



'08

**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, 2008 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 our report dated September 15, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, 2008 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.

<b>CITY OF BELMONT MANAGEMENT'S DISCUSSION AND ANALYSIS</b>
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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 2008 FINANCIAL HIGHLIGHTS**

#### **City-wide:**

- City total assets increased by \$3.2 million to \$121 million, of which \$92 million represented governmental assets and \$29 million represented business-type assets.
- City total liabilities decreased by \$0.8 million to \$41 million, of which \$25.8 million were governmental liabilities and \$15.2 million were business-type liabilities.
- The City's total net assets increased by \$4.0 million to \$80 million. Of this amount, \$6.4 million (unrestricted governmental net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City-wide revenues were \$43.3 million, of which \$36.3 million was generated by governmental activities and \$7.0 million was generated by business-type activities.
- City-wide expenses were \$39.4 million, of which \$32.6 million was incurred by governmental activities and \$6.8 million was incurred by business-type activities.

#### **Fund Level:**

- Governmental Fund balances increased \$2.4 million to \$29.9 million. Of this amount, \$12.8 million is unreserved fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$35.8 million, an increase of \$1.7 million from fiscal 2007.
- Governmental Fund expenditures increased by \$1.4 million to \$33.3 million in fiscal 2008, from \$31.9 million in the prior year.
- Enterprise Fund net assets increased by \$0.2 million to \$13.6 million. Of this amount, \$8.8 million is unrestricted net assets and available for spending at the City's discretion.
- Enterprise Fund revenues were \$6.6 million in fiscal 2008 compared to \$6.5 million in the prior year.
- Enterprise Fund expenses were \$6.4 million in fiscal 2008 from \$5.4 million in fiscal 2007.

## **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 2008 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***

<b>Table 1</b>		
<b>Governmental Net Assets at June 30, 2008 and 2007</b>		
<b>(in Thousands)</b>		
	2008	2007
Cash and investments	\$31,553	\$29,194
Other assets	5,045	5,379
Capital assets	55,404	54,623
<b>Total assets</b>	<b>\$92,002</b>	<b>\$89,196</b>
Long-term debt outstanding	\$21,925	\$22,789
Other liabilities	3,866	3,936
<b>Total liabilities</b>	<b>\$25,791</b>	<b>\$26,725</b>
Net assets:		
Invested in capital assets, net of debt	\$37,908	\$36,610
Restricted	21,900	20,578
Unrestricted	6,403	5,283
<b>Total net assets</b>	<b>\$66,211</b>	<b>\$62,471</b>

The City’s governmental net assets increased by \$3.7 million to \$66.2 million in 2008 from \$62.5 million in 2007. 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, 2008 is comprised of the following:

- Included in cash and investments is \$2.2 million invested with fiscal agents and \$29.3 million of pooled cash and investments available for operations.

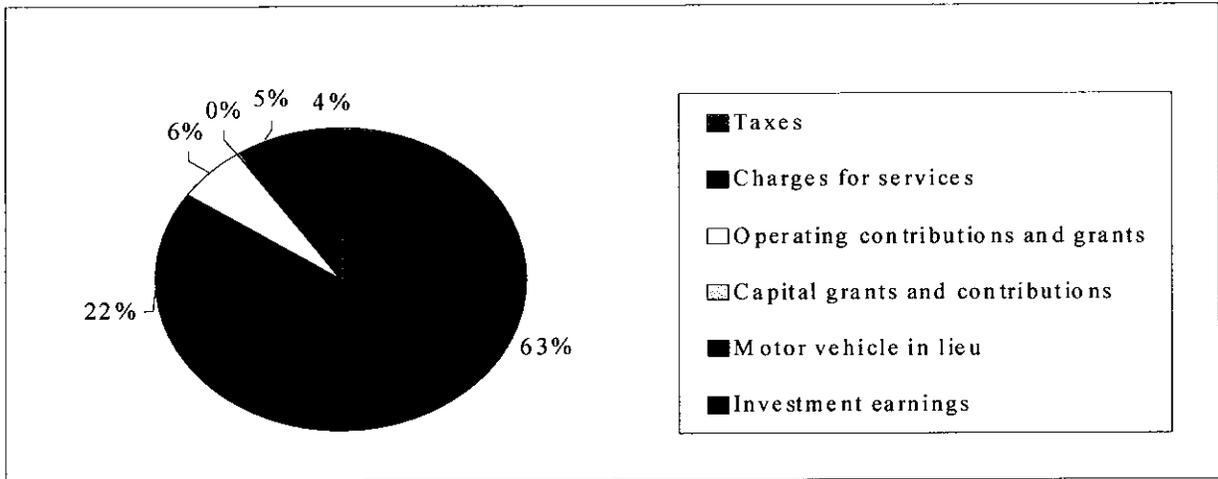
Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

- Other assets include \$0.5 million in amounts due from other governmental agencies as discussed in Note 12 to the financial statements. Also included in other assets is \$1.6 million in land held for redevelopment as described in Note 6 and \$1.3 million in notes receivable as discussed in Note 5.
- The major components of capital assets include \$14.5 million in streets and infrastructure, \$10.8 million in land and \$30.1 million in buildings and building improvements, as detailed in Note 7 to the financial statements.
- 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 \$37.9 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 \$21.9 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 \$6.4 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.

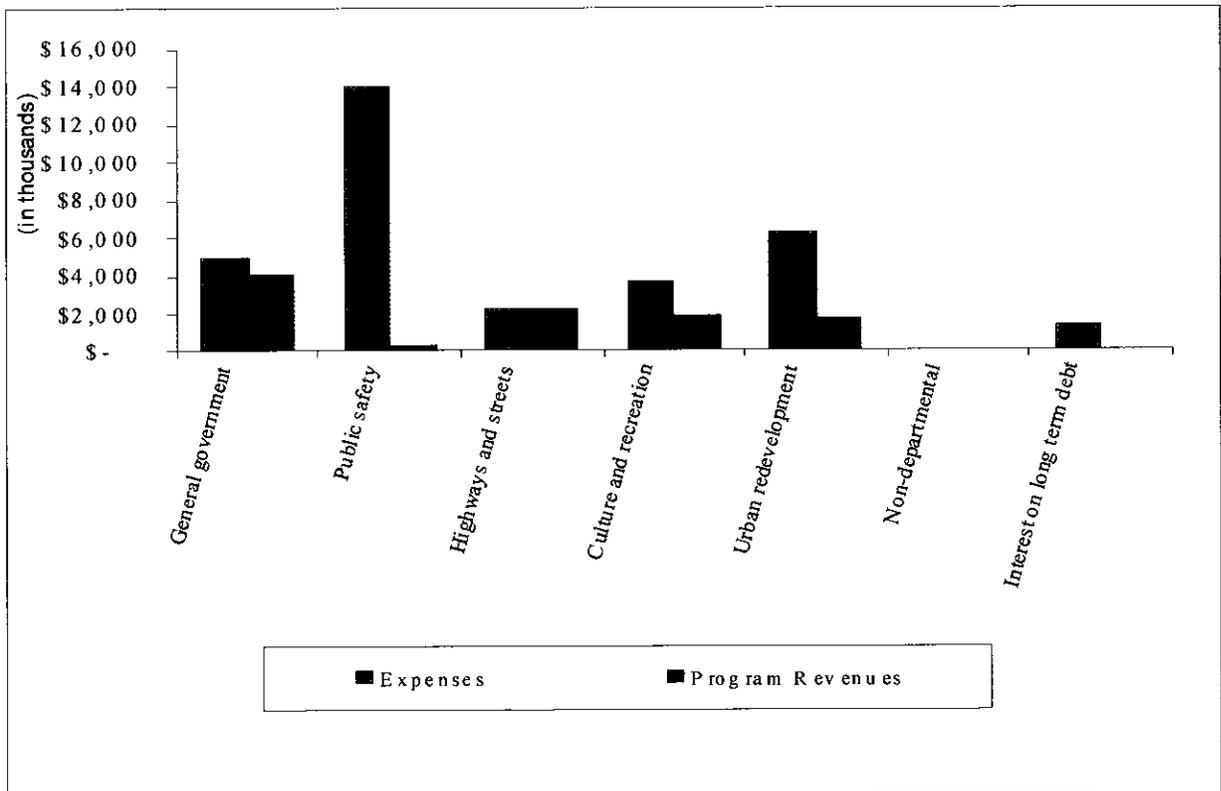
### **Fiscal Year 2008 Government Activities**

The City's governmental activities for fiscal 2008 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.

<b>Table 2</b>		
<b>Changes in Governmental Net Assets</b>		
<b>(in Thousands)</b>		
	2008	2007
<b>Revenues</b>		
Program revenues:		
Charges for services	\$7,851	\$7,170
Operating contributions and grants	2,246	1,804
Capital grants and contributions	90	430
Total program revenues	10,187	9,404
General revenues:		
Taxes:		
Property	17,173	16,370
Sales and Use	3,137	3,191
Other	2,456	2,219
Motor Vehicle in Lieu or VLF	1,918	1,874
Investment earnings	1,487	1,534
Total general revenues	26,171	25,188
Total revenues	36,358	34,592
<b>Expenses</b>		
General government	4,955	4,530
Public safety	14,070	14,273
Highways and streets	2,236	2,047
Culture and recreation	3,716	3,329
Urban redevelopment	6,278	5,720
Miscellaneous	47	37
Interest on long term debt	1,317	1,301
Total expenses	32,619	31,237
<b>Change in net assets</b>	<b>\$3,739</b>	<b>\$3,355</b>

Of the City's 2008 governmental revenue of \$36.4 million, \$26.2 million or 72% came from general revenues. The increase of Property tax by \$0.8 million and other tax revenue, mainly are hotel/motel taxes, by \$0.2 million reflect slowly but continued recovery of economic activity in bay area last year. Sales and Use taxes was maintained at the same level as last 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 \$10.2 million, of which \$7.8 million or 77% is from charges for services. In addition, \$2.2 million is from operating grants and contributions. Charges for services increased from the prior year

due to increases in revenue for City engineer and administration services in Street Maintenance Fund and General Fund for \$0.7 million. Operating grants and contributions increased due to grants from the State for highway safety improvements and repairs for \$0.4 million. Capital grants and contributions decreased due to grants for the Traffic Congestion Relieve Project for \$0.3 million received in the prior year.

The amounts reflected in expenses categories for FY 2008 represent typical expenditure patterns. The increase on the expenses of all functions, except Public safety, is primarily attributable to the rising costs of labor and purchased goods and services. Public safety decrease of \$0.2 million from the prior year is due to the liability reserve in Belmont Fire Protection District in the prior year.

***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.

<b>Table 3</b>		
<b>Business-type Net Assets at June 30, 2008 and 2007</b>		
<b>(in Thousands)</b>		
	<u>2008</u>	<u>2007</u>
Cash and investments	\$7,470	\$8,004
Other assets	7,185	7,041
Capital assets	14,182	13,394
<b>Total assets</b>	<b>\$28,837</b>	<b>\$28,439</b>
Long-term debt outstanding	\$14,040	\$14,340
Other liabilities	1,183	718
<b>Total liabilities</b>	<b>\$15,223</b>	<b>\$15,058</b>
Net assets:		
Invested in capital assets, net of debt	\$4,823	\$4,494
Unrestricted	8,791	8,888
<b>Total net assets</b>	<b>\$13,614</b>	<b>\$13,381</b>

The net assets of business-type activities increased \$0.3 million to \$13.6 million in 2008.

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

	2008	2007
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$6,580	\$6,471
Intergovernmental	17	113
Total program revenues	<u>6,597</u>	<u>6,584</u>
General Revenues:		
Investment earnings	377	506
Total general revenues	<u>377</u>	<u>506</u>
Total revenues	<u>6,974</u>	<u>7,090</u>
<b>Expenses</b>		
Sewer	5,210	5,090
Storm Drain	1,145	1,093
Solid Waste	386	327
Total expenses	<u>6,741</u>	<u>6,510</u>
<b>Change in net assets</b>	<u><b>\$233</b></u>	<u><b>\$580</b></u>

Total operating revenues of business-type activities were \$7.0 million in 2008, slightly dropped 2%, or \$0.1 million primarily due to a decrease in Investment earnings. The annual yield on investments held at Local Agency Investment Fund dropped from 5.12% to 4.33%. The \$0.1 million increase of Services Charges offset by the decrease in Intergovernmental Revenue. Total expenses increased \$0.2 million mainly due to increased costs of water purchase and storm drain rehabilitation projects.

### 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)**

	2008	2007
Total assets	\$31,424	\$29,753
Total liabilities	1,534	2,215
Total fund balances	29,890	27,538
Total revenues	35,771	34,064
Total expenditures	33,323	31,895
Total other financing sources (uses)	(97)	(192)

At June 30, 2008, governmental fund balances increased by \$2.4 million to \$29.9 million. Revenues increased by \$1.7 million to \$35.8 million. Expenditures increased by \$1.4 million to \$33.3 million.

### *Analyses of Major Governmental Funds*

#### **General Fund**

General Fund revenues increased approximately \$0.6 million to \$15.1 million this fiscal year. The increase is primarily due to growth in property taxes for \$0.5 million.

General Fund expenditures increased \$0.9 million over prior year actual costs to \$13.9 million in 2008. General government and Public safety expenditures were increased by \$0.6 million and \$0.2 million respectively from the prior year due to the rising personnel costs and related benefits. California Public Employees Retirement System (CALPERS) for Safety (police) and Miscellaneous (all other) employees are further discussed in Note 10.

At June 30, 2008, the General Fund Balance is comprised of \$4.2 million in unreserved, undesignated balances and \$0.2 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 increased expenditures of \$0.2 million. The net effect of the budget corrective actions was a decrease in the projected deficit of \$0.7 million down to \$0.4 million.

Differences between the final budget and the actual amounts for the year show that the deficit was actually eliminated and instead there was a \$0.7 million excess of revenues and other sources over expenditures and other uses for the year. Revenues were \$0.1 million lower than the final budget due to the State “triple-flip” payment was lower. Expenditures were \$0.8 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).

In the prior year, the two communities proposed a Fire Suppression Benefit Assessments (Assessment) to improve service levels. Although the assessment failed, the Fire Department Board found alternatives to renew commitment to the Fire Department to move forward. The District and the City of San Carlos agreed on a new funding formula based on assessed valuation, call volume, and the number of engine and truck companies in each community to determine the contribution to be paid. Effective April 10, 2007, the Board approved a second amended and Restated Joint Exercise of Powers Agreement. In fiscal 2008, that formula will produce a funding split of 47.7% for the District and 52.3% for San Carlos.

During 2008, the District increased fund balance by \$0.5 million to \$1.2 million. The District received taxes in excess of budget by \$0.03 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 \$5.7 million at June 30, 2008. \$5.2 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 \$6.7 million, of which \$2.2 million is invested with a fiscal agent. Fund balance at June 30, 2008 totals \$6.6 million, of which \$6.6 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, 2008, fund balance of \$4.7 million of which \$4.3 million is unreserved fund balance. The City has gone through a significant effort as part of this process to target specific sites for economic redevelopment. As of the current projects, construction has begun for undergrounding of utilities on Old County Road.

### **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 \$0.1 million higher at \$5.7 million compared to the previous year. Operating expenses were up \$0.9 million to \$4.9 million mainly due to increased costs of sewer treatment and sewer replacement program. Net assets totaled \$9.3 million at June 30, 2008, with \$2.0 million invested in capital assets, net of related debt, and \$7.3 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 increased \$0.1 million to \$1.2 million. Net assets totaled \$3.6 million at June 30, 2008, with \$2.8 million invested in capital assets, net of related debt, and \$0.8 million of unrestricted fund balances.

### **Solid Waste Fund**

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

Street sweeping operations began in prior year. In fiscal year 2008, it had operating revenues of \$0.3 million and operating costs of \$0.4 million. At June 30, 2008, net assets were \$0.7 million which I not restricted to use.

## CAPITAL ASSETS

At the end of fiscal 2008, 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).

<b>Table 6</b>		
<b>Capital Assets at Year-end</b>		
<b>(in Thousands)</b>		
	<u>2008</u>	<u>2007</u>
<b><i>Governmental Activities</i></b>		
Land	\$10,849	\$10,659
Construction in progress	2,766	2,111
Buildings	30,987	30,438
Improvements other than buildings	1,164	717
Streets and infrastructure	26,141	25,717
Machinery and equipment	3,701	3,582
Vehicles	2,810	2,495
Less accumulated depreciation	<u>(23,015)</u>	<u>(21,096)</u>
<b>Totals</b>	<b><u>\$55,403</u></b>	<b><u>\$54,623</u></b>
<b><i>Business-type Activities</i></b>		
Land	\$15	\$15
Construction in progress	2,699	1,842
Improvements other than buildings	18,349	17,853
Machinery and equipment	198	190
Less accumulated depreciation	<u>(7,078)</u>	<u>(6,506)</u>
<b>Totals</b>	<b><u>\$14,183</u></b>	<b><u>\$13,394</u></b>

The additions for governmental activities in 2008 were comprised by expending on Street Improvement projects and acquiring the Oxford property for Economic and Redevelopment plan.

Additions for business-type activities were primarily related to Construction in progress and Improvements other than buildings, with \$0.8 million and \$0.5 million respectively, in additions during 2008 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. In fiscal year 2008, the City retired \$1.2 million in maturing principal. A summary of activity is presented below:

<b>Table 7 Outstanding Debt (in Thousands)</b>		
	<u>2008</u>	<u>2007</u>
<b><i>Governmental Activity Debt:</i></b>		
Long-Term Bonds Payable:		
Public Financing Authority Revenue Bonds,		
1996 Series Housing Set-Aside, 7.25%-7.55%, due 2017	\$2,030	\$2,185
1999 Series A, 4.6%-5.7%, due 2030	12,010	12,530
1999 Series B, 4.6%-5.8%, due 2030	7,765	7,950
Note Payable:		
Note Payable:		
Oracle Owner Participation Agreement, LAIF rate, due 2025	120	124
Subtotal Governmental Activity Debt	<u>21,925</u>	<u>22,789</u>
<b><i>Business-type Debt – Sewer Enterprise Fund:</i></b>		
Long-Term Bonds Payable:		
2001 Sewer Revenue Bonds, 4.375%-5.00%, due 2032	6,680	6,840
2006 Sewer Revenue Bonds, 4.00%-4.375%, due 2036	7,360	7,500
Subtotal Business-type Debt	<u>14,040</u>	<u>14,340</u>
<b>Total Long-Term Obligations</b>	<b><u>\$35,965</u></b>	<b><u>\$37,129</u></b>

## **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](http://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 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 financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.

CITY OF BELMONT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$29,341,910	\$6,228,721	\$35,570,631
Cash and investments with fiscal agent (Note 3)	2,210,960	1,241,558	3,452,518
Receivables:			
Accounts	1,217,846	361,564	1,579,410
Interest	289,370		289,370
Due from other governmental agencies (Note 12)	463,300	126,265	589,565
Notes & long-term receivable (Note 5)	1,341,790		1,341,790
Prepays and other assets	154,370	256,702	411,072
Land held for redevelopment (Note 6)	1,578,748		1,578,748
Investment in SBSA- Joint Venture (Note 12)		6,439,845	6,439,845
Capital assets (Note 7)			
Land and construction in progress	13,615,520	2,713,622	16,329,142
Depreciable assets, net	41,788,434	11,468,641	53,257,075
<b>Total Assets</b>	<b>92,002,248</b>	<b>28,836,918</b>	<b>120,839,166</b>
<b>LIABILITIES</b>			
Accounts payable, claims and other liabilities/ contracts payable	1,188,687	1,056,700	2,245,387
Deposits	294,348		294,348
Unearned revenue	246,386		246,386
Claims payable (Note 11)			
Due in less than one year	482,906		482,906
Compensated absences (Note 1H)			
Due within one year	136,399	125,867	262,266
Due in more than one year	1,517,923		1,517,923
Long-term debt (Note 8)			
Due within one year	900,000	305,000	1,205,000
Due in more than one year	21,024,881	13,735,000	34,759,881
<b>Total Liabilities</b>	<b>25,791,530</b>	<b>15,222,567</b>	<b>41,014,097</b>
<b>NET ASSETS (Note 9)</b>			
Invested in capital assets, net of related debt	37,907,520	4,822,866	42,730,386
Restricted for:			
Capital projects	1,380,436		1,380,436
Debt service	6,891,777		6,891,777
Redevelopment programs	12,984,042		12,984,042
Special revenue programs	644,132		644,132
<b>Total Restricted Net Assets</b>	<b>21,900,387</b>		<b>21,900,387</b>
Unrestricted	6,402,811	8,791,485	15,194,296
<b>Total Net Assets</b>	<b>\$66,210,718</b>	<b>\$13,614,351</b>	<b>\$79,825,069</b>

See accompanying notes to financial statements

CITY OF BELMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
General government	\$4,954,841	\$3,773,489	\$330,722		(\$850,630)		(\$850,630)
Public safety	14,070,190	155,870	176,944		(13,737,376)		(13,737,376)
Highways and streets	2,236,345	467,733	1,694,711	\$89,469	15,568		15,568
Culture and recreation	3,715,717	1,767,990	43,826	300	(1,903,601)		(1,903,601)
Urban redevelopment	6,277,898	1,686,285			(4,591,613)		(4,591,613)
Non-departmental	46,888				(46,888)		(46,888)
Interest on long-term debt	1,317,035				(1,317,035)		(1,317,035)
<b>Total Governmental Activities</b>	<b>32,618,914</b>	<b>7,851,367</b>	<b>2,246,203</b>	<b>89,769</b>	<b>(22,431,575)</b>		<b>(22,431,575)</b>
<b>Business-type Activities:</b>							
Sewer	5,210,185	5,739,551				\$529,366	529,366
Storm Drainage	1,145,322	495,071		16,949		(633,302)	(633,302)
Solid Waste	385,663	345,496				(40,167)	(40,167)
<b>Total Business-type Activities</b>	<b>6,741,170</b>	<b>6,580,118</b>		<b>16,949</b>		<b>(144,103)</b>	<b>(144,103)</b>
<b>Total</b>	<b>\$39,360,084</b>	<b>\$14,431,485</b>	<b>\$2,246,203</b>	<b>\$106,718</b>	<b>(22,431,575)</b>	<b>(144,103)</b>	<b>(22,575,678)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					8,941,253		8,941,253
Incremental property tax					8,231,934		8,231,934
Sales taxes					3,136,339		3,136,339
Other taxes					2,456,236		2,456,236
Motor vehicle in lieu, unrestricted					1,918,321		1,918,321
Investment earnings					1,404,475	377,268	1,781,743
Miscellaneous					82,467		82,467
<b>Total general revenues and transfers</b>					<b>26,171,025</b>	<b>377,268</b>	<b>26,548,293</b>
Change in Net Assets					3,739,450	233,165	3,972,615
Net Assets-Beginning					62,471,268	13,381,186	75,852,454
Net Assets-Ending					<b>\$66,210,718</b>	<b>\$13,614,351</b>	<b>\$79,825,069</b>

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.

## 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, 2008

	General	Belmont Fire Protection District	Low and Moderate Income Housing	Redevelopment Agency Debt Service
<b>ASSETS</b>				
Cash and investments (Note 3)	\$4,268,706	\$943,892	\$5,713,665	\$4,453,153
Cash and investments with fiscal agent (Note 3)			11	2,210,949
Receivables:				
Accounts	555,772	294,223	10,614	
Interest	289,049	321		
Due from other governmental agencies Notes (Note 5)	302,245		1,341,790	
Prepays and other assets	132,186			
Land held for redevelopment (Note 6)			1,280,000	
<b>Total Assets</b>	<b><u>\$5,547,958</u></b>	<b><u>\$1,238,436</u></b>	<b><u>\$8,346,080</u></b>	<b><u>\$6,664,102</u></b>
<b>LIABILITIES</b>				
Accounts payable, and other liabilities / contracts payable	\$658,604		\$69,666	\$43,202
Deposits	254,617	\$100		
Deferred revenue	246,386			
<b>Total Liabilities</b>	<b><u>1,159,607</u></b>	<b><u>100</u></b>	<b><u>69,666</u></b>	<b><u>43,202</u></b>
<b>FUND BALANCES</b>				
Fund balances (Note 9)				
Reserved for:				
Land held for redevelopment			1,280,000	
Debt service			310,877	6,580,900
Encumbrances	69,768		138,417	40,000
Prepays and notes receivable	132,186		1,341,790	
Low and moderate income housing			5,205,330	
Unreserved, designated for:				
Capital projects				
Unreserved, undesignated reported in:				
General Fund	4,186,397			
Special Revenue Funds		1,238,336		
Capital Projects Funds				
<b>Total Fund Balances</b>	<b><u>4,388,351</u></b>	<b><u>1,238,336</u></b>	<b><u>8,276,414</u></b>	<b><u>6,620,900</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$5,547,958</u></b>	<b><u>\$1,238,436</u></b>	<b><u>\$8,346,080</u></b>	<b><u>\$6,664,102</u></b>

See accompanying notes to financial statements

<u>Redevelopment Agency Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$4,428,447	\$4,390,904	\$24,198,767 2,210,960
34,992	312,853	1,208,454 289,370
	161,055	463,300 1,341,790
298,748		132,186 1,578,748
<u>\$4,762,187</u>	<u>\$4,864,812</u>	<u>\$31,423,575</u>
\$54,559	\$167,136 39,631	\$993,167 294,348 246,386
<u>54,559</u>	<u>206,767</u>	<u>1,533,901</u>
298,748		1,578,748 6,891,777
137,136	292,316	677,637 1,473,976 5,205,330
	1,206,012	1,206,012
		4,186,397 3,636,626
4,271,744	2,398,290 761,427	5,033,171
<u>4,707,628</u>	<u>4,658,045</u>	<u>29,889,674</u>
<u>\$4,762,187</u>	<u>\$4,864,812</u>	<u>\$31,423,575</u>

CITY OF BELMONT  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2008

Total fund balances reported on the governmental funds balance sheet \$29,889,674

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. 55,403,954

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	5,143,143
Accounts receivable	9,392
Prepays and other assets	22,184
Accounts payable and other liabilities / contracts payable	(195,520)
Compensated absences	(136,399)
Claims payable	(482,906)

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	(21,924,881)
Compensated absences	(1,517,923)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$66,210,718

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, 2008

	General	Belmont Fire Protection District	Low and Moderate Income Housing	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects
<b>REVENUES</b>					
Taxes	\$7,435,011	\$5,993,227	\$1,646,387	\$6,585,547	
Licenses and permits	701,575				
Fines and forfeitures	202,285				
Use of money and property	374,736	61,677	250,825	187,016	\$266,079
Intergovernmental	3,474,158	51,366			
Charges for current services	2,914,050				
Miscellaneous	8,787		9,113		59,993
<b>Total Revenues</b>	<b>15,110,602</b>	<b>6,106,270</b>	<b>1,906,325</b>	<b>6,772,563</b>	<b>326,072</b>
<b>EXPENDITURES</b>					
Current:					
General government	4,090,379				
Public safety	8,224,452	5,336,255			
Highways and streets					
Culture and recreation	1,490,987				
Urban redevelopment			722,656	3,543,655	
Non-departmental	39,945				
Capital outlay	48,968		693,549		506,321
Debt service:					
Principal			155,000	705,000	
Interest and fiscal charges		55,714	161,696	1,093,855	
<b>Total Expenditures</b>	<b>13,894,731</b>	<b>5,391,969</b>	<b>1,732,901</b>	<b>5,342,510</b>	<b>506,321</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,215,871</b>	<b>714,301</b>	<b>173,424</b>	<b>1,430,053</b>	<b>(180,249)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (Note 4A)	37,421				
Transfers (out) (Note 4A)	(976,527)			(590,585)	
<b>Total Other Financing Sources (Uses)</b>	<b>(939,106)</b>			<b>(590,585)</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>276,765</b>	<b>714,301</b>	<b>173,424</b>	<b>839,468</b>	<b>(180,249)</b>
<b>BEGINNING FUND BALANCES</b>	<b>4,111,586</b>	<b>524,035</b>	<b>8,102,990</b>	<b>5,781,432</b>	<b>4,887,877</b>
<b>ENDING FUND BALANCES</b>	<b>\$4,388,351</b>	<b>\$1,238,336</b>	<b>\$8,276,414</b>	<b>\$6,620,900</b>	<b>\$4,707,628</b>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$1,624,861	\$23,285,033
595,301	1,296,876
5,375	207,660
141,087	1,281,420
918,852	4,444,376
2,209,011	5,123,061
54,791	132,684
5,549,278	35,771,110
	4,090,379
185,108	13,745,815
1,589,464	1,589,464
1,964,190	3,455,177
1,894,890	6,161,201
	39,945
810,673	2,059,511
	864,026
4,026	1,317,035
5,770	
6,454,121	33,322,553
(904,843)	2,448,557
1,536,599	1,574,020
(104,095)	(1,671,207)
1,432,504	(97,187)
527,661	2,351,370
4,130,384	27,538,304
\$4,658,045	\$29,889,674

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, 2008

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 \$2,351,370

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance 2,334,300

Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$418,434 which has already been allocated to serviced funds) (1,605,090)

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. 864,026

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 (195,004)

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 (10,152)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$3,739,450

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$7,114,430	\$7,311,074	\$7,435,011	\$123,937
Licenses and permits	682,560	682,560	701,575	19,015
Fines and forfeitures	170,000	170,000	202,285	32,285
Use of money and property	345,075	345,075	374,736	29,661
Intergovernmental	3,268,044	3,644,786	3,474,158	(170,628)
Charges for current services	2,964,496	2,903,971	2,914,050	10,079
Miscellaneous	202,000	202,000	8,787	(193,213)
Total Revenues	<u>14,746,605</u>	<u>15,259,466</u>	<u>15,110,602</u>	<u>(148,864)</u>
EXPENDITURES:				
Current:				
General government	4,253,206	4,270,209	4,090,379	179,830
Public safety	8,790,729	8,920,120	8,224,452	695,668
Culture and recreation	1,459,483	1,472,486	1,490,987	(18,501)
Non-departmental	35,448	37,966	39,945	(1,979)
Capital Outlay		51,740	48,968	2,772
Total Expenditures	<u>14,538,866</u>	<u>14,752,521</u>	<u>13,894,731</u>	<u>857,790</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	207,739	506,945	1,215,871	708,926
OTHER FINANCING SOURCES USES				
Transfers in (Note 4A)			37,421	37,421
Transfers out (Note 4A)	<u>(885,286)</u>	<u>(898,112)</u>	<u>(976,527)</u>	<u>(78,415)</u>
NET CHANGE IN FUND BALANCE	<u>(\$677,547)</u>	<u>(\$391,167)</u>	276,765	<u>\$667,932</u>
BEGINNING FUND BALANCE			<u>4,111,586</u>	
ENDING FUND BALANCE			<u>\$4,388,351</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$6,075,470	\$5,962,987	\$5,993,227	\$30,240
Use of money and property			61,677	61,677
Intergovernmental	54,935	50,258	51,366	1,108
Total Revenues	<u>6,130,405</u>	<u>6,013,245</u>	<u>6,106,270</u>	<u>93,025</u>
EXPENDITURES:				
Current:				
Public safety	5,352,917	5,352,918	5,336,255	16,663
Interest and fiscal charges			55,714	(55,714)
Total Expenditures	<u>5,352,917</u>	<u>5,352,918</u>	<u>5,391,969</u>	<u>(39,051)</u>
NET CHANGE IN FUND BALANCE	<u>\$777,488</u>	<u>\$660,327</u>	714,301	<u>\$53,974</u>
BEGINNING FUND BALANCE			<u>524,035</u>	
ENDING FUND BALANCE			<u>\$1,238,336</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$1,596,843	\$1,684,769	\$1,646,387	(\$38,382)
Use of money and property	243,586	243,586	250,825	7,239
Miscellaneous			9,113	9,113
Total Revenues	<u>1,840,429</u>	<u>1,928,355</u>	<u>1,906,325</u>	<u>(22,030)</u>
EXPENDITURES:				
Current:				
Urban redevelopment	1,554,836	1,554,331	722,656	831,675
Capital outlay	3,048,910	3,248,523	693,549	2,554,974
Debt service:				
Principal	2,440,000	2,440,000	155,000	2,285,000
Interest and fiscal charges	1,075,147	1,075,147	161,696	913,451
Total Expenditures	<u>8,118,893</u>	<u>8,318,001</u>	<u>1,732,901</u>	<u>6,585,100</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,278,464)	(6,389,646)	173,424	6,563,070
OTHER FINANCING SOURCES USES				
Proceeds from debt issuance	<u>19,795,000</u>	<u>19,795,000</u>		<u>(19,795,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$13,516,536</u>	<u>\$13,405,354</u>	173,424	<u>(\$13,231,930)</u>
BEGINNING FUND BALANCE			<u>8,102,990</u>	
ENDING FUND BALANCE			<u>\$8,276,414</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 2008.

### **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, 2008

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Storm Drainage	Solid Waste	Totals	
<b>ASSETS</b>					
Current Assets:					
Cash and investments (Note 3)	\$4,788,267	\$902,103	\$538,351	\$6,228,721	\$5,143,143
Cash and investments with fiscal agent (Note 3)	1,241,558			1,241,558	
Accounts receivable	268,716	92,848		361,564	9,392
Due from other governmental agencies (Note 12)			126,265	126,265	
Prepays and other assets					22,184
<b>Total Current Assets</b>	<b>6,298,541</b>	<b>994,951</b>	<b>664,616</b>	<b>7,958,108</b>	<b>5,174,719</b>
Noncurrent Assets:					
Investment in SBSA- Joint Venture (Note 12)	6,439,845			6,439,845	
Unamortized debt issue costs	256,702			256,702	
Capital assets (Note 7):					
Land and construction in progress	1,360,273	1,353,349		2,713,622	
Depreciable assets, net	10,029,221	1,439,420		11,468,641	1,065,581
<b>Total Noncurrent Assets</b>	<b>18,086,041</b>	<b>2,792,769</b>		<b>20,878,810</b>	<b>1,065,581</b>
<b>Total Assets</b>	<b>24,384,582</b>	<b>3,787,720</b>	<b>664,616</b>	<b>28,836,918</b>	<b>6,240,300</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable, and other liabilities / contracts payable	939,852	116,542	306	1,056,700	195,520
Claims payable					482,906
Long-term debt (Note 8)	305,000			305,000	
Compensated absences (Note 11)	84,063	41,804		125,867	136,399
<b>Total Current Liabilities</b>	<b>1,328,915</b>	<b>158,346</b>	<b>306</b>	<b>1,487,567</b>	<b>814,825</b>
Noncurrent Liabilities:					
Long-term debt (Note 8)	13,735,000			13,735,000	
<b>Total Noncurrent Liabilities</b>	<b>13,735,000</b>			<b>13,735,000</b>	
<b>Total Liabilities</b>	<b>15,063,915</b>	<b>158,346</b>	<b>306</b>	<b>15,222,567</b>	<b>814,825</b>
<b>NET ASSETS (Note 9)</b>					
Invested in capital assets, net of related debt	2,030,097	2,792,769		4,822,866	1,065,581
Unrestricted	7,290,570	836,605	664,310	8,791,485	4,359,894
<b>Total Net Assets</b>	<b>\$9,320,667</b>	<b>\$3,629,374</b>	<b>\$664,310</b>	<b>\$13,614,351</b>	<b>\$5,425,475</b>

See accompanying notes to financial statements

CITY OF BELMONT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Storm Drainage	Solid Waste	Totals	
<b>OPERATING REVENUES</b>					
Charges for current services					
Sewer service charges	\$5,732,551			\$5,732,551	
Sewer connection fees	7,000			7,000	
NPDES storm drain charges		\$414,556		414,556	
Street sweeping			\$345,496	345,496	
Interdepartmental charges		80,515		80,515	\$3,646,635
Total Operating Revenues	<u>5,739,551</u>	<u>495,071</u>	<u>345,496</u>	<u>6,580,118</u>	<u>3,646,635</u>
<b>OPERATING EXPENSES</b>					
Personnel services	982,077	600,251	185,546	1,767,874	
Sever services and supplies	2,923,213	467,534	217,628	3,608,375	
Sewer treatment	388,115			388,115	
Insurance premiums					288,219
Professional and legal					482,362
Operating costs					2,501,131
Insurance claims, net of change in claims payable					760,372
Depreciation	588,132	77,537		665,669	418,434
Total Operating Expenses	<u>4,881,537</u>	<u>1,145,322</u>	<u>403,174</u>	<u>6,430,033</u>	<u>4,450,518</u>
Operating Income (Loss)	<u>858,014</u>	<u>(650,251)</u>	<u>(57,678)</u>	<u>150,085</u>	<u>(803,883)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Proceeds from the sale of capital assets					11,190
Interest	361,664		15,604	377,268	587,255
Interest expense	(640,982)			(640,982)	
Equity interest in SBSA - Joint Venture	312,334			312,334	
Intergovernmental		16,949		16,949	
Miscellaneous			17,511	17,511	98,099
Total Nonoperating Revenues (Expenses)	<u>33,016</u>	<u>16,949</u>	<u>33,115</u>	<u>83,080</u>	<u>696,544</u>
Income (Loss) Before Transfers	<u>891,030</u>	<u>(633,302)</u>	<u>(24,563)</u>	<u>233,165</u>	<u>(107,339)</u>
Transfers in (Note 4A)		1,520,660		1,520,660	97,187
Transfers (out) (Note 4A)	(1,520,660)			(1,520,660)	
Net transfers	<u>(1,520,660)</u>	<u>1,520,660</u>			<u>97,187</u>
Change in net assets	(629,630)	887,358	(24,563)	233,165	(10,152)
BEGINNING NET ASSETS	<u>9,950,297</u>	<u>2,742,016</u>	<u>688,873</u>	<u>13,381,186</u>	<u>5,435,627</u>
ENDING NET ASSETS	<u>\$9,320,667</u>	<u>\$3,629,374</u>	<u>\$664,310</u>	<u>\$13,614,351</u>	<u>\$5,425,475</u>

See accompanying notes to financial statements

CITY OF BELMONT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Storm Drainage	Solid Waste	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$5,683,144	\$491,704	\$564,190	\$6,739,038	
Interdepartmental charges					\$3,645,090
Payments to suppliers	(2,906,919)	(414,798)	(218,037)	(3,539,754)	(2,752,856)
Payments to employees	(974,903)	(593,923)	(185,546)	(1,754,372)	(524,264)
Claims paid					(474,197)
<b>Cash Flows from Operating Activities</b>	<u>1,801,322</u>	<u>(517,017)</u>	<u>160,607</u>	<u>1,444,912</u>	<u>(106,227)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental receipts		16,949		16,949	
Miscellaneous			17,511	17,511	98,099
Transfers in		1,520,660		1,520,660	97,187
Transfers (out)	(1,520,660)			(1,520,660)	
<b>Cash Flows from Noncapital Financing Activities</b>	<u>(1,520,660)</u>	<u>1,537,609</u>	<u>17,511</u>	<u>34,460</u>	<u>195,286</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(1,335,188)	(118,489)		(1,453,677)	(469,763)
Proceeds from sale of capital assets					11,190
Principal payments on capital debt	(300,000)			(300,000)	
Interest paid	(637,064)			(637,064)	
<b>Cash Flows from Capital and Related Financing Activities</b>	<u>(2,272,252)</u>	<u>(118,489)</u>		<u>(2,390,741)</u>	<u>(458,573)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	361,663		15,604	377,267	587,255
<b>Cash Flows from Investing Activities</b>	<u>361,663</u>		<u>15,604</u>	<u>377,267</u>	<u>587,255</u>
<b>Net Cash Flows</b>	<u>(1,629,927)</u>	<u>902,103</u>	<u>193,722</u>	<u>(534,102)</u>	<u>217,741</u>
Cash and investments at beginning of period	7,659,752		344,629	8,004,381	4,925,402
Cash and investments at end of period	<u>\$6,029,825</u>	<u>\$902,103</u>	<u>\$538,351</u>	<u>\$7,470,279</u>	<u>\$5,143,143</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$858,014	(\$650,251)	(\$57,678)	\$150,085	(\$803,883)
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation and miscellaneous	588,132	77,537		665,669	418,434
Change in assets and liabilities:					
Receivables, net	(56,407)	(3,367)		(59,774)	(15,361)
Due from other governmental agencies			218,694	218,694	
Accounts payable	404,409	52,736	(409)	456,736	65,639
Deferred Revenue					
Claims payable					286,175
Compensated absences	7,174	6,328		13,502	(57,231)
<b>Cash Flows from Operating Activities</b>	<u>\$1,801,322</u>	<u>(\$517,017)</u>	<u>\$160,607</u>	<u>\$1,444,912</u>	<u>(\$106,227)</u>

See accompanying notes to financial statements

## FIDUCIARY FUNDS

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

CITY OF BELMONT  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2008

	Agency Funds
ASSETS	
Cash and investments (Note 3)	\$395,503
Total Assets	\$395,503
LIABILITIES	
Accounts Payable	\$759
Section 125 employee benefits payable	10,085
Due to bondholders	384,659
Total Liabilities	\$395,503

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:

	Governmental Activities	Business Type Activities	Total
Beginning Balance	\$1,516,550	\$112,365	\$1,628,915
Additions	998,347	104,018	1,102,365
Payments	(860,575)	(90,516)	(951,091)
Ending Balance	<u>\$1,654,322</u>	<u>\$125,867</u>	<u>\$1,780,189</u>
Current Portion	<u>\$136,399</u>	<u>\$125,867</u>	<u>\$262,266</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.

**I. New Fund**

The City has created the Athletic Field Maintenance Special Revenue Fund in FY 2008.

**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.

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

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

Expenditures exceeded budget for the following funds:

<u>Fund Name</u>	<u>Amount</u>
Belmont Fire Protection District	\$39,051
City Trees	3,332
Supplemental Law Enforcement Services	30,133
Public Safety Grants	4,650
Open Space	1,610

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

**NOTE 3 - CASH AND INVESTMENTS**

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

**A. Policies**

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

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

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

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

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**B. Classification**

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

Cash and investments as of June 30, 2008 consist of the following:

<i>Statement of Net Assets</i>	
Cash and investments	\$35,570,631
Cash and investments with fiscal agent	3,452,518
<i>Fiduciary Funds</i>	
Cash and investments	395,503
Total Cash and investments	\$39,418,652

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, 2008, the City held \$6,040,876 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.

**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.

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

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

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

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

**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	\$35,777,404	\$35,777,404
<i>Held by Trustees:</i>		
U.S. Treasury Notes	1,517,695	1,517,695
U.S. Securities	1,936,541	1,936,541
Total Investments	\$39,231,640	39,231,640
Cash in banks and on hand		187,012
Total Cash and investments		\$39,418,652

**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, 2008, these investments matured in an average of 212 days.

**G. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City and its fiscal agent invest in the California Local Agency Investment Fund and US Treasury Bills. 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, 2008 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Cops More 96 Special Revenue Fund	\$37,421
<b>Special Revenue Fund</b>		
Athletic Field Maintenance	General Facilities Capital Project Fund	7,808
Co-Sponsored Recreation	General Fund	668,309 (a)
Development Services	General Fund	228,824
Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund	590,585
Supplemental Law Enforcement Services	General Fund	31,309
<b>Debt Service</b>		
General Debt Service	General Fund	9,764
<b>Enterprise Fund</b>		
Storm Drainage	Sewer	1,520,660 (b)
<b>Internal Service Fund</b>		
Facilities Management	General Fund	35,150
	General Facilities Capital Project Fund	15,406
Fleet and Equipment Management	Co-Sponsored Recreation Special Revenue Fund	43,460
Self Funded Vision	General Fund	3,171
		<u>\$3,191,867</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 fund Storm Drain Capital Projects related to Inflow & Infiltration.

**B. 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.

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

**NOTE 5 - NOTES RECEIVABLE**

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

Project	Amount
Mid-Peninsula Horizons, Inc.	\$216,998
Mercy Housing Loan	325,000
Owner Occupied Rehabilitation Assistance Program	73,479
Home Buyer Assistance Program	708,730
Peace Officer Down Payment Assistance Program	17,583
Total notes receivable	\$1,341,790

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.

**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, 2008.

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

**NOTE 7 – CAPITAL ASSETS (Continued)**

**A. Capital Asset Additions and Retirements**

Capital assets at June 30 comprise:

	Balance <u>June 30, 2007</u>	Additions	Retirements	Balance <u>June 30, 2008</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$10,658,703	\$190,689		\$10,849,392
Construction in progress	<u>2,111,022</u>	<u>655,106</u>		<u>2,766,128</u>
Total capital assets not being depreciated	<u>12,769,725</u>	<u>845,795</u>		<u>13,615,520</u>
Capital assets being depreciated:				
Buildings and building improvements	30,438,069	549,192		30,987,261
Improvements other than buildings	717,313	446,944		1,164,257
Streets and infrastructure	25,717,670	423,276		26,140,946
Machinery and equipment	3,582,162	118,593		3,700,755
Vehicles	<u>2,494,895</u>	<u>420,261</u>	<u>\$105,000</u>	<u>2,810,156</u>
Total capital assets being depreciated	<u>62,950,109</u>	<u>1,958,266</u>	<u>105,000</u>	<u>64,803,375</u>
Less accumulated depreciation for:				
Buildings and building improvements	4,862,405	740,834		5,603,239
Improvements other than buildings	183,807	38,898		222,705
Streets and infrastructure	10,872,150	734,466		11,606,616
Machinery and equipment	3,145,971	277,170		3,423,141
Vehicles	<u>2,032,085</u>	<u>232,155</u>	<u>(105,000)</u>	<u>2,159,240</u>
Total accumulated depreciation	<u>21,096,418</u>	<u>2,023,523</u>	<u>(105,000)</u>	<u>23,014,941</u>
Total depreciable assets	<u>41,853,691</u>	<u>(65,257)</u>		<u>41,788,434</u>
Governmental activity capital assets, net	<u>\$54,623,416</u>	<u>\$780,538</u>		<u>\$55,403,954</u>

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

**NOTE 7 – CAPITAL ASSETS (Continued)**

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$14,793				\$14,793
Construction in progress	1,841,979	\$1,445,532		(\$588,682)	2,698,829
Total capital assets not being depreciated	<u>1,856,772</u>	<u>1,445,532</u>		<u>(588,682)</u>	<u>2,713,622</u>
Capital assets being depreciated:					
Improvements other than buildings	17,853,417		(\$92,860)	588,682	18,349,239
Machinery and equipment	189,649	8,146			197,795
Total capital assets being depreciated	<u>18,043,066</u>	<u>8,146</u>	<u>(92,860)</u>	<u>588,682</u>	<u>18,547,034</u>
Less accumulated depreciation					
Improvements other than buildings	6,315,934	664,041	(92,860)		6,887,115
Machinery and equipment	189,649	1,629			191,278
Total accumulated depreciation	<u>6,505,583</u>	<u>665,670</u>	<u>(92,860)</u>		<u>7,078,393</u>
Total depreciable assets	<u>11,537,483</u>	<u>(657,524)</u>		<u>588,682</u>	<u>11,468,641</u>
Business-type activity capital assets, net	<u>\$13,394,255</u>	<u>\$788,008</u>			<u>\$14,182,263</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.

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

**NOTE 7 – CAPITAL ASSETS (Continued)**

**C. Depreciation Allocation**

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

<b>Governmental Activities</b>	
General government	\$798,382
Highways and streets	560,751
Culture and recreation	173,715
Urban redevelopment	72,241
Depreciation charged to internal service funds	<u>418,434</u>
Total Governmental Activities	<u><u>\$2,023,523</u></u>
 <b>Business-Type Activities</b>	
Sewer	\$588,133
Storm drainage	<u>77,537</u>
Total Business-Type Activities	<u><u>\$665,670</u></u>

**NOTE 8 – CURRENT AND LONG TERM DEBT**

*Current Debt:*

In fiscal 2007-08, the Belmont Fire Protection District (District) authorized and issued a Tax Revenue Anticipation Note (TRAN) in the principal amount of \$1,245,000. The TRAN was issued to finance District operating expenditures until the District received its semi-annual property taxes, which were pledged for debt service on the TRAN. The TRAN bore interest at 4.5% per year which was due along with principal on June 30, 2008. During fiscal 2007-08, District property taxes amounting to \$5,993,227 represented 461% of the \$1,300,714 in principal and interest due and repaid on the TRAN.

*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.

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

**NOTE 8 – CURRENT AND LONG TERM DEBT (Continued)**

*A. Current Year Transactions and Balances*

	Balance June 30, 2007	Retirements	Balance as of June 30, 2008	
			Due Within One Year	Due Beyond One Year
<b>GOVERNMENTAL ACTIVITY DEBT</b>				
<b>Redevelopment Long-Term Bonds Payable:</b>				
<b>1996 Series Housing Set-Aside Bonds,</b> 7.25%-7.55%, due serially to 2017	\$2,185,000	\$155,000	\$165,000	\$1,865,000
<b>1999 Series A Refunding Bonds,</b> 4.6%-5.7%, due serially to 2030	12,530,000	520,000	540,000	11,470,000
<b>1999 Series B Subordinated Bonds,</b> 4.6%-5.8%, due serially to 2030	<u>7,950,000</u>	<u>185,000</u>	<u>195,000</u>	<u>7,570,000</u>
Subtotal	<u>22,665,000</u>	<u>860,000</u>	<u>900,000</u>	<u>20,905,000</u>
<b>Note Payable:</b>				
<b>Oracle Owner Participation Agreement</b> LAIF rate, due 2025	<u>123,907</u>	<u>4,026</u>		<u>119,881</u>
<b>Total Governmental Activity Debt</b>	<u>22,788,907</u>	<u>864,026</u>	<u>900,000</u>	<u>21,024,881</u>
<b>BUSINESS-TYPE ACTIVITY DEBT</b>				
<b>2001 Sewer Revenue Bonds</b> 4.375%-5.00%, due serially to 2032	6,840,000	160,000	160,000	6,520,000
<b>2006 Sewer Revenue Bonds</b> 4.0%-4.375%, due serially to 2036	<u>7,500,000</u>	<u>140,000</u>	<u>145,000</u>	<u>7,215,000</u>
<b>Total Business-Type Activity Debt</b>	<u>14,340,000</u>	<u>300,000</u>	<u>305,000</u>	<u>13,735,000</u>
<b>Total Long-Term Obligations</b>	<u>\$37,128,907</u>	<u>\$1,164,026</u>	<u>\$1,205,000</u>	<u>\$34,759,881</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. The pledge of future incremental property tax revenues ends upon repayment of the \$2,811,777 in remaining debt service on the Bonds scheduled to occur in 2017. During fiscal year 2008, pledged revenues amounted to \$1,646,387 representing 520% of the \$316,969 in debt service.

CITY OF BELMONT  
NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 8 – CURRENT AND 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, 2008 was \$8,660,000.

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 and principal is due annually on August 1. 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. The pledge of future incremental property tax revenues ends upon repayment of \$31,903,799 for Series 1999A and Series 1999B Bonds in remaining debt service which is scheduled to occur in 2030. For fiscal year 2008 tax increment revenues amounted to \$6,585,547 which represented coverage of 3.66 over the \$1,798,755 in debt service.

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.

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

**NOTE 8 – CURRENT AND LONG TERM DEBT (Continued)**

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. The pledge of future Sewer Fund Revenues ends upon repayment of the \$23,949,467 in remaining debt service on the 2001 and 2006 Sewer Bonds which is scheduled to occur in 2036. For fiscal year 2008, Sewer Fund Revenues including operating revenues and non-operating interest earnings amounted to \$6,101,215 and operating costs include operating expenses, but not interest, depreciation or amortizations and amounted to \$3,990,239. Net Revenues available for debt service amounted to \$2,110,976 which represented coverage of 2.29 over the \$ 922,646 in debt service.

**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
2009	\$900,000	\$1,214,036	\$305,000	\$624,364
2010	1,074,881	1,165,753	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	1,110,000	994,608	355,000	569,185
2014 - 2018	6,275,000	3,912,333	2,020,000	2,601,136
2019 - 2023	4,640,000	2,371,180	2,490,000	2,108,442
2024 - 2028	4,295,000	1,002,181	3,130,000	1,472,174
2029 - 2033	1,570,000	91,796	3,480,000	655,595
2034 - 2038			1,275,000	85,421
Total	<u>\$21,924,881</u>	<u>\$12,917,241</u>	<u>\$14,040,000</u>	<u>\$9,909,467</u>

**D. Special Assessment Debt with no City Commitment**

On February 4, 2004, the Community Facilities District No. 2000-1 issued Special Tax Bonds, Series 2004A for \$8,650,000 to finance the construction, operations and maintenance of a new library. The City has no legal or moral liability with respect to the payment of this debt, which is secured by proceeds of an annual special tax levy received by the District. Therefore, this debt is not included in Governmental Activities long-term debt of the City. As of June 30, 2008, the balance is outstanding was \$8,085,000.

**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.

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.

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

**NOTE 10 - RETIREMENT BENEFITS**

**A. CALPERS Safety and Miscellaneous Employees Plans**

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police) and 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, 2008, 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, 2008, 2007 and 2006 amounted to \$2,479,640, \$2,358,677, and \$2,123,989 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.

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.

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

**NOTE 10 - RETIREMENT BENEFITS (Continued)**

The Plans' actuarial value (which differs from market value) and funding progress are set forth below at their actuarial valuation date of June 30, 2005. Actuarial values for 2002 are not available as the State-wide pool is based on a fresh-start valuation as of June 30, 2003:

*Safety Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
2003	\$1,218,082,935	\$1,083,690,137	\$134,392,798	89.0%	\$184,098,257	73.0%
2004	5,383,921,942	4,424,586,846	959,335,096	82.2%	575,296,434	166.8%
2005	6,367,049,264	5,295,150,375	1,071,898,889	83.2%	664,147,796	161.4%

*Miscellaneous Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
2003	\$2,596,966,545	\$2,372,879,034	\$224,087,511	91.4%	\$725,020,458	30.9%
2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%
2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%

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, 2008 the City paid \$351,491 on behalf of 59 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.

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

**NOTE 10 - RETIREMENT BENEFITS (Continued)**

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 \$10,000,000, 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 \$1,000,000,000 above the City's deductible of \$10,000.

**B. Workers Compensation Coverage**

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

**C. Liability for Uninsured Claims**

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

For the years ended June 30, 2008, 2007 and 2006 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>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>
Balance, July 1	\$196,731	\$232,367	\$439,152
Net change in claims liabilities	(273,828)	(452,573)	6,509
Claims paid	<u>560,003</u>	<u>416,937</u>	<u>(213,294)</u>
Balance, June 30	<u>\$482,906</u>	<u>\$196,731</u>	<u>\$232,367</u>

**NOTE 12 – JOINT VENTURES**

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

**A. *Equity interests***

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

***South Bayside System Authority (SBSA)*** was formed in 1975 between the Cities of San Carlos, Belmont and Redwood City and the Menlo Park Sanitary District to operate a wastewater treatment facility commonly known as South Bayside System Authority. The cost of operating and maintaining the facility is divided in proportion to the volume of sewage entering from each member entity. The City's contribution toward the cost of operating and maintaining the facility during the year ended, June 30, 2008 was \$1,596,998. 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, 2008 the City's equity amounted to \$6,439,845.

**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 \$88,586 for the year ended June 30, 2008. 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.

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

**NOTE 12 – JOINT VENTURES (Continued)**

*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 \$5,155,642 to the Department for the year ended June 30, 2008 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.

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, 2008, the City received its third distribution of \$218,694 and recorded a **Due from other Governmental Agencies** in its solid waste enterprise fund amounting to \$126,265 representing the remainder of its share of cash payments to be distributed by SBWMA.

**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 2008, the Agency passed through \$1,879,873 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 \$1,929,047 in fiscal 2008, which included a due to Districts amount of \$43,202.

**NOTE 15 – SUBSEQUENT EVENT**

Subsequent to June 30, 2008, the Belmont Fire Protection District issued a TRAN in the principal amount of \$1,030,000 which is due on June 30, 2009 along with unpaid interest accruing. 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. The TRAN is repayable from future District property tax revenues.

**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  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Taxes	\$6,557,223	\$6,585,547	\$28,324
Use of money and property	<u>133,250</u>	<u>187,016</u>	<u>53,766</u>
Total Revenues	<u>6,690,473</u>	<u>6,772,563</u>	<u>82,090</u>
EXPENDITURES			
Current:			
Urban redevelopment	4,633,473	3,543,655	1,089,818
Debt service:			
Principal	20,785,000	705,000	20,080,000
Interest and fiscal charges	<u>1,186,735</u>	<u>1,093,855</u>	<u>92,880</u>
Total Expenditures	<u>26,605,208</u>	<u>5,342,510</u>	<u>21,262,698</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(19,914,735)</u>	<u>1,430,053</u>	<u>21,344,788</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	22,810,000		(22,810,000)
Transfers (out)	<u>(590,585)</u>	<u>(590,585)</u>	
NET CHANGE IN FUND BALANCE	<u>\$2,304,680</u>	839,468	<u>(\$1,465,212)</u>
BEGINNING FUND BALANCE		<u>5,781,432</u>	
ENDING FUND BALANCE		<u>\$6,620,900</u>	

CITY OF BELMONT  
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Use of money and property	\$330,252	\$266,079	(\$64,173)
Intergovernmental	138,000		(138,000)
Miscellaneous		59,993	59,993
	<u>468,252</u>	<u>326,072</u>	<u>(142,180)</u>
Total Revenues			
EXPENDITURES			
Capital outlay:			
Highways and streets	<u>7,145,357</u>	<u>506,321</u>	<u>6,639,036</u>
Total Expenditures	<u>7,145,357</u>	<u>506,321</u>	<u>6,639,036</u>
NET CHANGE IN FUND BALANCE	<u>(\$6,677,105)</u>	<u>(180,249)</u>	<u>\$6,496,856</u>
BEGINNING FUND BALANCE		<u>4,887,877</u>	
ENDING FUND BALANCE		<u>\$4,707,628</u>	

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## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

**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.

**Athletic Field Maintenance Fund** – To account for athletic field maintenance and operations, which are financed by player registration fee.

### 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)**

**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.

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CITY OF BELMONT  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2008

SPECIAL REVENUE FUNDS

	Co-Sponsored Recreation	Library Maintenance and Operations	City Trees	Development Services	Supplemental Law Enforcement Services	Public Safety Grants
<b>ASSETS</b>						
Cash and investments	\$60,077	\$1,236,520	\$62,279	\$54,443	\$637	\$26,459
Receivables:						
Accounts				25,978		
Due from other governmental agencies						
Total Assets	<u>\$60,077</u>	<u>\$1,236,520</u>	<u>\$62,279</u>	<u>\$80,421</u>	<u>\$637</u>	<u>\$26,459</u>
<b>LIABILITIES</b>						
Accounts payable, and other liabilities / contracts payable	\$26,580	\$15,230		\$7,427	\$637	\$139
Deposits	33,497			5,882		252
Total Liabilities	<u>60,077</u>	<u>15,230</u>		<u>13,309</u>	<u>637</u>	<u>391</u>
<b>FUND EQUITY</b>						
Fund balances						
Reserved for encumbrances		3,558		20,433		223
Unreserved:						
Designated for capital projects						
Undesignated:						
Special Revenue Funds		1,217,732	\$62,279	46,679		25,845
Capital Projects Funds						
Total Fund Balances		<u>1,221,290</u>	<u>62,279</u>	<u>67,112</u>		<u>26,068</u>
Total Liabilities and Fund Balances	<u>\$60,077</u>	<u>\$1,236,520</u>	<u>\$62,279</u>	<u>\$80,421</u>	<u>\$637</u>	<u>\$26,459</u>

						DEBT SERVICE FUND	CAPITAL PROJECTS FUND
Street Maintenance State Gasoline Tax	Street Improvements Measure A Grants	Traffic Mitigation	COPSMORE 96	Redevelopment Agency	Athletic Field Maintenance	General Debt Service	General Facilities Fund
\$213,435	\$575,246	\$95,452		\$31,006	\$2,500		\$648,258
153,375	131,351			2,149			
161,055							
<u>\$527,865</u>	<u>\$706,597</u>	<u>\$95,452</u>		<u>\$33,155</u>	<u>\$2,500</u>		<u>\$648,258</u>
\$14,854	\$88,533			\$7,080	\$2,500		
14,854	88,533			7,080	2,500		
50,460	152,901			3,486			\$56,373
							591,885
462,551	465,163	\$95,452		22,589			
513,011	618,064	95,452		26,075			648,258
<u>\$527,865</u>	<u>\$706,597</u>	<u>\$95,452</u>		<u>\$33,155</u>	<u>\$2,500</u>		<u>\$648,258</u>

(Continued)

CITY OF BELMONT  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2008

	CAPITAL PROJECTS FUNDS				
	Comcast Fund	Planned Park Fund	Open Space	Special Assessment District	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$329,683	\$763,872	\$2,437	\$288,600	\$4,390,904
Receivables:					
Accounts					312,853
Due from other governmental agencies					161,055
Total Assets	\$329,683	\$763,872	\$2,437	\$288,600	\$4,864,812
<b>LIABILITIES</b>					
Accounts payable, and other liabilities / contracts payable				\$4,156	\$167,136
Deposits					39,631
Total Liabilities				4,156	206,767
<b>FUND EQUITY</b>					
Fund balances					
Reserved for encumbrances		\$4,882			292,316
Unreserved:					
Designated for capital projects	329,683			284,444	1,206,012
Undesignated:					
Special Revenue Funds					2,398,290
Capital Projects Funds		758,990	\$2,437		761,427
Total Fund Balances	329,683	763,872	2,437	284,444	4,658,045
Total Liabilities and Fund Balances	\$329,683	\$763,872	\$2,437	\$288,600	\$4,864,812

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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, 2008

	SPECIAL REVENUE FUNDS					
	Co-Sponsored Recreation	Library Maintenance and Operations	City Trees	Development Services	Supplemental Law Enforcement Services	Public Safety Grants
<b>REVENUES</b>						
Taxes		\$291,197				
Licenses and permits				\$595,301		
Fines and forfeitures				5,375		
Use of money and property	\$1,494	43,152	\$1,655	5,317		\$1,641
Intergovernmental	24,606				\$100,966	
Charges for current services	985,826		30,050	604,520		63,089
Miscellaneous	19,220			3,059		5,090
Total Revenues	1,031,146	334,349	31,705	1,213,572	100,966	69,820
<b>EXPENDITURES</b>						
Current:						
Public safety					134,809	50,299
Highways and streets				272,970		
Culture and recreation	1,662,249	275,308	3,332			
Urban redevelopment				1,297,127		
Capital outlay						39,787
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,662,249	275,308	3,332	1,570,097	134,809	90,086
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(631,103)	59,041	28,373	(356,525)	(33,843)	(20,266)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	668,309			228,824	31,309	
Transfers (out)	(43,460)					
Total Other Financing Sources (Uses)	624,849			228,824	31,309	
<b>NET CHANGE IN FUND BALANCES</b>	(6,254)	59,041	28,373	(127,701)	(2,534)	(20,266)
<b>BEGINNING FUND BALANCES</b>	6,254	1,162,249	33,906	194,813	2,534	46,334
<b>ENDING FUND BALANCES</b>	\$1,221,290	\$1,221,290	\$62,279	\$67,112	\$26,068	\$26,068

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	Athletic Field Maintenance	General Debt Service	General Facilities Fund
\$751,211	\$505,020						
\$6,560	15,356	\$3,448	\$1,350	\$5,593			\$16,428
467,733	478,911				\$15,493		303,777
27,122							
1,252,626	999,287	3,448	1,350	5,593	15,493		320,205
1,316,494							
	621,918			597,763	23,301		2,500
						\$4,026	
						5,770	
1,316,494	621,918			597,763	23,301	9,796	2,500
(63,868)	377,369	3,448	1,350	(592,170)	(7,808)	(9,796)	317,705
				590,585	7,808	9,764	(23,214)
			(37,421)				
			(37,421)	590,585	7,808	9,764	(23,214)
(63,868)	377,369	3,448	(36,071)	(1,585)		(32)	294,491
576,879	240,695	92,004	36,071	27,660		32	353,767
\$513,011	\$618,064	\$95,452		\$26,075			\$648,258

(Continued)

CITY OF BELMONT  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008

	CAPITAL PROJECTS FUNDS				Total Nonmajor Governmental Funds
	Comcast Fund	Planned Park Fund	Open Space	Special Assessment District	
REVENUES					
Taxes	\$77,433				\$1,624,861
Licenses and permits					595,301
Fines and forfeitures					5,375
Use of money and property		\$28,058	\$618	\$10,417	141,087
Intergovernmental	10,592				918,852
Charges for current services		42,300			2,209,011
Miscellaneous		300			54,791
<b>Total Revenues</b>	<b>88,025</b>	<b>70,658</b>	<b>618</b>	<b>10,417</b>	<b>5,549,278</b>
EXPENDITURES					
Current:					
Public safety					185,108
Highways and streets					1,589,464
Culture and recreation					1,964,190
Urban redevelopment					1,894,890
Capital outlay	16,961	127,897	1,610		810,673
Debt service:					
Principal					4,026
Interest and fiscal charges					5,770
<b>Total Expenditures</b>	<b>16,961</b>	<b>127,897</b>	<b>1,610</b>		<b>6,454,121</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	71,064	(57,239)	(992)	10,417	(904,843)
OTHER FINANCING SOURCES (USES)					
Transfers in					1,536,599
Transfers (out)					(104,095)
<b>Total Other Financing</b>					<b>1,432,504</b>
NET CHANGE IN FUND BALANCES	71,064	(57,239)	(992)	10,417	527,661
BEGINNING FUND BALANCES	258,619	821,111	3,429	274,027	4,130,384
ENDING FUND BALANCES	<u>\$329,683</u>	<u>\$763,872</u>	<u>\$2,437</u>	<u>\$284,444</u>	<u>\$4,658,045</u>

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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, 2008

	SPECIAL REVENUE FUNDS					
	CO-SPONSORED RECREATION			LIBRARY MAINTENANCE AND OPERATIONS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes				\$289,714	\$291,197	\$1,483
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$1,530	\$1,494	(\$36)	44,157	43,152	(1,005)
Intergovernmental	32,000	24,606	(7,394)			
Charges for current services	912,491	985,826	73,335			
Miscellaneous	22,400	19,220	(3,180)			
<b>Total Revenues</b>	<u>968,421</u>	<u>1,031,146</u>	<u>62,725</u>	<u>333,871</u>	<u>334,349</u>	<u>478</u>
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation	1,702,153	1,662,249	39,904	378,626	275,308	103,318
Urban redevelopment						
Capital outlay:						
General government						
Highways and streets						
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>1,702,153</u>	<u>1,662,249</u>	<u>39,904</u>	<u>378,626</u>	<u>275,308</u>	<u>103,318</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(733,732)</u>	<u>(631,103)</u>	<u>102,629</u>	<u>(44,755)</u>	<u>59,041</u>	<u>103,796</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	619,497	668,309	48,812			
Transfers (out)		(43,460)	(43,460)			
<b>Total Other Financing Sources (Uses)</b>	<u>619,497</u>	<u>624,849</u>	<u>5,352</u>			
<b>NET CHANGE IN FUND BALANCES</b>	<u>(\$114,235)</u>	<u>(6,254)</u>	<u>\$107,981</u>	<u>(\$44,755)</u>	<u>59,041</u>	<u>\$103,796</u>
BEGINNING FUND BALANCES		<u>6,254</u>			<u>1,162,249</u>	
ENDING FUND BALANCES					<u>\$1,221,290</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)
			\$571,750	\$595,301	\$23,551			
			10,000	5,375	(4,625)			
\$1,314	\$1,655	\$341	8,626	5,317	(3,309)	\$100,000	\$100,966	\$966
20,000	30,050	10,050	823,500	604,520	(218,980)			
			3,000	3,059	59			
21,314	31,705	10,391	1,416,876	1,213,572	(203,304)	100,000	100,966	966
						104,676	134,809	(30,133)
			329,057	272,970	56,087			
	3,332	(3,332)	1,339,972	1,297,127	42,845			
	3,332	(3,332)	1,669,029	1,570,097	98,932	104,676	134,809	(30,133)
21,314	28,373	7,059	(252,153)	(356,525)	(104,372)	(4,676)	(33,843)	(29,167)
			228,824	228,824		4,877	31,309	26,432
			228,824	228,824		4,877	31,309	26,432
\$21,314	28,373	\$7,059	(\$23,329)	(127,701)	(\$104,372)	\$201	(2,534)	(\$2,735)
	33,906			194,813			2,534	
	\$62,279			\$67,112				

(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, 2008

	SPECIAL REVENUE FUNDS					
	PUBLIC SAFETY GRANTS			STREET MAINTENANCE STATE GASOLINE TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes				\$717,121	\$751,211	\$34,090
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$1,806	\$1,641	(\$165)	16,949	6,560	(10,389)
Intergovernmental						
Charges for current services	61,000	63,089	2,089	362,600	467,733	105,133
Miscellaneous		5,090	5,090		27,122	27,122
Total Revenues	<u>62,806</u>	<u>69,820</u>	<u>7,014</u>	<u>1,096,670</u>	<u>1,252,626</u>	<u>155,956</u>
EXPENDITURES						
Current						
Public safety	45,426	50,299	(4,873)			
Highways and streets				1,541,016	1,316,494	224,522
Culture and recreation						
Urban redevelopment						
Capital outlay:	40,010	39,787	223			
General government						
Highways and streets						
Culture and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>85,436</u>	<u>90,086</u>	<u>(4,650)</u>	<u>1,541,016</u>	<u>1,316,494</u>	<u>224,522</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(22,630)</u>	<u>(20,266)</u>	<u>2,364</u>	<u>(444,346)</u>	<u>(63,868)</u>	<u>380,478</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$22,630)</u>	<u>(20,266)</u>	<u>\$2,364</u>	<u>(\$444,346)</u>	<u>(63,868)</u>	<u>\$380,478</u>
BEGINNING FUND BALANCES		<u>46,334</u>			<u>576,879</u>	
ENDING FUND BALANCES		<u>\$26,068</u>			<u>\$513,011</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)
\$470,865	\$505,020	\$34,155						
11,530	15,356	3,826	\$3,587	\$3,448	(\$139)		\$1,350	\$1,350
2,462,915	478,911	(1,984,004)						
<u>2,945,310</u>	<u>999,287</u>	<u>(1,946,023)</u>	<u>3,587</u>	<u>3,448</u>	<u>(139)</u>		<u>1,350</u>	<u>1,350</u>
3,021,726	621,918	2,399,808						
<u>3,021,726</u>	<u>621,918</u>	<u>2,399,808</u>						
(76,416)	377,369	453,785	3,587	3,448	(139)		1,350	1,350
							(37,421)	(37,421)
							(37,421)	(37,421)
<u>(\$76,416)</u>	<u>377,369</u>	<u>\$453,785</u>	<u>\$3,587</u>	<u>3,448</u>	<u>(\$139)</u>		<u>(36,071)</u>	<u>(\$36,071)</u>
	<u>240,695</u>			<u>92,004</u>			<u>36,071</u>	
	<u>\$618,064</u>			<u>\$95,452</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, 2008

SPECIAL REVENUE FUNDS						
	REDEVELOPMENT AGENCY FUND			ATHLETIC FIELD MAINTENANCE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$19,751	\$5,593	(\$14,158)			
Intergovernmental						
Charges for current services				\$35,000	\$15,493	(\$19,507)
Miscellaneous						
Total Revenues	<u>19,751</u>	<u>5,593</u>	<u>(14,158)</u>	<u>35,000</u>	<u>15,493</u>	<u>(19,507)</u>
EXPENDITURES						
Current						
Public safety						
Highways and streets						
Culture and recreation						
Urban redevelopment	725,503	597,763	127,740			
Capital outlay:						
General government						
Highways and streets						
Culture and recreation				35,000	23,301	11,699
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>725,503</u>	<u>597,763</u>	<u>127,740</u>	<u>35,000</u>	<u>23,301</u>	<u>11,699</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(705,752)</u>	<u>(592,170)</u>	<u>113,582</u>		<u>(7,808)</u>	<u>(7,808)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	590,585	590,585			7,808	7,808
Transfers (out)						
Total Other Financing Sources (Uses)	<u>590,585</u>	<u>590,585</u>			<u>7,808</u>	<u>7,808</u>
NET CHANGE IN FUND BALANCES	<u>(\$115,167)</u>	<u>(1,585)</u>	<u>\$113,582</u>			
BEGINNING FUND BALANCES		<u>27,660</u>				
ENDING FUND BALANCES		<u>\$26,075</u>				

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS					
GENERAL DEBT SERVICE			GENERAL FACILITIES FUND			COMCAST FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
							\$77,433	\$77,433
			\$17,554	\$16,428	(\$1,126)			
			190,000	303,777	113,777	\$10,812	10,592	(\$220)
			207,554	320,205	112,651	10,812	88,025	77,213
			85,000	2,500	82,500	30,000	16,961	13,039
\$4,026	\$4,026							
5,770	5,770							
9,796	9,796		85,000	2,500	82,500	30,000	16,961	13,039
(9,796)	(9,796)		122,554	317,705	195,151	(19,188)	71,064	90,252
9,764	9,764			(23,214)	(23,214)			
9,764	9,764			(23,214)	(23,214)			
(\$32)	(32)		\$122,554	294,491	\$171,937	(\$19,188)	71,064	\$90,252
	32			353,767			258,619	
				\$648,258			\$329,683	

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, 2008

	CAPITAL PROJECTS FUNDS					
	PLANNED PARK FUND			OPEN SPACE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$39,369	\$28,058	(\$11,311)	\$130	\$618	\$488
Intergovernmental						
Charges for current services		42,300	42,300			
Miscellaneous		300	300			
<b>Total Revenues</b>	<u>39,369</u>	<u>70,658</u>	<u>31,289</u>	<u>130</u>	<u>618</u>	<u>488</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Public safety						
Highways and streets						
Culture and recreation						
Urban redevelopment						
<b>Capital outlay:</b>						
General government						
Highways and streets						
Culture and recreation	544,817	127,897	416,920		1,610	(1,610)
<b>Debt service:</b>						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>544,817</u>	<u>127,897</u>	<u>416,920</u>		<u>1,610</u>	<u>(1,610)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(\$505,448)</u>	<u>(57,239)</u>	<u>448,209</u>	<u>130</u>	<u>(992)</u>	<u>(1,122)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGE IN FUND BALANCES</b>	<u>(\$505,448)</u>	<u>(57,239)</u>	<u>\$448,209</u>	<u>\$130</u>	<u>(992)</u>	<u>(\$1,122)</u>
<b>BEGINNING FUND BALANCES</b>		<u>821,111</u>			<u>3,429</u>	
<b>ENDING FUND BALANCES</b>		<u>\$763,872</u>			<u>\$2,437</u>	

CAPITAL PROJECT FUND

SPECIAL ASSESSMENT DISTRICT

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$10,856	\$10,417	(\$439)
<u>10,856</u>	<u>10,417</u>	<u>(439)</u>
	<u>274,027</u>	
	<u>\$284,444</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 STATEMENTS OF NET ASSETS  
JUNE 30, 2008

	Workers' Compensation	Liability Insurance	Self-Funded Vision	Benefit Stabilization	Fleet and Equipment Management	Facilities Management	Total
<b>ASSETS</b>							
Cash and investments	\$821,953	\$1,099,721	\$29,130	\$151,819	\$2,999,638	\$40,882	\$5,143,143
Accounts receivable				746	797	7,849	9,392
Prepays and other assets					22,184		22,184
Depreciable capital assets, net					1,065,581		1,065,581
Total Assets	<u>821,953</u>	<u>1,099,721</u>	<u>29,130</u>	<u>152,565</u>	<u>4,088,200</u>	<u>48,731</u>	<u>6,240,300</u>
<b>LIABILITIES</b>							
Accounts payable		14,409	29,130		109,210	42,771	195,520
Claims payable	158,711	324,195					482,906
Compensated absences				57,024	73,418	5,957	136,399
Total Liabilities	<u>158,711</u>	<u>338,604</u>	<u>29,130</u>	<u>57,024</u>	<u>182,628</u>	<u>48,728</u>	<u>814,825</u>
<b>NET ASSETS</b>							
Invested in capital assets					1,065,581		1,065,581
Unrestricted	663,242	761,117		95,541	2,839,991	3	4,359,894
Total Net Assets	<u>\$663,242</u>	<u>\$761,117</u>		<u>\$95,541</u>	<u>\$3,905,572</u>	<u>\$3</u>	<u>\$5,425,475</u>

CITY OF BELMONT  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008

	Workers' Compensation	Liability Insurance	Self-Funded Vision	Benefit Stabilization	Fleet and Equipment Management	Facilities Management	Total
<b>OPERATING REVENUES</b>							
Interdepartmental charges for services	\$439,152	\$358,108	\$28,763	\$333,949	\$1,892,380	\$594,283	\$3,646,635
Total Operating Revenues	439,152	358,108	28,763	333,949	1,892,380	594,283	3,646,635
<b>OPERATING EXPENSES</b>							
Insurance premiums	288,219						288,219
Professional and legal	1,289	28,941	2,787	18,501	307,353	123,491	482,362
Operating costs				485,457	1,001,147	1,014,527	2,501,131
Insurance claims, net of change in claims payable	102,500	627,105	30,767				760,372
Depreciation					418,434		418,434
Total Operating Expenses	392,008	656,046	33,554	503,958	1,726,934	1,138,018	4,450,518
Operating Income (Loss)	47,144	(297,938)	(4,791)	(170,009)	165,446	(543,735)	(803,883)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Proceeds from the sale of fixed assets					11,190		11,190
Use of money and property	22,886	37,039	518	10,254	107,413	409,145	587,255
Miscellaneous		96,716			1,383		98,099
Total Nonoperating Revenues (Expenses)	22,886	133,755	518	10,254	119,986	409,145	696,544
Income (Loss) Before Transfers	70,030	(164,183)	(4,273)	(159,755)	285,432	(134,590)	(107,339)
Transfers in			3,171		43,460	50,556	97,187
Change in Net Assets	70,030	(164,183)	(1,102)	(159,755)	328,892	(84,034)	(10,152)
BEGINNING NET ASSETS	593,212	925,300	1,102	255,296	3,576,680	84,037	5,435,627
ENDING NET ASSETS	\$663,242	\$761,117		\$95,541	\$3,905,572	\$3	\$5,425,475

CITY OF BELMONT  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008

	Workers' Compensation	Liability Insurance	Self-Funded Vision	Benefit Stabilization	Fleet and Equipment Management	Facilities Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from other funds	\$439,152	\$358,108	\$28,763	\$333,203	\$1,891,583	\$594,281	\$3,645,090
Payments to vendors	(289,508)	(16,211)	1,431		(1,241,810)	(1,206,758)	(2,752,856)
Payment to or on behalf of employees				(562,559)	38,295		(524,264)
Claims paid	(10,306)	(433,124)	(30,767)				(474,197)
<b>Cash Flows from Operating Activities</b>	<b>139,338</b>	<b>(91,227)</b>	<b>(573)</b>	<b>(229,356)</b>	<b>688,068</b>	<b>(612,477)</b>	<b>(106,227)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Miscellaneous revenues		96,716			1,383		98,099
Transfers in			3,171		43,460	50,556	97,187
<b>Cash Flows from Noncapital Financing Activities</b>		<b>96,716</b>	<b>3,171</b>		<b>44,843</b>	<b>50,556</b>	<b>195,286</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition of capital assets					(469,763)		(469,763)
Proceeds from sale of capital assets					11,190		11,190
<b>Cash Flows from Capital and Related Financing Activities</b>					<b>(458,573)</b>		<b>(458,573)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest	22,886	37,039	518	10,254	107,413	409,145	587,255
<b>Cash Flows from Investing Activities</b>	<b>22,886</b>	<b>37,039</b>	<b>518</b>	<b>10,254</b>	<b>107,413</b>	<b>409,145</b>	<b>587,255</b>
<b>Net Cash Flows</b>	<b>162,224</b>	<b>42,528</b>	<b>3,116</b>	<b>(219,102)</b>	<b>381,751</b>	<b>(152,776)</b>	<b>217,741</b>
Cash and investments at beginning of period	659,729	1,057,193	26,014	370,921	2,617,887	193,658	4,925,402
Cash and investments at end of period	<u>\$821,953</u>	<u>\$1,099,721</u>	<u>\$29,130</u>	<u>\$151,819</u>	<u>\$2,999,638</u>	<u>\$40,882</u>	<u>\$5,143,143</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>							
Operating income (loss)	\$47,144	(\$297,938)	(\$4,791)	(\$170,009)	\$165,446	(\$543,735)	(\$803,883)
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation					418,434		418,434
Change in assets and liabilities:							
Accounts receivables				(746)	(797)	(2)	(1,545)
Prepays and other net assets					(13,816)		(13,816)
Accounts payable		12,730	4,218	(281)	80,506	(31,534)	65,639
Claims payable	92,194	193,981					286,175
Compensated absences				(58,320)	38,295	(37,206)	(57,231)
<b>Cash Flows from Operating Activities</b>	<b>\$139,338</b>	<b>(\$91,227)</b>	<b>(\$573)</b>	<b>(\$229,356)</b>	<b>\$688,068</b>	<b>(\$612,477)</b>	<b>(\$106,227)</b>

## 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, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<u>Section 125 Benefit Plan</u>				
Assets:				
Cash and investments	\$3,287	\$8,198	\$1,400	\$10,085
Total Assets	<u>\$3,287</u>	<u>\$8,198</u>	<u>\$1,400</u>	<u>\$10,085</u>
Liabilities:				
Section 125 employee benefits payable	\$3,287	\$8,198	\$1,400	\$10,085
Total Liabilities	<u>\$3,287</u>	<u>\$8,198</u>	<u>\$1,400</u>	<u>\$10,085</u>
<u>Southern San Mateo Police Authority</u>				
Assets:				
Cash and investments	\$4,739	\$634	\$4,739	\$634
Total Assets	<u>\$4,739</u>	<u>\$634</u>	<u>\$4,739</u>	<u>\$634</u>
Liabilities:				
Accounts payable		\$634		\$634
Deposits	\$4,739		\$4,739	
Total Liabilities	<u>\$4,739</u>	<u>\$634</u>	<u>\$4,739</u>	<u>\$634</u>
<u>Library Community Facilities District</u>				
Assets:				
Cash and investments	\$467,898	\$656,344	\$739,458	\$384,784
Total Assets	<u>\$467,898</u>	<u>\$656,344</u>	<u>\$739,458</u>	<u>\$384,784</u>
Liabilities:				
Accounts payable		\$125		\$125
Due to bondholders	\$467,898	656,219	\$739,458	384,659
Total Liabilities	<u>\$467,898</u>	<u>\$656,344</u>	<u>\$739,458</u>	<u>\$384,784</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$475,924	\$665,176	\$745,597	\$395,503
Total Assets	<u>\$475,924</u>	<u>\$665,176</u>	<u>\$745,597</u>	<u>\$395,503</u>
Liabilities:				
Accounts payable		\$759		\$759
Deposits	\$4,739		\$4,739	
Section 125 employee benefits payable	3,287	8,198	1,400	10,085
Due to bondholders	467,898	656,219	739,458	384,659
Total Liabilities	<u>\$475,924</u>	<u>\$665,176</u>	<u>\$745,597</u>	<u>\$395,503</u>

**CITY OF BELMONT REDEVELOPMENT AGENCY**  
**COMPLIANCE SECTION**

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**ACCOUNTANCY CORPORATION**

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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, 2008, and have issued our report thereon dated September 15, 2008. 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.

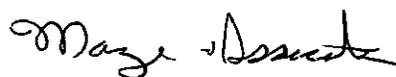
Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We noted no items we consider to be material weaknesses. As part of our audits, we prepared and issued our separate Memorandum on Internal Control dated September 15, 2008 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.



September 15, 2008

**SUMMARY OF PRIOR YEAR FINDINGS**  
**Prepared by Management**

**Finding 07-01: Five Year Implementation Plan**

The Agency's Five Year Implementation Plan expired on June 12, 2006. A new plan is required to be adopted every five years by California Health and Safety Code §33334.3(d). The Agency has not adopted a new plan in accordance with the Health Safety code requirement.

**Current Status:**

The Agency's Five Year Implementation Plan was approved by the Redevelopment Agency Board on September 11, 2007.

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008

	General	Special Revenue	Debt Service	Capital Projects	Total
<b>ASSETS</b>					
Cash and investments	\$31,006	\$5,713,665	\$4,453,153	\$4,428,447	\$14,626,271
Cash and investments with fiscal agent		11	2,210,949		2,210,960
Accounts receivables	2,149	10,614		34,992	47,755
Notes receivables		1,341,790			1,341,790
Land held for redevelopment		1,280,000		298,748	1,578,748
<b>Total Assets</b>	<b>\$33,155</b>	<b>\$8,346,080</b>	<b>\$6,664,102</b>	<b>\$4,762,187</b>	<b>\$19,805,524</b>
<b>LIABILITIES</b>					
Accounts payable	\$7,080	\$69,666	\$43,202	\$54,559	\$174,507
<b>Total Liabilities</b>	<b>7,080</b>	<b>69,666</b>	<b>43,202</b>	<b>54,559</b>	<b>174,507</b>
<b>FUND BALANCES</b>					
<b>Fund balances</b>					
<b>Reserved for:</b>					
Encumbrances	3,486	138,417	40,000	137,136	319,039
Long term notes receivable & prepaids		1,341,790			1,341,790
Land held for redevelopment		1,280,000		298,748	1,578,748
Low and moderate income housing		5,205,330			5,205,330
Debt service		310,877	6,580,900		6,891,777
Unreserved, undesignated	22,589			4,271,744	4,294,333
<b>Total Fund Balances</b>	<b>26,075</b>	<b>8,276,414</b>	<b>6,620,900</b>	<b>4,707,628</b>	<b>19,631,017</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$33,155</b>	<b>\$8,346,080</b>	<b>\$6,664,102</b>	<b>\$4,762,187</b>	<b>\$19,805,524</b>

REDEVELOPMENT AGENCY OF THE CITY OF BELMONT  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2008

	General	Special Revenue	Debt Service	Capital Projects	Total
<b>REVENUES</b>					
Incremental property taxes		\$1,646,387	\$6,585,547		\$8,231,934
Use of money and property	\$5,593	250,825	187,016	\$266,079	709,513
Miscellaneous		9,113		59,993	69,106
<b>Total Revenues</b>	<b>5,593</b>	<b>1,906,325</b>	<b>6,772,563</b>	<b>326,072</b>	<b>9,010,553</b>
<b>EXPENDITURES</b>					
Current:					
Redevelopment					
Personnel services	199,318	49,768			249,086
Pass throughs and miscellaneous	398,445	672,888	3,543,655		4,614,988
Capital outlay		693,549		506,321	1,199,870
Debt service:					
Principal		155,000	705,000		860,000
Interest and fiscal charges		161,696	1,093,855		1,255,551
<b>Total Expenditures</b>	<b>597,763</b>	<b>1,732,901</b>	<b>5,342,510</b>	<b>506,321</b>	<b>8,179,495</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(592,170)</b>	<b>173,424</b>	<b>1,430,053</b>	<b>(180,249)</b>	<b>831,058</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	590,585				590,585
Transfers (out)			(590,585)		(590,585)
<b>Total Other Financing Sources (Uses)</b>	<b>590,585</b>		<b>(590,585)</b>		
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,585)</b>	<b>173,424</b>	<b>839,468</b>	<b>(180,249)</b>	<b>831,058</b>
<b>BEGINNING FUND BALANCES</b>	<b>27,660</b>	<b>8,102,990</b>	<b>5,781,432</b>	<b>4,887,877</b>	<b>18,799,959</b>
<b>ENDING FUND BALANCES</b>	<b>\$26,075</b>	<b>\$8,276,414</b>	<b>\$6,620,900</b>	<b>\$4,707,628</b>	<b>\$19,631,017</b>

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, 2008

	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Use of money and property	\$19,751	\$5,593	(\$14,158)
Total Revenues	19,751	5,593	(14,158)
EXPENDITURES:			
Current:			
Redevelopment			
Personnel services	213,454	199,318	14,136
Pass throughs and miscellaneous	512,049	398,445	113,604
Total Expenditures	725,503	597,763	127,740
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(705,752)	(592,170)	113,582
OTHER FINANCING SOURCES (USES)			
Transfers in	590,585	590,585	
Total other financing sources (uses)	590,585	590,585	
NET CHANGE IN FUND BALANCE	(\$115,167)	(1,585)	\$113,582
BEGINNING FUND BALANCE		27,660	
ENDING FUND BALANCE		\$26,075	

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, 2008

	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$1,684,769	\$1,646,387	(\$38,382)
Use of money and property	243,586	250,825	7,239
Miscellaneous		9,113	9,113
	1,928,355	1,906,325	(22,030)
Total Revenues			
EXPENDITURES:			
Current:			
Redevelopment			
Personnel services	171,065	49,768	121,297
Pass throughs and miscellaneous	1,383,266	672,888	710,378
Capital outlay	3,248,523	693,549	2,554,974
Debt service:			
Principal	2,440,000	155,000	2,285,000
Interest and fiscal charges	1,075,147	161,696	913,451
	8,318,001	1,732,901	6,585,100
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,389,646)	173,424	6,563,070
OTHER FINANCING SOURCE			
Proceeds from debt issuance	19,795,000		(19,795,000)
NET CHANGE IN FUND BALANCE	\$13,405,354	173,424	(\$13,231,930)
BEGINNING FUND BALANCE		8,102,990	
ENDING FUND BALANCE		\$8,276,414	

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, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$6,557,223	\$6,585,547	\$28,324
Use of money and property	133,250	187,016	53,766
Total Revenues	6,690,473	6,772,563	82,090
EXPENDITURES			
Current:			
Redevelopment			
Pass throughs and miscellaneous	4,633,473	3,543,655	1,089,818
Debt service:			
Principal	20,785,000	705,000	20,080,000
Interest and fiscal charges	1,186,735	1,093,855	92,880
Total Expenditures	26,605,208	5,342,510	21,262,698
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,914,735)	1,430,053	21,344,788
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	22,810,000		(22,810,000)
Transfers out	(590,585)	(590,585)	
NET CHANGE IN FUND BALANCE	\$2,304,680	839,468	(\$1,465,212)
BEGINNING FUND BALANCE		5,781,432	
ENDING FUND BALANCE		\$6,620,900	

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, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Use of money and property	\$330,252	\$266,079	(\$64,173)
Intergovernmental	138,000		(138,000)
Miscellaneous		59,993	59,993
	<u>468,252</u>	<u>326,072</u>	<u>(142,180)</u>
Total Revenues			
EXPENDITURES			
Capital outlay	<u>7,145,357</u>	<u>506,321</u>	<u>6,639,036</u>
Total Expenditures	<u>7,145,357</u>	<u>506,321</u>	<u>6,639,036</u>
Income Before Other Financing Sources	<u>(6,677,105)</u>	<u>(180,249)</u>	<u>(6,496,856)</u>
NET CHANGE IN FUND BALANCE	<u>(\$6,677,105)</u>	(180,249)	<u>\$6,496,856</u>
BEGINNING FUND BALANCE		<u>4,887,877</u>	
ENDING FUND BALANCE		<u>\$4,707,628</u>	

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

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## Assessed Valuations

The base year valuation for the Project Area was established in the fiscal year ending June 30, 1982. The following table shows historical incremental assessed valuation (including all categories of assessed value) within the Project Area as of the March 1 lien date for the fiscal years 1982-83 through 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%
2008	925,665,178	794,588,632	6.31%

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	5,297,243	163,847	151,994	334,221	5,947,305	1,189,461	14.48%
2008	5,812,332	189,141	69,495	281,093	6,352,061	1,270,412	16.12%

(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 2007-2008 was \$1,879,873.

(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 2007-2008 were \$1,270,412. See the table above entitled "Historical Receipt of Tax Incremental Revenues." Coverage of such amounts over remaining maximum annual debt service of \$316,696 on the Series 1996 Housing Set-Aside Bonds is 4.01 times.

## Major Property Taxpayers

The ten largest assesses in the Project Area for fiscal 2007-2008 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 \$244,745,215 which represents approximately 71.33% 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	07-08 Taxable Value	Percentage of Total Secured Taxable Value of Project Area (1)
1 Nikon Precision, Inc.	Office	\$53,497,909	15.59%
2 Hines VAF II 600 Clipper LP	Office	50,000,000	14.57%
3 Oracle Corporation	Office	40,094,011	6.88%
4 Grand Prix Belmont LLC	Hotel	23,591,286	6.88%
5 Pardigm Healthcare LP	Nursing Homes	14,886,314	4.34%
6 Belmar Lessee	Apartments	14,698,249	4.28%
7 Sunrise Belmont Assis Liv Lessee	Apartments	14,691,197	4.28%
8 Safeway Inc.	Store	11,567,593	3.37%
9 PPC Belmont AVF III LLC	Apartments	11,028,240	3.21%
10 Lucas Trust Properties LLC	Apartments	10,690,416	3.12%
Total		<u>\$244,745,215</u>	<u>71.33%</u>

(1) The secured taxable value of the Project Area for fiscal year 2007/2008 is \$899,851,839 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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