

**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, 2007

Ron Cox, Mayor

Pam Frisella, Vice Mayor

John Kiramis, Councilmember

Rick Wykoff, Councilmember

Linda Koelling, Councilmember

James C. Hardy, City Manager/City Treasurer

Kristi A. Chappelle, Assistant City Manager

Jean B. Savaree, City Attorney

Ricardo G. Santiago, Finance Director

Ray Towne, Public Works Director

Audrey Daniels, Human Resources Director

Craig Courtin, Police Chief

Kevin Miller, Parks & Recreation Director

Tom Reaves, Fire Chief

Richard Marks, Community Development Director

Therese Calic, City Clerk

Steve Toler, Administrative Services Director



**City of Foster City and Estero Municipal Improvement District**  
**Comprehensive Annual Financial Report**  
**For the fiscal year ended June 30, 2007**

**Table of Contents**

	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Table of Contents .....	i
Letter of Transmittal .....	v
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	x
Organization Chart .....	xi
 <b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditors' Report</b> .....	<b>1</b>
<b>Management's Discussion and Analysis (Required Supplemental Information)</b> .....	<b>3</b>
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities and Changes in Net Assets .....	14
Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet .....	16
Reconciliation of the Governmental Funds Balance Sheet	
to the Government-Wide Statement of Net Assets .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances .....	20
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures and Changes in Fund Balances to the Government-Wide	
Statement of Activities and Changes in Net Assets .....	23
<i>Proprietary Fund Financial Statements:</i>	
Statement of Fund Net Assets .....	25
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	26
Statement of Cash Flows .....	27
Notes to the Basic Financial Statements .....	29
Required Supplementary Information:	
Budget and Budgetary Accounting .....	57
Budgetary Comparison Schedule:	
General Fund .....	58
Notes to the Required Supplementary Information	
Schedule of Funding Progress .....	60

**City of Foster City and Estero Municipal Improvement District**  
**Comprehensive Annual Financial Report**  
**For the fiscal year ended June 30, 2007**

**Table of Contents, Continued**

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	<u>Page</u>
<b><u>FINANCIAL SECTION, Continued</u></b>	
<b>Supplementary Information:</b>	
Non-Major Governmental Funds:	
Combining Balance Sheet .....	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	62
Non-Major Special Revenue Funds:	
Combining Balance Sheet .....	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	66
Budgetary Comparison Schedules:	
Traffic Safety .....	68
Measure A.....	69
Gas Tax.....	70
SLESF/COPS Grant.....	71
California Law Enforcement Equipment .....	72
Traffic Congestion Relief .....	73
California Opportunities .....	74
Proposition 42 .....	75
Foster City Foundation.....	76
Non-Major Debt Service Funds:	
Combining Balance Sheet .....	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	78
Budgetary Comparison Schedules - Major Debt Service funds:	
Metro Center Special Assessment Bonds .....	79
Tax Allocation Refunding Bonds .....	80
Budgetary Comparison Schedules - Non-Major Debt Service Funds:	
1967 Land Reclamation Bonds.....	81
1970 Land Reclamation Bonds.....	82
1972 Lighting, Drainage and Street Improvement Bonds .....	83
Vintage Park Special Assessment Bonds.....	84
Internal Service Funds:	
Combining Statement of Fund Net Assets .....	86
Combining Statement of Activities and Changes in Fund Net Assets.....	88
Combining Statement of Cash Flows .....	90

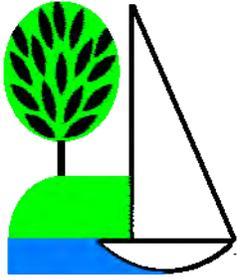
**City of Foster City and Estero Municipal Improvement District  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2007**

**Table of Contents, Continued**

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	<u>Page</u>
<b><u>STATISTICAL SECTION</u></b>	
Description of Statistical Section.....	93
Financial Trends:	
Government-wide:	
Net Assets by Component .....	94
Changes in Net Assets.....	95
Governmental Funds:	
Fund Balances of Governmental Funds.....	97
Changes in Fund Balances of Governmental Funds .....	98
Revenue Capacity:	
Assessed Value of Taxable Property .....	99
Property Tax Rates-Direct and Overlapping Governments .....	100
Principal Property Tax Payers.....	101
Property Tax Levies and Collections.....	102
Water Sales by Type of Customer.....	103
Water and Sewer Rates.....	104
Debt Capacity:	
Ratios of Outstanding Debt by Type.....	105
Revenue Bonds Coverage .....	106
Direct and Overlapping Governmental Activities Debt.....	107
Legal Debt Margin Information.....	108
Demographic and Economic Information:	
Demographic and Economic Statistics.....	109
Principal Employers .....	110
Operating Information:	
Full-Time Equivalent City Government Employees by Function/Program.....	111
Operating Indicators by Functional Program.....	112
Capital Asset Statistics by Function/Program.....	113
<b>Independent Auditors' Report on Compliance and on        Internal Control Over Financial Reporting Based on        an Audit of Basic Financial Statements Performed in Accordance        With <i>Government Auditing Standards</i>.....</b>	<b>115</b>

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*City of Foster City*

**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

**610 FOSTER CITY BOULEVARD  
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FAX (650) 574-3483**

October 13, 2007

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, 2007 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, 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 the maximum understanding of the City/District's financial affairs have been included.

The City/District prepared the Comprehensive Annual Financial Report (CAFR) 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 a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditor.

The CAFR is organized into three sections:

The *Introductory 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 MD&A and the basic financial statements including 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 of each of the City/District's major funds, as well as nonmajor 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.

## **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 Caporicci and Larson Certified Public Accountants to conduct the audit for FY 2006-2007 and the independent auditor's opinion is included in this report.

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

## **PROFILE OF THE GOVERNMENT**

The City was officially incorporated on April 27, 1971 with the newly elected City Council also serving as the Board of Directors for the District. The City is a general law city, and has a Council-Manager form of government and provides a full range of municipal services including police, fire, public works (lagoons, levees, streets, maintenance, sewer, water and public improvements), parks and recreation, community development (planning, zoning, building and redevelopment) and general administrative services.

The District was created by the California State Legislature in 1960 as a general-purpose district with municipal powers, including the power to issue municipal bonds. The District issued over \$80 million in bonds to provide the infrastructure for a new, master planned-community, which was to be built on what then was 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 moved into their homes in 1964.

The Community Development Agency was created by ordinance in May 1981, under the provisions of Part I (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the Community Redevelopment Law) primarily to eliminate and reduce many aspects of economic, physical, and social blight existing within the City/District due to large, undeveloped tracts of land whose development were essential to the completion of the master-planned community. These parcels were included within the boundaries of the Foster City Community Development Project Area (the Project Area), and goals and objectives were set forth in the redevelopment plan (the Plan) for the Project Area which was adopted by ordinance in November 1981.

The CAFR includes the funds of the primary government, which includes several enterprise activities that are not considered separate legal entities, as well as all of its component units. Component units include legally separate entities for which the primary government is financially accountable and that have substantially the same board as the City/District and provide services entirely to the City/District.

The City/District continues to provide a wide range of services to its citizens including:

- Upgrading and maintaining the street system, resurfacing, and modifying of traffic signals at various locations;
- Providing police services at a low per capita cost while maintaining a very low crime rate within the community through neighborhood watch programs and community-oriented policing;
- Providing various safety programs designed to protect the lives and property of the citizens of Foster City;
- Improving and increasing leisure and recreational programs; developing new programs in order to meet the community needs, and making the City/District a more enjoyable place to live through entertaining activities, clean facilities, and a safe atmosphere;
- Guiding City/District development while maintaining and protecting its physical environment, and overseeing the proposed development of structure and facilities; and assessing cost effective delivery of services provided by all City/District departments.

## **LOCAL ECONOMY**

The City/District is an area that has very high property values and significant economic vitality. Property taxes continue to be the primary source for the City/District, contributing 41% of the General Fund revenues. Growth in assessed valuation of taxable property has increased by 8% from the prior year. The City/District's other major revenue sources are sales tax, investment income and rentals, motor vehicle in lieu fees, charges for current services, licenses and permits and transient occupancy tax. City/District's revenues continue to grow with a 6% increase in FY 2006-2007 when compared with prior year.

Since 1980, several major commercial and industrial developments have been completed, adding a substantial daytime population to the City/District, and providing employment opportunities to City/District residents. Based on a survey of businesses in the City/District, staff determined that the existing businesses employ approximately 14,950 people. The major employers in the City/District are VISA International, Applied Biosystems, Gilead Sciences, and Electronics for Imaging. The major sales and use tax revenues are from general retail, food products, electronic and office equipments, professional, scientific, and technical services.

## **LONG TERM FINANCIAL PLAN**

The City/District has established its reserved, designated fund balance in the General Fund which represents 25% of the annual operating budget for General Fund, Water and Sewer Funds. In addition, \$1 million emergency reserve for General Fund, Capital Projects Fund – City, and Water and Sewer Capital Program were also established. The unreserved, undesignated fund balance in the General Fund represents 55% of the total General Fund balance.

The City/District began the process of updating the City's General Plan in 2001 and will continue the update in 2007. This project included planning commission review of the land use and circulation element. The updated General Plan will guide the development of the City/District over the next fifteen years. A new General Plan is required to address the changing needs of the City/District and its residents.

The Land Use Plan designation for the 15-acre vacant site between City Hall and the New Government Center and the North Peninsula Jewish Campus, along Foster City and Shell Boulevards is the last remaining undeveloped parcel of publicly owned land in the City and represents a very valuable public asset. Due to its location, size, street access, and topography, the property could be developed in a number of ways to meet City and resident needs.

The City Council selected the development team led by Sares Regis of Northern California, L.P. after over 18 months of public input and closed session meetings, project site visits, and financial analysis and reference checks. The Sares Regis team was chosen to enter into an exclusive, sixty (60) day negotiating period with the City to lay out business terms for a comprehensive, long term ground lease for the development of an 11 acre portion of the 15 acres vacant City property adjacent to the Government Center.

The Sares Regis proposal for the development will include the following:

- Continuing Care Retirement Community – 331 units for independent living.
- Assisted living, memory care and skilled nursing care. Residents can downsize from their large, single family homes and continue to reside in Foster City as they age.
- Affordable housing – 65 units of rental apartments. Senior with limited income can live in attractive and safe housing, with access to convenient services, programs and amenities.
- Retail – 30,000 Sq. ft. to 50,000 sq. ft. of restaurants, boutique stores, and service businesses, located along Shell Boulevard and wrapped around a central village square.
- Public spaces and farmer's market – provides opportunities for all residents, not just those who live nearby. To spend time with friends and family enjoying music, art, water features, fresh produce and outdoor dining.

## **MAJOR INITIATIVES**

- During the year various projects were undertaken such as: wastewater treatment plant expansion phase II, a construction for the anaerobic digester and dewatering facility improvements was awarded in January, 2005 by the lead agency the City of San Mateo with the notice to proceed effective on April, 2005. With contract duration of 730 days, construction is expected to be completed in 2007.
- Foster Center Teen Center and recreational facilities. – The first scheduled component of this capital improvement project is the Edgewater Park Tennis court construction element. The scope of work includes the construction of one new tennis court, lighting of all five tennis courts, the relocation of existing playground equipment, and the tennis backboard.
- Other capital improvement projects includes sanitary sewer lift station improvements phase III. Water main condition survey, east third avenue water main extension, rehabilitation of City lagoon structures, follow up bi-annual caltans bridge inspection, curb ramp installation replacement, chess drive rehabilitation-arterial overlay project, lagoon pump station upgrade, and park infrastructure improvements.

## **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 allocation of 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. Modifications and enhancements have been made continuously to the accounting system to keep abreast of changing accounting techniques and principles. In developing and evaluating 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, which 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/Board of the District are made and then implemented.

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 embodied in the annual appropriated budget approved by the City Council/District Board of Directors. The City/District is required to adopt annual budgets on or before June 30<sup>th</sup>, for the ensuing fiscal year for the General Fund, Special Revenue Funds and the Debt Service Funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various departments.

The City Council and District Board of Directors may amend the budget by resolution. The City Manager may transfer appropriations from one program, activity, or object to another within a department. All appropriations lapse at the end of the fiscal year. The budget is adopted at the character level of expenditure within departments. As described above, the City Manager is authorized to make transfers of excess appropriations within departments. Accordingly, the lowest level of budgetary control established by the City Council and District Board of Directors is 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.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City/District for the year ended June 30, 2006. In order to be awarded a Certificate of Achievement, the City/District published an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally 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 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the report in a timely manner is the result of the dedicated service of the members of the Financial Services Department to whom I wish to express my appreciation, especially Lin-Lin Cheng, Fiti Rusli, and Aileen Cadiz. I would like to thank the auditors from Caporicci and Larson Certified Public Accountants for their invaluable professional assistance.

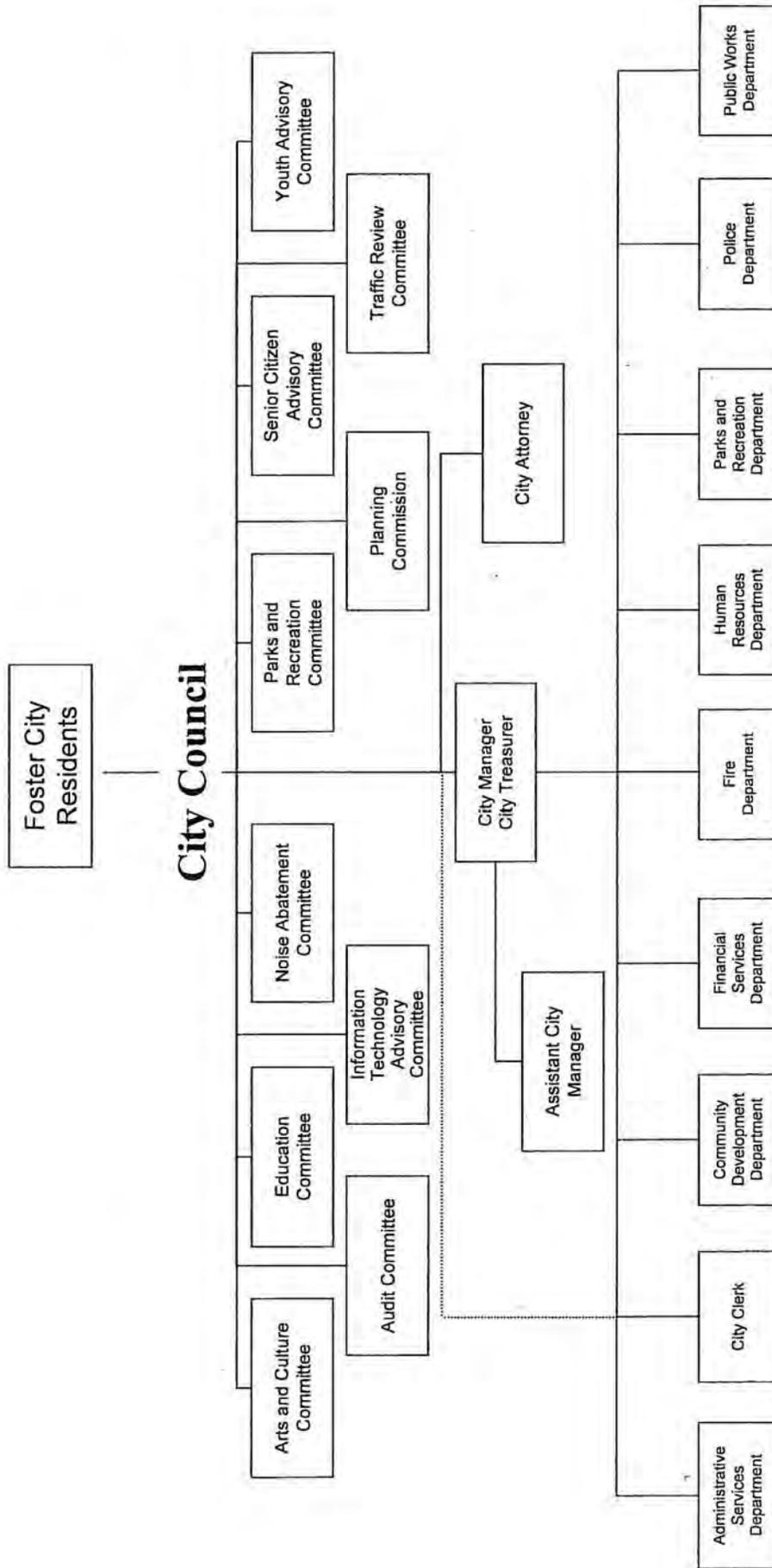
I also wish to express my thanks to the Mayor and members of the City Council, the City Manager, and the Audit Committee for their interest and support towards conducting the financial operations of the City/District in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ricardo G. Santiago". The signature is written in a cursive, flowing style.

Ricardo G. Santiago  
Finance Director

# Foster City Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

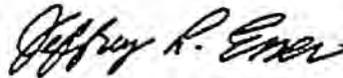
City of Foster City  
and Estero Municipal Improvement  
District, California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



Executive Director

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## 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

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 the Estero Municipal Improvement District, California (City/District), as of and for the year ended June 30, 2007, which collectively comprise the City/District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City/District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007 on our consideration of the City/District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

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**Sacramento**

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**San Diego**

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San Diego, California 92111

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  
Page2

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 accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

*Capricci & Carson*

Oakland, California  
November 2, 2007

# CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

## Management's Discussion and Analysis

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, 2007. We encourage readers to consider the information presented here in conjunction with our letter of transmittal.

### FINANCIAL HIGHLIGHTS

- The assets of the City/District exceeded liabilities at the close of the fiscal year 2006-2007 by \$246,419,636 (*net assets*). Of this amount, \$65,374,085 (*unrestricted net assets*) may be used to meet the City/District's ongoing obligations to citizens and creditors, \$23,959,481 is restricted for specific purposes (*restricted net assets*), and \$157,086,070 is invested in capital assets, net of related debt.
- The government's total net assets increased by \$7,790,387 during the fiscal year. Governmental activities account for an increase in net assets in the amount of \$7,367,567 and business-type activities account for an increase in net assets by \$422,820.
- As of June 30, 2007, the City/District's governmental funds reported combined ending fund balances of \$53,582,904.
- Approximately 38% of the combined fund balances, \$20,186,145 (*unreserved fund balance*) is available to meet the City/District's current and future needs.
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$17,873,192, or 66% of total General Fund expenditures.
- The City/District's total long-term obligations decreased by \$6,390,956 in comparison with the prior year. The decrease resulted primarily from scheduled principal retirement of bonds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City/District's basic financial statements. The City/District's basic financial statements comprise three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the basic financial statements. This report also contains Required Supplementary Information (Schedule of Funding Progress and General Fund Budgetary Comparison Schedule) and Other Supplementary Information (combining financial statements, major and non-major governmental funds budgetary comparison schedules) in addition to the basic financial statements themselves.

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

The *statement of activities* presents information showing how the City/District's net assets changed during current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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, sewer and public transportation operations.

# CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

## Management's Discussion and Analysis

**Fund Financial Statements** are designed to report information about groupings of related accounts, which 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 two categories: *governmental funds* and *proprietary funds*.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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/District 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; Metro Center Special Assessments Bonds, Tax Allocation Refunding Bonds, City Capital Projects, and Community Development Agency, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation entitled "other funds." Individual and combining fund data for each of these nonmajor 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 of departments of the City/District. Proprietary funds provide the same type of information as 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, sewer and transportation 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 the internal service fund to account for the City/District's vehicle rental, equipment replacement, self-insurance, information technology, building maintenance and longevity recognition benefits services. Since these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

The **required supplementary information** includes the Schedule of Funding Progress and the City/District's General Fund budgetary comparison schedule. The City/District adopts an annual appropriated budget for its General Fund, and a budgetary comparison schedule has been provided to demonstrate compliance with this budget.

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

**Management's Discussion and Analysis**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table provides a condensed statement of net assets as of June 30, 2007.

**Condensed Statement of Net Assets  
June 30, 2007**

	Governmental Activities		Business-Type Activities		Total		Percent of Change
	2007	2006	2007	2006	2007	2006	
<b>Assets:</b>							
Current and other assets	\$ 74,688,074	\$ 69,928,665	\$ 44,164,565	\$ 42,791,085	\$ 118,852,639	\$ 112,719,750	5.44%
Capital assets	111,423,475	114,125,666	38,826,871	40,313,336	150,250,346	154,439,002	-2.71%
Total assets	186,111,549	184,054,331	82,991,436	83,104,421	269,102,985	267,158,752	0.73%
<b>Liabilities:</b>							
Current and other liabilities	3,756,817	3,188,378	1,966,334	1,984,943	5,723,151	5,173,321	10.63%
Long-term liabilities	16,434,231	22,313,019	525,969	1,038,137	16,960,200	23,351,156	-27.37%
Total liabilities	20,191,048	25,501,397	2,492,303	3,023,080	22,683,351	28,524,477	-20.48%
<b>Net assets:</b>							
Invested in capital assets, net of related debt	97,436,808	95,785,241	59,649,262	39,528,336	157,086,070	135,313,577	16.09%
Restricted	23,657,789	23,209,747	301,692	644,200	23,959,481	23,853,947	0.44%
Unrestricted	44,825,904	39,557,946	20,548,181	39,908,805	65,374,085	79,466,751	-17.73%
Total net assets	\$ 165,920,501	\$ 158,552,934	\$ 80,499,135	\$ 80,081,341	\$ 246,419,636	\$ 238,634,275	3.26%

**Analysis of Net Assets** – As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City/District, assets exceeded liabilities by \$246,419,636 at the close of the current fiscal year. The invested in capital assets, net of related debt net assets have increased by \$21,772,493 (16%) due primarily to the decrease of non-housing related long term debt obligation during current fiscal year.

A portion of the City/District's net assets (26%) represents *unrestricted net assets* of \$65,374,085, which may be used to meet the City/District's ongoing obligations to citizens and creditors. Another significant portion of the City/District's net assets of \$157,086,070 (64%) reflects its investment in capital assets (e.g. land, buildings, structures and improvements, infrastructure, vehicle, and equipment) less any related debt used to acquire those assets that are still outstanding. The City/District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City/District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City/District's net assets of \$23,959,481 (10%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City/District reported positive balances in all categories of net assets, both for the City/District as a whole, as well as for its business type activities. For governmental activities, the City/District reported a positive balance of \$44,825,904 in unrestricted net assets. For business-type activities, the City/District reported a positive balance of \$20,548,181 in unrestricted net assets.

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

**Management's Discussion and Analysis**

The following table indicates the changes in net assets for governmental and business-type activities:

**Condensed Statement of Activities  
For the Year Ended June 30, 2007**

	Governmental Activities		Business-Type Activities		Total		Percent of Change
	2007	2006	2007	2006	2007	2006	
<b>Program Revenues:</b>							
Charges for services	\$ 2,732,371	\$ 3,230,960	\$ 11,267,761	\$ 10,993,550	\$ 14,000,132	\$ 14,224,510	-1.58%
Operating grants and contributions	996,947	1,642,813	-	-	996,947	1,642,813	-39.31%
Capital grants and contributions	128,000	1,771,121	-	1,762	128,000	1,772,883	-92.78%
<b>General revenues:</b>							
Taxes	27,325,083	27,958,463	-	-	27,325,083	27,958,463	-2.27%
Contributions not restricted to specific purposes	7,091,028	4,136,136	-	-	7,091,028	4,136,136	71.44%
Unrestricted investment and rental income	4,463,127	1,652,286	1,145,239	671,166	5,608,366	2,323,452	141.38%
Other	768,061	991,956	28,262	-	796,323	991,956	-19.72%
<b>Total revenues</b>	<b>43,504,617</b>	<b>41,383,735</b>	<b>12,441,262</b>	<b>11,666,478</b>	<b>55,945,879</b>	<b>53,050,213</b>	<b>5.46%</b>
<b>Expenses:</b>							
General government	3,172,917	3,401,929	-	-	3,172,917	3,401,929	-6.73%
Public safety	15,544,011	15,582,178	-	-	15,544,011	15,582,178	-0.24%
Public works	5,832,257	4,938,721	-	-	5,832,257	4,938,721	18.09%
Community development	4,517,721	3,939,444	-	-	4,517,721	3,939,444	14.68%
Parks and recreation	6,274,796	6,112,184	-	-	6,274,796	6,112,184	2.66%
Interest on long term debt	714,924	1,149,134	-	-	714,924	1,149,134	-37.79%
Water operations	-	-	6,868,450	6,713,789	6,868,450	6,713,789	2.30%
Sewer operations	-	-	5,099,038	5,276,815	5,099,038	5,276,815	-3.37%
Public transportation	-	-	131,378	119,496	131,378	119,496	9.94%
<b>Total expenses</b>	<b>36,056,626</b>	<b>35,123,590</b>	<b>12,098,866</b>	<b>12,110,100</b>	<b>48,155,492</b>	<b>47,233,690</b>	<b>1.95%</b>
Excess (deficiency) of revenues over (under) expenses before transfers	7,447,991	6,260,145	342,396	(443,622)	7,790,387	5,816,523	33.94%
Transfers	(80,424)	(44,772)	80,424	44,772	-	-	
Change in net assets	7,367,567	6,215,373	422,820	(398,850)	7,790,387	5,816,523	33.94%
Net assets, beginning of year	158,552,934	152,337,561	80,081,341	80,480,191	238,634,275	232,817,752	2.50%
Prior year adjustments	-	-	(5,026)	-	(5,026)	-	0.00%
<b>Net assets, end of year</b>	<b>\$ 165,920,501</b>	<b>\$ 158,552,934</b>	<b>\$ 80,499,135</b>	<b>\$ 80,081,341</b>	<b>\$ 246,419,636</b>	<b>\$ 238,634,275</b>	<b>3.26%</b>

**Analysis of Change in Net Assets** – The City/District's governmental activities net assets increased by \$7,367,567 during the current fiscal year.

Key elements of the increase/decrease in revenues for the City/District's governmental activities are as follows:

- Operating grants and contributions decreased by \$645,866 or 39% due to the reclassification of Measure "A" revenue to sales and use taxes and City/District did not receive any Proposition 42 grant in FY 2006-2007.
- Capital grants and contributions decreased by \$1,643,121 or 93% due to no additional capital contributions from other sources in current year. In addition there were reclassifications of Metro 86-1 and Vintage 89-1 special assessments revenues.
- Taxes decreased by \$633,380 or 2% due to the reclassification of vehicle license fees (VLF), which is presented in sales and use taxes in current year.
- Contributions not restricted to specific purposes increased by \$2,954,892 or 71% due to the vehicle license fee (VLF) and Measure "A" revenues are presented in sales and use taxes as stated above.
- Unrestricted investment and rental revenues increased by \$2,810,841 or 170% due to the increase of investment rate from 3.8% to 4.6% and recording unrealized gain from investment in current year versus unrealized loss from investment on prior year.
- Other revenues decreased by \$223,895 or 23% due primarily to a one-time South Bayside Waste Management Authority/Allied Waste reimbursement received in prior year.

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

**Management's Discussion and Analysis**

Key elements of the Increase/Decrease in expenses for the City/District's governmental activities are as follows:

- General government expenses decreased by \$229,012 or 7% due to additional credit received from the internal service fund operation which should have been provided to Community Development Agency, and other internal service fund operations.
- Public safety expenses decreased by \$38,167 or 0.24% due to a one time loss on disposal of Fire modular trailer of \$847,529 in prior year combined with an increase of expenses due to an average increase of 6.55% cost of living adjustment (COLA) and an increase in the PERS safety employer contribution rate from 30.146 % to 31.72%.
- Public works expenses increased by \$893,536 or 18% due to increases in depreciation expenses as well as increased expenses on non-capitalizable street maintenance projects.
- Community development expenses increased by \$578,277 or 15% due to the increase of employee services, operating costs, and contribution to the Teen Center capital improvement project.
- Parks and recreation expenses increased by \$162,612 or 3% due to the increase of employee services and operating costs.
- Interest on long-term debt decreased by \$434,210 or 38% due to lower outstanding debt obligations. The decrease primarily due to reaching the final years of retiring of long-term debt.

Activity related to the water operations, sewer operations, and public transportation will be discussed in the Financial Analysis of the City/District's funds below.

**FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS**

As noted earlier, the City uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** The focus of the City/District's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City/District's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City/District include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City/District's governmental funds reported combined fund balances of \$53,582,904. Of this total amount, \$20,186,145 constitutes *unreserved fund balance*, which is available for spending at the City/District's discretion. The remainder of fund balance is *reserved* to indicate that it is *not* available for new spending because: 1) \$14,754,749 reflects fund equity in assets that are long-term in nature and, thus, do not represent available spendable resources; 2) \$8,623,944 is reserved for debt service; 3) \$8,773 are advance payments made for conferences and membership dues; 4) \$10,009,293 is reserved for the Community Development Agency's housing programs.

For fiscal year ended June 30, 2007, revenues for governmental functions overall totaled \$44,392,437, while expenditures totaled \$40,108,880.

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

**Management's Discussion and Analysis**

The following table provides an explanation of revenues by source.

Revenues Classified by Source  
Governmental Funds

	FY 2007		FY 2006		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Revenues by Source:						
Taxes	\$ 33,523,781	75.52%	\$ 31,881,063	75.16%	\$ 1,642,718	5.15%
Licenses and permits	1,156,192	2.60%	1,145,886	2.70%	10,306	0.90%
Fines and forfeitures	194,613	0.44%	190,439	0.45%	4,174	2.19%
Investment income and rentals	5,127,172	11.55%	3,800,211	8.96%	1,326,961	34.92%
Intergovernmental	1,183,015	2.66%	1,716,468	4.05%	(533,453)	-31.08%
Charges for current services	1,383,692	3.12%	1,334,881	3.15%	48,811	3.66%
Special assessments	799,236	1.80%	1,316,143	3.10%	(516,907)	-39.27%
Other	1,024,736	2.31%	1,032,866	2.43%	(8,130)	-0.79%
<b>Total</b>	<b>\$ 44,392,437</b>	<b>100.00%</b>	<b>\$ 42,417,957</b>	<b>100.00%</b>	<b>\$ 1,974,480</b>	<b>4.65%</b>

- Taxes increased are due primarily to the increase of property taxes revenues.
- Licenses and permits increased by \$10,306 or 1% primarily due to business license tax revenue as result of business license enforcement.
- Fines and forfeitures increased by \$4,174 or 2% primarily due to the fines collected from the increase of false alarm responses.
- Investment income and rentals increased by \$1,326,961 or 35% primarily due to the increase of investment rate from 3.8% to 4.6% and recording unrealized gain from the investment in current year versus unrealized loss from the investment in prior year.
- Intergovernmental revenue decreased by \$533,453 or 31% due to no funding were received for COPS More grant, Traffic Congestion Relief fund, and Proposition 42 grant.
- Charges for current services increased by \$48,811 or 4% due to increase of special recreation program revenues.
- Special assessments revenue decreased by \$516,907 or 39% primarily resulted from scheduled principal retirement of bonds.
- Other revenue decreased by \$8,130 or 1% due to a one time reimbursement from the South Bayside Waste Management Authority/Allied Waste.

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

**Management’s Discussion and Analysis**

The following table provides an explanation of expenditures by function that changed significantly over the prior year.

Expenditures by Function  
Governmental Funds

Expenditures by Function	FY 2007		FY 2006		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 2,471,650	6.17%	\$ 2,403,216	5.43%	\$ 68,434	2.85%
Public safety	15,684,296	39.10%	14,717,886	33.29%	966,410	6.57%
Public works	2,428,438	6.05%	2,571,047	5.82%	(142,609)	-5.55%
Community development	4,550,667	11.35%	4,127,028	9.34%	423,639	10.26%
Parks and recreation	5,704,605	14.22%	5,468,453	12.37%	236,152	4.32%
Capital outlay	1,186,620	2.96%	2,276,329	5.15%	(1,089,709)	-47.87%
Debt service	6,563,437	16.36%	11,049,712	25.00%	(4,486,275)	-40.60%
Interest on interfund loans	1,519,167	3.79%	1,591,747	3.60%	(72,580)	-4.56%
<b>Total</b>	<b>\$ 40,108,880</b>	<b>100.00%</b>	<b>\$ 44,205,418</b>	<b>100.00%</b>	<b>\$ (4,096,538)</b>	<b>-9.27%</b>

- General government expenditure increased by \$68,434 or 3% primarily due to the increase of operation expense. Specifically, the self insurance charges increased from \$10,000 to \$80,000.
- Public safety expenditure increased by \$966,410 or 7% primarily due to an increase of average 6.55% cost of living adjustment (COLA) and an increase in the PERS safety employer contribution rate from 30.146 % to 31.72%.
- Public works expenditures decreased by \$142,609 or 6% primarily due to allocation of Measure “A” expense to capital outlay in current year.
- Community development expenditures increased by \$423,639 or 10% due to the increase of operation costs in Community Development Agency.
- Parks and recreation expenditures increased by \$236,152 or 4% due to the increase of employee services and operating costs.
- Capital outlay decreased by \$1,089,709 or 48% due to the completion of alternate year street resurfacing capital improvement project.
- Debt service decreased by \$4,486,275 or 41% primarily resulted from scheduled principal retirement of bonds.
- Interest on interfund loans decreased by \$72,580 or 5% reflects the decrease of outstanding principal due to the scheduled annual loan repayment.

**General Fund** - The General Fund is the chief operating fund of the City/District. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$17,873,192 while total fund balance was \$32,636,714. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 66% of total General Fund expenditures of \$27,206,814, while total fund balance represents 120% of that same amount.

The fund balance in the General Fund increased by \$211,903 during the fiscal year mainly due to the increase in revenue such as property tax, sales tax, transient occupancy tax, investment earnings, charges

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

**Management's Discussion and Analysis**

for current services, licenses and permits reflecting improvements in the City/District's overall economy. In addition, General Fund expenditures grew by \$1,561,247 or 6% reflecting the increase of public safety and parks and recreation operating costs.

***Metro Center Special Assessment Bonds Fund*** - The Metro Center Special Assessment Bonds Fund accounts for accumulation of special assessments for payment of principal and interest on special assessment bonds of 1986 for the development of Metro Center. This is the last year of assessment collection before bond retirement in fiscal year 2007-2008.

***Tax Allocation Refunding Bonds Fund*** - The Tax Allocation Refunding Bonds Fund accounts for the payment of principal and interest on 2001 tax allocation refunding bonds that refunded the 1993 and 1996 revenue bonds. There is no new tax allocation refunding bonds issued during fiscal year 2006-2007.

***City Capital Projects Fund*** - The City Capital Projects Fund accounts for development, construction or acquisition of approved capital projects funded by certain general obligations bonds and capital grants. During the current fiscal year, \$298,951 was spent on various capital projects.

***Community Development Agency Fund*** - The Community Development Agency Fund accounts for revenues from the property tax increments derived from the Community Development Agency's (Agency) investment in upgrading properties for further development.

***Proprietary funds*** - The City/District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the water operation were \$7,651,811 and the sewer operation was \$12,620,382.

The total increase in net assets for enterprise funds was \$230,859. Factors concerning the increase in net assets are as follows:

- The ***Water Fund*** had an operating loss of \$929,725 due primarily to the increase of costs of water purchase.
- The ***Sewer Fund*** had an operating gain of \$19,614 due to additional accrual of unbilled utilities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, actual revenues and transfers in were higher than the budgetary estimates by \$3,613,449. The City/District had increases across the board \$1,343,604 attributable to property taxes; \$2,341,709 to sales and use tax; \$189,192 to licenses and permits; \$199,843 to transient occupancy taxes; and 1,926,923 to investment and rental income. Franchise fees, and service fees also performed well. Actual expenditures and transfers out were \$1,746,748 less than budget due to budgetary savings.

**CAPITAL ASSETS**

The City/District's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounted to \$150,250,346 (net of accumulated depreciation). This investment in capital assets includes land, building, infrastructure, structures and improvements, equipment, vehicle, and construction in progress.

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

**Management's Discussion and Analysis**

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

Capital Assets (Net of Accumulated Depreciation)		Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006	
Land	\$ 10,234,421	\$ 9,862,772	\$ 3,553,474	\$ -	\$ 13,787,895	\$ 9,862,772	
Infrastructure, structures and improvements	96,134,062	97,280,219	34,667,906	38,060,264	130,801,968	135,340,483	
Equipment and vehicles	4,458,737	4,610,773	211,067	183,130	4,669,804	4,793,903	
Construction in progress	596,255	2,371,902	394,424	2,069,942	990,679	4,441,844	
Total	<u>\$ 111,423,475</u>	<u>\$ 114,125,666</u>	<u>\$ 38,826,871</u>	<u>\$ 40,313,336</u>	<u>\$ 150,250,346</u>	<u>\$ 154,439,002</u>	

Major capital asset events during the current fiscal year included the following:

- For governmental activities, construction in progress decreased by \$1,775,647 due to the completion of the street resurfacing and repair project.
- For business-type activities, construction in progress decreased by \$1,675,518 due mainly to the completion of the East 3<sup>rd</sup> Avenue water main extension project.
- For business-type activities, land increased by \$3,553,474 due to reclassification of land from building.

Additional information about the City/District's capital assets including construction commitments can be found in Note 6 to the basic financial statements.

**DEBT ADMINISTRATION**

At June 30, 2007, the City/District had total long-term obligations outstanding in the amount of \$16,960,200, which was comprised of general obligation bonds - \$635,000; tax allocation refunding bonds - \$10,250,000; special assessment bonds - \$2,100,000; COSTCO notes - \$1,001,667; claims liability - \$25,799; sewer revenue bonds - \$280,000; and compensated absences - \$2,667,734.

The City/District did not issue any new bonds during fiscal year 2006-2007. The only financial activities during the fiscal year were scheduled principal and interest payments according to the debt service schedules. The City/District retired \$6,200,000 of debt principal in fiscal year 2006-2007.

Additional information about the City/District's long-term liabilities can be found in Note 7 to the basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The OPEB (Other Post Employment Benefits) calculation of the employee longevity benefit will increase the benefits cost for safety employees.
- Public Employees' Retirement System contribution rates increased for public safety employees from 31.72% to 32.885%.
- The State is expected to take over \$1.164 million dollars of the City/District's local revenues under the original ERAF legislation.

All of these factors were considered in the City/District's budget for fiscal year 2007-2008.

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

**Management's Discussion and Analysis**

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City/District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 610 Foster City Boulevard, Foster City, CA 94404.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Net Assets**  
**June 30, 2007**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 61,277,199	\$ 19,692,732	\$ 80,969,931
Receivable, net	2,552,229	2,609,693	5,161,922
Internal balances	(256,987)	256,987	-
Inventory	28,886	201,070	229,956
Prepays and deposits	8,773	-	8,773
Restricted cash and investments	9,258,787	301,692	9,560,479
Loans receivable	659,187	-	659,187
Special assessment receivable	1,160,000	-	1,160,000
Sewer capacity rights	-	21,102,391	21,102,391
Capital assets:			
Nondepreciable	10,830,676	3,947,898	14,778,574
Depreciable, net of accumulated depreciation	100,592,799	34,878,973	135,471,772
<b>Total assets</b>	<b>186,111,549</b>	<b>82,991,436</b>	<b>269,102,985</b>
<b>LIABILITIES</b>			
Accounts payable	2,010,184	1,853,212	3,863,396
Accrued payroll	868,675	100,630	969,305
Interest payable	239,203	7,560	246,763
Refundable deposits	418,979	4,932	423,911
Unearned revenue	219,776	-	219,776
Long-term liabilities:			
Due within one year	6,383,140	382,310	6,765,450
Due in more than one year	10,051,091	143,659	10,194,750
<b>Total liabilities</b>	<b>20,191,048</b>	<b>2,492,303</b>	<b>22,683,351</b>
Invested in capital assets, net of related debt	97,436,808	59,649,262	157,086,070
Restricted for:			
Debt service	9,544,740	301,692	9,846,432
Housing	10,668,481	-	10,668,481
Public safety	38,111	-	38,111
Roads	2,157,529	-	2,157,529
Other purposes	1,248,928	-	1,248,928
Unrestricted	44,825,904	20,548,181	65,374,085
<b>Total net assets</b>	<b>\$ 165,920,501</b>	<b>\$ 80,499,135</b>	<b>\$ 246,419,636</b>

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Activities and Changes in Net Assets**  
**For the fiscal year ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 3,172,917	\$ 257,523	\$ 309,775	\$ -
Public safety - Police	8,414,456	247,382	115,833	-
Public safety - Fire	7,129,555	74,589	-	-
Public works	5,832,257	76,488	567,357	128,000
Community development	4,517,721	1,017,538	3,982	-
Parks and recreation	6,274,796	1,058,851	-	-
Interest on long-term debt	714,924	-	-	-
Total governmental activities	36,056,626	2,732,371	996,947	128,000
<b>Business-type activities:</b>				
Water	6,868,450	6,027,769	-	-
Sewer	5,099,038	5,170,037	-	-
Public transportation	131,378	69,955	-	-
Total business-type activities	12,098,866	11,267,761	-	-
<b>Total primary government</b>	<b>\$ 48,155,492</b>	<b>\$ 14,000,132</b>	<b>\$ 996,947</b>	<b>\$ 128,000</b>

**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 income
    - Other
  - Transfers
- Total general revenues and transfers**
- Change in net assets**
- Net assets - beginning of year**
- Net assets - end of year**

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,605,619)	\$ -	\$ (2,605,619)
(8,051,241)	-	(8,051,241)
(7,054,966)	-	(7,054,966)
(5,060,412)	-	(5,060,412)
(3,496,201)	-	(3,496,201)
(5,215,945)	-	(5,215,945)
(714,924)	-	(714,924)
<u>(32,199,308)</u>	<u>-</u>	<u>(32,199,308)</u>
-	(840,681)	(840,681)
-	70,999	70,999
-	(61,423)	(61,423)
<u>-</u>	<u>(831,105)</u>	<u>(831,105)</u>
<u>(32,199,308)</u>	<u>(831,105)</u>	<u>(33,030,413)</u>
23,946,796	-	23,946,796
1,237,843	-	1,237,843
981,494	-	981,494
1,158,950	-	1,158,950
7,091,028	-	7,091,028
4,463,127	1,145,239	5,608,366
768,061	28,262	796,323
(80,424)	80,424	-
<u>39,566,875</u>	<u>1,253,925</u>	<u>40,820,800</u>
7,367,567	422,820	7,790,387
<u>158,552,934</u>	<u>80,076,315</u>	<u>238,629,249</u>
<u>\$ 165,920,501</u>	<u>\$ 80,499,135</u>	<u>\$ 246,419,636</u>

**City of Foster City and Estero Municipal Improvement District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	Major Funds				
	General Fund	Metro Center Special Assessment Bonds	Tax Allocation Refunding Bonds	City Capital Projects	Community Development Agency
<b>ASSETS</b>					
Cash and investments	\$ 17,413,645	\$ 32,000	\$ -	\$ 8,044,743	\$ 17,589,059
Receivables, net of allowance:					
Accrued interest	817,923	-	-	-	-
Intergovernmental	24,527	-	-	-	-
Taxes	1,468,612	-	-	-	-
Other	103,906	-	-	-	-
Prepays and deposits	8,773	-	-	-	-
Restricted cash and investments	106,866	972,900	6,219,752	-	-
Loans receivables, net of allowance	-	-	-	-	659,187
Special assessments receivable	-	-	-	-	-
Advances to other funds	14,754,749	-	-	-	-
<b>Total assets</b>	<b>\$ 34,699,001</b>	<b>\$ 1,004,900</b>	<b>\$ 6,219,752</b>	<b>\$ 8,044,743</b>	<b>\$ 18,248,246</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 616,238	\$ -	\$ -	\$ 112,240	\$ 982,191
Accrued payroll	811,209	-	-	-	60
Refundable deposits	415,064	-	-	-	3,915
Deferred revenue	219,776	-	-	-	659,187
Advances from other funds	-	-	-	-	14,754,749
<b>Total liabilities</b>	<b>2,062,287</b>	<b>-</b>	<b>-</b>	<b>112,240</b>	<b>16,400,102</b>
<b>Fund Balances:</b>					
Reserved:					
Advances to other funds	14,754,749	-	-	-	-
Debt service	-	1,004,900	6,219,752	-	-
Prepaid expenses	8,773	-	-	-	-
Housing programs	-	-	-	-	10,009,293
Unreserved, undesignated:					
General fund	17,873,192	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	7,932,503	(8,161,149)
<b>Total fund balances</b>	<b>32,636,714</b>	<b>1,004,900</b>	<b>6,219,752</b>	<b>7,932,503</b>	<b>1,848,144</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,699,001</b>	<b>\$ 1,004,900</b>	<b>\$ 6,219,752</b>	<b>\$ 8,044,743</b>	<b>\$ 18,248,246</b>

See accompanying Notes to Basic Financial Statements.

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Non-Major Governmental		
Funds		Total
\$ 2,756,363	\$	45,835,810
-		817,923
67,006		91,533
56,755		1,525,367
13,500		117,406
-		8,773
1,056,300		8,355,818
-		659,187
1,160,000		1,160,000
-		14,754,749
<u>\$ 5,109,924</u>	<u>\$</u>	<u>73,326,566</u>

\$ 3,804	\$	1,714,473
5,229		816,498
-		418,979
1,160,000		2,038,963
-		14,754,749
<u>1,169,033</u>	<u>\$</u>	<u>19,743,662</u>

-		14,754,749
1,399,292		8,623,944
-		8,773
-		10,009,293
-		17,873,192
2,541,599		2,541,599
-		(228,646)
<u>3,940,891</u>	<u>\$</u>	<u>53,582,904</u>
<u>\$ 5,109,924</u>	<u>\$</u>	<u>73,326,566</u>

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**City of Foster City and Estero Municipal Improvement District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2007**

**Total Fund Balances - Total Governmental Funds** \$ 53,582,904

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

Capital assets used in governmental activities are not financial resources and therefore were not reported in governmental funds. This amount is net of capital assets of the internal service funds in the amount of \$4,500,897 106,922,578

Loans receivable and other long-term receivables are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds. 659,187

Special assessments are reported as revenue when levied in government-wide financial statements. In governmental funds, these assessments are reported as deferred revenue (a liability) since they are not available to pay current period expenditures. 1,160,000

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 Assets. 20,070,764

Long-term liabilities and accrued interest payable are not due and payable in the current period and therefore are not reported in the governmental funds.

General obligation bonds	(635,000)	
Tax allocation refunding bonds	(10,250,000)	
Special assessment bonds	(2,100,000)	
COSTCO notes	(1,001,667)	
Accrued interest payable	(239,203)	
Compensated absences. This amount is net of compensated absences of the internal service funds in the amount of \$172,703	(2,249,062)	<u>(16,474,932)</u>

**Net Assets of Governmental Activities** \$ 165,920,501

**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, 2007**

	Major Funds				
	General Fund	Metro Center Special Assessment Bonds	Tax Allocation Refunding Bonds	City Capital Projects	Community Development Agency
<b>REVENUES:</b>					
Property taxes	\$ 11,076,604	\$ -	\$ 8,693,066	\$ -	\$ 4,176,843
Sales and use and sales tax in lieu	6,635,709	-	-	-	-
Transient occupancy tax	1,237,843	-	-	-	-
Franchise tax	981,494	-	-	-	-
Other taxes	266,620	-	-	-	-
Licenses and permits	1,156,192	-	-	-	-
Intergovernmental	387,658	-	-	128,000	-
Charges for current services	1,383,692	-	-	-	-
Fines and forfeitures	55,533	-	-	-	-
Special assessments	-	499,971	-	-	-
Investment income and rental	3,055,423	50,297	152,438	422,185	1,258,685
Other	731,625	-	-	21,068	12,512
<b>Total revenues</b>	<b>26,968,393</b>	<b>550,268</b>	<b>8,845,504</b>	<b>571,253</b>	<b>5,448,040</b>
<b>EXPENDITURES:</b>					
Current:					
General government	2,444,090	-	-	-	-
Public safety - Police	8,369,910	-	-	-	-
Public safety - Fire	7,213,382	-	-	-	-
Public works	2,272,249	-	-	156,189	-
Community development	1,202,578	-	-	-	3,348,089
Parks and recreation	5,704,605	-	-	-	-
Capital outlay	-	-	-	298,951	489,985
Debt service:					
Principal retirement	-	875,000	3,135,000	-	-
Interest and fiscal charges	-	104,677	512,957	-	67,983
Interest on interfund loans from other funds	-	-	-	-	1,519,167
<b>Total expenditures</b>	<b>27,206,814</b>	<b>979,677</b>	<b>3,647,957</b>	<b>455,140</b>	<b>5,425,224</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(238,421)</b>	<b>(429,409)</b>	<b>5,197,547</b>	<b>116,113</b>	<b>22,816</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of capital assets	500	-	-	-	-
Transfers in	809,900	-	-	-	5,085,457
Transfers out	(360,076)	(5,460)	(5,085,457)	-	-
<b>Total other financing sources (uses)</b>	<b>450,324</b>	<b>(5,460)</b>	<b>(5,085,457)</b>	<b>-</b>	<b>5,085,457</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>211,903</b>	<b>(434,869)</b>	<b>112,090</b>	<b>116,113</b>	<b>5,108,273</b>
<b>FUND BALANCES:</b>					
Beginning of year	32,424,811	1,439,769	6,107,662	7,816,390	(3,260,129)
End of year	<u>\$ 32,636,714</u>	<u>\$ 1,004,900</u>	<u>\$ 6,219,752</u>	<u>\$ 7,932,503</u>	<u>\$ 1,848,144</u>

See accompanying Notes to Basic Financial Statements.



Other Governmental Funds		Total
\$ 283	\$ 23,946,796	
455,319	7,091,028	
-	1,237,843	
-	981,494	
-	266,620	
-	1,156,192	
667,357	1,183,015	
-	1,383,692	
139,080	194,613	
299,265	799,236	
188,144	5,127,172	
259,531	1,024,736	
<u>2,008,979</u>	<u>44,392,437</u>	
27,560	2,471,650	
101,004	8,470,914	
-	7,213,382	
-	2,428,438	
-	4,550,667	
-	5,704,605	
397,684	1,186,620	
1,685,000	5,695,000	
182,820	868,437	
-	1,519,167	
<u>2,394,068</u>	<u>40,108,880</u>	
<u>(385,089)</u>	<u>4,283,557</u>	
-	500	
250	5,895,607	
<u>(804,441)</u>	<u>(6,255,434)</u>	
<u>(804,191)</u>	<u>(359,327)</u>	
(1,189,280)	3,924,230	
<u>5,130,171</u>	<u>49,658,674</u>	
<u>\$ 3,940,891</u>	<u>\$ 53,582,904</u>	

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**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 Assets**  
**For the fiscal year ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ 3,924,230

Governmental activities in the Statement of Activities were reported differently because:

Governmental funds report capital outlay as expenditures. In the Government-Wide Statement of Activities and Changes in Net Assets, however, the cost of those assets is allocated over their estimated useful lives as depreciation expenses.

Expenditures for capital assets. This amount is net of capital assets acquisition of the internal service funds in the amount of \$776,545	1,186,620	
Less abandonment of capital improvement projects and capital assets disposals	(282,437)	
Add capital assets contributed from internal service funds	164,134	
Less current year depreciation. This amount is net of depreciation expense of the internal service funds in the amount of \$927,984	<u>(3,605,470)</u>	(2,537,153)

Revenues from loan repayments recognized in the governmental funds that were earned and recognized in previous years are reported as beginning net assets in the statement of activities.

Loan repayments received		(3,028)
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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 deferred revenue in the governmental funds.

230,000

Special assessment revenues 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 deferred revenue in the governmental funds.

(799,236)

Special assessment revenue was recognized in the government-wide financial statement as revenue in prior years but, deferred in the fund financial statements. During the current fiscal year, the related receivable was written off as an expense in the government-wide financial statements and the deferred revenue was eliminated on the fund financial statements.

(1,180,337)

Gain from a lender's forgiveness of a long-term obligation is not a receipt of current financial resources and therefore is not reported as revenues in governmental funds.

Forgiveness of current year principal relating to the COSTCO note payable		186,728
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Repayment of bond and long-term note principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General obligation bonds	1,350,000	
Tax allocation refunding bonds	3,135,000	
Special assessment bonds	<u>1,210,000</u>	5,695,000

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

Change in accrued interest	153,510	
Change in long-term compensated absences. This amount is net of changes in compensated absences of the internal service funds in the amount of \$2,847	<u>(17,651)</u>	135,859

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.

1,715,504

**Change in Net Assets of Governmental Activities \$ 7,367,567**

See accompanying Notes to Basic Financial Statements.

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**City of Foster City and Estero Municipal Improvement District**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Non-Major - Public Transportation		
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 7,190,259	\$ 12,490,214	\$ 12,259	\$ 19,692,732	\$ 15,441,389
Receivables, net of allowance:					
Billed utility, net of allowance for uncollectible	547,488	467,228	-	1,014,716	-
Unbilled utility	856,661	699,881	-	1,556,542	-
Other	16,478	2,956	19,001	38,435	-
Inventory	66,955	134,115	-	201,070	28,886
Restricted cash and investments	-	301,692	-	301,692	902,969
<b>Total current assets</b>	<b>8,677,841</b>	<b>14,096,086</b>	<b>31,260</b>	<b>22,805,187</b>	<b>16,373,244</b>
Noncurrent assets:					
Sewer capacity rights	-	21,102,391	-	21,102,391	-
Capital assets:					
Nondepreciable	3,555,659	392,239	-	3,947,898	42,163
Depreciable, net of accumulated depreciation	23,862,469	11,016,504	-	34,878,973	4,458,734
<b>Total noncurrent assets</b>	<b>27,418,128</b>	<b>32,511,134</b>	<b>-</b>	<b>59,929,262</b>	<b>4,500,897</b>
<b>Total assets</b>	<b>36,095,969</b>	<b>46,607,220</b>	<b>31,260</b>	<b>82,734,449</b>	<b>20,874,141</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	854,690	986,263	12,259	1,853,212	295,711
Accrued payroll	46,466	54,164	-	100,630	52,177
Interest payable	-	7,560	-	7,560	-
Refundable deposits	4,932	-	-	4,932	-
Claims liability	-	-	-	-	25,799
Compensated absences - current portion	50,250	52,060	-	102,310	74,499
Revenue bonds payable - current portion	-	280,000	-	280,000	-
<b>Total current liabilities</b>	<b>956,338</b>	<b>1,380,047</b>	<b>12,259</b>	<b>2,348,644</b>	<b>448,186</b>
Noncurrent liabilities:					
Compensated absences - noncurrent portion	69,694	73,965	-	143,659	98,204
<b>Total noncurrent liabilities</b>	<b>69,694</b>	<b>73,965</b>	<b>-</b>	<b>143,659</b>	<b>98,204</b>
<b>Total liabilities</b>	<b>1,026,032</b>	<b>1,454,012</b>	<b>12,259</b>	<b>2,492,303</b>	<b>546,390</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	27,418,128	32,231,134	-	59,649,262	4,500,897
Restricted for:					
Debt service	-	301,692	-	301,692	-
Other purposes	-	-	-	-	902,969
Unrestricted	7,651,811	12,620,382	19,001	20,291,194	14,923,885
<b>Total net assets</b>	<b>\$ 35,069,939</b>	<b>\$ 45,153,208</b>	<b>\$ 19,001</b>	<b>80,242,148</b>	<b>\$ 20,327,751</b>
				Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	256,987
				Net assets of business-type activities	<u>\$ 80,499,135</u>

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2007**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Non-Major - Public Transportation		
<b>OPERATING REVENUES:</b>					
Sales and service charges	\$ 6,026,589	\$ 5,169,037	\$ 69,955	\$ 11,265,581	\$ -
Connection fees	1,180	1,000	-	2,180	-
Charges for service - internal	-	-	-	-	4,970,029
Other	7,128	21,134	-	28,262	-
<b>Total operating revenues</b>	<b>6,034,897</b>	<b>5,191,171</b>	<b>69,955</b>	<b>11,296,023</b>	<b>4,970,029</b>
<b>OPERATING EXPENSES:</b>					
Personnel	1,012,968	1,186,111	-	2,199,079	1,262,547
Utilities	3,435,841	186,698	-	3,622,539	-
Program supplies	124,854	135,875	-	260,729	-
Repairs and maintenance	21,442	59,752	-	81,194	1,037,886
General and administration	1,191,103	1,088,814	-	2,279,917	553,195
Depreciation and amortization	1,057,011	792,614	-	1,849,625	927,984
Contractual service	81,403	1,681,693	131,378	1,894,474	199,046
Insurance	40,000	40,000	-	80,000	213,559
<b>Total operating expenses</b>	<b>6,964,622</b>	<b>5,171,557</b>	<b>131,378</b>	<b>12,267,557</b>	<b>4,194,217</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(929,725)</b>	<b>19,614</b>	<b>(61,423)</b>	<b>(971,534)</b>	<b>775,812</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Gains (loss) on sales of capital assets	-	(8,150)	-	(8,150)	21,363
Investment income	371,501	773,738	-	1,145,239	859,106
Interest expenses	-	(15,120)	-	(15,120)	-
<b>Total nonoperating revenues (expenses)</b>	<b>371,501</b>	<b>750,468</b>	<b>-</b>	<b>1,121,969</b>	<b>880,469</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(558,224)</b>	<b>770,082</b>	<b>(61,423)</b>	<b>150,435</b>	<b>1,656,281</b>
<b>CONTRIBUTIONS AND TRANSFERS:</b>					
Capital contributions	-	-	-	-	136,415
Transfers in	-	-	80,424	80,424	827,824
Transfers out	-	-	-	-	(713,055)
<b>Total contributions and transfers</b>	<b>-</b>	<b>-</b>	<b>80,424</b>	<b>80,424</b>	<b>251,184</b>
<b>Change in net assets</b>	<b>(558,224)</b>	<b>770,082</b>	<b>19,001</b>	<b>230,859</b>	<b>1,907,465</b>
<b>NET ASSETS:</b>					
Beginning of the year, as restated (Note 14)	35,628,163	44,383,126	-		18,420,286
End of the year	<u>\$ 35,069,939</u>	<u>\$ 45,153,208</u>	<u>\$ 19,001</u>		<u>\$ 20,327,751</u>
			Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	191,961	
			Change in net assets of business-type activities	<u>\$ 422,820</u>	

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, 2007**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Non-Major - Public Transportation		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers/other funds	\$ 5,860,916	\$ 5,120,821	\$ 46,755	\$ 11,028,492	\$ 4,971,199
Cash payments to suppliers for goods and services	(4,906,833)	(3,190,688)	(119,119)	(8,216,640)	(2,003,451)
Cash payments to employees for services	(1,018,264)	(1,193,523)	-	(2,211,787)	(1,268,994)
<b>Net cash provided (used) by operating activities</b>	<b>(64,181)</b>	<b>736,610</b>	<b>(72,364)</b>	<b>600,065</b>	<b>1,698,754</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers received	-	-	80,424	80,424	827,824
Transfer paid	-	-	-	-	(700,055)
Interfund loans payments	-	-	-	-	121,333
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>80,424</b>	<b>80,424</b>	<b>249,102</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from sale of capital assets	-	-	-	-	21,963
Capital contributions received	-	-	-	-	136,415
Acquisition and construction of capital assets	(71,340)	(399,354)	-	(470,694)	(776,545)
Acquisition of sewer capacity rights	-	(3,356,005)	-	(3,356,005)	-
Principal paid on bonds	-	(505,000)	-	(505,000)	-
Interest paid on bonds	-	(29,461)	-	(29,461)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(71,340)</b>	<b>(4,289,820)</b>	<b>-</b>	<b>(4,361,160)</b>	<b>(618,167)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	371,501	773,738	-	1,145,239	859,106
<b>Net cash provided (used) by investing activities</b>	<b>371,501</b>	<b>773,738</b>	<b>-</b>	<b>1,145,239</b>	<b>859,106</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>235,980</b>	<b>(2,779,472)</b>	<b>8,060</b>	<b>(2,535,432)</b>	<b>2,188,795</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	6,954,279	15,571,378	4,199	22,529,856	14,155,563
End of year	\$ 7,190,259	\$ 12,791,906	\$ 12,259	\$ 19,994,424	\$ 16,344,358

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Cash Flows, Continued**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2007**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Nonmajor - Public Transportation		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (929,725)	\$ 19,614	\$ (61,423)	\$ (971,534)	\$ 775,812
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,057,011	792,614	-	1,849,625	927,984
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Billed receivables	(94,622)	(44,933)	-	(139,555)	-
Unbilled receivables	(63,799)	(22,461)	-	(86,260)	-
Other receivables	(15,560)	(2,956)	(19,001)	(37,517)	1,170
Inventory	(5,140)	1,883	-	(3,257)	(2,977)
Increase (decrease) in:					
Accounts payable and claims liability	35,759	261	12,259	48,279	15,076
Accrued payroll	(2,952)	(2,588)	-	(5,540)	(3,600)
Claims liability	-	-	-	-	(11,864)
Compensated absences	(2,344)	(4,824)	-	(7,168)	(2,847)
Unearned revenue	-	-	(4,199)	(4,199)	-
Refundable deposits	(42,809)	-	-	(42,809)	-
Total adjustments	865,544	716,996	(10,941)	1,571,599	922,942
<b>Net cash provided (used) by operating activities</b>	<b>\$ (64,181)</b>	<b>\$ 736,610</b>	<b>\$ (72,364)</b>	<b>\$ 600,065</b>	<b>\$ 1,698,754</b>
<b>NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS:</b>					
Loss on disposal of capital assets	\$ -	\$ (8,150)	\$ -	\$ (8,150)	\$ (600)
<b>Total noncash capital and related financing transaction</b>	<b>\$ -</b>	<b>\$ (8,150)</b>	<b>\$ -</b>	<b>\$ (8,150)</b>	<b>\$ (600)</b>

See accompanying 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, 2007**

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#### **1. DESCRIPTION OF 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, sewer, 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.

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the City and District (Primary Government) and the City of Foster City Community Development Agency (Agency) and the Foster City Public Financing Authority (Authority) as its component units. The Agency and the Authority, although legally separate entities, are in substance part of the City/District's operations. The members of the City Council and the District Board of Directors also serve on the boards of the Agency and the Authority. The Agency and the Authority are blended into the operations of the City/District in the accompanying financial statements.

#### Blended Component Units

The Agency functions as an independent entity, but its policies are determined by the City Council and District Board of Directors acting in a separate capacity as board members of the Agency pursuant to Section 33000 of the Community Redevelopment Law. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in a declining condition or in need of development.

The Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement between the City and the Agency. The Authority functions as an independent entity and its policies are determined by the members of the City Council and District Board of Directors acting in a separate capacity as board members of the Authority pursuant to Section 6500 of the Government Code of the State of California. The Authority is a separate entity constituting a public instrumentality of the State, and was formed for the public purpose of assisting the City and the Agency in financing capital projects. The Authority did not have any financial balances or activity as of and for the fiscal year ended June 30, 2007.

Complete financial statements for the Agency may be obtained through the City/District's Financial Services Department, 610 Foster City Boulevard, Foster City, CA 94404.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*A. Basis of Accounting and Measurement Focus*

*Government-Wide Financial Statements*

The Statement of Net Assets and Statement of Activities and Changes in Net Assets display information about the primary government (City/District) and its component units. These statements include the financial activities of the overall government. 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 Assets 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 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. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The City/District reports the following major governmental funds:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City/District that are not accounted for through other funds.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*A. Basis of Accounting and Measurement Focus, Continued*

*Fund Financial Statements, Continued*

The *Metro Center Special Assessment Bonds Fund* accounts for accumulation of special assessments for payment of principal and interest on special assessment bonds of 1986 for the development of the Metro Center.

The *Tax Allocation Refunding Bonds Fund* accounts for the payment of principal and interest on the 2001 tax allocation refunding bonds that refunded the 1993 and 1996 revenue bonds.

The *City Capital Projects Fund* accounts for development, construction or acquisition of approved capital projects funded by certain general obligation bonds and capital grants.

The *Community Development Agency Fund* accounts for revenues from the property tax increments raised from the Agency's investment in upgrading properties for further development.

The City/District reports the following major enterprise funds:

The *Water Fund* accounts for activities associated with providing water services including construction of water plant facilities.

The *Sewer Fund* accounts for activities associated with sewage transmissions and treatment including construction of sewer plant facilities and servicing of interest and principal on sewer bonds of 1964 and 1993.

In addition, the City/District uses *Internal Service Funds* to account for the City/District's vehicle rental, equipment replacement, self-insurance, longevity recognition benefits, information technology, and building maintenance services provided to other departments of the City/District on a cost-reimbursement basis.

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. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty to 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. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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 assets available to finance the program. It is the City/District's policy to first apply cost-reimbursement grant resources to such programs and then use general revenues.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*A. Basis of Accounting and Measurement Focus, Continued*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the 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 sewer charges, public transportation fares, vehicle, equipment and building maintenance and usage fees, insurance charges, and information services support 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 are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the business type activities in the government-wide financials statements and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City/District applies all applicable GASB pronouncements currently in effect, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure that do not conflict with or contradict GASB pronouncements.

*B. Cash and Cash Equivalents*

The City/District pools cash and investment resources from all funds to facilitate the management of cash. The cash and investment pool is invested in short-term money market securities or held by financial institutions for debt service payments. Amounts invested in the City/District's cash and investment pool are, in substance, demand deposits and are, therefore, considered cash equivalents for purposes of the statement of cash flows. Amounts invested in money market securities and cash held by financial institutions are highly liquid (including those classified as restricted assets on the statement of fund net assets), generally with original maturities less than three months, and are, therefore, also considered cash equivalents.

*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 cash balances and is performed on a quarterly basis.

*D. Inventory*

Inventory, consisting of expendable supplies, is stated at average cost which approximates market value. The cost of governmental funds inventory is recorded as expenditure when consumed.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*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 revenue 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 revenue nor is activity reflected in the Statement of Activities.

*F. Special Assessments Receivable*

Special assessments receivable reported in the Metro Center Special Assessment Bonds debt service fund and the nonmajor governmental debt service funds represent future assessments to be received for the payment of Metro Center and Vintage Park improvement bonds which are considered to be a possible liability of the City/District in the case of default. Recognition of the revenues from these assessments has been deferred until they become both measurable and available in governmental funds. In the government-wide financial statements, however, these amounts are reported as revenues in the period they are levied. Once received, the money will be used to meet the annual debt service requirements on the related bonds.

*G. Restricted Assets*

Certain proceeds of the City/District's governmental funds long term debt obligations and enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the government-wide statements of net assets because they are maintained in separate fiscal agent accounts and their use is limited by applicable bond covenants.

*H. Sewer Capacity Rights*

The City/District entered into a Joint Powers Agreement (WA) with the City of San Mateo (City) to construct sewer facilities (see Note 11). A portion of the payments made to the City/District under the WA represents reimbursement for capital facilities costs. All capital facilities costs are capitalized in the Sewer Enterprise Fund and once placed in service, these costs are amortized using the straight-line method over 50 years.

*I. 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 sewer 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 one year 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, Continued**  
**For the fiscal year ended June 30, 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***I. Capital Assets, 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 sewer, and water distribution systems	12 to 50 years
Buildings and improvements	45 to 50 years
Equipment	3 to 10 years
Vehicles	4 to 25 years

The cost of normal maintenance and repairs that do 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.

***J. Compensated Absences (Vacation and Sick Pay)***

The City/District reports compensated absences for accrued vacation and sick pay. In the event of termination, employees are paid for all allowed unused vacation at their current hourly rate in effect. For management employees, vacation pay may be accrued up to three years without forfeiture. For non-management 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.

***K. Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***L. 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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*L. Property Tax Levy, Collection and Maximum Rates, Continued*

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

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

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.

*M. Revenue Recognition for Water and Sewer Enterprise Funds*

Revenue is recorded as billed to customers on a cyclical basis. All customers are billed bi-monthly. Amounts unbilled at June 30 are accrued and recognized as revenue. At June 30, 2007, the billed and unbilled receivables are shown net of an allowance for uncollectibles for the Water and the Sewer Enterprise Funds in the amount of \$1,793 and \$1,026, respectively.

*N. Interfund Transactions*

Interfund transactions are reflected as either 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 noncurrent 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.” Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

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.

*O. Estimates*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**3. CASH AND INVESTMENTS**

The City/District's cash and investments at June 30, 2007 are presented as follows:

Cash and investments	\$ 80,969,931
Restricted cash and investments	<u>9,560,479</u>
<b>Total</b>	<b><u>\$ 90,530,410</u></b>

As of June 30, 2007, the City/District had the following cash, investments, maturities and credit risks:

Type	Fair Value	Investment Maturities (In Years)		Credit Ratings (Moody's)
		0 - 1	1 - 3	
In City/District Pool:				
United States Agency:				
Federal Home Loan Bank Bonds - Coupon	\$ 32,729,290	\$ 22,844,379	\$ 9,884,911	Aaa
Federal Home Loan Mortgage Corporation Bonds - Coupon	4,969,550	4,969,550	-	Aaa
Federal Farm Credit Bank Bonds - Coupon	1,982,194	1,982,194	-	Aaa
Freddie Mac	998,750	-	998,750	Aaa
Local Agency Investment Fund	43,245,028	43,245,028	-	Not Rated
Total investments in City/District Pool	<u>83,924,812</u>	<u>\$ 73,041,151</u>	<u>\$ 10,883,661</u>	
With bond trustees:				
United States Agency:				
Federal Home Loan Bank Bonds - Coupon	2,641,563	\$ -	\$ 2,641,563	Aaa
First American Treasury Obligation	301,692	-	-	Aaa
Money Market Mutual Fund	82,684	-	-	Aaa
Total investments with bond trustees	<u>3,025,939</u>	<u>\$ -</u>	<u>\$ 2,641,563</u>	
Longevity Recognition Plan Investments:				
Mutual Funds	37	<u>\$ 37</u>	<u>\$ -</u>	Aaa
Equity Mutual Funds	902,932			
Total Longevity Recognition Plan Investments	<u>902,969</u>			
Cash and deposits:				
Nonnegotiable certificates of deposits	2,308,490			
Demand deposits	363,400			
Cash on hand	4,800			
Total cash and deposits	<u>2,676,690</u>			
Total	<u>\$ 90,530,410</u>			

**Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the City/District's deposits may not be returned. The City/District does not have a policy for custodial credit risk on deposits except for certificates of deposits. As of June 30, 2007, the carrying amount of the City/District's deposits was \$2,671,890 and the bank balance was \$ 2,768,348. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$317,615 was covered by federal depository insurance and \$2,450,733 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**3. CASH AND INVESTMENTS, Continued**

Deposits – Custodial Credit Risk, Continued

Under the California Government Code, a financial institution is required to secure deposits in excess of \$100,000 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 110% of the total amount deposited by the public agencies. At June 30, 2007, the collateral held by the City/District's banking institution only equaled 102% of the cash deposits. The shortfall was corrected on the next business day. California law also allows financial institutions to secure City/District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is considered to be held in the name of the City/District.

Investments Authorized by the City/District's Investment Policy

The City/District maintains a cash and investment pool that is available for use by all funds. The table below identifies the investment types that are authorized by the City/District's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City/District, rather than the general provisions of the California Government Code or the City's/District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio*	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	270 days	25%	5%
Commercial Paper	180 days	5%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	5%	None
Shares of Beneficial Interest (Mutual Funds)	N/A	10%	10%
Certificates of Deposit	N/A	None	None
San Mateo County Pooled Investment Program	N/A	None	None
State Local Agency Investment Fund (LAIF)	N/A	None	None

\* Excludes amounts held by bond trustees that are not subject to California Government Code restrictions.

Investments of debt proceeds held by bond trustees are governed by provisions of debt agreements. Included authorized investments are U.S. Agency Securities and money market mutual funds.

In connection with the California Code's Sections #56301 and #53635's mandates for safety, liquidity and yield with respect to the investments of public funds, as of 6/30/2007 the City of Foster City's investment pool had a valuation of 99.6% (market value of securities as a percentage of amortized book cost), a weighted average maturity of 124 days, and a portfolio weighted average 365 day yield as of 6/30/07 of 4.583%.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**3. CASH AND INVESTMENTS, Continued**

Longevity Recognition Plan Investments Authorized by the City/District's Policy

During fiscal year ended June 30, 2005, the City started to invest funds set aside for the Longevity Recognition Plan. 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.

Investment - Custodial Credit Risk

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 do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments with the exception of repurchase agreements for which the City/District requires a collateralization level of 102% of the market value of the investment.

Interest Rate Risk

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.

Credit Risk

The City/District's investment policy limits its pooled investments to be consisted of securities and obligations of the U.S. Government and mutual funds and limits to the highest ranking or the highest letter and numerical rating by not less than two of the three nationally recognized rating services.

External Investment Pool

The City/District invests in LAIF, a State of California external investment pool. LAIF determines the fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and based on amortized cost or best estimate for those securities where market value is not readily available.

The City/District valued its investments in LAIF as of June 30, 2007, by multiplying its account balance with LAIF (\$43,264,713) times a fair value factor (.999545022) 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, 2007, the City/District's investments in LAIF stated at fair value equaled \$43,245,028.

The District's investments with LAIF at June 30, 2007, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**3. CASH AND INVESTMENTS, Continued**

External Investment Pool, Continued

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and/or have embedded forwards or options.
- Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2007, the City/District had \$43,245,028 (stated at fair value) invested in LAIF, which had invested 3.466% of the pool investment fund in Structured Notes and Asset-Backed Securities.

Concentration of Credit Risk

The City/District diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. At June 30, 2007, the City/District invested more than 5 percent of the total pooled portfolio for the following investments: Federal Home Loan Bank Bonds for \$32,729,290 and Federal Home Loan Mortgage Corporation Bonds for \$4,969,050.

**4. LOANS RECEIVABLE**

Metro Center Senior Homes Project

On July 1, 1995, the Agency agreed to loan \$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. 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, in satisfaction of principal and interest owed. Residual cash flow is defined as all rents and revenues derived from the Project less operation and other related costs of the Project. Any outstanding principal and interest is due and payable in full in forty 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. The Agency financed the remainder of the loan through its accumulated tax increment funds. At June 30, 2007, the Agency provided a 100% valuation allowance equal to the loan balance outstanding in the amount of \$5,954,743 and the accumulated interest on the loan in the amount of \$447,484.

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 \$659,187 at June 30, 2007.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**5. INTERFUND TRANSACTIONS**

Advances To and From Other Funds

At June 30, 2007, the outstanding balance of advances from the General Fund to the Community Development Agency Fund is \$14,754,749. The advances from the City/District to the Agency are for administrative support and capital improvements. The repayment of advances is limited to property tax increment revenues. The interest rate on the City/District's advances before and after the fiscal year ended June 30, 1997 was 8% and 10%, respectively. The Agency repaid \$1,484,833 of the advances during the current fiscal year. Annual repayments are scheduled to continue through fiscal year ending June 30, 2011.

Transfers

Transfers are made for the purposes of funding capital projects or debt service, subsidies of various City/District operations and re-allocations of special revenues. The following schedule briefly summarizes the City/District's transfer activity:

Transfer From	Transfer To	Amount
<b>Between Governmental and Business-Type Activities:</b>		
General Fund	Non-Major Enterprise Fund	\$ 80,424
		<u>\$ 80,424</u>
<b>Between Funds within the Governmental or Business-Type(1):</b>		
General Fund	Non-Major Governmental Funds	\$ 250
Tax Allocation Refunding Bonds	Community Development Agency	5,085,457
Non-Major Governmental Funds	General Fund	804,441
Metro Center Special Assessment Bonds	General Fund	5,460
General Fund	Internal Service Funds	279,402
Internal Service Funds	Internal Service Fund	548,422
		<u>\$ 6,723,432</u>

(1) These transfers are eliminated as part of the consolidation of the Governmental and Business-Type Activities.

Transfers between funds were made during the fiscal year mainly to subsidize the engineering, construction and maintenance of City/District's streets, subsidize the shuttle operation in the general fund, transfer property tax revenue to the Community Development Agency and various operational purposes.

The internal service funds recorded a transfer out in the amount of \$164,134 to transfer capital assets to the governmental activities. The transfer in to the governmental activities is only recorded on the government-wide financial statements and therefore, transfers in and out do not balance on the fund financial statements.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**6. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2007 follows:

	July 1, 2006	Additions	Retirements	Transfers	June 30, 2007
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 9,862,772	\$ -	\$ -	\$ 371,649	\$ 10,234,421
Construction in progress	2,371,902	1,186,620	(56,701)	(2,905,566)	596,255
Total capital assets, not being depreciated	<u>12,234,674</u>	<u>1,186,620</u>	<u>(56,701)</u>	<u>(2,533,917)</u>	<u>10,830,676</u>
Capital assets, being depreciated:					
Infrastructure	91,850,178	-	(692,237)	2,864,566	94,022,507
Buildings	45,236,519	151,632	(70,688)	(330,649)	44,986,814
Improvements	6,060,916	-	-	-	6,060,916
Equipment	5,662,242	408,332	(164,418)	-	5,906,156
Vehicles	4,696,642	368,213	(220,460)	-	4,844,395
Total capital assets, being depreciated	<u>153,506,497</u>	<u>928,177</u>	<u>(1,147,803)</u>	<u>2,533,917</u>	<u>155,820,788</u>
Less accumulated depreciation for:					
Infrastructure	(39,837,353)	(2,443,140)	523,293	-	(41,757,200)
Buildings	(5,501,716)	(961,686)	13,396	-	(6,450,006)
Improvements	(528,325)	(200,644)	-	-	(728,969)
Equipment	(3,069,840)	(553,447)	163,821	-	(3,459,466)
Vehicles	(2,678,271)	(374,537)	220,460	-	(2,832,348)
Total accumulated depreciation	<u>(51,615,505)</u>	<u>(4,533,454)</u>	<u>920,970</u>	<u>-</u>	<u>(55,227,989)</u>
Total capital assets, being depreciated, net	<u>101,890,992</u>	<u>(3,605,277)</u>	<u>(226,833)</u>	<u>2,533,917</u>	<u>100,592,799</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 114,125,666</u>	<u>\$ (2,418,657)</u>	<u>\$ (283,534)</u>	<u>\$ -</u>	<u>\$ 111,423,475</u>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**6. CAPITAL ASSETS, Continued**

	<u>July 1, 2006</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2007</u>
<b>Business-type activities:</b>						
Capital assets, not being depreciated:						
Land	\$ -	\$ -	\$ -	\$ -	\$ 3,553,474	\$ 3,553,474
Construction in progress	2,069,942	-	409,840	-	(2,085,358)	394,424
Total capital assets, not being depreciated	2,069,942	-	409,840	-	1,468,116	3,947,898
Capital assets, being depreciated:						
Infrastructure	64,086,473	-	-	(20,002)	2,085,361	66,151,832
Building	4,931,749	(1,378,272)	-	-	(3,553,477)	-
Equipment	540,196	-	60,853	-	-	601,049
Total capital assets, being depreciated	69,558,418	(1,378,272)	60,853	(20,002)	(1,468,116)	66,752,881
Less accumulated depreciation for:						
Infrastructure	(29,989,876)	-	(1,505,899)	11,852	-	(31,483,923)
Buildings	(968,082)	968,082	-	-	-	-
Equipment	(357,066)	-	(32,919)	-	-	(389,985)
Total accumulated depreciation	(31,315,024)	968,082	(1,538,818)	11,852	-	(31,873,908)
Total capital assets, being depreciated, net	38,243,394	(410,190)	(1,477,965)	(8,150)	(1,468,116)	34,878,973
<b>Business-type activities capital assets, net</b>	<b>\$ 40,313,336</b>	<b>\$ (410,190)</b>	<b>\$ (1,068,125)</b>	<b>\$ (8,150)</b>	<b>\$ -</b>	<b>\$ 38,826,871</b>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 559,860
Public safety - Police	130,574
Public safety- Fire	10,108
Public works	2,204,752
Community development	9,633
Parks and recreation	690,543
Depreciation on capital assets held by the City/District's internal service funds is charged to the various functions based on their usage of the assets.	927,984
<b>Total depreciation expense</b>	<b>\$ 4,533,454</b>

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

Water	\$ 1,057,011
Sewer	481,807
<b>Total depreciation expense</b>	<b>\$ 1,538,818</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**6. CAPITAL ASSETS, Continued**

Capital Project Commitments

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

Project	Project Authorization	Expended through June 30, 2007	Committed
WWTP Expansion Phase II	\$ 8,831,000	\$ 7,392,295	\$ 1,438,705
Foster City Teen Center and Recreation Facilities	3,283,500	507,712	2,775,788
Water Main Condition Survey	650,000	135,082	514,918
Sanitary Sewer Lift Station Improvements - Phase 3	2,650,000	392,239	2,257,761
Sewer Main Rehabilitation	630,000	-	630,000
Other Projects	2,573,550	143,280	2,430,270
Total	\$ 18,618,050	\$ 8,570,608	\$ 10,047,442

**7. LONG TERM OBLIGATIONS**

The following is a summary of long-term obligation transactions for the year ended June 30, 2007:

	July 1, 2006	Additions	Retirements	June 30, 2007	Due Within One Year	Due in More Than One Year
Governmental activities:						
General Obligation Bonds	\$ 1,985,000	\$ -	\$ (1,350,000)	\$ 635,000	\$ 635,000	\$ -
Tax Allocation Refunding Bonds	13,385,000	-	(3,135,000)	10,250,000	3,275,000	6,975,000
Special Assessment Bonds	3,310,000	-	(1,210,000)	2,100,000	1,300,000	800,000
COSTCO Notes	1,188,395	-	(186,728)	1,001,667	201,667	800,000
Claim liability	37,663	185,559	(197,423)	25,799	25,799	-
Compensated absences	2,406,961	1,190,305	(1,175,501)	2,421,765	945,674	1,476,091
Total governmental activities	\$ 22,313,019	\$ 1,375,864	\$ (7,254,652)	\$ 16,434,231	\$ 6,383,140	\$ 10,051,091
Business-type activities:						
Revenue Bonds	\$ 785,000	\$ -	\$ (505,000)	\$ 280,000	\$ 280,000	\$ -
Compensated absences	253,137	136,843	(144,011)	245,969	102,310	143,659
Total business-type activities	\$ 1,038,137	\$ 136,843	\$ (649,011)	\$ 525,969	\$ 382,310	\$ 143,659

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**7. LONG TERM OBLIGATIONS, Continued**

General obligation bonds, tax allocation refunding revenue bonds, special assessment bonds with governmental commitment and the Sewer revenue bonds at June 30, 2007 consisted of the following:

Type of indebtedness	Maturity	Interest Rate	Amount Issued	Outstanding at June 30, 2007
<b>Governmental activities:</b>				
General obligation bonds (a):				
1967 Land Reclamation Bonds	2008	6.00%	\$ 2,741,000	\$ 635,000
Total General Obligation Bonds			<u>2,741,000</u>	<u>635,000</u>
Tax Allocation Refunding Revenue Bonds (b):				
2001 Refunding Bonds	2010	4.10 - 4.40%	<u>27,010,000</u>	<u>10,250,000</u>
Special Assessment Bonds with governmental commitment:				
1986 Metro Center Improvement Bonds	2008	7.00%	19,310,000	940,000
1989 Vintage Park Improvement Bonds	2010	7.15 - 7.30%	<u>11,462,073</u>	<u>1,160,000</u>
Total special assessment bonds			<u>30,772,073</u>	<u>2,100,000</u>
COSTCO Development Agreement (d):				
Note 1	2015	8.00%	800,000	613,272
Note 2	2008	8.00%	<u>1,939,342</u>	<u>388,395</u>
Total COSTCO Notes			<u>2,739,342</u>	<u>1,001,667</u>
Total governmental activities long-term bonds and notes			<u>\$ 63,262,415</u>	<u>\$ 13,986,667</u>
Business-type activities:				
Sewer Revenues Bonds (e):				
1964 and 1993 Sewer Bonds	2007	2.10 - 7.10%	<u>\$ 7,510,000</u>	<u>\$ 280,000</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, \$172,703 of internal service funds compensated absences and \$25,799 of claims liability are included in the above amounts. Also, for governmental activities, claims liability and compensated absences are generally liquidated by the General Fund.

As of June 30, 2007, annual debt service requirements to maturity are as follows:

Year Ending June 30,	Governmental Activities					
	General Obligation Bonds <sup>(a)</sup>		Tax Allocation Refunding Bonds <sup>(b)</sup>		Special Assessment Bonds <sup>(c)</sup>	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 635,000	\$ 19,050	\$ 3,275,000	\$ 371,372	\$ 1,300,000	\$ 104,350
2009	-	-	3,415,000	229,209	385,000	44,348
2010	-	-	3,560,000	78,320	415,000	15,148
Total	<u>\$ 635,000</u>	<u>\$ 19,050</u>	<u>\$ 10,250,000</u>	<u>\$ 678,901</u>	<u>\$ 2,100,000</u>	<u>\$ 163,846</u>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**7. LONG TERM OBLIGATIONS, Continued**

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	COSTCO Notes <sup>(d)</sup>		Sewer Revenue Bonds <sup>(e)</sup>	
	Prinicpal	Interest	Prinicpal	Interest
2008	\$ 201,667	\$ 80,133	\$ 280,000	\$ 7,560
2009	-	64,000	-	-
2010	-	64,000	-	-
2011	-	64,000	-	-
2012-2015	800,000	256,000	-	-
Total	\$ 1,001,667	\$ 528,133	\$ 280,000	\$ 7,560

Debt service payments are generally made from the following sources:

- (a) Property taxes recorded in the Debt Service Funds
- (b) Property tax increment from the Community Development Agency
- (c) Special assessments of the related special assessment district or through foreclosure on the underlying property
- (d) Agency tax increment
- (e) Property taxes recorded in the Sewer Enterprise Fund

General Obligation Bonds and Sewer Revenue Bonds

The General Obligation Bonds and Sewer Revenue Bonds are general obligations of the City/District. These bonds were issued in accordance with the provisions of the Estero Municipal Improvement District Act and Article 8 of the California Government Code. Proceeds from these bonds have been used for various projects including infrastructure improvements, acquisition and construction of parks and a fire station, and improvements to the Wastewater Treatment Facility.

Tax Allocation Refunding Bonds

On July 1, 2001, the Agency issued \$27,010,000 of Series 2001 Tax Allocation Refunding Bonds (Refunding Bonds) to refund the Authority's 1993 and 1996 tax allocation revenue bonds (collectively, the Prior Bonds). As a result of the refunding, the Prior Bonds are considered defeased and have been removed from the Authority's basic financial statements. As of June 30, 2007, the 1996 tax allocation bonds are considered defeased, and were fully redeemed on September 1, 2006.

Special Assessment Bonds with Governmental Commitment

In 1986 and 1989 the City/District issued special assessment bonds to construct various public improvements including street widening, traffic signals and drainage facilities in the Metro Center and Vintage Park Assessment Districts. The 1986 and 1989 bonds were issued in the amounts of \$19,310,000 and \$11,462,073, respectively. These bonds are fully secured by liens against the privately owned properties benefited by the improvements for which the bonds were issued. However, the City/District believes that it may have some obligation for these bonds.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**7. LONG TERM OBLIGATIONS, Continued**

Special Assessment Bonds with Governmental Commitment, Continued

As of June 30, 2007, the City/District has recorded special assessment receivables in the following amounts:

Vintage Park Special Assessment District Bonds	\$	1,160,000
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This balance consists of future special assessment payments to be collected by the City/District for special assessment debt service (See Note 13).

COSTCO Notes

On July 6, 1993, the Agency and COSTCO entered into an agreement whereby the Agency acquired a site (Lots 26 and 27) in Metro Center from the property owner, Transpacific Development Company, with funds borrowed from COSTCO. The purchase price for the land and additional amount borrowed was \$7,889,413. The Agency then conveyed the property to COSTCO in partial repayment of the \$7,889,413 loan.

In satisfaction of \$4,150,171 of that obligation, the site was conveyed to COSTCO free and clear with the exception of the Metro Center Assessment District No. 86-1 obligations. For the remaining \$3,739,242 of the obligation, three promissory notes were executed by the Agency to COSTCO. The payments are contingent upon certain levels of gross sales taxes being generated by the COSTCO store.

The first promissory note is in the amount of \$800,000 with an 8% per annum interest rate. The note is payable in twenty years. Interest payment is due only if the gross sales tax revenue threshold as defined in the note agreement for that year is met. Payments not made on this basis are forgiven. The Agency recorded the current year interest payment as COSTCO's gross sales tax revenue threshold of \$313,900 was met. The outstanding principal at June 30, 2007 is \$800,000.

The second promissory note is in the amount of \$1,939,242 with an 8% per annum interest rate. (This is the approximate amount of the Metro Center Assessment District obligations which currently encumber the property.) The note is payable in annual payments of \$217,800 for fourteen years. Payment is due only if the gross sales tax revenue threshold as defined in the note agreement for that year is met. Payments not made on this basis are forgiven. During the fiscal year June 30, 2007, COSTCO forgave the current year payment in the amount of \$186,728 because the gross sales tax revenue threshold of \$868,880 was not met. The outstanding principal at June 30, 2007 is \$201,667.

The third promissory note is in the amount of \$1,000,000 and bears no interest. The note is payable annually in an amount equal to the City's sales tax revenues derived from COSTCO's sales which are in excess of the threshold as defined in the note agreement for that year. The term of the note is five years. Any unpaid balance after the five-year term shall be forgiven. During December 1999, the note balance of \$589,433 was forgiven.

Legal Debt Limit

As of June 30, 2007, the City/District's legal debt limit (15% of assessed valuation) was \$882.1 million. The total amount of net debt applicable to the debt limit was \$0 million. The resulting legal debt margin was \$882.1 million.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**7. LONG TERM OBLIGATIONS, Continued**

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City/District has evaluated each bond issued subject to the arbitrage rebate requirements and has determined that no arbitrage liability exists at June 30, 2007.

**8. NET ASSETS/FUND BALANCES**

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

*Invested In Capital Assets, Net of Related Debt:* This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets:* 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. At June 30, 2007, the City/District's had restricted net assets of \$23,657,789 of which \$159,031 is restricted by enabling legislation.

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

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council/Board of Directors and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2007, reservations of fund balance are described below:

*Advances to other funds* - to reflect the amount due from other funds that is long-term in nature and does not represent available spendable resources.

*Debt service* - to reflect the funds held by trustees, fiscal agents or the City/District for future payment of bond principal and interest that is not available for general operations.

*Prepaid expenses* - to reflect expenditures that are paid in the current fiscal year for services or products to be provided in the following fiscal year.

*Housing Programs* - to reflect the funds held by the Agency for future housing requirements.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**8. NET ASSETS/FUND BALANCES, Continued**

Portions of unreserved fund balance may be designated by management to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and may not result in expenditures. Fund balance designations include:

*Capital projects* - to reflect management's intent to expend certain funds solely for planned capital projects.

*Emergency* - to provide for funds to be expended in the event of an emergency.

The City/District has established the following fund balance designations for its governmental funds at June 30, 2007:

	General Fund	City Capital Projects	Community Development Agency	Nonmajor Governmental Funds	Total Governmental Funds
Designated for:					
Capital projects	\$ 137,790	\$ -	\$ -	\$ 2,195,640	\$ 2,333,430
Emergency	1,000,000	-	-	-	1,000,000
Undesignated	16,735,402	7,932,503	(8,161,149)	345,959	16,852,715
<b>Total</b>	<b>\$ 17,873,192</b>	<b>\$ 7,932,503</b>	<b>\$ (8,161,149)</b>	<b>\$ 2,541,599</b>	<b>\$ 20,186,145</b>

**9. EMPLOYEES' RETIREMENT PLANS**

Public Employees' Retirement Fund

**Plan Description:** All permanent employees are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System (CalPERS). The Fund is an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty and fifty-five for safety and other employees, respectively. These benefit provisions and all other requirements are established by State statute and City/District ordinances. Copies of the Fund's annual financial report may be obtained from CalPERS' Executive Office: 400 P Street, Sacramento, CA 95814.

**Funding Policy:** Public safety employees and all other employees have an obligation to contribute 9% and 7% of their salary to the Fund, respectively. The City/District makes the contributions required of City/District employees on their behalf and for their accounts. The City/District is required to contribute at an actuarially determined rate. The required employer contribution rates for fiscal year 2007 were 9.24% for miscellaneous employees and 31.75% for safety employees of annual covered payroll which amounted to \$935,505 and \$2,424,604 respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**9. EMPLOYEES' RETIREMENT PLANS, Continued**

*Annual Pension Cost:* For fiscal year 2007, the City/District's annual pension cost for CalPERS was equal to the City/District's required and actual contributions, which were determined as part of the June 30, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included the following:

Investment rate of return	7.75% (net of administrative services)
Projected salary increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

The actuarial value of assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Unfunded actuarial accrued liability (UAAL) (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of any unfunded actuarial liabilities of the City/District ends on June 30, 2021, for safety employees and June 30, 2019, for miscellaneous employees.

*Three-Year Trend Information:* The following table shows the City/District's required contributions and the percentage contributed, for the current year and each of the preceding two years.

Miscellaneous Plan				Safety Plan			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 593,445	100%	\$ -	6/30/2005	\$ 1,898,375	100%	\$ -
6/30/2006	1,059,743	100%	-	6/30/2006	2,182,014	100%	-
6/30/2007	935,505	100%	-	6/30/2007	2,424,604	100%	-

Internal Revenue Code Section 401(a) Plan

Effective January 1, 1997, the City/District established the City of Foster City Section 401 (a) Plan (Plan), a defined contribution plan. The City/District designated a third party administrator to administer the Plan on behalf of the City/District. The Plan provides retirement benefits to all employees on the date of employment. The employees vest upon joining the Plan. The City/District has agreed to contribute to the employees' accounts based on the employees' hours of service and current rate of pay as defined in each bargaining unit's memorandum of understanding (MOU) with the City/District. The City/District could amend the Plan as agreed to by each bargaining unit. The City/District contributed \$597,488 in fiscal year 2007 as required under the City/District's MOUs. The Plan has \$76,981 loaned to six employees at June 30, 2007.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**9. EMPLOYEES' RETIREMENT PLANS, Continued**

Other Post Employment Benefits

In addition to the benefits described in Note 9, 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 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 \$64.60 and 80.80 per month per family for the period from July 1, 2006 to December 31, 2006 and January 1, 2007 to June 30, 2007 respectively. The City/District's contribution for fiscal year 2007 amounted to \$40,066.

The City/District offers a longevity recognition program under which, employees with a minimum of 10 years of services and retired from the City/District are entitled to a monthly benefit. The monthly benefit ranges from \$125 to \$350 based on the employee's number of years of service and bargaining group. The City/District's contribution for fiscal year 2007 amounted to \$76,550.

**10. PENINSULA JEWISH COMMUNITY CENTER LEASE**

On October 19, 1998, the City/District (Lessor) entered into a 55-year Lease Agreement for real property with the Peninsula Jewish Community Center (Lessee) commencing January 1, 2003. Initially, the Lessee's lease rent is \$250,000 per year, consisting of two components. The first component is a fixed dollar amount of \$120,000 intended to recover the municipal service cost to the City/District referred herein as the "In Lieu Rent." The second component of \$130,000 is to provide services in the form of discounts on membership and discounts on program activities of the Lessee made available to residents of the City/District, referred to herein as the "In-Kind Rent." The In Lieu Rent increases 2% per year for the term of the lease and the In Kind Rent increase a minimum of 2% per year for the term of the lease. During fiscal year 2007, the City/District received \$128,618 of In Lieu Rent and \$14,430 of In Kind Rent.

**11. 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 Sewer Revenue Bonds of 1979. The remaining construction costs were financed through use of existing funds.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**11. INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS, Continued**

Wastewater Treatment Facility, Continued

A new Joint Powers Agreement (JPA) dated July 17, 1989 and amended January 17, 1990, was executed by the City of San Mateo and the City/District to rescind the agreement of June 1974 (amended February 1976). The new WA provides for the expansion of the wastewater treatment facility with all costs shared between the parties as follows: the City of San Mateo, 65.6% and the City/District, 34.4%. 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. Part of the District's share of costs have been financed through the sale of \$1,329,000 in Sewer 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 these revenue bonds. For the year ended June 30, 2007, the City/District expended \$3,356,005 towards the wastewater treatment plant facility.

For the year ended June 30, 2007, the District's share of the operating and maintenance costs was \$1,565,090, which is included in the Sewer Enterprise Fund's contractual services in the accompanying basic financial statements.

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, 2007, the City/District paid premiums to The Cities Group of \$461,165, which are included in the General Fund insurance expenditures in the accompanying basic financial statements. Payments of City/District workers' compensation claims for the year ended June 30, 2007 were \$397,538.

Condensed financial information as of June 30, 2007 for The Cities Group and (the latest information available) is presented below:

Total assets	\$	2,352,134
Total liabilities		1,053,107
Total equity/net assets		1,299,027
Total revenues		2,621,041
Total expenses/expenditures		2,609,696
Increase (decrease) in equity/net assets		11,345

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**11. INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS, Continued**

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, 2007, the City/District's paid premiums of \$185,558 to ABAG.

Condensed financial information as of June 30, 2006 for the ABAG PLAN is presented below:

Total assets	\$ 43,306,059
Total liabilities	20,606,782
Total equity/net assets	22,699,277
Total revenues	10,266,112
Total expenses/expenditures	10,643,329
Increase (decrease) in equity/net assets	(377,217)

**12. 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 safety employees and \$750,000 for other employees effective April 1, 2005. The coverage by Cities Group increased to \$1,000,000 for other employees effective April 1, 2006. 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.

The City/District's deductibles and maximum coverage as of June 30, 2007 were:

Coverage	Deductible	ABAG/ Cities Group	Excess Liability
General liability	\$ 100,000	\$ 5,000,000	\$ 5,000,000
Workers' compensation	-	1,000,000	10,000,000
Property damage	5,000	100,000	63,000,000
Vehicle damage	10,000	100,000	2,200,000

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**12. RISK MANAGEMENT, Continued**

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, 2007, the liability for general liability self-insurance claims was \$25,799. 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, 2005	\$ 23,634
Current year claim deductibles and changes in estimates	203,413
Net payments	<u>(189,384)</u>
Liability at June 30, 2006	37,663
Current year claim deductibles and changes in estimates	185,559
Net payments	<u>(197,423)</u>
Liability at June 30, 2007	<u><u>\$ 25,799</u></u>

**13. 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, would not materially affect the basic financial statements of the City/District.

Settlement with San Mateo Union High School District

In 1991, the Agency settled a lawsuit involving the allocation of property tax increment revenue to the San Mateo Unified High School District (High School District). Based on the settlement, the Agency has agreed to pay the High School District a fixed amount of \$300,000 of tax increment annually through fiscal year 1996. For each fiscal year from 1997 to 2006, the Agency is obligated to pay the High School District an amount equal to 7.5% of the projected net tax increment received by the Agency in each fiscal year. For each fiscal year from 2007 to 2016, the Agency is obligated to pay the High School District an amount equal to 10% of the projected net tax increment received in each fiscal year. Total payments to the High School District are not to exceed \$9,636,000 and are to be made only from the tax revenues of the year payments are made. Accordingly, no liability for the future settlement payments has been recorded. During fiscal year 2007 the Agency paid \$431,000 to the High School District.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**13. COMMITMENTS AND CONTINGENCIES, Continued**

Marlin Cove Disposition and Development Agreement

On November 15, 1999, 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, with interest at seven percent per annum, amortized over fifteen years and paid to the developer in equal annual installments of \$109,794. The annual payments will be paid on May 1 of each year commencing on May 1, 2000, 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. During the fiscal year ended June 30, 2007, the Agency paid the developer its seventh installment of \$109,794.

(ii) *Utility Subsidy* – The Agency pledged to the developer a utility allowance subsidy in the amount of \$36,000 annually for the affordable units. The Utility Subsidy will be paid annually 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. For the fiscal year ended June 30, 2007, the Agency paid the developer the utility subsidy in the amount of \$39,746.

(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, 2007, the Agency paid the developer a tax increment subsidy in the amount of \$162,281.

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.

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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

**13. COMMITMENTS AND CONTINGENCIES, Continued**

Hillsdale/Gull Disposition and Development Agreement, Continued

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. As a result, the Agency paid the developer its fourth installment in the amount of \$233,659 during the fiscal year ended June 30, 2007.

Special Assessment Debt

The City/District is considered to be "obligated in some manner," as defined by Governmental Accounting Standards Board Statement No. 6, Accounting and Financial Reporting for Special Assessments, for its special assessment debt. The City/District is obligated to foreclose on properties for which owners have failed to pay installments of assessments as they become due and the City/District may honor deficiencies to the extent that lien foreclosure proceeds are insufficient. The City/District's obligation to advance monies to pay debt service in the event of delinquent assessment installments is limited to the amount of remaining original bond proceeds and installments received. Special assessment debt and related transactions are included in the City/District's basic financial statements. Debt service payments are made from special assessments of the related special assessment district.

**14. PRIOR PERIOD ADJUSTMENTS**

**A. Government-Wide Financial Statements**

During fiscal year 2007, the City/District recorded the following prior period adjustments to record prior year unbilled utilities revenue not previously recorded and to record the retirement of certain capital assets not previously recorded.

	Net Assets as Previously Reported	Prior year Unbilled Utilities	Capital assets Retirement	Net Assets as Restated
Business-type activities	\$ 80,081,341	\$ 405,164	\$ (410,190)	\$ 80,076,315
<b>Total</b>	<b>\$ 80,081,341</b>	<b>\$ 405,164</b>	<b>\$ (410,190)</b>	<b>\$ 80,076,315</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2007**

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**14. PRIOR PERIOD ADJUSTMENTS, Continued**

*B. Fund Financial Statements*

During fiscal year 2007, the City/District recorded the following prior period adjustments to record prior year unbilled utilities revenue not previously recorded and to record the retirement of certain capital assets not previously recorded.

	Fund Balance as Previously Reported	Prior year Unbilled Utilities	Capital assets Retirement	Fund Balance as Restated
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Water fund	\$ 35,815,420	\$ 222,933	\$ (410,190)	\$ 35,628,163
Sewer fund	44,200,895	182,231	-	44,383,126
<b>Total</b>	<u><u>\$ 80,016,315</u></u>	<u><u>\$ 405,164</u></u>	<u><u>\$ (410,190)</u></u>	<u><u>\$ 80,011,289</u></u>

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information**  
**For the fiscal year ended June 30, 2007**

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**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, Special Revenue Funds and Debt Service 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, 2007. Encumbrances are expected to be reappropriated in the following fiscal year.

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the fiscal year ended June 30, 2007**

*Budgetary Comparison Schedule – General Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, June 30, 2006</b>	\$ 32,424,811	\$ 32,424,811	\$ 32,424,811	\$ -
Resources (inflows):				
Property taxes:				
Secured	9,733,000	9,733,000	10,981,854	1,248,854
Unsecured	-	-	94,750	94,750
Total	9,733,000	9,733,000	11,076,604	1,343,604
Other taxes:				
Sales and use and sales tax in lieu	4,294,000	4,294,000	6,635,709	2,341,709
Transient occupancy	1,038,000	1,038,000	1,237,843	199,843
Franchise	919,000	919,000	981,494	62,494
Real property transfer	400,000	400,000	266,620	(133,380)
Total	6,651,000	6,651,000	9,121,666	2,470,666
Licenses and permits:				
Business licenses	480,000	480,000	629,432	149,432
Permits	487,000	487,000	526,760	39,760
Total	967,000	967,000	1,156,192	189,192
Intergovernmental:				
Motor vehicle in lieu	2,331,000	2,331,000	177,701	(2,153,299)
Homeowner property tax relief	114,000	114,000	112,426	(1,574)
Reimbursements and grants	-	-	97,531	97,531
Total	2,445,000	2,445,000	387,658	(2,057,342)
Charges for current services:				
Service fees	265,000	265,000	337,836	72,836
Recreation and leisure	1,000,000	1,000,000	1,045,856	45,856
Total	1,265,000	1,265,000	1,383,692	118,692
Fines and forfeitures:				
Traffic fines and court fees	50,000	50,000	46,265	(3,735)
False alarm fines	-	-	9,268	9,268
Total	50,000	50,000	55,533	5,533
Investment income and rentals:				
Investment income	389,252	389,252	2,246,488	1,857,236
Rent	679,000	739,748	809,435	69,687
Total	1,068,252	1,129,000	3,055,923	1,926,923
Other revenues	600,000	600,000	731,625	131,625
Transfers in	1,325,344	1,325,344	809,900	(515,444)
Amounts available for appropriation	56,529,407	56,590,155	60,203,604	3,613,449

(Continued)

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the fiscal year ended June 30, 2007**

*Budgetary Comparison Schedule – General Fund, Continued*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to appropriations (outflows):				
General government:				
Council/Board	\$ 316,970	\$ 316,970	\$ 284,340	\$ 32,630
City/District Manager	592,746	592,746	568,034	24,712
City Clerk	155,851	155,851	154,851	1,000
City/District Attorney	147,894	147,894	141,954	5,940
Administrative Services	475,058	475,058	447,575	27,483
Human Resources	374,969	384,969	343,358	41,611
Financial Services	572,726	574,276	503,978	70,298
Total	<u>2,636,214</u>	<u>2,647,764</u>	<u>2,444,090</u>	<u>203,674</u>
Public safety - Police	8,577,017	8,577,017	8,369,910	207,107
Public safety - Fire	7,589,101	7,621,101	7,213,382	407,719
Public works	2,348,141	2,516,141	2,272,249	243,892
Community development	1,387,146	1,387,146	1,202,578	184,568
Parks and recreation	5,755,749	5,990,125	5,704,605	285,520
Transfers out	574,344	574,344	360,076	214,268
Total charges to appropriations	<u>28,867,712</u>	<u>29,313,638</u>	<u>27,566,890</u>	<u>1,746,748</u>
<b>Fund balance, June 30, 2007</b>	<u>\$ 27,661,695</u>	<u>\$ 27,276,517</u>	<u>\$ 32,636,714</u>	<u>\$ 5,360,197</u>

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the fiscal year ended June 30, 2007**

**Schedule of Funding Progress (Unaudited)**

*Funded Status of Plan - Safety Employees*

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
CalPERS Risk Pool Information (a):							
6/30/2004	5,383,921,942	4,424,586,846	959,335,096	82.2%	81.1%	575,296,434	166.8%
6/30/2005	6,367,049,264	5,295,150,375	1,071,898,889	83.2%	85.6%	664,147,796	161.4%
6/30/2006	7,278,049,834	6,102,615,567	1,175,434,267	83.8%	88.9%	754,730,438	155.7%

(a)

In fiscal year ended June 30, 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City/District's Safety employees is no longer available nor disclosed.

*Funded Status of Plan - Miscellaneous Employees*

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
6/30/2004	\$ 38,683,679	\$ 35,188,405	\$ 3,495,274	91.0%	89.4%	\$ 10,118,586	34.5%
6/30/2005	41,626,914	38,278,835	3,348,079	92.0%	94.4%	10,557,482	31.7%
6/30/2006	48,925,129	42,162,830	6,762,299	86.2%	90.9%	10,471,332	64.6%

**City of Foster City and Estero Municipal Improvement District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2007**

	Non-Major Special Revenue Funds	Non-Major Debt Service Funds	Total
<b>ASSETS</b>			
Cash and investments	\$ 2,422,903	\$ 333,460	\$ 2,756,363
Receivables, net of allowance:			
Intergovernmental	67,006	-	67,006
Taxes	47,223	9,532	56,755
Other	13,500	-	13,500
Restricted cash and investments	-	1,056,300	1,056,300
Special assessment receivable	-	1,160,000	1,160,000
<b>Total assets</b>	<b>2,550,632</b>	<b>2,559,292</b>	<b>5,109,924</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	3,804	-	3,804
Accrued payroll	5,229	-	5,229
Deferred revenue	-	1,160,000	1,160,000
<b>Total liabilities</b>	<b>9,033</b>	<b>1,160,000</b>	<b>1,169,033</b>
<b>Fund balances:</b>			
Reserved for:			
Debt service	-	1,399,292	1,399,292
Unreserved, reported in:			
Special revenue funds	2,541,599	-	2,541,599
<b>Total fund balances</b>	<b>2,541,599</b>	<b>1,399,292</b>	<b>3,940,891</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,550,632</b>	<b>\$ 2,559,292</b>	<b>\$ 5,109,924</b>

**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the fiscal year ended June 30, 2007**

	Non-Major Special Revenue Funds	Non-Major Debt Service Funds	Total
<b>REVENUES:</b>			
Property taxes	\$ -	\$ 283	\$ 283
Sales and use taxes	455,319	-	455,319
Intergovernmental	667,357	-	667,357
Fines and forfeitures	139,080	-	139,080
Special assessments	-	299,265	299,265
Investment income	116,175	71,969	188,144
Other	259,531	-	259,531
<b>Total revenues</b>	<b>1,637,462</b>	<b>371,517</b>	<b>2,008,979</b>
<b>EXPENDITURES:</b>			
Current:			
General government	27,560	-	27,560
Public safety - Police	101,004	-	101,004
Capital outlay	397,684	-	397,684
Debt service:			
Principal repayment	-	1,685,000	1,685,000
Interest and fiscal charges	-	182,820	182,820
<b>Total expenditures</b>	<b>526,248</b>	<b>1,867,820</b>	<b>2,394,068</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,111,214</b>	<b>(1,496,303)</b>	<b>(385,089)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	250	-	250
Transfers out	(779,650)	(24,791)	(804,441)
<b>Total other financing sources (uses)</b>	<b>(779,400)</b>	<b>(24,791)</b>	<b>(804,191)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>331,814</b>	<b>(1,521,094)</b>	<b>(1,189,280)</b>
<b>FUND BALANCES:</b>			
Beginning of year	2,209,785	2,920,386	5,130,171
End of year	<b>\$ 2,541,599</b>	<b>\$ 1,399,292</b>	<b>\$ 3,940,891</b>

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**City of Foster City and Estero Municipal Improvement District**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2007**

	Traffic Safety	Measure A	Gas Tax	SLESF/ COPS Grant
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 1,334,727	\$ 719,817	\$ 5,229
Receivables, net of allowance:				
Intergovernmental	11,244	-	55,762	-
Taxes	-	47,223	-	-
Other	-	-	-	-
<b>Total assets</b>	<b>\$ 11,244</b>	<b>\$ 1,381,950</b>	<b>\$ 775,579</b>	<b>\$ 5,229</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	5,229
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,229</b>
<b>Fund Balances:</b>				
Unreserved, reported in:				
Special revenue funds	11,244	1,381,950	775,579	-
<b>Total fund balances</b>	<b>11,244</b>	<b>1,381,950</b>	<b>775,579</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,244</b>	<b>\$ 1,381,950</b>	<b>\$ 775,579</b>	<b>\$ 5,229</b>



<u>California Law Enforcement Equipment</u>	<u>Traffic Congestion Relief</u>	<u>California Opportunities</u>	<u>Proposition 42</u>	<u>Foster City Foundation</u>	<u>Total</u>
\$ 26,867	\$ -	\$ 176,982	\$ -	\$ 159,281	\$ 2,422,903
-	-	-	-	-	67,006
-	-	-	-	-	47,223
-	-	13,500	-	-	13,500
<u>\$ 26,867</u>	<u>\$ -</u>	<u>\$ 190,482</u>	<u>\$ -</u>	<u>\$ 159,281</u>	<u>\$ 2,550,632</u>
\$ -	\$ -	\$ 3,804	\$ -	\$ -	\$ 3,804
-	-	-	-	-	5,229
<u>-</u>	<u>-</u>	<u>3,804</u>	<u>-</u>	<u>-</u>	<u>9,033</u>
<u>26,867</u>	<u>-</u>	<u>186,678</u>	<u>-</u>	<u>159,281</u>	<u>2,541,599</u>
<u>26,867</u>	<u>-</u>	<u>186,678</u>	<u>-</u>	<u>159,281</u>	<u>2,541,599</u>
<u>\$ 26,867</u>	<u>\$ -</u>	<u>\$ 190,482</u>	<u>\$ -</u>	<u>\$ 159,281</u>	<u>\$ 2,550,632</u>

**City of Foster City and Estero Municipal Imprc**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the fiscal year ended June 30, 2007**

	Traffic Safety	Measure A	Gas Tax	SLESF/ COPS Grant
<b>REVENUES:</b>				
Sales and use tax	\$ -	\$ 455,319	\$ -	\$ -
Intergovernmental	-	-	567,357	100,000
Fines and forfeitures	139,080	-	-	-
Investment income	5,920	58,090	48,690	1,004
Other	-	-	-	-
<b>Total revenues</b>	<b>145,000</b>	<b>513,409</b>	<b>616,047</b>	<b>101,004</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Public safety - police	-	-	-	101,004
Capital outlay	-	139,470	-	-
<b>Total expenditures</b>	<b>-</b>	<b>139,470</b>	<b>-</b>	<b>101,004</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>145,000</b>	<b>373,939</b>	<b>616,047</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(157,650)	-	(622,000)	-
<b>Total other financing sources (uses)</b>	<b>(157,650)</b>	<b>-</b>	<b>(622,000)</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(12,650)</b>	<b>373,939</b>	<b>(5,953)</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Beginning of year	23,894	1,008,011	781,532	-
End of year	\$ 11,244	\$ 1,381,950	\$ 775,579	\$ -

California Law Enforcement Equipment	Traffic Congestion Relief	California Opportunities	Proposition 42	Foster City Foundation	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 455,319
-	-	-	-	-	667,357
-	-	-	-	-	139,080
-	-	2,471	-	-	116,175
-	-	100,500	-	159,031	259,531
-	-	102,971	-	159,031	1,637,462
-	-	27,560	-	-	27,560
-	-	-	-	-	101,004
-	37,438	-	220,776	-	397,684
-	37,438	27,560	220,776	-	526,248
-	(37,438)	75,411	(220,776)	159,031	1,111,214
-	-	-	-	250	250
-	-	-	-	-	(779,650)
-	-	-	-	250	(779,400)
-	(37,438)	75,411	(220,776)	159,281	331,814
26,867	37,438	111,267	220,776	-	2,209,785
\$ 26,867	\$ -	\$ 186,678	\$ -	\$ 159,281	\$ 2,541,599

**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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fines and forfeitures	\$ 175,000	\$ 175,000	\$ 139,080	\$ (35,920)
Investment income	3,000	3,000	5,920	2,920
<b>Total revenues</b>	<b>178,000</b>	<b>178,000</b>	<b>145,000</b>	<b>(33,000)</b>
<b>OTHER FINANCING USES:</b>				
Transfer out	(206,500)	(206,500)	(157,650)	48,850
<b>NET CHANGE IN FUND BALANCE</b>	<b>(28,500)</b>	<b>(28,500)</b>	<b>(12,650)</b>	<b>15,850</b>
<b>FUND BALANCE:</b>				
Beginning of year	23,894	23,894	23,894	-
End of year	\$ (4,606)	\$ (4,606)	\$ 11,244	\$ 15,850

**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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Sales and use taxes	\$ 401,000	\$ 401,000	\$ 455,319	\$ 54,319
Investment income	38,000	38,000	58,090	20,090
<b>Total revenues</b>	<b>439,000</b>	<b>439,000</b>	<b>513,409</b>	<b>74,409</b>
<b>EXPENDITURES:</b>				
Capital outlay	393,024	968,024	139,470	828,554
<b>Total expenditures</b>	<b>393,024</b>	<b>968,024</b>	<b>139,470</b>	<b>828,554</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>45,976</b>	<b>(529,024)</b>	<b>373,939</b>	<b>902,963</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,008,011	1,008,011	1,008,011	-
End of year	\$ 1,053,987	\$ 478,987	\$ 1,381,950	\$ 902,963

**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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 602,000	\$ 602,000	\$ 567,357	\$ (34,643)
Investment income	20,000	20,000	48,690	28,690
<b>Total revenues</b>	<b>622,000</b>	<b>622,000</b>	<b>616,047</b>	<b>(5,953)</b>
<b>OTHER FINANCING USES:</b>				
Transfer out	(622,000)	(622,000)	(622,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(5,953)</b>	<b>(5,953)</b>
<b>FUND BALANCE:</b>				
Beginning of year	781,532	781,532	781,532	-
End of year	\$ 781,532	\$ 781,532	\$ 775,579	\$ (5,953)

**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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Investment income	-	-	1,004	1,004
<b>Total revenues</b>	<b>100,000</b>	<b>100,000</b>	<b>101,004</b>	<b>1,004</b>
<b>EXPENDITURES:</b>				
Public safety - police	101,100	101,100	101,004	96
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,100)</b>	<b>(1,100)</b>	<b>-</b>	<b>1,100</b>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	\$ (1,100)	\$ (1,100)	\$ -	\$ 1,100

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**California Law Enforcement Equipment Special Revenue Fund**  
**For the fiscal year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Public safety - police	-	-	-	-
Capital outlay	-	26,867	-	26,867
<b>Total expenditures</b>	-	26,867	-	26,867
<b>NET CHANGE IN FUND BALANCE</b>	-	(26,867)	-	26,867
<b>FUND BALANCE:</b>				
Beginning of year	26,867	26,867	26,867	-
End of year	\$ 26,867	\$ -	\$ 26,867	\$ 26,867

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Traffic Congestion Relief Special Revenue Fund**  
**For the fiscal year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Capital outlay	\$ 37,450	\$ 37,450	\$ 37,438	\$ 12
<b>NET CHANGE IN FUND BALANCE</b>	<u>(37,450)</u>	<u>(37,450)</u>	<u>(37,438)</u>	<u>12</u>
<b>FUND BALANCE:</b>				
Beginning of year	37,438	37,438	37,438	-
End of year	<u>\$ (12)</u>	<u>\$ (12)</u>	<u>\$ -</u>	<u>\$ 12</u>

**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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment income	\$ 1,000	\$ 1,000	\$ 2,471	\$ 1,471
Other	55,000	55,000	100,500	45,500
<b>Total revenues</b>	<b>56,000</b>	<b>56,000</b>	<b>102,971</b>	<b>46,971</b>
<b>EXPENDITURES:</b>				
General government	34,800	34,800	27,560	7,240
<b>NET CHANGE IN FUND BALANCE</b>	<b>21,200</b>	<b>21,200</b>	<b>75,411</b>	<b>54,211</b>
<b>FUND BALANCE:</b>				
Beginning of year	111,267	111,267	111,267	-
End of year	\$ 132,467	\$ 132,467	\$ 186,678	\$ 54,211

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Proposition 42 Special Revenue Fund**  
**For the fiscal year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Capital outlay	\$ 220,776	\$ 220,776	\$ 220,776	\$ -
<b>Total expenditures</b>	<b>220,776</b>	<b>220,776</b>	<b>220,776</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(220,776)</b>	<b>(220,776)</b>	<b>(220,776)</b>	<b>-</b>
<b>FUND BALANCE:</b>				
Beginning of year	220,776	220,776	220,776	-
End of year	\$ -	\$ -	\$ -	\$ -

**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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Other	\$ -	\$ -	\$ 159,031	\$ 159,031
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>159,031</b>	<b>159,031</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer in	-	-	250	250
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>159,281</b>	<b>159,281</b>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ 159,281	\$ 159,281

**City of Foster City and Estero Municipal Improvement District**  
**Combining Balance Sheet**  
**Non-Major Debt Service Funds**  
**June 30, 2007**

	Land Reclamation Bonds		Lighting, Drainage and Street Improvement	Vintage Park Special Assessment Bonds	Total
	1967	1970	1972 Bonds		
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ 333,460	\$ 333,460
Receivables, net of allowance:					
Taxes	-	-	-	9,532	9,532
Restricted cash and investments	654,050	-	-	402,250	1,056,300
Special assessments receivables	-	-	-	1,160,000	1,160,000
<b>Total assets</b>	<b>\$ 654,050</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,905,242</b>	<b>\$ 2,559,292</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Deferred revenue	\$ -	\$ -	\$ -	\$ 1,160,000	\$ 1,160,000
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,160,000</b>	<b>1,160,000</b>
<b>Fund Balances:</b>					
Reserved for:					
Debt service	654,050	-	-	745,242	1,399,292
<b>Total fund balances</b>	<b>654,050</b>	<b>-</b>	<b>-</b>	<b>745,242</b>	<b>1,399,292</b>
<b>Total liabilities and fund balances</b>	<b>\$ 654,050</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,905,242</b>	<b>\$ 2,559,292</b>

**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Debt Service Funds**  
**For the fiscal year ended June 30, 2007**

	Land Reclamation Bonds		Lighting, Drainage and Street Improvement 1972 Bonds	Vintage Park Special Assessment Bonds	Total
	1967	1970			
<b>REVENUES:</b>					
Property taxes	\$ 283	\$ -	\$ -	\$ -	\$ 283
Special assessments	-	-	-	299,265	299,265
Investment income	37,346	-	-	34,623	71,969
<b>Total revenues</b>	<b>37,629</b>	<b>-</b>	<b>-</b>	<b>333,888</b>	<b>371,517</b>
<b>EXPENDITURES:</b>					
Debt service:					
Principal repayment	500,000	475,000	375,000	335,000	1,685,000
Interest and fiscal charges	53,100	15,438	12,188	102,094	182,820
<b>Total expenditures</b>	<b>553,100</b>	<b>490,438</b>	<b>387,188</b>	<b>437,094</b>	<b>1,867,820</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(515,471)</b>	<b>(490,438)</b>	<b>(387,188)</b>	<b>(103,206)</b>	<b>(1,496,303)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer out	(24,791)	-	-	-	(24,791)
<b>Total other financing sources (uses)</b>	<b>(24,791)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,791)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(540,262)</b>	<b>(490,438)</b>	<b>(387,188)</b>	<b>(103,206)</b>	<b>(1,521,094)</b>
<b>FUND BALANCES:</b>					
Beginning of year	1,194,312	490,438	387,188	848,448	2,920,386
End of year	\$ 654,050	\$ -	\$ -	\$ 745,242	\$ 1,399,292

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Metro Center Special Assessment Bonds Debt Service Fund - Major Fund**  
**For the fiscal year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Special assessments	\$ 470,000	\$ 470,000	\$ 499,971	\$ 29,971
Investment income	15,000	15,000	50,297	35,297
<b>Total revenues</b>	<b>485,000</b>	<b>485,000</b>	<b>550,268</b>	<b>65,268</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal repayment	875,000	875,000	875,000	-
Interest and fiscal charges	140,175	105,425	104,677	748
<b>Total expenditures</b>	<b>1,015,175</b>	<b>980,425</b>	<b>979,677</b>	<b>748</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(530,175)</b>	<b>(495,425)</b>	<b>(429,409)</b>	<b>66,016</b>
<b>OTHER FINANCING USES:</b>				
Transfer out	(15,000)	(6,000)	(5,460)	540
<b>Total other financing uses</b>	<b>(15,000)</b>	<b>(6,000)</b>	<b>(5,460)</b>	<b>540</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(545,175)</b>	<b>(501,425)</b>	<b>(434,869)</b>	<b>66,556</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,439,769	1,439,769	1,439,769	-
End of year	\$ 894,594	\$ 938,344	\$ 1,004,900	\$ 66,556

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Tax Allocation Refunding Bonds Debt Service Fund - Major Fund**  
**For the fiscal year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 8,433,000	\$ 8,433,000	\$ 8,693,066	\$ 260,066
Investment income	82,000	82,000	152,438	70,438
<b>Total revenues</b>	<b>8,515,000</b>	<b>8,515,000</b>	<b>8,845,504</b>	<b>330,504</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal repayment	3,135,000	3,135,000	3,135,000	-
Interest and fiscal charges	529,084	529,084	512,957	16,127
<b>Total expenditures</b>	<b>3,664,084</b>	<b>3,664,084</b>	<b>3,647,957</b>	<b>16,127</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,850,916</b>	<b>4,850,916</b>	<b>5,197,547</b>	<b>346,631</b>
<b>OTHER FINANCING USES:</b>				
Transfer out	(4,777,916)	(4,777,916)	(5,085,457)	(307,541)
<b>Total other financing uses</b>	<b>(4,777,916)</b>	<b>(4,777,916)</b>	<b>(5,085,457)</b>	<b>(307,541)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>73,000</b>	<b>73,000</b>	<b>112,090</b>	<b>39,090</b>
<b>FUND BALANCE:</b>				
Beginning of year	6,107,662	6,107,662	6,107,662	-
End of year	\$ 6,180,662	\$ 6,180,662	\$ 6,219,752	\$ 39,090

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**1967 Land Reclamation Bonds Debt Service Fund**  
**For the fiscal year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ 283	\$ 283
Investment income	11,000	11,000	37,346	26,346
<b>Total revenues</b>	<b>11,000</b>	<b>11,000</b>	<b>37,629</b>	<b>26,629</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal repayment	500,000	500,000	500,000	-
Interest and fiscal charges	60,100	60,100	53,100	7,000
<b>Total expenditures</b>	<b>560,100</b>	<b>560,100</b>	<b>553,100</b>	<b>7,000</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(549,100)</b>	<b>(549,100)</b>	<b>(515,471)</b>	<b>33,629</b>
<b>OTHER FINANCING USES:</b>				
Transfer out	(25,000)	(25,000)	(24,791)	209
<b>Total other financing uses</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>(24,791)</b>	<b>209</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(574,100)</b>	<b>(574,100)</b>	<b>(540,262)</b>	<b>33,838</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,194,312	1,194,312	1,194,312	-
End of year	\$ 620,212	\$ 620,212	\$ 654,050	\$ 33,838

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**1970 Land Reclamation Bonds Debt Service Fund**  
**For the fiscal year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Debt service:				
Principal repayment	\$ 475,000	\$ 475,000	\$ 475,000	\$ -
Interest and fiscal charges	16,038	16,038	15,438	600
<b>Total expenditures</b>	<b>491,038</b>	<b>491,038</b>	<b>490,438</b>	<b>600</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(491,038)</b>	<b>(491,038)</b>	<b>(490,438)</b>	<b>600</b>
<b>FUND BALANCE:</b>				
Beginning of year	490,438	490,438	490,438	-
End of year	\$ (600)	\$ (600)	\$ -	\$ 600

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**1972 Lighting, Drainage and Street Improvement Bonds Debt Service Fund**  
**For the fiscal year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Debt service:				
Principal repayment	\$ 375,000	\$ 375,000	\$ 375,000	\$ -
Interest and fiscal charges	13,688	13,688	12,188	1,500
<b>Total expenditures</b>	<b>388,688</b>	<b>388,688</b>	<b>387,188</b>	<b>1,500</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(388,688)</b>	<b>(388,688)</b>	<b>(387,188)</b>	<b>1,500</b>
<b>FUND BALANCE:</b>				
Beginning of year	387,188	387,188	387,188	-
End of year	\$ (1,500)	\$ (1,500)	\$ -	\$ 1,500

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Vintage Park Special Assessment Bonds Debt Service Fund**  
**For the fiscal year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Special assessments	\$ 291,000	\$ 291,000	\$ 299,265	\$ 8,265
Investment income	8,000	8,000	34,623	26,623
<b>Total revenues</b>	<b>299,000</b>	<b>299,000</b>	<b>333,888</b>	<b>34,888</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal repayment	335,000	335,000	335,000	-
Interest and fiscal charges	102,894	102,894	102,094	800
<b>Total expenditures</b>	<b>437,894</b>	<b>437,894</b>	<b>437,094</b>	<b>800</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(138,894)</b>	<b>(138,894)</b>	<b>(103,206)</b>	<b>35,688</b>
<b>FUND BALANCE:</b>				
Beginning of year	848,448	848,448	848,448	-
End of year	\$ 709,554	\$ 709,554	\$ 745,242	\$ 35,688

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**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Fund Net Assets**  
**Internal Service Funds**  
**June 30, 2007**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 3,119,009	\$ 7,055,381	\$ 1,113,005	\$ 2,347,732
Inventory	28,886	-	-	-
Restricted cash and investments	-	-	-	-
Total current assets	<u>3,147,895</u>	<u>7,055,381</u>	<u>1,113,005</u>	<u>2,347,732</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	-	42,163	-	-
Depreciable	2,012,047	2,446,687	-	-
Total noncurrent assets	<u>2,012,047</u>	<u>2,488,850</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>5,159,942</u>	<u>9,544,231</u>	<u>1,113,005</u>	<u>2,347,732</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	31,317	63,899	6,848	37,519
Accrued payroll	13,560	-	-	23,587
Claims liability	-	-	25,799	-
Compensated absences - current portion	23,607	-	-	32,787
Total current liabilities	<u>68,484</u>	<u>63,899</u>	<u>32,647</u>	<u>93,893</u>
Noncurrent liabilities:				
Compensated absences	21,264	-	-	52,908
Total noncurrent liabilities	<u>21,264</u>	<u>-</u>	<u>-</u>	<u>52,908</u>
<b>Total liabilities</b>	<u>89,748</u>	<u>63,899</u>	<u>32,647</u>	<u>146,801</u>
<b>NET ASSETS</b>				
Invested in capital assets	2,012,047	2,488,850	-	-
Restricted	-	-	-	-
Unrestricted	3,058,147	6,991,482	1,080,358	2,200,931
<b>Total net assets</b>	<u>\$ 5,070,194</u>	<u>\$ 9,480,332</u>	<u>\$ 1,080,358</u>	<u>\$ 2,200,931</u>

Building Maintenance	Longevity Recognition Benefits	Total
\$ 1,737,320	\$ 68,942	\$ 15,441,389
-	-	28,886
-	902,969	902,969
<u>1,737,320</u>	<u>971,911</u>	<u>16,373,244</u>
-	-	42,163
-	-	4,458,734
-	-	4,500,897
<u>1,737,320</u>	<u>971,911</u>	<u>20,874,141</u>
156,128	-	295,711
11,380	3,650	52,177
-	-	25,799
18,105	-	74,499
<u>185,613</u>	<u>3,650</u>	<u>448,186</u>
<u>24,032</u>	-	<u>98,204</u>
<u>24,032</u>	-	<u>98,204</u>
<u>209,645</u>	<u>3,650</u>	<u>546,390</u>
-	-	4,500,897
-	902,969	902,969
1,527,675	65,292	14,923,885
<u>\$ 1,527,675</u>	<u>\$ 968,261</u>	<u>\$ 20,327,751</u>

**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the fiscal year ended June 30, 2007**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,050,728	\$ 488,572	\$ 188,000	\$ 1,518,620
<b>Total operating revenues</b>	<b>1,050,728</b>	<b>488,572</b>	<b>188,000</b>	<b>1,518,620</b>
<b>OPERATING EXPENSES:</b>				
Personnel	328,271	-	-	588,593
Repairs and maintenance	329,480	171,189	-	320,708
General and administration	13,462	-	-	131,299
Depreciation	374,537	553,447	-	-
Contractual services	5,554	-	6,250	-
Insurance	28,000	-	185,559	-
<b>Total operating expenses</b>	<b>1,079,304</b>	<b>724,636</b>	<b>191,809</b>	<b>1,040,600</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(28,576)</b>	<b>(236,064)</b>	<b>(3,809)</b>	<b>478,020</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Gain (loss) on sale of capital assets	20,185	1,178	-	-
Investment income	150,114	343,652	55,070	113,709
<b>Total nonoperating revenues (expenses)</b>	<b>170,299</b>	<b>344,830</b>	<b>55,070</b>	<b>113,709</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>141,723</b>	<b>108,766</b>	<b>51,261</b>	<b>591,729</b>
<b>CONTRIBUTIONS AND TRANSFERS:</b>				
Capital contribution	-	136,415	-	-
Transfers in	216,000	611,824	-	-
Transfers out	(8,799)	(216,000)	-	(289,296)
<b>Total transfers</b>	<b>207,201</b>	<b>532,239</b>	<b>-</b>	<b>(289,296)</b>
<b>Changes in Net Assets</b>	<b>348,924</b>	<b>641,005</b>	<b>51,261</b>	<b>302,433</b>
<b>NET ASSETS:</b>				
Beginning of the year	4,721,270	8,839,327	1,029,097	1,898,498
End of the year	\$ 5,070,194	\$ 9,480,332	\$ 1,080,358	\$ 2,200,931

Building Maintenance	Longevity Recognition Benefits	Total
\$ 1,327,138	\$ 396,971	\$ 4,970,029
<u>1,327,138</u>	<u>396,971</u>	<u>4,970,029</u>
269,133	76,550	1,262,547
216,509	-	1,037,886
408,434	-	553,195
-	-	927,984
187,242	-	199,046
-	-	213,559
<u>1,081,318</u>	<u>76,550</u>	<u>4,194,217</u>
<u>245,820</u>	<u>320,421</u>	<u>775,812</u>
-	-	21,363
<u>85,009</u>	<u>111,552</u>	<u>859,106</u>
<u>85,009</u>	<u>111,552</u>	<u>880,469</u>
<u>330,829</u>	<u>431,973</u>	<u>1,656,281</u>
-	-	136,415
-	-	827,824
<u>(198,960)</u>	<u>-</u>	<u>(713,055)</u>
<u>(198,960)</u>	<u>-</u>	<u>251,184</u>
131,869	431,973	1,907,465
<u>1,395,806</u>	<u>536,288</u>	<u>18,420,286</u>
<u>\$ 1,527,675</u>	<u>\$ 968,261</u>	<u>\$ 20,327,751</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, 2007**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from other funds	\$ 1,050,728	\$ 488,572	\$ 188,000	\$ 1,518,620
Cash payments to suppliers for goods and services	(390,185)	(143,067)	(196,825)	(482,873)
Cash payments to employees for services	(332,551)	-	-	(588,257)
<b>Net cash provided (used) by operating activities</b>	<b>327,992</b>	<b>345,505</b>	<b>(8,825)</b>	<b>447,490</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers received	216,000	611,824	-	-
Transfer paid	(8,799)	(216,000)	-	(289,296)
Interfund loans payments	-	-	-	121,333
<b>Net cash provided (used) by noncapital financing activities</b>	<b>207,201</b>	<b>395,824</b>	<b>-</b>	<b>(167,963)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of capital assets	20,185	1,778	-	-
Capital contributions received	-	136,415	-	-
Acquisition and construction of capital assets	(368,213)	(408,332)	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(348,028)</b>	<b>(270,139)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on investments	150,114	343,652	55,070	113,709
<b>Net cash provided (used) by investing activities</b>	<b>150,114</b>	<b>343,652</b>	<b>55,070</b>	<b>113,709</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>337,279</b>	<b>814,842</b>	<b>46,245</b>	<b>393,236</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	2,781,730	6,240,539	1,066,760	1,954,496
End of year	\$ 3,119,009	\$ 7,055,381	\$ 1,113,005	\$ 2,347,732
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (28,576)	\$ (236,064)	\$ (3,809)	\$ 478,020
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	374,537	553,447	-	-
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Other receivables	-	-	-	-
Inventory	(2,977)	-	-	-
Increase (decrease) in:				
Accounts payable	(10,712)	28,122	6,848	(30,866)
Accrued payroll	(32)	-	-	(1,916)
Claims liability	-	-	(11,864)	-
Compensated absences	(4,248)	-	-	2,252
Total adjustments	356,568	581,569	(5,016)	(30,530)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 327,992</b>	<b>\$ 345,505</b>	<b>\$ (8,825)</b>	<b>\$ 447,490</b>
<b>NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS:</b>				
Loss on disposal of capital assets	\$ -	\$ (600)	\$ -	\$ -
<b>Total noncash capital and related financing transaction</b>	<b>\$ -</b>	<b>\$ (600)</b>	<b>\$ -</b>	<b>\$ -</b>

Building Maintenance	Longevity Recognition Benefits	Total
\$ 1,328,308	\$ 396,971	\$ 4,971,199
(790,501)	-	(2,003,451)
(272,611)	(75,575)	(1,268,994)
<u>265,196</u>	<u>321,396</u>	<u>1,698,754</u>
-	-	827,824
(185,960)	-	(700,055)
-	-	121,333
<u>(185,960)</u>	<u>-</u>	<u>249,102</u>
-	-	21,963
-	-	136,415
-	-	(776,545)
<u>-</u>	<u>-</u>	<u>(618,167)</u>
85,009	111,552	859,106
<u>85,009</u>	<u>111,552</u>	<u>859,106</u>
164,245	432,948	2,188,795
1,573,075	538,963	14,155,563
<u>\$ 1,737,320</u>	<u>\$ 971,911</u>	<u>\$ 16,344,358</u>
\$ 245,820	\$ 320,421	\$ 775,812
-	-	927,984
1,170	-	1,170
-	-	(2,977)
21,684	-	15,076
(2,627)	975	(3,600)
-	-	(11,864)
(851)	-	(2,847)
<u>19,376</u>	<u>975</u>	<u>922,942</u>
<u>\$ 265,196</u>	<u>\$ 321,396</u>	<u>\$ 1,698,754</u>
\$ -	\$ -	\$ (600)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (600)</u>

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# CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

## STATISTICAL SECTION

The City/District adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Conditions Reporting: The Statistical Section - an amendment of NCGA Statement 1*. The statement is intended to improve consistency and comparability in reporting and to provide clearer guidance regarding the applicability of the standards for the statistical section to all types of governmental entities.

This part of the City/District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the Basic Financial Statements, Notes, and Required Supplementary Information says about the City/District's overall financial health.

### **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 Assets by Component,**  
**Last Five Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 77,132,726	\$ 89,440,178	\$ 92,896,656	\$ 95,785,241	\$ 97,436,808
Restricted	32,763,978	21,720,965	22,592,125	23,209,747	23,657,789
Unrestricted	39,219,884	35,928,134	36,848,780	39,557,946	44,825,904
Total governmental activities net assets	<u>\$ 149,116,588</u>	<u>\$ 147,089,277</u>	<u>\$ 152,337,561</u>	<u>\$ 158,552,934</u>	<u>\$ 165,920,501</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 32,172,097	\$ 31,588,358	\$ 38,216,716	\$ 39,528,336	\$ 59,649,262
Restricted	941,091	954,328	622,786	644,200	301,692
Unrestricted	46,337,397	47,355,944	41,640,689	39,908,805	20,548,181
Total business-type activities net assets	<u>\$ 79,450,585</u>	<u>\$ 79,898,630</u>	<u>\$ 80,480,191</u>	<u>\$ 80,081,341</u>	<u>\$ 80,499,135</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 109,304,823	\$ 121,028,536	\$ 131,113,372	\$ 135,313,577	\$ 157,086,070
Restricted	33,705,069	22,675,293	23,214,911	23,853,947	23,959,481
Unrestricted	85,557,281	83,284,078	78,489,469	79,466,751	65,374,085
Total primary government net assets	<u>\$ 228,567,173</u>	<u>\$ 226,987,907</u>	<u>\$ 232,817,752</u>	<u>\$ 238,634,275</u>	<u>\$ 246,419,636</u>

**Note:** As certain data required by GASB 44 was not readily available for years prior to 2003, the City/District elected to show only five years of data for this schedule.

**City of Foster City and Estero Municipal Improvement District**  
**Changes in Net Assets,**  
**Last Five Fiscal Years**  
*(accrual basis of accounting)*

	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 3,959,964	\$ 2,705,217	\$ 2,848,557	\$ 3,401,929	\$ 3,172,917
Police	6,972,046	7,458,401	7,672,926	7,874,658	8,414,456
Fire	6,152,976	6,558,290	6,456,232	7,707,520	7,129,555
Public works	3,951,120	6,192,009	4,272,573	4,938,721	5,832,257
Community development	6,445,306	6,734,993	4,330,177	3,939,444	4,517,721
Parks and recreation	5,867,155	5,967,687	6,201,991	6,112,184	6,274,796
Interest on long-term debt	2,496,351	2,003,449	1,394,022	1,149,134	714,924
<b>Total governmental activities expenses</b>	<b>35,844,918</b>	<b>37,620,046</b>	<b>33,176,478</b>	<b>35,123,590</b>	<b>\$ 36,056,626</b>
Business-type activities:					
Water	5,469,601	6,484,751	6,342,028	6,713,789	\$ 6,868,450
Wastewater	4,119,833	4,640,074	4,739,273	5,276,815	5,099,038
Public transportation	303,992	211,109	103,281	119,496	131,378
<b>Total business-type activities expenses</b>	<b>9,893,426</b>	<b>11,335,934</b>	<b>11,184,582</b>	<b>12,110,100</b>	<b>12,098,866</b>
<b>Total primary government expenses</b>	<b>\$ 45,738,344</b>	<b>\$ 48,955,980</b>	<b>\$ 44,361,060</b>	<b>\$ 47,233,690</b>	<b>\$ 48,155,492</b>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Public works	\$ 789,631	\$ 398,625	\$ 430,209	\$ 556,598	\$ 76,488
Parks and recreation	1,031,043	1,043,428	1,092,235	1,103,417	1,017,538
Other activities	1,553,066	1,848,369	1,563,775	1,570,945	1,638,345
Operating grants and contributions	1,254,714	1,191,358	1,181,974	1,642,813	996,947
Capital grants and contributions	1,203,787	746,541	1,076,241	1,771,121	128,000
<b>Total governmental activities program revenues</b>	<b>5,832,241</b>	<b>5,228,321</b>	<b>5,344,434</b>	<b>6,644,894</b>	<b>\$ 3,857,318</b>
Business-type activities:					
Charges for services:					
Water	5,997,758	6,095,677	5,800,508	5,782,979	\$ 6,027,769
Sewer	4,808,073	5,036,794	5,141,871	5,155,092	5,170,037
Other activities	393,324	206,231	79,590	55,479	69,955
Capital grants and contributions	23,409	11,522	-	1,762	-
<b>Total business-type activities program revenues</b>	<b>11,222,564</b>	<b>11,350,224</b>	<b>11,021,969</b>	<b>10,995,312</b>	<b>11,267,761</b>
<b>Total primary government program revenues</b>	<b>\$ 17,054,805</b>	<b>\$ 16,578,545</b>	<b>\$ 16,366,403</b>	<b>\$ 17,640,206</b>	<b>\$ 15,125,079</b>

**City of Foster City and Estero Municipal Improvement District**  
**Changes in Net Assets, Continued,**  
**Last Five Fiscal Years**  
*(accrual basis of accounting)*

<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (30,012,677)	\$ (32,391,725)	\$ (27,832,044)	\$ (28,478,696)	\$ (32,199,308)
Business-type activities	1,329,138	14,290	(162,613)	(1,114,788)	(831,105)
Total primary government net expense	<u>\$ (28,683,539)</u>	<u>\$ (32,377,435)</u>	<u>\$ (27,994,657)</u>	<u>\$ (29,593,484)</u>	<u>\$ (33,030,413)</u>
<b>General Revenues and Other</b>					
<b>Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 24,296,055	\$ 21,258,698	\$ 22,067,892	\$ 22,656,311	\$ 23,946,796
Franchise taxes	777,956	838,572	875,033	909,123	981,494
Sales taxes	3,667,546	3,527,247	3,670,336	4,136,136	4,763,648
Other taxes	1,805,428	1,873,576	1,980,139	2,202,260	2,396,793
Payments in lieu of taxes	1,726,710	1,607,385	2,405,400	2,190,769	2,327,380
Investment earnings	1,944,840	603,723	1,701,412	1,652,286	4,463,127
Miscellaneous	131,321	477,594	378,185	991,956	768,061
Transfers	726,307	177,619	1,931	(44,772)	(80,424)
Total governmental activities	<u>\$ 35,076,163</u>	<u>\$ 30,364,414</u>	<u>\$ 33,080,328</u>	<u>\$ 34,694,069</u>	<u>\$ 39,566,875</u>
Business-type activities:					
Property Tax	\$ 12,016	\$ 1,942	\$ -	\$ -	\$ -
Investment earnings	1,670,467	609,432	746,105	671,166	1,145,239
Miscellaneous	-	-	-	-	28,262
Transfers	(726,307)	(177,619)	(1,931)	44,772	80,424
Total business-type activities	<u>956,176</u>	<u>433,755</u>	<u>744,174</u>	<u>715,938</u>	<u>1,253,925</u>
Total primary government	<u>\$ 36,032,339</u>	<u>\$ 30,798,169</u>	<u>\$ 33,824,502</u>	<u>\$ 35,410,007</u>	<u>\$ 40,820,800</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 5,063,486	\$ (2,027,311)	\$ 5,248,284	\$ 6,215,373	\$ 7,367,567
Business-type activities	2,285,314	448,045	581,561	(398,850)	422,820
Total primary government	<u>\$ 7,348,800</u>	<u>\$ (1,579,266)</u>	<u>\$ 5,829,845</u>	<u>\$ 5,816,523</u>	<u>\$ 7,790,387</u>

**Note:** As certain data required by GASB 44 was not readily available for years prior to 2003, the City/District elected to show only five years of data for this schedule.

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

	Fiscal Year Ending June 30				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 16,058,190	\$ 13,334,107	\$ 17,146,836	\$ 16,239,583	\$ 14,763,522
Unreserved	17,743,376	18,887,235	14,634,507	16,185,228	17,873,192
Total General Fund	<u>33,801,566</u>	<u>32,221,342</u>	<u>31,781,343</u>	<u>32,424,811</u>	<u>32,636,714</u>
All Other Governmental Funds					
Reserved	26,015,509	18,305,306	20,341,972	17,691,445	18,633,237
Unreserved, reported in :					
Special Revenue Funds	3,295,414	2,360,150	2,820,266	2,209,785	2,541,599
Capital Projects Funds	1,049,774	(3,808,994)	(3,573,312)	(2,667,367)	(228,646)
Total All Other Governments Funds	<u>30,360,697</u>	<u>16,856,462</u>	<u>19,588,926</u>	<u>17,233,863</u>	<u>20,946,190</u>

**City of Foster City and Estero Municipal Improvement District**  
**Changes in Fund Balances of Governmental Funds,**  
**Last Five Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Revenues</b>					
Taxes	\$ 30,188,837	\$ 28,482,468	\$ 30,773,530	\$ 31,881,063	\$ 33,523,781
Licenses, fees and permits	881,315	845,900	925,063	1,145,886	1,156,192
Fines and penalties	185,977	238,786	231,281	190,439	194,613
Charges for services	1,202,629	1,164,994	1,218,808	1,334,881	1,383,692
Special assessments	1,882,383	1,229,743	1,466,046	1,316,143	799,236
Intergovernmental	4,101,504	1,375,769	1,709,815	1,716,468	1,183,015
Investment earnings	3,157,650	2,942,074	3,554,502	3,800,211	5,127,172
Other revenues	1,415,975	1,347,151	578,459	1,032,866	1,024,736
<b>Total revenues</b>	<b>43,016,270</b>	<b>37,626,885</b>	<b>40,457,504</b>	<b>42,417,957</b>	<b>44,392,437</b>
<b>Expenditures</b>					
General government	2,386,220	2,011,884	2,173,641	2,371,339	2,471,650
Police	6,972,046	7,458,401	7,629,412	7,886,775	8,470,914
Fire	6,006,387	6,449,536	6,412,718	6,831,111	7,213,382
Public works	2,163,972	2,699,440	2,254,732	2,571,047	2,428,438
Community development	6,336,193	6,463,105	4,099,415	4,191,028	4,550,667
Parks and recreation	5,380,143	5,330,070	5,199,602	5,500,330	5,704,605
Capital outlay	12,898,471	5,131,537	1,885,475	2,276,329	1,186,620
Debt service					
Interest	4,448,977	3,989,991	2,971,975	2,921,459	2,387,604
Principal	8,062,251	13,355,000	5,540,000	9,656,000	5,695,000
<b>Total expenditures</b>	<b>54,654,660</b>	<b>52,888,964</b>	<b>38,166,970</b>	<b>44,205,418</b>	<b>40,108,880</b>
Excess of revenues over (under) expenditures	(11,638,390)	(15,262,079)	2,290,534	(1,787,461)	4,283,557
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	-	-	-	130,000	500
Transfers in	5,845,116	4,950,870	4,940,702	8,863,966	5,895,607
Transfers out	(5,983,116)	(4,773,251)	(4,938,771)	(8,918,100)	(6,255,434)
<b>Total other financing sources (uses)</b>	<b>(138,000)</b>	<b>177,619</b>	<b>1,931</b>	<b>75,866</b>	<b>(359,327)</b>
<b>Net change in fund balances</b>	<b>\$ (11,776,390)</b>	<b>\$ (15,084,460)</b>	<b>\$ 2,292,465</b>	<b>\$ (1,711,595)</b>	<b>\$ 3,924,230</b>
Debt service as a percentage of noncapital expenditures	30.0%	36.3%	23.5%	30.0%	20.8%

**Note:** As certain data required by GASB 44 was not readily available for years prior to 2003, the City/District elected to show only five years of data for this schedule.

**City of Foster City and Estero Municipal Improvement District**  
**Assessed Value of Taxable Property,**  
**Last Three Fiscal Years**  
*(in thousands of dollars)*

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<b>Fiscal Year Ended June 30,</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Other Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>
2005	\$ 3,543,421	\$ 837,154	\$ 268,701	\$ 497,151	\$ 36,914	\$ 5,109,513
2006	3,927,763	857,293	274,483	479,612	45,780	\$ 5,493,371
2007	4,219,991	946,856	357,821	499,279	86,616	5,937,331
2008						
2009						
2010						
2011						
2012						
2013						
2014						

**Source:** San Mateo County Assessor 2006,07 - Combined Tax Rolls

**Notes:** 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:

- 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.

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

<b>Fiscal Year</b>	<b>Countywide Tax</b>	<b>Estero Improvement Bonds</b>	<b>San Mateo Elementary Bonds</b>	<b>San Mateo School Bonds</b>	<b>San Mateo Jr College Bonds</b>	<b>Total</b>
1997/98	1.0000	0.0032	0.0296	-	-	1.0328
1998/99	1.0000	0.0043	0.0329	-	-	1.0372
1999/00	1.0000	0.0046	0.0399	-	-	1.0445
2000/01	1.0000	0.0095	0.0367	-	-	1.0462
2001/02	1.0000	0.0079	0.0410	0.0153	-	1.0642
2002/03	1.0000	0.0112	0.0428	0.0165	0.0079	1.0784
2003/04	1.0000	-	0.0428	0.0161	0.0065	1.0654
2004/05	1.0000	-	0.0384	0.0174	0.0065	1.0623
2005/06	1.0000	-	0.0382	0.0174	0.0065	1.0621
2006/07	1.0000	-	0.0332	0.0156	0.0184	1.0672

**Source:** Tax Rolls Code 020-003, County of San Mateo

**Note:** (1) Proposition 13 allows each county to levy a maximum tax of \$1 per \$100 of full cash value.  
 Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

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

<u>Taxpayer</u>	<u>FY 2004/2005</u>			<u>FY 2006/2007</u>		
	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>
	<u>Assessed</u>		<u>of Total City</u>	<u>Assessed</u>		<u>of Total City</u>
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Visa International Services	\$ 251,197,402	1	4.88%	\$ 247,322,497	2	4.11%
Gilead Vintage Park Limited Partnership	179,510,476	2	3.49%	250,792,993	1	4.16%
Applera Corporation	150,713,264	3	2.93%	144,852,221	4	2.40%
SPK Metro Center LLC Lessee	143,311,752	4	2.78%	171,708,636	3	2.85%
Electronic For Imaging Inc.	131,407,416	5	2.55%	139,226,393	5	2.31%
Grupe Real Estate Investment 15	80,387,396	6	1.56%			
PWM Commercial Venture LLC	72,262,382	7	1.40%			
Gateway Phoenix & 5990 Sepulveda Associates	69,700,000	8	1.35%			
BRE Properties Inc.	67,190,046	9	1.31%	69,204,996	8	1.15%
Walton Bayside Investors IV LLC	52,563,370	10	1.02%			
Essex Harbor Cove Apartments LP				67,575,000	9	1.12%
Parkside Associates NF				73,000,000	7	1.21%
PWM Residential Venture LLC						
ADT Security Services Inc.				82,957,641	6	1.38%
Bayside Towers Inc.				65,750,000	10	1.09%
<b>Total</b>	<b>\$ 5,146,426,934</b>		<b>23.28%</b>	<b>\$ 6,023,947,009</b>		<b>21.79%</b>

**Source:** San Mateo County Assessor 2006/07 - Combined Tax Rolls

**Note:** As some information required by GASB 44 is not readily available, data from 1998 is not shown above.

**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	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 5,833,990	\$ 5,462,590	93.63%	\$ 25,023	\$ 5,487,612	94.06%
1999	6,199,781	5,811,880	93.74%	85,503	5,897,383	95.12%
2000	6,654,797	6,342,908	95.31%	5,466	6,348,374	95.40%
2001	7,330,999	7,138,149	97.37%	19,818	7,157,967	97.64%
2002	8,097,970	8,019,105	99.03%	39,986	8,059,091	99.52%
2003	8,549,219	8,044,620	94.10%	227,329	8,271,949	96.76%
2004	8,965,140	8,470,809	94.49%	79,905	8,550,714	95.38%
2005	9,440,814	8,861,531	93.86%	282,509	9,144,040	96.86%
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%	-	10,632,880	96.76%
	(1)	(2)				

Notes: (1) Information from County of San Mateo Controller's Office  
(2) Amount received after ERAF contribution

**City of Foster City and Estero Municipal Improvement District**  
**Water Sold by Type of Customer,**  
**Last Three Fiscal Years**  
*(in millions of gallons)*

Type of Customer	Fiscal Year		
	2005	2006	2007
Residential	1,483.5	1,444.8	1,488.4
Industrial	22.8	22.9	23.9
Commercial	277.5	263.4	259.2
Government	15.8	15.1	15.9
<b>Total</b>	<b>1,799.6</b>	<b>1,746.2</b>	<b>1,787.4</b>
Total direct rate per 1,000 gallons	\$ 1.68	\$ 1.72	\$ 1.99

**Source:** Utility Billing of Financial Services Department

**Note:** As certain data required by GASB 44 was not readily available for years prior to 2005, the City/District has elected to show only three years of data.

# City of Foster City and Estero Municipal Improvement District

## Water and Sewer Rates,

### Last Ten Fiscal Years

<u>Water</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Availability / Meter Charge (per Month)											
5/8 inch	\$ 4.60	\$ 4.60	\$ 9.50	\$ 9.50	\$ 9.50	\$ 9.50	\$ 9.50	\$ 12.50	\$ 12.50	\$ 12.90	\$ 13.90
3/4 inch	4.60	4.60	9.50	9.50	9.50	9.50	9.50	12.50	12.50	12.90	13.90
1 inch	11.50	11.50	23.75	23.75	23.75	23.75	23.75	31.25	31.25	32.25	34.75
1&1/2 inch	23.00	23.00	47.50	47.50	47.50	47.50	47.50	62.50	62.50	64.40	69.50
2 inch	36.80	36.80	76.00	76.00	76.00	76.00	76.00	100.00	100.00	103.00	111.20
3 inch	64.40	64.40	133.00	133.00	133.00	133.00	133.00	175.00	175.00	180.00	194.60
4 inch	101.20	101.20	209.00	209.00	209.00	209.00	209.00	275.00	275.00	280.00	305.80
6 inch	193.20	193.20	399.00	399.00	399.00	399.00	399.00	525.00	525.00	540.00	583.80
8 inch	303.60	303.60	627.00	627.00	627.00	627.00	627.00	825.00	825.00	850.00	917.40
Consumption Charge (per Unit*)											
All Classes	0.95	0.95	0.98	0.98	0.98	1.41	1.57	1.26	1.26	1.29	1.49
Private Fire Protection Service											
Availability / Meter Charge (per Month)											
1&1/2 inch	11.50	11.50	15.07	15.07	15.07	15.07	15.07	21.88	21.88	22.50	24.33
2 inch	18.40	18.40	24.10	24.10	24.10	24.10	24.10	35.00	35.00	36.25	38.92
3 inch	32.20	32.20	42.18	42.18	42.18	42.18	42.18	61.25	61.25	63.25	68.11
4 inch	50.60	50.60	66.29	66.29	66.29	66.29	66.29	96.25	96.25	99.25	107.03
6 inch	96.60	96.60	126.55	126.55	126.55	126.55	126.55	183.75	183.75	189.25	204.33
8 inch	151.80	151.80	198.86	198.86	198.86	198.86	198.86	288.75	288.75	297.50	321.09
<u>Sewer</u>											
Residential (per Month)											
Single Family	25.17	25.17	27.69	27.69	27.69	31.09	34.11	35.13	35.13	35.13	37.94
Townhouse	21.16	21.16	23.28	23.28	23.28	26.07	28.68	29.54	29.54	29.54	31.90
Duplex	21.16	21.16	23.28	23.28	23.28	26.07	28.68	29.54	29.54	29.54	31.90
Apartment / Condominium	20.02	20.02	22.02	22.02	22.02	24.66	27.13	27.94	27.94	27.94	30.18
Commercial (per Unit* of Water Billed)											
Restaurant	4.58	4.58	5.04	5.04	5.04	5.64	6.20	6.39	6.39	6.39	6.90
Miscellaneous	1.49	1.49	1.64	1.64	1.64	1.84	2.02	2.08	2.08	2.08	2.25
Institutional (per Unit* of Water Billed)											
School	0.91	0.91	1.00	1.00	1.00	1.12	1.23	1.27	1.27	1.27	1.37
Church	0.91	0.91	1.00	1.00	1.00	1.12	1.23	1.27	1.27	1.27	1.37
Public Facility	0.91	0.91	1.00	1.00	1.00	1.12	1.23	1.27	1.27	1.27	1.37

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	Sewer Bonds				
1998	\$ 27,217	\$ 33,435	\$ 20,315	\$ 3,688	\$ 84,655	6.31	\$ 2,788	
1999	24,382	32,255	18,975	3,373	78,985	5.11	2,573	
2000	21,412	31,010	16,885	3,034	72,341	3.97	2,341	
2001	18,211	29,675	15,355	2,729	65,970	4.07	2,265	
2002	14,926	29,135	11,095	2,399	57,555	3.80	1,990	
2003	11,501	26,340	9,390	1,859	49,090	3.16	1,646	
2004	4,941	23,430	5,505	1,582	35,458	2.17	1,188	
2005	3,491	20,400	4,445	1,242	29,578	0.75	990	
2006	1,985	13,385	3,310	785	19,465	n/a	651	
2007	635	10,250	2,100	280	13,265	n/a	438	

**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**  
**Revenue Bonds Coverage,**  
**Last Five Fiscal Years**

Sewer Revenue Bonds							
Fiscal Year Ended June 30	Sewer Revenues	Less Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2003	5,239,660	3,329,305	1,910,355	540,000	105,115	645,115	2.96
2004	5,186,105	3,686,009	1,500,096	277,000	88,445	365,445	4.10
2005	5,579,747	3,878,579	1,701,168	340,000	69,285	409,285	4.16
2006	5,603,934	4,515,204	1,088,730	457,000	43,800	500,800	2.17
2007	5,964,909	4,378,943	1,585,966	505,000	15,120	520,120	3.05

**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, 2007

2006-07 Assessed Valuation: \$5,925,313,584  
 Redevelopment Incremental Valuation: 1,736,133,940  
 Adjusted Assessed Valuation: \$4,189,179,644

	<b>Total Debt Outstanding 6/30/2007</b>	<b>Percentage Applicable (1)</b>	<b>City's Share of Overlapping Debt 6/30/07</b>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College	\$662,864,994	3.744%	\$24,817,665
San Mateo Union High School District	126,054,950	10.645%	13,418,549
Sequoia Union High School District	198,340,000	0.080%	158,672
San Mateo-Foster City School District	98,125,741	23.398%	22,959,461
Belmont School District	11,095,000	0.454%	50,371
Estero Municipal Improvement District	915,000	100.000%	915,000
City of Foster City 1915 Act Bonds	2,100,000	100.000%	<u>2,100,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$64,419,719</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$401,964,816	3.744%	\$15,049,563
San Mateo County Board of Education Certificates of Participation	13,680,000	3.744%	512,179
Belmont School District Certificates of Participation	5,905,000	0.454%	26,809
San Mateo Union High School District Certificates of Participation	74,516,236	10.645%	7,932,253
Midpeninsula Regional Park District General Fund Obligations	108,465,193	0.008%	8,677
San Mateo County Mosquito Abatement District Certificates of Participation	1,040,000	5.216%	<u>54,246</u>
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$23,583,728</u>
COMBINED TOTAL DEBT			<u>\$88,003,447 (2)</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

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

Ratios to 2006-07 Assessed Valuation:

Direct Debt (\$915,000).....0.02%  
 Total Direct and Overlapping Tax and Assessment Debt.....1.09%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt.....2.10%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 444,452	\$ 488,480	\$ 534,538	\$ 599,593	\$ 656,328	\$ 703,260	\$ 731,087	\$ 759,294	\$ 815,558	\$ 882,082
Total net debt applicable to limit	<u>20,801</u>	<u>18,056</u>	<u>14,873</u>	<u>11,654</u>	<u>8,364</u>	<u>4,536</u>	<u>3,059</u>	<u>1,469</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 423,651</u>	<u>\$ 470,424</u>	<u>\$ 519,665</u>	<u>\$ 587,939</u>	<u>\$ 647,964</u>	<u>\$ 698,724</u>	<u>\$ 728,028</u>	<u>\$ 757,825</u>	<u>\$ 815,558</u>	<u>\$ 882,082</u>
Total net debt applicable to the limit as a percentage of debt limit	4.68%	3.70%	2.78%	1.94%	1.27%	0.64%	0.42%	0.19%	0.00%	0.00%

**Note:** Under state finance law, the city/District'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**

<b>Year</b>	<b>Population</b>	<b>Personal Income</b> <i>(thousands of dollars)</i>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
1998	30,359	\$ 1,342,566	\$ 44,223	2.1%
1999	30,692	1,545,895	50,368	1.7%
2000	30,908	1,820,605	58,904	2.3%
2001	29,132	1,622,652	55,700	2.8%
2002	28,923	1,515,305	52,391	4.3%
2003	29,828	1,554,128	52,103	4.7%
2004	29,850	1,635,989	54,807	3.7%
2005	29,876	1,769,048	59,213	3.3%
2006	29,900	n/a	n/a	2.8%
2007	30,269	n/a	n/a	2.9%

**Sources:** Population: State Department of Finance  
 Personal income: State Employment Development Department for County of San Mateo  
 Unemployment Rate: State Employment Development Department for City of Foster City

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

<u>Employer</u>	2002			2007		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
VISA International & VISA USA	3,200	1	20.25%	1,374	3	9.19%
Applied Biosystems	1,800	2	11.39%	1,578	1	10.56%
Gilead Sciences	1,200	3	7.59%	1,025	5	6.86%
Electronics for Imaging	700	4	4.43%	1,410	2	9.43%
Sony Computer Entertainment	550	5	3.48%	725	6	4.85%
SAP America	400	6	2.53%			
Crowne Plaza Hotel	300	7	1.90%			
Lincoln Property Company	250	8	1.58%			
Legacy Partners Inc.	250	9	1.58%			
City of Foster City	237	10	1.50%	213	10	1.42%
QuinStreet, Inc.				253	9	1.69%
Inovant LLC				1,166	4	7.80%
Mid-Peninsula Housing				264	7	1.77%
Stentor, Inc.				260	8	1.74%
<b>Total</b>	<b>15,800</b>		<b>56.25%</b>	<b>14,950</b>		<b>55.30%</b>

**Source:** 2002 City of Foster City Community Development Department  
2007 Business License of Financial Services Department

**Note:** As some information required by GASB 44 is not readily available,  
date from 1998 is not shown in the schedule.

**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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government										
Management services	14.2	14	16	16	18	18	18	19	19	19
Finance	8	9	9	9	10	10	10	9	9	9
Planning	10	10	9.5	9.5	9	7	7	5	5	5.5
Building	5	5	5.5	6.5	7	7	6.5	6	6	6.5
Police										
Officers	43	44	44	44	45	45	45	39	37	37
Civilians	18	18	18	18	18	18	18	17	17	17
Fire										
Firefighters and officers	37	37	40	40	40	40	40	36	36	36
Civilians	3	3	3	3	3	3	3	2	2	2
Other public works										
Engineering	11	12	11	11	11	12	12	10	9	8
Other	13	12	13	13	13	12	12	10	10	10
Parks and recreation	41	42	40	40	43	43	43	42	41	41
Water	9	9	9	9	9	9	9	11	11	11
Wastewater	11	11	11	11	11	11	11	11	11	11
Total	223.2	226	229	230	237	235	234.5	217	213	213

Source: City Budget

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

<u>Function/Program</u>	<u>Fiscal Year</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police			
Physical arrests	797	727	762
Parking violations	1,065	956	863
Traffic violations	2,472	1,772	2,396
Fire			
Emergency responses	1,882	1,981	1,940
Fires extinguished	116	116	105
Inspections	1,779	1,813	1,102
Other public works			
Street resurfacing (miles)	-	3.0	1.0
Potholes repaired	30	27	30
Parks and recreation			
Athletic field permits issued	37	48	49
Community center admissions	8,279	8,481	8,804
Water			
New connections	-	6	4
Water mains breaks	19	17	-
Average daily consumption (thousands of gallons)	5,174	5,257	5,574
Peak daily consumption (thousands of gallons)	10,202	11,146	10,634
Wastewater			
Average daily sewage treatment (thousands of gallons)	2,980	3,210	3110

**Sources:** Various city departments

**Note:** As certain data required by GASB 44 was not readily available for years prior to 2005, the City/District has elected to show only three years of data.

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

<u>Function/Program</u>	<u>Fiscal Year</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police			
Stations	1	1	1
Zone offices	1	1	1
Patrol units	1	1	1
Fire stations	1	1	1
Other public works			
Streets (miles)	46.1	46.1	46.1
Streetlights	1,918	1,918	1,918
Traffic signals	20	23	25
Parks and recreation			
Acreage	103.77	167.77	171
Playgrounds	21	21	21
Baseball/softball diamonds	8/3	8/3	8/3
Soccer/football fields	10/0	10/0	10/0
Community centers	1	1	1
Water			
Water mains (miles)	110.0	110.0	110.0
Fire hydrants	1,149	1,149	1,149
Storage capacity (thousands of gallons)	12,000	20,000	20,000
Wastewater			
Sanitary sewers (miles)	66.0	66.0	66.0
Storm sewers (miles)	83.0	83.0	83.0
Treatment capacity (thousands of gallons)	52,130	52,130	52,130
Transit-minibuses	1	1	1

**Sources:** Various city departments

**Note:** As certain data required by GASB 44 was not readily available for years prior to 2005, the City/District has elected to show only three years of data.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of The City of Foster City and the Estero Municipal Improvement District (City/District) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City/District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City/District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City/District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City/District's financial statements that is more than inconsequential will not be prevented or detected by the City/District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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  
Page 2

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City/District in a separate letter dated November 2, 2007.

This report is intended solely for the information and use of management, the City Council and District Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Capricci & Carson*

Oakland, California  
November 2, 2007