

City of Foster City and Estero Municipal Improvement District California



**Comprehensive Annual Financial Report
Prepared by the Department of Financial Services
Fiscal Year Ended June 30, 2015**

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
CALIFORNIA**

Comprehensive Annual Financial Report

Prepared by the Department of Financial Services

For the Fiscal Year Ended June 30, 2015

Art Kiesel, Mayor

Gary Pollard, Vice Mayor

Charlie Bronitsky, Councilmember

Steve Okamoto, Councilmember

Herb Perez, Councilmember

James C. Hardy, City Manager

Jean B. Savaree, City Attorney

Dante Hall, Assistant City Manager

Doris Palmer, City Clerk

Curtis Banks, Community Development Director

Edmund Suen, Finance Director

John Healy, Fire Chief

Ann Ritzma, Human Resources Director

Kevin Miller, Parks & Recreation Director

Matthew Martell, Police Chief

Jeff Moneda, Public Works Director

Cover page photo courtesy of: Jonathan Zou, PW Engineering Intern

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**City of Foster City and Estero Municipal Improvement District
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2015**

Table of Contents

	Page
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	I
GFOA Certificate of Achievement for Excellence in Financial Reporting	VII
Organizational Chart	VIII
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities and Changes in Net Position	20
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
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 Position	25
Proprietary Fund Financial Statements:	
Statement of Net Position	26
Statement of Revenues, Expenses and Changes in Net Position	27
Statement of Cash Flows	28
Fiduciary Fund	
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position	31
 Notes to the Basic Financial Statements	 32
 Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	68
Low and Moderate Income Housing Assets Fund	70
Foster City Affordable Housing	71
Schedules of Funding Progress Other Post Employment Benefits	72
Schedules of Changes in the Net Pension Liability and Related Ratios - Agent	
Multiple-Employer Defined Benefit Pension Plan	73
Schedule of Proportionate Share of the Net Pension Liability - Cost-Sharing	
Multiple-Employer Defined Benefit Pension Plan	74
Schedules of Contributions:	
Agent Multiple-Employer Defined Benefit Pension Plan	75
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan	76

**City of Foster City and Estero Municipal Improvement District
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2015**

Table of Contents, Continued

FINANCIAL SECTION, Continued

	Page
Supplementary Information:	
Non-Major Governmental Funds:	
Combined Balance Sheet	77
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	78
Non-Major Special Revenue Funds:	
Combining Balance Sheet	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	81
Budgetary Comparison Schedules:	
Traffic Safety	83
Measure A	84
Gas Tax	85
Park-in-lieu	86
Measure M	87
SLESF/COPS Grant	88
California Opportunities	89
Foster City Foundation	90
Sustainable Foster City Special Fund	91
Daytime Shuttle Fund	92
 Internal Service Funds:	
Combining Statement of Fund Net Position	93
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	95
Combining Statement of Cash Flows	97

**City of Foster City and Estero Municipal Improvement District
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2015**

Table of Contents, Continued

STATISTICAL SECTION

Page

Description of Statistical Section

Financial Trends:

Government-Wide:

Net Position by Component	99
Changes in Net Position	100

Governmental Funds:

Changes in Fund Balances of Governmental Funds	101
Fund Balances, Governmental Funds	102

Revenue Capacity:

Assessed Value of Taxable Property	103
Property Tax Rates - Direct and Overlapping Governments	104
Principal Property Tax Payers	105
Property Tax Levies and Collections	106
Water Sales by Type of Customer	107
Water and Sewer Rates	108

Debt Capacity:

Ratios of Outstanding Debt by Type	109
Direct and Overlapping Governmental Activities Debt	110
Legal Debt Margin Information	111

Demographic and Economic Information:

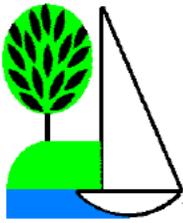
Demographic and Economic Statistics	112
Principal Employers	113

Operating Information:

Full-Time Equivalent City Government Employees by Function/Program	114
Operating Indicators by Function/Program	115
Capital Asset Statistics by Function/Program	116

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INTRODUCTORY SECTION



City of Foster City

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

610 FOSTER CITY BOULEVARD
FOSTER CITY, CA 94404-2222
(650) 286-3200
FAX (650) 574-3483

December 1, 2015

Honorable Mayor and Members of the City Council,
Board of Directors of the Estero Municipal Improvement District
and Citizens of Foster City
City of Foster City, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report (CAFR) of the City of Foster City (City) and the Estero Municipal Improvement District (District) for the fiscal year ended June 30, 2015 is hereby submitted. This report was prepared by the Financial Services Department, which is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation of this report, including all disclosures. We believe the data, as presented, are accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and results of operations of the City/District as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain an understanding of the City/District's financial affairs have been included.

The City/District prepared the Comprehensive Annual Financial Report using the financial reporting requirements as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. This GASB Statement requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the management's discussion and analysis and should be read in conjunction with it. The management's discussion and analysis can be found immediately following the report of the independent auditor.

The Comprehensive Annual Financial Report is organized into three sections:

- The ***Introductory Section*** includes this transmittal letter, the City/District's organizational chart and a list of principal officials. This section is intended to familiarize the reader with the organizational structure of the City/District, the nature and scope of the services it provides, and the specifics of its legal operating environment.
- The ***Financial Section*** includes the management's discussion and analysis, the basic financial statements, notes and other required supplementary information. The basic financial statements include the government-wide financial statements that present an overview of the City/District's entire financial operations and the fund financial statements that present the financial information for each of the City/District's major funds, as well as non-major governmental and other funds. Also included in this section is the independent auditor's report on the financial statements and schedules.
- The ***Statistical Section*** contains comprehensive statistical data on the City/District's financial, physical, economic, social and political characteristics.

The City/District's Comprehensive Annual Financial Report includes the funds of the primary government and enterprise activities that are not considered separate legal entities. Currently, there are no component units for which the primary government is financially accountable. Therefore, no financial balances or activities are reported as component units as of and for the fiscal year ended June 30, 2015.

INDEPENDENT AUDIT

The City/District requires that its financial statements be audited annually by an independent certified public accountant selected by the City Council/District Board. The City/District has contracted with Vavrinek, Trine, Day and Company, LLP Certified Public Accountants, to conduct the audit for FY 2014-2015 and the independent auditor's opinion is included in this report.

In addition, the City/District is required to file financial and operational information with the State of California and the County of San Mateo. All required reporting information has been filed in a timely manner.

PROFILE OF THE GOVERNMENT

The District was created by the California State Legislature in 1960 as a general-purpose district with municipal power, including the power to issue municipal bonds. The Board of Directors of the District was created and issued over \$80 million in bonds to provide the infrastructure for a new, master-planned community which was to be built on what then were a dairy farm and salt ponds adjacent to the San Francisco Bay. The bond proceeds were used to fill and reclaim the land and to finance construction of a man-made lagoon for storm drainage and recreation, a water system, a sewer system, a street system which included roads, bridges and street lights, a parks system, and a fire station. The first residents of this new community known as "Foster City" moved into their homes in 1964.

The City was officially incorporated on April 27, 1971. The newly elected City Council also began to serve as the Board of Directors for the District. The City is a general law city and has a Council-Manager form of government. Policy making and legislative authority are vested in a governing council consisting of the City Mayor/District Board President and four other members. There are five City Council/District Board Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager is responsible for carrying out the policies and ordinances of the Council/Board, for overseeing day-to-day operations of the City/District, and for appointing the heads of the various departments. The City Manager, City Attorney, Planning Commissioners, and Citizen Advisory Committee Members are appointed by the City Council/ District Board. The City Council/District Board is financially accountable for City/District operations and the Successor Agency. The Comprehensive Annual Financial Report includes all funds of the City/District, and the Successor Agency's activities, which are reported under a fiduciary fund type, as a private purpose trust fund.

Located on the San Francisco Peninsula, ten (10) miles south of the San Francisco International Airport, the City/District encompasses a geographic area of 12,345 acres, of which 9,726 acres (15.20 square miles) are part of San Francisco Bay and Belmont Slough, and 2,619 acres (4.09 square miles) are land. The City/District serves a population of 32,390 and provides a full range of municipal services, including police protection; fire suppression, prevention and advanced life support programs; water and wastewater services; construction and maintenance of streets, storm drains, lagoons, levees, bridges, and infrastructure; community development and redevelopment; maintenance and protection of the physical environment; construction and maintenance of parks and recreational amenities; leisure, entertainment and educational programs; and general government operations and services.

ACCOUNTING AND BUDGETING SYSTEMS

The City/District's financial picture is more readily understood with a general introduction to our accounting and budgeting systems. These systems provide the means for allocating available resources and for the proper control and recording of revenues and expenditures.

As part of our ongoing effort to maintain fiscal stewardship and financial accountability, the City/District uses a fully computerized accounting system. The accounting system is updated regularly to keep abreast of changing accounting techniques and principles. In developing, evaluating and maintaining the City/District's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. The City/District's internal accounting controls are designed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City/District's budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes: 1) the programs, projects, services and activities to be carried on during the fiscal year; 2) the estimated revenue available to finance the operating plan; and, 3) the estimated spending requirements of the operating plan. The budget represents a process where policy decisions by the City Council/District Board are made and then implemented. The City/District is required to adopt an annual budget on or before June 30th for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various departments. All appropriations, with the exception of those for the Capital Improvement Projects funds lapse and must be re-authorized at the end of the fiscal year if they have not been spent or legally committed.

In addition to internal controls, the City/District also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embedded in the annual appropriated budget approved by the City Council/District Board. The City Council and District Board may amend the budget by resolution. The budget is adopted at the object level of expenditure within departments. The City Manager may transfer appropriations from one program, activity, or object to another within a department within the same fund but not between departments or funds. Accordingly, the lowest level of budgetary control established by the City Council/District Board is at the department level. The City/District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end with the exception of the Capital Improvement Projects funds.

LOCAL ECONOMY

The local economy experienced continued expansion during fiscal year 2014-2015. Development activity was very robust and development related revenues, permit fees, plan check fees, and business license tax all exceeded expectations. Based on the development activity currently underway, revenues are poised for further growth going forward due to the residual effect that commercial/residential development has on the General Fund's other sources of revenue, including property tax.

Real Estate values in the City/District have well exceeded its pre-recession levels. With the recent completed and undergoing residential and commercial development, the City/District is experiencing healthy growth in property tax revenues, which lead to healthy fund reserves that will allow the City/District to maintain its infrastructure and to provide quality services.

The City/District's sales tax revenues improved as current development projects have brought in one-time sales tax revenues during the construction phase. It is anticipated that at the completion of the retail section of each development project, sales tax revenues will be enhanced.

As a method to address the vulnerability and challenges of our local economy due to cyclical economic cycles, the City/District, in collaboration with the Chamber of Commerce, established a Sustainable Economic Development Strategic Plan, not only to preserve and enhance the property tax and sales tax as the top two major revenue sources of the City/District, but also to achieve the vision to "Sustain and Enhance the Quality of Life in Foster City."

LONG-TERM FINANCIAL PLAN

In Foster City, City/District fiscal policies establish the framework upon which short and long-term financial decisions are made. In particular, it identifies the long-range goals needed for fiscal sustainability and develops strategies necessary to achieve these goals.

The City/District has established a minimum reserve policy for its General Fund at 33⅓% of annual operating expenditures and for its Water and Wastewater Funds at 25% of annual operating expenses. The minimum reserve policy serves as one method to prevent the City from spending beyond its sustainable means during periods of economic growth, while also providing the City a mechanism to maintain services at desired levels during economic downturns. In addition, a \$2 million emergency reserve is established for each of the three Capital Projects Funds programs – City, Water and Wastewater. The emergency reserve could help ensure business continuity if the City faces catastrophic situations. In addition, since fiscal year 2011, the City/District has implemented long-term funding for potential capital improvement projects over a 10-year horizon.

The City/District has also established internal services funds to reserve funding for vehicle and equipment replacement, information and technology equipment maintenance and replacement, building repair and maintenance, self-insurance for legal liability, and other post-employment benefits. This is another layer of the City/District's prudent long-term plan, not only to budget the true cost of operations from year-to-year, but also to guarantee the availability of resources to continue the high level of quality services in the future.

The City/District has adopted a five-year financial projection model as its basis for developing a long-term financial plan. The plan takes into consideration various financial and economic factors received from various sources. Such information includes residential and commercial property value trends, assessed valuation data, unemployment rates, consumer spending trends, consumer price indices, interest rates, investment performance of the CalPERS investment portfolio, State budget and financial forecasts, and qualitative data received from discussions and interviews with key business leaders in Foster City.

The City/District uses long-term financial planning to ensure stability through ups and downs within economic cycles. It also allows decision makers to better understand the true effects of policy decisions. Through the City/District's long-term financial planning, the City/District has had balanced budgets over the past two years. The City/District's five-year financial plan (FY 2015-2016 to FY 2019-2020) also shows balanced budgets throughout the time horizon.

The CalPERS pension reform continues to have a significant impact on the City's long-term financial plan. In addition to the current unfunded liability, the decrease of the assumption for CalPERS investment rate of return from 7.75% to 7.50%, the revision of rate smoothing policy, and the demographic assumption changes will all contribute to an increase in the employer contribution rate from 1.5% to 4.5 % starting FY 2015-2016.

The City/District has been closely monitoring employee compensation and benefits costs and has taken control measures to address this issue, including funding other post-employment benefit liabilities. Historically, the City/District has taken a conservative approach in providing reasonable compensation and benefits to the employees which has kept the City/District's liabilities at a manageable level compared to other local governments. In recent years, the City/District has taken further steps in trimming personnel costs by reducing the work force, sharing services, shifting defined benefits to defined contribution, and establishing a second tier retirement plan. In the years to come, the City/District will continue to carefully consider the long-term implications of its decisions regarding personnel-related spending and liabilities.

The City's five-year financial forecast includes an assumption of a 2% cost of living increase in compensation, and significant revenues from the local private developments, such as Gilead Sciences, Pilgrim Triton – Triton Pointe, Pilgrim Triton – Waverly , Foster Square, Extended Stay Hotel, and Illumina. Again, the City/District took a conservative approach by excluding the Chess-Hatch development until which time the developer of the site indicates that it has secured a long-term tenant and anticipates starting construction. With this forecast, the City achieved a balanced budget in the General Fund from FY 2015-2016 through FY 2019-2020.

MAJOR INITIATIVES

The following major initiatives were completed or are in progress as of June 30, 2015:

- Balanced Budget – The City/District achieved a balanced General Fund Budget and actual revenues exceeded expenditure by \$7.3 million in FY 2014-2015.
- Fire Shared Service – The City of Foster City and the City of San Mateo entered into a contract on July 1, 2010 to share the Fire Department management and administration services. Subsequently, the Belmont Fire Protection District entered into an agreement with the City of Foster City and the City of San Mateo to share the Fire management and administration services on January 1, 2013. All parties believe that the shared services model is a prudent way to deliver important public safety services; it is also reviewed and evaluated periodically.
- Sale of City's 15-acre Site – On October 3, 2014 the City/District sold the 15-acre site adjacent to City Hall to The New Home Company (TNHC-HW Foster City, LLC) for a mixed-use development consisting of Senior Housing (market rate and affordable, for sale and rental), retail and public plaza/promenades. Construction of the Phase I – for sale units and affordable units start during FY 2014-2015.
- Pilgrim-Triton Development Project – Phase 1 of the Pilgrim-Triton development project (The Plaza) was completed in 2013. It included the construction of 300 apartment units and 17,000 square feet of commercial space. Phase 2 of the Pilgrim-Triton development project (The Triton Pointe) is well underway and Phase 3 (Waverly) commenced construction during FY 2014-2015.
- Levee/Pedway Improvements and Repairs – During the fiscal year, the City/District completed resurfacing of the pedway section from the northern limits of Lantern Cove development to the northwestern property limits of the Shell Cove development.
- Park Improvements – During the fiscal year, the City/District completed synthetic surfacing for softball, baseball, and soccer fields at Edgewater Park.
- New Parks – In November 2013, City Council authorized an agreement with Callander and Associates for architectural support services and to provide plan and specification for the construction of Werder Park and Destination Park. The City Council further approved plans and specifications, call for bids, awarded the bids for both parks. Both projects were funded by Park-in-Lieu fees and were substantially completed in FY 2014-2015.
- HVAC Energy Efficient Upgrades – HVAC energy efficient upgrades were made in the City/District's Fire and Police stations and Recreation and Community Centers during the fiscal year.
- Library/Community Center Solar Project - A roof replacement and new solar system on the roof and carports of the Library/Community Center was substantially completed at the end of FY 2014-2015. This project is expected to generate approximately 184 kw of energy annually.
- Traffic/Street Improvements – The City/District has an ongoing program to repair and resurface the pavement of public streets. Project design commenced in spring 2015 and construction is planned for FY 2015-2016. The City/District also installed LED rectangular rapid flashing beacons on Beach Park Boulevard at Bowditch Middle School.
- Vintage Park Overcrossing Project – This project consists of the identification and evaluation of various maintenance and rehabilitation methods for resolving settlement issues at the approach slabs to the Vintage Park Overcrossing, and the subsequent design and construction of improvements to correct the problem. The construction of the project will take place in FY 2015-2016.

- Dredging at the Lagoon Intake Structure – The water level in the City’s lagoon is controlled by allowing water to flow through the intake structure by the Sea Cloud Park and pumping water out of the lagoon into the bay by the Corporation Yard. This project is to remove the sedimentation in front of the lagoon intake structure to ensure water flowing freely into the lagoon and accurate water level readings from the Bay Level Transducer. Regulatory permit and design are in progress with construction scheduled for FY 2015-2016
- Sanitary Sewer Lift Station Improvements – The District continued the program of maintaining sanitary sewer lift stations and addressing preventative maintenance and upgrades to extend the useful life of the lift stations. The rehabilitated lift stations will also provide a safer working environment for the operation staff. The program started in 2000; 23 lift stations have been fully or partially rehabilitated. This phase 5 includes improvement to 10 lift stations and items of works includes repairing interior wet wells, installing new pumps, motor, and valves; replacing electrical and telemetry control systems, installing by-pass piping and connections, and replacing corroded components with non-corrosive stainless steel material. Regulatory permit and design commenced in FY 2014-2015 and construction is scheduled in FY 2015-2016.
- Development Plans – Plans for various land use development projects were reviewed, approved or are well under way, including Gilead Sciences buildings and parking garages, Waverly, Foster Square, the Extended Stay Hotel, and Illumina, all of which stand to generate significant long-term revenues to the City/District.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City/District for the year ended June 30, 2014. This was the 22nd consecutive year that the City/District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City/District published an easily readable and efficiently organized Comprehensive Annual Financial Report which satisfied both accounting principles accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA for eligibility for another certificate.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the professional, efficient and dedicated service of the Financial Services Department staff. In particular, I would like to express my appreciation to the following members who contributed to the development of this report: Fiti Rusli, Assistant Finance Director and Karen Li, Accountant.

I also like to thank the Vavrinek, Trine, Day & Company, LLP audit team for their cooperation and assistance.

Sincere appreciation is also expressed to the Mayor/President and the members of the City Council/District Board, the City Manager, the Financial Services staff, the operating departments, and members of the Audit Committee for their interest and support towards conducting the financial operations of the City/District in a responsible and progressive manner.

Respectfully submitted,



Edmund Suen
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Foster City and Estero Municipal
Improvement District, California**

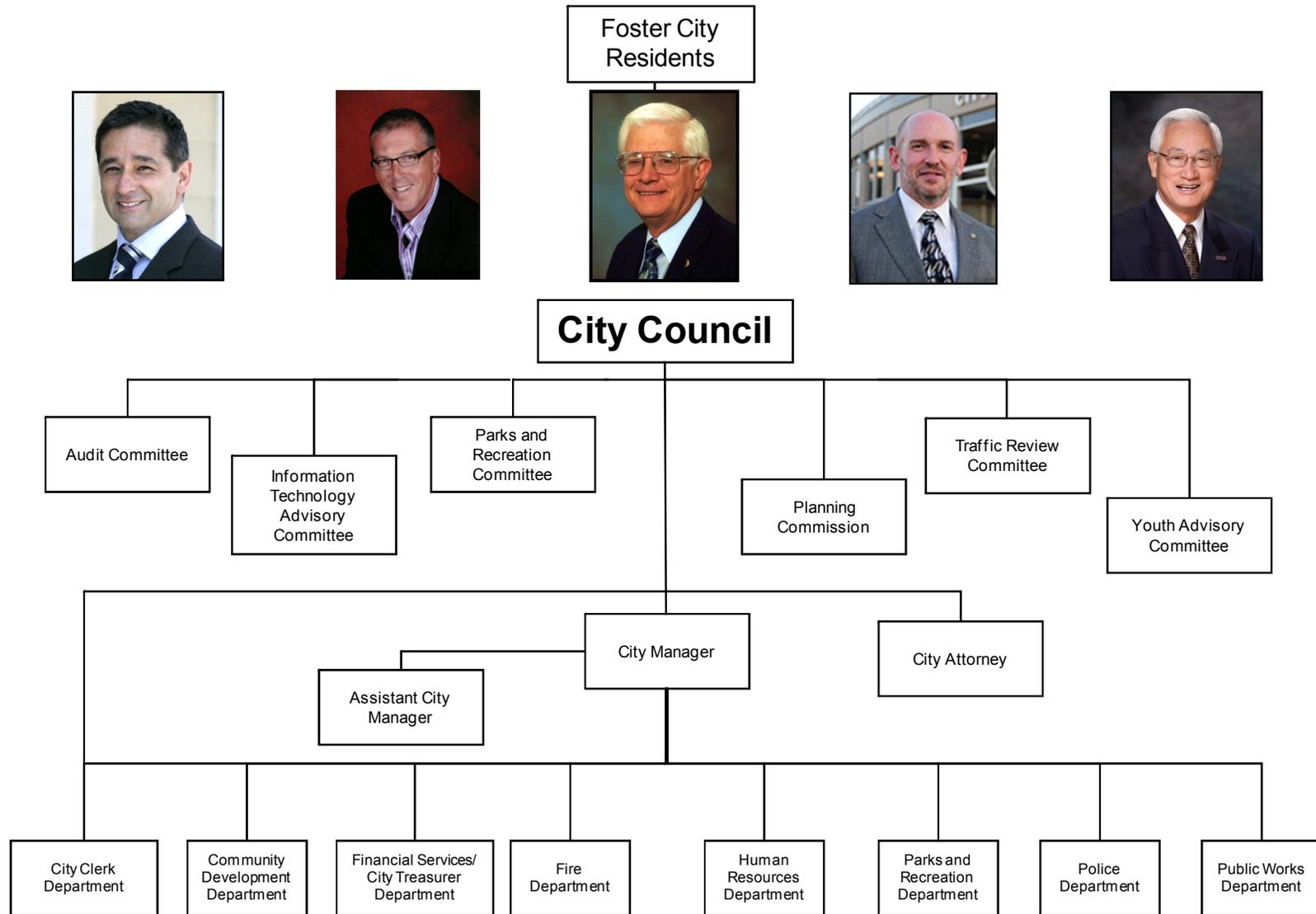
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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Foster City Organization Chart



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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Foster City
and the Board of Directors of the Estero Municipal Improvement District
Foster City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foster City and Estero Municipal Improvement District (City/District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City/District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foster City and Estero Municipal Improvement District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the City/District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB 68*, effective July 1, 2014. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, the schedules of proportionate share of the net pension liability, the schedules of contributions, and schedules of funding progress as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City/District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the City/District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City/District's internal control over financial reporting and compliance.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California
December 1, 2015

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**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

This section of the City of Foster City/Estero Municipal Improvement District's (City/District) Comprehensive Annual Financial Report presents a narrative overview and analysis of the City/District's financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the Transmittal Letter and accompanying Basic Financial Statements.

FINANCIAL HIGHLIGHTS

City-wide:

- As of June 30, 2015, the City/District's total assets increased by \$42.1 million, or 14.16%, to \$339.6 million, of which \$247.6 million represented governmental assets and \$92.0 million represented business-type assets.
- The City/District's total liabilities increased by \$51.1 million, or 314.02%, to \$67.4 million, of which \$60.0 million were governmental liabilities and \$7.4 million were business-type liabilities.
- The City/District's total net position decreased by \$15.1 million, or 5.35%, to \$266.1 million. Of this amount, \$69.0 million (unrestricted governmental net position) and \$28.6 million (unrestricted business-type net position) may be used to meet the government's ongoing obligations to citizens/customers and creditors.
- City-wide revenues increased by \$31.2 million, or 48.16%, to \$96.0 million, of which \$77.4 million were generated by governmental activities and \$18.6 million were generated by business-type activities.
- City-wide expenses increased by \$2.9 million, or 5.48%, to \$55.0 million, of which \$37.3 million were incurred by governmental activities and \$17.7 million were incurred by business-type activities.
- Detailed analysis is provided under the GOVERNMENT-WIDE FINANCIAL ANALYSIS caption.

Fund Level:

- Governmental Fund balances increased \$34.4 million, or 72.58%, to \$81.8 million. Of this amount, \$30.3 million, or 50.09%, was in the unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$47.6 million, an increase of \$3.1 million, or 7.01%, from \$44.5 million in the prior fiscal year.
- Governmental Fund expenditures increased by \$8.2 million, or 23.08%, to \$43.8 million in FY 2014-2015, from \$35.6 million in the prior fiscal year.
- Enterprise Fund net position decreased by \$4.7 million, or 5.35%, to \$82.7 million. Of this amount, \$27.3 million was unrestricted net position and available for spending at the District's discretion.
- Enterprise Fund operating revenues were \$18.1 million in FY 2014-2015 compared to \$18.0 million in the prior fiscal year.
- Enterprise Fund operating expenses were \$17.8 million in FY 2014-2015, an increase of \$1.5 million from \$16.3 million in fiscal year 2014.
- Detailed analysis is provided under the FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS caption.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The City/District's annual report comprises of six parts:

- 1) *Introductory section*, which includes the Transmittal Letter and general information;
- 2) *Management's Discussion and Analysis* (this part);
- 3) *Basic Financial Statements*;
- 4) *Required Supplementary Information*;
- 5) *Combining Statements* for non-major governmental funds, internal service funds, fiduciary funds, and *budgetary comparison schedules* for non-major governmental funds; and
- 6) *Statistical Information*.

The *Basic Financial Statements* are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and, 3) Notes to the basic financial statements.

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of City/District finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City/District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the assets and deferred outflows and liabilities and deferred inflows shown as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City/District is improving or deteriorating.

The *statement of activities* presents information showing how the City/District's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of these government-wide financial statements distinguish functions of the City/District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City/District include general government, public safety, public works, community development, and parks and recreation. The business-type activities of the City/District include water and wastewater operations. The government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City/District as a whole.

The **Fund Financial Statements** are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City/District, like other states and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City/District can be divided into three primary categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONTINUED)

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 funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City/District's programs.

The focus of governmental funds 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 the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Low and Moderate Income Housing Assets Fund, Foster City Affordable Housing Fund, City Capital Projects Fund, and Capital Asset Preservation Fund, all of which are considered to be *major funds*. Data from the remaining governmental funds are combined into a single, aggregated column entitled "Non-Major Governmental Funds." Individual and combining fund data for each of these non-major governmental funds is provided as *other supplementary information* in this report.

Proprietary funds are generally used to account for services for which the City/District charges customers – either outside customers, or internal units or departments of the City/District. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City/District maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City/District uses enterprise funds to account for the water and wastewater operations.
- *Internal service funds* are used to report activities that provide supplies and services for certain City/District programs and activities. The City/District uses internal service funds to account for the City/District's vehicle rental, equipment replacement, self-insurance, information technology, building maintenance, longevity recognition benefits, the Public Employees Medical and Hospital Care Act (PEMHCA) benefits, and compensated absences payoff. Since these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds are used to account for the financial activities where the City/District acts as an agent on behalf of others, holding amounts collected, and disbursing them as directed or required. The City/District's fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Agency Funds Statement of Changes in Net Position. These activities are excluded from the City/District's other financial statements because the City/District cannot use these assets to finance its own operations.

Notes to the Basic Financial Statements provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONTINUED)

The *required supplementary information* includes the City/District's General Fund, Low and Moderate Income Housing Assets Fund, and budgetary comparison schedule and the Schedule of Funding Progress and other information for the City/District's pension plans and Other Post Employment Benefits (OPEB) obligations. The City/District adopts an annual appropriated budget for its General Fund, Low and Moderate Income Housing Asset Fund, and budgetary comparison schedules are provided to demonstrate compliance with this budget.

The *other supplementary information* contains the combining and individual fund statements and schedules, which provide information for non-major governmental funds and the internal service funds, all of which are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net position
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2015	2014	2015	2014	2015	2014		
Assets:								
Current and other assets	\$ 142,111,757	\$102,726,995	\$ 36,615,405	\$ 34,883,750	\$178,727,162	\$ 137,610,745	\$ 41,116,417	29.88%
Capital assets	105,458,244	102,532,106	55,371,422	57,308,122	160,829,666	159,840,228	989,438	0.62%
Total assets	247,570,001	205,259,101	91,986,827	92,191,872	339,556,828	297,450,973	42,105,855	14.16%
Deferred outflows of resources related to pension								
	4,147,422	-	421,797	-	4,569,219	-	4,569,219	N/A
Liabilities:								
Current and other liabilities	9,540,032	7,289,307	2,100,881	3,000,861	11,640,913	10,290,168	1,350,745	13.13%
Long-term liabilities	50,453,243	5,357,938	5,259,848	620,323	55,713,091	5,978,261	49,734,830	831.93%
Total Liabilities	59,993,275	12,647,245	7,360,729	3,621,184	67,354,004	16,268,429	51,085,575	314.02%
Deferred inflows of resources related to pension								
	9,620,988	-	1,021,901	-	10,642,889	-	10,642,889	N/A
Net position:								
Net investment in capital assets	105,458,244	102,532,106	55,371,422	57,308,122	160,829,666	159,840,228	989,438	0.62%
Restricted	7,666,923	7,528,560	-	-	7,666,923	7,528,560	138,363	1.84%
Unrestricted	68,977,993	82,551,190	28,654,572	31,262,566	97,632,565	113,813,756	(16,181,191)	-14.22%
Total net position	\$ 182,103,160	\$192,611,856	\$ 84,025,994	\$ 88,570,688	\$266,129,154	\$ 281,182,544	\$ (15,053,390)	-5.35%

Net Position

Net position may serve over time as a useful indicator of a government's financial position. This analysis focuses on the net position and year-to-year changes in net position of the City/District as a whole. The City/District's combined net position is \$266.1 million, representing the difference between the sum of total assets and deferred outflows of resources related to pension and the sum of total liabilities and deferred inflows related to pension. The overall net position decreased by \$15.1 million, or 5.35%, from \$281.2 million in the prior fiscal year. This change in net position reflects a decrease in the Statement of Activities and is explained later in this report (see page 10). During FY 2014-2015, the City/District implemented GASBs 68 and 71 which required the recording of net pension liability and pension related deferred inflows and outflows. See Note 9 for details on the effects of this new accounting standard.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion, approximately 60.4% or \$160.8 million of the City/District's net position represents its investment in infrastructure and other capital assets (e.g., land, building, other improvements, etc.). The City/District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The restricted portion of the City/District's net position of \$7.7 million or 2.9% represents resources that are subject to restrictions which were required by others and cannot be changed by the City/District.

The remaining balance of unrestricted net position of \$97.6 million, or 36.7%, was for unrestricted uses in accordance with finance-related legal requirements reflected in the City/District's fund structure. These can be used to finance day-to-day operations without constraints established by legal requirements or restrictions.

At the end of FY 2014-2015, including the effects of implementing GASB 68 and 71, the City/District had positive balances in all three categories of net positions for the government as a whole.

	Governmental Activities 2015	2014	Amount Change	Percent Change
Assets:				
Current and other assets	\$ 142,111,757	\$ 102,726,995	\$ 39,384,762	38.34%
Capital assets	105,458,244	102,532,106	2,926,138	2.85%
Total assets	<u>247,570,001</u>	<u>205,259,101</u>	<u>42,310,900</u>	20.61%
Deferred outflows of resources related to pension	4,147,422	-	4,147,422	N/A
Liabilities:				
Current and other liabilities	9,540,032	7,289,307	2,250,725	30.88%
Long-term liabilities	50,453,243	5,357,938	45,095,305	841.65%
Total Liabilities	<u>59,993,275</u>	<u>12,647,245</u>	<u>47,346,030</u>	374.36%
Deferred inflows of resources related to pension	9,620,988	-	9,620,988	N/A
Net position:				
Net investment in capital assets, net of related debt	105,458,244	102,532,106	2,926,138	2.85%
Restricted	7,666,923	7,528,560	138,363	1.84%
Unrestricted	68,977,993	82,551,190	(13,573,197)	-16.44%
Total net position	<u>\$ 182,103,160</u>	<u>\$ 192,611,856</u>	<u>\$ (10,508,696)</u>	-5.46%

The net position of the City/District's governmental activities decreased by approximately \$10.5 million. This decrease consists of three components:

1. **Net investment in capital assets** – The \$2.9 million increase was due to the excess of capital asset additions over depreciation and the retirement of capital assets.
2. **Restricted net position** – This component was essentially unchanged with a slight increase of 1.84% or \$138,363.
3. **Unrestricted net position** – The \$13.6 million decrease was mainly due to 1) a reduction in unrestricted net position of \$51.7 million as a result of the implementation of GASB 68 and 71, 2) significant increases in General Fund revenues in property tax, transient occupancy tax, business license tax, building permits, and plan check fees related to the current on-going development projects and 3) a gain of \$29.7 million from the sale of the capital assets, primarily the City/District's 15 acre site.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	Business-Type Activities		Amount Change	Percent Change
	2015	2014		
Assets:				
Current and other assets	\$ 36,615,405	\$ 34,883,750	\$ 1,731,655	4.96%
Capital assets	55,371,422	57,308,122	(1,936,700)	-3.38%
Total assets	<u>91,986,827</u>	<u>92,191,872</u>	<u>(205,045)</u>	-0.22%
Deferred outflows of resources related to pension	<u>421,797</u>	<u>-</u>	<u>421,797</u>	N/A
Liabilities:				
Current and other liabilities	2,100,881	3,000,861	(899,980)	-29.99%
Long-term liabilities	5,259,848	620,323	4,639,525	747.92%
Total Liabilities	<u>7,360,729</u>	<u>3,621,184</u>	<u>3,739,545</u>	103.27%
Deferred inflows of resources related to pension	<u>1,021,901</u>	<u>-</u>	<u>1,021,901</u>	N/A
Net position:				
Net investment in capital assets, net of related debt	55,371,422	57,308,122	(1,936,700)	-3.38%
Restricted	-	-	-	
Unrestricted	28,654,572	31,262,566	(2,607,994)	-8.34%
Total net position	<u>\$ 84,025,994</u>	<u>\$ 88,570,688</u>	<u>\$(4,544,694)</u>	-5.13%

The net position of the City/District's business-type activities decreased by \$4.5 million. This decrease consists of two components.

1. **Net Investment in capital assets** – The \$1.9 million decreased was due to the excess of depreciation and the retirement of capital assets over capital assets addition. Detailed analysis is provided under Note No. 6.
2. **Unrestricted net position** – The \$2.6 million decrease was mainly due to 1) a reduction in unrestricted net position of \$5.4 million as a result of the implementation of GASB 68 and 71 and 2) net increase in operating income of \$2.8 million (excluding depreciation expense).

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position – The following table identifies the changes in net position for governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2015	2014	2015	2014	2015	2014		
Program Revenues								
Charges for services	\$ 9,154,024	\$ 8,317,164	\$ 18,151,346	\$ 17,950,613	\$ 27,305,370	\$ 26,267,777	\$ 1,037,593	3.95%
Operating grants and contributions	2,655,353	1,471,641	-	-	2,655,353	1,471,641	1,183,712	80.43%
Capital grants and contributions	709,800	1,374,066	26,991	-	736,791	1,374,066	(637,275)	-46.38%
General Revenues								
Taxes	28,621,521	27,378,377	-	-	28,621,521	27,378,377	1,243,144	4.54%
Contributions not restricted to specific programs	3,955,873	3,684,963	-	-	3,955,873	3,684,963	270,910	7.35%
Unrestricted investment and rental income	2,256,791	3,688,849	319,633	459,090	2,576,424	4,147,939	(1,571,515)	-37.89%
Gain on Sale of Capital Asset	29,656,931	-	-	-	29,656,931	-	29,656,931	-
Other	431,368	405,586	94,246	87,468	525,614	493,054	32,560	6.60%
Total Revenues	77,441,661	46,320,646	18,592,216	18,497,171	96,033,877	64,817,817	31,216,060	48.16%
Expenses								
General government	3,557,955	3,794,112	-	-	3,557,955	3,794,112	(236,157)	-6.22%
Public safety	18,154,823	17,337,144	-	-	18,154,823	17,337,144	817,679	4.72%
Public works	4,650,758	4,353,289	-	-	4,650,758	4,353,289	297,469	6.83%
Community development	2,176,539	1,965,069	-	-	2,176,539	1,965,069	211,470	10.76%
Parks and recreation	8,808,422	8,516,392	-	-	8,808,422	8,516,392	292,030	3.43%
Water operations	-	-	10,596,613	9,846,110	10,596,613	9,846,110	750,503	7.62%
Wastewater operations	-	-	7,140,529	6,412,706	7,140,529	6,412,706	727,823	11.35%
Public transportation	-	-	-	-	-	-	-	0.00%
Total Expenses	37,348,497	35,966,006	17,737,142	16,258,816	55,085,639	52,224,822	2,860,817	5.48%
Excess (deficiency) of revenues over (under) expenses before transfers	40,093,164	10,354,640	855,074	2,238,355	40,948,238	12,592,995	28,355,243	225.17%
Transfers in (out)	-	-	-	-	-	-	-	0.00%
Extraordinary gain	1,131,265	(1,368,510)	-	-	1,131,265	(1,368,510)	2,499,775	-100.00%
Change in net position	41,224,429	8,986,130	855,074	2,238,355	42,079,503	11,224,485	30,855,018	274.89%
Net position, beginning of year	192,611,856	183,625,726	88,570,688	86,332,333	281,182,544	269,958,059	11,224,485	4.16%
Prior period adjustment	(51,733,125)	-	(5,399,768)	-	(57,132,893)	-	(57,132,893)	-
Net position, end of year	\$ 182,103,160	\$ 192,611,856	\$ 84,025,994	\$ 88,570,688	\$ 266,129,154	\$ 281,182,544	\$ (15,053,390)	-5.35%

Key changes to **revenue** categories are explained below:

- **Charges for Services** – The \$837 thousand increase in Governmental Activities was primarily from development related revenues including plan check fees.
- **Operating Grants and Contributions** – The \$1.2 million increase in Governmental Activities was mainly due to the receipt of a one-time affordable housing payment of \$1.45 million for the Foster Square development project (15 acre site).
- **Capital Grants and Contributions** – The \$664,000 decrease in Governmental Activities was mainly due to a one-time Measure “A” special grant of \$631,000 for the Triton Drive widening project received in FY 2013-2014.
- **Taxes** – The \$1.2 million increase in Governmental Activities was primarily from higher property and transient occupancy tax revenues as reflected by strong housing prices and a robust local and regional economy.
- **Contributions Not Restricted to Specific Programs** – Sales and use taxes comprise this line-item which increased by 7.4% or \$271,000 from the prior fiscal year primarily from gains in construction activity from active development projects.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- Unrestricted investment and rental income – The \$1.4 million decline in Governmental Activities was attributed to a reduction in the Longevity Recognition Benefits and PEMHCA Fund investment portfolio changes as a result of the rebalancing of investment holdings from a mix of stock and bond funds to short term fixed income funds in FY 2014-2015.
- Gain on Sale of Capital Assets – The City/District realized an overall gain of \$29.7 million from the sale of capital assets, primarily its 15 acre site, aka Foster Square.

Key changes in **expense** categories are explained below:

- General Government – The \$236,000 decrease in General Government was due partially to staff vacancies.
- Public Safety – The increase of \$818,000 or 4.7% in the Safety Department included the addition of one Crime Prevention/Community Outreach police officer and shared costs of a full time Emergency Preparedness Coordinator with the City of San Mateo. Wage adjustments as stipulated under applicable labor agreements with the Police and Fire Departments and general cost escalation in benefits were also components of the total increase.
- Public Works; Community Development, and Parks and Recreation – During FY 2014-2015, the City/District negotiated new labor agreements with the non-public safety employees. The increases in expenses in the Public Works, Community Development, and Parks and Recreation departments of \$297,000, \$211,000, and \$292,000 respectively included bargained wage adjustments as well as an increase in benefit costs, including higher employer pension contribution rates.
- Water Operation – A 19.6% increase in water supply cost was the significant contributor to the overall acceleration in Water Operations expense of \$751,000 or 7.6%.
- Wastewater Operation – In FY 2014-2015, the City of San Mateo and the City/District (as co-owners) of a wastewater treatment plant commenced work to develop a comprehensive 20 year wastewater master plan to replace its aging facility. Contract costs for developing the plan, general wage adjustments based on new labor agreements, and higher benefit costs all contributed to the overall increase of \$728,000 in this operation.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2015, the City/District's governmental funds reported combined fund balances of \$81.8 million. Of this total, \$7.3 million are considered restricted funds, \$43.6 million are committed by the City Council/District Board for specified projects or uses, \$0.6 million are assigned by the City Manager (as duly authorized by Council/Board policy) for specified uses, and the remaining \$30.3 million are unassigned and available for general use.

Total revenues, expenditures and changes in fund balances for the fiscal year ended June 30, 2015 are shown below in comparison to the year ended June 30, 2014.

	2015		2014		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Revenues by Source						
Taxes	\$ 30,968,962	65.05%	\$ 29,972,228	67.36%	\$ 996,734	3.33%
Licenses and permits	3,954,102	8.31%	2,676,476	6.02%	1,277,626	47.74%
Intergovernmental	1,563,429	3.28%	2,688,202	6.04%	(1,124,773)	-41.84%
Charges for current services	2,510,647	5.27%	2,621,851	5.89%	(111,204)	-4.24%
Fines and forfeitures	168,838	0.35%	197,969	0.44%	(29,131)	-14.71%
Park-in-lieu	3,288,613	6.91%	3,289,634	7.39%	(1,021)	-0.03%
Investment and rental income	2,273,291	4.77%	2,252,482	5.06%	20,809	0.92%
Other	2,882,967	6.06%	794,640	1.79%	2,088,327	262.80%
Total revenues	47,610,849	100.00%	44,493,482	100.00%	3,117,367	7.01%
Expenditures by Function						
General Government	3,162,004	7.22%	3,174,115	8.92%	(12,111)	-0.38%
Public safety	17,722,005	40.45%	17,026,819	47.84%	695,186	4.08%
Public works	2,331,632	5.32%	1,967,187	5.53%	364,445	18.53%
Community development	6,928,167	15.81%	1,936,205	5.44%	4,991,962	257.82%
Parks and recreation	7,182,946	16.40%	7,107,443	19.97%	75,503	1.06%
Capital outlay	6,483,904	14.80%	4,382,435	12.31%	2,101,469	47.95%
Total expenditures	43,810,658	100.00%	35,594,204	100.00%	8,216,454	23.08%
Revenues over (under) expenditures	3,800,191		8,899,278		(5,099,087)	
Other financing sources (uses)	122,000		-		122,000	
Sale of capital assets	30,485,503		1,344,924		29,140,579	
Extraordinary loss	-		(1,368,510)		1,368,510	
Net change in fund balances	34,407,694		8,875,692		\$ 25,532,002	
Fund balances, beginning of year	47,405,937		38,530,245			
Fund balances, end of year	\$ 81,813,631		\$ 47,405,937			

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)

Key changes to **revenue** categories are explained below:

- Taxes – The increase of \$1.0 million was due to gains in property and transient occupancy tax due to strong housing prices and a robust local and regional economy.
- Licenses and permits – In November, 2013, Foster City voters passed Measure U to update the City/District's business license tax which had been established 40+ years ago. This Measure contributed to an increase of \$520,000 in FY 2014-2015 from the prior year. New residential/commercial development also brought in significant one-time revenues to the City as permit fee revenues jumped by \$758,000. In total, license and permit revenues increase by \$1.3 million to \$4.0 million from FY 2013-2014.
- Intergovernmental – The decline of \$1.1 million was due to one-time grants received in FY 2013-2014 for street resurfacing and repairs for \$508,000 and Triton Drive widening project for \$631,000.
- Investment and rental income – Investment income increased by \$1.3 million. GASB Statement 31 requires a government agency to report the fair value of all investments in its financial statement. Accordingly, the City/District takes a snapshot of the fair value of its investment portfolio at June 30 of each fiscal year and records the difference between the fair value and book value as unrealized gain or loss. However, as the City/District's investment practice is to hold investments until maturity, the book gain or loss is generally not realized.
- Other revenues – The increase of \$2.1 million consists primarily of the \$1.45 million in affordable housing payment and a \$560,000 reimbursement for multi-project development costs for the Foster Square project.

Key changes in **expense** categories are explained below:

- Public Safety – The increase of \$695,000 in Safety Department was mainly due the addition of one Crime Prevention/Community Outreach police officer and shared costs of a full time Emergency Preparedness Coordinator with the City of San Mateo. Wage adjustments as stipulated under applicable labor agreements with the Police and Fire Departments and general cost escalation in benefits were also components of the total increase.
- Public Works – The \$364,000 increase in Public Works was due to the \$745,000 bi-annual street resurfacing the repair project.
- Community Development – The \$5.0 million increase was primarily from a \$4.75 million loan to MP Foster Square Associates, L.P. to build affordable housing at Foster Square.
- Capital Outlay – The \$2.1 million increase was due to the higher capitalizing of capital improvement projects compared to the previous year. FY 2014-2015 projects that were capitalized included the library/community center solar project, HVAC upgrades in the public safety building and recreation and community centers, Vintage Park overcrossing improvements, construction of Werder Park and Destination Park, dredging at the lagoon intake structure, various park infrastructure improvements, and annual street resurfacing.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)

- Sale of Capital Assets – The \$29.1 million increase in FY 2014-2015 is from the one-time City/District sale of its 15-acre site adjacent City Hall to THNC-HW Foster City, LLC for \$30 million to be developed as a mixed use project consisting of senior housing and retail. This compares to FY 2013-2014 when there was a one-time sale of 2 affordable housing units.
- Extraordinary Loss – The \$1.4 million decrease in extraordinary loss is due to the one-time claw back that occurred in FY 2013-2014 when the General Fund had to return a loan repayment received from the former Community Development Agency. However, in FY 2014-2015 the City was allowed to reinstate the general fund loan with the Successor Agency of the former Foster City Community Development Agency. Loan payments are expected to be made from future funds from the County's Reserve for Property Tax Trust Fund (RPTTF) starting approximately 2016 until fully paid in 2025.

The following provides highlights of the five (5) *Major Governmental Funds*.

General Fund – The General Fund represents the single most important operating fund of the City/District. The legislative body and executive staff spend a significant amount of time during the year closely monitoring the financial health and operations of this fund which provides core municipal services to the public. The total fund balance at June 30, 2015 was \$32.2 million, which was a \$7.3 million increase from FY 2013-2014. Unassigned fund balances finished the year at \$30.3 million, increasing by \$6.6 million from the prior year.

General Fund revenues increased \$2.7 million in FY 2014-2015 as most categories had gains including property tax, sales tax, transient occupancy tax, property transfer tax, business license tax, permits, investment and rental income.

General Fund expenditures increased \$1.5 million in FY 2014-2015 due mainly to increases in personnel costs associated with adjustments provided under labor agreements, the addition of one Crime Prevention/Community Outreach police officer, shared costs of a full time Emergency Preparedness Coordinator with the City of San Mateo, and higher benefit costs, including higher employer pension contribution rates.

In aggregate, General Fund revenues exceeded expenditures by \$7.5 million. During the fiscal year, the General Fund transferred \$400,000 to the City Capital Improvement Project fund for future capital improvement projects. The General Fund's fund balance at June 30, 2015 was \$32.2 million with an unassigned balance of \$30.3 million, or 85.0% of annual operating expenditures. This amount well exceeds the City/District's minimum reserve policy of 33⅓%.

Low and Moderate Income Housing Assets Fund – This fund was established for the Housing Successor to continue the existing Low and Moderate Income Housing program. As of June 30, 2015, the Low and Moderate Income Housing Assets Fund had a restricted fund balance of \$1.3 million. The fund's revenues sources are the rental income from the existing 8 affordable housing units and repayments from the first time home buyers' loans.

Foster City Affordable Housing Fund – This fund was established to utilize the proceeds from the San Mateo County redistribution of unencumbered housing tax increments from the former Foster City Community Development Agency for future affordable housing projects in the City. During FY 2014-2015, the City/District received \$1.45 million from the buyer of the City's 15 acre site as contribution for affordable housing. The City/District in turn loaned \$4.75 million to MP Foster Square Associates, L.P. to build affordable housing at the same 15 acre site. As of June 30, 2015, the Fund had a remaining restricted fund balance of \$24,527.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)

City Capital Projects Fund – The City Capital Projects fund is a key fund of the City/District. This fund pays for infrastructure improvement and significant maintenance projects for which other resources (e.g., Gas Tax, Measure A, or Proposition 42 funds, etc.) do not pay. As of June 30, 2015, this fund had a committed fund balance of \$8.0 million.

Capital Asset Preservation Fund – The City/District created the Capital Asset Preservation Fund to hold the proceeds from sale of the 11-acre site to North Peninsula Jewish Campus for future capital asset acquisitions and replacements subject to the approval by 4/5th of the City Council. In FY 2014-2015, the City/District sold its 15 acre site adjacent City Hall for \$30 million. Proceeds from that sale were also deposited to this Fund. As of June 30, 2015, this fund had a committed fund balance of \$33.8 million.

The following provides highlights of the operations of the three (3) *Proprietary Funds* for the year.

Water – Estero Municipal Improvement District provides water services to customers located within the District, primarily the “94404” zip code which encompasses all of Foster City and a portion of San Mateo. Unrestricted net position for the water fund totaled \$10.2 million as of June 30, 2015, representing an approximate \$2.0 million decrease from the prior year. The decrease was primarily due to the implementation of GASB 68 and 71 for a prior period adjustment of \$2.6 million to Net Position for the accounting and financial reporting for pensions. Notwithstanding, the District had an operating loss of \$319,000 in FY 2014-2015 as revenues slipped by 3% with customer water consumption declining by 12.1% primarily due to continued water conservation while the unit cost of water supply jumped by 19.6%. The reserve requirements for the Water fund is 25% of annual operating expenses plus a \$2 million reserve for capital improvement projects. Unrestricted net position exceeded the reserve requirements by \$5 million at June 30, 2015; however, \$2.6 million of the excess reserves are earmarked for approved capital improvement projects and future equipment replacement needs and another \$108,700 for funding of water conservation rebate and education programs. Accordingly, there are available reserves to fund additional capital improvement projects.

Wastewater – The District provides wastewater collection services to customers in Foster City and participates in a joint powers authority with the City of San Mateo which operates the Wastewater Treatment Plant (WWTP). Unrestricted net position as of June 30, 2015 totaled \$17.1 million, representing an approximate \$760,000 decrease from the prior year, including GASB 68 and 71 prior period adjustments for pensions totaling \$2.8 million. The reserve requirements for the Wastewater fund is 25% of annual operating expenses plus a \$2 million reserve for capital improvement projects. Unrestricted net position exceeded the reserve requirements by \$13.3 million at June 30, 2015, however, \$8.9 million of this balance is earmarked for approved capital improvement projects and future equipment replacement needs.

Internal Service Funds – These funds provide services and funding mechanisms to allow the operating departments within the City/District to provide services to the community. Services included vehicle / fleet rental, equipment replacement, self-insurance risk management, information technology, building maintenance, and funding for the Longevity Recognition, Public Employees' Medical and Hospital Care Act (PEMHCA) post-retirement medical programs, and compensated absences liabilities. Total unrestricted net position as of June 30, 2015 was \$26.1 million, which was a \$4 million decrease from the prior year. The decrease was mainly from the implementation of GASB 68 and 71 for a \$2.4 million prior period and contraction in the Longevity Recognition Benefits and PEMHCA Benefits Plans investment portfolios due to the rebalancing of investment holdings from mix of stocks and bond funds to short-term fixed income funds in FY 2014-2015

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

2015 FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)

GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget for fiscal year 2014-2015 included \$33.6 million in appropriations and transfers out to other funds, with estimated revenues and transfers in from other funds totaling \$33.9 million.

Total revenues for 2015 were \$5.1 million (15%) above budgeted projections. Property taxes exceeded projections by \$2.1 million which includes higher than budgeted Educational Revenue Augmentation Fund (ERAF) refund and increased receipts in secured and supplemental taxes. Sales and use taxes were \$244,000 above budget as receipts collected in the construction category expanded due to strong development activity. Transient occupancy tax revenue was \$511,000 higher than the budget due to strong regional economic expansion. Business license tax revenue was \$322,000 more than the projection due mainly to the passage of Measure U, with voter's support of the City's updated business license tax which was established 40+ years ago. The City/District received \$207,000 in reimbursements for mandated cost claims (SB 90) during the year. Charges for planning services (plan check fees, inspection fee, etc.) exceeded projection by \$434,000 and related permit fees expanded by \$738,000 due to one-time revenues received from major residential and commercial developments. The \$2.6 million reduction in expenditures was from salary savings from retirement, staff separation, deferral of filling vacant positions, and the conservative financial management of department managers.

CAPITAL ASSETS

The City/District's investment in capital assets for its governmental and business-type activities as of June 30, 2015 totaled \$160.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, structures and improvements, equipment, vehicles, intangible assets, and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2015	2014	2015	2014	2015	2014		
Land	\$ 11,102,221	\$ 11,433,893	\$ 3,553,474	\$ 3,553,474	\$ 14,655,695	\$ 14,987,367	\$ (331,672)	-2.21%
Infrastructure, structures and improvements	88,213,377	85,376,455	30,202,215	31,785,497	118,415,592	117,161,952	1,253,640	1.07%
Equipment, vehicles and software	4,356,054	2,288,431	1,595,117	1,629,412	5,951,171	3,917,843	2,033,328	51.90%
Sewer Capacity Rights			19,734,862	20,230,693	19,734,862	20,230,693	(495,831)	-2.45%
Construction in progress	1,786,592	3,433,327	285,754	109,046	2,072,346	3,542,373	(1,470,027)	-41.50%
Total	\$ 105,458,244	\$ 102,532,106	\$ 55,371,422	\$ 57,308,122	\$ 160,829,666	\$ 159,840,228	\$ 989,438	0.62%

Capital assets for Governmental activities increased by \$2.9 million due primarily to an increase of construction in progress from various on-going capital improvement projects and major fleet replacement, e.g. library/community center solar project, HVAC upgrades in the public safety building and recreation and community centers, Vintage Park overcrossing improvements, construction of Werder Park and Destination Park, dredging at the lagoon intake structure, various park infrastructure improvements. The Business-Type activities infrastructure asset, equipment and software, and sewer capacity rights decreased \$1.9 million due to total depreciation and retirement exceeding the addition of assets.

The City/District depreciates all of its capital assets over the assets' estimated useful lives. The purpose of depreciation is to spread the cost of the capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information about the City/District's capital assets can be found in Note 6 to the financial statements.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

DEBT ADMINISTRATION

As of June 30, 2015, the City/District had total long-term outstanding obligations of \$55.7 million, which was comprised of compensated absences of \$1.6 million, other post-employment benefits (OPEB) liability of \$3.4 million, PG&E On-Bill Loan of \$283,000 and net pension liability of approximately \$50.4 million. Additional information about the City/District's long term obligations can be found in Notes 7 and 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City/District prides itself in prudently managing its financial resources through long-term financial strategies and conservative financial decisions. In the past two years, economic expansion in the region has enhanced the net position of the City/District. The efforts over the past several years of sharing services, as well as managing compensation and benefits escalation have helped control costs. The combination of these factors resulted in the City/District balanced budget for FY 2015-2016.

Key economic indicators that are being watched closely are as follows:

- Property Taxes – The real estate market in Foster City strengthened in the past year as home prices rose and commercial property values expanded with new developments. The Assessor's Office projected an increase in assessed valuation in the City/District of 6.0%. The assumptions for property taxes revenues for various major developments have been included in the five-year financial planning projection based on anticipated completion schedules.
- Sales & Use Tax – Sales tax revenues are expected to increase by 2.9% in FY 2015-2016 from prior year's projections, no assumptions have been made with respect to the additional retail areas planned for the Pilgrim-Triton or 15-Acre Site projects.
- Business License Tax – The Business License Tax Ordinance was updated in November 2013 based on voter approval of Measure U. The increased minimum tax rates and maximum revenue caps upon which the tax is paid are projected to generate an additional \$700,000 based on current business license tax collections.
- CalPERS Pension Rates – On April 17, 2013 the CalPERS Board revised the rate smoothing policy to reduce the amortization period of investment gains and losses from a rolling 15 year period to a direct rate smoothing period of 5 years starting in FY 2015-2016. During FY 2013-2014 CalPERS reduced the annual rate of investment return assumption from 7.75% to 7.5%. The revised rate smoothing policy and lower the rate of investment return will result in a significant increase in the employer contribution rates for Miscellaneous and Public Safety retirement plans. The provisions of the Public Employees' Pension Reform Act of 2013 (PEPRA) will not have a material impact on the City's budget for several years as the most significant cost-savings provisions of the Act apply primarily to new employees hired after January 1, 2013. The FY 2015-2016 employer contribution rates to the CalPERS pension plans for Miscellaneous and Public Safety plans will rise to 23.435% and 36.429% from 21.458% and 32.907% respectively.
- Development, Planning, Permit and Park In-Lieu Fees – The development associated revenues such as building permits, park-in-lieu, water and wastewater connection fees, real property transfer taxes, plan check fees, and inspection fees have been incorporated into the annual budget.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

- Capital Improvement Project Funds – The long-term funding of Capital Improvement Projects implemented in FY 2010-2011 continues for the City's General Fund, the Water and Wastewater Enterprise Funds. There is a significant funding of \$5,931,000 budgeted in Wastewater Enterprise Fund for the City/District's proportionate share of the Wastewater Treatment Plant Master Plan Improvement project and \$1,000,000 budgeted in the City CIP Fund for the Levee Protection and Planning Improvement project
- Water Supply Assurance / Water Costs – The City/District currently serves approximately 8,400 utility customers. Under the District's 10-Year Rate Smoothing policy, water rates for FY 2015-2016 will increase the standard 5/8" and 3/4" fixed meter charges by 7.8% and the base consumption rate by 29.5% due to the increase in water supply costs.
- Wastewater Rates – The wastewater rates assume a 9.5% increase in FY 2015-2016 based on currently known operating and capital improvements projects (CIP), including the Wastewater Treatment Plant Master Plan Improvement Project. The estimated share of the improvement costs for City/District is \$107 million. In order to pay the City/District's share of the improvements, the City/District will likely need to issue bonds or borrow funds from either internal or external sources in order to fund the improvements as they are constructed.

The City/District has a positive unassigned General Fund balance of \$30.3 million as of June 30, 2015, which will provide flexibility and enable it to implement changes where appropriate while retaining its fiscal health and fund balances above its minimum reserve levels, thereby maintaining the health and safety of the community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, creditors, and interested parties with a general overview of the City's finances. Questions about this report should be directed to the Financial Services Department at 610 Foster City Boulevard, Foster City, CA 94404.

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Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and investments	\$ 117,323,588	\$ 31,686,652	\$ 149,010,240
Receivable, net	1,726,184	3,053,442	4,779,626
Internal balances	(1,347,558)	1,347,558	-
Inventory	98,895	527,753	626,648
Prepays and deposits	15,643	-	15,643
Restricted cash and investments	260,300	-	260,300
Loans receivable (net)	24,034,705	-	24,034,705
Capital assets:			
Nondepreciable	12,888,813	3,839,228	16,728,041
Depreciable, net of accumulated depreciation	92,569,431	51,532,194	144,101,625
Total assets	247,570,001	91,986,827	339,556,828
Deferred outflows of resources related to pensions	4,147,422	421,797	4,569,219
LIABILITIES			
Accounts payable	1,513,633	1,693,501	3,207,134
Accrued payroll	1,325,359	127,868	1,453,227
Refundable deposits	5,327,601	160,959	5,488,560
Unearned revenue	198,990	-	198,990
Long-term liabilities:			
Due within one year	1,174,449	118,553	1,293,002
Due in more than one year	4,709,546	545,941	5,255,487
Net Pension Liability:			
Due in more than one year	45,743,697	4,713,907	50,457,604
Total liabilities	59,993,275	7,360,729	67,354,004
Deferred inflows of resources related to pensions	9,620,988	1,021,901	10,642,889
NET POSITION			
Net investment in capital assets	105,458,244	55,371,422	160,829,666
Restricted for:			
Housing	1,382,126	-	1,382,126
Roads	4,430,737	-	4,430,737
Other purposes	1,854,060	-	1,854,060
Unrestricted	68,977,993	28,654,572	97,632,565
Total net position	\$ 182,103,160	\$ 84,025,994	\$ 266,129,154

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Statement of Activities and Changes in Net Position
For the fiscal year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,557,955	\$ 364,800	\$ 7,851	\$ -
Public safety - Police	9,853,153	167,121	118,478	-
Public safety - Fire	8,301,670	285,280	21,815	-
Public works	4,650,758	192,974	934,191	669,134
Community development	2,176,539	3,769,394	1,450,000	-
Parks and recreation	8,808,422	4,374,455	123,018	40,666
Total governmental activities	<u>37,348,497</u>	<u>9,154,024</u>	<u>2,655,353</u>	<u>709,800</u>
Business-type activities:				
Water	10,596,613	10,230,148	-	-
Wastewater	7,140,529	7,921,198	-	26,991
Total business-type activities	<u>17,737,142</u>	<u>18,151,346</u>	<u>-</u>	<u>26,991</u>
Total primary government	<u>\$ 55,085,639</u>	<u>\$ 27,305,370</u>	<u>\$ 2,655,353</u>	<u>\$ 736,791</u>

General revenues and transfers:

Taxes:

- Property taxes
- Transient occupancy tax
- Franchise tax
- Other taxes

Contributions not restricted to specific programs:

- Sales and use tax and sales tax in lieu
- Unrestricted investment and rental income
- Gain on sale of capital assets
- Other

Total general revenues and transfers

Extraordinary items:

- Extraordinary gain - Successor Agency

Total extraordinary items

Change in net position

- Net position - beginning of year
- Prior Period Adjustment
- Net position - beginning of year, restated
- Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (3,185,304)	\$ -	\$ (3,185,304)
(9,567,554)	-	(9,567,554)
(7,994,575)	-	(7,994,575)
(2,854,459)	-	(2,854,459)
3,042,855	-	3,042,855
(4,270,283)	-	(4,270,283)
<u>(24,829,320)</u>	<u>-</u>	<u>(24,829,320)</u>
-	(366,465)	(366,465)
-	807,660	807,660
-	441,195	441,195
<u>(24,829,320)</u>	<u>441,195</u>	<u>(24,388,125)</u>
22,824,950	-	22,824,950
2,581,207	-	2,581,207
1,135,666	-	1,135,666
2,079,698	-	2,079,698
3,955,873	-	3,955,873
2,256,791	319,633	2,576,424
29,656,931	-	29,656,931
431,368	94,246	525,614
<u>64,922,484</u>	<u>413,879</u>	<u>65,336,363</u>
1,131,265	-	1,131,265
<u>1,131,265</u>	<u>-</u>	<u>1,131,265</u>
41,224,429	855,074	42,079,503
192,611,856	88,570,688	281,182,544
(51,733,125)	(5,399,768)	(57,132,893)
<u>140,878,731</u>	<u>83,170,920</u>	<u>224,049,651</u>
<u>\$ 182,103,160</u>	<u>\$ 84,025,994</u>	<u>\$ 266,129,154</u>

City of Foster City and Estero Municipal Improvement District
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds						Total
	General Fund	Low and Moderate		City Capital Projects	Capital Asset Preservation	Non-Major Governmental Funds	
		Income Housing Assets Fund	Foster City Affordable Housing				
ASSETS							
Cash and investments	\$ 34,101,227	\$ 1,424,328	\$ 24,527	\$ 10,733,345	\$ 33,787,666	\$ 7,839,267	\$ 87,910,360
Receivables, net of allowance:							
Accrued interest	233,201	-	-	-	-	-	233,201
Intergovernmental	5,672	-	-	-	-	18,572	24,244
Taxes	1,177,277	-	-	-	-	57,448	1,234,725
Other	167,692	-	-	5,572	-	60,750	234,014
Due from other funds	9,162	-	-	88,000	-	-	97,162
Prepays and deposits	14,480	-	-	-	-	683	15,163
Inventory	16,900	-	-	-	-	-	16,900
Restricted cash and investments	260,300	-	-	-	-	-	260,300
Loans receivables, net of allowance	1,133,651	441,283	4,832,767	-	-	-	6,407,701
Total assets	\$ 37,119,562	\$ 1,865,611	\$ 4,857,294	\$ 10,826,917	\$ 33,787,666	\$ 7,976,720	\$ 96,433,770
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 878,239	\$ 17,196	\$ -	\$ 415,618	\$ -	\$ 12,385	\$ 1,323,438
Accrued payroll	1,261,464	-	-	-	-	3,783	1,265,247
Refundable deposits	1,413,694	25,006	-	2,388,901	-	1,500,000	5,327,601
Due to other funds	-	-	-	-	-	97,162	97,162
Unearned revenue	198,990	-	-	-	-	-	198,990
Total liabilities	3,752,387	42,202	-	2,804,519	-	1,613,330	8,212,438
Deferred inflows of resources							
Unavailable-loan programs	1,133,651	441,283	4,832,767	-	-	-	6,407,701
Fund Balances:							
Non-Spendable	31,380	-	-	-	-	683	32,063
Restricted	-	1,382,126	-	-	-	5,881,580	7,263,706
Committed	1,279,096	-	24,527	8,022,398	33,787,666	481,127	43,594,814
Assigned	619,948	-	-	-	-	-	619,948
Unassigned	30,303,100	-	-	-	-	-	30,303,100
Total fund balances	32,233,524	1,382,126	24,527	8,022,398	33,787,666	6,363,390	81,813,631
Total liabilities and fund balances	\$ 37,119,562	\$ 1,865,611	\$ 4,857,294	\$ 10,826,917	\$ 33,787,666	\$ 7,976,720	\$ 96,433,770

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2015**

Total Fund Balances - Total Governmental Funds \$ 81,813,631

Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:

	<u>Government-Wide Statement of Net Assets</u>	<u>Internal Service Funds</u>	
Non-depreciable	\$ 12,888,813	\$ (1,067,219)	
Depreciable, net	<u>92,569,431</u>	<u>(4,356,054)</u>	
Total capital assets	105,458,244	(5,423,273)	100,034,971

First time homebuyer loans receivable are not available to pay current-period expenditures and, therefore, are deferred inflows in the governmental funds. 441,283

The New Home Company loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. 4,832,767

The Successor Agency loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. 1,133,651

North Peninsula Jewish Campus loans receivable are unavailable to pay current period expenditures and, therefore, are not reported in the governmental funds. 17,627,004

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position 30,146,597

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	(2,213,090)
OPEB Liability	(2,818,848)
Net pension liability	(43,668,121)

Deferred outflows due to pension liabilities 3,944,351

Deferred inflows due to pension liabilities (9,171,036)

Net Position of Governmental Activities \$ 182,103,160

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2015

	Major Funds						Total
	General Fund	Low & Moderate	Foster City	City Capital Projects	Capital	Non-Major Governmental Funds	
		Income Housing Assets Fund	Affordable Housing		Asset Preservation		
REVENUES:							
Property taxes	\$ 22,811,767	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,811,767
Sales and use and sales tax in lieu	3,344,348	-	-	-	-	611,525	3,955,873
Transient occupancy tax	2,581,207	-	-	-	-	-	2,581,207
Franchise tax	1,135,666	-	-	-	-	-	1,135,666
Property transfer tax	484,449	-	-	-	-	-	484,449
Licenses and permits	3,954,102	-	-	-	-	-	3,954,102
Intergovernmental	533,442	-	-	-	-	1,029,987	1,563,429
Charges for current services	2,510,647	-	-	-	-	-	2,510,647
Fines and forfeitures	56,254	-	-	-	-	112,584	168,838
Park-in-lieu	-	-	-	-	-	3,288,613	3,288,613
Investment and rental income	1,022,858	112,324	18,394	111,159	946,519	62,037	2,273,291
Other	390,082	90,971	1,450,000	600,666	-	351,248	2,882,967
Total revenues	38,824,822	203,295	1,468,394	711,825	946,519	5,455,994	47,610,849
EXPENDITURES:							
Current:							
General government	2,888,463	-	-	-	-	273,541	3,162,004
Public safety - Police	9,594,225	-	-	-	-	99,485	9,693,710
Public safety - Fire	8,023,033	-	-	-	-	5,262	8,028,295
Public works	1,647,930	-	-	-	-	683,702	2,331,632
Community development	2,042,138	136,029	4,750,000	-	-	-	6,928,167
Parks and recreation	7,089,578	-	-	12,294	-	81,074	7,182,946
Capital outlay	36,363	-	-	2,184,526	-	4,263,015	6,483,904
Total expenditures	31,321,730	136,029	4,750,000	2,196,820	-	5,406,079	43,810,658
REVENUES OVER (UNDER) EXPENDITURES	7,503,092	67,266	(3,281,606)	(1,484,995)	946,519	49,915	3,800,191
OTHER FINANCING SOURCES (USES):							
Sale of capital assets	-	-	-	-	30,485,503	-	30,485,503
Transfers in	229,693	-	-	522,000	-	953	752,646
Transfers out	(400,953)	-	-	-	(205,000)	(24,693)	(630,646)
Total other financing sources (uses)	(171,260)	-	-	522,000	30,280,503	(23,740)	30,607,503
NET CHANGE IN FUND BALANCES	7,331,832	67,266	(3,281,606)	(962,995)	31,227,022	26,175	34,407,694
FUND BALANCES:							
Beginning of year	24,901,692	1,314,860	3,306,133	8,985,393	2,560,644	6,337,215	47,405,937
End of year	\$ 32,233,524	\$ 1,382,126	\$ 24,527	\$ 8,022,398	\$ 33,787,666	\$ 6,363,390	\$ 81,813,631

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
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 Position
For the fiscal year ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 34,407,694
Governmental activities in the Statement of Activities were reported differently because:	
<p>Governmental funds report capital outlay as expenditures. In the Statement of Activities and Changes in Net Position, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
<p>Capital assets additions (Total capital asset additions for the City for the fiscal year ended for governmental activities were \$9,683,835, which consisted of \$3,779,698 in additions attributable to internal service fund activity and \$5,904,137 in additions attributable to governmental funds)</p>	5,904,137
<p>Gain on capital asset disposal (net of accumulated depreciation)</p>	(807,260)
<p>Less current year depreciation. This amount is net of depreciation expense of the internal service funds in the amount of \$627,202</p>	(4,722,210)
<p>Revenues from new loans that are funded in this fiscal year that will not be collected for several months after the City/District's fiscal year ends are not considered "available" revenue and are classified as unavailable revenue in the governmental funds.</p>	(83,350)
<p>Revenues from North Peninsula Jewish Campus in this fiscal year that will not be collected for several years are not considered "available" revenue and are not reported in the governmental fund</p>	(485,429)
<p>Loan funding to MP Foster Square Associates, L.P. was recorded in the expenditure of governmental fund.</p>	4,750,000
<p>Interest that will not be collected for several years are not considered "available" and are not reported in the governmental fund.</p>	82,767
<p>The successor agency loan receivable clawed back in prior year has now been allowed by California Department of Finance which is reported as deferred outflow of resources is reported as extraordinary gain in the Statement of Activities.</p>	1,133,651
<p>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.</p>	
<p> Compensated absences</p>	141,499
<p> OPEB liabilities</p>	(351,948)
<p> Pension expense</p>	460,751
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities</p>	794,127
Change in Net Position of Governmental Activities	<u>\$ 41,224,429</u>

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 12,384,466	\$ 19,302,186	\$ 31,686,652	\$ 29,413,228
Receivables, net of allowance:				
Billed utility, net of allowance for uncollectibles	580,391	511,268	1,091,659	-
Unbilled utility	1,149,135	803,193	1,952,328	-
Other	6,336	3,119	9,455	-
Due from other funds				2,657
Deposits and prepaid items	-	-	-	480
Inventory	67,377	460,376	527,753	81,995
Total current assets	14,187,705	21,080,142	35,267,847	29,498,360
Noncurrent assets:				
Capital assets:				
Nondepreciable	3,657,251	181,977	3,839,228	1,067,219
Depreciable, net of accumulated depreciation	18,708,752	32,823,442	51,532,194	4,356,054
Total noncurrent assets	22,366,003	33,005,419	55,371,422	5,423,273
Total assets	36,553,708	54,085,561	90,639,269	34,921,633
Deferred outflows of resources related to pensions	208,004	213,793	421,797	203,071
LIABILITIES				
Current liabilities:				
Accounts payable	793,925	899,576	1,693,501	190,195
Accrued payroll	62,934	64,934	127,868	60,112
Refundable deposits	160,959	-	160,959	-
Due to other funds	-	-	-	2,657
Claims liability	-	-	-	170,783
Compensated absences - current portion	66,375	52,178	118,553	67,330
Total current liabilities	1,084,193	1,016,688	2,100,881	491,077
Noncurrent liabilities:				
Compensated absences - noncurrent portion	101,207	79,561	180,768	111,302
OPEB liability	185,285	179,888	365,173	187,979
Net pension liability	2,298,856	2,415,051	4,713,907	2,075,576
Other liability	-	-	-	314,663
Total noncurrent liabilities	2,585,348	2,674,500	5,259,848	2,689,520
Total liabilities	3,669,541	3,691,188	7,360,729	3,180,597
Deferred inflows of resources related to pensions	498,355	523,546	1,021,901	449,952
NET POSITION				
Net investment in capital assets	22,366,003	33,005,419	55,371,422	5,423,273
Unrestricted	10,227,813	17,079,201	27,307,014	26,070,882
Total net position	\$ 32,593,816	\$ 50,084,620	82,678,436	\$ 31,494,155
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,347,558	
Net position of business-type activities			\$ 84,025,994	

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2015

	Enterprise Funds		Total	Internal Service Funds
	Water	Wastewater		
OPERATING REVENUES:				
Sales and service charges	\$ 10,230,148	\$ 7,921,198	\$ 18,151,346	\$ -
Charges for service - internal	-	-	-	5,229,306
Total operating revenues	10,230,148	7,921,198	18,151,346	5,229,306
OPERATING EXPENSES:				
Personnel	1,439,929	1,495,497	2,935,426	2,049,798
Utilities	6,400,074	202,622	6,602,696	-
Program supplies	237,578	74,118	311,696	-
Repairs and maintenance	5,418	24,601	30,019	1,065,686
General and administration	1,256,788	1,219,456	2,476,244	579,542
Depreciation and amortization	994,869	1,243,878	2,238,747	627,202
Contractual service	235,516	2,903,283	3,138,799	283,261
Insurance	57,100	57,100	114,200	330,178
Total operating expenses	10,627,272	7,220,555	17,847,827	4,935,667
OPERATING INCOME (LOSS)	(397,124)	700,643	303,519	293,639
NONOPERATING REVENUES (EXPENSES):				
Loss on disposal of capital assets	(14,397)	-	(14,397)	(4,276)
Investment income	126,586	193,047	319,633	(101,653)
Miscellaneous	78,114	16,132	94,246	11,579
Total nonoperating revenues (expenses)	190,303	209,179	399,482	(94,350)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(206,821)	909,822	703,001	199,289
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	26,991	-	26,991	841,920
Transfers in	2,571	-	2,571	905,925
Transfers out	-	(2,571)	(2,571)	(1,027,925)
Total contributions and transfers	29,562	(2,571)	26,991	719,920
Change in net position	(177,259)	907,251	729,992	919,209
NET POSITION:				
Beginning of the year	35,404,408	51,943,804		32,952,513
Prior period adjustment	(2,633,333)	(2,766,435)		(2,377,567)
Beginning of the year, as restated	<u>32,771,075</u>	<u>49,177,369</u>		<u>30,574,946</u>
End of the year	<u>\$ 32,593,816</u>	<u>\$ 50,084,620</u>		<u>\$ 31,494,155</u>

Adjustment to reflect the consolidation
of internal service fund activities related
to enterprise funds

125,082

Change in net position of business-
type activities

\$ 855,074

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2015

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 10,500,793	\$ 7,914,736	\$ 18,415,529	\$ -
Cash received from inter-departmental charges	-	-	-	5,303,616
Cash payments to suppliers for goods and services	(8,734,400)	(5,145,672)	(13,880,072)	(2,380,452)
Cash payments to employees for services	(1,436,264)	(1,527,742)	(2,964,006)	(1,751,651)
Cash received from others	78,114	16,132	94,246	11,579
Net cash provided (used) by operating activities	408,243	1,257,454	1,665,697	1,183,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers received	2,571	-	2,571	905,925
Transfer paid	-	(2,571)	(2,571)	(1,027,925)
Net cash provided (used) by noncapital financing activities	2,571	(2,571)	-	(122,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Disposition of capital assets	(14,397)	-	(14,397)	-
Proceeds from sale of capital assets	-	-	-	(4,276)
Capital contributions received	26,991	-	26,991	841,920
Acquisition and construction of capital assets	(155,103)	(146,944)	(302,047)	(3,178,674)
Net cash provided (used) by capital and related financing activities	(142,509)	(146,944)	(289,453)	(2,341,030)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	126,586	193,047	319,633	(101,653)
Net cash provided (used) by investing activities	126,586	193,047	319,633	(101,653)
Net increase (decrease) in cash and cash equivalents	394,891	1,300,986	1,695,877	(1,381,591)
CASH AND CASH EQUIVALENTS:				
Beginning of year	11,989,575	18,001,200	29,990,775	30,794,819
End of year	<u>\$ 12,384,466</u>	<u>\$ 19,302,186</u>	<u>\$ 31,686,652</u>	<u>\$ 29,413,228</u>

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Statement of Cash Flows, Continued
Proprietary Funds
For the fiscal year ended June 30, 2015

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (397,124)	\$ 700,643	\$ 303,519	\$ 293,639
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	994,869	1,243,878	2,238,747	627,202
Miscellaneous revenues	78,114	16,132	94,246	11,579
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Billed receivables	191,582	171,441	363,023	-
Unbilled receivables	31,649	(175,222)	(143,573)	-
Other receivables	47,414	(2,681)	44,733	74,310
Due from other funds	-	-	-	(2,657)
Deposit and prepaid items	282	362	644	(28)
Inventory	13,880	(189,403)	(175,523)	39,223
Deferred outflow of resources	(208,004)	(213,793)	(421,797)	(203,071)
Increase (decrease) in:				
Accounts payable and claims liability	(644,939)	(475,451)	(1,120,390)	(124,936)
Accrued payroll	6,283	6,723	13,006	1,605
Refundable deposits	88,851	-	88,851	-
Due to other funds	-	-	-	2,657
Claims liability	-	-	-	(36,044)
Compensated absences	18,298	(20,125)	(1,827)	12,935
OPEB liability	23,210	22,788	45,998	24,054
Pension liability	(334,477)	(351,384)	(685,861)	(301,991)
Other liability	-	-	-	314,663
Deferred inflow of resources	498,355	523,546	1,021,901	449,952
Total adjustments	805,367	556,811	1,362,178	889,453
Net cash provided (used) by operating activities	\$ 408,243	\$ 1,257,454	\$ 1,665,697	\$ 1,183,092

(Concluded)

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Fiduciary Fund
Statement of Fiduciary Net Position
June 30, 2015

	Successor Agency of Community Development Agency
ASSETS	
Cash and investments	\$ 146,662
Total assets	\$ 146,662
LIABILITIES	
Accounts payable	\$ 3,254
Loan payable	1,133,650
Total liabilities	1,136,904
NET POSITION	
Unrestricted	(990,242)
Total Net Position	\$ (990,242)

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
June 30, 2015

	Successor Agency of Community Development Agency
Additions	
Property taxes	\$ 550,457
Investment earnings	705
Total additions	<u>551,162</u>
Deductions	
Administrative expenses	103,923
Affordable housing subsidy	435,818
Total deductions	<u>539,741</u>
Extraordinary item	
Extraordinary loss	<u>(1,131,265)</u>
Change in net position	(1,119,844)
Net position-Beginning of the year	<u>129,602</u>
Net position-End of the year	<u><u>\$ (990,242)</u></u>

See accompanying Notes to Basic Financial Statements.

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Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

1. DESCRIPTION OF THE REPORTING ENTITY

The City of Foster City (City) was incorporated in 1971. The Estero Municipal Improvement District (District) was formed in 1960. The District was created by the California Legislature to issue general obligation bonds to fill and reclaim the land that later became the City upon incorporation. The City is a general law city and operates under a Council-Manager form of government, providing such services as public safety (police, fire and building inspection), highways and streets, wastewater, water, parks and recreation, public improvements, planning and zoning, and general administrative services. The District, although a separate entity, encompasses the same basic geographical area, is inhabited by the same citizens and is governed, administered and budgeted by the same governmental body and procedures as the City and is included with the operations of the City in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Measurement Focus*

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities and Changes in Net Position display information about the primary government (City/District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the City/District. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities and Changes in Net Position presents a comparison between direct expenses and program revenues for each function of the City/District's governmental activities and for each segment of the business-type activities of the City/District. 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 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City/District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Fund Financial Statements

The fund financial statements provide information about the City/District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales and use tax, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

Under the terms of various grant agreements, the City/District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City/District's policy to first apply cost-reimbursement grant resources (restricted) to such programs and then use general revenues (unrestricted) if necessary.

Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General fund is always a major fund. The City/District may also select other funds it believes should be presented as major funds.

The City/District reported the following major governmental funds in the accompanying financial statements:

General Fund - Accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City/District that are not accounted for through other funds.

Low and Moderate Income Housing Assets Fund - Accounts for all housing activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City.

Foster City Affordable Housing Fund – Accounts for the proceeds from the San Mateo County redistribution of the unencumbered housing tax increments from the former Foster City Community Development Agency for future affordable housing projects in the city.

City Capital Projects Fund - Accounts for development, construction or acquisition of approved capital projects funded by general fund, special revenues fund, state and federal grants.

Capital Asset Preservation Fund - Accounts for revenues from the sale of City properties. By policy direction, assets in this fund may only be used for the acquisition or replacement of significant assets or capital improvements by 4/5th vote of the City Council.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a fund's principal ongoing operations. The principal operating revenues of the City/District's enterprise and internal service funds are charges for customer services, including water and Wastewater charges, vehicle, equipment and building maintenance and usage fees, insurance charges, information services support charges, employee pension and other post-employment benefits charges, and compensated absences charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities are reported as nonoperating revenues and expenses.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Water Fund - Accounts for activities associated with providing water services including construction of water plant facilities.

Wastewater Fund - Accounts for activities associated with sewage transmissions and treatment including construction of Wastewater plant facilities.

The City/District also reports the following fund types:

Internal Service Funds – These funds account for the City/District’s vehicle rental, equipment replacement, self-insurance, information technology, building maintenance services, longevity recognition benefits, CalPERS’ public employees’ medical and hospital cared Act medical benefits plan, and compensated absences; all of which are provided to other departments of the City/District on a cost-reimbursement basis.

Fiduciary Funds – An agency fund is used to account for assets held by the City/District as an agent for Foster City Successor Agency. The Successor Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments of recognized obligations at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

Fiduciary funds (private-purpose trust fund) are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues (additions) are recorded when earned and expenses (deductions) are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

B. Cash and Cash Equivalents

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

C. Investments

Investments are stated at fair value. The fair value of investments is determined annually and is based on current market prices. The method of allocating interest earned on pooled deposits and investments among governmental and proprietary funds is based upon average investment balances and is performed on a quarterly basis.

D. Inventory and Prepaid Items

Inventory, consisting of expendable supplies, is valued at cost on a first-in first-out basis. The cost of governmental funds inventory is recorded as expenditure at the time the individual inventory or prepaid item is consumed. Reported inventory and prepaid items are equally offset by a fund balance reservation, which indicates that they do not constitute "available spendable resources" even though they are a component of the net current assets.

E. Loans Receivable

For the purposes of the fund financial statements, expenditures related to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflows of resources account. The balance of the long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources, nor is activity reflected in the Statement of Activities.

F. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include building and improvements, machinery and equipment, vehicles and public domain (infrastructure). Infrastructure consists of improvements including the roadway/street network, park system, and the storm drain, sanitary Wastewater and water distribution systems. The City/District has a policy whereby assets with an initial, individual cost of more than \$5,000 and \$100,000 for its noninfrastructure and infrastructure assets, respectively, and an estimated useful life in excess of three years will be capitalized. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide and proprietary funds statements.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The estimated useful lives are as follows:

Infrastructure:	
Roadway/street network (including levee)	10 to 100 years
Park systems	8 to 50 years
Storm drain, sanitary Wastewater, and water distribution systems	12 to 50 years
Buildings and improvements	45 to 50 years
Sewer capacity rights	50 years
Equipment	3 to 10 years
Vehicles	4 to 25 years

The cost of normal maintenance and repairs that does not add to the value of the assets or materially extend asset lives is not capitalized. Improvements are capitalized and, for government-wide and proprietary funds statements, are depreciated over the remaining useful lives of the related capital assets.

Intangible Assets – Sewer Capacity Rights

The City/District entered into a Joint Powers Agreement (JPA) with the City of San Mateo (San Mateo) to construct Wastewater facilities (see Note 11). All capital facilities costs are capitalized in the Wastewater Enterprise Fund and once placed in service, these costs are amortized using the straight-line method over 50 years.

G. Compensated Absences (Vacation and Sick Pay)

The City/District reports compensated absences for accrued vacation leave, sick pay, administrative leave and compensatory leave. In the event of termination, employees are paid for all allowed unused vacation at their current hourly rate in effect. For management and safety employees, vacation pay may be accrued up to three years without forfeiture. For AFSCME employees, vacation pay may be accrued up to two years. The vested portion is available for current use or, if unused, is payable upon termination. After six months of employment, 25% to 50% of an employee’s accrued sick leave vests at the current rate of pay.

An Internal Service Fund was established in fiscal year 2012/2013 to fund the payout of compensated absence balances, such as vacation and sick leave that are payable when employees separate from employment with the City related to governmental funds.

H. Property Tax Levy, Collection and Maximum Rates

State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value (\$1 per \$100 of assessed value) plus an additional amount for general obligation debt approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature determines the method of distribution of receipts from the 1% tax levy among the counties, cities, school districts, and other districts.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/tax lien dates	January 1	January 1
Levy dates	On or before November 1	On or before July 31
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The term “unsecured” refers to taxes on personal property other than land and buildings. These “unsecured” taxes are secured by liens on the personal property being taxed. The County of San Mateo distributes to the City/District the entire amount of each year’s levy and in return receives all penalties and interest on delinquent payments.

I. Revenue Recognition for Water and Wastewater Enterprise Funds

Revenue is recorded as billed to customers on a cyclical basis. All accounts are billed bi-monthly except irrigation accounts and home owner association (HOA) accounts are billed monthly. Amounts unbilled at June 30 are accrued and recognized as revenue, the billed and unbilled receivables are shown net of an allowance for uncollectibles for the Water and the Wastewater Enterprise Funds. As of year end there were no material uncollected water and Wastewater service revenues.

J. Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans reported as receivables and payables as appropriate, are subject to elimination upon consolidation in the Government-Wide Financial Statements and 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 non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide Financial Statements as “internal balances.”

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are recorded when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers within governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

K. Estimates and Assumptions

The preparation of basic financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

L. New Funds and Closed Funds

The City established the following funds in fiscal year 2014/2015:

The Day Time Shuttle Fund accounts for grants available from the San Mateo County Transportation Authority to fund 75% of the operations of a daytime shuttle service. The remaining 25% will come from the City and/or business community.

The City closed the following funds in fiscal year 2014/2015 as the project had been completed:

California Law Enforcement Equipment Fund as the Funds had been used to purchase safety equipment.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City/District reports deferred outflows related to pensions which are the result of the implementation of GASB 68.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resource (revenue) until that time. The City/District reports deferred inflows related to pensions which are a result of the implementation of GASB 68.

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. New Pronouncements

In 2015, the City/District has/will be adopting new accounting and reporting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement was implemented by the City/District as of July 1, 2014.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. This statement was effective July 1, 2014. The City/District has determined that this statement is not applicable.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that statement by employers and nonemployer contributing entities. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68. This statement was implemented by the City/District as of July 1, 2014.

Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City/District has not determined its effect on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The City/District has not determined its effect on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, statement 43, and statement No. 50, *Pension Disclosures*. The provisions in statement 74 are effective for fiscal years beginning after June 15, 2016. The City/District has not determined its effect on the financial statements.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2017. The City/District has not determined its effect on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for reporting periods beginning after June 15, 2015. The City/District has not determined its effect on the financial statements.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is effective for reporting periods beginning after December 15, 2015. The City/District has not determined its effect on the financial statements.

3. CASH AND INVESTMENTS

Policies

It is the City/District’s policy to invest public funds in a manner which will provide the optimal return available consistent with the City/District’s liquidity needs and the primary objective of protecting the safety of principal conforming to all laws of the State of California regarding the investment of public funds.

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

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

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

Classification

Cash and investments as of June 30, 2015 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City lease or agency agreements.

Financial Statement Presentation:

Statement of Net Position:

City of Foster City/Estero Municipal Improvement District:

Cash and investments	\$ 149,010,240
Restricted cash and investments	260,300
Total Primary Government cash and investments	<u>149,270,540</u>

Statement of Fiduciary Net Position:

Cash and investments	<u>146,662</u>
Total Fiduciary Trust cash and investments	<u>146,662</u>

Total cash and investments	<u><u>\$ 149,417,202</u></u>
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City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

3. CASH AND INVESTMENTS, Continued

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 4,000
Deposits with financial institutions	2,981,863
Local Agency Investment Funds (LAIF)	37,213,986
Investments	109,217,355
	<u>\$ 149,417,204</u>

The City/District does not allocate investments by fund. Each proprietary funds portion of Cash and Investments Available for Operation is in substance a demand deposit available to finance operations and is considered a cash equivalent in preparing the statement of cash flows.

Investments Authorized by the California Government Code and City/District's Investment Policy

The City/District maintains a cash and investment pool that is available for use by all funds. Under the provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City is authorized to invest or deposit in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	5%	5%
U.S. Treasury Obligations	5 years	100%	100%
U.S. Agency Securities	5 years	100%	50%
Bankers Acceptances	270 days	25%	5%
Commercial Paper	90 days	20%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	50%	50%
Medium-Term Notes	5 years	5%	5%
Shares of Beneficial Interest (Mutual Funds)	N/A	10%	10%
Certificates of Deposit	1 years	10%	Max with FDIC
San Mateo County Pooled Investment Program	N/A	10%	10%
State Local Agency Investment Fund (LAIF)	N/A	100%	\$ 50,000,000

During fiscal year ended June 30, 2005, the City/District started to invest funds set aside for the Longevity Recognition Plan and Public Employees' Medical and Hospital Care Act (PEMHCA). These funds are actively managed in a portfolio consisting of government and corporate bonds and mutual funds. Investment of funds in stocks is not permitted under the City/District's policy.

Risk Disclosures

Interest Rate Risk: It is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value of changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City/District's investment policy limits the weighted average maturity of the City/District's cash and investment pool to less than five years. The City/District also manages its interest rate risk by holding most investments to maturity, thus reversing unrealized gains and losses.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

3. CASH AND INVESTMENTS, Continued

Investments held in City Treasury grouped by maturity date at June 30, 2015, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	2 years	3 years	4 years	5 years
Securities of U.S. Government						
Treasury and Agencies:						
Federal National Mortgage Associations Bonds-Coupon	\$ 7,964,260	\$ -	\$ -	\$ 7,964,260	\$ -	\$ -
Federal Farm Credit Bank Bonds-Coupon	18,950,040	-	2,994,480	13,960,940	1,994,620	-
Federal Home Loan Bank Bonds-Coupon	31,941,740	-	-	19,945,490	3,011,960	8,984,290
Federal Home Loan Mortgage Corporation Bonds-Coupon	34,988,550	-	-	17,988,720	3,005,920	13,993,910
Corporate Notes	6,550,155	4,047,000	-	507,445	998,260	997,450
Bond Mutual Funds-open end funds	8,822,610	8,822,610	-	-	-	-
Total	\$ 109,217,355	\$ 12,869,610	\$ 2,994,480	\$ 60,366,855	\$ 9,010,760	\$ 23,975,650

Credit Risk: It is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City/District's investment policy limits its pooled investments to that of securities and obligations of the U.S. Government and mutual funds and to the highest ranking or the highest letter and numerical rating by not less than two of the three (Moody's, Standard & Poor's, and Fitch) nationally recognized rating services.

At June 30, 2015, the City's deposits and investments subject to credit quality ratings were as follows:

	Credit Quality Ratings	
	Moody's	S&P
Securities of U.S. Government Agencies:		
Federal Farm Credit Bank Bonds (FFCB)	Aaa	AA+
Federal Home Loan Bank Bonds (FHLB)	Aaa	AA+
Federal Home Loan Mortg. Corp. Notes (FHLMC)	Aaa	AA+
Federal National Mortg. Assn. Notes (FNMA)	Aaa	AA+
Money Market Funds	Aaa	AA+

Concentration of Credit Risk: The City/District's investment policy contains limitation of the amount that can be invested in any one issuer beyond that stipulated by the California Government Code Section 53601. The City/District diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name.

	Amount	% of Portfolio
Certificate of Deposit	\$ 200,000	0.14%
Corporate Bond	6,550,155	4.47%
Securities of U.S. Government Agencies:		
Federal Farm Credit Bank Bonds (FFCB)	18,950,040	12.92%
Federal Home Loan Bank Bonds (FHLB)	31,941,740	21.78%
Federal Home Loan Mortg. Corp. Notes (FHLMC)	34,988,550	23.86%
Federal National Mortg. Assn. Notes (FNMA)	7,964,260	5.43%
Total Securities of U.S. Government Agencies	93,844,590	64.00%
Local Agency Investment Fund Pool	37,213,986	25.38%
Bond Mutual Funds-open end funds	8,822,610	6.02%
Total Investment Portfolio	\$ 146,631,341	100.00%

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

3. CASH AND INVESTMENTS, Continued

Custodial Credit Risk – Deposits: It is the risk that in the event of a bank failure, the City/District’s deposits may not be returned. Under the California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 105% to 150% of the total amount deposited by the public agencies depending on specific securities pledged as collateral.

As of June 30, 2015, the carrying amount of the City/District’s deposits was \$2,985,863 and the bank balance was \$3,264,634. Of the bank balance, \$710,300 was covered by federal depository insurance and \$2,554,334 was collateralized by the pledging financial institutions as required by the California Government Code Section 53652.

Custodial Credit Risk – Investments: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City/District’s investment policy stipulated the safekeeping and custody requirements for custodial credit risk on all security transactions including the collateral for repurchase agreements. Securities shall be conducted on a delivery-versus-payment (DVP) basis, and will be held by a third party custodian designated by the City Treasurer and evidenced by safekeeping receipts/statements. Collateral will always be held by the third party custodian as well. The City/District’s investment policy requires a collateralization level of 102% of the market value for repurchase agreements which is in conformance with the California Government Code.

Investment in State Investment Pool: The City/District is a voluntary participant in Local Agency Investment Fund (LAIF), a State of California external investment pool, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City/District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

The City/District valued its investments in LAIF as of June 30, 2015, by multiplying its account balance with LAIF (\$37,200,000) times a fair value factor (1.000375979) computed by LAIF. This fair value factor was determined by dividing all LAIF participants’ total aggregate amortized cost by total aggregate fair value. Accordingly, as of June 30, 2015, the City/District’s investments in LAIF, stated at fair value, equaled \$37,213,986.

4. LOANS RECEIVABLE

At June 30, 2015, Loans Receivable amounted to:

	Amount	Allowance	Net Amount
Metro Center Senior Homes Project	\$ 6,859,305	\$ (6,859,305)	\$ -
First Time Home Buyer Program	441,283	-	441,283
North Peninsula Jewish Campus Land	17,627,004	-	17,627,004
MP Foster Square Associates, L.P.	4,832,767	-	4,832,767
Successor Agency	1,133,651	-	1,133,651
Total	\$ 30,894,010	\$ (6,859,305)	\$ 24,034,705

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

4. LOANS RECEIVABLE, Continued

The Foster City Community Development Agency entered into the loan program for Metro Center Senior Homes project and First Time Homebuyer program to improve the quality of housing and to increase the availability of affordable housing. Due to the passage of ABx1 26, the Foster City Community Development Agency was dissolved and the City agreed to become the successor to the former redevelopment agency housing activities and as a result the City of Foster City assumed the loans receivable of the former Foster City Community Development Agency as of February 1, 2012.

Metro Center Senior Homes Project

On July 1, 1995, the Agency loaned \$6,879,774 to Metro Senior Associates (Metro) for the construction of a senior housing project (Project) to be known as the Metro Center Senior Homes Project. The loan bears a two percent interest rate with a maturity of 40 years. To finance the loan of \$6,879,774 to Metro, the Agency sold tax allocation bonds of \$5,000,000 on July 27, 1995 and the remainder of the loan was financed through its accumulated tax increment funds. Payment of the Note is secured by a deed of trust, assignment of rents, security agreement and fixture filing. Payments of principal and interest shall be made from residual cash flow. To the extent there is residual cash flow from the Project, Metro shall pay the entire residual cash flow to the Agency within ninety days of the end of each calendar year. Residual cash flow is defined as all rents and revenues derived from the Project less operation and other related costs of the Project. The loan agreement includes a provision to forgive the promissory note if Metro is acquired by its affiliates, the term of the note shall be extended by an additional 15 years from 40 years to 55 years from the date of the note and all amounts due under the note on the maturity date as extended shall be forgiven. In October 2012, Metro Senior Associates was acquired by its affiliates and as stated in the agreement the loan was extended from 40 years to 55 years from the date of the note. The outstanding loan balance will be forgiven at the end of the 55 years. As of June 30, 2015, the Agency provided a 100% valuation allowance equal to the loan balance outstanding in the amount of \$6,859,305 which includes principal of \$5,917,695 and accumulated interest in the amount of \$941,610.

First Time Homebuyer Program

The Agency started the First Time Homebuyer Program to provide low interest second mortgages for people who live and/or work in the City/District who can afford moderate monthly mortgage payments and require assistance with the down payment in order to purchase their first home. These loans have an interest rate of 3% and a term of 30 years. However, there are no payments and no accrued interest for the first five years. Beginning in year six, equal monthly payments of principal and interest will commence and continue for the remaining 25 years. The outstanding balance of these loans is \$441,283 at June 30, 2015.

North Peninsula Jewish Campus Land, LLC

On September 28, 2012, the City sold 11 acre site bounded by Foster City Boulevard, Balclutha Drive, Shell Boulevard and south drive to the North Peninsula Jewish Campus Land, LLC for \$20,000,000. According to the business term of the sale and purchase agreement, \$1,000,000 of the purchase price was paid in cash at closing, the balance of the purchase price in the amount of \$19,000,000 is financed by the City via a seller carry-back financing loan. The loan terms are 25-year at a fixed rate of 3.25%, secured by a first position deed of trust. The monthly loan payment is in the amount of \$92,590.08 beginning on November 1, 2012 and ending on October 1, 2037. The outstanding balance of this loan is \$17,627,004 as of June 30, 2015.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

4. LOANS RECEIVABLE, Continued

MP Foster Square Associates, L.P.

On December 3, 2014, the City made a loan of \$4,750,000 to MP Foster Square Associates, L.P. to assist in financing an affordable housing project in Foster Square (15-acre site). The loan is secured by a deed of trust, assignment of rents, security agreement and fixture filing. The loan bears a rate of three percent simple interest per annum.

Annual payments on this Note shall be payable on a residual receipts basis with a proportional share of 50% of all surplus cash payable to City toward principal and interest. The entire outstanding principal balance of this Note, together with interest accrued thereon shall be payable in full on the date which is the earlier of 1) the 55th anniversary of the date upon which the City issues a final certificate of occupancy or equivalent for the Project, or 2) the 57th anniversary of the date of the Note.

No payment shall be due on the note prior to the date that City issues a final certificate of occupancy or equivalent for the Project.

Successor Agency

In FY 2013/2014, the City had an extraordinary loss of \$1,368,510 due to the Sacramento Superior Court ruling against the City regarding the general fund loan repayment received from the former Foster City Community Development Agency in FY 2010/2011. Included in the \$1,368,510 was the repayment of \$1,115,697 to the general fund. This loan repayment was clawed back per AB1484; however, the City was allowed to reinstate the general fund loan with the Successor Agency of the former Foster City Community Development Agency. In FY 2014/2015, the loan reinstatement request for \$1,115,697 plus accrued interest of \$15,568 was approved by the State Department of Finance on November 10, 2014 retroactive September 10, 2014. As a result, the Successor Agency recorded a loan payable to the City effective that date. The outstanding balance of this loan including accrued interest from September 11, 2014 through June 30, 2015 is \$1,133,651. Payments will be made by the Successor Agency using available future funds from the County's Reserve for Property Tax Trust Fund (RPTTF).

5. INTERFUND TRANSACTIONS

Due To and From Other Funds

Amounts due to or due from other funds reflect inter-fund balances of services rendered or short-term loans expected to be repaid in the next fiscal year.

		Due to other funds		
Due from other funds		Non-Major Governmental Fund SLESF/COPS Grant Fund	Non-Major Governmental Fund Foster City Foundation Fund	Total
	General Fund	\$ 9,162	\$ -	\$ 9,162
	City Capital Projects	-	88,000	88,000
	Total	\$ 9,162	\$ 88,000	\$ 97,162

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

5. INTERFUND TRANSACTIONS, Continued

Transfers

Resources may be transferred from one City/District fund to another. Transfers are made for the purposes of funding capital projects, capital outlays, or reimburse fund that has incurred expenditures on behalf of another fund. Expenditures reimbursed were for capital projects, maintenance and operation expenses, and contributions for post-employment benefits or other employment liabilities. The following schedule summarizes the City/District's transfer activity:

		Transfers in			
		General Fund	Non-Major Governmental Funds	Fund City Capital Projects	Total
Transfers out	General Fund	\$ -	\$ 953	\$ 400,000	\$ 400,953
	Non-Major Governmental Fund, Foster City Foundation Fund	24,693			24,693
	Capital Asset Preservation Fund	205,000	-	-	205,000
	Internsl Service Fund	-	-	122,000	122,000
	Total	\$ 229,693	\$ 953	\$ 522,000	\$ 752,646

Transfers between funds were made during the fiscal year to fund capital improvement projects; to fund capital outlay; to fund crossing guard and summer concert; to fund loss of rental income no longer receive as a result of the sale of 11 acre site to the North Peninsula Jewish Campus Land, LLC.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 follows:

	July 1, 2014	Additions	Retirements	Transfers	June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,433,893	\$ 7,195	\$ (338,867)	\$ -	\$ 11,102,221
Construction in progress	3,433,327	6,970,145	(5,984)	(8,610,896)	1,786,592
Total capital assets, not being depreciated	<u>14,867,220</u>	<u>6,977,340</u>	<u>(344,851)</u>	<u>(8,610,896)</u>	<u>12,888,813</u>
Capital assets, being depreciated:					
Infrastructure	102,915,509	-	(1,133,444)	7,710,252	109,492,317
Buildings	50,104,863	-	(512,549)	317,269	49,909,583
Improvements	5,898,096	-	-	-	5,898,096
Equipment	5,516,519	1,778,477	(200,294)	-	7,094,702
Vehicles	5,056,718	323,076	-	583,375	5,963,169
Software	776,561	21,560	(83,343)	-	714,778
Total capital assets, being depreciated	<u>170,268,266</u>	<u>2,123,113</u>	<u>(1,929,630)</u>	<u>8,610,896</u>	<u>179,072,645</u>
Less accumulated depreciation for:					
Infrastructure	(57,315,164)	(3,387,068)	1,019,665	-	(59,682,567)
Buildings	(14,205,282)	(1,155,355)	157,939	-	(15,202,698)
Improvements	(2,021,567)	(179,787)	-	-	(2,201,354)
Equipment	(4,521,008)	(308,603)	188,631	-	(4,640,980)
Vehicles	(3,766,033)	(314,831)	-	-	(4,080,864)
Software	(774,326)	(3,768)	83,343	-	(694,751)
Total accumulated depreciation	<u>(82,603,380)</u>	<u>(5,349,412)</u>	<u>1,449,578</u>	<u>-</u>	<u>(86,503,214)</u>
Total capital assets, being depreciated, net	<u>87,664,886</u>	<u>(3,226,299)</u>	<u>(480,052)</u>	<u>8,610,896</u>	<u>92,569,431</u>
Governmental activities capital assets, net	<u>\$ 102,532,106</u>	<u>\$ 3,751,041</u>	<u>\$ (824,903)</u>	<u>\$ -</u>	<u>\$ 105,458,244</u>

Total capital asset additions for the City for the fiscal year ended for governmental activities were \$9,100,453 which consisted of \$3,196,316 in additions attributable to internal service fund activity.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

6. CAPITAL ASSETS, Continued

	July 1, 2014	Additions	Retirements	Transfers	June 30, 2015
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 3,553,474	\$ -	\$ -	\$ -	\$ 3,553,474
Construction in Progress	109,046	176,708	-	-	285,754
Total capital assets, not being depreciated	3,662,520	176,708	-	-	3,839,228
Capital assets, being depreciated:					
Infrastructure	72,210,124	48,053	-	-	72,258,177
Sewer capacity rights	24,791,531	-	-	-	24,791,531
Equipment	2,442,649	91,804	(93,449)	-	2,441,004
Total capital assets, being depreciated	99,444,304	139,857	(93,449)	-	99,490,712
Less accumulated depreciation for:					
Infrastructure	(40,424,627)	(1,631,335)	-	-	(42,055,962)
Sewer capacity rights	(4,560,838)	(495,831)	-	-	(5,056,669)
Equipment	(813,237)	(111,642)	78,992	-	(845,887)
Total accumulated depreciation	(45,798,702)	(2,238,808)	78,992	-	(47,958,518)
Total capital assets, being depreciated, net	53,645,602	(2,098,951)	(14,457)	-	51,532,194
Business-type activities capital assets, net	\$ 57,308,122	\$ (1,922,243)	\$ (14,457)	\$ -	\$ 55,371,422

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 590,530
Public safety - Police	270,144
Public safety- Fire	139,163
Public works	2,434,011
Community development	56,183
Parks and recreation	1,859,381
Total depreciation expense	\$ 5,349,412

Depreciation expense was charged to the business-type functions as follows:

Water	\$ 994,869
Wastewater	1,243,878
Total depreciation expense	\$ 2,238,747

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

7. LONG TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the year ended June 30, 2015:

	July 1, 2014	Additions	Retirements	June 30, 2015	Due Within One Year	Due in More Than One Year
Governmental activities:						
Claim liability	\$ 206,827	\$ 20,516	\$ (56,560)	\$ 170,783	\$ 170,783	\$ -
Compensated absences	2,520,286	1,212,466	(1,341,030)	2,391,722	972,200	1,419,522
OPEB obligation	2,630,825	481,554	(105,552)	3,006,827	-	3,006,827
PG&E On-Bill Financing	-	314,663	-	314,663	31,466	283,197
Total governmental activities	<u>\$ 5,357,938</u>	<u>\$ 2,029,199</u>	<u>\$ (1,503,142)</u>	<u>\$ 5,883,995</u>	<u>\$ 1,174,449</u>	<u>\$ 4,709,546</u>
Business-type activities:						
Compensated absences	\$ 301,148	\$ 156,537	\$ (158,364)	\$ 299,321	\$ 118,553	\$ 180,768
OPEB obligation	319,175	58,911	(12,913)	365,173	-	365,173
Total business-type activities	<u>\$ 620,323</u>	<u>\$ 215,448</u>	<u>\$ (171,277)</u>	<u>\$ 664,494</u>	<u>\$ 118,553</u>	<u>\$ 545,941</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$178,632 of internal service funds compensated absences, \$170,783 of claims liability, \$314,663 of PG&E On-Bill Financing and \$187,979 of OPEB obligation are included in the above amounts.

8. NET POSITION AND FUND BALANCES

Net Position

The government-wide, proprietary fund and fiduciary fund financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position: This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: This category represents net positions of the City/District, not restricted for any project or other purpose.

Fund Balances

Fund balances presented in the governmental fund financial statements, represent the difference between assets and deferred outflows, and liabilities and deferred inflows reported in a governmental fund. The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

8. NET POSITION AND FUND BALANCES, Continued

Nonspendables – represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, Inventory, notes receivable, and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted – represents balances have external restrictions imposed by creditors, grantors, contributors, laws, regulation, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances, donations, and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed – represents balances have constraints imposed by the City’s highest level of decision-making authority, the City Council, through Council Resolution. Commitments may be altered only by Council Resolution, which the City taking the same formal action that imposed the constraint originally. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned – represents balances intended to be used by the City for specific purposes, but are neither restricted nor committed. The City Council through City Resolution delegated the authority to the City Manager to assign fund balances which are not otherwise restricted or committed

Unassigned – represents the residual fund balances that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

8. NET POSITION AND FUND BALANCES, Continued

Detailed classifications of the City's Fund Balances, as of June 30, 2015, are below:

	Major Funds					Non-Major	Total
	General Fund	Low and Moderate Income Housing Assets Fund	Foster City Affordable Housing Fund	City Capital Projects	Capital Asset Preservation	Governmental Funds	
Nonspendable							
Prepays and deposits	\$ 14,480	\$ -	\$ -	\$ -	\$ -	\$ 683	\$ 15,163
Inventory	16,900	-	-	-	-	-	16,900
Total Nonspendable	<u>31,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>683</u>	<u>32,063</u>
Restricted							
Affordable housing	-	1,382,126	-	-	-	-	1,382,126
Roadway capital projects and maintenance	-	-	-	-	-	4,430,736	4,430,736
Recreation programs and community events	-	-	-	-	-	1,286,577	1,286,577
Other	-	-	-	-	-	164,267	164,267
Total Restricted	<u>-</u>	<u>1,382,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,881,580</u>	<u>7,263,706</u>
Committed							
Solid waste reduction	357,473	-	-	-	-	-	357,473
Garbage rate stabilization fund	148,287	-	-	-	-	-	148,287
General Plan, Building & Zoning	773,336	-	-	-	-	-	773,336
Capital projects	-	-	-	8,022,398	33,787,666	-	41,810,064
Affordable housing	-	-	24,527	-	-	-	24,527
CalOpps online recruitment program	-	-	-	-	-	402,534	402,534
Sustainable Foster City program	-	-	-	-	-	78,593	78,593
Total Committed	<u>1,279,096</u>	<u>-</u>	<u>24,527</u>	<u>8,022,398</u>	<u>33,787,666</u>	<u>481,127</u>	<u>43,594,814</u>
Assigned							
Capital outlay	619,948	-	-	-	-	-	619,948
Unassigned	<u>30,303,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,303,100</u>
Total Fund Balances	<u>\$ 32,233,524</u>	<u>\$ 1,382,126</u>	<u>\$ 24,527</u>	<u>\$ 8,022,398</u>	<u>\$ 33,787,666</u>	<u>\$ 6,363,390</u>	<u>\$ 81,813,631</u>

The City/District uses encumbrance accounting throughout the fiscal year to encumber appropriations based upon purchase orders issued to the City/District's vendors. Any purchase order not expended lapse at the end of the fiscal year, and must be reinitiated with the vendor on July 1 of the subsequent fiscal year. At June 30, 2015, there were no encumbered fund balances.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS

The City participates in the following Pension Plans administered by the California Public Employees Retirement System (CalPERS):

1. ***Agent Multiple-Employer Defined Benefit Pension Plan*** (Agent Multiple) for its Miscellaneous employees.

An agent multiple-employer plan is one in which the assets of the participating government employers are pooled for investment purposes but separate accounts are maintained for each individual employer.

2. ***Cost-Sharing Multiple-Employer Defined Benefit Pension Plan*** (Cost Sharing) for its Safety employees.

A cost-sharing multiple-employer defined benefit pension plan is a plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay benefits of the employees of any employer that provides pensions through the plan.

General Information about the Pension Plans

Plan Descriptions - All qualified permanent employees are eligible to participate in the City's separate Safety (police and fire) cost-sharing Plans and Miscellaneous (all other) agent multiple employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS).

The Miscellaneous Plan is an agent multiple-employer defined benefit pension plans which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The City's Safety Plan is a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS since the plan has less than 100 active members, commonly referred to as risk pool. The City has three retirement benefit tiers in the Safety Plan. Tier 1 is for employees hired prior to January 1, 2012. Tier 2 is for employees hired between January 1, 2012 to December 31, 2013. Tier 3 is for employees hired on or after January 1, 2013.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and their beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment, age and the average of the final 3 years' compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS, Continued

The plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Agent-Multiple		Cost-Sharing		
	Miscellaneous Plan		Safety (Police and Fire) Plan		
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 3
	prior to	starting	prior to	starting	starting
Hire date	1/1/2012	1/1/2013	1/1/2012	1/1/2012	1/1/2013
Benefit formula	2.7%@55	2%@62	3%@50	2%@50	2.7%@57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50	50	57
Final compensation period	**	**	**	**	**
Monthly benefits, as a % of annual salary	2% to 2.7%	1% to 2.5%	3%	2.4% to 3%	2% to 2.7%
Required employee contribution rate	8%	6.25%	9%	9%	11.50%
Required employer contribution rate	21.458%	21.458%	32.907%	20.083%	11.50%
Total employee contribution FY 14/15	\$ 711,798	\$ 51,487	\$ 649,677	\$ 27,934	\$ 51,226
Total employer contribution FY 14/15	\$ 1,909,220	\$ 176,768	\$ 2,375,436	\$ 62,334	\$ 51,226

** Average of the highest 3 consecutive years' compensation

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms of the Miscellaneous Plan, however, information for the Safety Plans was not provided from CalPERS for cost-sharing multiple-employer defined benefit pension plans.

	Miscellaneous *
Inactive employees or beneficiaries currently receiving benefits	150
Inactive employees entitled to but not yet receiving benefits	65
Active employees	113
Total	328

* All Tiers of the Miscellaneous plan were combined together on GASB 68 report by CalPERS.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS, Continued

For the year ended June 30, 2015, the contributions for the Plans were as follows:

	Miscellaneous *	Safety Plans*	Total
Contributions - employer	\$ 2,085,988	\$ 2,466,232	\$ 4,552,220

* All Tiers of the Miscellaneous and Safety plans were combined together on GASB 68 report by CalPERS

Net Pension Liability

The City's net pension liability for Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. As of June 30, 2015, the City reported net pension liabilities of \$22,783,503.

As of June 30, 2015, the City's reported net pension liabilities for its proportionate shares of the net pension liability of each Safety Plan as follows:

	Cost-Sharing			Total
	Safety (Police and Fire) Plan			
	Tier 1	Tier 2	Tier 3	
Proportionate Share of Net Pension Liability	\$ 27,668,634	\$ 5,403	\$ 64	\$ 27,674,101

The total net pension liability for the Miscellaneous and Safety Plans at June 30, 2015 was \$50,457,604.

The City's net pension liability for each Safety Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014 and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Safety Plan as of June 30, 2013 and 2014 is as follows:

	Cost-Sharing
	Safety (Police and Fire) Plan
Proportion - June 30, 2013	0.41%
Proportion - June 30, 2014	0.44%
Change-Increase (Decrease)	0.03%

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS, Continued

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

At June 30, 2015, the City's recognized pension expense of \$1,624,166 for the Miscellaneous Plan and \$2,324,444 for the Safety Plan.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for Miscellaneous and Safety Plans:

	Agent-Multiple		Cost-Sharing		Total	
	Miscellaneous Plan		Safety Plan			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,085,988	\$ -	\$ 2,466,232	\$ -	\$ 4,552,220	\$ -
Net difference between projected and actual earnings on pension plan investments	-	4,939,105	-	5,709,361	-	10,648,466
Adjustments due to differences in proportion	-	-	16,999	(5,577)	16,999	(5,577)
	<u>\$ 2,085,988</u>	<u>\$ 4,939,105</u>	<u>\$ 2,483,231</u>	<u>\$ 5,703,784</u>	<u>\$ 4,569,219</u>	<u>\$ 10,642,889</u>

The \$4,552,220 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Miscellaneous Plan	Safety Plan	Total
	Deferred Outflows/ (Inflows) of Resources	Deferred Outflows/ (Inflows) of Resources	Deferred Outflows/ (Inflows) of Resources
6/30/2016	\$ 1,234,776	\$ 1,431,419	\$ 2,666,195
6/30/2017	1,234,776	1,431,419	2,666,195
6/30/2018	1,234,776	1,430,604	2,665,380
6/30/2019	1,234,777	1,427,341	2,662,118
	<u>\$ 4,939,105</u>	<u>\$ 5,720,783</u>	<u>\$ 10,659,888</u>

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS, Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions for Miscellaneous and Safety Plans:

	All Plans
Valuation Date	6/30/2013
Measurement Date	6/30/2014
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return ⁽¹⁾	7.5%
Mortality ⁽²⁾	Derived using CalPERS' membership for data for all funds

⁽¹⁾ Net of pension plan investment and administrative expenses; includes inflation.

⁽²⁾ The mortality table used for Miscellaneous and Safety Plans were developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent for Miscellaneous and Safety Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS' website under the GASB68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The difference was deemed immaterial to the agent multiple-employer and cost-sharing multiple-employer Plans checked by CalPERS.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class for Miscellaneous and Safety Plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
	100.0%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS, Continued

Sensitivity of the Net Pension Liability for Miscellaneous Plans and Sensitivity of the Proportionate Share of the Net Pension Liability for Safety Plans to changes in the Discount rate – The following presents the net pension liability of the City for Miscellaneous and the City's proportionate share of the net pension liability for Safety Plans, calculated using the discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

	Agent-Multiple	Cost-Sharing		
	Miscellaneous * Plan	Tier 1	Tier 2	Tier 3
Discount Rate 1% Decrease	6.50%	6.50%	6.50%	6.50%
Net Pension Liability	\$ 35,080,326	\$ 42,444,757	\$ 9,298	\$ 110
Current Discount Rate	7.50%	7.50%	7.50%	7.50%
Net Pension Liability	\$ 22,783,503	\$ 27,668,634	\$ 5,403	\$ 64
Discount Rate 1% Increase	8.50%	8.50%	8.50%	8.50%
Net Pension Liability	\$ 12,529,890	\$ 15,493,748	\$ 2,194	\$ 26

* All Tiers of the Miscellaneous plan were combined together on GASB 68 report by CalPERS

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Miscellaneous Plan* are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	\$ 89,885,017	\$ 61,966,089	\$ 27,918,928
Changes in the year:			
Service Cost	1,711,380		1,711,380
Interest on the total pension liability	6,664,608		6,664,608
Differences between actual and expected experience			-
Changes in assumptions			-
Changes in benefit terms			-
Contribution - employer		1,820,484	(1,820,484)
Contribution - employee (paid by employer)			-
Contribution - employee		915,734	(915,734)
Net Investment income		4,601,312	(4,601,312)
Differences between projected and actual earning on plan investments		6,173,882	(6,173,882)
Administrative expenses			-
Benefit payments, including refunds of employee contributions	(3,758,521)	(3,758,521)	-
Net changes	4,617,467	9,752,891	(5,135,424)
Balance at June 30, 2014	<u>\$ 94,502,484</u>	<u>\$ 71,718,980</u>	<u>\$ 22,783,504</u>

* All Tiers of the Miscellaneous plan were combined together on GASB 68 report by CalPERS.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS, Continued

Pension Plan Fiduciary Net Pension – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Internal Revenue Code Section 401(a) Plan and 457 Deferred Compensation Plan

City/District employees may contribute a portion of their compensation under the City/District sponsored 401(a) Retirement Plan and 457 Deferred Compensation Plan created in accordance with Internal Revenue Code Section 401(a) and 457. Under these Plans, participants are not taxed on their contributions to the Plans until it is distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The laws governing the plan assets require the plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City/District's property and are not subject to the City/District control, they have been excluded from these financial statements.

Longevity Recognition Benefits

The Longevity Recognition Benefits is a post employment obligation, with no associated trust, established for the benefit of the classifications of Police Officer, Police Corporal, Police Sergeant, Police Lieutenant, Police Captain, Police Chief, Firefighter, Fire Captain, Battalion Chief and Fire Chief. It was also afforded to the members of the AFSCME bargaining unit who retired after July 1, 2001 and before October 1, 2007. The monthly benefit is calculated based on the years of service and bargaining group, which ranges from \$125 to \$350. The payment is made upon separation from the City, as long as that separation is in conjunction with a retirement through CalPERS. The payment is a monthly annuity payment, which has no restriction as to how the payment is used by the member. The payment commences the first of the month following the retirement date of the annuitant.

Other Post Employment Benefits

All City/District employees, their surviving spouses, and eligible dependents can continue to participate in the health care program under the provisions of the formal City-sponsored single employer plan at their own cost. The City/District will only contribute the minimum amount provided under Government Code Section 22825 of the Public Employee Medical and Hospital Care Act by which, the City/District paid \$119 and \$122 per month per family for the period from July 1, 2014 to December 31, 2014 and January 1, 2015 to June 30, 2015 respectively. The City/District's contribution for fiscal year 2015 amounted to \$118,465.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS, Continued

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and 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/District annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 619,465
Interest on net OPEB obligation	177,000
Amortization of net OPEB obligation	<u>(256,000)</u>
Annual OPEB cost	540,465
Payments made	<u>(118,465)</u>
Increase (decrease) in net OPEB obligation	422,000
Net OPEB obligation - beginning of the year	<u>2,950,000</u>
 Net OPEB obligation - end of year	 <u><u>\$ 3,372,000</u></u>

The City/District Retiree Health annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for 2015 and the preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Change in Net OPEB Obligation</u>	<u>Cumulative OPEB Obligation</u>
6/30/2013	\$ 624,895	15.51%	\$ 528,000	\$ 2,553,000
6/30/2014	\$ 507,396	21.76%	\$ 397,000	\$ 2,950,000
6/30/2015	\$ 540,465	21.92%	\$ 422,000	\$ 3,372,000

Funded Status and Funding Progress. The funded status of the Plan as of June 30, 2015, the Plan's most recent actuarial valuation date, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u>
6/30/2015	-	\$ 10,714,000	0%	\$ 16,892,000	63.4%

** Additional information regarding the funded status of the OPEB can be found in the Required Supplementary Information section.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

9. EMPLOYEES' RETIREMENT PLANS, Continued

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) 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 participants to that point. The actuarial 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.

For the June 30, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. The healthcare cost trend rate minimum was assumed to annually increase by 4.5%. The valuation includes implied subsidy as required by Actuarial Standards of Practice No. 6 for measurement after March 31, 2015. The UAAL is amortized as a level percentage of projected payrolls over 15 years on a closed basis commencing in 2014.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

10. INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS

The City/District participates in a joint venture and insurance pools established under the State of California Joint Powers Act, as follows:

Wastewater Treatment Facility

The City/District executed a Joint Exercise of Powers Agreement in June 1974 (amended February 1976) with the City of San Mateo for the joint construction of a wastewater treatment facility (Facility). The project was funded through various sources: federal funding was 75%, state funding was 12.5%, and the City/District and the City of San Mateo jointly funded the remaining 12.5%. The project was completed during the year ended June 30, 1987, at an approximate total cost to the City/District of \$826,000. Part of the City/District's share of the costs has been financed through the sale of \$760,000 in Wastewater Revenue Bonds of 1979. The remaining construction costs were financed through use of existing funds.

A new Joint Powers Agreement (JPA) dated July 17, 1989 and amended January 17, 1990, was executed by the City/District and City of San Mateo to rescind the agreement of June 1974 (amended February 1976). The new JPA provides for the expansion of the wastewater treatment facility with all costs shared between the parties as follows: the City/District, 25% and the city of San Mateo, 75%. The city of San Mateo is the lead agency and bills the City/District monthly for its share of the expansion project costs and quarterly for its operating and maintenance costs. The City of San Mateo's audited financial statements may be obtained at 330 W 20th Avenue, San Mateo, CA 94403. Part of the City/District's share of costs has been financed through the sale of \$1,329,000 in Wastewater Revenue Bonds in 1993. The City of San Mateo issued \$23.5 million in long-term revenue bonds to finance its share of expansion costs. The City/District is not obligated in any manner to repay the San Mateo revenue bonds. The wastewater treatment plant facility project was completed in fiscal year 2011.

For the year ended June 30, 2015, the District's share of the operating and maintenance costs was \$2,775,008 which is included in the Wastewater Enterprise Fund's accompanying financial statements as contractual services.

The Cities Group

The City/District, along with five other governments located within San Mateo County, is a member of The Cities Group, a public entity risk pool and a provider of workers' compensation insurance coverage, claims management, risk management services and legal defense to each participating member. The Cities Group is governed by a Board of Directors, which is comprised of officials appointed by each participating member. Premiums paid to the Cities Group may be modified by Board decision according to the loss experience of each member. This loss experience mechanism will operate to ensure that each member returns over a period of time to the Cities Group the funds paid out on its behalf as paid losses. In the opinion of City/District management, premiums paid represent the best available estimate of the ultimate cost of the City/District's participation in The Cities Group and, accordingly, the accompanying basic financial statements of the City/District includes no provisions for possible refunds or additional assessments. For the year ended June 30, 2015, the City/District paid premiums to The Cities Group of \$1,260,989, which are included in the General Fund's as insurance expenditures. Payments of City/District workers' compensation claims for the year ended June 30, 2015 were \$880,396.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

10. INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS, Continued

Condensed financial information as of June 30, 2015 (the latest information available) for The Cities Group is presented below:

Total assets	\$ 2,790,632
Total liabilities	1,007,545
Total equity/net assets	1,783,087
Total revenues	3,552,300
Total expenses/expenditures	2,958,832
Increase (decrease) in equity/net assets	593,468

Audited financial information may be obtained for The Cities Group at P.O. Box 111, Burlingame, CA 94011.

ABAG PLAN

The City/District, along with 31 other Bay Area governments, is a member of the ABAG PLAN Corporation (ABAG), a public-entity risk pool. ABAG provides liability insurance coverage, claims management, risk management services and legal defense to its participating members. ABAG is governed by a Board of Directors, which is comprised of officials appointed by each participating member. Premiums paid to ABAG are subject to possible refund based on the results of actuarial studies and approval by ABAG's Board of Directors. In the opinion of the City/District management, premiums made represent the best available estimate of the ultimate cost of the City/District's participation in ABAG and, accordingly, the accompanying basic financial statements of the City/District include no provisions for possible refunds or additional assessments. Actual refunds and assessments arising from retrospective premium adjustments relating to prior loss years will be recorded in the City/District's basic financial statements in the year they become known. For the year ended June 30, 2015, the City/District's paid premiums of \$329,168 to ABAG.

Condensed financial information as of June 30, 2014 (the latest information available) for the ABAG PLAN is presented below:

Total assets	\$ 45,459,948
Total liabilities	30,820,922
Total equity/net assets	14,639,026
Total revenues	12,038,989
Total expenses/expenditures	5,489,823
Increase (decrease) in equity/net assets	6,549,166

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

11. RISK MANAGEMENT

The City/District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City/District is self-insured for general liability claims up to \$100,000. General liability claims in excess of \$100,000 are insured with ABAG, a joint powers agency for the funding and pooling of insurance coverage. ABAG is a self-insured public-entity risk pool. Workers' compensation claims are insured with The Cities Group, a joint powers agency for the funding and pooling of insurance coverage. The Cities Group purchases third-party commercial insurance to cover all liabilities in excess of \$1,000,000 for all employees. Charges to the General Fund for general liability claims are determined from an analysis of self-insured claim costs. Such charges are recorded as expenditures in the General Fund and revenues in the Self-Insurance Internal Service Fund. The City/District considers incurred but not reported claims in determining if an accrual for loss contingencies is required for claims.

Settled claims have not exceeded the City/District's excess coverage in any of the past three fiscal years. Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated and includes incremental claim expenses. Allocated and unallocated claims adjustment expenses are included in the claims liability balance. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2015, the liability for general liability self-insurance claims was \$170,783. This liability is the City/District's best estimate based on available information.

Changes in the reported liability resulted from the following:

Liability at June 30, 2013	\$ 97,198
Current year claim deductibles and changes in estimates	187,234
Net payments	<u>(77,605)</u>
Liability at June 30, 2014	<u>206,827</u>
Current year claim deductibles and changes in estimates	20,516
Net payments	<u>(56,560)</u>
Liability at June 30, 2015	<u><u>\$ 170,783</u></u>

Audited financial information may be obtained from ABAG at P.O. Box 2050, Oakland, CA 94604.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

12. COMMITMENTS AND CONTINGENCIES

The City/District is a defendant in lawsuits arising in the normal course of business. City/District management is of the opinion that the potential claims against the City/District resulting from such litigation, not covered by insurance, and would not materially affect the basic financial statements of the City/District.

Marlin Cove Disposition and the Development Agreement

On November 15, 1999, the Successor Agency of Foster City (the Agency) approved a Disposition and Development Agreement (DDA) with a developer. On June 4, 2001, the DDA was amended. The DDA includes the entire Marlin Cove Project Area site and consists of a mixed-use development consisting of both residential and commercial development. The DDA as amended calls for significant Agency participation as summarized below:

(i) *Agency Grant* — The Agency agreed to grant to the developer \$5,900,000 for off-site public improvements, hazardous materials remediation, fees due the City/District in connection with the development of the site, relocation expenses, and other demolition and improvement expenses. During fiscal year 2000, the Agency paid the developer \$4,900,000. The balance of the Agency Grant will be due to the developer, provided the developer has provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site. The Agency Grant was paid in full as of June 30, 2014.

(ii) *Utility Subsidy* — The Agency pledged to the developer a utility allowance subsidy in the amount of \$36,000 annually for affordable housing units. The Utility Subsidy will be paid annually through the life of the Marlin Cove project (estimated to be 2029) following the issuance of the Final Certificate of Completion for the residential portion of the site and will be increased annually by 2% to adjust for inflation. The balance of the amount will be due to the developer, provided the developer has provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site. For the fiscal year ended June 30, 2015, the Successor Agency paid the developer the Utility Subsidy in the amount of \$46,569.

(iii) *Tax Increment Subsidy* — The Agency agreed to provide rental subsidies pursuant to the California Health and Safety Code to ensure the affordability of at least 30% of the units in the residential portion of the site to persons and households of very low, low, and moderate income. The Agency pledged to the developer annually 30% of the net tax increment generated from the site (Tax Increment Subsidy). The Tax Increment Subsidy will be paid to the developer on an annual basis on May 1 of each year in an amount equal to the difference between the fair market rents of the affordable units and the affordable rent but not more than the Tax Increment Subsidy. For the fiscal year ended June 30, 2015, the Successor Agency paid the developer a tax increment subsidy in the amount of \$183,565.

If, in any year commencing more than one year after the execution of the DDA, the sum of the Tax Increment Subsidy, the Utility Subsidy and the Amortized portion of the Agency Grant exceeds the net tax increment, the Tax Increment Subsidy will be reduced for that year by such that the total amount paid to the developer does not exceed the net tax increment for the applicable year.

The above DDA obligations were administered by the Successor Agency effective February 1, 2012 as the Agency ceased to exist.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

12. COMMITMENTS AND CONTINGENCIES, Continued

Hillsdale/Gull Disposition and Development Agreement

In March 2000, the Agency approved a Disposition and Development Agreement (DDA) with a developer. The DDA includes the entire Hillsdale/Gull Project Area site and consists of residential development. The DDA calls for significant Agency participation under an Agency Grant. The Agency agreed to grant to the developer an amount not to exceed \$4,000,000 for an affordable housing land subsidy, fees due the City in connection with the development of the site, other demolition costs and affordable unit construction costs.

During fiscal year 2001, the Agency paid the developer \$2,000,000. The balance of the Agency Grant will be due to the developer, with interest at eight percent per annum, amortized over fifteen years and paid to the developer in equal installments of \$233,659. The annual payments will be paid on July 1 of each year, provided (i) the developer has completed construction and installation of the work of improvements and the Agency has issued a Certificate of Completion, (ii) the developer provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site, and (iii) the developer delivered to the Agency the annual report required under the Affordable Housing Covenant. Construction was completed during fiscal year June 30, 2005. For the fiscal year ended June 30, 2015, the Successor Agency paid the developer the required installment in the amount of \$205,684.

A tentative payment schedule of \$233,659 per year has been established depending upon the developers' compliance with the agreement through 2015/2016. The above DDA obligations were administered by the successor agency effective February 1, 2012 as the Agency ceased to exist.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2015

12. COMMITMENTS AND CONTINGENCIES, Continued

Capital Project Commitments

The City/District has commitments for the following significant capital, infrastructure and other projects and programs:

Project	Project Authorization	Expended Through June 30, 2015	Committed
Sewer System Rehabilitation	\$ 450,000	\$ -	\$ 450,000
Vintage Park Overcrossing Project	2,150,000	229,435	1,920,565
Sanitary Sewer Lift Station Improvements Project Ph 5	6,075,000	181,977	5,893,023
Dredging At The Lagoon Intake Structure	650,000	97,571	552,429
Werder Park Site Development	1,505,000	1,355,126	149,874
Destination Park Development	1,375,000	1,361,197	13,803
Median Modifications-Foster City Blvd at Chase Drive	190,000	25,618	164,382
Water System Improvements and Valve Replacements	475,000	42,080	432,920
Road Widening-Foster City Blvd At Chess Drive	381,000	76,321	304,679
Park Infrastructure Improvements (2013-2014)	286,000	85,964	200,036
Lift Station 59 Effluent Line Improvements (2014-2015)	50,000	-	50,000
Street Rehabilitation (2014-2015)	1,000,000	5,616	994,384
Wooden Dock and Concrete Deck Adjacent to Edgewater Plaza (2014-2015)	50,000	15,158	34,842
Park Infrastructure Improvements (2014-2015)	575,000	130,511	444,489
Two Natural Gas Powered Engines and Pumps Replacement	964,295	44,276	920,019
Total	<u>\$ 16,176,295</u>	<u>\$ 3,650,850</u>	<u>\$ 12,525,445</u>

The City/District participates in Federal, State, and local grant programs. These programs are subject to audits by the granting agencies. City/District management does not expect any material adverse affect on the financial condition of the City/District as a result of any potential grant audits.

13. RESTATEMENT

Prior period adjustments were made to decrease the governmental and business activities beginning net positions. These adjustments were made to record beginning net pension liability and deferred outflows of resources as a result of implementing GASB 68 and 71. (See note 2)

The restatements of beginning net positions are summarized as follows:

	Governmental Activities		Total Governmental Activities	Enterprise Funds		Total Business Activities	Grand Total
	Before Internal Service	Internal Service		Water	Wastewater		
Beginning net position	\$ 159,659,343	\$ 32,952,513	\$ 192,611,856	\$ 35,404,408	\$ 51,943,804	\$ 87,348,212	\$ 279,960,068
Beginning net pension liability	(52,981,538)	(2,543,412)	(55,524,950)	(2,817,020)	(2,959,406)	(5,776,426)	(61,301,376)
Beginning deferred outflow	3,625,979	165,846	3,791,825	183,687	192,971	376,658	4,168,483
Beginning net position as restated	<u>\$ 110,303,784</u>	<u>\$ 30,574,947</u>	<u>\$ 140,878,731</u>	<u>\$ 32,771,075</u>	<u>\$ 49,177,369</u>	81,948,444	<u>\$ 222,827,175</u>
						1,222,476	
						<u>\$ 83,170,920</u>	

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Required Supplementary Information

BUDGET AND BUDGETARY ACCOUNTING

The following procedures are performed by the City/District in establishing the budgetary data reflected in the basic financial statements:

The City Manager submits to the City Council and the District's Board members a proposed budget for the coming fiscal year. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayers' comments.

The budget is legally adopted through passage of a resolution.

The transfer of budget amounts between funds or departments must be approved by the City Council and the District's Board. Transfer of budget amounts within one fund or one department must be approved by the City Manager.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Special Revenue Funds.

Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) using the modified accrual basis of accounting.

Total expenditures of each governmental fund may not legally exceed fund appropriations at the department level.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process.

Fund appropriations lapse at the end of each year. The City/District closes out all purchase orders, contracts and other commitments at year-end. As such, no encumbrances were outstanding at June 30, 2015. Encumbrances are expected to be reappropriated in the following fiscal year.

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

Budgetary Comparison Schedule - General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, June 30, 2014	\$ 24,901,692	\$ 24,901,692	\$ 24,901,692	\$ -
Resources (inflows):				
Property taxes:				
Secured	17,000,000	17,000,000	19,054,516	2,054,516
Unsecured	910,000	910,000	936,571	26,571
Motor vehicle in lieu	2,728,000	2,728,000	2,820,680	92,680
Total	20,638,000	20,638,000	22,811,767	2,173,767
Other taxes:				
Sales and use and sales tax in lieu	3,100,000	3,100,000	3,344,348	244,348
Transient occupancy	2,070,000	2,070,000	2,581,207	511,207
Franchise	1,159,000	1,159,000	1,135,666	(23,334)
Real property transfer	271,600	271,600	484,449	212,849
Total	6,600,600	6,600,600	7,545,670	945,070
Licenses and permits:				
Business licenses	1,175,000	1,175,000	1,496,757	321,757
Permits	1,719,700	1,719,700	2,457,345	737,645
Total	2,894,700	2,894,700	3,954,102	1,059,402
Intergovernmental:				
Motor vehicle in lieu	-	-	13,183	13,183
Homeowner property tax relief	100,000	100,000	98,492	(1,508)
Reimbursements and grants	-	-	421,767	421,767
Total	100,000	100,000	533,442	433,442
Charges for current services:				
Service fees	990,600	990,600	1,424,805	434,205
Recreation and leisure	1,192,000	1,192,000	1,085,842	(106,158)
Total	2,182,600	2,182,600	2,510,647	328,047
Fines and forfeitures:				
Traffic fines and court fees	19,000	19,000	18,405	(595)
False alarm fines	41,000	41,000	37,849	(3,151)
Total	60,000	60,000	56,254	(3,746)
Investment income and rentals:				
Investment income	160,500	160,500	290,112	129,612
Rent	726,000	726,000	732,746	6,746
Total	886,500	886,500	1,022,858	136,358
Other revenues	366,500	366,500	390,082	23,582
Total revenues	33,728,900	33,728,900	38,824,822	5,095,922
Transfers in	205,000	205,000	229,693	24,693
Amounts available for appropriation	58,835,592	58,835,592	63,956,207	5,120,615

(Continued)

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2015

Budgetary Comparison Schedule - General Fund, Concluded

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to appropriations (outflows):				
General government:				
Council/Board	\$ 246,757	\$ 246,757	\$ 243,909	\$ 2,848
City/District Manager	979,448	982,923	762,082	220,841
City Clerk	279,549	279,549	241,862	37,687
City/District Attorney	346,324	346,324	305,520	40,804
Human Resources	427,242	427,242	393,835	33,407
Financial Services	1,003,317	1,076,117	941,255	134,862
Subtotal	3,282,637	3,358,912	2,888,463	470,449
Public safety - Police	9,947,481	9,938,231	9,594,225	344,006
Public safety - Fire	8,267,663	8,267,663	8,023,033	244,630
Public works	1,683,155	2,146,032	1,647,930	498,102
Community development	2,293,335	2,560,071	2,042,138	517,933
Parks and recreation	7,384,336	7,384,336	7,089,578	294,758
Capital outlay	40,000	49,250	36,363	12,887
Subtotal	29,615,970	30,345,583	28,433,267	1,912,316
Total expenditures	32,898,607	33,704,495	31,321,730	2,382,765
Transfers out	683,350	683,350	400,953	282,397
Total charges to appropriations	33,581,957	34,387,845	31,722,683	2,665,162
Fund balance, June 30, 2015	\$ 25,253,635	\$ 24,447,747	\$ 32,233,524	\$ 7,785,777

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2015

Budgetary Comparison Schedule - Low and Moderate Income Housing Assets Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 70,500	\$ 70,500	\$ 112,324	\$ 41,824
Other	44,000	44,000	90,971	46,971
Total revenues	114,500	114,500	203,295	88,795
EXPENDITURES:				
Community development	138,700	165,700	136,029	29,671
Total Expenditures	138,700	165,700	136,029	29,671
NET CHANGE IN FUND BALANCE	(24,200)	(51,200)	67,266	118,466
FUND BALANCE:				
Beginning of year	1,314,860	1,314,860	1,314,860	-
End of year	\$ 1,290,660	\$ 1,263,660	\$ 1,382,126	\$ 118,466

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

Budgetary Comparison Schedule - Foster City Affordable Housing Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 35,000	\$ 35,000	\$ 18,394	\$ (16,606)
Other revenues	1,450,000	1,450,000	1,450,000	-
Total revenues	1,485,000	1,485,000	1,468,394	(16,606)
EXPENDITURES:				
Community Development	4,750,000	4,750,000	4,750,000	-
Total Expenditures	4,750,000	4,750,000	4,750,000	-
NET CHANGE IN FUND BALANCE	(3,265,000)	(3,265,000)	(3,281,606)	(16,606)
FUND BALANCE:				
Beginning of year	3,306,133	3,306,133	3,306,133	-
End of year	\$ 41,133	\$ 41,133	\$ 24,527	\$ (16,606)

**City of Foster City and Estero Municipal Improvement District
 Required Supplementary Information, Continued
 For the fiscal year ended June 30, 2015**

Schedule of Funding Progress Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Asset Value	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
1/1/2011	\$ -	\$ 5,085,000	0%	\$ 17,857,000	28.5%
6/30/2013	\$ -	\$ 4,500,000	0%	\$ 16,338,000	27.5%
6/30/2015	\$ -	\$ 10,714,000	0%	\$ 16,892,000	63.4%

**City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the fiscal year ended June 30, 2015**

**Miscellaneous Plan
Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2015
Last 10 Years **
Schedule of Changes in the Net Pension Liability and Related Ratios**

Measurement Period	<u>Miscellaneous *</u> June 30, 2014
Total Pension Liability	
Service Cost	\$ 1,711,380
Interest on total pension liability	6,664,608
Changes in benefits terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(3,758,521)</u>
Net change in total pension liability	4,617,467
Total Pension Liability - beginning	<u>89,885,017</u>
Total Pension Liability - ending (a)	<u><u>\$ 94,502,484</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 1,820,484
Contributions - employee	915,734
Net investment income	10,775,194
Benefit payments	(3,758,521)
Other changes in Fiduciary Net Position	-
Net change in plan fiduciary net position	<u>9,752,891</u>
Plan fiduciary net position - beginning	<u>61,966,089</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 71,718,980</u></u>
 Net pension liability - ending (a) - (b)	 <u><u>\$ 22,783,504</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 75.89%
 Covered - employee payroll	 \$ 9,919,315
 Net pension liability as a percentage of covered employee payroll	 229.69%

* All Tiers of the Miscellaneous plan were combined together on GASB 68 report by CalPERS

** Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Foster City and Estero Municipal Improvement District
 Required Supplementary Information, Continued
 For the fiscal year ended June 30, 2015**

**Safety Plan
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 As of June 30, 2015
 Last 10 Years **
 Schedule of Proportionate Share of the Net Pension Liability**

Measurement Period	Safety Plan		
	Tier 1	Tier 2	Tier 3
	June 30, 2014	June 30, 2014	June 30, 2014
Plan's proportion of the Net Pension Liability (Asset)	0.44466%	0.00009%	0.00000%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 27,668,634	\$ 5,403	\$ 64
Plan's Covered-Employee Payroll	\$ 7,523,997	\$ 138,632	\$ 78,165
Plan's proportion share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee payroll	367.74%	3.90%	0.08%
Plan's proportionate share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	79.82%	79.82%	79.82%

** Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Foster City and Estero Municipal Improvement District
 Required Supplementary Information, Continued
 For the fiscal year ended June 30, 2015**

**Miscellaneous Plan
 Agent Multiple-Employer Defined Benefit Pension Plan
 As of June 30, 2015
 Last 10 Years *
 Schedule of Contributions**

Measurement Period	6/30/2014
Actuarially Determined Contribution	\$ 2,085,988
Contribution in relation to the Actuarially Determined Contribution	<u>(2,085,988)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-employee payroll	\$ 9,919,315
Contributions as a percentage of covered-employee payroll	21.03%

Notes to Schedule

Valuation date 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Retirement age	50 years
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Foster City and Estero Municipal Improvement District
 Required Supplementary Information, Continued
 For the fiscal year ended June 30, 2015**

**Safety Plan
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 As of June 30, 2015
 Last 10 Years **
 Schedule of Contributions**

	<u>Safety Plan</u> June 30, 2014
Measurement Period	
Actuarially determined contribution	\$ 2,466,232
Contributions in relation to the actuarially determined contribution	(2,466,232)
Contributions deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 7,740,794
Contributions as a percentage of covered-employee payroll	31.86%

Notes to Schedule

Valuation date 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Retirement age	50 years
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using scale AA published by the Society of Actuaries.

** Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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Non-Major Governmental Funds

City of Foster City and Estero Municipal Improvement District
Combined Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Non-Major Special Revenue Funds
ASSETS	
Cash and investments	\$ 7,839,267
Receivables, net of allowance:	
Intergovernmental	18,572
Taxes	57,448
Other	60,750
Prepaid	683
Total assets	\$ 7,976,720
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 12,385
Accrued payroll	3,783
Refundable deposit	1,500,000
Due to other funds	97,162
Total liabilities	1,613,330
Fund balances:	
Nonspendable	683
Restricted	5,881,580
Committed	481,127
Total fund balances	6,363,390
Total liabilities and fund balances	\$ 7,976,720

City of Foster City and Estero Municipal Improvement District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2015

	Non-Major Special Revenue Funds
REVENUES:	
Sales and use taxes	\$ 611,525
Intergovernmental	1,029,987
Fines and forfeitures	112,584
Park-in-lieu	3,288,613
Investment income	62,037
Other	351,248
Total revenues	5,455,994
EXPENDITURES:	
Current:	
General government	273,541
Public safety - Police	99,485
Public safety - Fire	5,262
Public works	683,702
Parks and recreation	81,074
Capital outlay	4,263,015
Total expenditures	5,406,079
REVENUES OVER (UNDER) EXPENDITURES	49,915
OTHER FINANCING SOURCES (USES):	
Transfer in	953
Transfer out	(24,693)
Total other financing sources (uses)	(23,740)
NET CHANGE IN FUND BALANCES	26,175
FUND BALANCES:	
Beginning of year	6,337,215
End of year	\$ 6,363,390

Non-Major Special Revenue Funds

Special revenue funds are used to account for revenues that are restricted by law or administrative action to expenditures for specified purposes. Non-Major Special Revenue Funds used by the City/District are listed below:

The Traffic Safety Fund accounts for the revenues received by the City as its share of fines generated from violations of the State Motor Vehicles Code and expended for traffic safety programs.

The Measure A Fund accounts for revenues generated by a special one-half cent sales tax that was approved by the voters of San Mateo County during 1988. These funds are restricted for engineering, construction and maintenance of City/District streets and transportation-related purposes.

The Gas Tax Fund accounts for the revenues apportioned to the City from State collected gasoline taxes and expended for engineering, construction, and maintenance of City streets.

The Park-In-Lieu Fund accounts for the revenues from construction projects for the acquisition, construction and improvement of parks and recreational facilities.

The Measure M Fund accounts for the revenues generated by a special ten dollar vehicle registration fee that was approved by the voters of San Mateo County in 2010. These funds are restricted for the maintenance of City/District streets, provide transportation options to reduce congestion, safe routes to schools, reduce water pollution from oil and gas runoff, etc.

The SLESF/COPS Grant Fund accounts for the State of California monies received to fund supplemental law enforcement services such as anti-gang and community crime prevention programs. Supplemental law enforcement services include costs for personnel, equipment and program operating expenses.

The California Opportunities Fund accounts for revenues received from other local government agencies, which participated in the public employment career opportunities program.

The Foster City Foundation Fund accounts for revenues received from any person or organization for charitable contributions to Foster City for the benefit of the City and its residents. The donations should be used according to the intent specified by the donors.

The Sustainable Foster City Special Fund was to dedicate the proceeds from the San Mateo County redistribution of the unencumbered general tax increments from the former Foster City Community Development Agency to develop a sustainable economic development strategy for the City.

The Day Time Shuttle Fund accounts for grants available from the San Mateo County Transportation Authority to fund 75% of the operations of a daytime shuttle service. The remaining 25% will come from the City and/or business community.

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City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2015

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
ASSETS					
Cash and investments	\$ -	\$ 3,081,810	\$ 1,282,069	\$ 2,786,577	\$ -
Receivables, net of allowance:					
Intergovernmental	9,410		-	-	-
Taxes	-	57,448	-	-	-
Other	-	-	-	-	-
Prepaid	-	-	-	-	-
Total assets	\$ 9,410	\$ 3,139,258	\$ 1,282,069	\$ 2,786,577	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Refundable deposits	-	-	-	1,500,000	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	1,500,000	-
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	9,410	3,139,258	1,282,069	1,286,577	-
Committed	-	-	-	-	-
Total fund balances	9,410	3,139,258	1,282,069	1,286,577	-
Total liabilities and fund balances	\$ 9,410	\$ 3,139,258	\$ 1,282,069	\$ 2,786,577	\$ -

<u>SLESF/ COPS Grant</u>	<u>California Opportunities</u>	<u>Foster City Foundation</u>	<u>Sustainable Foster City Special Fund</u>	<u>Day Time Shuttle Fund</u>	<u>Total</u>
\$ -	\$ 366,254	\$ 243,964	\$ 78,593	\$ -	\$ 7,839,267
9,162	-	-	-	-	18,572
-	-	-	-	-	57,448
-	40,750	20,000	-	-	60,750
-	-	683	-	-	683
<u>\$ 9,162</u>	<u>\$ 407,004</u>	<u>\$ 264,647</u>	<u>\$ 78,593</u>	<u>\$ -</u>	<u>\$ 7,976,720</u>
\$ -	\$ 687	\$ 11,698	\$ -	\$ -	\$ 12,385
-	3,783	-	-	-	3,783
-	-	-	-	-	1,500,000
9,162	-	88,000	-	-	97,162
<u>9,162</u>	<u>4,470</u>	<u>99,698</u>	<u>-</u>	<u>-</u>	<u>1,613,330</u>
-	-	683	-	-	683
-	-	164,266	-	-	5,881,580
-	402,534	-	78,593	-	481,127
<u>-</u>	<u>402,534</u>	<u>164,949</u>	<u>78,593</u>	<u>-</u>	<u>6,363,390</u>
<u>\$ 9,162</u>	<u>\$ 407,004</u>	<u>\$ 264,647</u>	<u>\$ 78,593</u>	<u>\$ -</u>	<u>\$ 7,976,720</u>

City of Foster City and Estero Municipal Improvement District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the fiscal year ended June 30, 2015

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
REVENUES:					
Sales and use tax	\$ -	\$ 611,525	\$ -	\$ -	\$ -
Intergovernmental	-	-	830,312	-	103,879
Fines and forfeitures	112,584	-	-	-	-
Park-in-lieu	-	-	-	3,288,613	-
Investment income	-	33,211	11,615	13,385	-
Other	-	-	-	-	-
Total revenues	112,584	644,736	841,927	3,301,998	103,879
EXPENDITURES:					
Current:					
General government	-	-	118,065	-	-
Public safety - police	-	-	-	-	-
Public safety - fire	-	-	-	-	-
Public works	113,367	-	570,335	-	-
Parks and recreation	-	-	-	7,968	-
Capital outlay	-	658,075	-	3,392,802	187,915
Total expenditures	113,367	658,075	688,400	3,400,770	187,915
REVENUES OVER (UNDER) EXPENDITURES	(783)	(13,339)	153,527	(98,772)	(84,036)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGES IN FUND BALANCES	(783)	(13,339)	153,527	(98,772)	(84,036)
FUND BALANCES:					
Beginning of year	10,193	3,152,597	1,128,542	1,385,349	84,036
End of year	\$ 9,410	\$ 3,139,258	\$ 1,282,069	\$ 1,286,577	\$ -

SLESF/ COPS Grant	California Opportunities	Foster City Foundation	Sustainable Foster City Special Fund	Day Time Shuttle Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 611,525
95,796	-	-	-	-	1,029,987
-	-	-	-	-	112,584
-	-	-	-	-	3,288,613
-	3,033	-	793	-	62,037
-	206,800	144,448	-	-	351,248
<u>95,796</u>	<u>209,833</u>	<u>144,448</u>	<u>793</u>	<u>-</u>	<u>5,455,994</u>
-	108,072	736	45,715	953	273,541
95,796	-	3,689	-	-	99,485
-	-	5,262	-	-	5,262
-	-	-	-	-	683,702
-	-	73,106	-	-	81,074
-	-	24,223	-	-	4,263,015
<u>95,796</u>	<u>108,072</u>	<u>107,016</u>	<u>45,715</u>	<u>953</u>	<u>5,406,079</u>
-	101,761	37,432	(44,922)	(953)	49,915
-	-	-	-	953	953
-	-	(24,693)	-	-	(24,693)
-	-	(24,693)	-	953	(23,740)
-	101,761	12,739	(44,922)	-	26,175
-	300,773	152,210	123,515	-	6,337,215
<u>\$ -</u>	<u>\$ 402,534</u>	<u>\$ 164,949</u>	<u>\$ 78,593</u>	<u>\$ -</u>	<u>\$ 6,363,390</u>

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City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Traffic Safety Special Revenue Fund
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 146,000	\$ 146,000	\$ 112,584	\$ (33,416)
Total revenues	146,000	146,000	112,584	(33,416)
EXPENDITURES:				
Public works	146,000	146,000	113,367	32,633
Total expenditures	146,000	146,000	113,367	32,633
NET CHANGE IN FUND BALANCE	-	-	(783)	(783)
FUND BALANCE:				
Beginning of year	10,193	10,193	10,193	-
End of year	\$ 10,193	\$ 10,193	\$ 9,410	\$ (783)

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure A Special Revenue Fund
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales and use taxes	\$ 574,000	\$ 574,000	\$ 611,525	\$ 37,525
Investment income	28,000	28,000	33,211	5,211
Total revenues	602,000	602,000	644,736	42,736
EXPENDITURES:				
Capital outlay	1,687,900	1,687,900	658,075	1,029,825
Total expenditures	1,687,900	1,687,900	658,075	1,029,825
NET CHANGE IN FUND BALANCE	(1,085,900)	(1,085,900)	(13,339)	1,072,561
FUND BALANCE:				
Beginning of year	3,152,597	3,152,597	3,152,597	-
End of year	\$ 2,066,697	\$ 2,066,697	\$ 3,139,258	\$ 1,072,561

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Gas Tax Special Revenue Fund
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 811,400	\$ 811,400	\$ 830,312	\$ 18,912
Investment income	6,500	6,500	11,615	5,115
Total revenues	817,900	817,900	841,927	24,027
EXPENDITURES:				
General government	118,065	118,065	118,065	-
Public works	570,335	570,335	570,335	-
Total expenditures	688,400	688,400	688,400	-
NET CHANGE IN FUND BALANCE	129,500	129,500	153,527	24,027
FUND BALANCE:				
Beginning of year	1,128,542	1,128,542	1,128,542	-
End of year	\$ 1,258,042	\$ 1,258,042	\$ 1,282,069	\$ 24,027

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Park-in-lieu
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Park-in-lieu	\$ 4,088,000	\$ 4,088,000	\$ 3,288,613	\$ (799,387)
Investment income	7,600	7,600	13,385	5,785
Total revenues	4,095,600	4,095,600	3,301,998	(793,602)
EXPENDITURES:				
Parks and recreation	8,000	8,000	7,968	32
Capital outlay	3,908,277	3,908,277	3,392,802	515,475
Total Expenditures	3,916,277	3,916,277	3,400,770	515,507
NET CHANGE IN FUND BALANCE	179,323	179,323	(98,772)	(278,095)
FUND BALANCE:				
Beginning of year	1,385,349	1,385,349	1,385,349	-
End of year	\$ 1,564,672	\$ 1,564,672	\$ 1,286,577	\$ (278,095)

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure M
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 103,879	\$ 3,879
Total revenues	100,000	100,000	103,879	3,879
EXPENDITURES:				
Capital outlay	224,550	224,550	187,915	36,635
Total Expenditures	224,550	224,550	187,915	36,635
NET CHANGE IN FUND BALANCE	(124,550)	(124,550)	(84,036)	40,514
FUND BALANCE:				
Beginning of year	84,036	84,036	84,036	-
End of year	\$ (40,514)	\$ (40,514)	\$ -	\$ 40,514

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
SLESF/COPS Grant Special Revenue Fund
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 95,796	\$ (4,204)
Total revenues	100,000	100,000	95,796	(4,204)
EXPENDITURES:				
Public safety - police	100,000	100,000	95,796	4,204
Total expenditures	100,000	100,000	95,796	4,204
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
California Opportunities Special Revenue Fund
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 2,000	\$ 2,000	\$ 3,033	\$ 1,033
Other	108,000	108,000	206,800	98,800
Total revenues	110,000	110,000	209,833	99,833
EXPENDITURES:				
General government	180,620	210,620	108,072	102,548
Total expenditures	180,620	210,620	108,072	102,548
NET CHANGE IN FUND BALANCE	(70,620)	(100,620)	101,761	202,381
FUND BALANCE:				
Beginning of year	300,773	300,773	300,773	-
End of year	\$ 230,153	\$ 200,153	\$ 402,534	\$ 202,381

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Foster City Foundation Special Revenue Fund
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other	\$ 59,000	\$ 59,000	\$ 144,448	\$ 85,448
Total revenues	59,000	59,000	144,448	85,448
EXPENDITURES:				
General government	958	958	736	222
Public Safety- Police	23,616	23,616	3,689	19,927
Public Safety- Fire	18,173	18,173	5,262	12,911
Parks and recreation	85,467	85,467	73,106	12,361
Capital outlay	25,000	25,000	24,223	777
Total Expenditures	153,214	153,214	107,016	46,198
OTHER FINANCING SOURCES:				
Transfer out	(25,000)	(25,000)	(24,693)	307
NET CHANGE IN FUND BALANCE	(119,214)	(119,214)	12,739	131,953
FUND BALANCE:				
Beginning of year	152,210	152,210	152,210	-
End of year	\$ 32,996	\$ 32,996	\$ 164,949	\$ 131,953

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Sustainable Foster City Special Fund
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Investment income	\$ -	\$ -	\$ 793	\$ 793
Total revenues	-	-	793	793
EXPENDITURES:				
General Government	258,100	371,068	45,715	325,353
Total Expenditures	258,100	371,068	45,715	325,353
OTHER FINANCING SOURCES:				
Transfer in	258,100	258,100	-	(258,100)
Total other financing sources (uses)	258,100	258,100	-	(258,100)
NET CHANGE IN FUND BALANCE	-	(112,968)	(44,922)	68,046
FUND BALANCE:				
Beginning of year	123,515	123,515	123,515	-
End of year	\$ 123,515	\$ 10,547	\$ 78,593	\$ 68,046

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Day Time Shuttle Fund
For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 75,500	\$ 75,500	\$ -	\$ (75,500)
Total revenues	75,500	75,500	-	(75,500)
EXPENDITURES:				
General Government	100,750	100,750	953	99,797
Total Expenditures	100,750	100,750	953	99,797
OTHER FINANCING SOURCES:				
Transfer in	25,250	25,250	953	(24,297)
Total other financing sources (uses)	25,250	25,250	953	(24,297)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. Internal Service Funds used at the City/District are listed below:

The *Vehicle Rental Fund* accounts for vehicle replacement, acquisition and maintenance service charges and the related billings to various departments.

The *Equipment Replacement Fund* accounts for equipment replacement, acquisition and the related billings to various departments.

The *Self-Insurance Fund* accounts for charges to the various departments for general liability, litigation and for the related premium billings and administrative costs.

The *Information Technology Fund* accounts for communication and information service acquisitions and maintenance service charges and the related billings to various departments.

The *Building Maintenance Fund* provides management, maintenance and daily inspection of all City/District buildings and equipment.

The *Longevity Recognition Benefits Fund* accounts for post-retirement benefit obligation to employees represented by Foster City Police Officer's Association (FCPOA), the San Mateo County Firefighters, local 2400, International Association of Firefighters, and the non-represented Safety Management Employees.

The *PEMHCA Benefits Plan Fund* accounts for retiree medical benefit obligations due to the CalPERS' Public Employees' Medical and Hospital Cared Act medical benefits plan.

The *Compensated Absences Fund* accounts for the payout of compensated absences (vacation and sick leaves) to governmental fund employees upon separation of employment.

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City of Foster City and Estero Municipal Improvement District
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2015

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
ASSETS				
Current assets:				
Cash and investments	\$ 5,277,338	\$ 5,986,250	\$ 1,148,729	\$ 3,761,992
Due from other funds				
Deposit and prepaid items	480	-	-	-
Inventory	39,832	42,163	-	-
Total current assets	5,317,650	6,028,413	1,148,729	3,761,992
Noncurrent assets:				
Capital assets:				
Non-depreciable	1,067,219	-	-	-
Depreciable	1,882,305	2,453,722	-	-
Depreciable - Intangible	-	20,027	-	-
Total noncurrent assets	2,949,524	2,473,749	-	-
Total assets	8,267,174	8,502,162	1,148,729	3,761,992
Deferred outflows of resources	53,937	-	-	79,359
LIABILITIES				
Current liabilities:				
Accounts payable	44,206	154	7,816	49,139
Accrued payroll	16,407	-	-	22,741
Due to other funds				
Claims liability	-	-	170,783	-
Compensated absences - current portion	17,428	-	-	18,559
Total current liabilities	78,041	154	178,599	90,439
Noncurrent liabilities:				
Compensated absences	30,088	-	-	35,505
OPEB liability	48,555	-	-	84,381
Net pension liability	578,701	-	-	740,463
Other liability	-	-	-	-
Total noncurrent liabilities	657,344	-	-	860,349
Total liabilities	735,385	154	178,599	950,788
Deferred inflows of resources	125,453	-	-	160,521
NET POSITION				
Net investment in capital assets	2,949,524	2,473,749	-	-
Unrestricted	4,510,749	6,028,259	970,130	2,730,042
Total net position	\$ 7,460,273	\$ 8,502,008	\$ 970,130	\$ 2,730,042

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 2,438,475	\$ 2,749,579	\$ 6,074,028	\$ 1,976,837	\$ 29,413,228
		2,657		2,657
-	-	-	-	480
-	-	-	-	81,995
<u>2,438,475</u>	<u>2,749,579</u>	<u>6,076,685</u>	<u>1,976,837</u>	<u>29,498,360</u>
-	-	-	-	1,067,219
-	-	-	-	4,336,027
-	-	-	-	20,027
-	-	-	-	5,423,273
<u>2,438,475</u>	<u>2,749,579</u>	<u>6,076,685</u>	<u>1,976,837</u>	<u>34,921,633</u>
<u>69,775</u>	-	-	-	<u>203,071</u>
88,880	-	-	-	190,195
20,964	-	-	-	60,112
	2,657	-	-	2,657
-	-	-	-	170,783
<u>31,343</u>	-	-	-	<u>67,330</u>
<u>141,187</u>	<u>2,657</u>	-	-	<u>491,077</u>
45,709	-	-	-	111,302
55,043	-	-	-	187,979
756,412	-	-	-	2,075,576
314,663	-	-	-	314,663
<u>1,171,827</u>	-	-	-	<u>2,689,520</u>
<u>1,313,014</u>	<u>2,657</u>	-	-	<u>3,180,597</u>
<u>163,978</u>	-	-	-	<u>449,952</u>
-	-	-	-	5,423,273
<u>1,031,258</u>	<u>2,746,922</u>	<u>6,076,685</u>	<u>1,976,837</u>	<u>26,070,882</u>
<u>\$ 1,031,258</u>	<u>\$ 2,746,922</u>	<u>\$ 6,076,685</u>	<u>\$ 1,976,837</u>	<u>\$ 31,494,155</u>

City of Foster City and Estero Municipal Improvement District
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the fiscal year ended June 30, 2015

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
OPERATING REVENUES:				
Charges for services	\$ 1,445,342	\$ 450,712	\$ 271,900	\$ 1,359,519
Total operating revenues	1,445,342	450,712	271,900	1,359,519
OPERATING EXPENSES:				
Personnel	398,407	-	-	535,985
Repairs and maintenance	321,604	98,385	-	385,125
General and administration	11,665	-	-	99,349
Depreciation	314,831	312,371	-	-
Contractual services	3,325	-	57,106	31,015
Insurance	36,900	-	293,278	-
Total operating expenses	1,086,732	410,756	350,384	1,051,474
OPERATING INCOME (LOSS)	358,610	39,956	(78,484)	308,045
NONOPERATING REVENUES (EXPENSES):				
Gain (loss) on disposal of capital assets	-	(4,276)	-	-
Investment income (expense)	60,530	61,510	11,384	38,285
Miscellaneous	11,579	-	-	-
Total nonoperating revenues (expenses)	72,109	57,234	11,384	38,285
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	430,719	97,190	(67,100)	346,330
CONTRIBUTIONS AND TRANSFERS:				
Capital contribution	-	841,920	-	-
Transfers in	-	905,925	-	-
Transfers out	-	-	-	(119,225)
Total transfers	-	1,747,845	-	(119,225)
Changes in Net Position	430,719	1,845,035	(67,100)	227,105
NET POSITION:				
Beginning of the year	7,692,454	6,656,973	1,037,230	3,351,136
Prior period adjustment	(662,900)	-	-	(848,199)
Beginning of the year, as restated	7,029,554	6,656,973	1,037,230	2,502,937
End of the year	\$ 7,460,273	\$ 8,502,008	\$ 970,130	\$ 2,730,042

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 1,648,935	\$ -	\$ -	\$ 52,898	\$ 5,229,306
<u>1,648,935</u>	<u>-</u>	<u>-</u>	<u>52,898</u>	<u>5,229,306</u>
502,632	121,220	118,465	373,089	2,049,798
260,572	-	-	-	1,065,686
468,528	-	-	-	579,542
-	-	-	-	627,202
191,815	-	-	-	283,261
-	-	-	-	330,178
<u>1,423,547</u>	<u>121,220</u>	<u>118,465</u>	<u>373,089</u>	<u>4,935,667</u>
<u>225,388</u>	<u>(121,220)</u>	<u>(118,465)</u>	<u>(320,191)</u>	<u>293,639</u>
-	-	-	-	(4,276)
25,767	(100,188)	(222,331)	23,390	(101,653)
-	-	-	-	11,579
<u>25,767</u>	<u>(100,188)</u>	<u>(222,331)</u>	<u>23,390</u>	<u>(94,350)</u>
<u>251,155</u>	<u>(221,408)</u>	<u>(340,796)</u>	<u>(296,801)</u>	<u>199,289</u>
-	-	-	-	841,920
-	-	-	-	905,925
<u>(908,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,027,925)</u>
<u>(908,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>719,920</u>
<u>(657,545)</u>	<u>(221,408)</u>	<u>(340,796)</u>	<u>(296,801)</u>	<u>919,209</u>
2,555,271	2,968,330	6,417,481	2,273,638	32,952,513
(866,468)	-	-	-	(2,377,567)
<u>1,688,803</u>	<u>2,968,330</u>	<u>6,417,481</u>	<u>2,273,638</u>	<u>30,574,946</u>
<u>\$ 1,031,258</u>	<u>\$ 2,746,922</u>	<u>\$ 6,076,685</u>	<u>\$ 1,976,837</u>	<u>\$ 31,494,155</u>

City of Foster City and Estero Municipal Improvement District
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2015

	Vehicle Rental	Equipment Replacement	Self Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from inter-departmental charges	\$ 1,519,652	\$ 450,712	\$ 271,900
Cash payments to suppliers for goods and services	(344,748)	(166,032)	(379,326)
Cash payments to employees for services	(402,796)	-	-
Cash received from others	11,579	-	-
Net cash provided (used) by operating activities	783,687	284,680	(107,426)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers received	-	905,925	-
Transfer paid	-	-	-
Net cash provided (used) by noncapital financing activities	-	905,925	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	-	(4,276)	-
Capital contributions received	-	841,920	-
Acquisition and construction of capital assets	(1,390,296)	(1,788,378)	-
Net cash provided (used) by capital and related financing activities	(1,390,296)	(950,734)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	60,530	61,510	11,384
Net cash provided (used) by investing activities	60,530	61,510	11,384
Net increase (decrease) in cash and cash equivalents	(546,079)	301,381	(96,042)
CASH AND CASH EQUIVALENTS:			
Beginning of year	5,823,417	5,684,869	1,244,771
End of year	<u>\$ 5,277,338</u>	<u>\$ 5,986,250</u>	<u>\$ 1,148,729</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 358,610	\$ 39,956	\$ (78,484)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	314,831	312,371	-
Miscellaneous revenues	11,579	-	-
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	74,310	-	-
Due from other funds	-	-	-
Deposit and prepaid items	(28)	-	-
Inventory	39,223	-	-
Deferred outflow of resources	(53,937)	-	-
Increase (decrease) in:			
Accounts payable	(10,449)	(67,647)	7,102
Accrued payroll	(236)	-	-
Due to other funds	-	-	-
Claims liability	-	-	(36,044)
Compensated absences	2,200	-	-
OPEB liability	6,330	-	-
Net pension liability	(84,199)	-	-
Other liability	-	-	-
Deferred inflow of resources	125,453	-	-
Total adjustments	425,077	244,724	(28,942)
Net cash provided (used) by operating activities	\$ 783,687	\$ 284,680	\$ (107,426)

Information Technology	Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 1,359,519	\$ 1,648,935	\$ 2,657	\$ (2,657)	\$ 52,898	\$ 5,303,616
(554,096)	(936,250)	-	-	-	(2,380,452)
(540,928)	(195,153)	(121,220)	(118,465)	(373,089)	(1,751,651)
-	-	-	-	-	11,579
<u>264,495</u>	<u>517,532</u>	<u>(118,563)</u>	<u>(121,122)</u>	<u>(320,191)</u>	<u>1,183,092</u>
-	-	-	-	-	905,925
(119,225)	(908,700)	-	-	-	(1,027,925)
(119,225)	(908,700)	-	-	-	(122,000)
-	-	-	-	-	(4,276)
-	-	-	-	-	841,920
-	-	-	-	-	(3,178,674)
-	-	-	-	-	(2,341,030)
38,285	25,767	(100,188)	(222,331)	23,390	(101,653)
38,285	25,767	(100,188)	(222,331)	23,390	(101,653)
183,555	(365,401)	(218,751)	(343,453)	(296,801)	(1,381,591)
3,578,437	2,803,876	2,968,330	6,417,481	2,273,638	30,794,819
<u>\$ 3,761,992</u>	<u>\$ 2,438,475</u>	<u>\$ 2,749,579</u>	<u>\$ 6,074,028</u>	<u>\$ 1,976,837</u>	<u>\$ 29,413,228</u>
\$ 308,045	\$ 225,388	\$ (121,220)	\$ (118,465)	\$ (320,191)	\$ 293,639
-	-	-	-	-	627,202
-	-	-	-	-	11,579
-	-	-	-	-	74,310
-	-	-	(2,657)	-	(2,657)
-	-	-	-	-	(28)
-	-	-	-	-	39,223
(79,359)	(69,775)	-	-	-	(203,071)
(38,607)	(15,335)	-	-	-	(124,936)
897	944	-	-	-	1,605
-	-	2,657	-	-	2,657
-	-	-	-	-	(36,044)
11,028	(293)	-	-	-	12,935
9,706	8,018	-	-	-	24,054
(107,736)	(110,056)	-	-	-	(301,991)
-	314,663	-	-	-	314,663
160,521	163,978	-	-	-	449,952
(43,550)	292,144	2,657	(2,657)	-	889,453
<u>\$ 264,495</u>	<u>\$ 517,532</u>	<u>\$ (118,563)</u>	<u>\$ (121,122)</u>	<u>\$ (320,191)</u>	<u>\$ 1,183,092</u>

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STATISTICAL SECTION

Economic Conditions Reporting: The Statistical Section - an amendment of NCGA Statement 1. The statement is intended to improve understanding of the information in the Basic Financial Statements, Notes, and Required Supplementary Information says:

Financial Trends

These schedules contain trend information to help the reader understand how the City/District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City/District's most significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City/District's current level of outstanding debt and the ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City/District's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the City/District's financial report relates to the services the City/District provides and the activities it performs.

Note: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years.

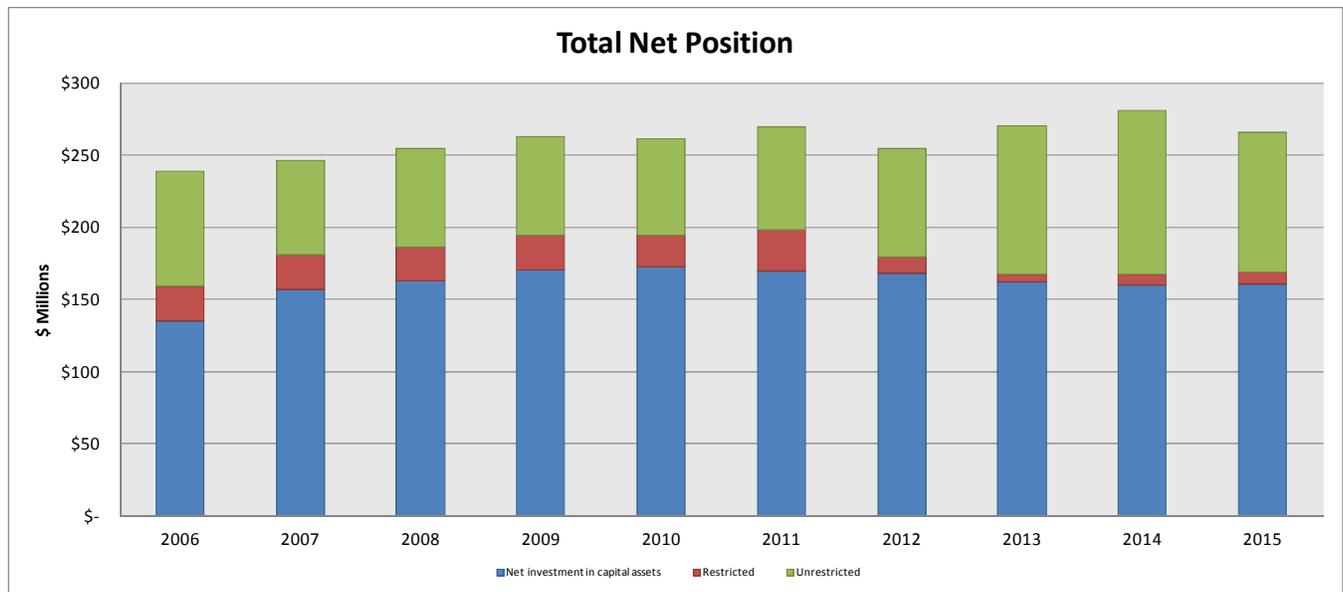
City of Foster City and Estero Municipal Improvement District

Net Position by Component

Last Ten Fiscal Years

(Accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 95,785,241	\$ 97,403,808	\$ 101,122,436	\$ 109,387,638	\$ 111,894,545	\$ 108,007,645	\$ 106,295,814	\$ 102,503,211	\$ 102,532,106	\$ 105,458,244
Restricted	23,209,747	23,657,789	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967	5,488,986	7,528,560	7,666,923
Unrestricted	39,557,946	44,825,904	49,475,890	48,498,680	46,699,565	49,579,722	50,530,026	75,633,529	82,551,190	68,977,993
Total governmental activities net position	\$ 158,552,934	\$ 165,887,501	\$ 174,205,057	\$ 182,179,452	\$ 180,638,084	\$ 185,850,473	\$ 168,586,807	\$ 183,625,726	\$ 192,611,856	\$ 182,103,160
Business-type activities										
Net investment in capital assets	\$ 39,528,336	\$ 59,649,262	\$ 61,434,009	\$ 60,853,224	\$ 60,575,907	\$ 61,718,653	\$ 61,458,480	\$ 59,384,377	\$ 57,308,122	\$ 55,371,422
Restricted	644,200	301,692	-	-	-	-	-	-	-	-
Unrestricted	39,908,805	20,548,181	18,775,807	20,010,431	20,356,291	21,659,733	24,362,221	26,947,956	31,262,566	28,654,572
Total business-type activities net position	\$ 80,081,341	\$ 80,499,135	\$ 80,209,816	\$ 80,863,655	\$ 80,932,198	\$ 83,378,386	\$ 85,820,701	\$ 86,332,333	\$ 88,570,688	\$ 84,025,994
Primary government										
Net investment in capital assets	\$ 135,313,577	\$ 157,086,070	\$ 162,556,445	\$ 170,240,862	\$ 172,470,452	\$ 169,726,298	\$ 167,754,294	\$ 161,887,588	\$ 159,840,228	\$ 160,829,666
Restricted	23,853,947	23,959,481	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967	5,488,986	7,528,560	7,666,923
Unrestricted	79,466,751	65,374,085	68,251,697	68,509,111	67,055,856	71,239,455	74,892,247	102,581,485	113,813,756	97,632,565
Total primary government net position	\$ 238,634,275	\$ 246,419,636	\$ 254,414,873	\$ 263,043,107	\$ 261,570,282	\$ 269,228,859	\$ 254,407,508	\$ 269,958,059	\$ 281,182,544	\$ 266,129,154



City of Foster City and Estero Municipal Improvement District

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 3,401,929	\$ 3,172,917	\$ 3,384,497	\$ 3,673,100	\$ 3,715,494	\$ 3,135,273	\$ 3,596,590	\$ 3,514,037	\$ 3,794,112	\$ 3,557,955
Police	7,874,658	8,414,456	8,598,000	9,637,744	9,601,374	9,635,944	9,393,100	9,316,093	9,580,196	9,853,153
Fire	7,707,520	7,129,555	7,277,640	7,376,366	7,960,605	8,011,016	8,222,350	7,685,722	7,756,948	8,301,670
Public works	4,938,721	5,832,257	4,795,377	4,746,696	4,792,866	4,924,309	5,253,074	5,718,340	4,353,289	4,650,758
Community development	3,939,444	4,517,721	4,399,597	5,165,200	10,058,917	5,904,547	2,215,164	2,078,968	1,965,069	2,176,539
Parks and recreation	6,112,184	6,274,796	6,969,205	7,540,180	7,486,684	7,889,206	7,978,548	8,387,726	8,516,392	8,808,422
Interest on long-term debt	1,149,134	714,924	527,048	286,765	71,079	-	-	-	-	-
Total governmental activities expenses	35,123,590	36,056,626	35,951,364	38,426,051	43,687,019	39,500,295	36,658,826	36,700,886	35,966,006	37,348,497
Business-type activities:										
Water	6,713,789	6,868,450	7,575,909	7,804,377	8,272,135	8,690,887	9,782,394	10,336,188	9,846,110	10,596,613
Wastewater	5,276,815	5,099,038	5,861,595	5,351,927	5,875,701	5,334,103	5,909,150	6,554,771	6,412,706	7,140,529
Public transportation	119,496	131,378	155,344	245,589	298,964	204,321	201,696	-	-	-
Total business-type activities expenses	12,110,100	12,098,866	13,592,848	13,401,893	14,446,800	14,229,311	15,893,240	16,890,959	16,258,816	17,737,142
Total primary government expenses	\$ 47,233,690	\$ 48,155,492	\$ 49,544,212	\$ 51,827,944	\$ 58,133,819	\$ 53,729,606	\$ 52,552,066	\$ 53,591,845	\$ 52,224,822	\$ 55,085,639
Program Revenues										
Governmental activities:										
Charges for services:										
Public works	\$ 556,598	\$ 76,488	\$ 160,062	\$ 84,958	\$ 146,430	\$ 150,183	\$ 115,060	\$ 185,606	\$ 259,277	\$ 192,974
Parks and recreation	1,103,417	1,017,538	1,032,979	1,065,675	1,055,300	1,264,706	1,082,263	1,065,366	4,430,943	4,374,455
Other activities	1,570,945	1,638,345	1,679,892	1,722,734	1,204,446	1,641,925	2,420,613	1,755,523	3,626,944	4,586,595
Operating grants and contributions	1,642,813	996,947	854,272	1,000,607	813,296	1,374,103	1,483,915	1,479,057	1,471,641	2,655,353
Capital grants and contributions	1,771,121	128,000	-	733,684	680,355	4,157,426	449,989	938,348	1,374,066	709,800
Total governmental activities program revenues	6,644,894	3,857,318	3,727,205	4,607,658	3,899,827	8,588,343	5,551,840	5,423,900	11,162,871	12,519,177
Business-type activities:										
Charges for services:										
Water	5,782,979	6,027,769	6,769,890	7,182,212	7,531,859	9,166,844	10,328,467	10,495,752	10,550,591	10,230,148
Wastewater	5,155,092	5,170,037	5,570,010	6,175,068	6,543,036	6,862,627	7,509,281	6,970,730	7,400,022	7,921,198
Other activities	55,479	69,955	-	-	-	-	7,317	-	-	-
Operating grants and contributions	-	-	-	-	-	140,709	100,756	-	-	-
Capital grants and contributions	1,762	-	-	-	-	-	-	19,305	-	26,991
Total business-type activities program revenues	10,995,312	11,267,761	12,339,900	13,357,280	14,074,895	16,170,180	17,945,821	17,485,787	17,950,613	18,178,337
Total primary government program revenues	\$ 17,640,206	\$ 15,125,079	\$ 16,067,105	\$ 17,964,938	\$ 17,974,722	\$ 24,758,523	\$ 23,497,661	\$ 22,909,687	\$ 29,113,484	\$ 30,697,514
Net (Expense)/Revenue										
Governmental activities	\$ (28,478,696)	\$ (32,199,308)	\$ (32,224,159)	\$ (33,818,393)	\$ (39,787,192)	\$ (30,911,952)	\$ (31,106,986)	\$ (31,276,986)	\$ (24,803,135)	\$ (24,829,320)
Business-type activities	(1,114,788)	(831,105)	(1,252,948)	(44,613)	(371,905)	1,940,869	2,052,581	594,828	1,691,797	441,195
Total primary government net expense	\$ (29,593,484)	\$ (33,030,413)	\$ (33,477,107)	\$ (33,863,006)	\$ (40,159,097)	\$ (28,971,083)	\$ (29,054,405)	\$ (30,682,158)	\$ (23,111,338)	\$ (24,388,125)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 22,656,311	\$ 23,946,796	\$ 25,326,023	\$ 26,525,347	\$ 27,328,303	\$ 26,225,287	\$ 19,140,435	\$ 22,850,306	\$ 22,618,342	\$ 22,824,950
Franchise taxes	909,123	981,494	1,029,576	1,044,988	1,017,749	1,088,266	1,122,847	1,227,976	1,235,085	1,135,666
Sales taxes	4,136,136	4,485,030	5,059,382	4,950,468	4,365,018	4,225,824	4,853,339	4,413,470	3,684,963	3,955,873
Other taxes	2,202,260	2,396,793	2,552,680	2,307,231	2,099,539	2,165,353	2,596,057	3,090,178	3,524,950	4,660,905
Payments in lieu of taxes	2,190,769	2,605,998	2,250,733	2,359,092	2,417,925	-	-	-	-	-
Investment earnings	1,652,286	4,463,127	3,933,537	2,449,586	2,193,541	2,409,846	2,331,007	1,539,026	3,688,849	2,256,791
Miscellaneous	991,956	768,061	438,822	847,954	253,121	117,764	210,189	19,494,949	405,586	30,088,299
Transfers	(44,772)	(80,424)	(82,038)	(110,733)	(10,519)	(108,000)	(60,501)	-	-	-
Total governmental activities	34,694,069	39,566,875	40,508,715	40,373,933	39,664,677	36,124,340	30,193,373	52,615,905	35,157,775	64,922,484
Business-type activities:										
Property Tax	-	-	-	-	-	-	-	-	-	-
Investment earnings	671,166	1,145,239	809,666	451,762	296,930	256,984	292,258	(141,502)	459,090	319,633
Loss on sales of capital assets	-	-	(17,198)	-	-	-	-	-	-	-
Miscellaneous	-	28,262	89,123	135,957	132,999	140,335	36,975	58,306	87,468	94,246
Transfers	44,772	80,424	82,038	110,733	10,519	108,000	60,501	-	-	-
Total business-type activities	715,938	1,253,925	963,629	698,452	440,448	505,319	389,734	(83,196)	546,558	413,879
Total primary government	\$ 35,410,007	\$ 40,820,800	\$ 41,472,344	\$ 41,072,385	\$ 40,105,125	\$ 36,629,659	\$ 30,583,107	\$ 52,532,709	\$ 35,704,333	\$ 65,336,363
Extraordinary Items										
Governmental activities:										
Extraordinary items										
Total governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,350,052)	\$ (6,300,000)	\$ (1,368,510)	\$ 1,131,265
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,350,052)	\$ (6,300,000)	\$ (1,368,510)	\$ 1,131,265
Change in Net Position										
Governmental activities	\$ 6,215,373	\$ 7,367,567	\$ 8,284,556	\$ 6,555,540	\$ (122,515)	\$ 5,212,388	\$ (17,263,665)	\$ 15,038,919	\$ 8,986,130	\$ 41,224,429
Business-type activities	(398,850)	422,820	(289,319)	653,839	68,543	2,446,188	2,442,315	511,632	2,238,355	855,074
Total primary government	\$ 5,816,523	\$ 7,790,387	\$ 7,995,237	\$ 7,209,379	\$ (53,972)	\$ 7,658,576	\$ (14,821,350)	\$ 15,550,551	\$ 11,224,485	\$ 42,079,503

City of Foster City and Estero Municipal Improvement District
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 31,881,063	\$ 33,523,781	\$ 35,329,687	\$ 36,322,157	\$ 36,445,627	\$ 32,846,406	\$ 27,014,176	\$ 30,807,783	\$ 29,972,228	\$ 30,968,962
Licenses, fees and permits	1,145,886	1,156,192	1,166,550	1,085,643	1,050,758	1,289,106	2,200,437	1,354,501	2,676,476	3,954,102
Fines and penalties	190,439	194,613	164,661	142,887	158,199	159,303	179,717	193,654	197,969	168,838
Charges for services	1,334,881	1,383,692	1,347,279	1,403,448	1,392,205	1,659,773	1,640,114	1,637,289	2,621,851	2,510,647
Special assessments	1,316,143	799,236	352,443	189,911	-	4,000,000	-	-	3,289,634	3,288,613
Intergovernmental	1,716,468	1,183,015	1,443,393	1,601,956	1,546,873	1,522,599	1,994,051	2,010,089	2,688,202	1,563,429
Investment earnings	3,800,211	5,127,172	4,706,132	3,444,940	2,608,180	1,796,472	1,814,301	907,101	2,252,482	2,273,291
Other revenues	1,032,866	1,024,736	1,012,569	1,661,625	827,083	559,764	436,977	1,178,203	794,640	2,882,967
Total revenues	<u>42,417,957</u>	<u>44,392,437</u>	<u>45,522,714</u>	<u>45,852,567</u>	<u>44,028,925</u>	<u>43,833,423</u>	<u>35,279,773</u>	<u>38,088,620</u>	<u>44,493,482</u>	<u>47,610,849</u>
Expenditures										
General government	2,371,339	2,471,650	2,979,792	3,150,439	3,271,525	2,689,200	2,980,808	2,980,817	3,174,115	3,162,004
Police	7,886,775	8,470,914	8,650,231	9,271,457	9,535,983	9,362,853	9,171,064	9,078,222	9,321,559	9,693,710
Fire	6,831,111	7,213,382	7,373,331	7,385,613	7,876,172	7,917,966	8,148,675	7,689,490	7,705,260	8,028,295
Public works	2,571,047	2,428,438	2,435,402	2,700,326	2,426,798	2,603,647	2,876,718	3,343,143	1,967,187	2,331,632
Community development	4,191,028	4,550,667	4,429,165	7,194,733	10,017,098	5,825,075	2,229,747	1,967,382	1,936,205	6,928,167
Parks and recreation	5,500,330	5,704,605	6,361,683	6,543,724	6,340,330	6,780,921	6,780,597	6,879,810	7,107,443	7,182,946
Capital outlay	2,276,329	1,186,620	2,110,297	6,255,420	2,391,675	970,235	3,384,339	1,201,432	4,382,435	6,483,904
Debt service										
Interest	2,921,459	2,387,604	1,998,571	1,509,465	996,412	156,685	-	-	-	-
Principal	9,656,000	5,695,000	5,210,000	3,800,000	4,775,000	-	-	-	-	-
Total expenditures	<u>44,205,418</u>	<u>40,108,880</u>	<u>41,548,472</u>	<u>47,811,177</u>	<u>47,630,993</u>	<u>36,306,582</u>	<u>35,571,948</u>	<u>33,140,296</u>	<u>35,594,204</u>	<u>43,810,658</u>
Excess of revenues over (under) expenditures	(1,787,461)	4,283,557	3,974,242	(1,958,610)	(3,602,068)	7,526,841	(292,175)	4,948,324	8,899,278	3,800,191
Other Financing Sources (uses)										
Proceeds from sale of capital assets	130,000	500	-	-	-	-	-	1,332,190	1,344,924	30,485,503
Transfers in	8,863,966	5,895,607	5,843,405	9,184,980	10,548,804	25,391,490	7,729,944	958,867	1,209,449	752,646
Transfers out	(8,918,100)	(6,255,434)	(5,925,443)	(9,295,713)	(11,860,304)	(25,499,490)	(7,799,024)	(3,608,867)	(1,209,449)	(630,646)
Total other financing sources (uses)	<u>75,866</u>	<u>(359,327)</u>	<u>(82,038)</u>	<u>(110,733)</u>	<u>(1,311,500)</u>	<u>(108,000)</u>	<u>(69,080)</u>	<u>(1,317,810)</u>	<u>1,344,924</u>	<u>30,607,503</u>
Extraordinary Item										
Extraordinary loss	-	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)	-
Total extraordinary item	-	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)	-
Net change in fund balances	<u>\$ (1,711,595)</u>	<u>\$ 3,924,230</u>	<u>\$ 3,892,204</u>	<u>\$ (2,069,343)</u>	<u>\$ (4,913,568)</u>	<u>\$ 7,418,841</u>	<u>\$ (16,711,307)</u>	<u>\$ (2,669,486)</u>	<u>\$ 8,875,692</u>	<u>\$ 34,407,694</u>
Debt service as a percentage of noncapital expenditures	42.85%	26.21%	22.37%	14.65%	14.62%	0.45%	0.00%	0.00%	0.00%	0.00%

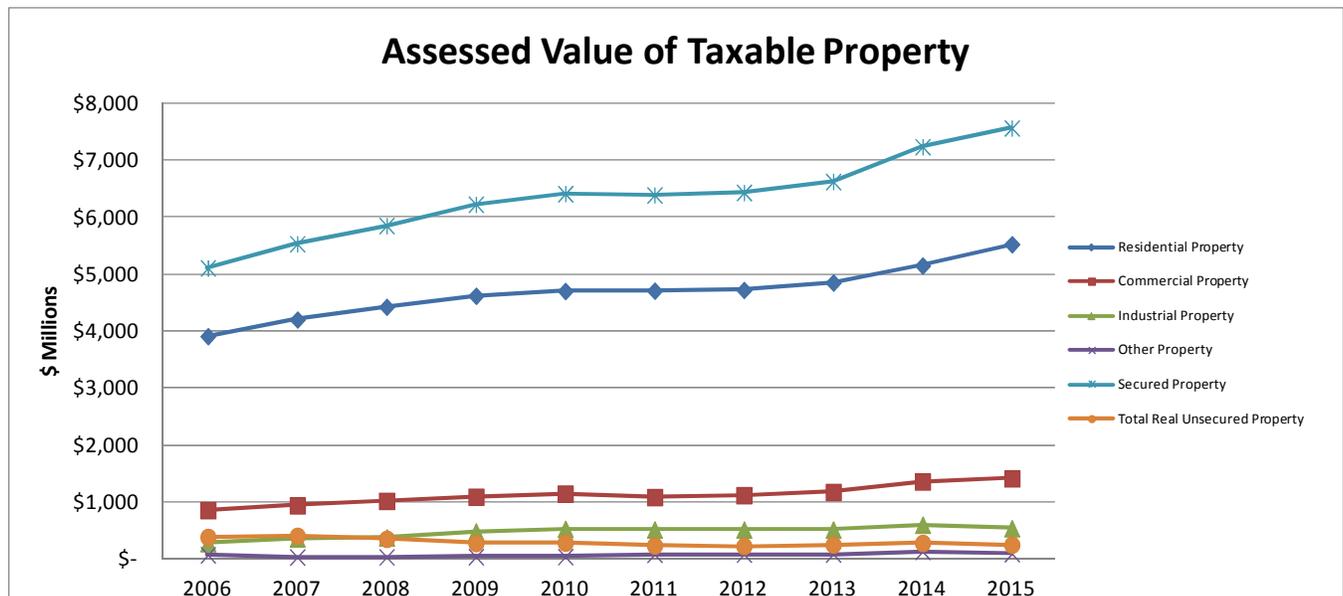
City of Foster City and Estero Municipal Improvement District
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 16,239,583	\$ 14,763,522	\$ 11,828,982	\$ 8,209,971	\$ 1,159,290	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	16,185,228	17,873,192	20,287,727	22,039,476	23,944,755	-	-	-	-	-
Non-Spendable	-	-	-	-	-	33,527	32,448	34,769	36,126	31,380
Committed	-	-	-	-	-	812,807	466,016	405,949	441,920	1,279,096
Assigned	-	-	-	-	-	1,052,366	964,536	510,417	676,878	619,948
Unassigned	16,185,228	17,873,192	20,287,727	22,039,476	23,944,755	19,304,982	20,272,893	19,025,588	23,746,768	30,303,100
Total general fund	<u>\$ 48,610,039</u>	<u>\$ 50,509,906</u>	<u>\$ 52,404,436</u>	<u>\$ 52,288,923</u>	<u>\$ 49,048,800</u>	<u>\$ 21,203,682</u>	<u>\$ 21,735,893</u>	<u>\$ 19,976,723</u>	<u>\$ 24,901,692</u>	<u>\$ 32,233,524</u>
All Other Governmental Funds										
Reserved	\$ 17,691,445	\$ 18,633,237	\$ 20,278,822	\$ 18,018,576	\$ 17,587,790	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,209,785	2,541,599	2,890,661	2,748,765	3,300,455	-	-	-	-	-
Capital projects funds	(2,667,367)	(228,646)	2,188,916	4,388,977	4,499,907	-	-	-	-	-
Non-Spendable	-	-	-	-	-	-	-	-	-	683
Restricted	-	-	-	-	-	28,608,240	10,357,852	4,546,308	7,227,787	7,263,706
Committed	-	-	-	-	-	8,099,116	9,105,986	14,007,214	15,276,458	42,315,718
Total all other governmental funds	<u>\$ 17,233,863</u>	<u>\$ 20,946,190</u>	<u>\$ 25,358,399</u>	<u>\$ 25,156,318</u>	<u>\$ 25,388,152</u>	<u>\$ 36,707,356</u>	<u>\$ 19,463,838</u>	<u>\$ 18,553,522</u>	<u>\$ 22,504,245</u>	<u>\$ 49,580,107</u>

Note: In compliance with GASB 54 issued in year 2011, fund balances are re-categorized.

City of Foster City and Estero Municipal Improvement District
Assessed Value of Taxable Property
Last Ten Fiscal Years
(In thousands of dollars)

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Other Property	Total Real Secured Property	Unsecured Property	Total Assessed	Estimated Full Market ¹	Total Direct Tax Rate ²
2006	\$ 3,909,826	\$ 855,220	\$ 274,483	\$ 68,868	\$ 5,108,397	\$ 384,974	\$ 5,493,371	\$ 5,493,371	0.29209
2007	4,202,217	940,245	357,821	31,948	5,532,231	405,100	5,937,331	5,937,331	0.29382
2008	4,424,764	1,019,063	375,300	33,416	5,852,543	351,316	6,203,859	6,203,859	0.29144
2009	4,619,037	1,088,907	479,764	38,069	6,225,777	276,761	6,502,538	6,502,538	0.29565
2010	4,703,107	1,146,981	524,207	39,063	6,413,358	283,165	6,696,523	6,696,523	0.29099
2011	4,709,407	1,083,260	516,044	80,957	6,389,668	234,475	6,624,143	6,624,143	0.29192
2012	4,721,378	1,116,185	512,381	83,466	6,433,410	226,067	6,659,477	6,659,477	0.28770
2013	4,851,575	1,174,781	514,770	84,880	6,626,006	250,130	6,876,136	6,876,136	0.28889
2014	5,150,785	1,356,302	600,059	129,427	7,236,573	278,889	7,515,462	7,515,462	0.22518
2015	5,524,789	1,420,944	527,049	92,869	7,565,651	248,396	7,814,047	7,814,047	0.22474



Source: The HdL Company and San Mateo County Assessor 2005/06 - 2014/15 Combined Tax Rolls

Notes: ¹ Article XIII A, added to California Constitution by Proposition 13 in fiscal year 1978, fixed the base for valuation of property subject to taxes at the full cash value which appeared on the Assessor's 1976 assessment roll.

Thereafter, full cash value can be increased/decreased:

- a) to reflect annual inflation up to 2 percent; or
- b) to reflect fair market value at the time of ownership change; or
- c) to reflect fair value for new construction; or
- d) to reflect reassessed fair value after appeal.

² California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

City of Foster City and Estero Municipal Improvement District
Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$100 of Assessed Value)

Agency	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Belmont Elementary	0.01070	0.00930	0.00870	0.00840	0.00830	0.00920	0.01970	0.01970	0.01830	0.01820
San Mateo Foster City Elementary	0.03820	0.03320	0.03330	0.03150	0.03260	0.03410	0.03470	0.03380	0.04210	0.03880
San Mateo Junior College	0.00650	0.01840	0.01710	0.01650	0.01820	0.01930	0.01990	0.01940	0.01940	0.01900
San Mateo Union High	0.01740	0.01560	0.01500	0.02980	0.03190	0.03220	0.03830	0.03810	0.03550	0.04750
Sequoia Union High	0.02230	0.02080	0.02050	0.02820	0.02770	0.03110	0.03580	0.03560	0.03130	0.04330
Total Direct & Overlapping² Tax Rates	1.09510	1.09730	1.09460	1.11440	1.11870	1.12590	1.14840	1.14660	1.14660	1.16680
City's Share of 1% Levy Per Prop 13 ³	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
General Obligation Debt Rate	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Redevelopment Rate ⁴	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	0.00000	0.00000	0.00000
Total Direct Rate⁵	0.29209	0.29382	0.29144	0.29565	0.29099	0.29192	0.28770	0.28889	0.22518	0.22474

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in the tax ratio figures.

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Source:

The HdL Company, 2005/06 through 2014/15 Direct and Overlapping Property Tax Rates Schedule
San Mateo County Assessor 2005/06 -2014/15 Tax Rate Table

**City of Foster City and Estero Municipal Improvement District
Principal Property Tax Payers
Current Year and Ten Years Ago**

<u>Taxpayer</u>	<u>FY 2014/2015</u>			<u>FY 2005/2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
GILEAD SCIENCES INC	\$ 855,960,025	1	10.95%	\$ 203,047,611	2	3.70%
VISA USA INC	265,137,832	2	3.39%			
HUDSON METRO CENTER LLC	195,963,828	3	2.51%			
TRUST PARKSIDE TOWERS CORPORATION	192,615,224	4	2.46%			
SF HILLSDALE 20102012 LLC	138,000,000	5	1.77%			
NORTHWESTERN MUTUAL LIFE	106,225,404	6	1.36%			
BRE PROPERTIES INC	77,386,072	7	0.99%	67,842,235	6	1.23%
BAYSIDE TOWERS INC	73,297,841	8	0.94%			
PWM RESIDENTIAL VENTURE LLC	64,794,339	9	0.83%	56,914,833	9	1.04%
SBK-METRO CENTER LLC	60,024,123	10	0.77%			
VISA LAND DEVELOPMENT II LP				251,005,806	1	4.57%
SPK-METRO CENTER LLC LESSEE				166,630,200	3	3.03%
APPLERA CORPORATION				155,321,949	4	2.83%
ELECTRONICS FOR IMAGING INC				130,591,249	5	2.38%
ESSEX HARBOR COVE APARTMENTS LP				66,250,000	7	1.21%
GATEWAY PHOENIX & 5990 SEPULVEDA ASSOCIATES LP				58,435,200	8	1.06%
GRUPE REAL ESTATE INVESTMENT				48,238,143	10	0.88%
Top Ten Total	<u>\$ 2,029,404,688</u>		<u>25.97%</u>	<u>\$ 1,204,277,226</u>		<u>21.92%</u>
City Total	<u>\$ 7,814,046,376</u>			<u>\$ 5,493,370,703</u>		

Source: The HdL Company and San Mateo County Assessor 2014/15 & 2005/06 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

**City of Foster City and Estero Municipal Improvement District
Property Tax Levies and Collections
Last Ten Fiscal Years**

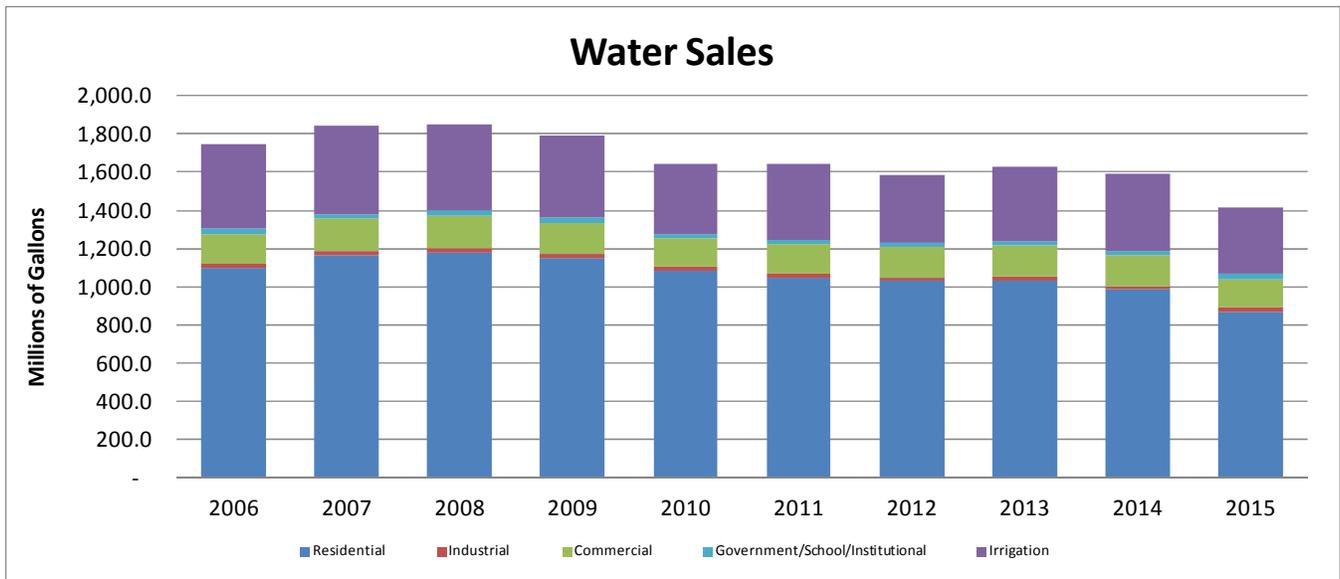
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount ²	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 10,204,649	\$ 9,347,350	91.60%	\$ (5,553)	\$ 9,341,797	91.54%
2007	10,989,391	10,632,880	96.76%	84,287	10,717,167	97.52%
2008	11,514,681	10,821,776	93.98%	33,698	10,855,474	94.28%
2009	11,994,160	11,087,934	92.44%	56,327	11,144,261	92.91%
2010	12,415,753	11,337,451	91.32%	19,034	11,356,485	91.47%
2011	12,267,181	12,696,154	103.50% ³	31,783	12,727,937	103.76%
2012	17,066,910	15,111,377	88.54%	(7,011)	15,104,366	88.50%
2013	17,614,023	17,312,886	98.29%	(45,095)	17,267,791	98.03%
2014	19,265,347	19,479,141	101.11% ⁴	(37,058)	19,442,083	100.92%
2015	20,152,567	20,126,637	99.87%	-	20,126,637	99.87%

Notes:

- ¹ Information from County of San Mateo Controller's Office
- ² Amount received after ERAF contribution
- ³ One of the City's redevelopment project areas reached its TI (tax increment) limit during the fiscal year 2011, the residual tax increment was redistributed among all taxing agencies and the City was one of the recipients. Thus, the total amount of property taxes received during the fiscal year exceeded the taxes levied for the fiscal year.
- ⁴ Include \$350,463 from the dissolution of the Community Development Agency of Foster City as a result of AB1484.

City of Foster City and Estero Municipal Improvement District
Water Sales by Type of Customer
Last Ten Fiscal Years
(in millions of gallons)

Type of Customer	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential	1,097.9	1,162.1	1,178.5	1,151.9	1,081.4	1,048.9	1,029.2	1,032.1	984.3	873.0
Industrial	22.5	21.5	21.9	21.9	20.8	18.8	17.8	18.4	17.2	17.7
Commercial	157.4	171.6	173.5	163.3	154.1	155.3	164.3	163.8	161.2	151.1
Government/School/Institutional	24.1	25.9	26.7	25.6	22.1	23.0	21.3	24.9	27.4	25.9
Irrigation	444.3	461.0	450.4	426.0	368.9	395.0	351.1	388.0	401.4	344.6
Total	1,746.2	1,842.1	1,851.0	1,788.7	1,647.3	1,641.0	1,583.7	1,627.2	1,591.5	1,412.3



Source: Utility billing of Financial Services Department

City of Foster City and Estero Municipal Improvement District

Water and Sewer Rates

Last Ten Fiscal Years

Water	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Availability / Meter Charge (per Month)										
5/8 inch	\$ 12.50	\$ 12.90	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55	\$ 15.80	\$ 15.80	\$ 16.00
3/4 inch	\$ 12.50	\$ 12.90	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55	\$ 15.80	\$ 15.80	\$ 16.00
1 inch	\$ 31.25	\$ 32.25	\$ 34.75	\$ 39.00	\$ 42.15	\$ 43.90	\$ 43.90	\$ 39.50	\$ 27.65	\$ 28.00
1&1/2 inch	\$ 62.50	\$ 64.40	\$ 69.50	\$ 78.00	\$ 84.25	\$ 87.75	\$ 87.75	\$ 79.00	\$ 79.00	\$ 80.00
2 inch	\$ 100.00	\$ 103.00	\$ 111.20	\$ 124.80	\$ 134.80	\$ 140.40	\$ 140.40	\$ 126.40	\$ 126.40	\$ 128.00
3 inch	\$ 175.00	\$ 180.00	\$ 194.60	\$ 218.40	\$ 235.90	\$ 245.70	\$ 245.70	\$ 221.20	\$ 221.20	\$ 224.00
4 inch	\$ 275.00	\$ 280.00	\$ 305.80	\$ 343.20	\$ 370.70	\$ 386.10	\$ 386.10	\$ 347.60	\$ 347.60	\$ 352.00
6 inch	\$ 525.00	\$ 540.00	\$ 583.80	\$ 655.20	\$ 707.70	\$ 737.10	\$ 737.10	\$ 663.60	\$ 663.60	\$ 672.00
8 inch	\$ 825.00	\$ 850.00	\$ 917.40	\$ 1,029.60	\$ 1,112.10	\$ 1,158.30	\$ 1,158.30	\$ 1,042.80	\$ 1,042.80	\$ 1,056.00
Consumption Charge (per Unit*)										
All Classes	\$ 1.26	\$ 1.29	\$ 1.49	\$ 1.60	\$ 1.73					
Single Family Residential										
0-10 units						\$ 1.57	\$ 2.00	\$ 2.35	\$ 2.35	\$ 2.49
11-20 units						\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32
> 20 units						\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98
Multi Family Residential										
0-5 units						\$ 1.57	\$ 2.00	\$ 2.35	\$ 2.35	\$ 2.49
6-10 units						\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32
> 10 units						\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98
Irrigation										
0-100% of annual water budget						\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32
> 100% of annual water budget						\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98
Commercial and Fire Line										
						\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32
Private Fire Protection Service										
Availability / Meter Charge (per Month)										
3/4 inch	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00
1 inch	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00
1&1/2 inch	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00
2 inch	\$ 35.00	\$ 36.25	\$ 38.92	\$ 43.68	\$ 47.20	\$ 49.15	\$ 49.15	\$ 44.25	\$ 44.25	\$ 44.80
3 inch	\$ 61.25	\$ 63.25	\$ 68.11	\$ 76.44	\$ 82.60	\$ 86.00	\$ 86.00	\$ 77.45	\$ 77.45	\$ 78.40
4 inch	\$ 96.25	\$ 99.25	\$ 107.03	\$ 120.12	\$ 129.75	\$ 135.15	\$ 135.15	\$ 121.70	\$ 121.70	\$ 123.20
6 inch	\$ 183.75	\$ 189.25	\$ 204.33	\$ 229.32	\$ 247.70	\$ 258.00	\$ 258.00	\$ 232.30	\$ 232.30	\$ 235.20
8 inch	\$ 288.75	\$ 297.50	\$ 321.09	\$ 360.36	\$ 389.25	\$ 405.45	\$ 405.45	\$ 365.00	\$ 365.00	\$ 369.60
Wastewater										
Residential (per Month)										
Single Family	\$ 35.13	\$ 35.13	\$ 37.94	\$ 40.98	\$ 43.85	\$ 46.05	\$ 46.05	\$ 46.05	\$ 46.05	\$ 47.00
Townhouse	\$ 29.54	\$ 29.54	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55
Duplex	\$ 29.54	\$ 29.54	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55
Apartment / Condominium	\$ 27.94	\$ 27.94	\$ 30.18	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55
Commercial (per Unit* of Water Billed)										
Restaurant	\$ 6.39	\$ 6.39	\$ 6.90	\$ 7.45	\$ 7.97	\$ 8.37	\$ 8.37	\$ 8.37	\$ 8.37	\$ 8.54
Miscellaneous	\$ 2.08	\$ 2.08	\$ 2.25	\$ 2.62	\$ 2.80	\$ 2.94	\$ 2.94	\$ 2.94	\$ 2.94	\$ 3.00
Institutional (per Unit* of Water Billed)										
School	\$ 1.27	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69
Church	\$ 1.27	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69
Public Facility	\$ 1.27	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69

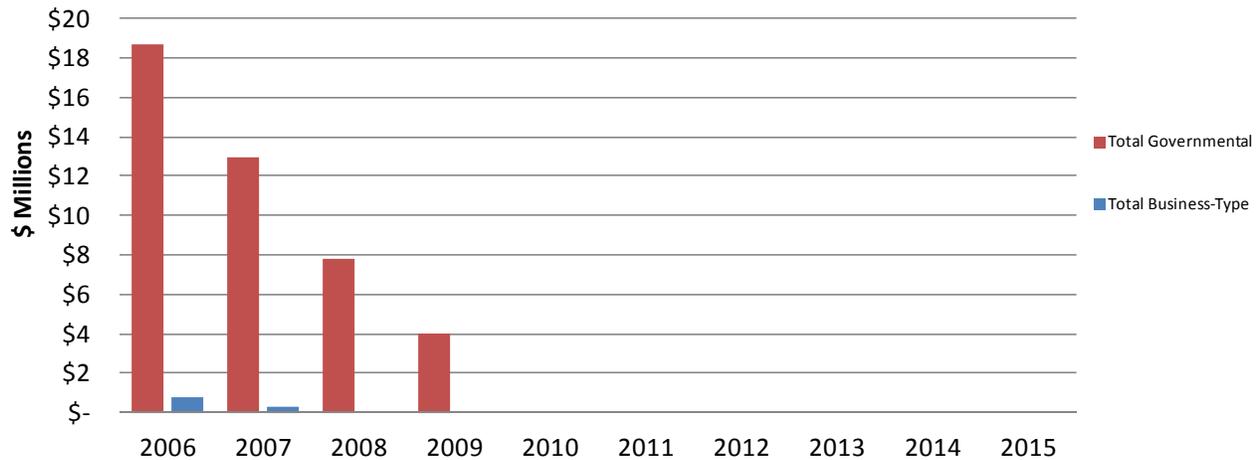
Unit* = 748 Gallons

Source: City of Foster City Financial Services Department

City of Foster City and Estero Municipal Improvement District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds	Total	Wastewater Bonds				
2006	\$ 1,985	\$ 13,385	\$ 3,310	\$ 18,680	\$ 785		\$ 19,465	0.970	\$ 651
2007	635	10,250	2,100	12,985	280		13,265	0.006	438
2008	-	6,975	800	7,775	-		7,775	0.004	257
2009	-	3,560	415	3,975	-		3,975	0.002	131
2010	-	-	-	-	-		-	n/a	-
2011	-	-	-	-	-		-	n/a	-
2012	-	-	-	-	-		-	n/a	-
2013	-	-	-	-	-		-	n/a	-
2014	-	-	-	-	-		-	n/a	-
2015	-	-	-	-	-		-	n/a	-

Outstanding Debt



Note: Details regarding the City/District's outstanding debt can be found in the notes to the financial statements.

**City of Foster City and Estero Municipal Improvement District
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2014**

2014-15 Assessed Valuation: \$7,797,536,520

	Total Debt Outstanding 06/30/15	Percentage Applicable (1)	City's Share of Overlapping Debt 6/30/15
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$664,859,994	4.704%	\$ 31,275,014
San Mateo Union High School District	557,523,058	13.429%	74,869,771
Sequoia Union High School District	433,505,000	0.006%	26,010
San Mateo-Foster City School District	175,306,059	28.113%	49,283,792
Belmont-Redwood Shores School District	69,193,600	0.038%	26,294
Estero Municipal Improvement District	0	100.000%	0
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 155,480,881
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$460,064,816	4.704%	\$ 21,641,449
San Mateo County Board of Education Certificates of Participation	10,430,000	4.704%	490,627
Midpeninsula Regional Park District General Fund Obligations	127,086,851	0.006%	7,625
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 22,139,701
TOTAL DIRECT DEBT			\$0.00
TOTAL OVERLAPPING DEBT			\$ 177,620,582
COMBINED TOTAL DEBT			\$ 177,620,582 (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.99%
Combined Total Debt	2.28%

Source: California Municipal Statistics, Inc.

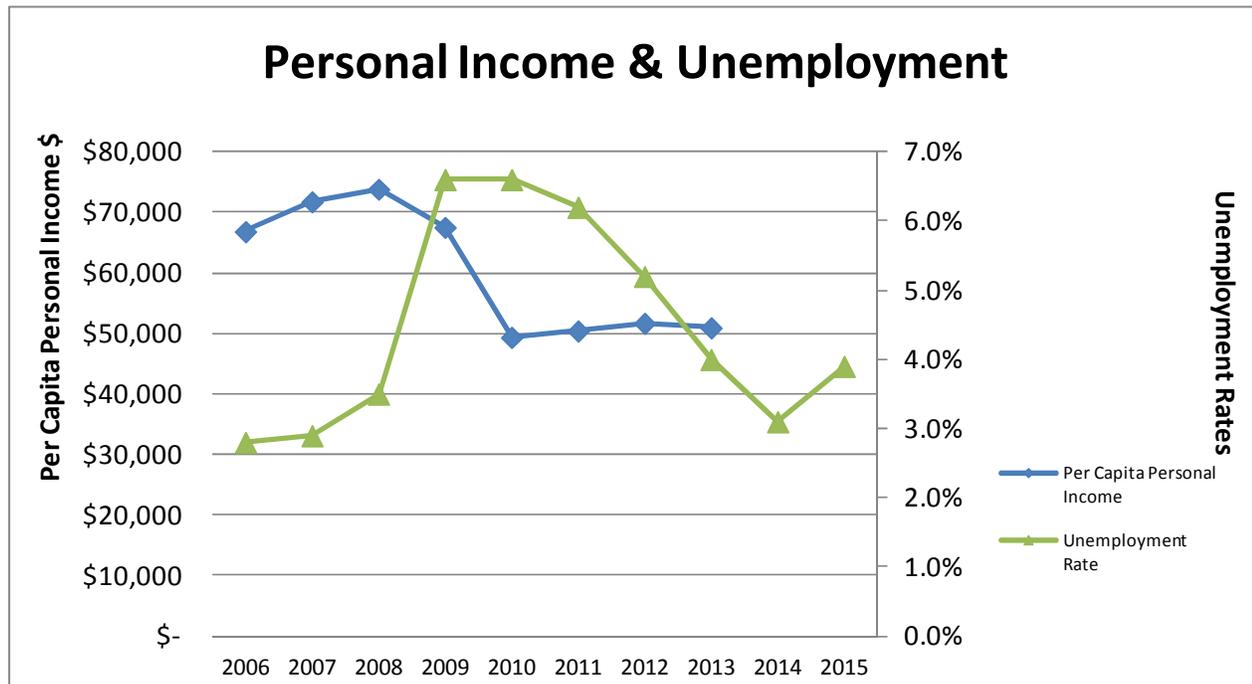
City of Foster City and Estero Municipal Improvement District
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 815,558	\$ 882,082	\$ 922,063	\$ 967,627	\$ 995,982	\$ 985,253	\$ 984,013	\$ 1,016,775	\$ 1,112,856	\$ 1,157,114
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 815,558</u>	<u>\$ 882,082</u>	<u>\$ 922,063</u>	<u>\$ 967,627</u>	<u>\$ 995,982</u>	<u>\$ 985,253</u>	<u>\$ 984,013</u>	<u>\$ 1,016,775</u>	<u>\$ 1,112,856</u>	<u>\$ 1,157,114</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15 percent of total assessed property value.

City of Foster City and Estero Municipal Improvement District
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Unemployment Rate
2006	29,900	\$ 1,998,486	\$ 66,839	2.8%
2007	30,269	2,171,892	71,753	2.9%
2008	30,308	2,237,912	73,839	3.5%
2009	30,429	2,054,508	67,536	6.6%
2010	30,719	1,516,228	49,358	6.6%
2011	30,790	1,557,571	50,415	6.2%
2012	30,895	1,608,593	51,690	5.2%
2013	31,120	1,638,863	50,947	4.0%
2014	32,168	1,645,399	51,120	3.1%
2015	32,187	n/a	n/a	3.9%



Sources:

Population: The HdL Company and State Department of Finance
 Personal income: The HdL Company and State Employment Development Department for County of San Mateo
 2000-2009 – Census Block Groups that overlap the City’s boundaries
 2010-2015 – US Census Bureau, most recent American Community Survey
 Unemployment Rate: The HdL Company and Bureau of Labor Statistics for City of Foster City

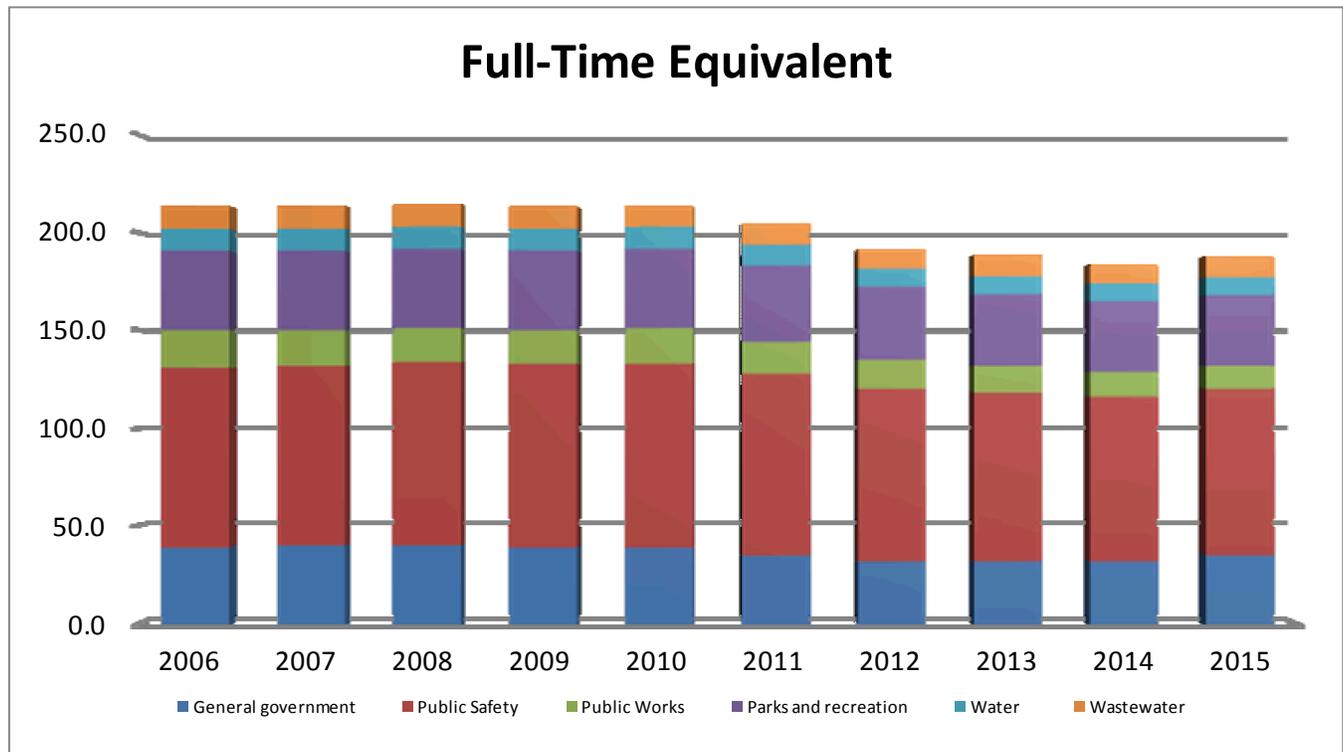
**City of Foster City and Estero Municipal Improvement District
Principal Employers
Current Year and Ten Years Ago**

<u>Employer</u>	<u>2015</u>			<u>2006</u>		
	<u>Employees & Contractors</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees & Contractors</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
GILEAD SCIENCES, INC.	5,230	1	28.84%	1,025	4	8.22%
VISA U.S.A. INC.	2,469	2	13.61%	1,193	2	9.57%
INOVANT LLC	1,649	3	9.09%			
GUIDEWIRE SOFTWARE, INC.	548	4	3.02%			
IBM CORPORATION	425	5	2.34%			
QUINSTREET, INC.	266	6	1.47%	253	7	2.03%
COSTCO	259	7	1.43%	223	8	1.79%
ACTIVE ACQUISITION PARTNERS	257	8	1.42%			
CITY OF FOSTER CITY	244	9	1.35%	213	9	1.71%
ZUORA, INC.	228	10	1.26%			
APPLIED BIOSYSTEMS, LLC				1,578	1	12.66%
ELECTRONICS FOR IMAGING, INC.				1,054	3	8.46%
SONY COMPUTER ENTERTAINMENT, LLC				725	5	5.82%
LEGACY PARTNERS, LLC				300	6	2.41%
CROWNE PLAZA FOSTER CITY				140	10	1.12%
Top Ten Total	11,575		63.82%	6,704		53.79%
City Total	18,136			12,464		

Source: 2006 and 2015 Business License Database of Financial Services Department

**City of Foster City and Estero Municipal Improvement District
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government										
Management services	19.0	19.0	20.0	19.0	19.0	16.0	14.0	13.0	13.0	13.0
Finance	9.0	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0
Planning	5.0	5.5	5.5	5.5	6.5	5.5	5.0	6.0	6.0	7.0
Building	6.0	6.5	6.5	6.5	5.5	5.5	5.0	5.0	5.0	6.0
Police										
Officers	37.0	37.0	39.0	39.0	39.0	39.0	36.0	36.0	36.0	37.0
Civilians	17.0	17.0	17.0	17.0	17.0	17.0	15.0	13.0	13.0	13.0
Fire										
Firefighters and officers	36.0	36.0	36.0	36.0	36.0	35.0	35.0	35.0	33.0	33.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other public works										
Engineering	9.0	8.0	7.0	7.0	7.0	7.0	6.0	5.0	4.0	4.0
Other	10.0	10.0	10.0	10.0	11.0	9.0	9.0	9.0	9.0	8.0
Parks and recreation	41.0	41.0	41.0	41.0	41.0	39.0	37.5	36.5	36.0	36.0
Water	11.0	11.0	11.0	11.0	11.0	11.0	9.0	9.0	9.0	9.0
Wastewater	11.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0	9.0	10.0
Total	213.0	213.0	214.0	213.0	213.0	204.0	191.5	187.5	183.0	187.0



Source: City Budget

**City of Foster City and Estero Municipal Improvement District
Operating Indicators by Function/Program
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Physical arrests	727	762	769	677	831	728	650	520	640	572
Parking violations	956	863	891	854	865	624	673	673	654	552
Traffic violations	1,772	2,396	1,870	2,004	2,811	2,317	2,693	2,774	3,012	2,078
Fire										
Emergency responses	1,981	1,940	2,095	1,895	1,828	1,873	1,946	2,012	2,336	2,123
Fires extinguished	116	105	107	102	85	73	88	61	82	24
Inspections	1,813	1,102	1,128	1,026	966	1,231	1,143	1,029	1,108	1,201
Other public works										
Street resurfacing (miles)	3	1	2	1	1	5	1	1	2	2
Potholes repaired	27	30	25	45	70	40	45	36	40	32
Parks and recreation										
Athletic field permits issued	48	49	52	45	54	57	64	66	57	60
Community center admissions	8,481	8,804	9,144	8,648	8,209	8,123	7,582	7,580	5,837	3,794
Water										
New connections	6	4	2	-	-	-	7	1	1	13
Water mains breaks	17	-	14	6	1	6	6	3	11	6
Average daily consumption (thousands of gallons)	5,257	5,574	5,520	5,230	4,890	4,822	4,660	4,100	3,702	3,617
Peak daily consumption (thousands of gallons)	11,146	10,634	10,450	10,530	10,340	9,750	9,165	8,890	8,445	6,624
Wastewater										
Average daily sewage treatment (thousands of gallons)	3,185	3,074	2,980	2,600	2,450	2,340	2,267	2,200	2,652	2,040

Sources: Various city departments

**City of Foster City and Estero Municipal Improvement District
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	13	13	13	13	12	12	12	11	10	10
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	54	54	54	54	54	54	54	54	54	54
Streetlights	1,918	1,918	1,918	1,918	1,918	2,063	2,062	2,031	2,031	2,031
Traffic signals	23	25	25	25	25	25	25	25	25	25
Parks and recreation										
Acreage	168	171	210	210	210	210	210	213	213	221
Playgrounds	21	21	21	21	21	21	21	21	21	21
Baseball/softball diamonds	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3
Soccer/football fields	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0
Community centers	2	2	2	3	3	3	3	3	3	3
Water										
Water mains (miles)	110	110	110	110	110	110	110	107	107	107
Fire hydrants	1,149	1,149	1,149	1,149	1,149	1,153	1,153	1,109	1,110	1,110
Storage capacity (thousands of gallons)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Wastewater										
Sanitary Wastewaters (miles)	66	66	66	66	66	66	66	65	65	65
Storm Wastewaters (miles)	83	83	83	83	83	83	83	81	81	81
Treatment capacity (thousands of gallons)	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130
Transit-minibuses	1	1	1	1	1	1	1	1	1	1

Sources: Various city departments

