

**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, 2009

John Kiramis, Mayor

Rick Wykoff, Vice Mayor

Art Kiesel, Councilmember

Pam Frisella, 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

Rebecca Burnside, 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, 2009**

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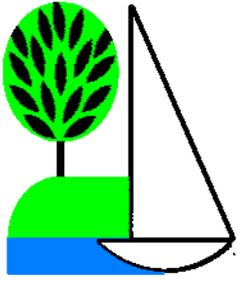
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# City of Foster City

## ESTERO MUNICIPAL IMPROVEMENT DISTRICT

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

October 19, 2009

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, 2009 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 2008-2009 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 42% of the General Fund revenues. Growth in assessed valuation of taxable property has increased by 3% 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 2% increase in FY 2008-2009 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. 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 10 million or 34% of the annual operating budget for General Fund and 25% for 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 67% of the total General Fund balance.

The City/District began the process of updating the City's General Plan in 2001 and has continued the update in 2009. 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 Pacific Retirement Services and 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 proposal for the development will include the following:

- Continuing Care Retirement Community – 350 units for independent living.
- 20 Assisted living apartments, 20 memory care units and 30 bed skilled nursing facility. Residents can downsize from their large, single family homes and continue to reside in Foster City as they age.
- Affordable housing – 70 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.

The Pilgrim-Triton Master Plan Project, a 20.75 acres east of the intersection of Pilgrim Drive and Triton Drive between State Route 92 and E. Hillsdale Boulevard and the Foster City Executive Park on the west side of Pilgrim Drive. The project will be developed by Sares Regis Group of Northern California, a privately held commercial real estate development, project management, investment, and property management firm.

In April 2008 the City Council certified the Final Environment Impact Report and approved a General Plan Amendment to allow housing in the Pilgrim-Triton area. An ordinance was adopted in May 2008 to rezone the area to include a General Development Plan that includes housing.

The proposal for the development will include the following:

- Commercial/Industrial of 296,000 square feet.
- Housing consisted of 730 residential units, including up to 64 live-work units and 20% integrated affordable units.
- Open Space/Plaza of approximately 1 acre centrally located within the development, proposed to include grass areas and pathways, fountains, gardens, play equipment, art wall, informal stage, seating and tables.
- The proposal is for a number of buildings ranging from 30-95 feet in height (approximately 2-7 stories) arranged with the taller sections/buildings toward the project interior.

Mixed use developments, like Metro Center and Marlin Cove, have been highly successful in Foster City. It is expected that the mixed use redevelopment of the Pilgrim-Triton area also will promote the retention of existing businesses, encourage new business development, and help the City meet its state-mandated fair share housing requirements.

## 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. This project is a joint power agreement with the lead agency City of San Mateo.
- Arterial and collector overlay project complements the residential street resurfacing and repair project which targets primarily residential streets and focuses on slurry seals. The intent of this project is to maximize the use of available federal and state transportation grant funding to address the resurfacing needs of arterial and collector streets.
- Sea Cloud Park S-3 and Catamaran Park - Synthetic Turf and Park Improvements. This capital projects is for two (2) acre synthetic turf soccer fields. The first two (2) acre synthetic turf soccer field is located at Sea Cloud Park S-3. The second two (2) acre synthetic turf soccer field is located at Catamaran Park. Additional elements of the Catamaran Park project include a 2-3 lane synthetic walking track and the lighting of the full court basketball court.
- Foster City 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 continuing capital improvement projects includes Residential Street Resurfacing and Repair, Park Infrastructure and Improvements, Levee Pedway Improvement, Water Main Condition Survey, Arterial and Collector Overlay and Rehabilitation of City lagoon structures.

## **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, 2008. 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 and Fiti Rusli. 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 cursive script that reads "Santiago".

Ricardo G. Santiago  
Finance Director

# 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, 2008

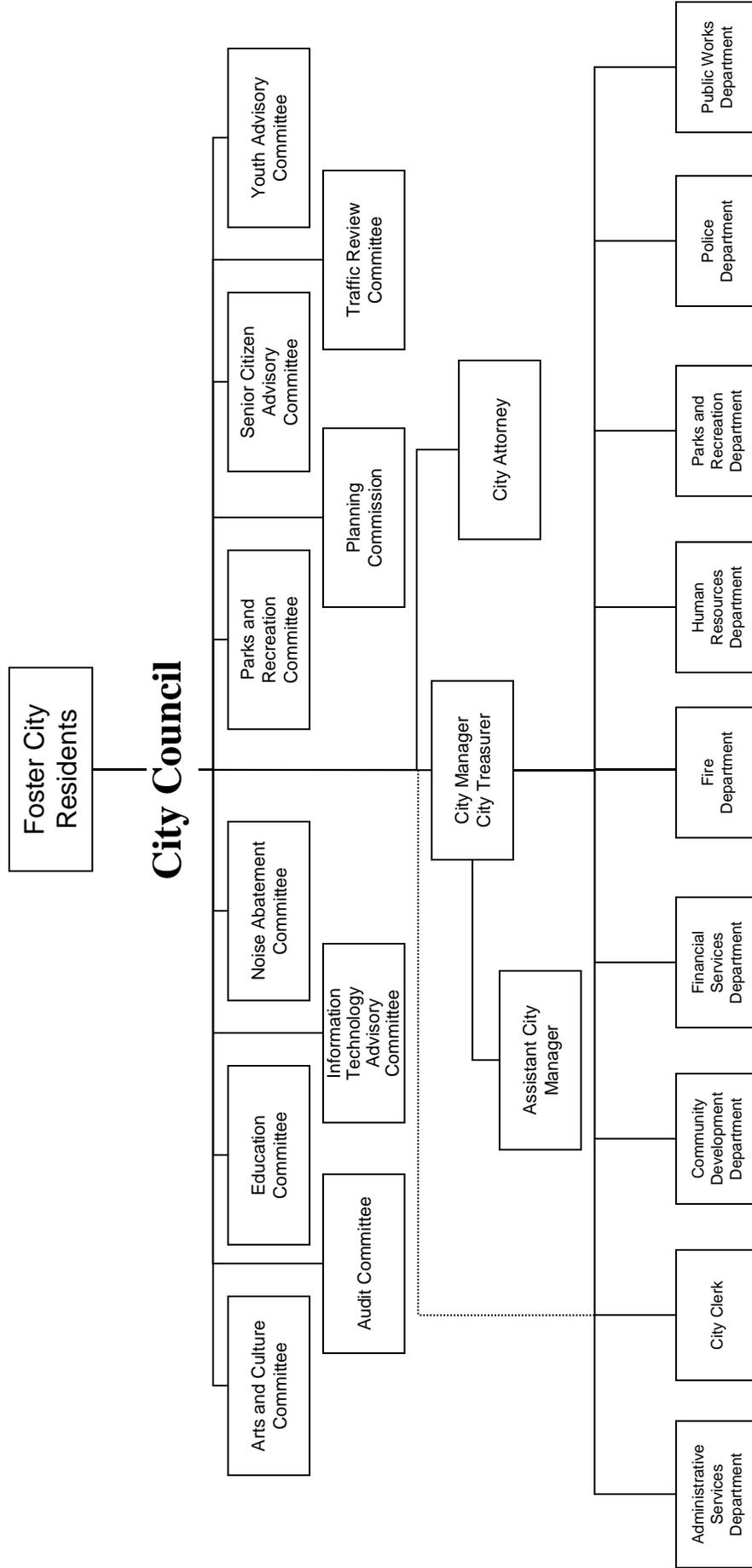
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# Foster City Organization Chart



## 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, 2009, 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.

Subsequent to the basic financial statements date of June 30, 2009 and the year then ended, the State of California (State) has borrowed, deferred paying certain revenues and proposed taking other funds from local governments including cities, counties, districts and agencies. These actions by the State include:

- 8% of Property Taxes borrowed — to be repaid in 3 years
- Redevelopment Agency funds — prepared to be taken for fiscal year 2010

These above amounts are very significant to the local governments and may affect their ongoing operations. Certain lawsuits are in process to stop such State actions. The State legislation is also in process to aid local governments to be able to sell to a Joint Powers Authority the 8% of property taxes borrowed by the State. For more detailed information, see Note 14 attached in the Notes to Basic Financial Statements.

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, 2009, 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.

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

As described in Note 2 to the basic financial statements, the City/District adopted Statement of Governmental Accounting Standards Board No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pension Plans*, No 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009 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 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City/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 & Carlson*

Oakland, California  
November 17, 2009

**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, 2009. 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 2008-2009 by \$263,043,107 (*net assets*). Of this amount, \$68,509,111 (*unrestricted net assets*) may be used to meet the City/District's ongoing obligations to citizens and creditors, \$24,293,134 is restricted for specific purposes (*restricted net assets*), and \$170,240,862 is invested in capital assets, net of related debt.
- The government's total net assets increased by \$8,628,232 during the fiscal year. Governmental activities account for an increase in net assets in the amount of \$7,974,393 and business-type activities account for an increase in net assets by \$653,839.
- As of June 30, 2009, the City/District's governmental funds reported combined ending fund balances of \$55,405,765.
- Approximately 42% of the combined fund balances, \$23,487,922 (*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 \$19,949,845, or 68% of total General Fund expenditures.
- The City/District's total long-term obligations decreased by \$3,684,367 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 and nonmajor 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.

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

**Management's Discussion and Analysis**

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.

**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; 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.

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

**Management's Discussion and Analysis**

**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.

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, 2009.

Condensed Statement of Net Assets  
June 30, 2009

	Governmental Activities		Business-Type Activities		Total		Percent of Change
	2009	2008	2009	2008	2009	2008	
<b>Assets:</b>							
Current and other assets	\$ 80,783,385	\$ 79,752,523	\$ 21,677,125	\$ 42,374,574	\$ 102,460,510	\$ 122,127,097	-16.10%
Capital assets	114,162,638	109,697,436	60,853,224	40,011,692	175,015,862	149,709,128	16.90%
Total assets	194,946,023	189,449,959	82,530,349	82,386,266	277,476,372	271,836,225	2.07%
<b>Liabilities:</b>							
Current and other liabilities	5,161,010	3,953,024	1,353,720	1,865,426	6,514,730	5,818,450	11.97%
Long-term liabilities	7,605,561	11,291,878	312,974	311,024	7,918,535	11,602,902	-31.75%
Total liabilities	12,766,571	15,244,902	1,666,694	2,176,450	14,433,265	17,421,352	-17.15%
<b>Net assets:</b>							
Invested in capital assets, net of related debt	109,387,638	101,122,436	60,853,224	61,434,009	170,240,862	162,556,445	4.73%
Restricted	24,293,134	23,606,731	-	-	24,293,134	23,606,731	2.91%
Unrestricted	48,498,680	49,475,890	20,010,431	18,775,807	68,509,111	68,251,697	0.38%
Total net assets	\$ 182,179,452	\$ 174,205,057	\$ 80,863,655	\$ 80,209,816	\$ 263,043,107	\$ 254,414,873	3.39%

**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 \$263,043,107 at the close of the current fiscal year. The invested in capital assets, net of related debt net assets have increased by \$7,684,417 (5%) 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 \$68,509,111, 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 \$170,240,862 (65%) reflects its investment in capital assets (e.g. land, structures and improvements, infrastructure, 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 \$24,293,134 (9%) represents resources that are subject to external restrictions on how they may be used.

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

**Management's Discussion and Analysis**

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 \$48,498,680 in unrestricted net assets. For business-type activities, the City/District reported a positive balance of \$20,010,431 in unrestricted net assets.

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, 2009**

	Governmental Activities		Business-Type Activities		Total		Percent of Change
	2009	2008	2009	2008	2009	2008	
<b>Program Revenues:</b>							
Charges for services	\$ 2,873,367	\$ 2,872,933	\$ 13,357,280	\$ 12,339,900	\$ 16,230,647	\$ 15,212,833	6.69%
Operating grants and contributions	1,000,607	854,272	-	-	1,000,607	854,272	17.13%
Capital grants and contributions	733,684	-	-	-	733,684	-	100.00%
<b>General revenues:</b>							
Taxes	32,236,658	31,159,012	-	-	32,236,658	31,159,012	3.46%
Contributions not restricted to specific purposes	6,369,321	5,059,382	-	-	6,369,321	5,059,382	25.89%
Unrestricted investment and rental income	2,449,586	3,933,537	451,762	809,666	2,901,348	4,743,203	-38.83%
Other	847,954	438,822	135,957	71,925	983,911	510,747	92.64%
<b>Total revenues</b>	<b>46,511,177</b>	<b>44,317,958</b>	<b>13,944,999</b>	<b>13,221,491</b>	<b>60,456,176</b>	<b>57,539,449</b>	<b>5.07%</b>
<b>Expenses:</b>							
General government	3,673,100	3,384,497	-	-	3,673,100	3,384,497	8.53%
Public safety	17,014,110	15,875,640	-	-	17,014,110	15,875,640	7.17%
Public works	4,746,696	4,795,377	-	-	4,746,696	4,795,377	-1.02%
Community development	5,165,200	4,399,597	-	-	5,165,200	4,399,597	17.40%
Parks and recreation	7,540,180	6,969,205	-	-	7,540,180	6,969,205	8.19%
Interest on long term debt	286,765	527,048	-	-	286,765	527,048	-45.59%
Water operations	-	-	7,804,377	7,575,909	7,804,377	7,575,909	3.02%
Sewer operations	-	-	5,351,927	5,861,595	5,351,927	5,861,595	-8.70%
Public transportation	-	-	245,589	155,344	245,589	155,344	58.09%
<b>Total expenses</b>	<b>38,426,051</b>	<b>35,951,364</b>	<b>13,401,893</b>	<b>13,592,848</b>	<b>51,827,944</b>	<b>49,544,212</b>	<b>4.61%</b>
<b>Excess (deficiency) of revenues over (under)</b>							
expenses before transfers	8,085,126	8,366,594	543,106	(371,357)	8,628,232	7,995,237	7.92%
Transfers	(110,733)	(82,038)	110,733	82,038	-	-	0.00%
<b>Change in net assets</b>	<b>7,974,393</b>	<b>8,284,556</b>	<b>653,839</b>	<b>(289,319)</b>	<b>8,628,232</b>	<b>7,995,237</b>	<b>7.92%</b>
Net assets, beginning of year	174,205,059	165,920,503	80,209,816	80,499,135	254,414,875	246,419,638	3.24%
<b>Net assets, end of year</b>	<b>\$ 182,179,452</b>	<b>\$ 174,205,059</b>	<b>\$ 80,863,655</b>	<b>\$ 80,209,816</b>	<b>\$ 263,043,107</b>	<b>\$ 254,414,875</b>	<b>3.39%</b>

**Analysis of Change in Net Assets -** The City/District's governmental activities net assets increased by \$7,974,393 during the current fiscal year.

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

**Management's Discussion and Analysis**

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

- Charges for services have increased by \$434 or 0.02% due to the increase of master fees.
- Operating grants and contributions increased by \$146,335 or 17% mainly from the donation received for Foster City Teen Center and Parks Synthetic Turf projects.
- Capital grants and contributions increased by \$733,684 or 100% mainly received from the State for capital improvement projects.
- Taxes increased by \$1,077,646 or 3% due to the increase in property taxes revenue.
- Contributions not restricted for special purposes increased by \$1,309,939 or 26% due to over advances in sales and use tax revenues.
- Unrestricted investment and rental revenues decreased by \$1,483,951 or 38% due to the decrease of investment rate from 3.0% to 1.6% and decrease of outstanding principal of CDA loan.
- Other revenues increased by \$409,132 or 93% due to the refund from Allied Waste which has been reserved for future rate stabilization program.

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

- General government expenses increased by \$288,603 or 9% mainly due to the increase of depreciation and first time recording of the OPEB liability.
- Public safety expenses increased by \$1,138,470 or 7% due to the increase in personnel costs and first time recording of the OPEB liability.
- Public works expenses decreased by \$48,681 or 1% due to the decrease of PERS employer contribution rate for Miscellaneous Group employees and cancellation of Longevity Recognition Benefit Program on Miscellaneous Group employees.
- Community development expenses increased by \$765,603 or 17% due to the increase in personnel costs and first time recording of OPEB liability.
- Parks and recreation expenses increased by \$570,975 or 8% due to the increase in personnel cost, capital improvement projects, and first time recording of the OPEB liability.
- Interest on long-term debt decreased by \$240,283 or 46% due to lower outstanding debt obligations. The decrease primarily due to reaching the final years of retiring the 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.

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

**Management's Discussion and Analysis**

As of the end of the current fiscal year, the City/District's governmental funds reported combined fund balances of \$55,405,765. Of this total amount, \$29,177,218 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) \$8,186,886 reflects fund equity in assets that are long-term in nature and, thus, do not represent available spendable resources; 2) \$4,090,169 is reserved for debt service; 3) \$6,185 are advance payments made for conferences and membership dues; 4) \$16,900 is reserve for emergency supplies; 5) \$13,928,407 is reserved for the Community Development Agency's housing programs.

For fiscal year ended June 30, 2009, revenues for governmental functions overall totaled \$45,852,567 while expenditures totaled \$47,811,177.

The following table provides an explanation of revenues by source.

**Revenues Classified by Source  
Governmental Funds**

Revenues by Source:	FY 2009		FY 2008		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 36,322,157	79.22%	\$ 35,329,687	77.61%	\$ 992,470	2.81%
Licenses and permits	1,085,643	2.37%	1,166,550	2.56%	(80,907)	-6.94%
Fines and forfeitures	142,887	0.31%	164,661	0.36%	(21,774)	-13.22%
Investment income and rentals	3,444,940	7.51%	4,706,132	10.34%	(1,261,192)	-26.80%
Intergovernmental	1,601,956	3.49%	1,443,393	3.17%	158,563	10.99%
Charges for current services	1,403,448	3.06%	1,347,279	2.96%	56,169	4.17%
Special assessments	189,911	0.41%	352,443	0.77%	(162,532)	-46.12%
Other	1,661,625	3.62%	1,012,569	2.22%	649,056	64.10%
<b>Total</b>	<b>\$ 45,852,567</b>	<b>100.00%</b>	<b>\$ 45,522,714</b>	<b>100.00%</b>	<b>\$ 329,853</b>	<b>0.72%</b>

- Taxes increased by \$992,470 or 3% are due to the increase of revenues from property tax, and franchise tax.
- Licenses and permits decreased by \$80,907 or 7% primarily due to the decline in building permits.
- Fines and forfeitures decreased by \$21,774 or 13% due to the decrease of traffic fines revenue.
- Investment income and rentals decrease by \$1,261,192 or 27% due to the decrease in interest revenue from CDA loan, and the decrease of weighted average interest rate of the investment portfolio.
- Intergovernmental revenue increased by \$158,563 or 11% due to the State grant from Proposition 42.
- Charges for current services increased by \$56,169 or 4% due to the increase of revenues from special recreation programs.
- Special assessments revenue decreased by \$162,532 or 46% due to the decrease of property tax assessment levied on property owners.
- Other revenue increased by \$649,056 or 64% due to a one time reimbursement received from Allied Waste which has been reserved for future rate stabilization program.

**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 2009		FY 2008		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 3,150,439	6.59%	\$ 2,979,792	7.17%	\$ 170,647	5.73%
Public safety	16,657,070	34.84%	16,023,562	38.57%	633,508	3.95%
Public works	2,700,326	5.65%	2,435,402	5.86%	264,924	10.88%
Community development	7,194,733	15.05%	4,429,165	10.66%	2,765,568	62.44%
Parks and recreation	6,543,724	13.69%	6,361,683	15.31%	182,041	2.86%
Capital outlay	6,255,420	13.08%	2,110,297	5.08%	4,145,123	196.42%
Debt service	4,144,513	8.67%	5,808,191	13.98%	(1,663,678)	-28.64%
Interest on interfund loans	1,164,952	2.44%	1,400,380	3.37%	(235,428)	-16.81%
<b>Total</b>	<b>\$ 47,811,177</b>	<b>100.00%</b>	<b>\$ 41,548,472</b>	<b>100.00%</b>	<b>\$ 6,262,705</b>	<b>15.07%</b>

- General government expenditure increased by \$170,647 or 6% due to the increase of personnel costs.
- Public safety expenditure increased by \$633,508 or 4% primarily due to the increase of personnel costs and retirement benefits.
- Public works expenditures increased by \$264,924 or 11% due to the net increase in personnel costs.
- Community development expenditures increased by \$2,765,568 or 62% due to the purchases or real estate properties for housing programs.
- Parks and recreation expenditures increased by \$182,041 or 3% due to the increase of personnel costs.
- Capital outlay increased by \$4,145,123 or 196% due to the increase of capital improvement expenditures in teen center and park synthetic turf projects.
- Debt service decreased by \$1,663,678 or 29% due to the decrease of outstanding debt.
- Interest on inter-fund loans decreased by \$235,428 or 17% 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 \$22,039,476 while total fund balance was \$30,249,447. 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 75% of total General Fund expenditures of \$29,230,020, while total fund balance represents 103% of that same amount.

The fund balance in the General Fund decreased by \$1,867,262 during the fiscal year mainly due to the increase of expenditures in personnel costs

**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. The outstanding principal was \$3,560,000 as of June 30, 2009.

**CITY OF FOSTER CITY AND  
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**Management's Discussion and Analysis**

*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, \$2,112,755 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. During the current fiscal year, the Agency has spent \$3,441,776 in capital improvement projects and \$3,234,375 in housing programs.

*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 \$7,015,745 and the sewer operation was \$12,464,419.

The total increase in net assets for enterprise funds was \$505,590. Factors concerning the changes in net assets are as follows:

- The *Water Fund* had an operating loss of \$518,753 due to the increase of personnel costs, cost of water purchase and decrease in investment earnings.
- The *Sewer Fund* had an operating gain of \$1,036,460 due to the 8% sewer rate increase.
- The *Public Transportation Fund* had net fund balance decrease of \$12,117 due to the increase of promotional expense in connection shuttle service.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, actual revenues and transfers in were higher than the budgetary estimates by \$29,491. The City/District had negative variances in budget versus actual comparison of revenues such as motor vehicle in lieu, sales and use and sales tax in lieu, transient occupancy tax, franchise, real property transfer tax, permits, home owner property tax relief, charges for current services, special recreation programs, fines and forfeitures. Actual expenditures and transfers out were \$2,309,458 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, 2009 amounted to \$175,015,862 (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	
	2009	2008	2009	2008	2009	2008
Land	\$ 11,680,881	\$ 10,234,421	\$ 3,553,474	\$ 3,553,474	\$ 15,234,355	\$ 13,787,895
Infrastructure, structures and improvements	96,151,571	93,520,710	34,864,081	36,013,139	131,015,652	129,533,849
Equipment and vehicles	4,228,951	4,123,760	409,588	353,736	4,638,539	4,477,496
Sewer Capacity Rights	-	-	13,088,487	13,399,291	13,088,487	13,399,291
Construction in progress	2,101,235	1,818,545	8,937,594	8,114,368	11,038,829	9,932,913
Total	\$ 114,162,638	\$ 109,697,436	\$ 60,853,224	\$ 61,434,008	\$ 175,015,862	\$ 171,131,444

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

- For governmental activities, the land value has increased by \$1,446,460 due to the purchases of real estate properties for housing programs.
- For governmental activities, construction in progress increased by \$282,690 due to the park synthetic turf project.
- For governmental activities, infrastructure, structures and improvements increased by \$2,630,861 due to the purchases of real estate properties for housing programs.
- For governmental activities, the equipment and vehicle have increased by \$105,191 due to new purchases.
- For business-type activities, construction in progress increased by \$823,226 to the Sewer and Water Main Rehabilitation programs.
- For business-type activities, the equipment and vehicles have increased by \$55,852 due to new radio read water meter installation project.
- For business-type activities, infrastructure, structures and improvements decreased by \$1,149,058 due to annual depreciation.
- For business-type activities, the sewer capacity right decrease by \$310,804 due to annual depreciation.

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

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

**Management's Discussion and Analysis**

**DEBT ADMINISTRATION**

At June 30, 2009, the City/District had total long-term obligations outstanding in the amount of \$7,918,535, which was comprised of tax allocation refunding bonds - \$3,560,000, special assessment bonds - \$415,000, COSTCO notes - \$800,000, claims liability - \$132,621, and compensated absences - \$3,010,914.

The City/District did not issue any new bonds during fiscal year 2008-2009. The only financial activities during the fiscal year were scheduled principal and interest payments according to the debt service schedules. The City/District retired \$3,800,000 of debt principal in fiscal year 2008-2009.

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 City/District/CDA will be debt free by September 2, 2009.
- Public Employees' Retirement System contribution rates decreased for public safety employees from 33.103% to 32.598%, and decreased for miscellaneous employees from 13.936% to 12.507%.
- The State is expected to take away \$1.2 million dollars or 8% of the City/District's property tax revenues in addition to the original ERAF shift of \$1.2 million dollars in FY 2009/2010.
- The City/District will join California Communities in Proposition 1A Securitization Program to redeem the \$1.2 million accounts receivable from the State.
- The State is expected to take away \$5.6 million dollars in tax increments from the Foster City Community Development Agency.

Except the \$6.8 million dollars State take-way, all other factors were considered in the City/District/CDA's budget for fiscal year 2009-2010.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers and 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, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 73,141,868	\$ 17,948,548	\$ 91,090,416
Receivable, net	1,745,537	2,977,781	4,723,318
Internal balances	(519,016)	519,016	-
Inventory	56,667	231,677	288,344
Prepays and deposits	8,061	103	8,164
Restricted cash and investments	5,180,088	-	5,180,088
Loans receivable (net)	1,169,698	-	1,169,698
Special assessment receivable	482	-	482
Capital assets:			
Nondepreciable	13,782,116	12,491,068	26,273,184
Depreciable, net of accumulated depreciation	100,380,522	48,362,156	148,742,678
<b>Total assets</b>	<b>194,946,023</b>	<b>82,530,349</b>	<b>277,476,372</b>
<b>LIABILITIES</b>			
Accounts payable	2,991,057	1,170,672	4,161,729
Accrued payroll	1,043,077	114,845	1,157,922
Interest payable	110,312	-	110,312
Refundable deposits	306,698	11,387	318,085
Unearned revenue	230,682	-	230,682
OPEB liability	479,184	56,816	536,000
Long-term liabilities:			
Due within one year	5,986,143	146,255	6,132,398
Due in more than one year	1,619,418	166,719	1,786,137
<b>Total liabilities</b>	<b>12,766,571</b>	<b>1,666,694</b>	<b>14,433,265</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	109,387,638	60,853,224	170,240,862
Restricted for:			
Debt service	4,090,651	-	4,090,651
Housing	16,516,958	-	16,516,958
Public safety	66,476	-	66,476
Roads	2,527,409	-	2,527,409
Other purposes	1,091,640	-	1,091,640
Unrestricted	48,498,680	20,010,431	68,509,111
<b>Total net assets</b>	<b>\$ 182,179,452</b>	<b>\$ 80,863,655</b>	<b>\$ 263,043,107</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, 2009**

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	\$ 3,673,100	\$ 664,574	\$ 99,550	\$ -
Public safety - Police	9,637,744	193,969	126,143	-
Public safety - Fire	7,376,366	91,106	4,633	-
Public works	4,746,696	84,958	506,855	733,684
Community development	5,165,200	773,085	-	-
Parks and recreation	7,540,180	1,065,675	263,426	-
Interest on long-term debt	286,765	-	-	-
Total governmental activities	38,426,051	2,873,367	1,000,607	733,684
<b>Business-type activities:</b>				
Water	7,804,377	7,182,212	-	-
Sewer	5,351,927	6,175,068	-	-
Public transportation	245,589	-	-	-
Total business-type activities	13,401,893	13,357,280	-	-
<b>Total primary government</b>	<b>\$ 51,827,944</b>	<b>\$ 16,230,647</b>	<b>\$ 1,000,607</b>	<b>\$ 733,684</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**

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,908,976)	\$ -	\$ (2,908,976)
(9,317,632)	-	(9,317,632)
(7,280,627)	-	(7,280,627)
(3,421,199)	-	(3,421,199)
(4,392,115)	-	(4,392,115)
(6,211,079)	-	(6,211,079)
(286,765)	-	(286,765)
<u>(33,818,393)</u>	<u>-</u>	<u>(33,818,393)</u>
-	(622,165)	(622,165)
-	823,141	823,141
-	(245,589)	(245,589)
<u>-</u>	<u>(44,613)</u>	<u>(44,613)</u>
<u>(33,818,393)</u>	<u>(44,613)</u>	<u>(33,863,006)</u>
28,884,439	-	28,884,439
1,263,128	-	1,263,128
1,044,988	-	1,044,988
1,044,103	-	1,044,103
6,369,321	-	6,369,321
2,449,586	451,762	2,901,348
847,954	135,957	983,911
(110,733)	110,733	-
<u>41,792,786</u>	<u>698,452</u>	<u>42,491,238</u>
7,974,393	653,839	8,628,232
<u>174,205,059</u>	<u>80,209,816</u>	<u>254,414,875</u>
<u>\$ 182,179,452</u>	<u>\$ 80,863,655</u>	<u>\$ 263,043,107</u>

**City of Foster City and Estero Municipal Improvement District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	Major Funds					Total
	General Fund	Tax		Community Development Agency	Non-Major Governmental Funds	
		Allocation Refunding Bonds	City Capital Projects			
<b>ASSETS</b>						
Cash and investments	\$ 23,637,005	\$ 498	\$ 7,428,316	\$ 21,429,690	\$ 2,635,507	\$ 55,131,016
Receivables, net of allowance:						
Accrued interest	380,153	-	-	-	-	380,153
Intergovernmental	40,663	-	-	-	150,190	190,853
Taxes	873,260	-	-	-	30,834	904,094
Other	255,951	-	-	-	3,000	258,951
Due from other funds	36,672	-	-	-	-	36,672
Prepays and deposits	6,182	-	-	-	-	6,182
Inventory	16,900	-	-	-	-	16,900
Restricted cash and investments	181,045	3,638,320	-	-	430,148	4,249,513
Loans receivables, net of allowance	-	-	-	1,169,698	-	1,169,698
Special assessments receivable	-	-	-	-	482	482
Advances to other funds	8,150,214	-	-	-	-	8,150,214
<b>Total assets</b>	<b>\$ 33,578,045</b>	<b>\$ 3,638,818</b>	<b>\$ 7,428,316</b>	<b>\$ 22,599,388</b>	<b>\$ 3,250,161</b>	<b>\$ 70,494,728</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 398,980	\$ 498	\$ 765,141	\$ 1,621,352	\$ 9,639	\$ 2,795,610
Accrued payroll	983,600	-	-	-	2,754	986,354
Refundable deposits	296,483	-	-	3,915	-	300,398
Due to other funds	-	-	-	-	36,672	36,672
Deferred revenue	1,649,535	-	-	1,169,698	482	2,819,715
Advances from other funds	-	-	-	8,150,214	-	8,150,214
<b>Total liabilities</b>	<b>3,328,598</b>	<b>498</b>	<b>765,141</b>	<b>10,945,179</b>	<b>49,547</b>	<b>15,088,963</b>
<b>Fund Balances:</b>						
Reserved:						
Advances to other funds	8,186,886	-	-	-	-	8,186,886
Debt service	-	3,638,320	-	-	451,849	4,090,169
Prepaid expenses	6,185	-	-	-	-	6,185
Inventory	16,900	-	-	-	-	16,900
Housing programs	-	-	-	13,928,407	-	13,928,407
Unreserved, designated:						
Capital projects	520,881	-	2,599,665	-	-	3,120,546
Emergency	1,000,000	-	1,000,000	-	-	2,000,000
Construction & demolition deposit	81,250	-	-	-	-	81,250
Rate stabilization	487,500	-	-	-	-	487,500
Unreserved, undesignated:						
General fund	19,949,845	-	-	-	-	19,949,845
Special revenue funds	-	-	-	-	2,748,765	2,748,765
Capital project funds	-	-	3,063,510	(2,274,198)	-	789,312
<b>Total fund balances</b>	<b>30,249,447</b>	<b>3,638,320</b>	<b>6,663,175</b>	<b>11,654,209</b>	<b>3,200,614</b>	<b>55,405,765</b>
<b>Total liabilities and fund balances</b>	<b>\$ 33,578,045</b>	<b>\$ 3,638,818</b>	<b>\$ 7,428,316</b>	<b>\$ 22,599,388</b>	<b>\$ 3,250,161</b>	<b>\$ 70,494,728</b>

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2009**

<b>Total Fund Balances - Total Governmental Funds</b>	\$	55,405,765
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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 \$4,271,111.		109,891,527
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Loans receivable and other long-term receivables are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds.		2,588,551
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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.		482
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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.		22,162,257
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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.

Tax allocation refunding bonds	\$	(3,560,000)	
Special assessment bonds		(415,000)	
COSTCO notes		(800,000)	
Accrued interest payable		(110,312)	
OPEB liabilities		(479,184)	
Compensated absences. This amount is net of compensated absences of the internal service funds in the amount of \$193,306.		(2,504,634)	(7,869,130)

<b>Net Assets of Governmental Activities</b>	\$	182,179,452
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**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, 2009**

	Major Funds					Total
	General Fund	Tax		Community Development Agency	Other Governmental Funds	
		Allocation Refunding Bonds	City Capital Projects			
<b>REVENUES:</b>						
Property taxes	\$ 13,991,485	\$ 10,134,148	\$ -	\$ 4,758,806	\$ -	\$ 28,884,439
Sales and use and sales tax in lieu	4,513,222	-	-	-	437,246	4,950,468
Transient occupancy tax	1,263,128	-	-	-	-	1,263,128
Franchise tax	1,044,988	-	-	-	-	1,044,988
Other taxes	179,134	-	-	-	-	179,134
Licenses and permits	1,085,643	-	-	-	-	1,085,643
Intergovernmental	267,883	-	477,000	-	857,073	1,601,956
Charges for current services	1,403,448	-	-	-	-	1,403,448
Fines and forfeitures	43,285	-	-	-	99,602	142,887
Special assessment	-	-	-	-	189,911	189,911
Investment income and rental	2,434,614	8,841	202,965	724,731	73,789	3,444,940
Other	1,246,661	-	33,250	4,794	376,920	1,661,625
<b>Total revenues</b>	<b>27,473,491</b>	<b>10,142,989</b>	<b>713,215</b>	<b>5,488,331</b>	<b>2,034,541</b>	<b>45,852,567</b>
<b>EXPENDITURES:</b>						
Current:						
General government	2,817,357	-	-	-	333,082	3,150,439
Public safety - Police	9,177,366	-	-	-	94,091	9,271,457
Public safety - Fire	7,381,709	-	-	-	3,904	7,385,613
Public works	1,910,622	-	101,265	-	688,439	2,700,326
Community development	1,453,361	-	-	5,741,372	-	7,194,733
Parks and recreation	6,489,605	-	35,404	-	18,715	6,543,724
Capital outlay	-	-	1,976,086	3,441,776	837,558	6,255,420
Debt service:						
Principal retirement	-	3,415,000	-	-	385,000	3,800,000
Interest and fiscal charges	-	232,060	-	64,000	48,453	344,513
Interest on interfund loans from other funds	-	-	-	1,164,952	-	1,164,952
<b>Total expenditures</b>	<b>29,230,020</b>	<b>3,647,060</b>	<b>2,112,755</b>	<b>10,412,100</b>	<b>2,409,242</b>	<b>47,811,177</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,756,529)</b>	<b>6,495,929</b>	<b>(1,399,540)</b>	<b>(4,923,769)</b>	<b>(374,701)</b>	<b>(1,958,610)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	9,184,980	-	9,184,980
Transfers out	(110,733)	(9,184,980)	-	-	-	(9,295,713)
<b>Total other financing sources (uses)</b>	<b>(110,733)</b>	<b>(9,184,980)</b>	<b>-</b>	<b>9,184,980</b>	<b>-</b>	<b>(110,733)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,867,262)</b>	<b>(2,689,051)</b>	<b>(1,399,540)</b>	<b>4,261,211</b>	<b>(374,701)</b>	<b>(2,069,343)</b>
<b>FUND BALANCES:</b>						
Beginning of year	32,116,709	6,327,371	8,062,715	7,392,998	3,575,315	57,475,108
End of year	\$ 30,249,447	\$ 3,638,320	\$ 6,663,175	\$ 11,654,209	\$ 3,200,614	\$ 55,405,765

See accompanying Notes to Basic Financial Statements.

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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, 2009**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (2,069,343)

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

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

Capital assets additions	\$ 8,389,575	
Less capital assets disposals	(79,942)	
Less current year depreciation. This amount is net of depreciation expense of the internal service funds in the amount of \$932,260	<u>(3,851,320)</u>	4,458,313

Revenues from new loans and sales tax 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.

1,559,059

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.

(189,913)

Repayment of bond and long-term note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Tax allocation refunding bonds	3,415,000	
Special assessment bonds	<u>385,000</u>	3,800,000

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	57,748	
OPEB liabilities	(479,184)	
Change in long-term compensated absences. This amount is net of changes in compensated absences of the internal service funds in the amount of \$20,661	<u>(66,688)</u>	(488,124)

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

904,401

**Change in Net Assets of Governmental Activities** \$ 7,974,393

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**City of Foster City and Estero Municipal Improvement District**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Non-Major - Public Transportation		
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 6,550,322	\$ 11,398,226	\$ -	\$ 17,948,548	\$ 18,010,852
Receivables, net of allowance:					
Billed utility, net of allowance for uncollectible	571,564	529,567	-	1,101,131	-
Unbilled utility	1,030,528	809,967	-	1,840,495	-
Other	-	150	36,005	36,155	11,486
Deposits and prepaid items	103	-	-	103	1,879
Inventory	73,872	157,805	-	231,677	39,767
Restricted cash and investments	-	-	-	-	930,575
<b>Total current assets</b>	<b>8,226,389</b>	<b>12,895,715</b>	<b>36,005</b>	<b>21,158,109</b>	<b>18,994,559</b>
Noncurrent assets:					
Capital assets:					
Nondepreciable	4,019,547	8,471,521	-	12,491,068	42,163
Depreciable, net of accumulated depreciation	22,956,230	25,405,926	-	48,362,156	4,228,948
<b>Total noncurrent assets</b>	<b>26,975,777</b>	<b>33,877,447</b>	<b>-</b>	<b>60,853,224</b>	<b>4,271,111</b>
<b>Total assets</b>	<b>35,202,166</b>	<b>46,773,162</b>	<b>36,005</b>	<b>82,011,333</b>	<b>23,265,670</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	950,473	195,445	24,754	1,170,672	195,447
Accrued payroll	59,801	55,044	-	114,845	56,723
Refundable deposits	11,387	-	-	11,387	6,300
Claims liability	-	-	-	-	132,621
Compensated absences - current portion	73,603	72,652	-	146,255	77,248
<b>Total current liabilities</b>	<b>1,095,264</b>	<b>323,141</b>	<b>24,754</b>	<b>1,443,159</b>	<b>468,339</b>
Noncurrent liabilities:					
Compensated absences - noncurrent portion	86,436	80,283	-	166,719	116,058
OPEB liability	28,944	27,872	-	56,816	-
<b>Total noncurrent liabilities</b>	<b>115,380</b>	<b>108,155</b>	<b>-</b>	<b>223,535</b>	<b>116,058</b>
<b>Total liabilities</b>	<b>1,210,644</b>	<b>431,296</b>	<b>24,754</b>	<b>1,666,694</b>	<b>584,397</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	26,975,777	33,877,447	-	60,853,224	4,271,111
Restricted for:					
Other purposes	-	-	-	-	930,575
Unrestricted	7,015,745	12,464,419	11,251	19,491,415	17,479,587
<b>Total net assets</b>	<b>\$ 33,991,522</b>	<b>\$ 46,341,866</b>	<b>\$ 11,251</b>	<b>80,344,639</b>	<b>\$ 22,681,273</b>
				Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	519,016
				Net assets of business-type activities	<u>\$ 80,863,655</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, 2009**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Non-Major - Public Transportation		
<b>OPERATING REVENUES:</b>					
Sales and service charges	\$ 7,182,212	\$ 6,175,068	\$ -	\$ 13,357,280	\$ -
Charges for service - internal	-	-	-	-	5,079,398
Other	2,581	10,637	122,739	135,957	3,508
<b>Total operating revenues</b>	<b>7,184,793</b>	<b>6,185,705</b>	<b>122,739</b>	<b>13,493,237</b>	<b>5,082,906</b>
<b>OPERATING EXPENSES:</b>					
Personnel	1,448,294	1,288,607	-	2,736,901	1,477,532
Utilities	3,780,969	181,153	-	3,962,122	-
Program supplies	190,913	177,664	-	368,577	-
Repairs and maintenance	18,542	70,972	-	89,514	1,008,891
General and administration	1,232,415	1,182,778	9,808	2,425,001	544,622
Depreciation and amortization	1,082,391	914,518	-	1,996,909	932,260
Contractual service	76,698	1,574,816	235,781	1,887,295	245,187
Insurance	40,000	40,000	-	80,000	229,740
<b>Total operating expenses</b>	<b>7,870,222</b>	<b>5,430,508</b>	<b>245,589</b>	<b>13,546,319</b>	<b>4,438,232</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(685,429)</b>	<b>755,197</b>	<b>(122,850)</b>	<b>(53,082)</b>	<b>644,674</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Gains (loss) on sales of capital assets	(3,823)	-	-	(3,823)	(2,940)
Investment income	170,499	281,263	-	451,762	169,598
<b>Total nonoperating revenues (expenses)</b>	<b>166,676</b>	<b>281,263</b>	<b>-</b>	<b>447,939</b>	<b>166,658</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(518,753)</b>	<b>1,036,460</b>	<b>(122,850)</b>	<b>394,857</b>	<b>811,332</b>
<b>CONTRIBUTIONS AND TRANSFERS:</b>					
Capital contributions	-	-	-	-	284,818
Transfers in	-	-	110,733	110,733	294,762
Transfers out	-	-	-	-	(338,262)
<b>Total contributions and transfers</b>	<b>-</b>	<b>-</b>	<b>110,733</b>	<b>110,733</b>	<b>241,318</b>
<b>Change in net assets</b>	<b>(518,753)</b>	<b>1,036,460</b>	<b>(12,117)</b>	<b>505,590</b>	<b>1,052,650</b>
<b>NET ASSETS:</b>					
Beginning of the year	34,510,275	45,305,406	23,368		21,628,623
End of the year	\$ 33,991,522	\$ 46,341,866	\$ 11,251		\$ 22,681,273
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				148,249	
Change in net assets of business-type activities				\$ 653,839	

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, 2009**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Nonmajor - Public Transportation		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 7,211,012	\$ 6,088,068	\$ 4,205	\$ 13,303,285	\$ -
Cash received from other funds	-	-	-	-	5,080,026
Cash payments to suppliers for goods and services	(5,437,978)	(3,697,398)	(237,677)	(9,373,053)	(2,004,094)
Cash payments to employees for services	(1,404,788)	(1,275,853)	122,739	(2,557,902)	(1,456,873)
<b>Net cash provided (used) by operating activities</b>	<b>368,246</b>	<b>1,114,817</b>	<b>(110,733)</b>	<b>1,372,330</b>	<b>1,619,059</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers received	-	-	110,733	110,733	294,762
Transfer paid	-	-	-	-	(338,262)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>110,733</b>	<b>110,733</b>	<b>(43,500)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from sale of capital assets	4,824	-	-	4,824	95,362
Capital contributions received	-	-	-	-	284,818
Acquisition and construction of capital assets	(839,141)	(155,395)	-	(994,536)	(1,037,450)
Acquisition of sewer capacity rights	-	(430,290)	-	(430,290)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(834,317)</b>	<b>(585,685)</b>	<b>-</b>	<b>(1,420,002)</b>	<b>(657,270)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	170,499	281,263	-	451,762	169,598
<b>Net cash provided (used) by investing activities</b>	<b>170,499</b>	<b>281,263</b>	<b>-</b>	<b>451,762</b>	<b>169,598</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(295,572)</b>	<b>810,395</b>	<b>-</b>	<b>514,823</b>	<b>1,087,887</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	6,845,894	10,587,831	-	17,433,725	17,853,540
End of year	\$ 6,550,322	\$ 11,398,226	\$ -	\$ 17,948,548	\$ 18,941,427

(Continued)

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Cash Flows, Continued**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2009**

	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)	\$ (685,429)	\$ 755,197	\$ (122,850)	\$ (53,082)	\$ 644,674
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,082,391	914,518	-	1,996,909	932,260
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Billed receivables	65,253	(22,612)	-	42,641	-
Unbilled receivables	(50,452)	(74,875)	-	(125,327)	-
Other receivables	11,418	(150)	4,205	15,473	(2,880)
Deposit and prepaid items	(103)	-	-	(103)	(1,879)
Inventory	(1,500)	7,020	-	5,520	(9,677)
Increase (decrease) in:					
Accounts payable and claims liability	(105,093)	(477,035)	7,912	(574,216)	3,268
Accrued payroll	3,715	(6,221)	-	(2,506)	(2)
Claims liability	-	-	-	-	26,334
OPEB liability	28,944	27,872	-	56,816	-
Compensated absences	10,847	(8,897)	-	1,950	20,661
Refundable deposits	8,255	-	-	8,255	6,300
Total adjustments	1,053,675	359,620	12,117	1,425,412	974,385
<b>Net cash provided (used) by operating activities</b>	<b>\$ 368,246</b>	<b>\$ 1,114,817</b>	<b>\$ (110,733)</b>	<b>\$ 1,372,330</b>	<b>\$ 1,619,059</b>

(Concluded)

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2009**

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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, 2009.

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, 2009**

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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 and each is 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, 2009**

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

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

*Fund Financial Statements, Continued*

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.

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. Sales and use tax, 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, 2009**

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

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

*Fund Financial Statements, Continued*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a fund's principal ongoing operations. The principal operating revenues of the City/District's enterprise and internal service funds are charges for customer services, including water and 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 non-operating 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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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

*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.

*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 non-major 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 the 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. 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, 2009**

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

*H. 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
Sewer capacity rights	50 years
Equipment	3 to 10 years
Vehicles	4 to 25 years

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

Intangible Assets - Sewer Capacity Rights

The City/District entered into a Joint Powers Agreement (WA) with the City of San Mateo (San Mateo) 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. 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.

*J. 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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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

*J. Long-Term Obligations, Continued*

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.

*K. Property Tax Levy, Collection and Maximum Rates*

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

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

	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.

*L. 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, 2009, 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 \$2,432 and \$1,282 respectively.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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

*M. Interfund Transactions*

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans reported as receivables and payables as appropriate, are subject to elimination upon consolidation in the Government-Wide Financial Statements and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide Financial Statements as "internal balances." 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.

*N. 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.

*O. New Pronouncements*

In 2009, the City/District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pension Plans* - This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*- This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - The Statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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

*O. New Pronouncements, Continued*

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* - This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments.

**3. CASH AND INVESTMENTS**

The City/District's cash and investments at June 30, 2009 are presented as follows:

Cash and investments	\$ 91,090,416
Restricted cash and investments	<u>5,180,088</u>
<b>Total</b>	<u><u>\$ 96,270,504</u></u>

As of June 30, 2009, 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	\$ 2,991,570	\$ -	\$ 2,991,570	Aaa
Federal Farm Credit Bank Bonds - Coupon	13,055,950	-	13,055,950	Aaa
Local Agency Investment Fund	<u>75,298,117</u>	<u>75,298,117</u>	<u>-</u>	Not Rated
Total investments in City/District Pool	<u><u>91,345,637</u></u>	<u><u>\$ 75,298,117</u></u>	<u><u>\$ 16,047,520</u></u>	
With bond trustees:				
United States Agency:				
Money Market Mutual Fund	<u>2,701,000</u>	<u>\$ 2,701,000</u>	<u>\$ -</u>	Aaa
Total investments with bond trustees	<u><u>2,701,000</u></u>	<u><u>\$ 2,701,000</u></u>	<u><u>\$ -</u></u>	
Longevity Recognition Plan Investments:				
Equity Mutual Funds	<u>930,575</u>			
Total Longevity Recognition Plan Investments	<u><u>930,575</u></u>			
Cash and deposits:				
Nonnegotiable certificates of deposits	200,000			
Demand deposits	1,088,492			
Cash on hand	<u>4,800</u>			
Total cash and deposits	<u><u>1,293,292</u></u>			
<b>Total</b>	<u><u>\$ 96,270,504</u></u>			

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

**3. CASH AND INVESTMENTS, Continued**

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, 2009, the carrying amount of the City/District's deposits was \$1,293,292 and the bank balance was \$1,670,516. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$636,102 was covered by federal depository insurance and \$1,034,414 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

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.

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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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**3. CASH AND INVESTMENTS, Continued**

Investments Authorized by the City/District's Investment Policy, Continued

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 mandates for safety, liquidity and yield with respect to the investments of public funds, as of June 30, 2009 the City/District's investment pool had a valuation of 99.84% (market value of securities as a percentage of amortized book cost), a weighted average maturity of 171 days, and a portfolio weighted average 365 day yield as of June 30, 2009 of 1.636%.

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

During fiscal year ended June 30, 2005, the City/District 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 that of securities and obligations of the U.S. Government and mutual funds and to the highest ranking or the highest letter and numerical rating by not less than two of the three nationally recognized rating services.

External Investment Pool

The City/District invests in LAIF, a State of California external investment pool, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

**3. CASH AND INVESTMENTS, Continued**

External Investment Pool, Continued

The City/District valued its investments in LAIF as of June 30, 2009, by multiplying its account balance with LAIF (\$75,200,000) times a fair value factor (1.001304743) 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, 2009, the City/District's investments in LAIF, stated at fair value, equaled \$75,298,117.

The District's investments with LAIF at June 30, 2009, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

- 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, 2009, the City/District had \$75,298,117 (stated at fair value) invested in LAIF, which had invested 14.71% of the pool investment fund in Structured Notes and Asset-Backed Securities as compared to the previous year's amount of 14.72%.

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, 2009, the City/District did not have more than 5 percent invested in any one issuer.

**4. LOANS RECEIVABLE**

At June 30, 2009, Loans Receivable amounted to:

	Amount	Allowance	Net Amount
Metro Center Senior Homes Project	\$ 6,382,339	\$ (6,382,339)	\$ -
First Time Home Buyer Program	1,169,698	-	1,169,698
<b>Total</b>	<b>\$ 7,552,037</b>	<b>\$ (6,382,339)</b>	<b>\$ 1,169,698</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

**4. LOANS RECEIVABLE, Continued**

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, 2009, the Agency provided a 100% valuation allowance equal to the loan balance outstanding in the amount of \$6,382,339 which includes principal of \$5,932,447 and accumulated interest in the amount of \$449,892.

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 \$1,169,698 at June 30, 2009.

**5. INTERFUND TRANSACTIONS**

Due To and From Other Funds

		Due to other funds	
		Non-Major Governmental Funds	Total
Due from other funds	General Fund	\$ 36,672	\$ 36,672
	<b>Total</b>	<b>\$ 36,672</b>	<b>\$ 36,672</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

**5. INTERFUND TRANSACTIONS, Continued**

Advances To and From Other Funds

At June 30, 2009, the outstanding balance of advances from the General Fund to the Community Development Agency Fund is \$8,150,214. 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 \$3,661,690 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:

		Transfers in			
		Community Development Agency	Non-Major Public Transportation	Equipment Replacement	Total
Transfers from	General Fund	\$ -	\$ 110,733	\$ -	\$ 110,733
	Tax Allocation Refunding Bond	9,184,980	-	-	9,184,980
	Information Technology	-	-	294,762	294,762
	<b>Total</b>	<b>\$ 9,184,980</b>	<b>\$ 110,733</b>	<b>\$ 294,762</b>	<b>\$ 9,590,475</b>

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 \$43,500 to transfer capital assets to the governmental activities. The transfer in to the governmental activities is only recorded in the government-wide financial statements and therefore, transfers in and out do not balance on the fund statements.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

**6. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2009 follows:

	July 1, 2008	Additions	Retirements	Transfers	June 30, 2009
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 10,234,421	\$ 1,446,460	\$ -	\$ -	\$ 11,680,881
Construction in progress	1,818,546	6,018,889	-	(5,736,200)	2,101,235
Total capital assets, not being depreciated	<u>12,052,967</u>	<u>7,465,349</u>	<u>-</u>	<u>(5,736,200)</u>	<u>13,782,116</u>
Capital assets, being depreciated:					
Infrastructure	94,759,959	109,053	(651,575)	1,123,674	95,341,111
Buildings	45,127,045	815,173	-	4,432,684	50,374,902
Improvements	6,060,916	-	(2,900)	81,540	6,139,556
Equipment	5,807,439	573,918	(338,597)	98,302	6,141,062
Vehicles	4,921,608	411,071	(426,140)	-	4,906,539
Total capital assets, being depreciated	<u>156,676,967</u>	<u>1,909,215</u>	<u>(1,419,212)</u>	<u>5,736,200</u>	<u>162,903,170</u>
Less accumulated depreciation for:					
Infrastructure	(44,030,585)	(2,601,382)	574,533	-	(46,057,434)
Buildings	(7,467,013)	(1,049,126)	-	-	(8,516,139)
Improvements	(929,613)	(200,812)	-	-	(1,130,425)
Equipment	(3,623,597)	(524,429)	292,757	-	(3,855,269)
Vehicles	(2,981,690)	(407,831)	426,140	-	(2,963,381)
Total accumulated depreciation	<u>(59,032,498)</u>	<u>(4,783,580)</u>	<u>1,293,430</u>	<u>-</u>	<u>(62,522,648)</u>
Total capital assets, being depreciated, net	<u>97,644,469</u>	<u>(2,874,365)</u>	<u>(125,782)</u>	<u>5,736,200</u>	<u>100,380,522</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 109,697,436</u>	<u>\$ 4,590,984</u>	<u>\$ (125,782)</u>	<u>\$ -</u>	<u>\$ 114,162,638</u>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

**6. CAPITAL ASSETS, Continued**

	July 1, 2008	Additions	Retirements	June 30, 2009
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,553,474	\$ -	\$ -	\$ 3,553,474
Construction in progress	91,343	392,936	-	484,279
Sewer capacity rights	8,023,025	430,290	-	8,453,315
Total capital assets, not being depreciated	<u>11,667,842</u>	<u>823,226</u>	<u>-</u>	<u>12,491,068</u>
Capital assets, being depreciated:				
Infrastructure	68,919,422	497,189	(116,195)	69,300,416
Sewer capacity rights	15,540,222	-	-	15,540,222
Equipment	769,186	104,351	-	873,537
Total capital assets, being depreciated	<u>85,228,830</u>	<u>601,540</u>	<u>(116,195)</u>	<u>85,714,175</u>
Less accumulated depreciation for:				
Infrastructure	(32,906,283)	(1,637,606)	107,554	(34,436,335)
Sewer capacity rights	(2,140,931)	(310,804)	-	(2,451,735)
Equipment	(415,450)	(48,499)	-	(463,949)
Total accumulated depreciation	<u>(35,462,664)</u>	<u>(1,996,909)</u>	<u>107,554</u>	<u>(37,352,019)</u>
Total capital assets, being depreciated, net	<u>49,766,166</u>	<u>(1,395,369)</u>	<u>(8,641)</u>	<u>48,362,156</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 61,434,008</u>	<u>\$ (572,143)</u>	<u>\$ (8,641)</u>	<u>\$ 60,853,224</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 559,859
Public safety - Police	130,574
Public safety- Fire	10,108
Public works	2,256,518
Community development	39,436
Parks and recreation	854,825
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.	<u>932,260</u>
<b>Total depreciation expense</b>	<u>\$ 4,783,580</u>

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

Water	\$ 1,082,391
Sewer	914,518
<b>Total depreciation expense</b>	<u>\$ 1,996,909</u>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

**7. LONG TERM OBLIGATIONS**

The following is a summary of long-term obligation transactions for the year ended June 30, 2009:

	July 1, 2008	Additions	Retirements	June 30, 2009	Due Within One Year	Due in More Than One Year
Governmental activities:						
Tax Allocation Refunding Bonds	\$ 6,975,000	\$ -	\$ (3,415,000)	\$ 3,560,000	\$ 3,560,000	\$ -
Special Assessment Bonds	800,000	-	(385,000)	415,000	415,000	-
COSTCO Notes	800,000	-	-	800,000	800,000	-
Claim liability	106,287	26,334	-	132,621	132,621	-
Compensated absences	2,610,591	1,373,948	(1,286,599)	2,697,940	1,078,522	1,619,418
Total governmental activities	<u>\$ 11,291,878</u>	<u>\$ 1,400,282</u>	<u>\$ (5,086,599)</u>	<u>\$ 7,605,561</u>	<u>\$ 5,986,143</u>	<u>\$ 1,619,418</u>
Business-type activities:						
Compensated absences	311,024	153,555	(151,605)	312,974	146,255	166,719
Total business-type activities	<u>\$ 311,024</u>	<u>\$ 153,555</u>	<u>\$ (151,605)</u>	<u>\$ 312,974</u>	<u>\$ 146,255</u>	<u>\$ 166,719</u>

Tax allocation refunding revenue bonds and the Special assessment bonds with governmental commitment at June 30, 2009 consisted of the following:

Type of Indebtedness	Maturity	Interest Rate	Amount Issued	Outstanding at June 30, 2009
Governmental activities:				
Tax Allocation Refunding Revenue Bonds (a):				
2001 Refunding Bonds	2010	4.10 - 4.40%	\$ 27,010,000	\$ 3,560,000
Special Assessment Bonds with governmental commitment (b):				
1989 Vintage Park Improvement Bonds	2010	7.15 - 7.30%	11,462,073	415,000
Total special assessment bonds			11,462,073	415,000
COSTCO Development Agreement (c):				
Note 1	2015	8.00%	800,000	800,000
Total COSTCO Notes			800,000	800,000
Total governmental activities long-term bonds and notes			<u>\$ 39,272,073</u>	<u>\$ 4,775,000</u>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

**7. LONG TERM OBLIGATIONS, Continued**

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, \$193,306 of internal service funds compensated absences and \$132,621 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, 2009, annual debt service requirements to maturity are as follows:

Year Ending June 30,	Governmental Activities			
	Tax Allocation		Special Assessment Bonds <sup>(b)</sup>	
	Refunding Bonds <sup>(a)</sup>	Interest	Principal	Interest
2010	\$ 3,560,000	\$ 78,320	\$ 415,000	\$ 15,148
Total	\$ 3,560,000	\$ 78,320	\$ 415,000	\$ 15,148

Year Ending June 30,	Governmental Activities	
	COSTCO Notes <sup>(c)</sup>	
	Principal	Interest
2010	800,000	64,000
Total	\$ 800,000	\$ 64,000

Debt service payments are generally made from the following sources:

- (a) Property tax increment from the Community Development Agency
- (b) Special assessments of the related special assessment district or through foreclosure on the underlying property
- (c) Agency tax increment

**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, 2009, the 1996 tax allocation bonds are considered defeased, and were fully redeemed on September 1, 2006.

Annual principal and interest payments on the 2001 Refunding Bonds are expected to require 39% percent of net revenues. The total principal and interest remaining to be paid on the Refunding Bonds is \$3,638,320. For the current year, principal and interest paid on the 2001 Bonds was \$3,644,209 and property tax increment net revenues were \$10,134,147. The 2001 Refunding Bonds required 39% of net revenues.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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**7. LONG TERM OBLIGATIONS, Continued**

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.

As of June 30, 2009, the City/District has recorded special assessment receivables in the following amounts:

Vintage Park Special Assessment District Bonds	\$	482
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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 \$338,400 was met. The outstanding principal at June 30, 2009 is \$800,000.

The second promissory note was in the amount of \$1,939,242 with an 8% per annum interest rate. (This was the approximate amount of the Metro Center Assessment District obligations which encumbered the property.) The note was payable in annual payments of \$217,800 for fourteen years. Payment was due only if the gross sales tax revenue threshold as defined in the note agreement for that year was met. Payments not made on this basis were forgiven. During the fiscal year ended June 30, 2008, COSTCO forgave the final payment amount of \$201,667 because the gross sales tax revenue threshold of \$912,300 was not met. The outstanding principal at June 30, 2009 is \$0.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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**7. LONG TERM OBLIGATIONS, Continued**

COSTCO Notes, Continued

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

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, 2009.

**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.

*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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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

As of June 30, 2009, 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.

*Inventory* – to reflect the holding of food supplies in the case of a disaster for individuals who work in the Emergency Operating Center (EOC).

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

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, 2009:

	General Fund	City Capital Projects	Community Development Agency	Non-Major Governmental Funds	Total Governmental Funds
Designated for:					
Capital projects	\$ 520,881	\$ 2,599,665	\$ -	\$ -	\$ 3,120,546
Emergency	1,000,000	1,000,000	-	-	2,000,000
Construction & demolition	81,250	-	-	-	81,250
Rate stabilization	487,500	-	-	-	487,500
Undesignated	19,949,845	3,063,510	(2,274,198)	2,748,765	23,487,922
<b>Total</b>	<b>\$ 22,039,476</b>	<b>\$ 6,663,175</b>	<b>\$ (2,274,198)</b>	<b>\$ 2,748,765</b>	<b>\$ 29,177,218</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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**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 2009 were 13.936% for miscellaneous employees and 33.103% for safety employees of annual covered payroll which amounted to \$1,623,794 and \$2,694,003 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.

*Annual Pension Cost:* For fiscal year 2009, 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, 2006 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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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

Public Employees' Retirement Fund, Continued

*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
6/30/2007	\$ 935,505	100%	\$ -	6/30/2007	\$ 2,424,604	100%	\$ -
6/30/2008	1,440,966	100%	-	6/30/2008	2,546,975	100%	-
6/30/2009	1,623,794	100%	-	6/30/2009	2,694,003	100%	-

*Funded Status of Plan – Safety Employees*

The City/District's retirement plan for safety employees is a part of the CalPERS 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*

The City/District contributed to the California Public Employees' Retirement System (CalPERS), as an agent multiple-employer public employee defined benefit pension plan. The amounts reflected herein represent the District's portion as reported by CalPERS.

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	UAAL as a % of Payroll
	Normal Accrued Liability			Actuarial Value	Market Value		
6/30/2008	\$ 58,959,588	\$ 51,765,675	\$ 7,193,913	87.8%	88.7%	\$ 11,145,166	64.5%

\*\* Additional information regarding the funded status of the miscellaneous employees' retirement plan can be found in the Required Supplementary Information section

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 \$206,534 in fiscal year 2009 as required under the City/District's MOUs. The Plan has \$34,077 loaned to 4 employees at June 30, 2009.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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

Longevity Recognition Benefits

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

Other Post Employment Benefits

All City/District employees, their surviving spouses, and eligible dependents can continue to participate in the health care program under the provisions of the formal City-sponsored 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 \$97 and \$101 per month per family for the period from July 1, 2008 to December 31, 2008 and January 1, 2009 to June 30, 2009 respectively. The City/District's contribution for fiscal year 2009 amounted to \$65,000.

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City/District annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the City Retiree Health Plan:

Annual required contribution	\$ 601,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB expense	601,000
Contributions made	(65,000)
Increase in net OPEB obligation	536,000
Net OPEB obligation —beginning of year	-
Net OPEB obligation —end of year	<u>\$ 536,000</u>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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

Annual OPEB Cost and Net OPEB Obligation, Continued

The City/District Retiree Health annual OPEB cost, the percentage of annual OPEB cost contributed to the plan for 2009 as follows:.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 65,000	100.00%	\$ 536,000

**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 2009, the City/District received \$133,815 of In Lieu Rent and \$9,482 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, 2009**

**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/District and San Mateo 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/District, 34.4% and San Mateo, 65.6%. 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 City/District's share of costs has been financed through the sale of \$1,329,000 in Sewer Revenue Bonds in 1993. 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, 2009, the City/District expended \$430,290 towards the wastewater treatment plant facility.

For the year ended June 30, 2009, the District's share of the operating and maintenance costs was \$1,473,184 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, 2009, the City/District paid premiums to The Cities Group of \$441,497, 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, 2009 were \$489,612.

Condensed financial information as of June 30, 2009 for The Cities Group is presented below:

Total assets	\$	2,198,973
Total liabilities		1,089,227
Total equity/net assets		1,109,746
Total revenues		2,765,673
Total expenses/expenditures		2,753,445
Increase (decrease) in equity/net assets		12,228

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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**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, 2009, the City/District's paid premiums of \$175,406 to ABAG.

Condensed financial information as of June 30, 2008 (the latest information available) for the ABAG PLAN is presented below:

Total assets	\$ 44,979,622
Total liabilities	17,617,173
Total equity/net assets	27,362,449
Total revenues	12,259,320
Total expenses/expenditures	14,980,964
Increase (decrease) in equity/net assets	(2,721,644)

**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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

**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, 2009, the liability for general liability self-insurance claims was \$132,621. 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, 2007	\$ 25,799
Current year claim deductibles and changes in estimates	80,488
Net payments	-
Liability at June 30, 2008	<u>106,287</u>
Current year claim deductibles and changes in estimates	26,334
Net payments	-
Liability at June 30, 2009	<u><u>\$ 132,621</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 2009, the Agency paid \$447,000 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, 2009**

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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, 2009, the Agency paid the developer the required 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, 2009, the Agency paid the developer the Utility Subsidy in the amount of \$41,352

(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, 2009, the Agency paid the developer a tax increment subsidy in the amount of \$169,807.

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, 2009**

**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 the required installment in the amount of \$ 233,659 during the fiscal year ended June 30, 2009.

Special Assessment Debt

The City/District is considered to be “obligated in some manner,” as defined by GASB 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.

Capital Project Commitments

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

Project	Project Authorization	Expended Through June 30, 2009	Committed
WWTP Expansion Phase II	\$ 9,631,000	\$ 8,453,316	\$ 1,177,684
Foster City Teen Center and Recreation Facilities	6,146,500	5,261,883	884,617
Water Main Condition Survey	850,000	601,155	248,845
Sea Cloud Park Synthetic Turf	2,700,000	1,469,697	1,230,303
Sewer Main Rehabilitation	630,000	18,206	611,794
Sanitary Sewer Lift Station Improvements	998,500	-	998,500
Residential Street Resurfacing and Repair	750,000	220,088	529,912
Arterial and Collector Overlay Project	730,000	1,894	728,106
Other Projects	1,645,000	683,938	961,062
Total	\$ 24,081,000	\$ 16,710,177	\$ 7,370,823

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

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements, Continued**  
**For the fiscal year ended June 30, 2009**

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**14. SUBSEQUENT EVENT**

Subsequent to June 30, 2009, the State of California (State) has decided to borrow, to defer certain revenue payments and to take certain funds from local governments including the City/District. These amounts are very significant to the City/District and are as follows:

8% of Property Taxes	\$	1,206,702
Redevelopment Agency	\$	5,634,266

Property Taxes borrowed by the State for fiscal year 2009-2010 were nearly \$2 billion statewide to help the State's budget shortfall. Legislators and the Governor promised to allow local agencies to sell their eventual repayment from the State to investors to cover the property taxes and to pay the full cost of the sale, or securitization. Passage of Senate Bill 67 (SB 67) was accomplished on October 14, 2009. A future bond sale is necessary to complete the funding or securitization. The City/District has planned to use these funds in the 2009-2010 budget. Any delay in funding may mean that the City/District will have no choice to adopt mid-year service reductions, layoffs and other measures to manage significant cash-flow shortfalls that will occur.

Redevelopment Agency funds have been estimated for a two year takeaway by the State. This decision is to be litigated by California Redevelopment Association and other parties with hope that this will be considered unconstitutional as was last year's State proposed takeaway.

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**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information**  
**For the fiscal year ended June 30, 2009**

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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, 2009. 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, 2009**

*Budgetary Comparison Schedule – General Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, June 30, 2008</b>	<b>\$ 32,116,709</b>	<b>\$ 32,116,709</b>	<b>\$ 32,116,709</b>	<b>\$ -</b>
Resources (inflows):				
Property taxes:				
Secured	11,275,000	11,275,000	11,166,802	(108,198)
Unsecured	-	-	465,591	465,591
Motor vehicle in lieu	2,450,000	2,450,000	2,359,092	(90,908)
Total	13,725,000	13,725,000	13,991,485	266,485
Other taxes:				
Sales and use and sales tax in lieu	4,900,000	4,900,000	4,513,222	(386,778)
Transient occupancy	1,500,000	1,500,000	1,263,128	(236,872)
Franchise	1,127,000	1,127,000	1,044,988	(82,012)
Real property transfer	260,000	260,000	179,134	(80,866)
Total	7,787,000	7,787,000	7,000,472	(786,528)
Licenses and permits:				
Business licenses	632,000	632,000	685,422	53,422
Permits	572,000	572,000	400,221	(171,779)
Total	1,204,000	1,204,000	1,085,643	(118,357)
Intergovernmental:				
Motor vehicle in lieu	-	-	103,083	103,083
Homeowner property tax relief	107,000	107,000	103,053	(3,947)
Reimbursements and grants	-	-	61,747	61,747
Total	107,000	107,000	267,883	160,883
Charges for current services:				
Service fees	361,000	361,000	343,275	(17,725)
Recreation and leisure	1,092,000	1,092,000	1,060,173	(31,827)
Total	1,453,000	1,453,000	1,403,448	(49,552)
Fines and forfeitures:				
Traffic fines and court fees	50,000	50,000	29,961	(20,039)
False alarm fines	3,000	3,000	13,324	10,324
Total	53,000	53,000	43,285	(9,715)
Investment income and rentals:				
Investment income	1,904,000	1,904,000	1,621,887	(282,113)
Rent	811,000	811,000	812,727	1,727
Total	2,715,000	2,715,000	2,434,614	(280,386)
Other revenues	400,000	400,000	1,246,661	846,661
Transfers in	-	-	-	-
Amounts available for appropriation	59,560,709	59,560,709	59,590,200	29,491

(Continued)

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the fiscal year ended June 30, 2009**

*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	\$ 320,043	\$ 320,043	\$ 275,193	\$ 44,850
City/District Manager	670,802	678,965	678,965	-
City Clerk	193,610	192,650	186,592	6,058
City/District Attorney	197,807	197,807	173,675	24,132
Administrative Services	548,642	545,004	505,794	39,210
Human Resources	421,992	462,569	377,578	84,991
Financial Services	635,404	636,826	619,560	17,266
Total	2,988,300	3,033,864	2,817,357	216,507
Public safety - Police	9,601,040	9,582,070	9,177,366	404,704
Public safety - Fire	7,898,217	7,893,572	7,381,709	511,863
Public works	2,214,672	2,208,971	1,910,622	298,349
Community development	1,860,783	1,856,985	1,453,361	403,624
Parks and recreation	6,620,928	6,869,749	6,489,605	380,144
Transfers out	205,000	205,000	110,733	94,267
Total charges to appropriations	31,388,940	31,650,211	29,340,753	2,309,458
<b>Fund balance, June 30, 2009</b>	<b>\$ 28,171,769</b>	<b>\$ 27,910,498</b>	<b>\$ 30,249,447</b>	<b>\$ 2,338,949</b>

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the fiscal year ended June 30, 2009**

**Schedule of Funding Progress (Unaudited)**

*Funded Status of Plan - Safety Employees*

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	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	UAAL as a % of Payroll
	Normal Accrued Liability			Actuarial Value	Market Value		
6/30/2006	\$ 48,925,129	\$ 42,162,830	\$ 6,762,299	86.2%	90.9%	\$ 10,471,332	64.6%
6/30/2007	51,837,719	46,587,617	5,250,102	89.9%	103.3%	10,373,476	50.6%
6/30/2008	58,959,588	51,765,675	7,193,913	87.8%	88.7%	11,145,166	64.5%

**City of Foster City and Estero Municipal Improvement District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2009**

	Non-Major Special Revenue Funds	Non-Major Debt Service Funds	Total
<b>ASSETS</b>			
Cash and investments	\$ 2,613,806	\$ 21,701	\$ 2,635,507
Receivables, net of allowance:			
Intergovernmental	150,190	-	150,190
Taxes	30,834	-	30,834
Other	3,000	-	3,000
Restricted cash and investments	-	430,148	430,148
Special assessment receivable	-	482	482
<b>Total assets</b>	<b>\$ 2,797,830</b>	<b>\$ 452,331</b>	<b>\$ 3,250,161</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 9,639	\$ -	\$ 9,639
Accrued payroll	2,754	-	2,754
Due to other funds	36,672	-	36,672
Deferred revenue	-	482	482
<b>Total liabilities</b>	<b>49,065</b>	<b>482</b>	<b>49,547</b>
<b>Fund balances:</b>			
Reserved for:			
Debt service	-	451,849	451,849
Unreserved, reported in:			
Special revenue funds	2,748,765	-	2,748,765
<b>Total fund balances</b>	<b>2,748,765</b>	<b>451,849</b>	<b>3,200,614</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,797,830</b>	<b>\$ 452,331</b>	<b>\$ 3,250,161</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, 2009**

	Non-Major Special Revenue Funds	Non-Major Debt Service Funds	Total
<b>REVENUES:</b>			
Sales and use taxes	\$ 437,246	\$ -	\$ 437,246
Intergovernmental	857,073	-	857,073
Fines and forfeitures	99,602	-	99,602
Special assessment	-	189,911	189,911
Investment income	63,052	10,737	73,789
Other	376,920	-	376,920
<b>Total revenues</b>	<b>1,833,893</b>	<b>200,648</b>	<b>2,034,541</b>
<b>EXPENDITURES:</b>			
Current:			
General government	333,082	-	333,082
Public safety - Police	94,091	-	94,091
Public safety - Fire	3,904	-	3,904
Public works	688,439	-	688,439
Parks and recreation	18,715	-	18,715
Capital outlay	837,558	-	837,558
Debt service:			
Principal repayment	-	385,000	385,000
Interest and fiscal charges	-	48,453	48,453
<b>Total expenditures</b>	<b>1,975,789</b>	<b>433,453</b>	<b>2,409,242</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(141,896)</b>	<b>(232,805)</b>	<b>(374,701)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(141,896)</b>	<b>(232,805)</b>	<b>(374,701)</b>
<b>FUND BALANCES:</b>			
Beginning of year	2,890,661	684,654	3,575,315
End of year	\$ 2,748,765	\$ 451,849	\$ 3,200,614

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**City of Foster City and Estero Municipal Improvement District**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2009**

	Traffic Safety	Measure A	Gas Tax	SLESF/ COPS Grant
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 1,799,068	\$ 583,989	\$ -
Receivables, net of allowance:				
Intergovernmental	8,249	-	43,949	36,672
Taxes	-	30,834	-	-
Other	-	-	-	-
<b>Total assets</b>	<b>\$ 8,249</b>	<b>\$ 1,829,902</b>	<b>\$ 627,938</b>	<b>\$ 36,672</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	36,672
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,672</b>
<b>Fund Balances:</b>				
Unreserved, reported in:				
Special revenue funds	8,249	1,829,902	627,938	-
<b>Total fund balances</b>	<b>8,249</b>	<b>1,829,902</b>	<b>627,938</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,249</b>	<b>\$ 1,829,902</b>	<b>\$ 627,938</b>	<b>\$ 36,672</b>



California Law Enforcement Equipment	California Opportunities	Proposition 42	Foster City Foundation	Total
\$ 26,867	\$ 125,505	\$ -	\$ 78,377	\$ 2,613,806
-	-	61,320	-	150,190
-	-	-	-	30,834
-	3,000	-	-	3,000
<u>\$ 26,867</u>	<u>\$ 128,505</u>	<u>\$ 61,320</u>	<u>\$ 78,377</u>	<u>\$ 2,797,830</u>

\$ -	\$ 364	\$ -	\$ 9,275	\$ 9,639
-	2,754	-	-	2,754
-	-	-	-	36,672
<u>-</u>	<u>3,118</u>	<u>-</u>	<u>9,275</u>	<u>49,065</u>

<u>26,867</u>	<u>125,387</u>	<u>61,320</u>	<u>69,102</u>	<u>2,748,765</u>
<u>26,867</u>	<u>125,387</u>	<u>61,320</u>	<u>69,102</u>	<u>2,748,765</u>
<u>\$ 26,867</u>	<u>\$ 128,505</u>	<u>\$ 61,320</u>	<u>\$ 78,377</u>	<u>\$ 2,797,830</u>

**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the fiscal year ended June 30, 2009**

	Traffic Safety	Measure A	Gas Tax	SLESF/ COPS Grant
<b>REVENUES:</b>				
Sales and use tax	\$ -	\$ 437,246	\$ -	\$ -
Intergovernmental	-	-	506,855	93,532
Fines and forfeitures	99,602	-	-	-
Investment income	-	41,874	15,454	559
Other	-	-	-	-
<b>Total revenues</b>	<u>99,602</u>	<u>479,120</u>	<u>522,309</u>	<u>94,091</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	106,820	-
Public safety - police	-	-	-	94,091
Public safety - fire	-	-	-	-
Public works	108,233	-	514,180	-
Parks and recreation	-	-	-	-
Capital outlay	-	401,706	24,723	-
<b>Total expenditures</b>	<u>108,233</u>	<u>401,706</u>	<u>645,723</u>	<u>94,091</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(8,631)</u>	<u>77,414</u>	<u>(123,414)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(8,631)	77,414	(123,414)	-
<b>FUND BALANCES:</b>				
Beginning of year	16,880	1,752,488	751,352	-
End of year	<u>\$ 8,249</u>	<u>\$ 1,829,902</u>	<u>\$ 627,938</u>	<u>\$ -</u>

California Law Enforcement Equipment	California Opportunities	Proposition 42	Foster City Foundation	Total
\$ -	\$ -	\$ -	\$ -	\$ 437,246
-	-	256,686	-	857,073
-	-	-	-	99,602
-	5,165	-	-	63,052
-	107,050	-	269,870	376,920
-	112,215	256,686	269,870	1,833,893
-	226,262	-	-	333,082
-	-	-	-	94,091
-	-	-	3,904	3,904
-	-	66,026	-	688,439
-	-	-	18,715	18,715
-	-	129,340	281,789	837,558
-	226,262	195,366	304,408	1,975,789
-	(114,047)	61,320	(34,538)	(141,896)
-	(114,047)	61,320	(34,538)	(141,896)
26,867	239,434	-	103,640	2,890,661
\$ 26,867	\$ 125,387	\$ 61,320	\$ 69,102	\$ 2,748,765

**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fines and forfeitures	\$ 120,000	\$ 120,000	\$ 99,602	\$ (20,398)
Investment income	-	-	-	-
<b>Total revenues</b>	<b>120,000</b>	<b>120,000</b>	<b>99,602</b>	<b>(20,398)</b>
<b>EXPENDITURES:</b>				
Public works	120,000	120,000	108,233	11,767
<b>Total expenditures</b>	<b>120,000</b>	<b>120,000</b>	<b>108,233</b>	<b>11,767</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(8,631)</b>	<b>(8,631)</b>
<b>FUND BALANCE:</b>				
Beginning of year	16,880	16,880	16,880	-
End of year	\$ 16,880	\$ 16,880	\$ 8,249	\$ (8,631)

**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Sales and use taxes	\$ 485,000	\$ 485,000	\$ 437,246	\$ (47,754)
Investment income	50,000	50,000	41,874	(8,126)
<b>Total revenues</b>	<b>535,000</b>	<b>535,000</b>	<b>479,120</b>	<b>(55,880)</b>
<b>EXPENDITURES:</b>				
Capital outlay	-	560,957	401,706	159,251
<b>Total expenditures</b>	<b>-</b>	<b>560,957</b>	<b>401,706</b>	<b>159,251</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>535,000</b>	<b>(25,957)</b>	<b>77,414</b>	<b>103,371</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,752,488	1,752,488	1,752,488	-
End of year	\$ 2,287,488	\$ 1,726,531	\$ 1,829,902	\$ 103,371

**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 564,000	\$ 564,000	\$ 506,855	\$ (57,145)
Investment income	37,000	37,000	15,454	(21,546)
<b>Total revenues</b>	<b>601,000</b>	<b>601,000</b>	<b>522,309</b>	<b>(78,691)</b>
<b>EXPENDITURES:</b>				
General government	106,820	106,820	106,820	-
Public works	514,180	514,180	514,180	-
Capital outlay	750,000	750,000	24,723	725,277
<b>Total expenditures</b>	<b>1,371,000</b>	<b>1,371,000</b>	<b>645,723</b>	<b>725,277</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(770,000)</b>	<b>(770,000)</b>	<b>(123,414)</b>	<b>646,586</b>
<b>FUND BALANCE:</b>				
Beginning of year	751,352	751,352	751,352	-
End of year	\$ (18,648)	\$ (18,648)	\$ 627,938	\$ 646,586

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**SLESE/COPS Grant Special Revenue Fund**  
**For the fiscal year ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 100,000	\$ 93,532	\$ (6,468)
Investment income	-	-	559	559
<b>Total revenues</b>	<b>-</b>	<b>100,000</b>	<b>94,091</b>	<b>(5,909)</b>
<b>EXPENDITURES:</b>				
Public safety - police	-	100,000	94,091	5,909
<b>Total expenditures</b>	<b>-</b>	<b>100,000</b>	<b>94,091</b>	<b>5,909</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**California Law Enforcement Equipment Special Revenue Fund**  
**For the fiscal year ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Public safety - police	\$ 26,867	\$ 26,867	\$ -	\$ 26,867
<b>Total expenditures</b>	<b>26,867</b>	<b>26,867</b>	<b>-</b>	<b>26,867</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(26,867)</b>	<b>(26,867)</b>	<b>-</b>	<b>26,867</b>
<b>FUND BALANCE:</b>				
Beginning of year	26,867	26,867	26,867	-
End of year	\$ -	\$ -	\$ 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**  
**California Opportunities Special Revenue Fund**  
**For the fiscal year ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment income	\$ 9,000	\$ 9,000	\$ 5,165	\$ (3,835)
Other	134,000	134,000	107,050	(26,950)
<b>Total revenues</b>	<b>143,000</b>	<b>143,000</b>	<b>112,215</b>	<b>(30,785)</b>
<b>EXPENDITURES:</b>				
General government	149,463	268,163	226,262	41,901
<b>Total expenditures</b>	<b>149,463</b>	<b>268,163</b>	<b>226,262</b>	<b>41,901</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(6,463)</b>	<b>(125,163)</b>	<b>(114,047)</b>	<b>11,116</b>
<b>FUND BALANCE:</b>				
Beginning of year	239,434	239,434	239,434	-
End of year	\$ 232,971	\$ 114,271	\$ 125,387	\$ 11,116

**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 290,000	\$ 290,000	\$ 256,686	\$ (33,314)
<b>Total revenues</b>	<b>290,000</b>	<b>290,000</b>	<b>256,686</b>	<b>(33,314)</b>
<b>EXPENDITURES:</b>				
Public works	-	70,660	66,026	4,634
Capital outlay	-	129,340	129,340	-
<b>Total expenditures</b>	<b>-</b>	<b>200,000</b>	<b>195,366</b>	<b>4,634</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>290,000</b>	<b>90,000</b>	<b>61,320</b>	<b>(28,680)</b>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	\$ 290,000	\$ 90,000	\$ 61,320	\$ (28,680)

**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Other	\$ 38,000	\$ 38,000	\$ 269,870	\$ 231,870
<b>Total revenues</b>	<b>38,000</b>	<b>38,000</b>	<b>269,870</b>	<b>231,870</b>
<b>EXPENDITURES:</b>				
Public Safety- Police	-	4,942	-	4,942
Public Safety- Fire	-	32,128	3,904	28,224
Parks and recreation	-	66,321	18,715	47,606
Capital outlay	-	282,000	281,789	211
<b>Total Expenditures</b>	<b>-</b>	<b>385,391</b>	<b>304,408</b>	<b>80,983</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer in	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>38,000</b>	<b>(347,391)</b>	<b>(34,538)</b>	<b>312,853</b>
<b>FUND BALANCE:</b>				
Beginning of year	103,640	103,640	103,640	-
End of year	\$ 141,640	\$ (243,751)	\$ 69,102	\$ 312,853

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**City of Foster City and Estero Municipal Improvement District**  
**Combining Balance Sheet**  
**Non-Major Debt Service Funds**  
**June 30, 2009**

	Vintage Park Special Assessment Bonds	Total
<b>ASSETS</b>		
Cash and investments	\$ 21,701	\$ 21,701
Restricted cash and investments	430,148	430,148
Special assessments receivables	482	482
<b>Total assets</b>	<b>\$ 452,331</b>	<b>\$ 452,331</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Deferred revenue	482	482
<b>Total liabilities</b>	<b>482</b>	<b>482</b>
<b>Fund Balances:</b>		
Reserved for:		
Debt service	451,849	451,849
<b>Total fund balances</b>	<b>451,849</b>	<b>451,849</b>
<b>Total liabilities and fund balances</b>	<b>\$ 452,331</b>	<b>\$ 452,331</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, 2009**

	Vintage Park Special Assessment Bonds	Total
<b>REVENUES:</b>		
Special assessments	\$ 189,911	\$ 189,911
Investment income	10,737	10,737
<b>Total revenues</b>	<b>200,648</b>	<b>200,648</b>
<b>EXPENDITURES:</b>		
Debt service:		
Principal repayment	385,000	385,000
Interest and fiscal charges	48,453	48,453
<b>Total expenditures</b>	<b>433,453</b>	<b>433,453</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(232,805)</b>	<b>(232,805)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(232,805)</b>	<b>(232,805)</b>
<b>FUND BALANCES:</b>		
Beginning of year	684,654	684,654
End of year	\$ 451,849	\$ 451,849

**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 9,629,000	\$ 9,629,000	\$ 10,134,148	\$ 505,148
Investment income	108,000	108,000	8,841	(99,159)
<b>Total revenues</b>	<b>9,737,000</b>	<b>9,737,000</b>	<b>10,142,989</b>	<b>405,989</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal repayment	3,415,000	3,415,000	3,415,000	-
Interest and fiscal charges	250,709	250,709	232,060	18,649
<b>Total expenditures</b>	<b>3,665,709</b>	<b>3,665,709</b>	<b>3,647,060</b>	<b>18,649</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,071,291</b>	<b>6,071,291</b>	<b>6,495,929</b>	<b>424,638</b>
<b>OTHER FINANCING USES:</b>				
Transfer out	(5,999,291)	(5,999,291)	(9,184,980)	(3,185,689)
<b>Total other financing uses</b>	<b>(5,999,291)</b>	<b>(5,999,291)</b>	<b>(9,184,980)</b>	<b>(3,185,689)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>72,000</b>	<b>72,000</b>	<b>(2,689,051)</b>	<b>(2,761,051)</b>
<b>FUND BALANCE:</b>				
Beginning of year	6,327,371	6,327,371	6,327,371	-
End of year	\$ 6,399,371	\$ 6,399,371	\$ 3,638,320	\$ (2,761,051)

**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Special assessment	\$ 190,000	\$ 190,000	\$ 189,911	\$ (89)
Investment income	12,000	12,000	10,737	(1,263)
<b>Total revenues</b>	<b>202,000</b>	<b>202,000</b>	<b>200,648</b>	<b>(1,352)</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal repayment	385,000	385,000	385,000	-
Interest and fiscal charges	54,103	54,103	48,453	5,650
<b>Total expenditures</b>	<b>439,103</b>	<b>439,103</b>	<b>433,453</b>	<b>5,650</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(237,103)</b>	<b>(237,103)</b>	<b>(232,805)</b>	<b>4,298</b>
<b>FUND BALANCE:</b>				
Beginning of year	684,654	684,654	684,654	-
End of year	\$ 447,551	\$ 447,551	\$ 451,849	\$ 4,298

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**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Fund Net Assets**  
**Internal Service Funds**  
**June 30, 2009**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 3,653,857	\$ 8,198,427	\$ 1,091,489	\$ 2,925,525
Accounts receivable	2,880	8,606	-	-
Deposit and prepaid items	304	-	-	1,575
Inventory	39,767	-	-	-
Restricted cash and investments	-	-	-	-
Total current assets	<u>3,696,808</u>	<u>8,207,033</u>	<u>1,091,489</u>	<u>2,927,100</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	-	42,163	-	-
Depreciable	1,943,160	2,285,788	-	-
Total noncurrent assets	<u>1,943,160</u>	<u>2,327,951</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>5,639,968</u>	<u>10,534,984</u>	<u>1,091,489</u>	<u>2,927,100</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	33,277	11,595	-	38,284
Accrued payroll	14,310	-	-	26,908
Refundable deposits	-	-	-	-
Claims liability	-	-	132,621	-
Compensated absences - current portion	11,641	-	-	40,469
Total current liabilities	<u>59,228</u>	<u>11,595</u>	<u>132,621</u>	<u>105,661</u>
Noncurrent liabilities:				
Compensated absences	19,989	-	-	57,991
Total noncurrent liabilities	<u>19,989</u>	<u>-</u>	<u>-</u>	<u>57,991</u>
<b>Total liabilities</b>	<u>79,217</u>	<u>11,595</u>	<u>132,621</u>	<u>163,652</u>
<b>NET ASSETS</b>				
Invested in capital assets	1,943,160	2,327,951	-	-
Restricted	-	-	-	-
Unrestricted	3,617,591	8,195,438	958,868	2,763,448
<b>Total net assets</b>	<u>\$ 5,560,751</u>	<u>\$ 10,523,389</u>	<u>\$ 958,868</u>	<u>\$ 2,763,448</u>

Building Maintenance	Longevity Recognition Benefits	Total
\$ 2,139,614	\$ 1,940	\$ 18,010,852
-	-	11,486
-	-	1,879
-	-	39,767
-	930,575	930,575
<u>2,139,614</u>	<u>932,515</u>	<u>18,994,559</u>
-	-	42,163
-	-	4,228,948
-	-	4,271,111
<u>2,139,614</u>	<u>932,515</u>	<u>23,265,670</u>
112,291	-	195,447
15,505	-	56,723
6,300	-	6,300
-	-	132,621
25,138	-	77,248
<u>159,234</u>	<u>-</u>	<u>468,339</u>
<u>38,078</u>	<u>-</u>	<u>116,058</u>
<u>38,078</u>	<u>-</u>	<u>116,058</u>
<u>197,312</u>	<u>-</u>	<u>584,397</u>
-	-	4,271,111
-	930,575	930,575
1,942,302	1,940	17,479,587
<u>\$ 1,942,302</u>	<u>\$ 932,515</u>	<u>\$ 22,681,273</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, 2009**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,300,844	\$ 509,879	\$ 188,000	\$ 1,530,850
Other	2,944	-	-	-
<b>Total operating revenues</b>	<b>1,303,788</b>	<b>509,879</b>	<b>188,000</b>	<b>1,530,850</b>
<b>OPERATING EXPENSES:</b>				
Personnel	348,775	-	-	658,359
Repairs and maintenance	373,457	17,745	-	318,046
General and administration	19,976	2,589	-	115,808
Depreciation	407,831	524,429	-	-
Contractual services	18,258	-	36,093	8,923
Insurance	28,000	-	201,740	-
<b>Total operating expenses</b>	<b>1,196,297</b>	<b>544,763</b>	<b>237,833</b>	<b>1,101,136</b>
<b>OPERATING INCOME (LOSS)</b>	<b>107,491</b>	<b>(34,884)</b>	<b>(49,833)</b>	<b>429,714</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Gain (loss) on sale of capital assets	36,050	(38,990)	-	-
Investment income (expense)	92,191	207,117	26,160	73,620
<b>Total nonoperating revenues (expenses)</b>	<b>128,241</b>	<b>168,127</b>	<b>26,160</b>	<b>73,620</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>235,732</b>	<b>133,243</b>	<b>(23,673)</b>	<b>503,334</b>
<b>CONTRIBUTIONS AND TRANSFERS:</b>				
Capital contribution	-	284,818	-	-
Transfers in	-	294,762	-	-
Transfers out	-	-	-	(294,762)
<b>Total transfers</b>	<b>-</b>	<b>579,580</b>	<b>-</b>	<b>(294,762)</b>
<b>Changes in Net Assets</b>	<b>235,732</b>	<b>712,823</b>	<b>(23,673)</b>	<b>208,572</b>
<b>NET ASSETS:</b>				
Beginning of the year	5,325,019	9,810,566	982,541	2,554,876
End of the year	<b>\$ 5,560,751</b>	<b>\$ 10,523,389</b>	<b>\$ 958,868</b>	<b>\$ 2,763,448</b>

Building Maintenance	Longevity Recognition Benefits	Total
\$ 1,463,825	\$ 86,000	\$ 5,079,398
564	-	3,508
<u>1,464,389</u>	<u>86,000</u>	<u>5,082,906</u>
384,398	86,000	1,477,532
299,643	-	1,008,891
406,249	-	544,622
-	-	932,260
181,913	-	245,187
-	-	229,740
<u>1,272,203</u>	<u>86,000</u>	<u>4,438,232</u>
<u>192,186</u>	<u>-</u>	<u>644,674</u>
-	-	(2,940)
<u>51,916</u>	<u>(281,406)</u>	<u>169,598</u>
<u>51,916</u>	<u>(281,406)</u>	<u>166,658</u>
<u>244,102</u>	<u>(281,406)</u>	<u>811,332</u>
-	-	284,818
-	-	294,762
<u>(43,500)</u>	<u>-</u>	<u>(338,262)</u>
<u>(43,500)</u>	<u>-</u>	<u>241,318</u>
200,602	(281,406)	1,052,650
<u>1,741,700</u>	<u>1,213,921</u>	<u>21,628,623</u>
<u>\$ 1,942,302</u>	<u>\$ 932,515</u>	<u>\$ 22,681,273</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, 2009**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from other funds	\$ 1,300,908	\$ 509,879	\$ 188,000	\$ 1,530,850
Cash payments to suppliers for goods and services	(472,965)	(21,737)	(211,499)	(469,885)
Cash payments to employees for services	(335,526)	-	-	(653,636)
<b>Net cash provided (used) by operating activities</b>	<b>492,417</b>	<b>488,142</b>	<b>(23,499)</b>	<b>407,329</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers received	-	294,762	-	-
Transfer paid	-	-	-	(294,762)
Interfund loans payments	-	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>294,762</b>	<b>-</b>	<b>(294,762)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of capital assets	36,050	(38,990)	-	98,302
Capital contributions received	-	284,818	-	-
Acquisition and construction of capital assets	(411,072)	(626,378)	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(375,022)</b>	<b>(380,550)</b>	<b>-</b>	<b>98,302</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on investments	92,191	207,117	26,160	73,620
<b>Net cash provided (used) by investing activities</b>	<b>92,191</b>	<b>207,117</b>	<b>26,160</b>	<b>73,620</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>209,586</b>	<b>609,471</b>	<b>2,661</b>	<b>284,489</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	3,444,271	7,588,956	1,088,828	2,641,036
End of year	<u>\$ 3,653,857</u>	<u>\$ 8,198,427</u>	<u>\$ 1,091,489</u>	<u>\$ 2,925,525</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 107,491	\$ (34,884)	\$ (49,833)	\$ 429,714
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	407,831	524,429	-	-
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	(2,880)	-	-	-
Deposit and prepaid items	(304)	-	-	(1,575)
Inventory	(9,677)	-	-	-
Increase (decrease) in:				
Accounts payable	(23,293)	(1,403)	-	(25,533)
Accrued payroll	3,415	-	-	808
Refundable deposit	-	-	-	-
Claims liability	-	-	26,334	-
Compensated absences	9,834	-	-	3,915
Total adjustments	<u>384,926</u>	<u>523,026</u>	<u>26,334</u>	<u>(22,385)</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 492,417</b>	<b>\$ 488,142</b>	<b>\$ (23,499)</b>	<b>\$ 407,329</b>

Building Maintenance	Longevity Recognition Benefits	Total
\$ 1,464,389	\$ 86,000	\$ 5,080,026
(828,008)	-	(2,004,094)
(377,751)	(89,960)	(1,456,873)
<u>258,630</u>	<u>(3,960)</u>	<u>1,619,059</u>
-	-	294,762
(43,500)	-	(338,262)
-	-	-
<u>(43,500)</u>	<u>-</u>	<u>(43,500)</u>
-	-	95,362
-	-	284,818
-	-	(1,037,450)
-	-	(657,270)
51,916	(281,406)	169,598
51,916	(281,406)	169,598
267,046	(285,366)	1,087,887
1,872,568	1,217,881	17,853,540
<u>\$ 2,139,614</u>	<u>\$ 932,515</u>	<u>\$ 18,941,427</u>
\$ 192,186	\$ -	\$ 644,674
-	-	932,260
-	-	(2,880)
-	-	(1,879)
-	-	(9,677)
53,497	-	3,268
(265)	(3,960)	(2)
6,300	-	6,300
-	-	26,334
6,912	-	20,661
<u>66,444</u>	<u>(3,960)</u>	<u>974,385</u>
<u>\$ 258,630</u>	<u>\$ (3,960)</u>	<u>\$ 1,619,059</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 Seven Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ 77,132,726	\$ 89,440,178	\$ 92,896,656	\$ 95,785,241	\$ 97,403,808	\$ 101,122,436	\$ 109,387,638
Restricted	32,763,978	21,720,965	22,592,125	23,209,747	23,657,789	23,606,731	24,293,134
Unrestricted	39,219,884	35,928,134	36,848,780	39,557,946	44,825,904	49,475,890	48,498,680
<b>Total governmental activities net assets</b>	<b>\$ 149,116,588</b>	<b>\$ 147,089,277</b>	<b>\$ 152,337,561</b>	<b>\$ 158,552,934</b>	<b>\$ 165,887,501</b>	<b>\$ 174,205,057</b>	<b>\$ 182,179,452</b>
<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	\$ 61,434,009	\$ 60,853,224
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	18,775,807	20,010,431
<b>Total business-type activities net assets</b>	<b>\$ 79,450,585</b>	<b>\$ 79,898,630</b>	<b>\$ 80,480,191</b>	<b>\$ 80,081,341</b>	<b>\$ 80,499,135</b>	<b>\$ 80,209,816</b>	<b>\$ 80,863,655</b>
<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	\$ 162,556,445	\$ 170,240,862
Restricted	33,705,069	22,675,293	23,214,911	23,853,947	23,959,481	23,606,731	24,293,134
Unrestricted	85,557,281	83,284,078	78,489,469	79,466,751	65,374,085	68,251,697	68,509,111
<b>Total primary government net assets</b>	<b>\$ 228,567,173</b>	<b>\$ 226,987,907</b>	<b>\$ 232,817,752</b>	<b>\$ 238,634,275</b>	<b>\$ 246,419,636</b>	<b>\$ 254,414,873</b>	<b>\$ 263,043,107</b>

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>							
Governmental activities:							
General government	\$ 3,959,964	\$ 2,705,217	\$ 2,848,557	\$ 3,401,929	\$ 3,172,917	\$ 3,384,497	\$ 3,673,100
Police	6,972,046	7,458,401	7,672,926	7,874,658	8,414,456	8,598,000	9,637,744
Fire	6,152,976	6,558,290	6,456,232	7,707,520	7,129,555	7,277,640	7,376,366
Public works	3,951,120	6,192,009	4,272,573	4,938,721	5,832,257	4,795,377	4,746,696
Community development	6,445,306	6,734,993	4,330,177	3,939,444	4,517,721	4,399,597	5,165,200
Parks and recreation	5,867,155	5,967,687	6,201,991	6,112,184	6,274,796	6,969,205	7,540,180
Interest on long-term debt	2,496,351	2,003,449	1,394,022	1,149,134	714,924	527,048	286,765
Total governmental activities expenses	35,844,918	37,620,046	33,176,478	35,123,590	36,056,626	35,951,364	38,426,051
Business-type activities:							
Water	5,469,601	6,484,751	6,342,028	6,713,789	6,868,450	7,575,909	7,804,377
Wastewater	4,119,833	4,640,074	4,739,273	5,276,815	5,099,038	5,861,595	5,351,927
Public transportation	303,992	211,109	103,281	119,496	131,378	155,344	245,589
Total business-type activities expenses	9,893,426	11,335,934	11,184,582	12,110,100	12,098,866	13,592,848	13,401,893
Total primary government expenses	\$ 45,738,344	\$ 48,955,980	\$ 44,361,060	\$ 47,233,690	\$ 48,155,492	\$ 49,544,212	\$ 51,827,944
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
Public works	\$ 789,631	\$ 398,625	\$ 430,209	\$ 556,598	\$ 76,488	\$ 160,062	\$ 84,958
Parks and recreation	1,031,043	1,043,428	1,092,235	1,103,417	1,017,538	1,032,979	1,065,675
Other activities	1,553,066	1,848,369	1,563,775	1,570,945	1,638,345	1,679,892	1,722,734
Operating grants and contributions	1,254,714	1,191,358	1,181,974	1,642,813	996,947	854,272	1,000,607
Capital grants and contributions	1,203,787	746,541	1,076,241	1,771,121	128,000	-	733,684
Total governmental activities program revenues	5,832,241	5,228,321	5,344,434	6,644,894	3,857,318	3,727,205	4,607,658
Business-type activities:							
Charges for services:							
Water	5,997,758	6,095,677	5,800,508	5,782,979	6,027,769	6,769,890	7,182,212
Sewer	4,808,073	5,036,794	5,141,871	5,155,092	5,170,037	5,570,010	6,175,068
Other activities	393,324	206,231	79,590	55,479	69,955	-	-
Capital grants and contributions	23,409	11,522	-	1,762	-	-	-
Total business-type activities program revenues	11,222,564	11,350,224	11,021,969	10,995,312	11,267,761	12,339,900	13,357,280
Total primary government program revenues	\$ 17,054,805	\$ 16,578,545	\$ 16,366,403	\$ 17,640,206	\$ 15,125,079	\$ 16,067,105	\$ 17,964,938
<b>Net (Expense)/Revenue</b>							
Governmental activities	\$ (30,012,677)	\$ (32,391,725)	\$ (27,832,044)	\$ (28,478,696)	\$ (32,199,308)	\$ (32,224,159)	\$ (33,818,393)
Business-type activities	1,329,138	14,290	(162,613)	(1,114,788)	(831,105)	(1,252,948)	(44,613)
Total primary government net expense	\$ (28,683,539)	\$ (32,377,435)	\$ (27,994,657)	\$ (29,593,484)	\$ (33,030,413)	\$ (33,477,107)	\$ (33,863,006)

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>General Revenues and</b>							
<b>Other 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	\$ 25,326,023	\$ 27,788,475
Franchise taxes	777,956	838,572	875,033	909,123	981,494	1,029,576	1,044,988
Sales taxes	3,667,546	3,527,247	3,670,336	4,136,136	4,485,030	5,059,382	6,369,321
Other taxes	1,805,428	1,873,576	1,980,139	2,202,260	2,396,793	2,552,680	1,044,103
Payments in lieu of taxes	1,726,710	1,607,385	2,405,400	2,190,769	2,605,998	2,250,733	2,359,092
Investment earnings	1,944,840	603,723	1,701,412	1,652,286	4,463,127	3,933,537	2,449,586
Miscellaneous	131,321	477,594	378,185	991,956	768,061	438,822	847,954
Transfers	726,307	177,619	1,931	(44,772)	(80,424)	(82,038)	(110,733)
<b>Total governmental activities</b>	<b>35,076,163</b>	<b>30,364,414</b>	<b>33,080,328</b>	<b>34,694,069</b>	<b>39,566,875</b>	<b>40,508,715</b>	<b>41,792,786</b>
Business-type activities:							
Property Tax	12,016	1,942	-	-	-	-	-
Investment earnings	1,670,467	609,432	746,105	671,166	1,145,239	809,666	451,762
Loss on sales of capital assets	-	-	-	-	-	(17,198)	-
Miscellaneous	-	-	-	-	28,262	89,123	135,957
Transfers	(726,307)	(177,619)	(1,931)	44,772	80,424	82,038	110,733
<b>Total business-type activities</b>	<b>956,176</b>	<b>433,755</b>	<b>744,174</b>	<b>715,938</b>	<b>1,253,925</b>	<b>963,629</b>	<b>698,452</b>
<b>Total primary government</b>	<b>\$ 36,032,339</b>	<b>\$ 30,798,169</b>	<b>\$ 33,824,502</b>	<b>\$ 35,410,007</b>	<b>\$ 40,820,800</b>	<b>\$ 41,472,344</b>	<b>\$ 42,491,238</b>
<b>Change in Net Assets</b>							
Governmental activities	\$ 5,063,486	\$ (2,027,311)	\$ 5,248,284	\$ 6,215,373	\$ 7,367,567	\$ 8,284,556	\$ 7,974,393
Business-type activities	2,285,314	448,045	581,561	(398,850)	422,820	(289,319)	653,839
<b>Total primary government</b>	<b>\$ 7,348,800</b>	<b>\$ (1,579,266)</b>	<b>\$ 5,829,845</b>	<b>\$ 5,816,523</b>	<b>\$ 7,790,387</b>	<b>\$ 7,995,237</b>	<b>\$ 8,628,232</b>

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>							
Taxes	\$ 30,188,837	\$ 28,482,468	\$ 30,773,530	\$ 31,881,063	\$ 33,523,781	\$ 35,329,687	\$ 36,322,157
Licenses, fees and permits	881,315	845,900	925,063	1,145,886	1,156,192	1,166,550	1,085,643
Fines and penalties	185,977	238,786	231,281	190,439	194,613	164,661	142,887
Charges for services	1,202,629	1,164,994	1,218,808	1,334,881	1,383,692	1,347,279	1,403,448
Special assessments	1,882,383	1,229,743	1,466,046	1,316,143	799,236	352,443	189,911
Intergovernmental	4,101,504	1,375,769	1,709,815	1,716,468	1,183,015	1,443,393	1,601,956
Investment earnings	3,157,650	2,942,074	3,554,502	3,800,211	5,127,172	4,706,132	3,444,940
Other revenues	1,415,975	1,347,151	578,459	1,032,866	1,024,736	1,012,569	1,661,625
<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>45,522,714</b>	<b>45,852,567</b>
<b>Expenditures</b>							
General government	2,386,220	2,011,884	2,173,641	2,371,339	2,471,650	2,979,792	3,150,439
Police	6,972,046	7,458,401	7,629,412	7,886,775	8,470,914	8,650,231	9,271,457
Fire	6,006,387	6,449,536	6,412,718	6,831,111	7,213,382	7,373,331	7,385,613
Public works	2,163,972	2,699,440	2,254,732	2,571,047	2,428,438	2,435,402	2,700,326
Community development	6,336,193	6,463,105	4,099,415	4,191,028	4,550,667	4,429,165	7,194,733
Parks and recreation	5,380,143	5,330,070	5,199,602	5,500,330	5,704,605	6,361,683	6,543,724
Capital outlay	12,898,471	5,131,537	1,885,475	2,276,329	1,186,620	2,110,297	6,255,420
Debt service							
Interest	4,448,977	3,989,991	2,971,975	2,921,459	2,387,604	1,998,571	1,509,465
Principal	8,062,251	13,355,000	5,540,000	9,656,000	5,695,000	5,210,000	3,800,000
<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>	<b>41,548,472</b>	<b>47,811,177</b>
Excess of revenues over (under) expenditures	(11,638,390)	(15,262,079)	2,290,534	(1,787,461)	4,283,557	3,974,242	(1,958,610)
<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	5,843,405	9,184,980
Transfers out	(5,983,116)	(4,773,251)	(4,938,771)	(8,918,100)	(6,255,434)	(5,925,443)	(9,295,713)
<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>(82,038)</b>	<b>(110,733)</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>	<b>\$ 3,892,204</b>	<b>\$ (2,069,343)</b>
Debt service as a percentage of noncapital expenditures	30.0%	36.3%	23.5%	30.0%	20.8%	18.3%	12.8%

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 16,058,190	\$ 13,334,107	\$ 17,146,836	\$ 16,239,583	\$ 14,763,522	\$ 11,828,982	\$ 8,209,971
Unreserved	17,743,376	18,887,235	14,634,507	16,185,228	17,873,192	20,287,727	22,039,476
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>	<u>\$ 32,116,709</u>	<u>\$ 30,249,447</u>
All Other Governmental Funds							
Reserved	\$ 26,015,509	\$ 18,305,306	\$ 20,341,972	\$ 17,691,445	\$ 18,633,237	\$ 20,278,822	\$ 18,018,576
Unreserved, reported in:							
Special revenue funds	3,295,415	2,360,150	2,820,266	2,209,785	2,541,599	2,890,661	2,748,765
Capital projects funds	1,049,774	(3,808,994)	(3,573,312)	(2,667,367)	(228,646)	2,188,916	4,388,977
Debt service funds	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 30,360,698</u>	<u>\$ 16,856,462</u>	<u>\$ 19,588,926</u>	<u>\$ 17,233,863</u>	<u>\$ 20,946,190</u>	<u>\$ 25,358,399</u>	<u>\$ 25,156,318</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 seven years of data for this schedule.

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

<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>	<b>Total Direct Tax Rate</b>
2005	\$ 3,543,421	\$ 837,154	\$ 268,701	\$ 497,151	\$ 36,914	\$ 5,109,513	\$ 4.72
2006	3,927,763	857,293	274,483	479,612	45,780	5,493,371	4.76
2007	4,219,991	946,856	357,821	499,279	86,616	5,937,331	2.99
2008	4,442,719	1,026,283	375,300	447,472	87,915	6,203,859	2.91
2009	4,638,028	1,096,272	479,764	370,726	82,252	6,502,538	2.96

**Source:** San Mateo County Assessor 2008/09 - 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 (1)</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	0.0046	0.0399	-	-	1.0445
1998/99	1.0000	0.0095	0.0367	-	-	1.0462
1999/00	1.0000	0.0079	0.0410	0.0153	-	1.0642
2000/01	1.0000	0.0112	0.0428	0.0165	0.0079	1.0784
2001/02	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
2007/08	1.0000	-	0.0333	0.0150	0.0171	1.0654
2008/09	1.0000	-	0.0315	0.0298	0.0165	1.0778

**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 Four Years Ago**

<u>Taxpayer</u>	FY 2004/2005			FY 2008/2009		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed
	Value		Value	Value		Value
Visa International Services	\$ 251,197,402	1	4.88%	\$ 107,857,991	4	1.66%
Gilead Vintage Park Limited Partnership	179,510,476	2	3.49%	337,819,784	1	5.20%
Applera Corporation	150,713,264	3	2.93%	139,061,747	3	2.14%
SPK Metro Center LLC	143,311,752	4	2.78%	247,370,502	2	3.80%
Electronic For Imaging Inc.	131,407,416	5	2.55%	78,304,728	6	1.20%
Grupe Real Estate Investment 15	80,387,396	6	1.56%	87,013,867	5	1.34%
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%	72,004,771	9	1.11%
Walton Bayside Investors IV LLC	52,563,370	10	1.02%			
Hines VAF No. California Properties LP				73,338,000	8	1.13%
Parkside Towers				75,949,200	7	1.17%
Essex Harbor Cove Apartments LP				70,415,725	10	1.08%
Total	\$ 5,146,426,934		23.28%	\$ 6,502,538,221		19.83%

**Source:** San Mateo County Assessor 2008/09 - 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 (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy
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%	84,287	10,717,167	97.52%
2008	11,514,681	10,821,776	93.98%	33,698	10,855,474	94.28%
2009	11,994,160	11,087,934	92.44%	-	11,087,934	92.44%

**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 Sales by Type of Customer**  
**Last Five Fiscal Years**  
*(in millions of gallons)*

	2005	2006	2007	2008	2009
<b>Type of Customer</b>					
Residential	1483.5	1444.8	1543.1	1551.5	1510.1
Industrial	22.8	22.9	23.9	24.1	24.4
Commercial	277.5	263.4	259.2	259.4	237.6
Government	15.8	15.1	15.9	16.0	16.6
<b>Total</b>	1799.6	1746.2	1842.1	1851	1788.7
Total direct rate per 1,000 gallons	1.363636364	1.631016043	1.737967914	1.911764706	1.911764706

**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 five years of data.

# City of Foster City and Estero Municipal Improvement District

## Water and Sewer Rates

### Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Water</b>										
Availability / Meter Charge (per Month)										
5/8 inch	\$ 9.50	\$ 9.50	\$ 9.50	\$ 9.50	\$ 12.50	\$ 12.50	\$ 12.90	\$ 13.90	\$ 15.60	\$ 16.85
3/4 inch	9.50	9.50	9.50	9.50	12.50	12.50	12.90	13.90	15.60	16.85
1 inch	23.75	23.75	23.75	23.75	31.25	31.25	32.25	34.75	39.00	42.15
1&1/2 inch	47.50	47.50	47.50	47.50	62.50	62.50	64.40	69.50	78.00	84.25
2 inch	76.00	76.00	76.00	76.00	100.00	100.00	103.00	111.20	124.80	134.80
3 inch	133.00	133.00	133.00	133.00	175.00	175.00	180.00	194.60	218.40	235.90
4 inch	209.00	209.00	209.00	209.00	275.00	275.00	280.00	305.80	343.20	370.70
6 inch	399.00	399.00	399.00	399.00	525.00	525.00	540.00	583.80	655.20	707.70
8 inch	627.00	627.00	627.00	627.00	825.00	825.00	850.00	917.40	1,029.60	1,112.10
Consumption Charge (per Unit*)										
All Classes	0.98	0.98	1.41	1.57	1.26	1.26	1.29	1.49	1.60	1.73
<b>Private Fire Protection Service</b>										
Availability / Meter Charge (per Month)										
3/4 inch	\$ 15.07	\$ 15.07	\$ 15.07	\$ 15.07	\$ 21.88	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50
1 inch	15.07	15.07	15.07	15.07	21.88	21.88	22.50	24.33	27.30	29.50
1&1/2 inch	15.07	15.07	15.07	15.07	21.88	21.88	22.50	24.33	27.30	29.50
2 inch	24.10	24.10	24.10	24.10	35.00	35.00	36.25	38.92	43.68	47.20
3 inch	42.18	42.18	42.18	42.18	61.25	61.25	63.25	68.11	76.44	82.60
4 inch	66.29	66.29	66.29	66.29	96.25	96.25	99.25	107.03	120.12	129.75
6 inch	126.55	126.55	126.55	126.55	183.75	183.75	189.25	204.33	229.32	247.70
8 inch	198.86	198.86	198.86	198.86	288.75	288.75	297.50	321.09	360.36	389.25
<b>Sewer</b>										
Residential (per Month)										
Single Family	\$ 27.69	\$ 27.69	\$ 31.09	\$ 34.11	\$ 35.13	\$ 35.13	\$ 35.13	\$ 37.94	\$ 40.98	\$ 43.85
Townhouse	23.28	23.28	26.07	28.68	29.54	29.54	29.54	31.90	34.45	36.90
Duplex	23.28	23.28	26.07	28.68	29.54	29.54	29.54	31.90	34.45	36.90
Apartment / Condominium	22.02	22.02	24.66	27.13	27.94	27.94	27.94	30.18	34.45	36.90
Commercial (per Unit* of Water Billed)										
Restaurant	5.04	5.04	5.64	6.20	6.39	6.39	6.39	6.90	7.45	7.97
Miscellaneous	1.64	1.64	1.84	2.02	2.08	2.08	2.08	2.25	2.62	2.80
Institutional (per Unit* of Water Billed)										
School	1.00	1.00	1.12	1.23	1.27	1.27	1.27	1.37	1.48	1.58
Church	1.00	1.00	1.12	1.23	1.27	1.27	1.27	1.37	1.48	1.58
Public Facility	1.00	1.00	1.12	1.23	1.27	1.27	1.27	1.37	1.48	1.58

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	Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds	Sewer Bonds			
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	1.67%	990
2006	1,985	13,385	3,310	785	19,465	0.97%	651
2007	635	10,250	2,100	280	13,265	0.01%	438
2008	-	6,975	800	-	7,775	n/a	257
2009	-	3,560	415	-	3,975	n/a	131

**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, 2009**

2008-09 Assessed Valuation:	\$	6,495,280,759
Redevelopment Incremental Valuation:		1,918,170,596
Adjusted Assessed Valuation:	\$	4,577,110,163

	<b>Total Debt Outstanding 6/30/2009</b>	<b>Percentage Applicable</b>	<b>City's Share of Overlapping Debt 6/30/2009</b>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$ 634,554,994	3.561%	\$ 22,596,503
San Mateo Union High School District	180,749,950	10.249%	18,525,062
Sequoia Union High School District	266,520,000	0.065%	173,238
San Mateo-Foster City School District	147,202,221	22.340%	32,884,976
Belmont School District	10,310,000	0.378%	38,972
Estero Municipal Improvement District	-	100.000%	-
City of Foster City 1915 Act Bonds	415,000	100.000%	415,000
			<u>\$ 74,633,752</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$ 370,964,816	3.561%	\$ 13,210,057
San Mateo County Board of Education Certificates of Participation	13,350,000	3.561%	475,394
Belmont School District Certificates of Participation	5,615,000	0.378%	21,225
San Mateo Union High School District Certificates of Participation	73,456,236	10.249%	7,528,530
Midpeninsula Regional Park District General Fund Obligations	116,673,031	0.007%	8,167
San Mateo County Mosquito Abatement District Certificates of Participation	540,000	4.967%	26,822
			<u>\$ 21,270,194</u>
TOTAL OVERLAPPING GENERAL FUND DEBT			
COMBINED TOTAL DEBT			
			<u>\$ 95,903,946</u> (2)

(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 2008-09 Assessed Valuation:

Direct Debt .....	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	1.15%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt.....	2.10%
--------------------------	-------

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

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

**Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed value	\$ 6,450,849
Debt limit (15% of assessed value)	967,627
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	\$ 967,627

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 534,538	\$ 599,593	\$ 656,328	\$ 703,260	\$ 731,087	\$ 759,294	\$ 815,558	\$ 882,082	\$ 922,063	\$ 967,627
Total net debt applicable to limit	14,873	11,654	8,364	4,536	3,059	1,469	-	-	-	-
Legal debt margin	\$ 519,665	\$ 587,939	\$ 647,964	\$ 698,724	\$ 728,028	\$ 757,825	\$ 815,558	\$ 882,082	\$ 922,063	\$ 967,627
Total net debt applicable to the limit as a percentage of debt limit	2.78%	1.94%	1.27%	0.64%	0.42%	0.19%	0.00%	0.00%	0.00%	0.00%

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

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

<b>Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
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	1,998,486	66,839	2.8%
2007	30,269	2,171,892	71,753	2.9%
2008	30,308	n/a	n/a	3.5%
2009	30,429	n/a	n/a	6.6%

**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 Seven Years Ago**

Employer	2002			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
VISA International & VISA USA	3,200	1	20.25%	1,233	4	6.66%
Applied Biosystems	1,800	2	11.39%	1,675	2	9.05%
Gilead Sciences	1,200	3	7.59%	3,447	1	18.61%
Electronics for Imaging	700	4	4.43%	1,361	3	7.35%
Sony Computer Entertainment	550	5	3.48%	734	6	3.96%
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%			
QuinStreet, Inc.				537	7	2.90%
Inovant LLC				1,020	5	5.51%
Rearden Commerce, Inc.						
IBM Corporation				298	9	1.61%
Mid-Peninsula Housing				264	10	1.43%
Solarcity, Inc.				385	8	2.08%
<b>Total</b>	<b>15,800</b>		<b>56.25%</b>	<b>18,518</b>		<b>59.15%</b>

**Source:** 2002 City of Foster City Community Development Department  
2009 Business License of Financial Services Department

**Note:** As some information required by GASB 44 is not readily available,  
date from 1999 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**

	Full-Time Equivalent Employees as of June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Function/Program</b>										
General government										
Management services	16.0	16.0	18.0	18.0	18.0	19.0	19.0	19.0	20.0	19.0
Finance	9.0	9.0	10.0	10.0	10.0	9.0	9.0	9.0	8.0	8.0
Planning	9.5	9.5	9.0	7.0	7.0	5.0	5.0	5.5	5.5	5.5
Building	5.5	6.5	7.0	7.0	6.5	6.0	6.0	6.5	6.5	6.5
Police										
Officers	44.0	44.0	45.0	45.0	45.0	39.0	37.0	37.0	39.0	39.0
Civilians	18.0	18.0	18.0	18.0	18.0	17.0	17.0	17.0	17.0	17.0
Fire										
Firefighters and officers	40.0	40.0	40.0	40.0	40.0	36.0	36.0	36.0	36.0	36.0
Civilians	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0
Other public works										
Engineering	11.0	11.0	11.0	12.0	12.0	10.0	9.0	8.0	7.0	7.0
Other	13.0	13.0	13.0	12.0	12.0	10.0	10.0	10.0	10.0	10.0
Parks and recreation	40.0	40.0	43.0	43.0	43.0	42.0	41.0	41.0	41.0	41.0
Water	9.0	9.0	9.0	9.0	9.0	11.0	11.0	11.0	11.0	11.0
Wastewater	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Total	229.0	230.0	237.0	235.0	234.5	217.0	213.0	213.0	214.0	213.0

Source: City Budget

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Police</b>					
Physical arrests	797	727	762	769	677
Parking violations	1,065	956	863	891	854
Traffic violations	2,472	1,772	2,396	1,870	2,004
<b>Fire</b>					
Emergency responses	1,882	1,981	1,940	2,095	1,895
Fires extinguished	116	116	105	107	102
Inspections	1,779	1,813	1,102	1,128	1,026
<b>Other public works</b>					
Street resurfacing (miles)	-	3	1	2	1
Potholes repaired	30	27	30	25	45
<b>Parks and recreation</b>					
Athletic field permits issued	37	48	49	52	45
Community center admissions	8,279	8,481	8,804	9,144	8,953
<b>Water</b>					
New connections	-	6	4	2	-
Water mains breaks	19	17	-	14	6
Average daily consumption (thousands of gallons)	5,174	5,257	5,574	5,520	5,230
Peak daily consumption (thousands of gallons)	10,202	11,146	10,634	10,450	10,530
<b>Wastewater</b>					
Average daily sewage treatment (thousands of gallons)	3,103	3,185	3,074	2,980	2,600

**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 five years of data.

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

<u>Function/Program</u>	Fiscal Year				
	2005	2006	2007	2008	2009
Police					
Stations	1	1	1	1	1
Zone offices	1	1	1	1	1
Patrol units	1	1	1	1	1
Fire stations	1	1	1	1	1
Other public works					
Streets (miles)	46.1	46.1	46.1	46.1	46.1
Streetlights	1,918	1,918	1,918	1,918	1,918
Traffic signals	20	23	25	25	25
Parks and recreation					
Acreage	103.77	167.77	171.00	210.00	210.00
Playgrounds	21	21	21	21	21
Baseball/softball diamonds	8/3	8/3	8/3	8/3	8/3
Soccer/football fields	10/0	10/0	10/0	10/0	10/0
Community centers	2	2	2	2	3
Water					
Water mains (miles)	110	110	110	110	110
Fire hydrants	1,149	1,149	1,149	1,149	1,149
Storage capacity (thousands of gallon	12,000	20,000	20,000	20,000	20,000
Wastewater					
Sanitary sewers (miles)	66	66	66	66	66
Storm sewers (miles)	83	83	83	83	83
Treatment capacity (thousands of gal	52,130	52,130	52,130	52,130	52,130
Transit-minibuses	1	1	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 five years of data.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF 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, 2009, and have issued our report thereon dated November 17, 2009. 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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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  
Foster City, California  
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**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*.

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 & Larson*

Oakland, California  
November 17, 2009