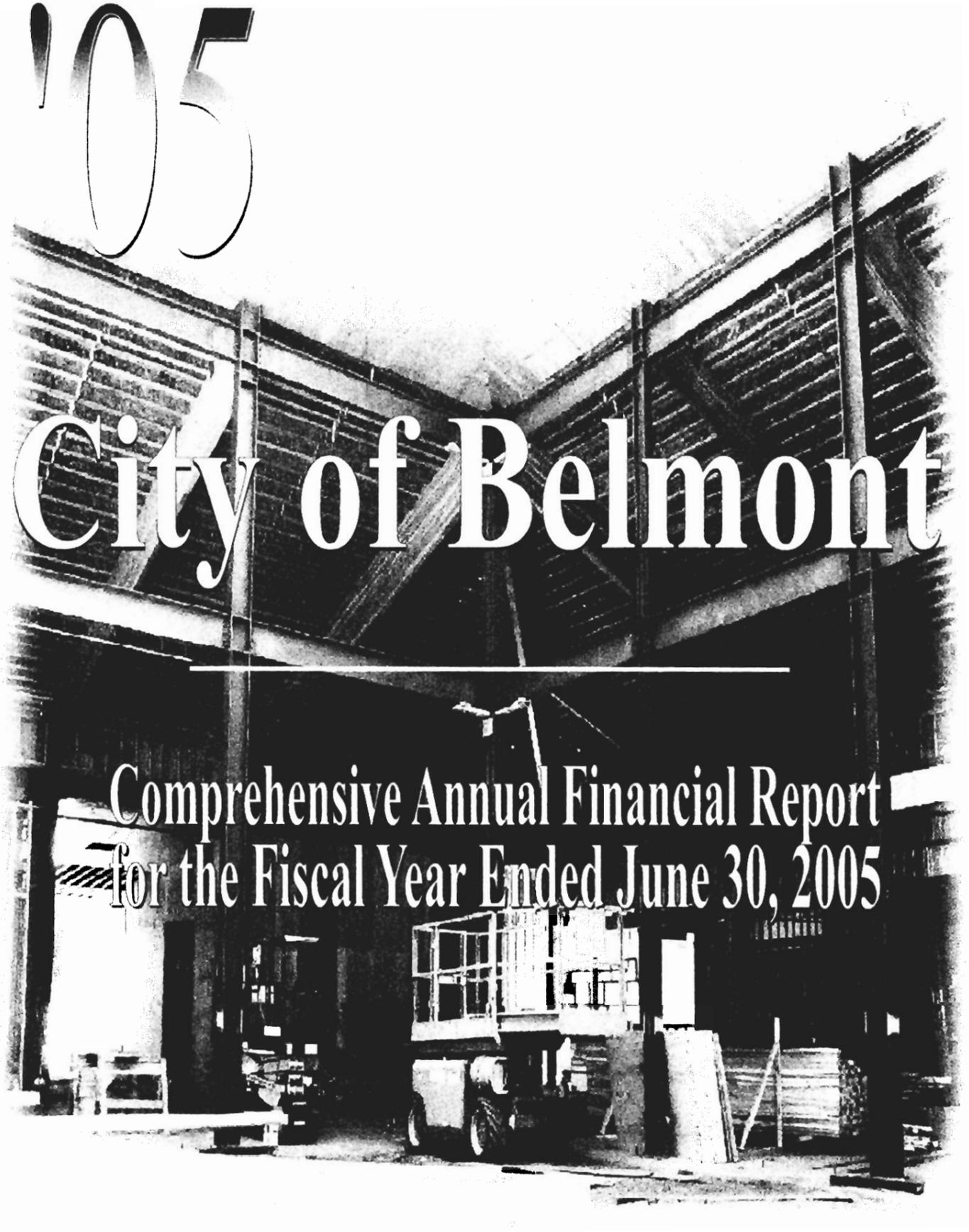


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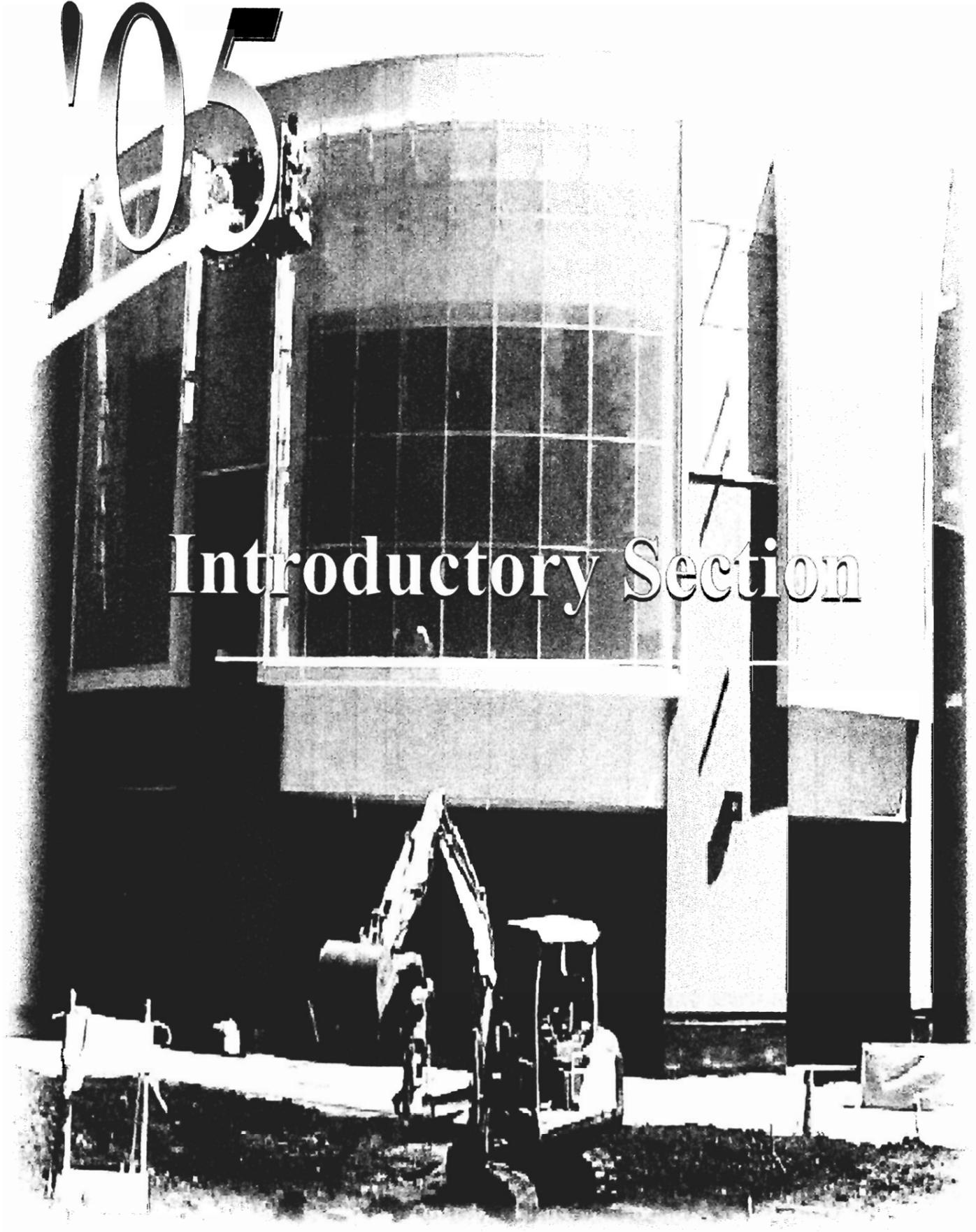
City of Belmont

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2005



CITY OF BELMONT, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

Prepared by
FINANCE DEPARTMENT



Introductory Section

CITY OF BELMONT

Comprehensive Annual Financial Report
For the Year Ended June 30, 2005

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October 7, 2005

To the Citizens of the City of Belmont, California:

The comprehensive annual financial report of the City of Belmont for the fiscal year ended June 30, 2005, is hereby submitted pursuant to State law, which requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. 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.

The City of Belmont's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. The independent auditor concluded that the City of Belmont's financial statements for the year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of this report.

The City has fully 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 provides 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.

PUBLIC IMPROVEMENTS TAKE CENTER STAGE

The City of Belmont has undertaken several significant public improvements throughout the city. On the westward side, notable upgrades have been made to the storm drain and sewerage systems. Near the middle of the city, a new public library is under construction. Adjacent to the main crossroads of the community, the Police Facility/City Hall Retrofit Project nears completion. Finally, on the eastward side, a new highway interchange with direct access serving the Island Park community is under way. In recognition of these activities, this comprehensive financial report includes pictorial highlighting of these public improvements.

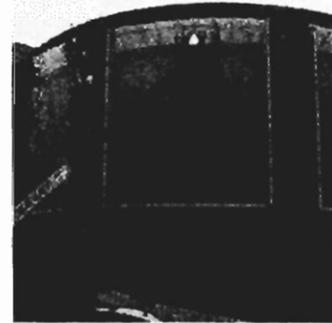
PROFILE OF THE CITY

The City of Belmont, incorporated in 1926, is located on the San Francisco peninsula, midway between San Francisco and San Jose. The City of Belmont currently occupies a land area of 4.61 square miles and serves a population of 25,123. The City of Belmont operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing day-to-day operations of the City, and for appointing the heads of the various departments.

This comprehensive annual financial report includes all funds of the City and its component units. The funds 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.

ECONOMIC CONDITION AND OUTLOOK

Located on the San Francisco peninsula midway between San Francisco and San Jose, the City of Belmont continues to manage through the effects of a regional recovery after a particularly difficult recession and adversarial state budgetary climate. As a consequence, the City, like many other municipalities located in San Mateo and Santa Clara Counties, continues to face financial challenges for the



foreseeable future.

After several very difficult years, the City of Belmont's financial position is improving. However, management's outlook for the future continues to be guarded as the regional economy recovers, albeit at a slower pace of historical recoveries. This forecast is tempered due to the relatively small commercial area that limits the City's exposure to economic fluctuations to the same extent as surrounding areas.

The City has responded to these challenges of the past with a series of General Fund budget corrections in recent years. All told, the City has made budget adjustments totaling \$3.4 million over the past three years. While management believes the corrective action taken have adequately address the effects of the downturn in the local economy and ongoing cost pressures, the state continues to intrude on local control and poses an equally large and fundamentally more troubling threat to local services.

Over the past 20 years, the City has lost nearly \$10 million in local revenues to the state and the amount continues to grow at nearly a million dollars a year. As a result of these actions, local governments successfully organized an initiative to protect local revenues from further takeaways from the state. The overwhelming support of the voters towards Proposition 1A, which limits the Legislature's ability to take local government shares of certain taxes, is clearly positive. However, the state's ability to take other local government revenue is still untested and could pose a threat to the City.

As indicated in the prior year, the General Fund revenue outlook for the future of the City is difficult to predict. The City continues to see weakness in technology-based sectors, but strength elsewhere. For example, in the area of property tax assessments on business equipment and inventories continue to be down. Conversely, sales of existing homes are fairly brisk. Sales taxes have improved notably in the automotive sectors. Finally, transient occupancy taxes are bounding as business travel increases.

Management's near term outlook for the Belmont Redevelopment Agency continues to be pessimistic, primarily due to the anticipated state imposition of a half million dollar per annum ERAF shift proposed for the next year and the ongoing softness in unsecured property taxes due to reduced equipment investment and business inventories within the project area. In the far term, management's outlook is more favorable as the Agency's revenue streams are bolstered by ongoing construction activity, including such projects as the addition of a new worldwide training center to a leading technology firm's existing manufacturing site by 31,392 square feet valued at approximately \$8 million at 1399 Shoreway Road.

Construction activity from private development is expected to continue into subsequent fiscal years. Projects recently completed within the City of Belmont include 52 units Summerhill Cambridge project valued at \$42 million. Furthermore, the Belmont Redevelopment Agency is benefiting from several projects, including: 24 residential units valued at \$4.1 million near the corner of F Street and El Camino Real; and 55 senior residential units valued at approximately \$35 million at 1301 Ruston Avenue.

In conclusion, while the City has aggressively addressed the financial challenges of our time well, it is difficult to predict what changes may be ahead of it. While many of the City's revenue sources are expected to grow modestly, others are likely to see little or no growth. Other economic development activities, which are expected to provide additional improvement to the General Fund revenue picture in the future, are more fully described in the following section. Addressing these challenges has been a significant focus of the City's during recent years and continued attention to them will be warranted.

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 \$34 million in 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.

The City has several major initiatives underway. Most notably is the City of Belmont's City Hall Retrofit/Police Facility project. This \$9.9 million project began construction in November 2003 and is largely complete. Furthermore, construction has begun on a new \$10.9 million library and improvements to an adjacent park at 1100 Alameda de las Pulgas and is expected to be complete by Summer 2006. Another \$3.9 million has been set aside for a variety of sewer and storm drain improvements. Other major capital items include Low to Moderate Income projects, Redevelopment Agency projects and a variety of landscape and street improvements.

FINANCIAL INFORMATION

Internal Controls. 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.

Debt Administration. At June 30, 2005, the City has five debt issues outstanding. Of these, \$24,455,000 are tax increment tax allocation bonds, \$7,130,000 are sewer revenues bonds, and \$184,834 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, 2005, the City had no general obligation bonded debt. The legal debt margin was \$538,844,471 with debt per capita equaling \$.00 based on a population of 25,123.

The City has a \$184,834 loan from Oracle Corporation pursuant to the terms and conditions of a development and disposition agreement. The loan was originally made primarily for construction of the Direct Access—Ralston /101 Interchange project previously discussed. The remaining balance on the loan is unrestricted and can be used for any governmental purpose. The amount is evidenced by a note payable and is repaid solely through the receipt of sale tax generated by the holder of the note. 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 2.26%. The City earned interest revenue of \$516,629 on all investments for the year ended June 30, 2005.

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

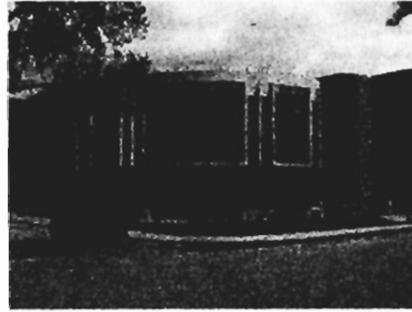
Risk Management. Since 1996, the City has purchased primary workers' compensation insurance. All claims from that date are covered 100% by the carrier. Prior to 1996, the City maintained a self-insurance program for workers' compensation. Consequently, the City retains risk for all claims up to \$275,000 that occurred prior to 1996. Claims in excess of that amount are covered by an excess insurance policy for up to \$2,000,000 in limits. As of June 30, 2005, the workers' compensation fund shows a contingency margin above the estimated liabilities of \$108,824.



During the year, the City also retains risk for general liability claims up to \$150,000 per claim. Claims in excess of that amount are covered by insurance policies up to \$20,000,000. As of June 30, 2005, the liability fund shows a contingency margin above the estimated liabilities of \$793,119.

OTHER INFORMATION

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, 2005. 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.

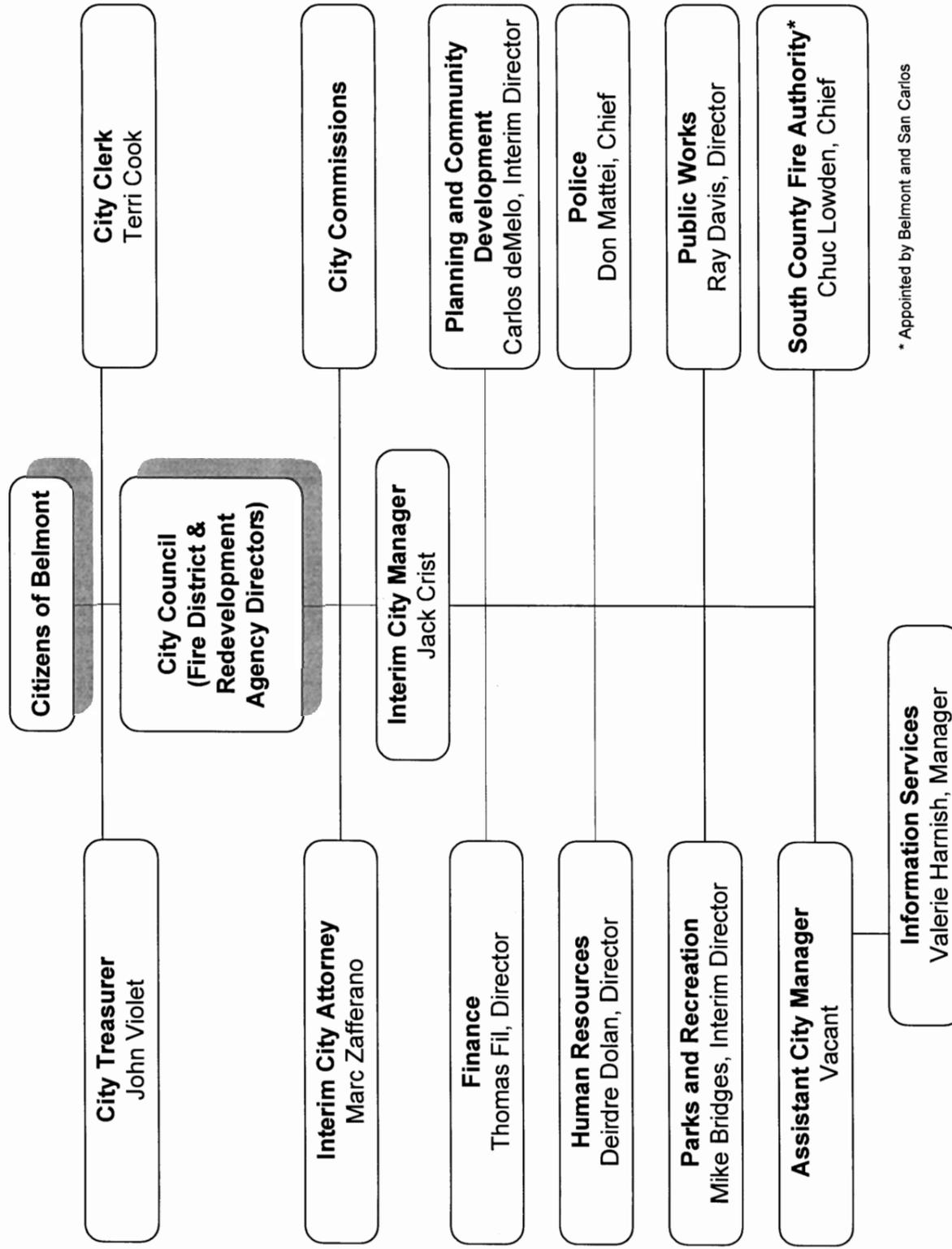
Sincerely,



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	Dave Warden
Vice Mayor - Council Member	Phillip Mathewson
Council Member	Dave Bauer
Council Member	Coralin Feierbach
Council Member	George Metropulos
City Treasurer	John Violet
City Clerk	Terri Cook

Appointed Officials

City Manager	Jack Crist (Interim)
Assistant City Manager	Vacant
City Attorney	Marc Zafferano
Finance Director	Thomas Fil
Human Resources Director	Deirdre Dolan
Parks & Recreation Director	Karl Mittelstadt
Community Development Director	Craig Ewing
Police Chief	Don Mattei
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, 2004

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.

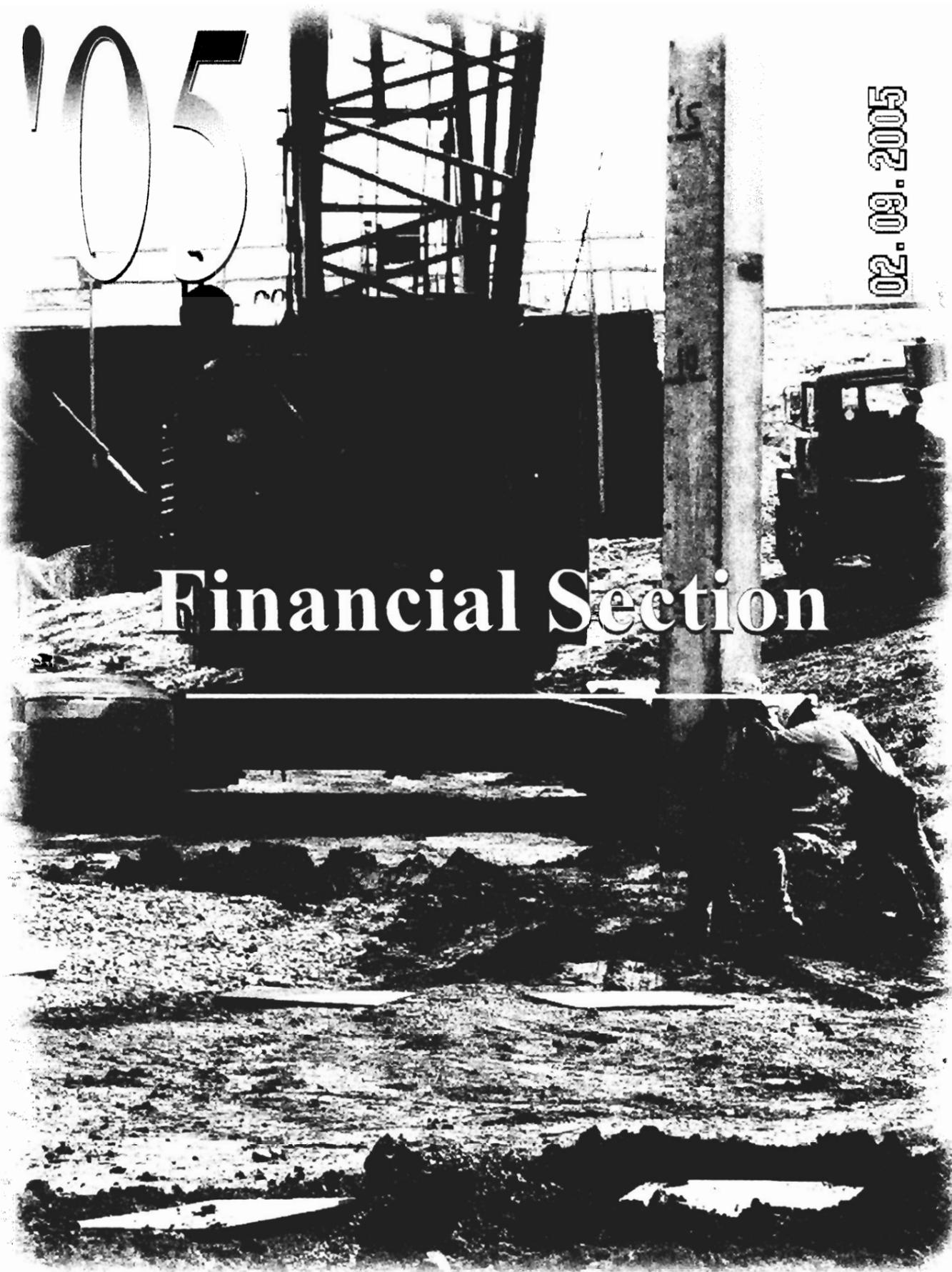


Nancy L. Zjelke

President

Jeffrey R. Emmer

Executive Director



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02.09.2005

Financial Section

ACCOUNTANCY CORPORATION
1931 San Miguel Drive - Suite 100
Walnut Creek, California 94596
(925) 930-0902 • FAX (925) 930-0135
E-Mail: maze@mazeassociates.com
Website: www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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, 2005 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 August 26, 2005 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, 2005 and the respective changes in the financial position and cash flows, where applicable, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Maze + Associates

August 26, 2005

CITY OF BELMONT MANAGEMENT'S DISCUSSION AND ANALYSIS

In an effort to make these financial statements clearer and more understandable to readers, the City provides this discussion and analysis of its financial activities for the fiscal year. Please read this document in conjunction with the letter of transmittal and accompanying Basic Financial Statements.

FISCAL 2005 FINANCIAL HIGHLIGHTS

City-wide:

- City total assets decreased by \$0.4 million to \$101.4 million, of which \$81.8 million represented governmental assets and \$19.6 million represented business-type assets.
- City total liabilities decreased by \$1.9 million to \$36.7 million, of which \$29.3 million were governmental liabilities and \$7.4 million were business-type liabilities.
- The City's total net assets increased by \$1.5 million to \$64.8 million. Of this amount, \$1.8 million (unrestricted governmental net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City-wide revenues were \$35.7 million, of which \$31.0 million was generated by governmental activities and \$4.7 million was generated by business-type activities.
- City-wide expenses were \$34.2 million, of which \$29.2 million was incurred by governmental activities and \$5.0 million was incurred by business-type activities.

Fund Level:

- Governmental Fund balances decreased \$6.4 million to \$30.1 million. Of this amount, \$10.0 million is unreserved fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$30.4 million, a decrease of \$0.6 million from fiscal 2004.
- Governmental Fund expenditures increased by \$1.3 million to \$36.8 million in fiscal 2005, from \$35.4 million in the prior year.
- Enterprise Fund balances decreased by \$0.3 million to \$12.2 million. Of this amount, \$8.1 million is unrestricted net assets and available for spending at the City's discretion.
- Enterprise Fund revenues were \$4.7 million in fiscal 2005 compared to \$4.4 million in the prior year.
- Enterprise Fund expenses were \$4.6 million in fiscal 2005 from \$4.5 million in fiscal 2004.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report is in six 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 the Basic 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 eight Major Governmental Funds in 2005 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 agent 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, 2005 and 2004		
(in Thousands)		
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Cash and investments	\$30,456	\$37,138
Other assets	5,489	6,339
Capital assets	45,857	38,363
Total assets	\$81,802	\$81,840
Long-term debt outstanding	\$24,455	\$25,269
Other liabilities	4,823	5,729
Total liabilities	\$29,278	\$30,998
Net assets:		
Invested in capital assets, net of debt	\$26,744	\$20,528
Restricted	23,995	29,520
Unrestricted	1,786	795
Total net assets	\$52,525	\$50,843

The City's governmental net assets increased by \$1.7 million to \$52.5 million in 2005 from \$50.8 million in 2004. 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, 2005 is comprised of the following:

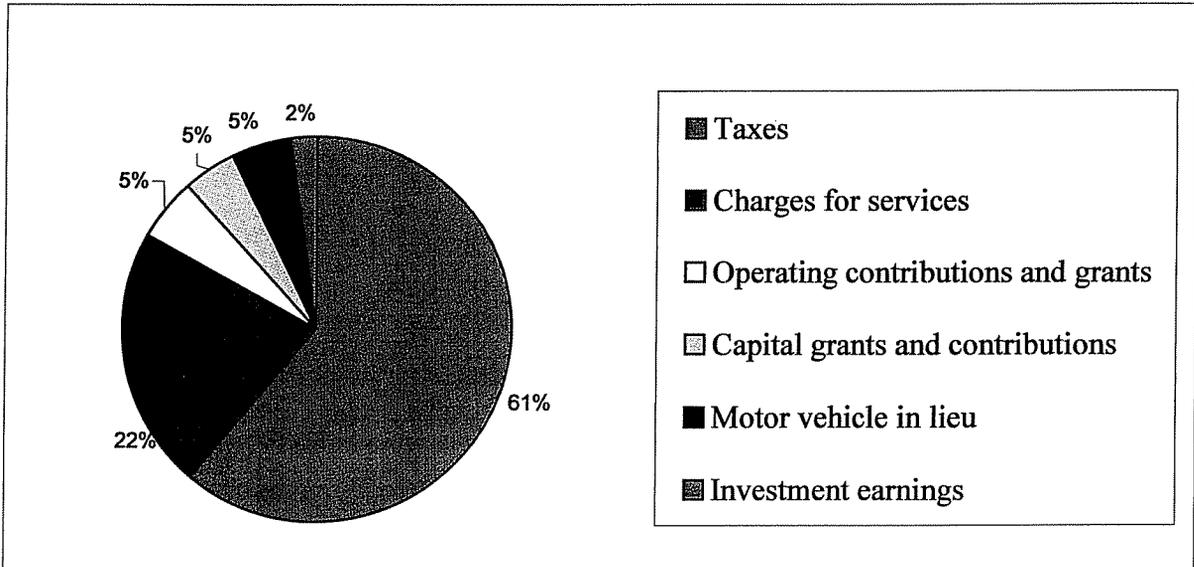
- Included in cash and investments is \$8.2 million invested with fiscal agents and \$22.3 million of pooled cash and investments available for operations. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.
- \$6.0 million in cash and investments with fiscal agents pertains to the Community Facilities District No. 2000-1 (Belmont Library). These funds are restricted for the construction of a new library and adjacent park. Funds have been included within the governmental activities because the City of Belmont maintains responsibility for the facilities after construction. However, the City of Belmont is not responsible for the repayment of the debt obligation which remains with the community facilities district. Accordingly, no long term debt has been reflected in Table 1, as detailed in Note 8 to the financial statements.
- Other assets include \$.9 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 \$1.5 million in notes receivable as discussed in Note 5.
- The major components of capital assets include \$15.2 million in streets and infrastructure, \$10.7 million in land, \$6.5 million in buildings and building improvements, and \$12.7 million in construction in progress as discussed in Note 7.
- 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 tax 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 \$26.7 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 \$24.0 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 \$1.8 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.

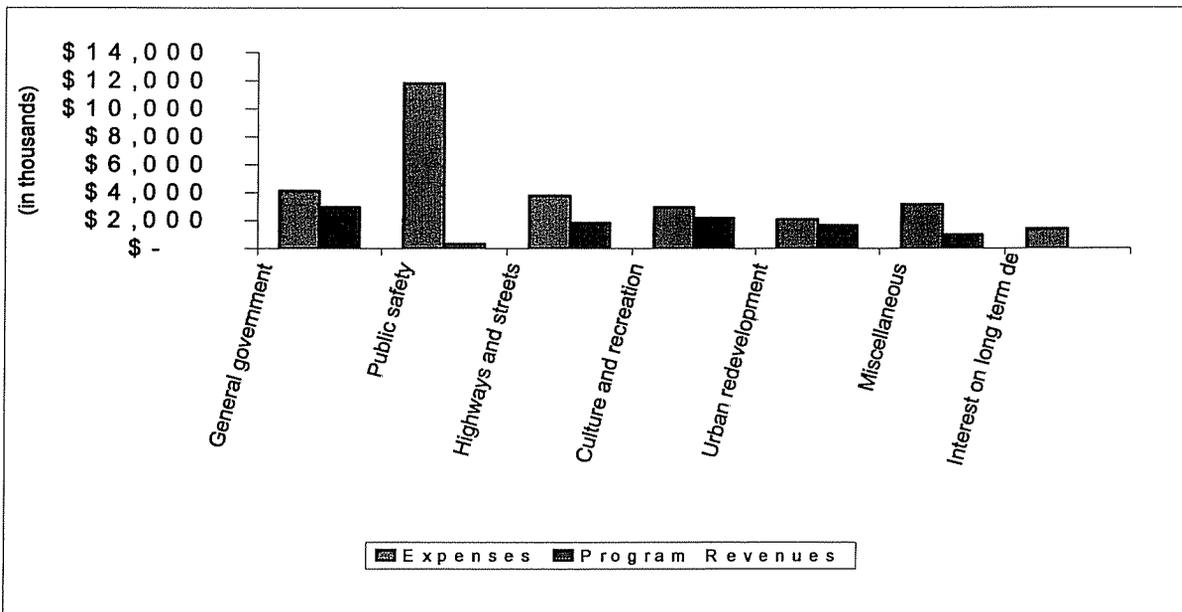
Fiscal Year 2005 Government Activities

The City’s governmental activities for fiscal 2005 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)		
	2005	2004
Revenues		
Program revenues:		
Charges for services	\$6,793	\$8,634
Operating contributions and grants	1,647	1,933
Capital grants and contributions	1,398	11,377
Total program revenues	9,838	21,944
General revenues:		
Taxes:		
Property	14,147	13,102
Sales and Use	2,689	2,698
Other	1,916	2,871
Motor Vehicle in Lieu or VLF	1,540	
Investment earnings	661	732
Transfers	99	
Total general revenues and transfers	21,052	19,403
Total revenues	30,890	41,347
Expenses		
General government	4,097	3,685
Public safety	11,801	11,530
Highways and streets	3,789	3,629
Culture and recreation	2,930	2,938
Urban redevelopment	2,064	2,958
Miscellaneous	3,148	3,005
Interest on long term debt	1,379	1,416
Total expenses	29,208	29,161
Change in net assets	\$1,682	\$12,186

Of the city's fiscal 2005 governmental revenue of \$30.9 million, \$21.1 million or 68% came from general revenues, of which \$14.2 million represented property taxes. Motor Vehicle in Lieu tax or Vehicle License Fee (VLF) amounted to \$1.5 million. The VLF revenue has now been returned to California cities and counties as a result of the passage of Proposition 1A in November 2004. 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 \$9.8 million, of which \$6.8 million or

69% is from charges for services. In addition, \$1.4 million is from capital grants and contributions and \$1.7 million from operating contributions and grants. The remainder of the city's governmental revenues is from a variety of sources as shown in the charts above.

The expenses shown above 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, 2005 and 2004		
(in Thousands)		
	2005	2004
Cash and investments	\$2,452	\$4,062
Other assets	5,955	5,666
Capital assets	11,197	10,278
Total assets	\$19,604	\$20,006
Long-term debt outstanding	\$7,130	\$7,275
Other liabilities	271	268
Total liabilities	\$7,401	\$7,543
Net assets:		
Invested in capital assets, net of debt	\$4,067	\$3,003
Unrestricted	8,136	9,460
Total net assets	\$12,203	\$12,463

The net assets of business-type activities decreased slightly to \$12.2 million in fiscal 2005, which is a decrease of \$0.26 million. Overall, activities were relatively consistent with the prior year.

Table 4
Changes in Business-type Net Assets
(in Thousands)

	2005	2004
Revenues		
Program Revenues:		
Charges for Services	\$4,724	\$4,438
Total program revenues	4,724	4,438
General Revenues:		
Investment earnings	113	71
Transfers, net	(99)	
Total general revenues and transfers	14	71
Total revenues	4,738	4,509
Expenses		
Sewer	3,903	4,040
Storm Drain	1,096	932
Total expenses	4,999	4,972
Change in net assets	\$(261)	\$(463)

Total operating revenues of business-type activities was \$4.7 million in fiscal 2005, up from \$4.4 million in the prior year primarily due to higher sewer service charges. Operating expenses were fairly consistent with the prior year.

Net interest expense was \$0.2 million, and net transfers came to (\$0.1) 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)

	2005	2004
Total assets	\$32,796	\$42,350
Total liabilities	\$2,700	\$5,857
Total fund balances	\$30,096	\$36,493
Total revenues	\$30,412	\$31,061
Total expenditures	\$36,754	\$35,407
Total other financing sources (uses)	\$(56)	\$9,997

At June 30, 2005, governmental fund balances decreased by \$6.4 million to \$30.1 million. Revenues decreased by \$0.6 million to \$30.4 million. Expenditures increased by \$1.4 million to \$36.8 million due mainly to a \$2.9 million increase in capital outlay plus a \$0.5 million increase in highway and street expense offset by a \$2.0 decrease in debt service expense.

Other financing sources (uses) decreased by over \$10.1 million because fiscal 2004 included \$9.9 million in bond proceeds and premium related to the construction of the Belmont Library.

Analyses of Major Governmental Funds

General Fund

General Fund revenues increased approximately \$.9 million to \$12.5 million this fiscal year primarily due to a \$1.4 million increase in Intergovernmental Motor Vehicle Taxes, which were restored due to the passage of State Proposition 1A in November 2004. Other revenues were relatively consistent with the prior year.

General Fund expenditures were basically the same as fiscal 2004. There was a slight decrease of \$0.029 million, or less than 1%, to \$10.8 million.

Net transfers out of the General Fund were also basically the same as fiscal 2004. Detail is provided in Note 4 to the financial statements.

At June 30, 2005, the General Fund Balance is comprised of \$2.4 million in unreserved, undesignated balances and \$0.1 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.

General Fund Budgetary Highlights: Differences between the original budget and the final amended budget reflect corrective actions taken mid-year. Differences between the original budget and the final budget indicate additional revenues of \$0.2 million and decreased expenditures of \$0.6 million and an increase in Transfers Out of \$0.2 million. The net effect of the budget corrective actions was a decrease in the projected deficit of \$1.0 million down to \$0.4 million.

Differences between the final budget and the actual amounts for the year show that the deficit was actually eliminated and instead there was a \$0.5 million excess of revenues and other sources over expenditures and other uses for the year. Revenues were \$0.2 million higher than the final budget and expenditures were \$0.5 million lower than the final budget.

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 provides services through participation in the South County Fire Protection Authority.

During fiscal 2005, the District was able to convert the 2004 fund balance deficit of \$0.05 million into a positive fund balance of \$0.3 million due primarily to an increase in property tax revenue of \$0.5 million.

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 \$4.1 million at June 30, 2005. \$3.8 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 \$4.5 million, of which \$2.2 million is invested with a fiscal agent. Fund balance at June 30, 2005 totals \$4.6 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 a police facility and seismic retrofitting of City Hall.

At June 30, 2005, cash and investments remaining to be used for this project totaled \$1.3 million. Construction is in progress, and the project is a little over 90% into the official project timeline. It is anticipated that construction will be completed in September 2005.

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, 2005, unrestricted, unreserved fund balances amounted to \$4.7 million. The City is in the process of evaluating priorities and potential projects for this area and has gone through a significant “visioning” effort as part of this process.

Library Fund

This fund accounts for the construction of a new, 20,040 square foot library and improvements to the Belameda Park area adjacent to the new library. Funding comes from proceeds derived from the issuance of \$8.65 million in bonds by the Community Facilities District No. 2000-1 (Belmont Library).

At June 30, 2005, cash and investments remaining to be used for this project totaled \$6.0 million. *Construction began on the Library in fiscal 2005 and is expected to be complete by Spring 2006.*

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 \$0.3 million higher at \$4.3 million compared to the previous year, primarily due to a rate increase in sewer service charges. Operating expenses were consistent with the previous year at \$3.6 million. Net assets totaled \$9.9 million at June 30, 2005, with \$2.1 million invested in capital assets, net of related debt, and \$7.8 million of unrestricted fund balance.

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 relatively consistent with the prior year at \$0.4 million and consist of NPDES storm drain charge fees. Operating expenses were also consistent with the prior year at \$1.1 million. Net assets totaled \$2.3 million at June 30, 2005, with \$1.9 million invested in capital assets, net of related debt, and \$0.4 million of unrestricted fund balances.

CAPITAL ASSETS

The City is required 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. The City determined street and other infrastructure costs and accumulated depreciation amounts.

At the end of fiscal 2005, 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>2005</u>	<u>2004</u>
<i>Governmental Activities</i>		
Land	\$10,659	\$10,353
Construction in progress	12,739	6,138
Buildings	11,776	11,776
Improvements other than buildings	308	275
Machinery and equipment	3,095	2,883
Vehicles	2,128	2,189
Streets and infrastructure	24,558	22,721
Less accumulated depreciation	(19,406)	(17,972)
Totals	<u>\$45,857</u>	<u>\$38,363</u>
<i>Business-type Activities</i>		
Land	\$15	\$15
Construction in progress	1,253	684
Improvements other than buildings	15,279	14,256
Machinery and equipment	189	190
Less accumulated depreciation	(5,539)	(4,867)
Totals	<u>\$11,197</u>	<u>\$10,278</u>

The principal additions for governmental activities in fiscal 2005 were related to construction in progress with \$12.7 million as of June 30, 2005, which includes \$1.5 million in various streets projects, \$6.7 million for the City Hall Retrofit/Police Facility project, and \$4.5 million for the new Belmont Library.

Additions for business-type activities were primarily related to Improvements other than buildings with \$1.0 million in additions during fiscal 2005 largely related to storm drain rehabilitation projects.

The City depreciates all of its capital assets over their estimated useful lives. 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 2005. A summary of activity is presented below:

Table 7 Outstanding Debt (in Thousands)		
	<u>2005</u>	<u>2004</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	\$2,465	\$2,590
1999 Series A, 4.375%-5.7%, due 2029	13,505	13,965
1999 Series B, 3.6%-5.8%, due 2029	8,300	8,465
Note Payable:		
Note Payable:		
Oracle Owner Participation Agreement, LAIF rate, due 2025	185	249
Subtotal Governmental Activity Debt	<u>24,455</u>	<u>25,269</u>
<i>Business-type Debt – Sewer Enterprise Fund:</i>		
2001 Sewer Revenue Bonds, 4.375%-5.00%, due 2031	<u>7,130</u>	<u>7,275</u>
Total Long-Term Obligations	<u>\$31,585</u>	<u>\$32,544</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 One Twin Pines Lane, Suite 320, Belmont, CA 94002. Additional information about the City's operations and activities can be obtained from the website at www.belmont.gov.

CITY OF BELMONT

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

The Statement of Net Assets and the Statement of Activities 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, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$22,253,614	\$1,829,467	\$24,083,081
Cash and investments with fiscal agent (Note 3)	8,202,207	621,931	8,824,138
Receivables:			
Accounts	1,027,060	22,911	1,049,971
Interest	223,328		223,328
Due from other governmental agencies	899,600		899,600
Notes (Note 5)	1,502,013		1,502,013
Prepays and other assets	258,999		258,999
Land held for redevelopment (Note 6)	1,578,748		1,578,748
Investment in SBSA- Joint Venture (Note 12)		5,932,202	5,932,202
Capital assets, net (Note 7)			
Land and construction in progress	23,397,649	1,267,553	24,665,202
Depreciable assets, net	22,459,214	9,929,727	32,388,941
Total Assets	81,802,432	19,603,791	101,406,223
LIABILITIES			
Accounts payable, compensated absences, claims and other liabilities / contracts payable	2,159,207	161,359	2,320,566
Claims payable	439,152		439,152
Compensated absences	1,587,673	109,557	1,697,230
Deposits	348,016		348,016
Unearned revenue	288,680		288,680
Long-term debt (Note 8)			
Due within one year	841,608	140,000	981,608
Due in more than one year	23,613,225	6,990,000	30,603,225
Total Liabilities	29,277,561	7,400,916	36,678,477
NET ASSETS			
Invested in capital assets, net of related debt	26,743,858	4,067,280	30,811,138
Restricted for:			
Capital projects	6,841,319		6,841,319
Debt service	4,825,721		4,825,721
Redevelopment programs	12,034,116		12,034,116
Special revenue programs	294,181		294,181
Total Restricted Net Assets	23,995,337		23,995,337
Unrestricted	1,785,676	8,135,595	9,921,271
Total Net Assets	\$52,524,871	\$12,202,875	\$64,727,746

See accompanying notes to financial statements

CITY OF BELMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

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	\$4,096,640	\$2,553,374	\$58,961	\$341,386	(\$1,142,919)		(\$1,142,919)
Public safety	11,801,530	73,236	243,822		(11,484,472)		(11,484,472)
Highways and streets	3,789,052	312,720	1,181,597	309,416	(1,985,319)		(1,985,319)
Culture and recreation	2,929,945	1,367,880	55,049	746,954	(760,062)		(760,062)
Urban redevelopment	2,064,023	1,636,040			(427,983)		(427,983)
Pass throughs and other	3,147,837	849,661	108,218		(2,189,958)		(2,189,958)
Interest on long term debt	1,378,812				(1,378,812)		(1,378,812)
Total Governmental Activities	29,207,839	6,792,911	1,647,647	1,397,756	(19,369,525)		(19,369,525)
Business-type Activities:							
Sewer	3,902,590	4,321,210				\$418,620	418,620
Storm Drainage	1,095,985	403,106				(692,879)	(692,879)
Total Business-type Activities	4,998,575	4,724,316				(274,259)	(274,259)
Total	\$34,206,414	\$11,517,227	\$1,647,647	\$1,397,756	(19,369,525)	(274,259)	(19,643,784)
General revenues:							
Taxes:							
Property taxes					7,307,464		7,307,464
Incremental property tax					6,839,996		6,839,996
Sales taxes					2,688,514		2,688,514
Other taxes					1,916,133		1,916,133
Motor vehicle in lieu					1,539,818		1,539,818
Investment earnings					661,080	113,083	774,163
Transfers					98,815	(98,815)	
Total general revenues and transfers					21,051,820	14,268	21,066,088
Change in Net Assets					1,682,295	(259,991)	1,422,304
Net Assets-Beginning					50,842,576	12,462,866	63,305,442
Net Assets-Ending					\$52,524,871	\$12,202,875	\$64,727,746

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 2005. 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.

LIBRARY PROJECT CAPITAL PROJECTS FUND

To account for the construction of a new library.

CITY OF BELMONT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005

	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)	\$1,630,041	\$101,394	\$4,117,883	\$2,354,123	\$1,314,494
Cash and investments with fiscal agent (Note 3)			17	2,160,704	
Receivables:					
Accounts	637,736	151,252			7,133
Interest	174,601				
Due from other governmental agencies Notes (Note 5)	849,736		1,502,013		
Due from other funds (Note 4B)	62,024				
Prepays and other assets	121,104			124,580	
Land held for redevelopment (Note 6)			1,280,000		
Total Assets	\$3,475,242	\$252,646	\$6,899,913	\$4,639,407	\$1,321,627
LIABILITIES					
Accounts payable, compensated absences, and other liabilities / contracts payable	\$361,768	\$1,395	\$7,359		\$215,257
Deposits	317,552	100			
Deferred revenue	288,680				
Due to other funds (Note 4B)					
Total Liabilities	968,000	1,495	7,359		215,257
FUND BALANCES					
Fund balances					
Reserved for:					
Land held for redevelopment			1,280,000		
Debt service			310,894	\$4,514,827	
Encumbrances	28,879		12,100		637,175
Prepays and notes receivable	121,104		1,502,013	124,580	
Advance to other funds					
Low and moderate income housing Capital projects			3,787,547		
Unreserved, designated for:					
Capital projects					469,195
Unreserved, undesignated	2,357,259	251,151			
Total Fund Balances	2,507,242	251,151	6,892,554	4,639,407	1,106,370
Total Liabilities and Fund Balances	\$3,475,242	\$252,646	\$6,899,913	\$4,639,407	\$1,321,627

See accompanying notes to financial statements

<u>Grade Separation Projects</u>	<u>RDA Projects</u>	<u>Library Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$5,341,828	\$6,041,486	\$4,196,504	\$19,056,267
				8,202,207
\$62,024		47,235	166,304	1,024,449
			49,864	221,836
				899,600
				1,502,013
				62,024
			2,976	248,660
	298,748			1,578,748
<u>\$62,024</u>	<u>\$5,640,576</u>	<u>\$6,088,721</u>	<u>\$4,415,648</u>	<u>\$32,795,804</u>
	\$499,014	\$472,493	\$443,924	\$2,001,210
			30,364	348,016
				288,680
\$62,024				62,024
<u>62,024</u>	<u>499,014</u>	<u>472,493</u>	<u>474,288</u>	<u>2,699,930</u>
	298,748			1,578,748
	107,199		324,634	4,825,721
			2,976	1,109,987
				1,750,673
				3,787,547
		5,616,228		5,616,228
			958,346	1,427,541
	4,735,615		2,655,404	9,999,429
	5,141,562	5,616,228	3,941,360	30,095,874
<u>\$62,024</u>	<u>\$5,640,576</u>	<u>\$6,088,721</u>	<u>\$4,415,648</u>	<u>\$32,795,804</u>

CITY OF BELMONT
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances reported on the governmental funds balance sheet \$30,095,874

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. 45,856,863

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	3,197,347
Accounts receivable	2,611
Interest receivable	1,492
Prepays and other assets	10,339
Accounts payable and other liabilities / contracts payable	(157,997)

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	(24,454,833)
Claims payable	(439,152)
Compensated absences	(1,587,673)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$52,524,871

See accompanying notes to financial statements

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CITY OF BELMONT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	General	Belmont Fire Protection District	Low and Moderate Income Housing	Redevelopment Agency Debt Service	City Hall Retrofit/ Police Facilities
REVENUES					
Taxes	\$6,150,775	\$4,923,327	\$1,350,100	\$5,489,896	
Licenses and permits	620,219				
Fines and forfeitures	274,149				
Use of money and property	188,819	5,021	80,268	21,798	\$37,092
Intergovernmental	2,806,447	52,172			341,387
Charges for current services	2,351,028				
Miscellaneous	108,235				
Total Revenues	12,499,672	4,980,520	1,430,368	5,511,694	378,479
EXPENDITURES					
Current:					
General government	3,162,961				
Public safety	6,368,407	4,684,528			
Highways and streets					
Culture and recreation	1,234,072				
Urban redevelopment			691,484		
Pass throughs and other	41,876			2,775,112	
Capital outlay			371,318		4,572,033
Debt service:					
Principal			125,000	625,000	
Interest and fiscal charges			192,373	1,182,105	
Total Expenditures	10,807,316	4,684,528	1,380,175	4,582,217	4,572,033
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,692,356	295,992	50,193	929,477	(4,193,554)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4A)	204,087				1,791,251
Transfers (out) (Note 4A)	(1,471,865)			(457,862)	
Total Other Financing Sources (Uses)	(1,267,778)			(457,862)	1,791,251
NET CHANGE IN FUND BALANCES	424,578	295,992	50,193	471,615	(2,402,303)
BEGINNING FUND BALANCES	2,082,664	(44,841)	6,842,361	4,167,792	3,508,673
ENDING FUND BALANCES	\$2,507,242	\$251,151	\$6,892,554	\$4,639,407	\$1,106,370

See accompanying notes to financial statements

Grade Separation Projects	RDA Projects	Library Project Fund	Other Governmental Funds	Total Governmental Funds
			\$1,364,252	\$19,278,350
			553,822	1,174,041
				274,149
\$2,726	\$154,288	\$149,783	118,054	755,123
			825,786	4,028,518
			2,058,011	4,409,039
		300,000	84,931	493,166
<u>2,726</u>	<u>154,288</u>	<u>449,783</u>	<u>5,004,856</u>	<u>30,412,386</u>
				3,162,961
			509,717	11,562,652
2,726			1,763,023	1,765,749
			1,485,152	2,719,224
			1,273,355	1,964,839
			325,162	3,142,150
	953,317	3,870,939	476,472	10,244,079
			63,909	813,909
			4,334	1,378,812
<u>2,726</u>	<u>953,317</u>	<u>3,870,939</u>	<u>5,901,124</u>	<u>36,754,375</u>
	(799,029)	(3,421,156)	(896,268)	(6,341,989)
		700,000	1,726,400	4,421,738
	(1,791,251)		(756,394)	(4,477,372)
	(1,791,251)	700,000	970,006	(55,634)
	(2,590,280)	(2,721,156)	73,738	(6,397,623)
	7,731,842	8,337,384	3,867,622	36,493,497
	\$5,141,562	\$5,616,228	\$3,941,360	\$30,095,874

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, 2005

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 (\$6,397,623)

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 8,824,713

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation
 of \$426,204 which has already been allocated to serviced funds) (1,095,120)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities. 813,909

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 (428,207)

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 (35,377)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$1,682,295

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes	\$6,649,636	\$5,981,332	\$6,150,775	\$169,443
Licenses and permits	584,739	580,739	620,219	39,480
Fines and forfeitures	194,535	194,535	274,149	79,614
Use of money and property	278,582	278,582	188,819	(89,763)
Intergovernmental	1,981,774	2,862,848	2,806,447	(56,401)
Charges for current services	2,343,454	2,353,455	2,351,028	(2,427)
Miscellaneous	29,822	31,822	108,235	76,413
Total Revenues	12,062,542	12,283,313	12,499,672	216,359
EXPENDITURES:				
Current:				
General government	3,595,139	3,262,980	3,162,961	100,019
Public safety	6,971,442	6,741,676	6,368,407	373,269
Culture and recreation	1,316,537	1,257,678	1,234,072	23,606
Miscellaneous	36,536	51,684	41,876	9,808
Total Expenditures	11,919,654	11,314,018	10,807,316	506,702
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	142,888	969,295	1,692,356	723,061
OTHER FINANCING SOURCES (USES)				
Transfers in			204,087	204,087
Transfers (out)	(1,152,448)	(1,331,688)	(1,471,865)	(140,177)
Total Other Financing Sources (Uses)	(1,152,448)	(1,331,688)	(1,267,778)	63,910
NET CHANGE IN FUND BALANCES	(\$1,009,560)	(\$362,393)	424,578	\$786,971
BEGINNING FUND BALANCES			2,082,664	
ENDING FUND BALANCES			\$2,507,242	

See accompanying notes to financial statements

CITY OF BELMONT
 BELMONT FIRE PROTECTION DISTRICT FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$4,760,326	\$4,760,326	\$4,923,327	\$163,001
Use of money and property	3,546		5,021	5,021
Intergovernmental	54,752	54,752	52,172	(2,580)
Total Revenues	<u>4,818,624</u>	<u>4,815,078</u>	<u>4,980,520</u>	<u>165,442</u>
EXPENDITURES:				
Current:				
Public safety	4,717,663	4,767,953	4,684,528	83,425
Total Expenditures	<u>4,717,663</u>	<u>4,767,953</u>	<u>4,684,528</u>	<u>83,425</u>
NET CHANGE IN FUND BALANCES	<u>\$100,961</u>	<u>\$47,125</u>	295,992	<u>\$248,867</u>
BEGINNING FUND BALANCES			<u>(44,841)</u>	
ENDING FUND BALANCES			<u>\$251,151</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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$1,720,102	\$1,413,718	\$1,350,100	(\$63,618)
Use of money and property	86,014	86,014	80,268	(5,746)
Total Revenues	1,806,116	1,499,732	1,430,368	(69,364)
EXPENDITURES:				
Current:				
Urban redevelopment	1,097,742	725,897	691,484	34,413
Capital outlay	1,510,700	1,860,118	371,318	1,488,800
Debt service:				
Principal	125,000	125,000	125,000	
Interest and fiscal charges	192,373	192,373	192,373	
Total Expenditures	2,925,815	2,903,388	1,380,175	1,523,213
NET CHANGE IN FUND BALANCES	(\$1,119,699)	(\$1,403,656)	50,193	\$1,453,849
BEGINNING FUND BALANCES			6,842,361	
ENDING FUND BALANCES			\$6,892,554	

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 2005. 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
 JUNE 30, 2005

	<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				
Current Assets:				
Cash and investments (Note 3)	\$1,331,599	\$497,868	\$1,829,467	\$3,197,347
Cash and investments with fiscal agent (Note 3)	621,931		621,931	
Accounts receivable	1,383	21,528	22,911	2,611
Interest receivable				1,492
Prepays and other assets				10,339
Total Current Assets	<u>1,954,913</u>	<u>519,396</u>	<u>2,474,309</u>	<u>3,211,789</u>
Noncurrent Assets:				
Investment in SBSA- Joint Venture (Note 12)	5,932,202		5,932,202	
Capital assets, net (Note 7)				
Land and construction in progress	447,103	820,450	1,267,553	
Depreciable assets, net	8,829,491	1,100,236	9,929,727	800,049
Total Noncurrent Assets	<u>15,208,796</u>	<u>1,920,686</u>	<u>17,129,482</u>	<u>800,049</u>
Total Assets	<u>17,163,709</u>	<u>2,440,082</u>	<u>19,603,791</u>	<u>4,011,838</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	31,797	129,562	161,359	157,997
Claims payable				439,152
Compensated absences	79,316	30,241	109,557	121,906
Total Current Liabilities	<u>111,113</u>	<u>159,803</u>	<u>270,916</u>	<u>719,055</u>
Noncurrent Liabilities:				
Long-term debt (Note 8):				
Due within one year	140,000		140,000	
Due in more than one year	6,990,000		6,990,000	
Total Noncurrent Liabilities	<u>7,130,000</u>		<u>7,130,000</u>	
Total Liabilities	<u>7,241,113</u>	<u>159,803</u>	<u>7,400,916</u>	<u>719,055</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,146,594	1,920,686	4,067,280	800,049
Unrestricted	7,776,002	359,593	8,135,595	2,492,734
Total Net Assets	<u>\$9,922,596</u>	<u>\$2,280,279</u>	<u>\$12,202,875</u>	<u>\$3,292,783</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, 2005

	<u>Business-type Activities-Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	<u>Sewer</u>	<u>Storm Drainage</u>	<u>Totals</u>	
OPERATING REVENUES				
Charges for current services				
Sewer service charges	\$4,234,406		\$4,234,406	
Sewer connection fees	86,804		86,804	
NPDES storm drain charges		\$403,106	403,106	
Interdepartmental charges				\$3,023,598
Total Operating Revenues	<u>4,321,210</u>	<u>403,106</u>	<u>4,724,316</u>	<u>3,023,598</u>
OPERATING EXPENSES				
Personnel services	476,608	628,156	1,104,764	
Sewer services and supplies	1,470,573	433,000	1,903,573	
Sewer treatment	973,588		973,588	
Insurance premiums				517,477
Professional and legal				347,236
Operating costs				1,721,188
Insurance claims, net of change in claims payable				477,841
Depreciation	636,166	35,349	671,515	566,577
Total Operating Expenses	<u>3,556,935</u>	<u>1,096,505</u>	<u>4,653,440</u>	<u>3,630,319</u>
Operating Income (Loss)	<u>764,275</u>	<u>(693,399)</u>	<u>70,876</u>	<u>(606,721)</u>
NONOPERATING REVENUES (EXPENSES)				
Proceeds from the sale of capital assets				37,962
Interest	90,994	22,089	113,083	378,933
Interest expense	(344,467)		(344,467)	
Equity interest in SBSA - Joint Venture	(1,188)		(1,188)	
Miscellaneous		520	520	
Total Nonoperating Revenues (Expenses)	<u>(254,661)</u>	<u>22,609</u>	<u>(232,052)</u>	<u>416,895</u>
Income (Loss) Before Transfers	<u>509,614</u>	<u>(670,790)</u>	<u>(161,176)</u>	<u>(189,826)</u>
Transfers in (Note 4A)		796,941	796,941	470,525
Transfers (out) (Note 4A)	(895,756)		(895,756)	(316,076)
Net transfers	<u>(895,756)</u>	<u>796,941</u>	<u>(98,815)</u>	<u>154,449</u>
Change in net assets	(386,142)	126,151	(259,991)	(35,377)
BEGINNING NET ASSETS	<u>10,308,738</u>	<u>2,154,128</u>	<u>12,462,866</u>	<u>3,328,160</u>
ENDING NET ASSETS	<u>\$9,922,596</u>	<u>\$2,280,279</u>	<u>\$12,202,875</u>	<u>\$3,292,783</u>

See accompanying notes to financial statements

CITY OF BELMONT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Storm Drainage	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$4,444,277	\$389,935	\$4,834,212	\$3,020,426
Payments to suppliers	(2,561,226)	(315,175)	(2,876,401)	(2,548,228)
Payments to employees	(474,495)	(627,337)	(1,101,832)	
Claims paid				(454,378)
Cash Flows from Operating Activities	<u>1,408,556</u>	<u>(552,577)</u>	<u>855,979</u>	<u>17,820</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in		796,941	796,941	470,525
Transfers (out)	(895,756)		(895,756)	(316,076)
Cash Flows from Noncapital Financing Activities	<u>(895,756)</u>	<u>796,941</u>	<u>(98,815)</u>	<u>154,449</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,292,616)	(298,023)	(1,590,639)	(330,385)
Proceeds from sale of capital assets				37,962
Principal payments on capital debt	(145,000)		(145,000)	
Interest paid	(344,467)		(344,467)	
Cash Flows from Capital and Related Financing Activities	<u>(1,782,083)</u>	<u>(298,023)</u>	<u>(2,080,106)</u>	<u>(292,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	90,994	22,089	113,083	378,933
Investment in SBSA	(400,533)		(400,533)	
Cash Flows from Investing Activities	<u>(309,539)</u>	<u>22,089</u>	<u>(287,450)</u>	<u>378,933</u>
Net Cash Flows	(1,578,822)	(31,570)	(1,610,392)	258,779
Cash and investments at beginning of period	3,532,352	529,438	4,061,790	2,938,568
Cash and investments at end of period	<u>\$1,953,530</u>	<u>\$497,868</u>	<u>\$2,451,398</u>	<u>\$3,197,347</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating income (loss)	\$764,275	(\$693,399)	\$70,876	(\$606,721)
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation	636,166	35,349	671,515	566,577
Change in assets and liabilities:				
Receivables, net	123,067	(13,171)	109,896	(6,038)
Accounts payable				(3,418)
Claims payable				23,463
Compensated absences	(114,952)	118,124	3,172	43,957
Miscellaneous expenses		520	520	
Cash Flows from Operating Activities	<u>\$1,408,556</u>	<u>(\$552,577)</u>	<u>\$855,979</u>	<u>\$17,820</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, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	<u>\$537,212</u>
Total Assets	<u><u>\$537,212</u></u>
LIABILITIES	
Deposits	\$6,375
Section 125 employee benefits payable	6,096
Due to bondholders	<u>524,741</u>
Total Liabilities	<u><u>\$537,212</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.

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.

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

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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 Protection Authority.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the principal and interest payments 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.

Library Project Capital Projects Fund - To account for the construction of a new library.

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.

D. Basis of Accounting

The government-wide and proprietary 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.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Prior to fiscal 2003-2004 on behalf of local governments, the State assessed a 2% Motor Vehicle License Fee (VLF) on the value of each vehicle. During 2003-2004 the State had reduced the VLF distribution to 0.67% to local governments. In fiscal 2004-2005, the State continues to assess 0.67% but also includes a County administrative fee. The State has backfilled the VLF reduction with an additional allocation of local property tax from County ERAF funds. The initial distribution of ERAF funds for fiscal 2004-2005 will be in January 2006. The City has accrued this amount at the entity-wide level of the financial statements as allowed under full accrual basis of accounting.

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 due to terminations 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	\$1,115,509	\$106,625	\$1,222,134
Additions	1,097,213	129,171	1,226,384
Payments	(746,955)	(126,239)	(873,194)
Ending Balance	<u>\$1,465,767</u>	<u>\$109,557</u>	<u>\$1,575,324</u>
Current Portion	<u>\$355,777</u>	<u>\$109,557</u>	<u>\$465,334</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.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 Fund by \$22,011. Sufficient current revenues were available to offset these expenditures.

NOTE 3 - CASH AND INVESTMENTS

The City pools cash from all sources and all funds except Cash and Investments held by Trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

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

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.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

Cash and investments as of June 2005 consist of the following:

<i>Statement of Net Assets</i>	
Cash and investments	\$24,083,081
Cash and investments with fiscal agent	8,824,138
<i>Fiduciary Funds</i>	
Cash and investments	537,212
Total Cash and investments	\$33,444,431

Cash and Investments Available for Operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

C. Investments Authorized by the California Government Code and the City's Investment Policy

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; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy where is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Municipal Bonds	5 years	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
State of California Obligations	5 years	N/A	None	None
CA Local Agency Obligations	5 years	N/A	None	None
U.S. Agency Securities (A)	5 years	N/A	None	None
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1 / P1	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	None
Repurchase Agreements	1 year	N/A	None	None
Reverse Repurchase Agreements (requires City Council approval)	92 days	N/A	20 % of base value	None
Medium Term Corporate Notes	5 years	Top three ratings categories	30%	None
Mutual Funds	N/A	Top rating category	20%	10%
Money Market Mutual Funds	N/A	Top rating category	20%	10%
Collateralized Bank Deposits	N/A	N/A	None	None
Mortgage Pass-Through Securities	5 Years	AA	20%	None
County Pooled Investment Funds	N/A	N/A	None	None
California Local Agency Investment Fund	N/A	N/A	None	None

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. These bond indentures did not disclose limitations for maximum percentage of portfolio and investment in one issuer. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>
Local Agency Municipal Bonds	N/A	Two highest rating category
U.S. Treasury Obligations	N/A	N/A
State of California Obligations	N/A	A2/A
CA Local Agency Obligations	N/A	N/A
U.S Agency Securities (A)	N/A	N/A
Bankers Acceptances	1 year	A1
Commercial Paper	270 days	A1
Short-Term Certificates of Deposit	1 year	A-1
Repurchase Agreements	30 days	A
Money Market Mutual Funds	N/A	AA-M
Collateralized Bank Deposits	N/A	N/A
California Local Agency Investment Fund	N/A	N/A
Unsecured CD's, deposit accounts, time deposits, bankers acceptances	30 days	A-1
Special Revenue Bonds	N/A	AA
Prefunded Municipal Obligations	N/A	AAA
FDIC insured deposit	N/A	N/A

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
California Local Agency Investment Fund	\$24,998,779			\$24,998,779
<i>Held by Trustees:</i>				
U.S Treasury Notes	671,711	\$1,290,731	\$648,840	2,611,282
Mutual Funds (U.S. Securities)	170,387			170,387
California Local Agency Investment Fund	5,506,086			5,506,086
Total Investments	<u>\$31,346,963</u>	<u>\$1,290,731</u>	<u>\$648,840</u>	33,286,534
Cash in banks and on hand				<u>157,897</u>
Total Cash and Investments				<u>\$33,444,431</u>

F. Local Agency Investment Fund

The City is a 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 City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. 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, United States Treasury Notes and Bills, and corporations. At June 30, 2005, these investments matured in an average of 151 days.

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City and its fiscal agent invest in the California Local Agency Investment Fund and mutual funds, which are not rated, and U.S Treasury Bills, which are exempt for credit risk disclosure.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

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.

Transfers between funds during the fiscal year ended June 30, 2005 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Facilities Management Internal Service Fund	\$204,076
	Law Enforcement Block Grant Special Revenue Fund	11
Special Revenue Fund		
Co-Sponsored Recreation	General Fund	557,938
Development Services	General Fund	211,540
Supplemental Law Enforcement Services	General Fund	40,232
Street Maintenance State Gasoline Tax	General Fund	378,714
Street Improvements Measure A Grants	Street Maintenance State Gasoline Tax	11,871
RDA Special Revenue Fund	RDA Debt Service Fund	457,862
Capital Projects Fund		
City Hall Retrofit/ Police Facilities	RDA Projects Fund	1,791,251 a
Library Project Fund	Planned Park Fund	700,000 c
Debt Service		
General Debt Service	General Fund	68,243
Enterprise Fund		
Storm Drainage	Sewer	796,941 b
Internal Service Fund		
Self-Funded Vision	General Fund	697
Fleet & Equipment Management	Co-Sponsored Recreation Special Revenue Fund	44,512
	Sewer Enterprise Fund	98,815
Facilities Management	General Fund	214,501
	Fleet & Equipment Management	112,000
		<u>\$5,689,204</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 was used for the City Hall project.
- (b) Transfer was used to fund Storm Drain Capital Projects and operations.
- (c) Transfer was used for the park improvements portion of the City Library Project.

B. Interfund Balances

As of June 30, 2005, the General Fund was owed \$62,024 by the Grade Separations Projects Fund for cash flow advances expected to be repaid with the closure of the grade separation projects.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - 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.	\$211,421
Mercy Housing Loan	325,000
Owner Occupied Rehabilitation Assistance Program	73,479
Home Buyer Assistance Program	844,530
Peace Officer Down Payment Assistance Program	47,583
Total notes receivable	\$1,502,013

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.

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.

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

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, 2005.

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:

Building and Building Improvements	40 years
Improvements Other than Buildings	25-75 years
Streets and Infrastructure	25-100 years
Machinery and Equipment	5-10 years
Vehicles	5-10 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.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance <u>June 30, 2004</u>	Additions and Transfers	Retirements and Transfers	Balance <u>June 30, 2005</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$10,353,097	\$305,606		\$10,658,703
Construction in progress	<u>6,137,778</u>	<u>8,438,413</u>	(\$1,837,245)	<u>12,738,946</u>
Total capital assets not being depreciated	<u>16,490,875</u>	<u>8,744,019</u>	<u>(1,837,245)</u>	<u>23,397,649</u>
Capital assets being depreciated:				
Buildings and building improvements	11,776,164			11,776,164
Improvements other than buildings	275,058	33,137		308,195
Streets and infrastructure	22,721,203		1,837,245	24,558,448
Machinery and equipment	2,882,894	212,292		3,095,186
Vehicles	<u>2,189,265</u>	<u>165,650</u>	<u>(227,464)</u>	<u>2,127,451</u>
Total capital assets being depreciated	<u>39,844,584</u>	<u>411,079</u>	<u>1,609,781</u>	<u>41,865,444</u>
Less accumulated depreciation for:				
Buildings and building improvements	5,199,803	273,093		\$5,472,896
Improvements other than buildings	144,504	6,901		151,405
Streets and infrastructure	8,725,918	678,156		9,404,074
Machinery and equipment	2,321,089	357,185		2,678,274
Vehicles	<u>1,580,683</u>	<u>346,362</u>	<u>(227,464)</u>	<u>1,699,581</u>
Total accumulated depreciation	<u>17,971,997</u>	<u>1,661,697</u>	<u>(227,464)</u>	<u>19,406,230</u>
Total depreciable assets	<u>21,872,587</u>	<u>(1,250,618)</u>	<u>1,837,245</u>	<u>22,459,214</u>
Governmental activity capital assets, net	<u>\$38,363,462</u>	<u>\$7,493,401</u>		<u>\$45,856,863</u>

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance June 30, 2004	Additions and Transfers	Retirements and Transfers	Balance June 30, 2005
Business-type activities				
Capital assets not being depreciated:				
Land	\$14,793			\$14,793
Construction in progress	684,143	\$578,986	(\$10,369)	1,252,760
Total capital assets not being depreciated	<u>698,936</u>	<u>578,986</u>	<u>(10,369)</u>	<u>1,267,553</u>
Capital assets being depreciated:				
Improvements other than buildings	14,256,618	1,011,653	10,369	15,278,640
Machinery and equipment	189,649			189,649
Total capital assets being depreciated	<u>14,446,267</u>	<u>1,011,653</u>	<u>10,369</u>	<u>15,468,289</u>
Less accumulated depreciation				
Improvements other than buildings	4,660,630	688,693		5,349,323
Machinery and equipment	206,417	1,820	(18,998)	189,239
Total accumulated depreciation	<u>4,867,047</u>	<u>690,513</u>	<u>(18,998)</u>	<u>5,538,562</u>
Total depreciable assets	<u>9,579,220</u>	<u>321,140</u>	<u>29,367</u>	<u>9,929,727</u>
Business-type activity capital assets, net	<u>\$10,278,156</u>	<u>\$900,126</u>	<u>\$18,998</u>	<u>\$11,197,280</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.

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

NOTE 7 - CAPITAL ASSETS (Continued)

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	\$386,031
Highways and streets	535,686
Culture and recreation	142,470
Urban redevelopment	30,933
Depreciation charged to internal service funds	<u>566,577</u>
Total Governmental Activities	<u><u>\$1,661,697</u></u>
Business-Type Activities	
Sewer	\$636,166
Storm drainage	<u>35,349</u>
Total Business-Type Activities	<u><u>\$671,515</u></u>

D. Construction Commitments

Construction Commitments for governmental activities as of June 30, 2005, consisted of the following projects:

Major Project	Authorized	Expended	Future Commitment
New Library Construction	\$10,875,876	\$5,129,421	\$5,746,455
City Hall Expansion/Renovation	<u>9,985,100</u>	<u>8,643,256</u>	<u>1,341,844</u>
	<u><u>\$20,860,976</u></u>	<u><u>\$13,772,677</u></u>	<u><u>\$7,088,299</u></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, 2004	Retirements	Balance June 30, 2005	Current Portion
GOVERNMENTAL ACTIVITY DEBT				
Redevelopment Long-Term Bonds Payable:				
1996 Series Housing Set-Aside Bonds, 6.5%-7.75%, due serially to 2016	\$2,590,000	(\$125,000)	\$2,465,000	\$135,000
1999 Series A Refunding Bonds, 4.375%-5.7%, due serially to 2029	13,965,000	(460,000)	13,505,000	480,000
1999 Series B Subordinated Bonds, 3.6%-5.8%, due serially to 2029	8,465,000	(165,000)	8,300,000	170,000
Subtotal	<u>25,020,000</u>	<u>(750,000)</u>	<u>24,270,000</u>	<u>785,000</u>
Note Payable:				
Oracle Owner Participation Agreement LAIF rate, due 2025	248,742	(63,909)	184,833	56,608
Total Governmental Activity Debt	<u>25,268,742</u>	<u>(813,909)</u>	<u>24,454,833</u>	<u>841,608</u>
BUSINESS-TYPE ACTIVITY DEBT				
2001 Sewer Revenue Bonds 4.375%-5.00%, due semiannually to 2031	7,275,000	(145,000)	7,130,000	140,000
Total Long-Term Obligations	<u>\$32,543,742</u>	<u>(\$958,909)</u>	<u>\$31,584,833</u>	<u>\$981,608</u>

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 - LONG TERM DEBT (Continued)

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.

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, 2005 was \$9,745,000

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.

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, 2005 pledged for the payment or security of 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
2006	\$841,608	\$1,336,599	\$140,000	\$338,232
2007	948,225	1,297,408	150,000	331,889
2008	860,000	1,255,551	160,000	325,108
2009	900,000	1,210,703	160,000	318,108
2010	955,000	1,162,420	165,000	310,998
2011-2015	5,585,000	4,950,104	935,000	1,438,268
2016-2021	5,565,000	3,226,268	1,170,000	1,199,810
2022-2025	5,175,000	1,814,791	1,480,000	882,123
2026-2030	3,625,000	546,290	1,880,000	467,000
2031-2032			890,000	45,000
Total	<u>\$24,454,833</u>	<u>\$16,800,134</u>	<u>\$7,130,000</u>	<u>\$5,656,536</u>

D. Special Assessment Debt with no City Commitment

On February 4, 2004, the Community Facilities District No. 2000-1 issued Special Tax Bonds, Series 2004A for \$8,650,000 to finance the construction, operations and maintenance of a new library. The City has no legal or moral liability with respect to the payment of this debt, which is secured by proceeds of an annual special tax levy received by the District. Therefore, this debt is not included in Governmental Activities long-term debt of the City. As of June 30, 2005, the balance is outstanding was \$8,575,000.

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. 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.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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.

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, notes receivable, 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.

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, 2005, 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	1.426%-2.7%	1.426%-2.418
Required employee contribution rates	9%	7%
Required employer contribution rates	15.345%	6.837%

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, 2005, 2004 and 2003 amounted to \$1,427,575, \$895,230 and \$638,064 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
2000	\$15,322,647	\$19,585,571	(\$4,262,924)	127.8%	\$2,115,802	(201.480%)
2001	16,691,827	19,817,694	(3,125,867)	118.7%	2,160,115	(144.708%)
2002	18,305,432	18,277,042	28,390	99.8%	2,415,798	1.175%

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
2000	\$15,336,585	\$19,686,037	(\$4,349,452)	128.4%	\$4,802,416	(90.568%)
2001	16,466,288	20,503,103	(4,036,815)	124.5%	5,220,409	(77.328%)
2002	18,590,899	19,701,601	(1,110,702)	106.0%	5,704,254	(19.471%)

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, 2002, the latest available:

	Safety	Miscellaneous
Beginning Balance 6/30/01	\$19,827,694	\$20,502,563
Contributions received	217,965	408,034
Benefits and Refunds Paid	(894,263)	(548,195)
Miscellaneous adjustments	(14,618)	(28,661)
Expected Investment Earnings Credited	1,607,849	1,684,636
Expected Actuarial Value of Assets 6/30/02	<u>\$20,744,627</u>	<u>\$22,018,377</u>
Market Value of Assets 6/30/02	<u>\$16,615,493</u>	<u>\$17,910,546</u>
Actuarial Value of Assets 6/30/02	<u>\$18,277,042</u>	<u>\$19,701,601</u>

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, 2005 the City paid \$286,057 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 \$1,000,000 per occurrence above the City's \$150,000 self-insured retention and excess general liability coverage of \$19,000,000 per occurrence above the City's \$1,000,000 deductible. The City has automotive liability with coverage of \$5,000,000, above the City's self-insured retention of \$1,000 and property with coverage at the replacement value of the property with a limit of \$25,000,000 above the City's deductible of \$10,000.

B. *Workers Compensation Coverage*

Effective December 1, 2004 the City purchased insurance for workers compensation through CSAC Excess Insurance Authority with coverage of \$125,000 with no deductible. The City has excess coverage of \$5,000,000 with a deductible of \$125,000. Prior to that date the City purchased commercial insurance for workers compensation coverage up to statutory limits. The City had no deductible for these losses.

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, 2005, 2004 and 2003 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>2004-2005</u>	<u>2003-2004</u>	<u>2002-2003</u>
Balance, July 1	\$415,689	\$610,495	\$382,489
Net change in liability for claims and claims paid but not reported	475,289	47,167	630,978
Claims paid	<u>(451,826)</u>	<u>(241,973)</u>	<u>(402,972)</u>
Balance, June 30	<u>\$439,152</u>	<u>\$415,689</u>	<u>\$610,495</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 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, 2005 was \$1,372,933 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, 2005 the City's equity amounted to \$5,932,202

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

NOTE 12 – JOINT VENTURES (Continued)

B. Jointly Governed Organizations

The City also participates in the following jointly governed organizations 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 \$20,653 for the year ended June 30, 2005. Financial statements may be obtained by mailing a request to the City San Carlos, 666 Elm Street, San Carlos, CA 94070.

Peninsula Traffic Congestion Relief Agency was formed by the cities of San Mateo County and San Mateo County to attempt to mitigate traffic congestion. The Agency is funded through a Countywide sales tax levied for transportation systems improvements.

South County Fire Protection 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 \$4,620,000 to the Fire Authority for the year ended June 30, 2005 for fire protection services. Financial statements may be obtained by mailing a request to South County Fire Protection Authority, Inc., 666 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.

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, One Twin Pines Lane, Belmont, CA 94002.

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

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.

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 SMCTA. As of June 30, 2005 the City has \$62,024 owed from the grade separation project.

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 One Twin Pines Lane, 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 2004-2005 the Agency passed through \$1,555,829 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. Tax increments passed through to these Agencies totaled \$1,447,989 in fiscal 2004-05.

During fiscal 2004-2005, 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 \$409,520 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 payments of interest and principal 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.

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

Library Project Capital Projects Fund – To account for the construction of a new library.

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, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Taxes	\$5,590,767	\$5,489,896	(\$100,871)
Use of money and property	<u>23,085</u>	<u>21,798</u>	<u>(1,287)</u>
Total Revenues	<u>5,613,852</u>	<u>5,511,694</u>	<u>(102,158)</u>
EXPENDITURES			
Current:			
Pass throughs and miscellaneous	3,013,679	2,775,112	238,567
Debt service:			
Principal	625,000	625,000	
Interest and fiscal charges	<u>1,182,086</u>	<u>1,182,105</u>	<u>(19)</u>
Total Expenditures	<u>4,820,765</u>	<u>4,582,217</u>	<u>238,548</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>793,087</u>	<u>929,477</u>	<u>136,390</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(576,719)</u>	<u>(457,862)</u>	<u>118,857</u>
Total Other Financing Sources (Uses)	<u>(576,719)</u>	<u>(457,862)</u>	<u>118,857</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$216,368</u>	471,615	<u>\$255,247</u>
BEGINNING FUND BALANCES		<u>4,167,792</u>	
ENDING FUND BALANCES		<u>\$4,639,407</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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Use of money and property	\$41,634	\$37,092	(\$4,542)
Intergovernmental	<u>403,000</u>	<u>341,387</u>	<u>(61,613)</u>
Total Revenues	<u>444,634</u>	<u>378,479</u>	<u>(66,155)</u>
EXPENDITURES			
Capital outlay:			
General government	<u>5,669,170</u>	<u>4,572,033</u>	<u>1,097,137</u>
Total Expenditures	<u>5,669,170</u>	<u>4,572,033</u>	<u>1,097,137</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,224,536)</u>	<u>(4,193,554)</u>	<u>1,030,982</u>
OTHER FINANCING SOURCES			
Transfers in	<u>1,791,251</u>	<u>1,791,251</u>	
Total Other Financing Sources (Uses)	<u>1,791,251</u>	<u>1,791,251</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$3,433,285)</u>	(2,402,303)	<u>\$1,030,982</u>
BEGINNING FUND BALANCES		<u>3,508,673</u>	
ENDING FUND BALANCES		<u>\$1,106,370</u>	

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, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Use of money and property	<u>\$128,766</u>	<u>\$154,288</u>	<u>\$25,522</u>
Total Revenues	<u>128,766</u>	<u>154,288</u>	<u>25,522</u>
EXPENDITURES			
Capital outlay:			
Highways and streets	<u>1,604,979</u>	<u>953,317</u>	<u>651,662</u>
Total Expenditures	<u>1,604,979</u>	<u>953,317</u>	<u>651,662</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,476,213)</u>	<u>(799,029)</u>	<u>677,184</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(1,791,251)</u>	<u>(1,791,251)</u>	
Total Other Financing Sources (Uses)	<u>(1,791,251)</u>	<u>(1,791,251)</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$3,267,464)</u>	<u>(2,590,280)</u>	<u>\$677,184</u>
BEGINNING FUND BALANCES		<u>7,731,842</u>	
ENDING FUND BALANCES		<u>\$5,141,562</u>	

CITY OF BELMONT
LIBRARY CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Use of money and property		\$149,783	\$149,783
Miscellaneous	\$202,000	300,000	\$98,000
Total Revenues	<u>202,000</u>	<u>449,783</u>	<u>247,783</u>
EXPENDITURES			
Capital outlay:			
Culture and recreation	\$4,041,165	3,870,939	170,226
Total Expenditures	<u>4,041,165</u>	<u>3,870,939</u>	<u>170,226</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,839,165)</u>	<u>(3,421,156)</u>	<u>418,009</u>
OTHER FINANCING SOURCES			
Contributions			
Transfers in	700,000	700,000	
Total Other Financing Sources (Uses)	<u>700,000</u>	<u>700,000</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$3,139,165)</u>	(2,721,156)	<u>\$418,009</u>
BEGINNING FUND BALANCES		<u>8,337,384</u>	
ENDING FUND BALANCES		<u>\$5,616,228</u>	

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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.

Library Maintenance and Operations – To account for the maintenance and operations of the new library.

City Trees – To account for the removal of trees required for the development of property.

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 Improvement Measure A Grant – 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/Route. 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.

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.

CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2005

SPECIAL REVENUE FUNDS

	Co-Sponsored Recreation	Library Maintenance and Operations	City Trees	Development Services	Supplemental Law Enforcement Services
ASSETS					
Cash and investments	\$128,366	\$886,283	\$702	\$18,179	
Receivables:					
Accounts				1,350	
Due from other governmental agencies					
Prepays and other assets	2,976				
Total Assets	\$131,342	\$886,283	\$702	\$19,529	
LIABILITIES					
Accounts payable, and other liabilities / contracts payable	\$27,162			\$17,144	
Deposits	27,728			2,384	
Total Liabilities	54,890			19,528	
FUND EQUITY					
Fund balances					
Reserved for encumbrances				73,365	
Reserved for prepaids and other assets	2,976				
Unreserved:					
Designated for capital projects					
Undesignated	73,476	\$886,283	\$702	(73,364)	
Total Fund Balances (Deficits)	76,452	886,283	702	1	
Total Liabilities and Fund Balances	\$131,342	\$886,283	\$702	\$19,529	

SPECIAL REVENUE FUNDS

Law Enforcement Block Grants	Public Safety Grants	Street Maintenance State Gasoline Tax	Street Improvements Measure A Grants	Traffic Mitigation	COPSMORE 96	Benefit Stabilization
	\$61,041	\$408,681	\$213,183	\$85,737	\$34,446	\$379,523
		91,056 49,864	70,696			
	<u>\$61,041</u>	<u>\$549,601</u>	<u>\$283,879</u>	<u>\$85,737</u>	<u>\$34,446</u>	<u>\$379,523</u>
	\$252	\$31,543	\$84,933			\$275,625
	<u>252</u>	<u>31,543</u>	<u>84,933</u>			<u>275,625</u>
		17,762	205,619			
	60,789	500,296	(6,673)	\$85,737	\$34,446	103,898
	60,789	518,058	198,946	85,737	34,446	103,898
	<u>\$61,041</u>	<u>\$549,601</u>	<u>\$283,879</u>	<u>\$85,737</u>	<u>\$34,446</u>	<u>\$379,523</u>

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CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2005

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	
	Redevelopment Agency	General Debt Service	General Facilities Fund	Planned Park Fund
ASSETS				
Cash and investments	\$17,159		\$731,143	\$970,620
Receivables:				
Accounts	3,202			
Due from other governmental agencies				
Prepays and other assets				
Total Assets	<u>\$20,361</u>		<u>\$731,143</u>	<u>\$970,620</u>
LIABILITIES				
Accounts payable, and other liabilities / contracts payable	\$547			\$2,814
Deposits				
Total Liabilities	<u>547</u>			<u>2,814</u>
FUND EQUITY				
Fund balances				
Reserved for encumbrances			\$27,888	
Reserved for prepaids and other assets				
Unreserved:				
Designated for capital projects			703,255	
Undesignated	19,814			967,806
Total Fund Balances (Deficits)	<u>19,814</u>		<u>731,143</u>	<u>967,806</u>
Total Liabilities and Fund Balances	<u>\$20,361</u>		<u>\$731,143</u>	<u>\$970,620</u>

CAPITAL PROJECTS FUNDS

<u>Open Space</u>	<u>Special Assessment District</u>	<u>Total Nonmajor Governmental Funds</u>
\$2,194	\$259,247	\$4,196,504
		166,304
		49,864
		2,976
<u>\$2,194</u>	<u>\$259,247</u>	<u>\$4,415,648</u>
	\$4,156	\$443,924
		30,364
	<u>4,156</u>	<u>474,288</u>
		324,634
		2,976
\$2,194	255,091	958,346
		2,655,404
<u>2,194</u>	<u>255,091</u>	<u>3,941,360</u>
<u>\$2,194</u>	<u>\$259,247</u>	<u>\$4,415,648</u>

CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	Co-Sponsored Recreation	Library Maintenance and Operations	City Trees	Development Services	Supplemental Law Enforcement Services
REVENUES					
Taxes		\$231,186			
Licenses and permits				\$553,822	
Use of money and property	\$21,445	17,577	\$7	851	
Intergovernmental	37,714			58,961	\$101,476
Charges for current services	823,398		695	691,773	
Miscellaneous	17,337			4,252	
Total Revenues	<u>899,894</u>	<u>248,763</u>	<u>702</u>	<u>1,309,659</u>	<u>101,476</u>
EXPENDITURES					
Current					
Public safety				364,251	141,708
Highways and streets				299,625	
Culture and recreation	1,409,121	76,031			
Urban redevelopment				815,493	
Pass throughs and miscellaneous					
Capital outlay					
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	<u>1,409,121</u>	<u>76,031</u>		<u>1,479,369</u>	<u>141,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(509,227)</u>	<u>172,732</u>	<u>702</u>	<u>(169,710)</u>	<u>(40,232)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	557,938			211,540	40,232
Transfers (out)	(44,512)				
Total Other Financing Sources (Uses)	<u>513,426</u>			<u>211,540</u>	<u>40,232</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	4,199	172,732	702	41,830	
BEGINNING FUND BALANCES (DEFICITS)	<u>72,253</u>	<u>713,551</u>		<u>(41,829)</u>	
ENDING FUND BALANCES	<u>\$76,452</u>	<u>\$886,283</u>	<u>\$702</u>	<u>\$1</u>	

SPECIAL REVENUE FUNDS

Law Enforcement Block Grant	Public Safety Grants	Street Maintenance State Gasoline Tax	Street Improvements Measure A Grants	Traffic Mitigation	COPSMORE 96	Benefit Stabilization
		\$721,917	\$411,149			
\$11	\$1,144	2,572	1,357	\$1,623	\$1,034	\$7,358
		312,720	293,947		20,550	229,425
	5,905	57,347				
11	7,049	1,094,556	706,453	1,623	21,584	236,783
	3,758					
		943,341	520,057			325,162
	3,758	943,341	520,057			325,162
11	3,291	151,215	186,396	1,623	21,584	(88,379)
(11)		378,714 (11,871)	11,871			
(11)		366,843	11,871			
	3,291	518,058	198,267	1,623	21,584	(88,379)
	57,498		679	84,114	12,862	192,277
	\$60,789	\$518,058	\$198,946	\$85,737	\$34,446	\$103,898

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CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	
	Redevelopment Agency	General Debt Service	General Facilities Fund	Planned Park Fund
REVENUES				
Taxes				
Licenses and permits				
Use of money and property	\$19,814		\$13,844	\$24,466
Intergovernmental				313,138
Charges for current services				
Miscellaneous				90
Total Revenues	<u>19,814</u>		<u>13,844</u>	<u>337,694</u>
EXPENDITURES				
Current				
Public safety				
Highways and streets				
Culture and recreation				
Urban redevelopment	457,862			
Pass throughs and miscellaneous				
Capital outlay				476,472
Debt service:				
Principal		\$63,909		
Interest and fiscal charges		4,334		
Total Expenditures	<u>457,862</u>	<u>68,243</u>		<u>476,472</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(438,048)</u>	<u>(68,243)</u>	<u>13,844</u>	<u>(138,778)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	457,862	68,243		
Transfers (out)				(700,000)
Total Other Financing Sources (Uses)	<u>457,862</u>	<u>68,243</u>		<u>(700,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	19,814		13,844	(838,778)
BEGINNING FUND BALANCES (DEFICITS)			717,299	1,806,584
ENDING FUND BALANCES	<u>\$19,814</u>		<u>\$731,143</u>	<u>\$967,806</u>

CAPITAL PROJECTS FUNDS

<u>Open Space</u>	<u>Special Assessment District</u>	<u>Total Nonmajor Governmental Funds</u>
		\$1,364,252
		553,822
\$42	\$4,909	118,054
		825,786
		2,058,011
		84,931
<u>42</u>	<u>4,909</u>	<u>5,004,856</u>
		509,717
		1,763,023
		1,485,152
		1,273,355
		325,162
		476,472
		63,909
		4,334
		<u>5,901,124</u>
<u>42</u>	<u>4,909</u>	<u>(896,268)</u>
		1,726,400
		(756,394)
		<u>970,006</u>
42	4,909	73,738
<u>2,152</u>	<u>250,182</u>	<u>3,867,622</u>
<u>\$2,194</u>	<u>\$255,091</u>	<u>\$3,941,360</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, 2005

	SPECIAL REVENUE FUNDS					
	CO-SPONSORED RECREATION			LIBRARY MAINTENANCE AND OPERATIONS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes				\$150,000	\$231,186	\$81,186
Licenses and permits					17,577	17,577
Use of money and property	\$19,270	\$21,445	\$2,175			
Intergovernmental	43,800	37,714	(6,086)			
Charges for current services	925,265	823,398	(101,867)			
Miscellaneous	35,300	17,337	(17,963)			
Total Revenues	<u>1,023,635</u>	<u>899,894</u>	<u>(123,741)</u>	<u>150,000</u>	<u>248,763</u>	<u>98,763</u>
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation	1,515,063	1,409,121	105,942	76,997	76,031	966
Urban redevelopment						
Pass throughs and miscellaneous						
Capital outlay:						
General government						
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,515,063</u>	<u>1,409,121</u>	<u>105,942</u>	<u>76,997</u>	<u>76,031</u>	<u>966</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(491,428)</u>	<u>(509,227)</u>	<u>(17,799)</u>	<u>73,003</u>	<u>172,732</u>	<u>99,729</u>
OTHER FINANCING SOURCES (USES)						
Proceeds of long-term borrowings						
Transfers in	557,938	557,938				
Transfers (out)		(44,512)	(44,512)			
Total Other Financing Sources (Uses)	<u>557,938</u>	<u>513,426</u>	<u>(44,512)</u>			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$66,510</u>	4,199	<u>(\$62,311)</u>	<u>\$73,003</u>	172,732	<u>\$99,729</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>72,253</u>			<u>713,551</u>	
ENDING FUND BALANCES		<u>\$76,452</u>			<u>\$886,283</u>	

SPECIAL REVENUE FUNDS

CITY TREES			DEVELOPMENT SERVICES			SUPPLEMENTAL LAW ENFORCEMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$601,000	\$553,822	(\$47,178)			
	\$7	\$7	2,133	851	(1,282)			
			72,331	58,961	(13,370)	\$100,000	\$101,476	\$1,476
\$4,000	695	(3,305)	940,450	691,773	(248,677)			
			2,000	4,252	2,252			
4,000	702	(3,298)	1,617,914	1,309,659	(308,255)	100,000	101,476	1,476
			414,024	364,251	49,773	119,697	141,708	(22,011)
			444,934	299,625	145,309			
			877,948	815,493	62,455			
			1,736,906	1,479,369	257,537	119,697	141,708	(22,011)
4,000	702	(3,298)	(118,992)	(169,710)	(50,718)	(19,697)	(40,232)	(20,535)
			99,800	211,540	111,740	28,730	40,232	11,502
			99,800	211,540	111,740	28,730	40,232	11,502
\$4,000	702	(\$3,298)	(\$19,192)	41,830	\$61,022	\$9,033		(\$9,033)
				(41,829)				
	\$702			\$1				

(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, 2005

SPECIAL REVENUE FUNDS

	LAW ENFORCEMENT BLOCK GRANT			PUBLIC SAFETY GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Use of money and property		\$11	\$11	\$94	\$1,144	\$1,050
Intergovernmental						
Charges for current services						
Miscellaneous				4,000	5,905	1,905
Total Revenues		11	11	4,094	7,049	2,955
EXPENDITURES						
Current						
Public safety				6,000	3,758	2,242
Highways and streets						
Culture and recreation						
Urban redevelopment						
Pass throughs and miscellaneous						
Capital outlay:						
General government						
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures				6,000	3,758	2,242
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		11	11	(1,906)	3,291	5,197
OTHER FINANCING SOURCES (USES)						
Proceeds of long-term borrowings						
Transfers in						
Transfers (out)		(11)	(11)			
Total Other Financing Sources (Uses)		(11)	(11)			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				(\$1,906)	3,291	\$5,197
BEGINNING FUND BALANCES (DEFICITS)					57,498	
ENDING FUND BALANCES					\$60,789	

SPECIAL REVENUE FUNDS								
STREET MAINTENANCE STATE GASOLINE TAX			STREET IMPROVEMENTS MEASURE A GRANTS			TRAFFIC MITIGATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$727,467	\$721,917	(\$5,550)	\$399,227	\$411,149	\$11,922			
137	2,572	2,435	83	1,357	1,274	\$674	\$1,623	\$949
237,626	312,720	75,094	645,440	293,947	(351,493)			
46,604	57,347	10,743						
<u>1,011,834</u>	<u>1,094,556</u>	<u>82,722</u>	<u>1,044,750</u>	<u>706,453</u>	<u>(338,297)</u>	<u>674</u>	<u>1,623</u>	<u>949</u>
954,394	943,341	11,053	1,361,268	520,057	841,211			
<u>954,394</u>	<u>943,341</u>	<u>11,053</u>	<u>1,361,268</u>	<u>520,057</u>	<u>841,211</u>			
57,440	151,215	93,775	(316,518)	186,396	502,914	674	1,623	949
378,714	378,714		11,871	11,871				
(11,871)	(11,871)							
366,843	366,843		11,871	11,871				
<u>\$424,283</u>	518,058	<u>\$93,775</u>	<u>(\$304,647)</u>	198,267	<u>\$502,914</u>	<u>\$674</u>	1,623	<u>\$949</u>
				679			84,114	
	<u>\$518,058</u>			<u>\$198,946</u>			<u>\$85,737</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, 2005

	SPECIAL REVENUE FUNDS					
	COPSMORE 96			BENEFIT STABILIZATION		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Use of money and property	\$627	\$1,034	\$407	\$2,445	\$7,358	\$4,913
Intergovernmental	77,962	20,550	(57,412)			
Charges for current services				260,736	229,425	(31,311)
Miscellaneous						
Total Revenues	<u>78,589</u>	<u>21,584</u>	<u>(57,005)</u>	<u>263,181</u>	<u>236,783</u>	<u>(26,398)</u>
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation						
Urban redevelopment						
Pass throughs and miscellaneous				386,696	325,162	61,534
Capital outlay:						
General government						
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures				<u>386,696</u>	<u>325,162</u>	<u>61,534</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>78,589</u>	<u>21,584</u>	<u>(57,005)</u>	<u>(123,515)</u>	<u>(88,379)</u>	<u>35,136</u>
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	<u>\$78,589</u>	<u>21,584</u>	<u>(\$57,005)</u>	<u>(\$123,515)</u>	<u>(88,379)</u>	<u>\$35,136</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>12,862</u>			<u>192,277</u>	
ENDING FUND BALANCES		<u>\$34,446</u>			<u>\$103,898</u>	

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS		
REDEVELOPMENT AGENCY FUND			GENERAL DEBT SERVICE			GENERAL FACILITIES FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$19,571	\$19,814	\$243				\$7,975	\$13,844	\$5,869
<u>19,571</u>	<u>19,814</u>	<u>243</u>				<u>7,975</u>	<u>13,844</u>	<u>5,869</u>
656,599	457,862	198,737						
			\$63,909	\$63,909				
			4,334	4,334				
<u>656,599</u>	<u>457,862</u>	<u>198,737</u>	<u>68,243</u>	<u>68,243</u>		<u>24,000</u>		<u>24,000</u>
<u>(637,028)</u>	<u>(438,048)</u>	<u>198,980</u>	<u>(68,243)</u>	<u>(68,243)</u>		<u>(16,025)</u>	<u>13,844</u>	<u>29,869</u>
576,719	457,862	(576,719) 457,862	68,220	68,243	\$23			
<u>576,719</u>	<u>457,862</u>	<u>(118,857)</u>	<u>68,220</u>	<u>68,243</u>	<u>23</u>			
<u>(\$60,309)</u>	19,814	<u>\$80,123</u>	<u>(\$23)</u>		<u>\$23</u>	<u>(\$16,025)</u>	13,844	<u>\$29,869</u>
							717,299	
	<u>\$19,814</u>						<u>\$731,143</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, 2005

CAPITAL PROJECTS FUNDS

	PLANNED PARK FUND			OPEN SPACE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Use of money and property	\$14,226	\$24,466	\$10,240	\$17	\$42	\$25
Intergovernmental		313,138	313,138			
Charges for current services						
Miscellaneous		90	90			
Total Revenues	<u>14,226</u>	<u>337,694</u>	<u>323,468</u>	<u>17</u>	<u>42</u>	<u>25</u>
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation						
Urban redevelopment						
Pass throughs and miscellaneous						
Capital outlay:						
General government						
Culture and recreation	562,961	476,472	86,489			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>562,961</u>	<u>476,472</u>	<u>86,489</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(548,735)</u>	<u>(138,778)</u>	<u>409,957</u>	<u>17</u>	<u>42</u>	<u>25</u>
OTHER FINANCING SOURCES (USES)						
Proceeds of long-term borrowings						
Transfers in						
Transfers (out)	<u>(700,000)</u>	<u>(700,000)</u>				
Total Other Financing Sources (Uses)	<u>(700,000)</u>	<u>(700,000)</u>				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$1,248,735)</u>	<u>(838,778)</u>	<u>\$409,957</u>	<u>\$17</u>	<u>42</u>	<u>\$25</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>1,806,584</u>			<u>2,152</u>	
ENDING FUND BALANCES		<u>\$967,806</u>			<u>\$2,194</u>	

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, 2005

	<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	\$408,641	\$935,552	\$26,722	\$1,713,718	\$112,714	\$3,197,347
Accounts receivable					2,611	2,611
Interest receivable				1,492		1,492
Prepays and other assets				10,339		10,339
Depreciable capital assets, net				800,049		800,049
Total Assets	<u>408,641</u>	<u>935,552</u>	<u>26,722</u>	<u>2,525,598</u>	<u>115,325</u>	<u>4,011,838</u>
LIABILITIES						
Accounts payable		\$3,098	\$26,167	\$111,109	\$17,623	\$157,997
Claims payable	\$299,817	139,335				439,152
Compensated absences				84,596	37,310	121,906
Total Liabilities	<u>299,817</u>	<u>142,433</u>	<u>26,167</u>	<u>195,705</u>	<u>54,933</u>	<u>719,055</u>
NET ASSETS						
Invested in capital assets				800,049		800,049
Unrestricted	108,824	793,119	555	1,529,844	60,392	2,492,734
Total Net Assets	<u>\$108,824</u>	<u>\$793,119</u>	<u>\$555</u>	<u>\$2,329,893</u>	<u>\$60,392</u>	<u>\$3,292,783</u>

CITY OF BELMONT
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Workers' Compensation	Liability Insurance	Self-Funded Vision	Fleet and Equipment Management	Facilities Management	Total
OPERATING REVENUES						
Interdepartmental charges for services	\$529,494	\$577,712	\$26,487	\$1,385,379	\$504,526	\$3,023,598
Total Operating Revenues	529,494	577,712	26,487	1,385,379	504,526	3,023,598
OPERATING EXPENSES						
Insurance premiums	517,477					517,477
Professional and legal	5,950	47,502	2,003	291,781		347,236
Operating costs				837,367	883,821	1,721,188
Insurance claims, net of change in claims payable	82,382	369,444	26,015			477,841
Depreciation				566,577		566,577
Total Operating Expenses	605,809	416,946	28,018	1,695,725	883,821	3,630,319
Operating Income (Loss)	(76,315)	160,766	(1,531)	(310,346)	(379,295)	(606,721)
NONOPERATING REVENUES (EXPENSES)						
Proceeds from the sale of fixed assets				37,962		37,962
Use of money and property	7,474	14,724	339	39,134	317,262	378,933
Total Nonoperating Revenues (Expenses)	7,474	14,724	339	77,096	317,262	416,895
Income (Loss) Before Transfers	(68,841)	175,490	(1,192)	(233,250)	(62,033)	(189,826)
Transfers in			697	143,327	326,501	470,525
Transfers out				(112,000)	(204,076)	(316,076)
Transfers, net			697	31,327	122,425	154,449
Change in Net Assets	(68,841)	175,490	(495)	(201,923)	60,392	(35,377)
BEGINNING NET ASSETS	177,665	617,629	1,050	2,531,816		3,328,160
ENDING NET ASSETS	\$108,824	\$793,119	\$555	\$2,329,893	\$60,392	\$3,292,783

CITY OF BELMONT
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

	Workers' Compensation	Liability Insurance	Self-Funded Vision	Fleet and Equipment Management	Facilities Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from other funds	\$529,494	\$577,712	\$26,487	\$1,384,818	\$501,915	\$3,020,426
Payments to vendors	(582,515)	(47,554)	(11,887)	(1,023,699)	(882,573)	(2,548,228)
Claims paid	(49,850)	(378,513)	(26,015)			(454,378)
Cash Flows from Operating Activities	<u>(102,871)</u>	<u>151,645</u>	<u>(11,415)</u>	<u>361,119</u>	<u>(380,658)</u>	<u>17,820</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund payments						
Transfers in			697	143,327	326,501	470,525
Transfers out				(112,000)	(204,076)	(316,076)
Cash Flows from Noncapital Financing Activities			<u>697</u>	<u>31,327</u>	<u>122,425</u>	<u>154,449</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets				(330,385)		(330,385)
Proceeds from sale of capital assets				37,962		37,962
Cash Flows from Capital and Related Financing Activities				<u>(292,423)</u>		<u>(292,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	7,474	14,724	339	39,134	317,262	378,933
Cash Flows from Investing Activities	<u>7,474</u>	<u>14,724</u>	<u>339</u>	<u>39,134</u>	<u>317,262</u>	<u>378,933</u>
Net Cash Flows	(95,397)	166,369	(10,379)	139,157	59,029	258,779
Cash and investments at beginning of period	504,038	769,183	37,101	1,574,561	53,685	2,938,568
Cash and investments at end of period	<u>\$408,641</u>	<u>\$935,552</u>	<u>\$26,722</u>	<u>\$1,713,718</u>	<u>\$112,714</u>	<u>\$3,197,347</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	(\$76,315)	\$160,766	(\$1,531)	(\$310,346)	(\$379,295)	(\$606,721)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation				566,577		566,577
Change in assets and liabilities:						
Accounts receivables				(561)	(2,611)	(3,172)
Prepays and other net assets				(2,866)		(2,866)
Accounts payable	(59,088)	(52)	(9,884)	65,401	205	(3,418)
Claims payable	32,532	(9,069)				23,463
Compensated absences				42,914	1,043	43,957
Cash Flows from Operating Activities	<u>(\$102,871)</u>	<u>\$151,645</u>	<u>(\$11,415)</u>	<u>\$361,119</u>	<u>(\$380,658)</u>	<u>\$17,820</u>

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.

Library Community Facilities District – To account for payment of interest and principal on debt service of the District for the construction, maintenance and operations of the Library.

CITY OF BELMONT
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<u>Section 125 Assessment</u>				
Assets:				
Cash and investments	\$6,589		\$493	\$6,096
Liabilities:				
Section 125 employee benefits payable	\$6,589		\$493	\$6,096
Total Liabilities	\$6,589		\$493	\$6,096
<u>Southern San Mateo Police Authority</u>				
Assets:				
Cash and investments	\$6,254	\$121		\$6,375
Total Assets	\$6,254	\$121		\$6,375
Liabilities:				
Deposits	\$6,254	\$121		\$6,375
Total Liabilities	\$6,254	\$121		\$6,375
<u>Library Community Facilities District</u>				
Assets:				
Cash and investments	\$392,001	\$737,248	\$604,508	\$524,741
Total Assets	\$392,001	\$737,248	\$604,508	\$524,741
Liabilities:				
Due to bondholders	\$392,001	\$737,248	\$604,508	\$524,741
Total Liabilities	\$392,001	\$737,248	\$604,508	\$524,741
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$404,844	\$737,369	\$605,001	\$537,212
Total Assets	\$404,844	\$737,369	\$605,001	\$537,212
Liabilities:				
Deposits	\$6,254	\$121		\$6,375
Section 125 employee benefits payable	6,589		\$493	6,096
Due to bondholders	392,001	737,248	\$604,508	524,741
Total Liabilities	\$404,844	\$737,369	\$605,001	\$537,212

CITY OF BELMONT REDEVELOPMENT AGENCY

COMPLIANCE SECTION

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ACCOUNTANCY CORPORATION
1931 San Miguel Drive - Suite 100
Walnut Creek, California 94596
(925) 930-0902 • FAX (925) 930-0135
E-Mail: maze@mazeassociates.com
Website: www.mazeassociates.com

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

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

We have audited the financial statements of the City and Redevelopment Agency of the City of Belmont as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. We have 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.

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 an opinion 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit included tests of compliance with provisions of the *Guidelines for Compliance Audits of California Redevelopment Agencies*. 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*.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.

Maze & Associates

August 26, 2005

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005

	General	Special Revenue	Debt Service	Capital Projects	Total
ASSETS					
Cash and investments	\$17,159	\$4,117,883	\$2,354,123	\$5,341,828	\$11,830,993
Cash and investments with fiscal agent		17	2,160,704		2,160,721
Accounts receivables	3,202				3,202
Prepays and other assets			124,580		124,580
Notes receivables		1,502,013			1,502,013
Land held for redevelopment		1,280,000		298,748	1,578,748
Total Assets	\$20,361	\$6,899,913	\$4,639,407	\$5,640,576	\$17,200,257
LIABILITIES					
Accounts payable	\$547	\$7,359		\$499,014	\$506,920
Total Liabilities	547	7,359		499,014	506,920
FUND BALANCES					
Fund balances					
Reserved for:					
Encumbrances		12,100		107,199	119,299
Long term notes receivable & prepaids		1,502,013	\$124,580		1,626,593
Land held for redevelopment		1,280,000		298,748	1,578,748
Low and moderate income housing		3,787,547			3,787,547
Debt service		310,894	4,514,827		4,825,721
Unreserved, undesignated	19,814			4,735,615	4,755,429
Total Fund Balances	19,814	6,892,554	4,639,407	5,141,562	16,693,337
Total Liabilities and Fund Balances	\$20,361	\$6,899,913	\$4,639,407	\$5,640,576	\$17,200,257

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	General	Special Revenue	Debt Service	Capital Projects	Total
REVENUES					
Incremental property taxes		\$1,350,100	\$5,489,896		\$6,839,996
Use of money and property	\$19,814	80,268	21,798	\$154,288	276,168
Total Revenues	19,814	1,430,368	5,511,694	154,288	7,116,164
EXPENDITURES					
Current:					
Redevelopment					
Personnel services	214,375	110,248			324,623
Pass throughs and miscellaneous	243,487	581,236	2,775,112		3,599,835
Capital outlay		371,318		953,317	1,324,635
Debt service:					
Principal		125,000	625,000		750,000
Interest and fiscal charges		192,373	1,182,105		1,374,478
Total Expenditures	457,862	1,380,175	4,582,217	953,317	7,373,571
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(438,048)	50,193	929,477	(799,029)	(257,407)
OTHER FINANCING SOURCES (USES)					
Transfers to the City				(1,791,251)	(1,791,251)
Transfers in	457,862				457,862
Transfers (out)			(457,862)		(457,862)
Total Other Financing Sources (Uses)	457,862		(457,862)	(1,791,251)	(1,791,251)
NET CHANGE IN FUND BALANCES	19,814	50,193	471,615	(2,590,280)	(2,048,658)
BEGINNING FUND BALANCES		6,842,361	4,167,792	7,731,842	18,741,995
ENDING FUND BALANCES	\$19,814	\$6,892,554	\$4,639,407	\$5,141,562	\$16,693,337

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, 2005

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Use of money and property	\$19,571	\$19,814	\$243
Total Revenues	19,571	19,814	243
EXPENDITURES:			
Current:			
Redevelopment			
Personnel services	348,803	214,375	134,428
Pass throughs and miscellaneous	307,796	243,487	64,309
Total Expenditures	656,599	457,862	198,737
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(637,028)	(438,048)	198,980
OTHER FINANCING SOURCES (USES)			
Proceeds from City advances	576,719		(576,719)
Transfers in		457,862	457,862
Total other financing sources (uses)	576,719	457,862	(118,857)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$60,309)	19,814	\$80,123
Fund balance, July 1			
Fund balance, June 30		\$19,814	

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, 2005

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$1,413,718	\$1,350,100	(\$63,618)
Use of money and property	86,014	80,268	(5,746)
Total Revenues	1,499,732	1,430,368	(69,364)
EXPENDITURES:			
Current:			
Redevelopment			
Personnel services	135,578	110,248	25,330
Pass throughs and miscellaneous	590,319	581,236	9,083
Capital outlay	1,860,118	371,318	1,488,800
Debt service:			
Principal	125,000	125,000	
Interest and fiscal charges	192,373	192,373	
Total Expenditures	2,903,388	1,380,175	1,523,213
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$1,403,656)	50,193	\$1,453,849
Fund balance, July 1		6,842,361	
Fund balance, June 30		\$6,892,554	

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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes	\$5,590,767	\$5,489,896	(\$100,871)
Use of money and property	<u>23,085</u>	<u>21,798</u>	<u>(1,287)</u>
Total Revenues	<u>5,613,852</u>	<u>5,511,694</u>	<u>(102,158)</u>
EXPENDITURES			
Current:			
Redevelopment			
Pass throughs and miscellaneous	3,013,679	2,775,112	238,567
Debt service:			
Principal	625,000	625,000	
Interest and fiscal charges	<u>1,182,086</u>	<u>1,182,105</u>	<u>(19)</u>
Total Expenditures	<u>4,820,765</u>	<u>4,582,217</u>	<u>238,548</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>793,087</u>	<u>929,477</u>	<u>136,390</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(576,719)</u>	<u>(457,862)</u>	<u>118,857</u>
Total Other Financing Sources (Uses)	<u>(576,719)</u>	<u>(457,862)</u>	<u>118,857</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$216,368</u>	471,615	<u>\$255,247</u>
BEGINNING FUND BALANCES		<u>4,167,792</u>	
ENDING FUND BALANCES		<u>\$4,639,407</u>	

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, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$128,766	\$154,288	\$25,522
Total Revenues	128,766	154,288	25,522
EXPENDITURES			
Capital outlay	1,604,979	953,317	651,662
Total Expenditures	1,604,979	953,317	651,662
Income Before Other Financing Sources	(1,476,213)	(799,029)	(677,184)
OTHER FINANCING USES			
Transfers out	(1,791,251)	(1,791,251)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(\$3,267,464)	(2,590,280)	\$677,184
BEGINNING FUND BALANCES		7,731,842	
ENDING FUND BALANCES		\$5,141,562	

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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 2004-2005. 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%
2004	763,224,908	627,625,638	4.50%
2005	793,262,313	657,663,043	4.79%

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%
2004	4,511,245	177,074	77,251	165,496	4,931,066	986,213	(1.57%)
2005	4,773,499	178,051	64,387	179,086	5,195,023	1,039,005	5.35%

(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 2004-2005 was \$1,555,829.

(2) Breakdown of tax increment amount secured, unsecured and supplemental categories not available for fiscal years ended June 30, 1984 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 2004-2005 were \$1,038,935. See the table above entitled "Historical Receipt of Tax Incremental Revenues." Coverage of such amounts over maximum annual debt service of \$719,720 on the Series 1996 Housing Set-Aside Bonds is 2.25 times.

Major Property Taxpayers

The ten largest assesses in the Project Area for fiscal 2004-2005 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 \$248,391,815 which represents approximately 72.39% 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**

<u>Assessee</u>	<u>Use</u>	<u>04/05 Taxable Value</u>	<u>Percentage of Total Secured Taxable Value of Project Area (1)</u>
1 1001 E Hillsdale LIC	Office	\$42,214,307	12.30%
2 Nikon Precision Inc.	Office	39,288,953	11.45%
3 Oracle Corporation	Office	34,832,492	10.15%
4 Six Hundred Clipper Drive LLC	Office	29,300,000	8.54%
5 Innkeepers Summerfield General	Hotel	22,175,190	6.46%
6 Davis Association	Office	21,750,528	6.34%
7 Safeway INC	Store	17,333,582	5.05%
8 Paradigm Healthcare LP	Nursing Homes	14,345,446	4.18%
9 Belmar Lessee	Apartments	13,578,917	3.96%
10 Sunrise Belmont Assistant Living	Nursing Homes	13,572,400	3.96%
Total		<u>\$248,391,815</u>	<u>72.39%</u>

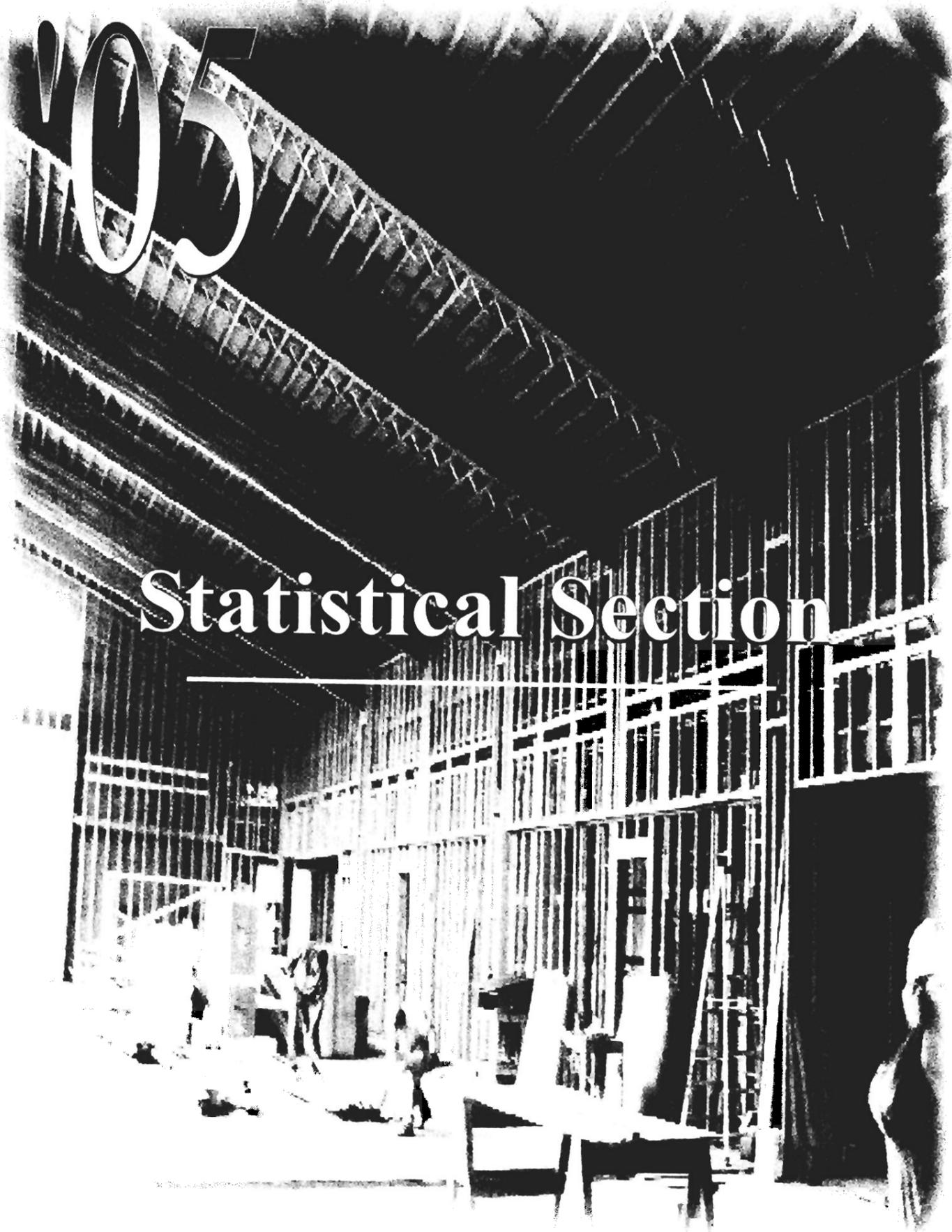
(1) The secured taxable value of the Project Area for fiscal year 2004/2005 is \$343,114,189 including unitary assessed value.

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.

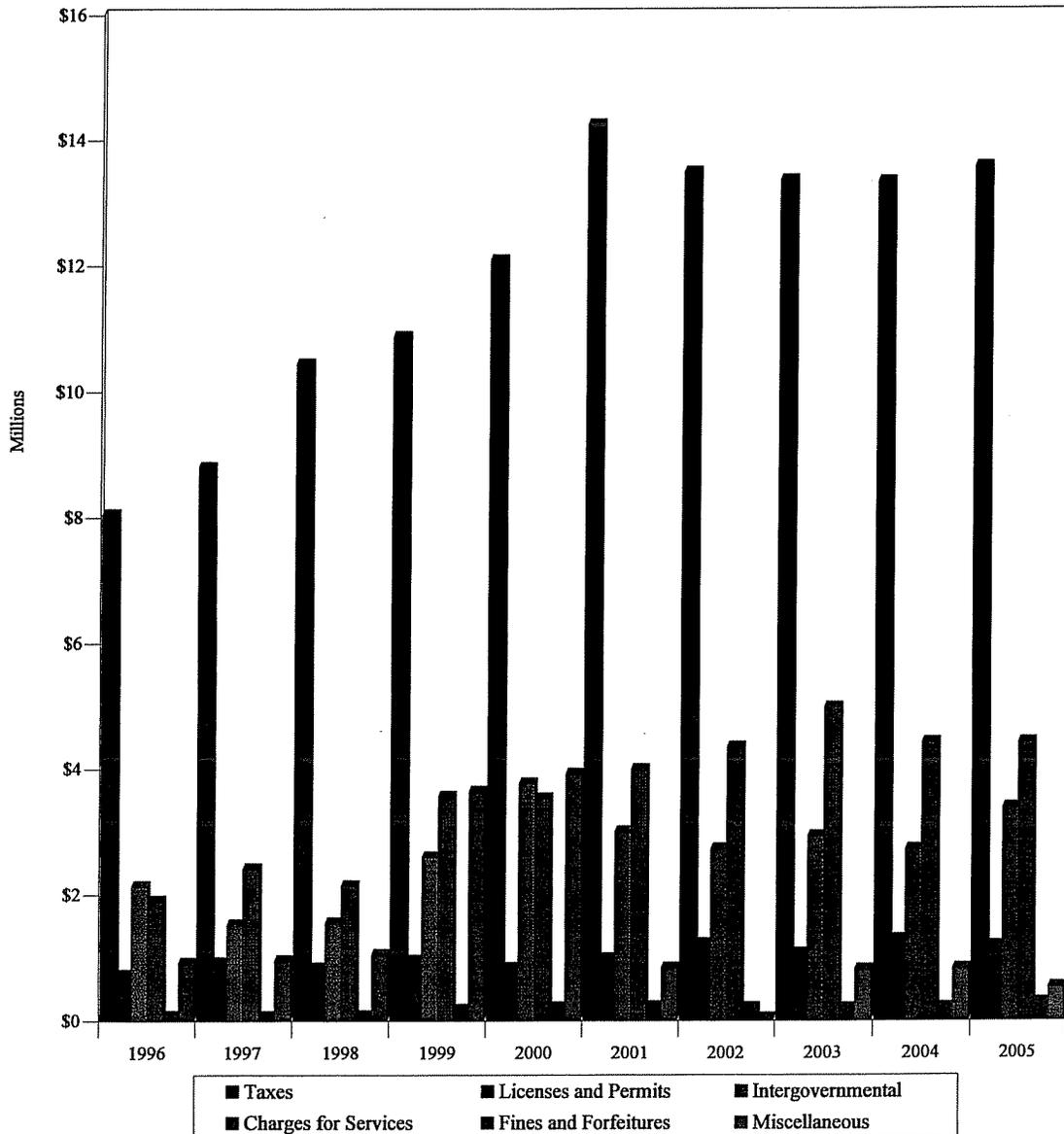
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2005

Statistical Section



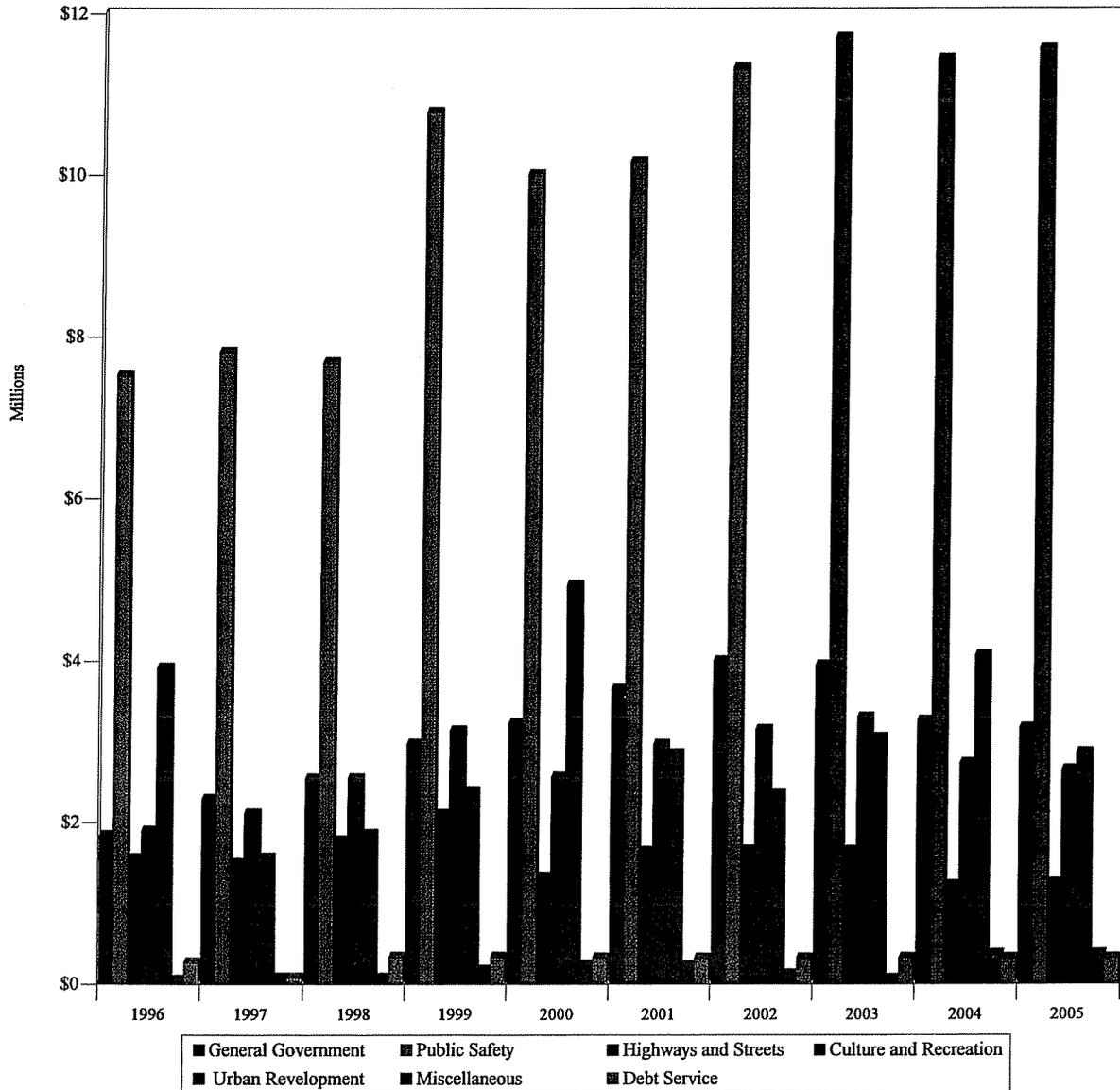
**CITY OF BELMONT
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Miscellaneous	Total
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
2004	13,320,240	1,281,089	2,711,097	4,412,558	200,695	818,180	22,743,859
2005	13,557,268	1,174,041	3,371,267	4,408,344	274,149	524,393	23,309,462

Includes General and Special Revenue Funds only.

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

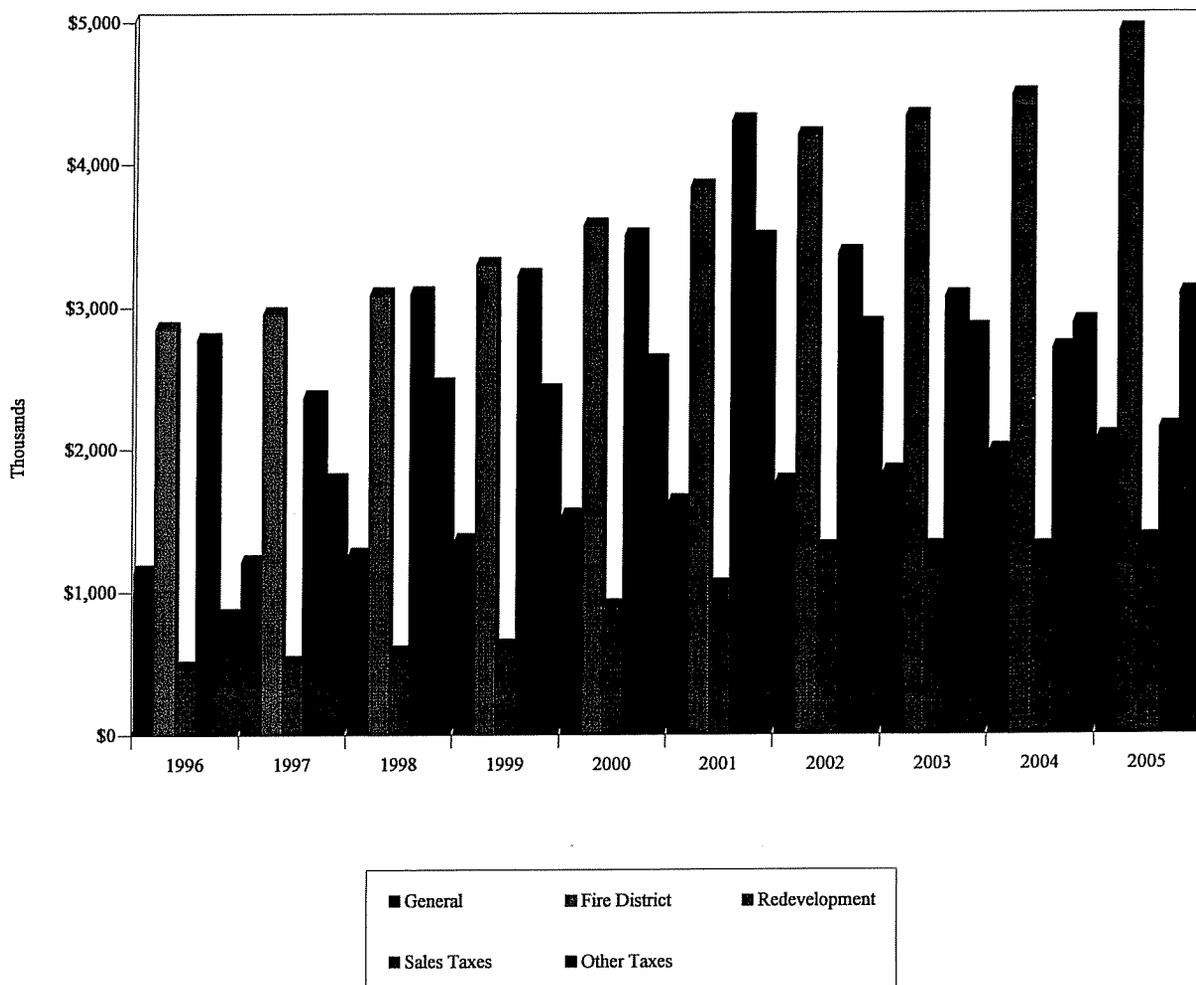


Fiscal Year	General Government	Public Safety	Highways and Streets	Culture and Recreation	Urban Redevelopment/ Capital outlay	Miscellaneous	Debt Service	Total
1996	\$1,831,869	\$7,516,603	\$1,545,680	\$1,886,837	\$3,908,373	\$45,492	\$259,475	\$16,994,329
1997	2,281,885	7,801,829	1,489,784	2,101,664	1,559,685	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
2004	3,253,842	11,432,590	1,221,473	2,730,415	4,065,898	370,368	315,851	23,390,437
2005	3,162,961	11,562,652	1,242,966	2,643,193	2,856,214	367,038	317,373	22,152,397

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**



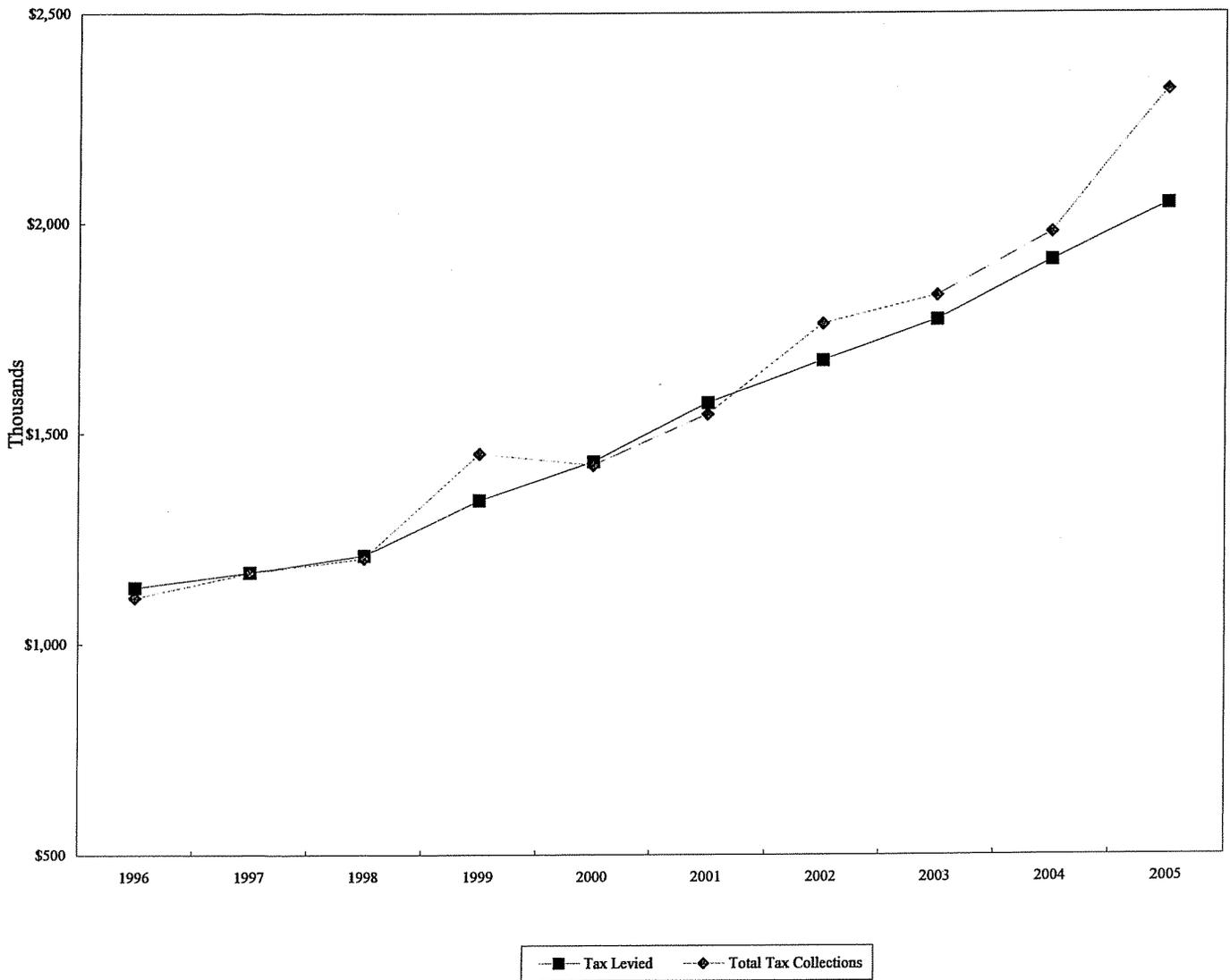
Fiscal Year	Property Taxes			Sales Taxes	Other Taxes	Total
	General	Fire District	Redevelopment			
1996	\$1,131,512	\$2,845,101	\$465,345	\$2,766,098 (1)	\$828,122	\$8,036,178
1997	1,201,437	2,945,573	500,857	2,360,449	1,775,292 (2)	8,783,608
1998	1,250,888	3,080,201	569,942	3,086,514	2,447,720	10,435,265
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	2,831,930	13,341,264
2004	1,977,535	4,472,587	1,292,493	2,697,933	2,879,692	13,320,240
2005	2,070,159	4,923,327	1,350,100	2,131,832	3,081,850	13,557,268

(1) \$307,300 of accruals are included to comply with GASB Statement 22 and the implementation recommendations of the California Committee on Municipal Accounting.

(2) Beginning 1997, Gas Tax was reclassified to the Other Taxes category.

Source: City of Belmont Finance Department

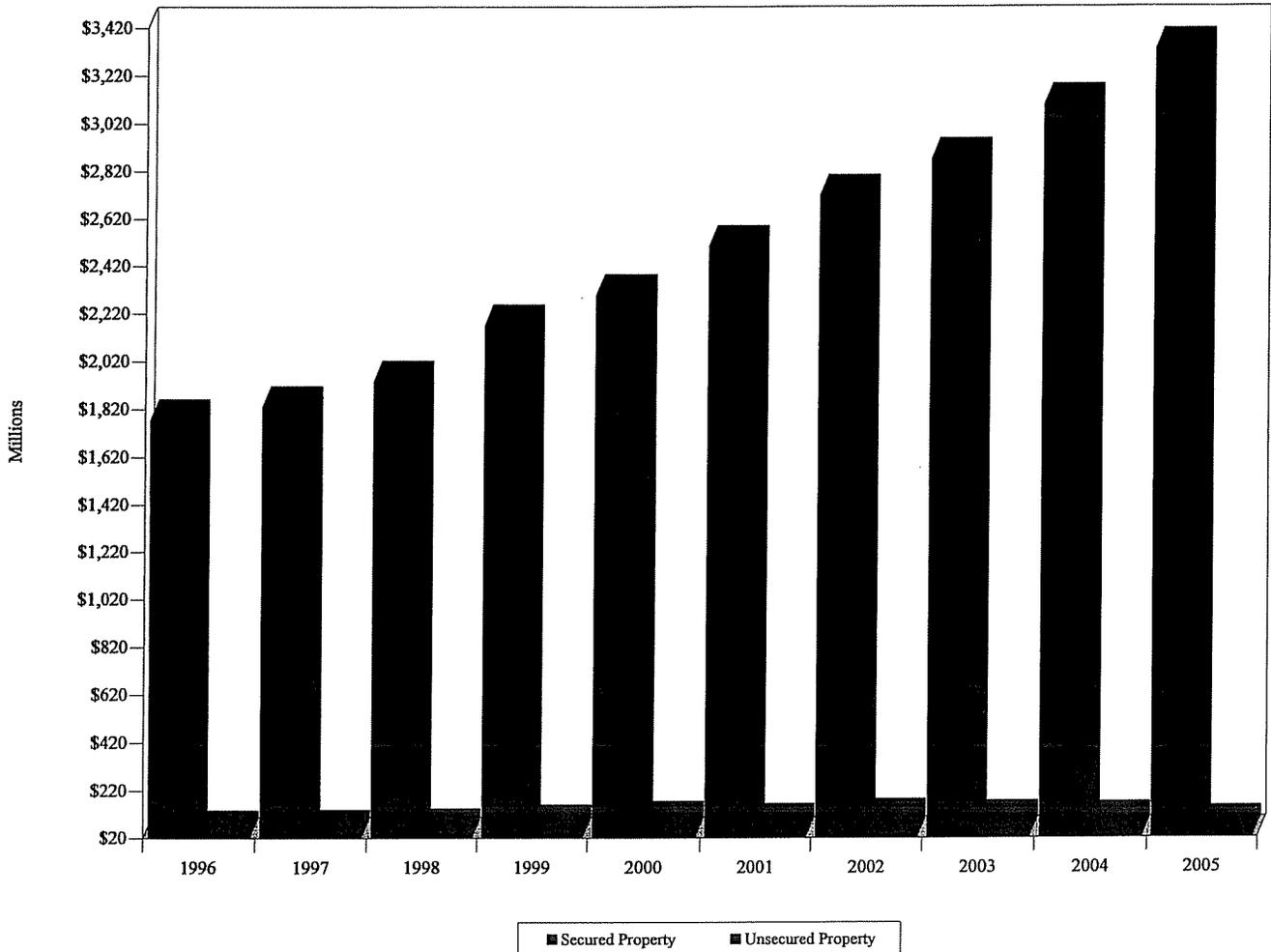
**CITY OF BELMONT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



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
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%
2004	1,911,568 (1)	1,977,535 (2)	103.45%	0	1,977,535	103.45%
2005	2,044,578 (1)	2,315,385 (2)	113.25%	0	2,315,385	113.25%

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

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

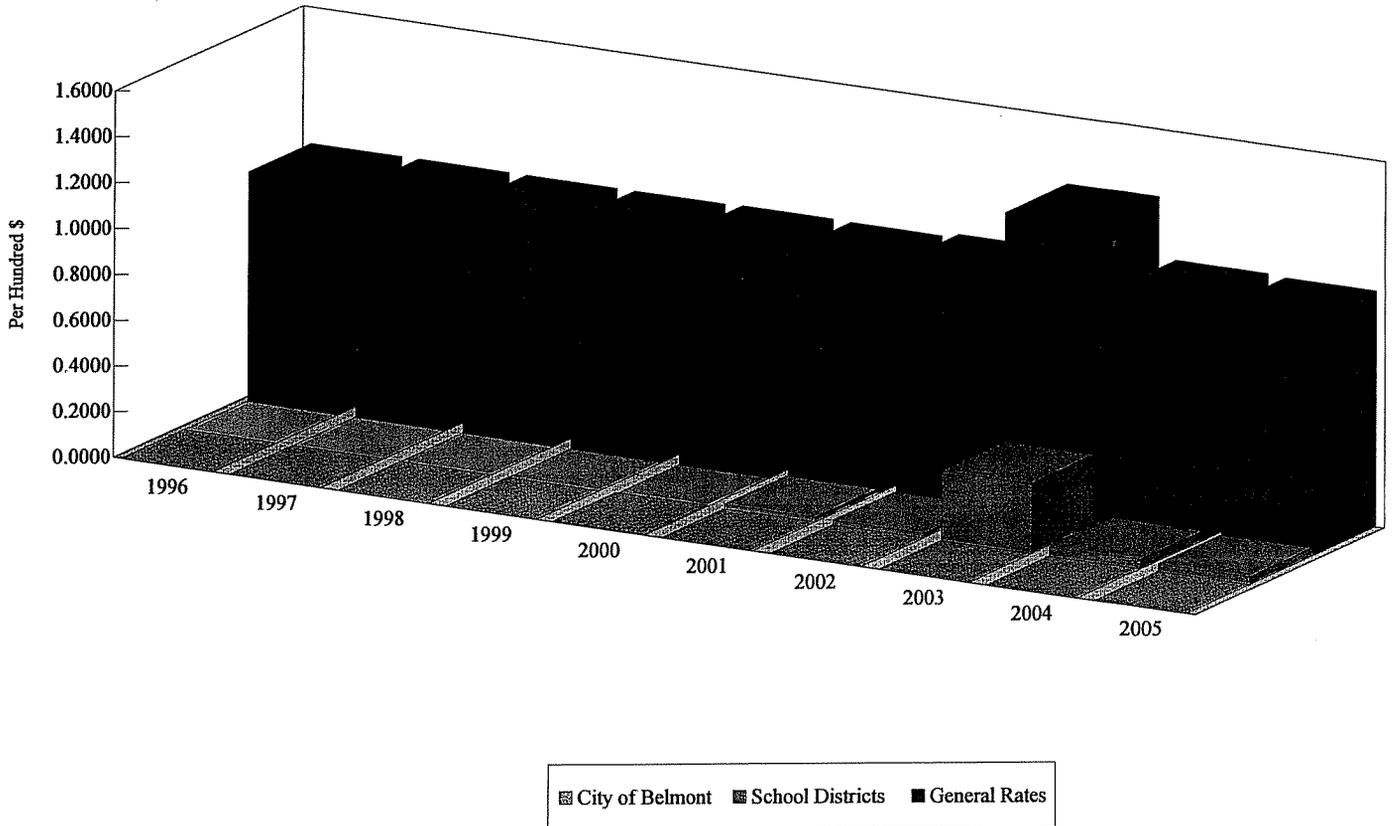


Fiscal Year Ended June 30	Secured Property (1)		Unsecured Property		Total		Assessed to Estimated Actual Value	Increased From Prior Year
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
1996	\$1,772,483,691	\$1,772,483,691	\$47,775,810	\$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%
2004	3,093,884,891	3,093,884,891	82,142,052	82,142,052	3,176,026,943	3,176,026,943	100%	7.49%
2005	3,325,037,197	3,325,037,197	64,607,271	64,607,271	3,389,644,468	3,389,644,468	100%	6.73%

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
1996	\$0.001	N/A	\$1.000	\$1.0014
1997	0.002	N/A	1.000	1.0023
1998	0.002	N/A	1.000	1.0016
1999	0.002	N/A	1.000	1.0015
2000	0.005	N/A	1.000	1.0050
2001	0.001	0.0203	1.000	1.0011
2002	N/A	0.0184	1.000	1.0184
2003	N/A	0.3060	1.000	1.3060
2004	N/A	0.0406	1.000	1.0406
2005	N/A	0.0328	1.000	1.0328

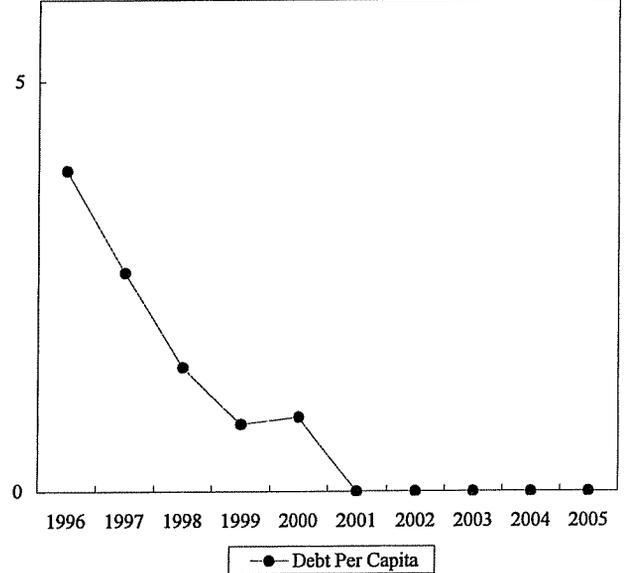
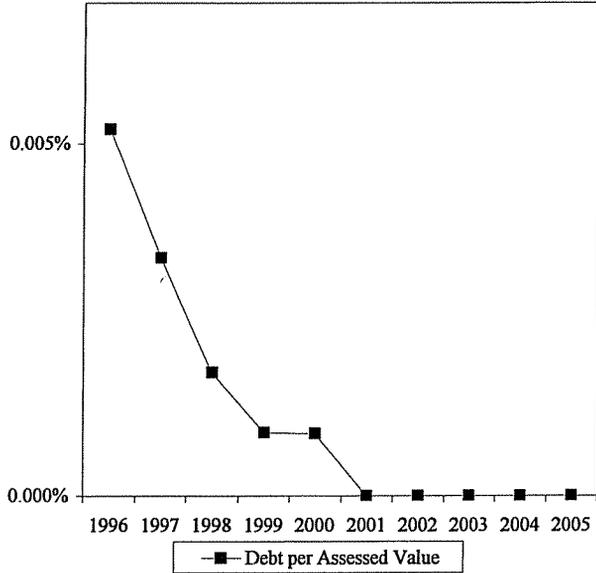
Source: San Mateo County Controller - Rates are per \$100 of assessed value.

CITY OF BELMONT
 PRINCIPAL PROPERTY TAXPAYERS
 JUNE 30, 2005

Property Owner	Use	2004/2005 Taxable Value	% of Total Value
1001 E Hillsdale LLC	Office	\$42,214,307	1.25%
Oracle Corporation	Office	40,133,371	1.18%
Nikon Precision Inc.	Office	39,288,953	1.16%
Six Hundred Clipper Drive LLC	Office	29,300,000	0.86%
Innkeepers Summerfield General	Hotel	22,175,190	0.65%
Davis Associates	Office	21,750,528	0.64%
Safeway Inc.	Grocery Store	17,333,582	0.51%
Paradigm Health Care LP	Assisted Living	14,345,446	0.42%
Balmar Lessee	Office	13,578,917	0.40%
Sunrise Belmont Assisted Living	Assisted Living	13,572,400	0.40%
Totals		<u>\$253,692,694</u>	
Total Assessed Value		<u>\$3,389,644,468</u>	

Source: County of San Mateo Assessor's Office

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

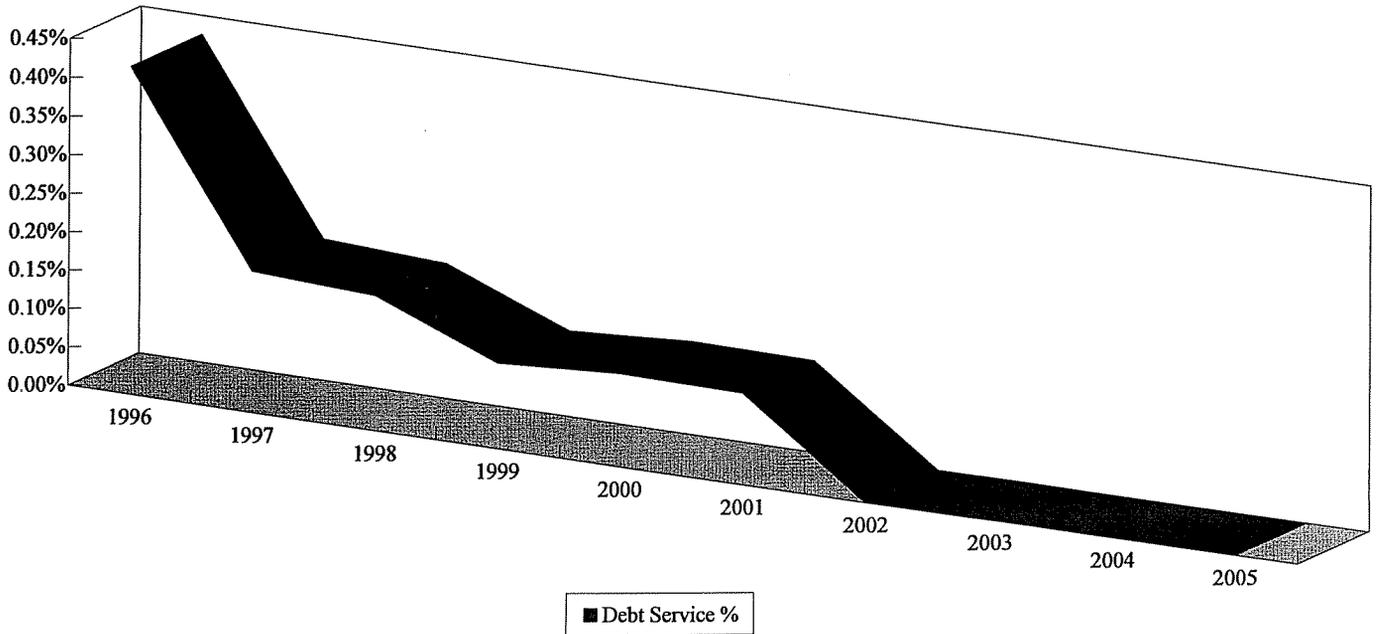


Fiscal Year	Population	Gross Assessed Value (1)	Gross Bonded Debt (2)	Debt Service Monies Available (2)	Net Bonded Debt	Bonded Debt to Assessed Valuation	Bonded Debt Per Capita
1996	24,950	\$1,878,324,931	\$110,000	\$12,218	\$97,782	0.005%	4
1997	25,218	1,989,086,368	90,000	22,653	67,347	0.003%	3
1998	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	25,153	2,576,955,328	25,000	2,308	22,692	0.001%	1
2001	25,102	2,576,955,328	0	0	0	0.000%	0
2002	24,980	2,810,114,176	0	0	0	0.000%	0
2003	25,096	2,954,637,678	0	0	0	0.000%	0
2004	25,107	3,176,026,943	0	0	0	0.000%	0
2005	25,470	3,389,644,468	0	0	0	0.000%	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



Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Debt Service to Governmental Fund Type Expenditures
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%
2004	0	0	0	23,390,437	0.00%
2005	0	0	0	22,152,397	0.00%

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

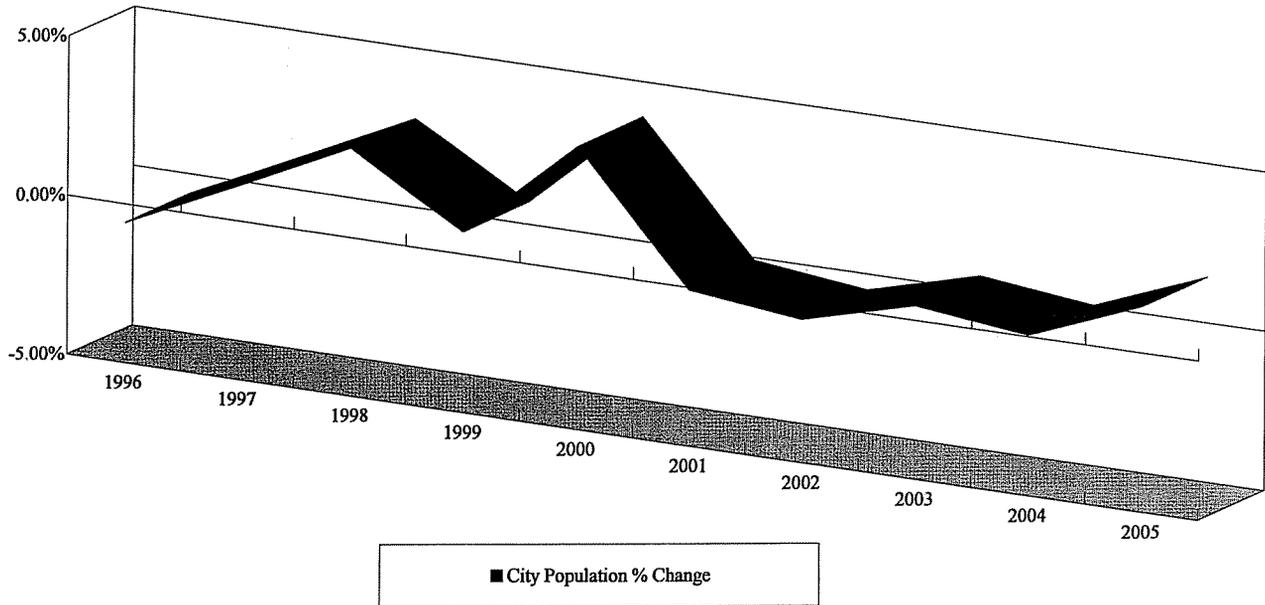
CITY OF BELMONT
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 JUNE 30, 2005

JURISDICTION	Net Debt Outstanding	Percentage Applicable To City of Belmont	Amount Applicable To City of Belmont
San Mateo County General Fund Obligations	\$11,993,479	2.879%	\$345,292
San Mateo County Board of Education Certificates of Participation	132,002	2.879%	3,800
San Mateo Community College District Certificates of Participation	889,179	2.879%	25,599
San Mateo Community College District	4,637,515	2.879%	133,514
Belmont School District Certificates of Participation	2,427,510	39.536%	959,740
San Mateo County Mosquito Abatement District Certificates of Participation	59,501	3.980%	2,368
Sequoia Union High School District Certificates of Participation	11,021,919	7.179%	791,264
Belmont School District	4,633,619	39.536%	1,831,948
City of Belmont Community Facilities District No. 2000-1	<u>8,575,000</u>	100.000%	<u>8,575,000</u>
TOTAL NET DIRECT & OVERLAPPING BONDED DEBT	<u>\$44,369,724</u>		<u>\$12,668,526</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.

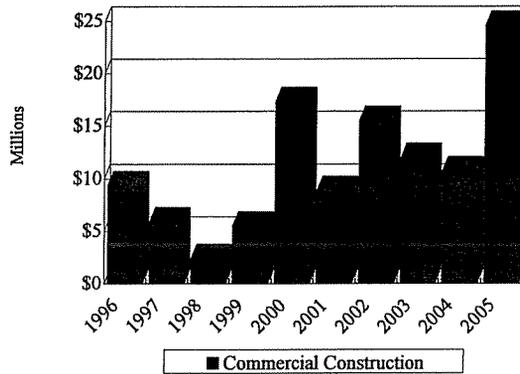
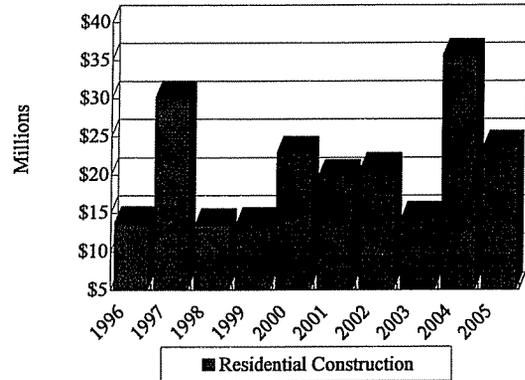
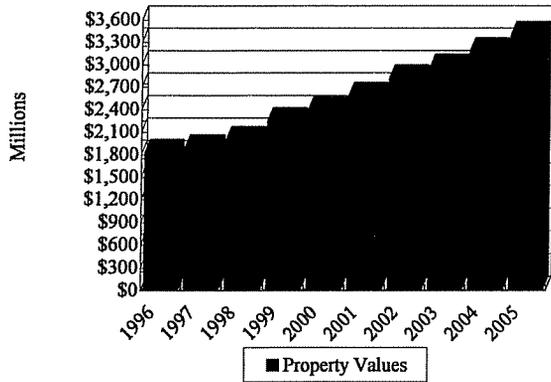
**CITY OF BELMONT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>City Population (1)</u>	<u>Population Percent Change</u>	<u>San Mateo County Population (1)</u>	<u>City Population % of County</u>
1996	24,950	-0.61%	693,056	3.60%
1997	25,218	1.07%	700,500	3.60%
1998	25,919	2.78%	715,382	3.62%
1999	26,100	0.70%	722,762	3.61%
2000	25,123	3.89%	707,163	3.55%
2001	25,102	-0.08%	709,073	3.54%
2002	24,980	-0.49%	709,939	3.52%
2003	25,096	0.46%	709,236	3.54%
2004	25,107	0.04%	712,386	3.52%
2005	25,470	1.45%	723,453	3.52%

(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
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	1,066	14,142,604
2004	3,176,026,943	113	10,688,684	1,160	35,528,956
2005	3,389,644,468	111	24,537,194	1,131	23,462,692

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, 2005

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

Form of Government: Council/Manager

Authorized Employees as of June 30, 2005 (including Police):

Elected:	
Mayor	1
Council	4
Treasurer	1
City Clerk	1
Appointed:	
City Manager	1
Assistant City Manager	0
Department heads	6
Other full-time employees	135
Total	<u>149</u>

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:	31
Noncommissioned personnel (full-time):	12
	<u>43</u>

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:	27
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 2004/05 Revenues</u>
Belmar Lessee, Bohannon Development Co.	Commercial	\$73,780.88
McLellan Estate Co. (510 Crestview Ave)	Multifamily Residential	\$54,198.40
McLellan Estate Co. (707 Old County Rd.)	Multifamily Residential	\$48,094.44
McLellan Estate Co. (301 Old County Rd.)	Multifamily Residential	\$42,994.30
Normandy Square Associates, LLC	Multifamily Residential	\$37,275.64
College of Notre Dame	Institutional	\$36,625.74
Summerfield Suites	Commercial	\$35,821.56
Panos, Gus	Multifamily Residential	\$31,157.66
Carlmont Village Shopping Center	Commercial	\$31,114.82
Continental Belmont	Multifamily Residential	\$30,596.90

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

NUMBER OF SEWER SERVICE USERS

<u>User Type</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
All Users	8,611 (1)	8,512 (2)	8,618	8,602 (3)	8,138 (3)	8,352 (1)

- (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, 2005**

<u>User Class</u>	<u>Revenue</u>	<u>Percent</u>
Single Family & Multiple Family Residential	\$3,934,378.62	82.17%
Commercial/Institutional	853,817.74	17.83%
Total Revenue	\$4,788,196.36	<u>100.00%</u>

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
REVENUES					
Charges for services	\$2,925,668	\$3,184,579	\$3,403,389	\$3,701,929	\$4,234,406
Connection charges	187,538	178,446	108,014	307,644	86,804
Miscellaneous charges	7,734	(490)			
Interest revenue	70,327	151,908	160,191	68,207	90,994
Joint venture interest	<u>(342,254)</u>	<u>(159,400)</u>		<u>(101,695)</u>	<u>(1,188)</u>
Total Revenues	<u>2,849,013</u>	<u>3,355,043</u>	<u>3,671,594</u>	<u>3,976,085</u>	<u>4,411,016</u>
OPERATING EXPENSES					
Personnel services	752,309	834,950	614,855	452,132	476,608
Sewer treatment services	876,672	916,889	950,276	1,142,613	973,588
Supplies, materials and services	2,119,653	1,553,815	1,300,884	1,559,643	1,470,573
Interest Expense		41,706	355,623	350,701	344,467
Total Expenses	<u>3,748,634</u>	<u>3,347,360</u>	<u>3,221,638</u>	<u>3,505,089</u>	<u>3,265,236</u>
Total Operating Transfers (1)	<u>(105,300)</u>	<u>(1,010,125)</u>	<u>(406,438)</u>	<u>(1,251,471)</u>	<u>(895,756)</u>
AMOUNTS AVAILABLE FOR DEBT SERVICE	<u>(\$1,004,921)</u>	<u>(\$1,002,442)</u>	<u>\$43,518</u>	<u>(\$780,475)</u>	<u>\$250,024</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

**Community Facilities District No. 2000-1 of the City of Belmont
Continuing Disclosures
June 30, 2005**

Bond Principal Outstanding - August 30, 2003 Not Applicable

Balance Outstanding by Fund - August 30, 2003

Special Tax Fund	Not Applicable
Special Tax Fund - Reserve	Not Applicable
Special Tax Fund - Reserve Requirement	Not Applicable
Rebate Fund	Not Applicable
Surplus Fund	Not Applicable
Acquisitions & Construction Fund	Not Applicable

Maximum Debt Service Coverage

Year Ending August 1,	Net Taxes	Bond Debt Service	Debt Service Coverage
2004	855,013.15	328,750.00	2.60
2005	840,459.85	650,000.00	1.29
2006	848,544.45	645,000.00	1.32
2007	856,703.50	642,200.00	1.33
2008	864,937.60	640,300.00	1.35
2009	873,247.39	640,400.00	1.36
2010	881,633.49	640,425.00	1.38
2011	890,096.52	639,925.00	1.39
2012	898,637.11	643,900.00	1.40
2013	907,255.90	642,088.00	1.41
2014	915,953.53	644,163.00	1.42
2015	924,730.64	644,788.00	1.43
2016	933,587.86	639,550.00	1.46
2017	942,525.86	643,738.00	1.46
2018	951,545.28	641,775.00	1.48
2019	960,646.78	638,950.00	1.50
2020	969,831.02	640,263.00	1.51
2021	979,098.65	640,425.00	1.53
2022	988,450.35	644,438.00	1.53
2023	997,886.77	642,013.00	1.55
2024	1,007,408.60	643,438.00	1.57
2025	1,017,016.51	643,425.00	1.58
2026	1,026,711.17	641,975.00	1.60
2027	1,036,493.27	644,088.00	1.61
2028	1,046,363.49	644,475.00	1.62
2029	1,056,322.51	643,138.00	1.64
2030	1,066,371.04	645,075.00	1.65
Total	25,537,472.29	17,038,705.00	1.50

Special Tax Levy Delinquency Rate - September 1, 2003 Not Applicable

Status of Foreclosure Actions on Special Tax Levy in Excess of \$10,000 Not Applicable

Special Tax Delinquency in Excess of 5% of Total Levy

Owner	Land Use	Special Tax	Total Special Tax
None			

Changes to Tax Rate and Method of Apportionment None

Supplemental California Debt and Investment Advisory Commission Reporting None

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