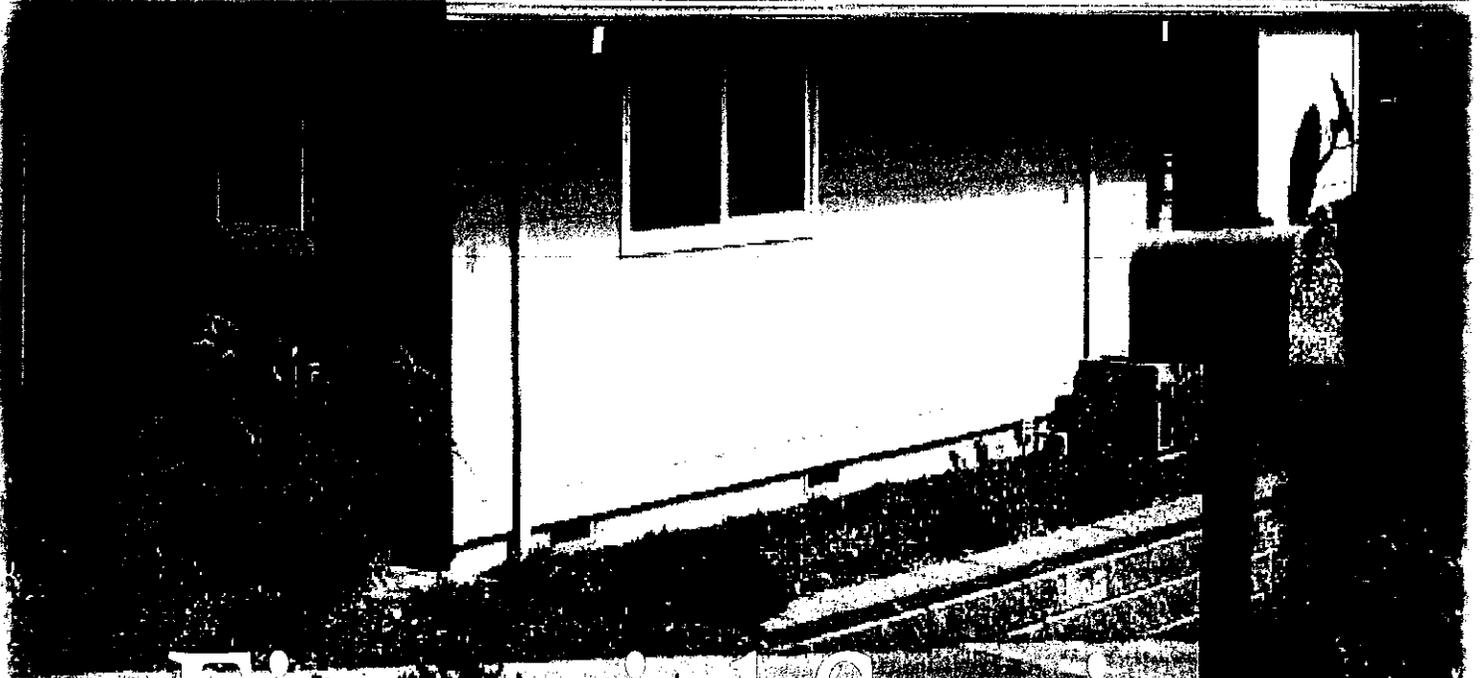


2007



Financial Section

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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, 2007 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 31, 2007 on our consideration of the City of Belmont's internal control structure and 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, 2007 and the respective changes in financial position and cash flow, 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.

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 2007 FINANCIAL HIGHLIGHTS

City-wide:

- City total assets increased by \$4.7 million to \$118 million, of which \$89 million represented governmental assets and \$29 million represented business-type assets.
- City total liabilities increased by \$0.6 million to \$42 million, of which \$26.7 million were governmental liabilities and \$15.3 million were business-type liabilities.
- The City's total net assets increased by \$3.7 million to \$76 million. Of this amount, \$5.3 million (unrestricted governmental net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City-wide revenues were \$41.6 million, of which \$34.6 million was generated by governmental activities and \$7.0 million was generated by business-type activities.
- City-wide expenses were \$37.9 million, of which \$31.2 million was incurred by governmental activities and \$6.7 million was incurred by business-type activities.

Fund Level:

- Governmental Fund balances increased \$2.0 million to \$27.5 million. Of this amount, \$12.3 million is unreserved fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$34.1 million, an increase of \$2.0 million from fiscal 2006.
- Governmental Fund expenditures decreased by \$4.5 million to \$31.9 million in fiscal 2007, from \$31.9 million in the prior year.
- Enterprise Fund net assets increased by \$0.6 million to \$13.4 million. Of this amount, \$8.9 million is unrestricted net assets and available for spending at the City's discretion.
- Enterprise Fund revenues were \$6.5 million in fiscal 2007 compared to \$6.0 million in the prior year.
- Enterprise Fund expenses were \$5.4 million in fiscal 2007 from \$5.0 million in fiscal 2006.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report is in five parts:

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

The Basic Financial Statements

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

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

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

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

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 the City's general 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. 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 five Major Governmental Funds in 2007 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. 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 three 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, solid waste, and storm drain operations and capital. *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, benefit stabilization, 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, 2007 and 2006		
(in Thousands)		
	2007	2006
Cash and investments	\$29,194	\$26,240
Other assets	5,379	4,941
Capital assets	54,623	54,440
Total assets	\$89,196	\$85,621
Long-term debt outstanding	\$22,789	\$23,613
Other liabilities	3,936	2,892
Total liabilities	\$26,725	\$26,505
Net assets:		
Invested in capital assets, net of debt	\$36,610	\$34,464
Restricted	20,578	18,786
Unrestricted	5,283	5,866
Total net assets	\$62,471	\$59,116

The City's governmental net assets increased by \$3.4 million to \$62.5 million in 2007 from \$59.1 million in 2006. 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, 2007 is comprised of the following:

- Included in cash and investments is \$2.2 million invested with fiscal agents and \$27 million of pooled cash and investments available for operations.

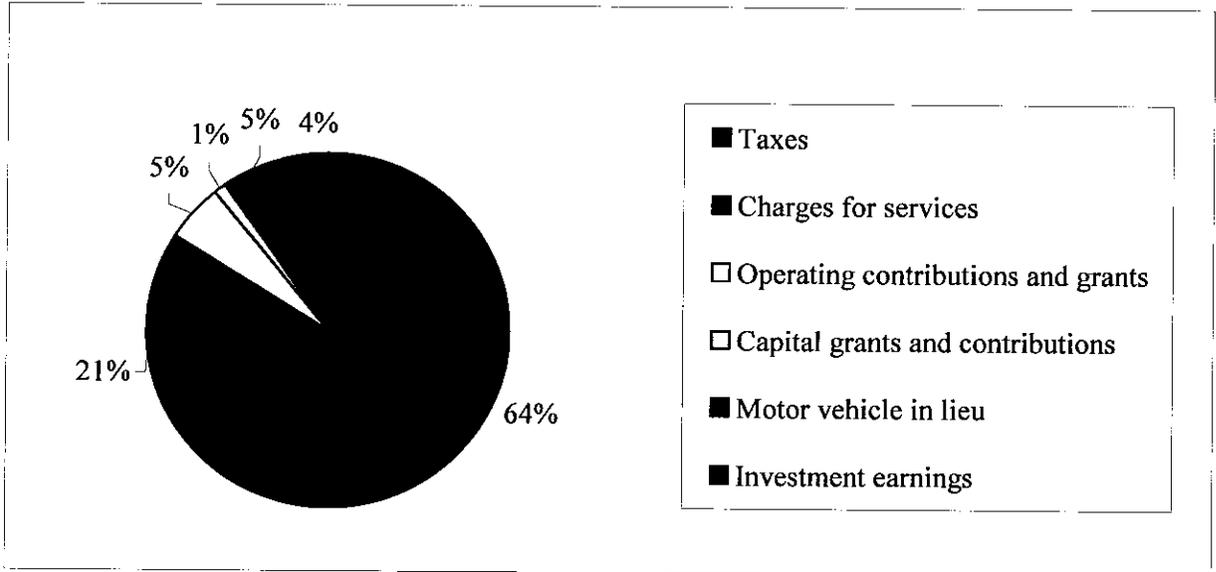
Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

- Other assets include \$0.3 million in amounts due from other governmental agencies. Also included in other assets is \$1.6 million in land held for redevelopment as described in Note 6 to the financial statements and \$1.4 million in notes receivable as discussed in Note 5.
- The major components of capital assets include \$14.8 million in streets and infrastructure, \$10.6 million in land and \$25.6 million in buildings and building improvements.
- Long-term debt is primarily composed of Redevelopment Agency debt repayable from future tax increment revenues, which are levied by the County annually as part of the county-wide property 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 \$36.6 million represents the City's investment in infrastructure and other capital assets used in Governmental activities, net of amounts borrowed to finance that investment.
- Restricted net assets of \$20.6 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 \$5.3 million represent 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.

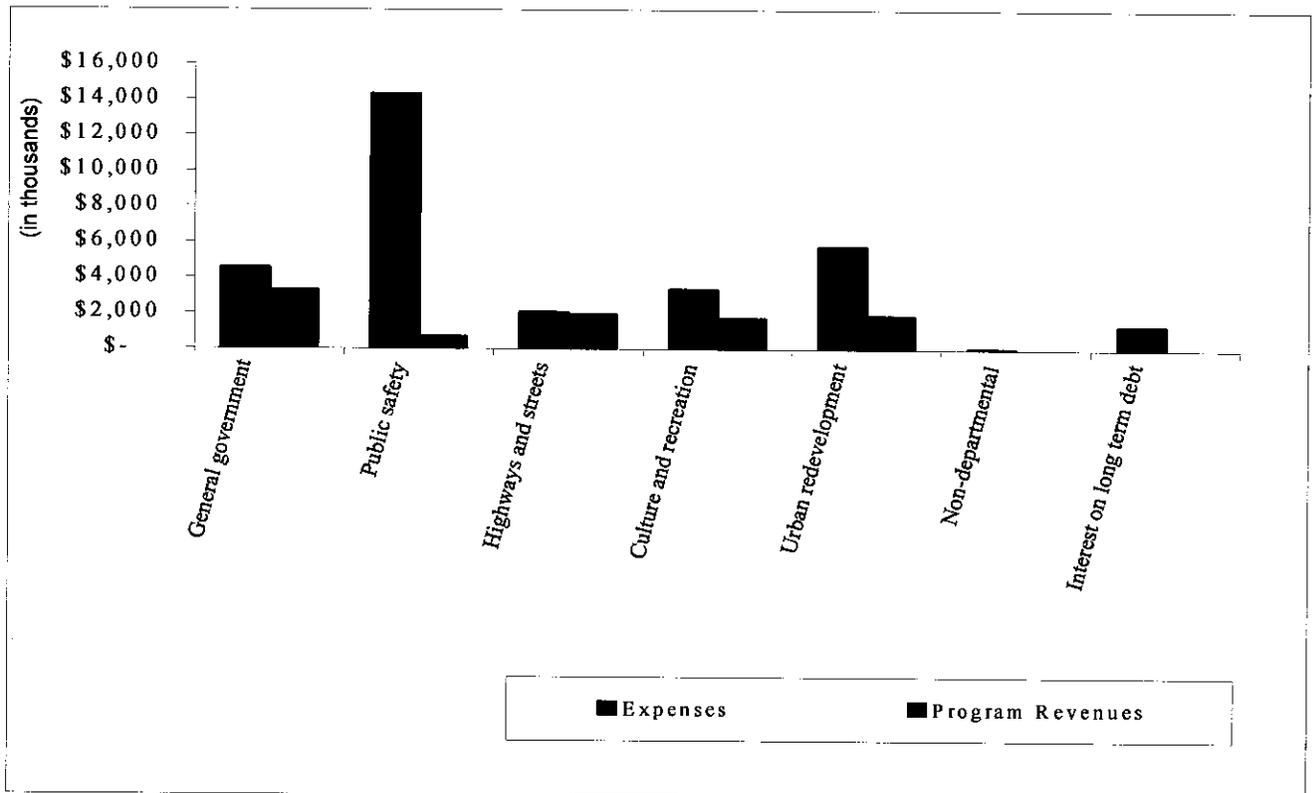
Fiscal Year 2007 Government Activities

The City's governmental activities for fiscal 2007 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)		
	2007	2006
Revenues		
Program revenues:		
Charges for services	\$7,170	\$7,080
Operating contributions and grants	1,804	1,605
Capital grants and contributions	430	849
Total program revenues	9,404	9,534
General revenues:		
Taxes:		
Property	16,370	14,749
Sales and Use	3,191	2,796
Other	2,219	2,261
Motor Vehicle in Lieu or VLF	1,874	2,255
Investment earnings	1,534	962
Total general revenues	25,188	23,023
Total revenues	34,592	32,557
Expenses		
General government	4,530	1,269
Public safety	14,273	12,641
Highways and streets	2,047	2,642
Culture and recreation	3,329	2,894
Urban redevelopment	5,720	5,113
Miscellaneous	37	67
Interest on long term debt	1,301	1,341
Total expenses	31,237	25,967
Change in net assets	\$3,355	\$6,590

Of the City's 2007 governmental revenue of \$34.6 million, \$25.2 million or 73% came from general revenues, of which \$16.4 million represented property taxes. As the economy slowly recovers, the City has seen growth in Property and Sales Taxes of 11% (\$1.6 million) and 14% (\$.4 million) from the prior year, respectively. Motor Vehicle in Lieu tax or Vehicle License Fee (VLF) revenue decreased \$.4 million to \$1.9 million, due to a one time loan repayment from the State for VLF fees it borrowed for \$0.4 million in the prior year. 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 \$9.4 million, of which \$7.2 million or 77% is from charges for services. In addition, \$1.8 million is from operating grants and contributions. Charges for services increased from the prior year due to increases in revenue from Co-Sponsored Recreation and Development Services Funds for \$0.3 million. Operating grants and contributions increased due to reimbursement from the State for public safety for \$0.2 million. Capital grants and contributions decreased due to donations for the Library Capital Project for \$0.3 million in the prior year.

Prior year expenses, including general government and urban redevelopment, were lower due to capitalizing engineering costs to the City Hall Retrofit/Police Facilities and Library Projects. The amounts reflected in these categories for FY 2007 represent typical expenditure patterns. Public safety increase of \$1.7 million from the prior year is primarily attributable to personnel costs and contributions for the provision of fire services.

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, 2006 and 2005		
(in Thousands)		
	2007	2006
Cash and investments	\$8,004	\$8,553
Other assets	7,041	6,444
Capital assets	13,394	12,256
Total assets	\$28,439	\$27,253
Long-term debt outstanding	\$14,340	\$14,490
Other liabilities	718	432
Total liabilities	\$15,058	\$14,922
Net assets:		
Invested in capital assets, net of debt	\$4,494	\$4,672
Unrestricted	8,888	7,659
Total net assets	\$13,381	\$12,331

The net assets of business-type activities increased \$0.6 million to \$13.4 million in 2007.

Table 4		
Changes in Business-type Net Assets		
(in Thousands)		
	2007	2006
Revenues		
Program Revenues:		
Charges for Services	\$6471	\$5,507
Intergovernmental	113	
Total program revenues	<u>6,584</u>	<u>5,507</u>
General Revenues:		
Investment earnings	506	252
Total general revenues	<u>506</u>	<u>252</u>
Total revenues	<u>7,090</u>	<u>5,759</u>
Expenses		
Sewer	5,090	4,422
Storm Drain	1,093	1,209
Solid Waste	327	
Total expenses	<u>6,510</u>	<u>5,631</u>
Change in net assets	<u>\$580</u>	<u>\$128</u>

Total operating revenues of business-type activities were \$7.1 million in 2007, up from \$5.5 million primarily due to an increase in sewer rates of 13%. The Solid Waste Fund was created in the prior year to account for activities associated with administering the solid waste franchise and related street sweeping costs. In fiscal 2007, the Solid Waste Fund began receiving street sweeping revenues.

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)		
	2007	2006
Total assets	\$29,753	\$27,036
Total liabilities	2,215	1,475
Total fund balances	27,538	25,561
Total revenues	34,064	32,077
Total expenditures	31,895	36,371
Total other financing sources (uses)	(192)	(137)

At June 30, 2007, governmental fund balances increased by \$2.0 million to \$27.5 million. Revenues increased by \$2.0 million to \$34.1 million. Expenditures decreased by \$4.5 million to \$31.9 million.

Analyses of Major Governmental Funds

General Fund

General Fund revenues increased approximately \$0.6 million to \$14.5 million this fiscal year. The increase is due to growth in property taxes and sales tax in lieu of \$0.2 million and \$0.2 million, respectively.

General Fund expenditures increased \$1.0 million over prior year actual costs to \$13.0 million in 2007. General government expenditures were \$8.0 million, up \$0.9 million from the prior year due to a new memorandum of understanding with the Belmont Police Officer's Association and related benefit costs. California Public Employees Retirement System (CALPERS) for Safety (police) and Miscellaneous (all other) employees are further discussed in Note 10.

At June 30, 2007, the General Fund Balance is comprised of \$0.2 million in unreserved, undesignated balances and \$3.9 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 decreased expenditures of \$0.1 million. The net effect of the budget corrective actions was a decrease in the projected deficit of \$0.5 million down to \$.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 \$0.9 million excess of revenues and other sources over expenditures and other uses for the year. Revenues were \$0.3 million higher and expenditures were \$0.6 million lower, than the final budget. The City received \$0.3 million from the State for public safety state mandated costs reimbursement which was budgeted in prior years. Also, received \$1.0 million from sales tax in lieu, which was \$0.2 million in excess of budget. Expenditures were \$0.6 million lower than the final budget due to salary savings from vacant positions in the City.

Belmont Fire Protection District Fund

The Belmont Fire Protection District (District) 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 Belmont-San Carlos Fire

Department (Fire Department), formerly known as South County Fire Protection Authority (SCFA).

In the prior year, the Fire Department's Board began the process by keeping the option open to find a solution to save the Department. As part of that process, the Fire Department's Board approved a letter of agreement to rename the South County Fire Protection Authority to the Belmont-San Carlos Fire Department under an amended Joint Powers Authority (JPA) and the two communities proposed a Fire Suppression Benefit Assessments (Assessment) to improve service levels from the present three engines and one truck company formation.

Although the assessment failed, it did not discourage the Fire Department Board's renewed commitment to the Fire Department and wanted to find alternatives to move forward. The District and the City of San Carlos agreed on a new funding formula based on assessed valuation, call volume, the number of engine and truck companies, and the number of fire stations and firefighters in each community to determine the contribution to be paid. In fiscal 2008, that formula will produce a funding split of 47.7% for the District and 52.3% for San Carlos. The changes in the funding formula will allow the Fire Department to plan for vehicle replacement and funding reserves. However, financial challenges exist as the Fire Department works towards reestablishing four engines and truck service.

During 2007, the District increased fund balance by \$0.1 million to \$0.5 million. The District received taxes in excess of budget by \$0.2 million due to increases in the assessed value of property.

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 \$5.4 million at June 30, 2007. \$5.0 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 \$5.6 million, of which \$2.2 million is invested with a fiscal agent. Fund balance at June 30, 2007 totals \$5.8 million, \$5.6 million is reserved for debt service payments.

Redevelopment Agency Capital Projects Fund

This fund is used to account for improvements in the downtown area. At June 30, 2007, fund balance of \$4.8 million of which \$4.2 million is unreserved fund balance. The City has gone through a significant “visioning” effort as part of this process and has identified potential areas for redevelopment.

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 \$0.6 million higher at \$5.6 million compared to the previous year, primarily due to a 13% rate increase in sewer service charges. Operating expenses were up \$0.2 million to \$4.0 million. Net assets totaled \$10.0 million at June 30, 2007, with \$1.7 million invested in capital assets, net of related debt, and \$8.2 million of unrestricted fund balance.

Storm Drainage Fund

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

Storm drainage fund operating revenues were \$0.5 million and consist of NPDES storm drain charge fees and interdepartmental charges. Operating expenses decreased \$0.1 million to \$1.1 million. Net assets totaled \$2.7 million at June 30, 2007, with all of it invested in capital assets, net of related debt.

Solid Waste Fund

This fund is used to account for street sweeping costs and administering the solid waste franchise.

Street sweeping operations began in fiscal 2007, had operating revenues of \$0.4 million and operating costs of \$0.3 million. Net assets were \$0.7 million at June 30, 2007, which \$0.6 million was from a settlement with Allied Waste Management (formerly BFI) to be paid over four years that began in the prior year. The Solid Waste Fund has received \$0.3 million to date and has \$0.3 as a long-term receivable. The City Council is in the process of determining how the settlement funds should be used.

CAPITAL ASSETS

At the end of fiscal 2007, 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>2007</u>	<u>2006</u>
<i>Governmental Activities</i>		
Land	\$10,659	\$10,659
Construction in progress	2,111	1,702
Buildings	30,438	32,364
Improvements other than buildings	717	364
Streets and infrastructure	25,717	25,095
Machinery and equipment	3,582	3,187
Vehicles	2,495	2,379
Less accumulated depreciation	<u>(21,096)</u>	<u>(21,310)</u>
Totals	<u>\$54,623</u>	<u>\$54,440</u>
<i>Business-type Activities</i>		
Land	\$15	\$15
Construction in progress	1,842	1,585
Improvements other than buildings	17,853	16,422
Machinery and equipment	190	189
Less accumulated depreciation	<u>(6,506)</u>	<u>(5,955)</u>
Totals	<u>\$13,394</u>	<u>\$12,256</u>

The principal additions for governmental activities in 2007 were related to final retention payments on the completed City Hall Retrofit/Police Facility and the Belmont Library projects.

Additions for business-type activities were primarily related to Improvements other than buildings with \$1.8 million in additions during 2007 largely related to sewer and 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. The City issued \$7.5 million in Sewer Revenue Bonds for sewer rehabilitation projects and retired \$1 million in maturing principal. A summary of activity is presented below:

Table 7		
Outstanding Debt		
(in Thousands)		
	<u>2007</u>	<u>2006</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	\$2,185	\$2,330
1999 Series A, 4.375%-5.7%, due 2029	12,530	13,025
1999 Series B, 3.6%-5.8%, due 2029	7,950	8,130
Note Payable:		
Note Payable:		
Oracle Owner Participation Agreement, LAIF rate, due 2025	124	128
Subtotal Governmental Activity Debt	<u>22,789</u>	<u>23,613</u>
<i>Business-type Debt – Sewer Enterprise Fund:</i>		
Long-Term Bonds Payable:		
2001 Sewer Revenue Bonds, 4.375%-5.00%, due 2031	6,840	6,990
2006 Sewer Revenue Bonds, 3.150%-4.00%, due 2035	7,500	7,500
Subtotal Business-type Debt	<u>14,340</u>	<u>14,490</u>
Total Long-Term Obligations	<u>\$37,129</u>	<u>\$38,103</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.

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**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*.

CITY OF BELMONT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$27,012,361	\$6,675,987	\$33,688,348
Cash and investments with fiscal agent (Note 3)	2,182,037	1,328,394	3,510,431
Receivables:			
Accounts	1,365,049	301,790	1,666,839
Interest	439,656		439,656
Due from other governmental agencies	290,076		290,076
Notes & Long-term receivable (Notes 5 & 12B)	1,379,931	344,959	1,724,890
Prepays and other assets	324,719	265,870	590,589
Land held for redevelopment (Note 6)	1,578,748		1,578,748
Investment in SBSA- Joint Venture (Note 12)		6,127,510	6,127,510
Capital assets (Note 7)			
Land and construction in progress	12,769,725	1,856,772	14,626,497
Depreciable assets, net	41,853,691	11,537,483	53,391,174
Total Assets	89,195,993	28,438,765	117,634,758
LIABILITIES			
Accounts payable, claims and other liabilities/ contracts payable	1,655,749	605,214	2,260,963
Deposits	319,014		319,014
Unearned revenue	247,774		247,774
Claims payable (Note 11)			
Due in less than one year	196,731		196,731
Compensated absences (Note 1H)			
Due within one year	193,630	112,365	305,995
Due in more than one year	1,322,920		1,322,920
Long-term debt (Note 8)			
Due within one year	864,026	300,000	1,164,026
Due in more than one year	21,924,881	14,040,000	35,964,881
Total Liabilities	26,724,725	15,057,579	41,782,304
NET ASSETS (Note 9)			
Invested in capital assets, net of related debt	36,609,585	4,493,590	41,103,175
Restricted for:			
Capital projects	1,357,186		1,357,186
Debt service	5,907,141		5,907,141
Redevelopment programs	12,990,867		12,990,867
Special revenue programs	323,100		323,100
Total Restricted Net Assets	20,578,294		20,578,294
Unrestricted	5,283,389	8,887,596	14,170,985
Total Net Assets	\$62,471,268	\$13,381,186	\$75,852,454

See accompanying notes to financial statements

CITY OF BELMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$4,529,887	\$3,204,003	\$56,228		(\$1,269,656)		(\$1,269,656)
Public safety	14,273,000	233,635	422,168		(13,617,197)		(13,617,197)
Highways and streets	2,046,747	291,250	1,241,961	\$390,439	(123,097)		(123,097)
Culture and recreation	3,328,963	1,609,326	83,604	9,372	(1,626,661)		(1,626,661)
Urban redevelopment	5,720,001	1,831,487		30,161	(3,858,353)		(3,858,353)
Non-departmental	37,255				(37,255)		(37,255)
Interest on long term debt	1,301,277				(1,301,277)		(1,301,277)
Total Governmental Activities	31,237,130	7,169,701	1,803,961	429,972	(21,833,496)		(21,833,496)
Business-type Activities:							
Sewer	5,090,512	5,596,542				\$506,030	506,030
Storm Drainage	1,092,906	501,067		112,896		(478,943)	(478,943)
Solid Waste	326,776	373,815				47,039	47,039
Total Business-type Activities	6,510,194	6,471,424		112,896		74,126	74,126
Total	\$37,747,324	\$13,641,125	\$1,803,961	\$542,868	(21,833,496)	74,126	(21,759,370)
General revenues:							
Taxes:							
Property taxes					8,643,311		8,643,311
Incremental property tax					7,726,963		7,726,963
Sales taxes					3,191,162		3,191,162
Other taxes					2,219,057		2,219,057
Motor vehicle in lieu, unrestricted					1,874,436		1,874,436
Investment earnings					1,443,556	505,677	1,949,233
Miscellaneous					90,278		90,278
Total general revenues and transfers					25,188,763	505,677	25,694,440
Change in Net Assets					3,355,267	579,803	3,935,070
Net Assets-Beginning					59,116,001	12,801,383	71,917,384
Net Assets-Ending					\$62,471,268	\$13,381,186	\$75,852,454

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

Fund Financial Statements are presented by individual major funds, 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 2007. 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 Belmont-San Carlos Fire Department (formerly 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.

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

To account for improvements in the downtown area.

CITY OF BELMONT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	<u>General</u>	<u>Belmont Fire Protection District</u>	<u>Low and Moderate Income Housing</u>	<u>Redevelopment Agency Debt Service</u>
ASSETS				
Cash and investments (Note 3)	\$3,612,684	\$690,822	\$5,443,717	\$3,414,250
Cash and investments with fiscal agent (Note 3)			23	2,182,014
Receivables:				
Accounts	716,108	394,189	1,500	
Interest	439,656			
Due from other governmental agencies Notes (Note 5)	241,464		1,379,931	
Due from other funds (Note 4B)	121,920			
Prepays and other assets	131,183			185,168
Land held for redevelopment (Note 6)			1,280,000	
Total Assets	<u>\$5,263,015</u>	<u>\$1,085,011</u>	<u>\$8,105,171</u>	<u>\$5,781,432</u>
LIABILITIES				
Accounts payable, and other liabilities / contracts payable	\$623,086	\$438,956	\$2,181	
Deposits	280,569	100		
Due to other funds (Note 4B)		121,920		
Deferred revenue	247,774			
Total Liabilities	<u>1,151,429</u>	<u>560,976</u>	<u>2,181</u>	
FUND BALANCES				
Fund balances (Note 9)				
Reserved for:				
Land held for redevelopment			1,280,000	
Debt service			310,877	\$5,596,264
Encumbrances	51,632		108,523	
Prepays and notes receivable	131,183		1,379,931	185,168
Low and moderate income housing			5,023,659	
Unreserved, designated for:				
Capital projects				
Unreserved, undesignated reported in:				
General Fund	3,928,771			
Special Revenue Funds		524,035		
Debt Service Funds				
Capital Projects Funds				
Total Fund Balances	<u>4,111,586</u>	<u>524,035</u>	<u>8,102,990</u>	<u>5,781,432</u>
Total Liabilities and Fund Balances	<u>\$5,263,015</u>	<u>\$1,085,011</u>	<u>\$8,105,171</u>	<u>\$5,781,432</u>

See accompanying notes to financial statements

<u>Redevelopment Agency Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$4,775,076	\$4,150,410	\$22,086,959 2,182,037
	245,405	1,357,202 439,656
	48,612	290,076 1,379,931
		121,920 316,351
<u>298,748</u>		<u>1,578,748</u>
<u>\$5,073,824</u>	<u>\$4,444,427</u>	<u>\$29,752,880</u>
\$185,947	\$275,698 38,345	\$1,525,868 319,014 121,920 247,774
<u>185,947</u>	<u>314,043</u>	<u>2,214,576</u>
298,748		1,578,748 5,907,141
383,800	471,737	1,015,692 1,696,282 5,023,659
	883,913	883,913 3,928,771
	2,048,582	2,572,617 32 32
<u>4,205,329</u>	<u>726,120</u>	<u>4,931,449</u>
<u>4,887,877</u>	<u>4,130,384</u>	<u>27,538,304</u>
<u>\$5,073,824</u>	<u>\$4,444,427</u>	<u>\$29,752,880</u>

CITY OF BELMONT
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances reported on the governmental funds balance sheet \$27,538,304

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. 54,623,416

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	4,925,402
Accounts receivable	7,847
Prepays and other assets	8,368
Accounts payable and other liabilities / contracts payable	(129,881)
Compensated absences	(193,630)
Claims payable	(196,731)

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	(22,788,907)
Compensated absences	(1,322,920)
	<u>(1,322,920)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$62,471,268

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, 2007

	<u>General</u>	<u>Belmont Fire Protection District</u>	<u>Low and Moderate Income Housing</u>	<u>Redevelopment Agency Debt Service</u>	<u>Redevelopment Agency Capital Projects</u>
REVENUES					
Taxes	\$6,863,223	\$5,869,097	\$1,545,392	\$6,181,571	
Licenses and permits	692,351				
Fines and forfeitures	207,765				
Use of money and property	450,292	9,584	227,962	228,221	\$309,779
Intergovernmental	3,796,404	52,970			30,161
Charges for current services	2,403,720				
Miscellaneous	124,761	100,000			
Total Revenues	<u>14,538,516</u>	<u>6,031,651</u>	<u>1,773,354</u>	<u>6,409,792</u>	<u>339,940</u>
EXPENDITURES					
Current:					
General government	3,479,312				
Public safety	8,047,248	5,916,747			
Highways and streets					
Culture and recreation	1,397,778				
Urban redevelopment			668,862	3,287,925	
Non-departmental	41,204				
Capital outlay			50,609		360,055
Debt service:					
Principal			145,000	675,000	
Interest and fiscal charges			172,840	1,124,568	
Total Expenditures	<u>12,965,542</u>	<u>5,916,747</u>	<u>1,037,311</u>	<u>5,087,493</u>	<u>360,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,572,974</u>	<u>114,904</u>	<u>736,043</u>	<u>1,322,299</u>	<u>(20,115)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4A)					973,208
Transfers (out) (Note 4A)	(1,005,511)			(699,700)	
Total Other Financing Sources (Uses)	<u>(1,005,511)</u>			<u>(699,700)</u>	<u>973,208</u>
NET CHANGE IN FUND BALANCES	567,463	114,904	736,043	622,599	953,093
BEGINNING FUND BALANCES	<u>3,544,123</u>	<u>409,131</u>	<u>7,366,947</u>	<u>5,158,833</u>	<u>3,934,784</u>
ENDING FUND BALANCES	<u>\$4,111,586</u>	<u>\$524,035</u>	<u>\$8,102,990</u>	<u>\$5,781,432</u>	<u>\$4,887,877</u>

See accompanying notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,504,417	\$21,963,700
740,194	1,432,545
5,884	213,649
183,767	1,409,605
510,853	4,390,388
1,885,565	4,289,285
<u>139,752</u>	<u>364,513</u>
<u>4,970,432</u>	<u>34,063,685</u>
	3,479,312
493,399	14,457,394
1,534,958	1,534,958
1,810,809	3,208,587
1,744,218	5,701,005
	41,204
935,836	1,346,500
4,318	824,318
<u>3,869</u>	<u>1,301,277</u>
<u>6,527,407</u>	<u>31,894,555</u>
<u>(1,556,975)</u>	<u>2,169,130</u>
2,056,913	3,030,121
<u>(1,517,021)</u>	<u>(3,222,232)</u>
<u>539,892</u>	<u>(192,111)</u>
(1,017,083)	1,977,019
<u>5,147,467</u>	<u>25,561,285</u>
<u>\$4,130,384</u>	<u>\$27,538,304</u>

CITY OF BELMONT
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$1,977,019

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 1,623,248

Net loss on retirement of building improvements (9,103)

Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$339,060 which has already been allocated to serviced funds) (1,570,465)

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. 824,318

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 (605,421)

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 1,115,671

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$3,355,267

See accompanying notes to financial statements

CITY OF BELMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$7,248,869	\$7,143,681	\$6,863,223	(\$280,458)
Licenses and permits	639,246	639,246	692,351	53,105
Fines and forfeitures	170,000	170,000	207,765	37,765
Use of money and property	273,032	273,032	450,292	177,260
Intergovernmental	3,034,769	3,429,957	3,796,404	366,447
Charges for current services	2,402,018	2,373,017	2,403,720	30,703
Miscellaneous	202,000	202,000	124,761	(77,239)
	<u>13,969,934</u>	<u>14,230,933</u>	<u>14,538,516</u>	<u>307,583</u>
EXPENDITURES:				
Current:				
General government	3,787,914	3,798,516	3,479,312	319,204
Public safety	8,188,675	8,294,409	8,047,248	247,161
Culture and recreation	1,413,871	1,413,871	1,397,778	16,093
Non-departmental	91,816	91,816	41,204	50,612
	<u>13,482,276</u>	<u>13,598,612</u>	<u>12,965,542</u>	<u>633,070</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	487,658	632,321	1,572,974	940,653
OTHER FINANCING SOURCES USES				
Transfers out (Note 4A)	<u>(999,383)</u>	<u>(1,039,448)</u>	<u>(1,005,511)</u>	<u>33,937</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$511,725)</u></u>	<u><u>(\$407,127)</u></u>	567,463	<u><u>\$974,590</u></u>
BEGINNING FUND BALANCE			<u>3,544,123</u>	
ENDING FUND BALANCE			<u><u>\$4,111,586</u></u>	

See accompanying notes to financial statements

CITY OF BELMONT
 BELMONT FIRE PROTECTION DISTRICT FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$5,652,721	\$5,652,721	\$5,869,097	\$216,376
Use of money and property	5,065	5,065	9,584	4,519
Intergovernmental	56,338	56,338	52,970	(3,368)
Miscellaneous			100,000	100,000
Total Revenues	<u>5,714,124</u>	<u>5,714,124</u>	<u>6,031,651</u>	<u>317,527</u>
EXPENDITURES:				
Current:				
Public safety	<u>5,267,589</u>	<u>5,874,055</u>	<u>5,916,747</u>	<u>(42,692)</u>
Total Expenditures	<u>5,267,589</u>	<u>5,874,055</u>	<u>5,916,747</u>	<u>(42,692)</u>
NET CHANGE IN FUND BALANCE	<u>\$446,535</u>	<u>(\$159,931)</u>	114,904	<u>\$274,835</u>
BEGINNING FUND BALANCE			<u>409,131</u>	
ENDING FUND BALANCE			<u>\$524,035</u>	

See accompanying notes to financial statements

CITY OF BELMONT
 LOW AND MODERATE INCOME HOUSING FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$1,443,305	\$1,443,305	\$1,545,392	\$102,087
Use of money and property	<u>145,011</u>	<u>145,011</u>	<u>227,962</u>	<u>82,951</u>
Total Revenues	<u>1,588,316</u>	<u>1,588,316</u>	<u>1,773,354</u>	<u>185,038</u>
EXPENDITURES:				
Current:				
Urban redevelopment	848,118	848,118	668,862	179,256
Capital outlay	1,690,000	1,690,000	50,609	1,639,391
Debt service:				
Principal	145,000	145,000	145,000	
Interest and fiscal charges	<u>183,026</u>	<u>183,026</u>	<u>172,840</u>	<u>10,186</u>
Total Expenditures	<u>2,866,144</u>	<u>2,866,144</u>	<u>1,037,311</u>	<u>1,828,833</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,277,828)</u>	<u>(\$1,277,828)</u>	736,043	<u>\$2,013,871</u>
BEGINNING FUND BALANCE			<u>7,366,947</u>	
ENDING FUND BALANCE			<u>\$8,102,990</u>	

See accompanying notes to financial statements

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MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal 2007. Individual non-major funds may be found in the Supplemental section.

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).

SOLID WASTE FUND

To account for operating costs associated with street sweeping and administering the solid waste franchise.

CITY OF BELMONT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2007

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds	
	Sewer	Storm Drainage	Solid Waste		Totals
ASSETS					
Current Assets:					
Cash and investments (Note 3)	\$6,331,358		\$344,629	\$6,675,987	\$4,925,402
Cash and investments with fiscal agent (Note 3)	1,328,394			1,328,394	
Accounts receivable	212,309	\$89,481		301,790	7,847
Prepays and other assets					8,368
Total Current Assets	7,872,061	89,481	344,629	8,306,171	4,941,617
Noncurrent Assets:					
Investment in SBSA- Joint Venture (Note 12)	6,127,510			6,127,510	
Long-term receivable (Note 12)			344,959	344,959	
Unamortized debt issue costs	265,870			265,870	
Capital assets (Note 7)					
Land and construction in progress	591,951	1,264,821		1,856,772	
Depreciable assets, net	10,050,487	1,486,996		11,537,483	1,014,252
Total Noncurrent Assets	17,035,818	2,751,817	344,959	20,132,594	1,014,252
Total Assets	24,907,879	2,841,298	689,588	28,438,765	5,955,869
LIABILITIES					
Current Liabilities:					
Accounts payable, and other liabilities / contracts payable	540,693	63,806	715	605,214	129,881
Claims payable					196,731
Long-term debt (Note 8)	300,000			300,000	
Compensated absences	76,889	35,476		112,365	193,630
Total Current Liabilities	917,582	99,282	715	1,017,579	520,242
Noncurrent Liabilities:					
Long-term debt (Note 8)	14,040,000			14,040,000	
Total Noncurrent Liabilities	14,040,000			14,040,000	
Total Liabilities	14,957,582	99,282	715	15,057,579	520,242
NET ASSETS (Note 9)					
Invested in capital assets, net of related debt	1,741,773	2,751,817		4,493,590	1,014,252
Unrestricted	8,208,524	(9,801)	688,873	8,887,596	4,421,375
Total Net Assets	\$9,950,297	\$2,742,016	\$688,873	\$13,381,186	\$5,435,627

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, 2007

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Storm Drainage	Solid Waste	
OPERATING REVENUES				
Charges for current services				
Sewer service charges	\$5,596,542			\$5,596,542
Sewer connection fees				
NPDES storm drain charges		\$422,073		422,073
Street sweeping			\$373,815	373,815
Interdepartmental charges		78,994		78,994
Total Operating Revenues	5,596,542	501,067	373,815	6,471,424
				3,847,798
OPERATING EXPENSES				
Personnel services	505,416	424,783	153,148	1,083,347
Sewer services and supplies	1,583,845	592,587	173,628	2,350,060
Sewer treatment	1,325,708			1,325,708
Insurance premiums				268,180
Professional and legal				293,377
Operating costs				2,202,074
Insurance claims, net of change in claims payable				391,883
Depreciation	567,278	75,536		642,814
Total Operating Expenses	3,982,247	1,092,906	326,776	5,401,929
Operating Income (Loss)	1,614,295	(591,839)	47,039	1,069,495
				353,224
NONOPERATING REVENUES (EXPENSES)				
Proceeds from the sale of capital assets				2,920
Interest	485,570	14,876	5,231	505,677
Interest expense	(629,467)			(629,467)
Equity interest in SBSA - Joint Venture	(479,133)			(479,133)
Intergovernmental		112,896		112,896
Miscellaneous	335			335
Total Nonoperating Revenues (Expenses)	(622,695)	127,772	5,231	(489,692)
Income (Loss) Before Transfers	991,600	(464,067)	52,270	579,803
Transfers in (Note 4A)		843,372		843,372
Transfers (out) (Note 4A)	(843,372)			(843,372)
Net transfers	(843,372)	843,372		192,111
Change in net assets	148,228	379,305	52,270	579,803
BEGINNING NET ASSETS	9,802,069	2,362,711	636,603	12,801,383
ENDING NET ASSETS	\$9,950,297	\$2,742,016	\$688,873	\$13,381,186
				\$5,435,627

See accompanying notes to financial statements

CITY OF BELMONT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Storm Drainage	Solid Waste	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$5,426,508	\$422,191	\$499,055	\$6,347,754	\$38,704
Interdepartmental charges					3,842,116
Payments to suppliers	(2,665,049)	(554,007)	(172,913)	(3,391,969)	(2,382,889)
Payments to employees	(503,487)	(417,860)	(153,148)	(1,074,495)	(519,465)
Claims paid					(427,519)
Cash Flows from Operating Activities	2,257,972	(549,676)	172,994	1,881,290	550,947
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental receipts		112,896		112,896	
Transfers in		843,372		843,372	192,111
Transfers (out)	(843,372)			(843,372)	
Cash Flows from Noncapital Financing Activities	(843,372)	956,268		112,896	192,111
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(1,320,140)	(461,281)		(1,781,421)	(479,126)
Proceeds from sale of capital assets					2,920
Principal payments on capital debt	(150,000)			(150,000)	
Interest paid	(620,299)			(620,299)	
Cash Flows from Capital and Related Financing Activities	(2,090,439)	(461,281)		(2,551,720)	(476,206)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	485,570	14,876	5,231	505,677	528,712
Investment in SBSA	(497,187)			(497,187)	
Cash Flows from Investing Activities	(11,617)	14,876	5,231	8,490	528,712
Net Cash Flows	(687,456)	(39,813)	178,225	(549,044)	795,564
Cash and investments at beginning of period	8,347,208	39,813	166,404	8,553,425	4,129,838
Cash and investments at end of period	\$7,659,752	\$344,629	\$8,004,381	\$8,004,381	\$4,925,402
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$1,614,295	(\$591,839)	\$47,039	\$1,069,495	\$353,224
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation and miscellaneous	567,613	75,536		643,149	377,764
Change in assets and liabilities:					
Receivables, net	(170,034)	(72,014)	125,240	(116,808)	(1,259)
Accounts payable	244,169	38,580	715	283,464	28,238
Deferred Revenue		(6,862)		(6,862)	
Claims payable					(35,636)
Compensated absences	1,929	6,923		8,852	(171,384)
Cash Flows from Operating Activities	\$2,257,972	(\$549,676)	\$172,994	\$1,881,290	\$550,947

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, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	<u>\$410,091</u>
Total Assets	<u><u>\$410,091</u></u>
LIABILITIES	
Deposits	\$2,778
Section 125 employee benefits payable	14,282
Due to bondholders	<u>393,031</u>
Total Liabilities	<u><u>\$410,091</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, solid waste, 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

The City's major governmental and business-type funds are 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 Belmont-San Carlos Fire Department.

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.

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

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

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

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

Solid Waste Fund - To account for operating costs associated with street sweeping and administering the solid waste franchise.

The City also reports the following fund types:

Internal Services Fund - The funds account for worker's compensation, general liability, vision, benefit stabilization, 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 City has three funds: a Section 125 Plan fund, and funds reporting cash and investments for the Southern San Mateo Police Authority and Library Community Facilities Districts. 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.

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. Solid waste revenue is remitted by Allied Waste Management as part of garbage services. As of year end there were no material uncollected sewer, storm drain, or solid waste 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.

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.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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.

Capital assets with limited useful lives be depreciated over their estimated useful lives. 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.

H. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences were as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Beginning Balance	\$1,082,513	\$103,513	\$1,186,026
Additions	1,157,861	198,164	1,356,025
Payments	<u>(723,824)</u>	<u>(189,312)</u>	<u>(913,136)</u>
Ending Balance	<u>\$1,516,550</u>	<u>\$112,365</u>	<u>\$1,628,915</u>
Current Portion	<u>\$193,630</u>	<u>\$112,365</u>	<u>\$305,995</u>

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

Expenditures exceeded budget for the following funds:

<u>Fund Name</u>	<u>Amount</u>
Belmont Fire Protection District	\$42,692
Supplemental Law Enforcement Services	15,758

Sufficient current year revenues or fund balances were available to offset these expenditures.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 30, 2007 consist of the following:

<i>Statement of Net Assets</i>	
Cash and investments	\$33,688,348
Cash and investments with fiscal agent	3,510,431
<i>Fiduciary Funds</i>	
Cash and investments	410,091
Total Cash and investments	<u><u>\$37,608,870</u></u>

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.

As of June 30, 2007, the City held \$6,031,286 in unexpended proceeds from the Sewer Revenue Bonds, Series 2006, which were included in Cash and Investments recorded in the Sewer Enterprise Fund. These restricted funds are to be spent on project costs as defined in the underlying indenture.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 % 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	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>
		Two highest rating
		category
Local Agency Municipal Bonds	N/A	N/A
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	Total
California Local Agency Investment Fund	\$33,902,195	\$33,902,195
<i>Held by Trustees:</i>		
U.S. Treasury Notes	1,986,214	1,986,214
Mutual Funds (U.S. Securities)	1,524,217	1,524,217
Total Investments	\$37,412,626	37,412,626
Cash in banks and on hand		196,244
Total Cash and investments		\$37,608,870

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, 2007, these investments matured in an average of 176 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, US Treasury Bills, and Mutual Funds. The actual ratings as of June 30, 2007 for all Mutual Funds are AAA as provided by Standard and Poor's investment rating system. California Local Agency Investment Funds are not rated, and U.S Treasury Bills are exempt from 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, 2007 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
Special Revenue Fund		
Co-Sponsored Recreation	General Fund	\$636,773 (a)
Development Services	General Fund	265,674
Street Maintenance State Gas Tax	Street Improvement Measure A Grants Special Revenue Fund	392,068
Redevelopment Agency Capital Project Fund	Redevelopment Agency Special Revenue Fund	138,000
Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund	699,700
Street Maintenance State Gas Tax	General Fund	27,500
Public Safety Grants	General Fund	27,011
Capital Projects Fund		
Redevelopment Agency Capital Project Fund	City Hall Retrofit/Police Facilities	835,208 (b)
Debt Service		
General Debt Service	General Fund	8,187
Enterprise Fund		
Storm Drainage	Sewer	843,372 (c)
Internal Service Fund		
Facilities Management	General Facilities Capital Project Fund	105,600
Facilities Management	General Fund	40,366
Fleet and Equipment Management	Co-Sponsored Recreation Special Revenue Fund	46,145
		<u>\$4,065,604</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) Transfer was used to fund recreation programs.
- (b) Transfer was used to close City Hall Retrofit /Police Facilities
- (c) Transfer was used to fund Storm Drain Capital Projects related to Inflow & Infiltration

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2007, the Belmont Fire Protection District Special Revenue Fund owed the General Fund \$121,920.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Internal Balances

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

NOTE 5 - NOTES RECEIVABLE

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.	\$215,139
Mercy Housing Loan	325,000
Owner Occupied Rehabilitation Assistance Program	73,479
Home Buyer Assistance Program	738,730
Peace Officer Down Payment Assistance Program	27,583
Total notes receivable	\$1,379,931

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, 2007.

NOTE 7 - CAPITAL ASSETS

A. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Governmental Activities					
Capital assets not being depreciated:					
Land	\$10,658,703				\$10,658,703
Construction in progress	1,702,336	\$532,809		(\$124,123)	2,111,022
Total capital assets not being depreciated	<u>12,361,039</u>	<u>532,809</u>		<u>(124,123)</u>	<u>12,769,725</u>
Capital assets being depreciated:					
Buildings and building improvements	32,364,369	206,626	(\$2,132,926)		30,438,069
Improvements other than buildings	364,093	353,220			717,313
Streets and infrastructure	25,095,151	498,396		124,123	25,717,670
Machinery and equipment	3,186,481	395,681			3,582,162
Vehicles	2,379,253	115,642			2,494,895
Total capital assets being depreciated	<u>63,389,347</u>	<u>1,569,565</u>	<u>(2,132,926)</u>	<u>124,123</u>	<u>62,950,109</u>
Less accumulated depreciation for:					
Buildings and building improvements	6,260,697	725,531	(2,123,823)		4,862,405
Improvements other than buildings	160,541	23,266			183,807
Streets and infrastructure	10,141,669	730,481			10,872,150
Machinery and equipment	2,894,288	251,683			3,145,971
Vehicles	1,853,521	178,564			2,032,085
Total accumulated depreciation	<u>21,310,716</u>	<u>1,909,525</u>	<u>(2,123,823)</u>		<u>21,096,418</u>
Total depreciable assets	<u>42,078,631</u>	<u>(339,960)</u>	<u>(9,103)</u>	<u>124,123</u>	<u>41,853,691</u>
Governmental activity capital assets, net	<u>\$54,439,670</u>	<u>\$192,849</u>	<u>(\$9,103)</u>		<u>\$54,623,416</u>

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS (Continued)

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Business-type activities					
Capital assets not being depreciated:					
Land	\$14,793				\$14,793
Construction in progress	1,584,896	1,781,421		(\$1,524,338)	1,841,979
Total capital assets not being depreciated	1,599,689	1,781,421		(1,524,338)	1,856,772
Capital assets being depreciated:					
Improvements other than buildings	16,422,080		(\$93,001)	1,524,338	17,853,417
Machinery and equipment	189,649				189,649
Total capital assets being depreciated	16,611,729		(93,001)	1,524,338	18,043,066
Less accumulated depreciation					
Improvements other than buildings	5,767,940	640,995	(93,001)		6,315,934
Machinery and equipment	187,830	1,819			189,649
Total accumulated depreciation	5,955,770	642,814	(93,001)		6,505,583
Total depreciable assets	10,655,959	(642,814)		1,524,338	11,537,483
Business-type activity capital assets, net	<u>\$12,255,648</u>	<u>\$1,138,607</u>			<u>\$13,394,255</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. These contributions require to be accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

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

Governmental Activities	
General government	\$795,716
Highways and streets	560,751
Culture and recreation	169,732
Urban redevelopment	44,266
Depreciation charged to internal service funds	<u>339,060</u>
Total Governmental Activities	<u>\$1,909,525</u>
Business-Type Activities	
Sewer	\$567,278
Storm drainage	<u>75,536</u>
Total Business-Type Activities	<u>\$642,814</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, 2006	Retirements	Balance June 30, 2007	Current Portion
GOVERNMENTAL ACTIVITY DEBT				
Redevelopment Long-Term Bonds Payable:				
1996 Series Housing Set-Aside Bonds, 6.5%-7.75%, due serially to 2016	\$2,330,000	(\$145,000)	\$2,185,000	\$155,000
1999 Series A Refunding Bonds, 4.375%-5.7%, due serially to 2029	13,025,000	(495,000)	12,530,000	520,000
1999 Series B Subordinated Bonds, 3.6%-5.8%, due serially to 2029	8,130,000	(180,000)	7,950,000	185,000
Subtotal	<u>23,485,000</u>	<u>(820,000)</u>	<u>22,665,000</u>	<u>860,000</u>
Note Payable:				
Oracle Owner Participation Agreement LAIF rate, due 2025	128,225	(4,318)	123,907	4,026
Total Governmental Activity Debt	<u>23,613,225</u>	<u>(824,318)</u>	<u>22,788,907</u>	<u>864,026</u>
BUSINESS-TYPE ACTIVITY DEBT				
2001 Sewer Revenue Bonds 4.375%-5.00%, due semiannually to 2031	6,990,000	(150,000)	6,840,000	160,000
2006 Sewer Revenue Bonds 3.150%-4.00%, due semiannually to 2035	7,500,000		7,500,000	140,000
Total Business-Type Activity Debt	<u>14,490,000</u>	<u>(150,000)</u>	<u>14,340,000</u>	<u>300,000</u>
Total Long-Term Obligations	<u>\$38,103,225</u>	<u>(\$974,318)</u>	<u>\$37,128,907</u>	<u>\$1,164,026</u>

B. Summary of Debt Issues

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

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 - LONG TERM DEBT (Continued)

On December 1, 1999 the Redevelopment Agency approved the issuance of \$15,490,000 and \$8,725,000 principal amounts of Los Costanos Community Development Project **Senior Tax Allocation Refunding, Series 1999A and Subordinated Tax Allocation Bonds, Series 1999B**. Proceeds from the 1999A Bonds were used to repay the Note Payable to the City and advance refund the Subordinated Tax Allocation Bonds, Series 1994A and 1992A (Prior Bonds). Series 1999A proceeds along with funds remaining from the Prior Bonds were used to acquire US government securities, which were placed in irrevocable trusts to be used to repay all future debt service on the Prior Bonds. The Prior Bonds are considered defeased and have been removed, along with the trusts, from the Agency's financial statements. The balance outstanding on the Prior Bonds at June 30, 2007 was \$9,045,000.

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.

On February 15, 2006 the Authority issued \$7,500,000 principal amount of **Sewer Revenue Bonds, Series 2006**. Proceeds will be used to expand 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.

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
2008	\$864,026	\$1,255,551	\$300,000	\$637,064
2009	1,019,881	1,210,703	305,000	624,364
2010	955,000	1,162,420	315,000	611,354
2011	1,005,000	1,110,538	325,000	597,926
2012	1,055,000	1,054,817	345,000	583,870
2013-2017	6,230,000	4,275,606	1,935,000	2,685,702
2018-2022	4,760,000	2,636,371	2,385,000	2,216,937
2023-2027	4,605,000	1,256,757	2,990,000	1,613,486
2028-2032	2,295,000	203,364	3,775,000	826,094
2033-2036			1,665,000	149,734
Total	\$22,788,907	\$14,166,127	\$14,340,000	\$10,546,531

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 - LONG TERM DEBT (Continued)

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, 2007, the balance is outstanding was \$8,265,000.

NOTE 9 – NET ASSETS AND FUND BALANCES

Net Assets is measured on the full accrual basis while Fund Balance 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.

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.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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

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

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 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 City's labor contracts require it to pay the employees contributions as well as its own. The Plans' provisions and benefits in effect at June 30, 2007, are summarized as follows:

	<u>Safety</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	3%	1.426%-2.418
Required employee contribution rates	9%	7%
Required employer contribution rates	30.521%	12.544%

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, 2007, 2006 and 2005 amounted to \$2,358,677, \$2,123,989 and \$1,427,575, respectively.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation rate at 3.0%. 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 amortized over a rolling thirty year period.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS (Continued)

As required by new State law, effective July 1, 2005, the City's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Miscellaneous Plan's unfunded liability of \$3,396,640 agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 23 years. It satisfied its Safety Plan's liability of \$4,138,653 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 16 years.

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

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, 2007 the City paid \$318,370 on behalf of 58 participants, all of whom are retired employees or beneficiaries, 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 \$5,000,000 per occurrence above the City's \$250,000 self-insured retention and excess general liability coverage of \$15,000,000 per occurrence above the City's \$5,000,000 deductible. The City has automotive liability with coverage of \$6,000,000, 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 \$350,000,000 above the City's deductible of \$10,000.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11 – RISK MANAGEMENT (Continued)

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.

For the years ended June 30, 2007, 2006 and 2005 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>2006-2007</u>	<u>2005-2006</u>	<u>2004-2005</u>
Balance, July 1	\$232,367	\$439,152	\$415,689
Net change in liability for claims and claims paid but not reported	(452,573)	6,509	475,289
Claims paid	<u>416,937</u>	<u>(213,294)</u>	<u>(451,826)</u>
Balance, June 30	<u>\$196,731</u>	<u>\$232,367</u>	<u>\$439,152</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.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12 – JOINT VENTURES (Continued)

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, 2007 was \$1,325,708. 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, 2007 the City's equity amounted to \$6,127,510.

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 \$64,521 for the year ended June 30, 2007. 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.

Belmont-San Carlos Fire Department (formerly the South County Fire Protection Authority) was formed in 1979 between the City of San Carlos and Belmont Fire Protection District on an equal basis to provide more efficient fire protection services. Any assets used by the Department but owned by the member agencies prior to the creation of the Department remain the property of the members. Each member contributes its pro rata share of operating costs to the Department. The Belmont Fire Protection District contributed \$5,267,467 to the Department for the year ended June 30, 2007 for fire protection services. Financial statements may be obtained by mailing a request to Belmont-San Carlos Fire Department, Inc., 666 Elm Street, San Carlos, CA 94070.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12 – JOINT VENTURES (Continued)

Effective April 10, 2007, the Board approved a second Amended and Restated Joint Exercise of Powers Agreement which specifies that either member can terminate the JPA upon eighteen months written notice. Members are obligated to make equal contributions to the JPA to fund costs of operations. Effective with fiscal 2007-08, contributions are based on the following funding formula: 25% of the contributions will be assessed in proportion to each member's population, 25% of the contributions will be assessed in proportion to each member's assessed value of property, 25% of the contributions will be assessed in proportion to the number of companies in each member's jurisdiction, and 25% of the contributions will be assessed in proportion to the number of calls in each member's jurisdiction. Effective, with fiscal 2007-08, the Fire District and the City of San Carlos proportionate contributions will be 47.7% and 52.3%, respectively.

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.

In fiscal 2004-05 SBWMA approved a 15 year contract with Allied Waste Management (formerly BFI) for the disposal of solid waste. The contract is subject to all members of SBWMA approving their franchise collection agreements. As part of the contract, Allied Waste Management agreed to make cash payments of \$11.6 million to SBWMA over four years. The Board of SBWMA approved distributing these payments to each member once all members approve their franchise collection agreements. In fiscal 2006, the City received a settlement from Allied Waste Management for \$634,219 to be repaid over four years. As of June 30, 2007, the City received its second distribution of \$218,649 and recorded a **long term receivable** in its solid waste enterprise fund amounting to \$344,959 representing the remainder of its share of cash payments to be distributed by SBWMA.

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.

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.

CITY OF BELMONT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 14 – REDEVELOPMENT PASS THROUGH AGREEMENTS

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 2006-2007 the Agency passed through \$1,793,761 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 \$1,977,431 in fiscal 2006-07, which included a prepayment in the amount of \$185,168.

NOTE 15 – SUBSEQUENT EVENT

The Belmont Fire Protection District (District) has authorized the issuance of Tax Revenue Anticipation Notes (TRANS) for fiscal year 2008 in an estimated amount of \$1,500,000. TRANS are short-term, tax-free bonds issued for the purpose of covering potential cash-flow deficits for governmental agencies that rely heavily on property tax distributions as a source of revenue. The District is issuing the TRANS to bridge the gap between its regular flow of operating expenditures and the receipt of its semi-annual property taxes. The District does not expect any direct fiscal impact from the issuance of the TRANS because the actual size of the issuance is based on the District's anticipated cash flow needs.

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**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.

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

CITY OF BELMONT
REDEVELOPMENT AGENCY DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes	\$6,871,922	\$6,181,571	(\$690,351)
Use of money and property	<u>81,976</u>	<u>228,221</u>	<u>146,245</u>
Total Revenues	<u>6,953,898</u>	<u>6,409,792</u>	<u>(544,106)</u>
EXPENDITURES			
Current:			
Urban redevelopment	3,702,874	3,287,925	414,949
Debt service:			
Principal	675,000	675,000	
Interest and fiscal charges	<u>1,127,711</u>	<u>1,124,568</u>	<u>3,143</u>
Total Expenditures	<u>5,505,585</u>	<u>5,087,493</u>	<u>418,092</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,448,313</u>	<u>1,322,299</u>	<u>(126,014)</u>
OTHER FINANCING USES			
Transfers out	<u>(699,700)</u>	<u>(699,700)</u>	
NET CHANGE IN FUND BALANCE	<u>\$748,613</u>	622,599	<u>(\$126,014)</u>
BEGINNING FUND BALANCE		<u>5,158,833</u>	
ENDING FUND BALANCE		<u>\$5,781,432</u>	

CITY OF BELMONT
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$250,984	\$309,779	\$58,795
Intergovernmental		30,161	30,161
Total Revenues	250,984	339,940	88,956
EXPENDITURES			
Capital outlay:			
Highways and streets	2,412,534	360,055	2,052,479
Total Expenditures	2,412,534	360,055	2,052,479
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,161,550)	(20,115)	2,141,435
OTHER FINANCING USES			
Transfers in	966,750	973,208	6,458
NET CHANGE IN FUND BALANCE	(\$1,194,800)	953,093	\$2,147,893
BEGINNING FUND BALANCE		3,934,784	
ENDING FUND BALANCE		\$4,887,877	

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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.

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.

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.

Comcast Fund – To account for the purchase and installation of hard ware within City Hall to broadcast events to Pen TV, our Public Education Government Channel.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

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.

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

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CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007

SPECIAL REVENUE FUNDS

	Co-Sponsored Recreation	Library Maintenance and Operations	City Trees	Development Services	Supplemental Law Enforcement Services	Public Safety Grants
ASSETS						
Cash and investments	\$83,768	\$1,165,179	\$33,906	\$222,313	\$3,171	\$20,409
Receivables:						
Accounts				26,673		26,177
Due from other governmental agencies						
Total Assets	<u>\$83,768</u>	<u>\$1,165,179</u>	<u>\$33,906</u>	<u>\$248,986</u>	<u>\$3,171</u>	<u>\$46,586</u>
LIABILITIES						
Accounts payable, and other liabilities / contracts payable	\$44,255	\$2,930		\$49,339	\$637	
Deposits	33,259			4,834		\$252
Total Liabilities	<u>77,514</u>	<u>2,930</u>		<u>54,173</u>	<u>637</u>	<u>252</u>
FUND EQUITY						
Fund balances						
Reserved for encumbrances				11,607		
Unreserved:						
Designated for capital projects						
Undesignated:						
Special Revenue Funds	6,254	1,162,249	\$33,906	183,206	\$2,534	46,334
Debt Service Funds						
Capital Projects Funds						
Total Fund Balances	<u>6,254</u>	<u>1,162,249</u>	<u>33,906</u>	<u>194,813</u>	<u>2,534</u>	<u>46,334</u>
Total Liabilities and Fund Balances	<u>\$83,768</u>	<u>\$1,165,179</u>	<u>\$33,906</u>	<u>\$248,986</u>	<u>\$3,171</u>	<u>\$46,586</u>

					DEBT SERVICE FUND	CAPITAL PROJECTS FUND
Street Maintenance State Gasoline Tax	Street Improvements Measure A Grants	Traffic Mitigation	COPSMORE 96	Redevelopment Agency	General Debt Service	General Facilities Fund
\$578,289	\$111,953	\$92,004	\$36,071	\$53,271	\$32	\$353,767
54,562	135,846			2,147		
48,612						
<u>\$681,463</u>	<u>\$247,799</u>	<u>\$92,004</u>	<u>\$36,071</u>	<u>\$55,418</u>	<u>\$32</u>	<u>\$353,767</u>
\$104,584	\$7,104			\$27,758		
<u>104,584</u>	<u>7,104</u>			<u>27,758</u>		
202,961	146,406			9,843		\$2,500
						351,267
373,918	94,289	\$92,004	\$36,071	17,817	\$32	
<u>576,879</u>	<u>240,695</u>	<u>92,004</u>	<u>36,071</u>	<u>27,660</u>	<u>32</u>	<u>353,767</u>
<u>\$681,463</u>	<u>\$247,799</u>	<u>\$92,004</u>	<u>\$36,071</u>	<u>\$55,418</u>	<u>\$32</u>	<u>\$353,767</u>

(Continued)

CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007

CAPITAL PROJECTS FUNDS

	Comcast Fund	City Hall Retrofit/ Police Facilities	Planned Park Fund	Open Space	Special Assessment District	Library Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and investments	\$265,401		\$849,264	\$3,429	\$278,183		\$4,150,410
Receivables:							
Accounts							245,405
Due from other governmental agencies							48,612
Total Assets	<u>\$265,401</u>		<u>\$849,264</u>	<u>\$3,429</u>	<u>\$278,183</u>		<u>\$4,444,427</u>
LIABILITIES							
Accounts payable, and other liabilities / contracts payable	\$6,782		\$28,153		\$4,156		\$275,698
Deposits							38,345
Total Liabilities	<u>6,782</u>		<u>28,153</u>		<u>4,156</u>		<u>314,043</u>
FUND EQUITY							
Fund balances							
Reserved for encumbrances			98,420				471,737
Unreserved:							
Designated for capital projects	258,619				274,027		883,913
Undesignated:							
Special Revenue Funds							2,048,582
Debt Service Funds							32
Capital Projects Funds			722,691	\$3,429			726,120
Total Fund Balances	<u>258,619</u>		<u>821,111</u>	<u>3,429</u>	<u>274,027</u>		<u>4,130,384</u>
Total Liabilities and Fund Balances	<u>\$265,401</u>		<u>\$849,264</u>	<u>\$3,429</u>	<u>\$278,183</u>		<u>\$4,444,427</u>

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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, 2007

SPECIAL REVENUE FUNDS

	Co-Sponsored Recreation	Library Maintenance and Operations	City Trees	Development Services	Supplemental Law Enforcement Services	Public Safety Grants
REVENUES						
Taxes		\$258,898				
Licenses and permits				\$740,194		
Fines and forfeitures				5,884		
Use of money and property		39,859	\$1,086	7,167		\$1,707
Intergovernmental	28,659			10,238	\$100,342	
Charges for current services	907,818		15,800	642,822		27,875
Miscellaneous	24,945	30,000		6,438		1,026
Total Revenues	963,581	328,757	16,886	1,412,743	100,342	30,608
EXPENDITURES						
Current:						
Public safety				321,350	98,918	73,131
Highways and streets				265,772		
Culture and recreation	1,547,955	262,854				
Urban redevelopment				896,482		
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,547,955	262,854		1,483,604	98,918	73,131
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(584,374)	65,903	16,886	(70,861)	1,424	(42,523)
OTHER FINANCING SOURCES (USES)						
Transfers in	636,773			265,674		27,011
Transfers (out)	(46,145)					
Total Other Financing Sources (Uses)	590,628			265,674		27,011
NET CHANGE IN FUND BALANCES	6,254	65,903	16,886	194,813	1,424	(15,512)
BEGINNING FUND BALANCES		1,096,346	17,020		1,110	61,846
ENDING FUND BALANCES	\$6,254	\$1,162,249	\$33,906	\$194,813	\$2,534	\$46,334

SPECIAL REVENUE FUNDS					DEBT SERVICE FUND	CAPITAL PROJECTS FUND
Street Maintenance State Gasoline Tax	Street Improvements Measure A Grants	Traffic Mitigation	COPSMORE 96	Redevelopment Agency	General Debt Service	General Facilities Fund
\$712,888	\$462,724					
14,201	10,606	\$3,248	\$413	\$19,176		\$18,394
291,250	362,505					
69,476	413					
<u>1,087,815</u>	<u>836,248</u>	<u>3,248</u>	<u>413</u>	<u>19,176</u>		<u>18,394</u>
1,269,186						
	535,076			577,754		269,982
					\$4,318	3,905
					3,869	
<u>1,269,186</u>	<u>535,076</u>			<u>577,754</u>	<u>8,187</u>	<u>273,887</u>
(181,371)	301,172	3,248	413	(558,578)	(8,187)	(255,493)
419,568	(392,068)			699,700	8,187	(105,600)
				(138,000)		
<u>419,568</u>	<u>(392,068)</u>			<u>561,700</u>	<u>8,187</u>	<u>(105,600)</u>
238,197	(90,896)	3,248	413	3,122		(361,093)
338,682	331,591	88,756	35,658	24,538	32	714,860
<u>\$576,879</u>	<u>\$240,695</u>	<u>\$92,004</u>	<u>\$36,071</u>	<u>\$27,660</u>	<u>\$32</u>	<u>\$353,767</u>

(Continued)

CITY OF BELMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

CAPITAL PROJECTS FUNDS							Total Nonmajor Governmental Funds
Comcast Fund	City Hall Retrofit/ Police Facilities	Planned Park Fund	Open Space	Special Assessment District	Library Fund	Total Nonmajor Governmental Funds	
REVENUES							
Taxes	\$69,907					\$1,504,417	
Licenses and permits						740,194	
Fines and forfeitures						5,884	
Use of money and property		\$34,810	\$120	\$9,827	\$1,918	183,767	
Intergovernmental	9,109					510,853	
Charges for current services						1,885,565	
Miscellaneous		805			6,649	139,752	
Total Revenues	79,016	19,076	35,615	120	9,827	4,970,432	
EXPENDITURES							
Current:							
Public safety						493,399	
Highways and streets						1,534,958	
Culture and recreation						1,810,809	
Urban redevelopment						1,744,218	
Capital outlay	38,622	35,454	196,912		125,867	935,836	
Debt service:							
Principal						4,318	
Interest and fiscal charges						3,869	
Total Expenditures	38,622	35,454	196,912		125,867	6,527,407	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	40,394	(16,378)	(161,297)	120	9,827	(117,300)	
OTHER FINANCING SOURCES (USES)							
Transfers in						2,056,913	
Transfers (out)		(835,208)				(1,517,021)	
Total Other Financing		(835,208)				539,892	
NET CHANGE IN FUND BALANCES	40,394	(851,586)	(161,297)	120	9,827	(117,300)	
BEGINNING FUND BALANCES	218,225	851,586	982,408	3,309	264,200	5,147,467	
ENDING FUND BALANCES	\$258,619	\$821,111	\$3,429	\$274,027		\$4,130,384	

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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, 2007

	SPECIAL REVENUE FUNDS					
	CO-SPONSORED RECREATION			LIBRARY MAINTENANCE AND OPERATIONS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes				\$339,000	\$258,898	(\$80,102)
Licenses and permits						
Fines and forfeitures						
Use of money and property		\$2,159	\$2,159	35,020	39,859	4,839
Intergovernmental	\$32,000	28,659	(3,341)			
Charges for current services	832,120	907,818	75,698			
Miscellaneous	24,200	24,945	745		30,000	30,000
Total Revenues	<u>888,320</u>	<u>963,581</u>	<u>75,261</u>	<u>374,020</u>	<u>328,757</u>	<u>(45,263)</u>
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation	1,625,798	1,547,955	77,843	263,119	262,854	265
Urban redevelopment						
Capital outlay:						
General government						
Highways and streets						
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,625,798</u>	<u>1,547,955</u>	<u>77,843</u>	<u>263,119</u>	<u>262,854</u>	<u>265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(737,478)</u>	<u>(584,374)</u>	<u>153,104</u>	<u>110,901</u>	<u>65,903</u>	<u>(44,998)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	685,156	636,773	(48,383)			
Transfers (out)		(46,145)	(46,145)			
Total Other Financing Sources (Uses)	<u>685,156</u>	<u>590,628</u>	<u>(94,528)</u>			
NET CHANGE IN FUND BALANCES	<u>(\$52,322)</u>	6,254	<u>\$58,576</u>	<u>\$110,901</u>	65,903	<u>(\$44,998)</u>
BEGINNING FUND BALANCES					<u>1,096,346</u>	
ENDING FUND BALANCES		<u>\$6,254</u>			<u>\$1,162,249</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)
			\$479,000	\$740,194	\$261,194			
			25,000	5,884	(19,116)			
\$210	\$1,086	\$876		7,167	7,167			
			16,300	10,238	(6,062)	\$100,000	\$100,342	\$342
40,000	15,800	(24,200)	760,400	642,822	(117,578)			
			5,000	6,438	1,438			
<u>40,210</u>	<u>16,886</u>	<u>(23,324)</u>	<u>1,285,700</u>	<u>1,412,743</u>	<u>127,043</u>	<u>100,000</u>	<u>100,342</u>	<u>342</u>
			339,340	321,350	17,990	83,160	98,918	(15,758)
			309,412	265,772	43,640			
			944,345	896,482	47,863			
			<u>1,593,097</u>	<u>1,483,604</u>	<u>109,493</u>	<u>83,160</u>	<u>98,918</u>	<u>(15,758)</u>
40,210	16,886	(23,324)	(307,397)	(70,861)	236,536	16,840	1,424	(15,416)
			265,674	265,674				
			265,674	265,674				
<u>\$40,210</u>	16,886	<u>(\$23,324)</u>	<u>(\$41,723)</u>	194,813	<u>\$236,536</u>	<u>\$16,840</u>	1,424	<u>(\$15,416)</u>
	17,020						1,110	
	<u>\$33,906</u>			<u>\$194,813</u>			<u>\$2,534</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, 2007

	SPECIAL REVENUE FUNDS					
	PUBLIC SAFETY GRANTS			STREET MAINTENANCE STATE GASOLINE TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes				\$747,835	\$712,888	(\$34,947)
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$1,910	\$1,707	(\$203)	9,191	14,201	5,010
Intergovernmental						
Charges for current services	56,000	27,875	(28,125)	245,000	291,250	46,250
Miscellaneous	6,000	1,026	(4,974)	5,000	69,476	64,476
Total Revenues	63,910	30,608	(33,302)	1,007,026	1,087,815	80,789
EXPENDITURES						
Current						
Public safety	103,191	73,131	30,060			
Highways and streets				1,739,134	1,269,186	469,948
Culture and recreation						
Urban redevelopment						
Capital outlay:						
General government						
Highways and streets						
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	103,191	73,131	30,060	1,739,134	1,269,186	469,948
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(39,281)</u>	<u>(42,523)</u>	<u>(3,242)</u>	<u>(732,108)</u>	<u>(181,371)</u>	<u>550,737</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	12,565	27,011	14,446	419,568	419,568	
Transfers (out)						
Total Other Financing Sources (Uses)	<u>12,565</u>	<u>27,011</u>	<u>14,446</u>	<u>419,568</u>	<u>419,568</u>	
NET CHANGE IN FUND BALANCES	<u>(\$26,716)</u>	<u>(15,512)</u>	<u>\$11,204</u>	<u>(\$312,540)</u>	<u>238,197</u>	<u>\$550,737</u>
BEGINNING FUND BALANCES		61,846			338,682	
ENDING FUND BALANCES		<u>\$46,334</u>			<u>\$576,879</u>	

SPECIAL REVENUE FUNDS

STREET IMPROVEMENTS MEASURE A GRANTS			TRAFFIC MITIGATION			COPSMORE 96		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$515,000	\$462,724	(\$52,276)						
5,883	10,606	4,723	\$2,614	\$3,248	\$634		\$413	\$413
793,974	362,505	(431,469)						
	413	413						
<u>1,314,857</u>	<u>836,248</u>	<u>(478,609)</u>	<u>2,614</u>	<u>3,248</u>	<u>634</u>		<u>413</u>	<u>413</u>
952,292	535,076	417,216						
<u>952,292</u>	<u>535,076</u>	<u>417,216</u>						
362,565	301,172	(61,393)	2,614	3,248	634		413	413
<u>(392,068)</u>	<u>(392,068)</u>							
<u>(392,068)</u>	<u>(392,068)</u>							
<u>(\$29,503)</u>	(90,896)	<u>(\$61,393)</u>	<u>\$2,614</u>	3,248	<u>\$634</u>		413	<u>\$413</u>
	331,591			88,756			35,658	
	<u>\$240,695</u>			<u>\$92,004</u>			<u>\$36,071</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, 2007

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
	REDEVELOPMENT AGENCY FUND			GENERAL DEBT SERVICE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Fines and forfeitures						
Use of money and property		\$19,176	\$19,176			
Intergovernmental						
Charges for current services						
Miscellaneous						
Total Revenues		<u>19,176</u>	<u>19,176</u>			
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation						
Urban redevelopment	\$757,624	577,754	179,870			
Capital outlay:						
General government						
Highways and streets						
Culture and recreation						
Debt service:						
Principal				\$4,318	\$4,318	
Interest and fiscal charges				3,869	3,869	
Total Expenditures	<u>757,624</u>	<u>577,754</u>	<u>179,870</u>	<u>8,187</u>	<u>8,187</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(757,624)</u>	<u>(558,578)</u>	<u>199,046</u>	<u>(8,187)</u>	<u>(8,187)</u>	
OTHER FINANCING SOURCES (USES)						
Transfers in	699,700	699,700		8,187	8,187	
Transfers (out)	<u>(138,000)</u>	<u>(138,000)</u>				
Total Other Financing Sources (Uses)	<u>561,700</u>	<u>561,700</u>		<u>8,187</u>	<u>8,187</u>	
NET CHANGE IN FUND BALANCES	<u><u>(\$195,924)</u></u>	<u>3,122</u>	<u><u>\$199,046</u></u>			
BEGINNING FUND BALANCES		<u>24,538</u>			<u>32</u>	
ENDING FUND BALANCES		<u><u>\$27,660</u></u>			<u><u>\$32</u></u>	

CAPITAL PROJECTS FUNDS

GENERAL FACILITIES FUND			COMCAST FUND			CITY HALL RETROFIT/ POLICE FACILITIES FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$69,907	\$69,907				
\$22,355	\$18,394	(\$3,961)	3,240	9,109	\$5,869		\$19,076	\$19,076
<u>22,355</u>	<u>18,394</u>	<u>(3,961)</u>	<u>73,147</u>	<u>79,016</u>	<u>5,869</u>		<u>19,076</u>	<u>19,076</u>
252,000	269,982	(17,982)						
66,405	3,905	62,500	66,050	38,622	27,428	\$36,063	35,454	609
<u>318,405</u>	<u>273,887</u>	<u>44,518</u>	<u>66,050</u>	<u>38,622</u>	<u>27,428</u>	<u>36,063</u>	<u>35,454</u>	<u>609</u>
<u>(296,050)</u>	<u>(255,493)</u>	<u>40,557</u>	<u>7,097</u>	<u>40,394</u>	<u>33,297</u>	<u>(36,063)</u>	<u>(16,378)</u>	<u>19,685</u>
<u>(105,600)</u>	<u>(105,600)</u>					<u>(828,750)</u>	<u>(835,208)</u>	<u>(6,458)</u>
<u>(105,600)</u>	<u>(105,600)</u>					<u>(828,750)</u>	<u>(835,208)</u>	<u>(6,458)</u>
<u>(\$401,650)</u>	<u>(361,093)</u>	<u>\$40,557</u>	<u>\$7,097</u>	<u>40,394</u>	<u>\$33,297</u>	<u>(\$864,813)</u>	<u>(851,586)</u>	<u>\$13,227</u>
	<u>714,860</u>			<u>218,225</u>			<u>851,586</u>	
	<u>\$353,767</u>			<u>\$258,619</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, 2007

	CAPITAL PROJECTS FUNDS					
	PLANNED PARK FUND			OPEN SPACE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$28,858	\$34,810	\$5,952	\$1,654	\$120	(\$1,534)
Intergovernmental						
Charges for current services						
Miscellaneous		805	805			
Total Revenues	<u>28,858</u>	<u>35,615</u>	<u>6,757</u>	<u>1,654</u>	<u>120</u>	<u>(1,534)</u>
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation						
Urban redevelopment						
Capital outlay:						
General government						
Highways and streets						
Culture and recreation	500,519	196,912	303,607			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>500,519</u>	<u>196,912</u>	<u>303,607</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(471,661)</u>	<u>(161,297)</u>	<u>310,364</u>	<u>1,654</u>	<u>120</u>	<u>(1,534)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u><u>(\$471,661)</u></u>	<u><u>(161,297)</u></u>	<u><u>\$310,364</u></u>	<u><u>\$1,654</u></u>	<u><u>120</u></u>	<u><u>(\$1,534)</u></u>
BEGINNING FUND BALANCES		<u>982,408</u>			<u>3,309</u>	
ENDING FUND BALANCES		<u><u>\$821,111</u></u>			<u><u>\$3,429</u></u>	

CAPITAL PROJECT FUND

SPECIAL ASSESSMENT DISTRICT			LIBRARY FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$7,878	\$9,827	\$1,949		\$1,918	\$1,918
				6,649	6,649
<u>7,878</u>	<u>9,827</u>	<u>1,949</u>		<u>8,567</u>	<u>8,567</u>
			\$125,867	125,867	
			<u>125,867</u>	<u>125,867</u>	
<u>7,878</u>	<u>9,827</u>	<u>1,949</u>	<u>(125,867)</u>	<u>(117,300)</u>	<u>8,567</u>
<u>\$7,878</u>	<u>9,827</u>	<u>\$1,949</u>	<u>(\$125,867)</u>	<u>(117,300)</u>	<u>\$8,567</u>
	<u>264,200</u>			<u>117,300</u>	
	<u>\$274,027</u>				

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INTERNAL SERVICE FUNDS

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

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. 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.

Benefit Stabilization – To account for certain accrued employee benefits.

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, 2007

	<u>Workers' Compensation</u>	<u>Liability Insurance</u>	<u>Self-Funded Vision</u>	<u>Benefit Stabilization</u>	<u>Fleet and Equipment Management</u>	<u>Facilities Management</u>	<u>Total</u>
ASSETS							
Cash and investments	\$659,729	\$1,057,193	\$26,014	\$370,921	\$2,617,887	\$193,658	\$4,925,402
Accounts receivable						7,847	7,847
Prepays and other assets					8,368		8,368
Depreciable capital assets, net					1,014,252		1,014,252
Total Assets	<u>659,729</u>	<u>1,057,193</u>	<u>26,014</u>	<u>370,921</u>	<u>3,640,507</u>	<u>201,505</u>	<u>5,955,869</u>
LIABILITIES							
Accounts payable		1,679	24,912	281	28,704	74,305	129,881
Claims payable	66,517	130,214					196,731
Compensated absences				115,344	35,123	43,163	193,630
Total Liabilities	<u>66,517</u>	<u>131,893</u>	<u>24,912</u>	<u>115,625</u>	<u>63,827</u>	<u>117,468</u>	<u>520,242</u>
NET ASSETS							
Invested in capital assets					1,014,252		1,014,252
Unrestricted	593,212	925,300	1,102	255,296	2,562,428	84,037	4,421,375
Total Net Assets	<u>\$593,212</u>	<u>\$925,300</u>	<u>\$1,102</u>	<u>\$255,296</u>	<u>\$3,576,680</u>	<u>\$84,037</u>	<u>\$5,435,627</u>

CITY OF BELMONT
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Workers' Compensation	Liability Insurance	Self-Funded Vision	Benefit Stabilization	Fleet and Equipment Management	Facilities Management	Total
OPERATING REVENUES							
Interdepartmental charges for services	\$421,796	\$355,802	\$27,018	\$563,946	\$1,928,490	\$550,746	\$3,847,798
Total Operating Revenues	421,796	355,802	27,018	563,946	1,928,490	550,746	3,847,798
OPERATING EXPENSES							
Insurance premiums	268,180						268,180
Professional and legal	2,166	29,245	1,472		260,494		293,377
Operating costs				340,356	805,337	1,056,381	2,202,074
Insurance claims, net of change in claims payable	(25,256)	391,681	25,458				391,883
Depreciation					339,060		339,060
Total Operating Expenses	245,090	420,926	26,930	340,356	1,404,891	1,056,381	3,494,574
Operating Income (Loss)	176,706	(65,124)	88	223,590	523,599	(505,635)	353,224
NONOPERATING REVENUES (EXPENSES)							
Proceeds from the sale of fixed assets					2,920		2,920
Use of money and property	17,717	34,733	570	11,131	84,739	379,822	528,712
Miscellaneous					38,704		38,704
Total Nonoperating Revenues (Expenses)	17,717	34,733	570	11,131	126,363	379,822	570,336
Income (Loss) Before Transfers	194,423	(30,391)	658	234,721	649,962	(125,813)	923,560
Transfers in					46,145	145,966	192,111
Change in Net Assets	194,423	(30,391)	658	234,721	696,107	20,153	1,115,671
BEGINNING NET ASSETS	398,789	955,691	444	20,575	2,880,573	63,884	4,319,956
ENDING NET ASSETS	\$593,212	\$925,300	\$1,102	\$255,296	\$3,576,680	\$84,037	\$5,435,627

CITY OF BELMONT
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	Workers' Compensation	Liability Insurance	Self-Funded Vision	Benefit Stabilization	Fleet and Equipment Management	Facilities Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from other funds	\$421,796	\$355,802	\$27,018	\$563,946	\$1,928,490	\$545,064	\$3,842,116
Miscellaneous receipts					38,704		38,704
Payments to vendors	(270,346)	(29,370)	(2,814)		(1,095,417)	(984,942)	(2,382,889)
Payment to or on behalf of employees				(514,137)	(5,328)		(519,465)
Claims paid	(16,355)	(385,706)	(25,458)				(427,519)
Cash Flows from Operating Activities	135,095	(59,274)	(1,254)	49,809	866,449	(439,878)	550,947
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in					46,145	145,966	192,111
Cash Flows from Noncapital Financing Activities					46,145	145,966	192,111
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets					(479,126)		(479,126)
Proceeds from sale of capital assets					2,920		2,920
Cash Flows from Capital and Related Financing Activities					(476,206)		(476,206)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest	17,717	34,733	570	11,131	84,739	379,822	528,712
Cash Flows from Investing Activities	17,717	34,733	570	11,131	84,739	379,822	528,712
Net Cash Flows	152,812	(24,541)	(684)	60,940	521,127	85,910	795,564
Cash and investments at beginning of period	506,917	1,081,734	26,698	309,981	2,096,760	107,748	4,129,838
Cash and investments at end of period	<u>\$659,729</u>	<u>\$1,057,193</u>	<u>\$26,014</u>	<u>\$370,921</u>	<u>\$2,617,887</u>	<u>\$193,658</u>	<u>\$4,925,402</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:							
Operating income (loss)	\$176,706	(\$65,124)	\$88	\$223,590	\$523,599	(\$505,635)	\$353,224
Adjustments to reconcile operating income to net cash flows from operating activities:							
Miscellaneous revenues					38,704		38,704
Depreciation					339,060		339,060
Change in assets and liabilities:							
Accounts receivables						(5,682)	(5,682)
Prepays and other net assets					4,423		4,423
Accounts payable		(125)	(1,342)	281	(34,009)	63,433	28,238
Claims payable	(41,611)	5,975					(35,636)
Compensated absences				(174,062)	(5,328)	8,006	(171,384)
Cash Flows from Operating Activities	135,095	(59,274)	(1,254)	49,809	866,449	(439,878)	550,947

AGENCY FUNDS

Agency Funds are 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, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<hr/> <u>Section 125 Benefit Plan</u> <hr/>				
Assets:				
Cash and investments	\$3,287	\$10,995		\$14,282
Liabilities:				
Section 125 employee benefits payable	\$3,287	\$10,995		\$14,282
Total Liabilities	\$3,287	\$10,995		\$14,282
<hr/> <u>Southern San Mateo Police Authority</u> <hr/>				
Assets:				
Cash and investments	\$4,739	\$1,119	\$3,080	\$2,778
Total Assets	\$4,739	\$1,119	\$3,080	\$2,778
Liabilities:				
Deposits	\$4,739	\$1,119	\$3,080	\$2,778
Total Liabilities	\$4,739	\$1,119	\$3,080	\$2,778
<hr/> <u>Library Community Facilities District</u> <hr/>				
Assets:				
Cash and investments	\$467,898	\$586,315	\$661,182	\$393,031
Total Assets	\$467,898	\$586,315	\$661,182	\$393,031
Liabilities:				
Due to bondholders	\$467,898	\$586,315	\$661,182	\$393,031
Total Liabilities	\$467,898	\$586,315	\$661,182	\$393,031
<hr/> <u>Total Agency Funds</u> <hr/>				
Assets:				
Cash and investments	\$475,924	\$598,429	\$664,262	\$410,091
Total Assets	\$475,924	\$598,429	\$664,262	\$410,091
Liabilities:				
Deposits	\$4,739	\$1,119	\$3,080	\$2,778
Section 125 employee benefits payable	3,287	10,995		14,282
Due to bondholders	467,898	586,315	661,182	393,031
Total Liabilities	\$475,924	\$598,429	\$664,262	\$410,091

CITY OF BELMONT REDEVELOPMENT AGENCY

COMPLIANCE SECTION

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

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

We have audited the financial statements of the City of Belmont Redevelopment Agency of as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007. 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We noted no items we consider to be material weaknesses. As part of our audits, we prepared and issued our separate Memorandum on Internal Control dated August 31, 2007 which included other matters reported to the City Council.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 an instance of noncompliance required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Current Year Findings.

We did not audit the Agency's response to the finding included in the Schedule of Current Year Findings and, accordingly, we express no opinion on it.

This report is intended for the information of the Board, 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.

August 31, 2007



REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS					
Cash and investments	\$53,271	\$5,443,717	\$3,414,250	\$4,775,076	\$13,686,314
Cash and investments with fiscal agent		23	2,182,014		2,182,037
Accounts receivables	2,147	1,500			3,647
Notes receivables		1,379,931			1,379,931
Prepays and other assets			185,168		185,168
Land held for redevelopment		1,280,000		298,748	1,578,748
Total Assets	<u>\$55,418</u>	<u>\$8,105,171</u>	<u>\$5,781,432</u>	<u>\$5,073,824</u>	<u>\$19,015,845</u>
LIABILITIES					
Accounts payable	<u>\$27,758</u>	<u>\$2,181</u>		<u>\$185,947</u>	<u>\$215,886</u>
Total Liabilities	<u>27,758</u>	<u>2,181</u>		<u>185,947</u>	<u>215,886</u>
FUND BALANCES					
Fund balances					
Reserved for:					
Encumbrances	9,843	108,523		383,800	502,166
Long term notes receivable & prepaids		1,379,931	\$185,168		1,565,099
Land held for redevelopment		1,280,000		298,748	1,578,748
Low and moderate income housing		5,023,659			5,023,659
Debt service		310,877	5,596,264		5,907,141
Unreserved, undesignated	<u>17,817</u>			<u>4,205,329</u>	<u>4,223,146</u>
Total Fund Balances	<u>27,660</u>	<u>8,102,990</u>	<u>5,781,432</u>	<u>4,887,877</u>	<u>18,799,959</u>
Total Liabilities and Fund Balances	<u>\$55,418</u>	<u>\$8,105,171</u>	<u>\$5,781,432</u>	<u>\$5,073,824</u>	<u>\$19,015,845</u>

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2007

	General	Special Revenue	Debt Service	Capital Projects	Total
REVENUES					
Incremental property taxes		\$1,545,392	\$6,181,571		\$7,726,963
Use of money and property	\$19,176	227,962	228,221	\$309,779	785,138
Intergovernmental				30,161	30,161
Total Revenues	19,176	1,773,354	6,409,792	339,940	8,542,262
EXPENDITURES					
Current:					
Redevelopment					
Personnel services	158,466	53,019			211,485
Pass throughs and miscellaneous	419,288	615,843	3,287,925		4,323,056
Capital outlay		50,609		360,055	410,664
Debt service:					
Principal		145,000	675,000		820,000
Interest and fiscal charges		172,840	1,124,568		1,297,408
Total Expenditures	577,754	1,037,311	5,087,493	360,055	7,062,613
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(558,578)	736,043	1,322,299	(20,115)	1,479,649
OTHER FINANCING SOURCES (USES)					
Transfers in	699,700			973,208	1,672,908
Transfers (out)	(138,000)		(699,700)		(837,700)
Total Other Financing Sources (Uses)	561,700		(699,700)	973,208	835,208
NET CHANGE IN FUND BALANCES	3,122	736,043	622,599	953,093	2,314,857
BEGINNING FUND BALANCES	24,538	7,366,947	5,158,833	3,934,784	16,485,102
ENDING FUND BALANCES	\$27,660	\$8,102,990	\$5,781,432	\$4,887,877	\$18,799,959

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Use of money and property		\$19,176	\$19,176
Total Revenues		19,176	19,176
EXPENDITURES:			
Current:			
Redevelopment			
Personnel services	\$210,065	158,466	51,599
Pass throughs and miscellaneous	547,559	419,288	128,271
Total Expenditures	757,624	577,754	179,870
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(757,624)	(558,578)	199,046
OTHER FINANCING SOURCES (USES)			
Transfers in	699,700	699,700	
Transfers (out)	(138,000)	(138,000)	
Total other financing sources (uses)	561,700	561,700	
NET CHANGE IN FUND BALANCE	(\$195,924)	3,122	\$199,046
BEGINNING FUND BALANCE		24,538	
ENDING FUND BALANCE		\$27,660	

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$1,443,305	\$1,545,392	\$102,087
Use of money and property	145,011	227,962	82,951
Total Revenues	1,588,316	1,773,354	185,038
EXPENDITURES:			
Current:			
Redevelopment			
Personnel services	164,732	53,019	111,713
Pass throughs and miscellaneous	683,386	615,843	67,543
Capital outlay	1,690,000	50,609	1,639,391
Debt service:			
Principal	145,000	145,000	
Interest and fiscal charges	183,026	172,840	10,186
Total Expenditures	2,866,144	1,037,311	1,828,833
NET CHANGE IN FUND BALANCE	(\$1,277,828)	736,043	\$2,013,871
BEGINNING FUND BALANCE		7,366,947	
ENDING FUND BALANCE		\$8,102,990	

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Taxes	\$6,871,922	\$6,181,571	(\$690,351)
Use of money and property	<u>81,976</u>	<u>228,221</u>	<u>146,245</u>
Total Revenues	<u>6,953,898</u>	<u>6,409,792</u>	<u>(544,106)</u>
EXPENDITURES			
Current:			
Redevelopment			
Pass throughs and miscellaneous	3,702,874	3,287,925	414,949
Debt service:			
Principal	675,000	675,000	
Interest and fiscal charges	<u>1,127,711</u>	<u>1,124,568</u>	<u>3,143</u>
Total Expenditures	<u>5,505,585</u>	<u>5,087,493</u>	<u>418,092</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,448,313	1,322,299	(126,014)
OTHER FINANCING USES			
Transfers out	<u>(699,700)</u>	<u>(699,700)</u>	
NET CHANGE IN FUND BALANCE	<u>\$748,613</u>	622,599	<u>(\$126,014)</u>
BEGINNING FUND BALANCE		<u>5,158,833</u>	
ENDING FUND BALANCE		<u>\$5,781,432</u>	

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
 CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Use of money and property	\$250,984	\$309,779	\$58,795
Intergovernmental		<u>30,161</u>	<u>30,161</u>
Total Revenues	<u>250,984</u>	<u>339,940</u>	<u>88,956</u>
EXPENDITURES			
Capital outlay	<u>2,412,534</u>	<u>360,055</u>	<u>2,052,479</u>
Total Expenditures	<u>2,412,534</u>	<u>360,055</u>	<u>2,052,479</u>
Income Before Other Financing Sources	<u>(2,161,550)</u>	<u>(20,115)</u>	<u>(2,141,435)</u>
OTHER FINANCING USES			
Transfers in	<u>966,750</u>	<u>973,208</u>	<u>(6,458)</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,194,800)</u>	953,093	<u>\$2,147,893</u>
BEGINNING FUND BALANCE		<u>3,934,784</u>	
ENDING FUND BALANCE		<u>\$4,887,877</u>	

**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 2005-2006. 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%
2006	828,369,282	692,770,012	5.34%
2007	882,997,061	747,397,791	7.89%

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%
2006	4,985,628	176,562	60,337	247,801	5,470,328	1,094,066	10.94%
2007	5,894,545	163,847	151,994	334,221	6,544,607	1,308,921	25.98%

(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 2006-2007 was \$1,832,419.

(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 2006-2007 were \$1,186,641. See the table above entitled "Historical Receipt of Tax Incremental Revenues." Coverage of such amounts over remaining maximum annual debt service of \$317,840 on the Series 1996 Housing Set-Aside Bonds is 3.73 times.

Major Property Taxpayers

The ten largest assesses in the Project Area for fiscal 2006-2007 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 \$241,448,239 which represents approximately 70.37% percent of the Project Area's secured taxable valuation (including Unitary Assessed valuation).

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

Assessee	Use	06-07 Taxable Value	Percentage of Total Secured Taxable Value of Project Area (1)
1 Nikon Precision Inc.	Office	\$49,887,700	14.54%
2 Oracle Corporation	Office	41,163,847	12.00%
3 BRCP 600 Clipper	Office	28,039,800	7.51%
4 PPC Belmont AVF 111 LLC		25,755,000	7.51%
5 Innkeepers Summerfield General	Hotel	23,165,286	6.75%
6 Safeway INC	Store	18,927,869	5.52%
7 Paradigm Healthcare LP	Nursing Homes	15,214,750	4.43%
8 Belmar Lessee	Apartments	14,410,050	4.20%
9 Sunrise Belmont Assistant Living	Nursing Homes	14,403,136	4.20%
10 Lucas Trust Proprieties LLC		10,480,801	3.05%
Total		<u>\$241,448,239</u>	<u>70.37%</u>

(1) The secured taxable value of the Project Area for fiscal year 2006/2007 is \$858,014,980 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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