NEW ISSUE-FULL BOOK-ENTRY #2014-1945 **RATING: S&P: "AA"**
(See "RATING" herein)

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 2014 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 2014 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 expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2014 Bonds. See "TAX MATTERS."

$42,810,000
BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS
SERIES 2014

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

The captioned bonds (the "2014 Bonds") are being issued by the Brentwood Infrastructure Financing Authority (the "Authority") to (i) refund a portion of the Authority's Water Revenue Bonds, Series 2008 (the "2008 Bonds"), and (ii) pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2014 Bonds.

The 2014 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 2014 Bonds will not receive physical certificates representing their interest in the 2014 Bonds. So long as the 2014 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 2014 Bonds. Interest on the 2014 Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2015. Payments of the principal of, premium, if any, and interest on the 2014 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 2014 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 2014 Bonds are payable from, and secured by a lien on, certain payments received by the Authority from the City of Brentwood (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). A portion of the 2008 Bonds will remain outstanding under the Trust Agreement after the issuance of the 2014 Bonds and will be payable from, and secured by, the Revenues on a parity with the 2014 Bonds as provided in the Trust Agreement. The Authority may issue additional Bonds payable from, and secured by, the Revenues on a parity with the 2014 Bonds as provided in the Trust Agreement. See "SECURITY FOR THE 2014 BONDS - Trust Agreement." 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. A portion of the City's payments under the Installment Sale Agreement associated with the 2008 Bonds will remain outstanding after the issuance of the 2014 Bonds and will be payable from, and secured by, the Net Water Revenues on a parity with the 2014 Payments (as defined herein) as provided in the Installment Sale Agreement. The City may incur additional obligations payable from, and secured by, the Net Water Revenues on a parity with the 2014 Payments and may incur additional obligations payable from, and secured by, the Net Water Revenues on a basis subordinate to that of the 2014 Payments as provided in the Installment Sale Agreement. See "SECURITY FOR THE 2014 BONDS – Installment Sale Agreement and Pledge of Net Water Revenues."

The 2014 Bonds are subject to redemption prior to maturity as more fully described herein.

The 2014 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 nor the City is pledged for the payment of the principal of or interest or premium, if any, on the 2014 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 2014 Bonds. The payment of the principal of or interest or premium, if any, on the 2014 Bonds does not constitute a debt, liability or obligation of the Authority or the City 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 2014 Bonds, see "RISK FACTORS" herein.

This cover page contains information for general reference only. It is not intended to be a summary of all factors relating to an investment in the 2014 Bonds. Investors should read the entire Official Statement before making any investment decision.

The 2014 Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, 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, and for the Underwriter by Jones Hall, A Professional Law Corporation. It is anticipated that the 2014 Bonds will be available for delivery to DTC on or about December 18, 2014.

RBC Capital Markets®

Dated December 4, 2014

MATURITY SCHEDULE

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP†	Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2018	$1,550,000	4.000%	0.710%	10727WBG4	2027	$ 1,715,000	5.000%	2.630% [c]	10727WBR0
2019	1,610,000	5.000	0.980	10727WBH2	2028	1,800,000	3.000	3.170	10727WBS8
2020	1,690,000	5.000	1.270	10727WBJ8	2029	1,855,000	4.000	3.180 [c]	10727WBT6
2021	1,775,000	5.000	1.550	10727WBK5	2030	1,930,000	4.000	3.230 [c]	10727WBU3
2022	1,860,000	5.000	1.810	10727WBL3	2031	2,005,000	4.000	3.280 [c]	10727WBV1
2023	1,950,000	5.000	2.010	10727WBM1	2032	2,085,000	4.000	3.330 [c]	10727WBW9
2024	2,050,000	5.000	2.170	10727WBN9	2033	2,165,000	4.000	3.380 [c]	10727WBX7
2025	2,160,000	5.000	2.360 [c]	10727WBP4	2034	2,250,000	4.000	3.430 [c]	10727WBZ2
2026	2,260,000	5.000	2.510 [c]	10727WBQ2					

$10,100,000 5.000% Term Bonds due July 1, 2038 – Yield 3.260% [c] CUSIP 10727WBY5 [†]

[c] Priced to call at par on July 1, 2024.

[†] CUSIP Copyright 2014, 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.

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 2014 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 2014 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

City Council and Authority Governing Bond

Robert Taylor, Mayor/Chairperson of the Authority
Joel R. Bryant, Vice-Mayor/Vice-Chairperson of the Authority
Steve Barr, Councilmember/Boardmember
Gene Clare, Councilmember/Boardmember
Erick Stonebarger, Councilmember/Boardmember

City Staff/Authority Officers

Steven Salomon, Interim City Manager
Damien Brower, City Attorney
Bailey Grewal, Director of Public Works/City Engineer
Casey McCann, Community Development Director
Pam Ehler, Treasurer, Director of Finance and Information Systems
Kerry Breen, CPA, Assistant Finance Director
Christine Andrews, CPA, Accountant I
Sonia Tonkel, Accountant I

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP

Trustee

U.S. Bank National Association
San Francisco, California

Municipal Advisor

Del Rio Advisors, LLC
Modesto, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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$42,810,000
BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS
SERIES 2014

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 Refunding Bonds, Series 2014 (the "2014 Bonds"), in the aggregate principal amount of $42,810,000. The Authority is a joint exercise of powers authority organized under the laws of the State of California established by the City of Brentwood, California (the "City") and the former Redevelopment Agency of the City of Brentwood. The Authority was formed in 1995 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 2014 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") 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 Second Supplemental Trust Agreement, dated as of December 1, 2014 (the "Second Supplemental Trust Agreement" and together with the Master Trust Agreement and any supplemental trust agreements, the "Trust Agreement") between the Authority and the Trustee. A portion of the 2008 Bonds (defined below) in the aggregate principal amount of $5,420,000 will remain Outstanding under the Trust Agreement after the issuance of the 2014 Bonds and will be payable from, and secured by, the Revenues (as defined in the Trust Agreement) on a parity with the 2014 Bonds. The Trust Agreement also permits the issuance of additional series of bonds payable from, and secured by, the Revenues on a parity with the 2014 Bonds. All such bonds, as well as the 2014 Bonds, are referred to herein as the "Bonds." The proceeds of the sale of the 2014 Bonds will be used to (i) refund a portion of the Authority's Water Revenue Bonds, Series 2008 (the "2008 Bonds") and (ii) pay costs of issuance incurred in connection with the issuance, sale and delivery of the 2014 Bonds. See "THE PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2014 Bonds are payable from, and secured by a lien on, (1) certain payments (collectively, the "2014 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") between the City and the Authority, as supplemented by a Second Supplemental Installment Sale Agreement, dated as of December 1, 2014 (the "Second Installment Sale Agreement"), together with the Master Installment Sale Agreement and any supplemental installment sale agreements, the "Installment Sale Agreement") between the City and the Authority, 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). A portion of the City's installment payments associated with the 2008 Bonds in the aggregate principal amount of $[5,420,000]* will remain outstanding under the Installment Sale Agreement after the issuance of the 2014 Bonds and will be payable on a parity with the 2014 Payments. The Master Installment Sale Agreement also contemplates the incurrence of additional payments under the Installment Sale Agreement payable on a parity with, or subordinate to, the 2014 Payments. All such payments, as well as the 2014 Payments, are referred to herein as the "Payments."

The obligation of the City to make 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 2014 BONDS."

THE 2014 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 NOR THE CITY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2014 BONDS AND NO TAX OR OTHER SOURCE OF FUNDS, OTHER THAN THE REVENUES, IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE 2014 BONDS. THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2014 BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR THE CITY 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 2014 BONDS

Description

The 2014 Bonds will be dated their date of issuance and will bear interest at the rates set forth on the inside cover page of this Official Statement, payable on July 1, 2015, and semiannually thereafter on January 1 and July 1 of each year. Subject to the redemption provisions set forth herein, the 2014 Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the 2014 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 Holder 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 a Holder of one million dollars ($1,000,000) or more in aggregate principal amount of 2014 Bonds received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such Holder), interest shall be paid by wire transfer in immediately available funds. Interest on the 2014 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 2014 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 2014 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 2014 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 2014 Bonds. In the event that the book-entry-only system is no longer used with respect to the 2014 Bonds, the 2014 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 2014 Bonds maturing on and after July 1, 2025 are subject to redemption prior to their respective stated maturities at the direction of the Authority, from any source of available funds, as a whole or in part (in such maturities as are designated by the Authority and by lot within a maturity) on any date on or after July 1, 2024, at a redemption price equal to the principal amount of the 2014 Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2014 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, 2035, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium, as set forth below (except that if any of such 2014 Bonds shall have been optionally redeemed, the amounts of the remaining mandatory sinking account payments for such 2014 Bonds shall be revised as directed in writing by the Authority).

Sinking Fund Redemption Date (July 1)	Principal Amount
2035	$2,345,000
2036	2,460,000
2037	2,585,000
2038*	2,710,000

* Final Maturity

Notice of Redemption. Notice of redemption of any 2014 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 2014 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. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any 2014 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.

Conditional Notice of Redemption. With respect to any notice of optional redemption of the 2014 Bonds, unless, upon the giving of such notice, such 2014 Bonds shall be deemed to have been paid within the meaning of the Trust Agreement, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such 2014 Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the

Authority shall not be required to redeem such 2014 Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

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 2014 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2014 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 2014 Bonds so called for redemption shall cease to accrue, said 2014 Bonds (or portions thereof) shall cease to be entitled to any benefit or security and the Holders of said 2014 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 2014 Bonds redeemed pursuant to the Trust Agreement shall be cancelled upon surrender thereof.

DEBT SERVICE SCHEDULE

The amounts required to be set aside each year ending July 1 for principal and interest relating to the 2014 Bonds is as follows:

Year Ending July 1	Principal	Interest	Total
2015	---	$ 1,054,048	$ 1,054,048
2016	---	1,966,100	1,996,100
2017	---	1,966,100	1,966,100
2018	$ 1,550,000	1,966,100	3,516,100
2019	1,610,000	1,904,100	3,514,100
2020	1,690,000	1,823,600	3,513,600
2021	1,775,000	1,739,100	3,514,100
2022	1,860,000	1,650,350	3,510,350
2023	1,950,000	1,557,350	3,507,350
2024	2,050,000	1,459,850	3,509,850
2025	2,160,000	1,357,350	3,517,350
2026	2,260,000	1,249,350	3,509,350
2027	1,715,000	1,136,350	2,851,350
2028	1,800,000	1,050,600	2,850,600
2029	1,855,000	996,600	2,851,600
2030	1,930,000	922,400	2,852,400
2031	2,005,000	845,200	2,850,200
2032	2,085,000	765,000	2,850,000
2033	2,165,000	681,600	2,846,600
2034	2,250,000	595,000	2,845,000
2035	2,345,000	505,000	2,850,000
2036	2,460,000	387,750	2,847,750
2037	2,585,000	264,750	2,849,750
2038	2,710,000	135,500	2,845,500
	$42,810,000	$27,979,148	$70,789,148

PLAN OF REFUNDING

The Authority intends to use a portion of the proceeds of the 2014 Bonds to refund and defease the outstanding 2008 Bonds maturing after July 1, 2018 in the aggregate principal amount of $43,335,000 (the "Refunded Bonds"). The Refunded Bonds are expected to be redeemed on July 1, 2018 (the "Redemption Date"). The 2008 Bonds were issued and delivered by the Authority in November 2008 and are outstanding in the aggregate principal amount of $48,755,000 prior to the refunding of the Refunded Bonds.

Upon delivery of the 2014 Bonds, a portion of the proceeds thereof, together with other available funds of the Authority, are to be deposited into an irrevocable 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 December 1, 2014 between the Authority and the Escrow Agent (the "Escrow Agreement"). 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 the Redemption Date. Upon delivery of the 2014 Bonds, the arithmetical accuracy of certain computations relating to the defeasance of the Refunded Bonds will be verified by Grant Thornton LLP. See "VERIFICATION" below. Amounts held by the Escrow Agent

pursuant to the Escrow Agreement will not be available for the payment of debt service on the 2014 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of funds related to the 2014 Bonds.

Sources of Funds	
Principal Amount of 2014 Bonds	$42,810,000.00
Plus Net Original Issue Premium	5,932,806.05
Amounts related to Refunded Bonds	3,005,349.21
Total Sources of Funds	$51,748,155.26
Uses of Funds	
Escrow Fund for Refunded Bonds	$51,124,594.67
Costs of Issuance[1]	623,560.59
Total Uses of Funds	$51,748,155.26

[1] Includes legal fees, printing costs, rating agency fees, underwriter's discount and other miscellaneous expenses.

SECURITY FOR THE 2014 BONDS

Trust Agreement

The 2014 Bonds and all other Bonds issued and Outstanding under the Trust Agreement (collectively, the "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 and certain interest, and other income derived from certain funds held under the Trust Agreement.

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 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 Bonds as provided therein, and the Revenues may 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 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 Bonds in accordance with the terms of the 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.

For so long as any 2008 Bonds remain Outstanding under the Trust Agreement, the following will apply to all Bonds issued and Outstanding under the Trust Agreement, including the 2014 Bonds:

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

(d) Fees and Expenses Fund.

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 authorized in the Trust Agreement.

Interest Account. On or before the last Business Day of each month, 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 issued 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). All Swap Revenues received shall be deposited in the Interest Account.

Principal Account; Sinking Accounts. On or before the last Business Day of each month, 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 twelve-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 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. ***No Reserve Fund is being established for the 2014 Bonds.***

Fees and Expenses Fund. 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 required by 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.

Amendment of Trust Agreement

At such time as none of the 2008 Bonds remain Outstanding, the Trust Agreement shall be amended without further act of the Authority, the Trustee or the Holders, the following will apply to all Bonds issued and Outstanding under the Trust Agreement, including the 2014 Bonds, and the initial Holders and subsequent Holders of the 2014 Bonds, by purchase and acceptance of the 2014 Bonds, will be deemed to have consented to such amendments in accordance with the Trust 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 (each of which is hereby created and each of which the Authority hereby covenants and agrees to cause to be maintained) in the following order of priority:

(a) Interest Account,

(b) Principal Account; Sinking Accounts,

(c) Reserve Fund, and

(d) Fees and Expenses Fund.

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 authorized in the Trust Agreement.

Interest Account. Not later than each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the aggregate amount of interest becoming due and payable on the Outstanding Current Interest Bonds on such Interest Payment Date (excluding any interest for which there are moneys deposited in the Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest). 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 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 Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates). All Swap Revenues received shall be deposited in the Interest Account.

Principal Account; Sinking Accounts. Not later than each date that any Bond Obligation or Mandatory Sinking Account Payment is scheduled to become due and payable, the Trustee shall deposit in the Principal Account an amount equal to (i) the aggregate amount of Bond Obligation becoming due and payable on such date, plus (ii) the aggregate of the Mandatory Sinking Account Payments to be paid on such date into the respective Sinking Accounts for the Term Bonds of all Series. All of the aforesaid deposits made in connection with 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 one 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 as shall have been redeemed or purchased during the preceding 12-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 12-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.

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 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. ***No Reserve Fund is being established for the 2014 Bonds.***

Fees and Expenses Fund. 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 required by 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.

Installment Sale Agreement and Pledge of Net Water Revenues

2014 Payments. The City is obligated to make 2014 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 principles, 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, all 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.

Pursuant to the Installment Sale Agreement, the City has irrevocably granted and pledged the Net Water Revenues first, to secure Parity Obligations and second, to secure Subordinate Obligations; provided that out of Net Water Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Sale Agreement. 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 only in the following order:

(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 Agreements 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 Agreements 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 Agreements 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 Agreements 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 Agreements 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.

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.

(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.

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 Agreements 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 are estimated to 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 System.

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 2014 Payments ("Parity Obligations"), provided certain conditions are met, including that the City has demonstrated that, during the last audited Fiscal Year or any twelve 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 Agreements 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 Agreements 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 to the Water System 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.

Outstanding Parity Obligations. In connection with the issuance of the 2008 Bonds, the City agreed to make certain installment payments under the Installment Sale Agreement, a portion of which in

the aggregate principal amount of $5,420,000 will remain outstanding after the issuance of the 2014 Bonds and constitute Parity Obligations under the Installment Sale Agreement. The final scheduled payment for these Parity Obligations is July 1, 2018. No other Parity Obligations are currently outstanding under the Installment Sale Agreement.

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 2014 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 March 14, 1995 between the City and the former Redevelopment Agency of the City of Brentwood. 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, and to refund bonds previously issued under the Act.

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 2014 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2014 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 2014 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 2014 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.

Rate Covenant Not a Guarantee

The ability of the City to pay the 2014 Payments depends on the ability of the City to generate Net Water Revenues in the levels required by the Installment Sale Agreement. Although the City has covenanted in the Installment Sale Agreement to impose rates, fees and charges as more particularly described herein under "SECURITY FOR THE 2014 BONDS – Installment Sale Agreement and Pledge of Net Water Revenues – *Water Rate Covenant; Collection of Water Rates and Charges*," and expects that sufficient Water Revenues will be generated through the imposition and collection of such rates, fees and charges and other Water Revenues described herein, there is no assurance that such imposition of such rates, fees and charges or other Water Revenues will result in the generation of Net Water Revenues in the amounts required by the Installment Sale Agreement. The City's covenant does not constitute a guarantee that sufficient Net Water Revenues will be available to pay the 2014 Payments.

Proposition 218

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of cities and counties to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C. Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms "local tax," "assessment," "fee" or "charge." On July 24, 2006, the Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIII C applied to rates and fees charged for domestic water use. In that decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the City does not believe that Article XIII C grants to the voters within the City the power to repeal or reduce rates and charges in a manner that would be inconsistent with the contractual obligations of the City. No assurance can be given that the voters of the City will not, in the future, approve initiatives which seek to repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the fees and charges for the Water System, which are the source of Net Water Revenues pledged by the City to make the 2014 Payments.

The interpretation and application of Proposition 218 will likely be subject to further judicial determinations, and it is not possible at this time to predict with certainty the outcome of such determinations.

Article XIII D. Article XIII D established procedural requirements for the imposition of assessments, defined to mean any levy or charge upon real property for a special benefit conferred upon real property, including standby charges. The procedural requirements include the conducting of a public hearing and an election, by mailed ballot, with notice to the record owner of each parcel subject to the assessment. If a majority of the ballots returned oppose the assessment, it may not be imposed.

Article XIII D conditions the imposition or increase of any "fee" or "charge" upon there being no written majority protest after a required public hearing and, for fees and charges other than for sewer, water or refuse collection services, voter approval. Article XIII D defines "fee" or "charge" to mean levies (other than *ad valorem* or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a "property-related service." One of the requirements of Article XIII D is that before a property related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing, if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

In *Howard Jarvis Taxpayers Association v. City of Los Angeles*, the Court of Appeal held that fees for water that are based upon metered amounts used are charges for a commodity and not related to property ownership and, consequently, Article XIII D does not apply to such fees. However, in a decision rendered in February 2004, the California Supreme Court in *Richmond et al. v. Shasta Community Services District*, 32 Cal. 4th 409, upheld a Court of Appeals decision that water connection fees were not property related fees or charges subject to Article XIII D, while at the same time stating in dicta that fees for ongoing water service through an existing connection were property related fees and charges. In October 2004, the California Supreme Court granted review of the decision of the Fourth District Court of Appeal in *Bighorn-Desert View Water Agency v. Beringson*, 120 Cal. App. 4th 891 (2004), in which the appellate court had relied on *Howard Jarvis Taxpayers Association v. City of Los Angeles* and rejected the Supreme Court's dicta in *Richmond et al. v. Shasta Community Services District.* On March 23, 2005, the California Fifth District Court of Appeal published *Howard Jarvis Taxpayers Association v. City of Fresno,* 127 Cal.App.4th 914 (5th Dist. 2005), holding that an "in lieu" fee which is payable to the general fund of the City of Fresno from its water utility and which is included in the water rate structure of the city was invalid. In reaching its decision, the court concluded that the city's water rates were "property related" fees, governed by the limitations of Article XIII D. The City of Fresno requested a review of this decision by the California Supreme Court, which denied review. On July 24, 2006, the Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*. In dicta, the Supreme Court repeated its previous dicta in *Richmond et al. v. Shasta Community Services District* that fees and charges for ongoing water service through an existing connection were property related fees and charges under Article XIII D.

In addition to the procedural requirements of Article XIII D, under Article XIII D all property related fees and charges, including those which were in existence prior to the passage of Proposition 218 in November 1996, must meet the following substantive standards: (i) the revenues derived from the fee or charge cannot exceed the funds required to provide the property-related service; (ii) the revenues derived from the fee or charge must not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel;

(iv) no fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question, fees or charges based on potential or future use of a service are not permitted, and standby charges, whether characterized as charges or assessments, must be classified as assessments and cannot be imposed without compliance with Section 4 of Article XIII D (relating to assessments); and (v) no fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

The City believes that its water rates comply with the foregoing standards.

Article XIII D provides that nothing in Proposition 218 shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies. 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 2014 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) under Article XIII C or Article XIII D by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the 2014 Bonds upon the occurrence of an event of default under the Trust Agreement or 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 possible limitations on the ability of the City to comply with its covenants under the Installment Sale Agreement, the rights and obligations under the 2014 Bonds, the Trust Agreement and the Installment Sale 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.

Based on the foregoing, in the event the City fails to comply with its covenants under the Installment Sale Agreement, including its covenants to generate sufficient Net Water Revenues, as a consequence of the application of Article XIII C and Article XIII D to make the 2014 Payments, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the 2014 Bonds.

Before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition, Proposition 218 added several requirements making it generally more difficult for counties and other local agencies to levy and maintain assessments for municipal services and programs.

Finally, Proposition 218 requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general government purposes of the City require a majority vote and taxes for specific purposes only require a two-thirds vote. The voter approval requirements reduce the flexibility of the City Council to deal with fiscal problems by raising revenue and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Initiatives; Changes in Law

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. Article XIII A, Article XIII B, Article XIII C, and Article XIII D of the California Constitution, were adopted as measures that qualified for the ballot through California's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Net Water Revenues and adversely affect the security for the 2014 Bonds.

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 rate covenant.

System Expenses and Capital Costs

There can be no assurance that the City's projected expenses or capital costs will be consistent with the descriptions in this Official Statement. Increases in expenses and/or capital costs including, but not limited to, personnel costs, regulatory compliance costs and changes in technology, could require an increase in rates or charges in order to comply with the rate covenant. Such increases could be material.

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.

Water Supply and Drought

The ability of the Water System to operate effectively is affected by the water supply available to the City. If water supply decreases significantly, whether by drought, operation of mandatory supply restrictions, prohibitively high water costs or otherwise, Water System sales may diminish and Net Water Revenues available to pay debt service on the 2014 Bonds may be adversely affected. While the City has plans and manages reserve supplies to account for normal occurrences of drought conditions, California is currently experiencing severe drought conditions resulting in part from historically low precipitation and decreased runoff from the Sierra Nevada snowpack, a major source of water in California. As a result of these severe drought conditions, the State Water Resources Control Board adopted emergency drought related regulations pertaining to, among other matters, urban water conservation measures for urban water suppliers to implement which target outdoor urban water use that were effective July 28, 2014. Unless extended or repealed, these emergency regulations will be in effect until April 25, 2015. In response to the emergency regulations, the City has implemented Stage II of the City's Water Shortage Contingency Plan. See APPENDIX A – "INFORMATION RELATING TO THE WATER SYSTEM – Water Supply Shortages." The current and future droughts could result in additional or similar mandatorily enforced conservation measures and other mitigations that could have a material adverse impact on Net Water Revenues available to pay debt service on the 2014 Bonds.

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 amounts in the Rate Stabilization Fund, could have a material adverse effect on the security of the 2014 Bonds.

Limitations on Remedies and Bankruptcy

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 2014 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 "—Proposition 218." Failure by the City to pay the 2014 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 2014 Payments.

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.

The City notes that many issues under chapter 9 of the Bankruptcy Code, including issues relevant to the impairment of "special revenues" obligations, have not yet been the subject of reported appellate decisions, and certain commentators and parties in certain cases have taken positions that could result in impairment of such obligations were such positions adopted by the courts. For example, the Bankruptcy Code provides that "special revenues" can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute necessary operating expenses and any definition in the transaction documents may not be applicable. Similarly, one influential commentator has suggested that the special revenues provisions only apply in the context of "traditional" revenue bonds, without defining such bonds, and it is unclear whether or not the Authority's bonds or the City's obligations under the Installment Sale Agreement would be considered as such if a court were to apply that test. However, under current bankruptcy law, the City believes that a future chapter 9 case would not result in any impairment of the rights of the holders of the 2014 Bonds.

Limited Obligations

The 2014 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 2014 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 2014 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.

Limited Recourse on Default

If the City fails to comply with its covenants under the Installment Sale Agreement or fails to make the 2014 Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2014 Bonds. If the City defaults on its obligation to pay the 2014 Payments or other Parity Obligations securing Bonds, the Trustee has the right to accelerate the total unpaid principal amount of the Bonds outstanding and interest accrued thereon and all Parity Obligations may also be accelerated. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated debt service from Net Water Revenues.

Loss of Tax Exemption on the 2014 Bonds

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2014 Bonds, the City and the Authority have covenanted to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended. The interest on the 2014 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2014 Bonds as a result of acts or omissions of the City or the Authority in violation of this or other covenants applicable to the 2014 Bonds. The 2014 Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until

maturity or prior redemption in accordance with the provisions contained in the Trust Agreement. See "TAX MATTERS."

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2014 Bonds or, if a secondary market exists, that any 2014 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.

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 2014 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 2014 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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the 2014 Bonds is less than the amount to be paid at maturity of such 2014 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2014 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 2014 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 2014 Bonds is the first price at which a substantial amount of such maturity of the 2014 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 2014 Bonds accrues daily over the term to maturity of such 2014 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 2014 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2014 Bonds. Beneficial Owners of the 2014 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2014 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2014 Bonds in the original offering to the public at the first price at which a substantial amount of such 2014 Bonds is sold to the public.

2014 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 2014 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 2014 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 2014 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of

Premium 2014 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 2014 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 2014 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 2014 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2014 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 2014 Bonds may adversely affect the value of, or the tax status of interest on, the 2014 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 2014 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 amounts treated as interest on, the 2014 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.

Current and future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the 2014 Bonds to be subject, directly or indirectly, in whole or in part, 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. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the 2014 Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2014 Bonds. Prospective purchasers of the 2014 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 2014 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 2014 Bonds ends with the issuance of the 2014 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 2014 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 or the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2014 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 2014 Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

The validity of the 2014 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel to the Authority. A complete copy of the form of Bond Counsel opinion is contained 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, and for the Underwriter, by Jones Hall, a Professional Law Corporation. Orrick, Herrington & Sutcliffe LLP undertakes no responsibility for the accuracy, completeness or fairness of 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 2014 Bonds, to provide certain financial information and operating data relating to the City and the 2014 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 2014-15 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such reports and notices will be filed by the City with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Market Access system ("EMMA"). These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events by the City is set forth in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." The City believes that in the last five years it has not failed to comply in any material respect with any previous undertakings with regard to the Rule. However, in 2009 the City failed to file a notice of the downgrade by Fitch Ratings of the insurer for certain related bonds and in 2010 the City failed to file a notice of the withdrawal by Fitch Ratings of its rating for the same insurer.

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 2014 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 2014 Payments from the Net Water Revenues under the Installment Sale Agreement, or in any way contesting or affecting validity of the 2014 Bonds, the Trust Agreement, the Installment Sale Agreement, the Escrow Agreement or the agreement for the sale of the 2014 Bonds.

In addition, there is no litigation pending or threatened against the Authority or the City 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 2014 Bonds.

RATING

S&P has assigned its municipal bond rating of "AA" to the 2014 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 2014 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 2014 Bonds.

FINANCIAL STATEMENTS

Attached as APPENDIX E are the audited financial statements of the City (the "Financial Statements") for Fiscal Year 2013-14, 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 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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Financial Statements include information regarding certain funds of the City, including its General Fund, which are not pledged to make 2014 Payments or to otherwise pay debt service on the 2014 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 2014 Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter"). The Underwriter has agreed to purchase the 2014 Bonds, subject to certain conditions, at a price equal to $48,400,326.05 (representing the principal amount of the 2014 Bonds, less an Underwriter's discount of $342,480.00 plus a net original issue premium of $5,932,806.05). The Underwriter is committed to purchase all of the 2014 Bonds if any are purchased.

The 2014 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 2014 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

MUNICIPAL ADVISOR

The Authority has retained Del Rio Advisors, LLC of Modesto, California, as municipal advisor (the "Municipal Advisor") in connection with the offering of the 2014 Bonds and the preparation of this Official Statement. The Municipal Advisor assisted in the preparation and review of this Official Statement. All financial and other information presented in this Official Statement has been provided by

the Authority and the City from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the Authority, the City or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the 2014 Bonds.

VERIFICATION

Upon delivery of the 2014 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 Refunded Bonds on and prior to their redemption date; and (iii) yields with respect to the 2014 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 2014 Bonds.

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

BRENTWOOD INFRASTRUCTURE
FINANCING AUTHORITY

By: /s/ Pamela Ehler
Treasurer/Controller

CITY OF BRENTWOOD

By: /s/ Pamela Ehler
Director of Finance
& Information Systems

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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, seven water booster pump stations, and eight groundwater wells located within the city limits (the "Water System"). The City currently receives its potable water supply from two surface water treatment plants and seven groundwater wells. On average, approximately 75% of the City's annual potable water supply is from the surface water sources while the remaining amount is provided from the groundwater wells. The City also supplies recycled water for landscape irrigation and other recycled water uses through tertiary treatment at the City's Waste Water Treatment Plant. Potable 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 17,500 connections through approximately 266 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 Fiscal Year 2013-14, 94% of the City's water accounts were residential, accounting for 70% of the City's water use and 76% of the water use service charges of the Water System.

Water System Management

Bailey Grewal is the Director of Public Works/City Engineer for the City. Bailey is a licensed Professional Engineer and Land Surveyor with the State of California, and has worked for the City since 1998 and has been in this profession for 29 years. He has served as the City's Director of Public Works/City Engineer since 2006. He oversees the Public Works Department, which is comprised of two divisions – Operations and Engineering.

The Operations Division is comprised of five sections – Fleet/Facilities Maintenance, Solid Waste, Street Maintenance, Wastewater, and Water. The Operations Division oversees the operation and maintenance of all City public works' infrastructure and facilities, including domestic water supply, treatment, and distribution, garbage collection and recycling services, roadways, wastewater collection and treatment, storm drainage and creek maintenance, and maintenance of the City's building facilities, vehicles, and equipment structure and facilities. The Engineering Division is comprised of three sections - Capital Improvement Program, Development, and Traffic, and oversees the design, development, and construction of private and public works' infrastructure.

Chris Ehlers is Assistant Director of Public Works Operations for the City of Brentwood. Chris has been in the water industry for 21 years and holds Grade 5 certification in both water treatment and distribution. He is directly responsible for the day to day operations of Water, Wastewater, Solid Waste, Street Maintenance, and Fleet/Facilities.

Water System Employees

The City's Water Enterprise has 21 full time authorized positions, exclusive of the Director and Assistant Director of Public Works who also oversee the City's other two utilities. The City's labor contracts with these employees expire in 2017.

Water System Facilities and Water Supply

Surface Water Treatment Plants. The City receives potable water from two surface water treatment plants: the Brentwood Water Treatment Plant (the "BWTP") and the Randall-Bold Water Treatment Plant (the "RBWTP"). The BWTP was built in 2008 to serve the City. It was part of a joint venture between the City and the Contra Costa Water District (the "CCWD") in which the City owns the facility and is responsible for operational and capital costs but contracts with the CCWD for operation and maintenance of the facility. The first phase of the BWTP, which has been constructed and is in operation, can treat up to 15 million gallons per day ("mgd") of surface water. However, the plant is designed so that it can be expanded to an ultimate capacity of 30 mgd to serve the City's projected water demands through 2040. Certain components of the BWTP, including the headworks, chemical feed and storage and treated water pump station were all originally constructed for the ultimate capacity of 30 mgd. Other components of the BWTP will need to be added or expanded to meet this ultimate capacity. These additions and expansions are expected to occur within five to ten years and are expected to be primarily funded by facility fees although a portion may be funded with additional Parity Obligations.

The BWTP treats raw water that the City purchases from the East Contra Costa Irrigation District (the "ECCID") under a permanent pre-1914 capacity right and diverts from Old River, Middle River, and Rock Slough, all of which have intakes connected by the CCWD's 48-mile Contra Costa Canal (the "Contra Costa Canal"). The BWTP facilities are used for raw water pumping, flash mixing, flocculation, sedimentation, ozonation, filtration, and water storage. Treated surface water from the BWTP is pumped into the City's distribution system by a treated water pump station and a large diameter transmission pipeline. The BWTP produces an annual average of 6 mgd of treated water for the City. Effluent flows vary from 3 mgd to more than 12 mgd based on seasonal demand of the City.

The RBWTP is owned and operated by CCWD and is adjacent to the BWTP. The RBWTP treats Delta water that is blended in the Contra Costa Canal (Old River, Middle River, and Rock Slough) and Los Vaqueros Reservoir. The City has purchased from CCWD a permanent 6 mgd capacity right to treated water from the RBWTP. Treated surface water from the RBWTP is pumped into the City's distribution system by the same treated water pump station and large diameter transmission pipeline as treated water from the BWTP.

Groundwater Wells. Seven out of nine permitted groundwater wells located within the City's water service area are active. Groundwater is treated at the wellhead prior to delivery to the drinking water distribution system. The City has two main well fields: Wells 6, 7, 8, 14, and 15, located in the northeast part of the City, and Wells 12 and 13 to the south. Of the two wells that are not in use, Well 9 currently does not have a disinfection system and Well 11 is not used because of high nitrate concentrations. The wells are not typically drawn to capacity as the average annual production of all the active wells is approximately 4.13 mgd and the total well capacity is 6 mgd.

Reservoirs. Six existing reservoirs in the City have a combined capacity of 18.8 million gallons. Water is pumped into the reservoirs and used as water demand requires. Therefore, available reservoir water volumes fluctuate daily but are kept relatively consistent throughout the year. These reservoirs provide storage, equalization, emergency supply, and fire supply.

Pump Stations. Of the seven Water System pump stations, one of them, the Roddy Ranch Pump Station, which is located on the ECCID canal, delivers raw water for irrigation of parks, parkway landscaping, schools and a private golf course. The City has redundant pumping capacity, including the treated water pump station located adjacent to the BWTP, to the multiple boosting stations necessary to fill the reservoirs.

Distribution System. The City's distribution system consists of pipelines of various sizes, all of which are adequately sized to meet build out demands. The City currently maintains 266 miles of distribution mains. The original water mains (approximately five miles) were constructed in 1940. Other water mains have been constructed more recently. The City's water mains range in size from 4 to 42 inches. The City currently has an ongoing program to replace sections of the original water mains that are in need of repair.

Water Consumption

The following table shows the historical billed water consumption for the Water System since 2010:

TABLE 1
CITY OF BRENTWOOD
Water Consumption History
(1,000 gallons/month)
As of August 2014

	2010	2011	2012	2013	2014
January	115,882	108,495	154,852	119,932	195,894
February	98,397	122,256	148,441	145,321	159,467
March	121,503	120,740	161,681	191,860	145,277
April	188,202	296,056	169,164	250,227	210,964
May	268,084	308,109	294,717	384,488	310,249
June	381,298	340,900	439,292	425,694	423,427
July	427,978	403,486	443,338	427,278	445,246
August	453,265	413,589	477,842	472,825	399,685
September	417,951	427,181	428,285	435,143	--
October	321,813	296,608	345,930	358,203	--
November	196,229	335,276	212,129	310,375	--
December	128,706	150,653	129,081	183,109	--
Total	3,119,308	3,323,349	3,404,752	3,704,455	2,290,209

Source: City of Brentwood.

Water Supply Shortages

The City has developed four stages of action to be taken in response to water supply shortages, including a reduction in water supply by up to 50%. Specific water supply conditions are applicable to each stage. A stage of action will be implemented during water supply shortages according to shortage level, ranging from a 5% shortage (i.e., Stage I) to a 50% shortage (i.e., Stage IV). The stage determination and declaration during a water supply shortage will be made by the public works director.

Stage I. During Stage I, water alert conditions are declared and voluntary water conservation is encouraged. The City has an ongoing public information campaign that relies on the distribution of literature, speaking engagements, bill inserts, and conservation messages in local newspapers and on the City's Water Conservation web page. The drought situation is explained to public and government bodies through these information campaigns. In addition, the City explains other stages, forecasts future actions, and requests voluntary water conservation. Educational programs in area schools are ongoing.

Stage II. During Stage II of a water supply shortage, the shortage is moderate (10% to 20%). Conservation may be voluntary, consist of allotments, and/or include mandatory conservation rules. The level of action increases with the level of shortage. The City aggressively continues its public information and educational programs. The City asks for a 10% to 20% water use reduction, either voluntary or mandatory. If necessary, the City also supports the passage of drought ordinances.

Stage III. During Stage III of a water supply shortage, the shortage is considered severe (20% to 35%). Conservation consists of allotments and mandatory conservation rules. This phase becomes effective upon notification by the City that water usage is to be reduced by a mandatory percentage. The City adopts drought ordinances and implements mandatory reductions. Rate changes are implemented to penalize excess usage. Under Stage III, water use restrictions are put into effect (e.g., restrictions pertaining to the number of daytime hours for watering, excessive watering that results in gutter flooding, hoses without shutoff devices, non-recycling fountains, and washing down sidewalks or patios). The City monitors production weekly for compliance with the necessary reductions. If a customer consistently abuses his or her water use, the City responds by installing a flow restrictor at the water meter.

Stage IV. During Stage IV of a water supply shortage, the shortage is critical (35% to 50%). Conservation consists of allotments and mandatory conservation rules. All steps taken in prior stages are intensified, and water deliveries are monitored daily for compliance with the necessary reductions.

On July 15, 2014, the State Water Resources Control Board adopted emergency drought related regulations pertaining to, among other matters, urban water conservation measures for urban water suppliers to implement which target outdoor urban water use that were effective July 28, 2014. Unless extended or repealed, these emergency regulations will be in effect until April 25, 2015. In response to these regulations, on August 12, 2014, the City Council adopted a resolution which requests a voluntary 20 percent water use reduction from its water service customers, implements Stage II of the City's Water Shortage Contingency Plan described above and prohibits the following activities in the promotion of water conservation:

- Watering between 8 a.m. and 7 p.m.
- Causing excessive flooding or runoff.
- Washing a vehicle without a shutoff nozzle.
- Using a hose to wash hard surfaces.
- Operating a non-recirculating decorative fountain.

The City is also complying with recent drought regulations and is converting landscape areas that use potable water to recycled water for irrigation. Other than as described above, Stage I-IV measures have not been used in the last seven years.

Environmental Compliance

Both of the water treatment plants must produce water that meets State of California and federal regulations for drinking water quality. In general, the State of California is primarily concerned with the administration of federal drinking water requirements, but can add additional, or more restrictive requirements. If the federal government, acting through the United States Environmental Protection Agency, or the State of California, acting through the California Department of Health, or additional federal or State of California legislation, should impose stricter water quality standards or other additional regulatory requirements upon the Water System, then the City's treatment expenses could increase accordingly and rates and charges may have to be increased to offset those expenses. The City cannot predict the future direction that federal or State of California regulation will take with respect to drinking

water quality standards and requirements, although it is likely that in the future the federal government and the State of California will impose more stringent standards with attendant higher costs.

The City' surface water supply is treated in newer facilities that were designed and constructed to treat the source water to a very high quality that exceeds the standards of the American Water Works Association's "Partnership for safe Drinking Water". The City's drinking water is in compliance with all current federal and State of California drinking water standards applicable to the City.

Capital Improvement Program

On May 27, 2014, the City Council adopted the Fiscal Year 2014-15 through Fiscal Year 2018-19 Capital Improvement Program (the "CIP"). This CIP includes budgeted funding of the following major projects from Water Revenues:

Permanent Long-Term Water Conveyance: This project will involve a partnership with the CCWD to purchase a permanent share of water conveyance capacity from the Delta to the BWTP along with a proportional cost share in the future phases of the Canal Replacement Project. A total of $3 million of funding from the Water System has been included in the CIP, however, further analysis indicates that a total of $11.3 million will be needed during that time period.

Maintenance Service Center – Phase II: This project provides for improvements and other required infrastructure at the City's Public Works Corporation Yard including a secondary Emergency Operations Center, administration building, and equipment storage facilities. These improvements will allow for more cost effective, streamlined, and efficient operations helping to enhance City customer services. The projected contribution from the Water System is $2,350,000 over the five year CIP period.

Sensus AMR System Upgrade: This project installs a fixed base Sensus meter reading system which will provide hourly meter reads. Upgrading the current Sensus AMR system to an AMR/AMI fixed base meter reading system will eliminate the need to drive routes to obtain meter readings. Meter readings will be available on an hourly basis and downloaded four times a day. Fixed base is a proactive metering solution with the ability to notify staff of leaks, high consumption and water theft, when they occur, thus reducing water loss throughout the City. The projected contribution from the Water System over the five year CIP period is $850,000.

BWTP Maintenance and Capital Upgrades: The City is responsible for capital and operational replacement and upgrades at the BWTP including upgrades or replacement of existing plant facilities, or installation of new facilities, due to wear and tear or new treatment standards. Projects will consist of treatment plant restoration, filter media replacement and upgrade of the distributed control system. The projected contribution from the Water System over the five year CIP is $1,730,000.

The City does not expect to incur any Parity Obligations to pay the Water System costs contained in the current CIP.

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 November 12, 2013, the City adopted Ordinance No. 922, which provides for an increase in the monthly base rate and consumption charge during Fiscal Years 2013-14 to 2017-18, effective January 10, 2014. 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 1/10/04–6/30/14**	**Effective 7/1/2014**	**Effective 7/1/2015**	**Effective 7/1/2016**	**Effective 7/1/2017**
5/8" or 3/4" meter	$ 19.65	$ 20.24	$ 20.85	$ 21.47	$ 22.12
1" meter	29.48	30.36	31.27	32.21	33.18
1 1/2" meter	58.96	60.73	62.55	64.42	66.36
2" meter	98.26	101.21	104.25	107.37	110.59
3" meter	176.88	182.19	187.65	193.28	199.08
4" meter	255.49	263.16	271.05	279.18	287.56
6" meter	530.65	546.57	562.96	579.85	597.25
Consumption Charge (per 1,000 gallons = 1 unit)					
Residential Tiers					
Tier 1: Units 1-10	$ 3.08	$3.17	$3.27	$3.37	$3.47
Tier 2: Units 11-20	3.67	3.78	3.89	4.01	4.13
Tier 3: Units 21-30	4.39	4.52	4.66	4.79	4.94
Tier 4: Units 31+	5.12	5.27	5.43	5.59	5.76
Non-Residential					
Tier 1: Units 1-10	$ 3.08	$3.17	$3.27	$3.37	$3.47
Tier 2: Units 11+	3.67	3.78	3.89	4.01	4.13
Non-Potable					
Tier 1: Units 1+	$ 1.13	$1.17	$1.20	$1.24	$1.28

Source: City of Brentwood.

Water User Accounts

The following table shows the customer accounts and percentage of service charge revenues for the fiscal years ended June 30, 2010 through June 30, 2014:

TABLE 3
CITY OF BRENTWOOD
Customer Accounts as a Percentage of Revenues
(Five Fiscal Years Ended June 30, 2014)

Fiscal Year Ended	Number of Single-Family Residential Accounts	Percentage of Revenues	Number of Other Accounts	Percentage of Revenues
2010	15,551	72%	1,014	28%
2011	15,696	70%	1,093	30%
2012	15,930	71%	1,107	29%
2013	16,204	73%	1,044	27%
2014	16,578	70%	1,146	30%

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 for the five fiscal years ended June 30, 2014 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, 2014)

Fiscal Year	Delinquency Rate[1]
2010	2.02%
2011	2.60%
2012	2.01%
2013	1.79%
2014	0.94%

[1] Delinquencies, over 90 days at June 30, expressed as a percentage of annual total operating revenues received by the City with respect to the water, wastewater, and solid waste disposal services combined.
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,

distribution and storage 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. 2014-116, dated August 12, 2014, the City imposed the following fees effective October 12, 2014:

TABLE 5
CITY OF BRENTWOOD
Water Facilities Fees
As of October 12, 2014[1]

Use	Water Facilities Fee
Single Family Residential	$7,485.53/unit
Multifamily Residential	5,874.55/unit
Office	1.6141/sq. ft.
Commercial	1.6141/sq. ft.
Industrial	0.9341/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 4.9% 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 average credit per unit received by developers during the fiscal year ended June 30, 2014 was $1,184.77.

The Water Facilities Fees constitute Connection Fees under the Installment Sale Agreement.

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Comparative Rates

Comparative water service rates for areas in the vicinity of the City are shown in the table below. These rates are annual monthly averages based on average water usage of 12,000 gallons per month.

TABLE 6
CITY OF BRENTWOOD
Comparative Monthly Water Rates 2013
Single Family Residential

City/Agency	Monthly Charge
Pittsburg	$72.91
Concord	$69.64
Dublin/San Ramon SD	$63.49
Brentwood [(1)]	**$56.10**
Oakley	$53.35
Antioch	$51.20
Livermore	$48.40
Discovery Bay	$31.23

[(1)] A water rate study was performed in 2013. The proposed rate increase of 3% was approved by City Council in November 2013 and the new rate took effect January 10, 2014.
Source: City of Brentwood.

Largest Users

The following table presents certain information regarding the ten principal users of the Water System, excluding the City, for the fiscal year ended June 30, 2014, as compared to all other users of the Water System:

TABLE 7
CITY OF BRENTWOOD
Top Water System Accounts
Based on Average Monthly Amount Paid
Fiscal Year 2013-14

User	Account Amount	Units Used
Top 10 Users	$ 152,124.96	31,700
Balance of System	2,799,214.97	256,541
Totals	$ 2,951,339.93	288,241

Source: City of Brentwood.

Pension Plans

The City provides retirement benefits to its employees through contracts with California Public Employees' Retirement System ("PERS"), a multiple employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments.

PERS maintains more than one pension plan (each, a "PERS Plan") for the City based on type of employee. The City has PERS Plans for "Safety Employees" and "Miscellaneous Employees." The City contributes to PERS amounts equal to the recommended rates for each PERS Plan multiplied by the payroll of those employees of the City who are eligible under PERS.

Salaries and benefits costs of the City's Water Enterprise include funding of retirement benefits for employees assigned to the Water Enterprise who, as City employees, participate in PERS Miscellaneous Plan. The City makes an annual employer contribution to the Miscellaneous Plan. City employees assigned to the Water Enterprise are required to pay the full amount of their employee contribution. Retirement payments paid from Water Revenues, with respect to employees assigned to the Water Enterprise, average 8.0% of annual employer pension costs paid towards the Miscellaneous Plan. The City's employer contributions payable from Water Revenues for pensions were $393,673 for Fiscal Year 2013–14 and are estimated to be approximately $361,655 for Fiscal Year 2014-15. Payments to PERS constitute Maintenance and Operation Costs under the Installment Sale Agreement.

For a variety of reasons, including investment losses, the City has experienced unfunded liabilities, and retirement costs payable with respect to all City employees, including those assigned to the Water System, have increased in recent years. As of June 30, 2013 (the most recent actuarial date), the City's "Miscellaneous Plan" with PERS (in which the City employees assigned to the Water Enterprise participate) had an unfunded liability (with respect to all participating City employees, including employees assigned to the General Fund, the Water Revenue Fund, and other enterprise funds) of approximately $20.4 million (market value basis), and a funded ratio of 76.0% (market value basis).

Due to changes to PERS actuarial methodology and assumptions, required contributions from the City are expected to continue to increase. See APPENDIX E — "AUDITED FINANCIAL STATEMENTS – Note 9 to the Basic Financial Statements" for a discussion of retirement liabilities payable by the City.

Post Employment Healthcare Benefits

In addition to required contributions for retirement benefits for employees, the City pays certain post-employment health care and other non-pension benefits ("OPEB") for such employees. The City's Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City and its employees. The City provides retiree medical benefits through the PERS heathcare program ("PEMHCA"). The covers premiums, subject to caps dependent on hire date for eligible retirees, with service or disability retirement directly from the City under PERS. Coverage extends to dependents and surviving spouses. No dental, vision or life insurance benefits are provided. The City has three benefit tier levels. All tiers provide for certain post-retirement health care benefits for employees who retire from the City and who meet the following criteria: (1) they retire after reaching age

50 and (2) they have at least five years of cumulative service credits with organizations participating in a PERS defined benefit pension plan.

The tiers are differentiated by maximum amount of health insurance coverage paid by the City. The first tier, for employees that retired prior to July 1, 2012, provides a maximum monthly coverage amount of $1,485.44 for Miscellaneous Plan retirees, with future increases based upon annual increases in specified medical premium rates. The second tier, for employees hired prior to July 1, 2012 with a retirement date on or after July 1, 2012, provides for a maximum monthly coverage amount of $1,326.63 for Miscellaneous Plan retirees, with no future increases in the maximum coverage amount until such time that the Kaiser employee-only monthly medical insurance rate exceeds $1,326.63. The third tier, for employees hired on or after July 1, 2012, provides for a maximum monthly coverage amount equal to the PEMHCA minimum, currently $119 per month. This amount is set annually by PEMHCA. As of June 30, 2014, there were 98 retirees receiving postemployment health care benefits from the City (including other Enterprises and the General Fund), 76 of whom are in tier 1 and 22 of whom are in tier 2.

The City's OPEB related payments paid from Water Revenues were $440,588 in Fiscal Year 2013-14 and are projected to be approximately $529,969 in Fiscal Year 2014-15. Beginning in Fiscal Year 2011-12, the City prefunds the Plan though PERS OPEB Trust by contributing the City's annual required contribution. For the Fiscal Year 2013-14, the City contributed $2.07 million, including $1.14 million in benefit payments and a $926,471 deposit to the PERS OPEB Trust. The Water Enterprise currently contributes 100% of its actuarially determined Annual Required Contribution for OPEB. In addition, the Water Enterprise is paying off its existing OPEB liability over a five year timeframe, with the liability projected to be exhausted in Fiscal Year 2017-18. As such, annual OPEB contributions from the Water Enterprise are projected to decline beginning in Fiscal Year 2018-19 once the existing liability has been retired.

See APPENDIX E – "AUDITED FINANCIAL STATEMENTS – Note 11 to the Basic Financial Statements" for a discussion of OPEB liabilities payable by the City, as well as the City's current unfunded OPEB liability.

Investment of City Funds

Water Revenues collected by the City will be held and invested by the City in accordance with the provisions of the Installment Sale Agreement.

Funds held by the City, including Water Revenues, are invested in accordance with the City's investment policy (the "Investment Policy") prepared by the City's Director of Finance & Information Systems as authorized by section 53601 of the Government Code of California. The Investment Policy is submitted to the City Council annually. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to ensure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years.

For more information about the City's cash and investments and investment policy as of the Fiscal Year ended June 30, 2014, see Note 3 to Appendix E of this Official Statement.

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, 2014

	2009-10	2010-11	2011-12	2012-13	2013-14
Operating Revenues					
Charges for Services	$15,526,347	$15,861,108	$16,955,280	$18,441,440	$18,881,988
Other Income	234,143	253,798	298,964	216,183	168,084
Interest and Investment Revenue	456,459	312,710	269,063	120,150	248,445
Total	$16,216,949	$16,427,616	$17,523,307	$18,777,773	$19,298,517
Operating Expenses					
Personnel Services	$ 3,296,093	$ 3,292,377	$ 3,328,624	$ 3,331,775	$ 3,427,283
Repairs and Maintenance	641,942	506,886	521,842	361,104	429,390
Materials, Supplies and Services	3,052,661	3,262,286	3,332,974	3,865,877	4,423,607
Purchased Water	4,885,793	4,274,649	5,726,838	5,594,893	5,258,129
Total	$11,876,489	$11,336,198	$12,910,278	$13,153,649	$13,538,409
Operating Income	$ 4,340,460	$ 5,091,418	$ 4,613,029	$ 5,624,124	$ 5,760,108
Obligations					
CCWD Connection Fees	$ 583,638	$ 0	$ 64,950	$ 23,375	$ 105,768
Parity Obligations Debt Service	3,195,363	3,202,763	3,989,263	3,984,763	3,988,238
Total	$ 3,779,001	$ 3,202,763	$ 4,054,213	$ 4,008,138	$ 4,094,006
Connection Fees	$ 379,185	$ 246,845	$ 681,943	$ 983,703	$ 1,262,340
Net Water Revenues (w/out Connection Fees	$ 4,340,460	$ 5,091,418	$ 4,613,029	$ 5,624,124	$ 5,760,108
Net Water Revenues (with Connection Fees)	$ 4,719,645	$ 5,338,265	$ 5,294,972	$ 6,607,827	$ 7,022,448
Net Water Revenue Coverage (Parity Obligations)	1.48	1.67	1.33	1.66	1.76
Net Water Revenue Coverage (Parity Obligations Excluding Connection Fees)	1.36	1.59	1.16	1.41	1.44
Net Water Revenue Coverage (all Obligations Excluding Connection Fees)	1.15	1.59	1.14	1.40	1.41

Source: City of Brentwood.

TABLE 9
CITY OF BRENTWOOD
Projected Net Water Revenues and Debt Service Coverage
Five Fiscal Years ending June 30, 2019

	2014-15	2015-16	2016-17	2017-18	2018-19
Water Revenues					
Rates and Charges[1]	$18,342,861	$19,142,610	$20,002,113	$20,940,212	$21,916,026
Other Operating Income	1,349,056	1,387,109	876,911	912,979	950,380
Connection Fees[2]	889,423	1,073,583	1,279,713	1,313,088	1,244,971
Interest Income[3]	217,251	217,854	209,897	209,510	220,035
Other Revenue	351,372	366,170	413,077	402,267	352,409
Total	$21,149,963	$22,187,326	$22,781,711	$23,778,056	$24,683,821
Operation and Maintenance Costs[4]					
Personnel Costs	$ 3,877,330	$ 4,095,642	$ 4,261,663	$ 4,373,064	$ 4,292,541
Purchased Water	6,017,707	6,285,014	6,557,720	6,862,523	7,182,317
Supplies and Services	2,216,103	2,291,464	2,409,877	2,616,688	2,669,769
Interfund Services	2,208,749	2,242,580	2,290,986	2,362,203	2,435,681
Total	$14,319,889	$14,914,700	$15,520,246	$16,214,478	$16,580,308
Net Water Revenues	$ 6,830,074	$ 7,272,626	$ 7,261,465	$ 7,563,578	$ 8,103,513
Parity Obligations Debt Service					
2014 Bonds	$ 1,054,048	$ 1,966,100	$ 1,966,100	$ 3,516,100	$ 3,514,100
2008 Bonds[5]	2,136,249	1,546,125	1,545,125	(2,175)	--
Total	$ 3,190,297	$ 3,512,225	$ 3,511,225	$ 3,513,925	$ 3,514,100
Net Water Revenue Coverage	2.14	2.07	2.07	2.15	2.31
Net Water Revenue Coverage (Excluding Connection Fees)	1.86	1.76	1.70	1.78	1.95

[1] Revenue from current and new users connecting to the Water System. Includes adopted rate increases through and including July 1, 2017 at 3% per year. Assumes 3% per year inflationary rate increases thereafter.
[2] Assumes single family residential units of 275 for Fiscal Year 2014-15 through and including Fiscal Year 2017-18 and 250 in Fiscal Year 2018-19. Pursuant to an agreement between the City and CCWD the City has to pay CCWD a water meter connection fee for 4,780 connections that will fall in the CCWD overlap area. As of June 30, 2014, the meter connection fees for all of these units has been expensed in the Water Enterprise. Currently the City has a payable to CCWD set up for the remaining 2,003 units left to be paid. In future years the only expenditure related to these fees that will impact the Water Enterprise will occur when CCWD increases their current meter connection fee. Only the increase in fee for the remaining units to be paid will impact the expense. The current fee is $3,526 per connection and may or may not be increased by CCWD each year.
[3] Earnings on the average beginning and ending balance in the operating reserve fund and replacement fund assuming a 1% annual earnings rate.
[4] Assumes 2% inflationary increases from Fiscal Year 2014-15 through and including Fiscal Year 2016-17 and 3% inflationary increases thereafter.
[5] Net of reserve fund credit applied to the payment of debt service on July 1, 2018.
Source: City of Brentwood, Debt Service and Coverage Calculations, Del Rio Advisors, LLC.

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are brief summaries of certain provisions of the Trust Agreement and the Master Installment Sale Agreement. 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. 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.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

"Accreted Value Table" means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Trust Agreement providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Trust Agreement.

"Alternate 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, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

"Alternate Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee as a replacement or substitute for any Liquidity Facility then in effect.

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

"Bonds" means the Series 2008 Bonds and any Additional Bonds. "Series 2008 Bonds" means the Brentwood Infrastructure Financing Authority Water Revenue Bonds, Series 2008. "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.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

"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.

"Capital Appreciation Bonds" means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Trust Agreement providing for the issuance of such Series of Bonds and on which interest is compounded and paid at maturity or on prior redemption.

"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.

"Certificate of the City" means an instrument in writing signed by the Mayor, Vice-Mayor, City Manager or Director of Finance and Information Systems of the City, or by any other officer of the City duly authorized by the City 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.

"Counterparty" means an entity which has entered into an Interest Rate Swap Agreement with the Authority.

"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 Agreement.

"Installment Sale Agreement" means, collectively, the Master Installment Sale Agreement, and any Supplemental Installment Sale Agreement.

"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.

"Interest Account" means the account by that name in the Revenue Fund established and maintained pursuant to the Master Trust Agreement.

"Interest Rate Swap Agreement" means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the Authority and a Counterparty, in connection with or incidental to, the issuance or carrying of Bonds, including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security entered into in advance of the issuance 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.

"Mandatory Sinking Account Payment" means, with respect to Bonds of any Series and maturity, the amount required by the Supplemental Trust Agreement establishing the terms and provisions of such Series of Bonds to be deposited by the Authority in a Sinking Account for the payment of Term Bonds of such Series and maturity.

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

"Office of the Trustee" means the principal corporate trust office of the Trustee in San Francisco, California, provided, however for transfer, registration, exchange, payment and surrender of Bonds means care of the corporate trust office of the Trustee in St. Paul, Minnesota or such other office designated by the Trustee from time to time.

"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):

1. Federal Home Loan Bank System
Senior debt obligations

2. Federal Home Loan Mortgage Corporation ("FHLMC")
Participation Certificates
Senior debt obligations

3. Federal National Mortgage Association ("FNMA")
Mortgage-backed securities and senior debt obligations

4. Resolution Funding Corporation ("REFCORP") obligations

5. 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 l04% 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.

"Proportionate Basis," when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate

maturities. When used with respect to the payment or purchase of a portion of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or "purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

"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 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.

"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.

"Revenue Fund" means the 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.

"Sinking Account" means an account by that name established in the Principal Account pursuant to 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.

"Swap Revenues" means all regularly-scheduled amounts (but not termination payments) owed or paid to the Authority by any Counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the Authority to such Counterparty under such Interest Rate Swap 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.

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

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 all Bonds issued and Outstanding under the Trust Agreement, 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 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 2014 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 2014 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 Bonds are Outstanding, shall provide notice of such appointment to each Credit Provider for 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 therein before 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 Event 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, Vice-Mayor, City Manager 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 water 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 a 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 Water 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.

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

"Issuing Document" means the 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 Water 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.

"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.

"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.

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 enter into Parity Obligations 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 entered into; 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 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 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 entered into together with any additional Supplemental Installment Sale Agreements expected to be entered into 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 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.

Subordinate Obligations

The City may at any time enter into 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 enter into 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 Water 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 November 1 of each year, a budget approved by the Board of Directors setting forth the estimated Water 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 November 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 Water 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 Water 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. The payment of principal and interest on the Payments shall be accelerated upon declaration of an Event of Default.

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 –

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.

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 Refunding Bonds, Series 2014 (the "Bonds"). The Bonds are being issued 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 and amended, including as supplemented and amended by a Second Supplemental Trust Agreement, dated as of December 1, 2014 (the "Second Supplemental Trust Agreement", and together with the Master Trust Agreement as supplemented and amended, the "Trust Agreement") between the Authority and the Trustee. 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.

"Beneficial Owner" means any person who has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"*Disclosure Representative*" means the Director of Finance and Information Systems or such other officer or employee as the City shall designate in writing to the Trustee from time to time.

"*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 a written acceptance of such designation.

"EMMA" means the MSRB's Electronic Municipal Market Access System.

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

"MSRB" means the Municipal Securities Rulemaking Board.

"*Official Statement*" means the Official Statement relating to the Bonds.

"*Participating Underwriter*" means RBC Capital Markets, LLC, 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).

"*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.

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 2014-15 Fiscal Year, provide to the MSRB through EMMA, in an electronic format and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days before the Report Date, the City shall provide the Annual Report to the Dissemination Agent; provided that the City may distribute the Annual Report itself after providing written notice to the Dissemination Agent. 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.

(b) If the City is unable to provide an Annual Report by the Report Date, the City shall provide or cause the Dissemination Agent to provide to the MSRB through EMMA 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 applicable electronic format for filings through EMMA; and

(ii) to the extent the City has provided the Annual Report to the Dissemination Agent, file a report with the City and (if the Dissemination Agent is not the Trustee) the Trustee, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date 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 are

available to the public from the MSRB's website or filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, not later than ten (10) business days after the occurrence of the event:

(i) principal and interest payment delinquencies.

(ii) non-payment related defaults, if material.

(iii) unscheduled draws on any applicable debt service reserves reflecting financial difficulties.

(iv) unscheduled draws on credit enhancement reflecting financial difficulties.

(v) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events adversely affecting the tax status of the Bonds;

(vi) modifications to rights of bondholders, if material;

(vii) substitution of credit or liquidity providers, or their failure to perform;

(viii) optional, contingent or unscheduled bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Authority or the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the City or the sale of all or substantially all of the assets of the Authority or the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

For the purpose of the event identified in Section 5(a)(xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority or the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority or the City, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority or the City.

(b) The Dissemination Agent shall, promptly upon obtaining actual knowledge at its office as specified in Section 12 hereof of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f); provided that, failure by the Dissemination Agent to so notify the Disclosure Representative and make such request shall not relieve the City of its duty to report Listed Events as required by this Section 5.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event is required to be reported pursuant to this Section 5.

(d) If the City has determined that knowledge of the occurrence of a Listed Event is required to be reported pursuant to this Section 5, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the City determines that the Listed Event is not required to be reported pursuant to this Section 5, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through EMMA in an electronic format and accompanied by such identifying information as is prescribed by the MSRB.

(g) The Dissemination Agent may conclusively rely on an opinion of counsel that the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

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, or (b) if, in the opinion of nationally recognized bond counsel, the City ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Bonds or the Bonds otherwise cease to be subject to the requirements of the Rule. 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.

Section 7. Dissemination Agent.

(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 Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. 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. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with the schedule of fees agreed upon by the City, as amended from time to time, and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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 City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation, of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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, to the extent permitted by law, 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 150 City Park Way Brentwood, CA 94513 Attention: Director of Finance and Information Systems Telephone: (925) 516-5460 Fax: (925) 516-5401
To the City:	City of Brentwood 150 City Park Way Brentwood, CA 94513 Attention: Director of Finance and Information Systems Telephone: 925-516-5440 Fax: (925) 516-5441
To the Trustee/Dissemination Agent	U.S. Bank National Association One California Street, Suite 1000 San Francisco, CA 94111 Attention: Global Corporate Trust Services Fax: (415) 677-3768
To the Participating Underwriter:	RBC Capital Markets, LLC Two Embarcadero Center, Suite 1200 San Francisco, CA 94111 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: December 18, 2014

CITY OF BRENTWOOD

By _____
Authorized Representative

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 Obligated Person:	CITY OF BRENTWOOD
Name of Issue:	$42,810,000 Brentwood Infrastructure Financing Authority, Water Revenue Refunding Bonds, Series 2014
Date of Issuance:	December 18, 2014

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 December 18, 2014, 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

$42,810,000
BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS
SERIES 2014

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 December 18, 2014, 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.

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 Water System

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 Water System 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

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APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR 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 2014 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 nor the City is pledged for the payment of the interest on or principal of the 2014 Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal of the 2014 Bonds. The payment of principal of or interest on the 2014 Bonds does not constitute a debt, liability or obligation of the Authority or the City 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. See "SECURITY FOR THE 2014 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 borders the City of Antioch on the northwest. The City contains approximately 14.83 square miles in total area and has a population which has increased significantly in recent years to its present level of approximately 54,741 persons in January of 2014.

The City was first settled by farmers in 1878. Until the past decade, the City has retained its agricultural orientation. Over the past two decades, 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 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 Contra Costa County, the Livermore and Pleasanton corridor in Alameda County to the south and the Stockton and central San Joaquin Valley area to the east. The City also enjoys close proximity to major regional recreation areas, including Mt. Diablo State Park approximately 15 miles to the west, the Sierra Nevada Mountains 90 miles to the east and the Sacramento Delta waterway to the north. Interstate Highways 580 and 680 are approximately one half hour's drive from the City's downtown area, depending on traffic. The City's main roads connect directly with California Highway 4 which provides convenient access to the City.

Municipal Government

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

Municipal functions include police protection, water service, highways and streets, sanitation, solid waste disposal services, youth services, public improvements, parks and recreation services, community development and general administrative services. The City has approximately 269 employees.

Population

The City is located in the eastern portion of the County. The City's population as of January 1, 2014 was 54,741, as estimated by the State Department of Finance.

Set forth below is comparative historical and projected population data for the City and County, respectively.

HISTORICAL CITY, COUNTY AND STATE POPULATION DATA

Year	City of Brentwood	Percent Change	Contra Costa County	Percent Change	State of California	Percent Change
2000	22,230	--	948,816	--	33,873,086	--
2001	25,104	12.9	966,012	1.8	34,430,970	1.6
2002	29,608	17.9	981,536	1.6	35,063,959	1.8
2003	32,975	11.4	993,668	1.2	35,652,700	1.7
2004	37,246	13.0	1,005,590	1.2	36,199,342	1.5
2005	42,050	12.9	1,016,304	1.1	36,675,346	1.3
2006	45,974	9.3	1,026,234	1.0	37,114,598	1.2
2007	48,677	5.9	1,037,580	1.1	37,559,440	1.2
2008	50,584	3.9	1,051,674	1.4	38,049,462	1.3
2009	51,908	2.6	1,060,435	0.8	38,292,687	0.6
2010	51,481	-0.8	1,049,025	-1.1	37,253,956	-2.7
2011	52,029	1.1	1,056,064	0.7	37,510,766	0.7
2012	52,575	1.0	1,065,117	0.8	37,678,563	0.7
2013	53,278	1.2	1,074,702	0.8	37,966,471	0.8
2014	54,741	2.6	1,087,008	1.0	38,340,074	0.9

Sources: *State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Count, Sacramento, California, August 2011* for years 2000-2010; *E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2010 and 2011*; and Source for January 1, 2012 – January 1, 2014, *E-1 Population Estimates for Cities, Counties and the State with Annual Percentage Change; Sacramento, California, July 2014.*

Prior to the 1970's, the City's growth lagged behind growth in the County as a whole because development was centered in the western portion of the County. As development activity moved eastward during the 1970's, population in the City began to grow sharply, outpacing growth in the County.

The City experienced a population increase of approximately 132% from 2000 to 2010. From 2010 to 2012, the City saw very little residential development activity and property valuations fell substantially from their peak. The City experienced a period of growth from the mid 1990's to the mid 2000's. During this time period, the population of the City more than tripled. During the recession and in the immediately subsequent years, development activity slowed dramatically. In 2008 the City issued only 31 new single family building permits, and over the course of five years the City's assessed valuation fell by one third. In 2012, economic conditions began to improve, with development activity and property valuations increasing. In Fiscal Year 2013-14 the City issued 500 single family building permits and saw an increase of 8.4% in assessed valuation. On July 1, 2014 the City was informed that its Fiscal Year 2014-15 assessed valuation had increased by 18.6%.

Employment

The following table lists some of the major employers in Contra Costa County in alphabetical order:

CONTRA COSTA COUNTY
Major Employers

Employer Name	Location	Industry
AAA Northern Ca Nevada & Utah	Walnut Creek	Automobile Clubs
Bart	Richmond	Transit Lines
Bayer Health Care Phrmctcls	Richmond	Laboraties-Pharmaceutical (Mfrs)
Bio-Rad Laboratories Inc	Hercules	Biological Products (Mfrs)
Chevron Corp	San Ramon	Oil Refiners (Mrfs)
Chevron Global Downstream LLC	San Ramon	Marketing Programs & Services
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Medical Center	Martinez	Hospitals
Department of Veterans Affairs	Martinez	Clinics
Doctors Medical Ctr	San Pablo	Hospitals
John Muir Health Physical Rhb	Concord	Physical Therapists
John Muir Medical Center	Concord	Hospitals
John Muir Medical Center	Walnut Creek	Hospitals
Kaiser	Martinez	Clinics
Kaiser Permanente	Antioch	Hospitals
Kaiser Permanente	Walnut Creek	Hospitals
La Raza Market	Richmond	Grocers//Retail
Muirlab	Walnut Creek	Laboratories-Medical
Richmond City Offices	Richmond	Government Offices- City, Village &Twp
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Shell Oil Products	Martinez	Oil & Gas Producers
St. Marys College	Moraga	School-Universities & Colleges Academic
Sutter Delta Medical Ctr	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners (Mfrs)
VA Outpatient Clinic	Martinez	Surgical Centers

Source: California Employment Development Department, extracted from the *America's Labor Market Information System (ALMIS) Employer Database, 2014 2nd Edition.*

Contra Costa County and Alameda County comprise the Oakland-Freemont-Hayward Metropolitan Statistical Area. The civilian labor force, employment and unemployment for the Oakland-Fremont-Hayward Metropolitan Statistical Area is outlined in the following table.

OAKLAND-FREMONT-HAYWARD METROPOLITAN STATISTICAL AREA
(Alameda and Contra Costa Counties)
Employment and Unemployment of
Industry Employment and Labor Force [1]

	2009	2010	2011	2012	2013
Civilian Labor Force	1,286,600	1,286,800	1,294,900	1,314,100	1,322,000
Employment	1,153,300	1,153,300	1,161,000	1,196,400	1,224,100
Unemployment	133,300	144,300	133,900	117,700	97,900
Civil Unemployment Rate:					
Oakland-Fremont-Hayward MSA	10.4%	11.2%	10.3%	9.0%	7.4%
State of California	12.3%	12.2%	11.2%	9.7%	8.3%

[1] Totals may not be precise due to rounding. Annual averages for all categories except State of California, for which the Historical Civilian Labor Force, California, December Unemployment Rate is provided for each year listed.
Source: Employment Development Department, State of California Labor Market Information Division, March 2013 Benchmark.

The Oakland-Fremont-Hayward Metropolitan Statistical Area comprises the Contra Costa County and Alameda County. A breakdown of the labor force by industry in the Oakland Metropolitan Statistical Area is set forth in the following table.

OAKLAND-FREMONT-HAYWARD METROPOLITAN STATISTICAL AREA
Wage And Salary Workers By Industry
Annual Averages*

	2009	2010	2011	2012	2013
Total Farm	1,400	1,400	1,500	1,500	1,500
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	53,500	47,400	47,600	52,000	56,100
Manufacturing	80,500	77,400	78,300	78,300	78,600
Wholesale Trade	43,700	41,800	42,100	43,600	45,000
Retail Trade	102,100	100,300	101,100	103,800	106,900
Transportation. Warehousing & Utilities	33,200	31,500	32,200	32,900	33,500
Information	25,300	23,600	22,600	22,000	21,400
Finance & Insurance	32,500	33,000	32,800	33,300	33,400
Real Estate & Rental & Leasing	15,500	15,200	14,900	15,400	16,200
Professional & Business Services	151,100	152,100	157,200	166,100	172,300
Education & Health Services	152,600	153,300	153,200	160,100	171,000
Leisure & Hospitality	85,100	85,800	88,200	92,200	98,000
Other Services	34,700	35,000	35,700	36,300	37,000
Government	172,600	165,300	163,900	162,800	163,400
Total All Industries*	985,000	964,300	972,500	1,001,500	1,035,500

*Totals may not be precise due to independent rounding.
Source: Employment Development Department, State of California Labor Market Information Division, March 2013 Benchmark. Sacramento California, July 2014.

Construction

Between 2009 and 2013, the City issued building permits valued at more than $257 million. Of this total, new residential construction accounted for approximately $231 million, and new commercial/industrial projects represented approximately $26 million.

During this five-year period, residential permits in the City included approximately 1,131 new housing units, including 1,077 single family housing units and 54 multi-family housing units. Set forth below are building permit valuations for the City during the five-year period from 2009 through 2013.

CITY OF BRENTWOOD
Building Permit Valuation
2009 through 2013

	2009	2010	2011	2012	2013
Valuation:					
Total Residential	$ 19,787,977	$ 34,975,203	$ 23,011,280	$ 55,878,562	$ 97,720,272
Total Non-Residential	7,366,131	3,269,301	4,126,942	4,699,703	6,223,060
Total Value	$ 27,154,108	$ 38,244,504	$ 27,138,222	$ 60,578,265	$ 104,013,332
Number of New Housing Units:					
Single	87	167	104	248	471
Multiple	0	0	0	54	0
Total Units	87	167	104	302	471

Source: *CHF/CIRB California Homebuilding Foundation Comparison Report, City of Brentwood: 2009-2013; July 2014.*

The following table shows residential building permit data for the County for the last five years.

COUNTY OF CONTRA COSTA
Building Permit Valuation
2009 through 2013

	2009	2010	2011	2012	2013
Valuation:					
Total Residential	$ 504,632,251	$ 553,057,826	$ 455,941,065	$ 574,612,093	$ 727,963,582
Total Non-Residential	313,761,244	285,417,425	289,923,513	214,602,028	334,557,610
Total Value	$ 818,393,495	$ 838,475,251	$ 745,864,578	$ 789,214,121	$ 1,062,521,192
Number of New Housing Units:					
Single	1,038	809	718	1,188	1,585
Multiple	163	890	355	534	370
Total Units	1,201	1,699	1,073	1,722	1,955

Source: *CHF/CIRB California Homebuilding Foundation Comparison Report, Contra Costa County: 2009-2013; July 2014.*

Utilities

Gas and electric service in the City is provided by Pacific Gas & Electric. Telephone service is provided by Pacific Bell. Water is supplied by City wells and the Contra Costa County Water District through the City water lines and filtration plant. Sewer service is supplied by the City.

Education

The City is part of the Brentwood and Liberty Union School Districts which provide K-12 public education needs. There are four high schools, three middle schools, and eight elementary schools located in the City.

Near the City are four colleges, Los Medanos Community College in Pittsburg, Diablo Valley Community College in Concord, San Joaquin Delta Community College and University of the Pacific in Stockton. Los Medanos Community College also has an extension campus located in the City.

Transportation

The City, located near the Cities of Antioch and Stockton, is in close proximity to a highly developed transportation network. The City's main roads connect directly with State Highway 4 which intersects with 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 — Concord Airport, Stockton Airport and Oakland International Airport.

Proximity to Major Urban Centers

Proximity	Distance
Antioch to Brentwood	5 miles
Concord to Brentwood	26 miles
Livermore to Brentwood	24 miles
Oakland to Brentwood	46 miles
Stockton to Brentwood	37 miles
San Francisco to Brentwood	54 miles
Sacramento to Brentwood	75 miles

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 Concord BART station. Tri Delta Transit Express Route 300 provides limited-stop service between Brentwood and the Pittsburg BART station. BART serves cities in San Francisco and the East Bay, including service to and from the San Francisco International Airport. A shuttle bus also provides service between the Oakland Coliseum BART station and the Oakland International Airport.

APPENDIX E

AUDITED FINANCIAL STATEMENTS

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For Fiscal Year Ended June 30, 2014

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December 9, 2014

The Honorable Mayor, Members of the City Council and Citizens of the City of Brentwood
City of Brentwood
Brentwood, California 94513

Dear Mayor, Members of the City Council and Citizens of the City of Brentwood:

We are pleased to submit the Comprehensive Annual Financial Report for the City of Brentwood, California, for the fiscal year (FY) ended June 30, 2014. The City of Brentwood annually publishes a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited by an independent, certified public accounting firm.

This is the fourteenth year the City's Finance Department has prepared this report. Responsibility for both the accuracy of the data and the completeness and fairness of the information, including all disclosures, rests with the City. To the best of the City staff's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the various entities of the City of Brentwood. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. GAAP requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INTERNAL CONTROLS

Accounting for all of the City's activities is centralized under the Finance Department. The department has been delegated the responsibility for maintaining the integrity of the City's recorded financial data. The Finance Department, in conjunction with the City's management, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable assurance these objectives are met, while recognizing that this assurance is not absolute. The concept of reasonable assurance recognizes: 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. City management believes the existing internal control systems are adequate to provide reasonable assurance the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's fifteenth consecutive "Unmodified" Audit issued for the fiscal year ended June 30, 2014.

INDEPENDENT AUDIT

The City Council is responsible for: 1) assuring the City administration fulfills its responsibilities in the preparation of the financial statements and 2) engaging certified public accountants with whom the City Council reviews the scope of the audits and the accounting principles to be applied in financial reporting.

The Government Code of the State of California requires general law cities, such as the City of Brentwood, to have its financial statements audited by an independent certified public accountant. Accordingly, this year's audit was completed by the accounting firm of Maze & Associates. The firm was engaged by the City Council to render an opinion on the City's financial statements in accordance with auditing standards generally accepted in the United States of America. To ensure complete independence, Maze & Associates presents the results of their assessment of the adequacy of internal accounting controls and the quality of financial reporting directly to the City Council. The auditor's report on the basic financial statements is the first item in the accompanying Financial Section.

In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related Office of Management and Budget Circular A-133. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements.

PROFILE OF BRENTWOOD

The City of Brentwood encompasses approximately 14.83 square miles. It was incorporated in 1948 as a general law city under the laws of the State of California. Brentwood is located in eastern Contra Costa County, centrally located between the cities of Oakland, Sacramento, Stockton and the I-580 and I-680 corridor. The City is governed by a five member City Council, under the Council–Manager form of government. As of January 1, 2014, the City had a population of approximately 54,741.

The City provides a full range of services including: Police, Public Works, Economic Development, Planning, Building, Engineering and Inspection, Parks and Recreation, Housing and General Administrative services. The City also operates public water and wastewater utilities, as well as providing a recycling program and refuse collection and disposal. All of these services are accounted for in the City's financial statements.

The City had been financially accountable for the Brentwood Redevelopment Agency prior to its dissolution, which became effective February 1, 2012 as a matter of State law. At that time, the City opted to become the Successor Agency to the Brentwood Redevelopment Agency. Financial data of the Successor Agency has been segregated in a private-purpose trust fund. In addition, the City is financially accountable for the Brentwood Infrastructure Financing Authority (the "Authority"), a component unit of the City. Although a legally separate entity, this blended component unit is also substantively part of the government's operations. Financial data for the Authority is combined with the data of the primary government. For accounting purposes, the Authority, the Successor Agency and the City all have a June 30 year-end date. See Note #1 – A, found on page 32, for a more detailed discussion of the reporting entity.

The City's annual budget serves as the foundation for planning and controlling the City's finances. As such, the City maintains extensive budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The level of budgetary control is established at the fund level. Budgets are prepared and expenditures recorded, at the object of expenditure level. The accounting records are maintained using either the accrual basis or modified accrual basis of accounting, as appropriate. The City also maintains an encumbrance accounting system as one technique for accomplishing budgetary control.

The City operates on a two-year budget cycle. The budget cycle begins in January with a strategic planning meeting. The individual departments then prioritize and recommend the budgetary funding requirements necessary to perform both their objectives and the City Council's strategic goals and initiatives. These funding requests are then balanced and prioritized to fit within the constraints of projected revenue assumptions. The City Manager's Office, and the Finance Department, review all budget proposals and revenue assumptions, as well as all current financial obligations, before preparing the document that is proposed to the City Council. The City Council reviews the proposed budget at a Budget Workshop during the spring, with the final adoption of the two-year budget scheduled for City Council consideration in June. The newly adopted two-year budget is then formally reviewed by the City Council at a public meeting every six months. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, Proprietary Funds, Internal Service Funds and Capital Project Funds are included in the annual appropriated budget.

The following funds are not legally required to adopt annual operating budgets as their appropriations are either: 1) established by the related bond documentation, 2) other legal agreements or 3) are multi-year projects, covered under the Capital Improvement Program Budget whose budget cycle exceeds one fiscal year. Funds which meet these requirements are the: Capital Improvement Financing Program Funds; Community Facilities Improvements Fund; Parks and Trails Improvements Fund; Drainage Improvements Fund; Roadway Improvements Fund; Capital Improvement Revenue Refunding Bonds Series 2012 Fund; General Obligation Bond Series 2002 Fund and Civic Center Project Lease Revenue Bonds Fund. See Note #2 – A, on page 45, for additional information.

ECONOMIC OUTLOOK

The City experienced a period of growth from the mid 1990's to the mid 2000's. During this period, the population of the City more than tripled. Development activity slowed dramatically in 2007 as the impacts from the recession began to be felt. Conditions worsened in 2008 as the City issued only 31 new single family building permits for the year. Conditions remained challenging over the course of the next several years, with the City's assessed valuation falling by one third. However, over the past two years the convergence of low interest rates, and affordable housing prices, has resulted in increased development activity and a general upturn in the housing market, with the City issuing 500 single family residential permits in the 2013/14 fiscal year. Along with the recent increases in development activity, and general improvement in the economy as a whole, the City is seeing increasing revenues relating to the improving housing market. Property taxes, which have historically been the General Fund's top revenue source, increased 8.4% in FY 2013/14, and on July 1, 2014, the City was informed that its FY 2014/15 assessed valuation had increased by 18.6%.

In contrast to the City's property tax revenues, the City's sales tax revenues remained stable throughout the recession and, over the past several years, have continued to post annual increases. The City's sales tax revenues are expected to continue to show very modest increases as consumer activity continues to rise and businesses continue to view Brentwood as an attractive location.

Investment income has been another revenue source which has been impacted by the recession. Record low interest rates have served to reduce the City's expected investment income in the coming years. Low interest rates have a more significant negative impact on agencies, such as Brentwood, which have larger cash reserves due to reserve policy requirements.

The City is also facing significant challenges on the expenditure side of the budget. While revenues have fallen, operational costs have continued to escalate. These budgetary challenges will be much more difficult in the coming years, as increases in the City's pension contribution requirements are phased in and funding requirements for Other Post-Employment Benefits (OPEB) continue to increase. In addition to adopting an OPEB pre-funding plan, the City Council has also taken steps to address long-term cost concerns through labor contract negotiations. As discussed below, a second tier package addressing health insurance, pension and OPEB costs was approved by each of the City's bargaining units. The cost savings generated from these contracts will go a long way towards ensuring a strong fiscal future for the City.

FINANCIAL OUTLOOK

Long-Range Financial Planning – Key to planning for the City's build-out was the development of a highly sophisticated fiscal model which helps ensure the City continues to budget conservatively, with revenues exceeding expenditures, and with adequate reserves to cover future liabilities and unexpected emergencies. The City's 2013/14 – 2022/23 General Fund Fiscal Model ("Fiscal Model"), presented to the City Council in August 2014, combines a 10-year financial forecast of expenditures, revenues and fund balance, with recommendations on how to manage any possible gaps between revenues and expenditures. In prior years, this Fiscal Model helped highlight the unsustainability of the existing cost, structure associated with employee benefits, especially pensions, health care and retiree medical expenses, which ultimately led to the implementation of a second tier benefit level. More recently, increased development activity and rising property values have improved the outlook in the Fiscal Model. The Fiscal Model will be updated regularly and will serve as a valuable planning tool as the City emerges from the economic downturn. The Fiscal Model will also continue to be presented to the City Council on an annual basis.

The City also opened a Budget Stabilization Fund during the 2008/09 fiscal year. This fund was used to accumulate savings during good years in order to provide a source of funding for economically challenging years. As of June 30, 2013 this fund was closed with the remaining funds being transferred to a new Pension/OPEB Obligation Fund. Each year, General Fund savings, over and above the minimum fund balance requirement, are transferred to the Pension/OPEB Obligation Fund to be used to help offset the rising cost of OPEB as part of a long-term, pre-funding strategy of retiree medical benefits. In addition, this fund will be used to help offset the rising costs of pension expenses and to pay the unfunded liability on a cost reimbursement basis. This is an intermediate-term funding source which will: 1) help mitigate the effects of rising pension and OPEB costs, 2) provide the General Fund necessary time to allow for the financial savings associated with amended labor contracts, and other proposed long-term cost savings, to accumulate and 3) ultimately allow for the General Fund to operate in balance without this subsidy. Current projections indicate the General Fund will maintain a 30% reserve, as directed by City Council policy, throughout the next ten year period.

Labor Contracts – All of the City's labor contracts were set to expire on June 30, 2012. Negotiations for new labor contracts were conducted with the knowledge that a balance must be struck between achieving the cost savings necessary to ensure a fiscally sustainable future, while at the same time maintaining a competitive compensation plan to protect the City's ability to recruit and retain qualified employees. Through the labor negotiation process, the City succeeded in this objective with the new contracts including: 1) second tier retirement benefits for new Sworn employees (Non-sworn agreed to a second tier retirement in 2010); 2) reduced health insurance coverage limits; 3) reduced OPEB coverage commitments and 4) increased pension contributions for employees. All of the City's labor groups agreed to these necessary cost reductions. A provision in the five-year agreements allowed for annual re-openers if certain assessed valuation thresholds were met. The threshold for a re-opener was met in 2013, and the City negotiated side letter agreements with the each of the bargaining groups. With the rapid increase in assessed valuation, the re-opener threshold was also met in 2014, although the resulting fiscal impacts, if any, are not known at this time.

Retirement – The City is a member of the California Public Employees Retirement System (CalPERS). CalPERS rates fall into two categories: Police Safety (Sworn) and Miscellaneous (Non-sworn) Members. Employees in the CalPERS system are not covered by Social Security. One component required to help restore long-term fiscal stability for the City was the implementation of lower cost-pension benefits for newly hired employees, along with increased pension cost sharing requirements for both the Sworn and Non-sworn groups.

The City's Sworn members have three tiers. The first tier, for employees hired prior to September 1, 2012, participate in the 3% at 50 retirement plan, have their "final compensation" based on their highest one-year salary and are provided with annual cost of living adjustments of up to 5%. The City paid 3% of the required 9% CalPERS employee contribution in fiscal year 2013/14. The City will cease paying any portion of the employees share in fiscal year 2014/15. The second tier, for employees hired on or after September 1, 2012, will participate in the 3% at 55 retirement plan, have their "final compensation" based on their highest average three-year salary and are provided with annual cost of living adjustments of up to 2%. The employee is responsible for the entire 9% required CalPERS employee contribution. The third tier was created through the signing of the Pension Reform Act of 2013 "PEPRA", Assembly Bill 340. PEPRA applies to employees hired on or after January 1, 2013 who either have never been members of the CalPERS or a reciprocal agency, or who have had a break in service from a CalPERS agency of at least six months. Sworn employees who meet these criteria participate in the 2.7% at 57 retirement plan, have their "final compensation" based on their highest average three-year salary and are provided with annual cost of living adjustments of up to 2%. The employee is responsible for one half of the pension normal cost, up to a cap of 12%, which equates to a current employee contribution of 11.5%.

The City's Non-sworn members also have three tiers. The first tier, for those employees hired prior to October 1, 2010, participate in the 2.7% at 55 retirement plan, have their "final compensation" based on their highest one-year salary and are provided with annual cost of living adjustments of up to 5%. The City paid 6% of the required 8% CalPERS employee contribution in fiscal year 2013/14 and will cease paying any portion of the employee share in fiscal year 2014/15. The second tier, for those employees hired on or after October 1, 2010, will participate in the 2.0% at 60 retirement plan, have their "final compensation" based on their highest average three-year salary and are provided with annual cost of living adjustments of up to 2%. The employee is responsible for the entire 7% required CalPERS employee contribution. The third tier was created by PEPRA, with qualifying employees hired on or after January 1, 2013 participating in the 2% at 62 retirement plan, with their "final compensation" based on their highest average three-year salary with annual cost of living adjustments of up to 2%. The employee is responsible for one half of the pension normal cost, up to a cap of 11%, which equates to a current employee contribution of 6.25%.

The City also provides retiree medical coverage to employees who retire from the City and who have met 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. As a part of the new labor contracts, the City's maximum coverage amount for retiree medical coverage is divided into three tiers:

- The first tier, which includes retirees who separated from service prior to July 1, 2012, have a current maximum monthly City paid coverage amount of $1,485.44 for Non-sworn and $1,491.41 for Sworn. This amount will increase based on increases in medical coverage rates and, over the long-term, will equal the "Kaiser plus one dependent" rate.
- The second tier, which includes active employees hired prior to July 1, 2012, will provide monthly coverage of the greater of $1,326.63, or the "Kaiser employee only" rate, currently $742.72, for Non-sworn employees. Monthly coverage for Sworn members will be provided at the greater of an indexed medical cost, currently at $1,485.44 with a cap of $1,500 or the "Kaiser employee only" rate. It is anticipated it will be several years before the Kaiser employee only rate will exceed the current medical caps, resulting in a long period without City cost increases for retiree medical coverage.
- The third tier, which includes employees hired on or after July 1, 2012, will provide monthly coverage of the Public Employees Medical and Hospital Care Act (PEMHCA) minimum, as set annually by the State of California. The current PEMHCA monthly minimum is $119.

Other Post-Employment Benefits – Governmental Accounting Standards Board (GASB) Statement No. 45 was established in 2004 and requires the City to report the costs of OPEB as the employee earns the benefit, rather than as the benefit is paid. While there is no requirement that the City pre-fund, or set aside the full Annual Required Contribution (ARC) on an annual basis, the City Council established a funding strategy which includes achieving 85% funding of the ARC, on an annual basis, by fiscal year 2017/18. Pre-funding OPEB obligations is projected to provide the City with savings over the long-term, as pre-funding contributions will be invested on a long-term basis until they are needed to pay for OPEB obligations. Pre-funding should ultimately allow for investment income, rather than City contributions, to provide the majority of funds needed to cover OPEB obligations in the future. In 2012, in response to rapidly rising costs, and an increasing unfunded OPEB obligation, the City negotiated with its labor bargaining units for a reduced OPEB commitment for future retirees.

Development Fees – The City of Brentwood established a Development Fee Program in 1989. The program sets forth the nexus between future development, facilities needed to serve future development and the estimated costs of those improvements based on the current General Plan and Capital Improvement Program. The purpose of the fees, referred to as AB 1600 fees, is to finance municipal public facilities to mitigate the impacts caused by future development. These capital improvement facility fees are adopted pursuant to Government Code §66000, et seq. The Development Fee Program implements policies of the City's General Plan including the policy that "…new development shall contribute its fair share of the cost of on-site and off-site public infrastructure and services. This shall include installation of public facilities, payment of impact fees and participation in a Capital Improvement Financing Program (CIFP)." CIFPs provide a mechanism through which the City and the development community cooperate to fund and construct both major Master Planned and Sub-Master Planned infrastructure (roads, water and wastewater lines, regional drainage facilities, etc.). Bonds are sold using the participating Developer's property as collateral. There is minimal risk involved for the City as a 3 to 1 value to lien ratio is used to determine the amount of bonds to be sold. Additionally, the City is able to obtain very low interest

rates through its outstanding financial reputation. As the properties develop, the bonds are repaid by the new property owner over a 30-year period.

MAJOR INITIATIVES – BRINGING BRENTWOOD'S VISION TO REALITY

(City Council Goals Listed Alphabetically)

Deliver Excellent Public Services

- **City Website Redesign** – The City Website Redesign project was completed and the new website was launched in July 2014. Representatives from all departments collaborated on the new design to ensure functionality and a consistent web experience throughout the new site. This redesign effort brings a fresh, new look to the City's web presence and will more effectively showcase the City and the many features, resources and amenities available to the public. The website also features new technology which will help staff more effectively manage and maintain the website content. In addition to the website redesign, the City developed a Financial Dashboard, a web-based reporting tool, which provides the public with interactive information on the City's finances, including analysis of the City's year-to-date revenues, expenses and budgetary information for the City's operations. It also allows users to view financial information from previous years, providing an easy way to compare trends over time. In addition, the Financial Dashboard provides financial information concerning the City's capital improvement projects.

- **Development of a Citywide Network Connectivity Master Plan** – The long-term plan is to create a Fiber Optic ring around the City. The Fiber Optic network is very reliable and has enough bandwidth to push video, phone, data and any future technology that requires high bandwidth. The fiber optic ring will be used to connect City facilities and position the City for future technology. Due to the cost of the project, there are three phases, with the first two phases already completed. Phase one connected the City Data Center to City Hall and connected Public Works Operations to the Data Center. Phase two connected the Aquatic Park/Senior Activity Center to the Data Center. The third phase, which is planned for future years, will include an update to the Fiber Optic Master Plan Study and will identify future connection needs. Additionally, the City implemented Wi-Fi internet access points at the City's Senior Center, Veterans Park, Aquatic Park and the Police Station in September 2014. Plans for further expansion of the Wi-Fi network include access to Sunset Park and the Public Works Operation area near Elkins Way.

- **Gigabit Broadband Internet Service** – In May 2014, the City Council approved an agreement with Sonic.net to install gigabit broadband internet service in Brentwood, making it the first city in the Bay Area to feature a widespread gigabit broadband network available to residents and businesses. It is estimated that initially over 8,000 homes and businesses in Brentwood will have the ability to connect to the gigabit network. Gigabit internet is an ultra-high speed broadband service, running at speeds 50-400 times greater than what most users currently experience. The combination of the City's proximity to major technology job centers, along with an internet network rivaling any in the country, will help establish Brentwood as an attractive destination for the next generation of technology companies. Sonic.net will offer a lower speed copper service to those areas of the city which currently do not have conduit available. In addition, Sonic.net, in conjunction with the City, is developing plans on how to cost effectively expand the fiber service to the parts of the City that currently do

not have the necessary infrastructure. Sonic.net will also connect certain public facilities to the gigabit network, including schools with conduit access, and will dedicate fiber to the City for municipal services.

- **Other Technological Improvements** – The City has implemented electronic plan checking which gives development customers the ability to submit plans electronically. In addition to the current electronic plan checking process, the City is working towards implementing on-line development plan submittal, and permit fee payment, which will allow development customers the ability to submit plans and payment via the City's website, saving resources and enhancing communication between developers and the City.

  GeoVault, an updated GIS based interactive map room, has been incorporated into the City's new website. GeoVault allows the public to access databases containing a variety of information about areas within the City limits such as zoning, parks and garbage service days.

Enhance Community and Neighborhood Improvement

- **Recreation Program** – The City of Brentwood Parks and Recreation Department offers a variety of sponsored and co-sponsored programs for the benefit of the community. Through the Economic Development Grant, the Parks and Recreation Department was able to offer several special events and programs in fiscal year 2013/14, including Scarecrows in the Park, Christmas Tree Lighting, Letters from Santa and Movies in the Park. In addition, the community was once again brought together with the popular Starry Nights in Brentwood Summer Concert Series in City Park. The Annual "Playful City" Play Day was hosted in August 2013 in City Park. This event included a "Quasquicentennial" (125th birthday) celebration of City Park. Included in the event was a concert especially geared towards children, as well as many fun games, activities and birthday cupcakes.

- **Joint Use Sport Fields** – The City and the Liberty Union High School District (LUHSD) have a long history of developing joint use facilities. With the growth of year round sport seasons of competitive level play, traditional turf fields are not able to handle the year-round play due to inclement weather and the need to annually renovate turf. Therefore, the City and LUHSD currently have a joint use project to investigate the feasibility of replacing existing turf fields at the Liberty High School campus with lighted, all-weather sport fields.

- **Parks and Trails Improvements** – The City Wide Park Shade Improvement Project, using Measure WW Funds from East Bay Regional Park District, began construction during the fiscal year and is now complete. This project entailed adding permanent shade structures over bleachers and/or play equipment at five of the most heavily used parks, including: Sunset Park Athletic Complex; Blue Goose Park; Veterans Park Universal Abilities Playground; Balfour-Guthrie Park and Oak Meadow Park. Also, modern play equipment was installed at Spirit Park and Glory Park to replace the wooden play structures that had exceeded their expected lifespans. Along with this, a new Quick Response (QR) F.I.T. Trails program kicked off at three park/trail locations. Users can scan QR codes with their smart phones to access free exercise videos that are updated monthly. These exercise videos work the core, lower body and upper body and improve a person's flexibility.

- **Community Beautification** – Construction has commenced on the Brentwood Boulevard Median Landscaping Improvements project, which will include widening of certain medians between Homecoming Way and Lone Tree Way, plus enhancement with trees, shrubs, vines and flowering plants. This addition supports the Brentwood Boulevard Specific Plan which envisions the development potential and the creation of a beautiful setting for the City's northeast quadrant.

- **Public Art** – Through a Memorandum of Understanding with the Liberty High School Public Art and Design Academy, students installed a "Sunflowers" mosaic mural on the sound wall at the corner of Brentwood Boulevard and Second Street that features the theme of "Heritage, Vision and Opportunity". In the upcoming year, public art by Brian Keith, featuring two large bronze sculptures, will be installed with the theme of "Playful Winds". These pieces will be installed on Balfour Road between Mountain View Drive and Foothill Drive. Also, the Community Center Public Art Walls continue to exhibit art from local artists with displays updated quarterly.

Ensure Long-term Financial Stability and Sustainability

- **Utility Rate Studies** – A goal of the City, in consensus with the City Council, is to provide the best possible utility services to the public at the lowest possible price, while still maintaining the financial sustainability of the City's utility Enterprises – Water, Wastewater and Solid Waste. To do so, the City conducts a Utility Rate Study every five years. A rate study was completed during the 2013/14 fiscal year for all three Utility Enterprises. City staff worked in conjunction with outside consultants to provide the most forward-looking, accurate revenue and expenditure data for the rate study. Although operational costs continue to increase, through the continued diligence of City staff the rate study determined the Enterprises can continue to maintain financial stability over the coming years with minimal impact to the utility usage rates. Proposed utility rate adjustments were approved by City Council in November 2013 and took effect in January 2014.

- **Cost Allocation Plan** – On an annual basis the City prepares a Cost Allocation Plan which is designed to help ensure the City is recovering costs in accordance with City Council policy. In preparing the Cost Allocation Plan, and determining fee and cost recovery for City programs, the appropriate balance between fee generation and customer service are carefully considered.

- **General Fund Fiscal Model** – The 2013/14 – 2022/23 General Fund Fiscal Model was presented to the City Council in August 2014 and continues to serve as a critical planning tool to help ensure fiscal sustainability. The Fiscal Model presents the next ten years of revenues, expenses and fund balance for the General Fund and provides City management with the ability to identify potential future economic challenges, with sufficient time to develop solutions, in order to minimize the impacts to the residents of the City.

Promote Economic and Community Development

- **Business Attraction and Retention** – The City launched a business attraction campaign, including outreach to key industry groups, marketing in industry publications and participation in several trade shows (biotechnology, food processing, industrial real estate, etc.). As part of a long-term strategy to attract large employers to Brentwood, the City took a leadership role in several regional partnerships, such as Team California, the East Bay Economic Development Alliance and the East Bay Leadership Council. The City actively supported

local brokers and property owners in several successful efforts to attract retail. Some highlights include the City's work with the owners of The Streets of Brentwood to attract seven new retailers and restaurants, as well as collaboration on a potential new project to expand the shopping center. The City provided business retention services to 61 local existing businesses, assisting them with real estate, marketing and other business issues, resulting in more than 300 jobs either created or retained in the City. The City also continued its Shop Brentwood campaign.

- **Agricultural Enterprise Implementation** – The City continued its Agricultural Enterprise program, which included conservation easements that, during the past 10 years, have preserved a total of 988 acres of environmentally sensitive farmland in the Ag Core. The program also includes marketing for agritourism and several other efforts to support the local agriculture industry.

- **General Plan Update** – In July of 2014, the City Council unanimously approved a comprehensive update of the General Plan. The General Plan is the City's "constitution" or "blueprint" for development, and includes a set of goals, policies and actions that collectively form the community's vision for the future. The last comprehensive update to the General Plan was in 1993, with a partial update completed in 2001. The comprehensive update, which formally began in April 2012, completed one of the goals identified in the Council's strategic plan. The update was a significant and collective effort on the part of the community, key stakeholders, a 12-member working group, the Planning Commission and the City Council. The next phase of the project will be continued maintenance and implementation of the various actions identified within the General Plan.

- **Downtown Specific Plan Update** – In June of 2014, the City Council unanimously approved an amendment to the Downtown Specific Plan by streamlining it and making it more user-friendly, primarily by addressing a series of technical deficiencies and development standards. The Downtown Specific Plan was adopted in 2005 and was amended in 2008 to accommodate the Civic Center project. The update, which began in mid-2012 with direction provided by the Downtown Specific Plan/Business Promotion Ad Hoc Committee, completes another one of the goals identified in the Council's strategic plan.

Provide for Effective Transportation and Infrastructure

- **Regional Transportation** – The State Route 4 (SR 4) Bypass Authority, in coordination with the Contra Costa Transportation Authority (CCTA), anticipates completion of the Sand Creek Road Interchange Project in the fall of 2014. The Sand Creek Road interchange project, which began construction in June of 2012, widens SR 4 to four lanes from Lone Tree Way to Sand Creek Road, with an interchange at Sand Creek Road to eliminate the signalized, at-grade intersection. The Balfour Road interchange project is currently under design and will provide four-lane widening from Sand Creek Road to Balfour Road and a bridge over Balfour Road.

  State Route 239 (SR 239), is a legislatively approved, but unconstructed route in the California state highway system, which is a potential multimodal link between SR 4, near Brentwood, and I-205, west of Tracy in San Joaquin County. The route has not been adopted by the California Transportation Commission; however, Contra Costa County was awarded $14 million for initial study and planning under the Safe Accountable Flexible Efficient Transportation Equity Act: a Legacy for Users in 2005. Administration of the study, now called TriLink, was transferred to the CCTA in January 2012.

- **Pavement Management** – The City continues to proactively monitor public roadway conditions, and plan for systematic pavement maintenance, in order to maintain public roadway safety and efficiently and cost effectively maintain the infrastructure network. For the fourth consecutive year, the City has been awarded "Bay Area Best Roads" from the Metropolitan Transportation Commission, the nine-county San Francisco Bay Area transportation agency.

Provide for the Public's Safety

- **Enhance Emergency Preparedness and Response Plans** – The police department is working to conduct at least one internal workshop on emergency preparedness this upcoming fiscal year. The department is also partnering with the LUHSD and the Brentwood Union School District to finalize their emergency response plans. These plans will address joint active shooter training with the districts.

- **Support and Enhance the Neighborhood Watch Program** – The City of Brentwood currently has 68 neighborhoods participating in the Neighborhood Watch Program. This program has been a vital tool to deter and prevent crime in our community. The police department is continuously striving to increase the number of participating neighborhoods throughout the City.

- **Traffic Safety Emphasis Program** – The police department has planned for, and will be implementing, a traffic safety emphasis program in the upcoming fiscal year. As the city continues to grow, increased traffic safety has become a priority throughout the community.

- **Police Sworn Overstaffing Positions** – In November 2013, the City Council approved a resolution to allow for up to four authorized police Sworn overstaffing positions. While these positions are not used to increase authorized regular Sworn staffing levels, when needed, they help fill the gap when a regular position will be, or is already, vacant due to retirement, medical leave, or other extended absences. This policy supports the City's emphasis on Public Safety by ensuring adequate Sworn personnel are available for service.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Brentwood for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We wish to thank the City Council for providing the clear policy direction and goals which have been used to prepare this Comprehensive Annual Financial Report. A great deal of effort and attention to detail, representing many hours of work by staff members throughout the organization, is required to produce a report of this quality. We would like to express our appreciation to all City of Brentwood staff members who have taken the time to participate in the development of this year's Comprehensive Annual Financial Report. Special recognition is given to the Finance Department and specifically the Business Services and Financial Services staff. Appreciation is also expressed to the Mayor and the City Council for their interest and support in planning and conducting the financial activities of the City in a responsible and responsive manner.

The City of Brentwood has a bright future due to its committed elected leadership and the talents and ingenuity of its City employees. One of the key components in securing this future is through a well-planned, long-term fiscal strategy based upon economic development which will generate high paying, long-term employment opportunities, new and stable sales tax revenue sources and improved inter-governmental relations. City Council and staff have taken steps to plan and implement this long-term strategy. Though the challenges are great, the City is firmly committed to meeting each and every challenge that comes our way. This Comprehensive Annual Financial Report is the next step towards meeting those challenges. By continuing to follow the financial policy set forth by the City Council, the City of Brentwood will deliver the highest level of service permitted by the available resources.

Respectfully submitted,

Steven M. Salomon
Interim City Manager

Pamela Ehler
City Treasurer
Director of Finance and Information Systems

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Brentwood

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

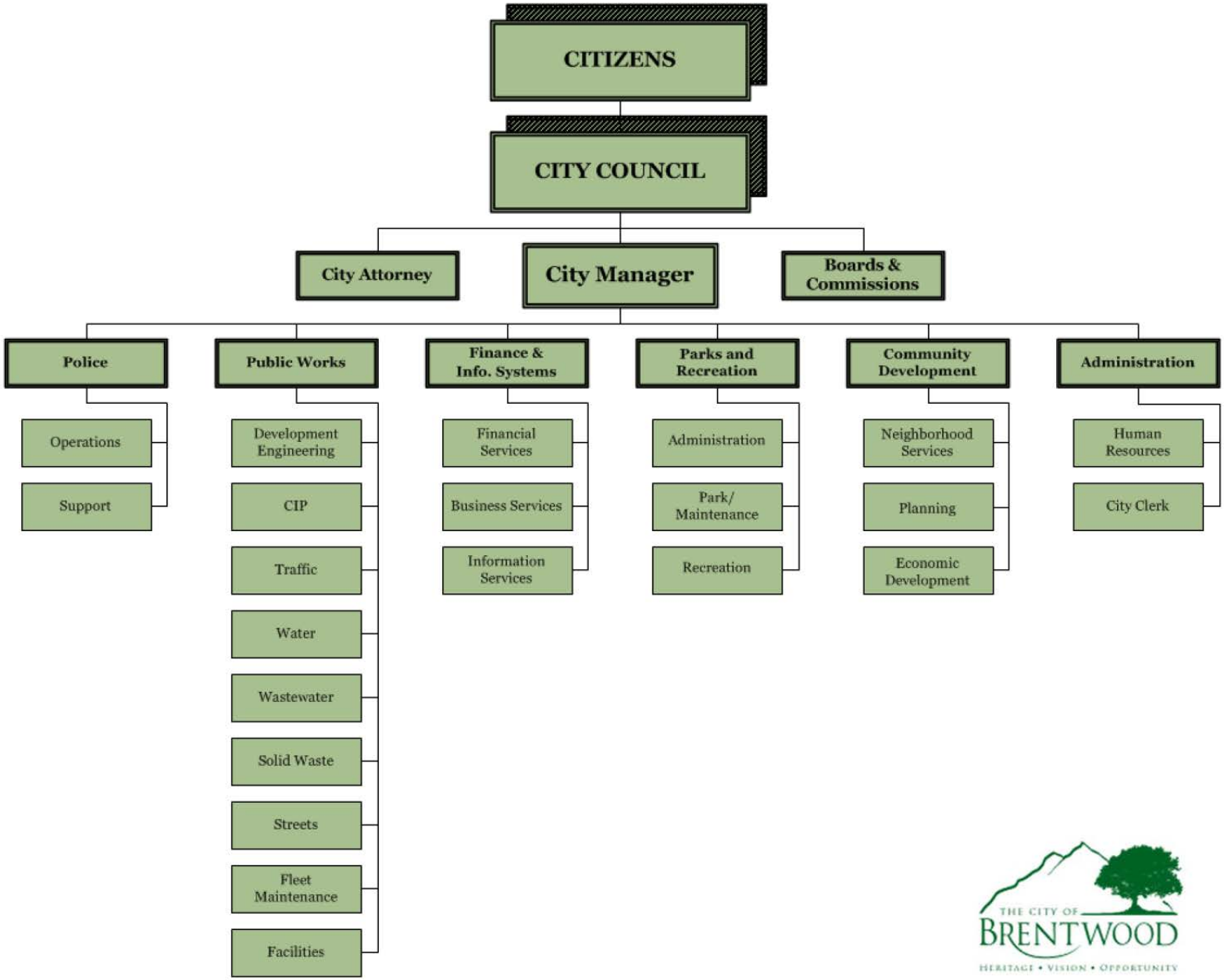
LIST OF PRINCIPAL OFFICIALS

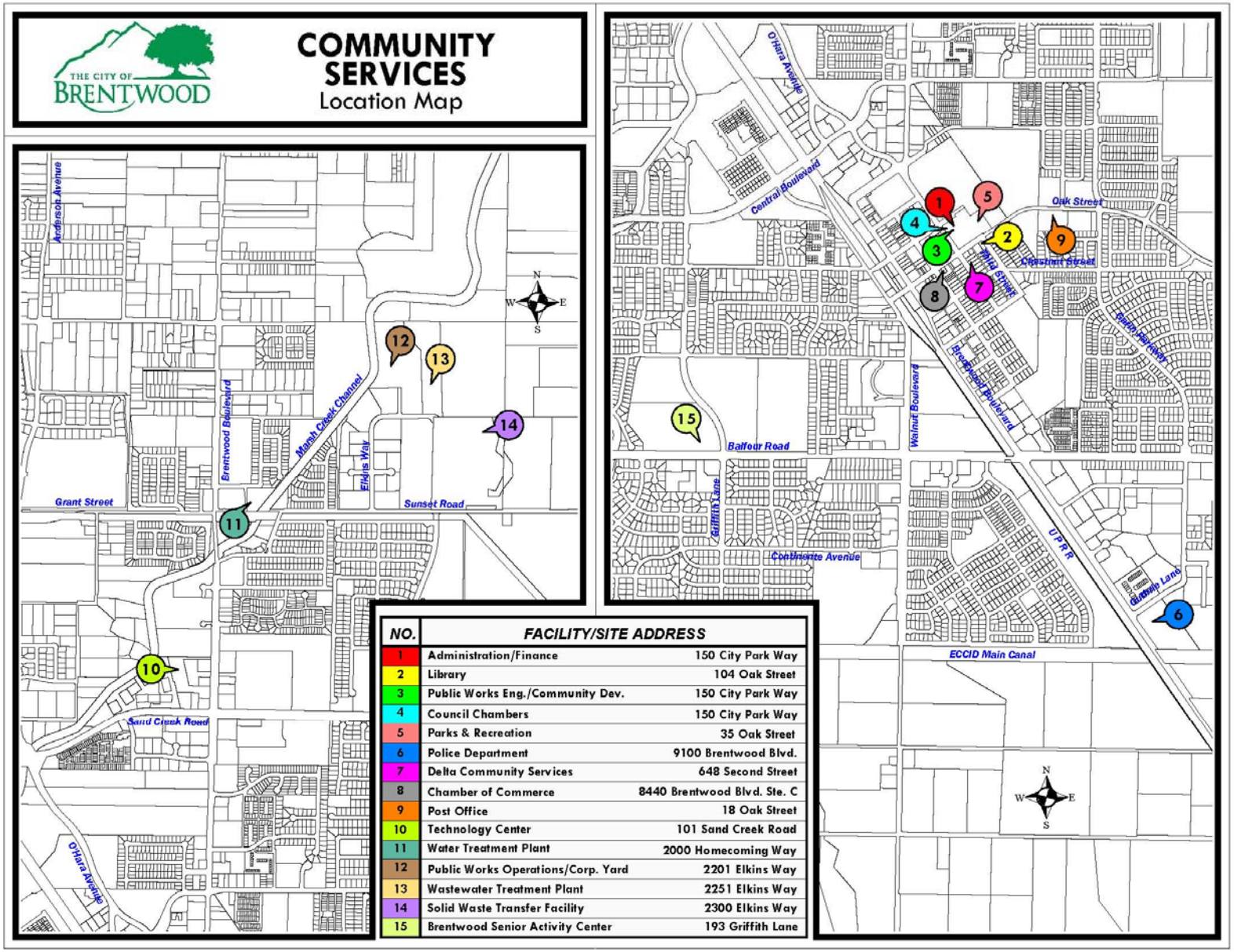
City Officials

Robert Taylor ..... Mayor
Joel Bryant ..... Vice Mayor
Steve Barr ..... Council Member
Gene Clare ..... Council Member
Erick Stonebarger ..... Council Member

Executive Team

Steven Salomon ..... Interim City Manager
Damien Brower ..... City Attorney
Karen Chew ..... Assistant City Manager
Pamela Ehler ..... City Treasurer/Director of Finance and Information Systems
Mark Evenson ..... Chief of Police
Bailey Grewal ..... Director of Public Works/City Engineer
Casey McCann ..... Director of Community Development
Bruce Mulder ..... Director of Parks and Recreation


CITIZENS
CITY COUNCIL
City Attorney
City Manager
Boards & Commissions
Police
Operations
Support
Public Works
Development Engineering
CIP
Traffic
Water
Wastewater
Solid Waste
Streets
Fleet Maintenance
Facilities
Finance & Info. Systems
Financial Services
Business Services
Information Services
Parks and Recreation
Administration
Park/ Maintenance
Recreation
Community Development
Neighborhood Services
Planning
Economic Development
Administration
Human Resources
City Clerk



NO.	FACILITY/SITE ADDRESS	
1	Administration/Finance	150 City Park Way
2	Library	104 Oak Street
3	Public Works Eng./Community Dev.	150 City Park Way
4	Council Chambers	150 City Park Way
5	Parks & Recreation	35 Oak Street
6	Police Department	9100 Brentwood Blvd.
7	Delta Community Services	648 Second Street
8	Chamber of Commerce	8440 Brentwood Blvd. Ste. C
9	Post Office	18 Oak Street
10	Technology Center	101 Sand Creek Road
11	Water Treatment Plant	2000 Homecoming Way
12	Public Works Operations/Corp. Yard	2201 Elkins Way
13	Wastewater Treatment Plant	2251 Elkins Way
14	Solid Waste Transfer Facility	2300 Elkins Way
15	Brentwood Senior Activity Center	193 Griffith Lane

Mission Statement

Bringing Brentwood's Vision to Reality

Vision and Culture

We are an organization of dedicated professionals working together to make Brentwood the very best, preserving its rich heritage and keeping Brentwood in the hearts of the people.

Core Values

We hold these values as our core values and use them to measure everything we do:

Integrity *– uncompromising adherence to moral and ethical principles.*
Passion *– boundless enthusiasm for what we do.*
Accountability *– answerable for our actions.*
Respect *– to feel and show esteem and consideration for others.*
Quality *– the highest degree of excellence.*

AWARDS

The City prides itself on providing quality services to the community. Following is a list of awards acknowledging these achievements in quality.

The City of Brentwood was named a ***"Playful City USA"*** community for 2013 by KaBOOM! a national non-profit dedicated to bringing play back into children's lives.

The City of Brentwood received the ***"Silver International Aquatic Safety Award"*** for 2013 from Ellis and Associates International Aquatic Safety and Risk Management.

The City of Brentwood was recognized by the Arbor Day Foundation as a ***"Tree City USA Community"*** for 2013.

The City was recognized by the Metropolitan Transportation Commission for having the ***"Highest Pavement Condition Index (PCI)"*** in the Bay Area for 2013.

The City received the Government Finance Officers Association (GFOA) Award for the following:
"Excellence in Financial Reporting for Fiscal Year 2012/13"

The City received the California Society of Municipal Finance Officers (CSMFO) Award for the following:
"Capital Budget Excellence Award for Fiscal Year 2013/14"

The City of Brentwood received the "***San Francisco Bay Section Wastewater Treatment Plant of the Year (5-20 MGD)***" by the California Water Environmental Association.

The City of Brentwood received the "***Blue Shield Shop***" Award from the National Institute for Automotive Service Excellence (A.S.E.).

MAZE & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Brentwood, California

Report on the Financial Statements

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 (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accountancy Corporation 3478 Buskirk Avenue, Suite 215 Pleasant Hill, CA 94523
T 925.930.0902 F 925.930.0135 E maze@mazeassociates.com W **mazeassociates.com**

Emphasis of Matters

Management restated the amount due to the City from the Successor Agency as discussed in Note 12E.

As discussed in Note 12, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Brentwood Redevelopment Agency was been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Brentwood Redevelopment Agency prior to the date of dissolution are subject to review by the State as discussed in Note 12, but the effect of that review cannot be determined as of June 30, 2014.

AB1484 requires the Successor Agency to complete two Due Diligence Reviews (DDR) to determine the amount of the remaining assets that should be transferred by the City to the Successor Agency or by the Successor Agency to the County for distribution to the affected taxing entities. In February 2013, the State Department of Finance (DOF) completed its review of the DDR of the Low and Moderate Housing Fund's cash balance available for allocation to the affected taxing entities. The DDR indicated assets totaling $83,053 were to be returned, but that amount was adjusted by the DOF to $4,072,553. The City and Successor Agency complied with the DOF's determination by transmitting payments to the County Auditor-Controller in January and February 2013. In May 2013, the DOF completed its review of the DDR of all other funds of the former Redevelopment Agency. The DDR indicated there were no assets available for allocation to the affected taxing entities, but that amount was adjusted by the DOF to $14,955,931. The City disputes the adjustments and has filed a lawsuit in 2013 against the DOF related to the DDR adjustments. On April 2, 2014, the Court ruled against the City and Successor Agency regarding the cash transfers, but did not rule on the legality of the property transfers. The City and Successor Agency have appealed the decision, as discussed in Note 14.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information for the General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pleasant Hill, California
October 27, 2014

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This discussion and analysis of the City of Brentwood's ("the City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. 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 $801.6 million. Of this amount, $93.9 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by $14.2 million, with $7.4 million attributable to governmental activities and $6.8 million attributable to business-type activities. The rise in development activity is primarily responsible for these increases, with the City issuing 500 single family building permits during the year which resulted in additional permit and development impact fees.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $69.6 million, an increase of $1.1 million in comparison to the prior year. Increased development activity served as the primary driving force behind this increase.
- The City's total long-term obligations decreased by $3.5 million as increases of $1.7 million in net Other Post-Employment Benefits (OPEB) obligations were more than offset by reductions from annual debt service payments on remaining City debt.
- Internal Service Funds have a net position of $46.9 million at year end, which is an increase of $5.7 million from the prior year. The increase is attributable to a $1.3 million increase in the Parks and Landscape and Lighting Assessment Districts Replacement Fund and a net increase of $3.2 million between the Insurance and Pension/OPEB Obligation Fund. These increases are indicative of the City's commitment to ensure sufficient funding is available for the replacement of parks assets and for managing the rising costs of pensions and retiree medical benefits. A significant source of this increase was funded through General Fund transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of 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 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 Rentals and Housing activities are reported in this category.

The Statement of Net Position, and the Statement of Activities and Changes in Net Position, 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 position and changes in them. Over time, increases or decreases in the City's net position 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 or 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 City's Fiduciary Funds include Agency Funds, which are purely custodial in nature and do not involve a measurement of operational results, and Private-Purpose Trust Funds which, in addition to being custodial in nature, also include operational activities under which the principal and income benefit several specific local taxing entities. While both Agency and Private-Purpose Trust Funds include a Statement of Net Position, only the latter is required to include a Statement of Changes in Net Position. The Fund Financial Statements can be found on pages 19 – 28 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, which 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 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 Enterprise 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, governmental agencies and others. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded 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 Statements can be found on pages 27 – 28 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 – 92 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 budgetary comparison schedules for the General Fund. Required Supplementary Information can be found on pages 93 – 94 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 95 – 140 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 position for the City as a whole increased by 1.80%, or $14.2 million, from $787.4 million at June 30, 2013 to $801.6 million at June 30, 2014. The annual change comes from the change in net position as recorded in the Statement of Activities, which flows through the Statement of Net Position. Net investment in capital assets was nearly unchanged on a percentage basis (decrease of $0.8 million). 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 cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources which are subject to external restrictions on how they may be used. This restricted amount is $83.2 million as of June 30, 2014. The remaining balance of unrestricted net position, $93.9 million as of June 30, 2014, may be used to meet the City's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-Type Activities		Totals	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Current Assets	$ 120,680,249	$ 114,714,244	$ 81,093,701	$ 76,691,407	$ 201,773,950	$ 191,405,651
Capital Assets	504,652,551	503,627,764	242,491,135	244,189,489	747,143,686	747,817,253
Other Non-Current Assets	27,500,869	29,194,174	1,890,190	1,098,504	29,391,059	30,292,678
Total Assets	652,833,669	647,536,182	325,475,026	321,979,400	978,308,695	969,515,582
Current Liabilities	9,314,281	10,934,788	6,851,359	7,152,612	16,165,640	18,087,400
Long-Term Liabilities Outstanding	86,185,064	86,673,409	74,341,710	77,305,106	160,526,774	163,978,515
Total Liabilities	95,499,345	97,608,197	81,193,069	84,457,718	176,692,414	182,065,915
Net Position:						
Net Investment in Capital Assets	448,914,876	451,053,113	175,557,744	174,173,837	624,472,620	625,226,950
Restricted	55,657,033	50,993,394	27,579,197	25,789,668	83,236,230	76,783,062
Unrestricted	52,762,415	47,881,478	41,145,016	37,558,177	93,907,431	85,439,655
Total Net Position	$ 557,334,324	$ 549,927,985	$ 244,281,957	$ 237,521,682	$ 801,616,281	$ 787,449,667

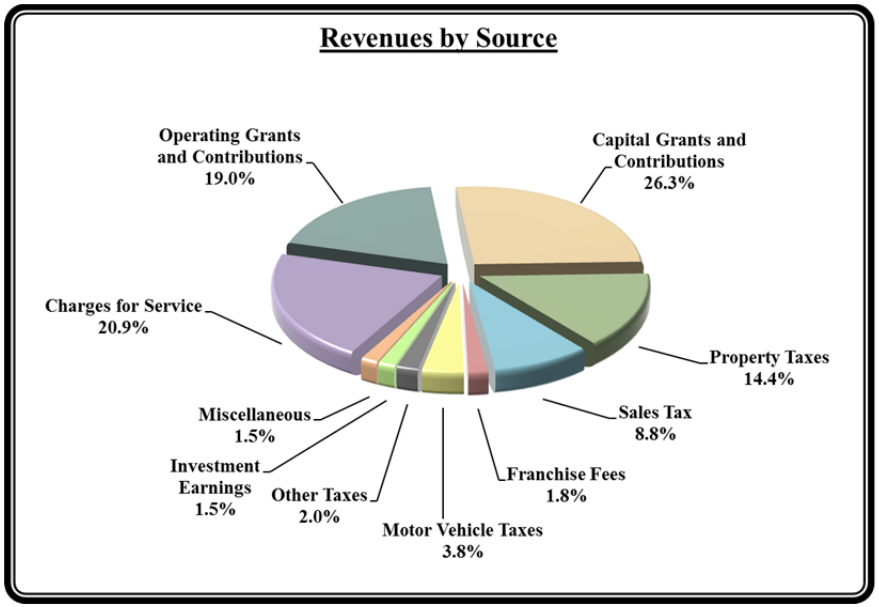
Governmental Activities – The City's net position from governmental activities increased 1.3%, from $549.9 million to $557.3 million. Increasing development activity was responsible for the majority of this increase, with the City issuing 500 single family building permits during the year. When comparing results to the prior year, the City received $4.2 million less in operating and capital grants, which are variable in nature. Property tax, sales tax and investment income all posted moderate gains, reflective of the improving economic conditions. On the expense side, expenses declined by slightly less than half of one percent. The declines were attributable to the loss of grant funds, in addition to a large number of personnel vacancies that persisted throughout the fiscal year.

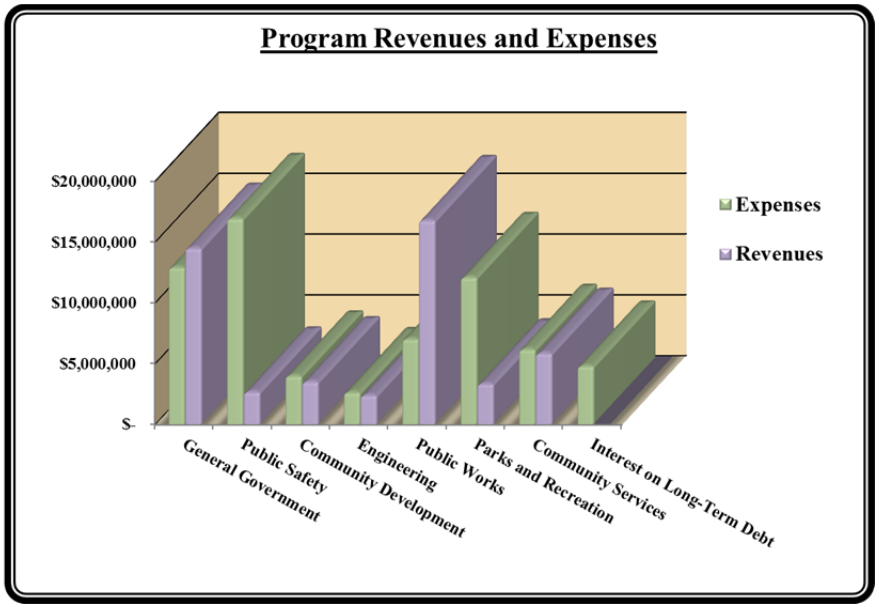
Business-Type Activities – The City's net position from Business-Type activities increased 2.9%, from $237.5 million to $244.3 million. Net investment in capital assets decreased $1.4 million as capital assets were acquired and long-term debt continued to be repaid. Overall, the unrestricted net position increased by $3.6 million. A significant variance occurred within the capital grants and contributions revenue, with revenues decreasing by $2.6 million due to the timing of acceptance of developer dedicated infrastructure.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	$ 15,296,374	$ 15,126,147	$ 40,337,134	$ 39,420,905	$ 55,633,508	$ 54,547,052
Operating Grants and Revenues	13,854,976	15,474,137	-	-	13,854,976	15,474,137
Capital Grants and Contributions	19,212,723	21,785,963	4,082,059	6,679,473	23,294,782	28,465,436
General Revenues:						
Taxes:						
Property Taxes	10,540,496	10,090,453	-	-	10,540,496	10,090,453
Sales Tax	6,447,687	6,060,363	-	-	6,447,687	6,060,363
Franchise Fees	1,321,089	1,254,136	-	-	1,321,089	1,254,136
Public Service Taxes	389,109	396,148	-	-	389,109	396,148
Measure C/J, TOT	1,036,221	960,804	-	-	1,036,221	960,804
Motor Vehicle Taxes	2,748,701	2,540,474	-	-	2,748,701	2,540,474
Investment Earnings	1,186,001	679,229	765,633	417,783	1,951,634	1,097,012
Miscellaneous	1,123,910	1,149,975	-	-	1,123,910	1,149,975
Total Revenues	73,157,287	75,517,829	45,184,826	46,518,161	118,342,113	122,035,990
Expenses:						
General Government	12,814,102	14,092,802	-	-	12,814,102	14,092,802
Public Safety	16,841,404	16,984,814	-	-	16,841,404	16,984,814
Community Development	3,897,722	3,486,844	-	-	3,897,722	3,486,844
Engineering	2,536,751	2,425,560	-	-	2,536,751	2,425,560
Public Works	6,932,406	7,481,326	-	-	6,932,406	7,481,326
Parks and Recreation	11,997,081	11,278,035	-	-	11,997,081	11,278,035
Community Services	6,077,404	5,979,870	-	-	6,077,404	5,979,870
Interest on Long-Term Debt	4,706,190	4,763,277	-	-	4,706,190	4,763,277
Wastewater	-	-	8,356,508	8,281,521	8,356,508	8,281,521
Solid Waste	-	-	9,583,321	8,871,904	9,583,321	8,871,904
Water	-	-	19,436,134	18,987,430	19,436,134	18,987,430
City Rentals	-	-	165,319	150,179	165,319	150,179
Housing	-	-	831,157	686,241	831,157	686,241
Total Expenses	65,803,060	66,492,528	38,372,439	36,977,275	104,175,499	103,469,803
Net Position Before Transfers and Extraordinary Items	7,354,227	9,025,301	6,812,387	9,540,886	14,166,614	18,566,187
Transfers	52,112	(74,087)	(52,112)	74,087	-	-
Extraordinary Items	-	(3,989,500)	-	-	-	(3,989,500)
Increase in Net Position	7,406,339	4,961,714	6,760,275	9,614,973	14,166,614	14,576,687
Net Position 7/1	549,927,985	544,966,271	237,521,682	227,906,709	787,449,667	772,872,980
Net Position 6/30	$ 557,334,324	$ 549,927,985	$ 244,281,957	$ 237,521,682	$ 801,616,281	$ 787,449,667

Governmental Activities – The cost of all Governmental activities this year was $65.8 million. Net expenses, as shown in the Statement of Activities and Changes in Net Position found on page 18, were $17.4 million. A portion of the cost for these activities was paid either by those who directly benefited from the programs ($15.3 million), by other governments and organizations that subsidized certain programs with operating grants and contributions ($13.9 million), or capital grants and contributions ($19.2 million). Overall, the City's governmental program revenues were $48.4 million.

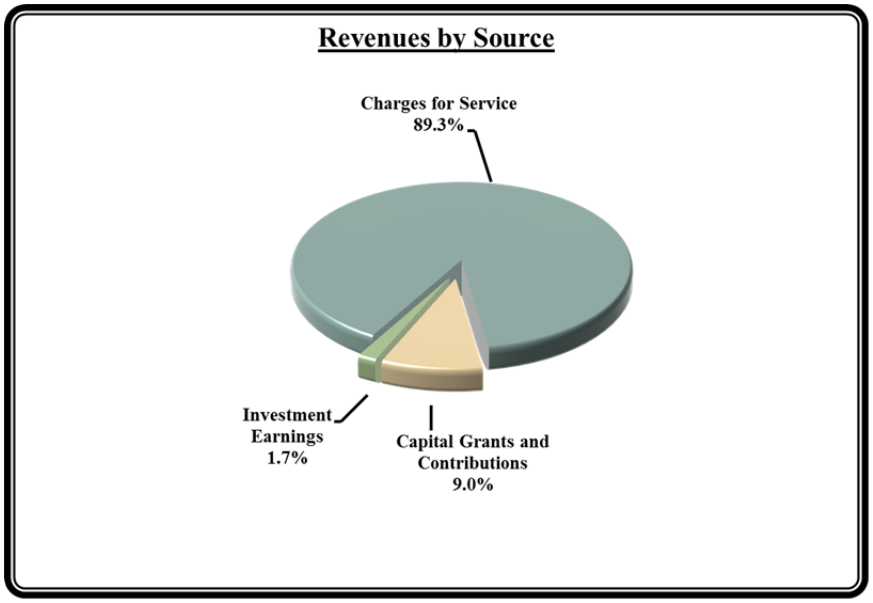
Total resources available during the year to finance governmental operations were $623.1 million consisting of net position at July 1, 2013 of $549.9 million, program revenues of $48.4 million and general revenues and transfers of $24.8 million. Total Governmental activities during the year were $65.8 million, thus net position was increased by $7.4 million to $557.3 million.

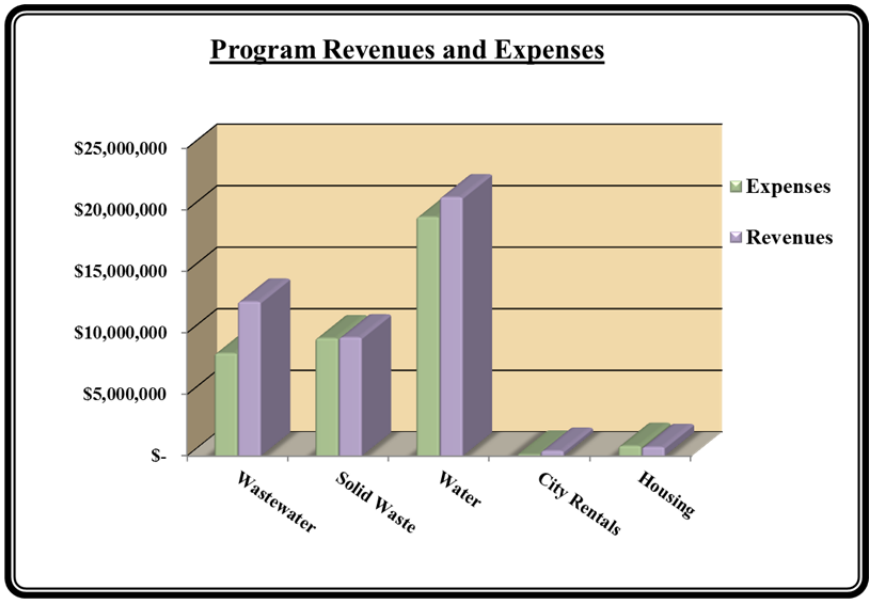




Business-Type Activities – The cost of all Business-Type activities this year was $38.4 million. As shown in the Statement of Activities and Changes in Net Position found on page 18, the amounts paid by users of the systems were $40.3 million. Capital Grants and Contributions totaled $4.1 million and investment earnings were $0.8 million.

Total resources available during the year to finance Business-Type activities were $282.6 million, consisting of net position at July 1, 2013 of $237.5 million, charges for services of $40.3 million, capital contributions of $4.1 million and general revenues and net transfers of $0.7 million. Total Business-Type activities during the year were $38.4 million, thus net position increased by $6.8 million to $244.3 million.





FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year end the City's General Fund had a fund balance of $17,139,493. This is a decrease of $895,192 compared to last year. The decrease was entirely attributable to a $4,239,303 year-end transfer to the Pension/OPEB Obligation Fund. The General Fund still maintains a 30% unassigned reserve after this transfer. Absent this transfer, the General Fund would have reported a fund balance increase of approximately $3.3 million. This surplus was generated primarily through increased development activity, with 500 single family building permits being issued during the year, resulting in an additional $2.5 million in permit revenue. In addition, several vacancies, primarily in public safety, took a significant amount of time to fill which resulted in significant personnel cost savings.

Roadway Facility Fee, which is reported as a Special Revenue Fund, had an increase in fund balance of $743,109. This increase was due to the increased development activity and will be used to fund future capital projects.

Community Facility Fee, which is reported as a Special Revenue Fund, had an increase in fund balance of $403,874. This increase was due to the increased development activity and will be used to fund future capital projects.

Landscape and Lighting Assessment Districts, which is reported as a Special Revenue Fund, had an increase in fund balance of $308,787. This increase was due to lower than anticipated expenditures and will ultimately result in lower assessment requirements in future years.

The Civic Center Project Lease Revenue Bond Acquisition Fund, which is reported as a Capital Project Fund, had an increase in fund balance of $752,909. This increase was due to the transfer of funds for future capital improvement projects.

Civic Center Capital Improvement Financing Program, which is reported as a Capital Project Fund, had an increase in fund balance of $319,378. This increase was due to savings associated with refinanced capital improvement financing program bonds and will be used for future infrastructure projects.

Community Facilities Improvements, which is reported as a Capital Projects fund, had a decrease in fund balance of $1,434,764. This decrease is attributable to the costs incurred for the construction of the Community Center, Downtown Streetscapes and City Hall capital improvement projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2013/14 original budget (adopted June 2012) General Fund expenditures and transfers out in the amount of $40,127,893, to the final budget amount of $45,534,313, there was an increase in budgeted expenditures and transfers out of $5,406,420. The causes for these increases are summarized at the bottom of the page.

Beginning Balance	+	Supplemental Changes	=	Final Budget
$40,127,893		$5,406,420		$45,534,313

During the fiscal year, the total revenues and transfers in for the General Fund were $42,141,072. This was $2,498,540 more than budgeted. The total expenditures and transfers out for the General Fund were $43,036,264. This was $2,498,049 less than budgeted.

Revenues exceeded budget due to development activity that surpassed estimates, with 500 single family residential building permits being issued while only 275 had been budgeted. This resulted in a $2.5 million surplus in permit revenue during the year. On the expenditure side, the City continued to remain vigilant in reducing costs wherever possible. This resulted in savings across most departments as supplies and services costs remained low and personnel vacancies took longer than anticipated to be filled.

Supplemental changes to the 2013/14 fiscal year General Fund budget were:

- Increase of $4,239,303 for a transfer to the Pension/OPEB Obligation Fund.
- Net increase of $332,127 in transfers and capital expenditures.
- Net increase of $323,292 for building services resulting from increased development activity.
- Increase of $300,000 for legal services relating to the current redevelopment litigation with the State.
- Increase of $283,907 for personnel, supplies and services for economic development purposes.
- Decrease of $80,614 in finance personnel costs.
- Increase of $8,405 for parks and recreation.

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, 2014, capital assets, net of accumulated amortization and depreciation, of the Governmental activities totaled $504,652,551. Capital assets, net of accumulated amortization and depreciation, of the Business-Type activities totaled $242,491,135. Amortization and depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to Note #5, found on pages 63 – 65 of this report, for detailed information regarding capital assets. The City has elected to use the amortization and depreciation method for infrastructure reporting.

	Original Cost	Accumulated Amortization and Depreciation	Book Value
Capital Assets – Governmental:			
Intangible Assets	$ 6,258,156	$ 881,250	$ 5,376,906
Land	36,427,074	-	36,427,074
Buildings	56,356,487	4,837,350	51,519,137
Infrastructure	452,777,013	78,719,481	374,057,532
Machinery and Equipment	6,550,884	3,041,914	3,508,970
Vehicles	8,585,244	5,293,790	3,291,454
Land Improvements	27,254,973	3,781,820	23,473,153
Work in Progress – CIP and Infrastructure	6,998,325	-	6,998,325
Total Capital Assets – Governmental	$ 601,208,156	$ 96,555,605	$ 504,652,551
Capital Assets – Business-Type:			
Intangible Assets	$ 10,597,532	$ 2,629,463	$ 7,968,069
Land	2,154,202	-	2,154,202
Buildings	25,079,041	5,206,749	19,872,292
Infrastructure	227,335,219	36,284,624	191,050,595
Machinery and Equipment	2,243,807	1,076,511	1,167,296
Land Improvements	10,925,186	2,052,360	8,872,826
Work in Progress – CIP and Infrastructure	11,405,855	-	11,405,855
Total Capital Assets – Business-Type	$ 289,740,842	$ 47,249,707	$ 242,491,135

Debt Administration – Debt, considered a liability of Governmental Activities, decreased in fiscal year 2013/14 by $712,123 as a result of annual debt service and capital lease payments being made, offset by increases in the net OPEB obligation. Per capita debt outstanding decreased from $1,655 to $1,623 per capita compared to the prior fiscal year. Debt, considered a liability of Business-Type activities, decreased by $2,857,382 in fiscal year 2013/14 as annual debt service payments were made, offset by increases in the net OPEB obligation.

Detailed information regarding long-term debt activity can be found in Note #6 on pages 65 – 73 in this report.

	Balance June 30, 2013	Incurred or Issued	Satisfied or Matured	Balance June 30, 2014
Governmental Activities:				
Bonds Payable	$ 78,384,245	$ 282,290 (1)	$ 1,901,492	$ 76,765,043
Capital Lease	277,656	-	277,656	-
Net OPEB Obligation	9,620,394	1,219,939	-	10,840,333
Accumulated Compensated Absences	1,259,425	1,407,429	1,442,633	1,224,221
Total Governmental Activities	$ 89,541,720	$ 2,909,658	$ 3,621,781	$ 88,829,597
Business-Type Activities:				
Bonds Payable	$ 49,313,184	$ -	$ 1,174,665	$ 48,138,519
Notes Payable	28,084,719	105,768	2,333,034	25,857,453
Net OPEB Obligation	2,876,749	516,917	-	3,393,666
Accumulated Compensated Absences	345,119	511,399	483,767	372,751
Total Business-Type Activities	$ 80,619,771	$ 1,134,084	$ 3,991,466	$ 77,762,389

(1) Accreted Interest

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The key assumptions in the General Fund revenue forecast for fiscal year 2014/15 are:

- Development activity will continue at a modest pace, with approximately 275 new housing units being constructed. This is down from the 500 units constructed in fiscal year 2013/14, yet up from the low of 31 units which occurred in fiscal year 2008/09.
- The State of California will not implement additional mid-year revenue takeaways from the City.
- Assessed valuations in the City will show a marked increase following years of continued aggressive reductions implemented by the Contra Costa County Assessor. The City has been informed that an 18.6% increase in assessed valuation is to be expected.
- Persistently low interest rates will result in continued low levels of investment income.

For several years the City has felt a significant financial impact from the slow housing market and slowdown in general building activity. The City's population, which had increased in excess of 10% per year for the decade prior to the downturn, is expected to increase by less than 2% per year over the next several years. The following key budgetary expenditure impacts were addressed in the fiscal year 2014/15 budget:

- The City's phasing in of a pre-funding strategy for OPEB, where the City will fund 85% of the annual required contribution by fiscal year 2017/18.
- Increasing health insurance costs, including the elimination of the second tier for health benefits, which had negatively impacted the City's ability to recruit and retain qualified staff.

The City's long-term expenditures will be influenced by the five-year labor contracts signed with all of the City's bargaining groups in 2012. The City's long-term financial forecast had illustrated the critical need for the City to strike a balance between achieving the cost savings necessary to ensure a fiscally sustainable future and maintaining a competitive compensation plan needed to allow the City to recruit and retain qualified employees. Through the labor negotiation process, the City succeeded in this objective as the new contracts included: 1) second tier retirement benefits for new sworn employees (non-sworn became effective in 2010); 2) reduced OPEB coverage commitments and 3) increased pension contributions by employees. In addition, the Pension Reform Act of 2013, Assembly Bill 340, will also serve to help control future pension costs. However, the labor contracts do contain re-opener provisions based on assessed valuation thresholds. In July 2014 the threshold was met and the City's labor groups have elected to re-open the contracts during fiscal year 2014/15.

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, or need any additional financial information, contact the Finance Department, located at 150 City Park Way, Brentwood, California 94513, either by phone (925) 516-5460 or e-mail finance@brentwoodca.gov.

City of Brentwood

Statement of Net Position

June 30, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	**Business-Type Activities**	**Total**
ASSETS			
Current Assets:			
Cash and Investments	$ 98,683,081	$ 71,396,666	$ 170,079,747
Restricted Cash and Investments	19,632,129	3,959,428	23,591,557
Receivables, Net of Allowance for Doubtful Accounts	901,960	5,707,517	6,609,477
Prepaids	422,720	30,090	452,810
Land Held for Resale	1,040,359	-	1,040,359
Total Current Assets	120,680,249	81,093,701	201,773,950
Non-Current Assets:			
Long-Term Notes and Loans Receivable	28,377,368	1,013,691	29,391,059
Internal Balances	(876,499)	876,499	-
Capital Assets, Net of Accumulated Depreciation and Amortization:			
Intangible Assets	5,376,906	7,968,069	13,344,975
Land	36,427,074	2,154,202	38,581,276
Buildings	51,519,137	19,872,292	71,391,429
Infrastructure	374,057,532	191,050,595	565,108,127
Machinery and Equipment	3,508,970	1,167,296	4,676,266
Vehicles	3,291,454	-	3,291,454
Land Improvements	23,473,153	8,872,826	32,345,979
Work in Progress	6,998,325	11,405,855	18,404,180
Total Non-Current Assets	532,153,420	244,381,325	776,534,745
Total Assets	652,833,669	325,475,026	978,308,695
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	3,886,375	3,341,409	7,227,784
Unearned Revenue	161,333	-	161,333
Deposits Held	2,622,040	89,271	2,711,311
Long-Term Liabilities Due Within One Year	2,644,533	3,420,679	6,065,212
Total Current Liabilities	9,314,281	6,851,359	16,165,640
Non-Current Liabilities Due in More Than One Year:			
Bonds Payable	74,855,043	46,883,519	121,738,562
Notes Payable	-	23,915,425	23,915,425
Net OPEB Obligation	10,840,333	3,393,666	14,233,999
Compensated Absences Payable	489,688	149,100	638,788
Total Non-Current Liabilities	86,185,064	74,341,710	160,526,774
Total Liabilities	95,499,345	81,193,069	176,692,414
NET POSITION			
Net Investment in Capital Assets	448,914,876	175,557,744	624,472,620
Restricted for:			
Capital Projects	37,783,201	7,840,961	45,624,162
Debt Service	5,057,183	3,959,428	9,016,611
Housing	1,104,377	5,251,602	6,355,979
Landscape and Lighting Assessment Districts	4,062,518	-	4,062,518
Agricultural/Farmland Mitigation	1,125,742	-	1,125,742
Public Art	1,271,671	-	1,271,671
Developer Facility Fee Program	3,864,660	10,517,107	14,381,767
Other Programs	1,387,681	10,099	1,397,780
Unrestricted	52,762,415	41,145,016	93,907,431
Total Net Position	$ 557,334,324	$ 244,281,957	$ 801,616,281

See Accompanying Notes to the Basic Financial Statements

Statement of Activities and Changes in Net Position

For Year Ended June 30, 2014

		Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
						Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary Government:								
Governmental Activities								
General Government	$ 12,814,102	$ 7,838,278	$ 1,860,414	$ 4,693,883	$ 14,392,575	$ 1,578,473	$ -	$ 1,578,473
Public Safety	16,841,404	511,100	1,920,556	144,407	2,576,063	(14,265,341)	-	(14,265,341)
Community Development	3,897,722	3,392,009	-	24,479	3,416,488	(481,234)	-	(481,234)
Engineering	2,536,751	2,298,698	-	-	2,298,698	(238,053)	-	(238,053)
Public Works	6,932,406	-	4,317,351	12,362,771	16,680,122	9,747,716	-	9,747,716
Parks and Recreation	11,997,081	1,256,289	-	1,987,183	3,243,472	(8,753,609)	-	(8,753,609)
Community Services	6,077,404	-	5,756,655	-	5,756,655	(320,749)	-	(320,749)
Interest on Long-Term Debt	4,706,190	-	-	-	-	(4,706,190)	-	(4,706,190)
Total Governmental Activities	65,803,060	15,296,374	13,854,976	19,212,723	48,364,073	(17,438,987)	-	(17,438,987)
Business-Type Activities								
Wastewater	8,356,508	10,979,074	-	1,572,833	12,551,907	-	4,195,399	4,195,399
Solid Waste	9,583,321	9,648,049	-	-	9,648,049	-	64,728	64,728
Water	19,436,134	19,050,072	-	1,990,289	21,040,361	-	1,604,227	1,604,227
City Rentals	165,319	438,420	-	-	438,420	-	273,101	273,101
Housing	831,157	221,519	-	518,937	740,456	-	(90,701)	(90,701)
Total Business-Type Activities	38,372,439	40,337,134	-	4,082,059	44,419,193	-	6,046,754	6,046,754
Total Primary Government	$ 104,175,499	$ 55,633,508	$ 13,854,976	$ 23,294,782	$ 92,783,266	$ (17,438,987)	$ 6,046,754	$ (11,392,233)

General Revenues:			
Taxes:			
Property Taxes	10,540,496	-	10,540,496
Sales Tax	6,447,687	-	6,447,687
Franchise Fees	1,321,089	-	1,321,089
Public Service Taxes	389,109	-	389,109
Measure C/J, Transient Occupancy Tax	1,036,221	-	1,036,221
Motor Vehicle Taxes	2,748,701	-	2,748,701
Investment Earnings	1,186,001	765,633	1,951,634
Miscellaneous	1,123,910	-	1,123,910
Transfers	52,112	(52,112)	-
Total General Revenues and Transfers	24,845,326	713,521	25,558,847
Change in Net Position	7,406,339	6,760,275	14,166,614
Net Position - Beginning of Year	549,927,985	237,521,682	787,449,667
Net Position - End of Year	$ 557,334,324	$ 244,281,957	$ 801,616,281

See Accompanying Notes to the Basic Financial Statements

City of Brentwood

Balance Sheet

Governmental Funds

June 30, 2014

	General Fund	Debt Service Funds: Capital Improvement Revenue Refunding Bonds Series 2012	Debt Service Funds: 2009 Civic Center Project Lease Revenue Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets:					
Cash and Investments	$ 20,556,372	$ 157,370	$ 14,595	$ 34,383,191	$ 55,111,528
Restricted Cash and Investments	-	1,421,278	3,402,896	14,807,955	19,632,129
Receivables	1,467,026	16,080,004	12,297,369	7,131,396	36,975,795
Prepaids	63,693	-	-	845	64,538
Due from Other Funds	-	-	-	4,887	4,887
Land Held for Resale	-	-	-	1,040,359	1,040,359
Non-Current Assets:					
Interfund Advance Receivable	-	-	-	2,274,821	2,274,821
Total Assets	$ 22,087,091	$ 17,658,652	$ 15,714,860	$ 59,643,454	$ 115,104,057
LIABILITIES					
Liabilities:					
Accounts Payable and Accrued Liabilities	$ 1,494,384	$ 24	$ -	$ 2,055,702	$ 3,550,110
Due to Other Funds	-	-	-	789,712	789,712
Unearned Revenue	154,570	-	-	-	154,570
Deposits Held	2,622,040	-	-	-	2,622,040
Non-Current Liabilities Due in More Than One Year:					
Interfund Advance Payable	-	-	-	2,177,752	2,177,752
Total Liabilities	4,270,994	24	-	5,023,166	9,294,184
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Accounts Receivable	676,604	-	-	21,649	698,253
Unavailable Revenue - Interfund Advance Receivable	-	-	-	97,069	97,069
Unavailable Revenue - Loans Receivable	-	16,080,000	12,297,368	7,027,821	35,405,189
Total Deferred Inflows of Resources	676,604	16,080,000	12,297,368	7,146,539	36,200,511
FUND BALANCES					
Nonspendable	63,693	-	-	845	64,538
Restricted	92,426	1,578,628	3,417,492	43,763,992	48,852,538
Committed	-	-	-	6,501,740	6,501,740
Assigned	5,083,574	-	-	-	5,083,574
Unassigned	11,899,800	-	-	(2,792,828)	9,106,972
Total Fund Balances	17,139,493	1,578,628	3,417,492	47,473,749	69,609,362
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 22,087,091	$ 17,658,652	$ 15,714,860	$ 59,643,454	$ 115,104,057

See Accompanying Notes to the Basic Financial Statements

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

June 30, 2014

Total Fund Balances - Total Governmental Funds	$	69,609,362
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in Governmental Activities are not current financial resources; therefore, they are not reported in the Governmental Funds Balance Sheet.		499,947,470
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 Position.		46,903,730
The long-term assets are not available to pay for current period expenditures; therefore, they are unavailable in the funds.		28,496,086
Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		(1,223,755)
Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the Governmental Funds Balance Sheet.		
Bonds		(75,541,288)
Net OPEB Obligation		(9,756,619)
Compensated Absences		(1,064,374)
Accrued Liabilities		(36,288)
Net Position of Governmental Activities	$	557,334,324

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2014

		Debt Service Funds			
	General Fund	Capital Improvement Revenue Refunding Bonds Series 2012	2009 Civic Center Project Lease Revenue Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 15,499,584	$ -	$ -	$ 2,278,385	$ 17,777,969
Licenses	618,161	-	-	-	618,161
Permits and Fines	5,920,923	-	-	-	5,920,923
Uses of Money and Property	466,987	89,120	15,459	450,667	1,022,233
Intergovernmental	2,859,541	1,298,073	2,089,417	2,546,215	8,793,246
Franchises	1,321,089	-	-	-	1,321,089
Charges for Other Services	381,111	-	-	-	381,111
Charges to Other Funds	6,577,548	-	-	-	6,577,548
Fees and Other Revenues	1,643,099	-	-	21,062,584	22,705,683
Total Revenues	35,288,043	1,387,193	2,104,876	26,337,851	65,117,963
EXPENDITURES					
Current:					
General Government	5,411,219	-	-	4,852,914	10,264,133
Public Safety	16,808,923	-	-	131,365	16,940,288
Community Development	4,038,207	7,861	10,250	18,998	4,075,316
Engineering	2,620,029	-	-	-	2,620,029
Public Works	2,687,875	-	-	-	2,687,875
Parks and Recreation	4,987,381	-	-	5,207,090	10,194,471
Community Services	565,327	-	-	5,523,359	6,088,686
Capital Outlay	-	-	-	1,487,631	1,487,631
Debt Service:					
Principal	-	865,000	645,000	325,000	1,835,000
Interest and Fiscal Charges	-	1,063,788	3,346,279	80,325	4,490,392
Total Expenditures	37,118,961	1,936,649	4,001,529	17,626,682	60,683,821
REVENUES OVER (UNDER) EXPENDITURES	(1,830,918)	(549,456)	(1,896,653)	8,711,169	4,434,142
OTHER FINANCING SOURCES (USES)					
Transfers In	6,853,029	713,278	2,940,966	7,656,269	18,163,542
Transfers Out	(5,917,303)	(159,093)	(1,039,080)	(14,396,593)	(21,512,069)
Total Other Financing Sources (Uses)	935,726	554,185	1,901,886	(6,740,324)	(3,348,527)
NET CHANGE IN FUND BALANCES	(895,192)	4,729	5,233	1,970,845	1,085,615
Fund Balance, Beginning of Year	18,034,685	1,573,899	3,412,259	45,502,904	68,523,747
Fund Balance, End of Year	$ 17,139,493	$ 1,578,628	$ 3,417,492	$ 47,473,749	$ 69,609,362

See Accompanying Notes to the Basic Financial Statements

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities Changes in Net Position

For Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	$	1,085,615
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, 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.		1,487,631
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(8,778,130)
The net effect of various miscellaneous transactions involving Capital Assets (e.g. sales, trade-ins and contributions) is to increase net position.		8,345,933
To record the net change in compensated absences in the Statement of Activities.		38,752
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.		
This amount represents loan repayments from Successor Agency		(719,737)
This amount represents long-term debt repayments		1,835,000
This amount represents the increase in Net OPEB Obligations		(1,117,350)
This amount represents accretion interest		(282,290)
This amount represents amortized bond premiums		66,492
This amount represents the increase in accrued liabilities		12,100
Revenues in the Governmental Funds which have been previously recognized in the Statement of Activities.		(227,180)
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.		5,659,503
Change in Net Position of Governmental Activities	$	7,406,339

City of Brentwood

Statement of Net Position

Proprietary Funds

June 30, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater	Solid Waste	Water	City Rentals	Housing	Totals	
ASSETS							
Current Assets:							
Cash and Investments	$ 34,777,912	$ 6,509,202	$ 25,252,956	$ 90,440	$ 4,766,156	$ 71,396,666	$ 43,571,553
Restricted Cash and Investments	-	-	3,959,428	-	-	3,959,428	-
Receivables	1,651,766	1,540,884	2,407,474	80,589	26,804	5,707,517	7,958
Prepaids	8,243	9,287	9,586	2,488	486	30,090	358,182
Due from Other Funds	-	-	-	-	-	-	784,825
Total Current Assets	36,437,921	8,059,373	31,629,444	173,517	4,793,446	81,093,701	44,722,518
Non-Current Assets:							
Long-Term Notes Receivable	-	-	-	-	1,013,691	1,013,691	-
Interfund Advance Receivable	278,143	344,689	387,257	-	26,299	1,036,388	321,028
Capital Assets:							
Intangible Assets	-	-	10,597,532	-	-	10,597,532	-
Land	409,620	254,420	128,560	-	1,361,602	2,154,202	-
Buildings	2,895,398	-	20,358,966	-	1,824,677	25,079,041	-
Infrastructure	92,572,095	696,851	134,066,273	-	-	227,335,219	-
Machinery and Equipment	1,360,135	84,389	799,283	-	-	2,243,807	3,394,173
Vehicles	-	-	-	-	-	-	8,585,244
Land Improvements	58,494	1,000,000	9,866,692	-	-	10,925,186	-
Work in Progress	239,237	10,393,092	773,526	-	-	11,405,855	-
Less Accumulated Depreciation and Amortization	(17,549,980)	(1,067,863)	(28,389,178)	-	(242,686)	(47,249,707)	(7,274,336)
Total Capital Assets, Net of Accumulated Depreciation	79,984,999	11,360,889	148,201,654	-	2,943,593	242,491,135	4,705,081
Total Non-Current Assets	80,263,142	11,705,578	148,588,911	-	3,983,583	244,541,214	5,026,109
Total Assets	116,701,063	19,764,951	180,218,355	173,517	8,777,029	325,634,915	49,748,627
LIABILITIES							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	501,676	421,991	2,406,763	7,519	3,460	3,341,409	299,977
Unearned Revenue	-	-	-	-	-	-	6,763
Deposits Held	-	10,099	52,500	-	26,672	89,271	-
Long-Term Debt Due Within One Year	1,942,028	-	1,255,000	-	-	3,197,028	-
Compensated Absences Payable	64,685	83,419	68,271	-	7,276	223,651	95,908
Total Current Liabilities	2,508,389	515,509	3,782,534	7,519	37,408	6,851,359	402,648
Non-Current Liabilities Due in More Than One Year:							
Interfund Advance Payable	-	-	-	-	159,889	159,889	1,294,596
Bonds Payable	-	-	46,883,519	-	-	46,883,519	-
Notes Payable	16,852,847	-	7,062,578	-	-	23,915,425	-
Net OPEB Obligation	862,788	1,202,013	1,231,469	-	97,396	3,393,666	1,083,714
Compensated Absences Payable	43,123	55,613	45,514	-	4,850	149,100	63,939
Total Non-Current Liabilities	17,758,758	1,257,626	55,223,080	-	262,135	74,501,599	2,442,249
Total Liabilities	20,267,147	1,773,135	59,005,614	7,519	299,543	81,352,958	2,844,897
NET POSITION							
Net Investment in Capital Assets	61,190,126	11,360,889	100,063,136	-	2,943,593	175,557,744	4,705,081
Restricted for:							
Capital Projects	5,700,981	1,064,911	1,075,069	-	-	7,840,961	-
Special Projects and Programs	10,517,107	10,099	3,959,428	-	5,251,602	19,738,236	-
Unrestricted	19,025,702	5,555,917	16,115,108	165,998	282,291	41,145,016	42,198,649
Total Net Position	$ 96,433,916	$ 17,991,816	$ 121,212,741	$ 165,998	$ 8,477,486	$ 244,281,957	$ 46,903,730

See Accompanying Notes to the Basic Financial Statements

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater	Solid Waste	Water	City Rentals	Housing	Totals	
Operating Revenues:							
Charges for Services	$ 10,811,429	$ 9,633,852	$ 18,881,988	$ 438,420	$ 221,519	$ 39,987,208	$ 11,077,298
Other Income	167,645	14,197	168,084	-	-	349,926	238,322
Total Operating Revenues	10,979,074	9,648,049	19,050,072	438,420	221,519	40,337,134	11,315,620
Operating Expenses:							
Personnel Services	2,301,319	3,111,284	3,427,283	-	344,418	9,184,304	2,974,554
Repairs and Maintenance	203,738	1,281,686	429,390	57,539	36,820	2,009,173	117,349
Materials, Supplies and Services	4,005,248	5,111,364	9,681,736	107,780	413,425	19,319,553	5,330,116
Depreciation and Amortization	1,489,389	69,280	3,003,720	-	36,494	4,598,883	1,036,721
Total Operating Expenses	7,999,694	9,573,614	16,542,129	165,319	831,157	35,111,913	9,458,740
Operating Income (Loss)	2,979,380	74,435	2,507,943	273,101	(609,638)	5,225,221	1,856,880
Non-Operating Revenues (Expenses):							
Interest Income	345,400	70,589	248,445	1,094	100,105	765,633	401,984
Interest Expense	(356,814)	-	(2,788,237)	-	-	(3,145,051)	-
Connection Fees Paid	-	-	(105,768)	-	-	(105,768)	-
Loss on Disposal of Capital Assets	-	(9,707)	-	-	-	(9,707)	-
Total Non-Operating Revenues (Expenses)	(11,414)	60,882	(2,645,560)	1,094	100,105	(2,494,893)	401,984
Income (Loss) Before Contributions and Transfers	2,967,966	135,317	(137,617)	274,195	(509,533)	2,730,328	2,258,864
Contributions - Impact Fees and Credits	903,197	-	1,262,340	-	518,937	2,684,474	-
Capital Asset Contributions	669,636	-	727,949	-	-	1,397,585	-
Transfers In	301,723	37,573	309,589	20,399	139,662	808,946	5,208,901
Transfers Out	(335,000)	(81,549)	(140,978)	(303,531)	-	(861,058)	(1,808,262)
Change in Net Position	4,507,522	91,341	2,021,283	(8,937)	149,066	6,760,275	5,659,503
Net Position, Beginning of Year	91,926,394	17,900,475	119,191,458	174,935	8,328,420	237,521,682	41,244,227
Net Position, End of Year	$ 96,433,916	$ 17,991,816	$ 121,212,741	$ 165,998	$ 8,477,486	$ 244,281,957	$ 46,903,730

See Accompanying Notes to the Basic Financial Statements

Statement of Cash Flows

Proprietary Funds

For Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater	Solid Waste	Water	City Rentals	Housing	Totals	
Cash Flows from Operating Activities							
Cash Received from Customers/Other Funds	$ 10,871,319	$ 9,322,648	$ 18,805,646	$ 420,514	$ 403,242	$ 39,823,369	$ 12,371,883
Cash Payments to Suppliers of Goods and Services	(3,396,183)	(4,665,210)	(8,240,507)	(153,202)	(315,139)	(16,770,241)	(5,820,822)
Cash Payments to Employees for Services	(2,301,319)	(3,111,284)	(3,427,285)	-	(344,418)	(9,184,306)	(3,036,280)
Cash Payments for Interfund Services	(645,594)	(1,840,172)	(733,533)	(9,951)	(41,131)	(3,270,381)	(429,183)
Other Receipts	23,599	14,516	170,508	18,006	-	226,629	238,322
Other Payments	-	-	-	-	(26,424)	(26,424)	-
Net Cash Provided By (Used for) Operating Activities	4,551,822	(279,502)	6,574,829	275,367	(323,870)	10,798,646	3,323,920
Cash Flows from Non-Capital Financing Activities							
Transfers Received	301,723	37,573	309,589	20,399	139,662	808,946	5,208,901
Transfers Paid	(335,000)	(81,549)	(140,978)	(303,531)	-	(861,058)	(1,808,262)
Due from Other Funds	-	-	-	-	-	-	(784,825)
Developer Fees and Credits	-	-	-	-	518,937	518,937	-
Net Cash Provided By (Used for) Non-Capital Financing Activities	(33,277)	(43,976)	168,611	(283,132)	658,599	466,825	2,615,814
Cash Flows from Capital and Related Financing Activities							
Contributions - Impact Fees and Credits	903,197	-	1,262,340	-	-	2,165,537	-
Interest Paid on Debt	(356,814)	-	(2,788,237)	-	-	(3,145,051)	-
Principal Paid on Debt	(1,907,594)	-	(1,625,440)	-	-	(3,533,034)	(277,657)
Acquisition and Construction of Assets	(412,051)	(2,097,258)	(76,842)	-	-	(2,586,151)	(980,369)
Net Cash Provided By (Used for) Capital and Related Financing Activities	(1,773,262)	(2,097,258)	(3,228,179)	-	-	(7,098,699)	(1,258,026)
Cash Flows from Investing Activities							
Interest on Investments	345,311	70,676	248,361	1,094	100,098	765,540	401,895
Net Cash Provided By Investing Activities	345,311	70,676	248,361	1,094	100,098	765,540	401,895
Net Increase (Decrease) in Cash and Cash Equivalents	3,090,594	(2,350,060)	3,763,622	(6,671)	434,827	4,932,312	5,083,603
Cash and Cash Equivalents - Beginning of Year	31,687,318	8,859,262	25,448,762	97,111	4,331,329	70,423,782	38,487,950
Cash and Cash Equivalents - End of Year	$ 34,777,912	$ 6,509,202	$ 29,212,384	$ 90,440	$ 4,766,156	$ 75,356,094	$ 43,571,553
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities:							
Operating Income (Loss)	$ 2,979,380	$ 74,435	$ 2,507,943	$ 273,101	$ (609,638)	$ 5,225,221	$ 1,856,880
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used for) Operating Activities:							
Depreciation and Amortization	1,489,389	69,280	3,003,720	-	36,494	4,598,883	1,036,721
Change in Assets and Liabilities:							
Receivables, Net	161,860	(310,902)	272,431	282	181,723	305,394	(326,914)
Prepaid Items	(243,067)	302	(359,560)	(182)	(26,424)	(628,931)	(31,043)
Accounts Payable and Other Payables	23,208	(304,590)	985,061	2,166	47,537	753,382	784,727
Net OPEB Obligation	135,689	177,577	160,392	-	43,259	516,917	-
Compensated Absences Payable	5,648	11,335	7,627	-	3,020	27,630	3,549
Deposits	(285)	3,061	(2,785)	-	159	150	-
Net Cash Provided By (Used for) Operating Activities	$ 4,551,822	$ (279,502)	$ 6,574,829	$ 275,367	$ (323,870)	$ 10,798,646	$ 3,323,920
Noncash Capital Activities:							
Capital Asset Contributions	$ 669,636	$ -	$ 727,949	$ -	$ -	$ 1,397,585	$ -
Retirement of Capital Assets	-	(9,707)	-	-	-	(9,707)	-

See Accompanying Notes to the Basic Financial Statements

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Statement of Fiduciary Net Position

Agency Funds and Private Purpose Trust Fund

June 30, 2014

	Agency Funds	Private-Purpose Trust Fund - Successor Agency
ASSETS		
Current Assets:		
Cash and Investments	$ 12,063,606	$ 1,860,239
Restricted Cash and Investments	6,354,728	-
Interest Receivable	318	19
Total Current Assets	18,418,652	1,860,258
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	1,582,737	142
Due to City of Brentwood	35,906	2,284,603
Long-Term Liabilities Due Within One Year	-	750,000
Total Current Liabilities	1,618,643	3,034,745
Non-Current Liabilities Due in More Than One Year:		
Due to Bondholders	16,800,009	-
Long-Term Liabilities	-	27,627,368
Total Non-Current Liabilities	16,800,009	27,627,368
Total Liabilities	18,418,652	30,662,113
NET POSITION (DEFICIT)		
Held in Trust for Other Governments	-	(28,801,855)
Total Net Position (Deficit)	$ -	$ (28,801,855)

See Accompanying Notes to the Basic Financial Statements

City of Brentwood

Statement of Changes in Fiduciary Net Position

Private-Purpose Trust Fund

For Year Ended June 30, 2014

	Private-Purpose Trust Fund - Successor Agency
ADDITIONS	
Property Taxes	$ 2,647,540
Investment Earnings	74,542
Other	13,397
Total Additions	2,735,479
DEDUCTIONS	
Administrative Expenses	253,218
Interest and Fiscal Agent Expenses	1,696,150
Total Deductions	1,949,368
Change in Net Position	786,111
NET POSITION HELD IN TRUST	
Net Position - Beginning of Year, as Restated	(29,587,966)
Net Position - Ending	$ (28,801,855)

See Accompanying Notes to the Basic Financial Statements

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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 primary government is considered financially accountable. The City is considered to be financially accountable for an organization if: 1) the City appoints a voting majority of said organization or 2) there is a potential for the organization to either 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's operations, the Brentwood Infrastructure Financing Authority, a component unit, has been included in the primary reporting entity and is treated as a blended component unit.

- 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 Authority for the purpose of acting as a vehicle for various financing activities of the City and the Authority. 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 Authority by issuing debt and financing the construction of public facilities. Separate financial statements are not required for the Authority and therefore, are not issued.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. The Statement of Activities and Changes in Net Position 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.

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

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 related to interfund activities, payables and receivables. All internal balances in the Statement of Net Position 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, Proprietary Fund Financial Statements and Fiduciary 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, current liabilities and current deferred inflows/outflows are included on the Balance Sheets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after year-end) which are recognized when due.

Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Taxes, including property and sales taxes, special assessments 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.

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

For Proprietary Funds, all assets, liabilities and deferred inflows/outflows, whether current or non-current, are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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 generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses which 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.

The City's Fiduciary Funds include Agency Funds, which are purely custodial in nature and do not involve a measurement of operational results, and Private-Purpose Trust Funds which, in addition to being custodial in nature, also include operational activities under which the principal and income benefit several specific local taxing entities. While both Agency and Private-Purpose Trust Funds include a Statement of Net Position, only the latter is required to include a Statement of Changes in Net Position.

Fund Types

A *Major Fund* is a fund whose revenues, expenditures/expenses, assets, combined with deferred outflows of resources, or liabilities, combined with deferred inflows of resources (excluding extraordinary items), are at least 10% of corresponding totals for all Governmental or Enterprise funds and at least 5% 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 the fund is particularly important to financial statement users.

The government reports the following three major Governmental Funds: General Fund, Capital Improvement Revenue Refunding Bond Series 2012 and Civic Center Project Lease Revenue Bonds. Specific descriptions of the City's funds are as follows:

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 legally restricted to expenditures for particular purposes. There are no Special Revenue Funds included as major Governmental Funds. Specific descriptions of the Special Revenue Funds are as follows:

- *Roadway Facility Fee* – This fund accounts for development fees collected for the design and construction of roadways within the City.

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

- *Gas Tax* – This fund accounts for monies received from the State of California under Street and Highways Code Sections 2103, 2105, 2106, 2107 and 2107.5. The allocations must be spent for street maintenance, construction and a limited amount for engineering.
- *SB 1186 Disability Access* – This fund accounts for the monies received due to Senate Bill 1186 (SB1186), which requires cities to collect a $1 fee for new and renewed business licenses for purposes of increasing compliance with state disability laws.
- *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 Park Assessment District* – 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 for a variety of allowable uses, including but not limited to police services, joint use school facilities and library facilities. The allowable uses of the funds are governed by the formation documents of each individual District.
- *Community Facility Fee* – This fund accounts for development fees collected for the design and construction of public facilities within the City.
- *Abandoned 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.
- *Infrastructure Improvements* – This fund accounts for economic development infrastructure projects and any related costs.
- *City Low Income Housing* – This fund accounts for the activities related to the assets assumed by the City of Brentwood as Housing Successor to the housing activities of the former Brentwood Redevelopment Agency.
- *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. Federal funds must be used for narcotic enforcement and crime suppression. State funds must be used for areas related to drug prevention.

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

- *Measure C/J* – This fund accounts for the local jurisdiction portions of the Local Street Maintenance and Improvements 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 Advertising* – This fund provides funding to enhance the amenities at the Sunset Athletic Complex, the Brentwood Family Aquatic Complex and the Brentwood Skate Park. This fund also provides funding to publish and distribute the Parks and Recreation Activities Guide.
- *Parks and Trails Facility Fee* – This fund accounts for development fees collected for the design and construction of parks within the City.
- *Agriculture Administration* – This fund accounts for 20% of the Agriculture Preservation fees collected from development. 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 the acquisition and construction of Public Art.
- *Arts Commission* – This fund accounts for revenues and expenditures associated with the Arts Commission.
- *Fire Facility Fee* – This fund accounts for development fees collected for the design and construction of fire facilities required to serve new development in the City.
- *Agriculture Land* – This fund accounts for 80% of the Agriculture Preservation fees collected from development. 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.
- *Landscape and Lighting Assessment Districts* – This fund accounts for special benefit assessments levied on property owners for landscape and street lighting maintenance.

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

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. There are two Debt Service Funds classified as major Governmental Funds, the Capital Improvement Revenue Refunding Bonds Series 2012 and the Civic Center Project Lease Revenue Bonds. Specific descriptions of the Debt Service Funds are as follows:

- *Capital Improvement Revenue Refunding Bonds Series 2012* – This fund accounts for debt service transactions related to the refinance of the 2001 CIP Bond. The 2001 CIP Bond, which had initially refinanced the Roadway Bonds and a Tax Allocation Bond, and also financed the Brentwood Technology Center.
- *General Obligation Bonds Series 2002* – This fund accounts for tax levies from which general obligation debt service transactions are made on the General Obligation Bonds Series 2002. This bond was used to finance the Police Station.
- *Civic Center Project Lease Revenue Bonds* – This fund accounts for debt service transactions relating to the 2009 Civic Center Project Lease Revenue Bonds.

Capital Project Funds account for the acquisition and construction of major capital facilities and infrastructure not financed by Proprietary Funds. Specific descriptions of the Capital Project Funds are as follows:

- *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 infrastructure.
- *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 infrastructure.
- *Civic Center Capital Improvement Financing Program (formerly City Capital Improvement Financing Program Fund)* – This fund accounts for savings from refinanced City Capital Improvement Financing Program bonds and their use to finance a portion of the Civic Center project.
- *Civic Center Project Lease Revenue Bond Acquisition* – This fund accounts for transactions related to proceeds from the 2009 Civic Center Bonds and other resources and their use to acquire and construct certain capital facilities and infrastructure.
- *Community Facilities Improvements* – This fund accounts for various community facilities improvement projects associated with either the construction or improvement of the City's community facilities.
- *Parks and Trails Improvements* – This fund accounts for various park and trail improvement projects associated with either the construction or improvement of the City's parks.

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

- *Drainage Improvements* – This fund accounts for various drainage improvement projects associated with either the upgrade or replacement of the City's storm drain collection system.
- *Roadway Improvements* – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain roadway improvements.
- *Economic Infrastructure Projects* – This fund accounts for loans to be used for Economic Development infrastructure projects and related costs which will be repaid from another source.
- *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.

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

- *Wastewater Enterprise* – This fund accounts for the operation, maintenance and capital improvement projects of the wastewater system. These activities are funded by user charges and impact 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.
- *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 units. This includes Affordable Housing In-Lieu and the First-Time Homebuyers program.

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's General Fund to be financially prepared for either a critical or catastrophic event or for one-time purchases of equipment to enhance public safety.

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

- *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 replacement of information systems such as computers and the phone system.
- *Facilities Replacement* – To provide a source of funding for repairs or the replacement of City facilities.
- *Tuition* – To provide a source of funding for expenditures related to continuing education.
- *Fleet Maintenance Services* – To provide a source of funding for the maintenance of all City vehicles, except for Police Department vehicles.
- *Facilities Maintenance Services* – To provide a source of funding for maintenance and repairs of City facilities.
- *Parks and LLAD Replacement* – To provide a source of funding for the replacement of landscaping, equipment and facilities in the Citywide Parks and Landscape and Lighting Assessment Districts (LLAD).
- *Insurance* – To provide a source of funding for future insurance costs and unforeseen expenses due to legal matters or lawsuits.
- *Pension/Other Post-Employment Benefits (OPEB) Obligation* – To provide an intermediate-term funding source for OPEB and pension expenses.

Fiduciary Funds account for Trust and Agency Funds. The financial activities of these funds are excluded from the Government-Wide Financial Statements, but are presented in separate Fiduciary Fund Financial Statements. The Trust and Agency Funds consist of:

- *Assessments* – Special obligations payable from, and secured by, specific revenue sources.
- *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.
- *Private-Purpose Trust Fund* – Special funds used to report the activities and financial position of the Successor Agency to the Brentwood Redevelopment Agency. These funds are held in a trust arrangement for the benefit of local taxing entities, including the City of Brentwood.

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS AND NET POSITION OR EQUITY

i. Use of Restricted/Unrestricted Net Position

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

ii. Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities and 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 either maturity or 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, 2014.

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 which affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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. In governmental funds, prepaid items are accounted for using the consumption method. A portion of fund balance equal to the prepaid items is reserved to indicate that the funds are not available for appropriation. Land held for resale is valued at the lower of cost or estimated net realizable value.

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

vi. Capital Assets

The City's assets are capitalized at either 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 value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Land Improvements	20 - 65 years
Buildings 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 which are normally 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 are 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
- Up to either 60, 80 or 120 hours of compensatory time off, depending on employee's classification
- 12 days of sick leave

Sick leave is not paid at termination, but can be 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 years' worth of vacation earnings.

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

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. 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 paid 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, the City Low Income Housing Fund or the Citywide Park Assessment District Fund.

viii. Property Tax

Property tax valuations, liens and levies for secured and unsecured property are valued on March 1st of each year. 50% 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 remits them to the City. The City accounts for the remittance in the General Fund. City property tax revenues are recognized when levied, to the extent that they result in current receivables. The City receives its full assessment of property tax and the County retains all delinquent charges.

ix. Motor Vehicle Taxes

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

x. 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 the Governmental Accounting Standards Board Pronouncement (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.

xi. New Governmental Accounting Standards Board Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources,

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

certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. The requirements of the Statement are effective for fiscal periods beginning after December 15, 2012. The City implemented GASB Statement No. 65 for the presentation of the 2012/13 fiscal year financial statement and reclassified certain items, that were previously reported as assets and liabilities, as deferred outflows of resources and deferred inflows of resources and made other changes as established related to the calculation of the major funds determination and the write-off of debt issuance costs.

In March 2012, GASB issued GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the Internal Service Fund types. This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: 1) operating lease payments that vary from a straight-line basis, 2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans and 3) servicing fees related to mortgage loans sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of the Statement are effective for fiscal periods beginning after December 15, 2012. The City implemented GASB Statement No. 66 for the presentation of the 2012/13 fiscal year financial statements with no resulting impact.

In June of 2012, GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) which meet certain criteria. The requirements of GASB Statement Nos. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to define contribution plans which provide post-employment benefits other than pensions. The requirements of the Statement are effective for fiscal periods beginning after June 15, 2013. The City does not have any stand-alone pension plans subject to the provisions of this statement; however, the City participates in CalPERs agent multiple-employer plans that are in the process of implementing the provisions of the statement.

In June 2012, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) which meet certain criteria. The requirements of GASB Statement Nos. 27 and 50 remain applicable for pensions not covered by the scope of this Statement. The

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

requirements of the Statement are effective for fiscal periods beginning after June 15, 2014. The City is in the process of determining the impact GASB Statement No. 68 will have on its financial statements.

In January 2013, GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term "government combinations" includes a variety of transactions referred to as mergers, acquisitions and transfers of operations. The requirements of the Statement are effective for fiscal periods beginning after December 15, 2013. The City has implemented GASB Statement No. 69 for the presentation of the 2013/14 fiscal year financial statements, with no resulting impact.

In April 2013, GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government which extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate it is more likely than not the government will be required to make a payment on the guarantee. This Statement also requires a government which has issued an obligation, guaranteed in a nonexchange transaction, to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of the Statement are effective for fiscal periods beginning after June 15, 2013. The City has implemented GASB Statement No. 70 for the presentation of the 2013/14 fiscal year financial statements, with no resulting impact.

In November 2013, GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement requires a state or local government employer, or non-employer contributing entity in a special funding situation to recognize a net pension liability as of a date (the measurement date) no earlier than the end of its prior fiscal year. This Statement also requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of the Statement are effective for fiscal periods beginning after June 15, 2014. The City is in the process of determining the impact GASB Statement No. 71 will have on its financial statements.

xii. <u>New Funds, Closed Funds and Renamed Funds</u>

The City Capital Improvement Financing Program Fund was renamed the Civic Center Capital Improvement Financing Program Fund in order to further clarify the description of the purpose of the fund.

The Thoroughfares Fund was renamed Roadway Facility Fee Fund to further clarify the description for the purpose of the fund.

For internal consistency, minor changes have been made to the names of certain funds; however, the purpose of these funds remains unchanged.

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

xiii. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position which applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from three sources: accounts receivable, interfund advance receivable and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE #2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

- General Budget Policies

The City operates on a two-year budget cycle. Budgets 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. 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 and certain Capital Project funds. The funds listed on the following page are not legally required to adopt budgets as their appropriations are either established by: 1) the related bond documentation, 2) other legal agreements or 3) are multi-year projects whose budget cycle exceeds one fiscal year.

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

Capital Project Funds

Capital Improvement Financing Program 2005-1	Parks and Trails Improvements
Capital Improvement Financing Program 2006-1	Drainage Improvements
Community Facilities Improvements	Roadway Improvements

Debt Service Funds

Capital Improvement Revenue Refunding Bonds Series 2012
General Obligation Bonds Series 2002
2009 Civic Center Project Lease Revenue Bonds

B. DEFICIT FUND EQUITY

Below is a list of funds which have either a deficit fund or an accumulated deficit balance as of June 30, 2014. The deficit in Parks and Trails Facility Fee is due to pre-funding of parks projects in advance of receiving funding from development. Future impact fees will be deposited into this fund. The deficit in Other Grants is due to the timing of grant reimbursement monies expected to be received during the subsequent fiscal year. The deficit in Parks and Trails Improvements is due to the funding of construction of projects for which the Successor Agency has committed future funding reimbursement. See Note #12 for additional information.

The deficits in the Internal Service funds are related to OPEB liability accruals. In response to increasing OPEB liabilities, the City has adopted a long-term OPEB pre-funding strategy which ultimately calls for 85% of the Actuarial Required Contribution (ARC) to be funded annually. The Internal Service funds will continue to maintain a positive cash balance. Coverage of these funds was also addressed in the fiscal year 2014/15 – 2015/16 Operating Budget.

Special Revenue Funds:		
Parks and Trails Facility Fee	$	2,177,898
Other Grants	$	4,887
Capital Project Funds:		
Parks and Trails Improvements	$	610,043
Internal Service Funds:		
Information Services	$	59,308
Fleet Maintenance Services	$	38,348

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

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of the "Due To/From Other Funds" balance, as of June 30, 2014, is shown below. The Parks and Trails Improvements amount is due to timing issues relating to the construction of projects in advance of funding for which the Successor Agency has committed to reimburse the City in the future. See Note #12 for additional information. The Other Grants amount is due to the timing of grant reimbursement and is expected to be received in the next fiscal year.

Receivable Fund	Payable Fund		Amount
Pension/OPEB Obligation	Parks and Trails Improvements		$ 784,825
Community Facilities Improvements	Other Grants		4,887
		Total	$ 789,712

The interfund advance payable from the Housing Enterprise is related to development fees from the construction of housing units which have become rental units for the City's Housing Program. The development fees will be paid over the next several years from the Housing rental income stream. The interfund advance payable from Parks and Trails Facility Fee is due to the construction of parks within the City in advance of receiving development fee revenue. Future development will reduce this obligation. The Pension/OPEB Obligation amounts are due to the accelerated payment of unfunded OPEB obligations by certain Internal Service and Enterprise funds.

Interfund Advance

Receivable Fund	Payable Fund		Amount
Roadway Improvements	Housing Enterprise		$ 97,069
Wastewater Enterprise	Housing Enterprise		35,331
Water Enterprise	Housing Enterprise		27,489
Community Facilities Improvements	Parks and Trails Facility Fee		2,177,752
Information Services	Pension/OPEB Obligation		153,134
Fleet Mainentance Services	Pension/OPEB Obligation		63,184
Facilities Mantenance Services	Pension/OPEB Obligation		104,710
Wastewater Enterprise	Pension/OPEB Obligation		242,812
Solid Waste Enterprise	Pension/OPEB Obligation		344,689
Water Enterprise	Pension/OPEB Obligation		359,768
Housing Enterprise	Pension/OPEB Obligation		26,299
		Total	$ 3,632,237

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

Interfund Transfers

Fund Description	General Fund	Capital Improvement Revenue Refunding Bonds Series 2012	2009 Civic Center Project Lease Revenue Bonds	Non-Major Governmental Funds	Internal Service Funds	Wastewater Enterprise	Solid Waste Enterprise	Water Enterprise	City Rentals Enterprise	Housing Enterprise	Total Transfers Out
General Fund	$ -	$ -	$ -	$ 1,153,000	$ 4,764,303	$ -	$ -	$ -	$ -	$ -	$ 5,917,303
Capital Improvement Revenue Refunding Bonds Series 2012	159,093	-	-	-	-	-	-	-	-	-	159,093
Civic Center Project Lease Revenue Bonds	-	-	-	1,039,080	-	-	-	-	-	-	1,039,080
Non-Major Governmental Funds	6,008,148	409,747	2,940,966	4,573,409	208,393	32,808	31,531	31,530	20,399	139,662	14,396,593
Internal Service Funds	685,788	-	-	780,780	154,656	127,937	6,042	53,059	-	-	1,808,262
Wastewater Enterprise	-	-	-	110,000	-	-	-	225,000	-	-	335,000
Solid Waste Enterprise	-	-	-	-	81,549	-	-	-	-	-	81,549
Water Enterprise	-	-	-	-	-	140,978	-	-	-	-	140,978
City Rentals Enterprise	-	303,531	-	-	-	-	-	-	-	-	303,531
Total Transfers In	$ 6,853,029	$ 713,278	$ 2,940,966	$ 7,656,269	$ 5,208,901	$ 301,723	$ 37,573	$ 309,589	$ 20,399	$ 139,662	$ 24,181,389

Transfers are indicative of funding for: 1) capital projects or debt service, 2) subsidies of various City operations or 3) reallocations of special revenues. The following schedule briefly summarizes the City's significant, unusual or inconsistent fund type transfer activity:

Transfer To	Amount	Purpose
General Fund	$ 1,494,323	Gas Tax revenue to subsidize the Street Maintenance Division.
General Fund	$ 3,471,925	Provide a subsidy to cover a portion of the costs for Police Services.
Internal Service	$ 4,239,303	Transfer of unassigned General Fund balance in excess of reserve requirement.
Capital Projects	$ 350,000	Provide a subsidy to cover a portion of the costs for the General Plan Update project.
Capital Projects	$ 400,000	Provide a subsidy to cover a portion of the costs for the City Phone System Upgrade project.
Capital Projects	$ 450,000	Provide a subsidy to cover a portion of the costs for the Parkway Rehabilitation project.
Capital Projects	$ 462,000	Provide a subsidy to cover a portion of the costs for the Fire Station #54 (Replace Downtown) project.
Capital Projects	$ 1,000,000	Provide a subsidy to cover a portion of the costs for the Wastewater Treatment Plant Holding Pond Liner project.
Capital Projects	$ 1,150,000	Provide a subsidy to cover a portion of the costs for the Wastewater Treatment Plant Belt Filter Press project.
Capital Projects	$ 2,750,000	Provide a subsidy to cover a portion of the costs for the Wastewater Treatment Plant Solids System Expansion project.

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

D. MINIMUM FUND BALANCE POLICIES

The City's Budget and Fiscal Policy requires the City to strive to maintain: 1) 30% of annual expenditures in the General Fund's Unassigned Fund Balance and 2) 30% cash reserves in each of the Enterprise funds. While this requirement does not mandate the 30% thresholds be attained, the City has continued to achieve the 30% General Fund reserve target on an annual basis, including the fiscal year ended June 30, 2014. The ability of the City to maintain 30% cash reserves in the Enterprise funds depends upon the timing of infrastructure projects.

E. FUND BALANCES

The City's fund balances are classified based on spending constraints imposed on the use of resources. Nonspendable fund balances are not expected to be converted to cash and are comprised of prepaid items. Restricted fund balances have external restrictions imposed by either creditors, grantors, contributors, laws, regulations or enabling legislation which requires these resources be used only for a specific purpose. Committed fund balances have constraints imposed by a City Council resolution which may be modified or rescinded only through subsequent a City Council resolution. Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council of the City of Brentwood and may be changed at the discretion of the City Council. Unassigned fund balance represents amounts which have not been restricted, committed or assigned.

The City considers restricted amounts to have been spent, prior to unrestricted amounts, when an expenditure is incurred for purposes for which both are available. Committed, assigned and unassigned amounts, in this order, are considered to be spent when an expenditure is incurred for purposes for which either is available. Detailed classifications of the City's Governmental Fund Balances, as of June 30, 2014, are shown on the next page.

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

	General Fund	Debt Service: Capital Improvement Revenue Refunding Bond Series 2012	Debt Service: 2009 Civic Center Project Lease Revenue Bonds	Other Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Prepaid Expenses	$ 63,693	$ -	$ -	$ 845	$ 64,538
Total Nonspendable Fund Balances	63,693	-	-	845	64,538
Restricted for:					
Debt Service	-	1,578,628	3,417,492	61,063	5,057,183
Community Facilities Projects	-	-	-	3,461,297	3,461,297
Civic Center Projects	-	-	-	7,735,427	7,735,427
Low Income Housing	-	-	-	1,104,377	1,104,377
Vineyards Development Projects	-	-	-	2,055,176	2,055,176
Infrastructure Projects	-	-	-	6,277,447	6,277,447
Streets and Roadways	-	-	-	3,205,901	3,205,901
Drainage Projects	-	-	-	1	1
CIFP Projects	-	-	-	8,461,665	8,461,665
Landscape and Lighting Assessment Districts	-	-	-	4,062,518	4,062,518
Off Street Parking Facilities in Downtown	-	-	-	27,453	27,453
Agricultural/Farmland Mitigation	-	-	-	1,125,742	1,125,742
Brentwood Redevelopment Escrow	92,426	-	-	-	92,426
Fire Facilities	-	-	-	3,416,192	3,416,192
Arts Commission	-	-	-	5,088	5,088
Public Art	-	-	-	1,266,583	1,266,583
Developer Facility Fee Program	-	-	-	448,468	448,468
Drug Prevention Programs	-	-	-	37,733	37,733
Public Safety	-	-	-	188,612	188,612
Disability Access	-	-	-	6,300	6,300
PEG Media	-	-	-	816,949	816,949
Total Restricted Fund Balances	92,426	1,578,628	3,417,492	43,763,992	48,852,538
Committed to:					
Infrastructure Projects	-	-	-	6,043	6,043
Abandoned Vehicle Abatement	-	-	-	128,361	128,361
Community Facilities	-	-	-	1,501,004	1,501,004
Public Safety	-	-	-	216,622	216,622
Parks Maintenance	-	-	-	258,298	258,298
Streets and Roadways	-	-	-	4,391,412	4,391,412
Total Committed Fund Balances	-	-	-	6,501,740	6,501,740
Assigned to:					
Capital Projects	5,083,574	-	-	-	5,083,574
Total Assigned Fund Balances	5,083,574	-	-	-	5,083,574
Unassigned:	11,899,800	-	-	(2,792,828)	9,106,972
Total Fund Balances	$ 17,139,493	$ 1,578,628	$ 3,417,492	$ 47,473,749	$ 69,609,362

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 $632,568 at June 30, 2014. The bank balance, before reconciling items, was $1,339,718. The bank balance is insured for up to $250,000 and the remaining balance is collateralized for up to 110%, with the collateral being 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 which are insured by the Federal Deposit Insurance Corporation. The City's cash and investment balances are as follows:

Pooled Deposits:		
Demand Deposits	$	632,568
Petty Cash		8,790
Investments		213,308,519
Total Cash and Investments	$	213,949,877
Cash and investments appear on the financial statements as follows:		
Cash and Investments:		
Governmental Activities	$	98,683,081
Business-Type Activities		71,396,666
Fiduciary Funds		13,923,845
		184,003,592
Restricted Cash and Investments:		
Governmental Activities		19,632,129
Business-Type Activities		3,959,428
Fiduciary Funds		6,354,728
		29,946,285
Total Cash and Investments	$	213,949,877

NOTE #3 – CASH AND INVESTMENTS (Continued)

B. INVESTMENTS

The City apportions interest earnings to all funds based on their monthly cash balance. 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 53601. 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[1]	Maximum Investment in One Issuer
California State, Local Agency and Other State Obligations	5 years	30%	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	None
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%	None
Medium-Term Notes	5 years	30%	None
Money Market Funds	N/A	15%	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund	N/A	$50M/Account	$50M/Account
California Asset Management Program	N/A	N/A	N/A
Time Deposits	5 years	25%	None

(1) Excluding amounts held by bond trustee not subject to California Government code restrictions.

NOTE #3 – CASH AND INVESTMENTS (Continued)

Credit Risk – The City's portfolio is comprised of the highest quality government and corporate securities. Consistent with City policy, almost 70% of the rated portfolio consists of investments with Standard and Poor's two highest ratings. This percentage does not include U.S. Treasury Bonds/Notes, Local Agency Investment Fund (LAIF) or Money Market Funds, which are all unrated. Investments at June 30, 2014, held on behalf of the City, are presented below and categorized separately to give an indication of the level of risk associated with each investment. Investments are reported at fair value.

	Fair Value	Credit Rating	% of Rated Portfolio
Medium Term Corporate Notes	$ 8,339,123	A	7%
Medium Term Corporate Notes	3,284,137	A-	3%
Medium Term Corporate Notes	5,613,721	A+	4%
Medium Term Corporate Notes	6,818,494	AA-	5%
Medium Term Corporate Notes	9,552,655	AA	8%
Medium Term Corporate Notes	10,435,057	AA+	8%
U.S. Agency Bonds/Notes	36,953,268	AA+	30%
Municipal Bonds/Notes	838,623	AA	1%
Municipal Bonds/Notes	842,110	AAA	1%
Certificates of Deposit - Negotiable	7,996,546	A-1+	6%
Certificates of Deposit - Negotiable	7,728,042	A-1	6%
Certificates of Deposit - Negotiable	4,802,568	A+	4%
Certificates of Deposit - Negotiable	4,799,088	AA-	4%
Money Market Mutual Funds	16,049,777	AAAm	13%
Money Market Treasury Funds	492,638	AAAm	0%
California Asset Management Program	21,880	AAAm	0%
Total Rated Investments	124,567,727		
U.S. Treasury Notes	72,062,325	Exempt	
Local Agency Investment Fund	15,278,783	Not Rated	
Money Market Treasury Funds	1,399,684	Not Rated	
Total Unrated Investments	88,740,792		
Total Investments	$ 213,308,519		

NOTE #3 – CASH AND INVESTMENTS (Continued)

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:

Issuers[1]	Fair Value	% of Portfolio
Federal National Mortgage Association	$ 15,303,013	7.17
Federal Home Loan Bank	$ 16,324,413	7.65

(1) Excludes U. S. Treasury Securities, LAIF and Money Market Mutual Funds.

Investments in any one issuer, other than the U.S. Treasury securities, mutual funds or external investment pool, which represent 5% or more of major fund investments, are shown below:

Issuers[1]	Type of Investment	Fair Value
Fannie Mae Global Notes	Federal Agency	$ 3,279,797
Federal Home Loan Bank	Federal Agency	$ 1,414,789

(1) Excludes U. S. Treasury Securities, LAIF and Money Market Mutual Funds.

The City did not have investments in any one issuer, other than the U.S. Treasury securities, mutual funds and external investment pools, which represent 5% or more of non-major fund investments.

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, 58% of the investment portfolio is concentrated in the 0 to 2 year maturity range.

Investment Maturities

	Fair Value[1]	0-6 mos	6-12 mos.	1-2 years	2-3 years	% of Portfolio
U.S. Treasury Notes/Bonds/Bills	$ 72,062,325	$ -	$ -	$ 16,540,944	$ 55,521,381	33.78
Medium-Term Corporate Notes	44,043,187	-	-	13,230,664	30,812,523	20.65
U.S. Agency Bonds/Notes[2]	36,953,268	5,915,404	4,190,048	23,590,538	3,257,278	17.32
Municipal Bonds/Notes	1,680,733	-	-	1,680,733	-	0.79
Certificates of Deposit - Negotiable	25,326,244	4,019,363	-	21,306,881	-	11.87
Local Agency Investment Funds	15,278,783	15,278,783	-	-	-	7.16
California Asset Management Program	21,880	21,880	-	-	-	0.02
Money Market Mutual Funds	16,049,777	16,049,777	-	-	-	7.52
Money Market Treasury Funds	1,892,322	1,892,322	-	-	-	0.89
Totals	$ 213,308,519	$ 43,177,529	$ 4,190,048	$ 76,349,760	$ 89,591,182	
% of Portfolio		20.24	1.97	35.79	42.00	100.00

(1) Fair Value includes accrued interest.
(2) Any Callable securities in U.S. Agency Bonds/Notes are reported at either 0-6 months or the earliest call date.

Custodial Credit Risk for 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.

C. INVESTMENT IN STATE TREASURER'S POOL

LAIF is an external investment program sponsored by the State of California and authorized under Sections 16429.1, 2 and 3 of the California Government code. It is part of the State's Pooled Money Investment Account (PMIA) managed by the Investment Division of the State Treasurer's Office. LAIF is a voluntary program, created by statute, as an investment alternative for California local governments and special

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

districts. The City is a voluntary participant in this investment pool. The management of PMIA has indicated to the City that, as of June 30, 2014, the amortized cost of the pool was $64,850,840,279 and the fair value was $64,870,214,443. 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. CALIFORNIA ASSET MANAGEMENT PROGRAM

The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the "Trust"). The Trust is a joint powers authority, and public agency, created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2014, the fair value was approximate to the City's cost.

E. 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.

F. FAIR VALUE OF INVESTMENTS

The following methods and assumptions are used to record the fair value of the City's investments:

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

NOTE #3 – CASH AND INVESTMENTS (Continued)

The City holds an investment in LAIF which 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. At June 30, 2014, the City had a contractual withdrawal value of $15,278,783, whose pro-rata share of fair value was estimated by the State Treasurer to be $15,283,348. The fair value change in this investment for the year was not material for presentation in the financial statements.

NOTE #4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE

Receivables at June 30, 2014 were comprised of the following:

	Taxes	Accounts	Inter-Governmental	Interest	Utilities	Loans	Total Receivables
Governmental Activities:							
General Fund	$ 312,698	$ 1,153,693	$ -	$ 635	$ -	$ -	$ 1,467,026
Internal Services	-	6,860	-	1,098	-	-	7,958
Special Revenue	-	71,019	11,848	525	-	4,743,218 (1)	4,826,610
Debt Service	-	-	-	13	-	28,377,368 (2)	28,377,381
Capital Projects	-	19,458	-	717	-	2,284,603 (2)	2,304,778
Sub-Total Governmental Activities	312,698	1,251,030	11,848	2,988	-	35,405,189	36,983,753
Less: Allowance	-	(676,604) (3)	-	-	-	-	(676,604)
Total Governmental Activities	$ 312,698	$ 574,426	$ 11,848	$ 2,988	$ -	$ 35,405,189	$ 36,307,149
Business-Type Activities:							
Wastewater	$ -	$ -	$ -	$ 948	$ 1,650,818	$ -	$ 1,651,766
Solid Waste	-	22,874	-	186	1,517,824	-	1,540,884
Water	-	123,108	-	683	2,283,683	-	2,407,474
City Rentals	-	80,587	-	2	-	-	80,589
Housing	-	26,672	-	132	-	7,078,561 (1)	7,105,365
Total Business-Type Activities	$ -	$ 253,241	$ -	$ 1,951	$ 5,452,325	$ 7,078,561	$ 12,786,078

(1) Does not include reservation for loans expected to be forgiven. These loans are discussed on the following pages.

(2) The City has recorded receivables for the Successor Agency's portion of long-term debt and funding commitments for capital projects. Both have been offset by unavailable revenue for fund financial statement presentation purposes. Note #12 discusses the dissolution of the Redevelopment Agency and the Successor Agency activities.

(3) Accounts receivable for citation revenues are unavailable and the revenue is not recognized until received.

NOTE #4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE (Continued)

Notes and Loans Receivable at June 30, 2014 were comprised of the following:

Governmental Activities:	
Amounts Due from Successor Agency	$ 30,661,971
Loans under City Low Income Housing (including interest)	4,743,218
Sub-total Governmental Funds	35,405,189
Less: Reservation for Loans Expected to be Forgiven	4,743,218
Less: Reservation for Amounts Owed from Successor Agency	2,284,603
Net Notes and Loans Receivable	$ 28,377,368
Business-Type Activities:	
Down Payment Assistance and Gap Assistance Program Loans	$ 1,013,691
Loans under Affordable Housing In-Lieu (including interest)	6,064,870
Sub-total Business-Type Activities	7,078,561
Less: Reservation for Loans Expected to be Forgiven	6,064,870
Net Notes and Loans Receivable	$ 1,013,691

Down Payment Assistance and Gap Assistance Program Loans – In fiscal year 2005/06 the City established a first time homebuyers Down Payment Assistance Program (DAP) for the benefit of first time homebuyers in the City of Brentwood who earn up to 120% of the area median income. The loans are either due in 30 years or upon a change in ownership of the property. The loans may be prepaid at any time without penalty. The interest rate is dependent upon the length of time the loan exists. Loans held less than three years accrue interest at 7%, loans held between three and ten years accrue interest at 5% and loans held longer than ten years accrue interest at 3%.

The City also established a first time homebuyers Gap Assistance Program (GAP) to facilitate the purchase of below market rate units from the City's Affordable Housing Program for first time homebuyers. The maximum GAP loan amount is $35,000. The GAP loans are either due in 30 years or upon a change in ownership of the property. The interest rate is set at 3%, simple interest. As of June 30, 2014 the City is owed $1,013,691, including interest, under the DAP and GAP loan programs.

Amounts Due from Successor Agency – Under the terms of the Corporation Agreements between the City and the former Brentwood Redevelopment Agency, the City would expend funds on capital projects on behalf of the Brentwood Redevelopment Agency. The Brentwood Redevelopment Agency was obligated to reimburse the City for these costs. Due to the dissolution by the State of redevelopment agencies (as discussed in Note #12) the liability for these expended funds was transferred from the Brentwood Redevelopment Agency to the Successor Agency. As of June 30, 2014, the balance of the amounts due to the City from the Successor Agency for capital projects was $2,284,603 for Governmental-type activities.

NOTE #4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE (Continued)

In addition, the former Brentwood Redevelopment Agency had long-term obligations for the funding of its portion of the CIP 2012 Revenue Refunding Bonds and the Civic Center Project Lease Revenue Bonds. The Successor Agency has pledged future tax revenues for the repayment of its portion of the bonds. The City has recorded a receivable for the debt obligations due from the Successor Agency. The balance of the receivables at June 30, 2014 was $28,377,368 and has been offset in the deferred inflows of resources in the Governmental Fund financial statements. The long-term obligations are discussed in further detail in both Note #6, and Note #12.

Loans under the former Brentwood Redevelopment Agency and the City's Affordable Housing In-Lieu Programs – The City and the former Brentwood Redevelopment Agency entered into the loan programs, on the following page, to improve the quality and availability of affordable housing. Loans under the programs provide for the eventual forgiveness of the loan balances if the borrower complies with all the terms of the loan over its full term. The loans are accounted for as conditional grants in the Government-Wide financial statements and include a reserve for their eventual forgiveness. However, with the dissolution of the Brentwood Redevelopment Agency, the City agreed to become the successor to the Brentwood Redevelopment Agency's housing activities. Therefore, as of February 1, 2012, the City Low Income Housing Fund assumed the loans receivable of the former Brentwood Redevelopment Agency's Low and Moderate Income Housing Fund as discussed in Note #12. The City Low Income Housing and Affordable Housing In-Lieu loans were comprised of the following at June 30, 2014:

Governmental Activities:	
Brentwood/202 Senior Housing, Inc.	$ 314,550
Christian Church Homes Sycamore II	998,360
Eden Housing	127,125
Mercy Housing	1,715,000
Brentwood Senior Commons	400,000
Brentwood Green Valley	1,188,183
Sub-total Loans under City Low Income Housing	4,743,218
Less: Reservation for Loans Expected to be Forgiven	4,743,218
Net Notes and Loans Receivable	$ -
Business-Type Activities:	
Eden Housing	$ 1,138,000
Mercy Housing	735,000
Meta Housing	4,191,870
Sub-total Loans under Affordable Housing In-Lieu	6,064,870
Less: Reservation for Loans Expected to be Forgiven	6,064,870
Net Notes and Loans Receivable	$ -

NOTE #4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE *(Continued)*

Brentwood/202 Senior Housing, Inc. – In April 1996, the Brentwood Redevelopment Agency loaned Brentwood/202 Senior Housing, Inc., a California non-profit public benefit corporation, $314,550 to assist in the financing of the construction of a 40-unit senior housing project. The principal sum of the note does not bear interest. The outstanding principal due under this note is due and payable in full, either forty years from the date of recording the Deed of Trust or upon an event of default. In the event there has been no event of default that has not been cured, the Housing Successor shall forgive the outstanding principal balance due on the maturity date. The balance at June 30, 2014 was $314,550.

Christian Church Homes Sycamore II – In June 2003, the Brentwood Redevelopment Agency entered into a note with Christian Church Homes of Northern California, in the amount of $530,722, to construct 40 units of very low-income senior rental housing. The note is a 3% per annum simple interest, 55-year loan. In July 2004, a new note was executed with Sycamore Place II Senior Housing Corporation which amended, superseded and replaced in its entirety the original note of $530,722. This new note, in the amount of $755,722, is secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing. The principal sum of this note will bear 3% per annum, simple interest. All principal, and all accrued and unpaid interest, shall be due and payable in full either no later than June 27, 2058 or upon default. As of June 30, 2014, principal and accrued interest total $998,360. There is a reasonable expectation this note will be forgiven upon successful completion of the terms and conditions of the note and, as such, a reservation for forgiveness of the note has been included in these financial statements.

Eden Housing – In January 2005, the City of Brentwood Affordable Housing and the Brentwood Redevelopment Agency entered into two notes with Eden Housing, Inc., in the amounts of $900,000 and $100,000 for the development of Brentwood City Commons, an 80-unit very-low and extremely-low income senior apartment project. The notes are secured by Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing. The notes are 3% simple interest per annum, 55-year loans unless event of default occurs. As of June 30, 2014, principal and accrued interest for both notes total $1,265,125. There is a reasonable expectation these notes will be forgiven upon successful completion of the terms and conditions of the notes and, as such, a reservation for forgiveness of the notes has been included in these financial statements.

Mercy Housing – In May 2006, the City of Brentwood Affordable Housing and the Brentwood Redevelopment Agency entered into two notes with Mercy Housing, Inc., in the amounts of $600,000 and $1,400,000, in order to develop 94 affordable apartments for extremely low or very low-income households at an affordable rent as set forth in the Affordable Housing Covenant. So long as Mercy Housing, Inc. owns and operates the project in compliance with the Affordable Housing Covenant, and the agreement is not in default under these notes, no payments shall be due. The entire outstanding unpaid principal and interest of the notes shall be due and payable in full upon either the earlier of the 55-years after the closing of the notes or December 31, 2063. The notes shall bear interest at 3% per annum from the date of disbursement. As of June 30, 2014, the principal and accrued interest due for both notes total $2,450,000. There is a reasonable expectation these notes will be forgiven upon successful completion of the terms and conditions of the notes and, as such, a reservation for forgiveness of the notes has been included in these financial statements.

NOTE #4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE *(Continued)*

Brentwood Senior Commons – In November 2010, the Brentwood Redevelopment Agency entered into a Loan Agreement with Brentwood Senior Commons, L.P., in the amount of $400,000, to provide funding for a portion of elevator improvements within the Brentwood Senior Commons project. This note shall bear 0% interest unless there is a default in the conditions of the note. So long as Brentwood Senior Commons owns and operates the project in compliance with the Affordable Housing Covenant, no payments shall be due and the entire outstanding principal and interest, if any due to default, shall be due and payable in full on January 25, 2060. On the maturity date, the City as Housing Successor may, in its sole discretion, forgive the repayment of all or part of the Loan. As of June 30, 2014, the principal due totaled $400,000. There is a reasonable expectation this note will be forgiven upon successful completion of the terms and conditions of the note and, as such, a reservation for forgiveness of the note has been included in these financial statements.

Brentwood Green Valley – In January 2011, the Brentwood Redevelopment Agency entered into a Loan Agreement with Brentwood Green Valley Associates, in the amount of $1,258,886, to provide funds to repair and rehabilitate Green Valley Apartments, a 28-unit, extremely-low and very-low income, multi-family project. The loan was disbursed in two payments in accordance with the loan agreement. This note bears simple interest at a rate of 3% per annum from the date of disbursement. So long as Brentwood Green Valley owns and operates the project in compliance with the Affordable Housing Covenant, and the agreement is not in default under the note, the City as Housing Successor shall forgive the annual interest and the outstanding principal balance of this note on a per annum basis, prorated for partial years, in an amount equal to 1.82% of the original principal amount of this note over a 55-year period.

In addition, all accrued but unpaid interest is forgiven so long as the note is not in default. As of June 30, 2014, the principal due for both notes, before the forgiveness, totaled $1,211,095. Per the terms of the note, $22,912 of the principal and $36,333 of the interest were forgiven at June 30, 2014. The remaining balance at June 30, 2014 totaled $1,188,183. There is a reasonable expectation this note will be forgiven upon successful completion of the terms and conditions of the note and, as such, a reservation for forgiveness of the note has been included in these financial statements.

Meta Housing – In January 2012, the Brentwood Redevelopment Agency entered into a Loan Agreement with Meta Housing Corporation, in the amount of $3,950,000, to provide funding for the development of The Grove at Sunset Court, a 54-unit family apartment project. Due to State legislation, redevelopment agencies dissolved as of February 1, 2012. At that time, cities were given the option of becoming a successor agency and the City of Brentwood adopted a resolution to serve as the Successor Agency to the Brentwood Redevelopment Agency. The loan agreement with Meta Housing provided it would be automatically assigned to the Successor Agency upon the dissolution date.

In June 2012, the promissory note between the City of Brentwood and Meta Housing Corporation was signed and the loan was funded. As the loan had not been funded at the time of the redevelopment dissolution, and subsequently not approved as an enforceable obligation by the California State Department of Finance (DOF), the City assumed the rights and obligations under the loan agreement and funded the loan from the Housing Enterprise Fund.

NOTE #4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE *(Continued)*

The note is a 3% per annum simple interest, 55-year loan. So long as Meta Housing owns and operates the project in compliance with the Affordable Housing Covenant, no payments shall be due and the entire outstanding unpaid principal and interest shall be due and payable on June 20, 2067. As of June 30, 2014, principal and accrued interest total $4,191,870. There is a reasonable expectation this note will be forgiven upon successful completion of the terms and conditions of the note and, as such, a reservation for forgiveness of the note has been included in these financial statements.

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NOTE #5 – CAPITAL ASSETS

The City reports all capital assets, including infrastructure, in the Government-Wide Statement of Net Position. Capital assets of the primary government, as of June 30, 2014, are as follows:

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Governmental Activities:					
Capital Assets, Not Being Depreciated or Amortized:					
Land	$ 35,828,124	$ 598,950	$ -	$ -	$ 36,427,074
Work in Progress - CIP	6,748,817	1,487,631	-	(1,238,123)	6,998,325
Total Capital Assets, Not Being Depreciated or Amortized	42,576,941	2,086,581	-	(1,238,123)	43,425,399
Capital Assets, Being Depreciated and Amortized:					
Intangible Assets	6,258,156	-	-	-	6,258,156
Buildings	56,238,156	-	-	118,331	56,356,487
Infrastructure	444,263,889	7,746,983	-	766,141	452,777,013
Machinery and Equipment	6,197,233	-	-	353,651	6,550,884
Vehicles	8,305,938	1,006,074	(726,768)	-	8,585,244
Land Improvements	27,254,973	-	-	-	27,254,973
Total Capital Assets Being Depreciated and Amortized	548,518,345	8,753,057	(726,768)	1,238,123	557,782,757
Less Accumulated Depreciation and Amortization for:					
Intangible Assets	784,971	96,279	-	-	881,250
Buildings	3,714,510	1,122,840	-	-	4,837,350
Infrastructure	71,882,466	6,837,015	-	-	78,719,481
Machinery and Equipment	2,504,729	537,185	-	-	3,041,914
Vehicles	5,320,683	699,875	(726,768)	-	5,293,790
Land Improvements	3,260,163	521,657	-	-	3,781,820
Total Accumulated Depreciation and Amortization	87,467,522	9,814,851	(726,768)	-	96,555,605
Total Capital Assets, Being Depreciated and Amortized, Net	461,050,823	(1,061,794)	-	1,238,123	461,227,152
Governmental Activities Capital Assets, Net	$ 503,627,764	$ 1,024,787	$ -	$ -	$ 504,652,551
Business-Type Activities:					
Capital Assets, Not Being Depreciated or Amortized:					
Land	$ 2,154,202	$ -	$ -	$ -	$ 2,154,202
Work in Progress - CIP	10,458,279	1,487,316	-	(539,740)	11,405,855
Total Capital Assets, Not Being Depreciated or Amortized	12,612,481	1,487,316	-	(539,740)	13,560,057
Capital Assets, Being Depreciated and Amortized:					
Intangible Assets	10,597,532	-	-	-	10,597,532
Buildings	25,093,041	-	(14,000)	-	25,079,041
Infrastructure	225,935,867	1,397,585	-	1,767	227,335,219
Machinery and Equipment	1,705,834	-	-	537,973	2,243,807
Land Improvements	10,925,186	-	-	-	10,925,186
Total Capital Assets Being Depreciated and Amortized	274,257,460	1,397,585	(14,000)	539,740	276,180,785
Less Accumulated Depreciation and Amortization for:					
Intangible Assets	2,370,270	259,193	-	-	2,629,463
Buildings	4,708,086	502,956	(4,293)	-	5,206,749
Infrastructure	32,783,801	3,500,823	-	-	36,284,624
Machinery and Equipment	1,017,287	59,224	-	-	1,076,511
Land Improvements	1,801,008	251,352	-	-	2,052,360
Total Accumulated Depreciation and Amortization	42,680,452	4,573,548	(4,293)	-	47,249,707
Total Capital Assets, Being Depreciated and Amortized, Net	231,577,008	(3,175,963)	(9,707)	539,740	228,931,078
Business-Type Activities Capital Assets, Net	$ 244,189,489	$ (1,688,647)	$ (9,707)	$ -	$ 242,491,135

NOTE #5 – CAPITAL ASSETS (Continued)

For the year ended June 30, 2014, depreciation and amortization expense on capital assets was charged as follows:

Governmental Activities:		
General Government	$	2,801,206
Public Safety		243,472
Community Development		1,661
Public Works		4,400,483
Parks and Recreation		1,331,308
Internal Service		1,036,721
Total Depreciation and Amortization Expense - Governmental Activities	$	9,814,851
Business-Type Activities:		
Wastewater	$	1,489,389
Solid Waste		69,280
Water		2,978,385
Housing		36,494
Total Depreciation and Amortization Expense - Business-Type Activities	$	4,573,548

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 is amortizing 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 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 is amortizing 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 is amortizing the expense over 65 years.

- As of June 30, 1993, $513,156 for the BUSD Gym located at Bristow Middle School.
- As of June 30, 2002, $1,000,000 for the BUSD Gym located 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.
- As of June 30, 2009, $1,500,000 for the BUSD Gym located at Adams Middle School.

NOTE #6 – LONG-TERM OBLIGATIONS

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

A. GOVERNMENTAL ACTIVITIES

	Balance June 30, 2013	Additions	Payments Adjustments	Balance June 30, 2014	Amounts Due Within One Year
Bonds					
CIP 2012 Revenue Refunding Bonds	$ 23,205,000	$ -	$ (865,000)	$ 22,340,000	$ 885,000
General Obligation Bonds Series 2002	6,513,998	282,290 (1)	(325,000)	6,471,288	360,000
2009 Civic Center Project Lease Revenue Bonds	47,375,000	-	(645,000)	46,730,000	665,000
Net Bond Premium	1,290,247	-	(66,492)	1,223,755	-
Total Bonds	78,384,245	282,290	(1,901,492)	76,765,043	1,910,000
Capital Lease					
Equipment	277,656	-	(277,656)	-	-
Total Capital Lease	277,656	-	(277,656)	-	-
Other					
Net OPEB Obligation	9,620,394	1,219,939	-	10,840,333	-
Accumulated Compensated Absences	1,259,425	1,407,429	(1,442,633)	1,224,221	734,533
Total Other	10,879,819	2,627,368	(1,442,633)	12,064,554	734,533
Total General Long-Term Debt	$ 89,541,720	$ 2,909,658	$ (3,621,781)	$ 88,829,597	$ 2,644,533

(1) Accreted Interest

NOTE #6 – LONG-TERM OBLIGATIONS *(Continued)*

i. Bonds

- **CIP 2012 Revenue Refunding Bonds**

On January 11, 2012, the Authority issued $24,060,000 in Brentwood Capital Improvement Revenue Refunding Bonds, Series 2012 to: 1) finance the refund of the 2001 CIP Bonds under a facilities lease and 2) refund a series of tax allocation bonds issued by the Brentwood Redevelopment Agency. Total annual debt service payments, including interest at 2.00% to 5.25%, range from $1,643,119 to $1,939,388.

The Successor Agency to the Brentwood Redevelopment Agency has pledged future tax revenues for the repayment of a portion of the bonds. Following the dissolution of the Brentwood Redevelopment Agency, the Successor Agency is allocated funds for payment of obligations listed on the Successor Agency's six month Recognized Obligation Payment Schedule (ROPS) and approved by the DOF. As of June 30, 2014, the Successor Agency listed this debt obligation on its ROPS and the DOF has approved its inclusion for each applicable ROPS period through December 31, 2014. The City has recorded a receivable for the debt obligations of the Successor Agency, as detailed in Note #4, and the Successor Agency has recorded a liability for these obligations, as discussed in Note #12.

The pledge of future Successor Agency tax revenues ends upon repayment of the Successor Agency's $24,397,520 remaining share of debt service on the bonds, which is scheduled to occur in 2032. For fiscal year 2013/14, gross tax revenue available to be distributed to the Successor Agency totaled $5,548,659, which represented coverage of 4.06 times $1,365,550 of the Successor Agency's debt service. The remaining portion of the bonds is repayable from any source of the City's available funds.

Year Ending June 30	Principal	Interest	Total
2015	$ 885,000	$ 1,041,863	$ 1,926,863
2016	920,000	1,019,388	1,939,388
2017	925,000	991,688	1,916,688
2018	965,000	949,063	1,914,063
2019	1,020,000	898,163	1,918,163
2020-2024	5,950,000	3,614,355	9,564,355
2025-2029	7,075,000	1,946,237	9,021,237
2030-2032	4,600,000	334,637	4,934,637
Total	$ 22,340,000	$ 10,795,394	$ 33,135,394

***NOTE #6 – LONG-TERM OBLIGATIONS** (Continued)*

- **General Obligation Bonds Series 2002**

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% to 5.68%, range from $208,666 to $925,000. The General Obligation Bonds Series 2002 shall accrete 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
2015	$ 360,000	$ 63,263	$ 423,263
2016	400,000	44,363	444,363
2017	445,000	23,363	468,363
2018	208,907	281,093	490,000
2019	204,893	310,107	515,000
2020-2024	974,687	2,010,313	2,985,000
2025-2029	926,850	2,888,150	3,815,000
2030-2031	359,639	1,445,361	1,805,000
Sub-total	3,879,976	$ 7,066,013	$ 10,945,989
Accretion to date	2,591,312		
Total	$ 6,471,288		

- **Civic Center Project Lease Revenue Bonds**

On October 16, 2009, the Authority issued $48,000,000 in Civic Center Project Lease Revenue Bonds, Series 2009A, $4,055,000, and Taxable Series 2009B, $43,945,000, to finance the construction of a new City Hall, new Community Center and new Senior Center, plus library improvements and other public capital improvements. Total annual debt service payments, including interest at 3.00% to 7.647% (prior to Federal interest rebates relating to the 2009B portion of the bonds as described below), range from $3,130,976 to $4,350,204.

The Civic Center Project Lease Revenue Bonds, Series 2009A&B, are secured by a lien on, and pledge of, revenues under a Trust Agreement. “Revenues” means all amounts received by the Trustee, U.S. Bank, as payment on principal and interest. The City’s revenue sources, as described in the Official Statement, are pledged payments from the Brentwood Redevelopment Agency (now Successor Agency) pursuant to the reimbursement agreement, pledged payments from the Community Facilities Districts (CFD) local

NOTE #6 – LONG-TERM OBLIGATIONS *(Continued)*

obligations and pledged payments from the Capital Improvement Financing Program (CIFP) revenues.

As mentioned above, the Successor Agency to the Brentwood Redevelopment Agency has pledged future tax revenues for the repayment of a portion of the bonds. Following the dissolution of the Brentwood Redevelopment Agency, the Successor Agency is allocated funds for payment of obligations listed on the Successor Agency's six month ROPS and approved by the DOF. As of June 30, 2014, the Successor Agency listed this debt obligation on its ROPS and the DOF has approved its inclusion for each applicable ROPS period through December 31, 2014. The City has recorded a receivable for the debt obligations of the Successor Agency, as detailed in Note #4, and the Successor Agency has recorded a liability for these obligations, as discussed in Note #12.B. However, should these revenue sources not be sufficient to cover the principal and interest payments due in any year, the City is obligated, under the facilities lease, to pay such shortfall from the General Fund.

The taxable portion of the 2009B bonds was sold as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt; therefore, the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury to the Authority, or its designee, equal to 35% of the interest payable on the bonds, although this amount is subject to reduction due to the Federal budget sequestration. Such subsidy will be payable on or about the date the City makes its debt service payments and the total subsidy received in fiscal year 2013/14 was $1,039,080.

Year Ending June 30	Principal	Interest	Total
2015	$ 665,000	$ 3,323,304	$ 3,988,304
2016	1,040,000	3,289,204	4,329,204
2017	1,080,000	3,246,804	4,326,804
2018	1,125,000	3,190,554	4,315,554
2019	1,170,000	3,119,868	4,289,868
2020-2024	6,610,000	14,400,750	21,010,750
2025-2029	8,230,000	11,816,786	20,046,786
2030-2034	10,440,000	8,325,519	18,765,519
2035-2039	13,300,000	3,815,088	17,115,088
2040	3,070,000	117,381	3,187,381
Total	$ 46,730,000	$ 54,645,258	$ 101,375,258

NOTE #6 – LONG-TERM OBLIGATIONS *(Continued)*

ii. Capital Leases

On July 25, 2011, the City entered into a lease-to-purchase agreement with Motorola to purchase 150 installed Motorola police radios and accessories. The total lease amount was $832,970, which included a lease rate of 3.27% over three years. The first and second lease-to-purchase payments of $277,657 were made in August 2011 and August 2012, respectively. The final payment of $277,656 was made August 15, 2013.

iii. Net OPEB Obligation

Individual governmental funds which provide for employee personnel costs, primarily the General Fund, will be responsible for liquidating their respective shares of the Net OPEB Obligation. Details regarding the City's Net OPEB Obligation can be found in Note #11, Post-Retirement Health Care Benefits.

iv. Accumulated Compensated Absences

The long-term compensated absences balances as of June 30, 2014 were:

Governmental	$ 489,688
Business-Type	$ 149,100

NOTE #6 – LONG-TERM OBLIGATIONS (Continued)

B. BUSINESS-TYPE ACTIVITIES

	Balance July 1, 2013	Additions	Payments Adjustments	Balance June 30, 2014	Amounts Due Within One Year
Bonds					
Water Revenue Bonds Series 2008	$ 49,955,000	$ -	$ (1,200,000)	$ 48,755,000	$ 1,255,000
Net Bond Discount	(641,816)	-	25,335	(616,481)	-
Total Bonds	49,313,184	-	(1,174,665)	48,138,519	1,255,000
Notes Payable					
CCWD Water Connection Fee	7,382,250	105,768	(425,440)	7,062,578	-
State Water Resources Loan (Wastewater)	20,702,469	-	(1,907,594)	18,794,875	1,942,028
Total Notes Payable	28,084,719	105,768	(2,333,034)	25,857,453	1,942,028
Other					
Net OPEB Obligation	2,876,749	516,917	-	3,393,666	-
Accumulated Compensated Absences	345,119	511,399	(483,767)	372,751	223,651
Total Other	3,221,868	1,028,316	(483,767)	3,766,417	223,651
Total All Business-Type Funds	$ 80,619,771	$ 1,134,084	$ (3,991,466)	$ 77,762,389	$ 3,420,679

NOTE #6 – LONG-TERM OBLIGATIONS *(Continued)*

i. Bonds

- **Water Revenue Bonds Series 2008**

On November 13, 2008, the City issued $53,200,000 in Water Revenue Bonds, with interest rates ranging from 4.5 to 5.75%, due July 1, 2038. The balance at June 30, 2014 is $48,755,000. Future payments for these bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2015	$ 1,255,000	$ 2,728,238	$ 3,983,238
2016	1,320,000	2,665,488	3,985,488
2017	1,385,000	2,599,488	3,984,488
2018	1,460,000	2,523,313	3,983,313
2019	1,545,000	2,439,363	3,984,363
2020-2024	9,120,000	10,802,775	19,922,775
2025-2029	9,825,000	8,114,374	17,939,374
2030-2034	11,270,000	5,338,149	16,608,149
2035-2038	11,575,000	1,710,337	13,285,337
Total	$ 48,755,000	$ 38,921,525	$ 87,676,525

The City has pledged future water customer revenues, net of specified operating expenses, through 2038 to repay the Water Revenue Bonds. The bond covenants require the net water revenues to exceed 1.25 times coverage of the annual principal and interest payments on the bonds. The Water Fund's total principal and interest remaining to be paid on the bonds is $87,676,525 at June 30, 2014. The Water Fund's principal and interest paid for the current year was $3,988,237 and the total customer net revenues received in the current year were $7,022,448.

NOTE #6 – LONG-TERM OBLIGATIONS *(Continued)*

ii. 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. The City would pay annually for its actual and anticipated future connections for a period of 20 years. The minimum amount required per year was 239 connections, for a total of 4,780 connections, over 20 years. The established rate, at June 30, 2014, was $3,526 per connection, with an interest rate of 0% per annum, which increased the liability by $105,768. This agreement was entered into in anticipation of the expansion of the Urban Limit Line (ULL), and thus the City limits, into the Los Vaqueros Service Area and the resulting development of this area.

Since the 2000 agreement was approved, two major events occurred – the ULL expansion wasn't approved by voters and the unexpected downturn in the housing market – which have resulted in an uncertainty regarding when the Los Vaqueros Service Area will be developed. Due to this uncertainty, the City and CCWD decided it was in their best interest to amend the Agreement to account for this uncertainty. Therefore, on July 31, 2009, the City executed an amendment to the CCWD agreement. The primary modification is the timing and method of payment. Instead of paying for a predetermined, equal number of units annually, the City will pay for the units as they are constructed. The City and CCWD will true-up over a two year period, which will make up the difference between the number of existing residential units and the number of residential units paid for to date. The amended agreement required the City to pay $750,000 in fiscal year 2008/09 and $842,912 in fiscal year 2009/10. There were no fees paid in fiscal year 2010/11, $138,520 was paid in fiscal year 2011/12, no fees were paid in fiscal year 2012/13 and $425,440 was paid in fiscal year 2013/14. Forecasting the annual payments beyond 2013/14 is uncertain as any new connection fees related to the Los Vaqueros Service area will be paid as homes are built.

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, 2014, the City's gross repayment obligation totaled $20,531,655 and is being reported in the accompanying financial statement net of the unamortized discount of $1,736,780. During fiscal year 2013/14, the City repaid $1,907,594 on the obligation and amortized $373,701 of the discount which was reported as interest expense.

Year Ending June 30	Principal	Interest	Total
2015	$ 1,942,028	$ 339,267	$ 2,281,295
2016	1,977,084	304,211	2,281,295
2017	2,012,772	268,523	2,281,295
2018	2,049,105	232,190	2,281,295
2019	2,086,093	195,202	2,281,295
2020-2023	8,727,793	397,387	9,125,180
Total	$ 18,794,875	$ 1,736,780	$ 20,531,655

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 of the Fiduciary funds section.

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NOTE #7 – SPECIAL ASSESSMENT DISTRICTS (No City Liability) *(Continued)*

Special Assessment District Bonds	Assessment District Debt
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 2.00 percent to 5.50 percent, range from $826,735 to $2,407,520 • Final payment due September 2029	$ 24,306,000
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 2.00 percent to 4.75 percent, range from $796,706 to $818,338 • Final payment due September 2030	9,280,000
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 2.50 percent to 5.15 percent, range from $1,046,784 to $1,057,496 • Final payment due September 2032	12,907,000
Brentwood Infrastructure Financing Authority - CIFP 2005-1 Infrastructure Revenue Bonds, Series 2005 • Dated August 3, 2005 • Annual debt service payments, including interest at 3.00 percent to 5.15 percent, range from $2,616,165 to $2,621,171 • Final payment due September 2035	34,155,000
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	14,745,000
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 3.63 percent to 5.00 percent, range from $825,608 to $1,905,000 • Final payment due September 2034	30,735,000
City of Brentwood - Limited Obligation Improvement Bonds, Randy Way Sewer Line • Dated August 7, 2007 • Annual debt service payments, including interest at 3.95 percent to 5.20 percent, range from $53,123 to $58,060 • Final payment due September 2037	755,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2012 (Refinancing of CIFP's 1996, 98-1 and 99-1) • Dated June 7, 2012 • Annual debt service payments, including interest at 2.00 percent to 4.23 percent, range from $572,000 to $2,530,569. • Final payment due September 2029	19,030,000
Total Assessment District Debt	**$ 145,913,000**

NOTE #8 – CLASSIFICATION OF NET POSITION

In the Government-Wide Financial Statements, net position is classified in the following categories:

- Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation, and the outstanding balances of debt which are attributable to the acquisition, construction or improvement of these assets, reduce this category.

- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments.

- Unrestricted Net Position – This category represents the net position of the City, which is 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 annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

B. FUNDING POLICY

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Active plan members in the Miscellaneous Plan, hired prior to October 1, 2010, are required to contribute 6% of their annual covered salary, with the City paying the remaining 2% plus an employer contribution of 16.607%. Miscellaneous Plan employees, hired after September 30, 2010, contribute their entire employee amount of 7% (lower due to a reduced benefit level) of their annual covered salary, with the City paying the employer contribution of 16.607%. Miscellaneous Plan employees, new to CalPERS and hired after December 31, 2012, contribute their entire employee amount of 6.25% (due to the Pension Reform Act of 2013 "PEPRA", Assembly Bill 340) of their annual covered salary, with the City paying the employer contribution of 16.607%.

NOTE #9 – DEFINED BENEFIT PENSION PLAN (Continued)

Active plan members in the Safety Plan, hired prior to September 1, 2012, are required to contribute 6% of their annual covered salary, with the City paying the remaining 3% and an employer contribution of 28.340%. Safety Plan employees, hired after August 31, 2012, contribute the entire employee amount of 9% of their annual covered salary, with the City paying the employer contribution of 20.774%. Safety Plan employees, new to CalPERS and hired after December 31, 2012, contribute their entire employee amount of 11.5% (due to PEPRA) of their annual covered salary, with the City paying the employer contribution of 11.5%.

C. ANNUAL PENSION COST

For fiscal year 2013/14, the City of Brentwood's annual pension cost was $4,908,728. This amount equals the City's required and actual contributions. The required contribution for fiscal year 2013/14 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method, with the contributions determined as a percent of pay. The actuarial assumptions included: 1) 7.5% investment rate of return (net of administrative expenses), 2) projected salary increases, which vary by duration of service, age and type of employment, ranging from 3.3% to 14.2% and 3) payroll growth of 3.0%. Both 1) and 2) include an inflation component of 2.75%. The actuarial values of the Plan's assets were determined using a technique which smoothes the effect of short-term volatility in the market value of investments over a 15-year period. The Plan's Unfunded Actuarial Accrued Liability (UAAL) (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period ends June 30, 2029 for the Safety Plan and June 30, 2037 for the Miscellaneous Plan.

D. THREE-YEAR TREND INFORMATION FOR THE PLANS

Miscellaneous:	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	6/30/2012	$ 3,690,704	100%	$ -
	6/30/2013	$ 3,399,080	100%	$ -
	6/30/2014	$ 3,057,058	100%	$ -

Safety:	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	6/30/2012	$ 2,338,227	100%	$ -
	6/30/2013	$ 2,127,911	100%	$ -
	6/30/2014	$ 1,851,665	100%	$ -

NOTE #9 – DEFINED BENEFIT PENSION PLAN (Continued)

E. FUNDING STATUS

As of the June 30, 2012 valuation date, the most recent available, the funded status of the Miscellaneous Plan is 81.8% and the Safety Plan is 84.1%. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is either increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Miscellaneous:

CalPERS latest actuarial value (which differes from market value) and funding progress for the City's Miscellaneous Plan is shown below:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Overfunded)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Accrued Liability As a % of Payroll
6/30/2010	$ 64,448,656	$ 51,650,390	$ 12,798,266	80.1%	$ 15,595,846	82.1%
6/30/2011	$ 70,784,681	$ 57,629,887	$ 13,154,794	81.4%	$ 16,423,251	80.1%
6/30/2012	$ 77,927,216	$ 63,713,256	$ 14,213,960	81.8%	$ 15,793,396	90.0%

Safety:

As required by 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 State-wide pool. CalPERS' latest available actuarial value (which differs from market value) and funding progress for the State-wide pool is shown below:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Overfunded)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Accrued Liability As a % of Payroll
6/30/2010	$ 10,165,475,166	$ 8,470,235,152	$ 1,695,240,014	83.3%	$ 955,980,815	177.3%
6/30/2011	$ 10,951,745,049	$ 9,135,654,246	$ 1,816,090,803	83.4%	$ 949,833,090	191.2%
6/30/2012	$ 11,724,021,480	$ 9,854,787,710	$ 1,869,233,770	84.1%	$ 947,734,809	197.2%

The City's Safety Plan represents approximately 0.69%, 0.69% and 0.67% of the State-wide pool for the years ended June 30, 2012, 2011 and 2010, respectively, based on covered payroll of $6,574,740, $6,554,902 and $6,421,737 for those 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 (MPA). MPA 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 MPA for the following: Liability ($29 million coverage, $10,000 deductible); Employer's Resource Management Association (ERMA) ($2 million coverage, $50,000 deductible on employment claims); Fire and Property ($1 billion coverage, $25,000 deductible for all-risk and copper claims, $150,000 deductible for water claims); Flood ($25 million coverage, $100,000 to $250,000 minimum deductible per occurrence); Auto ($250,000 coverage, Police $3,000 deductible, all others $2,000); Cyber ($2 million coverage, $50,000 deductible); Government Crime ($1 million coverage, $10,000 deductible); Public Entity Pollution ($1 million coverage, $100,000 deductible); Boiler and Machinery ($25 million coverage, $5,000 deductible) and Workers Compensation (coverage to the statutory limit, $0 deductible). The agreement provides that MPA will be self-sustaining through member premiums and assessments. MPA purchases commercial insurance in excess of those amounts covered by its self-insurance pool.

MPA 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. It is governed by a Board of Directors composed of one appointed official from each City. Members as of June 30, 2014 were the cities of Antioch; Brentwood; Clayton; El Cerrito; Hercules; Lafayette; Manteca; Martinez; Oakley; Orinda; Pacifica; Pinole; Pittsburg; Pleasant Hill; San Pablo; San Ramon and Walnut Creek and the towns of Danville and Moraga. Audited financial information can be obtained from MPA 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. Settled claims have not exceeded coverage for these risks in any of the last three fiscal years. 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

A. PLAN DESCRIPTION

In addition to the pension benefits described in Note #9, the City provides certain post-retirement health care benefits. The City's Retiree Healthcare Plan ("Plan") is a single-employer defined benefit healthcare plan administered by the City. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City and its employees. The City provides retiree medical benefits through the CalPERS healthcare program (PEMHCA). The City covers premiums, subject to caps dependent on hire date for eligible retirees, with service or disability retirement directly from the City under CalPERS. Coverage extends to dependents and surviving spouses. No dental, vision or life insurance benefits are provided. The City has three benefit tier levels. All tiers provide for certain post-retirement health care benefits for employees who retire from the City and who meet the following criteria: 1) they retire on or after reaching

NOTE #11 – POST-RETIREMENT HEALTH CARE BENEFITS *(Continued)*

age 50 and 2) they have at least five years of cumulative service credits with organizations participating in a CalPERS Defined Benefit Pension Plan. The tiers are differentiated by maximum amount of health insurance coverage paid by the City.

The first tier, for employees who retire prior to July 1, 2012, provides for a maximum monthly coverage amount of $1,485.44 for miscellaneous retirees and $1,491.41 for safety retirees, with future increases in the maximum amount based upon annual increases in specified medical premium rates.

The second tier, for employees hired prior to July 1, 2012 with a retirement date on or after July 1, 2012, provides for a maximum monthly coverage amount of $1,326.63 for miscellaneous retirees and $1,485.44 for safety retirees. There will be no future increases in the maximum coverage amount for miscellaneous retirees until the Kaiser employee-only monthly medical insurance rate exceeds $1,326.63. Future increases for safety retirees will be based upon annual increases in specific medical premium rates, up to a cap of $1,500.00, at which point there will be no future increases in the maximum coverage amount for the Kaiser employee-only monthly insurance rate until it exceeds $1,500.00.

The third tier, for employees hired on or after July 1, 2012, provides for a maximum monthly coverage amount equal to the PEMHCA minimum, currently $119 per month. This amount is set annually by PEMHCA.

Currently 98 retirees, 76 of whom are in Tier 1 and 22 of whom are in Tier 2, are receiving these benefits. During fiscal year 2013/14, expenditures of $1,143,550, and pre-funding contributions of $926,471, were recognized for post-retirement health care.

At this time there is not a separate, audited Generally Accepted Accounting Principles (GAAP) basis post-employment benefit plan report available. The calculations used in the determination of the City's OPEB costs are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employers' Retiree Benefit Trust, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

B. <u>FUNDING POLICY</u>

The contribution requirements of the Plan participants and the City are established by, and may be amended by, the City. There is no statutory requirement for the City to pre-fund its OPEB obligation. The ARC is an amount actuarially determined in accordance with the parameters of

NOTE #11 – POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The City chose to pay Plan benefits on a pay-as-you-go basis through fiscal year 2009/10 and since that time has made pre-funding contributions totaling $2,697,548. The City's current intention is to increase pre-funding annually until 85% of the full ARC is reached in fiscal year 2017/18. There are no employee contributions. For fiscal year 2013/14, the City paid $1,143,550 for pay-as-you-go retiree healthcare Plan benefits and $926,471 to pre-fund future Plan benefits.

GAAP permits assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such assets are placed in an irrevocable trust or equivalent arrangement. The City's current year contributions, along with investment income, resulted in assets with CERBT of $3,226,989 as of June 30, 2014, which partially reduced the UAAL. The schedule of funding progress for the OPEB Plan at the conclusion of Note #11 presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The following table, which is based on the actuarial valuation as of June 30, 2013, shows: 1) the components of the annual OPEB cost for the year, 2) the amount actually contributed to the plan and 3) changes in the net OPEB obligation:

Annual Required Contribution	$ 4,223,000
Interest on Net OPEB Obligation	691,000
Adjustment to Annual Required Contribution	(1,107,123)
Annual OPEB Cost (Expense)	3,806,877
Contributions (Benefit Payments)	1,143,550
Contributions (Trust Pre-Funding)	926,471
Increase in Net OPEB Obligation	1,736,856
Net OPEB Obligation – July 1, 2013	12,497,143
Net OPEB Obligation – June 30, 2014	$ 14,233,999

NOTE #11 – POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the last three fiscal years, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$ 4,150,000	38.6%	$ 10,513,643
6/30/2013	$ 3,652,500	45.7%	$ 12,497,143
6/30/2014	$ 3,806,877	54.4%	$ 14,233,999

As of June 30, 2012 and 2013 the Successor Agency was obligated for $5,857 in OPEB obligations. The Successor Agency satisfied this obligation during the 2013/14 fiscal year. Neither the obligation nor the payment amounts are included in the table above and on page 81.

D. FUNDING STATUS AND FUNDING PROGRESS

The funded status of the Plan as of June 30, 2013, the Plan's most recent actuarial valuation date, is as follows:

Actuarial Accrued Liability	$ 34,494,000
Actuarial Value of Plan Assets	1,892,000
Unfunded Actuarial Accrued Liability	$ 32,602,000
Funded Ratio (Actuarial Value of Plan Assets/Actuarial Accrued Liability)	5%
Covered Payroll (Active Plan Members)	$ 23,621,000
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	138%

NOTE #11 – POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer, are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in Section E below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included select and ultimate investment rates of return equal to 5.53% for the 2013/14 fiscal year and increasing annually to 6.76% over four years based on the City's funding policy. The method for calculating these rates used an assumed 7.25% discount rate for the portion of the full ARC pre-funded in the CERBT and an assumed 4.00% discount rate for the portion of the full ARC not pre-funded. Premiums were assumed to increase with a pre-Medicare medical cost increase rate of 8.00% for Health Maintenance Organizations (HMOs) and 8.30% for Preferred Provider Organizations (PPOs) for 2015 premiums over 2014 premiums, both grading down to 5.00% annual increases for calendar year 2021 and thereafter. The payroll and the general inflation assumptions are a 3.25% and 3.00% annual increase, respectively. The UAAL is being amortized as a level percentage of projected payrolls over 25 years on a closed basis, from June 30, 2013.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability As a % of Covered Payroll ((b-a)/c)
6/30/2010	$ -	$ 30,282,000	$ 30,282,000	0.00%	$ 22,246,000	136%
6/30/2011	$ 322,000	$ 29,350,000	$ 29,028,000	1.10%	$ 21,848,000	133%
6/30/2013	$ 1,892,000	$ 34,494,000	$ 32,602,000	5.49%	$ 23,621,000	138%

NOTE #12 – BRENTWOOD REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. REDEVELOPMENT AGENCY DISSOLUTION

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB 1484 on June 27, 2012, which suspended all new redevelopment activities, except for limited specified activities as of that date, and dissolved redevelopment agencies on February 1, 2012. The suspension provisions prohibited all redevelopment agencies from a wide range of activities including: incurring new indebtedness or obligations; entering into or modifying agreements or contracts; acquiring or disposing of real property and taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB 1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur, and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office conducted its review of asset transfers beginning in September 2013, but the results of that review are not yet available.

Effective February 1, 2012, the Brentwood Redevelopment Agency was dissolved and certain assets of the Brentwood Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor, and all remaining Brentwood Redevelopment Agency assets and liabilities were distributed to a Successor Agency. Under the provisions of AB 1484, the City elected to become the Housing Successor and retain the housing assets. The City also elected to become the Successor Agency to the Brentwood Redevelopment Agency and on February 1, 2012 the Brentwood Redevelopment Agency's remaining assets were distributed to, and liabilities were assumed by, the Successor Agency. ABx1 26 required the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 11, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members including one member of City Council and one former Brentwood Redevelopment Agency employee appointed by the Mayor.

The activities of the Housing Successor are reported in the City Low Income Housing Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The activities of the Successor Agency are reported in the Successor Agency to the Brentwood Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City is providing administrative services to the Successor Agency to wind down the affairs of the former Brentwood Redevelopment Agency.

As of June 30, 2014, cash and investments of the Successor Agency were pooled with the City's cash and investments. Details of the nature of the Successor Agency's cash and investments are presented in Note #3. Information presented in the following sections of Note #12 represent other assets and liabilities of the Successor Agency as of June 30, 2014.

NOTE #12 – BRENTWOOD REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

B. LONG-TERM OBLIGATIONS

The Successor Agency assumed the long-term obligations of the former Brentwood Redevelopment Agency as of February 1, 2012. The following summarizes the long-term obligations of the Successor Agency as of June 30, 2014.

	Balance June 30, 2013	Additions	Payments Adjustments	Balance June 30, 2014	Amounts Due Within One Year
CIP 2012 Revenue Refunding Bonds	$ 16,630,000	$ -	$ (550,000)	$ 16,080,000	$ 575,000
2009 Civic Center Project Lease Revenue Bonds	12,467,105	-	(169,737)	12,297,368	175,000
Net OPEB Obligation	5,857	-	(5,857)	-	-
Accumulated Compensated Absences	3,285	-	(3,285)	-	-
Total	$ 29,106,247	$ -	$ (728,879)	$ 28,377,368	$ 750,000

i. Bonds

- **CIP 2012 Revenue Refunding Bonds**

The Brentwood Redevelopment Agency issued 2001 CIP Tax Allocation Bonds, dated October 1, 2001, to finance certain Redevelopment projects. The Brentwood Redevelopment Agency pledged future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low Income Housing Fund, for the repayment of the Tax Allocation Bonds. On January 11, 2012, the Authority issued $24,060,000 in Brentwood Capital Improvement Revenue Refunding Bonds, Series 2012 to: 1) finance the refund of the 2001 CIP Bonds under a facilities lease and 2) refund a series of tax allocation bonds issued by the Brentwood Redevelopment Agency. Total annual debt service payments, including interest at 4.25% to 5.375%, range from $1,342,750 to $1,368,688.

The Successor Agency to the Brentwood Redevelopment Agency has pledged future tax revenues for the repayment of a portion of the bonds. Following the dissolution of the Brentwood Redevelopment Agency, the Successor Agency is allocated funds for payment of obligations listed on the Successor Agency's six month ROPS and approved by the DOF. The Successor Agency listed this debt obligation on its ROPS and the DOF has approved its inclusion for each applicable ROPS period through December 31, 2014. The City has recorded a receivable for the debt obligations of the Successor Agency, as detailed in Note #4. The pledge of future Successor Agency tax revenues ends upon repayment of the Successor Agency's $24,397,519 remaining share of debt service on the bonds, which is scheduled to occur in 2032.

NOTE #12 – BRENTWOOD REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

- **Civic Center Project Lease Revenue Bonds**

On October 16, 2009, the Authority issued $48,000,000 in Civic Center Project Lease Revenue Bonds, Series 2009A, $4,055,000, and Taxable Series 2009B, $43,945,000, to finance the construction of a new City Hall, a new Community Center, a new Senior Center, plus library improvements and other public capital improvements. The Brentwood Redevelopment Agency entered into a reimbursement agreement with the Authority which indicates the Brentwood Redevelopment Agency will pay a proportionate amount of the City's base rental payments for specific and allowable projects the Brentwood Redevelopment Agency has agreed to fund. The Civic Center Project Lease Revenue Bonds generated $12,631,578 for allowable Brentwood Redevelopment Agency projects.

The Successor Agency to the Brentwood Redevelopment Agency has pledged future tax revenues for the repayment of a portion of the bonds. Following the dissolution of the Brentwood Redevelopment Agency, the Successor Agency is allocated funds for payment of obligations listed on the Successor Agency's six month ROPS and approved by the DOF. As of June 30, 2014, the Successor Agency listed this debt obligation on its ROPS and the DOF has approved its inclusion for each applicable ROPS period through December 31, 2014. The City has recorded a receivable for the debt obligations of the Successor Agency, as detailed in Note #4. The pledge of future tax revenues ends upon repayment of the Successor Agency's $26,677,700 remaining share of debt service on the bonds. The repayment of the debt service is scheduled to occur in 2040.

NOTE #12 – BRENTWOOD REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES *(Continued)*

Total debt service requirements for the Successor Agency's two bond payment obligations are summarized below:

Year Ending June 30	Principal	Interest	Total
2015	$ 750,000	$ 1,664,791	$ 2,414,791
2016	878,684	1,629,268	2,507,952
2017	904,211	1,590,547	2,494,758
2018	951,053	1,545,420	2,496,473
2019	997,895	1,491,899	2,489,794
2020-2024	5,769,474	6,545,834	12,315,308
2025-2029	7,320,789	4,717,055	12,037,844
2030-2034	6,497,367	2,478,176	8,975,543
2035-2039	3,500,000	1,003,971	4,503,971
2040	807,895	30,890	838,785
Total Payments Due	$ 28,377,368	$ 22,697,851	$ 51,075,219

ii. <u>Net OPEB Obligation</u>

During the 2013/14 fiscal year, the Successor Agency satisfied its remaining Net OPEB obligation by making a payment of $5,857 to the CERBT Trust.

iii. <u>Accumulated Compensated Absences</u>

During the 2013/14, fiscal year the Successor Agency satisfied its remaining Compensated Absences obligation by making a payment of $3,285 to the City.

NOTE #12 – BRENTWOOD REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

C. PLEDGED REVENUES

As discussed above, the Successor Agency has pledged all future tax increment revenues for the repayment of its share of the CIP 2012 Revenue Refunding Bonds and the Civic Center Project Lease Revenue Bonds. The pledge of all future tax increment revenues ends upon

repayment of $51,075,219 remaining debt service on the bonds, which is scheduled to occur in 2040. With the dissolution of the Brentwood Redevelopment Agency discussed above, tax increment is no longer distributed. Instead, the Successor Agency receives payments from Contra Costa County's Redevelopment Property Tax Trust Fund which are to be used to fund debt service on the bonds, with no distinction between housing and non-housing revenues. For fiscal year 2013/14, gross tax increment available to be distributed to the Successor Agency was $5,548,659, which represents coverage of 230% of the fiscal year 2013/14 debt service requirements.

D. COMMITMENTS AND CONTINGENCIES

i. State Approval of Enforceable Obligations

The Successor Agency prepares a ROPS semi-annually which contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the DOF. Although the DOF may elect not to question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the DOF cannot be determined at this time. The City is currently in litigation with the DOF regarding items on the ROPS. Refer to Note #14 for additional information.

ii. State Asset Transfer Review

The activities of the former Brentwood Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Brentwood Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor.

The Successor Agency was also required to engage a licensed accountant to perform a Low and Moderate Income Housing Fund Due Diligence Review (DDR) and a separate DDR covering all funds other than the Low and Moderate Income Housing Fund. The Successor Agency submitted the Low and Moderate Income Housing Fund DDR to the DOF in December 2012 to determine the amount of cash and

NOTE #12 – BRENTWOOD REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

cash equivalents available for distribution to the affected taxing agencies. The DOF determined the Successor Agency's Low and Moderate Income Housing Fund balance available for distribution was $4,072,553. This amount was remitted to the County in FY 2012/13.

The Successor Agency submitted the DDR covering all funds other than the Low and Moderate Income Housing Fund to DOF in January 2013. The DOF has determined that certain transfers disclosed in the DDR were invalid and the City disagrees with the findings of the DOF. The City is currently in litigation with the DOF regarding these disputed transfers. Refer to Note #14 for additional information.

iii. Construction Funding Commitments

As of June 30, 2014, the Successor Agency has committed funding totaling $2,284,603 to the City of Brentwood for the completion of several projects. This amount is recognized by the Successor Agency as payable to the City for funds spent on projects. The commitment of these funds was approved by the Brentwood Oversight Board and the funds are included on the Successor Agency's ROPS, although future payments are the subject of the litigation discussed in Note #14.

E. NET POSITION RESTATEMENT

The Successor Agency has determined the amount due to the City of Brentwood for authorized capital projects was understated by $160,855. This amount has therefore been subtracted from the beginning net position in the Fiduciary Statement of Net Position. The effect of the restatement on the beginning balance decreased the Fiduciary net position by $160,855. This adjustment does not impact the net position of the City.

NOTE #13 – CONTINGENT LIABILITIES

A. LITIGATION

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is no filed litigation, as of June 30, 2014 which is likely to have a material adverse effect on the financial position of the City with the possible exception of current litigation against the DOF. On July 17, 2013, the City and Successor Agency filed suit against the DOF. On April 2, 2014 the Court ruled against the City and Successor Agency, although the City and Successor Agency believe in the merits of the case and appealed the decision. Refer to Note #14 - Subsequent Events, for additional information.

NOTE #13 – CONTINGENT LIABILITIES (Continued)

B. STATE AND FEDERAL GRANTS

The City has received State and Federal funds for specific purposes which are subject to review by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed any required reimbursements will not be material.

C. DEVELOPER FEE CREDITS

The City entered into several agreements with various developers and merchant builders who are developing residential and commercial projects throughout the City. The City agreed to grant these developers impact fee credits since they constructed certain improvements beyond what was needed to serve their specific projects. The value of these 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, 2014, was $16,536,392, after a total of $4,910,834 was used as credits during fiscal year 2013/14. 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 which has not yet occurred.

D. CONSTRUCTION COMMITMENTS

As of June 30, 2014, the City had several commitments with respect to unfinished capital projects. The Successor Agency has committed funding totaling $3,462,355 to the City of Brentwood for the completion of those projects and, as of June 30, 2014, has made payments of $1,177,752. As of June 30, 2014, the City recognized $2,284,603 of this as a receivable from the Successor Agency, offset with deferred inflows of resources, for project costs which have thus far been incurred. The commitment of these funds was approved by the Brentwood Oversight Board and the funds were included on the Successor Agency's ROPS, although future payments are the subject of the litigation discussed in Note #14. Payment for these commitments began in fiscal year 2012/13.

As of June 30, 2014, the City had the following commitments with respect to unfinished major capital projects:

Project Name	Outstanding Commitments
Brentwood Blvd. Median Landscaping Improvements	$ 1,360,802
Citywide Park Shade Improvements	123,057
Civic Center FOB Security System	246,251
Library Relocation - Phase II	147,997
Solid Waste Transfer Station Expansion	860,954
Total	$ 2,739,061

NOTE #14 – SUBSEQUENT EVENTS

A. REDEVELOPMENT AGENCY LITIGATION

In April 2013, the DOF informed the City it had denied $19,619,350 in transfers made from the former Brentwood Redevelopment Agency to the City prior to the State of California's dissolution of redevelopment agencies. The transfers were made in accordance with third party contractual obligations entered into for the construction of five capital projects which had all commenced construction by 2011. Of the payment denied by DOF, $4,216,474 consisted of bond proceeds and/or investment income earned on the bond proceeds. The DOF also disallowed the transfer of nine parcels from the Brentwood Redevelopment Agency to the City.

In May 2013, following a meet and confer session between the DOF and the City, the DOF reaffirmed its denial of the above transfers and ordered the City to return $4,216,474 in bond proceeds to the Successor Agency and remit $14,955,931 to the County Auditor-Controller for distribution to applicable taxing entities. The amounts required to be remitted to the County Auditor-Controller and Successor Agency were less than the total denial amount of the transfers as a result of a previously calculated negative balance available for distribution through the DDR process.

The City and Successor Agency filed suit against the DOF claiming, among other things: 1) the DOF's DDR determination violates California Proposition 22 which prohibits the Legislature from reallocating tax increment; 2) the transfers made by the former Brentwood Redevelopment Agency were legally valid at the time they were made and were for enforceable obligations and third party contracts; 3) the transfers were made for the payment for goods and services which are broadly exempted from reversal as defined in California Health and Safety Code Section 34179.5(b)(3); 4) the DOF's enforcement of its final determination is unconstitutional; 5) the property transfers are not subject to the DDR process because they were not transferred with the meaning of California Health and Safety Code Section 34179.5(b)(3) and 6) the property transfers were valid transfers.

On April 2, 2014, the Court ruled against the City and Successor Agency on the cash transfers, but did not rule on the legality of the property transfers. The City and Successor Agency believe in the merits of the case and have appealed the decision. A decision concerning the disputed funds is expected in mid-2015. There has not been a final judicial or administrative determination regarding the legality of the retroactive provisions of ABx1 26 and AB 1484. The amount, if any, of assets that may be required to be returned to the Successor Agency and/or remitted to the County Auditor-Controller cannot be determined at this time.

B. BOND REFINANCE

On October 14, 2014, the Brentwood Infrastructure Financing Authority issued a total of $74,400,000 of Infrastructure Revenue Refunding Bonds, Series 2014A and Subordinated Series 2014B. The proceeds will be used to refinance the existing 2004A and Subordinated Series 2004B Bonds; Series 2004C Bonds; Assessment District 2005-1 Bonds and Assessment District 2006-1 Bonds. The savings generated from

NOTE #14 – SUBSEQUENT EVENTS *(Continued)*

the refinance will be split between the property owners and the City. The savings received by the City will be restricted for future Capital Improvements.

These bonds are Special Assessment District Bonds, issued pursuant to the Municipal Improvement Act of 1915, and are not reported in the long-term debt obligations of the City. 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, 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 as described in Note #7.

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Budgetary Comparison Schedule, General Fund

For Year Ended June 30, 2014

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	$ 14,387,542	$ 14,745,667	$ 15,499,584	$ 753,917
Licenses	528,575	528,575	618,161	89,586
Permits and Fines	2,904,674	3,408,419	5,920,923	2,512,504
Uses of Money and Property	738,171	399,608	466,987	67,379
Intergovernmental	2,669,896	2,920,571	2,859,541	(61,030)
Franchises	1,348,630	1,290,680	1,321,089	30,409
Charges for Other Services	315,901	315,901	381,111	65,210
Charges to Other Funds	7,019,785	7,521,785	6,577,548	(944,237)
Fees and Other Revenues	1,837,156	1,775,385	1,643,099	(132,286)
Total Revenues	31,750,330	32,906,591	35,288,043	2,381,452
EXPENDITURES				
Current:				
General Government	6,101,137	6,306,986	5,411,219	895,767
Public Safety	17,358,905	17,599,663	16,808,923	790,740
Community Development	3,590,401	4,279,971	4,038,207	241,764
Engineering	2,716,658	2,757,014	2,620,029	136,985
Public Works	2,829,921	2,872,351	2,687,875	184,476
Parks and Recreation	5,089,761	5,229,570	4,987,381	242,189
Community Services	571,077	571,455	565,327	6,128
Total Expenditures	38,257,860	39,617,010	37,118,961	2,498,049
REVENUES OVER (UNDER) EXPENDITURES	(6,507,530)	(6,710,419)	(1,830,918)	4,879,501
OTHER FINANCING SOURCES (USES)				
Transfers In	7,914,760	6,735,941	6,853,029	117,088
Transfers Out	(1,870,033)	(5,917,303)	(5,917,303)	-
Total Other Financing Sources (Uses)	6,044,727	818,638	935,726	117,088
Net Change in Fund Balances	$ (462,803)	$ (5,891,781)	(895,192)	$ 4,996,589
Fund Balance, Beginning of Year			18,034,685	
Fund Balance, End of Year			$ 17,139,493	

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgets for governmental funds are prepared in accordance with Generally Accepted Accounting Principles 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 which permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on four expenditure categories: personnel services, supplies and services, internal service 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 Funds and Proprietary Funds. The City's budget reflects an organization that is committed to delivering excellent public services that meet the needs of the community by continually striving to meet the following goals:

- *Deliver Excellent Public Services*
- *Enhance Community and Neighborhood Improvement*
- *Ensure Long-term Financial Stability and Sustainability*
- *Promote Economic and Community Development*
- *Provide for Effective Transportation and Infrastructure*
- *Provide for the Public's Safety*

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2014

	Special Revenue Funds						
	Roadway Facility Fee	Gas Tax	SB 1186 Disability Access	Police Grants	Other Grants	Citywide Park Assessment District	Community Facilities Districts
ASSETS							
Current Assets:							
Cash and Investments	$ 4,392,917	$ 121,859	$ 6,714	$ 197,330	$ -	$ 445,574	$ 192,961
Restricted Cash and Investments	-	-	-	-	-	-	-
Receivables	112	7	-	22,311	11,848	20	23,690
Prepaids	-	-	-	-	-	845	-
Due from Other Funds	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-
Non-Current Assets:							
Interfund Advance Receivable	97,069	-	-	-	-	-	-
Total Assets	$ 4,490,098	$ 121,866	$ 6,714	$ 219,641	$ 11,848	$ 446,439	$ 216,651
LIABILITIES							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 1,617	$ -	$ 414	$ 31,029	$ -	$ 253,194	$ 29
Due to Other Funds	-	-	-	-	4,887	-	-
Non-Current Liabilities Due in More Than One Year:							
Interfund Advance Payable	-	-	-	-	-	-	-
Total Liabilities	1,617	-	414	31,029	4,887	253,194	29
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Accounts Receivable	-	-	-	-	11,848	-	-
Unavailable Revenue - Interfund Advance Receivable	97,069	-	-	-	-	-	-
Unavailable Revenue - Loans Receivable	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	97,069	-	-	-	11,848	-	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	845	-
Restricted	-	121,866	6,300	188,612	-	-	-
Committed	4,391,412	-	-	-	-	192,400	216,622
Unassigned	-	-	-	-	(4,887)	-	-
Total Fund Balances	4,391,412	121,866	6,300	188,612	(4,887)	193,245	216,622
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,490,098	$ 121,866	$ 6,714	$ 219,641	$ 11,848	$ 446,439	$ 216,651

Continued

Combining Balance Sheet

Non-Major Governmental Funds (Continued)

June 30, 2014

	Special Revenue Funds *(Continued)*						
	Community Facility Fee	Abandoned Vehicle Abatement	Infrastructure Improvements	City Low Income Housing	PEG Media	Asset Forfeiture	Measure C/J
ASSETS							
Current Assets:							
Cash and Investments	$ 1,502,246	$ 128,379	$ 6,044	$ 64,028	$ 817,077	$ 37,828	$ 31,820
Restricted Cash and Investments	-	-	-	-	-	-	-
Receivables	35	3	-	4,743,220	23	1	4
Prepaids	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	1,040,359	-	-	-
Non-Current Assets:							
Interfund Advance Receivable	-	-	-	-	-	-	-
Total Assets	$ 1,502,281	$ 128,382	$ 6,044	$ 5,847,607	$ 817,100	$ 37,829	$ 31,824
LIABILITIES							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 1,277	$ 21	$ 1	$ 12	$ 151	$ 96	$ 20
Due to Other Funds	-	-	-	-	-	-	-
Non-Current Liabilities Due in More Than One Year:							
Interfund Advance Payable	-	-	-	-	-	-	-
Total Liabilities	1,277	21	1	12	151	96	20
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Accounts Receivable	-	-	-	-	-	-	-
Unavailable Revenue - Interfund Advance Receivable	-	-	-	-	-	-	-
Unavailable Revenue - Loans Receivable	-	-	-	4,743,218	-	-	-
Total Deferred Inflows of Resources	-	-	-	4,743,218	-	-	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	1,104,377	816,949	37,733	31,804
Committed	1,501,004	128,361	6,043	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	1,501,004	128,361	6,043	1,104,377	816,949	37,733	31,804
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,502,281	$ 128,382	$ 6,044	$ 5,847,607	$ 817,100	$ 37,829	$ 31,824

Continued

Combining Balance Sheet

Non-Major Governmental Funds (Continued)

June 30, 2014

	Special Revenue Funds *(Continued)*						
	Facility Fee Administration	Parks Advertising	Parks and Trails Facility Fee	Agriculture Administration	Public Art Administration	Public Art Acquisition	Arts Commission
ASSETS							
Current Assets:							
Cash and Investments	$ 448,535	$ 63,640	$ -	$ 498,783	$ 249,400	$ 1,017,367	$ 5,089
Restricted Cash and Investments	-	-	-	-	-	-	-
Receivables	11	2,282	-	14	7	27	-
Prepaids	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-
Non-Current Assets:							
Interfund Advance Receivable	-	-	-	-	-	-	-
Total Assets	$ 448,546	$ 65,922	$ -	$ 498,797	$ 249,407	$ 1,017,394	$ 5,089
LIABILITIES							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 78	$ 24	$ 146	$ 93	$ 42	$ 176	$ 1
Due to Other Funds	-	-	-	-	-	-	-
Non-Current Liabilities Due in More Than One Year:							
Interfund Advance Payable	-	-	2,177,752	-	-	-	-
Total Liabilities	78	24	2,177,898	93	42	176	1
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Accounts Receivable	-	-	-	-	-	-	-
Unavailable Revenue - Interfund Advance Receivable	-	-	-	-	-	-	-
Unavailable Revenue - Loans Receivable	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	448,468	-	-	498,704	249,365	1,017,218	5,088
Committed	-	65,898	-	-	-	-	-
Unassigned	-	-	(2,177,898)	-	-	-	-
Total Fund Balances	448,468	65,898	(2,177,898)	498,704	249,365	1,017,218	5,088
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 448,546	$ 65,922	$ -	$ 498,797	$ 249,407	$ 1,017,394	$ 5,089

Continued

Combining Balance Sheet

Non-Major Governmental Funds (Continued)

June 30, 2014

	Special Revenue Funds *(Continued)*				Debt Service Funds	Capital Project Funds		
	Fire Facility Fee	Agriculture Land	Parking In-Lieu	Landscape and Lighting Assessment Districts	General Obligation Bonds Series 2002	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	Civic Center Capital Improvement Financing Program
ASSETS								
Current Assets:								
Cash and Investments	$ 3,416,738	$ 627,524	$ 27,457	$ 4,606,579	$ 61,103	$ -	$ -	$ 1,390,565
Restricted Cash and Investments	-	-	-	-	-	4,490,342	2,581,048	-
Receivables	93	17	1	22,884	8	-	-	38
Prepaids	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Non-Current Assets:								
Interfund Advance Receivable	-	-	-	-	-	-	-	-
Total Assets	$ 3,416,831	$ 627,541	$ 27,458	$ 4,629,463	$ 61,111	$ 4,490,342	$ 2,581,048	$ 1,390,603
LIABILITIES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 639	$ 503	$ 5	$ 557,144	$ 48	$ -	$ -	$ 328
Due to Other Funds	-	-	-	-	-	-	-	-
Non-Current Liabilities Due in More Than One Year:								
Interfund Advance Payable	-	-	-	-	-	-	-	-
Total Liabilities	639	503	5	557,144	48	-	-	328
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Accounts Receivable	-	-	-	9,801	-	-	-	-
Unavailable Revenue - Interfund Advance Receivable	-	-	-	-	-	-	-	-
Unavailable Revenue - Loans Receivable	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	9,801	-	-	-	-
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	3,416,192	627,038	27,453	4,062,518	61,063	4,490,342	2,581,048	1,390,275
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	3,416,192	627,038	27,453	4,062,518	61,063	4,490,342	2,581,048	1,390,275
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,416,831	$ 627,541	$ 27,458	$ 4,629,463	$ 61,111	$ 4,490,342	$ 2,581,048	$ 1,390,603

Continued

Combining Balance Sheet

Non-Major Governmental Funds (Continued)

June 30, 2014

	Capital Project Funds *(Continued)*							
	Civic Center Project Lease Revenue Bond Acquisition	Community Facilities Improvements	Parks and Trails Improvements	Drainage Improvements	Roadway Improvements	Economic Infrastructure Projects	Vineyards Projects	Total Non-Major Governmental Funds
ASSETS								
Current Assets:								
Cash and Investments	$ -	$ 1,401,545	$ 264,100	$ 37,414	$ 3,988,609	$ 6,278,475	$ 2,055,491	$ 34,383,191
Restricted Cash and Investments	7,736,565	-	-	-	-	-	-	14,807,955
Receivables	210	1,499,913	784,825	1	19,564	171	56	7,131,396
Prepaids	-	-	-	-	-	-	-	845
Due from Other Funds	-	4,887	-	-	-	-	-	4,887
Land Held for Resale	-	-	-	-	-	-	-	1,040,359
Non-Current Assets:								
Interfund Advance Receivable	-	2,177,752	-	-	-	-	-	2,274,821
Total Assets	$ 7,736,775	$ 5,084,097	$ 1,048,925	$ 37,415	$ 4,008,173	$ 6,278,646	$ 2,055,547	$ 59,643,454
LIABILITIES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 1,348	$ 123,022	$ 89,318	$ 37,414	$ 955,942	$ 1,199	$ 371	$ 2,055,702
Due to Other Funds	-	-	784,825	-	-	-	-	789,712
Non-Current Liabilities Due in More Than One Year:								
Interfund Advance Payable	-	-	-	-	-	-	-	2,177,752
Total Liabilities	1,348	123,022	874,143	37,414	955,942	1,199	371	5,023,166
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Accounts Receivable	-	-	-	-	-	-	-	21,649
Unavailable Revenue - Interfund Advance Receivable	-	-	-	-	-	-	-	97,069
Unavailable Revenue - Loans Receivable	-	1,499,778	784,825	-	-	-	-	7,027,821
Total Deferred Inflows of Resources	-	1,499,778	784,825	-	-	-	-	7,146,539
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	845
Restricted	7,735,427	3,461,297	-	1	3,052,231	6,277,447	2,055,176	43,763,992
Committed	-	-	-	-	-	-	-	6,501,740
Unassigned	-	-	(610,043)	-	-	-	-	(2,792,828)
Total Fund Balances	7,735,427	3,461,297	(610,043)	1	3,052,231	6,277,447	2,055,176	47,473,749
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,736,775	$ 5,084,097	$ 1,048,925	$ 37,415	$ 4,008,173	$ 6,278,646	$ 2,055,547	$ 59,643,454

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Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For Year Ended June 30, 2014

	Special Revenue Funds						
	Roadway Facility Fee	Gas Tax	SB 1186 Disability Access	Police Grants	Other Grants	Citywide Park Assessment District	Community Facilities Districts
REVENUES							
Taxes	$ -	$ -	$ -	$ -	$ -	$ 1,858,571	$ -
Uses of Money and Property	40,726	2,478	57	2,027	-	5,990	1,250
Intergovernmental	-	1,613,703	-	144,407	-	-	-
Fees and Other Revenues	3,703,673	-	4,128	-	-	50,446	3,588,183
Total Revenues	3,744,399	1,616,181	4,185	146,434	-	1,915,007	3,589,433
EXPENDITURES							
Current:							
General Government	2,676,132	-	108	-	6,579	-	-
Public Safety	-	-	-	131,261	-	-	-
Community Development	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	2,789,349	-
Community Services	-	-	-	-	-	-	30,601
Capital Outlay	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Total Expenditures	2,676,132	-	108	131,261	6,579	2,789,349	30,601
REVENUES OVER (UNDER) EXPENDITURES	1,068,267	1,616,181	4,077	15,173	(6,579)	(874,342)	3,558,832
OTHER FINANCING SOURCES (USES)							
Transfers In	643,741	-	-	-	-	750,998	1,681,131
Transfers Out	(968,899)	(1,494,323)	-	-	-	-	(5,152,487)
Total Other Financing Sources (Uses)	(325,158)	(1,494,323)	-	-	-	750,998	(3,471,356)
Net Change in Fund Balances	743,109	121,858	4,077	15,173	(6,579)	(123,344)	87,476
Fund Balance, Beginning of Year	3,648,303	8	2,223	173,439	1,692	316,589	129,146
Fund Balance, End of Year	$ 4,391,412	$ 121,866	$ 6,300	$ 188,612	$ (4,887)	$ 193,245	$ 216,622

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (Continued)

For Year Ended June 30, 2014

	Special Revenue Funds *(Continued)*						
	Community Facility Fee	**Abandoned Vehicle Abatement**	**Infrastructure Improvements**	**City Low Income Housing**	**PEG Media**	**Asset Forfeiture**	**Measure C/J**
REVENUES							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	11,750	1,166	61	703	8,324	489	1,655
Intergovernmental	-	-	-	-	-	-	752,210
Fees and Other Revenues	1,503,082	116,413	-	-	-	3,460	-
Total Revenues	1,514,832	117,579	61	703	8,324	3,949	753,865
EXPENDITURES							
Current:							
General Government	196,941	-	-	34,836	858	19,422	3,918
Public Safety	-	104	-	-	-	-	-
Community Development	-	-	6	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service:	-	-					
Principal	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Total Expenditures	196,941	104	6	34,836	858	19,422	3,918
REVENUES OVER (UNDER) EXPENDITURES	1,317,891	117,475	55	(34,133)	7,466	(15,473)	749,947
OTHER FINANCING SOURCES (USES)							
Transfers In	4,434	-	-	-	-	-	-
Transfers Out	(918,451)	(90,400)	-	-	-	-	(719,615)
Total Other Financing Sources (Uses)	(914,017)	(90,400)	-	-	-	-	(719,615)
Net Change in Fund Balances	403,874	27,075	55	(34,133)	7,466	(15,473)	30,332
Fund Balance, Beginning of Year	1,097,130	101,286	5,988	1,138,510	809,483	53,206	1,472
Fund Balance, End of Year	$ 1,501,004	$ 128,361	$ 6,043	$ 1,104,377	$ 816,949	$ 37,733	$ 31,804

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (Continued)

For Year Ended June 30, 2014

	Special Revenue Funds *(Continued)*						
	Facility Fee Administration	**Parks Advertising**	**Parks and Trails Facility Fee**	**Agriculture Administration**	**Public Art Administration**	**Public Art Acquisition**	**Arts Commission**
REVENUES							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	3,885	562	-	5,139	2,282	9,654	53
Intergovernmental	-	-	-	-	-	-	-
Fees and Other Revenues	419,246	33,720	2,687,959	4,896	89,065	251,273	-
Total Revenues	423,131	34,282	2,687,959	10,035	91,347	260,927	53
EXPENDITURES							
Current:							
General Government	250,393	-	-	26,041	200	27,300	548
Public Safety	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-
Parks and Recreation	-	13,630	2,404,111	-	-	-	-
Community Services	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Total Expenditures	250,393	13,630	2,404,111	26,041	200	27,300	548
REVENUES OVER (UNDER) EXPENDITURES	172,738	20,652	283,848	(16,006)	91,147	233,627	(495)
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	7,963	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	7,963	-	-	-	-
Net Change in Fund Balances	172,738	20,652	291,811	(16,006)	91,147	233,627	(495)
Fund Balance, Beginning of Year	275,730	45,246	(2,469,709)	514,710	158,218	783,591	5,583
Fund Balance, End of Year	$ 448,468	$ 65,898	$ (2,177,898)	$ 498,704	$ 249,365	$ 1,017,218	$ 5,088

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (Continued)

For Year Ended June 30, 2014

	Special Revenue Funds *(Continued)*				Debt Service Funds	Capital Project Funds		
	Fire Facility Fee	Agriculture Land	Parking In-Lieu	Landscape and Lighting Assessment Districts	General Obligation Bonds Series 2002	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	Civic Center Capital Improvement Financing Program
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ 419,814	$ -	$ -	$ -
Uses of Money and Property	31,735	6,482	280	46,091	2,416	381	219	15,446
Intergovernmental	-	-	-	-	-	-	-	-
Fees and Other Revenues	577,632	19,583	-	5,755,454	-	-	-	1,285,074
Total Revenues	609,367	26,065	280	5,801,545	422,230	381	219	1,300,520
EXPENDITURES								
Current:								
General Government	2,897	29,817	29	-	-	-	-	1,967
Public Safety	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	5,595	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Community Services	-	-	-	5,492,758	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	325,000	-	-	-
Interest and Fiscal Charges	-	-	-	-	80,325	-	-	-
Total Expenditures	2,897	29,817	29	5,492,758	410,920	-	-	1,967
REVENUES OVER (UNDER) EXPENDITURES	606,470	(3,752)	251	308,787	11,310	381	219	1,298,553
OTHER FINANCING SOURCES (USES)								
Transfers In	36,235	-	-	-	-	-	-	922,690
Transfers Out	(462,000)	-	-	-	-	-	-	(1,901,865)
Total Other Financing Sources (Uses)	(425,765)	-	-	-	-	-	-	(979,175)
Net Change in Fund Balances	180,705	(3,752)	251	308,787	11,310	381	219	319,378
Fund Balance, Beginning of Year	3,235,487	630,790	27,202	3,753,731	49,753	4,489,961	2,580,829	1,070,897
Fund Balance, End of Year	$ 3,416,192	$ 627,038	$ 27,453	$ 4,062,518	$ 61,063	$ 4,490,342	$ 2,581,048	$ 1,390,275

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (Continued)

For Year Ended June 30, 2014

	Capital Project Funds *(Continued)*							
	Civic Center Project Lease Revenue Bond Acquisition	**Community Facilities Improvements**	**Parks and Trails Improvements**	**Drainage Improvements**	**Roadway Improvements**	**Economic Infrastructure Projects**	**Vineyards Projects**	**Total Non-Major Governmental Funds**
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,278,385
Uses of Money and Property	73,292	55,568	122	384	36,478	63,058	20,464	450,667
Intergovernmental	-	-	-	-	35,895	-	-	2,546,215
Fees and Other Revenues	-	-	610	-	786,297	-	182,390	21,062,584
Total Revenues	73,292	55,568	732	384	858,670	63,058	202,854	26,337,851
EXPENDITURES								
Current:								
General Government	6,724	360,483	155,285	-	918,675	131,718	2,043	4,852,914
Public Safety	-	-	-	-	-	-	-	131,365
Community Development	-	13,397	-	-	-	-	-	18,998
Parks and Recreation	-	-	-	-	-	-	-	5,207,090
Community Services	-	-	-	-	-	-	-	5,523,359
Capital Outlay	-	578,899	444,545	37,414	426,773	-	-	1,487,631
Debt Service:	-							
Principal	-	-	-	-	-	-	-	325,000
Interest and Fiscal Charges	-	-	-	-	-	-	-	80,325
Total Expenditures	6,724	952,779	599,830	37,414	1,345,448	131,718	2,043	17,626,682
REVENUES OVER (UNDER) EXPENDITURES	66,568	(897,211)	(599,098)	(37,030)	(486,778)	(68,660)	200,811	8,711,169
OTHER FINANCING SOURCES (USES)								
Transfers In	686,341	1,272,000	366,782	-	1,283,707	247	-	7,656,269
Transfers Out	-	(1,809,553)	(7,831)	(384)	(870,785)	-	-	(14,396,593)
Total Other Financing Sources (Uses)	686,341	(537,553)	358,951	(384)	412,922	247	-	(6,740,324)
Net Change in Fund Balances	752,909	(1,434,764)	(240,147)	(37,414)	(73,856)	(68,413)	200,811	1,970,845
Fund Balance, Beginning of Year	6,982,518	4,896,061	(369,896)	37,415	3,126,087	6,345,860	1,854,365	45,502,904
Fund Balance, End of Year	$ 7,735,427	$ 3,461,297	$ (610,043)	$ 1	$ 3,052,231	$ 6,277,447	$ 2,055,176	$ 47,473,749

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Combining Statement of Net Position

All Internal Service Funds

June 30, 2014

	Emergency Preparedness	Information Services	Equipment Replacement	Information Systems Replacement	Facilities Replacement	Tuition
ASSETS						
Current Assets:						
Cash and Investments	$ 3,128,325	$ 392,560	$ 8,108,891	$ 620,992	$ 2,713,050	$ 63,691
Receivables	87	10	222	107	5,948	2
Prepaids	-	2,483	-	-	-	-
Due from Other Funds	-	-	-	-	-	-
Total Current Assets	3,128,412	395,053	8,109,113	621,099	2,718,998	63,693
Non-Current Assets:						
Interfund Advance Receivable	-	153,134	-	-	-	-
Capital Assets:						
Machinery and Equipment	-	-	3,394,173	-	-	-
Vehicles	-	-	8,585,244	-	-	-
Less Accumulated Depreciation	-	-	(7,274,336)	-	-	-
Total Capital Assets, Net of Accumulated Depreciation	-	-	4,705,081	-	-	-
Total Non-Current Assets	-	153,134	4,705,081	-	-	-
Total Assets	3,128,412	548,187	12,814,194	621,099	2,718,998	63,693
LIABILITIES						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	70	14,769	32,121	5,063	6,348	1,607
Unearned Revenue	-	-	-	-	5,875	-
Compensated Absences Payable	-	52,043	-	-	-	-
Total Current Liabilities	70	66,812	32,121	5,063	12,223	1,607
Non-Current Liabilities Due in More Than One Year:						
Interfund Advance Payable	-	-	-	-	-	-
Net OPEB Obligation	-	505,987	-	-	-	-
Compensated Absences Payable	-	34,696	-	-	-	-
Total Non-Current Liabilities	-	540,683	-	-	-	-
Total Liabilities	70	607,495	32,121	5,063	12,223	1,607
NET POSITION						
Net Investment in Capital Assets	-	-	4,705,081	-	-	-
Unrestricted	3,128,342	(59,308)	8,076,992	616,036	2,706,775	62,086
Total Net Position	$ 3,128,342	$ (59,308)	$ 12,782,073	$ 616,036	$ 2,706,775	$ 62,086

Continued

City of Brentwood

Combining Statement of Net Position

All Internal Service Funds (Continued)

June 30, 2014

	Fleet Maintenance Services	Facilities Maintenance Services	Parks and LLAD Replacement	Insurance	Pension/Other Post-Employement Benefits Obligation	Totals
ASSETS						
Current Assets:						
Cash and Investments	$ 241,644	$ 448,651	$ 8,483,880	$ 328,179	$ 19,041,690	$ 43,571,553
Receivables	892	12	227	9	442	7,958
Prepaids	49,417	1,620	-	-	304,662	358,182
Due from Other Funds	-	-	-	-	784,825	784,825
Total Current Assets	291,953	450,283	8,484,107	328,188	20,131,619	44,722,518
Non-Current Assets:						
Interfund Advance Receivable	63,184	104,710	-	-	-	321,028
Capital Assets:						
Machinery and Equipment	-	-	-	-	-	3,394,173
Vehicles	-	-	-	-	-	8,585,244
Less Accumulated Depreciation	-	-	-	-	-	(7,274,336)
Total Capital Assets, Net of Accumulated Depreciation	-	-	-	-	-	4,705,081
Total Non-Current Assets	63,184	104,710	-	-	-	5,026,109
Total Assets	355,137	554,993	8,484,107	328,188	20,131,619	49,748,627
LIABILITIES						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	133,697	61,189	28,663	15,711	739	299,977
Unearned Revenue	888	-	-	-	-	6,763
Compensated Absences Payable	21,931	21,934	-	-	-	95,908
Total Current Liabilities	156,516	83,123	28,663	15,711	739	402,648
Non-Current Liabilities Due in More Than One Year:						
Interfund Advance Payable	-	-	-	-	1,294,596	1,294,596
Net OPEB Obligation	222,349	355,378	-	-	-	1,083,714
Compensated Absences Payable	14,620	14,623	-	-	-	63,939
Total Non-Current Liabilities	236,969	370,001	-	-	1,294,596	2,442,249
Total Liabilities	393,485	453,124	28,663	15,711	1,295,335	2,844,897
NET POSITION						
Net Investment in Capital Assets	-	-	-	-	-	4,705,081
Unrestricted	(38,348)	101,869	8,455,444	312,477	18,836,284	42,198,649
Total Net Position	$ (38,348)	$ 101,869	$ 8,455,444	$ 312,477	$ 18,836,284	$ 46,903,730

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

All Internal Service Funds

For Year Ended June 30, 2014

	Emergency Preparedness	Information Services	Equipment Replacement	Information Systems Replacement	Facilities Replacement	Tuition
Operating Revenues:						
Charges for Services	$ -	$ 2,010,579	$ 1,612,994	$ 642,357	$ 748,758	$ 19,903
Other Income	-	-	83,073	3,583	-	-
Total Operating Revenues	-	2,010,579	1,696,067	645,940	748,758	19,903
Operating Expenses:						
Personnel Services	-	1,471,512	-	-	-	-
Repairs and Maintenance	-	31	-	-	5,875	-
Materials, Supplies and Services	1,023	260,660	108,045	494,929	101,303	10,484
Depreciation and Amortization	-	-	1,036,721	-	-	-
Total Operating Expenses	1,023	1,732,203	1,144,766	494,929	107,178	10,484
Operating Income (Loss)	(1,023)	278,376	551,301	151,011	641,580	9,419
Non-Operating Revenue (Expenses):						
Interest Income	32,075	3,585	81,991	3,329	26,157	624
Total Non-Operating Revenues (Expenses)	32,075	3,585	81,991	3,329	26,157	624
Income (Loss) before Contributions and Transfers	31,052	281,961	633,292	154,340	667,737	10,043
Transfers In	25,000	13,106	81,549	332,158	805	-
Transfers Out	(32,075)	-	(712,014)	(585,000)	-	-
Change in Net Position	23,977	295,067	2,827	(98,502)	668,542	10,043
Net Position, Beginning of Year	3,104,365	(354,375)	12,779,246	714,538	2,038,233	52,043
Net Position, End of Year	$ 3,128,342	$ (59,308)	$ 12,782,073	$ 616,036	$ 2,706,775	$ 62,086

Continued

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

All Internal Service Funds (Continued)

For Year Ended June 30, 2014

	Fleet Maintenance Services	Facilities Maintenance Services	Parks and LLAD Replacement	Insurance	Pension/Other Post-Employement Benefits Obligation	Totals
Operating Revenues:						
Charges for Services	$ 1,298,959	$ 1,697,276	$ 1,171,905	$ 919,620	$ 954,947	$ 11,077,298
Other Income	802	-	-	127,425	23,439	238,322
Total Operating Revenues	1,299,761	1,697,276	1,171,905	1,047,045	978,386	11,315,620
Operating Expenses:						
Personnel Services	620,937	882,105	-	-	-	2,974,554
Repairs and Maintenance	5,901	4,318	101,224	-	-	117,349
Materials, Supplies and Services	602,278	651,514	7,843	987,803	2,104,234	5,330,116
Depreciation and Amortization	-	-	-	-	-	1,036,721
Total Operating Expenses	1,229,116	1,537,937	109,067	987,803	2,104,234	9,458,740
Operating Income (Loss)	70,645	159,339	1,062,838	59,242	(1,125,848)	1,856,880
Non-Operating Revenue (Expenses):						
Interest Income	1,474	4,156	81,499	3,235	163,859	401,984
Total Non-Operating Revenues (Expenses)	1,474	4,156	81,499	3,235	163,859	401,984
Income (Loss) before Contributions and Transfers	72,119	163,495	1,144,337	62,477	(961,989)	2,258,864
Transfers In	7,632	9,348	500,000	-	4,239,303	5,208,901
Transfers Out	-	-	(316,782)	-	(162,391)	(1,808,262)
Change in Net Position	79,751	172,843	1,327,555	62,477	3,114,923	5,659,503
Net Position, Beginning of Year	(118,099)	(70,974)	7,127,889	250,000	15,721,361	41,244,227
Net Position, End of Year	$ (38,348)	$ 101,869	$ 8,455,444	$ 312,477	$ 18,836,284	$ 46,903,730

Combining Statement of Cash Flows

All Internal Service Funds

For Year Ended June 30, 2014

	Emergency Preparedness	Information Services	Equipment Replacement	Information Systems Replacement	Facilities Replacement	Tuition
Cash Flows from Operating Activities						
Cash Received from Customers/Other Funds	$ -	$ 2,010,665	$ 1,612,994	$ 642,260	$ 748,758	$ 19,903
Cash Payments to Suppliers of Goods and Services	(3,759)	(256,308)	(488,048)	(515,192)	(113,818)	(8,886)
Cash Payments to Employees for Services	-	(1,442,935)	-	-	-	-
Cash Payments for Interfund Services	-	(164,000)	-	-	-	-
Other Receipts	-	-	83,073	3,583	-	-
Net Cash Provided By (Used for) Operating Activities	(3,759)	147,422	1,208,019	130,651	634,940	11,017
Cash Flows from Non-Capital Financing Activities						
Transfers Received	25,000	13,106	81,549	332,158	805	-
Transfers Paid	(32,075)	-	(712,014)	(585,000)	-	-
Due from Other Funds	-	-	-	-	-	-
Net Cash Provided By (Used for) Non-Capital Financing Activities	(7,075)	13,106	(630,465)	(252,842)	805	-
Cash Flows from Capital and Related Financing Activities						
Principal Paid on Debt	-	-	(277,657)	-	-	-
Acquisition and Construction of Capital Assets	-	-	(980,369)	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	(1,258,026)	-	-	-
Cash Flows from Investing Activities						
Interest on Investments	32,077	3,580	82,016	3,340	26,141	624
Net Cash Provided By Investing Activities	32,077	3,580	82,016	3,340	26,141	624
Net Increase (Decrease) in Cash and Cash Equivalents	21,243	164,108	(598,456)	(118,851)	661,886	11,641
Cash and Cash Equivalents - Beginning of Year	3,107,082	228,452	8,707,347	739,843	2,051,164	52,050
Cash and Cash Equivalents - End of Year	$ 3,128,325	$ 392,560	$ 8,108,891	$ 620,992	$ 2,713,050	$ 63,691
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities:						
Operating Income (Loss)	$ (1,023)	$ 278,376	$ 551,301	$ 151,011	$ 641,580	$ 9,419
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used for) Operating Activities:						
Depreciation	-	-	1,036,721	-	-	-
Change in Assets and Liabilities:						
Receivables, Net	-	(153,048)	-	(97)	(5,875)	-
Prepaid Items	-	(65)	-	-	-	-
Accounts Payable and Other Payables	(2,736)	24,766	(380,003)	(20,263)	(765)	1,598
Compensated Absences Payable	-	(2,607)	-	-	-	-
Net Cash Provided By (Used for) Operating Activities	$ (3,759)	$ 147,422	$ 1,208,019	$ 130,651	$ 634,940	$ 11,017

Continued

Combining Statement of Cash Flows

All Internal Service Funds (Continued)

For Year Ended June 30, 2014

	Fleet Maintenance Services	Facilities Maintenance Services	Parks and LLAD Replacement	Insurance	Pension/Other Post-Employement Benefits Obligation	Totals
Cash Flows from Operating Activities						
Cash Received from Customers/Other Funds	$ 1,298,959	$ 1,697,276	$ 1,171,905	$ 919,620	$ 2,249,543	$ 12,371,883
Cash Payments to Suppliers of Goods and Services	(455,998)	(511,126)	(136,111)	(985,296)	(2,346,280)	(5,820,822)
Cash Payments to Employees for Services	(651,874)	(941,471)	-	-	-	(3,036,280)
Cash Payments for Interfund Services	(88,766)	(142,921)	-	-	(33,496)	(429,183)
Other Receipts	802	-	-	127,425	23,439	238,322
Net Cash Provided By (Used for) Operating Activities	103,123	101,758	1,035,794	61,749	(106,794)	3,323,920
Cash Flows from Non-Capital Financing Activities						
Transfers Received	7,632	9,348	500,000	-	4,239,303	5,208,901
Transfers Paid	-	-	(316,782)	-	(162,391)	(1,808,262)
Due from Other Funds	-	-	-	-	(784,825)	(784,825)
Net Cash Provided By (Used for) Non-Capital Financing Activities	7,632	9,348	183,218	-	3,292,087	2,615,814
Cash Flows from Capital and Related Financing Activities						
Principal Paid on Debt	-	-	-	-	-	(277,657)
Acquisition and Construction of Capital Assets	-	-	-	-	-	(980,369)
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	-	-	-	(1,258,026)
Cash Flows from Investing Activities						
Interest on Investments	1,470	4,154	81,468	3,226	163,799	401,895
Net Cash Provided By Investing Activities	1,470	4,154	81,468	3,226	163,799	401,895
Net Increase (Decrease) in Cash and Cash Equivalents	112,225	115,260	1,300,480	64,975	3,349,092	5,083,603
Cash and Cash Equivalents - Beginning of Year	129,419	333,391	7,183,400	263,204	15,692,598	38,487,950
Cash and Cash Equivalents - End of Year	$ 241,644	$ 448,651	$ 8,483,880	$ 328,179	$ 19,041,690	$ 43,571,553
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities:						
Operating Income (Loss)	$ 70,645	$ 159,339	$ 1,062,838	$ 59,242	$ (1,125,848)	$ 1,856,880
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used for) Operating Activities:						
Depreciation	-	-	-	-	-	1,036,721
Change in Assets and Liabilities:						
Receivables, Net	(63,184)	(104,710)	-	-	-	(326,914)
Prepaid Items	(2,447)	96	-	-	(28,627)	(31,043)
Accounts Payable and Other Payables	93,317	45,669	(27,044)	2,507	1,047,681	784,727
Compensated Absences Payable	4,792	1,364	-	-	-	3,549
Net Cash Provided By (Used for) Operating Activities	$ 103,123	$ 101,758	$ 1,035,794	$ 61,749	$ (106,794)	$ 3,323,920

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

	Assessments	Pass-Through Funds	Asset Seizure	Totals
ASSETS				
Current Assets:				
Cash and Investments	$ 10,460,001	$ 1,567,700	$ 35,905	$ 12,063,606
Restricted Cash and Investments	6,354,728	-	-	6,354,728
Interest Receivable	276	41	1	318
Total Current Assets	$ 16,815,005	$ 1,567,741	$ 35,906	$ 18,418,652
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 14,996	$ 1,567,741	$ -	$ 1,582,737
Due to Others	-	-	35,906	35,906
Total Current Liabilities	14,996	1,567,741	35,906	1,618,643
Non-Current Liabilities Due in More Than One Year:				
Due to Bondholders	16,800,009	-	-	16,800,009
Total Non-Current Liabilities	16,800,009	-	-	16,800,009
Total Liabilities	$ 16,815,005	$ 1,567,741	$ 35,906	$ 18,418,652

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assessments				
ASSETS				
Cash and Investments	$ 10,215,103	$ 21,570,834	$ 21,325,936	$ 10,460,001
Restricted Cash and Investments	6,409,426	1,660,852	1,715,550	6,354,728
Interest Receivable	366	276	366	276
Total Assets	$ 16,624,895	$ 23,231,962	$ 23,041,852	$ 16,815,005
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 21,793	$ 214,274	$ 221,071	$ 14,996
Due to Bondholders	16,603,102	20,613,354	20,416,447	16,800,009
Total Liabilities	$ 16,624,895	$ 20,827,628	$ 20,637,518	$ 16,815,005
Pass-Through Funds				
ASSETS				
Cash and Investments	$ 1,344,192	$ 4,917,693	$ 4,694,185	$ 1,567,700
Interest Receivable	32	41	32	41
Total Assets	$ 1,344,224	$ 4,917,734	$ 4,694,217	$ 1,567,741
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 1,344,224	$ 8,476,486	$ 8,252,969	$ 1,567,741
Total Liabilities	$ 1,344,224	$ 8,476,486	$ 8,252,969	$ 1,567,741
Asset Seizure				
ASSETS				
Cash and Investments	$ 35,539	$ 443	$ 77	$ 35,905
Interest Receivable	1	1	1	1
Total Assets	$ 35,540	$ 444	$ 78	$ 35,906
LIABILITIES				
Due to Others	$ 35,540	$ 443	$ 77	$ 35,906
Total Liabilities	$ 35,540	$ 443	$ 77	$ 35,906
Total - All Agency Funds				
ASSETS				
Cash and Investments	$ 11,594,834	$ 26,488,970	$ 26,020,198	$ 12,063,606
Restricted Cash and Investments	6,409,426	1,660,852	1,715,550	6,354,728
Interest Receivable	399	318	399	318
Total Assets	$ 18,004,659	$ 28,150,140	$ 27,736,147	$ 18,418,652
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 1,366,017	$ 8,690,760	$ 8,474,040	$ 1,582,737
Due to Others	35,540	443	77	35,906
Due to Bondholders	16,603,102	20,613,354	20,416,447	16,800,009
Total Liabilities	$ 18,004,659	$ 29,304,557	$ 28,890,564	$ 18,418,652

City of Brentwood

Balance Sheet

General Fund

June 30, 2014

		General Fund
ASSETS		
Current Assets:		
Cash and Investments	$	20,556,372
Receivables		1,467,026
Prepaids		63,693
Total Assets	$	22,087,091
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	$	1,494,384
Unearned Revenue		154,570
Deposits Held		2,622,040
Total Liabilities		4,270,994
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Accounts Receivable		676,604
Total Deferred Inflows of Resources		676,604
FUND BALANCES		
Nonspendable		63,693
Restricted		92,426
Assigned		5,083,574
Unassigned		11,899,800
Total Fund Balances		17,139,493
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	22,087,091

City of Brentwood

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

General Fund

For Year Ended June 30, 2014

	Budget	Actual	Variance
REVENUES			
Taxes	$ 14,745,667	$ 15,499,584	$ 753,917
Licenses	528,575	618,161	89,586
Permits and Fines	3,408,419	5,920,923	2,512,504
Uses of Money and Property	399,608	466,987	67,379
Intergovernmental	2,920,571	2,859,541	(61,030)
Franchises	1,290,680	1,321,089	30,409
Charges for Other Services	315,901	381,111	65,210
Charges to Other Funds	7,521,785	6,577,548	(944,237)
Fees and Other Revenues	1,775,385	1,643,099	(132,286)
Total Revenues	32,906,591	35,288,043	2,381,452
EXPENDITURES			
Current:			
General Government	6,306,986	5,411,219	895,767
Public Safety	17,599,663	16,808,923	790,740
Community Development	4,279,971	4,038,207	241,764
Engineering	2,757,014	2,620,029	136,985
Public Works	2,872,351	2,687,875	184,476
Parks and Recreation	5,229,570	4,987,381	242,189
Community Services	571,455	565,327	6,128
Total Expenditures	39,617,010	37,118,961	2,498,049
REVENUES OVER (UNDER) EXPENDITURES	(6,710,419)	(1,830,918)	4,879,501
OTHER FINANCING SOURCES (USES)			
Transfers In	6,735,941	6,853,029	117,088
Transfers Out	(5,917,303)	(5,917,303)	-
Total Other Financing Sources (Uses)	818,638	935,726	117,088
NET CHANGE IN FUND BALANCES	$ (5,891,781)	(895,192)	$ 4,996,589
Fund Balance, Beginning of Year		18,034,685	
Fund Balance, End of Year		$ 17,139,493	

Combining Balance Sheet

All Special Revenue Funds

June 30, 2014

	Roadway Facility Fee	Gas Tax	SB 1186 Disability Access	Police Grants	Other Grants	Citywide Park Assessment District	Community Facilities Districts	Community Facility Fee	Abandoned Vehicle Abatement
ASSETS									
Current Assets:									
Cash and Investments	$ 4,392,917	$ 121,859	$ 6,714	$ 197,330	$ -	$ 445,574	$ 192,961	$ 1,502,246	$ 128,379
Receivables	112	7	-	22,311	11,848	20	23,690	35	3
Prepaids	-	-	-	-	-	845	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-	-
Non-Current Assets:									
Interfund Advance Receivable	97,069	-	-	-	-	-	-	-	-
Total Assets	$ 4,490,098	$ 121,866	$ 6,714	$ 219,641	$ 11,848	$ 446,439	$ 216,651	$ 1,502,281	$ 128,382
LIABILITIES									
Liabilities:									
Accounts Payable and Accrued Liabilities	$ 1,617	$ -	$ 414	$ 31,029	$ -	$ 253,194	$ 29	$ 1,277	$ 21
Due to Other Funds	-	-	-	-	4,887	-	-	-	-
Non-Current Liabilities Due in More Than One Year:									
Interfund Advance Payable	-	-	-	-	-	-	-	-	-
Total Liabilities	1,617	-	414	31,029	4,887	253,194	29	1,277	21
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue - Accounts Receivable	-	-	-	-	11,848	-	-	-	-
Unavailable Revenue - Interfund Advance Receivable	97,069	-	-	-	-	-	-	-	-
Unavailable Revenue - Loans Receivable	-	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	97,069	-	-	-	11,848	-	-	-	-
FUND BALANCES									
Nonspendable	-	-	-	-	-	845	-	-	-
Restricted	-	121,866	6,300	188,612	-	-	-	-	-
Committed	4,391,412	-	-	-	-	192,400	216,622	1,501,004	128,361
Unassigned	-	-	-	-	(4,887)	-	-	-	-
Total Fund Balances	4,391,412	121,866	6,300	188,612	(4,887)	193,245	216,622	1,501,004	128,361
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,490,098	$ 121,866	$ 6,714	$ 219,641	$ 11,848	$ 446,439	$ 216,651	$ 1,502,281	$ 128,382

Continued

Combining Balance Sheet

All Special Revenue Funds (Continued)

June 30, 2014

	Infrastructure Improvements	City Low Income Housing	PEG Media	Asset Forfeiture	Measure C/J	Facility Fee Administration	Parks Advertising	Parks and Trails Facility Fee
ASSETS								
Current Assets:								
Cash and Investments	$ 6,044	$ 64,028	$ 817,077	$ 37,828	$ 31,820	$ 448,535	$ 63,640	$ -
Receivables	-	4,743,220	23	1	4	11	2,282	-
Prepaids	-	-	-	-	-	-	-	-
Land Held for Resale	-	1,040,359	-	-	-	-	-	-
Non-Current Assets:								
Interfund Advance Receivable	-	-	-	-	-	-	-	-
Total Assets	$ 6,044	$ 5,847,607	$ 817,100	$ 37,829	$ 31,824	$ 448,546	$ 65,922	$ -
LIABILITIES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 1	$ 12	$ 151	$ 96	$ 20	$ 78	$ 24	$ 146
Due to Other Funds	-	-	-	-	-	-	-	-
Non-Current Liabilities Due in More Than One Year:								
Interfund Advance Payable	-	-	-	-	-	-	-	2,177,752
Total Liabilities	1	12	151	96	20	78	24	2,177,898
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Accounts Receivable	-	-	-	-	-	-	-	-
Unavailable Revenue - Interfund Advance Receivable	-	-	-	-	-	-	-	-
Unavailable Revenue - Loans Receivable	-	4,743,218	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	4,743,218	-	-	-	-	-	-
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	1,104,377	816,949	37,733	31,804	448,468	-	-
Committed	6,043	-	-	-	-	-	65,898	-
Unassigned	-	-	-	-	-	-	-	(2,177,898)
Total Fund Balances	6,043	1,104,377	816,949	37,733	31,804	448,468	65,898	(2,177,898)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,044	$ 5,847,607	$ 817,100	$ 37,829	$ 31,824	$ 448,546	$ 65,922	$ -

Continued

Combining Balance Sheet

All Special Revenue Funds (Continued)

June 30, 2014

	Agriculture Administration	Public Art Administration	Public Art Acquisition	Arts Commission	Fire Facility Fee	Agriculture Land	Parking In-Lieu	Landscape and Lighting Assessment Districts	Totals
ASSETS									
Current Assets:									
Cash and Investments	$ 498,783	$ 249,400	$ 1,017,367	$ 5,089	$ 3,416,738	$ 627,524	$ 27,457	$ 4,606,579	$ 18,905,889
Receivables	14	7	27	-	93	17	1	22,884	4,826,610
Prepaids	-	-	-	-	-	-	-	-	845
Land Held for Resale	-	-	-	-	-	-	-	-	1,040,359
Non-Current Assets:									
Interfund Advance Receivable	-	-	-	-	-	-	-	-	97,069
Total Assets	$ 498,797	$ 249,407	$ 1,017,394	$ 5,089	$ 3,416,831	$ 627,541	$ 27,458	$ 4,629,463	$ 24,870,772
LIABILITIES									
Liabilities:									
Accounts Payable and Accrued Liabilities	$ 93	$ 42	$ 176	$ 1	$ 639	$ 503	$ 5	$ 557,144	$ 846,712
Due to Other Funds	-	-	-	-	-	-	-	-	4,887
Non-Current Liabilities Due in More Than One Year:									
Interfund Advance Payable	-	-	-	-	-	-	-	-	2,177,752
Total Liabilities	93	42	176	1	639	503	5	557,144	3,029,351
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue - Accounts Receivable	-	-	-	-	-	-	-	9,801	21,649
Unavailable Revenue - Interfund Advance Receivable	-	-	-	-	-	-	-	-	97,069
Unavailable Revenue - Loans Receivable	-	-	-	-	-	-	-	-	4,743,218
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	9,801	4,861,936
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	845
Restricted	498,704	249,365	1,017,218	5,088	3,416,192	627,038	27,453	4,062,518	12,659,685
Committed	-	-	-	-	-	-	-	-	6,501,740
Unassigned	-	-	-	-	-	-	-	-	(2,182,785)
Total Fund Balances	498,704	249,365	1,017,218	5,088	3,416,192	627,038	27,453	4,062,518	16,979,485
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 498,797	$ 249,407	$ 1,017,394	$ 5,089	$ 3,416,831	$ 627,541	$ 27,458	$ 4,629,463	$ 24,870,772

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Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Special Revenue Funds

For Year Ended June 30, 2014

	Roadway Facility Fee	Gas Tax	SB 1186 Disability Access	Police Grants	Other Grants	Citywide Park Assessment District	Community Facilities Districts	Community Facility Fee	Abandoned Vehicle Abatement
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ 1,858,571	$ -	$ -	$ -
Uses of Money and Property	40,726	2,478	57	2,027	-	5,990	1,250	11,750	1,166
Intergovernmental	-	1,613,703	-	144,407	-	-	-	-	-
Fees and Other Revenues	3,703,673	-	4,128	-	-	50,446	3,588,183	1,503,082	116,413
Total Revenues	3,744,399	1,616,181	4,185	146,434	-	1,915,007	3,589,433	1,514,832	117,579
EXPENDITURES									
Current:									
General Government	2,676,132	-	108	-	6,579	-	-	196,941	-
Public Safety	-	-	-	131,261	-	-	-	-	104
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	2,789,349	-	-	-
Community Services	-	-	-	-	-	-	30,601	-	-
Total Expenditures	2,676,132	-	108	131,261	6,579	2,789,349	30,601	196,941	104
REVENUES OVER (UNDER) EXPENDITURES	1,068,267	1,616,181	4,077	15,173	(6,579)	(874,342)	3,558,832	1,317,891	117,475
OTHER FINANCING SOURCES (USES)									
Transfers In	643,741	-	-	-	-	750,998	1,681,131	4,434	-
Transfers Out	(968,899)	(1,494,323)	-	-	-	-	(5,152,487)	(918,451)	(90,400)
Total Other Financing Sources (Uses)	(325,158)	(1,494,323)	-	-	-	750,998	(3,471,356)	(914,017)	(90,400)
Net Change in Fund Balances	743,109	121,858	4,077	15,173	(6,579)	(123,344)	87,476	403,874	27,075
Fund Balance, Beginning of Year	3,648,303	8	2,223	173,439	1,692	316,589	129,146	1,097,130	101,286
Fund Balance, End of Year	$ 4,391,412	$ 121,866	$ 6,300	$ 188,612	$ (4,887)	$ 193,245	$ 216,622	$ 1,501,004	$ 128,361

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Special Revenue Funds (Continued)

For Year Ended June 30, 2014

	Infrastructure Improvements	City Low Income Housing	PEG Media	Asset Forfeiture	Measure C/J	Facility Fee Administration	Parks Advertising	Parks and Trails Facility Fee
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	61	703	8,324	489	1,655	3,885	562	-
Intergovernmental	-	-	-	-	752,210	-	-	-
Fees and Other Revenues	-	-	-	3,460	-	419,246	33,720	2,687,959
Total Revenues	61	703	8,324	3,949	753,865	423,131	34,282	2,687,959
EXPENDITURES								
Current:								
General Government	-	34,836	858	19,422	3,918	250,393	-	-
Public Safety	-	-	-	-	-	-	-	-
Community Development	6	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	13,630	2,404,111
Community Services	-	-	-	-	-	-	-	-
Total Expenditures	6	34,836	858	19,422	3,918	250,393	13,630	2,404,111
REVENUES OVER (UNDER) EXPENDITURES	55	(34,133)	7,466	(15,473)	749,947	172,738	20,652	283,848
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	7,963
Transfers Out	-	-	-	-	(719,615)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	(719,615)	-	-	7,963
Net Change in Fund Balances	55	(34,133)	7,466	(15,473)	30,332	172,738	20,652	291,811
Fund Balance, Beginning of Year	5,988	1,138,510	809,483	53,206	1,472	275,730	45,246	(2,469,709)
Fund Balance, End of Year	$ 6,043	$ 1,104,377	$ 816,949	$ 37,733	$ 31,804	$ 448,468	$ 65,898	$ (2,177,898)

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Special Revenue Funds (Continued)

For Year Ended June 30, 2014

	Agriculture Administration	Public Art Administration	Public Art Acquisition	Arts Commission	Fire Facility Fee	Agriculture Land	Parking In-Lieu	Landscape and Lighting Assessment Districts	Totals
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,858,571
Uses of Money and Property	5,139	2,282	9,654	53	31,735	6,482	280	46,091	182,839
Intergovernmental	-	-	-	-	-	-	-	-	2,510,320
Fees and Other Revenues	4,896	89,065	251,273	-	577,632	19,583	-	5,755,454	18,808,213
Total Revenues	10,035	91,347	260,927	53	609,367	26,065	280	5,801,545	23,359,943
EXPENDITURES									
Current:									
General Government	26,041	200	27,300	548	2,897	29,817	29	-	3,276,019
Public Safety	-	-	-	-	-	-	-	-	131,365
Community Development	-	-	-	-	-	-	-	-	6
Parks and Recreation	-	-	-	-	-	-	-	-	5,207,090
Community Services	-	-	-	-	-	-	-	5,492,758	5,523,359
Total Expenditures	26,041	200	27,300	548	2,897	29,817	29	5,492,758	14,137,839
REVENUES OVER (UNDER) EXPENDITURES	(16,006)	91,147	233,627	(495)	606,470	(3,752)	251	308,787	9,222,104
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	36,235	-	-	-	3,124,502
Transfers Out	-	-	-	-	(462,000)	-	-	-	(9,806,175)
Total Other Financing Sources (Uses)	-	-	-	-	(425,765)	-	-	-	(6,681,673)
Net Change in Fund Balances	(16,006)	91,147	233,627	(495)	180,705	(3,752)	251	308,787	2,540,431
Fund Balance, Beginning of Year	514,710	158,218	783,591	5,583	3,235,487	630,790	27,202	3,753,731	14,439,054
Fund Balance, End of Year	$ 498,704	$ 249,365	$ 1,017,218	$ 5,088	$ 3,416,192	$ 627,038	$ 27,453	$ 4,062,518	$ 16,979,485

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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, 2014

	Roadway Facility Fee			Gas Tax			SB 1186 Disability Access			Police Grants		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES												
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	15,341	40,726	25,385	4,945	2,478	(2,467)	-	57	57	2,000	2,027	27
Intergovernmental	-	-	-	1,530,537	1,613,703	83,166	-	-	-	141,922	144,407	2,485
Fees and Other Revenues	1,655,034	3,703,673	2,048,639	-	-	-	3,500	4,128	628	-	-	-
Total Revenues	1,670,375	3,744,399	2,074,024	1,535,482	1,616,181	80,699	3,500	4,185	685	143,922	146,434	2,512
EXPENDITURES												
Current:												
General Government	2,717,799	2,676,132	41,667	-	-	-	6,850	108	6,742	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	167,122	131,261	35,861
Community Development	-	-	-	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	2,717,799	2,676,132	41,667	-	-	-	6,850	108	6,742	167,122	131,261	35,861
REVENUES OVER (UNDER) EXPENDITURES	(1,047,424)	1,068,267	2,115,691	1,535,482	1,616,181	80,699	(3,350)	4,077	7,427	(23,200)	15,173	38,373
OTHER FINANCING SOURCES (USES)												
Transfers In	40,000	643,741	603,741	-	-	-	-	-	-	-	-	-
Transfers Out	(1,018,021)	(968,899)	49,122	(1,535,482)	(1,494,323)	41,159	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(978,021)	(325,158)	652,863	(1,535,482)	(1,494,323)	41,159	-	-	-	-	-	-
Net Change in Fund Balances	$ (2,025,445)	743,109	$ 2,768,554	$ -	121,858	$ 121,858	$ (3,350)	4,077	$ 7,427	$ (23,200)	15,173	$ 38,373
Fund Balance, Beginning of Year		3,648,303			8			2,223			173,439	
Fund Balance, End of Year		$ 4,391,412			$ 121,866			$ 6,300			$ 188,612	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2014

	Other Grants			Citywide Park Assessment District			Community Facilities Districts		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ 1,844,314	$ 1,858,571	$ 14,257	$ -	$ -	$ -
Uses of Money and Property	300	-	(300)	4,000	5,990	1,990	600	1,250	650
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	38,000	50,446	12,446	3,530,128	3,588,183	58,055
Total Revenues	300	-	(300)	1,886,314	1,915,007	28,693	3,530,728	3,589,433	58,705
EXPENDITURES									
Current:									
General Government	6,659	6,579	80	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	2,868,838	2,789,349	79,489	-	-	-
Community Services	-	-	-	-	-	-	41,000	30,601	10,399
Total Expenditures	6,659	6,579	80	2,868,838	2,789,349	79,489	41,000	30,601	10,399
REVENUES OVER (UNDER) EXPENDITURES	(6,359)	(6,579)	(220)	(982,524)	(874,342)	108,182	3,489,728	3,558,832	69,104
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	750,998	750,998	-	1,631,438	1,681,131	49,693
Transfers Out	-	-	-	-	-	-	(5,159,274)	(5,152,487)	6,787
Total Other Financing Sources (Uses)	-	-	-	750,998	750,998	-	(3,527,836)	(3,471,356)	56,480
Net Change in Fund Balances	$ (6,359)	(6,579)	$ (220)	$ (231,526)	(123,344)	$ 108,182	$ (38,108)	87,476	$ 125,584
Fund Balance, Beginning of Year		1,692			316,589			129,146	
Fund Balance, End of Year		$ (4,887)			$ 193,245			$ 216,622	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2014

	Community Facility Fee			Abandoned Vehicle Abatement			Infrastructure Improvements		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	4,839	11,750	6,911	700	1,166	466	150	61	(89)
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	514,873	1,503,082	988,209	68,000	116,413	48,413	-	-	-
Total Revenues	519,712	1,514,832	995,120	68,700	117,579	48,879	150	61	(89)
EXPENDITURES									
Current:									
General Government	203,547	196,941	6,606	-	-	-	-	-	-
Public Safety	-	-	-	200	104	96	-	-	-
Community Development	-	-	-	-	-	-	50	6	44
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	203,547	196,941	6,606	200	104	96	50	6	44
REVENUES OVER (UNDER) EXPENDITURES	316,165	1,317,891	1,001,726	68,500	117,475	48,975	100	55	(45)
OTHER FINANCING SOURCES (USES)									
Transfers In	5,000	4,434	(566)	-	-	-	-	-	-
Transfers Out	(918,451)	(918,451)	-	(90,400)	(90,400)	-	-	-	-
Total Other Financing Sources (Uses)	(913,451)	(914,017)	(566)	(90,400)	(90,400)	-	-	-	-
Net Change in Fund Balances	$ (597,286)	403,874	$ 1,001,160	$ (21,900)	27,075	$ 48,975	$ 100	55	$ (45)
Fund Balance, Beginning of Year		1,097,130			101,286			5,988	
Fund Balance, End of Year		$ 1,501,004			$ 128,361			$ 6,043	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2014

	City Low Income Housing			PEG Media			Asset Forfeiture		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	-	703	703	21,000	8,324	(12,676)	2,000	489	(1,511)
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	-	-	-	10,000	3,460	(6,540)
Total Revenues	-	703	703	21,000	8,324	(12,676)	12,000	3,949	(8,051)
EXPENDITURES									
Current:									
General Government	73,800	34,836	38,964	1,500	858	642	40,200	19,422	20,778
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	73,800	34,836	38,964	1,500	858	642	40,200	19,422	20,778
REVENUES OVER (UNDER) EXPENDITURES	(73,800)	(34,133)	39,667	19,500	7,466	(12,034)	(28,200)	(15,473)	12,727
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	(150,000)	-	150,000	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(150,000)	-	150,000	-	-	-
Net Change in Fund Balances	$ (73,800)	(34,133)	$ 39,667	$ (130,500)	7,466	$ 137,966	$ (28,200)	(15,473)	$ 12,727
Fund Balance, Beginning of Year		1,138,510			809,483			53,206	
Fund Balance, End of Year		$ 1,104,377			$ 816,949			$ 37,733	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2014

	Measure C/J			Facility Fee Administration			Parks Advertising		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	2,000	1,655	(345)	2,000	3,885	1,885	300	562	262
Intergovernmental	709,810	752,210	42,400	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	147,178	419,246	272,068	19,000	33,720	14,720
Total Revenues	711,810	753,865	42,055	149,178	423,131	273,953	19,300	34,282	14,982
EXPENDITURES									
Current:									
General Government	3,918	3,918	-	251,000	250,393	607	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	19,020	13,630	5,390
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	3,918	3,918	-	251,000	250,393	607	19,020	13,630	5,390
REVENUES OVER (UNDER) EXPENDITURES	707,892	749,947	42,055	(101,822)	172,738	274,560	280	20,652	20,372
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	(719,615)	(719,615)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(719,615)	(719,615)	-	-	-	-	-	-	-
Net Change in Fund Balances	$ (11,723)	30,332	$ 42,055	$ (101,822)	172,738	$ 274,560	$ 280	20,652	$ 20,372
Fund Balance, Beginning of Year		1,472			275,730			45,246	
Fund Balance, End of Year		$ 31,804			$ 448,468			$ 65,898	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2014

	Parks and Trails Facility Fee			Agriculture Administration			Public Art Administration		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	-	-	-	5,000	5,139	139	1,300	2,282	982
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	913,025	2,687,959	1,774,934	-	4,896	4,896	15,000	89,065	74,065
Total Revenues	913,025	2,687,959	1,774,934	5,000	10,035	5,035	16,300	91,347	75,047
EXPENDITURES									
Current:									
General Government	-	-	-	62,100	26,041	36,059	1,150	200	950
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	2,408,330	2,404,111	4,219	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	2,408,330	2,404,111	4,219	62,100	26,041	36,059	1,150	200	950
REVENUES OVER (UNDER) EXPENDITURES	(1,495,305)	283,848	1,779,153	(57,100)	(16,006)	41,094	15,150	91,147	75,997
OTHER FINANCING SOURCES (USES)									
Transfers In	25,000	7,963	(17,037)	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	25,000	7,963	(17,037)	-	-	-	-	-	-
Net Change in Fund Balances	$ (1,470,305)	291,811	$ 1,762,116	$ (57,100)	(16,006)	$ 41,094	$ 15,150	91,147	$ 75,997
Fund Balance, Beginning of Year		(2,469,709)			514,710			158,218	
Fund Balance, End of Year		$ (2,177,898)			$ 498,704			$ 249,365	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2014

	Public Art Acquisition			Arts Commission			Fire Facility Fee		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	15,000	9,654	(5,346)	-	53	53	27,000	31,735	4,735
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	60,000	251,273	191,273	-	-	-	113,973	577,632	463,659
Total Revenues	75,000	260,927	185,927	-	53	53	140,973	609,367	468,394
EXPENDITURES									
Current:									
General Government	36,269	27,300	8,969	550	548	2	3,000	2,897	103
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	36,269	27,300	8,969	550	548	2	3,000	2,897	103
REVENUES OVER (UNDER) EXPENDITURES	38,731	233,627	194,896	(550)	(495)	55	137,973	606,470	468,291
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	36,235	36,235
Transfers Out	-	-	-	-	-	-	(462,000)	(462,000)	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(462,000)	(425,765)	36,235
Net Change in Fund Balances	$ 38,731	233,627	$ 194,896	$ (550)	(495)	$ 55	$ (324,027)	180,705	$ 504,526
Fund Balance, Beginning of Year		783,591			5,583			3,235,487	
Fund Balance, End of Year		$ 1,017,218			$ 5,088			$ 3,416,192	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2014

	Agriculture Land			Parking In-Lieu			Landscape and Lighting Assesment Districts			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES												
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,844,314	$ 1,858,571	$ 14,257
Uses of Money and Property	5,000	6,482	1,482	500	280	(220)	71,550	46,091	(25,459)	185,525	182,839	(2,686)
Intergovernmental	-	-	-	-	-	-	-	-	-	2,382,269	2,510,320	128,051
Fees and Other Revenues	-	19,583	19,583	-	-	-	5,748,165	5,755,454	7,289	12,835,876	18,808,213	5,972,337
Total Revenues	5,000	26,065	21,065	500	280	(220)	5,819,715	5,801,545	(18,170)	17,247,984	23,359,943	6,111,959
EXPENDITURES												
Current:												
General Government	33,000	29,817	3,183	150	29	121	-	-	-	3,441,492	3,276,019	165,473
Public Safety	-	-	-	-	-	-	-	-	-	167,322	131,365	35,957
Community Development	-	-	-	-	-	-	-	-	-	50	6	44
Parks and Recreation	-	-	-	-	-	-	-	-	-	5,296,188	5,207,090	89,098
Community Services	-	-	-	-	-	-	6,345,236	5,492,758	852,478	6,386,236	5,523,359	862,877
Total Expenditures	33,000	29,817	3,183	150	29	121	6,345,236	5,492,758	852,478	15,291,288	14,137,839	1,153,449
REVENUES OVER (UNDER) EXPENDITURES	(28,000)	(3,752)	24,248	350	251	(99)	(525,521)	308,787	834,308	1,956,696	9,222,104	7,265,408
OTHER FINANCING SOURCES (USES)												
Transfers In	-	-	-	-	-	-	-	-	-	2,452,436	3,124,502	672,066
Transfers Out	-	-	-	-	-	-	-	-	-	(10,053,243)	(9,806,175)	247,068
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	(7,600,807)	(6,681,673)	919,134
Net Change in Fund Balances	$ (28,000)	(3,752)	$ 24,248	$ 350	251	$ (99)	$ (525,521)	308,787	$ 834,308	$ (5,644,111)	2,540,431	$ 8,184,542
Fund Balance, Beginning of Year		630,790			27,202			3,753,731			14,439,054	
Fund Balance, End of Year		$ 627,038			$ 27,453			$ 4,062,518			$ 16,979,485	

City of Brentwood

Combining Balance Sheet

All Debt Service Funds

June 30, 2014

	Capital Improvement Revenue Refunding Bonds Series 2012	General Obligation Bonds Series 2002	2009 Civic Center Project Lease Revenue Bonds	Totals
ASSETS				
Current Assets:				
Cash and Investments	$ 157,370	$ 61,103	$ 14,595	$ 233,068
Restricted Cash and Investments	1,421,278	-	3,402,896	4,824,174
Receivables	16,080,004	8	12,297,369	28,377,381
Total Assets	$ 17,658,652	$ 61,111	$ 15,714,860	$ 33,434,623
LIABILITIES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 24	$ 48	$ -	$ 72
Total Liabilities	24	48	-	72
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Loans Receivable	16,080,000	-	12,297,368	28,377,368
Total Deferred Inflows of Resources	16,080,000	-	12,297,368	28,377,368
FUND BALANCES				
Restricted	1,578,628	61,063	3,417,492	5,057,183
Total Fund Balances	1,578,628	61,063	3,417,492	5,057,183
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 17,658,652	$ 61,111	$ 15,714,860	$ 33,434,623

City of Brentwood

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Debt Service Funds

For Year Ended June 30, 2014

	Capital Improvement Revenue Refunding Bonds Series 2012	General Obligation Bonds Series 2002	2009 Civic Center Project Lease Revenue Bonds	Totals
REVENUES				
Taxes	$ -	$ 419,814	$ -	$ 419,814
Uses of Money and Property	89,120	2,416	15,459	106,995
Intergovernmental	1,298,073	-	2,089,417	3,387,490
Total Revenues	1,387,193	422,230	2,104,876	3,914,299
EXPENDITURES				
Current:				
Community Development	7,861	5,595	10,250	23,706
Debt Service:				
Principal	865,000	325,000	645,000	1,835,000
Interest and Fiscal Charges	1,063,788	80,325	3,346,279	4,490,392
Total Expenditures	1,936,649	410,920	4,001,529	6,349,098
REVENUES OVER (UNDER) EXPENDITURES	(549,456)	11,310	(1,896,653)	(2,434,799)
OTHER FINANCING SOURCES (USES)				
Transfers In	713,278	-	2,940,966	3,654,244
Transfers Out	(159,093)	-	(1,039,080)	(1,198,173)
Total Other Financing Sources (Uses)	554,185	-	1,901,886	2,456,071
Net Change in Fund Balances	4,729	11,310	5,233	21,272
Fund Balance, Beginning of Year	1,573,899	49,753	3,412,259	5,035,911
Fund Balance, End of Year	$ 1,578,628	$ 61,063	$ 3,417,492	$ 5,057,183

City of Brentwood

Combining Balance Sheet

All Capital Project Funds

June 30, 2014

	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	Civic Center Capital Improvement Financing Program	Civic Center Project Lease Revenue Bond Acquisition	Community Facilities Improvements
ASSETS					
Current Assets:					
Cash and Investments	$ -	$ -	$ 1,390,565	$ -	$ 1,401,545
Restricted Cash and Investments	4,490,342	2,581,048	-	7,736,565	-
Receivables	-	-	38	210	1,499,913
Due from Other Funds	-	-	-	-	4,887
Non-Current Assets:					
Interfund Advance Receivable	-	-	-	-	2,177,752
Total Assets	$ 4,490,342	$ 2,581,048	$ 1,390,603	$ 7,736,775	$ 5,084,097
LIABILITIES					
Liabilities:					
Accounts Payable and Accrued Liabilities	$ -	$ -	$ 328	$ 1,348	$ 123,022
Due to Other Funds	-	-	-	-	-
Total Liabilities	-	-	328	1,348	123,022
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Loans Receivable	-	-	-	-	1,499,778
Total Deferred Inflows of Resources	-	-	-	-	1,499,778
FUND BALANCES					
Restricted	4,490,342	2,581,048	1,390,275	7,735,427	3,461,297
Unassigned	-	-	-	-	-
Total Fund Balances	4,490,342	2,581,048	1,390,275	7,735,427	3,461,297
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,490,342	$ 2,581,048	$ 1,390,603	$ 7,736,775	$ 5,084,097

Continued

Combining Balance Sheet

All Capital Project Funds (Continued)

June 30, 2014

	Parks and Trails Improvements	Drainage Improvements	Roadway Improvements	Economic Infrastructure Projects	Vineyards Projects	Totals
ASSETS						
Current Assets:						
Cash and Investments	$ 264,100	$ 37,414	$ 3,988,609	$ 6,278,475	$ 2,055,491	$ 15,416,199
Restricted Cash and Investments	-	-	-	-	-	14,807,955
Receivables	784,825	1	19,564	171	56	2,304,778
Due from Other Funds	-	-	-	-	-	4,887
Non-Current Assets:						
Interfund Advance Receivable	-	-	-	-	-	2,177,752
Total Assets	$ 1,048,925	$ 37,415	$ 4,008,173	$ 6,278,646	$ 2,055,547	$ 34,711,571
LIABILITIES						
Liabilities:						
Accounts Payable and Accrued Liabilities	$ 89,318	$ 37,414	$ 955,942	$ 1,199	$ 371	$ 1,208,942
Due to Other Funds	784,825	-	-	-	-	784,825
Total Liabilities	874,143	37,414	955,942	1,199	371	1,993,767
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Loans Receivable	784,825	-	-	-	-	2,284,603
Total Deferred Inflows of Resources	784,825	-	-	-	-	2,284,603
FUND BALANCES						
Restricted	-	1	3,052,231	6,277,447	2,055,176	31,043,244
Unassigned	(610,043)	-	-	-	-	(610,043)
Total Fund Balances	(610,043)	1	3,052,231	6,277,447	2,055,176	30,433,201
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,048,925	$ 37,415	$ 4,008,173	$ 6,278,646	$ 2,055,547	$ 34,711,571

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Capital Project Funds

For Year Ended June 30, 2014

	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	Civic Center Capital Improvement Financing Program	Civic Center Project Lease Revenue Bond Acquisition	Community Facilities Improvements
REVENUES					
Uses of Money and Property	$ 381	$ 219	$ 15,446	$ 73,292	$ 55,568
Intergovernmental	-	-	-	-	-
Fees and Other Revenues	-	-	1,285,074	-	-
Total Revenues	381	219	1,300,520	73,292	55,568
EXPENDITURES					
Current:					
General Government	-	-	1,967	6,724	360,483
Other	-	-	-	-	13,397
Capital Outlay	-	-	-	-	578,899
Total Expenditures	-	-	1,967	6,724	952,779
REVENUES OVER (UNDER) EXPENDITURES	381	219	1,298,553	66,568	(897,211)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	922,690	686,341	1,272,000
Transfers Out	-	-	(1,901,865)	-	(1,809,553)
Total Other Financing Sources (Uses)	-	-	(979,175)	686,341	(537,553)
Net Change in Fund Balances	381	219	319,378	752,909	(1,434,764)
Fund Balance, Beginning of Year	4,489,961	2,580,829	1,070,897	6,982,518	4,896,061
Fund Balance, End of Year	$ 4,490,342	$ 2,581,048	$ 1,390,275	$ 7,735,427	$ 3,461,297

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Capital Project Funds (Continued)

For Year Ended June 30, 2014

	Park and Trails Improvements	Drainage Improvements	Roadway Improvements	Economic Infrastructure Projects	Vineyards Projects	Totals
REVENUES						
Uses of Money and Property	$ 122	$ 384	$ 36,478	$ 63,058	$ 20,464	$ 265,412
Intergovernmental	-	-	35,895	-	-	35,895
Fees and Other Revenues	610	-	786,297	-	182,390	2,254,371
Total Revenues	732	384	858,670	63,058	202,854	2,555,678
EXPENDITURES						
Current:						
General Government	155,285	-	918,675	131,718	2,043	1,576,895
Other	-	-	-	-	-	13,397
Capital Outlay	444,545	37,414	426,773	-	-	1,487,631
Total Expenditures	599,830	37,414	1,345,448	131,718	2,043	3,077,923
REVENUES OVER (UNDER) EXPENDITURES	(599,098)	(37,030)	(486,778)	(68,660)	200,811	(522,245)
OTHER FINANCING SOURCES (USES)						
Transfers In	366,782	-	1,283,707	247	-	4,531,767
Transfers Out	(7,831)	(384)	(870,785)	-	-	(4,590,418)
Total Other Financing Sources (Uses)	358,951	(384)	412,922	247	-	(58,651)
Net Change in Fund Balances	(240,147)	(37,414)	(73,856)	(68,413)	200,811	(580,896)
Fund Balance, Beginning of Year	(369,896)	37,415	3,126,087	6,345,860	1,854,365	31,014,097
Fund Balance, End of Year	$ (610,043)	$ 1	$ 3,052,231	$ 6,277,447	$ 2,055,176	$ 30,433,201

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Certain Capital Project Funds
For Year Ended June 30, 2014

	Civic Center Capital Improvement Financing Program			Civic Center Project Lease Revenue Bond Acquisition			Economic Infrastructure Projects		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Uses of Money and Property	$ 23,000	$ 15,446	$ (7,554)	$ 50,000	$ 73,292	$ 23,292	$ 100,000	$ 63,058	$ (36,942)
Fees and Other Revenues	1,405,212	1,285,074	(120,138)	-	-	-		-	-
Total Revenues	1,428,212	1,300,520	(127,692)	50,000	73,292	23,292	100,000	63,058	(36,942)
EXPENDITURES									
Current:									
General Government	5,000	1,967	3,033	6,724	6,724	-	148,974	131,718	17,256
Total Expenditures	5,000	1,967	3,033	6,724	6,724	-	148,974	131,718	17,256
REVENUES OVER (UNDER) EXPENDITURES	1,423,212	1,298,553	(124,659)	43,276	66,568	23,292	(48,974)	(68,660)	(19,686)
OTHER FINANCING SOURCES (USES)									
Transfers In	918,451	922,690	4,239	-	686,341	686,341	-	247	247
Transfers Out	(1,907,471)	(1,901,865)	5,606	(1,689,874)	-	1,689,874	(91,250)	-	91,250
Total Other Financing Sources (Uses)	(989,020)	(979,175)	9,845	(1,689,874)	686,341	2,376,215	(91,250)	247	91,497
Net Change in Fund Balances	$ 434,192	319,378	$ (114,814)	$ (1,646,598)	752,909	$ 2,399,507	$ (140,224)	(68,413)	$ 71,811
Fund Balance, Beginning of Year		1,070,897			6,982,518			6,345,860	
Fund Balance, End of Year		$ 1,390,275			$ 7,735,427			$ 6,277,447	

Continued

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

Certain Capital Projects Fund (Continued)

For Year Ended June 30, 2014

	Vineyards Projects			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
Uses of Money and Property	$ 20,000	$ 20,464	$ 464	$ 193,000	$ 172,260	$ (20,740)
Fees and Other Revenues	-	182,390	182,390	1,405,212	1,467,464	62,252
Total Revenues	20,000	202,854	182,854	1,598,212	1,639,724	41,512
EXPENDITURES						
Current:						
General Government	2,500	2,043	457	163,198	142,452	20,746
Total Expenditures	2,500	2,043	457	163,198	142,452	20,746
REVENUES OVER (UNDER) EXPENDITURES	17,500	200,811	183,311	1,435,014	1,497,272	62,258
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	918,451	1,609,278	690,827
Transfers Out	-	-	-	(3,688,595)	(1,901,865)	1,786,730
Total Other Financing Sources (Uses)	-	-	-	(2,770,144)	(292,587)	2,477,557
Net Change in Fund Balances	$ 17,500	200,811	$ 183,311	$ (1,335,130)	1,204,685	$ 2,539,815
Fund Balance, Beginning of Year		1,854,365			16,253,640	
Fund Balance, End of Year		$ 2,055,176			$ 17,458,325	

STATISTICAL SECTION CONTENTS

	Page
Financial Trends	**S-1 to S-4**
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	**S-5 to S-13**
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes, sales taxes and water user fee revenue.	
Debt Capacity	**S-14 to S-18**
These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	**S-19 to S-20**
These schedules contain demographic and economic information to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	**S-21 to S-24**
These schedules contain operational and resource information to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the City's relevant Comprehensive Annual Financial Reports.

City of Brentwood

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets	$ 215,720,615	$ 294,803,288	$ 339,857,455	$ 372,951,683	$ 396,500,516	$ 387,736,385	$ 391,780,662	$ 396,203,826	$ 451,053,113	$ 448,914,876
Restricted	34,678,623	81,395,898	79,233,723	80,452,738	84,103,392	90,938,293	71,281,324	55,501,023	50,993,394	55,657,033
Unrestricted	53,776,481	53,977,292	59,130,425	54,508,073	48,649,648	41,892,809	50,583,234	79,793,101	47,881,478	52,762,415
Total Governmental Activities Net Position	$ 304,175,719	$ 430,176,478	$ 478,221,603	$ 507,912,494	$ 529,253,556	$ 520,567,487	$ 513,645,220	$ 531,497,950	$ 549,927,985	$ 557,334,324
Business-Type Activities										
Net Investment in Capital Assets	$ 144,514,270	$ 104,790,118	$ 124,783,446	$ 137,697,679	$ 151,887,435	$ 152,324,676	$ 154,107,936	$ 155,440,943	$ 174,173,837	$ 175,557,744
Restricted	27,021,249	30,182,173	31,204,635	28,721,075	26,202,644	31,503,932	33,796,393	35,030,908	25,789,668	27,579,197
Unrestricted	14,373,836	14,140,500	22,052,908	33,177,282	39,191,354	38,179,045	41,033,910	37,633,231	37,558,177	41,145,016
Total Business-Type Activities Net Position	$ 185,909,355	$ 149,112,791	$ 178,040,989	$ 199,596,036	$ 217,281,433	$ 222,007,653	$ 228,938,239	$ 228,105,082	$ 237,521,682	$ 244,281,957
Primary Government										
Net Investment in Capital Assets	$ 360,234,885	$ 399,593,406	$ 464,640,901	$ 510,649,362	$ 548,387,951	$ 540,061,061	$ 545,888,598	$ 551,644,769	$ 625,226,950	$ 624,472,620
Restricted	61,699,872	111,578,071	110,438,358	109,173,813	110,306,036	122,442,225	105,077,717	90,531,931	76,783,062	83,236,230
Unrestricted	68,150,317	68,117,792	81,183,333	87,685,355	87,841,002	80,071,854	91,617,144	117,426,332	85,439,655	93,907,431
Total Primary Government Net Position	$ 490,085,074	$ 579,289,269	$ 656,262,592	$ 707,508,530	$ 746,534,989	$ 742,575,140	$ 742,583,459	$ 759,603,032	$ 787,449,667	$ 801,616,281

City of Brentwood

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Expenses										
General Government	$ 22,019,514	$ 17,927,800	$ 26,103,080	$ 26,566,890	$ 14,258,630	$ 16,337,699	$ 21,178,861	$ 14,136,546	$ 14,092,802	$ 12,814,102
Public Safety	9,563,065	10,952,967	12,768,274	13,770,801	15,024,872	18,770,435	16,444,355	17,504,773	16,984,814	16,841,404
Community Development	5,103,462	3,960,793	5,704,796	5,581,469	4,871,191	5,688,738	4,614,882	3,330,613	3,486,844	3,897,722
Engineering	3,821,479	4,063,792	2,332,730	2,420,953	2,500,979	2,195,775	2,287,863	2,426,348	2,425,560	2,536,751
Public Works	1,796,006	1,815,288	4,967,567	5,441,455	6,417,940	6,702,090	7,563,837	7,785,203	7,481,326	6,932,406
Parks and Recreation	2,442,686	6,965,572	8,129,353	9,312,868	8,721,904	9,595,992	9,831,303	9,966,107	11,278,035	11,997,081
Community Services	237,458	2,059,834	3,402,377	3,728,537	4,771,816	5,665,988	5,193,300	5,507,421	5,979,870	6,077,404
Other	1,008,158	2,918,908	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	1,949,670	1,766,038	1,839,058	1,557,776	1,729,621	3,129,383	5,068,172	5,121,265	4,763,277	4,706,190
Total Expenses	47,941,498	52,430,992	65,247,235	68,380,749	58,296,953	68,086,100	72,182,573	65,778,276	66,492,528	65,803,060
Program Revenues										
Charges for Services:										
General Government	4,707,870	3,803,913	5,050,422	4,832,281	5,374,316	6,137,929	7,180,354	7,579,622	9,248,908	7,838,278
Public Safety	417,939	463,693	563,191	611,166	512,853	555,434	498,354	512,727	485,363	511,100
Community Development	7,541,354	5,992,652	3,371,910	2,021,118	870,595	1,204,973	1,112,381	1,273,788	2,436,201	3,392,009
Engineering	4,842,578	4,088,577	3,499,111	2,218,835	1,549,735	1,760,861	1,191,544	1,457,470	1,780,644	2,298,698
Public Works	20,260	36,618	53,474	87,670	84,910	119,960	75,927	39,302	1,250	-
Parks and Recreation	-	1,804,256	1,687,292	1,128,180	936,023	920,233	962,966	1,061,842	1,173,781	1,256,289
Operating Grants and Contributions	114,791	200,915	6,443,633	9,868,672	9,594,707	10,547,689	12,109,521	11,266,602	15,474,137	13,854,976
Capital Grants and Contributions	166,951	212,611	50,529,249	35,633,756	21,356,537	7,393,607	13,903,165	6,384,355	21,785,963	19,212,723
Total Program Revenues	17,811,743	16,603,235	71,198,282	56,401,678	40,279,676	28,640,686	37,034,212	29,575,708	52,386,247	48,364,073
Total Governmental Activities Net Expense	(30,129,755)	(35,827,757)	5,951,047	(11,979,071)	(18,017,277)	(39,445,414)	(35,148,361)	(36,202,568)	(14,106,281)	(17,438,987)
General Revenues and Other Changes in Net Position										
Taxes:										
Property Taxes	9,932,342	14,887,469	19,676,078	20,802,069	19,580,300	16,247,078	15,684,496	12,682,260	10,090,453	10,540,496
Sales Tax	4,442,764	5,411,724	4,661,529	4,827,706	4,803,716	5,038,880	5,258,382	5,691,384	6,060,363	6,447,687
Franchise Fees	851,237	1,021,258	1,230,265	1,362,484	1,057,537	1,168,412	1,183,245	1,216,589	1,254,136	1,321,089
Public Service Taxes	914,426	1,000,573	527,766	342,627	298,911	283,407	251,092	257,426	396,148	389,109
Measure C/J, TOT	480,838	532,035	598,358	635,411	674,000	676,635	775,964	885,565	960,804	1,036,221
Motor Vehicle Taxes	2,198,750	3,502,237	3,597,495	3,942,089	3,570,432	2,955,583	2,925,219	2,593,907	2,540,474	2,748,701
Other Taxes	-	188,636	260,577	-	-	-	-	-	-	-
Investment Earnings	3,185,671	3,639,789	8,960,696	8,191,379	6,821,377	3,456,502	2,256,133	1,626,128	679,229	1,186,001
Contributions - Impact Fees and Credits	29,584,350	31,600,393	-	-	-	-	-	-	-	-
Capital Contributions	3,592,176	33,424,231	-	-	-	-	-	-	-	-
Capital Assets Contributed to/from Other Funds	126,356	-	-	-	-	-	-	-	-	-
Intergovernmental	862,624	1,151,837	42,737	-	-	-	-	-	-	-
Interfund Services	3,570,121	4,627,478	48,484	-	-	-	-	-	-	-
Miscellaneous	4,098,758	3,328,605	2,726,006	1,421,715	906,456	848,732	317,681	1,338,025	1,149,975	1,123,910
Transfers	(1,847,651)	57,512,251	2,111,311	144,482	1,645,610	84,116	(426,118)	99,753	(74,087)	52,112
Extraordinary Items										
Assets Transferred To/Liabilities Assumed by Successor Agency	-	-	-	-	-	-	-	27,664,261	(3,989,500)	-
Total General Revenues and Other Changes in Net Position	61,992,762	161,828,516	44,441,302	41,669,962	39,358,339	30,759,345	28,226,094	54,055,298	19,067,995	24,845,326
Total Governmental Activities Change in Net Position	$ 31,863,007	$ 126,000,759	$ 50,392,349	$ 29,690,891	$ 21,341,062	$ (8,686,069)	$ (6,922,267)	$ 17,852,730	$ 4,961,714	$ 7,406,339

City of Brentwood

CHANGES IN NET POSITION - BUSINESS-TYPE ACTIVITIES

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-Type Activities:										
Expenses										
Wastewater	$ 5,713,763	$ 5,995,237	$ 6,264,947	$ 6,734,960	$ 6,956,281	$ 7,387,756	$ 7,706,249	$ 7,980,916	$ 8,281,521	$ 8,356,508
Solid Waste	4,266,665	6,018,649	6,259,740	6,620,638	6,870,616	7,530,880	7,839,662	8,050,319	8,871,904	9,583,321
Water	8,594,319	12,073,423	11,181,295	12,304,859	15,721,076	18,381,997	17,122,586	18,787,680	18,987,430	19,436,134
Parks and Recreation	3,854,606	-	-	-	-	-	-	-	-	-
City Rentals	434,243	728,604	729,754	654,428	248,505	253,241	218,218	182,239	150,179	165,319
Housing	1,022,306	1,215,548	1,481,274	792,055	307,298	419,217	430,024	4,699,623	686,241	831,157
Total Expenses	23,885,902	26,031,461	25,917,010	27,106,940	30,103,776	33,973,091	33,316,739	39,700,777	36,977,275	38,372,439
Program Revenues										
Charges for Services:										
Wastewater	4,549,961	5,979,653	6,441,711	6,966,204	7,666,143	7,936,737	8,333,225	9,388,285	10,891,301	10,979,074
Solid Waste	6,236,643	8,025,919	8,826,499	9,284,062	9,119,685	8,856,687	9,045,607	9,139,494	9,246,212	9,648,049
Water	10,231,960	12,264,649	15,348,469	16,279,479	16,201,887	15,760,490	16,114,907	17,254,244	18,657,623	19,050,072
Parks and Recreation	1,443,029	-	-	-	-	-	-	-	-	-
City Rentals	778,437	767,270	717,539	467,271	421,957	425,832	425,607	435,736	428,869	438,420
Housing	1,000	30,290	117,601	174,368	188,137	175,186	193,610	184,524	196,900	221,519
Capital Grants and Contributions	-	6,287,482	22,969,310	11,971,155	12,590,057	3,996,082	4,635,461	1,629,204	6,679,473	4,082,059
Total Program Revenues	23,241,030	33,355,263	54,421,129	45,142,539	46,187,866	37,151,014	38,748,417	38,031,487	46,100,378	44,419,193
Total Business-Type Activities Net Expense	(644,872)	7,323,802	28,504,119	18,035,599	16,084,090	3,177,923	5,431,678	(1,669,290)	9,123,103	6,046,754
General Revenues and Other Changes in Net Position										
Taxes:										
Property Taxes	1,073,421	-	-	-	-	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	177,600	-	-	-	-	-	-	-	-	-
Investment Earnings	534,586	1,199,763	2,535,390	3,663,930	3,246,917	1,632,413	1,072,790	935,886	417,783	765,633
Contributions - Impact Fees and Credits	17,844,231	11,381,912	-	-	-	-	-	-	-	-
Capital Contributions	21,325,932	-	-	-	-	-	-	-	-	-
Capital Assets Contributed to/from Other Funds	(126,356)	-	-	-	-	-	-	-	-	-
Transfers	1,847,651	(57,512,251)	(2,111,311)	(144,482)	(1,645,610)	(84,116)	426,118	(99,753)	74,087	(52,112)
Total General Revenues and Other Changes in Net Position	42,677,065	(44,930,576)	424,079	3,519,448	1,601,307	1,548,297	1,498,908	836,133	491,870	713,521
Total Business-Type Activities Change in Net Position	42,032,193	(37,606,774)	28,928,198	21,555,047	17,685,397	4,726,220	6,930,586	(833,157)	9,614,973	6,760,275
Total Primary Government Change in Net Position	$ 73,895,200	$ 88,393,985	$ 79,320,547	$ 51,245,938	$ 39,026,459	$ (3,959,849)	$ 8,319	$ 17,019,573	$ 14,576,687	$ 14,166,614

City of Brentwood

FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	$ 122,935	$ 204,076	$ 124,588	$ 69,008	$ 115,603	$ -	$ -	$ -	$ -	$ -
Unreserved	19,377,628	22,310,261	25,274,977	23,942,011	15,469,215	-	-	-	-	-
Nonspendable[1]	-	-	-	-	-	69,383	168,127	75,163	302,936	63,693
Restricted [1]	-	-	-	-	-	-	-	27,500	74,426	92,426
Committed [1]	-	-	-	-	-	600,000	600,000	-	-	-
Assigned [1]	-	-	-	-	-	2,200,000	7,667,955	7,676,327	6,522,500	5,083,574
Unassigned [1]	-	-	-	-	-	12,464,539	9,835,437	10,760,980	11,134,823	11,899,800
Total General Fund	$ 19,500,563	$ 22,514,337	$ 25,399,565	$ 24,011,019	$ 15,584,818	$ 15,333,922	$ 18,271,519	$ 18,539,970	$ 18,034,685	$ 17,139,493
All Other Governmental Funds										
Reserved	$ 46,924,689	$ 93,318,376	$ 94,569,236	$ 81,456,062	$ 86,822,877	$ -	$ -	$ -	$ -	$ -
Unreserved, Reported In:										
Special Revenue Funds	5,640,986	3,657,471	(2,292,254)	6,156,567	8,180,937	-	-	-	-	-
Capital Project Funds	-	-	(35,867)	(59,329)	(3,705,510)	-	-	-	-	-
Nonspendable[1]	-	-	-	-	-	2,371,064	2,237	1,324	1,310	845
Restricted [1]	-	-	-	-	-	119,080,851	78,571,539	56,313,736	47,984,618	48,760,112
Committed [1]	-	-	-	-	-	4,477,489	3,027,135	4,210,317	5,342,739	6,501,740
Unassigned [1]	-	-	-	-	-	(2,586,983)	(2,550,292)	248,829	(2,839,605)	(2,792,828)
Total All Other Governmental Funds	$ 52,565,675	$ 96,975,847	$ 92,241,115	$ 87,553,300	$ 91,298,304	$ 123,342,421	$ 79,050,619	$ 60,774,206	$ 50,489,062	$ 52,469,869

(1) The City of Brentwood implemented GASB 54 for the fiscal year ended June 30, 2010. Historical data has not been converted.

City of Brentwood

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Taxes	$ 15,405,971	$ 21,606,946	$ 25,842,811	$ 26,218,592	$ 24,965,670	$ 21,892,844	$ 21,496,574	$ 18,966,729	$ 16,925,209	$ 17,777,969
Licenses	405,246	471,668	509,618	454,678	530,025	494,958	486,963	519,368	550,111	618,161
Permits and Fines	11,361,424	9,647,761	6,130,221	3,311,232	1,699,070	2,419,184	2,695,972	2,866,498	4,460,526	5,920,923
Uses of Money and Property	4,156,725	3,381,068	8,263,044	7,820,815	5,714,526	2,939,018	1,990,331	1,477,010	1,403,814	1,022,233
Intergovernmental	3,727,774	5,537,709	5,022,850	8,072,443	6,559,025	6,491,361	7,696,877	6,626,172	11,827,629	8,793,246
Franchises	672,172	808,389	965,066	1,018,540	1,057,537	1,168,412	1,183,245	1,216,589	1,254,136	1,321,089
Charges for Other Services	546,251	1,580,198	776,584	515,471	407,429	437,338	522,681	409,699	291,411	381,111
Charges to Other Funds	5,161,708	5,506,136	5,590,646	5,293,754	5,507,561	6,101,449	5,887,152	6,362,471	8,063,466	6,577,548
Fees and Other Revenues	27,280,529	52,281,640	21,786,740	16,301,455	12,630,551	12,772,501	13,219,741	15,976,157	18,972,072	22,705,683
Total Revenues	68,717,800	100,821,515	74,887,580	69,006,980	59,071,394	54,717,065	55,179,536	54,420,693	63,748,374	65,117,963
EXPENDITURES										
Current:										
General Government	18,411,773	12,505,987	26,029,125	24,471,337	13,876,807	13,903,858	18,213,011	12,289,354	12,098,061	10,264,133
Public Safety	10,697,057	12,774,097	14,129,475	14,343,676	14,277,133	15,029,062	15,806,664	16,627,126	16,474,881	16,940,288
Community Development	5,418,378	4,415,273	6,092,241	5,756,412	4,803,810	6,530,394	4,658,637	3,218,317	3,545,087	4,075,316
Engineering	2,166,280	2,476,437	2,532,147	2,574,651	2,523,897	2,124,818	2,241,604	2,383,174	2,438,310	2,620,029
Public Works	2,208,201	2,292,826	2,486,963	2,676,479	2,385,896	2,342,121	2,687,175	2,723,127	2,601,282	2,687,875
Parks and Recreation	1,838,817	7,634,708	7,924,624	8,191,336	7,039,392	7,387,946	7,782,777	7,673,881	9,161,386	10,194,471
Community Services	237,458	2,073,780	3,414,448	3,739,616	4,777,007	5,668,438	5,199,083	5,510,055	5,987,718	6,088,686
Other	1,008,158	2,918,908	-	-	-	-	-	-	-	-
Capital Outlay	17,688,834	9,166,838	11,367,755	11,795,273	11,417,725	9,534,182	28,347,984	18,649,014	5,791,055	1,487,631
Debt Service:										
Principal	1,655,889	1,817,780	832,754	967,369	1,003,379	2,412,705	1,085,407	1,075,000	1,770,000	1,835,000
Interest and Fiscal Charges	1,684,978	1,671,308	1,647,122	1,354,955	1,515,337	2,902,943	4,795,892	4,849,723	4,541,152	4,490,392
Total Expenditures	63,015,823	59,747,942	76,456,654	75,871,104	63,620,383	67,836,467	90,818,234	74,998,771	64,408,932	60,683,821
REVENUES OVER (UNDER) EXPENDITURES	5,701,977	41,073,573	(1,569,074)	(6,864,124)	(4,548,989)	(13,119,402)	(35,638,698)	(20,578,078)	(660,558)	4,434,142
OTHER FINANCING SOURCES (USES)										
Issuance of Debt	-	-	-	-	-	48,000,000	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-	129,172	-	1,266,396	-	-
Refunding Bonds Issued	-	-	-	-	-	-	-	24,060,000	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	(26,049,390)	-	-
Transfer of Land Held to Governmental Activities	-	-	-	-	-	-	(1,327,029)	-	-	-
Transfers In	22,122,072	30,346,807	27,208,242	19,712,817	19,833,305	89,614,732	71,012,558	18,534,332	18,611,255	18,163,542
Transfers Out	(24,161,540)	(23,996,434)	(25,128,377)	(19,053,054)	(19,965,513)	(92,831,281)	(75,401,036)	(16,777,751)	(21,084,678)	(21,512,069)
Total Other Financing Sources (Uses)	(2,039,468)	6,350,373	2,079,865	659,763	(132,208)	44,912,623	(5,715,507)	1,033,587	(2,473,423)	(3,348,527)
Net Change in Fund Balances before Extraordinary Items	$ 3,662,509	$ 47,423,946	$ 510,791	$ (6,204,361)	$ (4,681,197)	$ 31,793,221	$ (41,354,205)	$ (19,544,491)	$ (3,133,981)	$ 1,085,615
EXTRAORDINARY ITEMS										
Assets Transferred to Successor Agency	-	-	-	-	-	-	-	(7,438,601)	(3,989,500)	-
Assets Transferred from Successor Agency	-	-	-	-	-	-	-	5,308,182	-	-
Total Extraordinary Items	-	-	-	-	-	-	-	(2,130,419)	(3,989,500)	-
Net Change in Fund Balances	$ 3,662,509	$ 47,423,946	$ 510,791	$ (6,204,361)	$ (4,681,197)	$ 31,793,221	$ (41,354,205)	$ (21,674,910)	$ (7,123,481)	$ 1,085,615
Debt Service as a Percentage of Noncapital Expenditures	7.37%	6.90%	3.81%	3.62%	4.82%	9.12%	9.41%	10.51%	10.77%	10.69%

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
2005	$ 3,935,719,534	$ 305,863,204	$ 33,775,436	$ 304,961,167	$ 82,710,234	$ 4,497,609,107	1.0051%
2006	4,876,139,675	394,231,315	41,643,661	381,487,825	93,209,265	5,600,293,211	1.0040%
2007	6,220,671,258	493,496,598	63,090,245	492,275,459	96,882,748	7,172,650,812	1.0038%
2008	6,915,502,276	544,468,293	73,972,732	693,059,797	107,975,826	8,119,027,272	1.0032%
2009	6,028,251,325	653,859,546	117,670,976	718,293,799	112,118,379	7,405,956,667	1.0039%
2010	4,785,876,213	786,006,109	85,597,901	571,134,468	118,631,364	6,109,983,327	1.0054%
2011	4,660,132,845	723,838,787	50,993,755	547,683,892	122,763,045	5,859,886,234	1.0060%
2012	4,496,112,577	674,651,088	46,231,581	521,832,257	140,434,070	5,598,393,433	1.0068%
2013	4,370,940,651	657,806,317	43,444,913	556,183,456	149,219,848	5,479,155,489	1.0072%
2014	4,873,504,577	571,689,994	41,318,437	635,726,379	179,541,808	5,942,697,579	1.0068%

Source: Contra Costa County Assessor

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

(Unaudited)

	City Direct Rates			Overlapping Rates [1]		
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Tax Rate	Liberty Union High School District	Brentwood Union School District	Other Districts
2005	1.00%	0.0051%	1.0051%	0.0489%	0.0517%	0.0099%
2006	1.00%	0.0040%	1.0040%	0.0379%	0.0519%	0.0152%
2007	1.00%	0.0038%	1.0038%	0.0331%	0.0444%	0.0178%
2008	1.00%	0.0032%	1.0032%	0.0276%	0.0470%	0.0264%
2009	1.00%	0.0039%	1.0039%	0.0289%	0.0587%	0.0256%
2010	1.00%	0.0054%	1.0054%	0.0376%	0.0682%	0.0291%
2011	1.00%	0.0060%	1.0060%	0.0390%	0.0715%	0.0248%
2012	1.00%	0.0068%	1.0068%	0.0386%	0.0688%	0.0256%
2013	1.00%	0.0072%	1.0072%	0.0364%	0.0685%	0.0181%
2014	1.00%	0.0068%	1.0068%	0.0328%	0.0639%	0.0286%

Source: HdL Coren & Cone, 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)

	Fiscal Year 2014			Fiscal Year 2005		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percent of City's Total Taxable Value**	**Taxable Assessed Value**	**Rank**	**Percent of City's Total Taxable Value**
G and I VII Brentwood LP	$ 75,878,859	1	1.27%	$ -		-
Sand Creek Crossing LLC	44,397,200	2	0.75%	51,739,545	1	1.15%
John Muir Mt Diablo Health	38,025,501	3	0.64%	12,514,813	7	0.28%
DS Lone Tree Plaza LLC	34,953,986	4	0.59%	-		-
Brentwood Arbor Ridge LP	21,985,295	5	0.37%	-		-
Trilogy Vineyards LLC	21,949,009	6	0.37%	-		-
New Urban Comm Sciortno LLC	19,805,100	7	0.33%	-		-
Brentwood Towncentre Apartments	19,625,000	8	0.33%	-		-
AFE Brentwood Park LLC	19,005,669	9	0.32%	-		-
Brentwood Assisted Living LLC	16,907,000	10	0.28%	-		-
Western Pacific Housing Inc.	-		-	40,316,894	2	0.89%
California Sun Properties	-		-	19,741,376	3	0.44%
Towncentre Professional	-		-	16,646,904	4	0.37%
Winco Foods LLC	-		-	15,552,955	5	0.34%
American Stores Properties Inc.	-		-	12,752,257	6	0.28%
BT Lakes Golf LLC	-		-	12,075,888	8	0.27%
Home Depot Development of MD Inc.	-		-	11,649,017	9	0.26%
Comcast of California IV Inc.	-		-	11,184,480	10	0.25%
Total	$ 312,532,619		5.25%	$ 204,174,129		4.53%

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
2005	$ 9,932,342	$ 9,932,342	100.00%
2006	14,887,469	14,887,469	100.00%
2007	19,676,078	19,676,078	100.00%
2008	20,802,069	20,802,069	100.00%
2009	19,580,300	19,580,300	100.00%
2010	16,247,076	16,247,076	100.00%
2011	15,684,496	15,684,496	100.00%
2012	12,682,260	12,682,260	100.00%
2013	10,090,453	10,090,453	100.00%
2014	10,540,496	10,540,496	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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Apparel Stores	$ 13,267	$ 15,101	$ 17,378	$ 18,290	$ 24,627	$ 38,865	$ 41,433	$ 43,872	$ 47,782	$ 51,009
Food Stores	33,055	35,792	38,168	38,950	41,689	44,121	42,134	42,881	44,710	46,829
Eating & Drinking Establishments	29,024	38,910	43,813	49,450	50,980	58,853	64,109	70,917	80,693	84,531
Building Materials	57,865	74,435	66,356	60,287	53,169	47,048	51,067	55,213	57,644	64,725
Auto Dealers and Supplies	48,276	57,392	62,402	57,183	33,284	39,949	43,762	41,466	39,996	43,202
Service Stations	51,628	63,121	75,209	85,806	103,954	77,494	86,144	100,906	105,065	104,865
Other Retail Stores	49,076	70,513	73,740	92,255	103,163	111,769	115,702	120,480	126,723	134,417
All Other Outlets	90,038	94,051	96,786	93,659	92,659	88,465	91,820	103,895	111,150	124,413
Total	$ 372,229	$ 449,315	$ 473,852	$ 495,880	$ 503,525	$ 506,564	$ 536,171	$ 579,630	$ 613,763	$ 653,991
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 HdL Coren & Cone

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
2005	1.00%	1.00%	6.25%	8.25%
2006	1.00%	1.00%	6.25%	8.25%
2007	1.00%	1.00%	6.25%	8.25%
2008	1.00%	1.00%	6.25%	8.25%
2009	1.00%	1.00%	7.25% (1)	9.25%
2010	1.00%	1.00%	7.25% (1)	9.25%
2011	1.00%	1.00%	6.25% (1)	8.25%
2012	1.00%	1.00%	6.25%	8.25%
2013	1.00%	1.00%	6.50% (2)	8.50%
2014	1.00%	1.00%	6.50%	8.50%

Source: State Board of Equalization

Note: The City's sales tax rate may be changed only with approval of the State Legislature.

(1) April 1, 2009 the State increased the State Rate 1%. The 1% increase expired July 1, 2011.

(2) On January 1, 2013 the State rate was increased by .25%.

City of Brentwood

TOP 25 SALES TAX PRODUCERS

CURRENT YEAR AND NINE YEARS AGO

(Unaudited)

2014		2005	
Tax Remitter [(1)]	**Business Category**	**Tax Remitter [(1)]**	**Business Category**
Ace Hardware	Hardware Stores	Ace Hardware	Hardware Stores
Arco AM PM	Service Stations	Albertsons	Grocery Stores - Liquor
AT&T Mobility	Electronics/Appliance Store	Arco AM PM Mini Mart	Service Stations
Best Buy	Electronics/Appliance Store	Big B Lumber	Lumber/Building Materials
Bib B Lumber	Lumber/Building Materials	Bill Brandt Ford	New Motor Vehicle Dealers
Bill Brandt Ford	New Motor Vehicle Dealers	Brentwood Auto Parts	Automotive Supply Stores
BJs Restaurant & Brewhouse	Casual Dining	Brentwood Dodge Chrysler Jeep	New Motor Vehicle Dealers
Brentwood Chevron	Service Stations	Chevron	Service Stations
Brentwood Ready Mix	Contractors	Dallas Shanks Services	Service Stations
Brentwood Service Station	Service Stations	Golden Gate Petroleum	Petroleum Prod/Equipment
Chevron	Service Stations	Home Depot	Lumber/Building Materials
Circle K Gas	Service Stations	Home Goods	Home Furnishings
Dallas Shanks Chevron	Service Stations	Kelly Moore Paint	Paint/Glass/Wallpaper
Home Depot	Lumber/Building Materials	Kohl's	Department Stores
Home Goods	Home Furnishings	Longs	Drug Stores
Kohl's	Department Stores	Precision Cabinets	Contractors
Quick Stop	Service Stations	Quick Stop	Service Stations
Raley's	Grocery Stores - Liquor	Raley's	Grocery Stores - Liquor
Ross	Family Apparel	Ross	Family Apparel
Safeway	Grocery Stores - Liquor	Safeway	Grocery Stores - Liquor
TJ Maxx	Family Apparel	Savers Fuel Mart	Service Stations
Tower Mart	Service Stations	Televents of East County	Busines Services
Vintners Shell Stations	Service Stations	TJ Maxx	Family Apparel
Walgreens	Drug Stores	Tower Mart	Service Stations
Winco Foods	Grocery Stores - Liquor	Winco Foods	Grocery Stores - Liquor
Percent of Fiscal Year Total Paid by Top 25 Accounts = 49.50%		**Percent of Fiscal Year Total Paid by Top 25 Accounts = 64.56%**	

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

WATER USE REVENUE BY CUSTOMER TYPE

LAST NINE FISCAL YEARS

(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Type of Customer									
Residential	$ 6,618,564	$ 8,037,936	$ 7,967,434	$ 7,771,514	$ 7,298,520	$ 7,559,361	$ 8,018,220	$ 9,104,775	$ 9,204,133
Commercial	1,243,223	1,588,280	1,535,388	1,353,079	1,243,055	1,270,571	1,351,106	1,505,393	1,536,426
Industrial	86,581	104,434	308,275	594,218	474,029	502,181	496,542	588,820	544,326
Government	379,228	596,973	828,672	1,062,688	1,129,991	1,000,586	1,001,728	1,278,646	1,371,209
Total	$ 8,327,596	$ 10,327,623	$ 10,639,769	$ 10,781,499	$ 10,145,595	$ 10,332,699	$ 10,867,596	$ 12,477,634	$ 12,656,094

Source: City of Brentwood Finance Department, Utility Billing

Note: Information is not available prior to 2006.

City of Brentwood

WATER RATES

LAST TEN FISCAL YEARS

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Monthly Base Rate										
5/8" or 3/4" meter	$ 14.59	$ 15.24	$ 15.98	$ 16.46	$ 16.95	$ 17.46	$ 17.99	$ 18.53	$ 19.08	$ 19.65
1" meter	21.98	22.96	24.07	24.69	25.43	26.19	26.98	27.79	28.62	29.48
1 1/2" meter	43.68	45.62	47.84	49.38	50.86	52.39	53.96	55.58	57.24	58.96
2" meter	72.85	76.09	79.79	82.30	84.77	87.31	89.93	92.63	95.40	98.26
3" meter	120.60	125.96	132.08	148.13	152.58	157.16	161.87	166.73	171.73	176.88
4" meter	194.30	202.94	212.80	213.97	220.39	227.00	233.81	240.83	248.05	255.49
6" meter	388.70	405.99	425.70	444.40	457.74	471.47	485.61	500.18	515.19	530.65
Consumption Charge (per 1,000 gallons = 1 unit)										
Residential Tiers										
Tier 1: Units 1-10	$ 2.28	$ 2.38	$ 2.50	$ 2.58	$ 2.65	$ 2.73	$ 2.81	$ 2.90	$ 2.99	$ 3.08
Tier 2: Units 11-20	2.72	2.84	2.98	3.07	3.16	3.26	3.35	3.45	3.56	3.67
Tier 3: Units 21-30	3.26	3.41	3.57	3.68	3.79	3.90	4.02	4.14	4.26	4.39
Tier 4: Units 31+	3.80	3.97	4.16	4.28	4.41	4.55	4.68	4.82	4.97	5.12
Non Residential Tiers										
Tier 1: Units 1-10	$ 2.28	$ 2.38	$ 2.50	$ 2.58	$ 2.65	$ 2.73	$ 2.81	$ 2.90	$ 2.99	$ 3.08
Tier 2: Units 11+	2.72	2.84	2.98	3.07	3.16	3.26	3.35	3.45	3.56	3.67
Non Potable										
Tier 1: Units 1+	N/A	N/A	N/A	$ 0.95	$ 0.98	$ 1.01	$ 1.04	$ 1.07	$ 1.10	$ 1.13

Source: City of Brentwood Finance Department, Utility Billing

City of Brentwood

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Unaudited)

	Governmental Activities						
Fiscal Year	General Obligation Bonds [1]	2001 CIP Revenue Bonds	2012 CIP Revenue Refunding Bonds	2009 Civic Center Project Lease Revenue Bonds	Notes Payable	Capital Leases (Internal Service)	Capital Leases (Governmental)
2005	$ 6,411,571	$ 30,390,000	$ -	$ -	$ 2,355,868	$ 35,500	$ 140,061
2006	6,384,302	29,740,000	-	-	1,867,208	-	17,754
2007	6,436,238	29,065,000	-	-	1,738,860	-	-
2008	6,479,059	28,370,000	-	-	1,626,491	-	-
2009	6,513,343	27,645,000	-	-	1,528,112	-	-
2010	6,534,783	26,890,000	-	48,266,660	75,407	-	-
2011	6,544,040	26,110,000	-	48,122,355	-	-	-
2012	6,536,845	-	25,300,013	48,118,049	-	-	555,313
2013	6,513,998	-	24,381,693	47,488,554	-	-	277,656
2014	6,471,288	-	23,454,317	46,839,438	-	-	-

	Business-Type Activities								
Fiscal Year	2008 Water Revenue Bonds	Water Revenue Bonds	Wastewater Revenue Bonds	Capital Leases	State Water Resources Loan (Wastewater)	Notes Payable	Total Primary Government	Percentage of Personal Income [2]	Per Capita [2]
2005	$ -	$ 8,372,637	$ 2,152,363	$ 423,675	$ 34,574,866	$ 10,711,564	$ 95,568,105	8.52%	$ 2,524
2006	-	8,145,920	2,094,080	190,955	32,931,790	9,799,478	91,171,487	6.93%	2,205
2007	-	7,911,248	2,033,752	-	31,458,362	9,082,956	87,726,416	5.56%	1,950
2008	-	7,664,643	1,970,357	-	29,744,923	8,441,719	84,297,192	4.74%	1,762
2009	52,036,844	-	-	-	28,000,554	7,691,719	123,415,572	6.59%	2,483
2010	51,782,179	-	-	-	26,224,698	7,432,445	167,206,172	9.06%	3,279
2011	51,507,514	-	-	-	24,416,786	7,432,445	164,133,140	10.58%	3,190
2012	50,432,849	-	-	-	22,576,240	7,358,875	160,878,184	10.74%	3,092
2013	49,313,184	-	-	-	20,702,469	7,382,250	156,059,804	10.03%	2,925
2014	48,138,519	-	-	-	18,794,875	7,062,578	150,761,015	9.05%	2,754

Note: Details regarding the City's outstanding debt can be found in Note #6, found on pages 65 - 73 of this report.

(1) The City issued $6 million of debt for the Police Station project on February 22, 2002.

(2) See Schedule 19 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
2005	$ 6,411,571	$ 6,411,571	0.14%	$ 155
2006	6,384,302	6,384,302	0.11%	142
2007	6,436,238	6,436,238	0.09%	135
2008	6,479,059	6,479,059	0.08%	130
2009	6,513,343	6,513,343	0.09%	128
2010	6,534,783	6,534,783	0.11%	127
2011	6,544,040	6,544,040	0.11%	126
2012	6,536,845	6,536,845	0.12%	124
2013	6,513,998	6,513,998	0.11%	124
2014	6,471,288	6,471,288	0.09%	121

Note: Details regarding the City's outstanding debt can be found in Note #6, found on pages 65 - 73 of this report. The General Obligation Bond was issued in Fiscal Year 2002.

Source: City of Brentwood Finance Department

City of Brentwood

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2014

(Unaudited)

2013-14 Assessed Valuation:	$ 5,942,697,579
Redevelopment Incremental Valuation:	562,946,777
Adjusted Assessed Valuation:	$ 5,379,750,802

	Total Debt 6/30/14		Percentage Applicable [1]	City's Share of Debt 6/30/14
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:				
Bay Area Rapid Transit	$ 648,275,000		1.131%	$ 7,331,990
Contra Costa Community College District	343,945,000		4.057%	13,953,849
Liberty Union High School District	51,005,000		50.611%	25,814,141
Brentwood Union School District	46,599,704		92.811%	43,249,651
Oakley Union School District	21,050,000		0.002%	421
City of Brentwood	**6,471,288**	[2]	100.000%	**6,471,288**
City of Brentwood Community Facilities Districts	19,675,790		100.000%	19,675,790
City of Brentwood 1915 Act Bonds	148,832,994		100.000%	148,832,994
California Statewide Communities Development Authority Assessment District No. 04-1& 05-1	8,905,930		100.000%	8,905,930
East Bay Regional Park District	202,210,000		1.745%	3,528,565
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	$ 1,496,970,706			$ 277,764,619
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:				
Contra Costa County General Fund Obligations	$ 274,600,304		4.041%	$ 11,096,598
Contra Costa County Pension Obligations	258,500,000		4.041%	10,445,985
Contra Costa Community College District Certificates of Participation	700,000		4.057%	28,399
Brentwood Union School District Certificates of Participation	2,003,079		92.811%	1,859,078
City of Brentwood General Fund Obligations	**40,692,632**		100.000%	**40,692,632**
GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT	$ 576,496,015			$ 64,122,692
Less: Contra Costa Obligations Supported From Revenue Funds				4,394,023
NET DIRECT AND OVERLAPPING GENERAL FUND DEBT				$ 59,728,669
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)	$ 28,377,368		100.000%	$ 28,377,368
TOTAL DIRECT DEBT				**$ 47,163,920**
TOTAL GROSS OVERLAPPING DEBT				$ 323,100,759
TOTAL NET OVERLAPPING DEBT				$ 318,706,736
GROSS COMBINED TOTAL DEBT				$ 370,264,679 [3]
NET COMBINED TOTAL DEBT				$ 365,870,656

Ratios to Adjusted Assessed Valuation:

Total Direct Debt ($47,163,920) …….……	**0.88%**
Gross Combined Total Debt …….……	6.88%
Net Combined Total Debt ……	6.80%

Source: California Municipal Statistics, Inc.

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundries of the city divided by the district's total taxable assessed value.

(2) Includes $2,591,312 accreted value.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, tax allocation bonds and non-bonded capital lease obligations.

City of Brentwood

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	$ 168,660,342	$ 210,010,995	$ 268,974,405	$ 304,463,523	$ 277,723,375	$ 229,124,375	$ 219,745,734	$ 209,939,754	$ 205,468,331	$ 222,851,159
Total Net Debt Applicable to Limit	6,411,571	6,384,302	6,436,238	6,479,059	6,513,343	6,534,783	6,544,040	6,536,845	6,513,998	6,471,288
Legal Debt Margin	$ 162,248,771	$ 203,626,693	$ 262,538,167	$ 297,984,464	$ 271,210,032	$ 222,589,592	$ 213,201,694	$ 203,402,909	$ 198,954,333	$ 216,379,871
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.80%	3.04%	2.39%	2.13%	2.35%	2.85%	2.98%	3.11%	3.17%	2.90%

Legal Debt Margin Calculation for Fiscal Year 2014	
Assessed Value [1]	$5,942,697,579
Debt Limit (3.75% of Assessed Value) [2]	222,851,159
Debt Applicable to Limit:	
General Obligation Bonds	6,471,288
Total Net Debt Applicable to Limit	6,471,288
Legal Debt Margin	$ 216,379,871

Source: Contra Costa County Assessor

(1) Contra Costa County Auditor/Controller
(2) State of California Government Code 25 and 43605

City of Brentwood

PLEDGED REVENUE COVERAGE

LAST SIX FISCAL YEARS

(Unaudited)

Water Revenue Bonds, Series 2008

Fiscal Year		Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	(1)	$ 17,620,443	$ 11,356,551	$ 6,263,892	$ 420,000	$ 1,858,366	2.75
2010		16,596,134	11,876,489	4,719,645	280,000	2,915,363	1.48
2011		16,674,462	11,336,197	5,338,265	300,000	2,902,763	1.67
2012		18,205,250	12,910,278	5,294,972	1,100,000	2,889,263	1.33
2013		19,761,476	13,153,649	6,607,827	1,145,000	2,839,763	1.66
2014		20,560,857	13,538,409	7,022,448	1,200,000	2,788,237	1.76

Source: City of Brentwood Finance Department

Note: Details regarding the City's outstanding debt can be found in Note #6, found on pages 65 - 73 of this report. Operating revenues include developer connection fees. Operating expenses do not include depreciation or amortization expenses.

(1) The Water Revenue Bonds were issued in October 2008; therefore, fiscal year 2009 is the first reportable year. The obligation of the City to make such payments is a special obligation of the City payable solely from Net Water Revenues.

City of Brentwood

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

(Unaudited)

Calendar Year	Population[1]	Personal Income (In Thousands)[2]	Per Capita Personal Income	Median Age[3]	School Enrollment[4]	Unemployment Rate[5]
2004	37,867	$ 1,121,457	$ 29,616	31.1	10,645	4.8%
2005	41,343	1,315,334	31,815	32.7	11,949	4.3%
2006	44,992	1,576,491	35,039	32.8	14,003	3.8%
2007	47,846	1,777,197	37,144	33.0	14,982	4.1%
2008	49,710	1,871,658	37,652	32.8	15,196	5.4%
2009	50,997	1,844,650	36,172	32.0	15,615	9.2%
2010	51,453	1,550,929	30,143	35.1	15,744	10.0%
2011	52,030	1,498,335	28,798	34.8	15,940	9.2%
2012	53,356	1,556,037	29,163	35.1	16,240	6.2%
2013	54,741	1,665,933	30,433	36.3	16,390	5.4%

Sources:
(1) California Department of Finance, data is as of January 1 of each year.
(2) US Census Bureau; based on last available Census and projected post census trends.
(3) Demographic Data is totaled from Census Block Groups that overlap City boundaries.
(4) Liberty Union High School and Brentwood Union School Districts.
(5) CA Employment Development Department.

Note:
Pre 2010 – Income, Age and Economic Data are based on the last available census. Projections are developed by incorporating all of the prior census data released to date.

2010 - present – Income, Age and Economic Data is based on the most recent American Community Survey, US Census Bureau.

City of Brentwood

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

(Unaudited)

	2014			2005		
Employer	**Employees**	**Rank**	**Percent of Total City Employment**	**Employees**	**Rank**	**Percent of Total City Employment**
Brentwood Union School District	400-450	1	3.56%	300-400	1	4.01%
Liberty Union High School District	250-300	2	2.30%	200-300	2	2.67%
City of Brentwood	250-300	2	2.30%	200-300	2	2.67%
Safeway Stores, Inc.	200-250	4	1.88%	50-100	7	0.67%
Precision Cabinets	200-250	4	1.73%	150-200	4	2.01%
BJ's Brewhouse	150-200	6	1.51%	-	-	-
Home Depot	150-200	6	1.34%	-	-	-
Winco Foods, Inc.	150-200	6	1.34%	-	-	-
Rodda Electric & Solar	150-200	6	1.27%	-	-	-
Walgreen Co.	100-150	10	1.05%	100-150	5	1.34%
Kohl's	100-150	10	1.05%	-	-	-
John Muir	100-150	10	1.05%	-	-	-
Buffalo Wild Wings	100-150	10	1.00%	-	-	-
Albertsons	-	-	-	100-150	5	1.34%
US Print	-	-	-	50-100	7	0.67%
Lucky Stores, Inc.	-	-	-	50-100	7	0.67%
Brentwood Dodge Chrysler Plymouth	-	-	-	25-50	10	0.33%
Total	2,200-2,950		21.38%	1,225-1,850		16.38%

Source: City of Brentwood Community Development Department

City of Brentwood

AUTHORIZED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(Unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	33	35	39	39	39	37	37	38	37	35
Public Safety	78	77	77	78	78	79	79	79	79	83
Community Development	37	38	39	29	27	26	26	24	23	21
Engineering	35	32	31	20	12	12	13	12	13	13
Public Works	19	19	19	20	20	20	23	24	23	24
Parks and Recreation	32	32	33	29	27	27	24	24	24	24
Wastewater	15	16	16	16	17	17	17	17	17	18
Solid Waste	20	20	22	23	23	23	24	24	24	25
Water	21	21	22	23	25	25	25	26	26	26
City Rentals	2	2	2	2	-	-	-	-	-	-
Housing	3	3	3	2	1	1	1	2	1	2
Total	295	295	303	281	269	267	269	270	267	271

Source: City of Brentwood Finance Department

City of Brentwood

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(Unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Building Permits Issued	1,452	978	404	129	31	136	109	175	290	500
Accounts Payable Invoices Processed	15,357	15,686	15,255	15,093	13,695	12,085	10,272	10,885	10,458	10,440
Purchase Orders Issued [1]	581	526	414	382	319	238	280	320	355	291
Checks Issued	17,215	18,058	17,628	16,968	15,043	14,328	14,366	14,047	14,064	13,692
Public Works										
Street Miles Swept	22,488	21,715	20,869	20,308	18,031	17,885	17,237	14,547	14,266	14,061
Debris Collected (tons)	2,265	2,215	2,215	2,017	2,047	1,832	2,226	1,995	2,229	2,226
Streetlights Maintenance Requests	576	438	570	834	871	760	806	659	680	713
Police										
Physical Arrests (est.)	1,339	1,314	1,500	1,852	1,603	1,625	1,448	1,745	1,626	1,563
Calls for Service (est.) [2]	22,491	23,553	26,000	27,953	32,608	38,922	35,168	37,124	36,781	36,192
Case Files Taken (est.)	5,449	5,571	6,000	6,162	5,941	6,117	5,450	6,044	5,823	5,821
Parks and Recreation										
Total Programs Offered (est.)	1,464	1,975	2,123	2,231	945	832	986	1,053	997	924
Total Participants and Spectators at Events	640,137	980,300	1,071,658	937,187	749,922	642,612	729,046	605,391	762,312	792,656
Refuse Collection										
Refuse Collected (tons per day)	64	71	82	99	96	95	90	88	93	95
Yard Waste (tons per day)	17	18	23	29	29	31	32	34	35	35
Recyclables Collected (tons per day)	18	19	21	25	22	22	22	22	22	22
Residential Services	13,540	14,489	15,183	14,893	15,263	15,469	15,562	15,907	16,337	16,729
Commercial Services	541	546	475	463	453	459	468	451	468	465
Water										
New Connections	961	900	536	225	39	113	117	125	197	338
Average Daily Production (millions of gallons)	8	9	11	11	10	10	9	9	11	11
Peak Daily Production (millions of gallons)	15	15	17	17	16	16	16	15	16	17
Number of Utility Customers	13,995	15,289	16,078	16,324	16,442	16,769	16,827	16,952	17,120	17,505
Wastewater										
New Connections	886	830	1,049	225	39	113	119	125	199	338
Average Daily Sewage Treatment (millions of gallons)	3	3	4	4	4	3	3	3	3	4

Source: Various City Departments

[1] *Beginning in FY 2007, change orders were no longer included in the total number of purchase orders.*

[2] *Beginning in FY 2010, calls for service figures include pedestrian and vehicle stops. There were 11,542 of these stops reported in the 2010 figures.*

City of Brentwood

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(Unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	-	-	-	-	1	1	1	1	1	1
Patrol Vehicles	36	40	52	52	50	50	51	51	51	52
Parks and Recreation										
Developed Park Acreage (1)	171	194	228	256	256	256	256	260	221	223
Play Areas	32	40	40	43	43	45	45	46	48	48
Multi-Use Trails (miles)	15	15	15	16	16	16	16	16	16	17
Multi-Use Ball and Soccer Fields	20	23	23	23	23	23	23	23	23	23
Picnic Areas/Tables (2)	25	214	253	276	276	276	276	287	290	292
Refuse Collection										
Collection Trucks	12	13	14	14	14	14	14	14	14	14
Water										
Water Mains (miles)	164	173	173	173	173	184	191	219	256	266
Fire Hydrants	1,521	1,628	1,628	1,869	1,910	1,940	1,945	2,153	2,535	2,588
Number of Wells	9	10	10	9	9	9	9	8	7	7
Number of Reservoirs	5	5	6	6	6	6	6	6	6	6
Storage Capacity (millions of gallons)	15	15	19	19	19	19	19	19	19	19
Wastewater										
Sanitary Sewers (miles)	101	138	150	150	150	150	152	179	202	209
Lift Stations	3	3	2	3	2	2	2	2	2	2
Other Public Works										
Streets (miles)	161	168	168	168	190	190	190	190	192	192
Street Lights	3,873	3,882	4,255	5,299	5,836	5,836	5,836	5,889	5,948	5,957

Source: Various City Departments

(1) Beginning with FY 2013, a new map system was implemented with rescaled acreage.

(2) 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 2014:	54,741

Number of Full-time Equivalent Positions	Year End
271	2014
267	2013
270	2012
269	2011
267	2010
269	2009
281	2008
303	2007
295	2006
295	2005

Public Schools	
Elementary	8
Intermediate	3
High School	2
Alternative High Schools	2

Miles of Streets	
Miles of Streets	192
Miles of Sanitary Sewers	209
Miles of Water Mains	266
Number of Street Lights	5,957

Municipal Wastewater System	
Number of Lift Stations	2
Sanitary	2
Number of Connections	17,505
Average Daily Flow	3.6 MGD

Municipal Water System	
Number of Wells	7
Number of Reservoirs	6
Storage Capacity (gallons)	19 MG
Average Daily Production	11.0 MGD
Peak Daily Production	17.1 MGD
Number of Fire Hydrants	2,588
Number of Connections	17,152

Municipal Solid Waste	
Number of Residential Services	16,809
Number of Commercial Services	465

Parks and Recreation	
Neighborhood Parks	223 acres
Aquatic Complex	7.5 acres
Skate Park	.50 acres
Play Areas	48
Sunset Park Athletic Complex	38 acres
Veterans Park	10.5 acres

Parks Facilities	
Multi-Use Trails	17 miles
Multi-Use Ball and Soccer Fields	23
Tennis Courts	2
Basketball Courts	13
Bocce Ball Courts	6
Volleyball Courts	3
Horseshoe Courts	2
Gazebos	2
Picnic Areas/Tables	292
BBQ Areas	26
Restrooms (Permanent)	8

Police Protection	
Sworn Officers	62
Non-Sworn	17
Overstaffing	4
Reserves	0
Vehicles	52
Motorcycles	4

East Diablo Fire District	
Stations Located in Brentwood	2
Firefighters in Brentwood	18

Source: Various City Departments

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

December 18, 2014

Brentwood Infrastructure Financing Authority
Brentwood, California

Brentwood Infrastructure Financing Authority
Water Revenue Refunding Bonds, Series 2014
(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 $42,810,000 aggregate principal amount of Brentwood Infrastructure Financing Authority Water Revenue Refunding Bonds, Series 2014 (the "Bonds"), issued pursuant to a Master Trust Agreement, dated as of November 1, 2008 (the "Master Trust Agreement"), as supplemented and amended, including as supplemented and amended by the Second Supplemental Trust Agreement, dated as of December 1, 2014 (the "Second Supplemental Trust Agreement" and, collectively with the Master Trust Agreement, as supplemented and amended, the "Trust Agreement"), each 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.

In such connection, we have reviewed the Master Installment Sale Agreement, dated as of November 1, 2008 (the "Master Installment Sale Agreement"), as supplemented, including as supplemented by the Second Supplemental Installment Sale Agreement, dated as of December 1, 2014 (the "Second Supplemental Installment Sale Agreement" and, together with the Master Installment Sale Agreement, as supplemented, the "Installment Sale Agreement"), each between the City of Brentwood (the "City") and the Authority; the Trust Agreement; the Tax Certificate, dated the date hereof (the "Tax Certificate") relating to the Bonds; 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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used 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, receivership, 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, 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 Second Supplemental 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 principal of and interest on 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 Second Supplemental Installment Sale Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority and the City.

4. Interest on the 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. 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 amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G

THE BOOK-ENTRY SYSTEM

This Appendix describes how ownership of the 2014 Bonds is to be transferred and how the principal of, premium, if any, and interest on the 2014 Bonds are to be paid to and accredited by DTC while the 2014 Bonds are registered in its nominee name. The information in this Appendix concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority and the City believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Authority and the City cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the 2014 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 2014 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2014 Bonds. The 2014 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 certificate will be issued for each maturity of the 2014 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of AA+. 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.

Purchases of 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2014 Bond ("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 2014 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 2014 Bonds, except in the event that use of the book-entry system for the 2014 Bonds is discontinued.

To facilitate subsequent transfers, all 2014 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 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2014 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.

Redemption notices shall be sent to DTC. If less than all of the 2014 Bonds within a maturity 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 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the 2014 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 Authority, 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 2014 Bonds 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, or the Authority subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the 2014 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 2014 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2014 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2014 Bond certificates will be printed and delivered to DTC.

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272