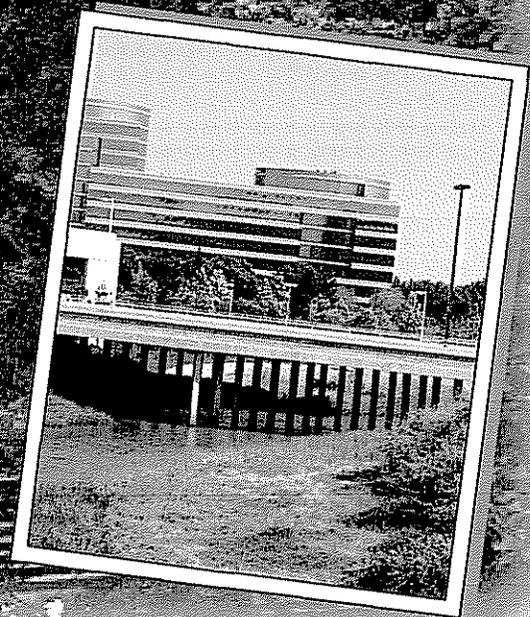


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No. 34 Compliant
Governmental Accounting Standards Board

City of Belmont

Comprehensive Annual Financial Report
June 30, 2003



CITY OF BELMONT, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2003

Prepared by
FINANCE DEPARTMENT

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'03



Introductory Section



CITY OF BELMONT
Comprehensive Annual Financial Report
For the Year Ended June 30, 2003

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September 19, 2003

To the Citizens of the City of Belmont, California:

This comprehensive annual financial report of the City of Belmont for the fiscal year ended June 30, 2003, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City, and in particular, the Finance Department. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This year, the City implemented the provisions of Governmental Accounting Standards Board Statement 34, "Basic Financial Statements—and Management's Discussion & Analysis—for State and Local Governments" ("GASB 34"). One of the requirements of GASB 34 is that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's 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 is found immediately following the report of the independent auditor in the financial section.

This comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the basic financial statements and the combining financial statements and schedules, the independent auditor's report on these financial statements and schedules, and Management's Discussion and Analysis. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

This comprehensive annual financial report includes all funds and account groups of the City and its component units. The funds and account groups include information regarding the full range of services the City provides. These services include police and fire protection; sanitation services; construction and maintenance of highways, streets, and infrastructure; community development and redevelopment; parks; recreational and general government activities. The City Council is also financially accountable for the Belmont Fire Protection District, the Belmont Redevelopment Agency, and the Belmont Joint Powers Financing Authority; therefore, these component unit activities are included in the accompanying general purpose financial statements. Furthermore, the City participates in a number of joint ventures and authorities, which exist due to joint exercise of power agreements. An equity interest is reported for the South Bayside System Authority (SBSA). The complete financial activities have not been included for this entity, nor for South County Fire Protection Authority (SCFA), as the City Council is not financially accountable for them. Other entities, which have been excluded, that do not meet the established criteria for inclusion in the reporting entity are the Belmont Elementary School District and the Mid-Peninsula Water District.

RECOGNITION OF GASB 34

As noted, the City of Belmont implemented GASB 34 with these financial statements. GASB 34 represents a significant and comprehensive change in accounting and reporting for municipalities, including the recording of infrastructure assets on the City's books, which has never been done in the past. Infrastructure comprises the public facilities that provide essential services and enhance the capacity of the economy (e.g., streets, sidewalks, parks, bridges, etc.).

In recognition of implementing the infrastructure provisions of GASB 34, the comprehensive financial report includes a pictorial highlighting some of these important assets.

ECONOMIC CONDITION AND OUTLOOK

Located on the San Francisco peninsula midway between San Francisco and San Jose, the City of Belmont felt the effects of the national recession, as further exacerbated by the events of September 11th. As a consequence, the City, like many other municipalities, has been and is expected to continue to face significant financial challenges for the future.

Management's outlook for the near term future is guarded as the regional economy continues to suffer. While many of the City's revenue sources are stable, the potential for revenue shortfalls exists based on initial projections. This is particularly true for economic driven revenues such as sales tax, transient occupancy tax, service charges, rental income and interest income. This forecast is tempered due the relatively small commercial area that limits the City's exposure to economic fluctuations to the same extent as surrounding areas. A further concern for the future is the impact to the City due to adverse actions taken by the State of California. For instance, the State contemplates including the City as a part of their solution in dealing with a multi-billion dollar budget deficit by extending the Educational Relief Augmentation Fund (ERAF) transfers to the Belmont Redevelopment Agency and limiting state mandate reimbursements to \$1,000 per claim. The total impact of these actions is estimated to exceed several hundred thousands dollars.

As indicated previously, the near term General Fund revenue outlook for the future of the City is difficult to predict. The City is experiencing mixed performance results with signs of significant continued weakness in technology-based sectors. For example, in the area of property taxes, assessments on business equipment and inventories are down considerably. Conversely, sales of existing homes are continuing to maintain a fairly brisk level, in part, due to low interest rates. Sales taxes continue to be volatile, particularly in the technology and automotive sectors. Finally, as a combined result of the 9-11 Terrorist Attacks and the poor economy, transient occupancy taxes continue to be depressed as business travel has been curtailed.

Potentially the most significant impact affecting the future of the City's General Fund is a State imposed revenue reduction. Recent reports from the State of California's Legislative Analyst indicate a multi billion budget shortfall continuing for the next several years. In the early 1990s, the State shifted billions of dollars from local government, primarily cities and counties, to schools as part of their budget balancing strategy (ERAF). On a combined basis, the ERAF shift has grown to approximately two-thirds of a million dollars annually.

Management's outlook for the Belmont Redevelopment Agency is neutral. An example of the activity which has bolstered the Agency is as follows: Extended Stay of America Hotel completed construction (120 Sem Lane) in April 2003. The project is a 108 room, 57,000 S.F. hotel valued at approximately \$6 million.

Construction activity from private development is expected to continue into subsequent fiscal years. Projects recently completed include the Sunrise Assisted Living Facility (1000 Alameda de la Pulgas) seventy-eight units valued at \$8 million, and Ross Woods (One Davey Glen Road) thirty-two residential units with an assessed valuation of approximately \$20 million. Proposed projects include 25 residential units on 13,000 square feet at the San Mateo Mental Health Association Building (F Street and El Camino Real) with an estimated valuation of \$4.1 million and a 17,290 S.F. mixed retail/office commercial building at 877 Ralston Avenue estimated at \$5 million.

In conclusion, the economy is expected to recover; however, management is unable to predict when this is likely to occur. While many of the City's revenue sources while likely see no growth, property taxes are expected to grow modestly because of the tight housing market in the area. Other economic development activities, which are expected to provide additional improvement to the General Fund revenue picture beginning next fiscal year, are more fully described in the following section. However, adverse State actions could overshadow the City's future economic outlook.

MAJOR INITIATIVES

The major initiatives for the year were developed through the budget planning process. The budget planning process began last year with the City Council establishing goals and setting priorities. City Council held several sessions to establish goals. These goals were then prioritized and became the basis for allocating resources. With City Council's direction, the management team refined the goals and developed basic strategies and specific objectives for achieving each goal.

An example of this strategy is the City's Five Year Capital Improvement Program that identifies specific capital improvement and economic development projects. These projects will improve the economic base of the City and, consequently, the revenue picture for the future.

For the past several years, the City has been working in cooperation with the City of San Carlos to construct the \$95.3 million Ralston/Harbor/Holly Grade Separation. This project separates the streets and sidewalks from the rail lines at Ralston Avenue and Harbor Boulevard in Belmont and Holly Street in San Carlos. This project was substantially completed in the fall 2000 and is awaiting final approvals from the participating agencies.

The City has several other major initiatives underway. Most notably is the City of Belmont's City Hall Retrofit/Police Facility project. This \$9.9 million project is scheduled to begin in the fall 2003. Additionally, the South County Fire Protection Authority (SCFA) nears completion of constructing a 9,000 square foot fire station at an estimated cost of \$2.9 million. The new fire station is expected to be placed in service by October 2003. This project is funded in its entirety by the SCFA. Furthermore, in March 2001, the voters approved issuing a \$8.65 million, thirty year, Mello-Roos bond to support construction of a \$15.9 million library and improvements to an adjacent park at 1100 Alameda de las Pulgas. The project is expected to begin construction in summer of 2005. Lastly, the City of Belmont contemplates contributing \$2.1 million towards the construction of a \$17.8 million interchange improvement project located at the Ralston Avenue and State Highway 101. This project is being led by the City of Redwood City. This project includes extensive reconfiguration and expansion of the roadway system to improve traffic circulation into and out of the City of Belmont's Island Parkway area and the City of Redwood City's Redwood Shores area. The project is currently scheduled for completion in fall 2004.

FINANCIAL INFORMATION

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the calculation of costs and benefits requires estimates and judgments by management.

Budgetary Controls. The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the Annual Budget approved by the City Council. Activities of all funds, except agency funds, are included in the Annual Budget. The City adopts a five-year capital improvement program, but only appropriates the current year's expenditures in the Annual Budget. The level of control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. Presentations of budgetary comparison statements include a more detailed level of information for analysis purposes. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts are reported as a reservation of fund balance and are automatically re-appropriated in the following year. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Ralston Avenue and Harbor Boulevard Grade Separation Projects. Total project budget is \$58 million. San Mateo County Transit Authority (SMCTA) 44%, California Department of Transportation (CalTrans) 50%, and the City of Belmont 6% (to a maximum of \$1.4 million) fund Ralston Avenue project. Harbor Boulevard project is funded 100 % by SMCTA. As of June 30, 2003, the City held a \$2 million advance from SMCTA to fund project costs, including the acquisition of property. Subject to approval by SMCTA, cash will offset this advance with fiscal agent and a due from other governmental agencies the City has with SMCTA for reimbursement of project costs.

Debt Administration. At June 30, 2003, the City has five debt issues outstanding. Of these, \$25,730,000 are tax increment tax allocation bonds, \$7,415,000 are sewer revenues bonds, and \$2,349,612 is a note payable to a private party.

The Redevelopment Agency's bonded indebtedness carries an "AAA" or equivalent rating by the various rating agencies.

Under current state statutes, a general law city's general obligation bonded debt issuance is subject to a legal limitation based on 15% of total assessed value of secured and unsecured property. As of June 30, 2003, the City had no general obligation bonded debt. The legal debt margin was \$449,079,000 with debt per capita equaling \$.00 based on a population of 25,255.

The City has a \$2,349,612 loan from Oracle Corporation pursuant to the terms and conditions of a development and disposition agreement. \$349,612 is unrestricted and can be used for any governmental purpose. The balance, or \$2,000,000 is restricted and can only be used for construction of the Direct Access – Ralston/101 Interchange project previously discussed. The amount is evidenced by a note payable and is repaid solely through the receipt of sale tax generated by Oracle Corporation. The note carries interest that is indexed to the return on L A I F state investment pool.

Cash Management. Cash temporarily idle during the year was invested in U.S. Government securities and with the State Treasurer's Local Agency Investment Fund (L.A.I.F.). The average yield on investments held at L.A.I.F. was 2.18%. The City earned interest revenue of \$730,838 on all investments for the year ended June 30, 2003.

The City's investment policy is conservative. Its goal is to maximize earnings while minimizing credit and market risks.

Risk Management. Since 1996, the City has purchased private workers' compensation insurance. All claims from that date are covered 100% by the carrier. Prior to 1996, the City maintained a self-insurance program for workers' compensation. Consequently, the City retains risk for all claims up to \$275,000. Claims in excess of that amount are covered by an excess insurance policy for up to \$2,000,000. As of June 30, 2003, the workers' compensation fund shows a contingency margin above the estimated liabilities of \$93,917.

During the year, the City also retains risk for general liability claims up to \$100,000 per claim. Claims in excess of that amount are covered by an insurance policy up to \$21,000,000. As of June 30, 2003, the liability fund shows a contingency margin above the estimated liabilities of \$279,755.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Maze & Associates was engaged as the City's independent auditors. The independent auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Award Recognition. The City has received from the Government Finance Officers Association of the United States and Canada (GFOA) the *Certificate of Achievement for Excellence in Financial Reporting* for the year ended June 30, 2002. As authorized by GFOA, the certificate is included in this comprehensive annual financial report. 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.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. Sincere appreciation is expressed to all those who assisted and contributed to its preparation.

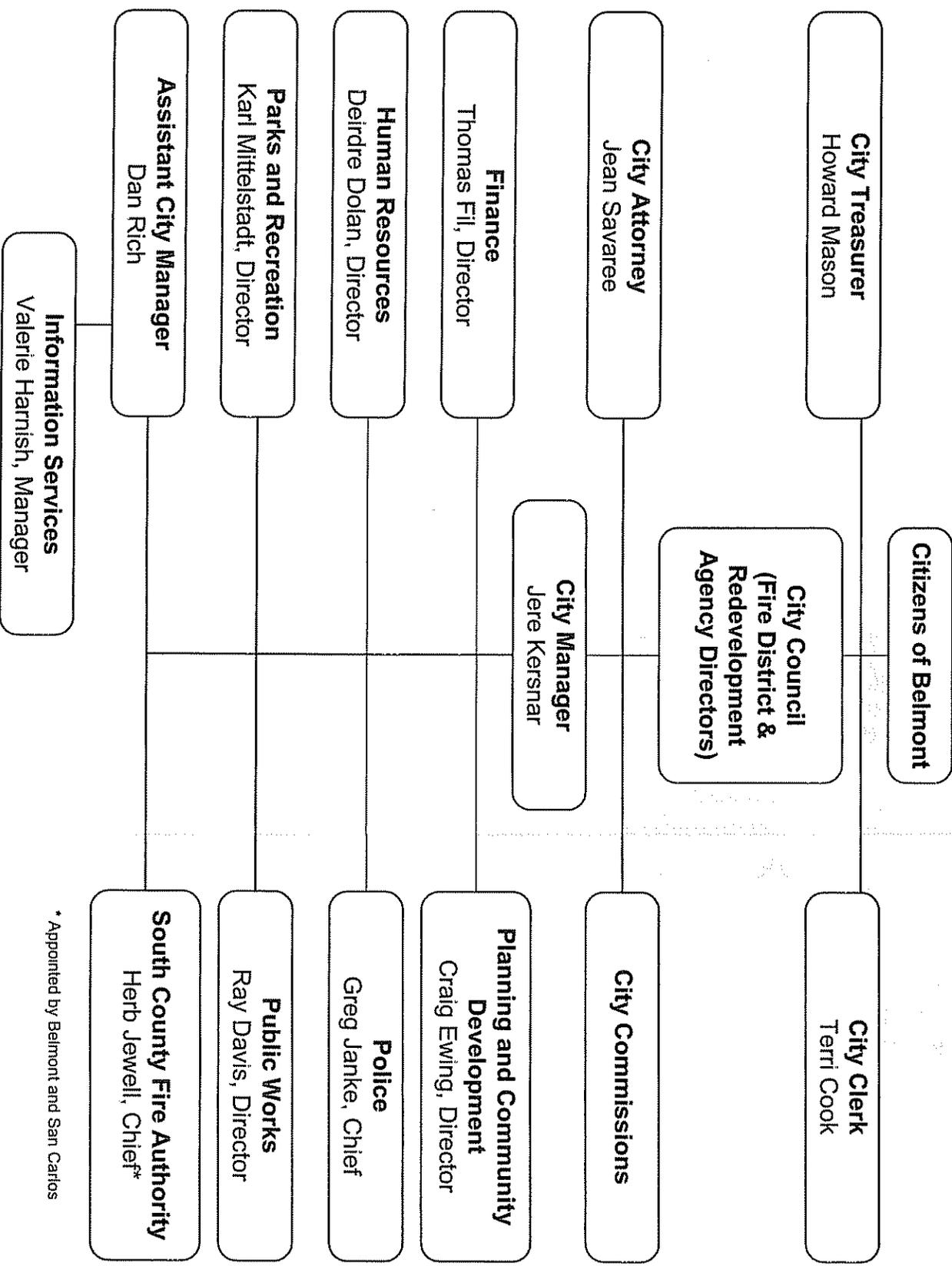
Sincerely,



Thomas E. Fil, C.P.A., C.P.F.O.
Finance Director

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City of Belmont



* Appointed by Belmont and San Carlos

List of City Officials

Elected Officials

Mayor – Council Member	Paul Wright
Vice Mayor - Council Member	George Metropulos
Council Member	Dave Bauer
Council Member	Coralin Feierbach
Council Member	David Warden
City Treasurer	Howard E. Mason, Jr.
City Clerk	Terri Cook

Appointed Officials

City Manager	Jere Kersnar
Assistant City Manager	Dan Rich
City Attorney	Jean Savaree
Finance Director	Thomas Fil
Human Resources Director	Deirdre Dolan
Parks & Recreation Director	Karl Mittelstadt
Community Development Director	Craig Ewing
Police Chief	Greg Janke
Public Works Director	Ray Davis

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Belmont,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

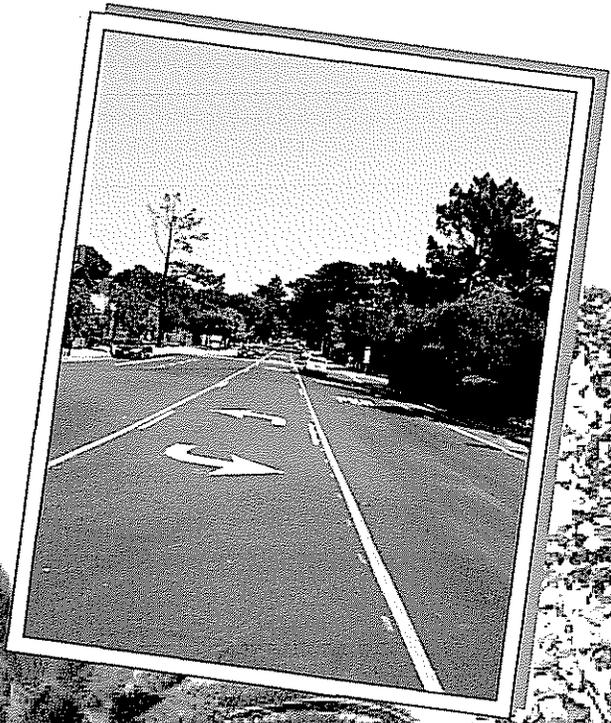
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting



President

Executive Director

'03



Financial Section



ACCOUNTANCY CORPORATION
1931 San Miguel Drive - Suite 100
Walnut Creek, California 94596
(925) 930-0902 • FAX (925) 930-0135

INDEPENDENT AUDITOR'S REPORT E-Mail: maze@mazeassociates.com
ON BASIC FINANCIAL STATEMENTS Website: www.mazeassociates.com

To the Honorable City Council of
the City of Belmont, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belmont as of and for the year ended June 30, 2003 as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Governmental Auditing Standards* issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued reports dated September 19, 2003 our consideration with the City of Belmont's internal control structure on its compliance with laws and regulations.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belmont at June 30, 2003 and the results of its operations and the cash flows of its proprietary fund types, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

The basic financial statements referred to above follow the requirements of the Government Accounting Standards Board's Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as discussed in Note 1 to the Basic Financial Statements.

Management's Discussion and Analysis is required by the Government Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Belmont. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical section listed in the Table of Contents was not audited by us, and we do not express an opinion on this information.

Maze Associates

September 19, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This year, the City of Belmont implemented the provisions of Government Accounting Standards Board Statement 34, "Basic Financial Statements—and Management's Discussion & Analysis—for State and Local Governments," known as GASB 34. GASB 34 represents a profound and far-reaching change in accounting and reporting for municipalities; it is an effort to make these statements clearer and more understandable to readers.

GASB 34 requires the City to make substantial changes to its financial statement format; one of these requirements is that the City provides this discussion and analysis of its financial activities for the fiscal year. Other changes will be described in the financial statements themselves. Please read this document in conjunction with the letter of transmittal and accompanying Basic Financial Statements. Fiscal 2002 amounts referred to below have been recast in the GASB 34 format for comparison purposes, where practical. Full comparative analysis of data will be presented in future years when the information is available.

FISCAL 2003 FINANCIAL HIGHLIGHTS

City-wide:

- City total assets amounted to \$93.0 million, of which \$72.5 million represented governmental assets and \$20.5 million represented business-type assets.
- City total liabilities amounted to \$41.4 million, of which \$33.8 million were governmental liabilities and \$7.6 million were business-type liabilities.
- The City's total net assets were \$51.6 million at June 30, 2003, an increase of \$.08 million from the prior year. Of this amount, \$11.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City-wide revenues were \$33.1 million, of which \$29.0 million was generated by governmental activities and \$4.1 million was generated by business-type activities.
- City-wide expenses were \$33.0 million, of which \$28.9 million was incurred by governmental activities and \$4.1 million was incurred by business-type activities.

Fund Level:

- Governmental Fund balances decreased to \$30.8 million. Of this amount, \$8.8 million is unreserved fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$29.0 million, an increase of \$1.8 million from fiscal 2002.
- Governmental Fund expenditures increased to \$30.7 million in fiscal 2003, up from \$28.0 million in the prior year.
- Enterprise Fund balances decreased to \$12.9 million from \$13.0 million the prior year. Of this amount, \$6.0 million is unrestricted net assets and available for spending at the City's discretion.
- Enterprise Fund revenues were up slightly at \$3.9 million in fiscal 2003 compared to \$3.8 million in the prior year.
- Enterprise Fund expenses remained level at \$3.8 million in fiscal 2003.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report is in five parts:

1. Introductory section, which includes the Transmittal Letter and general information,
2. Management's Discussion and Analysis (this part),
3. The Basic Financial Statements, which include the Government-wide and the Fund financial statements along with the Notes to these financial statements,
4. Combining statements for Non-major Governmental Funds and Fiduciary Funds,
5. Redevelopment reporting, and
6. Statistical information

The Basic Financial Statements

The Basic Financial Statements consist of the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position—long-term and short-term.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and consist of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the City's revenues and expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

The Fund Financial Statements report the City's operations in more detail than the City-wide statement and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major Funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

Together, all of these statements are now called the Basic Financial Statements; formerly, they were called the general-purpose financial statements.

The City-wide Financial Statements

All of the City's basic services are considered to be Governmental activities, including: general government, public safety, highways and streets, culture and recreation, urban redevelopment, and miscellaneous. These services are supported by general City revenues such as taxes and by specific program revenues such as fees.

All of the City's enterprise activities are reported as Business-type activities, including sewer and storm drainage. Unlike governmental services, these activities are supported by charges paid by users based on the amount of service they use.

The City's governmental activities include the activities of separate legal entities: the City of Belmont Redevelopment Agency, the Belmont Fire Protection District, and the Belmont Joint Powers Financing Authority, because the City is financially accountable for these entities.

City-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Belmont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Belmont can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The Fund financial statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other funds may change from year to year as a result of changes in the pattern of the City's activities.

The City has six Major Governmental Funds in 2003 in addition to the General Fund, which are discussed in the Analysis of Major Governmental Funds section.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major governmental funds that are Special Revenue Funds.

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the city-wide financial statements. Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary funds. The City of Belmont maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Belmont uses enterprise funds to account for its sewer and storm drain operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Belmont's various functions. The City of Belmont uses internal service funds to account for its workers compensation, liability, vision, fleet and equipment, facilities management, and other such services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Sewer and Storm Drain activities. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Statements

The City acts as an on behalf of others, holding amounts collected and disbursing these amounts as directed or required. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

Notes to the Financial Statements

The notes 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 financial statements can be found following the fund financial statements in this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found in the supplemental information section of this report

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. This analysis focuses on the net assets and changes in net assets of the City as a whole. Tables 1 and 2 focus on the City's Governmental Statement of Net Assets and Statement of Activities. Tables 3 and 4 focus on the City's Business-type Statement of Net Assets and Statement of Activities.

Governmental Activities

Table 1	
Governmental Net Assets at June 30, 2003	
(in Thousands)	
Cash and investments	\$32,191
Other assets	5,556
Capital assets	34,749
Total assets	\$72,496
Long-term debt outstanding	\$28,079
Other liabilities	5,760
Total liabilities	\$33,839
Net assets:	
Invested in capital assets, net of debt	\$4,555
Restricted	22,539
Unrestricted	11,563
Total net assets	\$38,657

The City's governmental net assets increased nominally by \$0.2 million to \$38.7 million in 2003 from \$38.5 million in 2002. This increase is the Change in Net Assets reflected in the Statement of Activities and is shown in Table 2. The City's net assets at June 30, 2003 comprised the following:

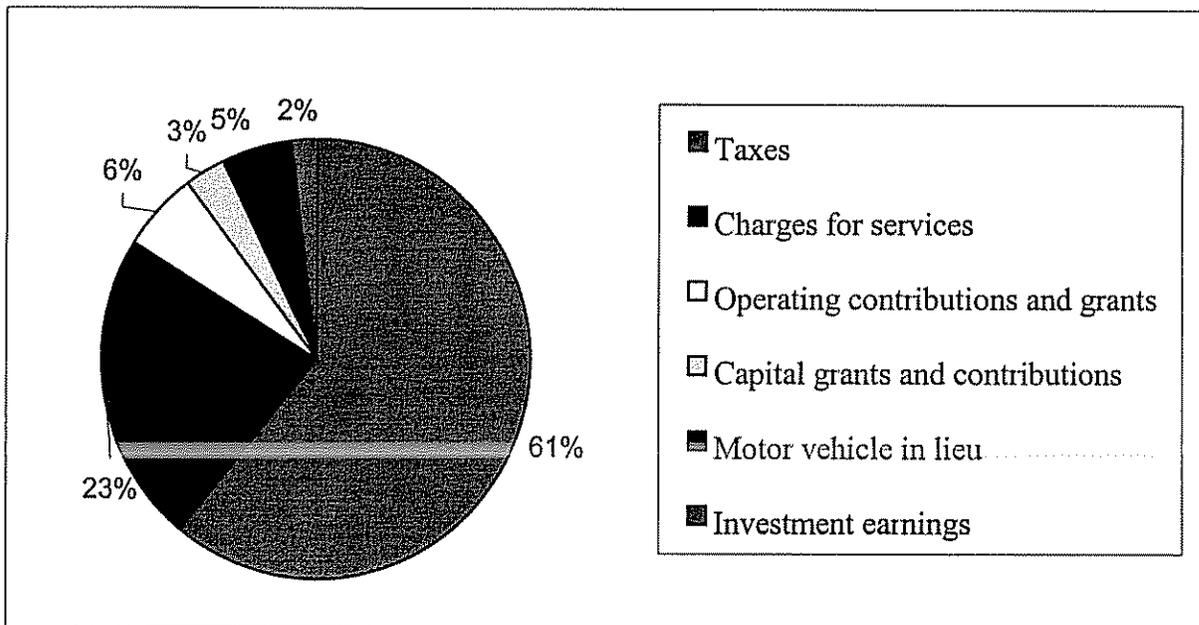
- Included in cash and investments is \$4.2 million invested with fiscal agents and \$28.0 million of pooled cash and investments available for operations. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.
- Other assets include \$1.3 million in amounts due from other governmental agencies. Also included in other assets is \$1.6 million in land held for redevelopment as described in Note 6 to the financial statements and \$0.9 million in notes receivable as discussed in Note 5.
- The major components of capital assets include \$14.3 million in streets and infrastructure, \$10.4 million in land, and \$6.8 million in buildings and building improvements.
- Long-term debt is primarily composed of Redevelopment Agency debt repayable from future tax increment revenues, which are levied by the County annually as part of the county-wide property collection process. Current year tax increment revenues were more than sufficient to meet current year debt service requirements. Long-term debt is discussed in detail below and in Note 8 to the financial statements.

- Net assets invested in capital assets net of related debt of \$4.6 million represents the City's investment in infrastructure and other capital assets used in Governmental activities, net of amounts borrowed to finance that investment.
- Restricted net assets of \$22.5 million may be used only to construct specified capital projects, for debt service, for redevelopment, or special revenue programs. The restrictions on these funds were placed by outsiders and cannot be changed by the City.
- Unrestricted net assets of \$11.6 million represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions.

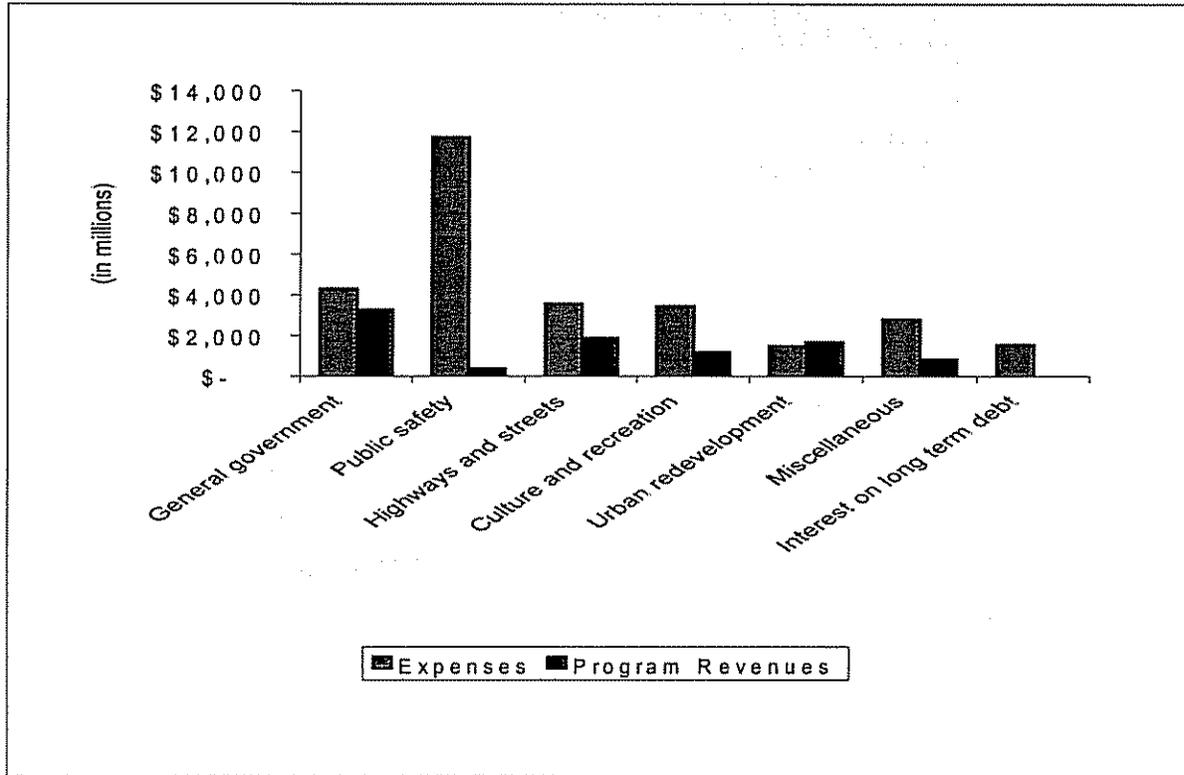
Fiscal Year 2003 Government Activities

The City's governmental activities for fiscal 2003 are presented below.

Revenues by Source—Governmental Activities



Expenses and Program Revenues—Governmental Activities



The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Assets summarized below.

Table 2
Changes in Governmental Net Assets
(in Thousands)

	2003
Revenues	
Program revenues:	
Charges for services	\$6,706
Operating contributions and grants	1,704
Capital grants and contributions	812
Total program revenues	<u>9,222</u>
General revenues:	
Taxes:	
Property	12,903
Sales and Use	2,960
Other	3,389
Investment earnings	564
Transfers	(13)
Total general revenues and transfers	<u>19,803</u>
Total revenues	<u>29,025</u>
Expenses	
General government	4,296
Public safety	11,721
Highways and streets	3,552
Culture and recreation	3,448
Urban redevelopment	1,487
Miscellaneous	2,797
Interest on long term debt	1,558
Total expenses	<u>28,859</u>
Change in net assets	<u><u>\$166</u></u>

Of the city's fiscal 2003 governmental revenue of \$29.0 million, \$19.8 million or 61% came from general revenues, of which \$12.9 million represented property taxes. General revenues are not allocable to programs and are used to pay for the net cost of governmental programs. Also included in governmental revenue are program revenues of \$9.2 million, of which \$6.7 million or 23% is from charges for services, with the remainder from a variety of sources as shown in the charts above.

The expenses shown above include only current year expenses. They do not include capital outlays, which are now added to the City's capital assets. The composition of capital assets is shown in detail in the Capital Assets section below and in Note 7 to the financial statements.

Business-type Activities

The Statements of Net Assets and Statement of Activities present a summary of the City's business-type activities, which are composed of the City's enterprise funds.

Table 3		
Business-type Net Assets at June 30, 2003 and 2002		
(in Thousands)		
	2003	2002
Cash and investments	\$5,278	\$6,897
Other assets	5,557	5,168
Capital assets	9,666	8,862
Total assets	\$20,501	\$20,927
Long-term debt outstanding	\$7,415	\$7,500
Other liabilities	160	414
Total liabilities	\$7,575	\$7,914
Net assets:		
Invested in capital assets, net of debt	\$2,251	\$7,112
Unrestricted	10,675	5,901
Total net assets	\$12,926	\$13,013

The net assets of business-type activities decreased slightly to \$12.9 million in fiscal 2003, which is a decrease of \$0.09 million. During fiscal 2003, the City reclassified capital in the amount of \$7.3 million from contributed capital to unrestricted net assets in accordance with GASB 34 reporting requirements (see Note 9c to the financial statements). Other activities were relatively consistent with the prior year.

Table 4		
Changes in Business-type Net Assets		
(in Thousands)		
	2003	2002
Net Revenues (loss) from Business-type activities:		
Sewer Fund	\$44	\$(1,002)
Storm Drainage Fund	(130)	906
Totals	\$(86)	\$(96)

Total operating revenues of business-type activities were \$3.9 million in fiscal 2003, up from \$3.8 million in the prior year primarily due to higher sewer service charges. Operating expenses remained level at \$3.8 million with sewer services and supplies \$0.5 million lower, depreciation expense \$0.2 million higher, and personnel services \$0.2 million higher.

Net interest expense was \$0.2 million, and net transfers into these activities contributed \$0.001 million.

The City's Fund Financial Statements

Table 5 below summarizes Governmental balances at the fund level:

Table 5		
Financial Highlights at Fund Level at June 30		
(in Thousands)		
	2003	2002
Total assets	\$35,820	\$37,815
Total liabilities	\$4,977	\$4,934
Total fund balances	\$30,843	\$32,881
Total revenues	\$28,998	\$27,169
Total expenditures	\$30,740	\$28,041
Total other financing sources (uses)	\$(167)	\$489

At June 30, 2003, governmental fund balances decreased by \$2.0 million to \$30.8 million. Revenues increased by \$1.8 million to \$29.0 million. Higher tax revenues represent \$1.3 million of this increase. Expenditures also increased by \$2.7 million to \$30.7 million. Miscellaneous and capital outlay expenditures were higher by \$1.3 million and \$1.6 million, respectively. These increases were partially offset by \$0.8 million lower debt service.

Other financing sources (uses) decreased to \$0.2 million in uses, which consists of transfers to the storm drainage and facilities management funds.

Analyses of Major Governmental Funds

General Fund

General Fund revenues increased approximately \$0.4 million to \$13.3 million this fiscal year primarily due to small increases in almost all revenue categories other than taxes, which are \$0.2 million lower than the prior year. Due to the downturn in the economy, sales and use taxes are \$0.3 million lower and transient occupancy taxes are \$0.1 million lower. These decreases are partially offset by small increases in other taxes such as franchise taxes. Property taxes were relatively consistent from the prior year.

General Fund expenditures increased a nominal \$0.2 million overall to \$12.7 million, primarily in public safety. The City was able to control expenditures due to a series of cost-cutting measures implemented during the past two budget cycles.

Net transfers out of the General Fund decreased \$0.4 million. Detail is provided in Note 4 to the financial statements.

At June 30, 2003, the General Fund Balance comprised \$2.1 million in unreserved, undesignated balances and \$0.5 million in reserved fund balances. Only the unreserved portion represents available liquid resources, since the reserved portion is represented by non-cash assets or by open purchase orders.

Belmont Fire Protection District Fund

This fund accounts for resources received by a special district, shown as a blended component unit, from the citizens of Belmont and the unincorporated Harbor Industrial Area to finance fire protection and suppression services. The District's provides services through participation in the South County Fire Protection Authority.

During fiscal 2003, the District made a \$0.2 million operating loan to the South County Fire Protection Authority. The loan is payable within one year and accrues interest at Local Agency Investment Fund ("LAIF") rates.

Low and Moderate Income Housing Fund

This fund is used to account for resources received through the Belmont Redevelopment Agency that are restricted for expenditure on low and moderate income housing projects and for debt service expenditures.

Cash and investments totaled \$4.4 million at June 30, 2003. \$4.1 million of this balance is reserved for low and moderate income housing.

Redevelopment Agency Debt Service Fund

This fund is used to account for payment and interest on the 1999 Series A and B Tax Allocation Bonds and related costs

Cash and investments total \$4.1 million, of which \$2.2 million is invested with a fiscal agent. Fund balance at June 30, 2003 totals \$4.0 million, all of which is reserved for debt service payments.

City Hall Retrofit/Police Facilities Fund

This fund accounts for the design and construction of improvements to City Hall including the police facility and retrofit of City Hall

At June 30, 2003, cash and investments to be used for this project totaled \$5.5 million. Design work on the project was substantially completed as of June 30, 2003. It is anticipated that construction will begin in November 2003

Grade Separation Projects Fund

This fund accounts for the construction of a street and rail grade separation project at Ralston Avenue and Harbor Boulevard.

For the past several years, the City has been working in cooperation with the City of San Carlos to construct the \$95.3 million Ralston/Harbor/Holly Grade Separation. This project separates the streets and sidewalks from the rail lines at Ralston Avenue and Harbor Boulevard in Belmont and Holly Street in San Carlos. This project was substantially completed in the fall 2000 and is awaiting final approvals from the participating agencies.

Redevelopment Agency Capital Projects Fund

This fund is used to account for improvements in the downtown area. At June 30, 2003, unrestricted, unreserved fund balances amounted to \$7.9 million. The City is in the process of evaluating priorities and potential projects for this area.

Analysis of Major Business-type Activities—Enterprise Funds

Sewer Fund

This fund accounts for sanitary sewer services provided to the citizens of Belmont. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, treatment, maintenance, capital improvement, and billing and collection.

Sewer fund operating revenues were \$0.2 million higher at \$3.5 million compared to the previous year, primarily due to a rate increase in sewer service charges. Operating expenses were \$0.5 million lower at \$2.9 million largely due to a \$0.4 million decrease in sewer services and supplies and a \$0.2 million decrease in personnel costs, primarily due to reallocation of staff to the storm drainage fund. These decreases were partially offset by a \$0.2 million increase in depreciation expense.

Net assets totaled \$11.5 million at June 30, 2003, with \$0.9 million invested in capital assets, net of related debt, and \$10.6 million of unrestricted fund balances.

Storm Drainage Fund

This fund is used to account for the maintenance of the storm drain system, street cleaning and other activities related to the mandated National Pollution Discharge Elimination System (NPDES).

Storm drainage fund operating revenues were consistent with the prior year at \$0.4 million and consist of NPDES storm drain charge fees. Operating expenses were \$0.4 million higher at \$0.9 million primarily due to higher personnel expenses mostly resulting from reallocation of staff from the sewer fund.

Net assets totaled \$1.4 million at June 30, 2003, with \$1.4 million invested in capital assets, net of related debt, and \$0.05 million of unrestricted fund balances.

CAPITAL ASSETS

GASB 34 requires the City to record all of its capital assets including infrastructure, which was not recorded in prior years. Infrastructure includes roads, traffic lights, and similar assets used by the entire population. With the implementation of GASB 34, the City determined street and other infrastructure costs and accumulated depreciation amounts.

At the end of fiscal 2003, the cost of capital assets recorded on the City's financial statements was as shown in Table 6 below (further detail may be found in Note 7 to the financial statements).

Table 6		
Capital Assets at Year-end		
(in Thousands)		
	<u>2003</u>	<u>2002</u>
<i>Governmental Activities</i>		
Land	\$10,353	\$10,353
Construction in progress	1,838	0
Buildings	11,760	11,730
Improvements other than buildings	217	136
Machinery and equipment	2,648	2,497
Vehicles	2,211	2,160
Streets and infrastructure	22,409	22,070
Less accumulated depreciation	<u>(16,687)</u>	<u>(15,345)</u>
Totals	<u>\$34,749</u>	<u>\$33,601</u>
<i>Business-type Activities</i>		
Land	\$15	\$15
Construction in progress	228	4,035
Improvements other than buildings	13,585	8,496
Machinery and equipment	190	190
Less accumulated depreciation	<u>(4,352)</u>	<u>(3,873)</u>
Totals	<u>\$9,666</u>	<u>\$8,863</u>

The principal additions for governmental activities in fiscal 2003 were related to construction in progress with \$1.8 million as of June 30, 2003, which includes \$1.1 million in various street projects and \$0.7 million related to the Ralston/101 Direct Access project.

Additions for business-type activities were also primarily related to construction in progress with \$1.3 million in additions during fiscal 2003 and \$5.1 million of completed projects transferred to improvements other than buildings related to sewer and storm drain projects.

The City depreciates all of its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives can be found in Note 7.

DEBT ADMINISTRATION

Each of the City's debt issues is discussed in more detail in Note 8 to the financial statements. There were no new debt issues in fiscal 2003. A summary of activity is presented below:

Table 7		
Outstanding Debt		
(in Thousands)		
	<u>2003</u>	<u>2002</u>
<i>Governmental Activity Debt:</i>		
Long-Term Bonds Payable:		
Public Financing Authority Revenue Bonds,		
1996 Series Housing Set-Aside, 6.5%-7.75%, due 2016	\$2,705	\$2,815
1999 Series A, 4.375%-5.7%, due 2029	14,405	14,825
1999 Series B, 3.6%-5.8%, due 2029	8,620	8,620
Note Payable:		
Note Payable:		
Oracle Owner Participation Agreement, LAIF rate, due 2025	2,350	2,434
Total Governmental Activity Debt	<u>\$28,080</u>	<u>\$28,694</u>
<i>Business-type Debt – Sewer Enterprise Fund:</i>		
2001 Sewer Revenue Bonds, 4.375%-5.00%, due 2031	\$7,415	\$7,500
Total Long-Term Obligations	<u>\$35,495</u>	<u>\$36,194</u>

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Finance Department at 1070 Sixth Avenue, Belmont, CA 94002. Additional information about the City's operations and activities can be obtained from the website at www.belmont.gov.

**STATEMENT OF NET ASSETS
AND STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities are entirely new statements required by Government Accounting Standards Board Statement 34. Their purpose is to summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities differs considerably from those used in the past. It presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the City of Belmont Redevelopment Agency, the Belmont Fire Protection District and the Belmont Joint Powers Financing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

These new financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*; the term General Purpose Financial Statements is no longer used.

CITY OF BELMONT
STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$27,997,126	\$4,653,951	\$32,651,077
Cash and investments with fiscal agent (Note 3)	4,193,440	624,182	4,817,622
Receivables:			
Accounts	1,160,112	207,234	1,367,346
Interest	127,907		127,907
Due from other governmental agencies	1,336,262		1,336,262
Notes (Note 5)	924,815		924,815
Prepays and other assets	428,444		428,444
Land held for redevelopment (Note 6)	1,578,748		1,578,748
Investment in SBSA- Joint Venture (Note 12)		5,349,667	5,349,667
Capital assets, net (Note 7)	34,749,356	9,666,128	44,415,484
Total Assets	72,496,210	20,501,162	92,997,372
LIABILITIES			
Accounts payable, compensated absences, claims and other liabilities / contracts payable	2,989,783	159,519	3,149,302
Deposits	271,565		271,565
Deferred revenue	489,950		489,950
Advance from SMCTA (Note 14)	2,008,681		2,008,681
Long-term debt (Note 8)			
Due within one year	2,749,726	140,000	2,889,726
Due in more than one year	25,329,886	7,275,000	32,604,886
Total Liabilities	33,839,591	7,574,519	41,414,110
NET ASSETS			
Invested in capital assets, net of related debt	4,554,744	6,891,633	11,446,377
Restricted for:			
Capital projects	3,014,928		3,014,928
Debt service	4,340,836		4,340,836
Redevelopment programs	14,794,514		14,794,514
Special revenue programs	388,649		388,649
Total Restricted Net Assets	22,538,927		22,538,927
Unrestricted	11,562,948	6,035,010	17,597,958
Total Net Assets	\$38,656,619	\$12,926,643	\$51,583,262

See accompanying notes to financial statements

CITY OF BELMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$4,295,585	\$3,192,364	\$2,993	\$73,394	(\$1,026,834)		(\$1,026,834)
Public safety	11,721,370	61,918	317,510		(11,341,942)		(11,341,942)
Highways and streets	3,552,447		1,317,534	549,223	(1,685,690)		(1,685,690)
Culture and recreation	3,447,777	1,120,576	52,013	4,293	(2,270,895)		(2,270,895)
Urban redevelopment	1,486,456	1,501,092		184,993	199,629		199,629
Miscellaneous	2,797,321	830,726	13,810		(1,952,785)		(1,952,785)
Interest on long term debt	1,557,769				(1,557,769)		(1,557,769)
Total Governmental Activities	28,858,725	6,706,676	1,703,860	811,903	(19,636,286)		(19,636,286)
Business-type Activities:							
Sewer	3,221,638	3,511,403				\$289,765	289,765
Storm Drainage	940,515	384,653				(555,862)	(555,862)
Total Business-type Activities	4,162,153	3,896,056				(266,097)	(266,097)
Total	\$33,020,878	\$10,602,732	\$1,703,860	\$811,903	(19,636,286)	(266,097)	(19,902,383)
General revenues:							
Taxes:							
Property taxes					6,411,622		6,411,622
Incremental property tax					6,491,574		6,491,574
Sales taxes					2,960,417		2,960,417
Other taxes					1,816,545		1,816,545
Motor vehicle in lieu					1,571,512		1,571,512
Investment earnings					564,300	166,538	730,838
Transfers					(13,343)	13,343	
Total general revenues and transfers					19,802,627	179,881	19,982,508
Change in Net Assets					166,341	(86,216)	80,125
Net Assets-Beginning					38,490,278	13,012,859	51,503,137
Net Assets-Ending					\$38,656,619	\$12,926,643	\$51,583,262

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

GASB 34 revises the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2003. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police protection, planning, engineering, public works operations and maintenance, and legal and administrative services.

BELMONT FIRE PROTECTION DISTRICT SPECIAL REVENUE FUND

To account for resources received from the citizens of Belmont to finance the City's participation in the South County Fire Authority.

LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND

To account for resources received through the City of Belmont Redevelopment Agency that are restricted for expenditure on low and moderate income housing programs.

REDEVELOPMENT AGENCY DEBT SERVICE FUND

To account for payment and interest on the 1999 Series A and B Tax Allocation Bonds and related costs.

CITY HALL RETROFIT/POLICE FACILITIES CAPITAL PROJECTS FUND

To account for the design and construction of improvements to City Hall. These improvements include the police facility and retrofit of City Hall.

GRADE SEPARATION CAPITAL PROJECTS FUND

To account for the construction of a street and rail grade separation projects at Ralston Avenue and Harbor Boulevard.

RDA PROJECTS CAPITAL PROJECTS FUND

To account for improvements in the downtown area

CITY OF BELMONT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003

	General	Belmont Fire Protection District	Low and Moderate Income Housing	Redevelopment Agency Debt Service	City Hall Retrofit/ Police Facilities
ASSETS					
Cash and investments (Note 3)	\$931,347	\$83	\$4,439,056	\$1,903,550	\$5,502,484
Cash and investments with fiscal agent (Note 3)			8	2,184,751	
Receivables:					
Accounts	433,196	150,000			
Interest	127,907				
Due from other governmental agencies Notes (Note 5)	946,895	211,265	924,815		
Due from other funds (Note 4)	671,215				
Long term interfund receivables (Note 4)	369,015				
Prepays and other assets	117,677				
Land held for redevelopment (Note 6)			1,280,000		
Total Assets	\$3,597,252	\$361,348	\$6,643,879	\$4,088,301	\$5,502,484
LIABILITIES					
Accounts payable, compensated absences, and other liabilities / contracts payable	\$411,181	\$51	\$16,886	\$58,527	\$18,774
Deposits	253,735	100			
Deferred revenue	280,190				
Due to other funds (Note 4)		358,134			
Advance from SMCTA (Note 14)					
Long-term interfund payables (Note 4)	79,961				
Total Liabilities	1,025,067	358,285	16,886	58,527	18,774
FUND BALANCES					
Fund balances					
Reserved for:					
Land held for redevelopment			1,280,000		
Debt service			310,885	4,029,774	
Encumbrances	26,005				182,722
Prepays and notes receivable	117,677		924,815		
Advance to other funds	369,015				
Low and moderate income housing Capital projects			4,111,293		
Unreserved, designated for:					
Capital projects					5,300,988
Unreserved, undesignated	2,059,488	3,063			
Total Fund Balances	2,572,185	3,063	6,626,993	4,029,774	5,483,710
Total Liabilities and Fund Balances	\$3,597,252	\$361,348	\$6,643,879	\$4,088,301	\$5,502,484

See accompanying notes to financial statements

<u>Grade Separation Projects</u>	<u>RDA Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$2,008,681	\$7,906,133	\$4,390,967	\$25,073,620
			4,193,440
		576,916	1,160,112
			127,907
		178,102	1,336,262
			924,815
			671,215
			369,015
		267,586	385,263
	298,748		1,578,748
<u>\$2,008,681</u>	<u>\$8,204,881</u>	<u>\$5,413,571</u>	<u>\$35,820,397</u>
	\$37,360	\$544,587	\$1,087,366
		17,730	271,565
		209,760	489,950
		313,081	671,215
\$2,008,681			2,008,681
		369,015	448,976
<u>2,008,681</u>	<u>37,360</u>	<u>1,454,173</u>	<u>4,977,753</u>
	298,748		1,578,748
		177	4,340,836
		1,719,819	1,928,546
			1,042,492
			369,015
			4,111,293
		2,191,227	2,191,227
		1,179,782	6,480,770
	7,868,773	(1,131,607)	8,799,717
	8,167,521	3,959,398	30,842,644
<u>\$2,008,681</u>	<u>\$8,204,881</u>	<u>\$5,413,571</u>	<u>\$35,820,397</u>

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CITY OF BELMONT
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2003

Total fund balances reported on the governmental funds balance sheet \$30,842,644

Amounts reported for Governmental Activities in the Statement of Net Assets
 are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
 therefore are not reported in the Governmental Funds 34,749,356

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to
 charge the costs of certain activities, such as insurance and central services and maintenance
 to individual governmental funds. The net current assets of the Internal Service Funds are therefore
 included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	2,923,506
Prepays and other assets	43,181
Internal balances	79,961
Accounts payable, compensated absences, and other liabilities / contracts payable	(925,426)

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
 reported in the Funds:

Long-term debt	(28,079,612)
Non-current portion of compensated absences	(976,991)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$38,656,619

See accompanying notes to financial statements

CITY OF BELMONT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2003

	General	Belmont Fire Protection District	Low and Moderate Income Housing	Redevelopment Agency Debt Service	City Hall Retrofit/ Police Facilities
REVENUES					
Taxes	\$6,663,965	\$4,322,941	\$1,298,315	\$5,193,258	
Licenses and permits	657,491				
Fines and forfeitures	189,778				
Use of money and property	584,060	83	132,598	83,167	\$69,731
Intergovernmental	1,922,063	51,398			
Charges for current services	3,266,325				
Miscellaneous	18,770				
Total Revenues	13,302,452	4,374,422	1,430,913	5,276,425	69,731
EXPENDITURES					
Current:					
General government	3,940,996				
Public safety	6,398,757	4,493,727			
Highways and streets					
Culture and recreation	2,293,067				
Urban redevelopment			582,944		
Miscellaneous	59,979			2,735,148	
Capital outlay			155,908		595,667
Debt service:					
Principal			110,000	420,000	
Interest and fiscal charges			208,658	1,230,352	
Total Expenditures	12,692,799	4,493,727	1,057,510	4,385,500	595,667
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	609,653	(119,305)	373,403	890,925	(525,936)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4A)	283,074				
Transfers (out) (Note 4A)	(1,132,837)			(393,598)	
Total Other Financing Sources (Uses)	(849,763)			(393,598)	
NET CHANGE IN FUND BALANCES	(240,110)	(119,305)	373,403	497,327	(525,936)
BEGINNING FUND BALANCES (as restated, Note 9C)	2,812,295	122,368	6,253,590	3,532,447	6,009,646
ENDING FUND BALANCES	\$2,572,185	\$3,063	\$6,626,993	\$4,029,774	\$5,483,710

See accompanying notes to financial statements

<u>Grade Separation Projects</u>	<u>RDA Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$1,086,219	\$18,564,698
		401,837	1,059,328
			189,778
\$12,617	\$208,289	138,014	1,215,942
		966,638	2,952,716
		1,703,961	4,970,286
		26,438	45,208
<u>12,617</u>	<u>208,289</u>	<u>4,323,107</u>	<u>28,997,956</u>
			3,940,996
		805,359	11,697,843
12,617		1,646,399	1,659,016
		1,001,801	3,294,868
		869,526	1,452,470
		2,086	2,797,213
	108,489	2,865,850	3,725,914
		83,968	613,968
		118,759	1,557,769
<u>12,617</u>	<u>108,489</u>	<u>7,393,748</u>	<u>30,740,057</u>
	<u>99,800</u>	<u>(3,070,641)</u>	<u>(1,742,101)</u>
		1,415,385	1,698,459
		(339,271)	(1,865,706)
		1,076,114	(167,247)
	99,800	(1,994,527)	(1,909,348)
	<u>8,067,721</u>	<u>5,953,925</u>	<u>32,751,992</u>
	<u>\$8,167,521</u>	<u>\$3,959,398</u>	<u>\$30,842,644</u>

CITY OF BELMONT
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2003

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$1,909,348)

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance 2,310,225

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation of \$501,696 which has already been allocated to serviced funds) (1,007,078)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities 613,968

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences 18,304

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds 140,270

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$166,341

See accompanying notes to financial statements

CITY OF BELMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$7,250,857	\$7,250,857	\$6,663,965	(\$586,892)
Licenses and permits	577,642	577,642	657,491	79,849
Fines and forfeitures	146,339	146,339	189,778	43,439
Use of money and property	670,575	638,075	584,060	(54,015)
Intergovernmental	1,897,658	1,902,801	1,922,063	19,262
Charges for current services	3,261,991	3,261,729	3,266,325	4,596
Miscellaneous	224,394	24,394	18,770	(5,624)
Total Revenues	14,029,456	13,801,837	13,302,452	(499,385)
EXPENDITURES:				
Current:				
General government	4,329,260	4,270,676	3,940,996	329,680
Public safety	7,082,206	6,890,801	6,398,757	492,044
Culture and recreation	2,399,683	2,416,402	2,293,067	123,335
Miscellaneous	67,201	129,701	59,979	69,722
Total Expenditures	13,878,350	13,707,580	12,692,799	1,014,781
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	151,106	94,257	609,653	515,396
OTHER FINANCING SOURCES (USES)				
Transfers in	286,380	286,380	283,074	(3,306)
Transfers (out)	1,168,158	(1,129,074)	(1,132,837)	(3,763)
Total other financing sources (uses)	1,454,538	(842,694)	(849,763)	(7,069)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$1,605,644	(\$748,437)	(240,110)	\$508,327
Fund balance, July 1			2,812,295	
Fund balance, June 30			<u>\$2,572,185</u>	

See accompanying notes to financial statements

CITY OF BELMONT
 BELMONT FIRE DISTRICT PROTECTION FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$4,539,778	\$4,539,778	\$4,322,941	(\$216,837)
Intergovernmental	56,788	56,788	51,398	(5,390)
Total Revenues	<u>4,596,566</u>	<u>4,596,566</u>	<u>4,374,339</u>	<u>(222,227)</u>
EXPENDITURES:				
Current:				
Public safety	4,804,651	4,874,651	4,493,727	380,924
Total Expenditures	<u>4,804,651</u>	<u>4,874,651</u>	<u>4,493,727</u>	<u>380,924</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$208,085)</u>	<u>(\$278,085)</u>	<u>(119,388)</u>	<u>\$158,697</u>
Fund balance, July 1			<u>122,368</u>	
Fund balance, June 30			<u>\$2,980</u>	

See accompanying notes to financial statements

CITY OF BELMONT
 LOW AND MODERATE INCOME HOUSING FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$1,261,831	\$1,261,831	\$1,298,315	\$36,484
Use of money and property	96,104	96,104	132,598	36,494
Total Revenues	<u>1,357,935</u>	<u>1,357,935</u>	<u>1,430,913</u>	<u>72,978</u>
EXPENDITURES:				
Current:				
Urban redevelopment	564,151	398,596	582,944	(184,348)
Capital outlay	1,245,000	1,397,000	155,908	1,241,092
Debt service:				
Principal	110,000	110,000	110,000	
Interest and fiscal charges	208,658	208,658	208,658	
Total Expenditures	<u>2,127,809</u>	<u>2,114,254</u>	<u>1,057,510</u>	<u>1,056,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$769,874)</u>	<u>(\$756,319)</u>	373,403	<u>\$1,129,722</u>
Fund balance, July 1			<u>6,253,590</u>	
Fund balance, June 30			<u>\$6,626,993</u>	

See accompanying notes to financial statements

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MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2003. Individual non-major funds may be found in the Supplemental section.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

SEWER FUND

To account for sanitary sewer services provided to the citizens of Belmont. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, treatment, maintenance, capital improvement, and billing and collection.

STORM DRAINAGE FUND

To account for the maintenance of the storm drain system, street cleaning and other activities related to the mandated National Pollution Discharge Elimination System (NPDES).

CITY OF BELMONT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Storm Drainage</u>	<u>Totals</u>	
ASSETS				
Cash and investments (Note 3)	\$4,560,583	\$93,368	\$4,653,951	\$2,923,506
Cash and investments with fiscal agent (Note 3)	624,182		624,182	
Accounts receivable	197,788	9,446	207,234	
Long term interfund receivables (Note 4)				79,961
Prepays and other assets				43,181
Investment in SBSA- Joint Venture (Note 12)	5,349,667		5,349,667	
Capital assets, net (Note 7)	8,314,578	1,351,550	9,666,128	1,141,311
Total Assets	<u>19,046,798</u>	<u>1,454,364</u>	<u>20,501,162</u>	<u>4,187,959</u>
LIABILITIES				
Accounts payable and claims payable	36,380	22,672	59,052	925,426
Compensated absences	72,763	27,704	100,467	
Long-term debt: (Note 8)				
Due within one year	140,000		140,000	
Due in more than one year	7,275,000		7,275,000	
Total Liabilities	<u>7,524,143</u>	<u>50,376</u>	<u>7,574,519</u>	<u>925,426</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,540,083	1,351,550	6,891,633	1,141,311
Unrestricted	5,982,572	52,438	6,035,010	2,121,222
Total Net Assets	<u>\$11,522,655</u>	<u>\$1,403,988</u>	<u>\$12,926,643</u>	<u>\$3,262,533</u>

See accompanying notes to financial statements

CITY OF BELMONT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Storm Drainage</u>	<u>Totals</u>	
OPERATING REVENUES				
Charges for current services				
Sewer service charges	\$3,403,389		\$3,403,389	
Sewer connection fees	108,014		108,014	
NPDES storm drain charges		\$384,653	384,653	
Interdepartmental charges				\$3,137,476
Total Operating Revenues	<u>3,511,403</u>	<u>384,653</u>	<u>3,896,056</u>	<u>3,137,476</u>
OPERATING EXPENSES				
Personnel services	614,855	554,855	1,169,710	
Sewer services and supplies	912,500	307,823	1,220,323	
Sewer treatment	900,390		900,390	
Insurance premiums				661,544
Professional and legal				505,816
Operating costs				1,172,021
Insurance claims, net of change in claims payable				429,129
Depreciation	400,494	79,038	479,532	501,696
Total Operating Expenses	<u>2,828,239</u>	<u>941,716</u>	<u>3,769,955</u>	<u>3,270,206</u>
Operating Income (Loss)	<u>683,164</u>	<u>(557,063)</u>	<u>126,101</u>	<u>(132,730)</u>
NONOPERATING REVENUES (EXPENSES)				
Proceeds from the sale of capital assets				7,927
Interest	160,191	6,347	166,538	40,453
Interest expense	(355,623)		(355,623)	
Equity interest in SBSA - Joint Venture	(37,776)		(37,776)	
Miscellaneous		1,201	1,201	70,716
Total Nonoperating Revenues (Expenses)	<u>(233,208)</u>	<u>7,548</u>	<u>(225,660)</u>	<u>119,096</u>
Income (Loss) Before Transfers	<u>449,956</u>	<u>(549,515)</u>	<u>(99,559)</u>	<u>(13,634)</u>
Transfers in (Note 4)		419,781	419,781	153,904
Transfers (out) (Note 4)	(406,438)		(406,438)	
Net transfers	<u>(406,438)</u>	<u>419,781</u>	<u>13,343</u>	<u>153,904</u>
Change in net assets	43,518	(129,734)	(86,216)	140,270
BEGINNING NET ASSETS, AS RESTATED (NOTE 9)	<u>11,479,137</u>	<u>1,533,722</u>	<u>13,012,859</u>	<u>3,122,263</u>
ENDING NET ASSETS	<u>\$11,522,655</u>	<u>\$1,403,988</u>	<u>\$12,926,643</u>	<u>\$3,262,533</u>

See accompanying notes to financial statements

CITY OF BELMONT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Storm Drainage</u>	<u>Totals</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$3,437,639	\$394,285	\$3,831,924	\$3,208,192
Payments to suppliers	(2,067,518)	(304,660)	(2,372,178)	(876,493)
Payments to employees	(616,196)	(555,374)	(1,171,570)	
Claims paid				(1,596,489)
Cash Flows from Operating Activities	<u>753,925</u>	<u>(465,749)</u>	<u>288,176</u>	<u>735,210</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund payments				109,888
Transfers in		419,781	419,781	153,904
Transfers (out)	(406,438)		(406,438)	
Cash Flows from Noncapital Financing Activities	<u>(406,438)</u>	<u>419,781</u>	<u>13,343</u>	<u>263,792</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(624,873)	(658,358)	(1,283,231)	(346,161)
Proceeds from sale of capital assets				7,927
Principal payments on capital debt	(85,000)		(85,000)	
Interest paid	(355,623)		(355,623)	
Cash Flows from Capital and Related Financing Activities	<u>(1,065,496)</u>	<u>(658,358)</u>	<u>(1,723,854)</u>	<u>(338,234)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	160,191	6,347	166,538	40,453
Investment in SBSA	(362,972)		(362,972)	
Cash Flows from Investing Activities	<u>(202,781)</u>	<u>6,347</u>	<u>(196,434)</u>	<u>40,453</u>
Net Cash Flows	<u>(920,790)</u>	<u>(697,979)</u>	<u>(1,618,769)</u>	<u>701,221</u>
Cash and investments at beginning of period	<u>6,105,555</u>	<u>791,347</u>	<u>6,896,902</u>	<u>2,222,285</u>
Cash and investments at end of period	<u>\$5,184,765</u>	<u>\$93,368</u>	<u>\$5,278,133</u>	<u>\$2,923,506</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating income (loss)	\$683,164	(\$557,063)	\$126,101	(\$132,730)
Miscellaneous non-operating income				70,716
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation	400,494	79,038	479,532	501,696
Change in assets and liabilities:				
Receivables, net	(73,764)	9,632	(64,132)	(1,228)
Accounts payable, claims payable and compensated absences	(255,969)	1,443	(254,526)	296,756
Miscellaneous expenses		1,201	1,201	
Cash Flows from Operating Activities	<u>\$753,925</u>	<u>(\$465,749)</u>	<u>\$288,176</u>	<u>\$735,210</u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity – wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF BELMONT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	<u>\$28,644</u>
Total Assets	<u><u>\$28,644</u></u>
LIABILITIES	
Deposits	\$24,678
Section 125 employee benefits payable	<u>3,966</u>
Total Liabilities	<u><u>\$28,644</u></u>

See accompanying notes to financial statements

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Belmont was incorporated as a general law city in 1926. The City operates under the Council-Manager form of government and is governed by a five member council elected by the City's voters. The City provides the following services: public safety (police), highways and streets, sewer, storm drainage, recreation, public improvements, planning and zoning, building inspections, general administration services, and redevelopment.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. *Reporting Entity*

The financial statements of the City of Belmont include the financial activities of the City, the City of Belmont Redevelopment Agency, the Belmont Fire Protection District and the Belmont Joint Powers Financing Authority. All of these entities are controlled by and dependent on the City and their financial activities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements.

The **City of Belmont Redevelopment Agency** is a separate government entity created in 1981 under the provisions of the Community Redevelopment Law (California Health and Safety Code) to assist in revitalizing of areas within the City of Belmont which are determined to be in a declining condition. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been included in these financial statements in the Redevelopment Agency and Low and Moderate Income Housing Special Revenue Funds and the Redevelopment Agency Debt Service Fund.

The **Belmont Fire Protection District** is a special district created under the general laws of California to provide fire protection services to City residents. The District is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the District. The financial activities of the District have been included in these financial statements in the Belmont Fire Protection District Special Revenue Fund.

The **Belmont Joint Powers Financing Authority** is a separate government entity whose purpose is to assist with the financing certain public capital facilities for the City and Agency through the issuance of bonds or other forms of debt. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority.

Separate financial statements for the Redevelopment Agency are issued and may be obtained from the City of Belmont, Finance Department at 1070 Sixth Avenue, Belmont, California, 94002.

B. *Basis of Presentation*

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U S A.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statements No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

GASB Statement 34 defines major funds and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund- The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police protection, planning, engineering, public works operations and maintenance, and legal and administrative services.

Belmont Fire Protection District Special Revenue Fund-To account for resources received from the citizens of Belmont to finance the City's participation in the South County Fire Authority.

Low And Moderate Income Housing Special Revenue Fund-To account for resources received through the City of Belmont Redevelopment Agency that are restricted for expenditure on low and moderate income housing programs.

Redevelopment Agency Debt Service Fund-To account for payment and interest on the 1999 Series A and B Tax Allocation Bonds and related costs.

City Hall Retrofit/Police Facilities Capital Projects Fund - To account for the design and construction of improvements to City Hall. These improvements include the police facility and retrofit of City Hall.

Grade Separation Capital Projects Fund- To account for the construction of a street and rail grade separation projects at Ralston Avenue and Harbor Boulevard.

RDA Projects – Capital Projects Fund -To account for improvements in the downtown area

The City reported all its enterprise funds as major funds in the accompanying financial statements:

Sewer Fund-To account for sanitary sewer services provided to the citizens of Belmont. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, treatment, maintenance, capital improvement, and billing and collection.

Storm Drainage Fund-To account for the maintenance of the storm drain system, street cleaning and other activities related to the mandated National Pollution Discharge Elimination System (NPDES)

The City also reports the following fund types:

Internal Services Fund-The funds account for worker's compensation, general liability, vision, fleet and equipment management, and facilities management; all of which are provided to other departments on a cost-reimbursement basis.

FIDUCIARY FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, sales and use, transient occupancy, franchise and gas taxes, intergovernmental revenues, grants and interest revenue. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until collected.

Non-exchange transactions, in which the City gives or receives value without directly, receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

The City follows all Government Accounting Standards Board pronouncements and only those Financial Accounting Standards Board Statements issued on or before November 30, 1989 which do not conflict with Government Accounting Standards Board Statements.

E. Revenue Recognition for Enterprise Funds

Sewer and Storm Drain user fee revenues are placed on the county tax rolls. The County bills customers annually and requires payment prior to year end. As of year end there were no material uncollected sewer or storm drain user fees.

F. Property Tax

San Mateo County assesses properties, and it bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest, and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County, which retains all penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above, generally within sixty days.

G. *Compensated Absences*

Compensated absences comprise unpaid vacation and the vested portion of sick leave, which are accrued as earned. Employee bargaining unit agreements specify the vested portion of unused sick leave, which accumulates and is paid at time of termination of City employment. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long term portion is recorded in the Statement of Net Assets.

The changes of the compensated absences were as follows:

	Governmental Activities	Business Type Activities	Total
Beginning Balance	\$1,070,022	\$102,327	\$1,172,350
Additions	600,938	154,835	755,773
Payments	(620,638)	(156,694)	(777,332)
Ending Balance	<u>\$1,050,322</u>	<u>\$100,468</u>	<u>\$1,150,790</u>
Current Portion	<u>\$73,331</u>	<u>\$7,013</u>	<u>\$80,344</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The City Manager submits to the City Council a proposed annual operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the means of financing them and is subjected to public hearings where comments are obtained for consideration. The Council adopts the budget through passage of a budget resolution at which time the proposed expenditures become appropriations. The budget is effective the following July 1 and may be amended by subsequent resolutions. The City Manager is authorized to transfer appropriations between any departments; however, any revisions, which increase the total appropriations of any fund, must be approved by the Council. Transfers not included in the original budget must be approved by the Finance Director. Expenditures may not exceed appropriations at the fund level. Unencumbered appropriations lapse at year end. Supplemental appropriations were adopted by the Council and have been included in the budget versus actual statements.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Formal budgetary integration is employed as a management control device. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year budget. Budget amounts include appropriations, which are formally integrated into the City's accounting records for all funds except Agency Funds and the Grade Separation and the Special Assessment District Capital Project Funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds.

Expenditures exceeded budget in Supplemental Law Enforcement Services, Street Maintenance State Gasoline Tax and COPSMore 96 Special Revenue Funds and Redevelopment Agency Debt Service Fund by \$21,785, \$54,632, \$17,313 and \$878,444 respectively. Sufficient current revenues were available to offset these expenditures.

NOTE 3 - CASH AND INVESTMENTS

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except cash with fiscal agent so that it can be invested at the maximum yield, consistent with the principles of safety and liquidity. Individual funds can make expenditures at any time. Investments are carried at fair value.

A. *Categorization of Credit Risk of Securities Instruments*

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. As of year end, in order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

The City categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk. The three levels of risk prescribed by generally accepted accounting principles are described below:

Category 1 - Securities instruments in this category are in the City's name and are in the possession of the Trust Department of the bank employed by the City solely for this purpose. The City is the registered owner of securities held in book entry form by the bank's Trust Department (the City's Agent).

Category 2 - Securities instruments and book entry form securities in this category are in the bank's name as the City's agent, but are held by its Trust Department in the City's name.

Category 3 - Investments in this category include only City-owned securities instruments or book entry form securities, which were not in the City's name or not held by the bank's Trust Department.

Pooled Investments - Pooled investments are not categorized because of their pooled, rather than individual, nature.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments are carried at fair value and were categorized as follows at June 30:

	2003			Total
	Available for Operations	Investments with Fiscal Agent	Fiduciary Funds	
<i>Category 2</i>				
U S Treasury Securities		\$2,636,505		\$2,636,505
<i>Non-categorized investments:</i>				
Government Securities Money Market		172,514		172,514
Local Agency Investment Fund	\$28,941,402			28,941,402
Total Investments	28,941,402	2,809,019		31,750,421
Bank balances before reconciling items	4,038,826	2,008,603	\$28,644	6,076,073
Add: deposits in transit	65,718			65,718
Deduct: outstanding checks	(397,269)			(397,269)
Cash on hand	2,400			2,400
Total Cash and Investments	<u>\$32,651,077</u>	<u>\$4,817,622</u>	<u>\$28,644</u>	<u>\$37,497,343</u>

The City does not allocate investments by fund. Each Proprietary fund's portion of Cash and Investments is in substance a demand deposit available to finance operations, is considered a cash equivalent and is used in preparing the statement of cash flows.

B. Cash Deposits

The carrying amount of the City's cash deposits was \$5,744,522 at June 30, 2003. Bank balances before reconciling items were \$6,076,073 of which \$200,000 was insured (Category 1), and \$5,876,073 was collateralized by an agent of the institution holding the deposit in the City's name (Category 2). California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution, but is considered to be held in the City's name and places the City ahead of general creditors of the institution. The City has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. *Authorized Investments*

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City:

- Local Agency Bonds
- US Treasury Obligations
- State of California Obligations
- CA Local Agency Obligations
- US Agencies
- Bankers Acceptances
- Commercial Paper
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Medium-Term Notes
- Mutual Funds
- Money Market Funds
- Collateralized Bank Deposits
- Mortgage Pass-Through Securities
- Time Deposits
- County Pooled Investment Funds
- Local Agency Investment Fund

D. *Investments Carrying Value*

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

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis that is not materially different than fair value. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

NOTE 4 - INTERFUND TRANSACTIONS

A. *Transfers Between Funds*

The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Transfers between funds during the fiscal year ended June 30, 2003 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Ralston/Rte 101 Interchange Island Park Capital Projects Fund	\$283,074 (a)
Special Revenue:		
Co-Sponsored Recreation	General Fund	247,627
Supplemental Law Enforcement Services	General Fund	23,537
Law Enforcement Block Grants	General Fund	6,481
Street Maintenance State Gasoline Tax	General Fund	500,000
Street Maintenance State Gasoline Tax	Street Improvement Measure A/Grants Special Revenue Fund	39,548
Debt Service:		
General Debt Service	General Fund	204,594
Enterprise Fund:		
Storm Drainage	Sewer Enterprise Fund	406,438
Storm Drainage	General Debt Service	13,343
Internal Service Fund:		
Facilities Management	General Fund	153,904
		<u>\$1,878,546</u>

The purpose of the significant transfers that were not routine in nature or consistent with activities of the fund making the transfers is set forth below:

- (a) The transfer to General Fund from the Ralston/Route 101 Interchange Island Park Capital Projects Fund for \$283,074 represents a one-time transfer for an Oracle Owner Participation Agreement interest payment

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2003, interfund balances were as follows:

Interfund Receivable	Interfund Payable	Amount
	Special Revenue:	
General Fund	Co-Sponsored Recreation	\$1,529
General Fund	Development Services	135,263
General Fund	Belmont Fire Protection District	358,134
General Fund	Street Maintenance State Gasoline Tax	69,299
General Fund	COPSMORE 96	57,142
General Fund	Library Capital Projects Fund	49,848
		<u>\$671,215</u>

**CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Long Term Interfund Balances

On May 26, 1992 the City's General Fund borrowed \$999,050 from the Belmont Fire Protection District Special Revenue Fund. Proceeds from the loan were used to finance the acquisition of the Barrett Community Center. Effective February 1999, Council approved the reassignment of this loan to the **Worker's Compensation Internal Service Fund** which paid cash to the Belmont Fire Protection District Special Revenue Fund. The loan bears interest at a rate equal to the rate earned by the District on its investments. Monthly payments amounting to \$9,420 are due and are repayable from general fund revenues. At June 30, 2003, the balance outstanding amounted to \$79,961.

During the year ended June 30, 2002, the Co-Sponsored Recreation and Development Services Special Revenue Funds received cash flow advances from the General Fund in the amount of \$64,937 and \$175,202, respectively. These interfund advances are expected to be repaid with future revenues from each of these funds.

The City has a continuing agreement with the Redevelopment Agency under which it advances funds for administrative and project costs incurred during the fiscal year by the Agency. The Agency is obligated to repay the **Advances from the City** plus interest earned at the same rate as the City earns on its investments in the California Local Agency Investment Fund. Repayments are to be made from property tax increment revenues. At June 30, 2003, the balance outstanding amounted to \$128,876.

D. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 - NOTES RECEIVABLE

Summary of Notes Receivable

Since none of the Notes below are due within the next year, the City has offset them with reservations of fund balance. These notes are summarized below:

Project	Amount
Mid-Peninsula Horizons, Inc.	\$207,703
Mercy Housing Loan	325,000
Owner Occupied Rehabilitation Assistance Program	103,479
Home Buyer Assistance Program	161,250
Peace Officer Down Payment Assistance Program	127,383
Total notes receivable	\$924,815

On September 30, 1992 the Agency made a loan to **Mid-Peninsula Horizons, Inc.**, a nonprofit corporation, to assist in financing an affordable housing project. The Agency loan is secured by a second deed of trust. The loan bears interest at one percent per annum and is due along with interest in 2039 or the date the project is no longer subject to a related regulatory agreement with HUD, whichever is later.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - NOTES RECEIVABLE (Continued)

In March 1995, the Agency loaned \$325,000 to **Mercy Housing California**, a nonprofit corporation, which used the proceeds along with other funds to finance the renovation and rehabilitation of a site used for an AIDS Hospice project. The note is secured by a deed of trust, bears no interest and is due in 2028.

In January 1999, the Agency began funding loans under **the Owner Occupied Rehabilitation Assistance Program**. Proceeds of the loans are used to correct structural, health and safety deficiencies, and for cosmetic improvements for homeowners with very low, low, or moderate incomes. Loans are secured by deeds of trust and bear no interest.

In fiscal 1998-99, the Agency began providing financial assistance for first time home buyers through the **Home Buyer Assistance Program**. Loans provide down payment assistance to qualified home buyers in Belmont. Loans are long-term low interest loans for down payments on the purchase of single-family residences, town homes, or condominiums. Loans are secured by a deed of trust.

In September 1999, the Agency began providing financial assistance for City Peace Officers under **Peace Officer Residential Down Payment Assistance Program**. Loans provide down payments to assist peace officers in locating their primary residence in the City. The term of loan is ten years and it is to be forgiven at a rate of 10% per year with no interest. If the value of the underlying property declines on resale within a 10-year period, then the Agency will share the loss in proportion to each party's contribution to the original purchase price. Loans are secured by a deed of trust. During the fiscal year ended June 30, 2003 the Agency forgave \$10,000 on the two loans outstanding.

NOTE 6 - LAND HELD FOR REDEVELOPMENT

Land held for redevelopment is carried in the financial statements at the lower of cost or estimated net realizable value. The Agency did not purchase or sell any land during the fiscal year ended June 30, 2003.

NOTE 7 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

With the implementation of GASB Statement 34, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS (Continued)

Building and Building Improvements	40 years
Improvements Other than Buildings	25-75 years
Streets and Infrastructure	25-100 years
Machinery and Equipment	5-25 years
Vehicles	5 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

A. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003
Governmental Activities				
Capital assets not being depreciated:				
Land	\$10,353,097			\$10,353,097
Construction in progress		\$1,837,572		1,837,572
Total capital assets not being depreciated	10,353,097	\$1,837,572		12,190,669
Capital assets being depreciated:				
Buildings and building improvements	11,730,385	30,143		11,760,528
Improvements other than buildings	135,682	81,176		216,858
Streets and infrastructure	22,070,476	339,113		22,409,589
Machinery and Equipment	2,497,140	150,525		2,647,665
Vehicles	2,160,214	217,858	(\$167,291)	2,210,781
Total capital assets being depreciated	38,593,897	818,815	(167,291)	39,245,421
Less accumulated depreciation for:				
Buildings and building improvements	4,653,246	273,460		\$4,926,706
Improvements other than buildings	135,682	3,247		138,929
Streets and infrastructure	7,471,316	616,914		8,088,230
Machinery and Equipment	1,795,516	263,156		2,058,672
Vehicles	1,289,490	351,998	(167,291)	1,474,197
Total accumulated depreciation	15,345,250	1,508,775	(167,291)	16,686,734
Total depreciable assets	23,248,647	(689,960)		22,558,687
Governmental activity capital assets, net	\$33,601,744	\$1,147,612		\$34,749,356

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance <u>June 30, 2002</u>	Additions	Transfers	Balance <u>June 30, 2003</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$14,793			\$14,793
Construction in progress	<u>4,034,693</u>	<u>\$1,283,231</u>	<u>(\$5,089,434)</u>	<u>228,490</u>
Total capital assets not being depreciated	<u>4,049,486</u>	<u>1,283,231</u>	<u>(5,089,434)</u>	<u>243,283</u>
Capital assets being depreciated:				
Improvements other than buildings	8,495,956		5,089,434	13,585,390
Machinery and Equipment	<u>189,649</u>			<u>189,649</u>
Total capital assets being depreciated	<u>8,685,605</u>		<u>5,089,434</u>	<u>13,775,039</u>
Less accumulated depreciation				
Improvements other than buildings	3,731,921	446,694		4,178,615
Machinery and Equipment	<u>140,741</u>	<u>32,838</u>		<u>173,579</u>
Total accumulated depreciation	<u>3,872,662</u>	<u>479,532</u>		<u>4,352,194</u>
Total depreciable assets	<u>4,812,943</u>	<u>(479,532)</u>	<u>5,089,434</u>	<u>9,422,845</u>
Business-type activity capital assets, net	<u>\$8,862,429</u>	<u>\$803,699</u>		<u>\$9,666,128</u>

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities	
General government	\$362,885
Highways and streets	474,444
Culture and recreation	142,470
Urban redevelopment	27,280
Depreciation charged to internal service funds	<u>501,696</u>
Total Governmental Activities	<u>\$1,508,775</u>
Business-Type Activities	
Sewer	\$400,494
Storm drainage	<u>79,038</u>
Total Business-Type Activities	<u>\$479,532</u>

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 - LONG TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

This debt will be repaid only out of governmental funds but is not accounted for in these funds because this debt does not require an appropriation or expenditure in this accounting period.

Proprietary Fund (Enterprise) long-term debt is accounted for in the proprietary funds, which will repay the debt because these funds are accounted for on the full-accrual basis in a similar manner to commercial operations.

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

A. Current Year Transactions and Balances

	Balance June 30, 2002	Retirements	Balance June 30, 2003	Current Portion
GOVERNMENTAL ACTIVITY DEBT				
Redevelopment Long-Term Bonds Payable:				
1996 Series Housing Set-Aside Bonds,				
6 5%-7 75%, due serially to 2016	\$2,815,000	(\$110,000)	\$2,705,000	\$115,000
1999 Series A Refunding Bonds,				
4 375%-5 7%, due serially to 2029	14,825,000	(420,000)	14,405,000	440,000
1999 Series B Subordinated Bonds,				
3 6%-5 8%, due serially to 2029	8,620,000		8,620,000	155,000
Subtotal	<u>26,260,000</u>	<u>(530,000)</u>	<u>25,730,000</u>	<u>710,000</u>
Note Payable:				
Oracle Owner Participation Agreement				
LAIF rate, due 2025	2,433,580	(83,968)	2,349,612	2,039,726
Total Governmental Activity Debt:	<u>28,693,580</u>	<u>(613,968)</u>	<u>28,079,612</u>	<u>2,749,726</u>
BUSINESS-TYPE ACTIVITY DEBT				
2001 Sewer Revenue Bonds				
4 375%-5 00%, due semiannually to 2031	7,500,000	(85,000)	7,415,000	140,000
Total Long-Term Obligations	<u>\$36,193,580</u>	<u>(\$698,968)</u>	<u>\$35,494,612</u>	<u>\$2,889,726</u>

B. Summary of Debt Issues

On April 1, 1996 the Redevelopment Agency issued \$3,265,000 principal amount of Los Costanos Community Development Project Area **Housing Set-Aside Tax Allocation Bonds (Taxable), Series 1996**. Proceeds from the Bonds were used to increase, improve and preserve low and moderate income housing in the project area. Interest is due semiannually on February 1 and August 1 and principal is due annually on August 1 and is repayable from incremental property tax revenues required to be set aside to fund low and moderate income housing projects.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 - LONG TERM DEBT (Continued)

On December 1, 1999 the Redevelopment Agency approved the issuance of \$15,490,000 and \$8,725,000 principal amounts of Los Costanos Community Development Project **Senior Tax Allocation Refunding, Series 1999A and Subordinated Tax Allocation Bonds, Series 1999B**. Proceeds from the 1999A Bonds were used to repay the Note Payable to the City and advance refund the Subordinated Tax Allocation Bonds, Series 1994A and 1992A (Prior Bonds). Series 1999A proceeds along with funds remaining from the Prior Bonds were used to acquire US government securities, which were placed in irrevocable trusts to be used to repay all future debt service on the Prior Bonds. The Prior Bonds are considered defeased and have been removed, along with the trusts, from the Agency's financial statements. The balance outstanding on the Prior Bonds at June 30, 2003 was \$10,370,000.

Proceeds from the Series 1999B Bonds are to be used to finance various redevelopment projects. Interest is due semiannually on February 1 and August 1 commencing February 1, 2000 and principal is due annually on August 1 commencing August 1, 2000. Debt service on the 1999A bonds is repayable from incremental property tax revenues, net of low and moderate income housing set-asides required by State law. The 1999B Bonds are subordinated to the Agency's obligation to pay debt service on the 1999A Bonds and certain pass-through amounts owed to other government agencies.

On October 27, 1998 the Agency entered into a **Development Agreement with Oracle Corporation** to develop property owned by Oracle. The City received proceeds of \$3,000,000 from Oracle to be used for the development of roadway improvements adjacent to the property. These amounts will be repaid with future sales tax revenues in excess of \$100,000 annually from the developed area over twenty-five years. The City has budgeted to repay principal on the note in the amount of \$2,039,726 in fiscal 2004. This amount has been reflected as current in the accompanying financial statements.

On December 5, 2001 the Authority issued \$7,500,000 principal amount of **Sewer Revenue Bonds, Series 2001**. Proceeds will be used to rehabilitate and improve the City's sanitary sewer system. Interest is due semiannually on February 1 and August 1 and principal is due annually on August 1 and is repayable from sewer service charges net of operating and maintenance expenses.

The Agency has **Cash and Investments with Fiscal Agent** at June 30, 2003 pledged for the payment or security of the Tax Allocation Bonds and Sewer Revenue Bonds. The California Government Code requires these funds to be invested in accordance with any applicable City ordinance, resolution or bond indenture, unless there are specific State statutes governing their investment. All these funds have been invested only as permitted by either the above Code or applicable trust agreement.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 - LONG TERM DEBT (Continued)

C. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt with specified repayment terms:

For the Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2004	\$2,749,725	\$1,471,266	\$140,000	\$350,701
2005	850,000	1,380,385	145,000	344,467
2006	885,000	1,341,175	140,000	338,232
2007	929,887	1,299,804	150,000	331,889
2008	860,000	1,255,551	160,000	325,108
2009-2013	5,025,000	5,533,086	860,000	1,516,819
2014-2018	6,275,000	3,912,333	1,075,000	1,303,856
2019-2023	4,640,000	2,371,180	1,340,000	1,019,662
2024-2028	4,295,000	1,002,181	1,705,000	645,970
2029-2033	1,570,000	91,796	1,700,000	175,000
Total	\$28,079,612	\$19,658,757	\$7,415,000	\$6,351,704

NOTE 9 – NET ASSETS AND FUND BALANCES

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity, which provided the funds. The City cannot modify or remove these restrictions or reserves.

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action.

Reserves for **prepaids, long term interfund receivables, and land held for redevelopment** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserve for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserve for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long term liabilities.

Reserve for **capital projects** is the portion of fund balance or retained earnings legally restricted for use on capital outlay projects

Reserve for **low and moderate income housing** is the portion of fund balance to be used for providing low and moderate income housing.

Reserve for **advance to other funds** is the portion of fund balance is not available for current expenditure because of the long-term nature of these advances

Designated for **capital projects** is the portion of fund balance to be used for budgeted future capital outlay projects.

C. *Restatement*

In accordance with GASB 34 requirements, the City changed its method of accounting for the following items:

As of July 1, 2002 the Agency removed an advance of \$128,876 recorded in the General Long-Term Obligations Account Group and recorded it in the Redevelopment Agency Special Revenue Fund. The effect of this change was to eliminate liabilities of \$128,876 in the General Long-Term Obligations Account Group, and record the liability and a reduction of fund balances of \$128,876 in the Redevelopment Agency Special Revenue Fund.

As of July 1, 2002 the City closed contributed capital in the amount of \$7,627 and \$7,242,912 to beginning net assets recorded in Internal Service and Enterprise Funds, respectively.

D. *Fund Deficits*

As of June 30, 2003 the Co-Sponsored Recreation, Development Services and Redevelopment Agency Special Revenue Funds had fund deficits amounting to \$104,921, \$244,451 and \$128,876, respectively. These fund deficits are expected to be repaid from future revenues.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2003, are summarized as follows:

	<u>Safety (Police)</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2%-2.7%	1.426%-2.418
Required employee contribution rates	9%	7%
Required employer contribution rates	0%	0%

All qualified permanent and probationary employees are eligible to participate in CALPERS. A credited service year is one year of full time employment. The City's labor contracts require it to pay the employees contributions as well as its own. These benefit provisions and all other requirements are established by state statute and City ordinance. Contributions necessary to fund CALPERS on an actuarial basis are determined by CALPERS and its Board of Administration.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2003, 2002 and 2001 amounted to \$638,064, \$627,794, and \$554,286 respectively.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 8.25% is assumed, including inflation rate at 3.5%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS (Continued)

CALPERS' latest available actuarial value (which differs from market value) and funding progress are set forth below at their actuarial valuation date of June 30:

Safety Plan

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
1999	\$14,223,149	\$18,029,648	(\$3,806,499)	127%	\$2,190,808	(173.749%)
2000	15,322,647	19,585,571	(4,262,924)	127.8%	2,115,802	(201.480%)
2001	16,691,827	19,827,694	(3,135,867)	118.8%	2,160,115	(145.171%)

Miscellaneous Plan

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
1999	\$13,357,945	\$17,647,404	(\$4,289,459)	132.1%	\$4,538,137	(94.520%)
2000	15,336,585	19,686,037	(4,349,452)	128.4%	4,802,416	(90.568%)
2001	16,466,288	20,502,563	(4,036,275)	124.5%	5,220,409	(77.317%)

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

The market value of the net assets held for pension benefits in the Plans changed as follows during the year ended June 30, 2001, the latest available:

	Safety	Miscellaneous
Beginning Balance 6/30/00	\$19,585,571	\$19,686,037
Contributions received	199,657	366,636
Benefits and Refunds Paid	(863,700)	(592,072)
Miscellaneous adjustments	(1,315)	(17,620)
Expected Investment Earnings Credited	1,588,908	1,614,271
Expected Actuarial Value of Assets 6/30/01	\$20,509,121	\$21,057,252
Market Value of Assets 6/30/01	\$18,464,840	\$19,393,185
Actuarial Value of Assets 6/30/01	\$19,827,694	\$20,502,563

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS (Continued)

B. *Postemployment Health Care Benefits*

The City pays a portion of insurance premiums to provide health care benefits for retired employees as required by bargaining unit agreements. Current City employees who retire after reaching age 50 with at least 10 to 15 years of service are eligible for benefits. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. During the year ended June 30, 2003 the City paid \$216,823 on behalf of 52 retirees who were participating in the plan.

C. *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 this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plan.

The City has no liability for any losses incurred by the Plan and does not participate in any gains, but it does have the duty of due care that would be required of an ordinary prudent investor. The City has contracts with various Administrators to manage and invest the assets of the Plan. The administrators pool the assets of the Plan with those of other participants and do not make separate investments for the City. The assets in the Plan are the sole property of the participants or their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements. The Plan requires investments to be stated at fair market value and it requires all gains and losses on Plan investments to accrue directly to Participants accounts.

NOTE 11 – RISK MANAGEMENT

A. *Liability Coverage*

The City purchases commercial insurance against general liability with coverage of \$20,000,000 per occurrence above the City's \$100,000 self-insured retention, automotive liability with coverage of \$1,000,000, above the City's self-insured retention of \$1,000 and property with coverage at the replacement value of the property above the City's self-insured retention of \$1,000.

B. *Workers Compensation Coverage*

Effective July 1, 1996 the City purchases commercial insurance for workers compensation coverage up to statutory limits. The City has no deductible for these losses. Prior to that date the City was self insured or had a deductible of \$275,000 on workers' compensation.

C. *Liability for Uninsured Claims*

The City provides for the uninsured portion of claims and judgments in the Workers' Compensation and General Liability Internal Service Funds. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed, above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11 – RISK MANAGEMENT (Continued)

For the years ended June 30, 2003, 2002 and 2001 the amount of settlements did not exceed insurance coverage.

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by management based on prior years claims experience as follows:

	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>
Balance, July 1	\$382,489	\$519,000	\$671,284
Net change in liability for claims and claims paid but not reported	630,978	67,664	19,230
Claims paid	<u>(402,972)</u>	<u>(204,175)</u>	<u>(171,514)</u>
Balance, June 30	<u>\$610,495</u>	<u>\$382,489</u>	<u>\$519,000</u>

NOTE 12 – JOINT VENTURES

The City participates in the joint ventures discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City generally does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

A. Equity interests

The City has recorded its equity interest in the follow joint ventures:

South County Fire Authority (SCFA) was formed in 1979 between the Cities of San Carlos and Belmont on an equal basis to provide more efficient fire protection services for the two cities. Any assets used by the Fire Authority but owned by the member agencies prior to the creation of the Fire Authority remain the property of the members. Each member contributes its pro rata share of operating costs to the Fire Authority. The City contributed \$4,420,000 to the Fire Authority for the year ended June 30, 2003 for fire protection services. Financial statements may be obtained by mailing a request to South County Fire Authority, Inc., 666 Elm Street, San Carlos, CA 94070.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12 – JOINT VENTURES (Continued)

South Bayside System Authority (SBSA) was formed in 1975 between the Cities of San Carlos, Belmont and Redwood City and the Menlo Park Sanitary District to operate a wastewater treatment facility commonly known as South Bayside System Authority. The cost of operating and maintaining the facility is divided in proportion to the volume of sewage entering from each member entity. The City's contribution toward the cost of operating and maintaining the facility during the year ended, June 30, 2003 was \$900,390. Financial statements may be obtained by mailing a request to the South Bayside System Authority, 1400 Radio Road, Redwood City, CA 94065.

The City has an equity interest in the assets of SBSA, which has been recorded as Investment in SBSA in the Sewer Operations Enterprise Fund. As of June 30, 2003 the City's equity amounted to \$5,349,667.

B. Jointly Governed Organizations

The City also participates in the following jointly governed organization under which it is obligated to fund annual operating costs, but there is no on going equity interest in the assets of the organizations:

Family and Community Enrichment Services, Inc., was formed in 1988 between the Cities of Belmont and San Carlos, the Unified School Districts of Belmont and San Carlos and the Sequoia Union High School District to prevent students from dropping out of school. FACES budgets for its annual expenses and then seeks funding from grants and the public. Based on the level of service provided to each agency, the members contribute any remaining operating needs. Financial statements may be obtained by mailing a request to Family and Community Enrichment Services, Inc., 1607 Industrial Way, Belmont, CA 94002.

City/County Association of Governments of San Mateo County (C/CAG) was formed in 1990 between the various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The City's contribution to C/CAG was \$74,591 for the year ended June 30, 2003. Financial statements may be obtained by mailing a request to the City San Carlos, 666 Elm Street, San Carlos, CA 94070.

Inter-City Transportation System Management Agency was formed in 1989 between the Cities of Belmont, Foster City, Redwood City, San Carlos and San Mateo to attempt to mitigate traffic congestion. The Agency is funded through a Countywide sales tax levied for transportation systems improvements.

South Bayside Transfer Station Authority (SBTSA) was established between the Cities of Atherton, Belmont, Burlingame, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, Hillsborough and East Palo Alto, the County of San Mateo, and Westbay Sanitary District for the purpose of setting up a franchise agreement with Browning-Ferris Industries to provide garbage collection and transfer station services. The Authority will be terminated and the entity South Bayside Waste Management Authority was formed (as discussed below). Financial statements may be obtained by mailing a request to the City San Carlos, 600 Elm Street, San Carlos, CA 94070.

South Bayside Waste Management Authority (SBWMA) is a joint powers agreement formed in October 13, 1999. Members of the South Bayside Waste Management Authority currently include the cities of Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, as well as the West Bay Sanitary District and the County of San Mateo. The Members are required by AB939 to reduce, recycle and reuse solid waste generated within their respective jurisdictions and to provide source reduction, recycling and composting activities. The South Bayside Waste Management Authority's purpose is to assist its members in meeting these requirements.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12 – JOINT VENTURES (Continued)

Southern San Mateo Police Authority was established in 1999 pursuant to a joint power agreement to establish, implement, oversee and maintain a consolidated police dispatch and records system for the following municipal members: City of Belmont, City of Foster City, Town of Hillsborough, City of Redwood City, and City of San Carlos. Financial statements may be obtained by mailing a request to the City of Belmont, 1070 Sixth Avenue, Belmont, CA 94002.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, which is likely to have a material adverse effect on the financial position of the City.

The City participates in Federal, State and local grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act of 1984 including 1996 amendments and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

In March 2001, the voters approved the issuance of bonds for \$8.6 million, which will be repaid by the levy of a Special Tax for the building of a new library in the City of Belmont. The proposed \$15.9 million project, which assumes funding of a local match (35%) and state grant funds or other sources (65%). The costs of the project also include the necessary equipment and facilities required to relocate the existing library to the new location, the improvements to the park area adjacent to the library, the ongoing maintenance of the library and the incidental expenses to be incurred in connection with financing the project.

The City appointed a task force to work on the conceptual design of the new library. This project is scheduled to be completed in 2005, provided funding is in place and construction begins as scheduled.

NOTE 14 - GRADE SEPARATION PROJECT

The Ralston, Harbor, Holly grade separation project, which was opened for thru traffic in fiscal 2000, is an overpass that separates CalTrain from surface level traffic on Ralston, Harbor, and Holly Avenues. The City has agreements with the San Mateo County Transportation Authority (SMCTA) and CalTrans under which it reimbursed a significant portion of project costs.

As part of its duties under the agreements, SMCTA reviews grade separation project costs as they are incurred to determine the eligibility of the costs for reimbursement under the various state and local grant agreements. As of the date of this report, SMCTA informed management that it had concluded its cost eligibility reviews and considered the Project closed. Amounts recorded as receivable from SMCTA were netted against Advances due back to SMTA. Cash on hand representing funds advanced by SMCTA have been reflected as Advances from SMCTA.

SMCTA has advanced funds to cover project expenditures until grant reimbursements are received. These balances are presented as Advance from SMCTA in the accompanying financial statements in the amount of \$2,008,681 at June 30, 2003.

The City combined for project management purposes with a neighboring City, which undertook a related project. Separate financial statements for this Ralston Harbor Holly Grade Separation Project are available at the City of Belmont, Finance Department at 1070 Sixth Avenue, Belmont, California, 94002.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 15 – REDEVELOPMENT PASS THROUGH AGREEMENTS & ERAF SHIFT

The Agency has an agreement executed with San Mateo County under which it passes through a portion of the property tax increments it would otherwise have received. During fiscal 2002-2003 the Agency passed through \$1,482,026 to the County.

The Agency has a fiscal agreement executed in March 1991 with the San Mateo County Office of Education, San Mateo County Community College District, Belmont School District and Sequoia Union High School District, the taxing agencies in existence when the Los Costanos Community Development Plan was amended. Under the agreement, the Agency is obligated to pass through to these agencies a portion of the property tax increments it would otherwise have received. The Agency obligation under the agreement is subordinated to and limited to property tax increment revenues available after deducting pass-through payments to San Mateo County, debt service from certain debt, low and moderate income set-asides and administrative expenses. The total amount of tax increments received in 2002-03 to be passed through had been calculated to be \$1,389,355.

During fiscal 2002-2003, the State of California directed that a portion of the incremental property taxes which had been received in prior years by redevelopment agencies be paid instead to local education agencies. During the above period, the Agency received \$106,733 less in current year tax increments as a result of the State's directive.

The State also directed that the above amounts be included in the Agency's total incremental property tax receipts for purposes of calculating the amounts to be set aside for Low and Moderate Income Housing.

**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

Redevelopment Agency Debt Service Fund – To account for payment and interest on the 1999 Series A and B Tax Allocation Bonds and related costs.

City Hall Retrofit/Police Facilities Capital Projects Fund - To account for the design and construction of improvements to City Hall. These improvements include the police facility and retrofit of City Hall.

RDA Projects Capital Projects Fund – To account for improvements in the downtown area.

CITY OF BELMONT
REDEVELOPMENT AGENCY DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Taxes	\$3,674,150	\$5,193,258	\$1,519,108
Use of money and property	<u>34,838</u>	<u>83,167</u>	<u>48,329</u>
Total Revenues	<u>3,708,988</u>	<u>5,276,425</u>	<u>1,567,437</u>
EXPENDITURES			
Current:			
Miscellaneous	1,312,669	2,735,148	(1,422,479)
Debt service:			
Principal	944,734	420,000	524,734
Interest and fiscal charges	<u>1,249,653</u>	<u>1,230,352</u>	<u>19,301</u>
Total Expenditures	<u>3,507,056</u>	<u>4,385,500</u>	<u>(878,444)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>201,932</u>	<u>890,925</u>	<u>688,993</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		<u>(393,598)</u>	<u>(393,598)</u>
Total Other Financing Sources (Uses)		<u>(393,598)</u>	<u>(393,598)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$201,932</u>	497,327	<u>\$295,395</u>
BEGINNING FUND BALANCES		<u>3,532,447</u>	
ENDING FUND BALANCES		<u>\$4,029,774</u>	

CITY OF BELMONT
CITY HALL RETROFIT/POLICE FACILITIES FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$99,234	\$69,731	(\$29,503)
Total Revenues	99,234	69,731	(29,503)
EXPENDITURES			
Current			
General government	5,513,340	595,667	4,917,673
Total Expenditures	5,513,340	595,667	4,917,673
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$5,414,106)	(525,936)	\$4,888,170
BEGINNING FUND BALANCES		6,009,646	
ENDING FUND BALANCES		\$5,483,710	

CITY OF BELMONT
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$151,966	\$208,289	\$56,323
Total Revenues	151,966	208,289	56,323
EXPENDITURES			
Capital outlay:			
Highways and streets	4,933,046	108,489	4,824,557
Total Expenditures	4,933,046	108,489	4,824,557
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$4,781,080)	99,800	\$4,880,880
BEGINNING FUND BALANCES		8,067,721	
ENDING FUND BALANCES		\$8,167,521	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Co-Sponsored Recreation Fund – To account for certain recreation programs where the major portion of the expenditures are financed by user fees.

Development Services - To account for resources received from current planning and building inspection fees and permits.

Supplemental Law Enforcement Services Fund - To account for resources received from the State of California to be spent on front line law enforcement needs.

Law Enforcement Block Grant - To account for law enforcement resources from the U.S. Department of Justice to use for projects to reduce crime and improve public safety.

Public Safety Grants - To account for grants for the purchase of public safety equipment.

Street Maintenance State Gasoline Tax Fund – To account for gas tax resources restricted for expenditure on streets.

Street Improvements - Measure A/Grants Fund – To account for the City's portion of the special half cent sales tax receipts restricted for street expenditures and other street related grants.

Traffic Mitigation – To account for resources received and to be expended on relieving traffic congestion.

COPSMORE 96 - To account for grant revenues received from the U.S. Department of Justice restricted for expenditures related to public safety information technology. The City of Belmont is the lead grant agency for four other cities in San Mateo County.

Benefit Stabilization - To account for certain accrued employee benefits.

Redevelopment Agency Fund – To account for resources received through the City of Belmont Redevelopment Agency not accounted for in the Low and Moderate Income Housing Fund.

DEBT SERVICE FUND

General Debt Service Fund – To account for payment of interest and principal on general debt service of the City and related costs, which include the Oracle Owner Participation Agreement.

CAPITAL PROJECTS FUNDS

General Facilities Fund – To account for the construction and maintenance of improvements to general-use City facilities.

Ralston/Rt. 101 Interchange - Island Park Capital Projects Fund – To account for funding and construction of improvements to the direct access to highway 101 at Ralston Avenue.

Planned Park Fund – To account for the acquisition and improvement of parks, playgrounds, and recreation facilities.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Open Space – To account for the accumulation of resources for the acquisition of open space.

Special Assessment District – To account for maintenance and improvement costs within City's Special Assessment District boundaries. Resources represent funds remaining after the retirement of Special Assessment Debt.

Library Fund – To account for design and construction of a new City Library.

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CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2003

SPECIAL REVENUE FUNDS

	<u>Co-Sponsored Recreation</u>	<u>Development Services</u>	<u>Supplemental Law Enforcement Services</u>	<u>Law Enforcement Block Grants</u>	<u>Public Safety Grants</u>
ASSETS					
Cash and investments				\$2,058	\$56,080
Receivables:					
Accounts		\$76,001			
Due from other governmental agencies					
Prepays and other assets					
Total Assets		<u>\$76,001</u>		<u>\$2,058</u>	<u>\$56,080</u>
LIABILITIES					
Accounts payable, compensated absences, and other liabilities / contracts payable	\$21,702	\$9,262			\$889
Deposits	16,753	725			252
Deferred revenue					
Due to other funds	1,529	135,263			
Long-term interfund payables	64,937	175,202			
Total Liabilities	<u>104,921</u>	<u>320,452</u>			<u>1,141</u>
FUND EQUITY					
Fund balances					
Reserved for debt service					
Reserved for encumbrances		54,075			746
Reserved for capital projects					
Unreserved:					
Designated for capital projects					
Undesignated	(104,921)	(298,526)		\$2,058	54,193
Total Fund Balances (Deficits)	<u>(104,921)</u>	<u>(244,451)</u>		<u>2,058</u>	<u>54,939</u>
Total Liabilities and Fund Balances		<u>\$76,001</u>		<u>\$2,058</u>	<u>\$56,080</u>

SPECIAL REVENUE FUNDS

<u>Street Maintenance State Gasoline Tax</u>	<u>Street Improvements Measure A/Grants</u>	<u>Traffic Mitigation</u>	<u>COPSMORE 96</u>	<u>Benefit Stabilization</u>	<u>Redevelopment Agency</u>
\$39,548	\$10,677	\$83,251		\$171,061	\$29,467
650	475,265				
55,013	33,231		\$89,858		
<u>\$95,211</u>	<u>\$519,173</u>	<u>\$83,251</u>	<u>\$89,858</u>	<u>\$171,061</u>	<u>\$29,467</u>
\$25,912	\$218,179			\$169,989	\$29,467
69,299			\$57,142		
					128,876
<u>95,211</u>	<u>218,179</u>		<u>57,142</u>	<u>169,989</u>	<u>158,343</u>
	1,401,539				27,426
	(1,100,545)	\$83,251	32,716	1,072	(156,302)
	300,994	83,251	32,716	1,072	(128,876)
<u>\$95,211</u>	<u>\$519,173</u>	<u>\$83,251</u>	<u>\$89,858</u>	<u>\$171,061</u>	<u>\$29,467</u>

(Continued)

CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2003

	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
	General Debt Service	General Facilities Fund	Ralston/Rte. 101 Interchange- Island Park	Planned Park Fund
ASSETS				
Cash and investments	\$177	\$947,511	\$2,443,841	\$353,439
Receivables:				
Accounts				
Due from other governmental agencies				
Prepays and other assets				
Total Assets	<u>\$177</u>	<u>\$947,511</u>	<u>\$2,443,841</u>	<u>\$353,439</u>
LIABILITIES				
Accounts payable, compensated absences, and other liabilities / contracts payable			\$31,881	\$172
Deposits				
Deferred revenue				
Due to other funds				
Long-term interfund payables				
Total Liabilities			<u>31,881</u>	<u>172</u>
FUND EQUITY				
Fund balances				
Reserved for debt service	\$177			
Reserved for encumbrances		\$15,300	220,733	
Reserved for capital projects			2,191,227	
Unreserved:				
Designated for capital projects		932,211		
Undesignated				353,267
Total Fund Balances (Deficits)	<u>177</u>	<u>947,511</u>	<u>2,411,960</u>	<u>353,267</u>
Total Liabilities and Fund Balances	<u>\$177</u>	<u>\$947,511</u>	<u>\$2,443,841</u>	<u>\$353,439</u>

The following table shows the amount of the total nonmajor governmental funds available for capital projects as of 12/31/2010.

CAPITAL PROJECTS FUNDS

<u>Open Space</u>	<u>Special Assessment District</u>	<u>Library Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$2,130	\$251,727		\$4,390,967
		\$25,000	576,916
		267,586	178,102
			267,586
<u>\$2,130</u>	<u>\$251,727</u>	<u>\$292,586</u>	<u>\$5,413,571</u>
	\$4,156	\$32,978	\$544,587
		209,760	17,730
		49,848	209,760
			313,081
			369,015
	<u>4,156</u>	<u>292,586</u>	<u>1,454,173</u>
			177
			1,719,819
			2,191,227
\$2,130	247,571		1,179,782
			(1,131,607)
<u>2,130</u>	<u>247,571</u>		<u>3,959,398</u>
<u>\$2,130</u>	<u>\$251,727</u>	<u>\$292,586</u>	<u>\$5,413,571</u>

CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

SPECIAL REVENUE FUNDS

	Co-Sponsored Recreation	Development Services	Supplemental Law Enforcement	Law Enforcement Block Grant	Public Safety Grants
REVENUES					
Taxes					
Licenses and permits		\$401,837			
Use of money and property	\$14,661		\$1,214	\$33	\$759
Intergovernmental			100,000	3,227	19,183
Charges for current services	687,637	1,013,057			
Miscellaneous	11,892	5,194			9,020
Total Revenues	714,190	1,420,088	101,214	3,260	28,962
EXPENDITURES					
Current					
Public safety		631,402	137,765	7,683	28,509
Highways and streets		400,597			
Culture and recreation	1,001,801				
Urban redevelopment		457,337			
Miscellaneous					
Capital outlay					
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	1,001,801	1,489,336	137,765	7,683	28,509
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(287,611)	(69,248)	(36,551)	(4,423)	453
OTHER FINANCING SOURCES (USES)					
Transfers in	247,627		23,537	6,481	
Transfers (out)					
Total Other Financing Sources (Uses)	247,627		23,537	6,481	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(39,984)	(69,248)	(13,014)	2,058	453
BEGINNING FUND BALANCES (DEFICITS) (as restated)	(64,937)	(175,203)	13,014		54,486
ENDING FUND BALANCES (DEFICITS)	(\$104,921)	(\$244,451)		\$2,058	\$54,939

SPECIAL REVENUE FUNDS

Street Maintenance State Gasoline Tax	Street Improvements Measure A Grants	Traffic Mitigation	COPSMORE 96	Benefit Stabilization	Redevelopment Agency
\$703,228	\$352,815				
	2,583	\$990		\$1,292	\$18,591
3,267	804,532		\$14,696		
82	250				
<u>706,577</u>	<u>1,160,180</u>	<u>990</u>	<u>14,696</u>	<u>1,292</u>	<u>18,591</u>
1,245,802					
				220	412,189
2,829	1,414,671		17,313		
<u>1,248,631</u>	<u>1,414,671</u>		<u>17,313</u>	<u>220</u>	<u>412,189</u>
(542,054)	(254,491)	990	(2,617)	1,072	(393,598)
539,548					393,598
	(39,548)				
<u>539,548</u>	<u>(39,548)</u>				<u>393,598</u>
(2,506)	(294,039)	990	(2,617)	1,072	
2,506	595,033	82,261	35,333		(128,876)
	<u>\$300,994</u>	<u>\$83,251</u>	<u>\$32,716</u>	<u>\$1,072</u>	<u>(\$128,876)</u>

(Continued)

CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
	General Debt Service	General Facilities Fund	Ralston/Rte 101 Interchange- Island Park	Planned Park Fund
REVENUES				
Taxes	\$176			\$30,000
Licenses and permits				
Use of money and property		\$42,211	\$48,318	4,268
Intergovernmental				
Charges for current services				
Miscellaneous				
Total Revenues	<u>176</u>	<u>42,211</u>	<u>48,318</u>	<u>34,268</u>
EXPENDITURES				
Current				
Public safety				
Highways and streets				
Culture and recreation				
Urban redevelopment				
Miscellaneous	1,866			
Capital outlay		14,145	1,348,792	43,024
Debt service:				
Principal	83,968			
Interest and fiscal charges	118,759			
Total Expenditures	<u>204,593</u>	<u>14,145</u>	<u>1,348,792</u>	<u>43,024</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(204,417)</u>	<u>28,066</u>	<u>(1,300,474)</u>	<u>(8,756)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	204,594			
Transfers (out)	(13,343)		(286,380)	
Total Other Financing Sources (Uses)	<u>191,251</u>		<u>(286,380)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(13,166)</u>	<u>28,066</u>	<u>(1,586,854)</u>	<u>(8,756)</u>
BEGINNING FUND BALANCES (DEFICITS) (as restated)	<u>13,343</u>	<u>\$919,445</u>	<u>3,998,814</u>	<u>362,023</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$177</u>	<u>\$947,511</u>	<u>\$2,411,960</u>	<u>\$353,267</u>

The following table shows the amount of capital projects funds available for the fiscal year 2015. The amount of capital projects funds available for the fiscal year 2015 is \$3,959,398. The amount of capital projects funds available for the fiscal year 2015 is \$3,959,398.

CAPITAL PROJECTS FUNDS

<u>Open Space</u>	<u>Special Assessment District</u>	<u>Library Fund</u>	<u>Total Nonmajor Governmental Funds</u>
			\$1,086,219
			401,837
\$25	\$2,993	\$76	138,014
		25,000	966,638
			1,703,961
			26,438
<u>25</u>	<u>2,993</u>	<u>25,076</u>	<u>4,323,107</u>
			805,359
			1,646,399
			1,001,801
			869,526
			2,086
		25,076	2,865,850
			83,968
			118,759
		<u>25,076</u>	<u>7,393,748</u>
<u>25</u>	<u>2,993</u>		<u>(3,070,641)</u>
			1,415,385
			(339,271)
			1,076,114
25	2,993		(1,994,527)
<u>2,105</u>	<u>244,578</u>		<u>5,953,925</u>
<u>\$2,130</u>	<u>\$247,571</u>		<u>\$3,959,398</u>

CITY OF BELMONT
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

SPECIAL REVENUE FUNDS

	CO-SPONSORED RECREATION			DEVELOPMENT SERVICES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits				\$590,000	\$401,837	(\$188,163)
Use of money and property	\$15,270	\$14,661	(\$609)	3,576		(3,576)
Intergovernmental						
Charges for current services	765,736	687,637	(78,099)	1,018,572	1,013,057	(5,515)
Miscellaneous	14,500	11,892	(2,608)	2,750	5,194	2,444
Total Revenues	795,506	714,190	(81,316)	1,614,898	1,420,088	(194,810)
EXPENDITURES						
Current						
Public safety				793,579	631,402	162,177
Highways and streets				378,087	400,597	(22,510)
Culture and recreation	1,047,497	1,001,801	45,696			
Urban redevelopment				485,911	457,337	28,574
Miscellaneous						
Capital outlay:						
General government						
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,047,497	1,001,801	45,696	1,657,577	1,489,336	168,241
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(251,991)	(287,611)	(35,620)	(42,679)	(69,248)	(26,569)
OTHER FINANCING SOURCES (USES)						
Proceeds of long-term borrowings						
Transfers in	247,627	247,627				
Transfers (out)						
Total Other Financing Sources (Uses)	247,627	247,627				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$4,364)	(39,984)	(\$35,620)	(\$42,679)	(69,248)	(\$26,569)
BEGINNING FUND BALANCES (DEFICITS) (as restated, Note 9)		(64,937)			(175,203)	
ENDING FUND BALANCES (DEFICITS)		(\$104,921)			(\$244,451)	

SPECIAL REVENUE FUNDS

SUPPLEMENTAL LAW ENFORCEMENT SERVICES			LAW ENFORCEMENT BLOCK GRANT			PUBLIC SAFETY GRANTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$540	\$1,214	\$674	\$102	\$33	(\$69)	\$117	\$759	\$642
100,000	100,000		7,500	3,227	(4,273)	35,000	19,183	(15,817)
						4,040	9,020	4,980
<u>100,540</u>	<u>101,214</u>	<u>674</u>	<u>7,602</u>	<u>3,260</u>	<u>(4,342)</u>	<u>39,157</u>	<u>28,962</u>	<u>(10,195)</u>
115,980	137,765	(21,785)	17,668	7,683	9,985	46,352	28,509	17,843
<u>115,980</u>	<u>137,765</u>	<u>(21,785)</u>	<u>17,668</u>	<u>7,683</u>	<u>9,985</u>	<u>46,352</u>	<u>28,509</u>	<u>17,843</u>
<u>(15,440)</u>	<u>(36,551)</u>	<u>(21,111)</u>	<u>(10,066)</u>	<u>(4,423)</u>	<u>5,643</u>	<u>(7,195)</u>	<u>453</u>	<u>7,648</u>
16,468	23,537	7,069	6,481	6,481				
<u>16,468</u>	<u>23,537</u>	<u>7,069</u>	<u>6,481</u>	<u>6,481</u>				
<u>\$1,028</u>	<u>(13,014)</u>	<u>(\$14,042)</u>	<u>(\$3,585)</u>	<u>2,058</u>	<u>\$5,643</u>	<u>(\$7,195)</u>	<u>453</u>	<u>\$7,648</u>
	<u>13,014</u>						<u>54,486</u>	
				<u>\$2,058</u>			<u>\$54,939</u>	

(Continued)

CITY OF BELMONT
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	SPECIAL REVENUE FUNDS					
	STREET MAINTENANCE STATE GASOLINE TAX			STREET IMPROVEMENTS MEASURE A GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$709,240	\$703,228	(\$6,012)	\$467,000	\$352,815	(\$114,185)
Licenses and permits						
Use of money and property				3,919	2,583	(1,336)
Intergovernmental				2,486,000	804,532	(1,681,468)
Charges for current services	2,600	3,267	667			
Miscellaneous	5,000	82	(4,918)		250	250
Total Revenues	<u>716,840</u>	<u>706,577</u>	<u>(10,263)</u>	<u>2,956,919</u>	<u>1,160,180</u>	<u>(1,796,739)</u>
EXPENDITURES						
Current						
Public safety						
Highways and streets	1,191,169	1,245,802	(54,633)			
Culture and recreation						
Urban redevelopment						
Miscellaneous						
Capital outlay:						
General government	2,830	2,829	1	3,629,391	1,414,671	2,214,720
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,193,999</u>	<u>1,248,631</u>	<u>(54,632)</u>	<u>3,629,391</u>	<u>1,414,671</u>	<u>2,214,720</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(477,159)</u>	<u>(542,054)</u>	<u>(64,895)</u>	<u>(672,472)</u>	<u>(254,491)</u>	<u>417,981</u>
OTHER FINANCING SOURCES (USES)						
Proceeds of long-term borrowings						
Transfers in	500,000	539,548	39,548			
Transfers (out)					(39,548)	(39,548)
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>539,548</u>	<u>39,548</u>		<u>(39,548)</u>	<u>(39,548)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$22,841</u>	<u>(2,506)</u>	<u>(\$25,347)</u>	<u>(\$672,472)</u>	<u>(294,039)</u>	<u>\$378,433</u>
BEGINNING FUND BALANCES (DEFICITS) (as restated, Note 9)		<u>2,506</u>			<u>595,033</u>	
ENDING FUND BALANCES (DEFICITS)					<u>\$300,994</u>	

SPECIAL REVENUE FUNDS

TRAFFIC MITIGATION			COPSMORE 96			BENEFIT STABILIZATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,481	\$990	(\$491)		\$14,696	\$14,696	\$540	\$1,292	\$752
						210,000		(210,000)
<u>1,481</u>	<u>990</u>	<u>(491)</u>		<u>14,696</u>	<u>14,696</u>	<u>210,540</u>	<u>1,292</u>	<u>(209,248)</u>
						157,564	220	157,344
				17,313	(17,313)			
				<u>17,313</u>	<u>(17,313)</u>	<u>157,564</u>	<u>220</u>	<u>157,344</u>
<u>1,481</u>	<u>990</u>	<u>(491)</u>		<u>(2,617)</u>	<u>(2,617)</u>	<u>52,976</u>	<u>1,072</u>	<u>(51,904)</u>
<u>\$1,481</u>	<u>990</u>	<u>(\$491)</u>		<u>(2,617)</u>	<u>(\$2,617)</u>	<u>\$52,976</u>	<u>1,072</u>	<u>(\$51,904)</u>
	<u>82,261</u>			<u>35,333</u>				
	<u>\$83,251</u>			<u>\$32,716</u>			<u>\$1,072</u>	

(Continued)

CITY OF BELMONT
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	SPECIAL REVENUE FUND			DEBT SERVICE FUND		
	REDEVELOPMENT AGENCY FUND			GENERAL DEBT SERVICE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes					\$176	\$176
Licenses and permits						
Use of money and property	\$14,824	\$18,591	\$3,767			
Intergovernmental						
Charges for current services						
Miscellaneous						
Total Revenues	<u>14,824</u>	<u>18,591</u>	<u>3,767</u>		<u>176</u>	<u>176</u>
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation						
Urban redevelopment	551,696	412,189	139,507			
Miscellaneous				\$1,867	1,866	1
Capital outlay:						
General government						
Culture and recreation						
Debt service:						
Principal				83,968	83,968	
Interest and fiscal charges				118,759	118,759	
Total Expenditures	<u>551,696</u>	<u>412,189</u>	<u>139,507</u>	<u>204,594</u>	<u>204,593</u>	<u>1</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(536,872)</u>	<u>(393,598)</u>	<u>143,274</u>	<u>(204,594)</u>	<u>(204,417)</u>	<u>177</u>
OTHER FINANCING SOURCES (USES)						
Proceeds of long-term borrowings	569,734		(569,734)			
Transfers in		393,598	393,598	204,594	204,594	
Transfers (out)				(13,343)	(13,343)	
Total Other Financing Sources (Uses)	<u>569,734</u>	<u>393,598</u>	<u>(176,136)</u>	<u>191,251</u>	<u>191,251</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$32,862</u>		<u>(\$32,862)</u>	<u>(\$13,343)</u>	<u>(13,166)</u>	<u>\$177</u>
BEGINNING FUND BALANCES (DEFICITS) (as restated, Note 9)						
		<u>(128,876)</u>			<u>13,343</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$128,876)</u>			<u>\$177</u>	

CAPITAL PROJECTS FUNDS			RALSTON/ROUTE 101 INTERCHANGE-ISLAND PARK			CAPITAL PROJECTS FUNDS		
GENERAL FACILITIES FUND			RALSTON/ROUTE 101 INTERCHANGE-ISLAND PARK			PLANNED PARK FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$700,000	\$30,000	(\$670,000)
\$52,536	\$42,211	(\$10,325)		\$48,318	\$48,318	5,970	4,268	(1,702)
						310,000		(310,000)
<u>306,000</u>		<u>(306,000)</u>						
<u>358,536</u>	<u>42,211</u>	<u>(316,325)</u>		<u>48,318</u>	<u>48,318</u>	<u>1,015,970</u>	<u>34,268</u>	<u>(981,702)</u>
50,084	14,145	35,939	\$4,104,317	1,348,792	2,755,525	364,655	43,024	321,631
<u>50,084</u>	<u>14,145</u>	<u>35,939</u>	<u>4,104,317</u>	<u>1,348,792</u>	<u>2,755,525</u>	<u>364,655</u>	<u>43,024</u>	<u>321,631</u>
<u>308,452</u>	<u>28,066</u>	<u>(280,386)</u>	<u>(4,104,317)</u>	<u>(1,300,474)</u>	<u>2,803,843</u>	<u>651,315</u>	<u>(8,756)</u>	<u>(660,071)</u>
<u>(40,000)</u>		<u>40,000</u>	<u>(286,380)</u>	<u>(286,380)</u>				
<u>(40,000)</u>		<u>40,000</u>	<u>(286,380)</u>	<u>(286,380)</u>				
<u>\$268,452</u>	<u>28,066</u>	<u>(\$240,386)</u>	<u>(\$4,390,697)</u>	<u>(1,586,854)</u>	<u>\$2,803,843</u>	<u>\$651,315</u>	<u>(8,756)</u>	<u>(\$660,071)</u>
	<u>919,445</u>			<u>3,998,814</u>			<u>362,023</u>	
	<u>\$947,511</u>			<u>\$2,411,960</u>			<u>\$353,267</u>	

(Continued)

CITY OF BELMONT
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	CAPITAL PROJECTS FUNDS					
	OPEN SPACE			SPECIAL ASSESSMENT DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Use of money and property		\$25	\$25		\$2,993	\$2,993
Intergovernmental						
Charges for current services						
Miscellaneous						
Total Revenues		25	25		2,993	2,993
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation						
Urban redevelopment						
Miscellaneous						
Capital outlay:						
General government						
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		25	25		2,993	2,993
OTHER FINANCING SOURCES (USES)						
Proceeds of long-term borrowings						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		25	\$25		2,993	\$2,993
BEGINNING FUND BALANCES (DEFICITS) (as restated, Note 9)		2,105			244,578	
ENDING FUND BALANCES (DEFICITS)		\$2,130			\$247,571	

LIBRARY FUND			TOTALS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$1,876,240	\$1,086,219	(\$790,021)
	\$76	\$76	590,000	401,837	(188,163)
	25,000	25,000	98,875	138,014	39,139
			2,938,500	966,638	(1,971,862)
			1,996,908	1,703,961	(292,947)
			332,290	26,438	(305,852)
	25,076	25,076	7,832,813	4,323,107	(3,509,706)
			973,579	805,359	168,220
			1,569,256	1,646,399	(77,143)
			1,047,497	1,001,801	45,696
			1,037,607	869,526	168,081
			159,431	2,086	157,345
\$1,084,895	25,076	1,059,819	4,767,200	1,474,034	3,293,166
			4,468,972	1,391,816	3,077,156
			83,968	83,968	
			118,759	118,759	
1,084,895	25,076	1,059,819	14,226,269	7,393,748	6,832,521
(1,084,895)		1,084,895	(6,393,456)	(3,070,641)	3,322,815
40,000		(40,000)	569,734		(569,734)
			1,015,170	1,415,385	400,215
			(339,723)	(339,271)	452
40,000		(40,000)	1,245,181	1,076,114	(169,067)
(\$1,044,895)	\$1,044,895	(\$5,148,275)	(1,994,527)	\$3,153,748	
			5,953,925		
			\$3,959,398		

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments, which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Workers' Compensation Fund – To account for the City's workers' compensation insurance program.

Liability Insurance Fund – To account for coverage on the City's general and automobile liability up to a retention of 100,000 per claim.

Self-Funded Vision Fund – To account for the City's dental and vision reimbursement plan for its employees.

Fleet and Equipment Management - To account for the interdepartmental services provided by the Automotive Services division and Information Technology division.

Facilities Management - To account for the interdepartmental services provided by the Facilities Management Division.

CITY OF BELMONT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2003

	<u>Workers' Compensation</u>	<u>Liability Insurance</u>	<u>Self-Funded Vision</u>	<u>Fleet and Equipment Management</u>	<u>Facilities Management</u>	<u>Total</u>
ASSETS						
Cash and investments	\$365,509	\$623,802	\$45,720	\$1,811,130	\$77,345	\$2,923,516
Long term interfund receivables	79,961			6,874		79,961
Prepays and other assets	36,307			1,141,311		43,181
Capital assets, net	<u>481,777</u>	<u>623,802</u>	<u>45,720</u>	<u>2,959,315</u>	<u>77,345</u>	<u>4,187,959</u>
Total Assets						
						925,426
LIABILITIES						
Accounts payable, claims payable and compensated absences	<u>387,860</u>	<u>344,047</u>	<u>26,258</u>	<u>122,068</u>	<u>45,193</u>	<u>925,426</u>
Total Liabilities						
						1,141,311
NET ASSETS						
Invested in capital assets	<u>93,917</u>	<u>279,755</u>	<u>19,462</u>	<u>1,141,311</u>	<u>32,152</u>	<u>2,121,222</u>
Unrestricted	<u>\$93,917</u>	<u>\$279,755</u>	<u>\$19,462</u>	<u>\$2,837,247</u>	<u>\$32,152</u>	<u>\$3,262,533</u>
Total Net Assets						

CITY OF BELMONT
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
JUNE 30, 2003

	Workers' Compensation	Liability Insurance	Self-Funded Vision	Fleet and Equipment Management	Facilities Management	Total
OPERATING REVENUES						
Interdepartmental charges for services	\$630,708	\$219,702	\$28,139	\$1,800,047	\$458,880	\$3,137,476
Total Operating Revenues	<u>630,708</u>	<u>219,702</u>	<u>28,139</u>	<u>1,800,047</u>	<u>458,880</u>	<u>3,137,476</u>
OPERATING EXPENSES						
Insurance premiums	661,544					661,544
Professional and legal	2,377	90,693	1,130	411,616		505,816
Operating costs				545,834	626,187	1,172,021
Insurance claims, net of change in claims payable	303	402,669	26,157			429,129
Depreciation				501,696		501,696
Total Operating Expenses	<u>664,224</u>	<u>493,362</u>	<u>27,287</u>	<u>1,459,146</u>	<u>626,187</u>	<u>3,270,206</u>
Operating Income (Loss)	<u>(33,516)</u>	<u>(273,660)</u>	<u>852</u>	<u>340,901</u>	<u>(167,307)</u>	<u>(132,730)</u>
NONOPERATING REVENUES (EXPENSES)						
Proceeds from the sale of fixed assets				7,927		7,927
Interest	4,820	8,165	402	25,946	1,120	40,453
Miscellaneous	48,217				22,499	70,716
Total Nonoperating Revenues (Expenses)	<u>53,037</u>	<u>8,165</u>	<u>402</u>	<u>33,873</u>	<u>23,619</u>	<u>119,096</u>
Income (Loss) Before Transfers	<u>19,521</u>	<u>(265,495)</u>	<u>1,254</u>	<u>374,774</u>	<u>(143,688)</u>	<u>(13,634)</u>
Transfers in					153,904	153,904
Change in Net Assets	19,521	(265,495)	1,254	374,774	10,216	140,270
BEGINNING NET ASSETS, AS RESTATED	<u>74,396</u>	<u>545,250</u>	<u>18,208</u>	<u>2,462,473</u>	<u>21,936</u>	<u>3,122,263</u>
ENDING NET ASSETS	<u>\$93,917</u>	<u>\$279,755</u>	<u>\$19,462</u>	<u>\$2,837,247</u>	<u>\$32,152</u>	<u>\$3,262,533</u>

CITY OF BELMONT
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	Workers' Compensation	Liability Insurance	Self-Funded Vision	Fleet and Equipment Management	Facilities Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$678,925	\$219,702	\$28,139	\$1,800,047	\$481,379	\$3,208,192
Payments to suppliers	59,435	255,474	(468)	(535,852)	(655,082)	(876,493)
Claims paid	(664,224)	(493,362)	(27,287)	(411,616)		(1,596,489)
Cash Flows from Operating Activities	74,136	(18,186)	384	852,579	(173,703)	735,210
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund payments	109,888					109,888
Transfers in					153,904	153,904
Cash Flows from Noncapital Financing Activities	109,888				153,904	263,792
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets				(346,161)		(346,161)
Proceeds from sale of capital assets				7,927		7,927
Cash Flows from Capital and Related Financing Activities				(338,234)		(338,234)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	4,820	8,165	402	25,946	1,120	40,453
Cash Flows from Investing Activities	4,820	8,165	402	25,946	1,120	40,453
Net Cash Flows	188,844	(10,021)	786	540,291	(18,679)	701,221
Cash and investments at beginning of period	176,665	633,823	44,934	1,270,839	96,024	2,222,285
Cash and investments at end of period	<u>\$365,509</u>	<u>\$623,802</u>	<u>\$45,720</u>	<u>\$1,811,130</u>	<u>\$77,345</u>	<u>\$2,923,506</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	(\$33,516)	(\$273,660)	\$852	\$340,901	(\$167,307)	(\$132,730)
Miscellaneous non-operating income	48,217				22,499	70,716
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation				501,696		501,696
Change in assets and liabilities:						
Prepays and other net assets				(1,228)		(1,228)
Accounts payable, claims payable and compensated absences	59,435	255,474	(468)	11,210	(28,895)	296,756
Cash Flows from Operating Activities	\$74,136	(\$18,186)	\$384	\$852,579	(\$173,703)	\$735,210

AGENCY FUNDS

GASB Statement 34 requires that Agency Funds be presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Section 125 Benefits Plan – To account for employee tax-free contributions and reinvestments for certain employee benefits established by the City under Section 125 of the Internal Revenue Code.

Southern San Mateo Police Authority – To account for maintenance of police communications.

CITY OF BELMONT
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
<hr/> <u>Section 125 Assessment</u> <hr/>				
Assets:				
Cash and investments	\$4,921		\$955	\$3,966
Liabilities:				
Section 125 employee benefits payable	\$4,921		\$955	\$3,966
Total Liabilities	\$4,921		\$955	\$3,966
<hr/> <u>Southern San Mateo Police Authority</u> <hr/>				
Assets:				
Cash and investments	\$20,452	\$4,226		\$24,678
Total Assets	\$20,452	\$4,226		\$24,678
Liabilities:				
Deposits	\$20,452	\$4,226		\$24,678
Total Liabilities	\$20,452	\$4,226		\$24,678
<hr/> <u>Total Agency Funds</u> <hr/>				
Assets:				
Cash and investments	\$25,373	\$4,226	\$955	\$28,644
Total Assets	\$25,373	\$4,226	\$955	\$28,644
Liabilities:				
Deposits	\$20,452	\$4,226		\$24,678
Section 125 employee benefits payable	4,921		\$955	3,966
Total Liabilities	\$25,373	\$4,226	\$955	\$28,644

CITY OF BELMONT REDEVELOPMENT AGENCY

COMPLIANCE SECTION

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of the City of Belmont Redevelopment Agency
Belmont, California

We have audited the financial statements of the City of Belmont including the Redevelopment Agency as of and for the year ended June 30, 2003, and have issued our report thereon dated September 19, 2003. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Agency Board, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Maze & Associates

September 19, 2003

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS					
Cash and investments	\$29,467	\$4,439,056	\$1,903,550	\$7,906,133	\$14,278,206
Cash and investments with fiscal agent		8	2,184,751		2,184,759
Notes receivables		924,815			924,815
Land held for redevelopment		1,280,000		298,748	1,578,748
Total Assets	<u>\$29,467</u>	<u>\$6,643,879</u>	<u>\$4,088,301</u>	<u>\$8,204,881</u>	<u>\$18,966,528</u>
LIABILITIES					
Accounts payable	\$29,467	\$16,886	\$58,527	\$37,360	\$142,240
Long-term advance from City	128,876				128,876
Total Liabilities	<u>158,343</u>	<u>16,886</u>	<u>58,527</u>	<u>37,360</u>	<u>271,116</u>
FUND BALANCES					
Fund balances					
Reserved for:					
Encumbrances	27,426				27,426
Long term notes receivable		924,815			924,815
Land held for redevelopment		1,280,000		298,748	1,578,748
Low and moderate income housing		4,111,293			4,111,293
Debt service		310,885	4,029,774		4,340,659
Unreserved, undesignated	(156,302)			7,868,773	7,712,471
Total Fund Balances	<u>(128,876)</u>	<u>6,626,993</u>	<u>4,029,774</u>	<u>8,167,521</u>	<u>18,695,412</u>
Total Liabilities and Fund Balances	<u>\$29,467</u>	<u>\$6,643,879</u>	<u>\$4,088,301</u>	<u>\$8,204,881</u>	<u>\$18,966,528</u>

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES					
Incremental property taxes		\$1,298,315	\$5,193,258		\$6,491,573
Use of money and property	\$18,591	132,598	83,167	\$208,289	442,645
Total Revenues	18,591	1,430,913	5,276,425	208,289	6,934,218
EXPENDITURES					
Current:					
Redevelopment					
Personnel services	215,557	133,515			349,072
Other	196,632	449,429	2,735,148		3,381,209
Capital outlay		155,908		108,489	264,397
Debt service:					
Principal		110,000	420,000		530,000
Interest and fiscal charges		208,658	1,230,352		1,439,010
Total Expenditures	412,189	1,057,510	4,385,500	108,489	5,963,688
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(393,598)	373,403	890,925	99,800	970,530
OTHER FINANCING SOURCES (USES)					
Transfers in	393,598				393,598
Transfers (out)			(393,598)		(393,598)
Total Other Financing Sources (Uses)	393,598		(393,598)		
NET CHANGE IN FUND BALANCES		373,403	497,327	99,800	970,530
BEGINNING FUND BALANCES	(128,876)	6,253,590	3,532,447	8,067,721	17,724,882
ENDING FUND BALANCES	(\$128,876)	\$6,626,993	\$4,029,774	\$8,167,521	\$18,695,412

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	<u>\$14,824</u>	<u>\$14,824</u>	<u>\$18,591</u>	<u>\$3,767</u>
Total Revenues	<u>14,824</u>	<u>14,824</u>	<u>18,591</u>	<u>3,767</u>
EXPENDITURES:				
Current:				
Redevelopment				
Personnel services	340,422	231,935	215,557	16,378
Other	<u>198,761</u>	<u>319,761</u>	<u>196,632</u>	<u>123,129</u>
Total Expenditures	<u>539,183</u>	<u>551,696</u>	<u>412,189</u>	<u>139,507</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(524,359)</u>	<u>(536,872)</u>	<u>(393,598)</u>	<u>143,274</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from City advances	524,734	569,734		(569,734)
Transfers in			<u>393,598</u>	<u>393,598</u>
Total other financing sources (uses)	<u>524,734</u>	<u>569,734</u>	<u>393,598</u>	<u>(176,136)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$375</u>	<u>\$32,862</u>		<u>(\$32,862)</u>
Fund balance, July 1			<u>(128,876)</u>	
Fund balance, June 30			<u>(\$128,876)</u>	

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$1,261,831	\$1,261,831	\$1,298,315	\$36,484
Use of money and property	96,104	96,104	132,598	36,494
Total Revenues	<u>1,357,935</u>	<u>1,357,935</u>	<u>1,430,913</u>	<u>72,978</u>
EXPENDITURES:				
Current:				
Redevelopment				
Personnel services	154,067	135,867	133,515	2,352
Other	410,084	262,729	449,429	(186,700)
Capital outlay	1,245,000	1,397,000	155,908	1,241,092
Debt service:				
Principal	110,000	110,000	110,000	
Interest and fiscal charges	208,658	208,658	208,658	
Total Expenditures	<u>2,127,809</u>	<u>2,114,254</u>	<u>1,057,510</u>	<u>1,056,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$769,874)</u>	<u>(\$756,319)</u>	373,403	<u>\$1,129,722</u>
Fund balance, July 1			<u>6,253,590</u>	
Fund balance, June 30			<u>\$6,626,993</u>	

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$3,674,150	\$5,193,258	\$1,519,108
Use of money and property	34,838	83,167	48,329
Total Revenues	3,708,988	5,276,425	1,567,437
EXPENDITURES			
Current:			
Redevelopment			
Other	1,312,669	2,735,148	(1,422,479)
Debt service:			
Principal	944,734	420,000	524,734
Interest and fiscal charges	1,249,653	1,230,352	19,301
Total Expenditures	3,507,056	4,385,500	(878,444)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	201,932	890,925	688,993
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(393,598)	(393,598)
Total Other Financing Sources (Uses)		(393,598)	(393,598)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		497,327	\$295,395
BEGINNING FUND BALANCES		3,532,447	
ENDING FUND BALANCES		\$4,029,774	

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
 CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$151,966	\$208,289	\$56,323
Total Revenues	151,966	208,289	56,323
EXPENDITURES			
Capital outlay	4,933,046	108,489	4,824,557
Total Expenditures	4,933,046	108,489	4,824,557
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$4,781,080)	99,800	\$4,880,880
BEGINNING FUND BALANCES		8,067,721	
ENDING FUND BALANCES		\$8,167,521	

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**SUPPLEMENTAL FINANCIAL INFORMATION
REGARDING HOUSING SET-ASIDE AMOUNTS
(UNAUDITED)**

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Assessed Valuations

The base year valuation for the Project Area was established in the fiscal year ending June 30, 1982. The following table shows historical incremental assessed valuation (including all categories of assessed value) within the Project Area as of the March 1 lien date for the fiscal years 1982-83 through 2002-2003. It should be noted that due to adjustments after the lien date, assessed value may increase or decrease during the year. Factors causing these adjustments include, but are not limited to, supplemental assessments and appeals to assessed value. These adjustments to assessed values, in turn, cause tax increment revenues to increase or decrease.

BELMONT REDEVELOPMENT AGENCY LOS COSTANOS COMMUNITY DEVELOPMENT PROJECT AREA HISTORICAL INCREMENTAL ASSESSED VALUATION

Fiscal Year Ending June 30	Total Assessed Valuation (1)	Incremental Assessed Valuation (1)	Change in Incremental Assessed Valuation From Previous Year
1983	\$157,135,342	\$21,536,072	not available
1984	171,237,981	35,638,711	65.48%
1985	184,060,881	48,461,611	35.98%
1986	201,153,514	65,554,244	35.27%
1987	234,842,064	99,242,794	51.39%
1988	246,823,012	111,223,742	12.07%
1989	254,810,733	119,211,463	7.18%
1990	275,154,532	139,555,262	17.07%
1991	313,264,539	177,655,269	27.31%
1992	349,801,313	214,202,043	20.56%
1993	376,194,509	240,595,239	12.32%
1994	389,900,944	254,301,674	5.70%
1995	397,847,297	262,248,027	3.12%
1996	420,827,405	285,228,135	8.76%
1997	441,467,705	305,868,435	7.24%
1998	483,248,340	347,649,070	13.66%
1999	508,606,319	373,007,049	7.29%
2000	551,190,752	415,591,482	11.42%
2001	628,703,301	493,104,031	18.65%
2002	703,196,659	567,597,389	13.12%
2003	736,172,756	600,573,486	5.81%

Source: County of San Mateo

(1) Total assessed valuation in excess of the Agency's 1981-82 base year assessed valuation of \$135,599,270.

Historical Housing Set-Aside Amounts

The following table shows the historical allocation of tax increment revenues by the County of San Mateo derived from the project area.

BELMONT REDEVELOPMENT AGENCY LOS COSTANOS COMMUNITY DEVELOPMENT PROJECT AREA HISTORICAL RECEIPT OF TAX INCREMENT REVENUES

Fiscal Year Ending June 30	Secured Tax Increments (2)	Unsecured Tax Increment (2)	Unitary Revenue (3)	Supplemental Allocations (2)	Total Tax Increment (4)	Housing Set Aside Amounts (5)	Change From Prior Year
1984					\$285,494	\$57,099	
1985					363,836	72,989	27.44%
1986	\$429,246	\$84,594		\$16,681	530,521	103,097	45.81%
1987	725,932	82,321		58,699	866,952	168,560	63.42%
1988	787,579	69,137		103,030	959,746	191,949	10.70%
1989	924,058	73,737		87,124	1,084,919	216,983	13.04%
1990	1,035,629	85,045	\$25,534	57,535	1,203,743	240,749	10.95%
1991	1,260,743	1,225,929	54,683	120,184	2,661,539	311,708	121.11%
1992	1,629,619	81,020	57,216	145,226	1,913,081	382,616	(28.12%)
1993	1,758,187	93,810	58,779	59,494	1,970,270	394,055	2.99%
1994	1,890,260	72,133	51,221	49,533	2,063,147	412,629	4.71%
1995	1,933,676	17,827	54,213	18,928	2,024,644	404,929	(1.87%)
1996	2,019,812	222,873	54,170	29,872	2,326,727	465,346	14.92%
1997	2,227,773	131,833	39,541	105,133	2,504,280	500,856	7.63%
1998	2,520,936	195,020	50,432	106,587	2,872,975	569,942	14.72%
1999	2,832,402	123,236	64,836	49,610	3,070,084	614,016	6.86%
2000	3,076,826	118,983	57,337	183,315	3,436,461	687,292	11.93%
2001	3,640,433	172,658	61,111	103,483	3,977,685	795,537	15.75%
2002	4,212,040	253,052	67,477	455,911	4,988,481	997,696	25.41%
2003	4,415,999	220,998	72,375	300,175	5,009,547	1,001,909	0.42%

(1) Amounts shown are net of amounts waived by the Agency under County Fiscal Agreement. The amount waived under the County Fiscal Agreement is approximately 22.82% of tax revenues allocable to assessed values in excess of the base year value and in fiscal year 2002-2003 was \$1,370,713.

(2) Breakdown of tax increment amount secured, unsecured and supplemental categories not available for fiscal years ended June 30, 1983 through 1985.

(3) Unitary revenue reported separately starting in the fiscal year ended June 30, 1990.

(4) Total tax increment includes housing set-aside amounts.

(5) This amount calculated as defined in the Fiscal Agreement.

Source: Belmont Redevelopment Agency and County of San Mateo Controller's Office – Deputy Controller.

Debt Service Coverage

Housing Set-Aside Amounts in fiscal year 2002-2003 were \$1,001,909. See the table above entitled "Historical Receipt of Tax Incremental Revenues. " Coverage of such amounts over maximum annual debt service of \$323,388 on the Series 1996 Housing Set-Aside Bonds is 2.46 times.

Major Property Taxpayers

The ten largest assesses in the Project Area for fiscal 2002-2003 and the assessed valuation of their respective properties in the Project Area as reported by the County are provided in the following schedule. The total taxable value of these properties equals \$186,538,808 which represents approximately 30.75% percent of the Project Area's secured taxable valuation (including Unitary Assessed valuation).

**BELMONT REDEVELOPMENT AGENCY
LOS COSTANOS COMMUNITY DEVELOPMENT PROJECT AREA
TEN LARGEST SECURED PROPERTY TAX ASSESSEES**

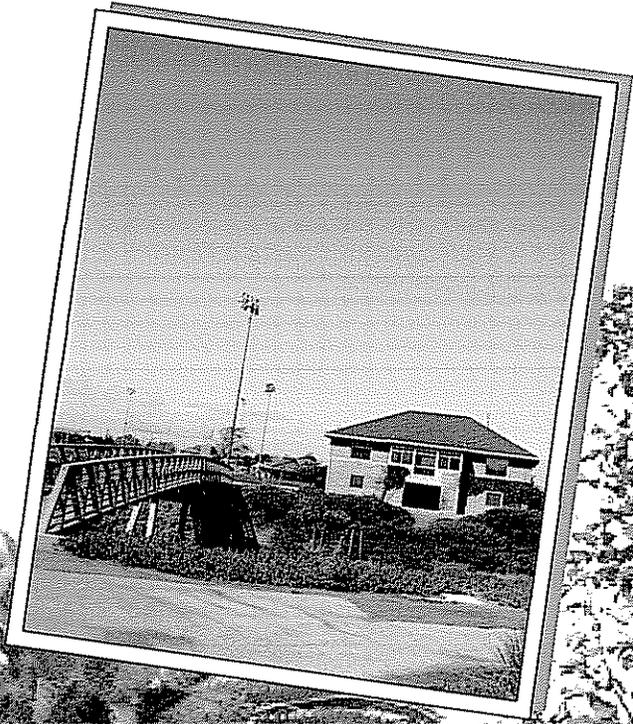
Assessee	Use	02/03 Taxable Value	Percentage of Total Secured Taxable Value of Project Area (1)
Nikon Precision Inc.	Office	\$43,751,430	7.28%
Oracle Corporation	Office	40,626,039	6.76%
Six Hundred Clipper Drive LLC	Office	32,500,000	5.41%
Innkeepers Summerfield General	Hotel	21,616,983	3.60%
Belmar Lessee	Apartments	13,330,047	2.22%
Donald & Sally Lucas Trust	Auto Dealership	10,408,616	1.73%
Normandy Square Associates LLC	Apartments	7,349,680	1.22%
Casa Belmont LLC Lessee	Apartments	6,874,058	1.14%
Mc Lellan Estate Company	Apartments	5,078,007	0.85%
Belmont Village Associates	Shopping Center	5,003,948	0.83%
Total		<u>\$186,538,808</u>	<u>31.04%</u>

(1) The secured taxable value of the Project Area for fiscal year 2002/2003 is \$600,573,486 including unitary assessed value.

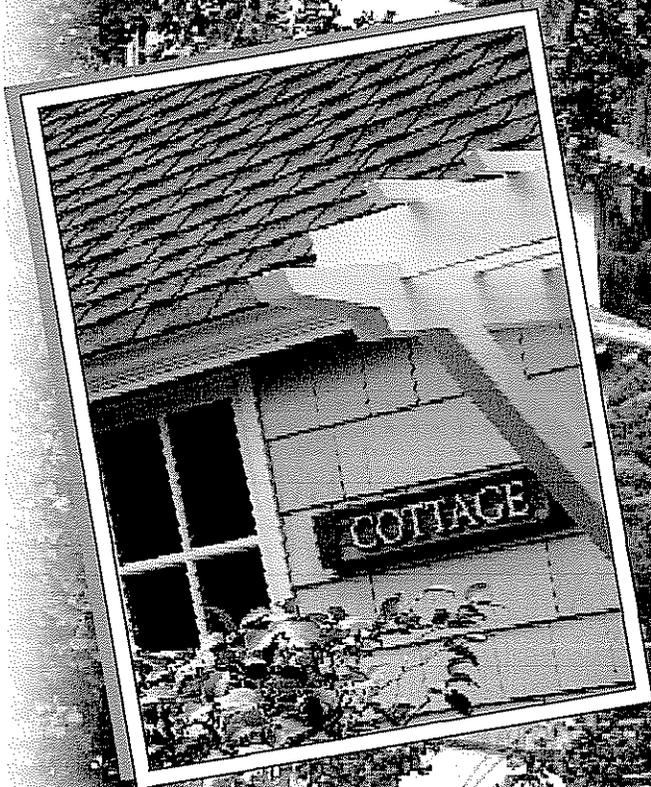
Source: MBIA Muniservice Company as to list of top ten assesses; County of San Mateo Controller's Office and County of San Mateo Assessment Appeals Board as to appeals to assessed values.

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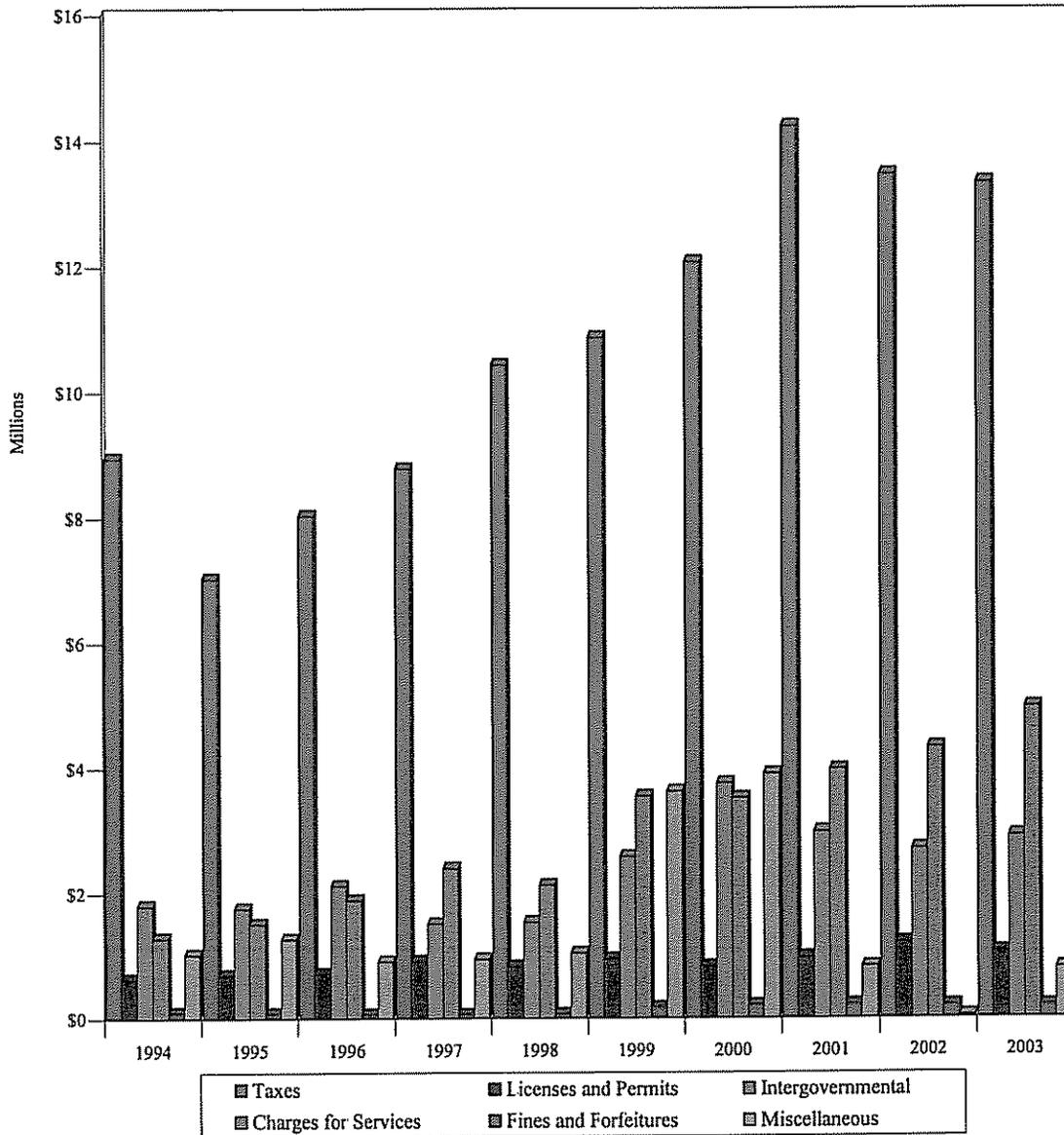
'03



Statistical Section



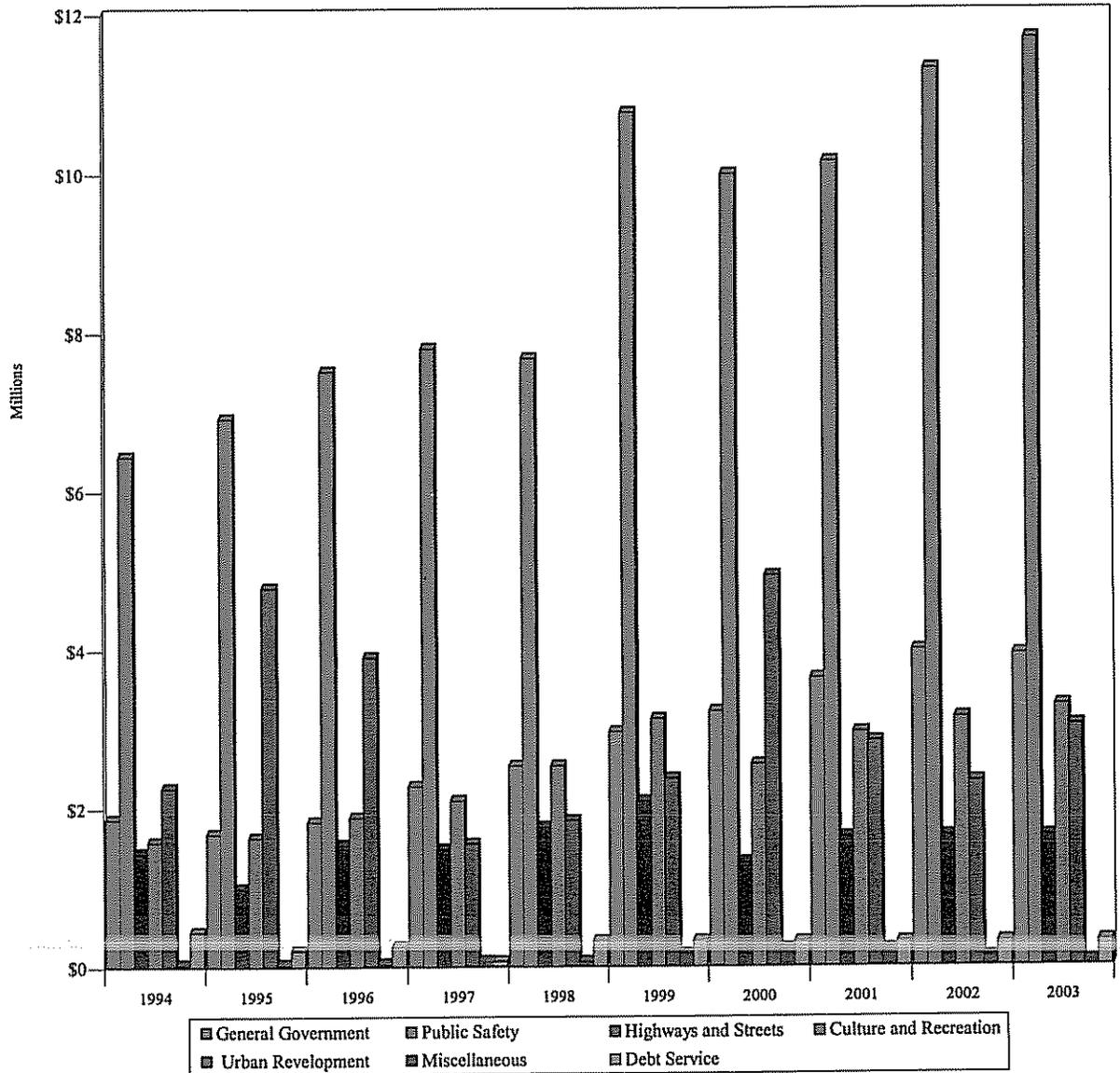
**CITY OF BELMONT
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Miscellaneous	Total
1994	\$8,950,407	\$630,425	\$1,801,548	\$1,286,743	\$95,152	\$1,023,370	\$13,787,645
1995	7,027,964	694,821	1,759,892	1,511,474	84,205	1,271,300	12,349,656
1996	8,036,178	721,987	2,122,198	1,891,198	67,370	909,975	13,748,906
1997	8,783,608	920,312	1,512,683	2,401,165	62,303	947,163	14,627,234
1998	10,435,265	836,530	1,539,278	2,130,041	69,899	1,044,399	16,055,412
1999	10,868,996	950,839	2,586,369	3,554,358	171,782	3,632,616	21,764,960
2000	12,076,017	833,494	3,762,046	3,525,113	205,720	3,913,976	24,316,366
2001	14,237,689	981,062	2,989,980	3,985,618	218,520	831,511	23,244,380
2002	13,472,303	1,216,664	2,712,770	4,334,488	200,885	35,471	21,972,581
2003	13,341,264	1,059,328	2,915,099	4,970,286	189,778	802,072	23,277,827

Includes General and Special Revenue Funds only.

CITY OF BELMONT
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS

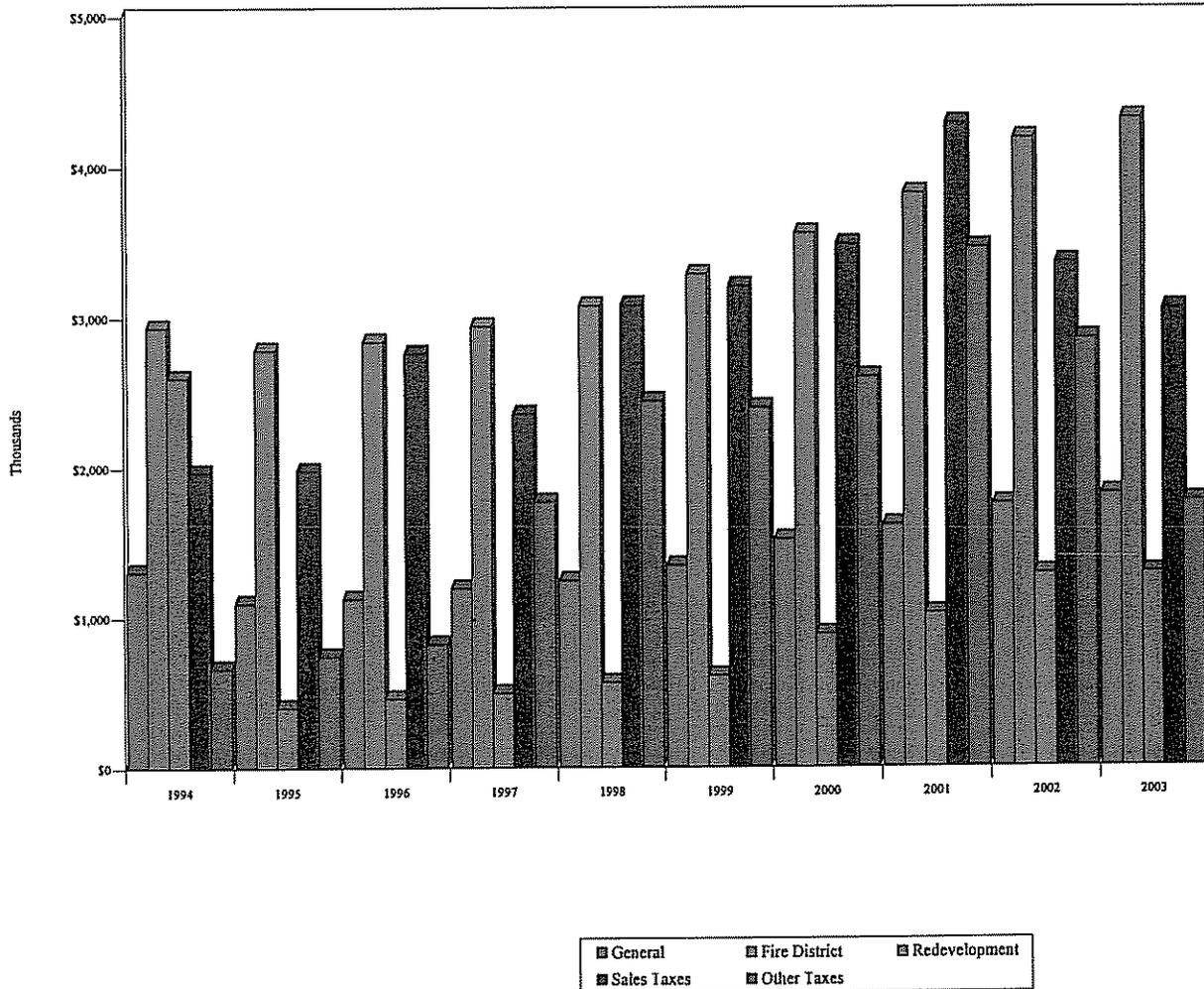


Fiscal Year	General Government	Public Safety	Highways and Streets	Culture and Recreation	Urban Redevelopment/ Capital outlay	Miscellaneous	Debt Service	Total
1994	\$1,865,904	\$6,443,732	\$1,440,666	\$1,575,599	\$2,257,680	\$40,916	\$442,756	\$14,067,253
1995	1,679,167	6,919,496	992,298	1,634,563	4,784,776	39,802	211,998	16,262,100
1996	1,831,869	7,516,603	1,545,680	1,886,837	3,908,373	45,492	259,475	16,994,329
1997	2,281,885	7,801,829	1,489,784	2,101,664	1,559,685	78,171	72,902	15,385,920
1998	2,536,050	7,678,109	1,768,121	2,537,821	1,849,519	71,534	330,430	16,771,584
1999	2,964,215	10,771,713	2,094,863	3,129,988	2,378,995	169,773	330,103	21,839,650
2000	3,223,186	9,999,503	1,321,308	2,557,352	4,935,031	234,872	318,529	22,589,781
2001	3,641,150	10,157,683	1,635,427	2,962,215	2,846,640	222,458	317,421	21,782,994
2002	3,994,858	11,317,343	1,651,753	3,145,395	2,338,805	120,881	315,839	22,884,874
2003	3,940,996	11,697,843	1,646,399	3,294,868	3,043,191	60,199	318,658	24,002,154

Includes General and Special Revenue Funds only.

Source: City Annual Financial Report

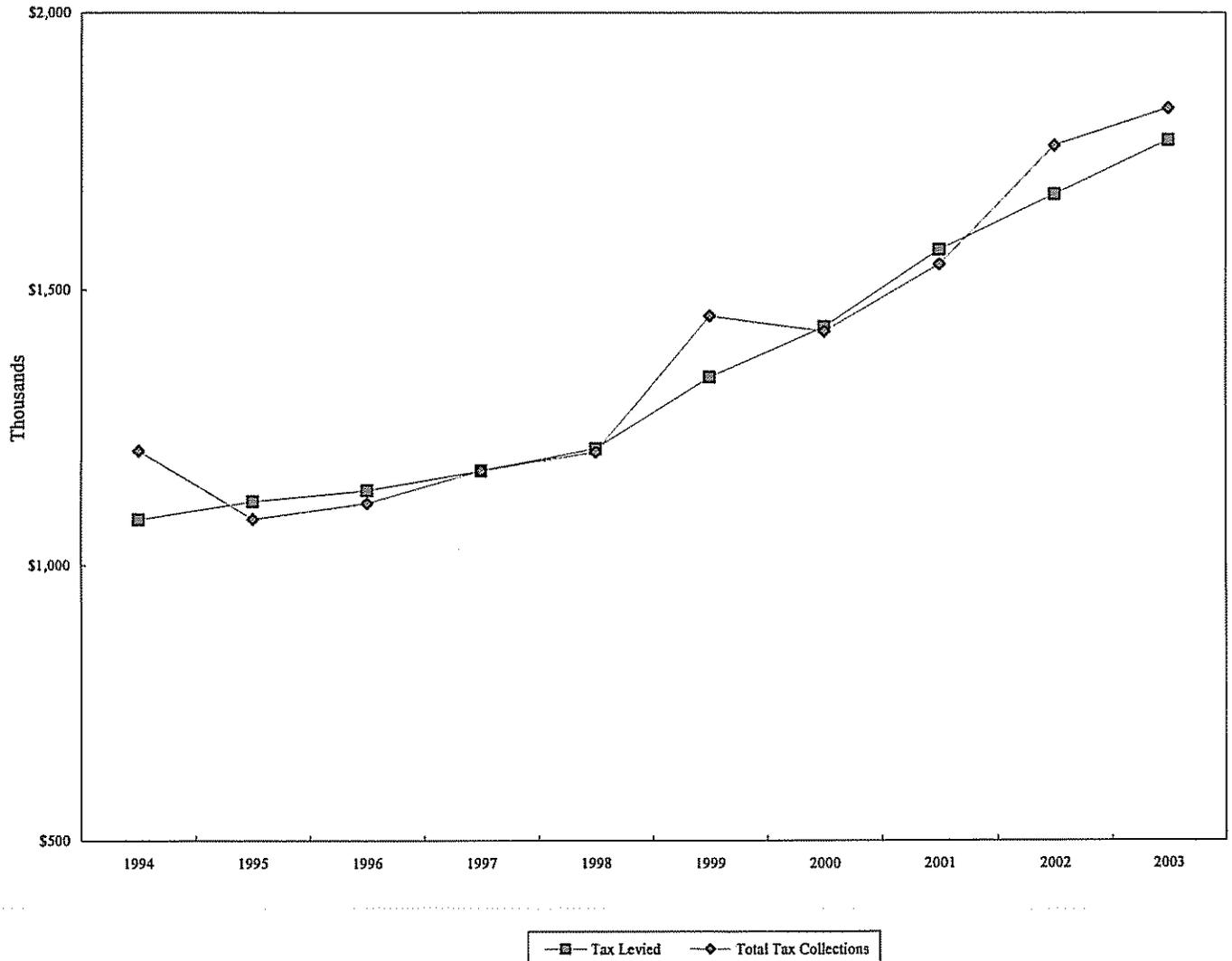
CITY OF BELMONT
TAX REVENUES BY SOURCE
GENERAL AND SPECIAL REVENUE FUNDS
LAST TEN FISCAL YEARS



Fiscal Year	Property Taxes					Total
	General	Fire District	Redevelopment	Sales Taxes	Other Taxes	
1994	\$1,310,421	\$2,938,878	\$2,603,147	\$1,973,723	\$667,238	\$9,493,407
1995	1,100,873	2,787,893	404,929 (1)	1,985,696	748,573	7,027,964
1996	1,131,512	2,845,101	465,345	2,766,098 (2)	828,122	8,036,178
1997	1,201,437	2,945,573	500,857	2,360,449	1,775,292 (3)	8,783,608
1998	1,250,888	3,080,201	569,942	3,086,514	2,447,720	10,435,265
1999	1,350,414	3,290,744	614,016	3,211,047	2,402,775	10,868,996
2000	1,524,274	3,562,326	890,625	3,490,405	2,608,387	12,076,017
2001	1,621,761	3,826,490	1,030,835	4,290,929	3,467,674	14,237,689
2002	1,760,335	4,191,942	1,292,855	3,365,542	2,861,629	13,472,303
2003	1,827,809	4,322,941	1,298,315	3,060,269	1,775,887	12,285,221

- (1) Redevelopment tax increment revenue, other than those dedicated to low and moderate income housing, were transferred to a debt service fund to more easily demonstrate compliance with bond covenants, statutes, and regulations.
- (2) \$307,300 of accruals are included to comply with GASB Statement 22 and the implementation recommendations of the California Committee on Municipal Accounting.
- (3) Beginning 1997, Gas Tax was reclassified to the Other Taxes category.

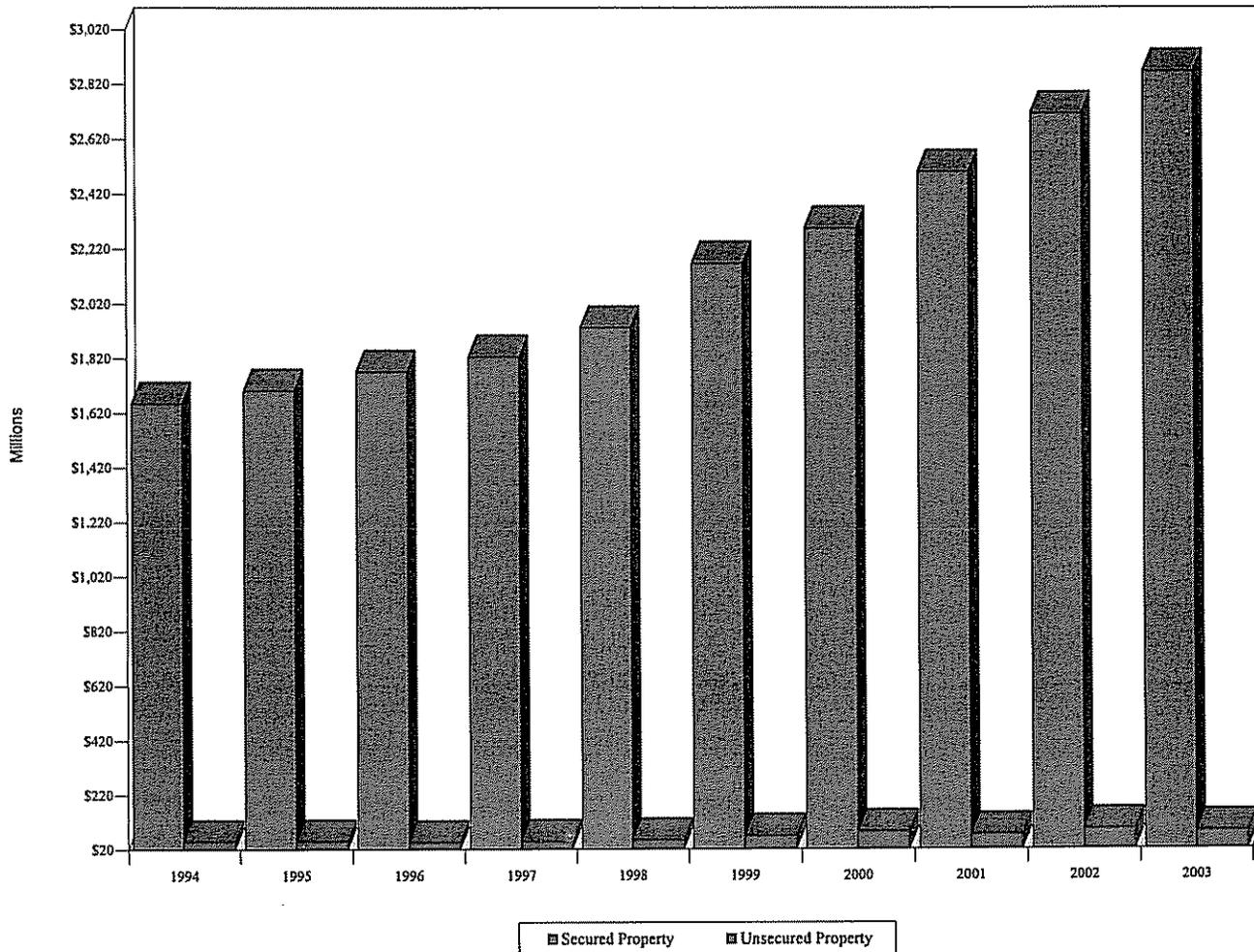
CITY OF BELMONT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS



Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1994	\$1,082,406	\$1,143,832	105.67%	\$63,571	\$1,207,403	111.55%
1995	1,115,140	1,076,141	96.50%	6,649	1,082,790	97.10%
1996	1,135,373	1,108,891	97.67%	2,585	1,111,476	97.90%
1997	1,171,202	1,170,860	99.97%	348	1,171,208	100.00%
1998	1,211,594	1,204,882	99.45%	268	1,205,150	99.47%
1999	1,341,158	1,452,022	108.27%	0	1,452,022	108.27%
2000	1,432,436	1,424,328	99.43%	0	1,424,328	99.43%
2001	1,572,315	1,545,715	98.31%	0	1,545,715	98.31%
2002	1,672,761 (1)	1,760,334 (2)	105.24%	0	1,760,334	105.24%
2003	1,770,161 (1)	1,827,809 (2)	103.26%	0	1,827,809	103.26%

Source: (1) San Mateo County Controller.
(2) City of Belmont General Ledger

**CITY OF BELMONT
ASSESSED VALUE OF PROPERTY
LAST TEN FISCAL YEARS**

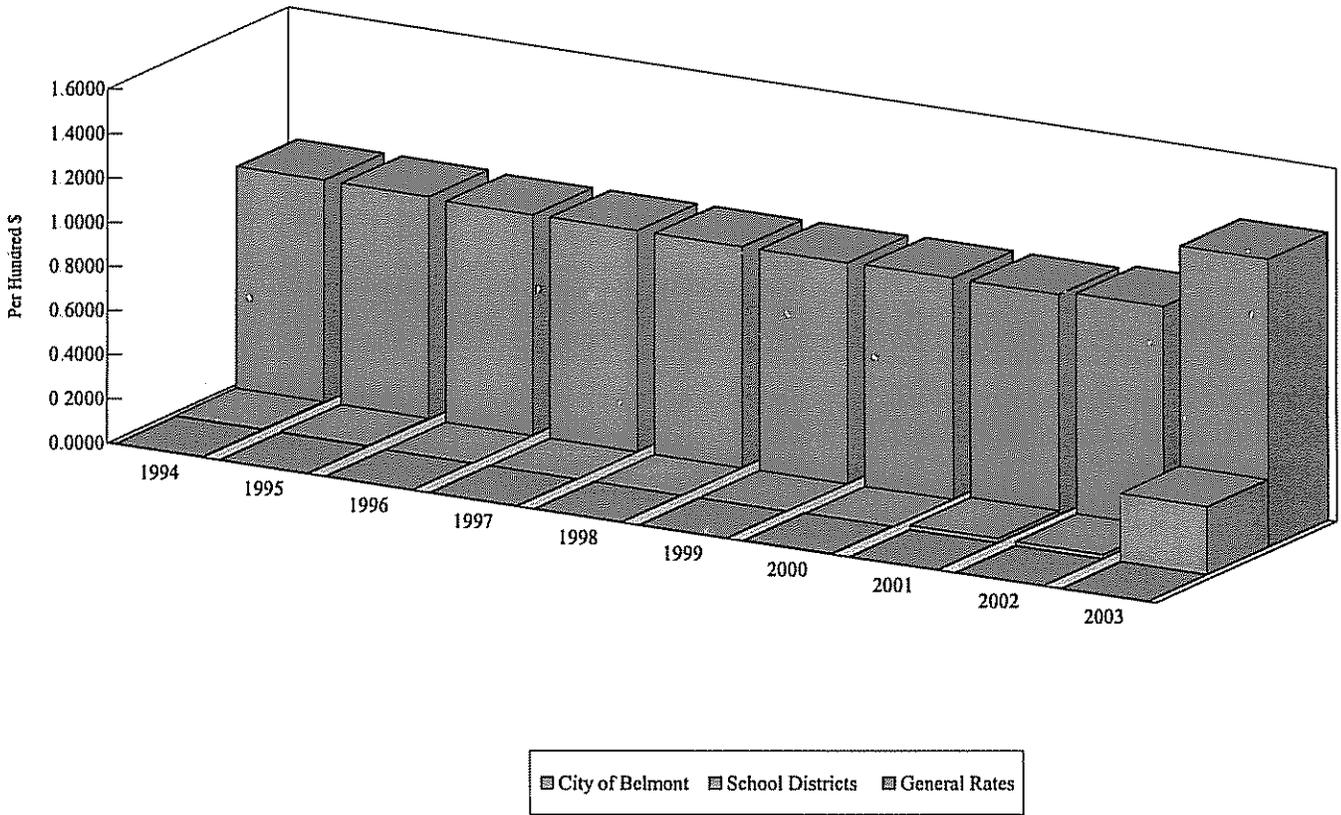


Fiscal Year Ended June 30	Secured Property (1)		Unsecured Property		Total		Assessed to Estimated Actual Value	Increased From Prior Year
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
1994	\$1,655,640,981	\$1,655,640,981	\$50,156,103	\$50,156,103	\$1,705,797,084	\$1,705,797,084	100%	4.33%
1995	1,703,215,852	1,703,215,852	51,696,385	51,696,385	1,754,912,237	1,754,912,237	100%	2.88%
1996	1,772,483,691	1,772,483,691	47,775,810	47,775,810	1,820,259,501	1,820,259,501	100%	3.72%
1997	1,827,224,779	1,827,224,779	51,100,152	51,100,152	1,878,324,931	1,878,324,931	100%	3.19%
1998	1,933,335,022	1,933,335,022	55,751,346	55,751,346	1,989,086,368	1,989,086,368	100%	5.90%
1999	2,168,551,278	2,168,551,278	71,368,340	71,368,340	2,239,919,618	2,239,919,618	100%	12.61%
2000	2,296,128,061	2,296,128,061	86,023,139	86,023,139	2,382,151,200	2,382,151,200	100%	6.35%
2001	2,501,518,475	2,501,518,475	75,436,853	75,436,853	2,576,955,328	2,576,955,328	100%	8.18%
2002	2,714,136,262	2,714,136,262	94,770,443	94,770,443	2,808,906,705	2,808,906,705	100%	9.00%
2003	2,867,898,399	2,867,898,399	86,739,279	86,739,279	2,954,637,678	2,954,637,678	100%	5.19%

SOURCES: SAN MATEO COUNTY CONTROLLER

(1) Secured Property includes State Board Roll (Unitary tax)

CITY OF BELMONT
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS



Supplemental Debt Service Tax Rates

Fiscal Year	City of Belmont	School Districts	General Rates	Total
1994	0.0038	0.007	1.0000	\$1.0108
1995	0.0029	0.0069	1.0000	1.0098
1996	0.0014	N/A	1.0000	1.0014
1997	0.0023	N/A	1.0000	1.0023
1998	0.0016	N/A	1.0000	1.0016
1999	0.0015	N/A	1.0000	1.0015
2000	0.0050	N/A	1.0000	1.0050
2001	0.0011	0.0203	1.0000	1.0011
2002	0.0000	0.0184	1.0000	1.0184
2003	0.0000	0.306	1.0000	1.3060

Source: San Mateo County Controller - Rates are per \$100 of assessed value.

CITY OF BELMONT
 PRINCIPAL PROPERTY TAXPAYERS
 JUNE 30, 2003

Property Owner	Use	2002/2003 Taxable Value	% of Total Value
1001 E Hillsdale LLC	Office	\$39,795,300	1.35%
Nikon Precision Inc.	Office	38,457,542	1.30%
Six Hundred Clipper Drive LLC	Office	32,500,000	1.10%
Innkeepers Summerfield General	Hotel	21,616,983	0.73%
Oracle Corporation	Office	18,500,000	0.63%
Sunrise Belmont Assisted Living	Assisted Living	14,008,137	0.47%
Paradigm Health Care LP	Assisted Living	13,514,309	0.46%
Balmar Lessee	Office	13,330,047	0.45%
Davis Associates	Office	12,615,166	0.43%
Carlmont Heights LLC	Apartments	11,690,266	0.40%
Totals		<u>\$216,027,750</u>	
Total Assessed Value		<u>\$2,954,637,678</u>	

Source: County of San Mateo Assessor's Office

CITY OF BELMONT
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2003

ASSESSED VALUATION:

Total assessed valuation subject to General Property Taxes	\$2,954,637,678
Add back: exempt real property	<u>88,214,186</u>
Total Assessed Valuation	<u><u>\$3,042,851,864</u></u>

BONDED DEBT LIMIT (15% OF ASSESSED VALUE) \$456,427,780

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total General Obligation Bonded Debt

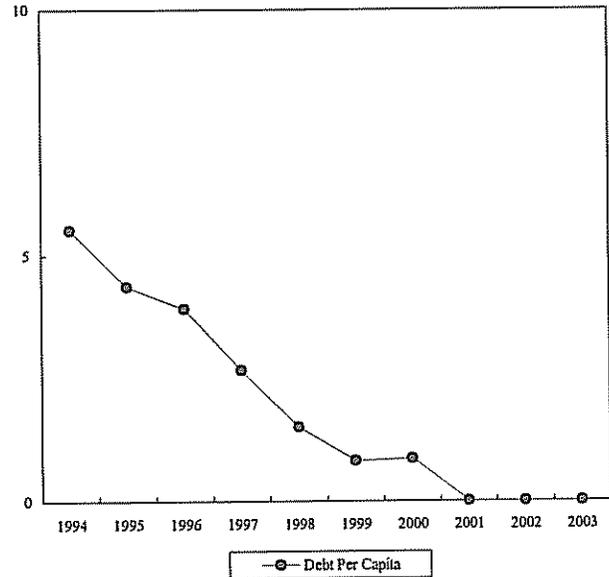
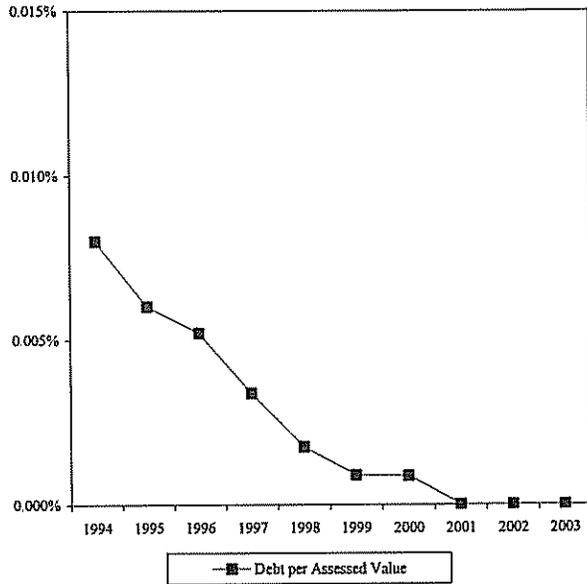
Amount of Debt subject to Limit

LEGAL DEBT MARGIN

\$456,427,780

SOURCE: City of Belmont Finance Department.

CITY OF BELMONT
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT
 TO ASSESSED VALUE AND NET GENERAL OBLIGATION
 BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS

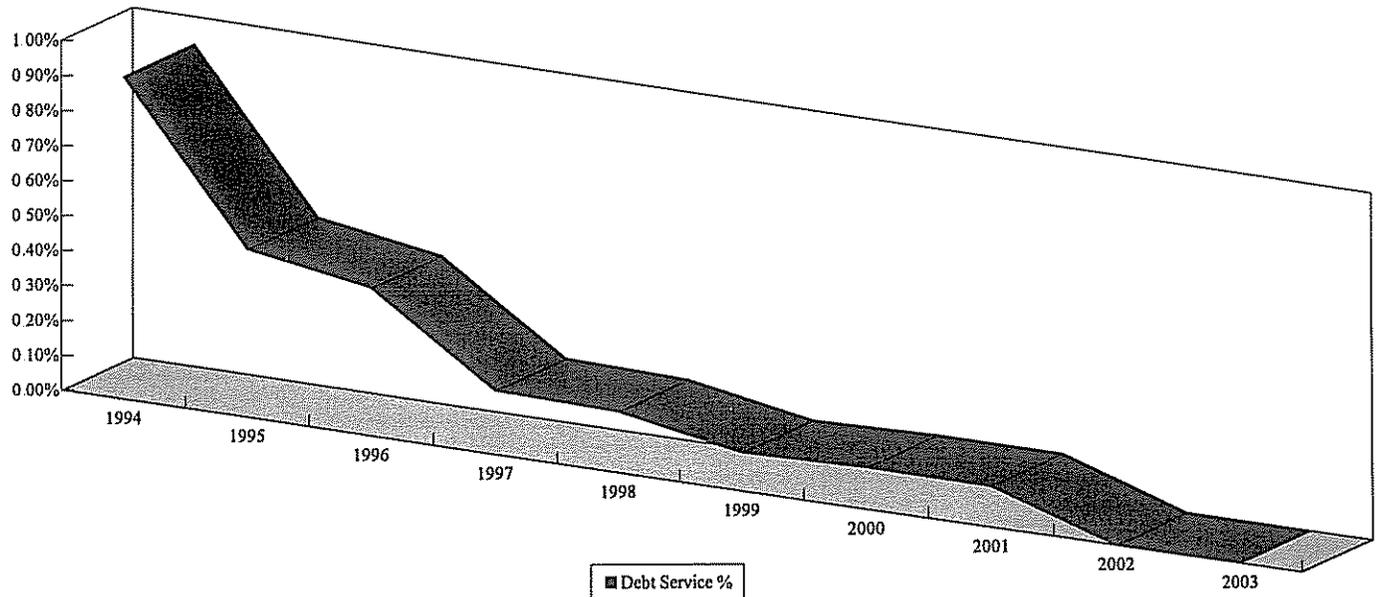


Fiscal Year	Population	Gross Assessed Value (1)	Gross Bonded Debt (2)	Debt Service Monies Available (2)	Net Bonded Debt	Bonded Debt to Assessed Valuation	Bonded Debt Per Capita
1994	25,450	\$1,754,912,237	\$230,000	\$89,523	\$140,477	0.008%	6
1995	25,103	1,820,259,501	170,000	60,468	109,532	0.006%	4
1996	24,950	1,878,324,931	110,000	12,218	97,782	0.005%	4
1997	25,218	1,989,086,368	90,000	22,653	67,347	0.003%	3
1998	25,919	2,239,919,618	70,000	30,823	39,177	0.002%	2
1999	26,100	2,382,151,200	50,000	28,675	21,325	0.001%	1
2000	26,173	2,576,955,328	25,000	2,308	22,692	0.001%	1
2001	25,247	2,576,955,328	0	0	0	0.000%	0
2002	25,150	2,810,114,176	0	0	0	0.000%	0
2003	25,400	2,954,637,678	0	0	0	N/A	0

Note: Debt repaid in full in fiscal year 2000-2001.

Source: (1) San Mateo County Auditor
 (2) City of Belmont Finance Department

CITY OF BELMONT
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
 FOR GENERAL BONDED DEBT TO
 TOTAL GENERAL GOVERNMENTAL FUND EXPENDITURES
 LAST TEN FISCAL YEARS



<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Debt Service to Governmental Fund Type Expenditures</u>
1994	\$105,000	\$24,735	\$129,735	\$14,067,253	0.92%
1995	60,000	18,148	78,148	16,262,100	0.48%
1996	60,000	12,300	72,300	16,994,329	0.43%
1997	20,000	8,320	28,320	15,385,920	0.18%
1998	20,000	9,438	29,438	16,771,584	0.18%
1999	20,000	4,200	24,200	21,839,650	0.11%
2000	25,000	2,308	27,308	22,589,781	0.12%
2001	25,000	875	25,875	21,782,994	0.12%
2002	0	0	0	22,884,874	0.00%
2003	0	0	0	24,002,154	0.00%

Note: Debt repaid in full in fiscal year 2000-2001.

Source: Belmont Annual Financial Report

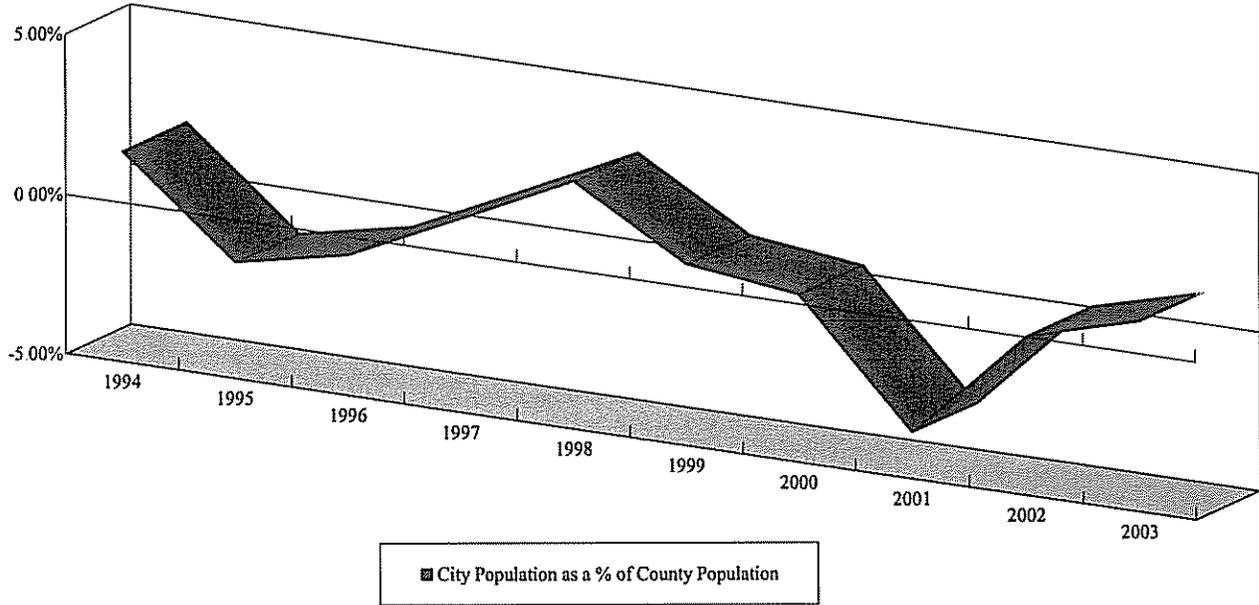
CITY OF BELMONT
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 JUNE 30, 2003

JURISDICTION	Net Debt <u>Outstanding</u>	Percentage Applicable To City of Belmont	Amount Applicable To City of Belmont
San Mateo County General Fund Obligations	\$7,551,245	2.757%	\$208,188
San Mateo County Board of Education Certificates of Participation	136,747	2.757%	3,770
Belmont School District Certificates of Participation	2,089,090	36.332%	759,008
San Mateo County Mosquito Abatement District Certificates of Participation	71,876	3.773%	2,712
Sequoia Union High School District Certificates of Participation	9,063,756	6.951%	630,022
Belmont School District	4,115,058	36.304%	1,493,931
San Mateo-Foster City School District	<u>20,787</u>	0.020%	<u>4</u>
TOTAL NET DIRECT & OVERLAPPING BONDED DEBT	<u><u>\$23,048,559</u></u>		<u><u>\$3,097,634</u></u> (1)

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

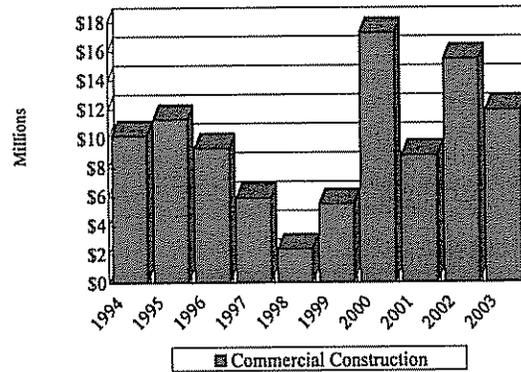
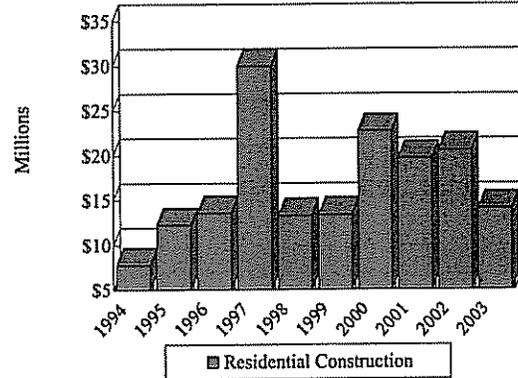
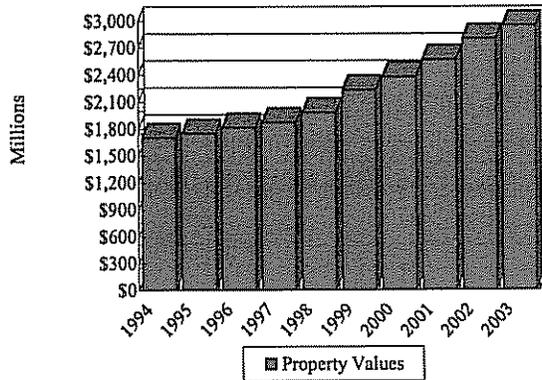
SOURCE: California Municipal Statistics, Inc.

CITY OF BELMONT
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS



(1) Source - State of California Department of Finance

CITY OF BELMONT
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS



Fiscal Year	Property Values (1)	Commercial Construction (2)		Residential Construction (2)	
		Number of Permits	Value	Number of Permits	Value
1994	\$1,705,797,084	54	\$10,221,320	645	\$7,811,283
1995	1,754,912,237	68	11,338,413	599	12,278,773
1996	1,820,259,501	73	9,348,668	711	13,629,372
1997	1,878,324,931	64	5,912,868	839	30,023,862
1998	1,989,086,368	66	2,388,780	700	13,341,132
1999	2,239,919,618	59	5,499,446	674	13,438,925
2000	2,382,151,200	80	17,284,900	829	22,740,492
2001	2,576,955,328	75	8,852,932	972	19,729,234
2002	2,810,114,176	105	15,481,625	945	20,605,515
2003	2,954,637,678	136	11,959,113	1066	14,142,604

Source: (1) San Mateo County Auditor - Controller's Assessed Value Summaries
(2) City of Belmont Community Development Department

CITY OF BELMONT
 MISCELLANEOUS STATISTICS
 June 30, 2003

Date of Incorporation: Belmont was incorporated as a General Law City in 1926.

Form of Government: Council/Manager

Authorized Employees as June 30, 2002 (including Police):

Elected:

Mayor	1
Council	4
Treasurer	1
City Clerk	1

Appointed:

City Manager	1
Assistant City Manager	1
Department heads	6
Other full-time employees	135
Total	150

Area in square miles: 4.61

Miles of streets and alleys: 71

Number of street lights: 1,087

Miles of storm drains: 27

Police protection:

Commissioned personnel:	35
Noncommissioned personnel (full-time):	16
	51

Parks and Recreation:

Number of developed parks:	14
Acreage of developed parks:	58.5
Acreage of open space	302

Community buildings:

- Barrett Community Center
- Twin Pines Lodge
- Twin Pines Senior and Community Center
- Belmont Sports Conference Center

Fire Protection:

Provided by South County Fire Authority through the Belmont Fire protection District which serves the Cities of Belmont and San Carlos.

Number of fire fighters:	52
Number of fire stations (Belmont):	2

Sanitary Sewer Services:

Provided by the South Bayside System Authority which serves Belmont, San Carlos, Redwood City, and Menlo Park.

Miles of sewers (Belmont):	85
Number of service connections (Belmont):	8,601
Average daily treatment in gallons (Belmont):	1.87 million
Average daily treatment in gallons (total):	17.2 million
Maximum daily treatment capacity in gallons:	29 million

Water services:

Provided by the Mid-Peninsula Water District

**CITY OF BELMONT
TEN LARGEST USERS OF THE SEWER SYSTEM**

<u>User</u>	<u>Type</u>	<u>Fiscal Year 2002/03 Revenues</u>
Oracle Corp.	Commercial	\$36,204
Belmar Lessee, Bohannon Development Co.	Commercial	36,031
McLellan Estate Co. (707 Old County Rd.)	Multifamily Residential	32,386
College of Notre Dame	Institutional	28,651
Normandy Square Associates, LLC	Multifamily Residential	28,392
McLellan Estate Co. (510 Crestview Ave)	Multifamily Residential	28,347
McLellan Estate Co. (301 Old County Rd.)	Multifamily Residential	27,872
Summerfield Suites	Commercial	25,723
Notre Dame Elementary School	Institutional	25,624
Carlmont Village Shopping Center	Commercial	23,814

Source: City of Belmont
Required per 2001 Sewer Revenue Bonds Continuing Disclosure.

NUMBER OF SEWER SERVICE USERS

<u>User Type</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
All Users	8,200	9,038 ⁽¹⁾	8,611 ⁽²⁾	8,512 ⁽³⁾	8,618	8,602 ⁽³⁾

- (1) Increase due to a change in billing procedures to include all parcels, developed or undeveloped.
- (2) Decline due to a change from a flat rate to a metered rate system.
- (3) Decline due to adjustment of consolidated parcels.

**SEWER SERVICE REVENUES BY CLASS OF USER
As of June 30, 2003**

<u>User Class</u>	<u>Revenue</u>	<u>Percent</u>
Single Family & Multiple Family Residential	\$2,743,565	80.65%
Commercial/Institutional	<u>658,412</u>	<u>19.35%</u>
Total Revenue	<u><u>3,401,977</u></u>	<u><u>100.00%</u></u>

CITY OF BELMONT
SEWER SYSTEM
SUMMARY STATEMENT OF HISTORICAL
REVENUE AND EXPENDITURES
LAST FIVE FISCAL YEARS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
REVENUES					
Charges for services	\$2,807,915	\$2,990,564	\$2,925,668	\$3,184,579	\$3,403,389
Connection charges	149,014	71,064	187,538	178,446	108,014
Miscellaneous charges		\$44,737	7,734	(490)	
Interest revenue	64,212	33,886	70,327	151,908	160,191
Joint venture interest	(123,047)	(197,366)	(342,254)	(159,400)	
Total Revenues	<u>2,898,094</u>	<u>2,942,885</u>	<u>2,849,013</u>	<u>3,355,043</u>	<u>3,671,594</u>
OPERATING EXPENSES					
Personnel services	666,413	633,717	752,309	834,950	614,855
Sewer treatment services	830,009	943,378	876,672	916,889	950,276
Supplies, materials and services	1,297,809	1,329,640	2,119,653	1,553,815	1,300,884
Interest Expense				41,706	355,623
Total Expenses	<u>2,794,231</u>	<u>2,906,735</u>	<u>3,748,634</u>	<u>3,347,360</u>	<u>3,221,638</u>
Total Operating Transfers (1)	<u>(137,700)</u>	<u>(204,992)</u>	<u>(105,300)</u>	<u>(1,010,125)</u>	<u>(406,438)</u>
AMOUNTS AVAILABLE FOR DEBT SERVICE	<u>(\$33,837)</u>	<u>(\$168,842)</u>	<u>(\$1,004,921)</u>	<u>(\$1,002,442)</u>	<u>\$43,518</u>
DEBT SERVICE COVERAGE RATIO	N/A	N/A	N/A	N/A	N/A

(1) Includes transfers for storm drain improvements that mitigate infiltration and intrusion into the sewage system.

Source: City of Belmont