$ 58,475	\$ (62,116)	\$ 94,689	\$ 5,048

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
 For Year Ended June 30, 2007

	Special Revenue Funds (Continued)								
	Storm Drainage	RDA Low Income Housing	PEG Media	Asset Forfeiture	Open Space	Measure C	Facility Fee Administration	Parks and Trails	Agriculture Administration
REVENUES									
Taxes	\$ -	\$ 1,477,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	8,336	107,249	21,782	1,956	8,514	-	44,475	241,916	58,795
Intergovernmental	-	-	-	-	-	461,249	-	-	-
Fees and Other Revenues	-	-	-	20,788	-	-	241,627	1,129,599	203,963
Total Revenues	8,336	1,584,544	21,782	22,744	8,514	461,249	286,102	1,371,515	262,758
EXPENDITURES									
Current:									
General Government	2,011	1,590,208	-	10,815	2,500	4,504	248,187	-	252,539
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	257,400	-
Community Services	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	88,085	-	-
Total Expenditures	2,011	1,590,208	-	10,815	2,500	4,504	336,272	257,400	252,539
REVENUES OVER (UNDER) EXPENDITURES	6,325	(5,664)	21,782	11,929	6,014	456,745	(50,170)	1,114,115	10,219
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	-	(200,000)	-	-	(169,790)	(372,996)	-	(148,212)	-
Total Other Financing Sources (Uses)	-	(200,000)	-	-	(169,790)	(372,996)	-	(148,212)	-
Net Change in Fund Balances	6,325	(205,664)	21,782	11,929	(163,776)	83,749	(50,170)	965,903	10,219
Fund Balance, Beginning of Year, Restated	3,336	2,853,050	415,291	39,941	163,776	139,382	(813,260)	241,038	1,170,311
Fund Balance, End of Year	\$ 9,661	\$ 2,647,386	\$ 437,073	\$ 51,870	\$ -	\$ 223,131	\$ (863,430)	\$ 1,206,941	\$ 1,180,530

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
 For Year Ended June 30, 2007

Special Revenue Funds (Continued)

	Public Art Administration	Public Art Acquisition	Arts Commission	Agricultural Park and History Center	Fire Fees	Agriculture Land	Parking In Lieu	Lighting and Landscape Districts
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	813	21,099	3,996	-	44,129	450,934	1,143	106,620
Intergovernmental	-	-	-	-	-	-	-	-
Fees and Other Revenues	67,171	179,817	53,764	232,000	250,089	815,857	-	3,259,625
Total Revenues	67,984	200,916	57,760	232,000	294,218	1,266,791	1,143	3,366,245
EXPENDITURES								
Current:								
General Government	-	-	61,292	-	-	305,000	-	-
Public Safety	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	2,943,433
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Total Expenditures	-	-	61,292	-	-	305,000	-	2,943,433
REVENUES OVER (UNDER) EXPENDITURES	67,984	200,916	(3,532)	232,000	294,218	961,791	1,143	422,812
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	11,136
Transfers Out	(57,904)	-	-	-	(1,397)	(1,090,000)	-	-
Total Other Financing Sources (Uses)	(57,904)	-	-	-	(1,397)	(1,090,000)	-	11,136
Net Change in Fund Balances	10,080	200,916	(3,532)	232,000	292,821	(128,209)	1,143	433,948
Fund Balance, Beginning of Year, Restated	31,713	317,975	82,012	-	843,583	8,902,880	21,789	1,832,529
Fund Balance, End of Year	\$ 41,793	\$ 518,891	\$ 78,480	\$ 232,000	\$ 1,136,404	\$ 8,774,671	\$ 22,932	\$ 2,266,477

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
 For Year Ended June 30, 2007

	Debt Service Funds				Capital Project Funds		
	Redevelopment Debt	Capital Improvement Program 2001	2002 General Obligation Bond	Capital Lease Program	Capital Improvement Financing Program 94-1 (2004 A&B Refi)	Capital Improvement Financing Program 2000-1 (2004 C Refi)	Capital Improvement Financing Program 2002-1 (2005 A&B Refi)
REVENUES							
Taxes	\$ 5,909,179	\$ -	\$ 318,990	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	528,477	42,653	7,479	873	54,182	29,737	54,936
Intergovernmental	-	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	-	-	-	-
Total Revenues	6,437,656	42,653	326,469	873	54,182	29,737	54,936
EXPENDITURES							
Current:							
General Government	-	-	-	-	4,294	1,106	-
Public Safety	-	-	-	-	-	-	-
Community Development	1,627,183	12,200	6,162	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service:							
Principal	420,000	255,000	140,000	17,754	-	-	-
Interest and Fiscal Charges	949,807	459,046	148,256	1,928	-	-	-
Total Expenditures	2,996,990	726,246	294,418	19,682	4,294	1,106	-
REVENUES OVER (UNDER) EXPENDITURES	3,440,666	(683,593)	32,051	(18,809)	49,888	28,631	54,936
OTHER FINANCING SOURCES (USES)							
Transfers In	-	678,795	-	18,809	-	-	-
Transfers Out	(1,288,689)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(1,288,689)	678,795	-	18,809	-	-	-
Net Change in Fund Balances	2,151,977	(4,798)	32,051	-	49,888	28,631	54,936
Fund Balance, Beginning of Year, Restated	3,415,662	1,996,968	72,718	-	1,115,365	611,291	1,157,505
Fund Balance, End of Year	\$ 5,567,639	\$ 1,992,170	\$ 104,769	\$ -	\$ 1,165,253	\$ 639,922	\$ 1,212,441

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
 For Year Ended June 30, 2007

Capital Project Funds (Continued)

	Capital Improvement Financing Program 2003-1 <i>(2006 A&B Refi)</i>	Capital Improvement Financing Program 2004-1 <i>(2006 A&B Refi)</i>	Capital Improvement Financing Program 2006-1	2002 Series A & B	2006 Series A & B	Capital Improvement 2001	Randy Way District Improvements	City Capital Improvement Financing Program
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	67,501	2,824	163,832	17,344	11,206	680	673	62,844
Intergovernmental	-	-	-	-	-	-	-	-
Fees and Other Revenues	-	-	4,349,310	-	26,272	-	62,091	679,527
Total Revenues	67,501	2,824	4,513,142	17,344	37,478	680	62,764	742,371
EXPENDITURES								
Current:								
General Government	-	-	-	-	1,861,110	-	-	2,118
Public Safety	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	1,861,110	-	-	2,118
REVENUES OVER (UNDER) EXPENDITURES	67,501	2,824	4,513,142	17,344	(1,823,632)	680	62,764	740,253
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	2,110,893	-	-	-
Transfers Out	(2,026,133)	(84,760)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(2,026,133)	(84,760)	-	-	2,110,893	-	-	-
Net Change in Fund Balances	(1,958,632)	(81,936)	4,513,142	17,344	287,261	680	62,764	740,253
Fund Balance, Beginning of Year, Restated	1,958,632	81,936	-	365,450	-	13,018	-	712,855
Fund Balance, End of Year	\$ -	\$ -	\$ 4,513,142	\$ 382,794	\$ 287,261	\$ 13,698	\$ 62,764	\$ 1,453,108

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
 For Year Ended June 30, 2007

Capital Project Funds (Continued)

	Capital Project Administration	Community Facilities Improvement Projects	Park Improvement Projects	Drainage Improvement Projects	Vineyards Projects	Redevelopment Projects	Total Non-Major Governmental Funds
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,081,439
Uses of Money and Property	815	668,509	-	-	83,333	1,556,336	4,785,586
Intergovernmental	-	-	-	-	-	-	702,343
Fees and Other Revenues	183,611	1,355,334	10,000	-	-	-	16,713,267
Total Revenues	184,426	2,023,843	10,000	-	83,333	1,556,336	32,282,635
EXPENDITURES							
Current:							
General Government	2,555,330	177,449	-	-	52,658	786,464	7,936,822
Public Safety	-	-	-	-	-	-	180,680
Community Development	-	-	-	-	-	-	1,645,545
Parks and Recreation	-	-	-	-	-	-	2,298,314
Community Services	-	-	-	-	-	-	2,964,629
Capital Outlay	-	2,233,179	2,353,423	803	-	-	4,587,405
Debt Service:							
Principal	-	-	-	-	-	-	832,754
Interest and Fiscal Charges	-	-	-	-	-	-	1,647,122
Total Expenditures	2,555,330	2,410,628	2,353,423	803	52,658	786,464	22,093,271
REVENUES OVER (UNDER) EXPENDITURES	(2,370,904)	(386,785)	(2,343,423)	(803)	30,675	769,872	10,189,364
OTHER FINANCING SOURCES (USES)							
Transfers In	2,336,703	4,634,503	951,010	10,000	-	1,288,689	12,571,734
Transfers Out	-	(704,242)	-	-	-	(2,322,621)	(15,487,438)
Total Other Financing Sources (Uses)	2,336,703	3,930,261	951,010	10,000	-	(1,033,932)	(2,915,704)
Net Change in Fund Balances	(34,201)	3,543,476	(1,392,413)	9,197	30,675	(264,060)	7,273,660
Fund Balance, Beginning of Year, Restated	1,233	10,826,747	3,788,299	150,802	1,611,225	9,921,534	56,923,153
Fund Balance, End of Year	\$ (32,968)	\$ 14,370,223	\$ 2,395,886	\$ 159,999	\$ 1,641,900	\$ 9,657,474	\$ 64,196,813

Combining Statement of Net Assets
All Internal Service Funds
 June 30, 2007

	Emergency Preparedness	Information Services	Equipment Replacement	Information Systems Replacement	Facilities Replacement	Tuition Program	Fleet Maintenance	Facilities Maintenance Services	Parks and LLD Replacement	Insurance	TOTALS
ASSETS											
Current Assets:											
Cash and Investments	\$ 5,841,096	\$ 274,888	\$ 6,280,920	\$ 107,884	\$ 942,630	\$ 53,002	\$ 411,640	\$ 156,250	\$ 1,382,539	\$ 5,748,613	\$ 21,199,462
Receivables	10,303	502	31,252	26,487	55,977	96	705	305	2,597	6,872	135,096
Prepays	-	1,762	-	-	-	-	5,652	552	-	-	7,966
Total Current Assets	5,851,399	277,152	6,312,172	134,371	998,607	53,098	417,997	157,107	1,385,136	5,755,485	21,342,524
Non-Current Assets:											
Machinery and Equipment	-	-	2,314,324	430,210	-	-	-	-	-	-	2,744,534
Vehicles	-	-	7,017,722	-	-	-	-	-	-	-	7,017,722
Less Accumulated Depreciation	-	-	(4,343,063)	(331,354)	-	-	-	-	-	-	(4,674,417)
Total Capital Assets, Net of Accumulated Depreciation	-	-	4,988,983	98,856	-	-	-	-	-	-	5,087,839
Total Non-Current Assets	-	-	4,988,983	98,856	-	-	-	-	-	-	5,087,839
Total Assets	5,851,399	277,152	11,301,155	233,227	998,607	53,098	417,997	157,107	1,385,136	5,755,485	26,430,363
LIABILITIES AND NET ASSETS											
Current Liabilities:											
Accounts Payable and Accrued Liabilities	78	38,484	194,592	48,450	75	-	41,368	47,542	(296)	812	371,105
Compensated Absences Payable	-	25,583	-	-	-	-	14,009	6,173	-	-	45,765
Total Current Liabilities	78	64,067	194,592	48,450	75	-	55,377	53,715	(296)	812	416,870
Non-Current Liabilities Due in More Than One Year:											
Compensated Absences Payable	-	17,056	-	-	-	-	9,339	4,116	-	-	30,511
Total Non-Current Liabilities	-	17,056	-	-	-	-	9,339	4,116	-	-	30,511
Total Liabilities	78	81,123	194,592	48,450	75	-	64,716	57,831	(296)	812	447,381
Net Assets:											
Invested in Capital Assets, Net of Related Debt	-	-	4,988,983	98,856	-	-	-	-	-	-	5,087,839
Unrestricted	5,851,321	196,029	6,117,580	85,921	998,532	53,098	353,281	99,276	1,385,432	5,754,673	20,895,143
Total Net Assets	\$ 5,851,321	\$ 196,029	\$ 11,106,563	\$ 184,777	\$ 998,532	\$ 53,098	\$ 353,281	\$ 99,276	\$ 1,385,432	\$ 5,754,673	\$ 25,982,982

Combining Statement of Activities and Changes in Net Assets
All Internal Service Funds
 For Year Ended June 30, 2007

	Emergency Preparedness	Information Services	Equipment Replacement	Information Systems Replacement	Facilities Replacement	Tuition Program	Fleet Maintenance	Facilities Maintenance Services	Parks and LLD Replacement	Insurance	TOTALS
Operating Revenues:											
Charges for Services	\$ -	\$ 1,365,000	\$ 1,614,570	\$ 506,089	\$ 396,133	\$ 10,300	\$ 1,015,389	\$ 796,794	\$ 526,310	\$ 1,931,474	\$ 8,162,059
Other Income	144,201	-	124,096	-	-	-	4,075	-	-	593,775	866,147
Total Operating Revenues	144,201	1,365,000	1,738,666	506,089	396,133	10,300	1,019,464	796,794	526,310	2,525,249	9,028,206
Operating Expenses:											
Personnel Services	-	958,846	-	-	-	-	486,774	266,675	-	-	1,712,295
Repairs and Maintenance	-	44	-	-	4,521	-	8,369	404,873	137,335	-	555,142
Materials, Supplies and Services	27,669	357,357	17,878	296,727	11,240	19,027	470,741	109,299	-	442,335	1,752,273
Depreciation and Amortization	-	-	910,954	52,496	-	-	-	-	-	-	963,450
Total Operating Expenses	27,669	1,316,247	928,832	349,223	15,761	19,027	965,884	780,847	137,335	442,335	4,983,160
Operating Income (Loss)	116,532	48,753	809,834	156,866	380,372	(8,727)	53,580	15,947	388,975	2,082,914	4,045,046
Non-Operating Revenue (Expenses):											
Interest Income	289,514	12,439	305,995	2,708	39,445	2,811	18,830	7,020	64,217	190,492	933,471
Loss on Disposal of Capital Assets	-	-	(4,234)	-	-	-	-	-	-	-	(4,234)
Total Non-Operating Revenues (Expenses)	289,514	12,439	301,761	2,708	39,445	2,811	18,830	7,020	64,217	190,492	929,237
Income (Loss) before Contributions and Transfers	406,046	61,192	1,111,595	159,574	419,817	(5,916)	72,410	22,967	453,192	2,273,406	4,974,283
Transfers In	-	24,000	511,844	-	-	-	-	-	-	-	535,844
Transfers Out	-	-	-	(250,000)	(254,398)	-	-	-	-	-	(504,398)
Change in Net Assets	406,046	85,192	1,623,439	(90,426)	165,419	(5,916)	72,410	22,967	453,192	2,273,406	5,005,729
Net Assets, Beginning of Year, Restated	5,445,275	110,837	9,483,124	275,203	833,113	59,014	280,871	76,309	932,240	3,481,267	20,977,253
Net Assets, End of Year	\$ 5,851,321	\$ 196,029	\$ 11,106,563	\$ 184,777	\$ 998,532	\$ 53,098	\$ 353,281	\$ 99,276	\$ 1,385,432	\$ 5,754,673	\$ 25,982,982

Combining Statement of Cash Flows
All Internal Service Funds
For Year Ended June 30, 2007

	Emergency Preparedness	Information Services	Equipment Replacement	Information Systems Replacement	Facilities Replacement	Tuition Program	Fleet Maintenance	Facilities Maintenance Services	Parks and LLD Replacement	Insurance	TOTALS
Cash Flows from Operating Activities											
Cash Received from Customers/Other Funds	\$ 11,295	\$ 5,953	\$ -	\$ 3,574	\$ 178,261	\$ 75	\$ 26,823	\$ 1,727	\$ 48,136	\$ 625,617	\$ 901,461
Cash Received from Interfund Services	-	1,365,000	1,598,754	506,089	394,976	10,300	991,964	796,794	477,826	1,931,474	8,073,177
Cash Payments to Suppliers of Goods and Services	(40,967)	(143,429)	23,772	(257,783)	(16,057)	(19,027)	(384,338)	(413,020)	(142,689)	(441,522)	(1,835,060)
Cash Payments to Employees for Services	-	(958,846)	-	-	-	-	(486,774)	(266,675)	-	-	(1,712,295)
Cash Payments for Interfund Services	-	(184,793)	-	-	-	-	(68,497)	(85,514)	-	-	(338,804)
Other Receipts/Payments	144,201	-	124,095	-	-	-	-	-	-	-	268,296
Net Cash Provided By (Used for) Operating Activities	114,529	83,885	1,746,621	251,880	557,180	(8,652)	79,178	33,312	383,273	2,115,569	5,356,775
Cash Flows from Non-Capital Financing Activities											
Transfers Received	-	24,000	511,844	-	-	-	-	-	-	-	535,844
Transfers Paid	-	-	-	(250,000)	(254,398)	-	-	-	-	-	(504,398)
Net Cash Provided By (Used for) Non-Capital Financing Activities	-	24,000	511,844	(250,000)	(254,398)	-	-	-	-	-	31,446
Cash Flows from Capital and Related Financing Activities											
Acquisition and Construction of Assets	-	-	(1,552,823)	-	-	-	-	-	-	-	(1,552,823)
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	(1,552,823)	-	-	-	-	-	-	-	(1,552,823)
Cash Flows from Investing Activities											
Interest on Investments	289,514	12,439	305,995	2,708	39,445	2,811	18,830	7,020	64,217	190,492	933,471
Net Cash Provided By Investing Activities	289,514	12,439	305,995	2,708	39,445	2,811	18,830	7,020	64,217	190,492	933,471
Net Increase (Decrease) in Cash and Cash Equivalents	404,043	120,324	1,011,637	4,588	342,227	(5,841)	98,008	40,332	447,490	2,306,061	4,768,869
Cash and Cash Equivalents - Beginning of Year	5,437,053	154,564	5,269,283	103,296	600,403	58,843	313,632	115,918	935,049	3,442,552	16,430,593
Cash and Cash Equivalents - End of Year	\$ 5,841,096	\$ 274,888	\$ 6,280,920	\$ 107,884	\$ 942,630	\$ 53,002	\$ 411,640	\$ 156,250	\$ 1,382,539	\$ 5,748,613	\$ 21,199,462
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities:											
Operating Income (Loss)	\$ 116,532	\$ 48,753	\$ 809,834	\$ 156,866	\$ 380,372	\$ (8,727)	\$ 53,580	\$ 15,947	\$ 388,975	\$ 2,082,914	\$ 4,045,046
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used for) Operating Activities:											
Depreciation	-	-	910,954	52,496	-	-	-	-	-	-	963,450
Receivables, Net	11,295	5,954	(15,816)	3,574	-	75	(678)	1,727	(348)	31,842	37,625
Inventories	-	-	-	-	177,104	-	-	-	-	-	177,104
Accounts Payable and Other Payables	(13,298)	29,178	41,649	38,944	-	-	26,276	15,638	(5,354)	813	133,846
Accrued Expenses	-	-	-	-	(296)	-	-	-	-	-	(296)
Net Cash Provided By (Used for) Operating Activities	\$ 114,529	\$ 83,885	\$ 1,746,621	\$ 251,880	\$ 557,180	\$ (8,652)	\$ 79,178	\$ 33,312	\$ 383,273	\$ 2,115,569	\$ 5,356,775



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Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	Assessments	Pass-Through Funds	Asset Seizure	Total
ASSETS				
Cash and Investments	\$ 9,029,637	\$ 1,769,250	\$ 29,727	\$ 10,828,614
Restricted Cash and Investments	7,294,921	-	-	7,294,921
Interest Receivable	35,673	3,193	52	38,918
Total Assets	<u>\$ 16,360,231</u>	<u>\$ 1,772,443</u>	<u>\$ 29,779</u>	<u>\$ 18,162,453</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 11,749	\$ 1,737,089	-	\$ 1,748,838
Due to Others	-	35,354	29,779	65,133
Due to Bondholders	16,348,482	-	-	16,348,482
Total Liabilities	<u>\$ 16,360,231</u>	<u>\$ 1,772,443</u>	<u>\$ 29,779</u>	<u>\$ 18,162,453</u>

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Assessments				
ASSETS				
Cash and Investments	\$ 9,395,959	\$ 29,215,834	\$ 29,582,156	\$ 9,029,637
Restricted Cash and Investments	8,356,023	95,504,059	96,565,161	7,294,921
Interest Receivable	20,821	96,442	81,590	35,673
Total Assets	<u>\$ 17,772,803</u>	<u>\$ 124,816,335</u>	<u>\$ 126,228,907</u>	<u>\$ 16,360,231</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 11,801	\$ 13,695,027	\$ 13,695,079	\$ 11,749
Due to Bondholders	17,761,002	69,789,283	71,201,803	16,348,482
Total Liabilities	<u>\$ 17,772,803</u>	<u>\$ 83,484,310</u>	<u>\$ 84,896,882</u>	<u>\$ 16,360,231</u>
Pass-Through Funds				
ASSETS				
Cash and Investments	\$ 6,035,594	\$ 11,794,726	\$ 16,061,070	\$ 1,769,250
Interest Receivable	18,592	3,193	18,592	3,193
Total Assets	<u>\$ 6,054,186</u>	<u>\$ 11,797,919</u>	<u>\$ 16,079,662</u>	<u>\$ 1,772,443</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 6,018,832	\$ 28,692,831	\$ 32,974,574	\$ 1,737,089
Due to Others	35,354	-	-	35,354
Total Liabilities	<u>\$ 6,054,186</u>	<u>\$ 28,692,831</u>	<u>\$ 32,974,574</u>	<u>\$ 1,772,443</u>
Asset Seizure				
ASSETS				
Cash and Investments	\$ 28,212	\$ 1,515	\$ -	\$ 29,727
Interest Receivable	83	52	83	52
Total Assets	<u>\$ 28,295</u>	<u>\$ 1,567</u>	<u>\$ 83</u>	<u>\$ 29,779</u>
LIABILITIES				
Due to Others	\$ 28,295	\$ 1,484	\$ -	\$ 29,779
Total Liabilities	<u>\$ 28,295</u>	<u>\$ 1,484</u>	<u>\$ -</u>	<u>\$ 29,779</u>
Total - All Agency Funds				
ASSETS				
Cash and Investments	\$ 15,459,765	\$ 41,012,075	\$ 45,643,226	\$ 10,828,614
Restricted Cash and Investments	8,356,023	95,504,059	96,565,161	7,294,921
Interest Receivable	39,496	99,687	100,265	38,918
Total Assets	<u>\$ 23,855,284</u>	<u>\$ 136,615,821</u>	<u>\$ 142,308,652</u>	<u>\$ 18,162,453</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 6,030,633	\$ 42,387,858	\$ 46,669,653	\$ 1,748,838
Due to Others	63,649	1,484	-	65,133
Due to Bondholders	17,761,002	69,789,283	71,201,803	16,348,482
Total Liabilities	<u>\$ 23,855,284</u>	<u>\$ 112,178,625</u>	<u>\$ 117,871,456</u>	<u>\$ 18,162,453</u>

Balance Sheet

General Fund

June 30, 2007

		General Fund
ASSETS		
Current Assets:		
Cash and Investments	\$	33,678,202
Receivables		1,220,959
Prepays		124,588
Total Assets	\$	35,023,749
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$	2,803,737
Unearned Revenue		103,912
Deposits Held		6,716,535
Total Liabilities		9,624,184
Fund Balances:		
Reserved for:		
Prepays		124,588
Unreserved, Reported in:		
General Fund		25,274,977
Total Fund Balances		25,399,565
Total Liabilities and Fund Balances	\$	35,023,749

City of Brentwood

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 15,793,439	\$ 15,761,372	\$ (32,067)
Licenses	531,250	509,618	(21,632)
Permits and Fines	7,746,051	6,130,221	(1,615,830)
Uses of Money and Property	1,726,575	1,761,114	34,539
Intergovernmental	4,256,748	4,277,770	21,022
Franchises	920,893	965,066	44,173
Charges for Other Services	1,597,153	776,584	(820,569)
Charges to Other Funds	5,520,484	5,590,646	70,162
Fees and Other Revenues	1,634,659	1,132,736	(501,923)
Total Revenues	<u>39,727,252</u>	<u>36,905,127</u>	<u>(2,822,125)</u>
EXPENDITURES			
Current:			
General Government	8,021,399	5,940,065	2,081,334
Public Safety	14,656,249	13,948,795	707,454
Community Development	5,264,503	4,446,696	817,807
Engineering	2,978,487	2,532,147	446,340
Public Works	2,853,913	2,486,963	366,950
Parks	6,439,796	5,626,310	813,486
Community Services	565,050	449,819	115,231
Total Expenditures	<u>40,779,397</u>	<u>35,430,795</u>	<u>5,348,602</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,052,145)</u>	<u>1,474,332</u>	<u>2,526,477</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	3,811,624	4,408,181	596,557
Transfers Out	(3,165,437)	(2,997,285)	168,152
Total Other Financing Sources (Uses)	<u>646,187</u>	<u>1,410,896</u>	<u>764,709</u>
NET CHANGE IN FUND BALANCES	<u>\$ (405,958)</u>	<u>2,885,228</u>	<u>\$ 3,291,186</u>
Fund Balance, Beginning of Year		<u>22,514,337</u>	
Fund Balance, End of Year		<u>\$ 25,399,565</u>	

City of Brentwood

Combining Balance Sheet
All Special Revenue Funds
June 30, 2007

	<u>Thoroughfares</u>	<u>Gas Tax</u>	<u>Police Grants</u>	<u>Other Grants</u>	<u>Citywide Parks Districts</u>	<u>Community Facilities Districts</u>	<u>Community Facilities</u>	<u>Vehicle Abatement</u>	<u>Economic Development</u>
ASSETS									
Current Assets:									
Cash and Investments	\$ -	\$ -	\$ 154,833	\$ -	\$ 690,699	\$ 62,220	\$ -	\$ 81,001	\$ 5,039
Receivables	265,854	-	37,203	5,149	1,251	1,234	-	13,688	9
Prepays	-	-	-	-	787	-	-	-	-
Due from Other Funds	97,069	-	2,804	-	-	-	31,148	-	-
Land Held for Resale	-	-	-	-	-	-	-	-	-
Total Assets	\$ 362,923	\$ -	\$ 194,840	\$ 5,149	\$ 692,737	\$ 63,454	\$ 31,148	\$ 94,689	\$ 5,048
LIABILITIES AND FUND BALANCES									
Current Liabilities:									
Accounts Payable and Accrued Liabilities	\$ 2,137	\$ -	\$ 19,727	\$ 2,345	\$ 319,187	\$ 4,979	\$ 1,069	\$ -	\$ -
Due to Other Funds	1,923,488	-	-	2,804	-	-	61,047	-	-
Internal Balances	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	231	-	-	-	-
Unearned Revenue	344,411	-	-	-	-	-	31,148	-	-
Total Liabilities	2,270,036	-	19,727	5,149	319,418	4,979	93,264	-	-
Fund Balances:									
Reserved for:									
Prepays	-	-	-	-	787	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-	-
Specific Projects and Programs	-	-	175,113	-	-	-	-	-	-
Unreserved, Reported in:									
Special Revenue	(1,907,113)	-	-	-	372,532	58,475	(62,116)	94,689	5,048
Total Fund Balances	(1,907,113)	-	175,113	-	373,319	58,475	(62,116)	94,689	5,048
Total Liabilities and Fund Balances	\$ 362,923	\$ -	\$ 194,840	\$ 5,149	\$ 692,737	\$ 63,454	\$ 31,148	\$ 94,689	\$ 5,048

Continued

City of Brentwood

Combining Balance Sheet
All Special Revenue Funds (Continued)
 June 30, 2007

	Storm Drainage	RDA Low Income Housing	PEG Media	Asset Forfeiture	Open Space	Measure C	Facility Fee Administration	Parks and Trails	Agriculture Administration
ASSETS									
Current Assets:									
Cash and Investments	\$ 9,658	\$ 2,258,661	\$ 436,303	\$ 51,785	\$ -	\$ -	\$ 546,704	\$ 1,199,648	\$ 1,180,973
Receivables	3	3,937	450,770	85	299	461,249	1,229	8,362	1,987
Prepays	-	215	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	4,725	66,496	-
Land Held for Resale	-	389,849	-	-	-	-	-	-	-
Total Assets	\$ 9,661	\$ 2,652,662	\$ 887,073	\$ 51,870	\$ 299	\$ 461,249	\$ 552,658	\$ 1,274,506	\$ 1,182,960
LIABILITIES AND FUND BALANCES									
Current Liabilities:									
Accounts Payable and Accrued Liabilities	\$ -	\$ 5,276	\$ -	\$ -	\$ -	\$ -	\$ 1,068	\$ 1,068	\$ 2,430
Due to Other Funds	-	-	-	-	299	238,118	-	-	-
Internal Balances	-	-	-	-	-	-	1,410,295	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	450,000	-	-	-	4,725	66,497	-
Total Liabilities	-	5,276	450,000	-	299	238,118	1,416,088	67,565	2,430
Fund Balances:									
Reserved for:									
Prepays	-	215	-	-	-	-	-	-	-
Land Held for Resale	-	389,849	-	-	-	-	-	-	-
Specific Projects and Programs	-	2,257,322	437,073	51,870	-	223,131	-	1,206,941	1,180,530
Unreserved, Reported in:									
Special Revenue	9,661	-	-	-	-	-	(863,430)	-	-
Total Fund Balances	9,661	2,647,386	437,073	51,870	-	223,131	(863,430)	1,206,941	1,180,530
Total Liabilities and Fund Balances	\$ 9,661	\$ 2,652,662	\$ 887,073	\$ 51,870	\$ 299	\$ 461,249	\$ 552,658	\$ 1,274,506	\$ 1,182,960

Continued

City of Brentwood

Combining Balance Sheet
All Special Revenue Funds (Continued)
 June 30, 2007

	Public Art Administration	Public Art Acquisition	Arts Commission	Agricultural Park and History Center	Fire Fees	Agriculture Land	Parking In Lieu	Lighting and Landscape Districts	Totals
ASSETS									
Current Assets:									
Cash and Investments	\$ 41,733	\$ 518,014	\$ 79,299	\$ -	\$ 1,134,432	\$ 8,759,656	\$ 22,891	\$ 2,543,135	\$ 19,776,684
Receivables	60	877	141	232,000	1,972	15,015	41	4,742	1,507,157
Prepays	-	-	-	-	-	-	-	-	1,002
Due from Other Funds	-	-	-	-	-	-	-	-	202,242
Land Held for Resale	-	-	-	-	-	-	-	-	389,849
Total Assets	\$ 41,793	\$ 518,891	\$ 79,440	\$ 232,000	\$ 1,136,404	\$ 8,774,671	\$ 22,932	\$ 2,547,877	\$ 21,876,934
LIABILITIES AND FUND BALANCES									
Current Liabilities:									
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 960	\$ -	\$ -	\$ -	\$ -	\$ 281,400	\$ 641,646
Due to Other Funds	-	-	-	-	-	-	-	-	2,225,756
Internal Balances	-	-	-	-	-	-	-	-	1,410,295
Other Liabilities	-	-	-	-	-	-	-	-	231
Unearned Revenue	-	-	-	-	-	-	-	-	896,781
Total Liabilities	-	-	960	-	-	-	-	281,400	5,174,709
Fund Balances:									
Reserved for:									
Prepays	-	-	-	-	-	-	-	-	1,002
Land Held for Resale	-	-	-	-	-	-	-	-	389,849
Specific Projects and Programs	41,793	518,891	78,480	232,000	1,136,404	8,774,671	22,932	2,266,477	18,603,628
Unreserved, Reported in:									
Special Revenue	-	-	-	-	-	-	-	-	(2,292,254)
Total Fund Balances	41,793	518,891	78,480	232,000	1,136,404	8,774,671	22,932	2,266,477	16,702,225
Total Liabilities and Fund Balances	\$ 41,793	\$ 518,891	\$ 79,440	\$ 232,000	\$ 1,136,404	\$ 8,774,671	\$ 22,932	\$ 2,547,877	\$ 21,876,934



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City of Brentwood

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Special Revenue Funds
For Year Ended June 30, 2007

	Thoroughfares	Gas Tax	Police Grants	Other Grants	Citywide Parks Districts	Community Facilities Districts	Community Facilities	Vehicle Abatement	Economic Development
REVENUES									
Taxes	\$ -	\$ 840,330	\$ -	\$ -	\$ 1,535,645	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	580,847	-	10,490	-	20,285	31,078	244,233	3,257	252
Intergovernmental	-	-	172,745	68,349	-	-	-	-	-
Fees and Other Revenues	3,728,802	-	-	-	27,609	2,079,752	1,417,581	67,880	-
Total Revenues	4,309,649	840,330	183,235	68,349	1,583,539	2,110,830	1,661,814	71,137	252
EXPENDITURES									
Current:									
General Government	388,256	-	-	12,096	-	-	7,141	-	-
Public Safety	-	-	180,135	-	-	-	-	545	-
Parks and Recreation	-	-	-	-	2,040,914	-	-	-	-
Community Services	-	-	-	-	-	21,196	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	388,256	-	180,135	12,096	2,040,914	21,196	7,141	545	-
REVENUES OVER (UNDER) EXPENDITURES	3,921,393	840,330	3,100	56,253	(457,375)	2,089,634	1,654,673	70,592	252
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	531,196	-	-	-	-
Transfers Out	(6,643,654)	(840,330)	-	(56,253)	-	(2,071,287)	(4,037,824)	(15,000)	-
Total Other Financing Sources (Uses)	(6,643,654)	(840,330)	-	(56,253)	531,196	(2,071,287)	(4,037,824)	(15,000)	-
Net Change in Fund Balances	(2,722,261)	-	3,100	-	73,821	18,347	(2,383,151)	55,592	252
Fund Balance, Beginning of Year, Restated	815,148	-	172,013	-	299,498	40,128	2,321,035	39,097	4,796
Fund Balance, End of Year	\$ (1,907,113)	\$ -	\$ 175,113	\$ -	\$ 373,319	\$ 58,475	\$ (62,116)	\$ 94,689	\$ 5,048

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Special Revenue Funds (Continued)
 For Year Ended June 30, 2007

	Storm Drainage	RDA Low Income Housing	PEG Media	Asset Forfeiture	Open Space	Measure C	Facility Fee Administration	Parks and Trails	Agriculture Administration
REVENUES									
Taxes	\$ -	\$ 1,477,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	8,336	107,249	21,782	1,956	8,514	-	44,475	241,916	58,795
Intergovernmental	-	-	-	-	-	461,249	-	-	-
Fees and Other Revenues	-	-	-	20,788	-	-	241,627	1,129,599	203,963
Total Revenues	8,336	1,584,544	21,782	22,744	8,514	461,249	286,102	1,371,515	262,758
EXPENDITURES									
Current:									
General Government	2,011	1,590,208	-	10,815	2,500	4,504	248,187	-	252,539
Public Safety	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	257,400	-
Community Services	-	-	-	-	-	-	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	88,085	-	-
Total Expenditures	2,011	1,590,208	-	10,815	2,500	4,504	336,272	257,400	252,539
REVENUES OVER (UNDER) EXPENDITURES	6,325	(5,664)	21,782	11,929	6,014	456,745	(50,170)	1,114,115	10,219
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	-	(200,000)	-	-	(169,790)	(372,996)	-	(148,212)	-
Total Other Financing Sources (Uses)	-	(200,000)	-	-	(169,790)	(372,996)	-	(148,212)	-
Net Change in Fund Balances	6,325	(205,664)	21,782	11,929	(163,776)	83,749	(50,170)	965,903	10,219
Fund Balance, Beginning of Year, Restated	3,336	2,853,050	415,291	39,941	163,776	139,382	(813,260)	241,038	1,170,311
Fund Balance, End of Year	\$ 9,661	\$ 2,647,386	\$ 437,073	\$ 51,870	\$ -	\$ 223,131	\$ (863,430)	\$ 1,206,941	\$ 1,180,530

Continued

City of Brentwood

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Special Revenue Funds (Continued)
For Year Ended June 30, 2007

	Public Art Administration	Public Art Acquisition	Arts Commission	Agricultural Park and History Center	Fire Fees	Agriculture Land	Parking In Lieu	Lighting and Landscape Districts	Totals
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,853,270
Uses of Money and Property	813	21,099	3,996	-	44,129	450,934	1,143	106,620	2,012,199
Intergovernmental	-	-	-	-	-	-	-	-	702,343
Fees and Other Revenues	67,171	179,817	53,764	232,000	250,089	815,857	-	3,259,625	13,775,924
Total Revenues	67,984	200,916	57,760	232,000	294,218	1,266,791	1,143	3,366,245	20,343,736
EXPENDITURES									
Current:									
General Government	-	-	61,292	-	-	305,000	-	-	2,884,549
Public Safety	-	-	-	-	-	-	-	-	180,680
Parks and Recreation	-	-	-	-	-	-	-	-	2,298,314
Community Services	-	-	-	-	-	-	-	2,943,433	2,964,629
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	88,085
Total Expenditures	-	-	61,292	-	-	305,000	-	2,943,433	8,416,257
REVENUES OVER (UNDER) EXPENDITURES	67,984	200,916	(3,532)	232,000	294,218	961,791	1,143	422,812	11,927,479
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	11,136	542,332
Transfers Out	(57,904)	-	-	-	(1,397)	(1,090,000)	-	-	(15,704,647)
Total Other Financing Sources (Uses)	(57,904)	-	-	-	(1,397)	(1,090,000)	-	11,136	(15,162,315)
Net Change in Fund Balances	10,080	200,916	(3,532)	232,000	292,821	(128,209)	1,143	433,948	(3,234,836)
Fund Balance, Beginning of Year, Restated	31,713	317,975	82,012	-	843,583	8,902,880	21,789	1,832,529	19,937,061
Fund Balance, End of Year	\$ 41,793	\$ 518,891	\$ 78,480	\$ 232,000	\$ 1,136,404	\$ 8,774,671	\$ 22,932	\$ 2,266,477	\$ 16,702,225



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Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds
For Year Ended June 30, 2007

	Thoroughfares			Gas Tax			Police Grants		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 950,000	\$ 840,330	\$ (109,670)	\$ -	\$ -	\$ -
Uses of Money and Property	20,000	580,847	560,847	-	-	-	10,490	10,490	-
Intergovernmental	-	-	-	-	-	-	172,745	172,745	-
Fees and Other Revenues	11,900,000	3,728,802	(8,171,198)	-	-	-	-	-	-
Total Revenues	<u>11,920,000</u>	<u>4,309,649</u>	<u>(7,610,351)</u>	<u>950,000</u>	<u>840,330</u>	<u>(109,670)</u>	<u>183,235</u>	<u>183,235</u>	<u>-</u>
EXPENDITURES									
Current:									
General Government	450,360	388,256	62,104	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	180,135	180,135	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>450,360</u>	<u>388,256</u>	<u>62,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,135</u>	<u>180,135</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>11,469,640</u>	<u>3,921,393</u>	<u>(7,548,247)</u>	<u>950,000</u>	<u>840,330</u>	<u>(109,670)</u>	<u>3,100</u>	<u>3,100</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Refunding Bonds Issued	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	(10,828,749)	(6,643,654)	4,185,095	(950,000)	(840,330)	109,670	-	-	-
Total Other Financing Sources (Uses)	<u>(10,828,749)</u>	<u>(6,643,654)</u>	<u>4,185,095</u>	<u>(950,000)</u>	<u>(840,330)</u>	<u>109,670</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 640,891</u>	<u>(2,722,261)</u>	<u>\$ (3,363,152)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 3,100</u>	<u>3,100</u>	<u>\$ -</u>
Fund Balance, Beginning of Year, Restated		<u>815,148</u>			<u>-</u>			<u>172,013</u>	
Fund Balance, End of Year		<u>\$ (1,907,113)</u>			<u>\$ -</u>			<u>\$ 175,113</u>	

Continued

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2007**

	Other Grants			Citywide Parks Districts			Community Facilities Districts		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 1,656,876	\$ 1,535,645	\$ (121,231)	\$ -	\$ -	\$ -
Uses of Money and Property	-	-	-	750	20,285	19,535	-	31,078	31,078
Intergovernmental	68,349	68,349	-	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	1,000	27,609	26,609	2,092,486	2,079,752	(12,734)
Total Revenues	68,349	68,349	-	1,658,626	1,583,539	(75,087)	2,092,486	2,110,830	18,344
EXPENDITURES									
Current:									
General Government	12,096	12,096	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	2,181,366	2,040,914	140,452	-	-	-
Community Services	-	-	-	-	-	-	21,196	21,196	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	12,096	12,096	-	2,181,366	2,040,914	140,452	21,196	21,196	-
REVENUES OVER (UNDER) EXPENDITURES	56,253	56,253	-	(522,740)	(457,375)	65,365	2,071,290	2,089,634	18,344
OTHER FINANCING SOURCES (USES)									
Refunding Bonds Issued	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	531,196	531,196	-	-	-	-
Transfers Out	(56,253)	(56,253)	-	-	-	-	(2,071,290)	(2,071,287)	3
Total Other Financing Sources (Uses)	(56,253)	(56,253)	-	531,196	531,196	-	(2,071,290)	(2,071,287)	3
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ 8,456	73,821	\$ 65,365	\$ -	18,347	\$ 18,347
Fund Balance, Beginning of Year, Restated					299,498			40,128	
Fund Balance, End of Year		\$ -			\$ 373,319			\$ 58,475	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2007

	Community Facilities			Vehicle Abatement			Economic Development		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	244,233	244,233	-	200	3,257	3,057	-	252	252
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	1,405,233	1,417,581	12,348	10,000	67,880	57,880	-	-	-
Total Revenues	1,649,466	1,661,814	12,348	10,200	71,137	60,937	-	252	252
EXPENDITURES									
Current:									
General Government	7,141	7,141	-	-	-	-	-	-	-
Public Safety	-	-	-	1,000	545	455	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	7,141	7,141	-	1,000	545	455	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	1,642,325	1,654,673	12,348	9,200	70,592	61,392	-	252	252
OTHER FINANCING SOURCES (USES)									
Refunding Bonds Issued	7,500,000	-	(7,500,000)	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	(6,609,590)	(4,037,824)	2,571,766	(15,000)	(15,000)	-	-	-	-
Total Other Financing Sources (Uses)	890,410	(4,037,824)	(4,928,234)	(15,000)	(15,000)	-	-	-	-
Net Change in Fund Balances	\$ 2,532,735	(2,383,151)	\$ (4,915,886)	\$ (5,800)	55,592	\$ 61,392	\$ -	252	\$ 252
Fund Balance, Beginning of Year, Restated		2,321,035			39,097			4,796	
Fund Balance, End of Year		\$ (62,116)			\$ 94,689			\$ 5,048	

Continued

City of Brentwood

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2007**

	Storm Drainage			RDA Low Income Housing			PEG Media		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 965,000	\$ 1,477,295	\$ 512,295	\$ -	\$ -	\$ -
Uses of Money and Property	1,000	8,336	7,336	2,500	107,249	104,749	-	21,782	21,782
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	-	-	-	200,000	-	(200,000)
Total Revenues	1,000	8,336	7,336	967,500	1,584,544	617,044	200,000	21,782	(178,218)
EXPENDITURES									
Current:									
General Government	2,011	2,011	-	2,265,096	1,590,208	674,888	100,000	-	100,000
Public Safety	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	2,011	2,011	-	2,265,096	1,590,208	674,888	100,000	-	100,000
REVENUES OVER (UNDER) EXPENDITURES	(1,011)	6,325	7,336	(1,297,596)	(5,664)	1,291,932	100,000	21,782	(78,218)
OTHER FINANCING SOURCES (USES)									
Refunding Bonds Issued	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	(187,989)	-	187,989	(200,000)	(200,000)	-	-	-	-
Total Other Financing Sources (Uses)	(187,989)	-	187,989	(200,000)	(200,000)	-	-	-	-
Net Change in Fund Balances	\$ (189,000)	6,325	\$ 195,325	\$ (1,497,596)	(205,664)	\$ 1,291,932	\$ 100,000	21,782	\$ (78,218)
Fund Balance, Beginning of Year, Restated		3,336			2,853,050			415,291	
Fund Balance, End of Year		\$ 9,661			\$ 2,647,386			\$ 437,073	

Continued

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2007**

	Asset Forfeiture			Open Space			Measure C		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	200	1,956	1,756	2,500	8,514	6,014	-	-	-
Intergovernmental	-	-	-	-	-	-	400,000	461,249	61,249
Fees and Other Revenues	2,500	20,788	18,288	-	-	-	-	-	-
Total Revenues	2,700	22,744	20,044	2,500	8,514	6,014	400,000	461,249	61,249
EXPENDITURES									
Current:									
General Government	20,000	10,815	9,185	2,500	2,500	-	4,504	4,504	-
Public Safety	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	20,000	10,815	9,185	2,500	2,500	-	4,504	4,504	-
REVENUES OVER (UNDER) EXPENDITURES	(17,300)	11,929	29,229	-	6,014	6,014	395,496	456,745	61,249
OTHER FINANCING SOURCES (USES)									
Refunding Bonds Issued	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	(50,000)	(169,790)	(119,790)	(372,996)	(372,996)	-
Total Other Financing Sources (Uses)	-	-	-	(50,000)	(169,790)	(119,790)	(372,996)	(372,996)	-
Net Change in Fund Balances	\$ (17,300)	11,929	\$ 29,229	\$ (50,000)	(163,776)	\$ (113,776)	\$ 22,500	83,749	\$ 61,249
Fund Balance, Beginning of Year, Restated		39,941			163,776			139,382	
Fund Balance, End of Year		\$ 51,870			\$ -			\$ 223,131	

Continued

City of Brentwood

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2007**

	Facility Fee Administration			Parks and Trails			Agriculture Administration		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	30,000	44,475	14,475	25,000	241,916	216,916	20,000	58,795	38,795
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	1,160,000	241,627	(918,373)	4,370,000	1,129,599	(3,240,401)	-	203,963	203,963
Total Revenues	<u>1,190,000</u>	<u>286,102</u>	<u>(903,898)</u>	<u>4,395,000</u>	<u>1,371,515</u>	<u>(3,023,485)</u>	<u>20,000</u>	<u>262,758</u>	<u>242,758</u>
EXPENDITURES									
Current:									
General Government	404,798	248,187	156,611	-	-	-	435,786	252,539	183,247
Public Safety	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	271,453	257,400	14,053	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Debt Service:									
Interest and Fiscal Charges	88,085	88,085	-	-	-	-	-	-	-
Total Expenditures	<u>492,883</u>	<u>336,272</u>	<u>156,611</u>	<u>271,453</u>	<u>257,400</u>	<u>14,053</u>	<u>435,786</u>	<u>252,539</u>	<u>183,247</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>697,117</u>	<u>(50,170)</u>	<u>(747,287)</u>	<u>4,123,547</u>	<u>1,114,115</u>	<u>(3,009,432)</u>	<u>(415,786)</u>	<u>10,219</u>	<u>426,005</u>
OTHER FINANCING SOURCES (USES)									
Refunding Bonds Issued	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	(5,960,476)	(148,212)	5,812,264	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,960,476)</u>	<u>(148,212)</u>	<u>5,812,264</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 697,117</u>	<u>(50,170)</u>	<u>\$ (747,287)</u>	<u>\$ (1,836,929)</u>	<u>965,903</u>	<u>\$ 2,802,832</u>	<u>\$ (415,786)</u>	<u>10,219</u>	<u>\$ 426,005</u>
Fund Balance, Beginning of Year, Restated		<u>(813,260)</u>			<u>241,038</u>			<u>1,170,311</u>	
Fund Balance, End of Year		<u>\$ (863,430)</u>			<u>\$ 1,206,941</u>			<u>\$ 1,180,530</u>	

Continued

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2007**

	Public Art Administration			Public Art Acquisition			Arts Commission		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	-	813	813	-	21,099	21,099	-	3,996	3,996
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	23,278	67,171	43,893	398,716	179,817	(218,899)	78,910	53,764	(25,146)
Total Revenues	<u>23,278</u>	<u>67,984</u>	<u>44,706</u>	<u>398,716</u>	<u>200,916</u>	<u>(197,800)</u>	<u>78,910</u>	<u>57,760</u>	<u>(21,150)</u>
EXPENDITURES									
Current:									
General Government	-	-	-	100,000	-	100,000	77,524	61,292	16,232
Public Safety	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>77,524</u>	<u>61,292</u>	<u>16,232</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>23,278</u>	<u>67,984</u>	<u>44,706</u>	<u>298,716</u>	<u>200,916</u>	<u>(97,800)</u>	<u>1,386</u>	<u>(3,532)</u>	<u>(4,918)</u>
OTHER FINANCING SOURCES (USES)									
Refunding Bonds Issued	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	(95,882)	(57,904)	37,978	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(95,882)</u>	<u>(57,904)</u>	<u>37,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (72,604)</u>	<u>10,080</u>	<u>\$ 82,684</u>	<u>\$ 298,716</u>	<u>200,916</u>	<u>\$ (97,800)</u>	<u>\$ 1,386</u>	<u>(3,532)</u>	<u>\$ (4,918)</u>
Fund Balance, Beginning of Year, Restated		<u>31,713</u>			<u>317,975</u>			<u>82,012</u>	
Fund Balance, End of Year		<u>\$ 41,793</u>			<u>\$ 518,891</u>			<u>\$ 78,480</u>	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
 For Year Ended June 30, 2007

	Agricultural Park and History Center			Fire Fees			Agriculture Land		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uses of Money and Property	-	-	-	-	44,129	44,129	100,000	450,934	350,934
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	-	232,000	232,000	-	250,089	250,089	-	815,857	815,857
Total Revenues	-	232,000	232,000	-	294,218	294,218	100,000	1,266,791	1,166,791
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	-	305,000	305,000	-
Public Safety	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	305,000	305,000	-
REVENUES OVER (UNDER) EXPENDITURES	-	232,000	232,000	-	294,218	294,218	(205,000)	961,791	1,166,791
OTHER FINANCING SOURCES (USES)									
Refunding Bonds Issued	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	(1,013,605)	(1,397)	1,012,208	(1,090,000)	(1,090,000)	-
Total Other Financing Sources (Uses)	-	-	-	(1,013,605)	(1,397)	1,012,208	(1,090,000)	(1,090,000)	-
Net Change in Fund Balances	\$ -	232,000	\$ 232,000	\$ (1,013,605)	292,821	\$ 1,306,426	\$ (1,295,000)	(128,209)	\$ 1,166,791
Fund Balance, Beginning of Year, Restated		-			843,583			8,902,880	
Fund Balance, End of Year		\$ 232,000			\$ 1,136,404			\$ 8,774,671	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
 For Year Ended June 30, 2007

	Parking In Lieu			Lighting and Landscape Districts			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,571,876	\$ 3,853,270	\$ 281,394
Uses of Money and Property	-	1,143	1,143	-	106,620	106,620	456,873	2,012,199	1,555,326
Intergovernmental	-	-	-	-	-	-	641,094	702,343	61,249
Fees and Other Revenues	27,100	-	(27,100)	3,257,732	3,259,625	1,893	24,926,955	13,775,924	(11,151,031)
Total Revenues	<u>27,100</u>	<u>1,143</u>	<u>(25,957)</u>	<u>3,257,732</u>	<u>3,366,245</u>	<u>108,513</u>	<u>29,596,798</u>	<u>20,343,736</u>	<u>(9,253,062)</u>
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	-	4,186,816	2,884,549	1,302,267
Public Safety	-	-	-	-	-	-	181,135	180,680	455
Parks and Recreation	-	-	-	-	-	-	2,452,819	2,298,314	154,505
Community Services	-	-	-	3,101,149	2,943,433	157,716	3,122,345	2,964,629	157,716
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	88,085	88,085	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,101,149</u>	<u>2,943,433</u>	<u>157,716</u>	<u>10,031,200</u>	<u>8,416,257</u>	<u>1,614,943</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>27,100</u>	<u>1,143</u>	<u>(25,957)</u>	<u>156,583</u>	<u>422,812</u>	<u>266,229</u>	<u>19,565,598</u>	<u>11,927,479</u>	<u>(7,638,119)</u>
OTHER FINANCING SOURCES (USES)									
Refunding Bonds Issued	-	-	-	-	-	-	7,500,000	-	(7,500,000)
Transfers In	-	-	-	-	11,136	11,136	531,196	542,332	11,136
Transfers Out	(5,000)	-	5,000	(479,715)	-	479,715	(29,986,545)	(15,704,647)	14,281,898
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>	<u>(479,715)</u>	<u>11,136</u>	<u>490,851</u>	<u>(21,955,349)</u>	<u>(15,162,315)</u>	<u>6,793,034</u>
Net Change in Fund Balances	<u>\$ 22,100</u>	<u>1,143</u>	<u>\$ (20,957)</u>	<u>\$ (323,132)</u>	<u>433,948</u>	<u>\$ 757,080</u>	<u>\$ (2,389,751)</u>	<u>(3,234,836)</u>	<u>\$ (845,085)</u>
Fund Balance, Beginning of Year, Restated		<u>21,789</u>			<u>1,832,529</u>			<u>19,937,061</u>	
Fund Balance, End of Year		<u>\$ 22,932</u>			<u>\$ 2,266,477</u>			<u>\$ 16,702,225</u>	



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Combining Balance Sheet
All Debt Service Funds
June 30, 2007

	Redevelopment Debt	Capital Improvement Program 2001	2002 General Obligation Bond	Capital Lease Program	TOTALS
ASSETS					
Current Assets:					
Cash and Investments	\$ 6,986,517	\$ 111,881	\$ 104,383	\$ -	\$ 7,202,781
Restricted Cash and Investments	-	2,109,750	-	-	2,109,750
Receivables	20,133	197	386	96	20,812
Total Assets	<u>\$ 7,006,650</u>	<u>\$ 2,221,828</u>	<u>\$ 104,769</u>	<u>\$ 96</u>	<u>\$ 9,333,343</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 1,439,011	\$ 229,658	\$ -	\$ -	\$ 1,668,669
Due to Other Funds	-	-	-	96	96
Total Liabilities	<u>1,439,011</u>	<u>229,658</u>	<u>-</u>	<u>96</u>	<u>1,668,765</u>
Fund Balances:					
Reserved for:					
Debt Service	5,567,639	1,992,170	104,769	-	7,664,578
Total Fund Balances	<u>5,567,639</u>	<u>1,992,170</u>	<u>104,769</u>	<u>-</u>	<u>7,664,578</u>
Total Liabilities and Fund Balances	<u>\$ 7,006,650</u>	<u>\$ 2,221,828</u>	<u>\$ 104,769</u>	<u>\$ 96</u>	<u>\$ 9,333,343</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Debt Service Funds
For Year Ended June 30, 2007

	Redevelopment Debt	Capital Improvement Program 2001	2002 General Obligation Bond	Capital Lease Program	TOTALS
REVENUES					
Taxes	\$ 5,909,179	\$ -	\$ 318,990	\$ -	\$ 6,228,169
Uses of Money and Property	528,477	42,653	7,479	873	579,482
Total Revenues	6,437,656	42,653	326,469	873	6,807,651
EXPENDITURES					
Current:					
Community Development	1,627,183	12,200	6,162	-	1,645,545
Debt Service:					
Principal	420,000	255,000	140,000	17,754	832,754
Interest and Fiscal Charges	949,807	459,046	148,256	1,928	1,559,037
Total Expenditures	2,996,990	726,246	294,418	19,682	4,037,336
REVENUES OVER (UNDER) EXPENDITURES	3,440,666	(683,593)	32,051	(18,809)	2,770,315
OTHER FINANCING SOURCES (USES)					
Transfers In	-	678,795	-	18,809	697,604
Transfers Out	(1,288,689)	-	-	-	(1,288,689)
Total Other Financing Sources (Uses)	(1,288,689)	678,795	-	18,809	(591,085)
Net Change in Fund Balances	2,151,977	(4,798)	32,051	-	2,179,230
Fund Balance, Beginning of Year	3,415,662	1,996,968	72,718	-	5,485,348
Fund Balance, End of Year	\$ 5,567,639	\$ 1,992,170	\$ 104,769	\$ -	\$ 7,664,578

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Certain Debt Service Funds
For Year Ended June 30, 2007**

	Redevelopment Debt			Capital Improvement Program 2001			Capital Lease Program			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES												
Taxes	\$ 4,721,000	\$ 5,909,179	\$ 1,188,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,721,000	\$ 5,909,179	\$ 1,188,179
Uses of Money and Property	40,000	528,477	488,477	50,000	42,653	(7,347)	-	873	873	90,000	572,003	482,003
Total Revenues	<u>4,761,000</u>	<u>6,437,656</u>	<u>1,676,656</u>	<u>50,000</u>	<u>42,653</u>	<u>(7,347)</u>	<u>-</u>	<u>873</u>	<u>873</u>	<u>4,811,000</u>	<u>6,481,182</u>	<u>1,670,182</u>
EXPENDITURES												
Current:												
Community Development	1,627,183	1,627,183	-	13,000	12,200	800	-	-	-	1,640,183	1,639,383	800
Debt Service:												
Principal	420,000	420,000	-	255,000	255,000	-	71,106	17,754	53,352	746,106	692,754	53,352
Interest and Fiscal Charges	949,807	949,807	-	462,920	459,046	3,874	2,219	1,928	291	1,414,946	1,410,781	4,165
Total Expenditures	<u>2,996,990</u>	<u>2,996,990</u>	<u>-</u>	<u>730,920</u>	<u>726,246</u>	<u>4,674</u>	<u>73,325</u>	<u>19,682</u>	<u>53,643</u>	<u>3,801,235</u>	<u>3,742,918</u>	<u>58,317</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,764,010</u>	<u>3,440,666</u>	<u>1,676,656</u>	<u>(680,920)</u>	<u>(683,593)</u>	<u>(2,673)</u>	<u>(73,325)</u>	<u>(18,809)</u>	<u>54,516</u>	<u>1,009,765</u>	<u>2,738,264</u>	<u>1,728,499</u>
OTHER FINANCING SOURCES (USES)												
Transfers In	-	-	-	717,900	678,795	(39,105)	73,325	18,809	(54,516)	791,225	697,604	(93,621)
Transfers Out	(1,739,176)	(1,288,689)	450,487	-	-	-	-	-	-	(1,739,176)	(1,288,689)	450,487
Total Other Financing Sources (Uses)	<u>(1,739,176)</u>	<u>(1,288,689)</u>	<u>450,487</u>	<u>717,900</u>	<u>678,795</u>	<u>(39,105)</u>	<u>73,325</u>	<u>18,809</u>	<u>(54,516)</u>	<u>(947,951)</u>	<u>(591,085)</u>	<u>356,866</u>
Net Change in Fund Balances	<u>\$ 24,834</u>	<u>2,151,977</u>	<u>\$ 2,127,143</u>	<u>\$ 36,980</u>	<u>(4,798)</u>	<u>\$ (41,778)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,814</u>	<u>2,147,179</u>	<u>\$ 2,085,365</u>
Fund Balance, Beginning of Year		<u>3,415,662</u>			<u>1,996,968</u>			<u>-</u>			<u>5,412,630</u>	
Fund Balance, End of Year		<u>\$ 5,567,639</u>			<u>\$ 1,992,170</u>			<u>\$ -</u>			<u>\$ 7,559,809</u>	



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Combining Balance Sheet
All Capital Project Funds
 June 30, 2007

	Capital Improvement Financing Program 94-1 (2004 A&B Refi)	Capital Improvement Financing Program 2000-1 (2004 C Refi)	Capital Improvement Financing Program 2002-1 (2005 A&B Refi)	Capital Improvement Financing Program 2003-1 (2006 A&B Refi)	Capital Improvement Financing Program 2004-1 (2006 A&B Refi)	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	2002 Series A & B	2006 Series A & B
ASSETS									
Current Assets:									
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Cash and Investments	275,538	639,922	1,170,923	-	-	19,510,034	4,513,142	382,794	107,842
Receivables	889,715	-	41,518	-	-	-	-	-	179,419
Prepays	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-	-
Total Assets	\$ 1,165,253	\$ 639,922	\$ 1,212,441	\$ -	\$ -	\$ 19,510,034	\$ 4,513,142	\$ 382,794	\$ 287,261
LIABILITIES AND FUND BALANCES									
Current Liabilities:									
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-
Fund Balances:									
Reserved for:									
Prepays	-	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-	-
Specific Projects and Programs	1,165,253	639,922	1,212,441	-	-	19,510,034	4,513,142	382,794	287,261
Unreserved, Reported in:									
Capital Projects	-	-	-	-	-	-	-	-	-
Total Fund Balances	1,165,253	639,922	1,212,441	-	-	19,510,034	4,513,142	382,794	287,261
Total Liabilities and Fund Balances	\$ 1,165,253	\$ 639,922	\$ 1,212,441	\$ -	\$ -	\$ 19,510,034	\$ 4,513,142	\$ 382,794	\$ 287,261

Continued

Combining Balance Sheet
All Capital Project Funds (Continued)
 June 30, 2007

	Capital Improvement 2001	Randy Way District Improvements	City Capital Improvement Financing Program	Capital Project Administration	Community Facilities Improvement Projects	Park Improvement Projects	Drainage Improvement Projects	Street Improvement Projects	Vineyards Projects	Redevelopment Projects	TOTALS
ASSETS											
Current Assets:											
Cash and Investments	\$ 13,674	\$ 62,690	\$ 1,451,614	\$ -	\$ 12,541,965	\$ 3,041,327	\$ 160,515	\$ 11,900,753	\$ 1,640,883	\$ 5,134,936	\$ 35,948,357
Restricted Cash and Investments	-	-	-	-	-	-	-	371,942	-	3,799,286	30,771,423
Receivables	24	74	2,562	90	25,807	-	286	23,254	2,897	57,224	1,222,870
Prepays	-	-	-	2,899	-	-	-	-	-	432	3,331
Due from Other Funds	-	-	-	-	2,223,048	-	-	-	-	-	2,223,048
Land Held for Resale	-	-	-	-	-	-	-	-	-	699,108	699,108
Total Assets	\$ 13,698	\$ 62,764	\$ 1,454,176	\$ 2,989	\$ 14,790,820	\$ 3,041,327	\$ 160,801	\$ 12,295,949	\$ 1,643,780	\$ 9,690,986	\$ 70,868,137
LIABILITIES AND FUND BALANCES											
Current Liabilities:											
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 1,068	\$ 35,957	\$ 420,597	\$ 645,441	\$ 802	\$ 1,482,626	\$ 1,880	\$ 33,512	\$ 2,621,883
Other Liabilities	-	-	-	-	-	-	-	371,942	-	-	371,942
Total Liabilities	-	-	1,068	35,957	420,597	645,441	802	1,854,568	1,880	33,512	2,993,825
Fund Balances:											
Reserved for:											
Prepays	-	-	-	2,899	-	-	-	-	-	432	3,331
Land Held for Resale	-	-	-	-	-	-	-	-	-	699,108	699,108
Specific Projects and Programs	13,698	62,764	1,453,108	-	14,370,223	2,395,886	159,999	10,441,381	1,641,900	8,957,934	67,207,740
Unreserved, Reported in:											
Capital Projects	-	-	-	(35,867)	-	-	-	-	-	-	(35,867)
Total Fund Balances	13,698	62,764	1,453,108	(32,968)	14,370,223	2,395,886	159,999	10,441,381	1,641,900	9,657,474	67,874,312
Total Liabilities and Fund Balances	\$ 13,698	\$ 62,764	\$ 1,454,176	\$ 2,989	\$ 14,790,820	\$ 3,041,327	\$ 160,801	\$ 12,295,949	\$ 1,643,780	\$ 9,690,986	\$ 70,868,137

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Capital Project Funds
For Year Ended June 30, 2007

	Capital Improvement Financing Program 94-1 (2004 A&B Refi)	Capital Improvement Financing Program 2000-1 (2004 C Refi)	Capital Improvement Financing Program 2002-1 (2005 A&B Refi)	Capital Improvement Financing Program 2003-1 (2006 A&B Refi)	Capital Improvement Financing Program 2004-1 (2006 A&B Refi)	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	2002 Series A & B	2006 Series A & B
REVENUES									
Uses of Money and Property	\$ 54,182	\$ 29,737	\$ 54,936	\$ 67,501	\$ 2,824	\$ 1,135,497	\$ 163,832	\$ 17,344	\$ 11,206
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	-	-	-	4,349,310	-	26,272
Total Revenues	54,182	29,737	54,936	67,501	2,824	1,135,497	4,513,142	17,344	37,478
EXPENDITURES									
Current:									
General Government	4,294	1,106	-	-	-	9,002,200	-	-	1,861,110
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	4,294	1,106	-	-	-	9,002,200	-	-	1,861,110
REVENUES OVER (UNDER) EXPENDITURES	49,888	28,631	54,936	67,501	2,824	(7,866,703)	4,513,142	17,344	(1,823,632)
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	2,110,893
Transfers Out	-	-	-	(2,026,133)	(84,760)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(2,026,133)	(84,760)	-	-	-	2,110,893
Net Change in Fund Balances	49,888	28,631	54,936	(1,958,632)	(81,936)	(7,866,703)	4,513,142	17,344	287,261
Fund Balance, Beginning of Year	1,115,365	611,291	1,157,505	1,958,632	81,936	27,376,737	-	365,450	-
Fund Balance, End of Year	\$ 1,165,253	\$ 639,922	\$ 1,212,441	\$ -	\$ -	\$ 19,510,034	\$ 4,513,142	\$ 382,794	\$ 287,261

Continued

City of Brentwood

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Capital Project Funds (Continued)
For Year Ended June 30, 2007**

	Capital Improvement 2001	Randy Way District Improvements	City Capital Improvement Financing Program	Capital Project Administration	Community Facilities Improvement Projects	Park Improvement Projects	Drainage Improvement Projects	Street Improvement Projects	Vineyards Projects	Redevelopment Projects	TOTALS
REVENUES											
Uses of Money and Property	\$ 680	\$ 673	\$ 62,844	\$ 815	\$ 668,509	\$ -	\$ -	\$ -	\$ 83,333	\$ 1,556,336	\$ 3,910,249
Intergovernmental	-	-	-	-	-	-	-	42,737	-	-	42,737
Fees and Other Revenues	-	62,091	679,527	183,611	1,355,334	10,000	-	211,935	-	-	6,878,080
Total Revenues	680	62,764	742,371	184,426	2,023,843	10,000	-	254,672	83,333	1,556,336	10,831,066
EXPENDITURES											
Current:											
General Government	-	-	2,118	2,555,330	177,449	-	-	2,761,782	52,658	786,464	17,204,511
Capital Outlay	-	-	-	-	2,233,179	2,353,423	803	6,780,350	-	-	11,367,755
Debt Service:											
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	2,118	2,555,330	2,410,628	2,353,423	803	9,542,132	52,658	786,464	28,572,266
REVENUES OVER (UNDER) EXPENDITURES	680	62,764	740,253	(2,370,904)	(386,785)	(2,343,423)	(803)	(9,287,460)	30,675	769,872	(17,741,200)
OTHER FINANCING SOURCES (USES)											
Transfers In	-	-	-	2,336,703	4,634,503	951,010	10,000	10,228,327	-	1,288,689	21,560,125
Transfers Out	-	-	-	-	(704,242)	-	-	-	-	(2,322,621)	(5,137,756)
Total Other Financing Sources (Uses)	-	-	-	2,336,703	3,930,261	951,010	10,000	10,228,327	-	(1,033,932)	16,422,369
Net Change in Fund Balances	680	62,764	740,253	(34,201)	3,543,476	(1,392,413)	9,197	940,867	30,675	(264,060)	(1,318,831)
Fund Balance, Beginning of Year	13,018	-	712,855	1,233	10,826,747	3,788,299	150,802	9,500,514	1,611,225	9,921,534	69,193,143
Fund Balance, End of Year	\$ 13,698	\$ 62,764	\$ 1,453,108	\$ (32,968)	\$ 14,370,223	\$ 2,395,886	\$ 159,999	\$ 10,441,381	\$ 1,641,900	\$ 9,657,474	\$ 67,874,312

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Certain Capital Project Funds
For Year Ended June 30, 2007**

	City Capital Improvement Financing Program			Capital Project Administration			Community Facilities Improvement Projects		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Uses of Money and Property	\$ 1,500	\$ 62,844	\$ 61,344	\$ -	\$ 815	\$ 815	\$ 668,509	\$ 668,509	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	650,000	679,527	29,527	130,000	183,611	53,611	1,355,334	1,355,334	-
Total Revenues	<u>651,500</u>	<u>742,371</u>	<u>90,871</u>	<u>130,000</u>	<u>184,426</u>	<u>54,426</u>	<u>2,023,843</u>	<u>2,023,843</u>	<u>-</u>
EXPENDITURES									
Current:									
General Government	100,000	2,118	97,882	3,643,589	2,555,330	1,088,259	177,449	177,449	-
Capital Outlay	-	-	-	-	-	-	2,233,179	2,233,179	-
Total Expenditures	<u>100,000</u>	<u>2,118</u>	<u>97,882</u>	<u>3,643,589</u>	<u>2,555,330</u>	<u>1,088,259</u>	<u>2,410,628</u>	<u>2,410,628</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>551,500</u>	<u>740,253</u>	<u>188,753</u>	<u>(3,513,589)</u>	<u>(2,370,904)</u>	<u>1,142,685</u>	<u>(386,785)</u>	<u>(386,785)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	3,469,323	2,336,703	(1,132,620)	3,930,261	4,634,503	704,242
Transfers Out	-	-	-	-	-	-	-	(704,242)	(704,242)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,469,323</u>	<u>2,336,703</u>	<u>(1,132,620)</u>	<u>3,930,261</u>	<u>3,930,261</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 551,500</u>	<u>740,253</u>	<u>\$ 188,753</u>	<u>\$ (44,266)</u>	<u>(34,201)</u>	<u>\$ 10,065</u>	<u>\$ 3,543,476</u>	<u>3,543,476</u>	<u>\$ -</u>
Fund Balance, Beginning of Year		<u>712,855</u>			<u>1,233</u>			<u>10,826,747</u>	
Fund Balance, End of Year		<u>\$ 1,453,108</u>			<u>\$ (32,968)</u>			<u>\$ 14,370,223</u>	

Continued

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Certain Capital Projects Fund (Continued)
For Year Ended June 30, 2007**

	Park Improvement Projects			Drainage Improvement Projects			Street Improvement Projects		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Uses of Money and Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	42,737	42,737	-
Fees and Other Revenues	10,000	10,000	-	-	-	-	211,935	211,935	-
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,672</u>	<u>254,672</u>	<u>-</u>
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	-	2,761,782	2,761,782	-
Capital Outlay	2,353,423	2,353,423	-	803	803	-	6,780,350	6,780,350	-
Total Expenditures	<u>2,353,423</u>	<u>2,353,423</u>	<u>-</u>	<u>803</u>	<u>803</u>	<u>-</u>	<u>9,542,132</u>	<u>9,542,132</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,343,423)</u>	<u>(2,343,423)</u>	<u>-</u>	<u>(803)</u>	<u>(803)</u>	<u>-</u>	<u>(9,287,460)</u>	<u>(9,287,460)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Transfers In	951,010	951,010	-	10,000	10,000	-	10,228,327	10,228,327	-
Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>951,010</u>	<u>951,010</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,228,327</u>	<u>10,228,327</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (1,392,413)</u>	<u>(1,392,413)</u>	<u>\$ -</u>	<u>\$ 9,197</u>	<u>9,197</u>	<u>\$ -</u>	<u>\$ 940,867</u>	<u>940,867</u>	<u>\$ -</u>
Fund Balance, Beginning of Year		<u>3,788,299</u>			<u>150,802</u>			<u>9,500,514</u>	
Fund Balance, End of Year		<u>\$ 2,395,886</u>			<u>\$ 159,999</u>			<u>\$ 10,441,381</u>	

Continued

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Certain Capital Projects Fund (Continued)
For Year Ended June 30, 2007**

	Vineyards Projects			Redevelopment Projects			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Uses of Money and Property	\$ 83,333	\$ 83,333	\$ -	\$ 938,018	\$ 1,556,336	\$ 618,318	\$ 1,691,360	\$ 2,371,837	\$ 680,477
Intergovernmental	-	-	-	-	-	-	42,737	42,737	-
Fees and Other Revenues	-	-	-	35,000	-	(35,000)	2,392,269	2,440,407	48,138
Total Revenues	<u>83,333</u>	<u>83,333</u>	<u>-</u>	<u>973,018</u>	<u>1,556,336</u>	<u>583,318</u>	<u>4,126,366</u>	<u>4,854,981</u>	<u>728,615</u>
EXPENDITURES									
Current:									
General Government	52,658	52,658	-	2,707,482	786,464	1,921,018	9,442,960	6,335,801	3,107,159
Capital Outlay	-	-	-	-	-	-	11,367,755	11,367,755	-
Total Expenditures	<u>52,658</u>	<u>52,658</u>	<u>-</u>	<u>2,707,482</u>	<u>786,464</u>	<u>1,921,018</u>	<u>20,810,715</u>	<u>17,703,556</u>	<u>3,107,159</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>30,675</u>	<u>30,675</u>	<u>-</u>	<u>(1,734,464)</u>	<u>769,872</u>	<u>2,504,336</u>	<u>(16,684,349)</u>	<u>(12,848,575)</u>	<u>(2,378,544)</u>
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	2,266,160	1,288,689	(977,471)	20,855,081	19,449,232	(1,405,849)
Transfers Out	-	-	-	(3,445,331)	(2,322,621)	1,122,710	(3,445,331)	(3,026,863)	418,468
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,179,171)</u>	<u>(1,033,932)</u>	<u>145,239</u>	<u>17,409,750</u>	<u>16,422,369</u>	<u>(987,381)</u>
Net Change in Fund Balances	<u>\$ 30,675</u>	<u>30,675</u>	<u>\$ -</u>	<u>\$ (2,913,635)</u>	<u>(264,060)</u>	<u>\$ 2,649,575</u>	<u>\$ 725,401</u>	<u>\$ 3,573,794</u>	<u>\$ (3,365,925)</u>
Fund Balance, Beginning of Year		<u>1,611,225</u>			<u>9,921,534</u>			<u>36,513,209</u>	
Fund Balance, End of Year		<u>\$ 1,641,900</u>			<u>\$ 9,657,474</u>			<u>\$ 40,087,003</u>	



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City of Brentwood

NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	2002	2003	2004	2005	2006	2007
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 107,356,555	\$ 144,428,668	\$ 197,015,674	\$ 215,720,615	\$ 294,803,288	\$ 342,332,679
Restricted	47,295,121	43,163,510	48,177,025	34,678,623	81,395,898	79,105,723
Unrestricted	28,983,536	37,800,917	27,120,013	53,776,481	53,977,292	59,130,425
Total Governmental Activities Net Assets	\$ 183,635,212	\$ 225,393,095	\$ 272,312,712	\$ 304,175,719	\$ 430,176,478	\$ 480,568,827
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ 68,499,556	\$ 98,061,398	\$ 134,896,047	\$ 144,514,270	\$ 104,790,118	\$ 124,783,446
Restricted	27,949,628	34,664,252	12,359,754	27,021,249	30,182,173	31,204,635
Unrestricted	512,510	5,787,062	(5,426,178)	14,373,836	14,140,500	22,052,908
Total Business-Type Activities Net Assets	\$ 96,961,694	\$ 138,512,712	\$ 141,829,623	\$ 185,909,355	\$ 149,112,791	\$ 178,040,989
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$ 185,070,098	\$ 242,490,066	\$ 331,911,721	\$ 360,234,885	\$ 399,593,406	\$ 467,116,125
Restricted	75,244,749	77,827,762	60,536,779	61,699,872	111,578,071	110,310,358
Unrestricted	29,496,046	43,587,979	21,693,835	68,150,317	68,117,792	81,183,333
Total Primary Government Net Assets	\$ 289,810,893	\$ 363,905,807	\$ 414,142,335	\$ 490,085,074	\$ 579,289,269	\$ 658,609,816

Note: The City began to report accrual information in fiscal year 2002 when it implemented GASB Statement 34.

City of Brentwood

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
LAST SIX FISCAL YEARS
 (Accrual Basis of Accounting)
 (Unaudited)

	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Expenses						
General Government	\$ 5,331,756	\$ 18,329,899	\$ 19,799,793	\$ 22,019,514	\$ 17,927,800	\$ 26,103,080
Public Safety	5,681,464	6,750,947	9,970,436	9,563,065	10,952,967	12,768,274
Community Development	2,944,722	2,886,102	4,804,009	5,103,462	3,960,793	5,704,796
Engineering	1,577,558	1,618,876	2,469,775	3,821,479	4,063,792	2,332,730
Public Works	2,783,123	2,942,088	3,491,159	1,796,006	1,815,288	4,967,567
Parks and Recreation	744,725	806,336	1,613,411	2,442,686	6,965,572	8,129,353
Community Services	581,152	314,293	226,732	237,458	2,059,834	3,402,377
Other	2,805,061	1,158,986	512,952	1,008,158	2,918,908	-
Interest on Long-Term Debt	2,789,903	2,018,870	1,883,951	1,949,670	1,766,038	1,839,058
Total Expenses	25,239,464	36,826,397	44,772,218	47,941,498	52,430,992	65,247,235
Program Revenues						
Charges for Services	12,131,112	13,862,506	16,218,168	17,530,001	16,189,709	14,225,400
Operating Grants and Contributions	698,207	226,570	165,107	114,791	200,915	6,443,633
Capital Grants and Contributions	163,450	132,575	128,384	166,951	212,611	50,529,249
Total Program Revenues	12,992,769	14,221,651	16,511,659	17,811,743	16,603,235	71,198,282
Total Governmental Activities Net Expense	(12,246,695)	(22,604,746)	(28,260,559)	(30,129,755)	(35,827,757)	5,951,047
General Revenues and Other Changes in Net Assets						
Taxes:						
Property Taxes	5,423,132	6,933,900	7,990,595	9,932,342	14,887,469	19,676,078
Sales Tax	2,661,107	2,998,922	3,644,368	4,442,764	5,411,724	4,661,529
Franchise Fees	498,202	668,657	738,525	851,237	1,021,258	1,230,265
Public Service Taxes	391,088	589,266	743,890	914,426	1,000,573	527,766
Measure C, TOT	449,654	448,498	457,883	480,838	532,035	598,358
Motor Vehicle Taxes	1,423,128	1,702,280	1,508,664	2,198,750	3,502,237	3,597,495
Other Taxes	-	-	-	-	188,636	260,577
Investment Earnings	3,122,319	2,777,909	3,312,556	3,185,671	3,639,789	8,960,696
Contributions - Impact Fees and Credits	10,729,361	21,965,625	28,218,482	29,584,350	31,600,393	-
Capital Contributions	20,450,758	9,572,626	(931,403)	3,592,176	33,424,231	-
Capital Assets Contributed to/from Other Funds	1,971,847	2,885,000	12,868,344	126,356	-	-
Intergovernmental	-	-	-	862,624	1,151,837	42,737
Interfund Services	-	-	-	3,570,121	4,627,478	48,484
Miscellaneous	-	6,470,739	12,817,467	4,098,758	3,328,605	2,726,006
Transfers	(870,776)	7,349,207	3,810,805	(1,847,651)	57,512,251	2,111,311
Total General Revenues and Other Changes in Net Assets	46,249,820	64,362,629	75,180,176	61,992,762	161,828,516	44,441,302
Total Governmental Activities Change in Net Assets	\$ 34,003,125	\$ 41,757,883	\$ 46,919,617	\$ 31,863,007	\$ 126,000,759	\$ 50,392,349

Note: The City began to report accrual information in fiscal year 2002 when it implemented GASB Statement 34.

City of Brentwood

CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
LAST SIX FISCAL YEARS
 (Accrual Basis of Accounting)
 (Unaudited)

	2002	2003	2004	2005	2006	2007
Business-Type Activities:						
Expenses						
Wastewater	\$ 2,813,091	\$ 3,405,073	\$ 8,461,336	\$ 5,713,763	\$ 5,995,237	\$ 6,264,947
Solid Waste	2,703,827	3,060,101	3,833,171	4,266,665	6,018,649	6,259,740
Water	6,394,410	6,779,073	7,395,878	8,594,319	12,073,423	11,181,295
Parks and Recreation	2,749,011	2,891,809	3,647,580	3,854,606	-	-
City Rentals	396,025	429,833	436,287	434,243	728,604	729,754
Housing	-	-	7,504	1,022,306	1,215,548	1,481,274
Total Expenses	15,056,364	16,565,889	23,781,756	23,885,902	26,031,461	25,917,010
Program Revenues						
Charges for Services:						
Wastewater	2,764,158	3,618,959	4,214,471	4,549,961	5,979,653	6,441,711
Solid Waste	3,725,346	4,243,126	5,102,561	6,236,643	8,025,919	8,826,499
Water	5,414,427	6,528,611	9,406,429	10,231,960	12,264,649	15,348,469
Parks and Recreation	626,179	668,503	776,465	1,443,029	-	-
City Rentals	216,841	660,367	740,110	778,437	767,270	717,539
Housing	-	-	-	1,000	30,290	117,601
Capital Grants and Contributions	-	-	-	-	6,287,482	22,969,310
Total Program Revenues	12,746,951	15,719,566	20,240,036	23,241,030	33,355,263	54,421,129
Total Business-Type Activities Net Expense	(2,309,413)	(846,323)	(3,541,720)	(644,872)	7,323,802	28,504,119
General Revenues and Other Changes in Net Assets						
Taxes:						
Property Taxes	532,571	680,375	868,369	1,073,421	-	-
Connection Fees Paid	-	-	(11,305,768)	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	177,600	-	-
Investment Earnings	1,247,935	1,710,954	1,284,161	534,586	1,199,763	2,535,390
Contributions - Impact Fees and Credits	11,453,897	20,286,877	20,104,810	17,844,231	11,381,912	-
Capital Contributions	8,876,407	17,848,980	(432,136)	21,325,932	-	-
Capital Assets Contributed to/from Other Funds	-	-	-	(126,356)	-	-
Miscellaneous	3,788	5,375	150,000	-	-	-
Transfers	870,776	(7,349,207)	(3,810,805)	1,847,651	(57,512,251)	(2,111,311)
Total General Revenues and Other Changes in Net Assets	22,985,374	33,183,354	6,858,631	42,677,065	(44,930,576)	424,079
Total Business-Type Activities Change in Net Assets	20,675,961	32,337,031	3,316,911	42,032,193	(37,606,774)	28,928,198
Total Primary Government Change in Net Assets	\$ 54,679,086	\$ 74,094,914	\$ 50,236,528	\$ 73,895,200	\$ 88,393,985	\$ 79,320,547

Note: The City began to report accrual information in fiscal year 2002 when it implemented GASB Statement 34

City of Brentwood

FUND BALANCES - GOVERNMENTAL FUNDS**LAST SIX FISCAL YEARS**

(Modified Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	\$ 4,343,805	\$ 454,599	\$ 728,885	\$ 122,935	\$ 204,076	\$ 124,588
Unreserved	4,616,741	18,847,893	22,101,506	19,377,628	22,310,261	25,274,977
Total General Fund	\$ 8,960,546	\$ 19,302,492	\$ 22,830,391	\$ 19,500,563	\$ 22,514,337	\$ 25,399,565
All Other Governmental Funds						
Reserved	\$ 42,951,316	\$ 42,708,911	\$ 47,445,393	\$ 46,924,689	\$ 93,318,376	\$ 94,569,236
Unreserved, Reported In:						
Special Revenue Funds	19,920,393	8,429,955	(1,872,055)	5,640,986	3,657,471	(2,292,254)
Capital Project Funds	-	-	-	-	-	(35,867)
Total All Other Governmental Funds	\$ 62,871,709	\$ 51,138,866	\$ 45,573,338	\$ 52,565,675	\$ 96,975,847	\$ 92,241,115

City of Brentwood

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 (Unaudited)

	2002	2003	2004	2005	2006	2007
REVENUES						
Taxes	\$ 8,587,358	\$ 10,640,420	\$ 12,489,155	\$ 15,405,971	\$ 21,606,946	\$ 25,842,811
Licenses	66,810	124,823	325,143	405,246	471,668	509,618
Permits and Fines	7,041,625	9,354,198	10,184,552	11,361,424	9,647,761	6,130,221
Uses of Money and Property	3,091,109	2,561,745	3,022,093	4,156,725	3,381,068	8,263,044
Intergovernmental	2,629,058	2,396,451	4,339,487	3,727,774	5,537,709	5,022,850
Franchises	338,692	428,731	584,868	672,172	808,389	965,066
Charges for Other Services	825,618	531,791	570,455	546,251	1,580,198	776,584
Charges to Other Funds	4,203,653	3,922,881	5,073,565	5,161,708	5,506,136	5,590,646
Fees and Other Revenues	11,542,069	26,343,210	26,807,306	27,280,529	52,281,640	21,786,740
Total Revenues	38,325,992	56,304,250	63,396,624	68,717,800	100,821,515	74,887,580
EXPENDITURES						
Current:						
General Government	4,083,505	14,826,709	16,407,013	18,411,773	12,505,987	26,029,125
Public Safety	6,110,676	7,536,431	10,781,506	10,697,057	12,774,097	14,129,475
Community Development	3,131,617	3,644,373	5,074,939	5,418,378	4,415,273	6,092,241
Engineering	1,687,754	1,767,688	2,656,493	2,166,280	2,476,437	2,532,147
Public Works	1,398,012	1,305,993	1,821,818	2,208,201	2,292,826	2,486,963
Parks and Recreation	773,284	839,368	1,658,400	1,838,817	7,634,708	7,924,624
Community Services	581,152	314,293	226,732	237,458	2,073,780	3,414,448
Other	2,916,275	1,158,986	512,952	1,008,158	2,918,908	-
Capital Outlay	25,341,961	31,860,143	29,822,905	17,688,834	9,166,838	11,367,755
Debt Service:						
Principal	294,847	808,325	1,933,865	1,655,889	1,817,780	832,754
Interest and Fiscal Charges	2,776,146	1,810,808	1,715,358	1,684,978	1,671,308	1,647,122
Total Expenditures	49,095,229	65,873,117	72,611,981	63,015,823	59,747,942	76,456,654
REVENUES OVER (UNDER) EXPENDITURES	(10,769,237)	(9,568,867)	(9,215,357)	5,701,977	41,073,573	(1,569,074)
OTHER FINANCING SOURCES (USES)						
Loan and Bond Proceeds	38,079,976	-	4,245,101	-	-	-
Refunding Bonds Issued	(8,560,000)	-	-	-	-	-
Capital Contributions	2,856,369	4,657,010	-	-	-	-
Transfers In	54,392,877	56,598,410	31,537,600	22,122,072	30,346,807	27,208,242
Transfers Out	(57,213,652)	(53,077,450)	(28,604,973)	(24,161,540)	(23,996,434)	(25,128,377)
Total Other Financing Sources (Uses)	29,555,570	8,177,970	7,177,728	(2,039,468)	6,350,373	2,079,865
Net Change in Fund Balances	\$ 18,786,333	\$ (1,390,897)	\$ (2,037,629)	\$ 3,662,509	\$ 47,423,946	\$ 510,791
Debt Service as a Percentage of Noncapital Expenditures	12.93%	7.70%	8.53%	7.37%	6.90%	3.81%

City of Brentwood

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN TAX YEARS
(Unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2007	\$ 6,113,626,591	\$ 470,049,609	\$ 59,128,465	\$ 626,092,781	\$ 96,882,748	7,172,014,698	1.0038%
2006	4,154,730,562	349,720,006	36,479,015	1,151,608,684	93,209,265	5,599,329,002	1.0040%
2005	3,515,069,389	287,458,470	40,651,651	736,390,251	82,710,234	4,496,859,527	1.0051%
2004	3,042,749,265	186,451,612	36,523,807	386,365,328	80,350,496	3,571,739,516	1.0063%
2003	2,287,079,944	165,902,523	44,072,038	412,113,848	62,211,396	2,846,956,957	1.0095%
2002	1,721,900,377	132,608,274	41,585,860	349,876,930	51,909,880	2,194,061,561	1.0000%
2001	1,361,028,726	117,609,349	35,002,177	226,329,345	46,002,573	1,693,967,024	1.0000%
2000	1,072,608,391	113,576,481	31,239,976	191,936,390	41,315,799	1,368,045,439	1.0000%
1999	868,717,126	85,488,688	27,426,398	141,915,028	38,914,584	1,084,632,656	1.0000%
1998	742,148,730	72,720,708	17,628,784	138,861,060	36,790,332	934,568,950	1.0000%

Source: Contra Costa County Auditor / Controller

Note: General property taxes are calculated at 1% of total assessed value less local exemptions.

City of Brentwood

DIRECT AND OVERLAPPING PROPERTY TAXES

LAST TEN TAX YEARS

(Rate Per \$1,000 of Assessed Value)

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates ⁽¹⁾		
	Basic Rate	General Obligation Debt Service	Total Direct Tax Rate	Liberty Union High School District	Brentwood Union School District	Other Districts
2007	1.00%	0.0038%	1.0038%	0.0331%	0.0444%	0.0178%
2006	1.00%	0.0040%	1.0040%	0.0379%	0.0519%	0.0202%
2005	1.00%	0.0051%	1.0051%	0.0489%	0.0517%	0.0156%
2004	1.00%	0.0063%	1.0063%	0.0405%	0.0405%	0.0563%
2003	1.00%	0.0095%	1.0095%	0.0510%	0.0465%	0.0642%
2002	1.00%	0.0000%	1.0000%	0.0478%	0.0577%	0.0150%
2001	1.00%	0.0000%	1.0000%	0.0575%	0.0522%	0.0151%
2000	1.00%	0.0000%	1.0000%	0.0621%	0.0415%	0.0180%
1999	1.00%	0.0000%	1.0000%	0.0656%	0.0478%	0.0358%
1998	1.00%	0.0000%	1.0000%	0.0726%	0.0500%	0.0404%

Source: Contra Costa County Auditor / Controller

Note: General property taxes are calculated at 1% of total assessed value less local exemptions.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Brentwood.

Not all overlapping rates apply to all Brentwood property owners.

City of Brentwood

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

(Unaudited)

Taxpayer	Fiscal Year 2007			Fiscal Year 1998		
	Taxable Assessed Value	Rank	Percent of District's Total Taxable Value(1)	Taxable Assessed Value	Rank	Percent of District's Total Taxable Value (1)
Sand Creek Crossing LLC	\$ 56,707,614	1	0.79%	\$ -		0.00%
David E. & Janet S. Meyers	55,071,943	2	0.77%	-		0.00%
DS Lone Tree Plaza LLC	54,079,519	3	0.75%	-		0.00%
Western Pacific Housing Inc.	48,826,895	4	0.68%	-		0.00%
John Muir/Mt. Diablo Health	45,075,875	5	0.63%	-		0.00%
Brentwood Union School District	36,584,208	6	0.51%	16,351,181	1	1.75%
Richmond American Homes of California	36,088,113	7	0.50%	-		0.00%
Prestige Homes Limited Partnership	28,110,490	8	0.39%	-		0.00%
Brentwood Arbor Ridge Limited Partnership	27,068,080	9	0.38%	-		0.00%
City of Brentwood	25,110,894	10	0.35%	6,048,394	9	0.65%
Liberty Union High School District	-		0.00%	11,575,153	2	1.24%
HPH Properties	-		0.00%	11,558,936	3	1.24%
Blackhawk-Nunn Active Partners	-		0.00%	9,709,190	4	1.04%
Signature Properties Inc.	-		0.00%	8,483,051	5	0.91%
A. G. Spanos Construction Inc.	-		0.00%	7,911,061	6	0.85%
Blackhawk-Nunn Active Adult	-		0.00%	7,062,634	7	0.76%
Safeway Stores Inc.	-		0.00%	6,952,991	8	0.74%
First American Title Guaranty	-		0.00%	5,655,380	10	0.61%
Total	\$ 412,723,631		5.75%	\$ 91,307,971		9.77%

Source: HdL Coren & Cone, Contra Costa County Assessor

City of Brentwood

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN TAX YEARS
(Unaudited)

Fiscal Year Ended June 30,	Taxes Levied For The Fiscal Year ⁽¹⁾	Collected Within the Fiscal Year of the Levy ⁽²⁾	
		Amount	Percentage of Levy
2007	\$ 19,676,078	\$ 19,676,078	100.00%
2006	14,887,469	14,887,469	100.00%
2005	9,932,342	9,932,342	100.00%
2004	7,990,595	7,990,595	100.00%
2003	6,933,900	6,933,900	100.00%
2002	5,423,132	5,423,132	100.00%
2001	4,576,990	4,576,990	100.00%
2000	3,687,940	3,687,940	100.00%
1999	3,174,930	3,174,930	100.00%
1998	2,715,841	2,715,841	100.00%

Source: Contra Costa County Auditor / Controller

(1) General property taxes are calculated at 1% of total assessed value less local exemptions. The City's portion is determined by the individual tax rate areas in the City.

(2) Tax assessments collected are the same as the amount levied, because Contra Costa County follows California's alternate method of apportionment (the Teeter Plan). Under the Teeter Plan, all amounts levied are apportioned to agencies regardless of whether they are collected in the current year or not. A tax loss reserve fund insures losses resulting when a property is sold for taxes and the proceeds are insufficient to pay the outstanding amounts due.

City of Brentwood

TAXABLE SALES BY CATEGORY**LAST TEN CALENDAR YEARS**

(In Thousands of Dollars)

(Unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Apparel Stores	\$ 495	\$ 657	\$ 898	\$ 1,015	\$ 948	\$ 4,230	\$ 13,172	\$ 21,115	\$ 30,128	\$ 32,262
General Merchandise	175	134	112	87	107	113	136	244	291	813
Food Stores	12,837	13,359	15,172	18,697	21,802	23,865	27,619	33,473	36,478	39,343
Eating & Drinking Establishments	12,891	13,637	16,175	18,299	20,509	22,477	25,885	28,886	38,833	43,699
Building Materials	8,513	10,741	15,579	18,331	21,534	19,074	19,551	57,734	72,906	64,748
Auto Dealers and Supplies	34,650	45,411	49,063	56,419	55,192	51,598	47,515	48,336	57,100	62,057
Service Stations	16,571	20,017	25,496	28,653	31,014	33,404	40,404	51,247	62,651	73,918
Other Retail Stores	12,104	13,389	13,971	18,585	20,288	25,706	33,497	54,180	63,209	62,282
All Other Outlets	30,633	34,315	36,932	43,665	52,801	56,592	59,146	76,961	87,743	91,957
Total	\$ 128,869	\$ 151,660	\$ 173,398	\$ 203,751	\$ 224,195	\$ 237,059	\$ 266,925	\$ 372,176	\$ 449,339	\$ 471,079
City Direct Sales Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: State of California Board of Equalization and the HdL Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

City of Brentwood

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	City Direct Rate	Contra Costa County	State	Total
2007	1.00%	1.25%	6.00%	8.25%
2006	1.00%	1.25%	6.00%	8.25%
2005	1.00%	1.25%	6.00%	8.25%
2004	1.00%	1.25%	6.00%	8.25%
2003	1.00%	1.25%	6.00%	8.25%
2002	1.00%	1.25%	6.00%	8.25%
2001	1.00%	1.25%	5.75%	8.00%
2000	1.00%	1.25%	5.75%	8.00%
1999	1.00%	1.25%	5.75%	8.00%
1998	1.00%	1.25%	5.75%	8.00%

Source: State Board of Equalization

Note: The City's sales tax rate may be changed only with approval of the State Legislature.

City of Brentwood

**TOP 25 SALES TAX PRODUCERS
CURRENT YEAR AND NINE YEARS AGO**

(Unaudited)

2007		1998	
Tax Remitter ⁽¹⁾	Business Category	Tax Remitter ⁽¹⁾	Business Category
Ace Hardware	Hardware Stores	1st Stop Automart	Service Stations
Arco AM PM Mini Mart	Service Stations	Ace Hardware	Hardware Stores
Big B Lumber	Lumber/Building Materials	Albertsons	Grocery Stores - Liquor
Bill Brandt Ford	New Motor Vehicle Dealers	Auto Brokers Unlimited	Used Automotive Dealers
Brentwood Dodge Chrysler Jeep	New Motor Vehicle Dealers	Big B Lumber	Lumber/Building Materials
Chevron	Service Stations	Big O Tires	Automotive Supply Stores
Dallas Shanks Services	Service Stations	Bill Brandt Ford	New Motor Vehicle Dealers
Devi Oil	Service Stations	Brentwood Auto Center	Used Automotive Dealers
Golden Gate Petroleum	Petroleum Prod/Equipment	Brentwood Auto Parts	Automotive Supply Stores
Home Depot	Lumber/Building Materials	Brentwood Dodge Chrysler Plymouth	New Motor Vehicle Dealers
Home Goods	Home Furnishings	Brooks Ranch Restaurant	Restaurants - No Alcohol
Hurtados Auto Sales	Used Automotive Dealers	Burger King	Restaurants - No Alcohol
Kohls	Family Apparel	Centro Mart	Grocery Stores - Liquor
Les Schwab Tire Center	Automotive Supply Stores	Dallas Shanks Services	Service Stations
Longs	Drug Stores	Gas & Liquor Is Cheaper	Service Stations
Michaels	Florist Shops	Golden Gate Petroleum	Petroleum Prod/Equipment
Precision Cabinets	Contractors	McDonalds	Restaurants - No Alcohol
Quik Stop Markets	Service Stations	Quick Stop Markets	Service Stations
Raleys	Grocery Stores - Liquor	Rite Aid	Drug Stores
Ross	Family Apparel	Safeway	Grocery Stores - Liquor
Safeway	Grocery Stores - Liquor	Savers Fuel Mart	Service Stations
Savers Fuel Mart	Service Stations	T & C Roofing	Contractors
TJ Maxx	Family Apparel	Taco Bell	Restaurants - No Alcohol
Tower Mart	Service Stations	Ultramart	Service Stations
Winco Foods	Grocery Stores - Liquor	Wright Medical Services	Specialty Stores
Percent of Fiscal Year Total Paid by Top 25 Accounts = 59.70%		Percent of Fiscal Year Total Paid by Top 25 Accounts = 73.61%	

Source: HdL Coren & Cone

(1) Firms listed alphabetically because taxable sales figures for individual businesses are confidential and cannot legally be disclosed.

City of Brentwood

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Unaudited)

Governmental Activities

Fiscal Year	General	2001 CIP	Governmental Activities			Notes	Capital	Capital
	Obligation	Revenue	Roadway	COP	TAB	Payable	Leases	Leases
	Bonds ⁽¹⁾	Bonds	Bonds	Bonds	Bonds		(Internal Service)	(Governmental)
2007	\$ 6,436,238	\$ 29,065,000	\$ -	\$ -	\$ -	\$ 1,738,860	\$ -	\$ -
2006	6,384,302	29,740,000	-	-	-	1,867,208	-	17,754
2005	6,411,571	30,390,000	-	-	-	2,355,868	35,500	140,061
2004	6,255,771	31,025,000	-	-	-	-	69,108	206,930
2003	6,198,082	31,635,000	-	305,000	-	-	100,703	271,775
2002	5,999,976	32,080,000	-	595,000	-	-	178,104	-
2001	-	-	5,320,000	865,000	3,240,000	-	251,447	-
2000	-	-	5,420,000	1,120,000	3,525,000	-	186,757	-
1999	-	-	5,515,000	1,360,000	3,790,000	-	224,166	-
1998	-	-	5,605,000	1,590,000	4,040,000	-	-	-

Business-Type Activities

Fiscal Year	Water	1994 Water	Wastewater	Capital	State Water	Notes	Total	Percentage of	Per
	Revenue	Revenue	Revenue	Leases	Resources Loan	Payable	Primary	Personal Income ⁽²⁾	Capita ⁽²⁾
	Bonds	Bonds	Bonds		(Wastewater)		Government		
2007	\$ 7,911,248	\$ -	\$ 2,033,752	\$ -	\$ 31,458,362	\$ 9,082,956	\$ 87,726,416	5.83%	\$ 1,794
2006	8,145,920	-	2,094,080	190,955	32,931,790	9,799,478	91,171,487	6.43%	1,983
2005	8,372,637	-	2,152,363	423,675	34,574,866	10,711,564	95,568,105	7.28%	2,273
2004	8,587,423	-	2,207,578	642,764	36,188,841	16,611,959	101,795,374	5.58%	2,733
2003	8,794,253	965,000	2,260,748	848,688	37,713,566	12,506,962	101,599,777	6.78%	3,077
2002	8,989,150	1,030,000	2,310,850	1,042,984	33,439,743	13,337,845	99,003,652	7.98%	3,344
2001	9,176,093	1,090,000	2,358,908	1,280,543	12,428,954	14,163,928	50,174,873	4.73%	1,981
2000	9,359,058	1,150,000	2,405,943	1,554,735	-	14,985,484	39,706,977	4.31%	1,720
1999	9,534,068	1,205,000	2,450,933	1,899,780	-	369,555	26,348,502	3.43%	1,302
1998	9,701,123	1,255,000	2,493,878	1,867,221	-	467,223	27,019,445	4.37%	1,579

Note: Details regarding the City's outstanding debt can be found in Note #6, found on pages 55 - 62 of this report.

(1) The City issued \$6 million of debt for the Police Station project on February 22, 2002.

(2) See Schedule 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

City of Brentwood

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
2007	\$ 6,436,238	\$ 6,436,238	0.09%	\$ 132
2006	6,384,302	6,384,302	0.11%	139
2005	6,411,571	6,411,571	0.14%	152
2004	6,255,771	6,255,771	0.18%	168
2003	6,198,082	6,198,082	0.22%	188
2002	5,999,976	5,999,976	0.27%	203
2001	-	-	0.00%	-
2000	-	-	0.00%	-
1999	-	-	0.00%	-
1998	-	-	0.00%	-

Note: Details regarding the City's outstanding debt can be found in Note #6, found on pages 55 - 62 of this report.

Source: City of Brentwood Finance Department

City of Brentwood

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2007

(Unaudited)

	Total Debt 6/30/07	Percentage Applicable	City's Share of Debt 6/30/07
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Bay Area Rapid Transit	\$ 87,185,000	1.660%	\$ 1,447,271
Contra Costa Community College District	112,900,000	5.151%	5,815,479
Liberty Union High School District	63,342,658	51.404%	32,560,660
Brentwood Union School District	62,300,472	92.410%	57,571,866
Oakley Union School District	25,210,000	0.002%	504
City of Brentwood	6,436,238 ⁽¹⁾	100.000%	6,436,238
City of Brentwood 1915 Act Bonds	182,429,000	100.000%	182,429,000
California Statewide Communities Development Authority Assessment District No. 04-1& 05-1	2,417,598	100.000%	2,417,598
East Bay Regional Park District	166,295,000	2.413%	4,012,698
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 708,515,966		\$ 292,691,315
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Contra Costa County General Fund Obligations	\$ 381,735,000	5.139%	\$ 19,617,362
Contra Costa County Pension Obligations	515,710,000	5.139%	26,502,337
Contra Costa County Board of Education Certificates of Participation	900,000	5.139%	46,251
Contra Costa Community College District Certificates of Participation	1,165,000	5.139%	59,869
Liberty Union High School District Certificates of Participation	2,305,000	51.404%	1,184,862
Brentwood Union School District Certificates of Participation	4,085,000	92.410%	3,774,949
City of Brentwood General Fund Obligations	9,565,000	100.000%	9,565,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	915,465,000		60,750,630
COMBINED TOTAL DEBT	\$ 1,623,980,966 ⁽²⁾		\$ 353,441,944

Source: California Municipal Statistics, Inc.

(1) Includes \$906,261 accreted value.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue, tax allocation bonds and non-bonded capital lease obligations.

City of Brentwood

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 35,046,336	\$ 40,673,725	\$ 51,301,704	\$ 63,523,763	\$ 82,277,309	\$ 106,760,886	\$ 133,940,232	\$ 168,632,232	\$ 209,974,838	\$ 268,950,551
Total Net Debt Applicable to Limit	-	-	-	-	5,999,976	6,198,082	6,255,771	6,411,571	6,384,302	6,436,238
Legal Debt Margin	<u>\$ 35,046,336</u>	<u>\$ 40,673,725</u>	<u>\$ 51,301,704</u>	<u>\$ 63,523,763</u>	<u>\$ 76,277,333</u>	<u>\$ 100,562,804</u>	<u>\$ 127,684,461</u>	<u>\$ 162,220,661</u>	<u>\$ 203,590,536</u>	<u>\$ 262,514,313</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	7.29%	5.81%	4.67%	3.80%	3.04%	2.39%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value ¹	\$ 7,172,014,698
Debt Limit (3.75% of Assessed Value) ²	268,950,551
Debt Applicable to Limit:	
General Obligation Bonds	6,436,238
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	<u>6,436,238</u>
Legal Debt Margin	<u>\$ 262,514,313</u>

Source: Contra Costa County Assessor

(1) Contra Costa County Auditor / Controller

(2) State of California Government Code 25 and 43605

City of Brentwood

PLEGGED REVENUE COVERAGE**LAST TEN FISCAL YEARS**

(Unaudited)

Water & Wastewater Revenue Bonds

Fiscal Year	Revenue		Less: Operating Expenses		Net Available Revenue	Debt Service		Coverage			
						Principal	Interest				
2007	\$	30,190,839	\$	13,574,249	\$	16,616,590	\$	295,000	\$	564,656	19.33%
2006		28,309,406		13,059,845		15,249,561		285,000		578,621	17.66%
2005		23,995,940		11,126,313		12,869,627		270,000		591,446	14.94%
2004		25,463,724		9,563,623		15,900,101		1,225,000		643,808	8.51%
2003		26,729,502		8,601,235		18,128,267		310,000		687,981	18.16%
2002		18,055,924		8,059,593		9,996,331		295,000		703,786	10.01%
2001		16,481,774		7,928,562		8,553,212		290,000		715,306	8.51%
2000		11,359,259		5,775,804		5,583,455		275,000		727,681	5.57%
1999		8,024,591		3,449,889		4,574,702		260,000		738,236	4.58%
1998		6,315,493		2,736,368		3,579,125		50,000		741,100	4.52%

Source: City of Brentwood Finance Department

Note: Details regarding the City's outstanding debt can be found in Note #6, found on pages 55 - 62 of this report. Operating expenses do not include interest, depreciation or amortization expenses.

City of Brentwood

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(Unaudited)

Calendar Year	Population (1)	Personal Income (In Thousands)	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
2007	48,907	\$ 1,503,988	\$ 30,752	32.8	14,982	4.0%
2006	45,974	1,418,574	30,856	32.7	14,003	3.8%
2005*	42,050	1,312,801	31,220	31.1	11,949	4.3%
2004	37,246	1,825,166	49,003	37.4	10,645	4.8%
2003	33,021	1,498,262	45,373	37.0	10,510	5.6%
2002	29,608	1,240,250	41,889	36.8	8,984	5.0%
2001	25,325	1,060,839	41,889	36.4	4,390	3.4%
2000	23,090	921,152	39,894	36.8	3,886	3.2%
1999	20,235	768,809	37,994	36.4	3,549	3.0%
1998	17,108	618,933	36,178	36.0	3,211	3.6%

* Prior to 2005, County figures were used for the Per Capita Income and Median Age categories. Beginning with 2005, the figures reflect City of Brentwood data.

Sources:

- (1) California Department of Finance, data is as of January 1 of each year
- (2) Department of Finance Economic Research Unit; 2005 - Claritas, Inc.
- (3) US Census Bureau; 2005 - Claritas, Inc.
- (4) Brentwood Union School District (1994 - 2001); Liberty Union High School and Brentwood Union School Districts (2002) to present
- (5) Employment Development Department

City of Brentwood

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Employer	2007			1998		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Brentwood Union School District	600-1,000	1	11.59%	300-400	1	7.61%
Liberty Union High School District	400-500	2	6.52%	300-400	2	7.61%
City of Brentwood	300-400	3	5.07%	100-200	5	3.26%
Precision Cabinets	200-300	4	3.62%	-		
The Home Depot	100-200	5	2.17%	-		
Winco Foods, Inc.	100-200	6	2.17%	-		
Town & Country Roofing	100-200	7	2.17%	-		
Raleys Super Markets	100-200	8	2.17%	-		
Safeway Stores, Inc.	100-200	9	2.17%	100-200	3	3.26%
Kohls	100-200	10	2.17%	-		
Ellison Construction	-			100-200	4	3.26%
HPH Homebuilders 2000, L.P.	-			100-200	6	3.26%
Town & Country Roofing	-			50-100	7	1.63%
Dainty Center	-			50-100	8	1.63%
Lucky Stores, Inc.	-			25-50	9	0.71%
Brentwood Dodge Chrysler Plymouth	-			25-50	10	0.71%
Total	2,100-3,400		39.82%	1,150-1,900		32.94%

Source: City of Brentwood Economic Development Division

City of Brentwood

**AUTHORIZED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

(Unaudited)

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	13	18	21	22	23	27	29	33	35	38
Public Safety	38	41	39	47	48	66	71	78	77	77
Community Development	13	18	18	24	25	30	34	37	38	38
Engineering	17	21	25	30	33	34	37	35	32	32
Public Works	7	7	7	10	12	14	15	19	19	19
Parks and Recreation	2	3	13	20	24	26	26	32	32	34
Wastewater	6	7	8	9	10	14	14	15	16	16
Solid Waste	8	9	12	13	12	14	18	20	20	22
Water	8	11	13	14	15	17	17	21	21	22
City Rentals	-	-	-	-	1	2	2	2	2	2
Housing	-	-	-	-	-	-	-	3	3	3
	112	135	156	189	203	244	263	295	295	303

Source: City of Brentwood Finance Department

City of Brentwood

OPERATING INDICATORS BY FUNCTION / PROGRAM

LAST SIX FISCAL YEARS

(Unaudited)

Function / Program	2002	2003	2004	2005	2006	2007
General Government						
Building Permits Issued	1,157	1,400	1,421	1,452	978	404
Accounts Payable Invoices Processed	14,872	15,224	15,855	15,357	15,686	15,255
Purchase Orders Issued	476	413	487	581	526	509
Public Works						
Street Miles Swept	N/A	6,313	18,481	22,488	21,715	20,869
Debris Collected (tons)	N/A	608	1,987	2,265	2,215	2,215
Streetlights Maintenance Requests	N/A	235	656	576	438	570
Police						
Physical Arrests (est.)	1,100	1,086	1,202	1,339	1,314	1,500
Calls for Service (est.)	16,386	19,197	21,190	22,491	23,553	26,000
Case Files Taken (est.)	4,480	5,032	5,367	5,449	5,571	6,000
Parks and Recreation						
Total Programs Offered (est.)	699	972	1,214	1,464	1,975	2,123
Total Participants and Spectators at Events	N/A	334,177	539,276	640,137	980,300	1,071,658
Refuse Collection						
Refuse Collected (tons per day)	40	45	52	64	71	82
Yard Waste (tons per day)	10	12	14	17	18	23
Recyclables Collected (tons per day)	11	13	15	18	19	21
Residential Services	9,310	10,807	12,303	13,540	14,489	15,183
Commercial Services	425	525	624	541	546	475
Water						
New Connections	1,421	1,531	1,800	961	900	536
Average Daily Consumption (millions of gallons)	5	5	5	8	9	11
Peak Daily Consumption (millions of gallons)	10	10	14	15	15	17
Wastewater						
New Connections	1,400	1,500	1,916	886	830	1,049
Average Daily Sewage Treatment (millions of gallons)	2	3	3	3	3	4

Source: Various City Departments

City of Brentwood

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST SIX FISCAL YEARS
(Unaudited)

Function / Program	2002	2003	2004	2005	2006	2007
Police						
Stations	1	1	1	1	1	1
Patrol Vehicles	27	29	33	36	40	52
Parks and Recreation						
Neighborhood Park Acreage	76	95	148	171	194	228
Play Areas	20	22	25	32	40	40
Multi-Use Trails (miles)	N/A	N/A	13	15	15	15
Multi-Use Ball and Soccer Fields	14	14	17	20	23	23
Picnic Areas ⁽¹⁾	23	23	23	25	214	253
Refuse Collection						
Collection Trucks	8	9	12	12	13	14
Water						
Water Mains (miles)	100	120	149	164	173	173
Fire Hydrants	1,323	1,323	1,397	1,521	1,628	1,628
Number of Wells	7	8	8	9	10	10
Number of Reservoirs	4	4	4	5	5	6
Storage Capacity (millions of gallons)	11	11	11	15	15	19
Wastewater						
Sanitary Sewers (miles)	67	67	92	101	138	150
Lift Stations	4	4	3	3	3	2
Other Public Works						
Streets (miles)	119	119	145	161	168	168
Street Lights	2,858	2,858	3,614	3,873	3,882	4,255

Source: Various City Departments

(1) Beginning with FY 2006, the number shown is for picnic tables, not picnic areas.

City of Brentwood

General Information

(Unaudited)

Date of Incorporation:	January 19, 1948
Forms of Government:	General Law Council-Manager
Fiscal Year Begins:	July 1
Area of City:	14.83 Sq Miles
Population as of January 2007:	48,907

<u>Miles of Streets</u>	
Miles of Streets	168.00
Miles of Sanitary Sewers	150.00
Miles of Water Mains	173.00
Number of Street Lights	4,255

<u>Parks and Recreation</u>	
Neighborhood Parks	228 acres
Aquatic Complex	7.5 Acres
Skate Park	.50 acres
Play Areas	40
Sunset Park Athletic Complex	38 acres

<u>Number of Full-time Equivalent Positions</u>	<u>Year End</u>
303.75	2007
294.75	2006
294.75	2005
263.45	2004
244.14	2003
202.80	2002
189.45	2001
155.50	2000
134.50	1999
106.85	1998

<u>Municipal Wastewater System</u>	
Number of lift stations	2
Sanitary	3
Storm	1
Number of connections	14,879
Average daily flow	3.5 MGD

<u>Parks Facilities</u>	
Multi-Use Trails	14.5 miles
Multi-Use Ball and Soccer Fields	23
Tennis Courts	2
Basketball Courts	12
Bocce ball Courts	2
Volleyball Courts	3
Horseshoe Courts	2
Gazebos	3
Picnic Areas	253
BBQ Areas	17
Restrooms (Permanent)	7

<u>Municipal Water System</u>	
Number of wells	10
Number of reservoirs	6
Storage capacity (gallons)	18.7 MG
Average daily consumption	11 MGD
Peak daily consumption	17 MGD
Number of fire hydrants	1,628
Number of connections	15,784

<u>Police Protection</u>	
Sworn Officers	62
Non-Sworn	16
Reserves	1
Vehicles	52
Motorcycles	7

<u>Public Schools</u>	
Elementary	7
Intermediate	3
High School	2
Alternative High Schools	2

<u>Municipal Solid Waste</u>	
Number of Residential Services	15,183
Number of Commercial Services	475

<u>East Diablo Fire District</u>	
Stations located in Brentwood	2
Firefighters in Brentwood	18

Source: Various City Departments



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APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

_____, 2008

Brentwood Infrastructure Financing Authority
Brentwood, California

Brentwood Infrastructure Financing Authority
Water Revenue Bonds, Series 2008
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Brentwood Infrastructure Financing Authority (the “Authority”) in connection with its issuance of \$53,200,000 aggregate principal amount of Brentwood Infrastructure Financing Authority Water Revenue Bonds, Series 2008 (the “Bonds”), issued pursuant to a Master Trust Agreement, as supplemented by the First Supplemental Trust Agreement (together, the “Trust Agreement”), each dated as of November 1, 2008, between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement or in the Installment Sale Agreement (as defined below).

In such connection, we have reviewed the Master Installment Sale Agreement, as supplemented by the First Supplemental Installment Sale Agreement (together, the “Installment Sale Agreement”), each dated as of November 1, 2008, between the City of Brentwood, California (the “City”), as purchaser and the Authority, as seller; the Trust Agreement; the Tax Certificate, dated the date hereof (the “Tax Certificate”); opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events, or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Installment Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or

events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Installment Sale Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Trust Agreement or the Installment Sale Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the interest and premium, if any, on and principal of the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.
3. The Installment Sale Agreement has been duly executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City.
4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power.
5. The obligation of the City to make first, the Parity Payments and second, the Subordinate Payments is a special obligation of the City payable solely from the Net Water Revenues as provided in the Installment Sale Agreement, and such obligations do not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.
6. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express

no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX G

DTC AND THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2008 Bonds, payment of principal, interest and other payments on the 2008 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2008 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the issuer of the 2008 Bonds (the “Issuer”) nor the trustee or fiscal agent appointed with respect to the 2008 Bonds (the “Trustee”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2008 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2008 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2008 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC and its Participants. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2008 Bonds. The 2008 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the 2008 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, “NSCC”, “GSCC”, “MBSCC”, and “EMCC”, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly

("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Book-Entry Only System. Purchases of the 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2008 Bonds, except in the event that use of the book-entry system for the 2008 Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2008 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2008 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the 2008 Bonds may wish to ascertain that the nominee holding the 2008 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2008 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective

holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuer or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the 2008 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2008 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2008 Bond certificates will be printed and delivered.

Discontinuance of DTC Services. In the event that (a) DTC determines not to continue to act as securities depository for the 2008 Bonds, or (b) the Issuer determines that DTC will no longer so act and delivers a written certificate to the Trustee to that effect, then the Issuer will discontinue the Book-Entry Only System with DTC for the 2008 Bonds. If the Issuer determines to replace DTC with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single separate, fully registered 2008 Bond for each maturity of the 2008 Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the indenture or fiscal agent agreement executed in connection with the 2008 Bonds. If the Issuer fails to identify another qualified securities depository to replace the incumbent securities depository for the 2008 Bonds, then the 2008 Bonds will no longer be restricted to being registered in the 2008 Bond registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the 2008 Bonds designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the 2008 Bonds will be made available in physical form, (ii) principal of, and redemption premiums, if any, on, the 2008 Bonds will be payable upon surrender thereof at the corporate trust office of the Trustee, (iii) interest on the 2008 Bonds will be payable by check mailed by first-class mail or, upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of 2008 Bonds received by the Trustee on or prior to the 15th day of the calendar month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the 2008 Bonds will be transferable and exchangeable as provided in the indenture or fiscal agent agreement executed in connection with the 2008 Bonds.

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272