

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



**Comprehensive Annual Financial Report  
Prepared by the Department of Financial Services  
Fiscal Year Ended June 30, 2012**

**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, 2012**

Art Kiesel, Mayor

Pam Frisella, Vice Mayor

Steve Okamoto, Councilmember

Herb Perez, Councilmember

Charlie Bronitsky, Councilmember

James C. Hardy, City Manager/City Treasurer

Steve Toler, Assistant City Manager

Jean B. Savaree, City Attorney

Lin-Lin Cheng, Finance Director

Ray Towne, Public Works Director

Leslie Loomis, Human Resources Director

Craig Courtin, Police Chief

Kevin Miller, Parks & Recreation Director

Daniel Belville, Fire Chief

Curtis Banks, Community Development Director

Doris Palmer, City Clerk

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**City of Foster City and Estero Municipal Improvement District  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2012**

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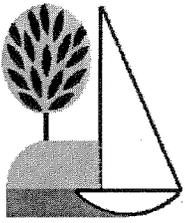
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# INTRODUCTORY SECTION



*City of Foster City*

**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

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

November 19, 2012

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, 2012 is hereby submitted. This report was prepared by the Financial Services Department, which is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation of this report, including all disclosures. We believe the data, as presented, are accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and results of operations of the City/District as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City/District's financial affairs have been included.

The City/District prepared the 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 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 Vavrinek, Trine, Day and Company, LLP Certified Public Accountants, to conduct the audit for FY 2011-2012 and the independent auditor's opinion is included in this report.

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

## PROFILE OF THE GOVERNMENT

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

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

The Community Development Agency (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). The Agency was created 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. Due to the passage of ABX1 26, the City's Redevelopment Agency has been dissolved and ceased to operate as a legal entity as of February 1, 2012. The City decided to assume the responsibility as the Successor Agency of the former Foster City Redevelopment Agency, to continue to monitor the outstanding stipulated judgment liability to the San Mateo Union High School District and incomplete capital improvement project in the redevelopment project area, as well as being the Housing Successor to continue managing the affordable housing program. All unencumbered fund balances were transferred to the Successor Agency's Trust Funds, which will be eventually forwarded to the County for further distribution to all the taxing entities.

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 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 fire suppression, prevention and advanced life support programs designed to protect the lives and property of the citizens of Foster City;
- Providing quality and innovative leisure and recreational programs to meet the community's needs and making the City a more enjoyable place to live through high quality parks and recreational amenities, entertainment and educational programs, provided in a safe atmosphere;
- Guiding City/District development while maintaining and protecting its physical environment; overseeing the proposed development and construction of properties, structures and facilities; and,
- Assessing the cost effective delivery of services provided by all City/District departments.

## LOCAL ECONOMY

Historically, Foster City is an area that has enjoyed relatively high property values and significant economic vitality. Recently, however, the national, state and local economies have suffered in one of the worst recessionary periods since the Great Depression of the 1920's and 1930's.

The commercial and light-industrial developments that have been completed since 1980 have added substantial property and sales tax revenues, employment opportunities for residents within the region, and a substantial daytime population that frequent Foster City businesses. The major employers in the City/District are Gilead Sciences, VISA International, Life Technologies, Electronics for Imaging, and QuinStreet, Inc. Major sources of sales and use tax revenues are generated by companies in the business-to-business, general retail, food products, biotech, and electronic equipment industries.

While Foster City has weathered the economic storm of the past three years, revenues have softened from their previous growth patterns:

- Property taxes continue to be the primary source of revenues for the City/District, contributing nearly 59% of General Fund revenues. Property tax increased by \$3.0 million mainly due to the Community Development Agency's Project One Area reaching its tax increment cap during fiscal year 2010-2011. The tax increment revenues were allocated back to the taxing entities based on their respective apportionment allocations.
- General Fund sales tax revenues increased 15% from the prior year as a result of the moderate economic recovery.
- Other key revenue sources such as the transient occupancy tax, franchise tax, property transfer tax, licenses and permits, fines and forfeitures, investment and rental income, and other revenues increased a combined 28% from the prior year.
- Intergovernmental revenues and charges for current services declined 2% or \$47,590 from the prior year primarily due to the State reduced local governments' General Fund revenue Vehicle License Fee (VLF) to fund the Special Revenue Fund program Community Oriented Policing Service (COPS) grant.

## LONG-TERM FINANCIAL PLAN

The City/District's minimum reserve policy for its General Fund is 33-1/3% of annual operating expenditures, and for its Water and Wastewater Funds the policy is 25% of annual operating expenses. In addition, a \$2 million emergency reserve is established for each of the three Capital Projects Funds programs – City, Water and Wastewater. The unassigned fund balance for the General Fund is \$20.3 million, or 67% of annual operating expenditures. The City Capital Projects fund balance ended the year with a balance of \$8.9 million. Water and Wastewater net assets stand at \$9.5 million and \$13.9 million, respectively, well above the minimum reserve levels.

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

The City/District's long-term financial forecast indicates that the City's General Fund at proposed service levels and existing revenue levels in FY 2012-2013 would find General Fund reserves falling \$3.2 million below the minimum reserve level by FY 2016-2017 if no action is taken on the structural deficit, which will be approximately \$1.6 million per year in FY 2013-2014. The City Council / District Board must work with the City Manager and staff to develop a financial plan that will balance the budget by FY 2013-2014 and maintain the minimum reserve of 33-1/3% of annual operating expenditures through a combination of expenditure reductions and revenue enhancements.

The City's long-term financial forecast as of June 30, 2012 incorporates several key assumptions to maintain the health, safety and welfare of the community. The City/District will set aside \$729,000 annually in General Fund resources for long-term capital improvement projects to maintain or replace aging infrastructure. Development is expected to be slower over the next several years, however, redevelopment plans for the Pilgrim-Triton and Gilead Sciences Campus development projects are moving forward with developers. These projects will generate property tax, sales tax, and Park-in-Lieu fees. Water and wastewater operations will continue to be self-funded while water supply availability will be a key issue in the community, requiring stronger water conservation programs and implementation of a tiered-rate structure to incent customers to conserve water.

The Land development decisions play a key role in the City/District's long-term financial plans. The 11-acre site previously under lease to the North Peninsula Jewish Campus (NPJC) was sold to the NPJC and escrow closed on September 28, 2012. The 15-acre vacant site between the Government Center and the NPJC, the most significant undeveloped parcel of publicly owned land in the City, is anticipated to be purchased by The New Home Company with escrow estimated to close by the end of 2013. The proposed development of the 15-acre site will be a mixed use development incorporating a continuing care retirement community, assisted living apartments, retail, and a public plaza which will generate property and sales tax, as well as one-time revenues associated with the property sales in the near future. The City Council / District Board has directed the staff to establish a Capital Asset Acquisition and Replacement Fund, and all proceeds from the land sales should be deposited into this fund for restricted major capital investment use in the future.

## MAJOR INITIATIVES

The following major initiatives were completed or in progress as of June 30, 2012:

- Park Improvements - The capital projects related to the installation of synthetic turf at the Sea Cloud Park's soccer and baseball fields, and Port Royal Park's soccer field and walking track.
- Park Infrastructure Improvements - During the fiscal year, the City completed the installation of central irrigation controllers throughout 18 parks to support the water conservation program. The City also installed and replaced park pathways, concrete sidewalks, curbs and gutters throughout 13 parks.
- Levee/Pedway Improvement and Repairs - The levee pathway repair and preventive maintenance work included adjustment of surface grades in selected areas, installation of root barriers, removal and replacement of failed asphalt, seal coating, crack sealing, asphalt top coating, refurbishment of the walking track, and re-striping. The plan developed by staff included completion of a boundary survey to clearly identify the encroachment of structures, trees, and landscaping into the City's easement and property areas followed by a three-phase approach to construct the improvements.
- Sanitary Sewer Lift Station Improvements - This is the District's continuous effort in maintaining the sanitary sewer lift stations and addressing preventative maintenance and upgrades to extend the useful life of the lift stations. Lift Station improvements generally include items of works such as: repairing interior wet wells; installing new pumps, motors, and valves; replacing electrical and telemetry control systems; installing by-pass piping and connections; and replacing corroded components with non-corrosive stainless steel materials. Since the program was implemented in FY 1999/2000, twenty-six (26) of the District's forty-nine (49) lift stations have been rehabilitated.
- Residential Street Resurfacing and Repairs - This biennial project is part of the City's ongoing program to maintain the public street system. The Public Works Department uses the Pavement Management Program (PMP) database and program analysis to evaluate the condition of the City street network and to help identify street maintenance priorities. The program also helps determine the most cost effective treatment to extend the life of a section of roadway. The street projects are funded by Measure A, Proposition 42, Measure M, and grants that are restricted to transportation related uses.
- Development Plans - Plans for various land use development projects were approved or well under way, including Pilgrim-Triton, Gilead Sciences, Chess Drive Offices, and Visa Incorporated, which stand to generate significant long-term revenues to the City/District.

## 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 that identifies estimated costs and results in relation to estimated revenues. The budget includes: 1) the programs, projects, services and activities to be carried on during the fiscal year; 2) the estimated revenue available to finance the operating plan; and, 3) the estimated spending requirements of the operating plan. The budget represents a process where policy decisions by the City Council / District Board of Directors are made 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 embedded in the annual appropriated budget approved by the City Council / District Board. The City/District is required to adopt an annual budget on or before June 30<sup>th</sup> for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various departments.

The City Council and District Board may amend the budget by resolution. All appropriations lapse at the end of the fiscal year. The budget is adopted at the object level of expenditure within departments. The City Manager may transfer appropriations from one program, activity, or object to another within a department within the same fund but not between departments or funds. Accordingly, the lowest level of budgetary control established by the City Council / District Board is at the department level.

The City/District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end.

#### **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, 2011. 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 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 entire Financial Services Department to whom I wish to express my appreciation, especially Fiti Rusli and Mimi Lam, Accounting Managers, and Karen Li, Accounting Specialist. I would like to also thank the audit team from Vavrinek, Trine, Day & Co. for their assistance.

Finally, I also wish to express my sincere thanks and appreciation to the Mayor and the members of the City Council, the City Manager, all of the operating departments, 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,



Lin-Lin Cheng  
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, 2011

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.



*Christopher P. Morrell*

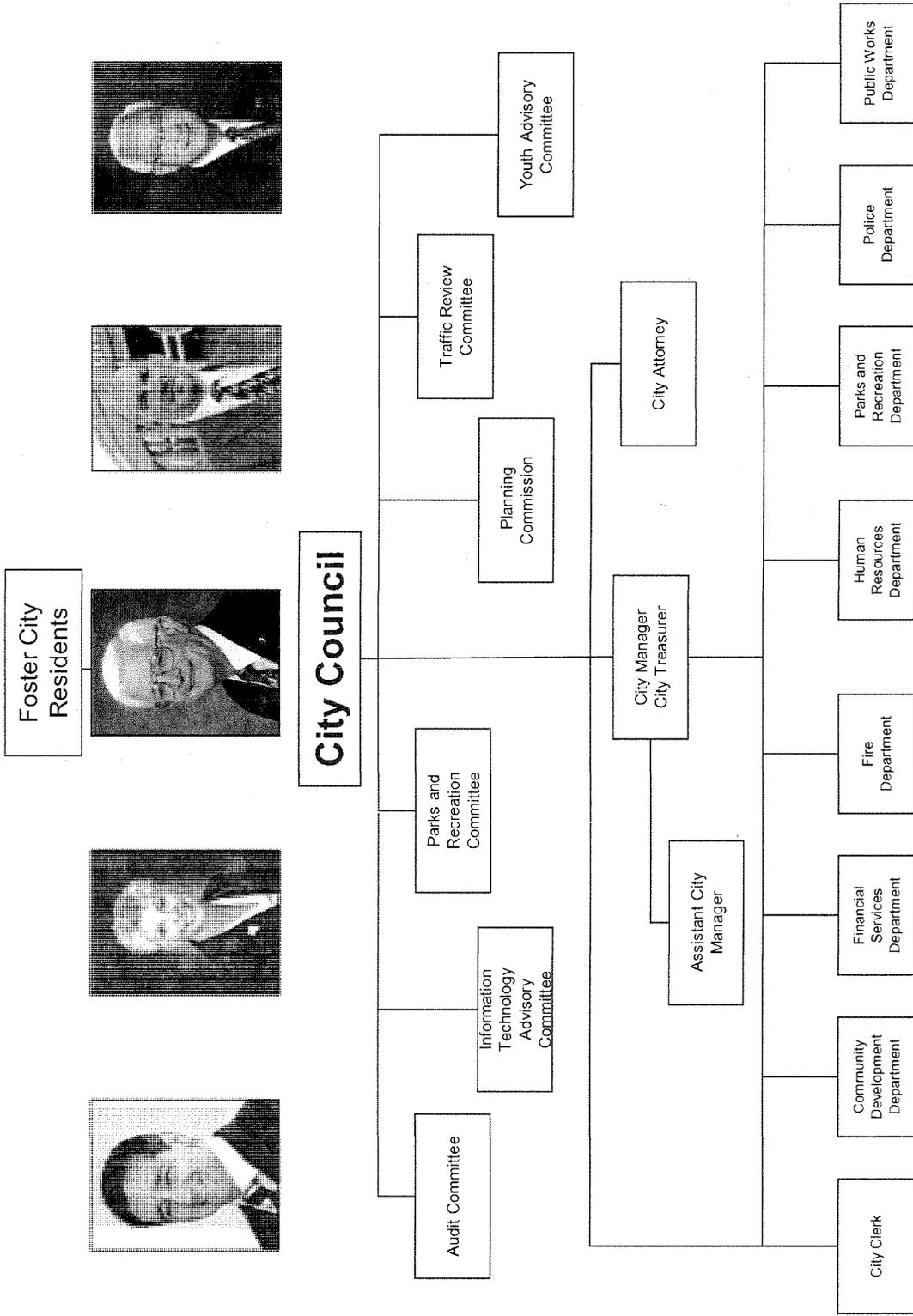
President

*Jeffrey R. Emer*

Executive Director

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# Foster City Organization Chart



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# FINANCIAL SECTION

FINANCIAL SECTION



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## 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 City of Foster City and the Estero Municipal Improvement District (City/District), as of and for the year ended June 30, 2012, 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 of Foster City and the Estero Municipal Improvement District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City/District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, Assembly Bill 1X26 was upheld and declared constitutional by the California Supreme Court on December 29, 2011. As part of its decision, the Supreme Court established the date of dissolution as of February 1, 2012. The redevelopment agencies in California, including the City of Foster City and the Estero Municipal Improvement District (the City/District), were terminated and successor agencies were appointed to wind down the affairs of the former redevelopment agencies in accordance with the provisions of Assembly Bill 1X26. The City of Foster City and the Estero Municipal Improvement District has elected to be appointed as Successor Agency for purposes of winding down the affairs of the Agency. As a result, the fund balances of the former Redevelopment Agency were transferred to a private purpose trust fund on February 1, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the City of Foster City and the Estero Municipal Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City/District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Pleasanton, California  
December 18, 2012

**CITY OF FOSTER CITY AND  
ESTERO MUNICIPAL IMPROVEMENT DISTRICT  
Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2012**

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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, 2012. We encourage readers to consider the information presented here in conjunction with the Transmittal Letter and accompanying Basic Financial Statements.

**FINANCIAL HIGHLIGHTS**

City-wide:

- As of June 30, 2012, the City/District's total assets decreased by \$12.9 million, or 4.57%, to \$269.3 million, of which \$181.3 million represented governmental assets and \$88 million represented business-type assets.
- The City/District's total liabilities increased by \$1.9 million, or 14.92%, to \$14.9 million, of which \$12.7 million were governmental liabilities and \$2.1 million were business-type liabilities.
- The City/District's total net assets decreased by \$14.8 million, or 5.51%, to \$254.4 million. Of this amount, \$50.5 million (unrestricted governmental net assets) and \$24.4 million (unrestricted business-type net assets) may be used to meet the government's ongoing obligations to citizens/customers and creditors.
- City-wide revenues decreased by \$7.3 million, or 11.9%, to \$54.1 million, of which \$35.8 million were generated by governmental activities and \$18.3 million were generated by business-type activities.
- City-wide expenses decreased by \$1.1 million, or 2.19%, to \$52.6 million, of which \$36.7 million were incurred by governmental activities and \$15.9 million were incurred by business-type activities.
- Detailed analysis is provided under the GOVERNMENT-WIDE FINANCIAL ANALYSIS caption.

Fund Level:

- Governmental Fund balances decreased \$16.7 million, or 28.86%, to \$41.2 million. Of this amount, \$20.3 million, or 52.8%, was in the unassigned fund balance and available for spending at the City/District's discretion.
- Governmental Fund revenues were \$35.3 million, a decrease of \$8.6 million, or 19.51%, from \$43.8 million in the prior fiscal year.
- Governmental Fund expenditures decreased by \$0.7 million, or 2.02%, to \$35.6 million in fiscal year 2012, from \$36.3 million in the prior fiscal year.
- Enterprise Fund net assets increased by \$2.4 million, 2.91%, to \$84.9 million. Of this amount, \$23.4 million was unrestricted net assets and available for spending at the City/District's discretion.
- Enterprise Fund operating revenue were \$18.0 million in fiscal year 2012 compared to \$16.3 million in the prior fiscal year.
- Enterprise Fund operating expenses were \$15.7 million in fiscal year 2012, an increase from \$14.4 million in fiscal year 2011.
- Detailed analysis is provided under the FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS caption.

CITY OF FOSTER CITY AND  
ESTERO MUNICIPAL IMPROVEMENT DISTRICT  
Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2012

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## OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

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

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

The *statement of net assets* presents information on all of the City/District's assets and liabilities, with the difference between the two reports shown 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 the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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

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

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**OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONTINUED)**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City/District's programs.

The focus of governmental funds is narrower than that of the government-wide financial statements. It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City/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, Affordable Housing Reimbursement Agreement, Low and Moderate Income Housing Assets Fund, City Capital Project, 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 column entitled "Other Funds." Individual and combining fund data for each of these non-major governmental funds is provided as *other supplementary information* in this report.

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

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City/District uses enterprise funds to account for the water, wastewater and public 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 internal service funds to account for the City/District's vehicle rental, equipment replacement, self-insurance, information technology, building maintenance, longevity recognition benefits, and the Public Employees Medical and Hospital Care Act (PEMHCA) 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.

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**OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONTINUED)**

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets** - The City/District's combined net assets decreased by \$14.8 million, or 5.51%, from the prior year mainly due to the extraordinary loss in the amount of \$16.4 million related to the RDA close-down, as depicted in the following table.

Condensed Statement of Net Assets  
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2012	2011	2012	2011	2012	2011	
<b>Assets:</b>							
Current and other assets	\$ 75,018,740	\$ 88,325,559	\$ 26,498,470	\$ 24,111,010	\$ 101,517,210	\$ 112,436,569	-9.71%
Capital assets	106,295,814	108,007,645	61,458,480	61,718,653	167,754,294	169,726,298	-1.16%
Total assets	181,314,554	196,333,204	87,956,950	85,829,663	269,271,504	282,162,867	-4.57%
<b>Liabilities:</b>							
Current and other liabilities	8,027,773	6,249,504	1,540,319	1,933,073	9,568,092	8,182,577	16.93%
Long-term liabilities	4,699,974	4,233,228	595,930	518,204	5,295,904	4,751,432	11.46%
Total Liabilities	12,727,747	10,482,732	2,136,249	2,451,277	14,863,996	12,934,009	14.92%
<b>Net assets:</b>							
Invested in capital assets, net of related debt	106,295,814	108,007,645	61,458,480	61,718,653	167,754,294	169,726,298	-1.16%
Restricted	11,760,967	28,263,105	-	-	11,760,967	28,263,105	-58.39%
Unrestricted	50,530,026	49,579,722	24,362,221	21,659,733	74,892,247	71,239,455	6.81%
Total net assets	\$ 168,586,807	\$ 185,850,472	\$ 85,820,701	\$ 83,378,386	\$ 254,407,508	\$ 269,228,858	-5.51%

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The net assets of the City/District's government activities decreased by approximately \$17.3 million, which consists of three components:

1. **Amount invested in capital assets** - This amount decreased by \$1.7 million due to the excess of depreciation and the retirement of capital assets over capital assets addition.
2. **Restricted assets** - This amount decreased by \$16.5 million, mainly due to the dissolution of the redevelopment agency. The tax increment received from the redevelopment project areas was reserved and intended to be used to support affordable housing needs, public improvement in the community, and fulfill the remaining obligation of the stipulated judgment with the San Mateo Union High School District. However, under ABX1 26, all unencumbered reserve balances of the redevelopment agency funds are to be transferred to the Successor Agency and remitted to the County Auditor-Controller for distribution to the taxing entities. As of February 1, 2012, the Foster City Community Development Agency transferred its \$13.3 million housing reserve and \$3.2 million other reserve to the Successor Agency.
3. **Unrestricted net assets** - This balance increased by \$1.0 million, mainly due to the increase of the unrestricted fund balance of Governmental Funds.

The net assets of the City/District's business-type activities increased by \$2.5 million, primarily from water and wastewater revenues exceeding expenses in anticipation of future capital improvement projects and water usage penalties paid as part of the conservation-based tiered water rate structure implementation.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Changes in Net Assets** – The following table identifies the changes in net assets for governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2012	2011	2012	2011	2012	2011		
<b>Program Revenues</b>								
Charges for services	\$ 3,617,936	\$ 3,056,814	\$ 17,845,065	\$ 16,029,471	\$ 21,463,001	\$ 19,086,285	\$ 2,376,716	12.45%
Operating grants and contributions	1,483,915	1,374,103	100,756	140,709	1,584,671	1,514,812	69,859	4.61%
Capital grants and contributions	449,989	4,157,426	-	-	449,989	4,157,426	(3,707,437)	-89.18%
<b>General Revenues</b>								
Taxes	22,859,339	29,478,906	-	-	22,859,339	29,478,906	(6,619,567)	-22.46%
Contributions not restricted to specific	4,853,339	4,225,824	-	-	4,853,339	4,225,824	627,515	14.85%
Unrestricted investment and rental income	2,331,007	2,409,846	292,258	256,984	2,623,265	2,666,830	(43,565)	-1.63%
Other	210,189	117,764	36,975	140,335	247,164	258,099	(10,935)	-4.24%
<b>Total Revenues</b>	<b>35,805,714</b>	<b>44,820,683</b>	<b>18,275,054</b>	<b>16,567,499</b>	<b>54,080,768</b>	<b>61,388,182</b>	<b>(7,307,414)</b>	<b>-11.90%</b>
<b>Expenses</b>								
General government	3,596,590	3,135,273	-	-	3,596,590	3,135,273	461,317	14.71%
Public safety	17,615,450	17,646,960	-	-	17,615,450	17,646,960	(31,510)	-0.18%
Public works	5,253,074	4,924,309	-	-	5,253,074	4,924,309	328,765	6.68%
Community development	2,215,164	5,904,547	-	-	2,215,164	5,904,547	(3,689,383)	-62.48%
Parks and recreation	7,978,548	7,889,206	-	-	7,978,548	7,889,206	89,342	1.13%
Water operations	-	-	9,782,394	8,690,887	9,782,394	8,690,887	1,091,507	12.56%
Wastewater operations	-	-	5,909,150	5,334,103	5,909,150	5,334,103	575,047	10.78%
Public transportation	-	-	201,696	204,321	201,696	204,321	(2,625)	-1.28%
<b>Total Expenses</b>	<b>36,658,826</b>	<b>39,500,295</b>	<b>15,893,240</b>	<b>14,229,311</b>	<b>52,552,066</b>	<b>53,729,606</b>	<b>(1,177,540)</b>	<b>-2.19%</b>
<b>Excess (deficiency) of revenues over (under) expenses before transfers</b>								
	(853,112)	5,320,388	2,381,814	2,338,188	1,528,702	7,658,576	(6,129,874)	-80.04%
Transfers in (out)	(60,501)	(108,000)	60,501	108,000	-	-	-	0.00%
Extraordinary loss	(16,350,052)	-	-	-	(16,350,052)	-	(16,350,052)	-100.00%
<b>Change in net assets</b>	<b>(17,263,665)</b>	<b>5,212,388</b>	<b>2,442,315</b>	<b>2,446,188</b>	<b>(14,821,350)</b>	<b>7,658,576</b>	<b>(22,479,926)</b>	<b>-293.53%</b>
Net assets, beginning of year	185,850,472	180,638,084	83,378,386	80,932,198	269,228,858	261,570,282	7,658,576	2.93%
Net assets, end of year	\$ 168,586,807	\$ 185,850,472	\$ 85,820,701	\$ 83,378,386	\$ 254,407,508	\$ 269,228,858	\$ (14,821,350)	-5.51%

Key changes to revenue categories are explained below:

- Charges for Services – The increase in Governmental Activities is primarily attributed to increases in planning and building permit revenues associated with key development projects in the City as well as increases to fees in the Master Fees and Charges Schedule to enhance revenues to the General Fund based on the costs of providing those services. Increases in Business-Type Activities were due to increases in water rates, which were set to recover the cost of purchasing water. Sewer rates remained the same as the prior year, and the revenues increase was mainly from the business sector customers. Also, the conservation-based water rate structure generated nearly \$420,000 of excess revenues above forecast due to penalties associated with that rate structure. These excess revenues are being put back into water conservation rebate and educational programs.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

- Operating Grants and Contributions - The increase in Governmental Activities was mainly due to the administration fees received from the Successor Agency. The decrease in Business-Type Activities was due to fewer shuttle grants received from transportation authorities.
- Capital Grants and Contributions - The significant decrease from the prior year was due to the one-time \$4 million Park-In-Lieu fees revenue received in 2011 from the developer of the Pilgrim-Triton site.
- Taxes - The total tax revenues decreased by \$6.6 million. The largest portion of these taxes is property taxes (\$19.1 million), which decreased \$7.1 million from the prior fiscal year. The redevelopment Project Area One reached its tax increment cap and was dissolved in April 2011, and the tax increment revenues previously received by the Agency were reapportioned to the various taxing agencies. To compare with the prior year, the Project Area One tax increment of \$9.5 million was diminished; the City/District received \$2.6 million from the tax increment redistribution; and the net decrease was \$6.9 million. Due to the redevelopment dissolution act of ABX1 26, the tax increment revenue decreased \$0.4 million from both Marlin Cove and Hillsdale/Gull project areas compared to the prior fiscal year.
- Contributions Not Restricted to Specific Purposes - Sales and use taxes comprise the entirety of this line-item, which increased by 14.9% or \$0.6 million from the prior fiscal year due to a modest recovery in the retail sales from the larger sales tax producers.
- Unrestricted Investment and Rental Income - The decrease in the Governmental Activities was primarily due to the continuously declining investment rates. The incremental increase in the Business-Type Activities was due to the increase of cash balances.
- Other Revenues - The increase in Governmental Activities revenues was primarily due to the \$60,000 first time home buyer loan payment received as the Housing Successor and the \$30,000 gain on the sale of capital assets from the Internal Service Fund. The decrease in Business-Type Activities was due to the \$106,000 one-time settlement received in 2011 in the Hydrogen Peroxide Antitrust case.

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

- General Government - The increase of \$461,000 in General government expenditures was due to two main factors. The professional service fee increased \$135,000 compared to the prior fiscal year due to the legal costs to resolve the land lease agreement issue and land sale transaction with North Peninsula Jewish Campus. Due to the dissolution of the redevelopment agency, the City Manager, City Clerk and Financial Services departments can no longer properly allocate the direct personnel cost to the redevelopment project areas, which resulted in an increase of general fund expenditures of approximately \$388,000. The part time contract Human Resources Director has contributed a savings of \$62,000 in General government expenditures.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

- Public safety - The Police Department operating expenditures decreased \$204,000 due to the elimination of two dispatcher positions, offset by the Fire department's increase in the Central County Fire EMS training cost and incremental increase of one new full time Deputy Fire Chief replacing 2/3 of a Battalion Chief. The Public Safety departments have a net decrease of \$32,000 compared to the prior fiscal year.
- Public Works - The increase of Public Works expenditures was due to the bi-annual street maintenance project and the unallocated direct personnel cost to the redevelopment project areas, again caused by the dissolution of the Redevelopment Agency.
- Community Development - The significant decrease in this category is due to the dissolution of the Redevelopment Agency. The operating expenditures of the former redevelopment project areas are handled by the Successor Agency reported under the Fiduciary fund type.
- Parks and Recreation - The Parks and Recreation capital assets depreciation expense has increased \$87,000 compared to prior fiscal year.
- Water Operations - The increase in Water Operations expenses were due to 1) the 20% increase in the cost of water purchased from the City and County of San Francisco due to the costs of a \$4.6 billion seismic retrofit project on the Hetch Hetchy water system, partially offset by reduced water consumption from the prior year; 2) the water main condition survey project started in the summer of 2011; and 3) the loss on fixed assets retirement from the water meter replacement project.
- Wastewater Operations - The increase in Wastewater Operations resulted from 1) salary and benefit increase totaling \$187,000; due to merit increase and one additional employee allocated to wastewater program; 2) the City's share of wastewater treatment plant operation and maintenance cost increasing by \$210,000; and 3) the depreciation and retirement of the Wastewater capital assets increasing by \$241,000.
- Public Transportation - The Public Transportation operating expense is in line with the prior year. The City terminated the connection shuttle services program at the end of fiscal year.

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

**Governmental funds.** As of June 30, 2012, the City/District's governmental funds reported combined fund balances of \$41.2 million. Of this total, \$10.3 million are considered restricted funds, \$9.6 million are committed by the City Council/District Board for specified projects or uses, another \$1.0 million are assigned by the City Manager (as duly authorized by Council policy) for specified uses, and the remaining \$20.3 million are unassigned and available for general use.

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

Total revenues, expenditures and changes in fund balances for the fiscal year ended June 30, 2012 are shown below in comparison to the year ended June 30, 2011.

	2012		2011		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
<b>Revenues by Source</b>						
Taxes	\$ 27,014,176	76.57%	\$ 32,846,406	74.93%	\$ (5,832,230)	-17.76%
Licenses and permits	2,200,437	6.24%	1,289,106	2.94%	911,331	70.69%
Intergovernmental	1,994,051	5.65%	1,522,599	3.47%	471,452	30.96%
Charges for current services	1,640,114	4.65%	1,659,773	3.79%	(19,659)	-1.18%
Fines and forfeitures	179,717	0.51%	159,303	0.36%	20,414	12.81%
Park-in-lieu fees	-	0.00%	4,000,000	9.13%	(4,000,000)	100.00%
Investment and rental income	1,814,301	5.14%	1,796,472	4.10%	17,829	0.99%
Other	436,977	1.24%	559,764	1.28%	(122,787)	-21.94%
<b>Total revenues</b>	<b>35,279,773</b>	<b>100.00%</b>	<b>43,833,423</b>	<b>100.00%</b>	<b>(8,553,650)</b>	<b>-19.51%</b>
<b>Expenditures by Function</b>						
General Government	2,980,808	8.38%	2,689,200	7.41%	291,608	10.84%
Public safety	17,319,739	48.69%	17,280,819	47.60%	38,920	0.23%
Public works	2,876,718	8.09%	2,603,647	7.17%	273,071	10.49%
Community development	2,229,747	6.27%	5,825,075	16.04%	(3,595,328)	-61.72%
Parks and recreation	6,780,597	19.06%	6,780,921	18.68%	(324)	0.00%
Capital outlay	3,384,339	9.51%	970,235	2.67%	2,414,104	248.82%
Interest on interfund loans	-	0.00%	156,685	0.43%	(156,685)	-100.00%
<b>Total expenditures</b>	<b>35,571,948</b>	<b>100.00%</b>	<b>36,306,582</b>	<b>100.00%</b>	<b>(734,634)</b>	<b>-2.02%</b>
<b>Revenues over (under) expenditures</b>	<b>(292,175)</b>		<b>7,526,841</b>		<b>(7,819,016)</b>	
Other financing sources (uses)	(69,080)		(108,000)		38,920	
Extraordinary loss	(16,350,052)					
<b>Net change in fund balances</b>	<b>(16,711,307)</b>		<b>7,418,841</b>		<b>\$ (7,780,096)</b>	
Fund balances, beginning of year	57,911,038		50,492,197			
Fund balances, end of year	\$ 41,199,731		\$ 57,911,038			

Key changes to revenue categories are explained below:

- **Taxes** - As previously discussed, property tax revenues decreased \$6.9 million due to the dissolution of the Redevelopment Agency. The sales and use tax, transient occupancy tax, franchise tax and property transfer tax have increased \$1.1 million in total. The transient occupancy tax increased \$389,000 mainly due to the transient occupancy tax rate increase from 8% to 9.5% starting January 1, 2012.

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

- Licenses and permits - Building permit revenues (including electrical, mechanical, and plumbing permits) were the primary cause of the increase in this revenue category, due to the construction occurring at the Gilead Sciences Campus and Pilgrim-Triton projects.
- Intergovernmental - Gas tax revenue increased \$95,000 based on the high gas price. The City received Prop 1B and Measure M revenue of \$551,000, which was not available in the prior fiscal year. A federal grant of \$157,000 from the American Recovery and Reinvestment Act was a one-time grant received in the prior fiscal year and was no longer available in the current fiscal year.
- Charges for current services - Plan checking and related fees decreased by \$38,000, however the recreation program revenues increased \$18,000.
- Fines and forfeitures - Motor vehicle fines increased \$12,000 and false alarm fine increased \$8,000.
- Investment and rental income - The incremental increase in this category was due the CPI (consumer price index) increase in rents based on lease agreements.
- Other revenues - The Foster City Foundation fund has received \$148,000 less in donations compared to the prior fiscal year, as the donators' commitments for the sports fields synthetic turf project is winding down.

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

- General Government - As indicated previously, the legal fees related to the North Peninsula Jewish Campus (NPJC) land lease and land sale transaction plus unallocated direct personnel costs due to the dissolution of the Redevelopment Agency are the main factors for the increase in General government expenditures.
- Public Safety - The savings from the Police Department's elimination of two dispatcher positions was offset by the Fire Department personnel reorganization and the Central County Fire EMS training costs.
- Public Works - As mentioned previously, these costs increased primarily due to the bi-annual street maintenance project and the unallocated direct personnel cost to the redevelopment project areas, again caused by the dissolution of the Redevelopment Agency.
- Community Development - As indicated previously, the significant decrease in this category is due to the dissolution of the Redevelopment Agency. The operating expenditures of the former redevelopment project areas are handled by the Successor Agency reported under the Fiduciary fund type.
- Parks and Recreation - The special recreation program operating expenditures decreased by an incremental amount compared to the prior fiscal year.

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

- Capital Outlay - The increase was due to the current year synthetic turf project at the Sea Cloud and Port Royal parks which totaled \$2.2 million.
- Interest on Interfund Loans - The last loan balance from the Community Development Agency to the City/District General Fund was paid off in full in 2011.

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

**General Fund** - The General Fund represents the single most important operating fund of the City/District. The legislative body and executive staff spend a significant amount of time during the year closely monitoring the financial health and operations of this fund, which provides core municipal services to the public. Total fund balance at June 30, 2012 was \$21.7 million, which increased \$0.5 million in fiscal year 2011-2012. Unassigned fund balances finished the year at \$20.3 million, increasing by \$1.0 million from the prior year. The overall improvement in fund balance was due to the increase in revenues resulting from the moderate economic recovery being experienced locally, statewide and nationally, the transient occupancy tax rate increase from 8% to 9.5%, and permit fees from two major private developments. The General Fund transferred \$1.3 million to the City Capital Project fund for future capital improvement projects, as a conscious decision by the City Council to use reserves in order to maintain current service levels as much as possible. Unassigned fund balances, however, are the key financial indicator of the overall health of the General Fund, which finished the year \$3.4 million higher than originally anticipated in the budget. With respect to the General Fund, the City/District reiterated its reserve policy as of June 30, 2012 to maintain a minimum of 33-1/3% of annual operating expenditures. Unassigned General Fund reserves totaled \$20.3 million, or 67% of annual operating expenditures, double the City/District's minimum reserve policy.

**Affordable Housing Reimbursement Agreement** - The Community Development Agency entered into an agreement with the City to manage its affordable housing programs and administer the expenditure of net available tax increment revenue collected by its Project Area One, Marlin Cove, and Hillsdale/Gull projects over the remaining life of those project areas. As Project Area One reached its tax increment cap in 2011, all remaining assets, including cash and loans receivable under the first-time homebuyers program and the Metro Center Senior Housing project, were transferred to the City in accordance with the terms of that agreement. The net funds available for disbursement under the agreement totaled \$19.1 million as of January 31, 2012. With the passage of ABX1 26, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012. ABX1 26 creates and establishes the duties of Successor Agencies and Oversight Board and imposes requirements on county auditor-controllers. ABX1 26 also allows a community development commission to retain its authority in its capacity as a housing authority. However, unused balances in the Low and Moderate Income Housing Fund are to be transferred to the Successor Agency and disbursed to the local taxing entities. The City assumed the responsibilities as Housing Successor, created a Low and Moderate Income Housing Assets fund and transferred the unencumbered balances of \$6.4 million to the LMIHAF; the remaining unencumbered balances of \$12.7 million were transferred to the Successor Agency's private-purpose trust fund as of February 1, 2012. The unencumbered balances will be remitted to the County by December 2012 for further distribution to all the taxing entities. The City/District is one of the receiving taxing entities, however, the estimated amount is unknown since the County has not provided the distribution formula yet.

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

**Low and Moderate Income Housing Assets Fund** - This fund was established for the Housing Successor to continue the existing Low and Moderate Income Housing program. As of February 1, 2012, the former redevelopment agency transferred the total assets of \$14.2 million to the Low and Moderate Income Housing Assets Fund. Of this \$14.2 million, \$6.4 million are in cash and \$7.8 million are in long-term receivables, composed of \$1.3 million in first time homebuyer loans, \$5.9 million in senior housing land purchase and construction loans, and \$0.6 million in interest receivable from senior housing loans.

**City Capital Projects Fund** - The City Capital Projects fund is also a key fund of the City/District, which pays for infrastructure improvement and significant maintenance projects for which other resources (e.g., Gas Tax, Measure A, or Proposition 42 funds) do not pay. The primary source of funding of these projects is the General Fund, short of any funds received from federal, state or local grants. The Public Improvements Reimbursement Agreement was established due to the termination of Project Area One of the Community Development Agency. Under the terms of the agreement, the City was obligated to implement various public improvement projects on behalf of the Agency. With the enactment of ABX1 26, the fund balance of \$540,000 from the Public Improvements Reimbursement Agreement was transferred to the Successor Agency as of February 1, 2012. Committed fund balances total \$8.9 million, an increase of \$1.0 million from the prior year due to a transfer of \$1.3 million from the General Fund for the purpose of funding future capital improvement projects, net of the expenditure of capital improvement funds for currently funded projects underway.

**Community Development Agency Funds** - The Agency accounted for revenues from the property tax increment derived from the Agency's investment in upgrading properties for development. The Redevelopment Agency was dissolved as of February 1, 2012 due to the enactment of ABX1 26, and the funds transferred from the Agency to the Successor Agency totaled \$867,000.

The following provides highlights of the operations of the four (4) *Proprietary Funds* for the year.

**Water** - Estero Municipal Improvement District provides water services to customers located within the District's area, primarily the "94404" zip code which encompasses all of Foster City and a portion of San Mateo. Unrestricted net assets for the water fund totaled \$9.5 million as of June 30, 2012, which increased by approximately \$1.4 million from the prior year. The increase was planned in order to smooth the future rate increases anticipated from the San Francisco Public Utilities Commission (SFPUC) to fund its \$4.6 billion Hetch Hetchy System improvement project. However, the increase included \$420,000 in excess revenues collected as a result of the conservation-based tiered water rate structure implemented in FY 2011-2012 to incent conservation by water customers. Those excess revenues will be used to fund water conservation rebate and education programs. The reserve requirements for the Water fund is 25% of annual operating expenses plus a \$2 million reserve for capital improvement projects. Unrestricted net assets exceeded the reserve requirements by \$5.2 million at June 30, 2012, however, \$1.8 million of the excess reserves are earmarked for approved capital improvement projects and future equipment replacement needs. Accordingly, the fund has sufficient reserves to fund future capital improvement projects and to offset the large increases anticipated from the SFPUC.

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

**Wastewater** - The District provides wastewater collection services to customers in Foster City, and participates in a joint powers authority with the City of San Mateo, which operates the Wastewater Treatment Plant (WWTP). Unrestricted net assets as of June 30, 2012 totaled \$13.9 million, which increased by approximately \$1.3 million from the prior year. Operational costs associated with the WWTP have increased due to the increase in personnel and plant maintenance costs. The reserve requirements for the Wastewater fund is 25% of annual operating expenses plus a \$2 million reserve for capital improvement projects. Unrestricted net assets exceeded the reserve requirements by \$10.5 million at June 30, 2012, however, \$2.4 million of this balance is earmarked for approved capital improvement projects and future equipment replacement needs.

**Non-major Public Transportation Fund** - The City/District operates a shuttle service with one route that connects Foster City residents and businesses with facilities and shopping centers in Foster City, as well as two shopping centers located in San Mateo. These services are provided through a contract with the Peninsula Traffic Congestion Relief Alliance, and through 50% funding from the City/County Association of Governments. The connection shuttle service ended on June 30, 2012.

**Internal Service Funds** - These funds provide services and funding mechanisms to allow the operating departments within the City to provide services to the community. Services included vehicle / fleet rental, equipment replacement, self-insurance risk management, information technology, building maintenance, and funding for the Longevity Recognition and Public Employees' Medical and Hospital Care Act (PEMHCA) post-retirement medical programs. Total unrestricted net assets as of June 30, 2012 were \$25.1 million, which was a \$1.6 million increase from the prior year. The increase was mainly due to extending the life of equipment and vehicles through annual evaluation, as well as internal service charges in excess of expenditures in order to set aside funds for the replacement of capital assets in the future.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original General Fund budget for fiscal year 2011-2012 included \$34.3 million in appropriations and transfers out to other funds, with estimated revenues totaling \$30.0 million, and the remainder coming from unassigned reserves.

Total revenues for 2012 were \$1.9 million (6.4%) above budgeted projections. Property taxes exceeded the projections by \$453,000, which is about the net of the unbudgeted Educational Revenue Augmentation Fund (ERAF) refund and appeal settlements. Sales and use taxes were \$671,000 ahead of the budget. The transient occupancy tax was \$417,000 more than the budget due to the passage of a tax rate increase from 8% to 9.5% as of January 1, 2012. Development permit fees exceeded projections by \$886,000, primarily due to a two month delay in the submittal of building permit applications in the Pilgrim-Triton development project. The delay resulted in the submission of the development permit fees after June 30, 2011, and the actual revenue was received in the current fiscal year.

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**GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

Real property transfer tax, reimbursement and grants, investment income and rentals were ahead of the budget by a small increment of \$255,000. Motor vehicle in lieu, franchise tax, business license tax, homeowner property tax relief, charges for current services, recreation programs, fines and forfeitures, and miscellaneous revenue missed the projections by \$763,000. Total actual expenditures for 2012 were \$2.9 million (8.5%) below final budgeted appropriations. This was the result primarily of salary savings from vacant positions and the conservative financial management of department managers in light of the projected ongoing structural deficit.

**CAPITAL ASSETS**

The City/District's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounted to \$167.8 million (net of accumulated depreciation). This investment in capital assets includes land, building, infrastructure, structures and improvements, equipment, vehicles, intangible assets, and construction in progress.

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

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2012	2011	2012	2011	2012	2011		
Land	\$ 11,680,881	\$ 11,680,881	\$ 3,553,474	\$ 3,553,474	\$ 15,234,355	\$ 15,234,355	\$ -	0.00%
Infrastructure, structures and improvements	89,614,928	92,608,235	34,825,980	33,107,640	124,440,908	125,715,875	(1,274,967)	-1.01%
Equipment, vehicles and software	2,361,164	3,172,838	1,856,669	331,309	4,217,833	3,504,147	713,686	20.37%
Sewer Capacity Rights	-	-	21,222,357	21,718,188	21,222,357	21,718,188	(495,831)	-2.28%
Construction in progress	2,638,841	545,691	-	3,008,043	2,638,841	3,553,734	(914,893)	-25.74%
<b>Total</b>	<b>\$ 106,295,814</b>	<b>\$ 108,007,645</b>	<b>\$ 61,458,480</b>	<b>\$ 61,718,654</b>	<b>\$ 167,754,294</b>	<b>\$ 169,726,299</b>	<b>\$ (1,972,005)</b>	<b>-1.16%</b>

The Governmental activities infrastructure assets and fixed assets declined \$3.0 million mainly due to the excess of depreciation and retirement over the addition during the year. The construction in progress is the value of the current year Synthetic Turf Project at Sea Cloud and Port Royal parks. The Business-Type activities infrastructure asset and equipment and software increased \$3.2 million. During the current year, Wastewater Lift Station Capital Improvement Project was completed. The construction in progress of \$2.6 million from prior year and current year additional cost of the project has been capitalized as the infrastructure assets and fixed assets. Additional information about the City/District's capital assets can be found in Note 6 to the financial statements.

**DEBT ADMINISTRATION**

As of June 30, 2012, the City/District had total long-term outstanding obligations of \$5.3 million, which was comprised of compensated absences of \$3.1 million, OPEB liability of \$2.0 million, and claims liability of approximately \$0.2 million. Additional information about the City/District's long term obligations can be found in Note 7 to the financial statements.

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

The City/District continues to feel the impacts of the economic recession that is affecting the local, state and national economy. The City Council and all employees have made tremendous efforts to reduce the structural deficit from the peak of approximately \$4.5 million during FY 2010-2011 down to the projected \$1.6 million at the adoption of the FY 2012-2013 budget in June 2012. The City continues taking various measures to streamline its expenditures and enhance its revenues with the goal to eliminate the structural deficit by FY 2013-2014.

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

- Property Taxes - The housing market in Foster City has strengthened in the past year, with median housing prices increasing by 1% from the prior year. The County Assessor's Office latest estimates assessed valuation growth of 3.1% for FY 2012-2013, yet there remains nearly \$650 million in assessed valuation at risk of reduction based on assessment appeals filed mainly by commercial property owners.
- Land Sale Transactions - The City sold the 11-acre site to the North Peninsula Jewish Campus. The sale closed escrow on September 28, 2012. The adjacent 15-acre site will be purchased by The New Home Company with escrow estimated to close by the end of 2013. The City/District's Council Members/Board Directors have directed the City staff to establish a Capital Asset Preservation Fund and deposit the land sale proceeds to the Fund with a commitment toward future real property asset acquisition or the funding of new or significant future capital improvement projects.
- CalPERS Pension Rates - The CalPERS employer contribution rates for Miscellaneous and Public Safety plans are 18.202% and 29.261% respectively in FY 2012-2013. The City/District has been fiscally conservative in providing pension benefits. The key provisions of the recent Public Employees Pension Reform Act have no impact to the City/District's current pension policies. Unlike most public agencies, the City/District does not use a "single highest year" calculation method for pension benefits; the City/District does not allow conversion of vacation or sick leave balance for service credits, and the City/District employees have always paid their own share of the retirement contribution.
- Unemployment - Unemployment in California has declined to 10.8% from 12% a year ago. The City's unemployment rate has decreased to 5.2% from 6.2%, which is ahead of the State average. The improvement of the unemployment rate is reflected in local real estate property transactions.

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

- Capital Improvement Project Funds – The long-term funding of Capital Improvement Projects implemented in FY 2010-2011 continues for the City's General Fund, the Water and Wastewater Enterprise Funds. During the annual review of the 10-year capital improvement projection, the funding of projects has been reassessed based upon the condition of the infrastructure, the timing of potential repair or replacement, and the available funding from other sources. As a result, the funding from the City's General Fund to the City Capital Improvement Fund has been reduced from \$1.3 million to \$0.7 million in FY 2012-2013. There was no significant change in funding for the Water and Wastewater Enterprise Fund capital improvement projects.
- Compensated Absences Fund – The City has established a Compensated Absences Internal Service Fund in FY 2012-2013 to fund the employee leave and benefits payoff at separation per the memoranda of understanding with the various employee groups. It is funded initially by transferring \$3 million of the existing reserves from the General Fund (\$2.65 million), Water Revenue Fund (\$0.18 million), and Wastewater Revenue Fund (\$0.17 million) according to the projected liability as of July 1, 2012. This fund will continue to be funded by accessing a 0.4% internal service charge to each operating department based on its respective permanent salaries budget.
- Water Supply Assurance / Water Costs – The City/District entered into a successor Water Supply Assurance agreement with the City and County of San Francisco that guarantees the District with water supplies totaling 5.9 million gallons per day on an average annual basis. The District's water conservation measures and its tiered water rate structure will provide the financial incentives and educational resources necessary for the District to stay within its allotted supply of water. Nevertheless, the cost of water increased by 12% on July 1, 2012, and is expected to increase by a total of 77% by FY 2017-2018 as a result of the Hetch Hetchy System upgrades. These costs will be passed on to customers using the rate smoothing policies adopted by the District Board in previous years.

The City/District has positive unassigned General Fund balances which enable it to implement the changes necessary to retain its fiscal health and maintain fund balances above its minimum reserve levels, thereby maintaining the health and safety of the community.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

# Basic Financial Statements

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Net Assets**  
**June 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 72,791,154	\$ 21,408,469	\$ 94,199,623
Receivable, net	1,546,130	3,827,988	5,374,118
Internal balances	(942,805)	942,805	-
Inventory	129,272	319,148	448,420
Prepays and deposits	17,905	60	17,965
Restricted cash and investments	276,685	-	276,685
Loans receivable (net)	1,200,399	-	1,200,399
Capital assets:			
Nondepreciable	14,319,722	3,553,474	17,873,196
Depreciable, net of accumulated depreciation	91,976,092	57,905,006	149,881,098
<b>Total assets</b>	<b>181,314,554</b>	<b>87,956,950</b>	<b>269,271,504</b>
<b>LIABILITIES</b>			
Accounts payable	2,265,122	1,152,432	3,417,554
Accrued payroll	944,534	119,368	1,063,902
Refundable deposits	4,530,417	268,519	4,798,936
Unearned revenue	287,700	-	287,700
Long-term liabilities:			
Due within one year	1,231,025	151,935	1,382,960
Due in more than one year	3,468,949	443,995	3,912,944
<b>Total liabilities</b>	<b>12,727,747</b>	<b>2,136,249</b>	<b>14,863,996</b>
<b>NET ASSETS</b>			
Invested in capital assets	106,295,814	61,458,480	167,754,294
Restricted for:			
Housing	7,630,932	-	7,630,932
Public safety	7,989	-	7,989
Roads	3,864,283	-	3,864,283
Other purposes	257,763	-	257,763
Unrestricted	50,530,026	24,362,221	74,892,247
<b>Total net assets</b>	<b>\$ 168,586,807</b>	<b>\$ 85,820,701</b>	<b>\$ 254,407,508</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, 2012**

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	\$ 3,596,590	\$ 117,780	\$ 108,441	\$ -
Public safety - Police	9,393,100	194,852	201,637	-
Public safety - Fire	8,222,350	91,306	4,380	-
Public works	5,253,074	115,060	1,047,329	449,989
Community development	2,215,164	2,016,675	-	-
Parks and recreation	7,978,548	1,082,263	122,128	-
Total governmental activities	<u>36,658,826</u>	<u>3,617,936</u>	<u>1,483,915</u>	<u>449,989</u>
<b>Business-type activities:</b>				
Water	9,782,394	10,328,467	-	-
Sewer	5,909,150	7,509,281	-	-
Public transportation	201,696	7,317	100,756	-
Total business-type activities	<u>15,893,240</u>	<u>17,845,065</u>	<u>100,756</u>	<u>-</u>
Total primary government	<u>\$ 52,552,066</u>	<u>\$ 21,463,001</u>	<u>\$ 1,584,671</u>	<u>\$ 449,989</u>

**General revenues and transfers:**

Taxes:

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

Contributions not restricted to specific programs:

- Sales and use tax and sales tax in lieu
- Unrestricted investment and rental income
- Other

Transfers

**Total general revenues and transfers**

**Extraordinary items:**

- Extraordinary loss - dissolution of RDA

**Total extraordinary items**

**Change in net assets**

- Net assets - beginning of year
- Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,370,369)	\$ -	\$ (3,370,369)
(8,996,611)	-	(8,996,611)
(8,126,664)	-	(8,126,664)
(3,640,696)	-	(3,640,696)
(198,489)	-	(198,489)
(6,774,157)	-	(6,774,157)
<u>(31,106,986)</u>	<u>-</u>	<u>(31,106,986)</u>
-	546,073	546,073
-	1,600,131	1,600,131
-	(93,623)	(93,623)
-	2,052,581	2,052,581
<u>(31,106,986)</u>	<u>2,052,581</u>	<u>(29,054,405)</u>
19,140,435	-	19,140,435
1,729,952	-	1,729,952
1,122,847	-	1,122,847
866,105	-	866,105
4,853,339	-	4,853,339
2,331,007	292,258	2,623,265
210,189	36,975	247,164
(60,501)	60,501	-
<u>30,193,373</u>	<u>389,734</u>	<u>30,583,107</u>
<u>(16,350,052)</u>	<u>-</u>	<u>(16,350,052)</u>
<u>(16,350,052)</u>	<u>-</u>	<u>(16,350,052)</u>
(17,263,665)	2,442,315	(14,821,350)
<u>185,850,472</u>	<u>83,378,386</u>	<u>269,228,858</u>
<u>\$ 168,586,807</u>	<u>\$ 85,820,701</u>	<u>\$ 254,407,508</u>

**City of Foster City and Estero Municipal Improvement District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	Major Funds						Total
	General Fund	Affordable Housing Reimbursement Agreement	Low and Moderate Income Housing Assets Fund	City Capital Projects	Community Development Agency	Non-Major Governmental Funds	
<b>ASSETS</b>							
Cash and investments	\$ 23,314,183	\$ -	\$ 6,457,970	\$ 13,296,548	\$ -	\$ 4,040,190	\$ 47,108,891
Receivables, net of allowance:							
Accrued interest	243,266	-	-	-	-	-	243,266
Intergovernmental	32,292	-	-	-	-	163,449	195,741
Taxes	925,781	-	-	-	-	53,074	978,855
Other	118,079	-	-	-	-	9,500	127,579
Due from other funds	39,898	-	-	106,214	-	21,013	167,125
Prepays and deposits	15,549	-	-	-	-	-	15,549
Inventory	16,900	-	-	-	-	-	16,900
Restricted cash and investments	276,685	-	-	-	-	-	276,685
Loans receivables, net of allowance	-	-	1,200,399	-	-	-	1,200,399
<b>Total assets</b>	<b>\$ 24,982,633</b>	<b>\$ -</b>	<b>\$ 7,658,369</b>	<b>\$ 13,402,762</b>	<b>\$ -</b>	<b>\$ 4,287,226</b>	<b>\$ 50,330,990</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 824,016	\$ -	\$ 20,365	\$ 1,225,639	\$ -	\$ 10,099	\$ 2,080,119
Accrued payroll	885,532	-	-	-	-	980	886,512
Refundable deposits	1,249,542	-	7,022	3,273,853	-	-	4,530,417
Due to other funds	-	-	-	-	-	146,112	146,112
Deferred revenue	287,650	-	1,200,449	-	-	-	1,488,099
<b>Total liabilities</b>	<b>3,246,740</b>	<b>-</b>	<b>1,227,836</b>	<b>4,499,492</b>	<b>-</b>	<b>157,191</b>	<b>9,131,259</b>
<b>Fund Balances:</b>							
Non-Spendable	32,448	-	-	-	-	-	32,448
Restricted	-	-	6,430,533	-	-	3,927,319	10,357,852
Committed	466,016	-	-	8,903,270	-	202,716	9,572,002
Assigned	964,536	-	-	-	-	-	964,536
Unassigned	20,272,893	-	-	-	-	-	20,272,893
<b>Total fund balances</b>	<b>21,735,893</b>	<b>-</b>	<b>6,430,533</b>	<b>8,903,270</b>	<b>-</b>	<b>4,130,035</b>	<b>41,199,731</b>
<b>Total liabilities and fund balances</b>	<b>\$ 24,982,633</b>	<b>\$ -</b>	<b>\$ 7,658,369</b>	<b>\$ 13,402,762</b>	<b>\$ -</b>	<b>\$ 4,287,226</b>	<b>\$ 50,330,990</b>

**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, 2012**

Total Fund Balances - Total Governmental Funds \$ 41,199,731

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

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

	Government-Wide Statement of Net Assets	Internal Service Funds	
Non-depreciable	\$ 14,319,722	\$ (7,955)	14,311,767
Depreciable, net	91,976,092	(2,361,160)	89,614,932
Total capital assets	<u>\$ 106,295,814</u>	<u>\$ (2,369,115)</u>	<u>103,926,699</u>

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

	Governmental Funds Balance Sheets	Government-Wide Statement of Net Assets	
	\$ 1,488,099	\$ (287,700)	\$ 1,200,399

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.

26,469,852

Compensated absences and other post employment benefits liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

	Government-Wide Statement of Net Assets	Internal Service Funds	
Long term liabilities - due within one year	\$ (1,231,025)	\$ 259,499	(971,526)
Long term liabilities - due more than one year	(3,468,949)	230,601	<u>(3,238,348)</u>

Net Assets of Governmental Activities \$ 168,586,807

**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, 2012**

	Major Funds						Total
	General Fund	Affordable Housing Reimbursement Agreement	Low & Moderate Income Housing Assets Fund	City Capital Projects	Community Development Agency	Non-Major Governmental Funds	
<b>REVENUES:</b>							
Property taxes	\$ 18,705,029	\$ -	\$ -	\$ -	\$ 435,406	\$ -	\$ 19,140,435
Sales and use and sales tax in lieu	4,336,908	-	-	-	-	516,431	4,853,339
Transient occupancy tax	1,729,952	-	-	-	-	-	1,729,952
Franchise tax	1,122,847	-	-	-	-	-	1,122,847
Other taxes	167,603	-	-	-	-	-	167,603
Licenses and permits	2,200,437	-	-	-	-	-	2,200,437
Intergovernmental	458,078	-	-	-	-	1,535,973	1,994,051
Charges for current services	1,640,114	-	-	-	-	-	1,640,114
Fines and forfeitures	44,499	-	-	-	-	135,218	179,717
Investment and rental income	1,336,162	147,212	67,163	191,998	5,532	66,234	1,814,301
Other	136,408	5,739	58,908	8,250	-	227,672	436,977
<b>Total revenues</b>	<b>31,878,037</b>	<b>152,951</b>	<b>126,071</b>	<b>200,248</b>	<b>440,938</b>	<b>2,481,528</b>	<b>35,279,773</b>
<b>EXPENDITURES:</b>							
Current:							
General government	2,806,402	-	-	-	-	174,406	2,980,808
Public safety - Police	9,058,272	-	-	-	-	112,792	9,171,064
Public safety - Fire	8,145,593	-	-	-	-	3,082	8,148,675
Public works	1,722,310	-	-	106,362	-	1,048,046	2,876,718
Community development	1,658,759	105,487	101,888	-	91,421	272,192	2,229,747
Parks and recreation	6,654,084	-	-	78,898	-	47,615	6,780,597
Capital outlay	-	-	-	417,435	-	2,966,904	3,384,339
<b>Total expenditures</b>	<b>30,045,420</b>	<b>105,487</b>	<b>101,888</b>	<b>602,695</b>	<b>91,421</b>	<b>4,625,037</b>	<b>35,571,948</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,832,617</b>	<b>47,464</b>	<b>24,183</b>	<b>(402,447)</b>	<b>349,517</b>	<b>(2,143,509)</b>	<b>(292,175)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	11,594	-	6,406,350	1,312,000	-	-	7,729,944
Transfers out	(1,312,000)	(6,406,350)	-	-	-	(80,674)	(7,799,024)
<b>Total other financing sources (uses)</b>	<b>(1,300,406)</b>	<b>(6,406,350)</b>	<b>6,406,350</b>	<b>1,312,000</b>	<b>-</b>	<b>(80,674)</b>	<b>(69,080)</b>
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>							
Extraordinary loss - dissolution of RDA	-	(12,713,126)	-	(540,164)	(867,262)	(2,229,500)	(16,350,052)
<b>Total special and extraordinary items</b>	<b>-</b>	<b>(12,713,126)</b>	<b>-</b>	<b>(540,164)</b>	<b>(867,262)</b>	<b>(2,229,500)</b>	<b>(16,350,052)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>532,211</b>	<b>(19,072,012)</b>	<b>6,430,533</b>	<b>369,389</b>	<b>(517,745)</b>	<b>(4,453,683)</b>	<b>(16,711,307)</b>
<b>FUND BALANCES:</b>							
Beginning of year	21,203,682	19,072,012	-	8,533,881	517,745	8,583,718	57,911,038
End of year	\$ 21,735,893	\$ -	\$ 6,430,533	\$ 8,903,270	\$ -	\$ 4,130,035	\$ 41,199,731

See accompanying notes to the basic financial statements.

**City of Foster City and Estero Municipal Improvement District**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes**  
**in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets**  
**For the fiscal year ended June 30, 2012**

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Net Change in Fund Balances - Total Governmental Funds \$ (16,711,307)

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 (Total capital asset additions for the City for the fiscal year ended for governmental activities were \$3,613,781, which consisted of \$181,031 in additions attributable to internal service fund activity and \$3,432,750 in additions attributable to governmental funds)	\$ 3,432,750	
Loss on capital asset disposal (net of accumulated depreciation)	(29,967)	
Less current year depreciation. This amount is net of depreciation expense of the internal service funds in the amount of \$980,738	<u>(4,310,895)</u>	(908,112)

Revenues from new loans that are funded in this fiscal year that will not be collected for several months after the City/District's fiscal year ends are not considered "available" revenue and are classified as deferred revenue in the governmental funds.		(72,022)
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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.

OPEB liabilities	(343,560)	
Change in long-term compensated absences. This amount is net of changes in compensated absences of the internal service funds in the amount of \$5,296	<u>12,347</u>	(331,213)

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		<u>758,989</u>
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**Change in Net Assets of Governmental Activities \$ (17,263,665)**

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**City of Foster City and Estero Municipal Improvement District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Non-Major - Public Transportation		
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 8,196,987	\$ 13,211,482	\$ -	\$ 21,408,469	\$ 25,682,263
Receivables, net of allowance:					
Billed utility, net of allowance for uncollectibles	644,048	562,187	-	1,206,235	-
Unbilled utility	1,638,897	881,961	-	2,520,858	-
Other	26,195	36,861	37,839	100,895	689
Deposits and prepaid items	60	-	-	60	2,356
Inventory	118,242	200,906	-	319,148	112,372
<b>Total current assets</b>	<b>10,624,429</b>	<b>14,893,397</b>	<b>37,839</b>	<b>25,555,665</b>	<b>25,797,680</b>
Noncurrent assets:					
Capital assets:					
Nondepreciable	3,553,474	-	-	3,553,474	7,955
Depreciable, net of accumulated depreciation	21,355,791	36,549,215	-	57,905,006	2,361,160
<b>Total noncurrent assets</b>	<b>24,909,265</b>	<b>36,549,215</b>	<b>-</b>	<b>61,458,480</b>	<b>2,369,115</b>
<b>Total assets</b>	<b>35,533,694</b>	<b>51,442,612</b>	<b>37,839</b>	<b>87,014,145</b>	<b>28,166,795</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	680,184	455,422	16,826	1,152,432	185,004
Accrued payroll	58,897	60,471	-	119,368	58,023
Refundable deposits	60,098	208,421	-	268,519	-
Due to other funds	-	-	21,013	21,013	-
Claims liability	-	-	-	-	176,625
Compensated absences - current portion	81,897	70,038	-	151,935	82,874
<b>Total current liabilities</b>	<b>881,076</b>	<b>794,352</b>	<b>37,839</b>	<b>1,713,267</b>	<b>502,526</b>
Noncurrent liabilities:					
Compensated absences - noncurrent portion	118,182	111,163	-	229,345	121,251
OPEB liability	109,350	105,300	-	214,650	109,350
<b>Total noncurrent liabilities</b>	<b>227,532</b>	<b>216,463</b>	<b>-</b>	<b>443,995</b>	<b>230,601</b>
<b>Total liabilities</b>	<b>1,108,608</b>	<b>1,010,815</b>	<b>37,839</b>	<b>2,157,262</b>	<b>733,127</b>
<b>NET ASSETS</b>					
Invested in capital assets	24,909,265	36,549,215	-	61,458,480	2,369,115
Unrestricted	9,515,821	13,882,582	-	23,398,403	25,064,553
<b>Total net assets</b>	<b>\$ 34,425,086</b>	<b>\$ 50,431,797</b>	<b>\$ -</b>	<b>84,856,883</b>	<b>\$ 27,433,668</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				963,818	
Net assets of business-type activities				<u>\$ 85,820,701</u>	

See accompanying notes to the 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, 2012**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Non-Major - Public Transportation		
<b>OPERATING REVENUES:</b>					
Sales and service charges	\$ 10,328,467	\$ 7,509,281	\$ -	\$ 17,837,748	\$ -
Charges for service - internal	-	-	7,317	7,317	5,005,768
Other	17,909	19,066	100,756	137,731	-
<b>Total operating revenues</b>	<b>10,346,376</b>	<b>7,528,347</b>	<b>108,073</b>	<b>17,982,796</b>	<b>5,005,768</b>
<b>OPERATING EXPENSES:</b>					
Personnel	1,397,555	1,587,093	-	2,984,648	1,617,924
Utilities	5,351,510	192,669	-	5,544,179	-
Program supplies	240,052	142,890	-	382,942	-
Repairs and maintenance	9,884	45,777	-	55,661	1,037,267
General and administration	1,234,095	1,146,410	606	2,381,111	571,540
Depreciation and amortization	1,095,206	1,134,441	-	2,229,647	980,737
Contractual service	170,183	1,644,363	200,623	2,015,169	201,102
Insurance	32,700	32,700	-	65,400	355,681
<b>Total operating expenses</b>	<b>9,531,185</b>	<b>5,926,343</b>	<b>201,229</b>	<b>15,658,757</b>	<b>4,764,251</b>
<b>OPERATING INCOME (LOSS)</b>	<b>815,191</b>	<b>1,602,004</b>	<b>(93,156)</b>	<b>2,324,039</b>	<b>241,517</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Gains (loss) on sales of capital assets	(263,200)	(11,943)	-	(275,143)	47,665
Investment income	115,079	177,179	-	292,258	516,706
<b>Total nonoperating revenues (expenses)</b>	<b>(148,121)</b>	<b>165,236</b>	<b>-</b>	<b>17,115</b>	<b>564,371</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>667,070</b>	<b>1,767,240</b>	<b>(93,156)</b>	<b>2,341,154</b>	<b>805,888</b>
<b>CONTRIBUTIONS AND TRANSFERS:</b>					
Capital contributions	-	-	-	-	37,380
Transfers in	-	-	69,080	69,080	95,161
Transfers out	-	(8,579)	-	(8,579)	(138,780)
<b>Total contributions and transfers</b>	<b>-</b>	<b>(8,579)</b>	<b>69,080</b>	<b>60,501</b>	<b>(6,239)</b>
<b>Change in net assets</b>	<b>667,070</b>	<b>1,758,661</b>	<b>(24,076)</b>	<b>2,401,655</b>	<b>799,649</b>
<b>NET ASSETS:</b>					
Beginning of the year	33,758,016	48,673,136	24,076		26,634,019
End of the year	\$ 34,425,086	\$ 50,431,797	\$ -		\$ 27,433,668
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				40,660	
Change in net assets of business-type activities				\$ 2,442,315	

See accompanying notes to the 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, 2012**

	Enterprise Funds			Total	Internal Service Funds
	Water	Sewer	Nonmajor - Public Transportation		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 10,179,879	\$ 7,543,951	\$ 121,544	\$ 17,845,374	\$ -
Cash received from other funds	-	-	13,656	13,656	5,017,527
Cash payments to suppliers for goods and services	(6,683,842)	(3,663,373)	(204,280)	(10,551,495)	(2,179,092)
Cash payments to employees for services	(1,356,342)	(1,540,157)	-	(2,896,499)	(1,587,235)
<b>Net cash provided (used) by operating activities</b>	<b>2,139,695</b>	<b>2,340,421</b>	<b>(69,080)</b>	<b>4,411,036</b>	<b>1,251,200</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers received	-	-	69,080	69,080	95,161
Transfer paid	-	(8,579)	-	(8,579)	(138,780)
<b>Net cash provided (used) by     noncapital financing activities</b>	<b>-</b>	<b>(8,579)</b>	<b>69,080</b>	<b>60,501</b>	<b>(43,619)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Disposition of capital assets	(263,200)	(11,943)	-	(275,143)	47,665
Capital contributions received	-	-	-	-	37,380
Acquisition and construction of capital assets	(605,587)	(1,657,158)	-	(2,262,745)	(181,031)
<b>Net cash provided (used) by capital     and related financing activities</b>	<b>(868,787)</b>	<b>(1,669,101)</b>	<b>-</b>	<b>(2,537,888)</b>	<b>(95,986)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	115,079	177,179	-	292,258	516,706
<b>Net cash provided (used) by investing activities</b>	<b>115,079</b>	<b>177,179</b>	<b>-</b>	<b>292,258</b>	<b>516,706</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,385,987</b>	<b>839,920</b>	<b>-</b>	<b>2,225,907</b>	<b>1,628,301</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	6,811,000	12,371,562	-	19,182,562	24,053,962
End of year	\$ 8,196,987	\$ 13,211,482	\$ -	\$ 21,408,469	\$ 25,682,263

(Continued)

See accompanying notes to the basic financial statements.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Cash Flows, Continued**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2012**

	Enterprise Funds				Internal Service Funds
	Water	Sewer	NonMajor - Public Transportation	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 815,191	\$ 1,602,004	\$ (93,156)	\$ 2,324,039	\$ 241,517
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,095,206	1,134,441	-	2,229,647	980,737
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Billed receivables	(7,139)	50,797	-	43,658	-
Unbilled receivables	(142,043)	1,668	-	(140,375)	-
Other receivables	(17,315)	(36,861)	13,471	(40,705)	11,759
Due from other funds	-	-	-	-	103,431
Deposit and prepaid items	(60)	-	-	(60)	2,155
Inventory	(20,040)	22,973	-	2,933	8,922
Increase (decrease) in:					
Accounts payable and claims liability	346,382	(432,950)	(2,351)	(88,919)	(132,730)
Accrued payroll	3,692	6,731	-	10,423	3,308
Refundable deposits	28,300	(48,587)	(700)	(20,987)	-
Due to other funds	-	-	13,656	13,656	(103,431)
Claims liability	-	-	-	-	108,151
Compensated absences	15,435	18,937	-	34,372	5,295
OPEB liability	22,086	21,268	-	43,354	22,086
Total adjustments	1,324,504	738,417	24,076	2,086,997	1,009,683
Net cash provided (used) by operating activities	\$ 2,139,695	\$ 2,340,421	\$ (69,080)	\$ 4,411,036	\$ 1,251,200

(Concluded)

See accompanying notes to the basic financial statements.

**SUCCESSOR AGENCY OF THE COMMUNITY DEVELOPMENT AGENCY**  
**Fiduciary Fund**  
**Statement of Fiduciary Net Assets**  
**June 30, 2012**

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	Successor Agency of Community Development Agency
<b>ASSETS</b>	
Cash and investments	\$ 15,756,228
<b>Total assets</b>	<b>\$ 15,756,228</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 190,565
<b>Total liabilities</b>	<b>190,565</b>
<b>NET ASSETS</b>	
Unrestricted	15,565,663
<b>Total Net Assets</b>	<b>\$ 15,565,663</b>

See accompanying notes to the basic financial statements.

**SUCCESSOR AGENCY OF THE COMMUNITY DEVELOPMENT AGENCY**  
**Fiduciary Fund**  
**Statement of Changes in Fiduciary Net Assets**  
**June 30, 2012**

	Successor Agency of Community Development Agency
<b>Additions</b>	
Property taxes	\$ -
Investment Earnings	5,540
<b>Total additions</b>	<u>5,540</u>
<b>Deductions</b>	
Administrative expenses	42,207
Affordable Housing Subsidy	498,875
Settlement	237,500
Capital Outlay	11,347
<b>Total deductions</b>	<u>789,929</u>
<b>Extraordinary item</b>	
Extraordinary gain - dissolution of RDA	<u>16,350,052</u>
<b>Change in net assets</b>	15,565,663
<b>Net assets-Beginning of the year</b>	<u>-</u>
<b>Net assets-End of the year</b>	<u>\$ 15,565,663</u>

See accompanying notes to the basic financial statements.

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# Notes to Basic Financial Statements

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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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.

Blended Component Units

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.

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. Effective February 1, 2012, the Agency was dissolved due to Assembly Bill 1X 26; see Note 15 for more information.

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, 2012.

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**  
**For the fiscal year ended June 30, 2012**

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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.

Governmental Major 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**  
**For the fiscal year ended June 30, 2012**

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

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

*Fund Financial Statements, Continued*

Governmental Major Funds, continued

The *Affordable Housing Reimbursement Agreement Fund* accounts for transfers received by the City from the Community Development Agency Project One Area housing fund to continue funding the existing and future low-to moderate-income housing, senior housing and first time homebuyer programs.

The *Low and Moderate Income Housing Assets Fund* accounts for all housing assets transfer from the Community Development Agency Housing Funds as the City elected to become a Housing Successor Agency to continue funding the existing and future low-to-moderate income housing, senior housing and first time homebuyer program with the termination of the Community Development Agency as of January 31, 2012.

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

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.

Governmental Non-Major Funds

The following *Special Revenue Funds* are used to account for revenues that are restricted by law or committed administrative action to expenditures for specified purposes:

- *Traffic Safety Fund*: accounts for the revenues received by the City as its share of fines generated from violations of the State Motor Vehicles Code and expended for traffic safety programs.
- *Measure A Fund*: accounts for revenues generated by a special one-half cent sales tax that was approved by the voters of San Mateo County during 1988, which was reauthorized by voters in 2004. These funds are restricted for engineering, construction and maintenance of the City/District streets and transportation-related purposes.
- *Gas Tax Fund*: accounts for the revenues apportioned to the City from State collected gasoline taxes and expended for engineering, construction, and maintenance of City/District streets.
- *Measure M Fund*: accounts for the revenues generated by a special ten dollar vehicle registration fee that was approved by the voters of San Mateo County in 2010. These funds are restricted for the maintenance of City/District streets, provide transportation options to reduce congestion, safe routes to schools, reduce water pollution from oil and gas runoff, etc.
- *The Park-In-Lieu Fund* accounts for the revenues from construction projects for the acquisition, construction and improvement of parks and recreational facilities.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

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

*Fund Financial Statements, Continued*

Governmental Non-Major Funds, continued

- *SLESF/COPS Grant Fund*: accounts for the State of California monies received to fund supplemental law enforcement services such as anti-gang and community crime prevention programs. Supplemental law enforcement services include costs for personnel, equipment and program operating expenditures.
- *California Law Enforcement Equipment Fund*: accounts for revenues received for the California Law Enforcement Equipment Purchase Program. The grant is to be used to purchase technology equipment.
- *California Opportunities Fund*: accounts for revenues received from other local government agencies which participate in the CalOpps online recruitment website. These funds have been committed to support the CalOpps program by City Council action.
- *Proposition 42 Transportation Fund*: accounts for revenues received from dedicated funds of sales tax on gasoline to State and local transportation programs under Proposition 42 approved by California voters in 2002. The funds received from the State may only be used on maintenance of local roads.
- *Foster City Foundation Fund*: accounts for revenues received from any person or organization for charitable contributions to Foster City for the benefit of the City and its residents. The donations are received with restrictions by donors and must be spent according to the intent of those donors.
- *The Proposition 1B Fund* accounts for revenues received from the State issued general obligation bond proceeds to fund State and local transportation improvement projects to relieve congestions, improve movement of goods, improve air quality, and enhance safety and security of the transportation program.
- *City/CDA Cooperative Services Agreement Fund*: accounts for funds received from the Cooperative Services Agreement entered into on April 18, 2011, which calls for the City to act on the Agency's behalf in administering the Agency's final financial obligations to the San Mateo Union High School District (SMUHSD) under the terms of the Stipulated Judgment and Mutual Release between the Agency and SMUHSD dated June 27, 1991.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

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

*Fund Financial Statements, Continued*

Enterprise Major 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, information technology, building maintenance services, longevity recognition benefits and Calper's public employees' medical and hospital cared Act medical benefits plan 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 ninety days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

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

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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

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

*Fund Financial Statements, Continued*

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 financial 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 that do not conflict with or contradict GASB pronouncements.

**B. Cash and Cash Equivalents**

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

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

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

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

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

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

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

*B. Cash and Cash Equivalents, Continued*

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

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

*C. Investments*

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

*D. Inventory*

Inventory, consisting of expendable supplies, is valued at cost on a first-in first-out basis. The cost of governmental funds inventory is recorded as expenditure 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. 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 three years will be capitalized. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide and proprietary funds statements.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

The estimated useful lives are as follows:

Infrastructure:	
Roadway/street network (including levee)	10 to 100 years
Park systems	8 to 50 years
Storm drain, sanitary 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 (JPA) with the City of San Mateo (San Mateo) to construct sewer facilities (see Note 11). 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.

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

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

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

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

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

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

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

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

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

Revenue is recorded as billed to customers on a cyclical basis. All accounts are billed bi-monthly except irrigation accounts are billed monthly. Amounts unbilled at June 30 are accrued and recognized as revenue. At June 30, 2012, 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 \$2,282,945 and \$1,444,148 respectively.

**J. Interfund Transactions**

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

**K. Estimates**

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

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

**L. New Pronouncements**

In 2012, the City/District has/is adopting new accounting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

**GASB Statement No. 60** - In November, 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. This pronouncement is effective for periods beginning after December 15, 2011. The City has determined this Statement will not be applicable to the City.

**GASB Statement No. 61** – In November, 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This pronouncement is effective for periods beginning after June 15, 2012. The City does not believe there will be a significant financial statement effect related to this Statement.

**GASB Statement No. 62** – In December, 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure

This pronouncement is effective for periods beginning after December 15, 2011. The City does not believe there will be a significant financial statement effect related to this Statement.

**Statement No. 63** - In June, 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this Statement is to improve financial reporting by providing guidance and standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government’s net positions. This pronouncement is effective for financial statements for periods beginning after December 15, 2011. The City has determined this Statement will not have an effect on the financial statements.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

*L. New Pronouncements (Continued)*

**Statement No. 64** - In June, 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53. The objective of this Statement is to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty or a swap counterparty's credit support provider is replaced. This pronouncement is effective for financial statements for periods beginning after June 15, 2011. The City has determined this Statement will not be applicable to the City.

**Statement No. 65** - In March, 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This pronouncement is effective for financial statements periods after December 15, 2012. The City does not believe there will be a significant financial statement effect related to this Statement.

**Statement No. 66** - In March, 2012, GASB issued Statement No. 66, Technical Correction – 2012 – an amendment of GASB Statement No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Government Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This pronouncement is effective for financial statements periods after December 15, 2012. The City does not believe there will be a significant financial statement effect related to this Statement.

**Statement No. 67** - In June, 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans – amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local government pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regards to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This pronouncement is effective for financial statements periods after June 15, 2013. Early implementation is encouraged. The City has not yet determined whether this Statement change will have an effect on the financial statements.

**Statement No. 68** - In June, 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This pronouncement is effective for financial statements with fiscal year ending June 30, 2015. The City has not yet determined whether this Statement change will have an effect on the financial statements.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

**3. CASH AND INVESTMENTS**

Cash Deposits

Cash and investments at June 30, 2012 are classified in the accompanying financial statements as follows:

Cash and investments	\$ 94,199,623
Trust Funds	15,756,228
Restricted cash and investments	<u>276,685</u>
<b>Total</b>	<b>\$ <u>110,232,536</u></b>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 4,000
Deposits with financial institutions	2,138,090
Local Agency Investment Funds (LAIF)	41,500,554
Investments	<u>66,589,892</u>
<b>Total</b>	<b>\$ <u>110,232,536</u></b>

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. Under the provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City is authorized to invest or deposit in the following.

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

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

**3. CASH AND INVESTMENTS, Continued**

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

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, 2012 the City/District's investment pool had a valuation of 100.4% (market value of securities as a percentage of amortized book cost), a weighted average maturity of 909 days (2.49 years) compared to 889 days (2.44 years) in the prior year and a portfolio weighted average 365 day yield of 1.04%, compared to 1.44% in the prior year.

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.

Risk Disclosures

*Interest 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.

Investments held in City Treasury grouped by maturity date at June 30, 2012, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	2 years	3 years	4 years	5 years
Securities of U.S. Government						
Treasury and Agencies:						
Federal National Mortgage Associations Bonds-Coupon	\$ 13,303,263	\$ -	\$ -	\$ 2,012,400	\$ 2,008,320	\$ 9,282,543
Federal Farm Credit Bank Bonds-Coupon	14,031,973	-	-	-	2,001,913	12,030,060
Federal Home Loan Bank Bonds-Coupon	18,267,224	-	-	1,040,420	1,000,060	16,226,744
Federal Home Loan Mortgage Corporation Bonds-Coupon	8,909,522	-	-	-	1,000,300	7,909,222
Corporate Notes	4,108,120	-	-	-	4,108,120	-
Equity Mutual Funds-open end funds	7,969,790	7,969,790	-	-	-	-
<b>Total</b>	<b>\$ 66,589,892</b>	<b>\$ 7,969,790</b>	<b>\$ -</b>	<b>\$ 3,052,820</b>	<b>\$ 10,118,713</b>	<b>\$ 45,448,569</b>

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

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

**3. CASH AND INVESTMENTS, Continued**

Risk Disclosures, continued

At June 30, 2012, the City's deposits and investments subject to credit quality ratings were as follows:

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

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, 2012, the City/District did not have more than 19 percent invested in any one issuer.

*Custodial Credit Risk - Deposits:* 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, 2012, the carrying amount of the City/District's deposits was \$2,142,090 and the bank balance was \$2,732,449. Of the bank balance, \$726,685 was covered by federal depository insurance and \$2,005,764 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 \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 105% to 150% of the total amount deposited by the public agencies depending on specific securities pledged as collateral.

*Custodial Credit Risk - Investments:* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City/District's investment policy does 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.

*Investment in State Investment Pool:* The City/District is a voluntary participant 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**  
**For the fiscal year ended June 30, 2012**

**3. CASH AND INVESTMENTS, Continued**

Risk Disclosures, continued

The City/District valued its investments in LAIF as of June 30, 2012, by multiplying its account balance with LAIF (\$41,450,000) times a fair value factor (1.001219643) 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, 2012, the City/District's investments in LAIF, stated at fair value, equaled \$41,500,554.

The District's investments with LAIF at June 30, 2012, 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, 2012, the City/District had \$41,500,554 (stated at fair value) invested in LAIF, which had invested 2.75% of the pool investment fund in Structured Notes and Asset-Backed Securities.

**4. LOANS RECEIVABLE**

At June 30, 2012, Loans Receivable amounted to:

	Amount	Allowance	Net Amount
Metro Center Senior Homes Project	\$ 6,570,187	\$ (6,570,187)	\$ -
First Time Home Buyer Program	1,200,399	-	1,200,399
<b>Total</b>	<u>\$ 7,770,586</u>	<u>\$ (6,570,187)</u>	<u>\$ 1,200,399</u>

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.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

**4. LOANS RECEIVABLE, Continued**

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, 2012, the Agency provided a 100% valuation allowance equal to the loan balance outstanding in the amount of \$6,570,187 which includes principal of \$5,917,695 and accumulated interest in the amount of \$652,492 because there remains significant doubt as to the ability of the Project to generate sufficient and recurring annual residual cash flows from which to repay its obligation to the Agency.

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 \$1,200,399 at June 30, 2012.

**5. INTERFUND TRANSACTIONS**

Due To and From Other Funds

		Due to other funds		
		Non-Major Governmental Funds	Non-Major Public Transportation	Total
Due from other funds	General Fund	\$ 39,898	\$ -	\$ 39,898
	Measure "M" Fund	-	21,013	21,013
	City Capital Projects	106,214	-	106,214
	<b>Total</b>	<b>\$ 146,112</b>	<b>\$ 21,013</b>	<b>\$ 167,125</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

**5. INTERFUND TRANSACTIONS, Continued**

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 summarizes the City/District's transfer activity:

		Transfers in					Total
		General Fund	Low and moderate Income Housing Assets Fund	City Capital Projects	Non-Major Public Transportation	Internal Service Funds	
Transfers out	General Fund	\$ -	\$ -	\$ 1,312,000	\$ -	\$ -	\$ 1,312,000
	Community Development Agency	-	6,406,350	-	-	-	6,406,350
	Non-Major Governmental Funds	11,594	-	-	69,080	-	80,674
	Sewer	-	-	-	-	8,579	8,579
	Internal Service Funds	-	-	-	-	86,582	86,582
	<b>Total</b>	<u>\$ 11,594</u>	<u>\$ 6,406,350</u>	<u>\$ 1,312,000</u>	<u>\$ 69,080</u>	<u>\$ 95,161</u>	<u>\$ 7,894,185</u>

Transfers between funds were made during the fiscal year to subsidize the shuttle operation; to fund capital improvement projects; to fund capital outlay; and to transition from Community Development Agency to Successor Housing Agency to carry out the Agency's obligations for housing activities.

The internal service funds recorded a transfer out in the amount of \$52,198 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 reconcile on the fund statements.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

**6. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2012 follows:

	July 1, 2011	Additions	Retirements	Transfers	June 30, 2012
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 11,680,881	\$ -	\$ -	\$ -	\$ 11,680,881
Construction in progress	545,691	3,388,506	-	(1,295,356)	2,638,841
Total capital assets, not being depreciated	<u>12,226,572</u>	<u>3,388,506</u>	<u>-</u>	<u>(1,295,356)</u>	<u>14,319,722</u>
Capital assets, being depreciated:					
Infrastructure	98,983,521	-	(455,697)	1,295,356	99,823,180
Buildings	50,530,939	52,199	(21,201)	-	50,561,937
Improvements	6,139,556	-	-	-	6,139,556
Equipment	5,430,319	173,076	(232,957)	-	5,370,438
Vehicles	5,159,397	-	(231,629)	-	4,927,768
Software	792,016	-	-	-	792,016
Total capital assets, being depreciated	<u>167,035,748</u>	<u>225,275</u>	<u>(941,484)</u>	<u>1,295,356</u>	<u>167,614,895</u>
Less accumulated depreciation for:					
Infrastructure	(50,697,192)	(2,939,423)	440,807	-	(53,195,808)
Buildings	(10,812,948)	(1,168,862)	6,124	-	(11,975,686)
Improvements	(1,535,641)	(202,610)	-	-	(1,738,251)
Equipment	(4,141,060)	(483,046)	231,629	-	(4,392,477)
Vehicles	(3,440,187)	(405,691)	228,945	-	(3,616,933)
Software	(627,647)	(92,001)	-	-	(719,648)
Total accumulated depreciation	<u>(71,254,675)</u>	<u>(5,291,633)</u>	<u>907,505</u>	<u>-</u>	<u>(75,638,803)</u>
Total capital assets, being depreciated, net	<u>95,781,073</u>	<u>(5,066,358)</u>	<u>(33,979)</u>	<u>1,295,356</u>	<u>91,976,092</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 108,007,645</u>	<u>\$ (1,677,852)</u>	<u>\$ (33,979)</u>	<u>\$ -</u>	<u>\$ 106,295,814</u>

Total capital asset additions for the City for the fiscal year ended for governmental activities were \$3,613,781 which consisted of \$181,031 in additions attributable to internal service fund activity.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

**6. CAPITAL ASSETS, Continued**

	July 1, 2011	Additions	Retirements	Transfers	June 30, 2012
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,553,474	\$ -	\$ -	\$ -	\$ 3,553,474
Construction in progress	3,008,043	1,669,100	-	(4,677,143)	-
Total capital assets, not being depreciated	6,561,517	1,669,100	-	(4,677,143)	3,553,474
Capital assets, being depreciated:					
Infrastructure	70,370,929	593,645	(1,269,756)	3,089,255	72,784,073
Sewer capacity rights	24,791,531	-	-	-	24,791,531
Equipment	862,761	-	-	1,587,888	2,450,649
Total capital assets, being depreciated	96,025,221	593,645	(1,269,756)	4,677,143	100,026,253
Less accumulated depreciation for:					
Infrastructure	(37,263,290)	(1,671,288)	976,485	-	(37,958,093)
Sewer capacity rights	(3,073,343)	(495,831)	-	-	(3,569,174)
Equipment	(531,452)	(62,528)	-	-	(593,980)
Total accumulated depreciation	(40,868,085)	(2,229,647)	976,485	-	(42,121,247)
Total capital assets, being depreciated, net	55,157,136	(1,636,002)	(293,271)	4,677,143	57,905,006
<b>Business-type activities capital assets, net</b>	<b>\$ 61,718,653</b>	<b>\$ 33,098</b>	<b>\$ (293,271)</b>	<b>\$ -</b>	<b>\$ 61,458,480</b>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 600,660
Public safety - Police	331,920
Public safety - Fire	237,433
Public works	2,427,295
Community development	94,554
Parks and recreation	1,599,771
<b>Total depreciation expense</b>	<b>\$ 5,291,633</b>

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

Water	\$ 1,095,206
Sewer	1,134,441
<b>Total depreciation expense</b>	<b>\$ 2,229,647</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
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**7. LONG TERM OBLIGATIONS**

The following is a summary of long-term obligation transactions for the year ended June 30, 2012:

	July 1, 2011	Additions	Retirements	June 30, 2012	Due Within One Year	Due in More Than One Year
<b>Governmental activities:</b>						
Claim liability	\$ 68,474	\$ 129,653	\$ (21,502)	\$ 176,625	\$ 176,625	\$ -
Compensated absences	2,720,050	1,268,861	(1,275,912)	2,712,999	1,054,400	1,658,599
OPEB obligation	1,444,704	445,451	(79,805)	1,810,350	-	1,810,350
Total governmental activities	<u>\$ 4,233,228</u>	<u>\$ 1,843,965</u>	<u>\$ (1,377,219)</u>	<u>\$ 4,699,974</u>	<u>\$ 1,231,025</u>	<u>\$ 3,468,949</u>
<b>Business-type activities:</b>						
Compensated absences	\$ 346,908	\$ 179,878	\$ (145,506)	\$ 381,280	\$ 151,935	\$ 229,345
OPEB obligation	171,296	52,816	(9,462)	214,650	-	214,650
Total business-type activities	<u>\$ 518,204</u>	<u>\$ 232,694</u>	<u>\$ (154,968)</u>	<u>\$ 595,930</u>	<u>\$ 151,935</u>	<u>\$ 443,995</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$204,125 of internal service funds compensated absences and \$176,625 of claims liability are included in the above amounts.

**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:* 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. At June 30, 2012, there was no outstanding debt related to the City/District's capital assets.

*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.

Fund balances presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The City/District evaluated each of its funds at June 30, 2012 and classified fund balances into the following five categories:

- Nonspendable - amounts that cannot be spent because they are either not in spendable form, such as prepaid items, or legally or contractually required to be maintained intact. These items are reported in the general fund.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

- Restricted - amounts that are restricted to specific purposes that may be placed on the use of those resources by either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation. The City/District has received taxes, donations, grants, and other funds from taxpayers, the Agency, and other third parties for the following types of purposes: affordable housing, repayment of Agency obligations, parks improvement projects, roadway repairs, recreation or community events, and public safety uses.
- Committed - includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned - comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council or official to which the City Council has delegated the authority to the City Manager to assign amounts to be used for specific purposes.
- Unassigned - this represents the residual classification for the general fund, as all other funds would fall under the prior categories. The City Council has implemented a target minimum reserve policy of 33-1/3% of annual operating expenditures which is used for budgeting purposes to ensure the long-term fiscal health of the City/District.

The City/District reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. The City/District reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The five categories of fund balances reported in the Governmental Fund Balance Sheet consist of the following detail composition for each category:

**Nonspendable**

- Prepays and deposits - includes various prepaid expenditures primarily associated with community events such as the 4<sup>th</sup> of July celebration and other summertime recreation programs.
- Inventory - represents supplies inventories for parks and public works maintenance activities.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

**Restricted**

- The Low and Moderate Income Housing Assets – the City and the Agency entered in an Affordable Housing Reimbursement Agreement on February 7, 2011. The Agreement calls for the City to act upon the Agency’s behalf in implementing and administering affordable housing programs within the City. The assets transferred from the Agency to the City were generated from tax increment revenues required to be used to provide low- to moderate-income housing opportunities to residents in Foster City, and are to be used for purposes of implementing the programs contained in the AHRA, which include affordable housing subsidies, acquiring and managing affordable housing properties, and funding the First-Time Homebuyers Program. The City elected to become the Successor Agency of the Community Development Agency for the housing activities as the Agency ceased to exist as a legal entity as of January 31, 2012. The housing assets were transferred to be used to provide low-to-moderate income housing to residents of Foster City.
- Roadway capital projects and maintenance – these funds include taxes received from state and local tax measures and laws, including Highway Users Tax (Gas Tax), San Mateo County Measure A sales tax add-on for local roadway maintenance projects, traffic safety funds generated from moving violations of the State Motor Vehicle Code, and State grants received under the provisions of Proposition 42 and Proposition 1B.
- Public safety equipment and programs – these funds include unexpended proceeds from a State grant under the California Law Enforcement Equipment Procurement program and restricted donations received from businesses and individuals to be used in support of public safety (police and fire) programs.
- Recreation programs and community events – these funds represent donations from businesses, organizations and individuals in support of various recreation programs and community events including the Teen Center, Summer Concert Series, 4<sup>th</sup> of July Celebration, senior bus program, memorial park benches, and other recreation programs.
- Other – represents restricted donations received for various municipal purposes.

**Committed**

- Solid waste reduction – funds collected through the City’s construction and demolition deposit program, whereby developers which do not divert sufficient demolition material to recycling programs lose their deposits which become revenues to the City. By City Council policy, these funds are committed for purposes of environmental sustainability projects and educational programs focused primarily on solid waste reduction and recycling.
- Garbage rate stabilization fund – under the prior solid waste franchise agreement with Allied Waste, funds were accumulated through payments by Allied Waste to the City for not achieving certain solid waste reduction goals. Through City Council policy, the funds were committed for purposes of stabilizing significant future increases expected in solid waste rates charged to customers. These funds are used to offset future rate increases through payments directly to the successor franchisee, Recology.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

**Committed**

- Capital projects - funds committed by City Council action during the annual budget process to appropriate unassigned fund balances for future capital improvement projects not funded by other available sources.
- CalOpps online recruitment program - the City initiated an online recruitment website for purposes of encouraging employment candidates to apply for jobs in local government. Over 60 agencies now participate in the program. The City Council has elected to commit these funds for purposes of supporting this program.

**Assigned**

- Capital outlay - these funds are approved at the discretion of the City Manager to be used primarily for capital outlay purposes in subsequent fiscal years.

**Unassigned**

- Unassigned - all remaining fund balances in the General Fund not used for the aforementioned purposes are maintained as unassigned fund balance.

The following table represents the composition of fund balances in the Governmental Fund Balance Sheet as of June 30, 2012:

	Major Funds				Non-Major	Total
	General Fund	Low and Moderate Income Housing Assets Fund	City Capital Projects	Community Development Agency	Governmental Funds	
<b>Nonspendable</b>						
Prepays and deposits	\$ 15,548	\$ -	\$ -	\$ -	\$ -	\$ 15,548
Inventory	16,900	-	-	-	-	16,900
<b>Total Nonspendable</b>	<b>32,448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,448</b>
<b>Restricted</b>						
Affordable housing	-	6,430,533	-	-	-	6,430,533
Roadway capital projects and maintenance	-	-	-	-	3,864,284	3,864,284
Public safety equipment and programs	-	-	-	-	52,277	52,277
Recreation programs and community events	-	-	-	-	9,642	9,642
Other	-	-	-	-	1,116	1,116
<b>Total Restricted</b>	<b>-</b>	<b>6,430,533</b>	<b>-</b>	<b>-</b>	<b>3,927,319</b>	<b>10,357,852</b>
<b>Committed</b>						
Solid waste reduction	192,301	-	-	-	-	192,301
Garbage rate stabilization fund	273,715	-	-	-	-	273,715
Capital projects	-	-	8,903,270	-	-	8,903,270
CalOpps online recruitment program	-	-	-	-	202,716	202,716
<b>Total Committed</b>	<b>466,016</b>	<b>-</b>	<b>8,903,270</b>	<b>-</b>	<b>202,716</b>	<b>9,572,002</b>
<b>Assigned</b>						
Capital outlay	964,536	-	-	-	-	964,536
<b>Unassigned</b>	<b>20,272,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,272,893</b>
<b>Total Fund Balances</b>	<b>\$ 21,735,893</b>	<b>\$ 6,430,533</b>	<b>\$ 8,903,270</b>	<b>\$ -</b>	<b>\$ 4,130,035</b>	<b>\$ 41,199,731</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

The City/District uses encumbrance accounting throughout the fiscal year to encumber appropriations based upon purchase orders issued to the City/District's vendors. Any purchase order not expended lapse at the end of the fiscal year, and must be reinitiated with the vendor on July 1 of the subsequent fiscal year. At June 30, 2012, there were no encumbered fund balances.

**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 8% 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 2012 were 16.642% for miscellaneous employees and 28.437% for safety employees of annual covered payroll. The employer contributions for miscellaneous and safety employees for fiscal year 2012 were \$1,623,578 and \$2,353,773, 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 2012, 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, 2009 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	3.55% 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 the 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

For the fiscal year ended June 30, 2012

### 9. EMPLOYEES' RETIREMENT PLANS, 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
6/30/2010	\$ 1,375,239	100%	\$ -	6/30/2010	\$ 2,764,553	100%	\$ -
6/30/2011	1,415,345	100%	-	6/30/2011	2,818,318	100%	-
6/30/2012	1,623,578	100%	-	6/30/2012	2,353,773	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.

#### *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 Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
6/30/2011	\$ 76,201,207	\$ 62,829,160	\$ 13,372,047	82.5%	73.5%	\$ 10,409,877	128.5%

\*\* 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 \$178,738 in fiscal year 2012 as required under the City/District's MOUs. The Plan has \$59,888 loaned to 3 employees at June 30, 2012.

**City of Foster City and Estero Municipal Improvement District**  
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**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 of the AFSCME bargaining unit who retired after July 1, 2001 and before October 1, 2007. The monthly benefit is calculated based on the years of service and bargaining group, which ranges from \$125 to \$350. The payment is made upon separation from the City, as long as that separation is in conjunction with a retirement through CalPERS. The payment is a monthly annuity payment, which has no restriction as to how the payment is used by the member. The payment commences the first of the month following the retirement date of the annuitant.

Other Post Employment Benefits

All City/District employees, their surviving spouses, and eligible dependents can continue to participate in the health care program under the provisions of the formal City-sponsored single employer plan at their own cost. The City/District will only contribute the minimum amount provided under Government Code Section 22825 of the Public Employee Medical and Hospital Care Act. By which, the City/District paid \$108 and \$112 per month per family for the period from July 1, 2011 to December 31, 2011 and January 1, 2012 to June 30, 2012 respectively. The City/District's contribution for fiscal year 2012 amounted to \$89,267.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 547,267
Interest on net OPEB obligation	65,000
Amortization of net OPEB obligation	<u>(114,000)</u>
Annual OPEB cost	498,267
Payments made	<u>(89,267)</u>
Increase (decrease) in net OPEB obligation	409,000
Net OPEB obligation - beginning of the year	<u>1,616,000</u>
Net OPEB obligation - end of year	<u><u>\$ 2,025,000</u></u>

**City of Foster City and Estero Municipal Improvement District**  
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**9. EMPLOYEES' RETIREMENT PLANS, Continued**

The City/District Retiree Health annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for 2012 and the preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>OPEB Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>	<u>OPEB Obligation</u>
6/30/2010	\$ 643,000	11.82%	\$ 567,000	\$ 1,103,000
6/30/2011	600,110	14.52%	513,000	1,616,000
6/30/2012	498,267	19.65%	409,000	2,025,000

**Funded Status and Funding Progress.** The funded status of the Plan as of January 1, 2011, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 5,085,000
Actuarial value of Plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,085,000</u>
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll (active Plan participants)	\$ 17,857,000
UAAL as a percentage of covered payroll	28.58%

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

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

For the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return (net of administrative expenses) and a 3.25% general inflation assumption. The healthcare cost trend rate minimum was assumed to annually increase by 4.5%. The UAAL is amortized as a level percentage of projected payrolls over 30 years on a closed basis commencing in 2011.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
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**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 2012, the City/District received \$161,831 of In-Lieu Rent and \$0 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.

A new Joint Powers Agreement (JPA) dated July 17, 1989 and amended January 17, 1990, was executed by the City/District and City of San Mateo to rescind the agreement of June 1974 (amended February 1976). The new JPA provides for the expansion of the wastewater treatment facility with all costs shared between the parties as follows: the City/District, 34.4% and the city of San Mateo, 65.6%. The city of San Mateo is the lead agency and bills the City/District monthly for its share of the expansion project costs and quarterly for its operating and maintenance costs. The City of San Mateo's audited financial statements may be obtained at 330 W 20<sup>th</sup> Avenue, San Mateo, CA 94403. Part of the City/District's share of costs has been financed through the sale of \$1,329,000 in Sewer Revenue Bonds in 1993. The city of San Mateo issued \$23.5 million in long-term revenue bonds to finance its share of expansion costs. The City/District is not obligated in any manner to repay the San Mateo revenue bonds. For the year ended June 30, 2012, the City/District did not contribute towards the wastewater treatment plant facility as the project was completed in fiscal year 2011.

For the year ended June 30, 2012, the District's share of the operating and maintenance costs was \$1,605,873 which is included in the Sewer Enterprise Fund's accompanying financial statements as contractual services.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

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, 2012, the City/District paid premiums to The Cities Group of \$825,613, which are included in the General Fund's as insurance expenditures. Payments of City/District workers' compensation claims for the year ended June 30, 2012 were \$415,029.

Condensed financial information as of June 30, 2012 (the latest information available) for The Cities Group is presented below:

Total assets	\$	2,520,941
Total liabilities		1,184,984
Total equity/net assets		1,335,957
Total revenues		2,376,316
Total expenses/expenditures		2,269,147
Increase (decrease) in equity/net assets		107,169

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

ABAG PLAN

The City/District, along with 31 other Bay Area governments, is a member of the ABAG PLAN Corporation (ABAG), a public-entity risk pool. ABAG provides liability insurance coverage, claims management, risk management services and legal defense to its participating members. ABAG is governed by a Board of Directors, which is comprised of officials appointed by each participating member. Premiums paid to ABAG are subject to possible refund based on the results of actuarial studies and approval by ABAG's Board of Directors. In the opinion of the City/District management, premiums made represent the best available estimate of the ultimate cost of the City/District's participation in ABAG and, accordingly, the accompanying basic financial statements of the City/District include no provisions for possible refunds or additional assessments. Actual refunds and assessments arising from retrospective premium adjustments relating to prior loss years will be recorded in the City/District's basic financial statements in the year they become known. For the year ended June 30, 2012, the City/District's paid premiums of \$187,943 to ABAG. Condensed financial information as of June 30, 2011 (the latest information available) for the ABAG PLAN is presented below:

Total assets	\$	47,150,382
Total liabilities		20,617,172
Total equity/net assets		26,533,210
Total revenues		9,672,545
Total expenses/expenditures		14,935,442
Increase (decrease) in equity/net assets		(5,262,897)

# City of Foster City and Estero Municipal Improvement District

## Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2012

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### 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 all employees. Charges to the General Fund for general liability claims are determined from an analysis of self-insured claim costs. Such charges are recorded as expenditures in the General Fund and revenues in the Self-Insurance Internal Service Fund. The City/District considers incurred but not reported claims in determining if an accrual for loss contingencies is required for claims.

Settled claims have not exceeded the City/District's excess coverage in any of the past three fiscal years. Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated and includes incremental claim expenses. Allocated and unallocated claims adjustment expenses are included in the claims liability balance. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2012, the liability for general liability self-insurance claims was \$176,625. 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, 2010	\$ 65,262
Current year claim deductibles and changes in estimates	137,760
Net payments	<u>(134,548)</u>
Liability at June 30, 2011	<u>68,474</u>
Current year claim deductibles and changes in estimates	129,653
Net payments	<u>(21,502)</u>
Liability at June 30, 2012	<u>\$ 176,625</u>

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

### 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, and would not materially affect the basic financial statements of the City/District.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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**13. COMMITMENTS AND CONTINGENCIES, Continued**

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 had 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 was 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 in accordance with an agreed-upon payment schedule based on 10% of the original estimated 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 as it was contingent on receipt of sufficient Tax Increment revenues to require payment.

During fiscal year 2012, the Agency paid the first installment payment of \$237,500 to the High School District. Due to dissolution of the Agency as of February 1, 2012, the second installment payment was paid by the Successor Agency (private-purpose trust fund) in the amount of \$237,500. A tentative payment schedule of, \$484,000 in FY2012/2013, \$493,000 in FY2013/2014, \$503,000 in FY2014/2015, and \$512,000 in FY2015/2016 has been established and will be paid by the Successor Agency.

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, provided the developer has provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site. For the fiscal year ended June 30, 2012, the Successor Agency paid to 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 affordable housing units. The Utility Subsidy will be paid annually through the life of the Marlin Cove project (estimated to be 2029) following the issuance of the Final Certificate of Completion for the residential portion of the site and will be increased annually by 2% to adjust for inflation. The balance of the amount will be due to the developer, provided the developer has provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site. For the fiscal year ended June 30, 2012, the Successor Agency paid the developer the Utility Subsidy in the amount of \$43,883.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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**13. COMMITMENTS AND CONTINGENCIES, Continued**

Marlin Cove Disposition and Development Agreement, Continued

(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, 2012, the Successor Agency paid the developer a tax increment subsidy in the amount of \$161,581.

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.

A tentative payment schedule of \$109,794 per year has been established depending upon the developers compliance with the agreement through 2013/2014. The above DDA obligations were administered by the successor agency effective February 1, 2012 as the Agency ceased to exist.

Hillsdale/Gull Disposition and Development Agreement

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

During fiscal year 2001, the Agency paid the developer \$2,000,000. The balance of the Agency Grant will be due to the developer, with interest at eight percent per annum, amortized over fifteen years and paid to the developer in equal installments of \$233,659. The annual payments will be paid on July 1 of each year, provided (i) the developer has completed construction and installation of the work of improvements and the Agency has issued a Certificate of Completion, (ii) the developer provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site, and (iii) the developer delivered to the Agency the annual report required under the Affordable Housing Covenant. Construction was completed during fiscal year June 30, 2005. For the fiscal year ended June 30, 2012, the Successor Agency paid the developer the required installment in the amount of \$183,617.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

**13. COMMITMENTS AND CONTINGENCIES, Continued**

Hillsdale/Gull Disposition and Development Agreement, Continued

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

Capital Project Commitments

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

Project	Project Authorization	Through June 30, 2012	Committed
Multi-Project Roadway Improvements	\$ 5,072,000	\$ 387,367	\$ 4,684,633
Levee/Pedway Improvements and Repairs	2,200,000	650,708	1,549,292
Sewer System Rehabilitation	150,000	-	150,000
Water Main Condition Survey	200,000	75,110	124,890
Sea Cloud Park Synthetic Turf Project	1,536,000	1,351,596	184,404
Port Royal Park Synthetic Turf Project	1,651,700	1,229,980	421,720
Wastewater System-Auxiliary Pump Lift Station 59	75,000	-	75,000
Seismic Evaluation of Water Tanks 1,2 and 3	100,000	-	100,000
Water System-Booster Pump Building	55,000	-	55,000
Vintage Park Overcrossing Project	150,000	-	150,000
Arterial and Collector Overlay Project	865,000	961	864,039
Total	<u>\$ 12,054,700</u>	<u>\$ 3,695,722</u>	<u>\$ 8,358,978</u>

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

**15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California as of February 1, 2012. This action impacted the reporting entity of the City of Foster City/Estero Municipal Improvement District that previously had reported a redevelopment agency within the reporting entity of the City/District as a blended component unit. The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-2.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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**15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued**

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency of the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity, as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City/District to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain.

There is no difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements in the amount of \$16,350,052 as there were no capital assets and long-term debt reported in the government-wide financial statements as of January 31, 2012.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2012**

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**16. SUBSEQUENT EVENT**

On September 28, 2012, the City sold its 11-acre site to North Peninsula Jewish Campus Land, LLC which was previously leased by North Peninsula Jewish Campus for a sales price of \$20,000,000. \$1,000,000 of the sales price was paid at closing and the balance of \$19,000,000 will be financed by the City via a seller carry-back financing loan. The \$19,000,000 carry-back loan will be evidenced by a promissory note and secured by a first position deed of trust. The loan will accrue interest at 3.25% for a 25-year term. Monthly loan payment will be in the amount of \$92,590.08 beginning on November 1, 2012 and ending on October 1, 2037.

The proceeds from the sale of the property will be deposited into a Capital Asset Acquisition and Replacement Fund. The principal and interest on loans receivable associated with the sale of the property, and investment earnings on any monies invested will also be deposited into the Fund. Uses of Funds shall require a 4/5<sup>th</sup> vote of the City Council and shall only be used for acquisition of real property or major capital asset acquisition or replacement.

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# Required Supplementary Information

## BUDGET AND BUDGETARY ACCOUNTING

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

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

Public hearings are conducted to obtain taxpayers' comments.

The budget is legally adopted through passage of a resolution.

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

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

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

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

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

Fund appropriations lapse at the end of each year. The City/District closes out all purchase orders, contracts and other commitments at year-end. As such, no encumbrances were outstanding at June 30, 2012. 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, 2012**

*Budgetary Comparison Schedule – General Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, June 30, 2011</b>	\$ 21,203,682	\$ 21,203,682	\$ 21,203,682	\$ -
Resources (inflows):				
Property taxes:				
Secured	14,849,000	14,849,000	15,425,639	576,639
Unsecured	998,000	998,000	874,680	(123,320)
Motor vehicle in lieu	2,530,000	2,530,000	2,404,710	(125,290)
Total	18,377,000	18,377,000	18,705,029	328,029
Other taxes:				
Sales and use and sales tax in lieu	3,666,000	3,666,000	4,336,908	670,908
Transient occupancy	1,313,000	1,313,000	1,729,952	416,952
Franchise	1,274,000	1,274,000	1,122,847	(151,153)
Real property transfer	112,000	112,000	167,603	55,603
Total	6,365,000	6,365,000	7,357,310	992,310
Licenses and permits:				
Business licenses	620,000	620,000	597,855	(22,145)
Permits	716,700	716,700	1,602,582	885,882
Total	1,336,700	1,336,700	2,200,437	863,737
Intergovernmental:				
Homeowner property tax relief	105,000	105,000	100,647	(4,353)
Reimbursements and grants	293,700	293,700	357,431	63,731
Total	398,700	398,700	458,078	59,378
Charges for current services:				
Service fees	810,800	810,800	557,851	(252,949)
Recreation and leisure	1,230,000	1,230,000	1,082,263	(147,737)
Total	2,040,800	2,040,800	1,640,114	(400,686)
Fines and forfeitures:				
Traffic fines and court fees	25,000	25,000	25,102	102
False alarm fines	20,000	20,000	19,397	(603)
Total	45,000	45,000	44,499	(501)
Investment income and rentals:				
Investment income	364,000	364,000	458,683	94,683
Rent	836,300	836,300	877,479	41,179
Total	1,200,300	1,200,300	1,336,162	135,862
Other revenues	195,700	195,700	136,408	(59,292)
Total revenues	29,959,200	29,959,200	31,878,037	1,918,837
Transfers in	-	-	11,594	11,594
Amounts available for appropriation	51,162,882	51,162,882	53,093,313	1,930,431

(Continued)

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the fiscal year ended June 30, 2012**

*Budgetary Comparison Schedule – General Fund, Concluded*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to appropriations (outflows):				
General government:				
Council/Board	\$ 217,138	\$ 217,038	\$ 201,196	\$ 15,842
City/District Manager	899,612	899,612	890,618	8,994
City Clerk	283,031	289,031	222,646	66,385
City/District Attorney	275,508	375,508	339,605	35,903
Human Resources	459,074	491,574	367,699	123,875
Financial Services	915,928	1,038,435	784,638	253,797
Total	<u>3,050,291</u>	<u>3,311,198</u>	<u>2,806,402</u>	<u>504,796</u>
Public safety - Police	9,327,420	9,328,429	9,058,272	270,157
Public safety - Fire	8,112,001	8,272,001	8,145,593	126,408
Public works	1,440,797	2,725,604	1,722,310	1,003,294
Community development	1,873,930	2,253,780	1,658,759	595,021
Parks and recreation	6,832,802	7,054,430	6,654,084	400,346
Capital outlay	4,200	4,200	-	4,200
Total	<u>27,591,150</u>	<u>29,638,444</u>	<u>27,239,018</u>	<u>2,399,426</u>
Total expenses	<u>30,641,441</u>	<u>32,949,642</u>	<u>30,045,420</u>	<u>2,904,222</u>
Transfers out	<u>1,312,000</u>	<u>1,312,000</u>	<u>1,312,000</u>	<u>-</u>
Total charges to appropriations	<u>31,953,441</u>	<u>34,261,642</u>	<u>31,357,420</u>	<u>2,904,222</u>
<b>Fund balance, June 30, 2012</b>	<u>\$ 19,209,441</u>	<u>\$ 16,901,240</u>	<u>\$ 21,735,893</u>	<u>\$ 4,834,653</u>

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the fiscal year ended June 30, 2012**

*Budgetary Comparison Schedule – Affordable Housing Reimbursement Agreement*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment and rental income	\$ 300,000	\$ 300,000	\$ 147,212	\$ (152,788)
Other	-	-	5,739	5,739
<b>Total revenues</b>	<b>300,000</b>	<b>300,000</b>	<b>152,951</b>	<b>(147,049)</b>
<b>EXPENDITURES:</b>				
Community development	-	-	105,487	(105,487)
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>105,487</b>	<b>(105,487)</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer Out	-	-	(6,406,350)	(6,406,350)
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>(6,406,350)</b>	<b>(6,406,350)</b>
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>				
Extraordinary loss	-	-	(12,713,126)	(12,713,126)
<b>Total special and extraordinary items</b>	<b>-</b>	<b>-</b>	<b>(12,713,126)</b>	<b>(12,713,126)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>300,000</b>	<b>300,000</b>	<b>(19,072,012)</b>	<b>(19,372,012)</b>
<b>FUND BALANCE:</b>				
Beginning of year	19,072,012	19,072,012	19,072,012	-
End of year	\$ 19,372,012	\$ 19,372,012	\$ -	\$ (19,372,012)

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the fiscal year ended June 30, 2012**

*Budgetary Comparison Schedule – Low and Moderate Income Housing Assets Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment and rental income	\$ -	\$ -	\$ 67,163	\$ 67,163
Other	-	-	58,908	58,908
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>126,071</b>	<b>126,071</b>
<b>EXPENDITURES:</b>				
Community development	-	109,820	101,888	7,932
<b>Total Expenditures</b>	<b>-</b>	<b>109,820</b>	<b>101,888</b>	<b>7,932</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer in	-	-	6,406,350	6,406,350
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(109,820)</b>	<b>6,430,533</b>	<b>6,540,353</b>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	\$ -	\$ (109,820)	\$ 6,430,533	\$ 6,540,353

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the fiscal year ended June 30, 2012**

**Schedule of Funding Progress (Unaudited)**

*Funded Status of Pension 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.

*Funded Status of Pension 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		
6/30/2009	\$ 67,440,426	\$ 55,542,565	\$ 11,897,861	82.4%	60.1%	\$ 11,752,805	101.2%
6/30/2010	71,829,999	58,941,745	12,888,254	82.1%	64.4%	10,634,191	121.2%
6/30/2011	76,201,207	62,829,160	13,372,047	82.5%	73.5%	10,409,877	128.5%

*Funded Status of OPEB Obligation*

Actuarial accrued liability (AAL)	\$ 5,085,000
Actuarial value of Plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,085,000</u>
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll (active Plan participants)	\$ 17,857,000
UAAL as a percentage of covered payroll	28.58%

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# Non-Major Governmental Funds

**City of Foster City and Estero Municipal Improvement District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2012**

	Non-Major Special Revenue Funds
<b>ASSETS</b>	
Cash and investments	\$ 4,040,190
Receivables, net of allowance:	
Intergovernmental	163,449
Taxes	53,074
Other	9,500
Due from other funds	21,013
<b>Total assets</b>	<b>\$ 4,287,226</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 10,099
Accrued payroll	980
Due to other funds	146,112
<b>Total liabilities</b>	<b>157,191</b>
<b>Fund balances:</b>	
Restricted	3,927,319
Committed	202,716
<b>Total fund balances</b>	<b>4,130,035</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,287,226</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, 2012**

	Non-Major Special Revenue Funds
<b>REVENUES:</b>	
Sales and use taxes	\$ 516,431
Intergovernmental	1,535,973
Fines and forfeitures	135,218
Investment income	66,234
Other	227,672
<b>Total revenues</b>	<b>2,481,528</b>
<b>EXPENDITURES:</b>	
Current:	
General government	174,406
Public safety - Police	112,792
Public safety - Fire	3,082
Public works	1,048,046
Community Development	272,192
Parks and recreation	47,615
Capital outlay	2,966,904
<b>Total expenditures</b>	<b>4,625,037</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,143,509)</b>
<b>OTHER FINANCING SOURCES (USES):</b>	
Transfer out	(80,674)
<b>Total other financing sources (uses)</b>	<b>(80,674)</b>
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>	
Extraordinary loss	(2,229,500)
<b>Total special and extraordinary items</b>	<b>(2,229,500)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,453,683)</b>
<b>FUND BALANCES:</b>	
Beginning of year	8,583,718
End of year	<b>\$ 4,130,035</b>

## NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

The *California Law Enforcement Equipment Fund* accounts for revenues received for the California Law Enforcement Equipment Purchase Program (CLEEP). The grant is to be used to purchase technology equipment.

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

The *Proposition 42 Transportation Fund* accounts for revenues received from dedicated funds of sales tax on gasoline to State and local transportation programs under Proposition 42 approved by California voters in 2002. The funds received from the State may only be used on maintenance of local roads.

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

The *Proposition 1B Fund* accounts for revenues received from the States issued general obligation bond proceeds to fund State and Local transportation improvement projects to relieve congestions, improve movement of goods, improve air quality, and enhance safety and security of the transportation program.

The *City/CDA Cooperative Services Agreement Fund* accounts for transfers received by the City from the Community Development Agency (Agency) to administer the Agency's stipulated judgment payments obligation to the San Mateo Union High School District. The Community Development Agency (Agency) has reached its limitation on receipt of tax increment funds for Project Area One in Fiscal year 2010/2011. The Agency transitioned its responsibilities to the City to fulfill the obligation to pay the remaining obligation according to the stipulated judgment between the Agency and the San Mateo Union High School District.

**City of Foster City and Estero Municipal Improvement District**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2012**

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
<b>ASSETS</b>					
Cash and investments	\$ 16,273	\$ 2,632,338	\$ 566,306	\$ -	\$ -
Receivables, net of allowance:					
Intergovernmental	22,220	-	90,826	-	50,403
Taxes	-	53,074	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	21,013
<b>Total assets</b>	<b>\$ 38,493</b>	<b>\$ 2,685,412</b>	<b>\$ 657,132</b>	<b>\$ -</b>	<b>\$ 71,416</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	39,898
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,898</b>
<b>Fund Balances:</b>					
Restricted	38,493	2,685,412	657,132	-	31,518
Committed	-	-	-	-	-
<b>Total fund balances</b>	<b>38,493</b>	<b>2,685,412</b>	<b>657,132</b>	<b>-</b>	<b>31,518</b>
<b>Total liabilities and fund balances</b>	<b>\$ 38,493</b>	<b>\$ 2,685,412</b>	<b>\$ 657,132</b>	<b>\$ -</b>	<b>\$ 71,416</b>

SLESF/ COPS Grant	California Law Enforcement Equipment	California Opportunities	Proposition 42	Foster City Foundation	Proposition 1B	City/CDA Cooperative Services Agreement	Total
\$ -	\$ 7,989	\$ 203,996	\$ -	\$ 161,560	\$ 451,728	\$ -	\$ 4,040,190
-	-	-	-	-	-	-	163,449
-	-	-	-	-	-	-	53,074
-	-	6,000	-	3,500	-	-	9,500
-	-	-	-	-	-	-	21,013
<u>\$ -</u>	<u>\$ 7,989</u>	<u>\$ 209,996</u>	<u>\$ -</u>	<u>\$ 165,060</u>	<u>\$ 451,728</u>	<u>\$ -</u>	<u>\$ 4,287,226</u>
\$ -	\$ -	\$ 6,300	\$ -	\$ 3,799	\$ -	\$ -	\$ 10,099
-	-	980	-	-	-	-	980
-	-	-	-	106,214	-	-	146,112
-	-	7,280	-	110,013	-	-	157,191
-	7,989	-	-	55,047	451,728	-	3,927,319
-	-	202,716	-	-	-	-	202,716
-	7,989	202,716	-	55,047	451,728	-	4,130,035
<u>\$ -</u>	<u>\$ 7,989</u>	<u>\$ 209,996</u>	<u>\$ -</u>	<u>\$ 165,060</u>	<u>\$ 451,728</u>	<u>\$ -</u>	<u>\$ 4,287,226</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, 2012**

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M	SLESF/ COPS Grant
<b>REVENUES:</b>						
Sales and use tax	\$ -	\$ 516,431	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	876,122	-	100,598	109,264
Fines and forfeitures	135,218	-	-	-	-	-
Investment income	-	34,923	7,768	19,357	-	88
Other	-	-	-	-	-	-
<b>Total revenues</b>	<b>135,218</b>	<b>551,354</b>	<b>883,890</b>	<b>19,357</b>	<b>100,598</b>	<b>109,352</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	106,820	-	-	-
Public safety - police	-	-	-	-	-	109,352
Public safety - fire	-	-	-	-	-	-
Public works	111,000	217,366	719,680	-	-	-
Community Development	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Capital outlay	-	438,073	-	2,192,736	-	-
<b>Total expenditures</b>	<b>111,000</b>	<b>655,439</b>	<b>826,500</b>	<b>2,192,736</b>	<b>-</b>	<b>109,352</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>24,218</b>	<b>(104,085)</b>	<b>57,390</b>	<b>(2,173,379)</b>	<b>100,598</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers out	-	-	-	-	(69,080)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,080)</b>	<b>-</b>
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>						
Extraordinary loss	-	-	-	-	-	-
<b>Total special and extraordinary items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>24,218</b>	<b>(104,085)</b>	<b>57,390</b>	<b>(2,173,379)</b>	<b>31,518</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Beginning of year	14,275	2,789,497	599,742	2,173,379	-	-
End of year	\$ 38,493	\$ 2,685,412	\$ 657,132	\$ -	\$ 31,518	\$ -

California Law Enforcement Equipment	California Opportunities	Proposition 42	Foster City Foundation	Proposition 1B	City/CDA Cooperative Services Agreement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 516,431
-	-	-	-	449,989	-	1,535,973
-	-	-	-	-	-	135,218
-	2,359	-	-	1,739	-	66,234
-	94,750	-	132,922	-	-	227,672
-	97,109	-	132,922	451,728	-	2,481,528
-	67,004	-	582	-	-	174,406
1,497	-	-	1,943	-	-	112,792
-	-	-	3,082	-	-	3,082
-	-	-	-	-	-	1,048,046
-	-	-	-	-	272,192	272,192
-	-	-	47,615	-	-	47,615
15,135	-	25,000	295,960	-	-	2,966,904
16,632	67,004	25,000	349,182	-	272,192	4,625,037
(16,632)	30,105	(25,000)	(216,260)	451,728	(272,192)	(2,143,509)
-	-	-	(11,594)	-	-	(80,674)
-	-	-	(11,594)	-	-	(80,674)
-	-	-	-	-	(2,229,500)	(2,229,500)
-	-	-	-	-	(2,229,500)	(2,229,500)
(16,632)	30,105	(25,000)	(227,854)	451,728	(2,501,692)	(4,453,683)
24,621	172,611	25,000	282,901	-	2,501,692	8,583,718
\$ 7,989	\$ 202,716	\$ -	\$ 55,047	\$ 451,728	\$ -	\$ 4,130,035

**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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Fines and forfeitures	\$ 111,000	\$ 111,000	\$ 135,218	\$ 24,218
<b>Total revenues</b>	<b>111,000</b>	<b>111,000</b>	<b>135,218</b>	<b>24,218</b>
<b>EXPENDITURES:</b>				
Public works	111,000	111,000	111,000	-
<b>Total expenditures</b>	<b>111,000</b>	<b>111,000</b>	<b>111,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>24,218</b>	<b>24,218</b>
<b>FUND BALANCE:</b>				
Beginning of year	14,275	14,275	14,275	-
End of year	\$ 14,275	\$ 14,275	\$ 38,493	\$ 24,218

**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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Sales and use taxes	\$ 471,000	\$ 471,000	\$ 516,431	\$ 45,431
Investment income	25,000	25,000	34,923	9,923
<b>Total revenues</b>	<b>496,000</b>	<b>496,000</b>	<b>551,354</b>	<b>55,354</b>
<b>EXPENDITURES:</b>				
Public Works	240,000	240,000	217,366	22,634
Capital outlay	600,000	927,151	438,073	489,078
<b>Total expenditures</b>	<b>840,000</b>	<b>1,167,151</b>	<b>655,439</b>	<b>511,712</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(344,000)</b>	<b>(671,151)</b>	<b>(104,085)</b>	<b>567,066</b>
<b>FUND BALANCE:</b>				
Beginning of year	2,789,497	2,789,497	2,789,497	-
End of year	\$ 2,445,497	\$ 2,118,346	\$ 2,685,412	\$ 567,066

**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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 802,000	\$ 802,000	\$ 876,122	\$ 74,122
Investment income	4,200	4,200	7,768	3,568
<b>Total revenues</b>	<b>806,200</b>	<b>806,200</b>	<b>883,890</b>	<b>77,690</b>
<b>EXPENDITURES:</b>				
General government	106,820	106,820	106,820	-
Public works	719,680	719,680	719,680	-
<b>Total expenditures</b>	<b>826,500</b>	<b>826,500</b>	<b>826,500</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(20,300)</b>	<b>(20,300)</b>	<b>57,390</b>	<b>77,690</b>
<b>FUND BALANCE:</b>				
Beginning of year	599,742	599,742	599,742	-
End of year	\$ 579,442	\$ 579,442	\$ 657,132	\$ 77,690

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Park-in-lieu**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment income	\$ 7,700	\$ 7,700	\$ 19,357	\$ 11,657
<b>Total revenues</b>	<b>7,700</b>	<b>7,700</b>	<b>19,357</b>	<b>11,657</b>
<b>EXPENDITURES:</b>				
Capital outlay	-	2,173,379	2,192,736	(19,357)
<b>Total Expenditures</b>	<b>-</b>	<b>2,173,379</b>	<b>2,192,736</b>	<b>(19,357)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>7,700</b>	<b>(2,165,679)</b>	<b>(2,173,379)</b>	<b>(7,700)</b>
<b>FUND BALANCE:</b>				
Beginning of year	2,173,379	2,173,379	2,173,379	-
End of year	\$ 2,181,079	\$ 7,700	\$ -	\$ (7,700)

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Measure M**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 99,000	\$ 99,000	\$ 100,598	\$ 1,598
<b>Total revenues</b>	<b>99,000</b>	<b>99,000</b>	<b>100,598</b>	<b>1,598</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer out	(99,000)	(99,000)	(69,080)	29,920
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>31,518</b>	<b>31,518</b>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ 31,518	\$ 31,518

**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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 110,000	\$ 109,264	\$ (736)
Investment income	-	-	88	88
<b>Total revenues</b>	<b>-</b>	<b>110,000</b>	<b>109,352</b>	<b>(648)</b>
<b>EXPENDITURES:</b>				
Public safety - police	-	110,000	109,352	648
<b>Total expenditures</b>	<b>-</b>	<b>110,000</b>	<b>109,352</b>	<b>648</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Public safety - police	\$ -	\$ 24,621	\$ 1,497	23,124
Capital outlay	-	-	15,135	(15,135)
<b>Total expenditures</b>	<b>-</b>	<b>24,621</b>	<b>16,632</b>	<b>7,989</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(24,621)</b>	<b>(16,632)</b>	<b>7,989</b>
<b>FUND BALANCE:</b>				
Beginning of year	24,621	24,621	24,621	-
End of year	\$ 24,621	\$ -	\$ 7,989	\$ 7,989

**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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment income	\$ 3,500	\$ 3,500	\$ 2,359	\$ (1,141)
Other	102,000	102,000	94,750	(7,250)
<b>Total revenues</b>	<b>105,500</b>	<b>105,500</b>	<b>97,109</b>	<b>(8,391)</b>
<b>EXPENDITURES:</b>				
General government	93,003	98,003	67,004	30,999
<b>Total expenditures</b>	<b>93,003</b>	<b>98,003</b>	<b>67,004</b>	<b>30,999</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>12,497</b>	<b>7,497</b>	<b>30,105</b>	<b>22,608</b>
<b>FUND BALANCE:</b>				
Beginning of year	172,611	172,611	172,611	-
End of year	\$ 185,108	\$ 180,108	\$ 202,716	\$ 22,608

**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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Capital outlay	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
<b>Total expenditures</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>-</b>
<b>FUND BALANCE:</b>				
Beginning of year	25,000	25,000	25,000	-
End of year	\$ -	\$ -	\$ -	\$ -

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Foster City Foundation Special Revenue Fund**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Other	\$ 63,000	\$ 63,000	\$ 132,922	\$ 69,922
<b>Total revenues</b>	<b>63,000</b>	<b>63,000</b>	<b>132,922</b>	<b>69,922</b>
<b>EXPENDITURES:</b>				
General government	600	600	582	18
Public Safety- Police	2,000	2,000	1,943	57
Public Safety- Fire	3,100	3,100	3,082	18
Parks and recreation	47,700	47,700	47,615	85
Capital outlay	296,000	296,000	295,960	40
<b>Total Expenditures</b>	<b>349,400</b>	<b>349,400</b>	<b>349,182</b>	<b>218</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer out	(11,600)	(11,600)	(11,594)	6
<b>NET CHANGE IN FUND BALANCE</b>	<b>(298,000)</b>	<b>(298,000)</b>	<b>(227,854)</b>	<b>70,146</b>
<b>FUND BALANCE:</b>				
Beginning of year	282,901	282,901	282,901	-
End of year	\$ (15,099)	\$ (15,099)	\$ 55,047	\$ 70,146

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Proposition 1B Special Revenue Fund**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 449,989	\$ 449,989
Investment Income	-	-	1,739	1,739
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>451,728</b>	<b>451,728</b>
<b>EXPENDITURES:</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>451,728</b>	<b>451,728</b>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ 451,728	\$ 451,728

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**City/CDA Cooperative Services Agreement**  
**For the fiscal year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Investment income	\$ 49,000	\$ 49,000	\$ -	\$ (49,000)
<b>Total revenues</b>	<b>49,000</b>	<b>49,000</b>	<b>-</b>	<b>(49,000)</b>
<b>EXPENDITURES:</b>				
Community Development	475,000	475,000	272,192	202,808
<b>Total Expenditures</b>	<b>475,000</b>	<b>475,000</b>	<b>272,192</b>	<b>202,808</b>
<b>OTHER FINANCING SOURCES:</b>				
<b>EXTRAORDINARY ITEMS:</b>				
Extraordinary loss	-	-	(2,229,500)	(2,229,500)
<b>Total special and extraordinary items</b>	<b>-</b>	<b>-</b>	<b>(2,229,500)</b>	<b>(2,229,500)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(426,000)</b>	<b>(426,000)</b>	<b>(2,501,692)</b>	<b>(2,075,692)</b>
<b>FUND BALANCE:</b>				
Beginning of year	2,501,692	2,501,692	2,501,692	-
End of year	\$ 2,075,692	\$ 2,075,692	\$ -	\$ (2,075,692)

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## INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

The *PEMHCA Benefits Fund* accounts for the liability requested by the CalPERS' Public Employees' Medical and Hospital Cared Act medical benefits plan.

**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Fund Net Assets**  
**Internal Service Funds**  
**June 30, 2012**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 5,455,907	\$ 4,969,790	\$ 1,265,224	\$ 3,488,322
Accounts receivable	689	-	-	-
Deposit and prepaid items	401	-	-	1,955
Inventory	70,209	42,163	-	-
Total current assets	<u>5,527,206</u>	<u>5,011,953</u>	<u>1,265,224</u>	<u>3,490,277</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	-	-	-	7,955
Depreciable	1,310,835	977,957	-	-
Depreciable - Intangible	-	72,368	-	-
Total noncurrent assets	<u>1,310,835</u>	<u>1,050,325</u>	<u>-</u>	<u>7,955</u>
Total assets	<u>6,838,041</u>	<u>6,062,278</u>	<u>1,265,224</u>	<u>3,498,232</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	14,052	29,121	278	21,271
Accrued payroll	16,100	-	-	25,253
Claims liability	-	-	176,625	-
Compensated absences - current portion	13,938	-	-	42,681
Total current liabilities	<u>44,090</u>	<u>29,121</u>	<u>176,903</u>	<u>89,205</u>
Noncurrent liabilities:				
Compensated absences	18,691	-	-	59,227
OPEB liability	28,350	-	-	50,625
Total noncurrent liabilities	<u>47,041</u>	<u>-</u>	<u>-</u>	<u>109,852</u>
Total liabilities	<u>91,131</u>	<u>29,121</u>	<u>176,903</u>	<u>199,057</u>
<b>NET ASSETS</b>				
Invested in capital assets	1,310,835	1,050,325	-	7,955
Unrestricted	5,436,075	4,982,832	1,088,321	3,291,220
Total net assets	<u>\$ 6,746,910</u>	<u>\$ 6,033,157</u>	<u>\$ 1,088,321</u>	<u>\$ 3,299,175</u>

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Total
\$ 2,493,727	\$ 2,613,848	\$ 5,395,445	\$ 25,682,263
-	-	-	689
-	-	-	2,356
-	-	-	112,372
<u>2,493,727</u>	<u>2,613,848</u>	<u>5,395,445</u>	<u>25,797,680</u>
-	-	-	7,955
-	-	-	2,288,792
-	-	-	72,368
-	-	-	2,369,115
<u>2,493,727</u>	<u>2,613,848</u>	<u>5,395,445</u>	<u>28,166,795</u>
120,082	200	-	185,004
16,670	-	-	58,023
-	-	-	176,625
<u>26,255</u>	<u>-</u>	<u>-</u>	<u>82,874</u>
<u>163,007</u>	<u>200</u>	<u>-</u>	<u>502,526</u>
43,333	-	-	121,251
<u>30,375</u>	<u>-</u>	<u>-</u>	<u>109,350</u>
73,708	-	-	230,601
<u>236,715</u>	<u>200</u>	<u>-</u>	<u>733,127</u>
-	-	-	2,369,115
<u>2,257,012</u>	<u>2,613,648</u>	<u>5,395,445</u>	<u>25,064,553</u>
<u>\$ 2,257,012</u>	<u>\$ 2,613,648</u>	<u>\$ 5,395,445</u>	<u>\$ 27,433,668</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, 2012**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,501,685	\$ 534,328	\$ 155,800	\$ 1,286,255
<b>Total operating revenues</b>	<b>1,501,685</b>	<b>534,328</b>	<b>155,800</b>	<b>1,286,255</b>
<b>OPERATING EXPENSES:</b>				
Personnel	394,065	-	-	626,159
Repairs and maintenance	385,261	69,032	-	342,034
General and administration	10,343	-	564	77,019
Depreciation	405,690	575,047	-	-
Contractual services	9,039	-	21,502	-
Insurance	21,100	-	334,581	-
<b>Total operating expenses</b>	<b>1,225,498</b>	<b>644,079</b>	<b>356,647</b>	<b>1,045,212</b>
<b>OPERATING INCOME (LOSS)</b>	<b>276,187</b>	<b>(109,751)</b>	<b>(200,847)</b>	<b>241,043</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Gain (loss) on sale of capital assets	38,750	8,915	-	-
Investment income (expense)	73,696	84,052	16,976	48,596
<b>Total nonoperating revenues (expense):</b>	<b>112,446</b>	<b>92,967</b>	<b>16,976</b>	<b>48,596</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>388,633</b>	<b>(16,784)</b>	<b>(183,871)</b>	<b>289,639</b>
<b>CONTRIBUTIONS AND TRANSFERS:</b>				
Capital contribution	-	37,380	-	-
Transfers in	-	95,161	-	-
Transfers out	(2,292)	-	-	(14,794)
<b>Total transfers</b>	<b>(2,292)</b>	<b>132,541</b>	<b>-</b>	<b>(14,794)</b>
<b>Changes in Net Assets</b>	<b>386,341</b>	<b>115,757</b>	<b>(183,871)</b>	<b>274,845</b>
<b>NET ASSETS:</b>				
Beginning of the year	6,360,569	5,917,400	1,272,192	3,024,330
End of the year	\$ 6,746,910	\$ 6,033,157	\$ 1,088,321	\$ 3,299,175

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Total
\$ 1,527,700	\$ -	\$ -	\$ 5,005,768
<u>1,527,700</u>	<u>-</u>	<u>-</u>	<u>5,005,768</u>
401,153	107,280	89,267	1,617,924
240,940	-	-	1,037,267
483,614	-	-	571,540
-	-	-	980,737
170,561	-	-	201,102
<u>-</u>	<u>-</u>	<u>-</u>	<u>355,681</u>
1,296,268	107,280	89,267	4,764,251
<u>231,432</u>	<u>(107,280)</u>	<u>(89,267)</u>	<u>241,517</u>
-	-	-	47,665
35,414	87,793	170,179	516,706
<u>35,414</u>	<u>87,793</u>	<u>170,179</u>	<u>564,371</u>
<u>266,846</u>	<u>(19,487)</u>	<u>80,912</u>	<u>805,888</u>
-	-	-	37,380
-	-	-	95,161
<u>(121,694)</u>	<u>-</u>	<u>-</u>	<u>(138,780)</u>
<u>(121,694)</u>	<u>-</u>	<u>-</u>	<u>(6,239)</u>
145,152	(19,487)	80,912	799,649
2,111,860	2,633,135	5,314,533	26,634,019
<u>\$ 2,257,012</u>	<u>\$ 2,613,648</u>	<u>\$ 5,395,445</u>	<u>\$ 27,433,668</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, 2012**

	Vehicle Rental	Equipment Replacement	Self Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from other funds	\$ 1,500,996	\$ 546,223	\$ 155,800
Cash payments to suppliers for goods and services	(434,520)	(104,905)	(254,941)
Cash payments to employees for services	(383,788)	-	-
<b>Net cash provided (used) by operating activities</b>	<b>682,688</b>	<b>441,318</b>	<b>(99,141)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers received	-	95,161	-
Transfer paid	(2,292)	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(2,292)</b>	<b>95,161</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from sale of capital assets	38,750	8,915	-
Capital contributions received	-	37,380	-
Acquisition and construction of capital assets	2,685	(175,761)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>41,435</b>	<b>(129,466)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received on investments	73,696	84,052	16,976
<b>Net cash provided (used) by investing activities</b>	<b>73,696</b>	<b>84,052</b>	<b>16,976</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>795,527</b>	<b>491,065</b>	<b>(82,165)</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	4,660,380	4,478,725	1,347,389
End of year	<b>\$ 5,455,907</b>	<b>\$ 4,969,790</b>	<b>\$ 1,265,224</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 276,187	\$ (109,751)	\$ (200,847)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	405,690	575,047	-
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(689)	11,895	-
Due from other funds	-	-	-
Deposit and prepaid items	(44)	-	-
Inventory	8,922	-	-
Increase (decrease) in:			
Accounts payable	(17,655)	(35,873)	(6,445)
Accrued payroll	1,099	-	-
Due to other funds	-	-	-
Claims liability	-	-	108,151
Compensated absences	3,452	-	-
OPEB liability	5,726	-	-
Total adjustments	406,501	551,069	101,706
<b>Net cash provided (used) by operating activities</b>	<b>\$ 682,688</b>	<b>\$ 441,318</b>	<b>\$ (99,141)</b>

Information Technology	Building Maintenance	Longevity Recognition Benefits	PEMHCA	Total
\$ 1,286,808	\$ 1,527,700	\$ (103,431)	\$ 103,431	\$ 5,017,527
(504,953)	(879,973)	200	-	(2,179,092)
(619,564)	(387,336)	(107,280)	(89,267)	(1,587,235)
162,291	260,391	(210,511)	14,164	1,251,200
-	-	-	-	95,161
(14,794)	(121,694)	-	-	(138,780)
(14,794)	(121,694)	-	-	(43,619)
-	-	-	-	47,665
-	-	-	-	37,380
(7,955)	-	-	-	(181,031)
(7,955)	-	-	-	(95,986)
48,596	35,414	87,793	170,179	516,706
48,596	35,414	87,793	170,179	516,706
188,138	174,111	(122,718)	184,343	1,628,301
3,300,184	2,319,616	2,736,566	5,211,102	24,053,962
\$ 3,488,322	\$ 2,493,727	\$ 2,613,848	\$ 5,395,445	\$ 25,682,263
\$ 241,043	\$ 231,432	\$ (107,280)	\$ (89,267)	\$ 241,517
-	-	-	-	980,737
553	-	-	-	11,759
-	-	-	103,431	103,431
2,199	-	-	-	2,155
-	-	-	-	8,922
(88,099)	15,142	200	-	(132,730)
785	1,424	-	-	3,308
-	-	(103,431)	-	(103,431)
-	-	-	-	108,151
(4,415)	6,258	-	-	5,295
10,225	6,135	-	-	22,086
(78,752)	28,959	(103,231)	103,431	1,009,683
\$ 162,291	\$ 260,391	\$ (210,511)	\$ 14,164	\$ 1,251,200

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# CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

## STATISTICAL SECTION

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

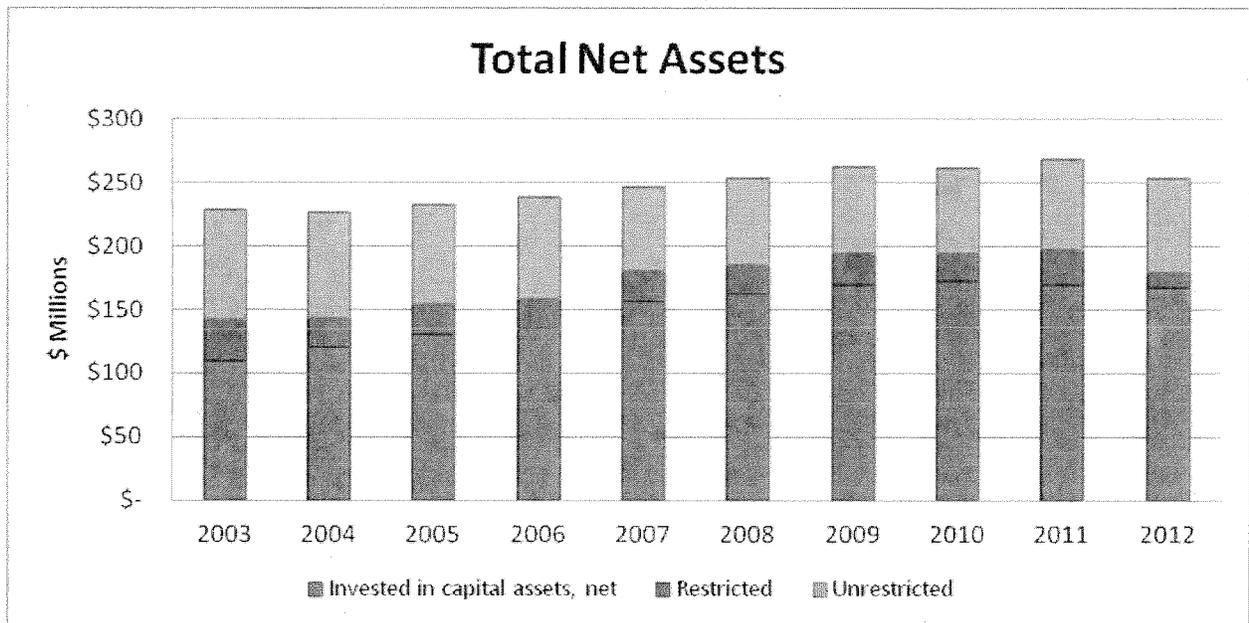
# City of Foster City and Estero Municipal Improvement District

## Net Assets by Component

### Last Ten Fiscal Years

*(Accrual basis of accounting)*

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	\$ 111,894,545	\$ 108,007,645	\$ 106,295,814
Restricted	32,763,978	21,720,965	22,592,125	23,209,747	23,657,789	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967
Unrestricted	39,219,884	35,928,134	36,848,780	39,557,946	44,825,904	49,475,890	48,498,680	46,699,565	49,579,722	50,530,026
<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>\$ 180,638,084</b>	<b>\$ 185,850,473</b>	<b>\$ 168,586,807</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	\$ 60,575,907	\$ 61,718,653	\$ 61,458,480
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	20,356,291	21,659,733	24,362,221
<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>\$ 80,932,198</b>	<b>\$ 83,378,386</b>	<b>\$ 85,820,701</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	\$ 172,470,452	\$ 169,726,298	\$ 167,754,294
Restricted	33,705,069	22,675,293	23,214,911	23,853,947	23,959,481	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967
Unrestricted	85,557,281	83,284,078	78,489,469	79,466,751	65,374,085	68,251,697	68,509,111	67,035,856	71,239,455	74,892,247
<b>Total primary government net assets</b>	<b>\$ 228,567,173</b>	<b>\$ 226,987,907</b>	<b>\$ 232,817,732</b>	<b>\$ 238,634,273</b>	<b>\$ 246,419,636</b>	<b>\$ 254,414,873</b>	<b>\$ 263,043,107</b>	<b>\$ 261,570,282</b>	<b>\$ 269,228,859</b>	<b>\$ 254,407,508</b>



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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	\$ 3,715,494	\$ 3,135,273	\$ 3,596,590
Police	6,972,046	7,458,401	7,672,926	7,874,658	8,414,456	8,598,000	9,637,744	9,601,374	9,635,944	9,393,100
Fire	6,152,976	6,558,290	6,456,232	7,707,520	7,129,555	7,277,640	7,376,366	7,960,605	8,011,016	8,222,350
Public works	3,951,120	6,192,009	4,272,573	4,938,721	5,832,257	4,795,377	4,746,696	4,792,866	4,924,309	5,253,074
Community development	6,445,306	6,734,993	4,330,177	3,939,444	4,517,721	4,399,597	5,165,200	10,058,917	5,904,547	2,215,164
Parks and recreation	5,867,155	5,967,687	6,201,991	6,112,184	6,274,796	6,969,205	7,540,180	7,486,684	7,889,206	7,978,548
Interest on long-term debt	2,496,351	2,003,449	1,394,022	1,149,134	714,924	527,048	286,765	71,079	-	-
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	43,687,019	39,500,295	36,658,826
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	8,272,135	8,690,887	9,782,394
Wastewater	4,119,833	4,640,074	4,739,273	5,276,815	5,099,038	5,861,595	5,351,927	5,875,701	5,334,103	5,909,150
Public transportation	303,992	211,109	103,281	119,496	131,378	155,344	245,589	298,964	204,321	201,696
Total business-type activities expenses	9,892,426	11,335,934	11,184,582	12,110,100	12,098,866	13,592,848	13,401,893	14,446,800	14,229,311	15,893,240
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	\$ 58,133,819	\$ 53,729,606	\$ 52,552,066
<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	\$ 146,430	\$ 150,183	\$ 115,060
Parks and recreation	1,031,043	1,043,428	1,092,235	1,103,417	1,017,538	1,032,979	1,065,675	1,055,300	1,264,706	1,082,263
Other activities	1,553,066	1,848,369	1,563,775	1,570,945	1,638,345	1,679,892	1,722,734	1,204,446	1,641,925	2,420,613
Operating grants and contributions	1,254,714	1,191,358	1,181,974	1,642,813	996,947	854,272	1,000,607	813,296	1,374,103	1,483,915
Capital grants and contributions	1,203,787	746,541	1,076,241	1,771,121	128,000	-	733,684	680,355	4,157,426	449,989
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	3,899,827	8,588,343	5,551,840
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	7,531,859	9,166,844	10,328,467
Sewer	4,808,073	5,036,794	5,141,871	5,155,092	5,170,037	5,570,010	6,175,068	6,543,036	6,862,627	7,509,281
Other activities	393,324	206,231	79,590	55,479	69,955	-	-	-	-	7,317
Operating grants and contributions	-	-	-	-	-	-	-	-	140,709	100,756
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	14,074,895	16,170,180	17,945,821
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	\$ 17,974,722	\$ 24,758,523	\$ 23,497,661
<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)	\$ (39,787,192)	\$ (30,911,952)	\$ (31,106,986)
Business-type activities	1,329,138	14,290	(162,613)	(1,114,788)	(831,105)	(1,252,948)	(44,613)	(371,905)	1,940,869	2,052,581
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)	\$ (40,159,097)	\$ (28,971,083)	\$ (29,054,405)
<b>General Revenues and 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	\$ 26,525,347	\$ 27,328,303	\$ 26,225,287	\$ 19,140,435
Franchise taxes	777,956	838,572	875,033	909,123	981,494	1,029,576	1,044,988	1,017,739	1,088,266	1,122,847
Sales taxes	3,667,546	3,527,247	3,670,336	4,136,136	4,485,030	5,059,382	4,950,468	4,365,018	4,225,824	4,853,339
Other taxes	1,805,428	1,873,576	1,980,139	2,202,260	2,396,793	2,552,680	2,307,231	2,099,539	2,165,353	2,596,057
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	2,417,925	-	-
Investment earnings	1,944,840	603,723	1,701,412	1,652,286	4,463,127	3,933,537	2,193,541	2,193,541	2,409,846	2,331,007
Miscellaneous	131,321	477,594	378,185	991,956	768,061	438,822	847,954	253,121	117,764	210,189
Transfers	726,307	177,619	1,931	(44,772)	(80,424)	(82,038)	(110,733)	(10,519)	(108,000)	(60,501)
Total governmental activities	35,076,163	30,364,414	33,080,328	34,694,069	39,566,875	40,508,715	40,373,933	39,664,677	36,124,340	30,193,373
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	296,930	256,984	292,258
Loss on sales of capital assets	-	-	-	-	-	-	(17,198)	-	-	-
Miscellaneous	-	-	-	-	28,262	89,123	135,957	132,999	140,335	36,975
Transfers	(726,307)	(177,619)	(1,931)	44,772	80,424	82,038	110,733	10,519	108,000	60,501
Total business-type activities	956,176	433,725	744,174	715,938	1,253,925	963,629	698,452	440,448	505,319	389,734
Total primary government	\$ 36,032,339	\$ 30,798,139	\$ 33,824,502	\$ 35,410,007	\$ 40,820,800	\$ 41,472,344	\$ 41,072,385	\$ 40,105,125	\$ 36,629,659	\$ 30,583,107
<b>Extraordinary Items</b>										
Governmental activities:										
Extraordinary items	-	-	-	-	-	-	-	-	-	(16,350,052)
Total governmental activities	-	-	-	-	-	-	-	-	-	(16,350,052)
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,350,052)
<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	\$ 6,555,340	\$ (122,515)	\$ 5,212,388	\$ (17,263,665)
Business-type activities	2,285,314	448,045	581,561	(398,850)	422,820	(289,319)	653,839	68,543	2,446,188	2,442,315
Total primary government	\$ 7,348,800	\$ (1,579,266)	\$ 5,829,845	\$ 5,816,523	\$ 7,790,387	\$ 7,995,237	\$ 7,209,379	\$ (53,972)	\$ 7,658,576	\$ (14,821,350)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	\$ 36,445,627	\$ 32,846,406	\$ 27,014,176
Licenses, fees and permits	881,315	845,900	925,063	1,145,886	1,156,192	1,166,550	1,085,643	1,050,758	1,289,106	2,200,437
Fines and penalties	185,977	238,786	231,281	190,439	194,613	164,661	142,887	158,199	159,303	179,717
Charges for services	1,202,629	1,164,994	1,218,808	1,334,881	1,383,692	1,347,279	1,403,448	1,392,205	1,659,773	1,640,114
Special assessments	1,882,383	1,229,743	1,466,046	1,316,143	799,236	352,443	189,911	-	4,000,000	-
Intergovernmental	4,101,504	1,375,769	1,709,815	1,716,468	1,183,015	1,443,393	1,601,956	1,546,873	1,522,599	1,994,051
Investment earnings	3,157,650	2,942,074	3,554,502	3,800,211	5,127,172	4,706,132	3,444,940	2,608,180	1,796,472	1,814,301
Other revenues	1,415,975	1,347,151	578,459	1,032,866	1,024,736	1,012,569	1,661,625	827,083	559,764	436,977
<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>44,028,925</b>	<b>43,833,423</b>	<b>35,279,773</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	3,271,525	2,689,200	2,980,808
Police	6,972,046	7,458,401	7,629,412	7,886,775	8,470,914	8,650,231	9,271,457	9,535,983	9,362,853	9,171,064
Fire	6,006,387	6,449,536	6,412,718	6,831,111	7,213,382	7,373,331	7,385,613	7,876,172	7,917,966	8,148,675
Public works	2,163,972	2,699,440	2,254,732	2,571,047	2,428,438	2,433,402	2,700,326	2,426,798	2,603,647	2,876,718
Community development	6,336,193	6,463,105	4,099,415	4,191,028	4,550,667	4,429,165	7,194,733	10,017,098	5,825,075	2,229,747
Parks and recreation	5,380,143	5,330,070	5,199,602	5,500,330	5,704,605	6,361,683	6,543,724	6,340,330	6,780,921	6,780,597
Capital outlay	12,898,471	5,151,537	1,885,475	2,276,529	1,186,620	2,110,297	6,255,420	2,391,675	970,235	3,384,339
Debt service										
Interest	4,448,977	3,989,991	2,971,975	2,921,459	2,387,604	1,998,571	1,509,465	996,412	156,685	-
Principal	8,062,251	13,355,000	5,540,000	9,656,000	5,695,000	5,210,000	3,800,000	4,775,000	-	-
<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>	<b>47,630,993</b>	<b>36,306,582</b>	<b>35,571,948</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)	(3,602,066)	7,526,841	(292,175)
<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	10,548,804	25,391,490	7,729,944
Transfers out	(5,983,116)	(4,773,251)	(4,938,771)	(8,918,100)	(6,255,434)	(5,925,443)	(9,295,713)	(11,860,304)	(25,499,490)	(7,799,024)
<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>(1,311,500)</b>	<b>(108,000)</b>	<b>(69,080)</b>
<b>Extraordinary Item</b>										
Extraordinary loss	-	-	-	-	-	-	-	-	-	(16,350,052)
<b>Total extraordinary item</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,350,052)</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>	<b>\$ (4,913,568)</b>	<b>\$ 7,418,841</b>	<b>\$ (16,711,307)</b>
Debt service as a percentage of noncapital expenditures	42.78%	57.03%	30.65%	42.85%	26.21%	22.37%	14.65%	14.62%	0.45%	0.00%

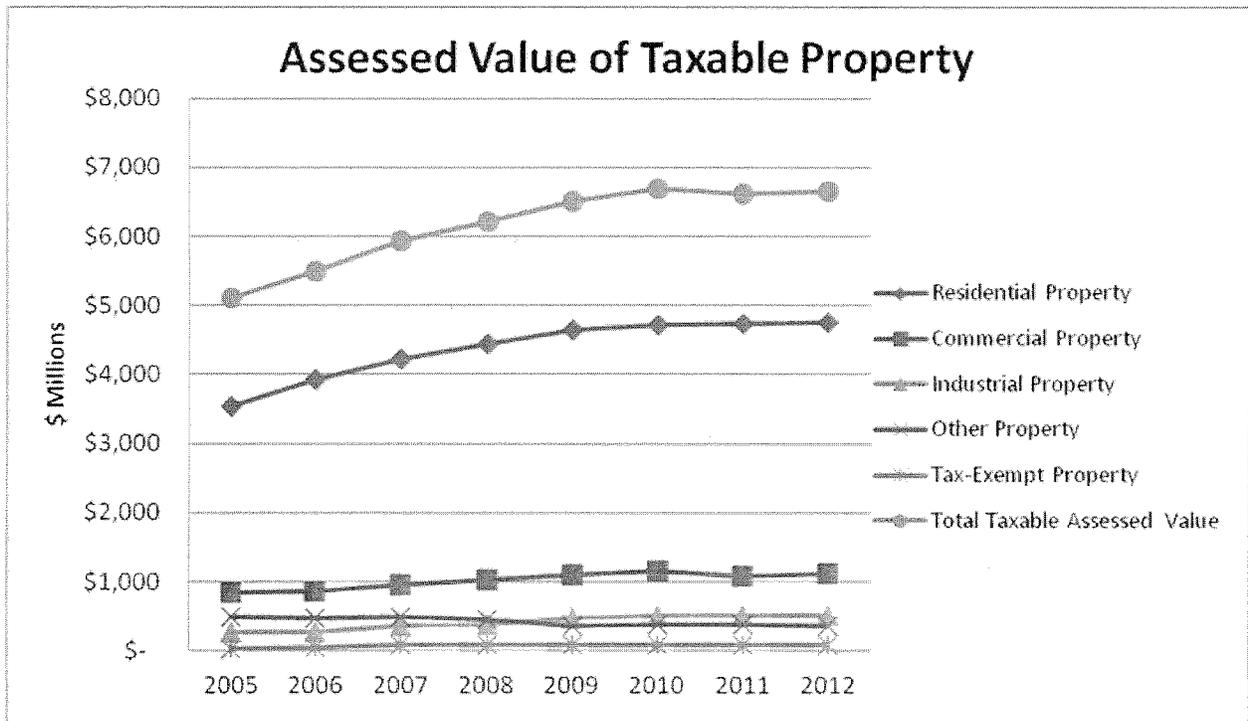
City of Foster City and Estero Municipal Improvement District  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Unassigned									\$ 19,304,982	\$ 20,272,893
Reserved	\$ 16,058,190	\$ 13,334,107	\$ 17,146,836	\$ 16,239,583	\$ 14,763,522	\$ 11,828,982	\$ 8,209,971	\$ 1,159,290		
Unreserved	17,743,376	18,887,235	14,634,507	16,185,228	17,873,192	20,287,727	22,039,476	23,944,755	-	-
Total general fund	\$ 33,801,566	\$ 32,221,342	\$ 31,781,343	\$ 32,424,811	\$ 32,636,714	\$ 32,116,709	\$ 30,249,447	\$ 25,104,045	\$ 19,304,982	\$ 20,272,893
All Other Governmental Funds										
Non-Spendable									\$ 33,527	\$ 32,448
Restricted									28,608,240	10,357,852
Committed									8,911,923	9,572,002
Assigned									1,052,366	964,536
Reserved	\$ 26,015,509	\$ 18,305,306	\$ 20,341,972	\$ 17,691,445	\$ 18,633,237	\$ 20,278,822	\$ 18,018,576	\$ 17,587,790	-	-
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	3,300,455	-	-
Capital projects funds	1,049,774	(3,808,994)	(3,573,312)	(2,667,367)	(228,646)	2,188,916	4,388,977	4,499,907	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 30,360,698	\$ 16,856,462	\$ 19,588,926	\$ 17,233,863	\$ 20,946,190	\$ 25,358,399	\$ 25,156,318	\$ 25,388,152	\$ 38,606,056	\$ 20,926,838

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

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

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Other Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate %
2005	\$ 3,543,421	\$ 837,154	\$ 268,701	\$ 497,151	\$ 36,914	\$ 5,109,513	0.4725
2006	3,927,763	857,293	274,483	479,612	45,780	5,493,371	0.4756
2007	4,219,991	946,856	357,821	499,279	86,616	5,937,331	0.2993
2008	4,442,719	1,026,283	375,300	447,472	87,915	6,203,859	0.2914
2009	4,638,028	1,096,272	479,764	370,726	82,252	6,502,538	0.2957
2010	4,723,627	1,162,396	516,302	379,664	85,466	6,696,523	0.2910
2011	4,728,631	1,090,778	516,043	372,662	83,971	6,624,143	0.2919
2012	4,744,621	1,123,741	512,381	367,993	89,259	6,659,477	0.2877



**Source:** San Mateo County Assessor 2011/12 - 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/decreased:

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

**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**

Fiscal Year	Direct Rates		Total	Overlapping Rates				Total
	Estero Improvement Basic	Estero Improvement Bonds		Countywide Tax (1)	San Mateo Elementary Bonds	San Mateo School Bonds	San Mateo Jr College Bonds	
2003	0.2597	0.0112	0.2709	1.0000	0.0428	0.0165	0.0079	1.0672
2004	0.2597	-	0.2597	1.0000	0.0428	0.0161	0.0065	1.0654
2005	0.2597	-	0.2597	1.0000	0.0384	0.0174	0.0065	1.0623
2006	0.2597	-	0.2597	1.0000	0.0382	0.0174	0.0065	1.0621
2007	0.2597	-	0.2597	1.0000	0.0332	0.0156	0.0184	1.0672
2008	0.2597	-	0.2597	1.0000	0.0333	0.0150	0.0171	1.0654
2009	0.2597	-	0.2597	1.0000	0.0315	0.0298	0.0165	1.0778
2010	0.2597	-	0.2597	1.0000	0.0326	0.0319	0.0182	1.0827
2011	0.2597	-	0.2597	1.0000	0.0341	0.0322	0.0193	1.0856
2012	0.2597	-	0.2597	1.0000	0.0347	0.0383	0.0199	1.0929

**Source:**

**Note:** (1) San Mateo County Assessor 2002/03-2011/12 Tax Rate Table

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 Ten Years Ago**

<u>Taxpayer</u>	FY 20011/2012			FY 2002/2003		
	Taxable	Rank	Percentage	Taxable	Rank	Percentage
	Assessed		of Total City	Assessed		of Total City
	Value		Value	Value		Value
Gilead Sciences Inc.	\$ 413,069,021	1	6.20%			
Visa International Services	224,994,714	2	3.38%			
SPK - Metro Center LLC	193,129,245	3	2.90%	220,764,720	1	4.66%
Applera Corporation	152,622,454	4	2.29%			
Parkside Towers LP	129,000,000	5	1.94%			
Electronic For Imaging Inc	78,240,239	6	1.17%	133,565,769	2	2.82%
BRE Properties	73,946,659	7	1.11%	64,084,571	9	1.35%
ESSEX Harbor Cove Apartments LP	72,300,348	8	1.09%			
Hines VAF No California Properties LP	69,043,066	9	1.04%			
Bayside Towers Inc.	66,115,724	10	0.99%			
Visa Land Development II LP				112,936,280	3	2.38%
PE Corporation NY				108,835,420	4	2.30%
Gateway Phoenix and 5990 Sepulveda				98,554,400	5	2.08%
Spieker Properties LP				94,115,600	6	1.99%
Wilmington Trust FSB Trust				89,940,000	7	1.90%
SPK - Industrial Portfolio LLC				67,700,000	8	1.43%
Theodore H. Kruttschnitt III				53,956,518	10	1.14%
Top Ten Total	<u>1,472,461,470</u>		<u>22.11%</u>	<u>1,044,453,278</u>		<u>22.04%</u>
City Total	<u>\$ 6,659,477,367</u>			<u>\$ 4,738,485,692</u>		

Source: San Mateo County Assessor's Office Fiscal Year Combined Tax Rolls.

**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
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%	56,327	11,144,261	92.91%
2010	12,415,753	11,337,451	91.32%	19,034	11,356,485	91.47%
2011	12,267,181	12,696,154	103.50%	31,783	12,727,937	103.76%
2012	17,066,910	15,111,377	88.54%	-	15,111,377	88.54%

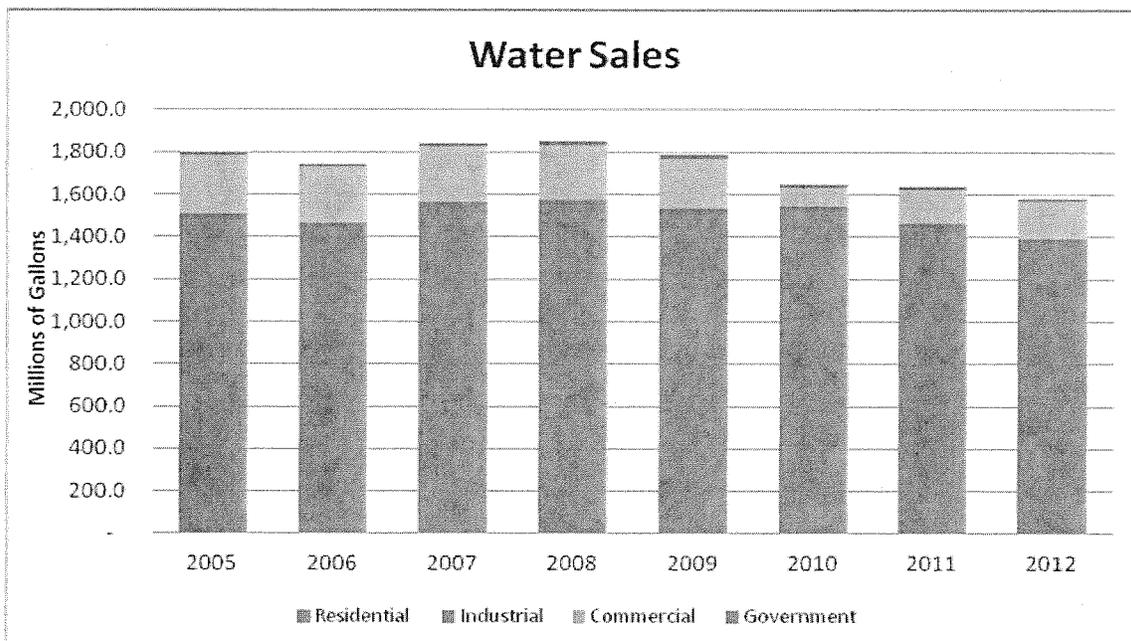
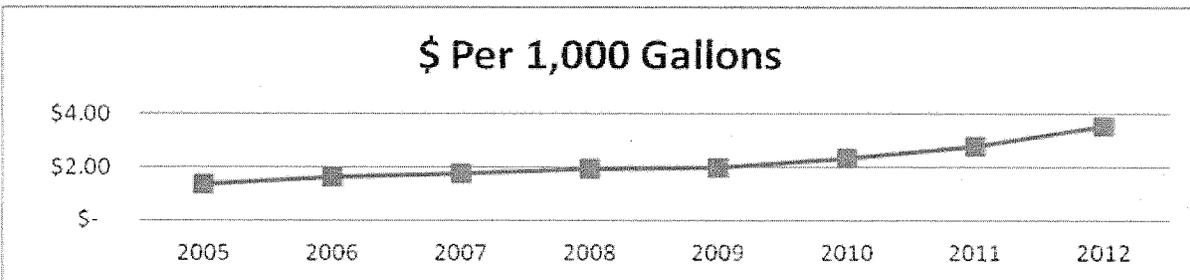
**Notes:**

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

**Estero Municipal Improvement District**  
**Water Sales by Type of Customer**  
**Last Eight Fiscal Years**  
*(in millions of gallons)*

Type of Customer	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Residential	1,483.5	1,444.8	1,543.1	1,551.5	1,510.1	1,523.9	1,448.4	1,376.8
Industrial	22.8	22.9	23.9	24.1	24.4	23.2	18.9	17.8
Commercial	277.5	263.4	259.2	259.4	237.6	86.8	158.8	176.6
Government	15.8	15.1	15.9	16.0	16.6	13.4	14.9	12.5
<b>Total</b>	<b>1,799.6</b>	<b>1,746.2</b>	<b>1,842.1</b>	<b>1,851.0</b>	<b>1,788.7</b>	<b>1,647.3</b>	<b>1,641.0</b>	<b>1,583.7</b>
Total direct rate per 1,000 gallons	\$ 1.36	\$ 1.63	\$ 1.74	\$ 1.91	\$ 2.00	\$ 2.33	\$ 2.79	\$ 3.55

**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 eight years of data.



**Estero Municipal Improvement District**  
**Water and Sewer Rates**  
**Last Ten Fiscal Years**

Water	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Availability / Meter Charge (per Month)</i>										
5/8 inch	\$ 9.50	\$ 9.50	\$ 12.50	\$ 12.50	\$ 12.90	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55
3/4 inch	\$ 9.50	\$ 9.50	\$ 12.50	\$ 12.50	\$ 12.90	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55
1 inch	\$ 23.75	\$ 23.75	\$ 31.25	\$ 31.25	\$ 32.25	\$ 34.75	\$ 39.00	\$ 42.15	\$ 43.90	\$ 43.90
1&1/2 inch	\$ 47.50	\$ 47.50	\$ 62.50	\$ 62.50	\$ 64.40	\$ 69.50	\$ 78.00	\$ 84.25	\$ 87.75	\$ 87.75
2 inch	\$ 76.00	\$ 76.00	\$ 100.00	\$ 100.00	\$ 103.00	\$ 111.20	\$ 124.80	\$ 134.80	\$ 140.40	\$ 140.40
3 inch	\$ 133.00	\$ 133.00	\$ 175.00	\$ 175.00	\$ 180.00	\$ 194.60	\$ 218.40	\$ 235.90	\$ 245.70	\$ 245.70
4 inch	\$ 209.00	\$ 209.00	\$ 275.00	\$ 275.00	\$ 280.00	\$ 305.80	\$ 343.20	\$ 370.70	\$ 386.10	\$ 386.10
6 inch	\$ 399.00	\$ 399.00	\$ 525.00	\$ 525.00	\$ 540.00	\$ 583.80	\$ 655.20	\$ 707.70	\$ 737.10	\$ 737.10
8 inch	\$ 627.00	\$ 627.00	\$ 825.00	\$ 825.00	\$ 850.00	\$ 917.40	\$ 1,029.60	\$ 1,112.10	\$ 1,158.30	\$ 1,158.30
<i>Consumption Charge (per Unit*)</i>										
All Classes	\$ 1.41	\$ 1.57	\$ 1.26	\$ 1.26	\$ 1.29	\$ 1.49	\$ 1.60	\$ 1.73		
Single Family Residential										
0-10 units									\$ 1.57	\$ 2.00
11-20 units									\$ 2.09	\$ 2.66
> 20 units									\$ 4.18	\$ 4.66
Multi Family Residential										
0-5 units									\$ 1.57	\$ 2.00
6-10 units									\$ 2.09	\$ 2.66
> 10 units									\$ 4.18	\$ 4.66
Irrigation										
0-100% of annual water budget									\$ 2.09	\$ 2.66
> 100% of annual water budget									\$ 4.18	\$ 4.66
Commercial and Fire Line										
									\$ 2.09	\$ 2.66
<i>Private Fire Protection Service</i>										
<i>Availability / Meter Charge (per Month)</i>										
3/4 inch	\$ 15.07	\$ 15.07	\$ 21.88	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75
1 inch	\$ 15.07	\$ 15.07	\$ 21.88	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75
1&1/2 inch	\$ 15.07	\$ 15.07	\$ 21.88	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75
2 inch	\$ 24.10	\$ 24.10	\$ 35.00	\$ 35.00	\$ 36.25	\$ 38.92	\$ 43.68	\$ 47.20	\$ 49.15	\$ 49.15
3 inch	\$ 42.18	\$ 42.18	\$ 61.25	\$ 61.25	\$ 63.25	\$ 68.11	\$ 76.44	\$ 82.60	\$ 86.00	\$ 86.00
4 inch	\$ 66.29	\$ 66.29	\$ 96.25	\$ 96.25	\$ 99.25	\$ 107.03	\$ 120.12	\$ 129.75	\$ 135.15	\$ 135.15
6 inch	\$ 126.55	\$ 126.55	\$ 183.75	\$ 183.75	\$ 189.25	\$ 204.33	\$ 229.32	\$ 247.70	\$ 258.00	\$ 258.00
8 inch	\$ 198.86	\$ 198.86	\$ 288.75	\$ 288.75	\$ 297.50	\$ 321.09	\$ 360.36	\$ 389.25	\$ 405.45	\$ 405.45
<b>Sewer</b>										
Residential (per Month)										
Single Family	\$ 31.09	\$ 34.11	\$ 35.13	\$ 35.13	\$ 35.13	\$ 37.94	\$ 40.98	\$ 43.85	\$ 46.05	\$ 46.05
Townhouse	\$ 26.07	\$ 28.68	\$ 29.54	\$ 29.54	\$ 29.54	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75
Duplex	\$ 26.07	\$ 28.68	\$ 29.54	\$ 29.54	\$ 29.54	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75
Apartment / Condominium	\$ 24.66	\$ 27.13	\$ 27.94	\$ 27.94	\$ 27.94	\$ 30.18	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75
Commercial (per Unit* of Water Billed)										
Restaurant	\$ 5.64	\$ 6.20	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.90	\$ 7.45	\$ 7.97	\$ 8.37	\$ 8.37
Miscellaneous	\$ 1.84	\$ 2.02	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.25	\$ 2.62	\$ 2.80	\$ 2.94	\$ 2.94
Institutional (per Unit* of Water Billed)										
School	\$ 1.12	\$ 1.23	\$ 1.27	\$ 1.27	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 2.66
Church	\$ 1.12	\$ 1.23	\$ 1.27	\$ 1.27	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 2.66
Public Facility	\$ 1.12	\$ 1.23	\$ 1.27	\$ 1.27	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 2.66

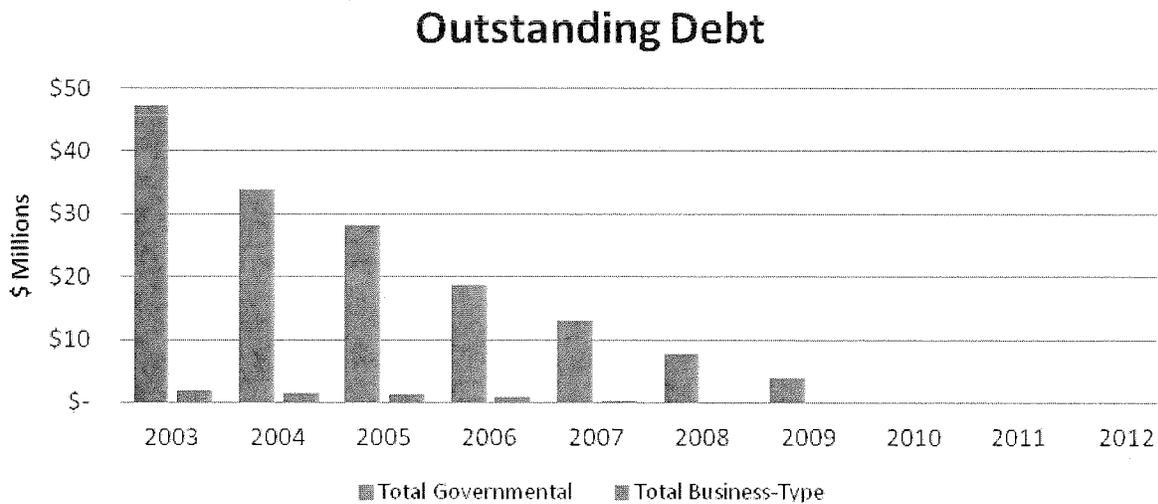
Unit\* = 748 Gallons

Source: City of Foster City Financial Services Department

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds	Sewer Bonds				
2003	\$ 11,501	\$ 26,340	\$ 9,390	\$ 1,859	\$ 49,090	3.160	1,646	
2004	4,941	23,430	5,505	1,582	35,458	2.170	1,188	
2005	3,491	20,400	4,445	1,242	29,578	1.670	990	
2006	1,985	13,385	3,310	785	19,465	0.970	651	
2007	635	10,250	2,100	280	13,265	0.006	438	
2008	-	6,975	800	-	7,775	0.004	257	
2009	-	3,560	415	-	3,975	0.002	131	
2010	-	-	-	-	-	n/a	-	
2011	-	-	-	-	-	n/a	-	
2012	-	-	-	-	-	n/a	-	

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, 2012**

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2011-12 Assessed Valuation:	\$6,647,623,019
Redevelopment Incremental Valuation:	95,346,050
Adjusted Assessed Valuation:	<u>\$6,552,276,969</u>

	Total Debt Outstanding 06/30/12	Percentage Applicable (1)	City's Share of Overlapping Debt 6/30/12
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$595,569,994	5.003%	\$29,796,367
San Mateo Union High School District	455,747,452	14.131%	64,401,672
Sequoia Union High School District	343,070,000	0.008%	27,446
San Mateo-Foster City School District	160,795,007	29.535%	47,490,805
Belmont-Redwood Shores School District	33,874,348	0.050%	16,937
Estero Municipal Improvement District	-	100.000%	-
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$141,733,227</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$324,979,816	5.003%	\$16,258,740
San Mateo County Board of Education Certificates of Participation	11,945,000	5.003%	597,608
Midpeninsula Regional Park District General Fund Obligations	138,474,717	0.007%	9,693
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$16,866,041</u>
TOTAL DIRECT DEBT			\$ -
TOTAL OVERLAPPING DEBT			\$158,599,268
COMBINED TOTAL DEBT			\$158,599,268 (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 2011-12 Assessed Valuation:

Direct Debt .....	0.00%
Overlapping Debt .....	2.13%
Total Direct and Overlapping Tax and Assessment Debt .....	2.13%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt .....	0.00%
Combined Overlapping Debt .....	2.42%
Combined Total Debt .....	2.42%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$ -

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 703,260	\$ 731,087	\$ 759,294	\$ 815,558	\$ 882,082	\$ 922,063	\$ 967,627	\$ 995,982	\$ 985,253	\$ 984,013
Total net debt applicable to limit	4,536	3,059	1,469	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 698,724</u>	<u>\$ 728,028</u>	<u>\$ 757,825</u>	<u>\$ 815,558</u>	<u>\$ 882,082</u>	<u>\$ 922,063</u>	<u>\$ 967,627</u>	<u>\$ 995,982</u>	<u>\$ 985,253</u>	<u>\$ 984,013</u>
Total net debt applicable to the limit as a percentage of debt limit	0.64%	0.42%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

# City of Foster City and Estero Municipal Improvement District

## Demographic and Economic Statistics

### Last Ten Calendar Years

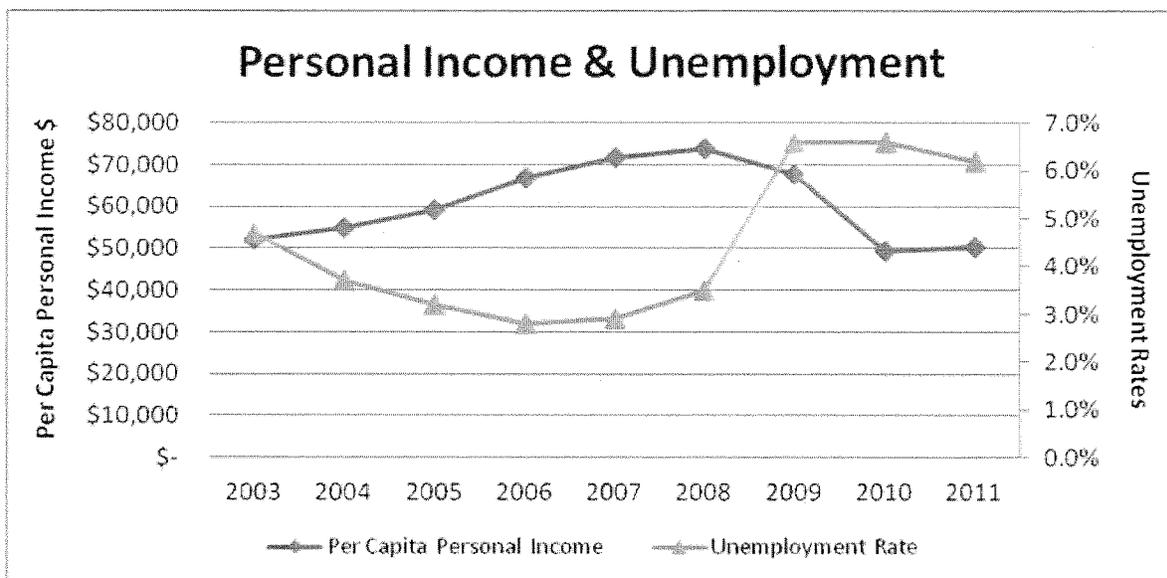
Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2003	29,828	\$ 1,554,128	\$ 52,103	4.7%
2004	29,850	1,635,989	54,807	3.7%
2005	29,876	1,769,048	59,213	3.2%
2006	29,900	1,998,486	66,839	2.8%
2007	30,269	2,171,892	71,753	2.9%
2008	30,308	2,237,912	73,839	3.5%
2009	30,429	2,054,508	67,536	6.6%
2010	30,719	1,516,228	49,358	6.6%
2011	30,790	1,557,571	50,415	6.2%
2012	30,895	n/a	n/a	5.2%

Sources:

Population: State Department of Finance

Personal income: State Employment Development Department for County of San Mateo

Unemployment Rate: Bureau of Labor Statistics for City of Foster City



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

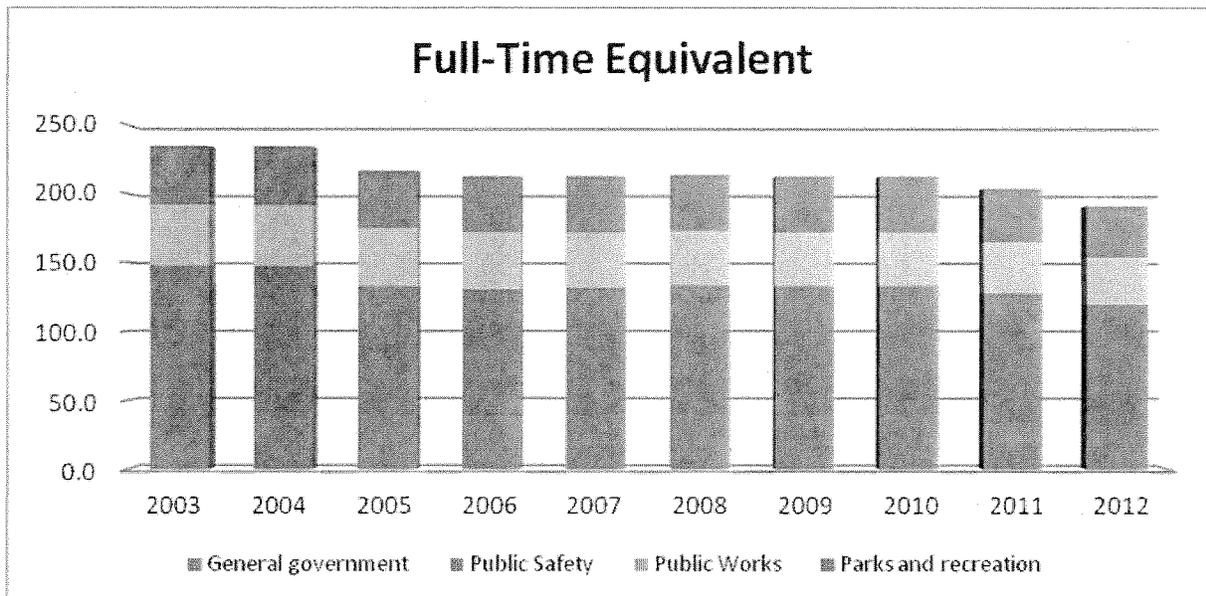
Employer	2007			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Life Technologies	1,578	1	10.56%	1,328	3	8.19%
Electronics for Imaging	1,410	2	9.43%	1,219	4	7.52%
VISA International & VISA USA	1,374	3	9.19%	1,435	2	8.85%
Inovant LLC	1,166	4	7.80%	254	10	1.57%
Gilead Sciences	1,025	5	6.86%	2,231	1	13.76%
Sony Computer Entertainment	725	6	4.85%	742	6	4.58%
Mid-Peninsula Housing	264	7	1.77%			
Stentor Inc.	260	8	1.74%			
QuinStreet, Inc.	253	9	1.69%	964	5	5.94%
City of Foster City	213	10	1.42%			
Costco				376	8	2.32%
IBM Corporation				264	9	1.63%
Rearden Commerce, Inc.				390	7	2.40%
<b>Top Ten Total</b>	<b>8,268</b>		<b>55.30%</b>	<b>9,203</b>		<b>56.75%</b>
<b>City Total</b>	<b>14,950</b>			<b>16,217</b>		

**Source:** 2007 Business License of Financial Services Department  
2012 Business License of Financial Services Department

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

Function/Program	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Management services	18.0	18.0	19.0	19.0	19.0	20.0	19.0	19.0	16.0	14.0
Finance	10.0	10.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0	8.0
Planning	7.0	7.0	5.0	5.0	5.5	5.5	5.5	6.5	5.5	5.0
Building	7.0	6.5	6.0	6.0	6.5	6.5	6.5	5.5	5.5	5.0
Police										
Officers	45.0	45.0	39.0	37.0	37.0	39.0	39.0	39.0	39.0	36.0
Civilians	18.0	18.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	15.0
Fire										
Firefighters and officers	40.0	40.0	36.0	36.0	36.0	36.0	36.0	36.0	35.0	35.0
Civilians	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other public works										
Engineering	12.0	12.0	10.0	9.0	8.0	7.0	7.0	7.0	7.0	6.0
Other	12.0	12.0	10.0	10.0	10.0	10.0	10.0	11.0	9.0	9.0
Parks and recreation	43.0	43.0	42.0	41.0	41.0	41.0	41.0	41.0	39.0	37.5
Water	9.0	9.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	9.0
Wastewater	11.0	11.0	11.0	11.0	11.0	11.0	11.0	10.0	10.0	10.0
<b>Total</b>	<b>235.0</b>	<b>234.5</b>	<b>217.0</b>	<b>213.0</b>	<b>213.0</b>	<b>214.0</b>	<b>213.0</b>	<b>213.0</b>	<b>204.0</b>	<b>191.5</b>

Source: City Budget



**City of Foster City and Estero Municipal Improvement District**  
**Operating Indicators by Function/Program**  
**Last Eight 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>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police								
Physical arrests	797	727	762	769	677	831	728	650
Parking violations	1,065	956	863	891	854	865	624	673
Traffic violations	2,472	1,772	2,396	1,870	2,004	2,811	2,317	2,693
Fire								
Emergency responses	1,882	1,981	1,940	2,095	1,895	1,828	1,873	1,946
Fires extinguished	116	116	105	107	102	85	73	88
Inspections	1,779	1,813	1,102	1,128	1,026	966	1,231	1,143
Other public works								
Street resurfacing (miles)	-	3	1	2	1	1	5	1
Potholes repaired	30	27	30	25	45	70	40	45
Parks and recreation								
Athletic field permits issued	37	48	49	52	45	54	57	64
Community center admissions	8,279	8,481	8,804	9,144	8,648	8,209	8,123	7,582
Water								
New connections	-	6	4	2	-	-	-	7
Water mains breaks	19	17	-	14	6	1	6	6
Average daily consumption (thousands of gallons)	5,174	5,257	5,574	5,520	5,230	4,890	4,822	4,660
Peak daily consumption (thousands of gallons)	10,202	11,146	10,634	10,450	10,530	10,340	9,750	9,165
Wastewater								
Average daily sewage treatment (thousands of gallons)	3,103	3,185	3,074	2,980	2,600	2,450	2,340	2,267

**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 eight years of data.

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

<b>Function/Program</b>	<b>Fiscal Year</b>							
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Police</b>								
Stations	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1
Patrol vehicles	13	13	13	13	13	12	12	12
<b>Fire stations</b>	1	1	1	1	1	1	1	1
<b>Other public works</b>								
Streets (miles)	46	46	46	46	46	46	46	46
Streetlights	1,918	1,918	1,918	1,918	1,918	1,918	2,063	2,062
Traffic signals	20	23	25	25	25	25	25	25
<b>Parks and recreation</b>								
Acreage	104	168	171	210	210	210	210	210
Playgrounds	21	21	21	21	21	21	21	21
Baseball/softball diamonds	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3
Soccer/football fields	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0
Community centers	2	2	2	2	3	3	3	3
<b>Water</b>								
Water mains (miles)	110	110	110	110	110	110	110	110
Fire hydrants	1,149	1,149	1,149	1,149	1,149	1,149	1,153	1,153
Storage capacity (thousands of gallons)	12,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
<b>Wastewater</b>								
Sanitary sewers (miles)	66	66	66	66	66	66	66	66
Storm sewers (miles)	83	83	83	83	83	83	83	83
Treatment capacity (thousands of gallons)	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130
<b>Transit-minibuses</b>	1	1	1	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 eight years of data.

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