



**— CITY OF BELVEDERE, CALIFORNIA —**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**WITH INDEPENDENT AUDITORS' REPORT**

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**JUNE 30, 2007**

**CITY OF BELVEDERE, CALIFORNIA**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**CITY OF BELVEDERE, CALIFORNIA**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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September 12, 2007

To the City Council  
City of Belvedere, California

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying basic financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Belvedere (the "City"), as of and for the year ended June 30, 2007, as listed in the accompanying 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Belvedere at June 30, 2007, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America

Management's Discussion and Analysis, the budgetary comparison schedules, and the PERS schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

*Odenberg Ullakko Muranishi & Co LLP*



**— CITY OF BELVEDERE, CALIFORNIA —**

**MANAGEMENT'S DISCUSSION**

**AND ANALYSIS**

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**CITY OF BELVEDERE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This discussion and analysis of the City Of Belvedere's financial activities and performance provides an overview for the fiscal year ended June 30, 2007. Please read this in conjunction with the City's financial statements, which follow this discussion and analysis.

**Government-Wide Highlights**

- The Government-Wide Statement of Net Assets appearing as the first statement of the Basic Financial Statements and summarized in this Management Discussion and Analysis, show the City's assets to be approximately \$9.9 million, liabilities \$.5 million and net assets of \$9.4 million.
- Total City revenues were approximately \$6.5 million (general revenues of \$5.1 million and program revenues of \$1.4 million) compared with total expenses of approximately \$5.4 million resulting in an increase in net assets of approximately \$1.4 million for the fiscal year ended June 30, 2007.
- The City's cash and investments totaled \$6 million and net capital assets totaled approximately \$3.3 million at June 30, 2007, representing 61% and 33% of the City's total assets, respectively.
- The City's total liabilities totaled approximately \$.5 million as of June 30, 2007 and consist primarily of refundable deposits, accounts payable and a liability for compensated absences.

**Fund Highlights**

- As of the close of fiscal year 2007, the City's governmental funds reported a combined ending fund balance of approximately \$6.3 million, an increase of \$1.1million for the year ended June 30, 2007. The detailed components of Revenues and Expenditures can be found in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances on page 17.

**City's Highlights**

- In May 2007 an assessment district was formed and bonds were issued in the amount of \$1,043,797. The proceeds of the bonds will be used for undergrounding all existing overhead utility lines, removal of utility poles and installation of new street lights along parts of San Rafael Avenue, Lagoon Road and Hilarita Circle. Annual principal and interest payments for the bonds will be paid from assessments to property owners.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They provide

**CITY OF BELVEDERE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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information about the activities of the City as a whole and present a longer-term view of the City's finances.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some of the revenues and expenses reported in this statement may result in cash flows only in future fiscal periods, such as revenues related to uncollected taxes and interest expense incurred but not paid.

### **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, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of governmental entities are divided into three categories: governmental funds, proprietary funds, and fiduciary 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 (1) short-term inflows and outflows of spendable resources and (2) the remaining year-end balances available for spending. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of the 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 funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

The City maintains 13 individual governmental funds. In the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances, information is presented separately for the following funds considered to be major funds:

- General Fund
- Fire Protection Fund
- General Capital Improvements Fund

#### **Proprietary funds**

Proprietary funds generally account for services for which customer fees are intended to finance the costs of operations. As of June 30, 2007, the City no longer maintains a Sewer Enterprise Fund.

#### **Fiduciary funds**

**CITY OF BELVEDERE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the City's own programs.

**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 follow the basic financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information other than this discussion and analysis concerning the City's budgetary comparison schedules and PERS schedule of funding progress.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets are a measure of a government's financial position and, over time, a trend of increasing or decreasing net assets is an indicator of the financial health of the organization. The City of Belvedere's net assets exceeded liabilities by approximately \$9.4 million. A schedule of net assets is presented in the following table.

<b>Net Assets</b>					
<b>June 30, 2007 and 2006</b>					
<b>(thousands)</b>					
	<b>Governmental</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Primary</b>		
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>Change</b>
Current and other assets	\$ 6,641	\$ 5,453	\$ 6,641	\$ 5,453	22%
Capital assets	3,262	3,047	3,262	3,047	7%
<b>Total assets</b>	<b>9,903</b>	<b>8,500</b>	<b>9,903</b>	<b>8,500</b>	<b>17%</b>
Current liabilities	366	343	366	343	7%
Noncurrent liabilities	137	133	137	133	3%
<b>Total liabilities</b>	<b>503</b>	<b>476</b>	<b>503</b>	<b>476</b>	<b>6%</b>
Net assets:					
Invested in capital assets, net of related debt	3,262	3,047	3,262	3,047	7%
Restricted	-	-	-	-	
Unrestricted	6,137	4,976	6,137	4,976	23%
<b>Total net assets</b>	<b>\$ 9,399</b>	<b>\$ 8,023</b>	<b>\$ 9,399</b>	<b>\$ 8,023</b>	<b>17%</b>

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$3.3 million represent the cost of these assets less any outstanding debt used to acquire those assets. The City uses



**CITY OF BELVEDERE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from other sources other than the related assets, because the capital assets themselves cannot be used to repay these debts. At June 30, 2007, the City has no outstanding debt used to acquire those assets.

The remaining balance of unrestricted net assets of \$6.1 million may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Restricted net assets represent resources that are subject to external restrictions on how they may be used. At June 30, 2007, the City does not have any restricted assets.

**Changes in Net Assets**

The City's net assets increased by approximately \$1.4 million during the current fiscal year. The City's net assets increased by \$729,000 during the prior fiscal year. Information about changes in net assets is summarized in the following table:

<b>Activities and Changes in Net Assets</b>							
<b>For the Fiscal Years Ended June 30, 2006 and 2005 (thousands)</b>							
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>Primary</b>		<b>Percentage</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>Government</b>	<b>2006</b>	<b>Change</b>
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 1,168	\$ 1,193	\$ -	\$ -	\$ 1,168	\$ 1,193	-2%
Operating grants and contributions	-	-	-	-	-	-	0%
Capital grants and contributions	-	81	-	-	-	81	-100%
General revenues:							
Taxes	3,748	3,607	-	-	3,748	3,607	4%
Franchise and other taxes	110	105	-	-	110	105	5%
Earnings on investment	235	200	-	-	235	200	18%
Revenues from other agencies	843	717	-	-	843	717	18%
Other revenue	395	106	-	-	395	106	273%
<b>Total revenues</b>	<b>6,499</b>	<b>6,009</b>	<b>-</b>	<b>-</b>	<b>6,499</b>	<b>6,009</b>	<b>8%</b>
<b>Program expenses:</b>							
General government	704	666	-	-	704	666	6%
Police	1,186	1,157	-	-	1,186	1,157	3%
Fire	880	827	-	-	880	827	6%
Planning and development	1,043	1,043	-	-	1,043	1,043	0%
Public works	838	812	-	-	838	812	3%
Library and community services	467	486	-	-	467	486	-4%
Non-departmental	59	52	-	-	59	52	13%
Sewer	-	-	-	224	-	224	-100%
<b>Total program expenses</b>	<b>5,177</b>	<b>5,043</b>	<b>-</b>	<b>224</b>	<b>5,177</b>	<b>5,267</b>	<b>-2%</b>
<b>Increase/(decrease) in net assets</b>							
<b>before transfers</b>	<b>1,322</b>	<b>966</b>	<b>-</b>	<b>(224)</b>	<b>1,322</b>	<b>742</b>	<b>78%</b>
Transfers	-	(237)	-	237	-	-	0%
Change in net assets, before distribution	1,322	729	-	13	1,322	742	78%
Distribution to Sanitary District No. 5	54	-	-	(1,156)	54	(1,156)	-
<b>Change in net assets</b>	<b>\$ 1,376</b>	<b>\$ 729</b>	<b>\$ -</b>	<b>\$ (1,143)</b>	<b>\$ 1,376</b>	<b>\$ (414)</b>	<b>432%</b>

**CITY OF BELVEDERE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As noted earlier, the City uses fund accounting to ensure compliance with finance related legal requirements and restrictions. The fund basis financial statements presented in this report address the need of the City to demonstrate compliance with financial restrictions, and they allow the statements' users to separately analyze individual funds. The City maintains three types of funds: Governmental, Proprietary and Fiduciary.

**Analysis of Major Governmental Funds**

Activity of the Governmental funds is summarized in the following table:

**Governmental Funds**  
**Revenues, Expenditures and Other Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2007 and 2006 (thousands)**

	2007			2006		Change
	General Fund	Other Major Funds	Other Gov. Funds	Total Gov. Funds	Total Gov. Funds	
Revenues	\$ 5,084	\$ 902	\$ 513	\$ 6,499	\$ 6,009	8%
Current expenditures	3,535	880	445	4,860	4,648	5%
Capital outlay	-	493	35	528	670	-21%
	3,535	1,373	480	5,388	5,318	1%
Net transfers	(946)	998	2	54	(237)	-123%
Net change in fund balances	603	527	35	1,165	454	157%
Fund balances, beginning	3,285	1,581	243	5,109	4,655	10%
<b>Fund balances, end</b>	<b>\$ 3,888</b>	<b>\$ 2,108</b>	<b>\$ 278</b>	<b>\$ 6,274</b>	<b>\$ 5,109</b>	<b>23%</b>

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**General Fund**

General fund revenues of \$5,084,442 increased by \$472,322 over the previous fiscal year, primarily due to a \$315,952 increase in other revenue from the return of excess premium of workers' compensation due to a change in carrier. General fund expenditures of \$3,535,592 increased by \$184,547 over the previous fiscal year, due to increases in the cost of personnel benefits in each department.

Net transfers out of \$945,895 consist primarily of transfers out for capital improvement and equipment replacement (\$614,911) and fire protection (\$330,884).

The General Fund balance at fiscal year-end was \$3,888,399 consisting of restricted (\$41,855) and \$3,846,544 that was undesignated. There were no original to final budget differences.

**CITY OF BELVEDERE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Other Major Funds - Fire Protection Fund**

Revenues in the Fire Protection Fund were \$574,407, an increase of \$25,591 from the previous fiscal year. Expenses were \$880,291, an increase of \$53,118 from the previous year.

The Fire Protection Fund balance at fiscal year-end amounted to \$125,000 in designated funds. There were no original to final budget differences.

**Other Major Funds - General Capital Improvements Fund**

Revenues in the Capital Improvement Fund were \$327,947, a decrease of \$28,481 from the previous year. The decrease in revenues was due to a State Park Grant that was received in the prior year. Expenses were \$493,098, a decrease of \$35,886 from the previous year

The General Capital Improvements Fund balance at fiscal year-end amounted to \$1,983,461 in designated funds. There were no original to final budget differences.

**Proprietary Funds**

Effective July 1, 2005, Sanitary District No. 5 ("SD5") assumed responsibility for the City's sewage collection system in connection with an annexation of certain incorporated territory of the City to SD5. As a result, the City transferred substantially all of its Business-Type Activity's (Sewer Fund) net assets totaling approximately \$1,155,552 to SD5.

**Fiduciary Funds**

The Fiduciary Fund maintained by the City consists of Local Improvement Districts (LID's). LID's are established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements and must be sufficient to repay this debt. The City acts solely as the collecting and paying agent for the Districts' debt which is not included in the general debt of the City.

**ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET**

General Fund revenues for fiscal year ending June 30, 2008 are anticipated to decrease by \$470,930. The anticipated decrease is due to charges for services and permit fees that are being conservatively estimated. General Fund expenditures are anticipated to increase by 10%, from \$3.5 million to \$3.9 million.

Fire Protection Fund revenue will increase by \$29,190, the amount permitted by the Proposition 4 Limitation Factor. Expenditures are estimated to increase by \$79,302.

**CITY OF BELVEDERE, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, creditors and government regulators with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact address for questions about this report or requests for additional financial information.

City of Belvedere  
Finance Department  
450 San Rafael Ave.  
Belvedere, CA 94920  
Ph : 415-435-3838



**— CITY OF BELVEDERE, CALIFORNIA —**

**GOVERNMENT-WIDE**  
**FINANCIAL STATEMENTS**

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**CITY OF BELVEDERE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	<u>Governmental Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and investments	\$ 6,003,734	\$ 6,003,734
Receivables:		
Accounts receivable, net	138,990	138,990
Prepaid items	98,773	98,773
Total current assets	<u>6,241,497</u>	<u>6,241,497</u>
Note receivable, City Manager	<u>400,000</u>	<u>400,000</u>
Total other assets	<u>400,000</u>	<u>400,000</u>
Capital assets:		
Nondepreciable	-	-
Depreciable, net	3,196,247	3,196,247
Construction in progress	66,523	66,523
Total capital assets	<u>3,262,770</u>	<u>3,262,770</u>
<b>Total assets</b>	<u>9,904,267</u>	<u>9,904,267</u>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable	92,581	92,581
Refundable deposits	263,902	263,902
Deferred revenues	10,390	10,390
Total current liabilities	<u>366,872</u>	<u>366,872</u>
Long-term liabilities:		
Compensated absences	<u>137,525</u>	<u>137,525</u>
<b>Total liabilities</b>	<u>504,398</u>	<u>504,398</u>
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	3,262,770	3,262,770
Restricted for:		
Debt service	-	-
Other purposes	-	-
Unrestricted	<u>6,137,101</u>	<u>6,137,101</u>
<b>Total net assets</b>	<u>\$ 9,399,871</u>	<u>\$ 9,399,871</u>

See accompanying notes to basic financial statements.

**CITY OF BELVEDERE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>		<b>Capital Grants and Contributions</b>
<b>Primary government:</b>					
Governmental Activities:					
General government	\$ 703,800	\$ 39,661	\$ -	\$ -	\$ (664,139)
Public safety:					
Police services	1,186,217	110			(1,186,107)
Fire services	880,291				(880,291)
Planning and development	1,043,117	839,950			(203,167)
Public works	838,098	288,712		-	(549,386)
Community Center	37,218				(37,218)
Library	429,790				(429,790)
Non-departmental	59,232				(59,232)
<b>Total governmental activities</b>	<u>5,177,763</u>	<u>1,168,433</u>	<u>-</u>	<u>-</u>	<u>(4,009,330)</u>
Change in net assets:					
<b>Net (expense) revenue</b>	<u>\$ 5,177,763</u>	<u>\$ 1,168,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,009,330)</u>

continued  
next page

**CITY OF BELVEDERE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>Functions/Programs</b>	<b>Primary Government</b>	
	Governmental Activities	Total
<b>Change in net assets:</b>		
Net (expense) revenue	\$ (4,009,330)	\$ (4,009,330)
<b>General revenues:</b>		
Taxes:		
Property taxes	3,024,281	3,024,281
Other taxes	724,351	724,351
Use of money/property	234,909	234,909
Intergovernmental revenues	842,618	842,618
Franchise fees	110,850	110,850
Other revenues	394,540	394,540
Total general revenues	<u>5,331,550</u>	<u>5,331,550</u>
<b>Transfers</b>	<u>54,582</u>	<u>54,582</u>
Change in net assets	1,376,802	1,376,802
Net assets, beginning of year	<u>8,023,069</u>	<u>8,023,069</u>
Net assets - end of year	<u><u>\$ 9,399,871</u></u>	<u><u>\$ 9,399,871</u></u>

See accompanying notes to basic financial statements.





**— CITY OF BELVEDERE, CALIFORNIA —**

**GOVERNMENTAL FUNDS**

**FINANCIAL STATEMENTS**

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**CITY OF BELVEDERE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	Major Funds			Non-Major Funds	Total Governmental Funds
	General	Fire Protection Fund	General Capital Improvements	Other Funds	
<b><u>ASSETS</u></b>					
Cash and investments	\$ 3,708,981	\$ 53,109	\$ 1,966,226	\$ 275,418	\$ 6,003,734
Accounts receivable, net	106,772	2,985	21,453	7,779	138,990
Note receivable, City Manager	400,000	-	-	-	400,000
Prepaid items	26,267	72,506	-	-	98,773
<b>Total assets</b>	<b>\$ 4,242,020</b>	<b>\$ 128,600</b>	<b>\$ 1,987,680</b>	<b>\$ 283,197</b>	<b>\$ 6,641,497</b>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 81,520	\$ 3,600	\$ 2,028	\$ 5,432	\$ 92,581
Refundable deposits	263,902	-	-	-	263,902
Deferred revenues	8,200	-	2,190	-	10,390
<b>Total liabilities</b>	<b>353,622</b>	<b>3,600</b>	<b>4,218</b>	<b>5,432</b>	<b>366,872</b>
<b><u>FUND BALANCES</u></b>					
Reserved, reported in:					
General fund	41,855	-	-	-	41,855
	41,855	-	-	-	41,855
Unreserved, reported in:					
General fund:					
Designated	-	125,000	-	-	125,000
Undesignated	3,846,544	-	-	-	3,846,544
Special Revenue funds:					
Designated	-	-	-	126,382	126,382
Capital Projects Fund:					
Designated	-	-	1,983,461	151,383	2,134,844
<b>Total fund balances</b>	<b>3,888,399</b>	<b>125,000</b>	<b>1,983,461</b>	<b>277,764</b>	<b>6,274,624</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,242,021</b>	<b>\$ 128,600</b>	<b>\$ 1,987,680</b>	<b>\$ 283,197</b>	<b>\$ 6,641,497</b>

See accompanying notes to basic financial statements.

**CITY OF BELVEDERE**

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

**JUNE 30, 2007**

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**Total Fund Balances - Total Governmental Funds** **\$ 6,274,624**

Amounts reported for governmental activities in the statement of net assets are different because:

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.

None N/A

Capital assets used in governmental activities are not current financial resources. Therefore they are not reported in the Governmental Funds Balance Sheet.

Nondepreciable	\$ -	
Depreciable	4,825,016	
Less accumulated depreciation	(1,628,769)	
Construction in progress	<u>66,523</u>	3,262,770

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.

N/A

Long-term liabilities are not due and payable in the current period and, therefore, were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Accrued compensated absences	(137,525)	
Other	<u>-</u>	(137,525)

Internal service funds are used by management to charge costs of certain activities such as equipment replacement, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

N/A

Rounding 2

**Net Assets of Governmental Activities** **\$ 9,399,871**

**CITY OF BELVEDERE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Major Funds			Non-Major Funds	Total Governmental Funds
	General	Fire Protection Fund	General Capital Improvements	Other Funds	
<b>Revenues:</b>					
Property taxes	\$ 3,024,281			\$ -	\$ 3,024,281
Other taxes	149,944	\$ 574,407		-	724,351
Licenses and permits	406,837			-	406,837
Fines and forfeitures	230,112			-	230,112
Use of money/property	213,069		\$ 21,840	-	234,909
Intergovernmental revenues	289,897		39,536	513,185	842,618
Charges for services	295,257		236,226	-	531,483
Franchise fees	110,850		-	-	110,850
Other revenues	364,195		30,346	-	394,540
<b>Total revenues</b>	<b>5,084,442</b>	<b>574,407</b>	<b>327,947</b>	<b>513,185</b>	<b>6,499,981</b>
<b>Expenditures:</b>					
Current:					
General government	647,973			15,355	663,328
Public safety:					
Police	1,149,682			-	1,149,682
Fire		880,291		-	880,291
Planning & development	1,012,489			-	1,012,489
Public works	711,332			-	711,332
Community center	14,116			-	14,116
Library				429,790	429,790
Capital outlay			493,098	35,164	528,262
<b>Total expenditures</b>	<b>3,535,592</b>	<b>880,291</b>	<b>493,098</b>	<b>480,309</b>	<b>5,389,290</b>
<b>Revenues over (under) expenditures</b>	<b>1,548,850</b>	<b>(305,884)</b>	<b>(165,151)</b>	<b>32,876</b>	<b>1,110,691</b>
<b>Other financing sources (uses):</b>					
Transfers from other funds	-	330,884	667,104	49,487	1,047,475
Transfers to other funds	(945,895)			(46,998)	(992,893)
<b>Total other financing sources (uses)</b>	<b>(945,895)</b>	<b>330,884</b>	<b>667,104</b>	<b>2,489</b>	<b>54,582</b>
<b>Net change in fund balances</b>	<b>602,955</b>	<b>25,000</b>	<b>501,953</b>	<b>35,365</b>	<b>1,165,273</b>
Fund balances-beginning	3,285,444	100,000	1,481,508	242,400	5,109,352
Fund balances-ending	\$ 3,888,399	\$ 125,000	\$ 1,983,461	\$ 277,765	\$ 6,274,625

See accompanying notes to basic financial statements.

CITY OF BELVEDERE

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF  
ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Net changes in fund balances - total governmental funds** \$ 1,165,273

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	\$ 415,182	
Depreciation expense	<u>(199,330)</u>	215,852

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.

Issuance on long-term debt	-	
Principal repayments on long-term debt	<u>-</u>	N/A

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	(4,325)	
Change in accrued interest payable	<u>-</u>	(4,325)

Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental funds.

N/A

Rounding		<u>2</u>
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**Total changes in net assets of governmental activities** \$ 1,376,802

See accompanying notes to basic financial statements.

**CITY OF BELVEDERE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2007**

	Assessment Districts				<b>Combined</b>
	<u>Corinthian</u>	<u>Upper Beach</u>	<u>Madrona</u>	<u>San Rafael</u>	
<b><u>ASSETS:</u></b>					
Cash and investments:					
Cash pooled with the City	\$ -	\$ -	\$ -	\$ 654,977	\$ 654,977
Redemption Fund	175,855	83,749	233,936	-	493,540
Reserve Fund	42,000	29,919	43,449	21,061	136,429
	<u>217,855</u>	<u>113,668</u>	<u>277,385</u>	<u>676,038</u>	<u>1,284,947</u>
Interest receivable	3,111	1,915	4,270	6,660	15,956
Special assessment receivables	370,002	1,215,000	1,995,000	1,043,797	4,623,799
	<u>370,002</u>	<u>1,215,000</u>	<u>1,995,000</u>	<u>1,043,797</u>	<u>4,623,799</u>
<b>Total assets</b>	<u>590,968</u>	<u>1,330,582</u>	<u>2,276,655</u>	<u>1,726,496</u>	<u>5,924,702</u>
<b><u>LIABILITIES:</u></b>					
Accounts payable		-	-	42,711	42,711
Limited obligation bonds payable	370,002	1,215,000	1,995,000	1,043,797	4,623,799
	<u>370,002</u>	<u>1,215,000</u>	<u>1,995,000</u>	<u>1,043,797</u>	<u>4,623,799</u>
<b>Total liabilities</b>	<u>370,002</u>	<u>1,215,000</u>	<u>1,995,000</u>	<u>1,086,508</u>	<u>4,666,510</u>
<b><u>NET ASSETS:</u></b>					
Reserved for:					
Debt service	220,966	115,582	281,656	639,987	1,258,192
	<u>220,966</u>	<u>115,582</u>	<u>281,656</u>	<u>639,987</u>	<u>1,258,192</u>
<b>Total net assets</b>	<u>\$ 220,966</u>	<u>\$ 115,582</u>	<u>\$ 281,656</u>	<u>\$ 639,987</u>	<u>\$ 1,258,192</u>

See accompanying notes to basic financial statements.

**CITY OF BELVEDERE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Assessment Districts</u>				<b><u>Combined</u></b>
	<u>Corinthian</u>	<u>Upper Beach</u>	<u>Madrona</u>	<u>San Rafael</u>	
<b><u>ADDITIONS</u></b>					
Special assessments	\$ 49,894	\$ 88,768	\$ 144,132	1,164,076	<b>\$ 1,446,870</b>
Use of money and property	10,915	4,474	12,127	6,660	<b>34,176</b>
Other revenues	-	-	-	-	<b>-</b>
<b>Total additions</b>	<b>60,809</b>	<b>93,242</b>	<b>156,259</b>	<b>1,170,736</b>	<b>1,481,047</b>
<b><u>DELETIONS</u></b>					
Administrative	2,097	6,595	4,671	600	<b>13,964</b>
Debt service:					
Principal	25,000	25,000	17,800		<b>67,800</b>
Interest	19,035	59,295	91,538		<b>169,868</b>
Capital expenditures	-	-	2,388	530,149	<b>532,537</b>
<b>Total deductions</b>	<b>46,132</b>	<b>90,890</b>	<b>116,396</b>	<b>530,749</b>	<b>784,168</b>
Change in net assets	14,676	2,352	39,863	639,987	<b>696,879</b>
Net assets, beginning of year	206,290	113,230	241,793	0	<b>561,313</b>
Net assets, end of year	<b>\$ 220,966</b>	<b>\$ 115,582</b>	<b>\$ 281,656</b>	<b>\$ 639,987</b>	<b>\$ 1,258,192</b>

See accompanying notes to basic financial statements.



**— CITY OF BELVEDERE, CALIFORNIA —**

**NOTES TO BASIC**

**FINANCIAL STATEMENTS**

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**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - Summary of significant accounting policies:**

The basic financial statements of the City of Belvedere (“the City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP-US”) as applied to governmental agencies. The Governmental Accounting Standards Boards (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles are described below.

**A. Reporting Entity**

The City is a municipal corporation governed by an elected five-member Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are combined with data of the primary government. At June 30, 2007, the City did not have any component units that met this criterion.

The Association of Bay Area Governments, Marin County Risk Management Authority and Southern Marin Emergency Medical Paramedic System are excluded from the accompanying financial statements due to the City Council’s not having control over either the governing boards or funding of these entities.

**B. Description of Funds**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial expectations.

**C. Government–Wide Financial Statements**

The City’s government-wide financial statements include a Statement of Net Assets, and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities and Business-type activities for the City, accompanied by a total column. These financial 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. Governmental activities are financed generally through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed generally through user fees. The City does not currently have any Business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues 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 three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments* (“GASB No. 34”) in regards to interfund activities, payables and receivables.

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**D. Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in net assets as presented in these fund statements to the net assets presented in the government-wide financial statements.

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

Major funds are defined as governmental funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total or five percent of the grand total. The general fund is always a major fund. The City may select other governmental funds it believes should be presented as major funds. No such funds were selected in fiscal 2007.

The major governmental funds of the City are:

- **General Fund** – The General Fund is used to account for the resources to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation, which are not required to be accounted for in another fund.
- **Fire Protection Fund** - This fund was established to receive and expend revenue from Measure B, the fire and emergency services special tax levy. These funds along with transfers from other funds fund the cost of services provided by the Tiburon Fire Protection District.
- **Capital Improvement Fund** – This fund is used to account for monies used for capital projects, including street improvements and the Community Park turf and sprinkler system project.

**E. Basis of Accounting**

The City-wide, Proprietary Funds and Fiduciary Fund financial statements required by GASB 34 are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, if any are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Governmental fund financial statements are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities (except for long-term advances from the City) are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property taxes, sales taxes, intergovernmental revenues, other taxes and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain 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.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving 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 follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB No. 34.

**F. Use of Restricted/Unrestricted Net Assets**

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

**G. Budgets and Budgetary Accounting**

The City operates under the general laws of the State of California ("State") and annually adopts a budget to be effective July 1 of the ensuing fiscal year. The City adopts an annual budget for General, Special Revenue and Capital Projects Funds. Budgets are subject to a public hearing before they are adopted by the City Council. Budgets are prepared on the cash basis and are not materially different from budgets prepared under accounting principles generally accepted in the United States of America ("GAAP-US").

Budgets submitted to the City Council include both proposed appropriations and the means of financing them. The City Council approves total appropriations on a fund-by-fund basis.

The City Manager is authorized to transfer budget appropriations within the same department in conformance with the adopted policies set by the City Council. Additional appropriations or interfund transfers not included in the original budget resolutions require approval by the City Council. Budgeted amounts shown reflect the annual operating budget as originally passed and include an additional appropriation for equipment replacement made in mid-year. Encumbrance accounting, a method of recording purchase commitments, is not used by the City.

**H. Receivables and payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). The City does not have any due to/from other funds.

Long-term advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. City does not have any long-term advances between funds.

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**I. Inventories and prepaid items**

Inventories are recorded as expenditures when purchased rather than when consumed. Inventories in the proprietary funds are stated at the lower of cost or market and consist of expendable materials and supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventories and prepaid items, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds to indicate that they do not constitute resources available for appropriation.

**J. Capital Assets**

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$1,500. Gifts or contributions of capital assets are recorded at fair market value on the date donated. Depreciation of capital assets is charged as an expense each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Statement of Net Assets as a reduction in the book value of capital assets.

**K. Compensated Absences**

City employees accrue vacation, sick, holiday, executive leave and compensatory time off benefits. Vacation may not accrue beyond 240 hours or as provided in the employee's memorandum of understanding (MOU). No cash compensation is payable for accrued vacation until the employee terminates employment. No cash payment is made for accrued sick leave upon separation of service. Upon retirement, eligible employees may convert sick leave to years of service credit as provided for in the City's contract with PERS. In lieu of overtime, it is the City's policy to allow employees to accumulate compensatory time to limits provided for in the MOU. This accumulation may subsequently be converted to cash up to limits provided for in their MOU or converted to cash upon separation of service.

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary financial statements. A liability for these amounts is reported in the governmental funds financial statements only when they have matured (such as vacation time, estimated to be paid upon retirement in the next fiscal year with expendable available financial resources).

**L. Property Tax Revenues**

State Constitution Article 13 provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. Assessed value is calculated at 100% of market value as defined by the above-referenced Article 13. The State Legislature has determined the method of distribution of receipts from the \$1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter approved debt service. The County of Marin assesses properties and bills for and collects property taxes according to the schedules that follow:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 and April 10	August 31

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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The term “Unsecured” refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which the taxes have been levied.

**M. Net Assets**

Government-Wide Net Assets consist of the following:

Invested in capital assets, net of related debt – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that was attributed to the acquisition, construction or improvement of the assets.

Restricted net assets – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets”.

Governmental Fund Balance consist of the following: Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws that require a portion of the fund balance to be segregated or identify the portion of the fund not available for future expenditures.

**N. Deferred revenues**

Deferred revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

**O. Statement of cash flows**

For purposes of the statement of cash flows, all highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. The City considers all pooled cash and investments as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds.

**P. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

**NOTE 2 - Stewardship, compliance, and accountability:**

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the special revenue, capital projects, and debt service governmental funds. All annual appropriations lapse at fiscal year end. The City submits requests for appropriations to the City Manager so that a budget may be prepared. The Finance Committee reviews the budget before it goes to City Council. The proposed budget is presented to the City Council for review. The Council holds public hearings and adopts a final budget.

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

The appropriated budget is prepared by fund, function, and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments and other changes require the approval of the City Council. The legal level of budgetary control is the department and fund level. Encumbrance accounting, a method of recording purchase commitments, is not used by the City.

**NOTE 3 - Cash and investments:**

Cash and investments at June 30, 2007 consisted of the following:

	Carrying Value	Market Value
State of California - Local Agency Investment Fund	\$ 7,108,396	\$ 7,105,162
Cash in checking accounts	179,485	179,485
Petty cash	800	800
	\$ 7,288,681	\$ 7,285,447
Unrestricted	\$ 6,003,734	
Restricted	1,284,947	
	\$ 7,288,681	

The disposition of cash and investments by funds was as follows:

General fund	\$ 3,708,981
Fire protection fund	53,109
Capital improvement fund	1,966,226
Other non-major funds	275,418
	6,003,734
Fiduciary fund	1,284,947
Total cash and investments	\$ 7,288,681

Interest earned on pooled deposits and investments is allocated to the various funds based upon average balances. Interest earned by all debt service fund investments is credited directly to the respective fund.

*Pooled demand deposits.* The California Government Code requires California banks and savings and loans to secure a local agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the agency's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes at least equal to 150% of an agency's deposits. The agency may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

*Investments.* The City is authorized by its most recent investment policy to invest in the following investments generally with a maturity date not to exceed three years from the date of purchase:

- State Local Agency Investment Fund
- Securities of the U.S. government
- Certificates of deposit
- Passbook savings and money market accounts

The City's investments are categorized below to give an indication of the level of risk assumed by the City at fiscal year end. Category 1 includes investments that are insured or registered or for which the

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

	<u>Category 1</u>	<u>Category 2</u>	<u>Uncategor- ized</u>	<u>Carrying amount</u>
<u>Pooled investments</u>				
State of California Local Agency Investment Fund			\$ 7,108,396	\$ 7,108,396
Subtotal	-	-	7,108,396	7,108,396
Total	\$ -	\$ -	\$ 7,108,396	\$ 7,108,396

The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1956 and has oversight provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB board members are the State Treasurer, Director of Finance, and the State Controller.

**NOTE 4 - Note receivable, City Manager:**

During fiscal 2005, the City entered into a Home Loan agreement with its City Manager for the purpose of facilitating the purchase of certain residential real property as set forth under the agreement. The loan (\$400,000) is secured by a Second Deed of Trust on the real property and bears annual interest at the Local Agency Investment Fund (LAIF) interest rate, adjusted annually, as defined (2.38% at June 30, 2007). Interest only payments are due monthly in the amount of \$793.33. The agreement provides for among other things that principal plus all accrued interest shall be due and payable in full six (6) months following the first to occur of any of the following: (1) the termination of employment with the City, for any reason whatsoever; (2) death; (3) determination by city manager not to occupy the subject property as his principal place of residence and (4) the physical or mental incapacity of the city manager such as to render him unable to perform his work for the City for a period of six (6) consecutive months. The balance outstanding at June 30, 2006 is \$400,000.

**NOTE 5 - Capital assets:**

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

The City has chosen to defer the recording of historical costs of infrastructure assets; GASB 34 allows up to four years to record the costs and depreciation on these assets. With the implementation of GASB 34, the City has begun recording costs and depreciation of current infrastructure assets beginning with fiscal 2004.

GASB 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of the depreciation is to spread the cost of the 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 the capital assets. Depreciation is provided using the straight-line method over its expected useful life. Capital assets with a value over \$1,500 or more are capitalized.

The City has assigned the useful lives listed below to capital assets: Buildings and improvements (25-30



**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

years); Transportation equipment (10-15 years) and Machinery and Equipment (3-20 years).

Governmental capital asset activity for the fiscal year was as follows:

	June 30, 2006	Increases	Decreases	June 30, 2007
Capital assets not being depreciated:				
Land and improvements	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	66,522	-	66,522
	<u>-</u>	<u>66,522</u>	<u>-</u>	<u>66,522</u>
Depreciable capital assets:				
City Hall & Community Center				
Buildings improvements	2,423,208	-	-	2,423,208
Corporation yard improvements	190,393	-	-	190,393
Office furniture & equipment	107,735	20,953	-	128,688
Transportation/other-Yard	357,409	55,000	-	412,409
Transportation/other-Police	237,307	-	-	237,307
Infrastructure	1,105,305	327,707	-	1,433,012
Total	<u>4,421,357</u>	<u>403,660</u>	<u>-</u>	<u>4,825,017</u>
Less - accumulated depreciation for:				
City	1,287,179	201,340	-	1,488,519
Infrastructure	87,260	52,990	-	140,250
	<u>1,374,439</u>	<u>254,330</u>	<u>-</u>	<u>1,628,769</u>
Depreciable capital assets, net	<u>3,046,918</u>	<u>149,330</u>	<u>-</u>	<u>3,196,248</u>
Total capital assets, net	<u>\$ 3,046,918</u>	<u>\$ 215,852</u>	<u>\$ -</u>	<u>\$ 3,262,770</u>

Depreciation expense for governmental activities was charged to function as follows:

Governmental activities:	
General government	\$ 93,073
Police	42,139
Public works	25,608
Planning & building	20,260
Community Center	20,260
Infrastructure	52,990
	<u>\$ 254,330</u>



**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6 - Long-term debt:**

In June 1996, the City issued \$1,990,000 in certificates of participation (the "Certificates") to finance the construction of the replacement Beach Road sewer line and to rehabilitate two of the City's pump stations. Issuance costs on the Certificates totaled \$84,197 and net proceeds from the issuance of the Certificates were \$1,905,083. Issuance costs for the Certificates were capitalized as other assets and were amortized using the straight-line method over the term of the Certificates.

The Certificates mature annually through the fiscal year ended June 30, 2021 and bear interest at rates ranging from 5.25% to 6.00%. Debt service for the Certificates is funded by the net revenues (revenues minus operating expenses) and cash and investments of the Sewer Enterprise Fund.

Effective July 1, 2005, Sanitary District No. 5 ("SD5") assumed responsibility for the City's sewage collection system in connection with an annexation of certain incorporated territory of the City to SD5. As a result, the City's liability of \$1,665,000 was transferred to SD5. As of July 1, 2005, the City no longer had any obligation under the certificates of participation.

**NOTE 7 - Local Improvement District Debt with no City commitment:**

Local Improvement Districts (LID's) are established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements and must be sufficient to repay this debt. The City acts solely as the collecting and paying agent for the Districts' debt which is not included in the general debt of the City. The outstanding balance of each of these issues as of June 30, 2007 is as follows:

<b><u>LID Debt:</u></b>	<u>Balance, June 30, 2006</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance, June 30, 2007</u>
Corinthian Island	\$ 405,000	\$ -	\$ 34,998	\$ 370,002
Upper Beach Road	1,240,000		25,000	1,215,000
Madrona	2,007,800	-	12,800	1,995,000
San Rafael	1,043,797			1,043,797
Total	<u>\$ 4,696,597</u>	<u>\$ -</u>	<u>\$ 72,798</u>	<u>\$ 4,623,799</u>

**Corinthian Island Undergrounding Assessment District:** This District was formed to finance certain public improvements, including the relocation of utility services (electricity, telephone and cable television) to underground locations and the elimination of all existing utility poles and overhead wires in the same area. The total assessments levied against the parcels in this district were \$792,000, of which cash prepayments amounted to \$217,529 (gross assessments of \$238,746 less a 9% discount offered for early payment).

In August 1998, improvement bonds (City of Belvedere Limited Obligation Improvement Bonds, Corinthian Island Undergrounding Assessment District) were issued in the amount of \$553,253.96, representing the unpaid assessments pursuant to the provisions of the Improvement Bond Act of 1915. The bonds were issued in denominations of \$5,000 or any integral multiple thereof, except for one bond in an odd amount due on September 2, 1999. Interest on the bonds became payable commencing September 2, 1999, and semi-annually thereafter on each March 2 and September 2 until maturity.

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

A Special Reserve Fund was established in the initial amount of \$42,000 from the bond proceeds. That amount, less any amounts transferred to the Redemption Fund, shall constitute the "Reserve Requirement" for the bonds. The City's liability to advance funds to the Redemption Fund in the event of delinquent installments shall not exceed the balance in the Reserve Fund. The Improvement Fund was established to account for the expenditures for capital improvements. Proceeds from the sale of bonds were deposited into this fund in addition to the prepaid assessments collected. The third fund created was the Redemption Fund, to collect all payments of principal and interest installments on the assessments. Payments of the bonds at maturity, or at redemption prior to maturity, and all interest on the bonds shall be made from this fund.

As of June 30, 2007, future debt service payments were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2008	\$ 30,000	\$ 16,450	\$ 46,450
2009	30,000	15,040	45,040
2010	35,000	13,269	48,269
2011	35,000	11,985	46,985
2012	40,000	10,340	50,340
2013 to 2017	200,002	21,855	221,857
	<u>\$ 370,002</u>	<u>\$ 88,939</u>	<u>\$ 458,941</u>

**Upper Beach Road Underground Assessment District:** This district was formed to finance certain public improvements, including the relocation of utility services (electricity, telephone and cable television) to underground locations and the elimination of all existing utility poles and overhead wires in the same area. The total assessments levied against the parcels in this district were \$1,508,079. Cash payments of \$204,038 were received from six property owners leaving a balance of \$1,304,041 to finance.

In May 2002, improvement bonds (City of Belvedere Limited Obligation Improvement Bonds, Upper Beach Road Underground Assessment District) were issued in the amount of \$1,304,041, representing the unpaid assessments pursuant to the provisions of the Improvement Bond Act of 1915. The bonds bear annual interest ranging from 2.25% to 5.25%. The bonds were issued in denominations of \$5,000 or any integral multiple thereof, except for one bond in an odd amount due on September 2, 2003. Interest on the bonds become payable commencing March 2, 2003, and semi-annually thereafter on each March 2 and September 2 until maturity.

A Special Reserve Fund was established in the initial amount of \$25,930 from the bond proceeds. The reserve fund will be allowed to grow through interest earnings to the reserve requirement maximum of \$87,818. That amount, less any amounts transferred to the Redemption Fund shall constitute the "Reserve Requirement" for the bonds. The City's liability to advance funds to the Redemption Fund in the event of delinquent installments shall not exceed the balance in the Reserve Fund. The Improvement Fund was established to account for the expenditures for capital improvements. Proceeds from the sale of bonds were deposited into this fund in addition to the prepaid assessments collected. The third fund created was the Redemption Fund, to collect all payments of principal and interest installments on the assessments. Payments of the bonds at maturity, or at redemption prior to maturity, and all interest on the bonds shall be made from this fund.

**CITY OF BELVEDERE, CALIFORNIA**  
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As of June 30, 2007, future debt service payments were as follows:

Fiscal year ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 25,000	\$ 59,493	\$ 84,493
2009	25,000	58,618	83,618
2010	30,000	57,693	87,693
2011	30,000	56,522	86,522
2012	30,000	55,322	85,322
2013 to 2017	170,000	256,053	426,053
2018 to 2022	215,000	212,825	427,825
2023 to 2027	270,000	154,422	424,422
2028 to 2032	345,000	77,368	422,368
2033	75,000	4,200	79,200
	<u>\$ 1,215,000</u>	<u>\$ 992,516</u>	<u>\$ 2,207,516</u>

**Madrona, Bella Vista and Oak Underground Assessment District:** This district was formed to finance certain public improvements, including the relocation of utility services (electricity, telephone and cable television) to underground locations and the elimination of all existing utility poles and overhead wires in the same area. The preliminary estimated assessment in the District totaled \$2,035,000. Full cash payment was received by one of the property owners and partial cash payments were received by two of the property owners to offset \$56,055.06 in aggregate confirmed assessments, leaving a balance of \$1,977,800.97. Six of the property owners have requested an increase in their individual assessments of \$5,000 each for funding service connections, giving a net total amount of unpaid assessments securing the Bonds of \$2,007,800.

In June 2005, improvement bonds (City of Belvedere Limited Obligation Improvement Bonds, (Madrona, Bella Vista and Oak Underground Assessment District) were issued in the amount of \$2,008,413, representing the unpaid assessments pursuant to the provisions of the Improvement Bond Act of 1915. The bonds bear annual interest ranging from 2.25% to 5.00%. The bonds were issued in denominations of \$5,000 or any integral multiple thereof, except for one bond in an odd amount due on September 2, 2006. Interest on the bonds become payable commencing March 2, 2006, and semi-annually thereafter on each March 2 and September 2 until maturity.

A Special Reserve Fund is required to be established in the initial amount of \$40,156 from the bond proceeds. The reserve fund will be allowed to grow through interest earnings. That amount, less any amounts transferred to the Redemption Fund shall constitute the "Reserve Requirement" for the bonds. The City's liability to advance funds to the Redemption Fund in the event of delinquent installments shall not exceed the balance in the Reserve Fund. The Improvement Fund was established to account for the expenditures for capital improvements. Proceeds from the sale of bonds were deposited into this fund in addition to the prepaid assessments collected. The third fund created was the Redemption Fund, to collect all payments of principal and interest installments on the assessments. Payments of the bonds at maturity, or at redemption prior to maturity, and all interest on the bonds shall be made from this fund.

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

As of June 30, 2007, future debt service payments were as follows:

Fiscal year ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 35,000	\$ 90,834	\$ 125,834
2009	40,000	89,753	129,753
2010	40,000	88,513	128,513
2011	40,000	87,193	127,193
2012	45,000	85,793	130,793
2013 to 2017	235,000	403,001	638,001
2018 to 2022	295,000	346,993	641,993
2023 to 2027	360,000	270,784	630,784
2028 to 2032	455,000	171,354	626,354
2033 to 2036	450,000	46,250	496,250
	<u>\$ 1,995,000</u>	<u>\$ 1,680,468</u>	<u>\$ 3,675,468</u>

**San Rafael Underground Assessment District:** This district was formed to finance certain public improvements, including the relocation of utility services (electricity, telephone and cable television) to underground locations and the elimination of all existing utility poles and overhead wires in the same area. The preliminary estimated assessment in the District totaled \$1,333,279. Full cash payment was received by five of the property owners and partial cash payment was received by one of the property owners to offset \$143,279 in aggregate confirmed assessments, leaving a balance of \$1,190,000.

In May 2007, improvement bonds (City of Belvedere Limited Obligation Improvement Bonds, (San Rafael Avenue Underground Assessment District) were issued in the amount of \$1,043,797, representing the unpaid assessments pursuant to the provisions of the Improvement Bond Act of 1915. The bonds bear annual interest ranging from 3.75% to 5.00%. The bonds were issued in denominations of \$5,000 or any integral multiple thereof, except for one bond in an odd amount due on September 2, 2008. Interest on the bonds become payable commencing March 2, 2008, and semi-annually thereafter on each March 2 and September 2 until maturity.

A Special Reserve Fund is required to be established in the initial amount of \$20,875 from the bond proceeds. The reserve fund will be allowed to grow through interest earnings. That amount, less any amounts transferred to the Redemption Fund shall constitute the "Reserve Requirement" for the bonds. The City's liability to advance funds to the Redemption Fund in the event of delinquent installments shall not exceed the balance in the Reserve Fund. The Improvement Fund was established to account for the expenditures for capital improvements. Proceeds from the sale of bonds were deposited into this fund in addition to the prepaid assessments collected. The third fund created was the Redemption Fund, to collect all payments of principal and interest installments on the assessments. Payments of the bonds at maturity, or at redemption prior to maturity, and all interest on the bonds shall be made from this fund.

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

As of June 30, 2007, future debt service payments were as follows:

Fiscal year ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,797	\$ 37,188	\$ 40,985
2009	20,000	48,086	68,086
2010	20,000	47,630	67,630
2011	20,000	46,850	66,850
2012	20,000	46,055	66,055
2013 to 2017	110,000	217,709	327,709
2018 to 2022	140,000	191,234	331,234
2023 to 2027	185,000	156,286	341,286
2028 to 2032	230,000	110,403	340,403
2033 to 2036	295,000	52,694	347,694
	<u>\$ 1,043,797</u>	<u>\$ 954,135</u>	<u>\$ 1,997,932</u>

**NOTE 8 - Joint ventures and pools:**

**Belvedere-Tiburon Library Agency**

The Belvedere-Tiburon Library Agency (the "Agency") was established in May 1995 to construct, own, operate, and maintain a new public library, servicing the residents of Belvedere and Tiburon. Each member of the Agency has three (3) representatives on the Library Board which governs the management and financing of its activities. Participating agencies at June 30, 2007 were the Town of Tiburon and the City of Belvedere. The City receives tax receipts, relating to the Belvedere-Tiburon Library, from the County of Marin. The City disburses all of those receipts to the Library (\$429,790 for fiscal 2007), which utilizes the funds for ordinary operations. The financial results of the Agency are not included in the accompanying financial statements because the City does not have oversight authority.

Condensed audited financial information (in-thousands) as of and for the fiscal year ended June 30, 2006 for the Agency is presented below (financial information for the fiscal year ended June 30, 2007 was not available):

Total assets	\$ 6,125
Total capital assets	3,957
Total liabilities	1,451
Net assets	4,674
Net program expenses	(1,650)
Net program revenues	276
Total general revenues	1,723
Increase in net assets	349

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**California Joint Powers Insurance Authority**

Effective July 1, 2007, the City became a member of the California Joint Powers Insurance Authority ("Authority"). The Authority is composed of 114 California public entities and is organized under the joint powers agreement pursuant to California Government Code #6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

The self-insurance programs of the Authority are as follows:

**General Liability:** Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the members deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$10 million, \$18 million to \$23 million and \$45 million to \$50 million and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$10 million to \$18 million and \$23 million to \$45 million are currently paid by excess insurance. The protection for each member is \$50 million per occurrence and \$50 million annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

**Workers' Compensation:** The City also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately from public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2 million and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2 million to \$5 million are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2 million to \$200 million are transferred to reinsurance carriers. Costs in excess of \$200 million are pooled among members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

The purchased insurance programs of the Authority are as follows:

**Environmental insurance:** The City also participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2005 through July 1, 2008. Each member of the Authority has a \$10 million limit during the 3-year term of the policy.

**Property insurance:** The City participates in the all-risk property protection program of the Authority. The insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property coverage is \$5,712,740. There is a \$5,000 deductible per occurrence except for non-emergency

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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vehicle insurance which has a \$1,000 deductible. Premiums for coverage are paid annually and are not subject to retroactive adjustments.

***Fidelity Bonds:*** The City purchases blanket fidelity bond coverage in the amount of \$1 million with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums for coverage are paid annually and are not subject to retroactive adjustments.

During the past three fiscal (claims) years, none of the above programs of protection provided through the Authority have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions on pooled or insured liability coverage in the prior year.

**Bay Cities Joint Powers Insurance Authority**

During the fiscal year the City moved its insurance coverages from Bay Cities Joint Powers Insurance Authority to the California Joint Powers Insurance Authority. As a result, the City received its cash reserve balances including interest of approximately \$319,000 held by Bay Cities Joint Powers Insurance Authority which is reported as other revenues in the accompanying financial statements for the fiscal year ended June 30, 2007.

**County of Marin**

The City along with certain other cities entered into joint venture and pooling contracts with the County of Marin to provide dispatch services and a 911 public safety answering point for member cities.

Financial information on the joint ventures and pools can be obtained from the City at:

450 San Rafael Avenue  
Belvedere, California 94920

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9 - Operating transfers:**

The following schedule summarizes the operating transfers in and out for the fiscal year ended June 30, 2007:

	<u>Transfers in</u>	<u>Transfers out</u>
<b>General Fund:</b>		
Community Center Reserve	\$ -	\$ -
Fire Protection	330,884	-
Insurance Reserve	-	-
Equipment Replacement	49,487	-
Capital Improvement	667,104	-
	<u>1,047,475</u>	<u>-</u>
<b>Fire Protection Fund:</b>		
Fire Protection	-	-
	<u>-</u>	<u>-</u>
<b>General Capital Improvements:</b>		
Storm Recovery Fund	-	-
General fund	-	945,895
Gas tax	-	46,998
San Rafael	-	54,582
	<u>-</u>	<u>1,047,475</u>
<b>Non-major funds:</b>		
Storm Recovery Fund	-	-
Insurance reserve	-	-
Equipment Replacement	-	-
Community Center Reserve	-	-
Gas tax	-	-
	<u>-</u>	<u>-</u>
Sub-total	<u>1,047,475</u>	<u>1,047,475</u>
Totals	<u>\$ 1,047,475</u>	<u>\$ 1,047,475</u>



**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 10 - Fund Equity:**

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent those portions of fund balances which are not available for appropriation or are legally or third-party restricted for specific future purposes. The remaining portions are unreserved fund balances. The City did not have any reserved fund balances at June 30, 2007.

	General Fund	Fire Protection Fund	Capital Improvement Fund	Non-Major Other Funds	Total
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Portions of unreserved fund balances may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, have not been legally authorized, and may not result in expenditures. Unreserved designated fund balances at June 30, 2007 were:

	General Fund	Fire Protection Fund	Capital Improvement Fund	Non-Major Other Funds	Total
Fire protection	\$ -	\$ 125,000	\$ -	\$ -	\$ 125,000
Insurance	-	-	-	84,645	84,645
Library	-	-	-	36,270	36,270
Equipment replacement	-	-	-	151,383	151,383
Capital projects	-	-	1,983,461	-	1,983,461
Gas tax	-	-	-	5,467	5,467
	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 1,983,461</u>	<u>\$ 277,765</u>	<u>\$ 2,386,226</u>

**NOTE 11 - Public Employees Retirement System:**

**Plan description.** The City of Belvedere contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries based on the employee's years of service, age, and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50 (age 55 prior to January 1, 1991) for public safety employees and age 55 for other employees. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Funding Policy and Annual Pension Cost.** The contribution requirements of plan members and the City are established by and may be amended by PERS. The City's annual pension cost for the most recent year and related information for each plan is as follows:

	<u>Safety Employees</u>	<u>Miscellaneous Employees</u>
Contribution rates:		
City	24.93%	13.62%
Employees	8.00%	7.00%
Annual pension cost	\$ 115,700	\$ 157,712
Contributions made	\$ 115,700	\$ 157,712
Actuarial valuation date	June 30, 2005	June 30, 2005

	<u>Safety Employees</u>	<u>Miscellaneous Employees</u>
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage pay,	Level percentage pay,
Avg. remaining amortization period	14 years	14 years
Asset valuation method	15-year smoothed market	15-year smoothed market
Actuarial assumptions:		
Investment rate of return	7.75%	7.75%
Projected salary increases	3.25% - 14.45%	3.25% - 14.45%
Inflation	3.00%	3.00%
Payroll growth	3.25%	3.25%

	<u>Combined</u>			
Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation	
6/30/2005	\$ 171,584	100%	\$ -	
6/30/2006	\$ 270,846	100%	\$ -	
6/30/2007	\$ 273,412	100%	\$ -	

**Postretirement health care benefits.** The City provides postretirement health care benefits through the PERS Health Plan to all employees who retire from the City on or after attaining age 50 with at least five years of service. Currently, six retirees meet those eligibility requirements. The City pays a portion of the health plan in the amount of \$80.80 per month for 6 of the employees and \$862.34 per month for one of the employees. Expenditures for postretirement health care benefits are recognized as retirees elect coverage in the health plan. During 2007 the City paid a total of \$14,937 for such postretirement health care benefits on behalf of six former employees.

**CITY OF BELVEDERE, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 12 - Excess of Expenditures over Appropriations:**

For the fiscal year ended June 30, 2007, expenditures exceeded appropriations in the following individual funds:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Fire protection	\$ 853,135	\$ 880,291	\$ (27,156)

Fire protection expenditures exceeded the budget primarily due to costs associated with the agreement with the Tiburon Fire Protection District for fire protection services. The expenditures were underestimated at the time the budget was formed.

**NOTE 13 - Commitments and Contingencies:**

The City is a defendant in several lawsuits. Although the ultimate liability resulting from these matters cannot presently be determined, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City participates in a joint powers agreement through the Marin Emergency Radio Authority ("MERA") under an operating agreement dated February 1, 1999. MERA was created July 1, 1997 by an agreement between certain public agencies in Marin County to provide a public safety radio system to its members. The members have agreed to assign a portion of their property tax revenues and make annual payments, on a pro rata basis to cover the costs of debt financing and operating the system.



— CITY OF BELVEDERE, CALIFORNIA —

**REQUIRED SUPPLEMENTARY INFORMATION**

**(BUDGETARY INFORMATION AND  
PENSION FUNDING)**

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**CITY OF BELVEDERE**

**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>GENERAL FUND</b>			Variance with Final- Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 2,676,896	\$ 2,676,896	\$ 3,024,281	\$ 347,385
Other taxes	148,000	148,000	149,944	1,944
Licenses and permits	316,500	316,500	406,837	90,337
Fines and forfeitures	170,000	170,000	230,112	60,112
Use of money/property	123,000	123,000	213,069	90,069
Intergovernmental revenues	147,500	147,500	289,897	142,397
Charges for services	238,400	238,400	295,257	56,857
Franchise fees	102,000	102,000	110,850	8,850
Other revenues	36,000	36,000	364,195	328,195
<b>Total revenues</b>	<b>3,958,296</b>	<b>3,958,296</b>	<b>5,084,442</b>	<b>1,126,146</b>
<b>Expenditures</b>				
Current:				
General government	648,827	648,827	647,973	854
Public safety:				
Police	1,068,326	1,168,326	1,149,682	18,644
Fire			-	-
Planning & development	1,035,456	1,035,456	1,012,489	22,967
Public works	756,707	756,707	711,332	45,375
Community center	22,500	22,500	14,116	8,384
Library	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>3,531,816</b>	<b>3,631,816</b>	<b>3,535,592</b>	<b>96,224</b>
Excess of revenues over (under) expenditures	426,480	326,480	1,548,850	1,222,370
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(952,030)	(952,030)	(945,895)	(6,135)
Proceeds of long-term debt	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(952,030)</b>	<b>(952,030)</b>	<b>(945,895)</b>	<b>6,135</b>
Excess of revenues and other sources over (under) expenditures and other uses	(525,550)	(625,550)	602,955	1,228,505
Fund balances-beginning	3,285,444	3,285,444	3,285,444	-
Fund balances-ending	\$ 2,759,894	\$ 2,659,894	\$ 3,888,399	\$ 1,228,505

continued  
next page

**CITY OF BELVEDERE**

**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>FIRE PROTECTION FUND</b>			Variance with Final- Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b><u>Revenues:</u></b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	577,605	577,605	574,407	(3,198)
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money/property	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Franchise fees	-	-	-	-
Other revenues	-	-	-	-
<b>Total Revenues</b>	<b>577,605</b>	<b>577,605</b>	<b>574,407</b>	<b>(3,198)</b>
<b><u>Expenditures</u></b>				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	853,135	853,135	880,291	(27,156)
Planning & development	-	-	-	-
Public works	-	-	-	-
Community center	-	-	-	-
Library	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>853,135</b>	<b>853,135</b>	<b>880,291</b>	<b>(27,156)</b>
Excess of Revenues Over (Under) Expenditures	(275,530)	(275,530)	(305,884)	(30,354)
<b><u>Other financing sources (uses):</u></b>				
Transfers from other funds	300,530	300,530	330,884	30,354
Transfers to other funds	-	-	-	-
Proceeds of long-term debt	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>300,530</b>	<b>300,530</b>	<b>330,884</b>	<b>30,354</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	25,000	25,000	25,000	-
Fund balances-beginning	100,000	100,000	100,000	-
Fund balances-ending	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ -</b>

**CITY OF BELVEDERE**

**REQUIRED SUPPLEMENTARY INFORMATION - PERS**  
**SCHEDULE OF FUNDING PROCESS - UNAUDITED**

**Miscellaneous Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal Accrual Liability (b)	(Unfunded) Overfunded (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	(Unfunded) Overfunded % of Covered Payroll ((a - b)/c)
6/30/03	\$ 2,372,879,034	\$ 2,596,966,545	\$ (224,087,511)	91.4%	\$ 725,020,458	-30.9%
6/30/04	2,460,944,656	2,746,095,668	(285,151,012)	89.6%	743,691,970	-38.3%
6/30/05	2,588,713,000	2,891,460,651	(302,747,651)	89.5%	755,046,679	-40.1%
6/30/06	2,492,226,176	2,754,396,608	(262,170,432)	90.5%	699,897,835	-37.5%
6/30/07	*	*	*	*	*	*

**Safety Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal Accrual Liability (b)	(Unfunded) Overfunded (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	(Unfunded) Overfunded % of Covered Payroll ((a - b)/c)
6/30/03	\$ 1,083,690,137	\$ 1,218,082,935	\$ (134,392,798)	89.0%	\$ 184,098,257	-73.0%
6/30/04	885,549,650	996,203,370	(110,653,720)	88.9%	149,407,703	-74.1%
6/30/05	646,358,708	742,247,338	(95,888,630)	87.1%	115,062,820	-83.3%
6/30/06	460,948,462	534,135,011	(73,186,549)	86.3%	84,179,637	-86.9%
6/30/07	*	*	*	*	*	*

\*The actuarial value of assets, liabilities and covered payroll are obtained from the City of Belvedere's annual actuarial reports received from PERS. This information covers the entire risk pool and not just the City of Belvedere. The information for fiscal years after June 30, 2006 is not available and therefore is not included in the above analysis.



**— CITY OF BELVEDERE, CALIFORNIA —**

**SUPPLEMENTARY INFORMATION**

**OTHER GOVERNMENTAL FUNDS**

**COMBINING FINANCIAL STATEMENTS**

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**CITY OF BELVEDERE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	Special Revenue Funds	Equipment Replacement Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 123,145	\$ 152,272	\$ 275,418
Cash with fiscal agent	-	-	-
Taxes receivables, net	-	-	-
Interest receivable	-	-	-
Accounts receivable, net	7,779	-	7,779
Prepaid items	-	-	-
<b>Total assets</b>	<b>\$ 130,925</b>	<b>\$ 152,272</b>	<b>\$ 283,197</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 4,543	\$ 889	\$ 5,432
Accrued liabilities	-	-	-
Refundable deposits	-	-	-
Unearned revenues	-	-	-
<b>Total liabilities</b>	<b>4,543</b>	<b>889</b>	<b>5,432</b>
<b>Fund balances:</b>			
Reserved	-	-	-
Designated	126,382	151,383	277,764
Undesignated	-	-	-
<b>Total fund equity</b>	<b>126,382</b>	<b>151,383</b>	<b>277,764</b>
<b>Total liabilities and fund equity</b>	<b>\$ 130,925</b>	<b>\$ 152,272</b>	<b>\$ 283,197</b>

**CITY OF BELVEDERE**  
**MBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds	Equipment Replacement Fund	Total Nonmajor Governmental Funds
<b>Revenues;</b>			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Unrestricted investment earnings	-	-	-
Intergovernmental revenues	513,125	60	513,185
Charges for services	-	-	-
Other revenues	-	-	-
<b>Total revenues</b>	<b>513,125</b>	<b>60</b>	<b>513,185</b>
<b>Expenditures:</b>			
Current:			
General government	15,355	-	15,355
Finance and central services	-	-	-
Public safety:			
Police	-	-	-
Fire	-	-	-
Planning & development	-	-	-
Public works	-	-	-
Parks, beaches & recreation	-	-	-
Library	429,790	-	429,790
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	35,164	35,164
<b>Total expenditures</b>	<b>445,145</b>	<b>35,164</b>	<b>480,309</b>
Revenues over (under) expenditures	67,981	(35,104)	32,876
<b>Other financing sources (uses):</b>			
Transfers from other funds	-	49,487	49,487
Transfers to other funds	(46,998)	-	(46,998)
Proceeds of long-term debt	-	-	-
Total other financing sources (uses)	(46,998)	49,487	2,489
Net change in fund balance	20,982	14,383	35,365
Fund balances, beginning of year	105,400	137,000	242,400
Fund balances, end of year	\$ 126,382	\$ 151,383	\$ 277,765

**CITY OF BELVEDERE**  
**COMBINING BALANCE SHEETS**  
**OTHER SPECIAL REVENUE FUNDS**  
**JUNE 30, 2007**

	LIBRARY FUND	GAS TAX FUND	INSURANCE RESERVE FUND	TOTAL OTHER SPECIAL REVENUE FUNDS
<b>ASSETS:</b>				
Cash and investments	\$ 36,270	\$ -	\$ 86,875	\$ 123,145
Taxes/user fees receivable	-	-	-	-
Accounts receivable	2,313	5,466	-	7,779
Prepaid items	-	-	-	-
<b>Total assets</b>	<b>\$ 38,583</b>	<b>\$ 5,466</b>	<b>\$ 86,875</b>	<b>\$ 130,925</b>
<b>LIABILITIES:</b>				
Accounts payable	2,313	-	2,230	\$ 4,543
Accrued liabilities	-	-	-	-
Refundable deposits	-	-	-	-
<b>Total liabilities</b>	<b>2,313</b>	<b>-</b>	<b>2,230</b>	<b>4,543</b>
<b>FUND BALANCES:</b>				
Reserved for projects	-	-	-	-
Unreserved:				
Designated for specific purposes	36,270	5,467	84,645	126,382
Undesignated	-	-	-	-
<b>Total fund balances</b>	<b>36,270</b>	<b>5,467</b>	<b>84,645</b>	<b>126,382</b>
Total liabilities and fund balances	<b>\$ 38,583</b>	<b>\$ 5,467</b>	<b>\$ 86,875</b>	<b>\$ 130,925</b>

**CITY OF BELVEDERE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**OTHER SPECIAL REVENUE FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>LIBRARY FUND</u>	<u>GAS TAX FUND</u>	<u>INSURANCE RESERVE FUND</u>	<u>TOTAL OTHER SPECIAL REVENUE FUNDS</u>
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Unrestricted investment earnings	-	-	-	-
Intergovernmental revenues	466,060	47,065	-	513,125
Other revenues	-	-	-	-
<b>Total revenues</b>	<u>466,060</u>	<u>47,065</u>	<u>-</u>	<u>513,125</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	15,355	15,355
Public safety/police services	-	-	-	-
Planning & economic development	-	-	-	-
Public works	-	-	-	-
Library	429,790	-	-	429,790
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>429,790</u>	<u>-</u>	<u>15,355</u>	<u>445,145</u>
Revenues over (under) expenditures	<u>36,270</u>	<u>47,065</u>	<u>(15,355)</u>	<u>67,981</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(46,998)	-	(46,998)
Proceeds of long-term debt	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(46,998)</u>	<u>-</u>	<u>(46,998)</u>
<b>Net change in fund balance</b>	36,270	67	(15,355)	20,982
Fund balances, beginning of year	-	5,400	100,000	105,400
Fund balances, end of year	<u>\$ 36,270</u>	<u>\$ 5,467</u>	<u>\$ 84,645</u>	<u>\$ 126,382</u>