



— CITY OF BELVEDERE, CALIFORNIA —

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WITH INDEPENDENT AUDITORS' REPORT

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JUNE 30, 2011

CITY OF BELVEDERE, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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CITY OF BELVEDERE, CALIFORNIA
BASIC FINANCIAL STATEMENTS
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August 29, 2011

To the City Council
City of Belvedere, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the government 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, 2011, 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, each major fund, and aggregate remaining fund information of the City of Belvedere at June 30, 2011, 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

This discussion and analysis of the City Of Belvedere's financial activities and performance provides an overview for the fiscal year ended June 30, 2011. 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 \$11.2 million, liabilities \$1.0 million and net assets of \$10.2 million.
- Total City revenues were approximately \$6.1 million (general revenues of \$5.4 million and program revenues of \$0.7 million) compared with total expenses of approximately \$6.7 million resulting in a decrease in net assets of approximately \$0.6 million for the fiscal year ended June 30, 2011.
- The City's cash and investments totaled \$4.9 million and net capital assets totaled approximately \$5.7 million at June 30, 2011, representing 44% and 51% of the City's total assets, respectively.
- The City's total liabilities totaled approximately \$1.0 million as of June 30, 2011 and consist primarily of refundable deposits, accounts payable and compensated absences.

Fund Highlights

- As of the close of fiscal year 2011, the City's governmental funds reported a combined ending fund balance of approximately \$4.7 million, a decrease of \$0.8 million for the year ended June 30, 2011. The detailed components of Revenues and Expenditures can be found in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances on page 20.

City's Highlights

- In March 2011 an assessment district was formed and bonds were issued in the amount of \$1,388,067. The proceeds of the bonds were used for undergrounding all existing overhead utility lines, removal of utility poles and installation of new street lights along a section of San Rafael Avenue. Annual principal and interest payments for the bonds will be paid from assessments to property owners.
- The City has committed to contribute \$358,216 to the assessment district and expects to make that contribution in fiscal year 2012.
- Two large public works projects which were budgeted in fiscal year 2010/11 were delayed because of the unusually long rainy season and will be completed in fiscal year 2011/12. The projects are a replacement of the City Hall Patio and San Rafael Avenue landscape improvements.

Pension Information

The City participates in the California Public Employees' Retirement System (PERS) for employee retirement benefits. The employees are divided into two plans. The Police personnel are in the Safety Plan and the non-Police are in the Miscellaneous Plan. PERS generates an actuarial valuation report annually for each plan. The most recent report received is dated October 2009 with an effective date of June 30, 2008.

CITY OF BELVEDERE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Information from the annual report for the **Miscellaneous Plan** is as follows:

Required Employer Contributions

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
Employer Contribution Required (in Projected Dollars)		
Risk Pool's Net Employer Normal Cost	\$ 105,346	\$ 113,331
Risk Pool's Payment on Amortization Bases	100,004	27,359
Surcharge for Class 1 Benefits		
a) FAC 1	6,928	7,669
Phase out of Normal Cost Difference	-	-
Amortization of Side Fund	61,706	63,711
Total Employer Contribution	\$ 183,984	\$ 212,070
Annual Lump Sum Prepayment Option	\$ 177,244	\$ 204,301
 Projected Payroll for the Contribution Fiscal Year	 \$ 1,361,062	 \$ 1,474,897
 Employer Contribution Required (Percentage of Payroll)		
Risk Pool's Net Employer Normal Cost	7.740%	7.684%
Risk Pool's Payment on Amortization Bases	0.735%	1.855%
Surcharge for Class 1 Benefits		
a) FAC 1	0.509%	0.520%
Phase out of Normal Cost Difference	0.000%	0.000%
Amortization of Side Fund	4.534%	4.320%
Total Employer Contribution	13.518%	14.379%

Employer Side Fund Reconciliation

	June 30, 2008	June 30, 2009
Side Fund as of valuation date	\$ (600,401)	\$ (586,849)
Adjustments	-	-
Side Fund Payment	57,882	59,764
Side Fund one year later	\$ (586,849)	\$ (570,293)
 Adjustments	 -	 -
Side Fund Payment	59,764	61,706
Side Fund two years later	\$ (570,293)	\$ (550,438)
 Amortization Period	 12	 11
Side Fund Payment during last year	\$ 61,706	\$ 63,711

CITY OF BELVEDERE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Information from the annual report for the **Safety Plan** is as follows:

Required Employer Contributions

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
Employer Contribution Required (in Projected Dollars)		
Risk Pool's Net Employer Normal Cost	\$ 53,466	\$ 80,190
Risk Pool's Payment on Amortization Bases	9,208	29,498
Surcharge for Class 1 Benefits		
None	-	-
Phase out of Normal Cost Difference	-	-
Amortization of Side Fund	63,785	65,858
Total Employer Contribution	\$ 126,459	\$ 175,546
Annual Lump Sum Prepayment Option	\$ 121,826	\$ 169,115
 Projected Payroll for the Contribution Fiscal Year	 \$ 466,467	 \$ 572,215
 Employer Contribution Required (Percentage of Payroll)		
Risk Pool's Net Employer Normal Cost	11.462%	14.014%
Risk Pool's Payment on Amortization Bases	1.974%	5.155%
Surcharge for Class 1 Benefits		
None	0.000%	0.000%
Phase out of Normal Cost Difference	0.000%	0.000%
Amortization of Side Fund	13.674%	11.509%
Total Employer Contribution	27.110%	30.678%

Employer Side Fund Reconciliation

	June 30, 2008	June 30, 2009
Side Fund as of valuation date	\$ (516,928)	\$ (494,882)
Adjustments	-	-
Side Fund Payment	59,833	61,777
Side Fund one year later	\$ (494,882)	\$ (469,109)
 Adjustments	 -	 -
Side Fund Payment	61,777	63,785
Side Fund two years later	\$ (469,109)	\$ (439,254)
 Amortization Period	 9	 8
Side Fund Payment during last year	\$ 63,785	\$ 65,858

CITY OF BELVEDERE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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.

CITY OF BELVEDERE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City maintains 14 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

Fiduciary funds

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.

CITY OF BELVEDERE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 assets exceeded liabilities by approximately \$10.2 million. A schedule of net assets is presented in the following table.

Net Assets
June 30, 2011 and 2010
(thousands)

	Governmental Activities		Total Percentage Change
	2011	2010	
Current and other assets	\$ 5,512	\$ 6,343	-13%
Capital assets	5,706	5,463	4%
Total assets	11,218	11,806	-5%
Current liabilities	771	816	-6%
Noncurrent liabilities	261	237	10%
Total liabilities	1,032	1,053	-2%
Net assets:			
Invested in capital assets, net of related debt	5,706	5,463	4%
Restricted	-	-	
Unrestricted	4,479	5,290	-15%
Total net assets	\$ 10,185	\$ 10,753	-5%

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$5.7 million represent the cost of these assets less any outstanding debt used to acquire those assets. The City uses 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, 2011, the City has no outstanding debt used to acquire those assets.

The remaining balance of unrestricted net assets of \$4.5 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, 2011, the City does not have any restricted assets.

Changes in Net Assets

The City's net assets decreased by approximately \$0.6 million during the current fiscal year and increased by \$0.2 million during the prior fiscal year. Information about changes in net assets is summarized in the following table:

CITY OF BELVEDERE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Activities and Changes in Net Assets
For the Fiscal Years Ended June 30, 2011 and 2010 (thousands)

	Governmental Activities		Total Percentage Change
	2011	2010	
Revenues:			
Program revenues:			
Charges for services	\$ 741	\$ 1,165	-36%
Operating grants and contributions	-	-	0%
General revenues:			
Taxes	4,395	4,500	-2%
Franchise and other taxes	123	113	9%
Earnings on investment	67	74	-9%
Revenues from other agencies	746	739	1%
Other revenue	44	55	-20%
Total revenues	6,116	6,646	-8%
Program expenses:			
General government	898	792	13%
Police	1,594	1,560	2%
Fire	1,109	1,117	-1%
Planning and development	1,481	1,511	-2%
Public works	921	903	2%
Library and community services	571	558	2%
Non-departmental	193	158	22%
Total program expenses	6,767	6,599	2.5%
Transfers:	84	111	
Change in net assets	\$ (567)	\$ 158	

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 two types of funds: Governmental and Fiduciary.

CITY OF BELVEDERE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011 and 2010 (thousands)

	2011			2010		Change
	General Fund	Other Major Funds	Other Gov. Funds	Total Gov. Funds	Total Gov. Funds	
Revenues	\$ 4,704	\$ 822	\$ 590	\$ 6,116	\$ 6,646	-8%
Current expenditures	4,642	1,109	528	6,279	6,114	3%
Capital outlay	-	692	15	707	883	-20%
	4,642	1,801	543	6,986	6,997	0%
Net transfers	(531)	637	(22)	84	111	-24%
Net change in fund balances	(469)	(342)	25	(786)	(240)	228%
Fund balances, restated	3,823	1,654	50	5,527	5,767	-4%
Fund balances, end	\$ 3,354	\$ 1,312	\$ 75	\$ 4,741	\$ 5,527	-14%

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 \$4,704,174 decreased by \$467,653 from the previous fiscal year, primarily due to a decrease in construction time limit penalty revenue. General fund expenditures of \$4,642,132 increased by \$165,835 over the previous fiscal year, primarily due to increases in employee benefits that were previously granted.

Net transfers out of \$530,756 consist of transfers out for capital improvement and equipment replacement (\$69,574) and fire protection (\$461,182).

The General Fund balance at fiscal year-end was \$3,354,121 consisting of non-spendable (\$410,817), restricted (\$50,946) and \$2,892,358 that was unassigned. There were no original to final budget differences.

CITY OF BELVEDERE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Major Funds - Fire Protection Fund

Revenues in the Fire Protection Fund were \$647,914, equal to the previous fiscal year. Expenses were \$1,109,096, a decrease of \$7,656 from the previous year.

The Fire Protection Fund balance at fiscal year-end amounted to \$95,724 in restricted funds and \$104,276 in assigned funds. There were no original to final budget differences.

Other Major Funds - General Capital Improvements Fund

Revenues in the Capital Improvement Fund were \$173,528, a decrease of \$88,003 over the previous year. Expenses were \$691,663, a decrease of \$131,757 from the previous year.

The General Capital Improvements Fund balance at fiscal year-end amounted to \$667,073 in restricted funds and \$444,648 in assigned funds. There were no original to final budget differences.

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, 2012 are anticipated to decrease by \$264,008. General Fund expenditures are anticipated to decrease \$74,000 for FY2011-12.

Fire Protection Fund revenue will remain the same, the amount permitted by the Proposition 4 Limitation Factor. Expenditures are estimated to increase by \$35,300.

CITY OF BELVEDERE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 4,899,040
Receivables:	
Accounts receivable, net	105,989
Prepaid items	106,541
Total current assets	5,111,570
Note receivable, City Manager	400,000
Total other assets	400,000
Capital assets:	
Depreciable, net	5,706,425
Total capital assets	5,706,425
Total assets	11,217,995
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	284,074
Refundable deposits	466,662
Deferred revenues	19,935
Total current liabilities	770,671
Long-term liabilities:	
Compensated absences	183,310
Postemployment benefit obligation	78,152
Total liabilities	1,032,133
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,706,425
Restricted for:	
Debt service	-
Other purposes	-
Unrestricted	4,479,437
Total net assets	\$ 10,185,862

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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue
					Governmental Activities
Primary government:					
Governmental Activities:					
General government	\$ 898,233	\$ 21,936	-	-	\$ (876,297)
Public safety:					
Police services	1,593,514	21,889	-	-	(1,571,625)
Fire services	1,109,096	-	-	-	(1,109,096)
Planning and development	1,481,116	521,575	-	-	(959,541)
Public works	921,415	175,804	-	-	(745,611)
Community Center	42,233	-	-	-	(42,233)
Library	528,273	-	-	-	(528,273)
Non-departmental	193,232	-	-	-	(193,232)
Total governmental activities	6,767,112	741,204	-	-	(6,025,908)
Change in net assets:					
Net (expense) revenue	\$ 6,767,112	\$ 741,204	\$ -	\$ -	\$ (6,025,908)

continued
next page

CITY OF BELVEDERE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government
Functions/Programs	Governmental Activities
Change in net assets:	
Net (expense) revenue	\$ (6,025,908)
General revenues:	
Taxes:	
Property taxes	3,602,729
Other taxes	791,767
Use of money/property	67,407
Intergovernmental revenues	746,210
Franchise fees	123,028
Other revenues	43,798
Total general revenues	5,374,939
Transfers	83,788
Change in net assets	(567,181)
Net assets, beginning of year	10,753,043
Net assets - end of year	\$ 10,185,862

See accompanying notes to basic financial statements.



— CITY OF BELVEDERE, CALIFORNIA —

GOVERNMENTAL FUNDS

FINANCIAL STATEMENTS

* * * * *

CITY OF BELVEDERE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Major Funds			Non-Major Funds	Total Governmental Funds
	General	Fire Protection Fund	General Capital Improvements	Other Funds	
ASSETS					
Cash and investments	\$ 3,419,153	\$ 91,282	\$ 1,311,196	\$ 77,409	\$ 4,899,040
Accounts receivable, net	88,294	12,994	986	3,715	105,989
Note receivable, City Manager	400,000	-	-	-	400,000
Prepaid and other current assets	10,817	95,724	-	-	106,541
Total assets	\$ 3,918,264	\$ 200,000	\$ 1,312,182	\$ 81,124	\$ 5,511,570
LIABILITIES					
Accounts payable	\$ 77,546	\$ -	\$ 200,461	\$ 6,067	\$ 284,074
Refundable deposits	466,662	-	-	-	466,662
Deferred revenues	19,935	-	-	-	19,935
Total liabilities	564,143	-	200,461	6,067	770,671
FUND BALANCES					
Nonspendable	410,817	-	-	-	410,817
Restricted	50,946	95,724	667,073	50,057	863,800
Committed	-	-	-	-	-
Assigned	-	104,276	444,648	25,000	573,924
Unassigned	2,892,358	-	-	-	2,892,358
Total fund balances	3,354,121	200,000	1,111,721	75,057	4,740,899
Total liabilities and fund balances	\$ 3,918,264	\$ 200,000	\$ 1,312,182	\$ 81,124	\$ 5,511,570

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, 2011

Total Fund Balances - Total Governmental Funds **\$ 4,740,899**

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.

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

Depreciable	8,260,289	
Less accumulated depreciation	<u>(2,553,864)</u>	5,706,425

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.

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	(183,310)	
Postemployment benefit obligation	<u>(78,152)</u>	(261,462)

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.

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Net Assets of Governmental Activities **\$ 10,185,862**

CITY OF BELVEDERE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Major Funds			Non-Major Funds	Total Governmental Funds
	General	Fire Protection Fund	General Capital Improvements	Other Funds	
Revenues:					
Property taxes	\$ 3,602,729	\$ -	\$ -	\$ -	\$ 3,602,729
Other taxes	143,853	647,914	-	-	791,767
Licenses and permits	330,151	-	-	-	330,151
Fines and forfeitures	23,073	-	-	-	23,073
Use of money/property	42,598	-	24,809	-	67,407
Intergovernmental revenues	134,330	-	21,354	590,526	746,210
Charges for services	261,159	-	126,820	-	387,979
Franchise fees	123,028	-	-	-	123,028
Other revenues	43,253	-	545	-	43,798
Total revenues	4,704,174	647,914	173,528	590,526	6,116,142
Expenditures:					
Current:					
General government	844,598	-	-	-	844,598
Public safety:					
Police	1,524,655	-	-	-	1,524,655
Fire	-	1,109,096	-	-	1,109,096
Planning & development	1,457,819	-	-	-	1,457,819
Public works	798,718	-	-	-	798,718
Community center	16,343	-	-	-	16,343
Library	-	-	-	528,273	528,273
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	-	-	691,663	14,991	706,654
Total expenditures	4,642,133	1,109,096	691,663	543,264	6,986,156
Revenues over (under) expenditures	62,041	(461,182)	(518,135)	47,262	(870,014)
Other financing sources (uses):					
Transfers from other funds	-	461,182	200,619	35,366	697,167
Transfers to other funds	(530,756)	-	(25,000)	(57,623)	(613,379)
Total other financing sources (uses)	(530,756)	461,182	175,619	(22,257)	83,788
Net change in fund balances	(468,715)	-	(342,516)	25,005	(786,226)
Fund balances-as previously presented	3,402,836	200,000	1,454,237	470,052	5,527,125
Transfer of Insurance Reserve to General	420,000	-	-	(420,000)	-
Fund balances-beginning	3,822,836	200,000	1,454,237	50,052	5,527,125
Fund balances-ending	<u>\$ 3,354,121</u>	<u>\$ 200,000</u>	<u>\$ 1,111,721</u>	<u>\$ 75,057</u>	<u>\$ 4,740,899</u>

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, 2011

Net changes in fund balances - total governmental funds \$ (786,226)

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	\$ 607,254	
Depreciation expense	(364,172)	
Net Disposal Loss	<u>(3)</u>	243,079

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>	

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	15,997	
Change in postemployment benefit obligation	<u>(40,031)</u>	(24,034)

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.

Total changes in net assets of governmental activities		<u><u>\$ (567,181)</u></u>
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See accompanying notes to basic financial statements.

CITY OF BELVEDERE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Assessment Districts							
	Corinthian	Upper Beach	Madrona	San Rafael	Lwr Beach	Bayview	Mid San Raf	Combined
<u>ASSETS:</u>								
Cash and investments:								
Cash pooled with the City	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redemption Fund	81,626	94,114	93,887	42,281	255,117	43,718	648,814	1,259,557
Reserve Fund	42,000	32,483	47,178	20,876	51,969	32,119	27,957	254,582
	<u>123,626</u>	<u>126,597</u>	<u>141,065</u>	<u>63,157</u>	<u>307,086</u>	<u>75,837</u>	<u>676,771</u>	<u>1,514,139</u>
Interest receivable	854	1,956	2,705	1,468	987	2,228	2,716	12,914
Special assessment receivables	155,000	1,105,000	1,775,000	1,000,000	2,420,000	1,592,404	1,388,067	9,435,471
Total assets	<u>279,480</u>	<u>1,233,553</u>	<u>1,918,770</u>	<u>1,064,625</u>	<u>2,728,073</u>	<u>1,670,469</u>	<u>2,067,554</u>	<u>10,962,524</u>
<u>LIABILITIES:</u>								
Accounts payable	-	-	-	-	-	-	155,987	155,987
Limited obligation bonds payable	155,000	1,105,000	1,775,000	1,000,000	2,420,000	1,592,404	1,388,067	9,435,471
Total liabilities	<u>155,000</u>	<u>1,105,000</u>	<u>1,775,000</u>	<u>1,000,000</u>	<u>2,420,000</u>	<u>1,592,404</u>	<u>1,544,054</u>	<u>9,591,458</u>
<u>NET ASSETS:</u>								
Reserved for:								
Debt service	124,480	128,553	143,770	64,625	308,073	78,065	523,500	1,371,066
Total net assets	<u>\$ 124,480</u>	<u>\$ 128,553</u>	<u>\$ 143,770</u>	<u>\$ 64,625</u>	<u>\$ 308,073</u>	<u>\$ 78,065</u>	<u>\$ 523,500</u>	<u>1,371,066</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, 2011

	Assessment Districts							Combined
	Corinthian	Upper Beach	Madrona	San Rafael	Lwr Beach	Bayview	Mid San Raf	
<u>ADDITIONS</u>								
Special assessments	\$ 34,948	\$ 89,783	\$ 125,841	\$ 70,238	\$ 30,097	\$ 105,836	\$ -	\$ 456,743
Use of money and property	586	496	545	195	1,680	860	998	5,360
Other revenues	-	-	-	-	-	-	1,712,200	1,712,200
Total additions	35,534	90,279	126,386	70,433	31,777	106,696	1,713,198	2,174,303
<u>DELETIONS</u>								
Administrative	2,253	4,595	5,549	4,141	4,531	4,111	538	25,718
Debt service:								
Principal	55,000	30,000	100,000	20,000	45,000	-	-	250,000
Interest	9,048	55,325	85,706	46,850	126,318	81,181	-	404,428
Capital expenditures	-	-	-	-	-	397,083	1,189,160	1,586,243
Total deductions	66,301	89,920	191,255	70,991	175,849	482,375	1,189,698	2,266,389
Change in net assets	(30,767)	359	(64,869)	(558)	(144,072)	(375,679)	523,500	(92,086)
Net assets, beginning of year	155,247	128,194	208,639	65,183	452,145	453,744	-	1,463,152
Net assets, end of year	\$ 124,480	\$ 128,553	\$ 143,770	\$ 64,625	\$ 308,073	\$ 78,065	\$ 523,500	\$ 1,371,066

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

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, 2011, the City did not have any component units that met this criterion.

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

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 2011.

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 C, 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.
- **General Capital Improvements 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

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

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

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”.

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.

Q. Fund Balance – Designations

The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned, and Unassigned amounts. See Note 9 for detailed explanation.

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, 2011 consisted of the following:

	Carrying Value	Market Value
State of California - Local Agency Investment Fund	\$ 6,337,298	\$ 6,347,289
Cash in checking accounts	74,981	74,981
Petty cash	900	900
	\$ 6,413,179	\$ 6,423,170
Unrestricted	\$ 4,899,040	
Restricted	1,514,139	
	\$ 6,413,179	

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

General fund	\$ 3,419,153
Fire protection fund	91,282
Capital improvement fund	1,311,196
Other non-major funds	77,409
	4,899,040
Fiduciary fund	1,514,139
Total cash and investments	\$ 6,413,179

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

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

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 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>Uncategorized</u>	<u>Carrying amount</u>
Pooled investments				
State of California Local				
Agency Investment				
Fund			\$ 6,347,289	\$ 6,347,289
Subtotal	-	-	6,347,289	6,347,289
Total	\$ -	\$ -	\$ 6,347,289	\$ 6,347,289

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:

The City Council determined it was beneficial to the City for the City Manager to reside within a certain distance from the City. To accommodate the purchase of a home within this radius, in May 2005, the City Council made an interest-only loan to the City Manager in order to help with the purchase of a residence. As of June 30, 2011, the balance of the loan was \$400,000 at an interest rate of 2.38% per annum and was secured by a second mortgage on the City Manager's principal family residence. 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 City's interest-only loan at the time of purchase represented less than fifty (50%) percent of the value of the property. Although the current estimated fair value of the property is less than the value at the time of purchase due to fluctuations in the real estate market, the City expects the full value of the note will ultimately be collected.

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.

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

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 (20-30 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, 2010	Increases	Decreases	June 30, 2011
Capital assets not being depreciated:				
Land and improvements	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciable capital assets:				
City Hall & Community Center				
Buildings improvements	3,018,276	80,746	-	3,099,022
Corporation yard improvements	194,993	7,250	-	202,243
Office furniture & equipment	156,817	12,641	(15,754)	153,704
Transportation/other-Yard	380,448	-	(26,000)	354,448
Transportation/other-Police	224,349	-	-	224,349
Infrastructure	3,719,906	506,617	-	4,226,523
Total	<u>7,694,789</u>	<u>607,254</u>	<u>(41,754)</u>	<u>8,260,289</u>
Less - accumulated depreciation for:				
City	1,694,382	170,940	(41,751)	1,823,571
Infrastructure	537,061	193,232	-	730,293
	<u>2,231,443</u>	<u>364,172</u>	<u>(41,751)</u>	<u>2,553,864</u>
Depreciable capital assets, net	<u>5,463,346</u>	<u>243,082</u>	<u>(3)</u>	<u>5,706,425</u>
Total capital assets, net	<u>\$ 5,463,346</u>	<u>\$ 243,082</u>	<u>\$ (3)</u>	<u>\$ 5,706,425</u>

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

Governmental activities:	
General government	\$ 44,104
Police	47,111
Public works	25,891
Planning & building	27,944
Community Center	25,890
Infrastructure	193,232
	<u>\$ 364,172</u>

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - 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, 2011 is as follows:

<u>LID Debt:</u>	<u>Balance, June 30, 2010</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance, June 30, 2011</u>
Corinthian Island	\$ 210,000	\$ -	\$ 55,000	\$ 155,000
Upper Beach Road	1,135,000	-	30,000	1,105,000
Madrona	1,875,000	-	100,000	1,775,000
San Rafael	1,020,000	-	20,000	1,000,000
Lower Belvedere	2,465,000	-	45,000	2,420,000
Bayview/Bella Vista	1,592,404	-	-	1,592,404
Mid San Rafael Ave	-	1,388,067	-	1,388,067
Total	<u>\$ 8,297,404</u>	<u>\$ 1,388,067</u>	<u>\$ 250,000</u>	<u>\$ 9,435,471</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.

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.

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

As of June 30, 2011, future debt service payments were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2012	\$ 25,000	\$ 7,168	\$ 32,168
2013	25,000	5,993	30,993
2014	25,000	4,818	29,818
2015	30,000	3,525	33,525
2016	30,000	2,115	32,115
2017	20,000	705	20,705
	<u>\$ 155,000</u>	<u>\$ 24,324</u>	<u>\$ 179,324</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
NOTES TO BASIC FINANCIAL STATEMENTS

As of June 30, 2011, future debt service payments were as follows:

Fiscal year ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 30,000	\$ 54,183	\$ 84,183
2013	30,000	52,930	82,930
2014	35,000	51,523	86,523
2015	35,000	49,974	84,974
2016	35,000	48,408	83,408
2017-2021	205,000	215,099	420,099
2022-2026	255,000	158,253	413,253
2027-2031	330,000	83,524	413,524
2032-2033	150,000	7,875	157,875
	<u>\$ 1,105,000</u>	<u>\$ 721,769</u>	<u>\$ 1,826,769</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 on 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, 2011, future debt service payments were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2012	\$ 40,000	\$ 82,820	\$ 122,820
2013	45,000	81,256	126,256
2014	45,000	79,535	124,535
2015	45,000	77,758	122,758
2016	50,000	76,833	126,833
2017-2021	280,000	344,860	624,860
2022-2026	335,000	274,009	609,009
2027-2031	410,000	184,153	594,153
2032-2036	525,000	68,125	593,125
	<u>\$ 1,775,000</u>	<u>\$ 1,269,349</u>	<u>\$ 3,044,349</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 on 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, 2011, future debt service payments were as follows:

Fiscal year ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 20,000	\$ 46,055	\$ 66,055
2013	20,000	45,255	65,255
2014	20,000	44,450	64,450
2015	20,000	43,635	63,635
2016	25,000	42,706	67,706
2017-2021	135,000	197,189	332,189
2022-2026	165,000	164,011	329,011
2027-2031	210,000	120,588	330,588
2032-2036	260,000	65,116	325,116
2037-2038	125,000	6,375	131,375
	<u>\$ 1,000,000</u>	<u>\$ 775,380</u>	<u>\$ 1,775,380</u>

Lower Belvedere 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 \$2,621,069. Full cash payment was received by four of the property owners to offset \$98,926.30 in aggregate confirmed assessments, leaving a balance of \$2,519,270.

In October 2008, improvement bonds (City of Belvedere Limited Obligation Improvement Bonds, (Lower Belvedere Avenue Underground Assessment District) were issued in the amount of \$2,519,270, representing the unpaid assessments pursuant to the provisions of the Improvement Bond Act of 1915. The bonds bear annual interest ranging from 2% to 5.60%. 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, 2009. Interest on the bonds became payable commencing March 2, 2009, 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 \$50,385 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, 2011, future debt service payments were as follows:

Fiscal year ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 45,000	\$ 125,080	\$ 170,080
2013	45,000	123,674	168,674
2014	45,000	122,155	167,155
2015	50,000	120,430	170,430
2016	50,000	118,493	168,493
2017-2021	280,000	556,676	836,676
2022-2026	360,000	476,083	836,083
2027-2031	475,000	365,420	840,420
2032-2036	615,000	216,600	831,600
2037-2039	455,000	39,060	494,060
	<u>\$ 2,420,000</u>	<u>\$ 2,263,671</u>	<u>\$ 4,683,671</u>

Bayview Avenue/Bella Vista Avenue 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 \$1,679,250. Full cash payment was received by four of the property owners to offset \$104,283 in aggregate confirmed assessments, leaving a balance of \$1,592,404.

In September 2009, improvement bonds (City of Belvedere Limited Obligation Improvement Bonds, (Bayview Avenue/Bella Vista Avenue Underground Assessment District) were issued in the amount of \$1,592,404, representing the unpaid assessments pursuant to the provisions of the Improvement Bond Act of 1915. The bonds bear annual interest ranging from 2% to 5.75%. 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, 2011. Interest on the bonds became payable commencing March 2, 2010, 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 \$31,806 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, 2011, future debt service payments were as follows:

Fiscal year ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 22,404	\$ 80,957	\$ 103,361
2013	30,000	80,395	110,395
2014	30,000	79,683	109,683
2015	30,000	78,895	108,895
2016	30,000	78,003	108,003
2017-2021	165,000	371,771	536,771
2022-2026	210,000	328,420	538,420
2027-2031	270,000	267,733	537,733
2032-2056	350,000	183,691	533,691
2037-2041	455,000	68,856	523,856
	<u>\$ 1,592,404</u>	<u>\$ 1,618,404</u>	<u>\$ 3,210,808</u>

Mid San Rafael Avenue 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 \$2,128,482. Full cash payment was received by twelve of the property owners totaling \$267,735, the City will contribute \$358,216 and PGE will contribute \$125,000, leaving an assessment balance of \$1,388,067. The City plans to pay this amount during the 2011-2012 fiscal year.

In March 2011, improvement bonds (City of Belvedere Limited Obligation Improvement Bonds, (Mid San Rafael Avenue Underground Assessment District) were issued in the amount of \$1,388,067, representing the unpaid assessments pursuant to the provisions of the Improvement Bond Act of 1915. The bonds bear annual interest ranging from 2% to 6.10%. 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, 2013. Interest on the bonds became payable commencing March 2, 2012, 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 \$27,923 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.

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

As of June 30, 2011, future debt service payments were as follows:

Fiscal year ended June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 75,274	\$ 75,274
2013	-	75,484	75,484
2014	23,067	75,253	98,320
2015	25,000	74,710	99,710
2016	25,000	74,023	99,023
2017-2021	150,000	354,588	504,588
2022-2026	185,000	316,896	501,896
2027-2031	240,000	260,708	500,708
2032-2056	315,000	179,743	494,743
2037-2041	425,000	67,863	492,863
	<u>\$ 1,388,067</u>	<u>\$ 1,554,542</u>	<u>\$ 2,942,609</u>

NOTE 7 - 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, 2011 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 (\$528,273 for fiscal 2011), 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, 2010 for the Agency is presented below (financial information for the fiscal year ended June 30, 2011 was not available):

Total assets	\$ 7,383
Total capital assets	4,355
Total liabilities	1,409
Net assets	5,974
Net program expenses	(2,135)
Net program revenues	280
Total general revenues	2,047
Increase in net assets	192

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

California Joint Powers Insurance Authority

Effective July 1, 2007, the City became a member of the California Joint Powers Insurance Authority. The Authority is composed of 122 California public entities and is organized under a 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 lines of coverage. The California JPIA 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 nine-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). 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 allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) 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; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) Costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Workers' Compensation: The City of Belvedere 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). 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 public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) 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; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

The purchased insurance programs of the Authority are as follows:

Property Insurance: The City of Belvedere participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Belvedere property is currently insured according to a schedule of covered property submitted by the City of Belvedere to the Authority. The City of Belvedere currently has all-risk property insurance protection in

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

the amount of \$6,243,695. There is a \$5,000 deductible per occurrence except for nonemergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood: The City of Belvedere purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Belvedere property currently has earthquake protection in the amount of \$6,172,679. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance: The City of Belvedere purchases crime insurance coverage in the amount of Non Participant with a Non Participant deductible. The fidelity coverage is arranged by the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Special Event Tenant User Liability Insurance: The City of Belvedere further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Belvedere according to a schedule. The City of Belvedere then pays for the insurance. The insurance is arranged by the Authority.

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

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 8 - Operating transfers:

The following schedule summarizes the operating transfers in and out for the fiscal year ended June 30, 2011:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund:		
Fire Protection	\$ 461,182	\$ -
Equipment Replacement	10,366	-
Capital Improvement	59,208	-
	<u>530,756</u>	<u>-</u>
Fire Protection Fund:		
Fire Protection	-	461,182
	<u>-</u>	<u>461,182</u>
General Capital Improvements:		
General fund	-	59,208
Mid San Rafael Avenue UAD	-	83,788
Equipment Replacement	25,000	-
Gas tax	-	57,623
	<u>25,000</u>	<u>200,619</u>
Non-major funds:		
Equipment Replacement	-	35,366
Gas tax	57,623	-
	<u>57,623</u>	<u>35,366</u>
Assessment Districts		
Mid San Rafael Avenue UAD*	83,788	-
	<u>83,788</u>	<u>-</u>
Totals	<u>\$ 697,167</u>	<u>\$ 697,167</u>

* To reimburse City for prior year expenditures.

NOTE 9 - Fund Balance:

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification.

The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

Nonspendable: Items that cannot be spent because they are not in spendable form, such as prepaid items, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City and can commit funds through resolutions.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has the authority to assign funds in Belvedere and can assign funds through the budgetary process.

Unassigned: This category is for any balances that have no restrictions placed upon them.

Governmental Fund Type Definitions

General Fund: The general fund is be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues is the foundation for a special revenue fund. The description of each major special revenue fund is discussed in Note 1.

Capital Projects Fund: Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Based upon the above, the City determined that the Insurance Reserve Fund does not meet the definition of a Special Revenue fund and has been shown as part of the General Fund. The beginning governmental fund balances for June 30, 2011 have been restated to reflect this change.

Spending Policy

The City's policy is to spend restricted fund balances first, before spending unrestricted fund balances, for expenditures incurred for purposes for which both restricted and unrestricted fund balances are available. The City does not have a formal policy for its use of unrestricted fund balance amounts. The City will reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy:

As adopted in 2007, the City's General Fund Operational Reserve Policy requires that the City maintain 6-months General Fund operating expenses within the General Fund Reserve. At June 30, 2011, the amount is \$2.532 million, included in the unassigned balance.

Investment Earnings

Investment earnings follow the classification of the revenues invested.

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

Fund balances classifications at June 30, 2011 were:

	General Fund	Fire Protection Fund	Capital Improvement Fund	Non-Major Other Funds	Total
Nonspendable:					
Note Receivable	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000
Prepaid Expenses	8,515	-	-	-	8,515
Inventory	2,302	-	-	-	2,302
Total nonspendable:	410,817	-	-	-	410,817
Restricted:					
Police Safety	50,946	-	-	-	50,946
Fire Protection	-	95,724	-	-	95,724
Street Maintenance	-	-	667,073	50,000	717,073
Gas tax	-	-	-	57	57
Total Restricted:	50,946	95,724	667,073	50,057	863,800
Assigned:					
Fire Protection	-	104,276	-	-	104,276
Patio of City Hall	-	-	209,648	-	209,648
Benches in the park	-	-	75,000	-	75,000
Drainage	-	-	49,000	-	49,000
Miscellaneous maintenance	-	-	65,000	-	65,000
ADA Improvements	-	-	32,000	-	32,000
Landscaping	-	-	10,000	-	10,000
Pagoda lane entry	-	-	4,000	-	4,000
Computer replacement	-	-	-	25,000	25,000
Total Assigned:	-	104,276	444,648	25,000	573,924
Unassigned:	2,892,358	-	-	-	2,892,358
	\$ 3,354,121	\$ 200,000	\$ 1,111,721	\$ 75,057	\$ 4,740,899

NOTE 10 - 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	27.110%	13.518%
Employees	9.00%	7.00%
Annual pension cost	\$ 160,711	\$ 173,926
Contributions made:		
City portion	\$ 160,711	\$ 173,926
Employee contribution made by City	\$ 47,425	\$ 84,172
Actuarial valuation date	June 30, 2009	June 30, 2009

	<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	16 years	18 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%	3.55% - 14.45%
Inflation	3.00%	3.00%
Payroll growth	3.25%	3.25%

The following is the three year trend information for both safety and miscellaneous employees:

<u>Three Year Trend Information</u>			
Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 294,700	100%	\$ -
6/30/2010	\$ 330,815	100%	\$ -
6/30/2011	\$ 334,637	100%	\$ -

NOTE 11 - Postemployment Benefits Other Than Pensions:

Plan Description: During fiscal year ended June 30, 2010, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement establishes uniform financial reporting standards for employers providing postemployment benefits. The provisions of this statement are applied on a prospective basis. The City also implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*,

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

which permits an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates.

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.

Funding Policy: The City provides these benefits on a pay-as-you-go basis. Currently, six retirees meet those eligibility requirements. The City pays a portion of the health plan in the amount of \$108 per month for six of the employees and \$683 per month for one of the employees. Expenditures for postretirement health care benefits are recognized as retirees elect coverage in the health plan. During 2011, the City paid a total of \$14,818 for such postretirement health care benefits on behalf of seven former employees.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City's has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45, as amended by GASB Statement 57, for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 54,214
Interest on net OPEB obligation	1,906
Adjustment to annual required contribution	<u>(1,271)</u>
Annual OPEB cost (expense)	54,849
Contributions made	<u>(14,818)</u>
Increase in net OPEB obligation	40,031
Net OPEB obligation - beginning of year	<u>38,121</u>
Net OPEB obligation - end of year	<u><u>\$ 78,152</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years were as follows:

Fiscal Year Ended	OPEB Annual Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	N/A	N/A	N/A
6/30/2010	\$ 51,632	26.2%	\$ 38,121
6/30/2011	\$ 54,849	27.0%	\$ 78,152

Note: Disclosure of annual OPEB cost, percent contributed, and net OPEB obligation, if any, is required for the current fiscal year and each of the two preceding fiscal years. The fiscal year ended June 30, 2010, is the first year of the implementation of the City's post-retirement health care plan accounted for and reported in accordance with the requirements of GASB 45. Accordingly, three-year data is not available and will be shown when such data becomes available.

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

Funded Status and Funding Progress: The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55 or 60, based on the subscriber group, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 1994 GAM tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7 percent initially, reduced to an ultimate rate of 5 percent after ten years, was used.

Health insurance premiums – 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 5 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was thirty years.

CITY OF BELVEDERE, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12 - Excess of Expenditures over Appropriations:

For the fiscal year ended June 30, 2011, expenditures exceeded appropriations in the following individual funds:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
General Government	\$ 804,791	\$ 844,598	\$ (39,807)
Police	\$ 1,461,879	\$ 1,524,654	\$ (62,775)
Planning & Development	\$ 1,416,825	\$ 1,457,819	\$ (40,994)

The General Government department expenditures exceeded the budgeted amount due to outside services for legal, IT support and software maintenance being higher than expected.

The Planning & Development department expenditures exceeded the budgeted amount due to outside services for planning consultants being used more than was anticipated.

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.

The City has a commitment to the Mid San Rafael Avenue Underground Assessment District in the amount of \$358,216 (see Note 6).



— 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, 2011

	GENERAL FUND			Variance with Final- Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Property taxes	\$ 3,621,787	\$ 3,621,787	\$ 3,602,729	\$ (19,058)
Other taxes	132,082	132,082	143,853	11,771
Licenses and permits	346,500	346,500	330,151	(16,349)
Fines and forfeitures	90,000	90,000	23,073	(66,927)
Use of money/property	64,967	64,967	42,598	(22,369)
Intergovernmental revenues	131,000	131,000	134,330	3,330
Charges for services	271,100	271,100	261,159	(9,941)
Franchise fees	123,278	123,278	123,028	(250)
Other revenues	43,600	43,600	43,253	(347)
Total revenues	4,824,314	4,824,314	4,704,174	(120,140)
Expenditures				
Current:				
General government	775,458	804,791	844,598	(39,807)
Public safety:				
Police	1,407,761	1,461,879	1,524,655	(62,776)
Fire	-	-	-	-
Planning & development	1,345,525	1,416,825	1,457,819	(40,994)
Public works	832,795	832,795	798,718	34,077
Community center	23,450	23,450	16,343	7,107
Library	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	4,384,989	4,539,740	4,642,133	(102,393)
Excess of revenues over (under) expenditures	439,325	284,574	62,041	(222,533)
Other financing sources (uses):				
Transfers from other funds	225,000	225,000	-	225,000
Transfers to other funds	(806,856)	(806,856)	(530,756)	(276,100)
Proceeds of long-term debt	-	-	-	-
Total other financing sources (uses)	(581,856)	(581,856)	(530,756)	51,100
Excess of revenues and other sources over (under) expenditures and other uses	(142,531)	(297,282)	(468,715)	(171,433)
Fund balances-beginning	3,488,544	3,430,085	3,822,836	-
Fund balances-ending	\$ 3,346,013	\$ 3,132,803	\$ 3,354,121	\$ (171,433)

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, 2011

	FIRE PROTECTION FUND			Variance with Final- Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	647,137	647,137	647,914	777
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money/property	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Franchise fees	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	647,137	647,137	647,914	777
<u>Expenditures</u>				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	1,205,993	1,205,993	1,109,096	96,897
Planning & development	-	-	-	-
Public works	-	-	-	-
Community center	-	-	-	-
Library	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	1,205,993	1,205,993	1,109,096	96,897
Excess of Revenues Over (Under) Expenditures	<u>(558,856)</u>	<u>(558,856)</u>	<u>(461,182)</u>	<u>97,674</u>
<u>Other financing sources (uses):</u>				
Transfers from other funds	583,856	583,856	461,182	(122,674)
Transfers to other funds	-	-	-	-
Proceeds of long-term debt	-	-	-	-
Total Other Financing Sources (Uses)	583,856	583,856	461,182	(122,674)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	25,000	25,000	-	(25,000)
Fund balances-beginning	200,000	200,000	200,000	-
Fund balances-ending	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ 200,000</u>	<u>\$ (25,000)</u>

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	2,391,434,447	2,611,746,790	(220,312,343)	91.6%	665,522,859	-33.1%
6/30/08	2,547,323,278	2,780,280,768	(232,957,490)	91.6%	688,606,681	-33.8%
6/30/09	2,758,511,101	3,104,798,222	(346,287,121)	88.8%	742,981,488	-46.6%
6/30/10	*	*	*	*	*	*
6/30/11	*	*	*	*	*	*

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	403,484,775	462,354,459	(58,869,684)	87.3%	72,308,836	-81.4%
6/30/08	438,674,996	504,295,839	(65,620,843)	87.0%	77,903,428	-84.2%
6/30/09	368,645,673	440,333,381	(71,687,708)	83.7%	60,158,108	-119.2%
6/30/10	*	*	*	*	*	*
6/30/11	*	*	*	*	*	*

*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, 2009 is not available and therefore is not included in the above analysis.

CITY OF BELVEDERE

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
SCHEDULE OF FUNDING PROCESS FOR THE RETIREE HEALTH PLAN- UNAUDITED

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability (A)</u>	<u>Actuarial Value of Assets (B)</u>	<u>Unfunded Liability/ (Excess Assets) [(A)-(B)]</u>	<u>Funded Ratio [(B)/(A)]</u>	<u>Covered Payroll (C)</u>	<u>Actuarial Accrued Liability % of Covered Payroll [(A-B)/C]</u>
7/1/2009	\$ 374,116	\$ -	\$ 374,116	0.0%	\$ 1,866,608	20.043%

Note: Three-year funding progress data will be shown when three year's funding progress data becomes available.



— CITY OF BELVEDERE, CALIFORNIA —

SUPPLEMENTARY INFORMATION

OTHER GOVERNMENTAL FUNDS

COMBINING FINANCIAL STATEMENTS

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CITY OF BELVEDERE
COMBINING BALANCE SHEETS
GENERAL FUNDS
JUNE 30, 2011

	<u>GENERAL FUND</u>	<u>SLESF FUND</u>	<u>INSURANCE RESERVE FUND</u>	<u>TOTAL GENERAL FUNDS</u>
ASSETS:				
Cash and investments	\$ 3,193,237	\$ 25,916	\$ 200,000	\$ 3,419,153
Taxes/user fees receivable	63,264	25,030	-	88,294
Accounts receivable	400,000	-	-	400,000
Prepaid items	10,817	-	-	10,817
Total assets	\$ 3,667,318	\$ 50,946	\$ 200,000	\$ 3,918,264
LIABILITIES:				
Accounts payable	\$ 77,546	\$ -	\$ -	\$ 77,546
Refundable deposits	466,662	-	-	466,662
Deferred revenues	19,935	-	-	19,935
Total liabilities	564,143	-	-	564,143
FUND BALANCES				
Nonspendable	410,817	-	-	410,817
Restricted	-	50,946	-	50,946
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,692,358	-	200,000	2,892,358
Total fund balances	3,103,175	50,946	200,000	3,354,121
Total liabilities and fund balances	\$ 3,667,318	\$ 50,946	\$ 200,000	\$ 3,918,264

CITY OF BELVEDERE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GENERAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND	SLESF FUND	INSURANCE RESERVE FUND	TOTAL GENERAL FUND
Revenues:				
Property taxes	\$ 3,602,729	\$ -	\$ -	\$ 3,602,729
Other taxes	143,853	-	-	143,853
Licenses and permits	330,151	-	-	330,151
Fines and forfeitures	23,073	-	-	23,073
Use of money/property	42,598	-	-	42,598
Intergovernmental revenues	34,209	100,121	-	134,330
Charges for services	261,159	-	-	261,159
Franchise fees	123,028	-	-	123,028
Other revenues	43,253	-	-	43,253
Total revenues	4,604,053	100,121	-	4,704,174
Expenditures:				
Current:				
General government	844,598	-	-	844,598
Public safety:				
Police	1,438,836	85,819	-	1,524,655
Fire	-	-	-	-
Planning & development	1,457,819	-	-	1,457,819
Public works	798,718	-	-	798,718
Community center	16,343	-	-	16,343
Library	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	4,556,314	85,819	-	4,642,133
Revenues over (under) expenditures	47,739	14,302	-	62,041
Other financing sources (uses):				
Transfers from other funds	220,000	-	(220,000)	-
Transfers to other funds	(530,756)	-	-	(530,756)
Total other financing sources (uses)	(310,756)	-	(220,000)	(530,756)
Net change in fund balance	(263,017)	14,302	(220,000)	(468,715)
Fund balances, beginning of year	3,366,192	36,644	420,000	3,822,836
Fund balances, end of year	<u>\$ 3,103,175</u>	<u>\$ 50,946</u>	<u>\$ 200,000</u>	<u>\$ 3,354,121</u>

CITY OF BELVEDERE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds	Equipment Replacement Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ -	\$ 77,409	\$ 77,409
Cash with fiscal agent	-	-	-
Taxes receivables, net	-	-	-
Interest receivable	-	-	-
Accounts receivable, net	3,715	-	3,715
Prepaid items	-	-	-
Total assets	\$ 3,715	\$ 77,409	\$ 81,124
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,658	\$ 2,409	\$ 6,067
Accrued liabilities	-	-	-
Refundable deposits	-	-	-
Unearned revenues	-	-	-
Total liabilities	3,658	2,409	6,067
Fund balances:			
Nonspendable	-	-	-
Restricted	57	50,000	50,057
Committed	-	-	-
Assigned	-	25,000	25,000
Unassigned	-	-	-
Total fund equity	57	75,000	75,057
Total liabilities and fund equity	\$ 3,715	\$ 77,409	\$ 81,124

CITY OF BELVEDERE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Equipment Replacement Fund	Total Nonmajor Governmental Funds
Revenues;			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Unrestricted investment earnings	-	-	-
Intergovernmental revenues	585,901	4,625	590,526
Charges for services	-	-	-
Other revenues	-	-	-
Total revenues	<u>585,901</u>	<u>4,625</u>	<u>590,526</u>
Expenditures:			
Current:			
General government	-	-	-
Finance and central services	-	-	-
Public safety:			
Police	-	-	-
Fire	-	-	-
Planning & development	-	-	-
Public works	-	-	-
Parks, beaches & recreation	-	-	-
Library	528,273	-	528,273
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	14,991	14,991
Total expenditures	<u>528,273</u>	<u>14,991</u>	<u>543,264</u>
Revenues over (under) expenditures	<u>57,628</u>	<u>(10,366)</u>	<u>47,262</u>
Other financing sources (uses):			
Transfers from other funds	-	35,366	35,366
Transfers to other funds	(57,623)	-	(57,623)
Proceeds of long-term debt	-	-	-
Total other financing sources (uses)	<u>(57,623)</u>	<u>35,366</u>	<u>(22,257)</u>
Net change in fund balance	5	25,000	25,005
Fund balances, beginning of year	<u>52</u>	<u>50,000</u>	<u>50,052</u>
Fund balances, end of year	<u>\$ 57</u>	<u>\$ 75,000</u>	<u>\$ 75,057</u>

CITY OF BELVEDERE
COMBINING BALANCE SHEETS
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 2011

	LIBRARY FUND	GAS TAX FUND	TOTAL OTHER SPECIAL REVENUE FUNDS
ASSETS:			
Cash and investments	\$ -	\$ -	\$ -
Taxes/user fees receivable	-	-	-
Accounts receivable	3,658	57	3,715
Prepaid items	-	-	-
Total assets	\$ 3,658	\$ 57	\$ 3,715
LIABILITIES:			
Accounts payable	\$ 3,658	\$ -	\$ 3,658
Accrued liabilities	-	-	-
Total liabilities	3,658	-	3,658
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	-	57	57
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	-	57	57
Total liabilities and fund balances	\$ 3,658	\$ 57	\$ 3,715

CITY OF BELVEDERE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

OTHER SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	LIBRARY FUND	GAS TAX FUND	TOTAL OTHER SPECIAL REVENUE FUNDS
Revenues:			
Property taxes	\$ -	\$ -	\$ -
License and permits	-	-	-
Fines and forfeitures	-	-	-
Unrestricted investment earnings	-	-	-
Intergovernmental revenues	528,273	57,628	585,901
Other revenues	-	-	-
Total revenues	<u>528,273</u>	<u>57,628</u>	<u>585,901</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety/police services	-	-	-
Planning & economic development	-	-	-
Public works	-	-	-
Library	528,273	-	528,273
Capital outlay	-	-	-
Total expenditures	<u>528,273</u>	<u>-</u>	<u>528,273</u>
Revenues over (under) expenditures	-	57,628	57,628
Other financing sources (uses):			
Transfers from other funds	-	-	-
Transfers to other funds	-	(57,623)	(57,623)
Proceeds of long-term debt	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(57,623)</u>	<u>(57,623)</u>
Net change in fund balance	-	5	5
Fund balances, beginning of year	-	52	52
Fund balances, end of year	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 57</u>

August 29, 2011

To the City Council
City of Belvedere, California

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

We have audited the basic financial statements of the City of Belvedere (the "City") as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated August 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the members of the City's Council, management, and others within the City, and officials of the applicable grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Odenberg Ullakko Muranishi & Co LLP