

San Mateo County Transportation Authority

San Carlos, California



Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2004



SAN MATEO COUNTY
Transportation
Authority

San Carlos, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

Prepared by the Finance Division

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Section I

INTRODUCTORY

Letter of Transmittal

GFOA Certificate of Achievement

Board of Directors

Executive Management

Organization Chart

Map

Table of Credits

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December 31, 2004

To the Executive Director and Board of Directors of the San Mateo County Transportation Authority and the Citizens of San Mateo County

**Comprehensive Annual Financial Report
Year Ended June 30, 2004**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo County Transportation Authority for fiscal year July 1, 2003 through June 30, 2004. This transmittal letter provides a summary of the Authority's finances, services, achievements and economic prospects for readers without a technical background in accounting or finance. Readers who desire a more detailed discussion of the Authority's financial results may refer to the Management's Discussion and Analysis portion of the Financial Section.

Management assumes sole responsibility for all the information contained in this report, including its presentation and the adequacy of its disclosures. To the best of our knowledge, we believe this report to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect the Authority's assets from loss, to identify and record transactions accurately and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed the likely benefits, the District's internal control system intends to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement.

To test the performance of the internal control system, the Authority contracted for independent auditing services. Vavrinek, Trine, Day & Company, LLP, a certified public accounting firm, expressed an opinion that the District's financial statements are fairly stated and in compliance with accounting principles generally accepted in the United States of America. This conclusion is the most favorable kind and is commonly known as an "unqualified" or "clean" opinion.

PROFILE OF THE ORGANIZATION

Purpose

In June 1988, the voters of San Mateo County approved the creation of the San Mateo County Transportation Authority pursuant to the Bay Area County Traffic and Transportation Funding Act. This Measure A vote funded the Authority through an annual one-half cent sales tax levy and charged it with implementing a Transportation Expenditure Plan to fund transportation projects and programs for a period of 20 years. Measure A authorized a broad spectrum of programs and projects and, whenever possible, the Authority seeks to attract matching state, federal and local funds with Measure A dollars. These efforts have led to effective partnerships with city, county, state and federal staffs in designing and completing projects.

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Interested readers may obtain a copy of the Measure A Transportation Expenditure Plan by contacting:

Director, Transportation Authority Program
San Mateo County Transportation Authority
1250 San Carlos Avenue
San Carlos, California 94070-1306 or go on-line to www.smcta.com/expenditure_plan/complete.pdf

Entity

The Authority is legally separate and financially independent and is not a component unit of the County of San Mateo or any other entity. Therefore, this comprehensive annual financial report and the financial statements contained within represent solely the activities, transactions and status of San Mateo County Transportation Authority.

Governance

A seven-member Board of Directors governs the San Mateo County Transportation Authority with input from a 15-member Citizens Advisory Committee. The Board members are selected as follows:

- The publicly elected County Board of Supervisors appoints two of its members to serve on the Board.
- Local governments participate in a Cities Selection Committee to appoint four Board members, one each to represent North County, Central County, South County and cities-at-large interests.
- The San Mateo County Transit District appoints one Board member.

The Board of Directors meets once a month to determine overall policy for the Authority and to review the progress of the Transportation Expenditure Plan, which organizes projects into the following six programs:

- Public Transit
- Street and Highway Improvements
- Paratransit
- Transportation Systems Management
- Bicycles
- Local Programs

Administration

The Measure A vote designated the San Mateo County Transit District ("District") to provide administrative and staff services under the direction and oversight of the Authority Board of Directors. District staff manages the funds collected through the one-half cent sales tax and delivers projects per the Transportation Expenditure Plan. The Authority reimburses the District for the cost of these services through direct charges to Authority cost centers and also through overhead rates approved by the U.S. Department of Transportation. Currently, District divisions and their departments provide a complete and responsive team for all Authority activities as follows:

The *Administration Division* is responsible for purchasing, contract administration, information technology, risk management, security, safety, and human resources.

The *Communications Division* is responsible for marketing, advertising, media relations, public information, distribution, sales, media relations and customer service.

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The *Development Division* is responsible for oversight of the Transportation Expenditure Plan, strategic planning, capital and grants budgeting, legislative activities, property management and capital project engineering and construction.

The *Executive Division* is responsible for directing and overseeing all activities and for supporting the Board of Directors.

The *Finance Division* is responsible for financial accounting and reporting, capital and grant administration, payroll and vendor disbursements, cash, investment and debt management, revenue control and operational budgeting.

The *Operations Division* is responsible for Samtrans bus service, Caltrain rail service, employer and other shuttles, BART service in San Mateo County, paratransit service pursuant to the requirements of the Americans with Disabilities Act (ADA), service planning and quality assurance.

Budgetary Control

State law requires the adoption of an annual budget by resolution of the Board of Directors. In the spring preceding the July 1 start of each fiscal year, staff presents an annual budget based on established agency goals, objectives and performance measures to the Board of Directors. Where proposed expenditures exceed projected revenues, the presentation may include the use of financial reserves to balance the budget. The Board of Directors monitors budget-to-actual performance through monthly reports provided by staff. Supplemental schedules comparing the adopted budget to actual results on a budgetary basis of accounting for fiscal year 2004 are included in the Financial Section of this report.

Once adopted, the Board has the authority to approve and amend the budget. While the legal level of budgetary control is at the entity level, the Authority may maintain stricter control at division, departmental or line item level to serve various needs. Cost center managers monitor budget-to-actual performance monthly on an accrual basis. While the Board has delegated the authority to transfer budget amounts between divisions to the Chief Executive Officer, any increase to the expenditure budget as a whole requires the approval of the Board of Directors. In addition, the Authority uses the encumbrance system to reduce budget balances and purchase orders are issued to avoid over-commitment of resources.

The District budget employs the same accounting basis and principles as those for actual revenues and expenditures, with the exceptions that proceeds from the sale of fixed assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget. As a special purpose organization established pursuant to joint powers legislation, the District is not subject to the State of California's Gann Act requiring adherence to an annual appropriation limit. The pie charts in this letter show actual results for the major revenue and expense categories of fiscal year 2004 budget.

STRATEGIC PLANNING

San Mateo County, located between the financial and technology centers of San Francisco and Silicon Valley, enjoys a unique position and role in the Bay Area. Home to technology industries, as well as one of the largest airports in the nation, San Francisco International, the county has experienced significant employment growth during the last decade. Although the economy and employment levels have retrenched recently, long-term projections still anticipate significant growth. Traffic congestion associated with new office complexes and airport expansion has placed a strain on the transportation system and adversely affected the quality of life in San Mateo County. Reducing current congestion levels and preserving the traditional quality of life in the county will require transportation systems management strategies that leverage new cost-effective projects.

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The Transportation Expenditure Plan is an integral element in a countywide plan to meet current and anticipated transportation requirements. The Authority has a significant fund balance designated for capital construction projects, of which less than half is committed to existing projects. However, the Authority also expects a funding shortfall for the overall Transportation Expenditure Plan due to three factors. Firstly, the currently projected cost of all projects exceeds the original amount anticipated when the Authority was created. Secondly, the continuing weakness in local economy has led to a decline in anticipated sales tax revenue over the life of the Authority. Finally, state transportation funds have failed to provide the originally expected share of project costs. The Authority will prioritize and fund selected projects based on this new level of sales tax receipts and not all projects in the Expenditure Plan will be undertaken.

Measure A is due to expire in 2008, per the voter approval in 1988. Once created, the Authority is governed by the California Public Utilities Code (PUC). Section 131056 of the PUC requires the Authority to prepare a proposed, new Transportation Expenditure Plan for approval of the county supervisors at least one year prior to expiration. Once the new plan is approved, the PUC also requires the county to submit the question of the Authority's reauthorization at the next primary or general election. The Authority worked with the County of San Mateo, the City/County Association of Governments (C/CAG) and the Peninsula Policy Partnership (P³) on the reauthorization process. The Authority also solicited input and project ideas from county residents. Measure A reauthorization was placed on the countywide ballot in November 2004 and 76 percent of voters approved a 25-year extension through 2033.

CURRENT PROGRAMS

Public Transit Programs

Authority Measure A funds and contributions from the San Mateo County Transit District support the County's share of the Peninsula Corridor Joint Powers Board ("PCJPB"). The PCJPB provides public transit services via its "Caltrain" railroad over a 77-mile right of way extending from the City of San Francisco in the north to the City of Gilroy in the south. Projects funded include new construction, improvements and studies for the following:

- Railway and trackage
- Maintenance facilities
- Passenger stations
- Parking facilities
- Grade crossings
- Grade separations

Notable projects supporting the PCJPB during fiscal year 2004 include:

- Funding for grade separation studies at South Linden in South San Francisco and Poplar to Tilton Avenues in San Mateo.
- Funding for the new Bayshore Caltrain Station.
- Provision of local match requirements for federally funded capital construction grants.
- Design of a new maintenance, storage and operations facility for Caltrain locomotives and passenger cars, consolidating existing maintenance locations and providing additional capacity and flexibility for future needs.
- Preliminary design for the San Bruno grade separation project.
- Design of station improvements at Broadway, Burlingame, Hillsdale and Atherton.

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Street and Highway Improvements Program

Measure A funds support new construction, improvements and studies for a wide range of street and highway projects. The following are some types of projects undertaken:

- Roadway widening
- Interchange reconstruction
- Highway ramp modification
- Travel pattern forecasts

Notable projects during fiscal year 2004 include:

- To help alleviate traffic congestion along the Highway 101 Corridor, design of auxiliary lanes from Third Avenue to Millbrae Avenue, design of auxiliary lanes from Marsh Road to the San Mateo and Santa Clara County lines and construction of auxiliary lanes from Marsh Road to Ralston Avenue.
- Construction of the highway improvements at the Oyster Point Interchange on Highway 101 that connects Brisbane and South San Francisco to provide traffic congestion relief.
- Design of safety-related improvements to State Route 92 from Half Moon Bay city limits to Pilarcitos Creek realigning the existing roadway and correcting curves at critical locations.
- Preliminary design studies for improvements to Routes 1, 84, 92, 101 and 280.

Paratransit Programs

The San Mateo County Transit District provides services under its Redi-Wheels program to public transit customers with disabilities pursuant to the Americans with Disabilities Act (ADA). The District has certified approximately 7,000 county residents as eligible for paratransit service and 100 new applicants are certified every month. Service is available 365 days a year, from 5:30 a.m. to midnight. Twenty-four hour service is available in some limited areas.

The San Mateo County Transportation Authority established a \$25 million Paratransit Permanent Fund (formerly known as the Paratransit Trust Fund) to support Redi-Wheels and the fund made its first contribution of investment earnings to Redi-Wheels in 1990. Since that time, the Redi-Wheels program has provided approximately 2.0 million paratransit trips in support of persons with disabilities. Permanent Fund proceeds have been used to add new vehicles, expand the training program encouraging customers to use regular fixed-route service when they are able and make improvements to service delivery. The Authority will continue to provide Paratransit Permanent Fund earnings to enhance paratransit service.

Transportation Systems Management Programs (TSM)

The Authority also has funded transportation systems management programs aimed at reducing vehicular traffic on congested freeways and busy city streets. These customized programs target both infrastructure problems and personal driving habits. TSM programs have an incremental, but discernible impact on reducing traffic congestion and improving air quality in San Mateo County and the San Francisco Bay region.

For the past five years, the Authority has provided the majority of its TSM funding to the Peninsula Congestion Relief Alliance, which serves 15 cities. The Alliance concentrates on four primary activities:

- 1) Outreach to employers in the Redwood Shores area and other business centers;
- 2) Organizing vanpools and carpools;
- 3) Outreach to new commercial developments; and
- 4) Organizing employer shuttles to and from Caltrain stations.

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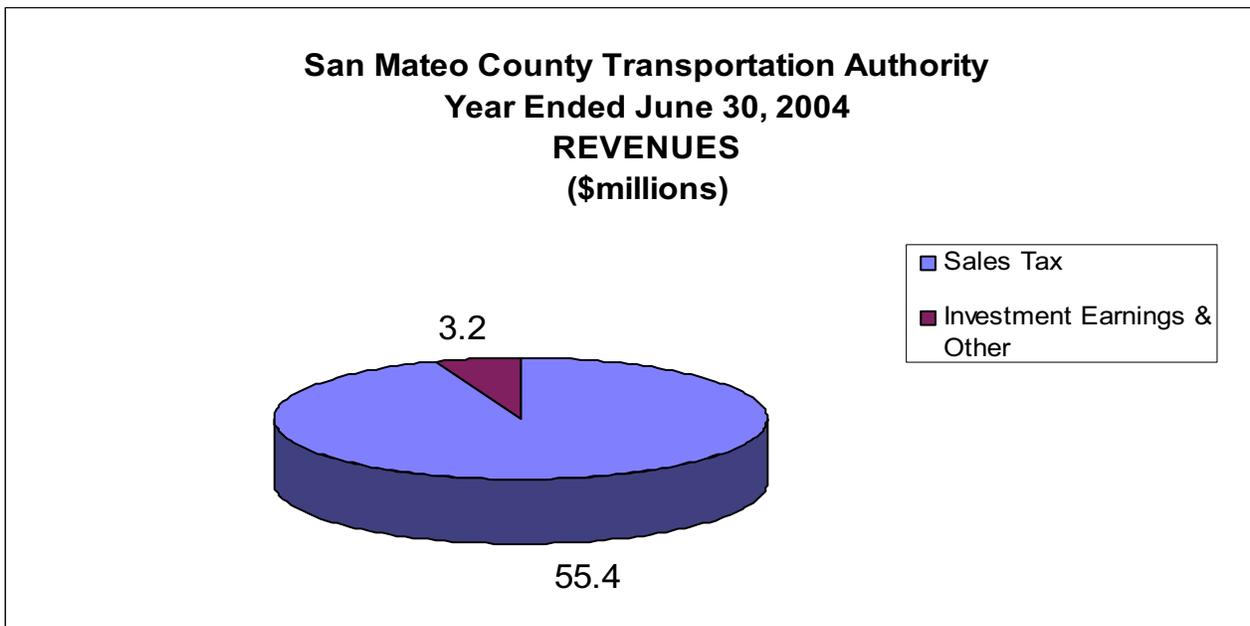
Other programs and projects include bike locker subsidies, transit incentives, interconnecting traffic signals, shuttles, guaranteed ride home programs and transit passes. The overall goal of the TSM programs is to transfer 30 to 35 percent of all commute trips to alternative transportation modes at least twice per week.

Bicycle Programs

Several years ago, the Authority advanced funds to the Bicycle Advisory Committee to print San Mateo County bicycle maps. These funds, which were a multi-year commitment, represented about one-fifth of the total allocated toward bicycle projects during Measure A's 20-year life.

Local Programs

The Authority earmarks and distributes 20 percent of its annual Measure A sales tax revenue to local cities and San Mateo County for various transportation-related improvements according to a formula based on population and number of road-miles. During fiscal year 2004, local agencies received \$11.1 million, bringing the total local aid since the inception of Measure A to \$144.9 million. The recipients of these funds principally use them for street and road projects.



FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Ranking second in affluence among Northern California counties, San Mateo County has a growing and maturing economy. With significant employment in diverse industries such as technology, finance, education, conventions, tourism, agriculture, and manufacturing, the Authority's service area does not depend on any one sector for its prosperity. Despite the recent economic downturn and a slower recovery than in other regions, this broad employment base promises long-term stability and job growth for its residents.

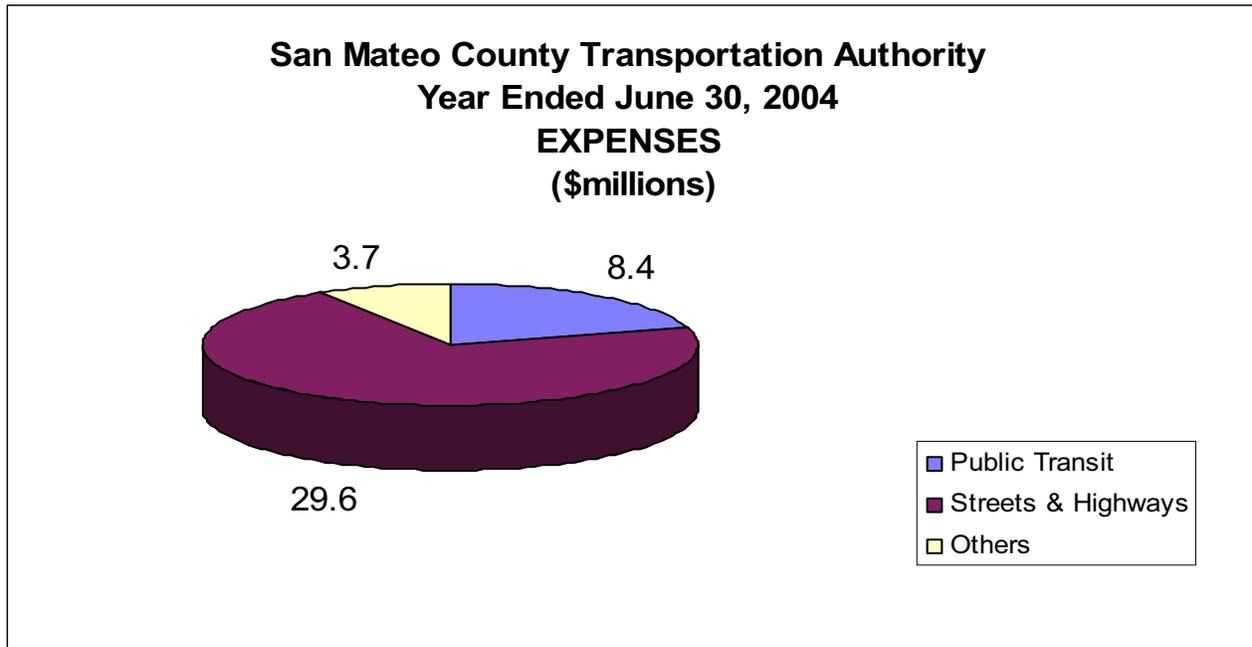
In the last half of fiscal year 2001, the signs of economic slowdown appeared in the Bay Area as unemployment rose, real estate prices fell and consumers curtailed spending. While real estate prices recovered more quickly, unemployment continued to rise and retail sales continued to decline into 2003. The

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Authority's sales tax receipts increased slightly in 2004 over 2003 and it has budgeted a three percent increase for 2005. The successful public vote in November 2004 in favor of renewing the Authority's mission for another twenty-five years also illustrates increasing citizen confidence in the economic prospects for San Mateo County.

Cash Management

The Board of Directors has adopted an investment policy as prescribed by the State of California law. This policy emphasizes safety and liquidity over return on investment. Within these parameters, the Authority pursues a prudent, cash management and investment program to achieve maximum return on all available funds. The Authority's policy is to hold securities to maturity to avoid losses from a potential sale. All of the Authority's unrestricted cash and investments as of June 30, 2004 were on deposit with either Bank of America, invested in the San Mateo County Treasurer's investment pool or invested in the State of California State Treasurer's Local Agency Investment Fund. Deposits are insured by the federal depository or covered by collateral.



Risk Management

The Authority is not exposed to a significant number of risks, as its primary function is to receive and allocate one-half cent sales tax to various state and local agencies that construct projects funded by the Authority. These agencies indemnify the Authority against all claims, both of commission and omission. During the audit period, the Authority and its managing entity, the San Mateo County Transit District, had an aggregate insurance coverage of \$100 million.

Pension and other post-employment benefits

As mentioned above, the Measure A vote that created the Authority designated the San Mateo County Transit District ("District") as providing staff services in support of the Authority's mission. District staff participates in the Public Employees Retirement System of the State of California, including post-retirement health benefits. However, since the persons supporting the Authority are legally employees of the District, the Authority has no retirement or post-employment benefits obligations to them.

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AWARDS AND ACKNOWLEDGMENTS

The employees of the San Mateo County Transportation Authority and its contracted consultant firms bring an effective combination of skills, experience and dedication to carrying out the Authority's mission. Together, they plan, develop and finance the creation of a modern, coordinated multi-modal transportation system offering convenient access to the many opportunities of the Bay Area and beyond. As the region recovers from the economic downturn of the past few years, the Authority expects the continued zeal and dedication of its transit professionals to meet the transportation challenges of the future.

The Government Finance Officers Association (GFOA) recognized the Authority's 2003 Comprehensive Annual Financial Report for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both generally accepted accounting principles and applicable legal requirements. We believe our 2004 Comprehensive Annual Financial Report also meets the requirements for a Certificate of Achievement and we are submitting it to the GFOA for evaluation. We thank our independent audit firm, Vavrinek, Trine, Day and Company LLP, for its timely and expert guidance.

A comprehensive annual financial report requires the dedicated effort of many individuals working together as a team. We extend our grateful recognition to all the individuals who assisted in both the preparation of this report and the processing of financial transactions throughout the fiscal year. Finally, we wish to thank the Chief Executive Officer and the Board of Directors for its interest and support in the development of a strong financial system.

Respectfully submitted,



Virginia Harrington
Chief Financial Officer



Stanley B. Arend, III
Director, Accounting

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

Presented to
**San Mateo County
Transportation Authority,
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

BOARD OF DIRECTORS

MARK CHURCH, Chair

JOHN LEE, Vice Chair

JOE GALLIGAN

RICH GORDON

MICHAEL P. GUINGONA

LEE PANZA

MARK CHURCH was elected to the Board of Supervisors in 2000 and re-elected to a second term in 2004. He served as president of the Board in 2004. Supervisor Church was appointed to represent the Board of Supervisors on the San Mateo County Transportation Authority Board of Directors in 2001 and currently serves as its chair. He also serves as vice chair of the Airport/Community Roundtable, vice chair of the Airport Land Use Committee and co-chair of the Child Care Partnership Council. In 2001, Supervisor Church was appointed by the Governor to represent local government throughout the State of California on the State Seismic Safety Commission. Prior to his election to the Board of Supervisors, he served as Mayor and City Council member of the City of Millbrae. Supervisor Church is a third generation Californian and a San Mateo County native. He received his Bachelors degree in Business Administration (magna cum laude) from the University of the Pacific in 1973 and his Juris Doctor degree from McGeorge School of Law in 1976. He was admitted to the California Bar in 1976 and has been in private practice for more than 25 years.

JOHN LEE initially, was appointed to the San Mateo City Council by the Board of Supervisors in 1998. He was elected to the seat in 1999 and reelected in 2003. Director Lee was appointed to the board of directors of the San Mateo County Transportation Authority in 2000 and is currently vice chair. Director Lee served in the United States Marine Corps for 22 years, serving in Korea and Vietnam. Director Lee is one of the founders of Telogy, Inc. a high technology electronics company in Union City. He is a member of the Airport Community Roundtable and serves on the board of directors of the American Heart Association.

JOSEPH GALLIGAN was elected to the Burlingame City Council in 1997 and served as mayor in 2001. He joined the San Mateo County Transportation Authority Board of Directors in 2002. In addition to sitting on many budget advisory committees, including the San Mateo Unified High School District and Community GatePath, Director Galligan has served on many local non-profit boards of directors including Burlingame Rotary, Mission Hospice, Legal Aid Society of San Mateo County and former bank director of both Mid-Peninsula Bank and Peninsula Bank of Commerce. Additionally, Director Galligan was chair of the 2002 San Mateo County, San Francisco County Special Olympics Walk for Gold. Director Galligan was raised in and still lives in Burlingame. He attended local schools and, after receiving a Bachelor of Accountancy, completed his Masters of Science in Taxation from Golden Gate University. He is a Certified Public Accountant and started his own accounting practice in 1980, specializing in tax planning, business valuation, litigation services and tax return preparation.

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RICH GORDON has served as a member of the San Mateo County Board of Supervisors since 1997. He was appointed to represent the Board of Supervisors on the San Mateo County Transportation Authority Board of Directors in 1999. Prior to his election to the San Mateo County Board of Supervisors, Supervisor Gordon was a member of the county Board of Education, to which he was elected in 1992 and re-elected in 1996. Between 1976 and 1992, he worked in the non-profit sector, originally with the YMCA and later with Youth and Family Assistance. Supervisor Gordon created some of the most innovative social programs for at-risk youth, including DayBreak, the first suburban shelter for homeless youth in the county, and MiMe's Café in Redwood City. He is a third generation Californian, having been born and raised in San Mateo County.

MICHAEL P. GUINGONA was elected to the City Council of Daly City in 1997. He currently is serving his third term on the Daly City Council and his term expires in 2006. In addition to his duties as a city council member, Mr. Guingona represents a larger constituency as a member of the Board of Directors of both San Mateo County Transit District (Samtrans) and the San Mateo County Transportation Authority. He is actively involved with the Sister City Committee and was instrumental in initiating the Daly City-Quezon City (Philippines) Sister City partnership. His professional affiliations include membership in the California Trial Lawyers Association, the State Bar of California, the Bar Association of San Francisco, the Filipino Bar Association of Northern California, and the California Public Defenders Association. He was born in San Francisco and raised in the City of Daly City. Director Guingona runs his own law firm in San Francisco.

LEE PANZA was elected to the city council of Brisbane in November 1989. He is currently serving his fourth term and has twice served in the capacity of mayor. Director Panza was appointed to the San Mateo County Transportation Authority Board of Directors in 1996. As a former volunteer firefighter for Brisbane, he now serves on the board of the North County Fire Authority. Mr. Panza also is a director of the City and County Association of Governments (C/CAG) and chairs its legislative committee. Active in community affairs, he is a long-standing member of the Brisbane Lions Club and an adult leader for Boy Scout Troop 134. He is an Eagle Scout himself. Director Panza has made a career in the Bay Area construction industry, first as a journeyman carpenter and more recently in construction management.

EXECUTIVE MANAGEMENT

EXECUTIVE DIRECTOR

Michael J. Scanlon

DEPUTY EXECUTIVE DIRECTOR

Howard Goode

SPECIAL ASSISTANT TO THE CEO

Mark Simon

CHIEF OFFICERS

George Cameron, Chief Administrative Officer

Virginia Harrington, Chief Financial Officer

C. H. (Chuck) Harvey, Chief Operating Officer

Rita Haskin, Chief Communications Officer

Ian McAvoy, Chief Development Officer

ADMINISTRATIVE & BOARD SUPPORT

Martha Martinez, Manager, Executive/Governing Boards Support

Jennifer Hardie, Administrative/Board Secretary

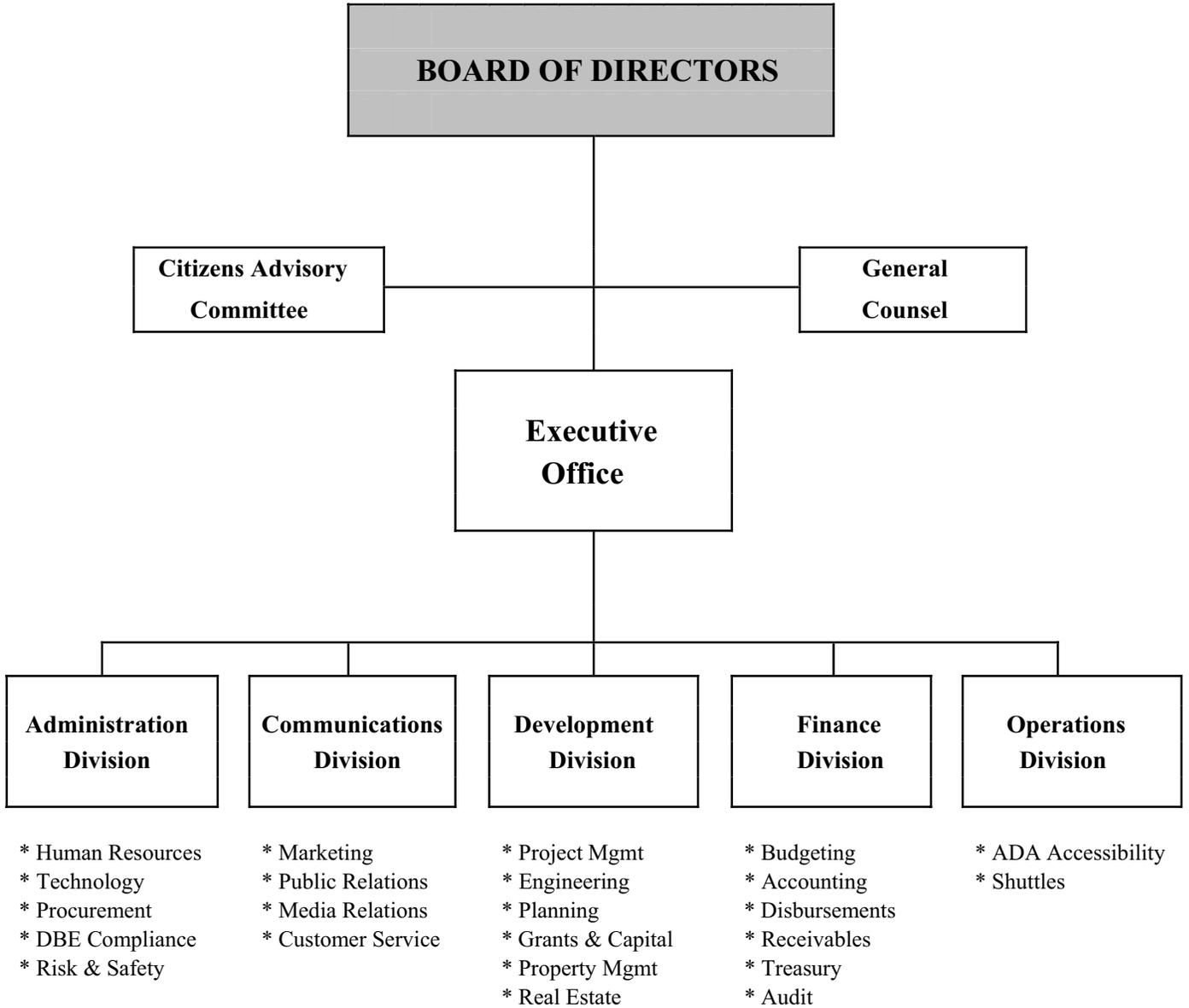
GENERAL COUNSEL

Hanson, Bridgett, Marcus, Vlahos & Rudy

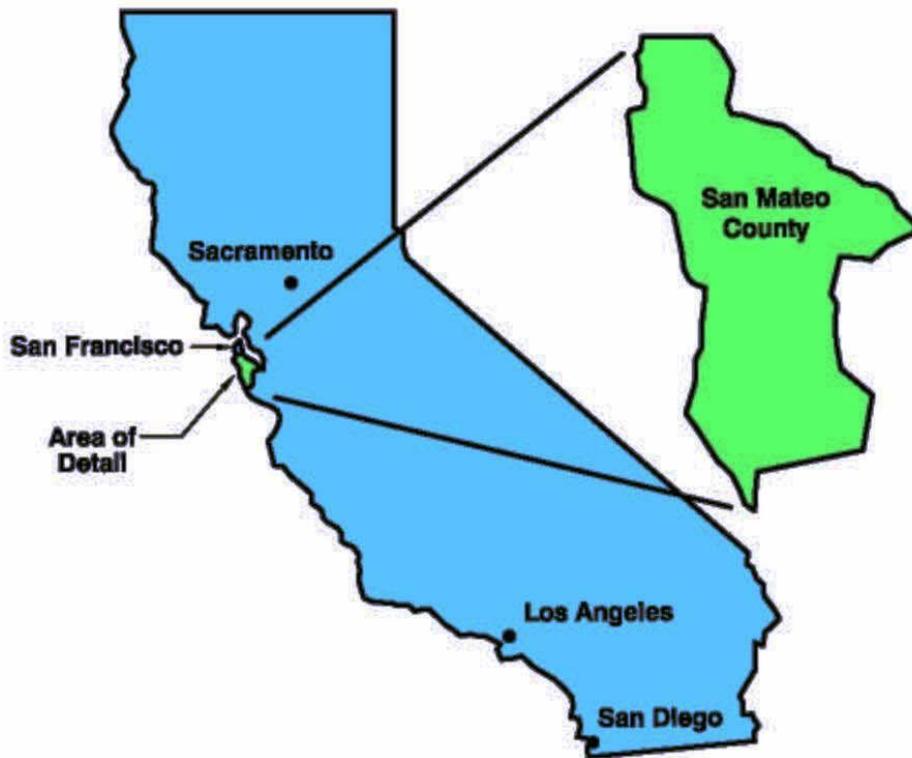
David J. Miller

Joan Cassman

ORGANIZATION CHART



San Mateo County, California



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TABLE OF CREDITS

The following individuals contributed to the production of the fiscal year 2004 Comprehensive Annual Financial Report:

<u>Finance:</u>	Donna Fong	Manager, Capital & Grants Accounting
	Carol Lawson	Manager, Treasury
	Neng Pacumio	Senior Accountant
	Dina Stewart	Manager, General Ledger
<u>Development:</u>	Joseph Hurley	Director, Transportation Authority Program
	Jim McKim	Senior Engineer
<u>Information Services:</u>	Rosalie Ganoy	IT Help Desk
<u>Audit Firm:</u>	Roger Alfaro	Audit Manager
	Ahmad Gharaibeh	Staff Auditor

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Section II

FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- **Government-wide Financial Statements**
- **Fund Financial Statements**
- **Notes to the Basic Financial Statements**

Required Supplementary Information

Other Supplemental Information

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
San Mateo County Transportation Authority
San Carlos, California

We have audited the accompanying basic financial statements of the San Mateo County Transportation Authority (the Authority) of California, as of and for the year ended June 30, 2004. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2004, and the results of its operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements as of June 30, 2003, were audited by other auditors whose report, dated October 3, 2003, expressed an unqualified opinion on those statements.

The other comparative data for the fiscal year ended June 30, 2003, presented as additional analytical data as explained in Note 1(H), is derived from the audited financial statements for the year ended June 30, 2003 which were audited by other auditors and whose report, dated October 3, 2003, expressed an unqualified opinion on those statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2004, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedule and its accompanying notes on pages 35 through 36, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on combining fund statements listed in the table of contents as of and for the year ended June 30, 2004, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The budgetary schedules on pages 39 through 41 were not audited by us and we express no opinion on them.

Varrinck Trime Day + Co. LLP

San Jose, California
October 8, 2004

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

To the Board of Directors of the
San Mateo County Transportation Authority
San Carlos, California

We have audited the basic financial statements of the San Mateo County Transportation Authority (the Authority) of California, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance

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

This report is intended solely for the information and use of the management, others within the Authority, and the Authority Board, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek Trine Day + Co. LLP

San Jose, California
October 8, 2004

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BASIC FINANCIAL STATEMENTS
Management's Discussion and Analysis

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis of the San Mateo County Transportation Authority's financial performance provides an overview of the Authority's activities for the fiscal year ended June 30, 2004 with comparisons to prior year performance. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Financial Section.

FINANCIAL HIGHLIGHTS

- Total assets stand at \$387.3 million as of June 30, 2004, an increase of \$3.1 million or 1.0 percent compared to the previous fiscal year. The increase is mainly attributable to sales tax revenue, net of unrealized losses on investment, exceeding current year expenditures. Of this amount, \$350.7 million is held as cash and investments.
- Total liabilities decreased \$12.9 million or 22.2 percent between fiscal years to \$45.2 million. Repayment of limited tax bonds and the liquidation of capital-related obligations account for the majority of this reduction.
- The year-end *Unreserved Fund Balance* for the Special Revenue Fund was \$322.2 million, up \$13.7 million or 4.5 percent from the prior fiscal year due to, as stated above, sales tax revenue exceeding current year expenditures.
- Sales tax revenue was \$55.4 million in fiscal year 2004, a slight increase of \$.5 million or 1.0 percent compared to the prior fiscal year. This positive result was an indication of an improving economy which had suffered considerably in prior years.
- The Authority expended \$24.6 million in capital outlays for fiscal year 2004, a decrease of \$3.7 million or 13.2 percent over the prior fiscal year. Of this amount, the Authority used \$17.9 million to upgrade the streets and highways within the county of San Mateo.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this report presents the Authority's basic financial statements in three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information also appears in addition to the basic financial statements themselves.

Government-wide Financial Statements.

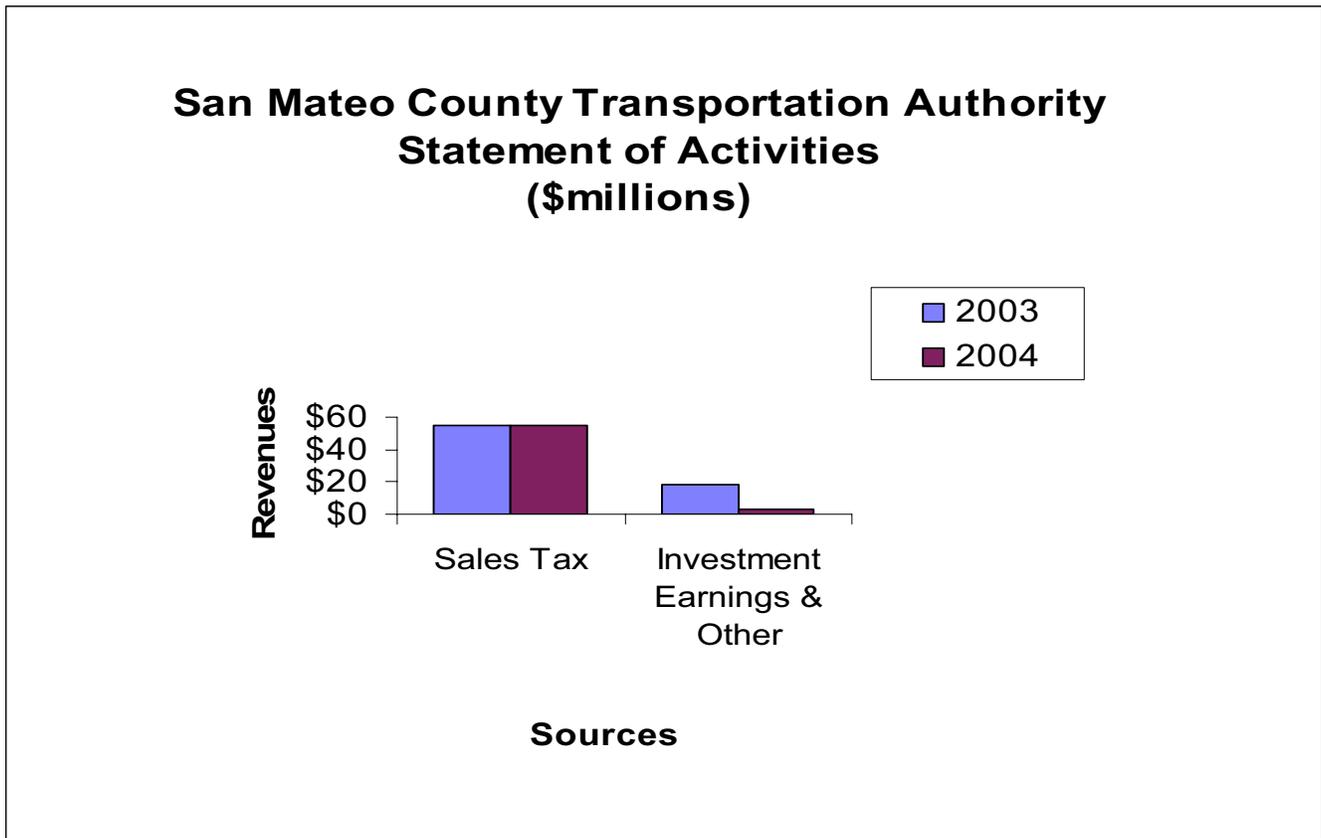
The *Statement of Net Assets* presents information on the Authority's assets and liabilities, with the difference reported as *net assets*. Changes in net assets over time provide an indicator of whether the financial position of the government is improving or deteriorating. When both restricted and unrestricted net assets are available for the same purpose, the Authority uses restricted resources only after unrestricted resources are depleted.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2004

The *Statement of Activities* reports how the Authority's net assets have changed during the fiscal year ended on June 30, 2004. It presents a comparison between direct expenses and related revenues for each function or program of the Authority. Direct expenses are those specifically associated with and clearly identifiable to a particular program or function. Related revenues refer to charges paid by recipients of program goods or services. Revenues not classified as program or functional revenues, such as sales tax, are presented instead as general revenues. The Authority reports all changes in net assets as soon as underlying events occur, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in the *Statement of Activities* result in cash flows only in future periods.



Fund Financial Statements

A *fund* is a set of accounts used to control resources segregated for specific activities or objectives. Fund financial statements report funds classified as *major* individually. Funds classified as *nonmajor* are grouped and reported in a single column. Elsewhere in this report, *combining statements* report data for each of the nonmajor funds. The Authority uses fund accounting to ensure compliance with various legal requirements, such as the annually adopted budget. Accordingly, certain financial statements in this report provide a comparison between budgeted and actual amounts.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

The Authority classifies all of its funds as *governmental*. Unlike the *government-wide* financial statements discussed above, the financial statements for *governmental funds* focus on the inflows, outflows and balances of spendable resources, rather than *net assets*. This information is useful for evaluating the Authority's current financing requirements.

The Authority reports the following *major governmental funds* in individual columns:

The *Special Revenue Fund* accounts for the proceeds of the half-cent sales tax, which are legally restricted to expenditures for specific transportation improvement projects authorized in a referendum approved by San Mateo County voters. This referendum is called *Measure A* and the list of eligible projects is called the *Transportation Expenditure Plan*.

The *Debt Service Fund* accounts for the accumulation of resources for and the payment of long-term debt principal and interest.

The Authority reports the following *nonmajor governmental funds* in an aggregated column:

The *Paratransit Permanent Fund* was established pursuant to the *Transportation Expenditure Plan* and maintains a principal balance of \$25.0 million from *Measure A* sales tax revenues. This fund will exist in perpetuity and investment earnings on the principal balance transfer to the *Paratransit Special Revenue Fund*.

The *Paratransit Special Revenue Fund* accounts for the investment earnings of the *Paratransit Permanent Fund* plus additional allocations from the Authority and contributions from the San Mateo County Transit District according to a consumer price index (CPI) formula. Upon the advice of the San Mateo County Paratransit Coordinating Council and the District, the Authority distributes the resources of this fund to local entities for programs supporting the transportation needs of persons with disabilities.

The *Transportation System Management (TSM) Special Revenue Fund* accounts for a *restricted reserve account* established pursuant to Board Resolution No. 1989-12 passed on July 6, 1989. This resolution authorized the transfer of \$5.0 million to an interest-bearing account for a TSM program pursuant to the *Transportation Expenditure Plan*. Prior to October 7, 1999, interest accrued in this account supported TSM activities. On October 7, 1999, Board Resolution No. 1999-20 amended and clarified Resolution 1989-12. The amendment stated the intent of the Authority is to cease making annual allocations for TSM activities from the interest proceeds of the *restricted reserve account* and to make the required annual allocations from the principal of the account.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the *government-wide* and *fund* financial statements. Various notes are found immediately following the financial statements to which they refer.

Other Information

This report also presents certain *required supplementary* information concerning compliance with the Authority's annual budget. This information, as well as associated notes, immediately follows the *basic financial statements* and the accompanying notes. The combining statements referred to earlier that present nonmajor governmental funds appear immediately following the *additional supplementary* information on budget comparisons.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Government-wide Financial Analysis

At the end of fiscal year 2004, the Authority's total assets were \$387.3 million, an increase of \$3.1 million or 1.0 percent over the previous fiscal year. Cash and investments comprise \$350.7 million of this amount. With only \$45.2 million in total liabilities, the Authority is in an excellent position to meet its obligations for current construction projects. Together, existing encumbrances and expected future costs for these projects are estimated to total \$133.5 million at the end of fiscal year 2004. However, the *Transportation Expenditure Plan* includes many more projects that have not yet begun. Projecting future resources and expected costs, the Authority will not have the financial capacity to complete all the projects identified by the *Plan*.

The Authority's restricted assets of \$8.8 million remains unchanged from the prior fiscal year. This amount is set aside and restricted to debt service on limited tax bonds.

Capital assets of \$11.5 million also remain unchanged from the prior fiscal year. No property acquisition was made in fiscal year 2004.

The Authority does not record the construction projects it is financing as capital assets on its own books of account, since they are of value only to the local government units where the assets are located. For more information on the Authority's capital assets, please refer to the Notes to the Financial Statements, page 27.

	NET ASSETS	
	Governmental Activities	
	2004	2003
Current and other assets	\$ 367,032,367	\$ 363,965,581
Restricted assets	8,794,724	8,802,569
Capital assets	11,504,975	11,504,975
Total assets	<u>387,332,066</u>	<u>384,273,125</u>
Long-term liabilities outstanding	37,105,982	44,459,977
Other liabilities	8,101,887	13,684,250
Total liabilities	<u>45,207,869</u>	<u>58,144,227</u>
Net assets:		
Invested in capital assets, net of related debt	11,504,975	11,504,975
Restricted	35,394,940	35,398,091
Unrestricted	295,224,282	279,225,833
Total net assets	<u>\$ 342,124,197</u>	<u>\$ 326,128,899</u>

Total liabilities of the Authority decreased by \$12.9 million or 22.2 percent compared to the prior fiscal year. Repayment of limited tax bonds in the amount of \$7.5 million and a decrease in capital-related obligations of \$3.0 million, account for the majority of this reduction.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2004

The Authority’s net assets increased by \$16.0 million during fiscal year 2004, all of which is represented by sales tax revenue exceeding current year expenditures. As stated earlier, this equity is sufficient to fund current projects. However, the Authority faces a funding shortfall for the overall *Transportation Expenditure Plan*.

	CHANGES IN NET ASSETS	
	Governmental Activities	
	2004	2003
Revenues:		
Program revenues		
Charges for services	\$ 870,428	\$ 715,375
Operating grants/contributions	51,289	1,194,525
General revenues		
Sales tax	55,394,330	54,854,537
Investment earnings and others	2,254,037	17,151,888
Total revenues	<u>58,570,084</u>	<u>73,916,325</u>
Expenses:		
Public transit	9,283,494	12,839,102
Streets and highways	29,637,788	25,678,905
Others	3,653,503	3,707,724
Total expenses	<u>42,574,785</u>	<u>42,225,731</u>
Change in net assets	<u>15,995,299</u>	<u>31,690,594</u>
Net assets - July 1	<u>326,128,898</u>	<u>294,438,305</u>
Net assets - June 30	<u>\$ 342,124,197</u>	<u>\$ 326,128,898</u>

Governmental Activities

Net expenses of the Authority’s governmental activities increased by \$0.3 million compared to the prior fiscal year. Of the \$42.6 million in total expenses, 21.8 percent went to public transit, 69.6 percent went to streets and highways and 8.6 percent went to other programs. The following are the highlights of the Authority’s governmental activities:

- Expenses for public transportation projects decreased by \$3.6 million compared to the prior fiscal year. In fiscal year 2004, San Mateo County’s local capital match assessed to the Authority to meet Caltrain’s capital requirement went down from \$5.7 million in fiscal year 2003 to \$1.2 million in fiscal year 2004. Overall, the combined expenses for other projects increased \$0.9 million between fiscal years.
- Spending for streets and highways increased by \$4.0 million. Much of this increase is due to construction costs of the Northbound and Southbound 101 auxiliary lanes within the limits of Ralston Avenue in Belmont to Marsh Road in Redwood City.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

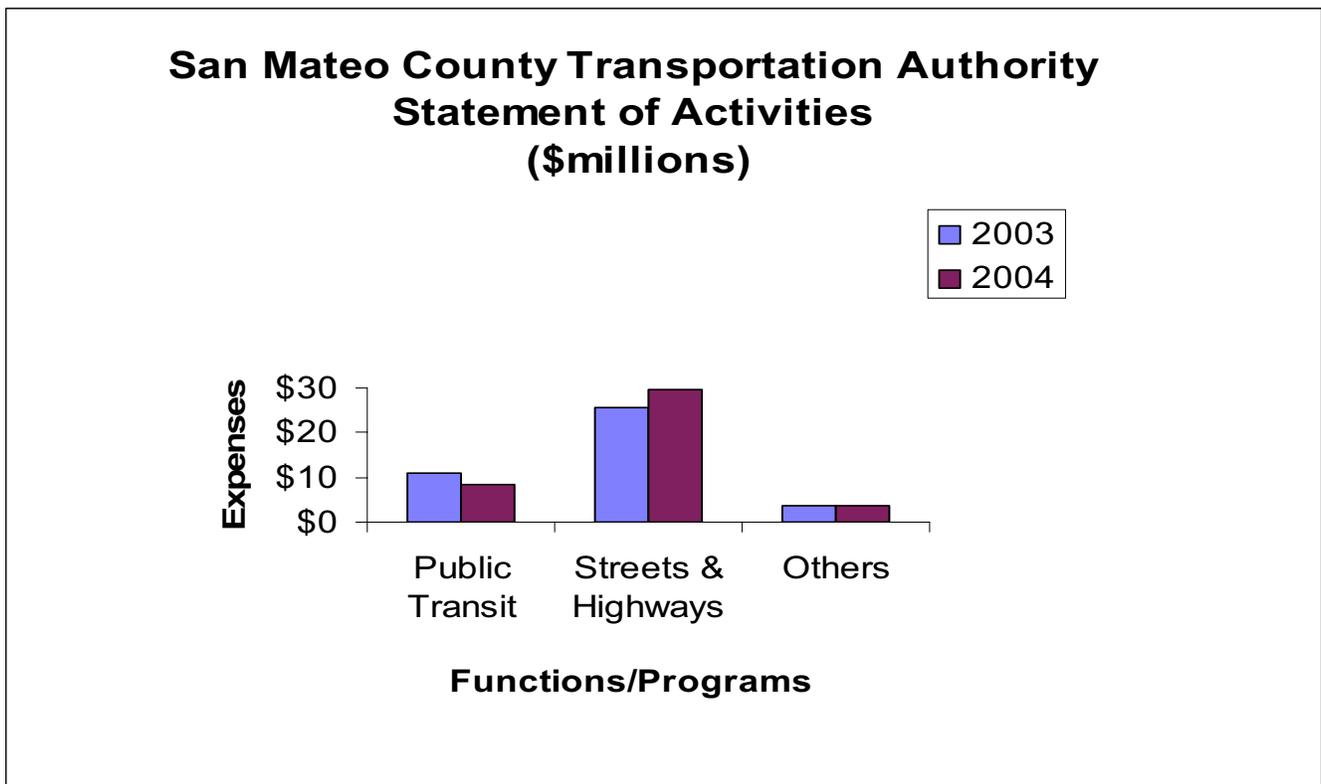
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2004

- Sales tax revenue increased by \$.5 million or 1.0 percent compared to the prior fiscal year. This positive performance is an indication that the economy is slowly recovering from the slump that it experienced in prior years. With the modest increase in sales tax revenue, the Authority's distribution of construction funds to local entities, set at 20.0 percent of sales tax revenue, also increased by \$0.1 million to \$11.1 million.
- Investment earnings went down by \$14.9 million or 86.9 percent compared to the prior fiscal year due primarily to Unrealized Losses as a result of adjusting the Authority’s investments to “fair value”.

Financial Analysis of the Authority’s Funds

As of the end of the fiscal year 2004, the Authority’s governmental funds reported combined fund balances of \$367.0 million, an increase of \$7.9 million or 2.2 percent higher than last year’s ending balances. Unreserved Fund Balance represents \$331.6 million or 90.4 percent of this total and is available for spending at the Authority’s discretion. The remainder of fund balance is reserved for 1) servicing current debt in the amount of \$10.4 million and 2) a principal amount of \$25.0 million intended to generate income to pay for the Authority’s paratransit program.



The *Special Revenue Fund* is the chief operating fund of the Authority. At the end of fiscal year 2004, the total fund balance attained \$330.3 million, of which \$322.2 million is unreserved. Fund balance increased \$13.7 million during the current fiscal year, as sales tax revenue exceeded expenditures.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Since the Authority principally passes funding through to other organizations, the most accurate indicator of the Authority's ability to meet its current and future obligations is to compare its unreserved fund balance to its future commitments. At the end of fiscal year 2004, the estimated cost to complete on-going projects is \$133.5 million, or 41.4 percent of the available resources in the Special Revenue Fund's unreserved fund balance. While this appears favorable, the Authority anticipates a funding shortfall for the entire *Transportation Expenditure Plan*.

The Debt Service Fund ended the year with a total fund balance of \$2.4 million, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was minimal.

As of the end of the current fiscal year, other governmental funds have a combined fund balance of \$35.2 million, which is \$5.0 million or 12.3 percent less than prior year-end combined balance. This decline is explained by (1) a \$1.8 million reduction in the Paratransit Fund, (2) a \$1.9 million special contribution to San Mateo County Transit District for its Paratransit program and (3) a \$ 1.3 million difference between the amount that the fund earned during the year and the amount allocated to local entities. Of the \$35.2 million combined fund balance in other governmental funds, \$25.0 million or 71.0 percent resides in the Paratransit Permanent Fund and is not available for expenditure. The remaining balance of \$10.2 million or 29.0 percent consists of the Paratransit Special Revenue and the Transportation Systems Management Special Revenue Funds.

Special Revenue Fund Budgetary Highlights

Sales tax comprised 80.7 percent of the Special Revenue Fund's total budgeted revenue. Actual sales tax revenue for the year was \$46.1 million, which is \$0.7 million or 1.4 percent under budget. Although sales tax revenue for the current fiscal year increased compared to the prior fiscal year, it still fell short of projection.

Total investment income for the Special Revenue Fund totaled \$10.6 million in the current fiscal year and is on target with the approved budget of almost of the same amount.

Program administration cost for the Special Revenue Fund was below budget by \$0.3 million or 35.2 percent. Savings in staff support make up the majority of this favorable variance.

For fiscal year 2004, the Authority spent \$24.6 million or 41.0 percent of its final budget for capital outlays. The Authority includes the estimated cost of completing on-going capital projects in the annual budget. Since capital projects normally span more than one year, the Authority carries over unexpended budgets to succeeding years. To enhance understanding of the Authority's fund balances, however, the carry-over budget from the prior year is not included in this year's *Budgetary Comparison Schedule of the Special Revenue Fund*.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Capital Projects

The Authority spent \$24.6 million on capital projects for fiscal year 2004, a decrease of \$3.7 million or 13.2 percent compared to the prior fiscal year. Following are the Authority's major capital expenditures:

- Construction cost of the northbound and southbound auxiliary lanes from Route 92 to Marsh Road (\$9.1 million).
- Construction costs of the Oyster Point Interchange on Route 101 in South San Francisco (\$5.2 million).
- Project preparation and final design cost for the addition of an auxiliary lane in both directions of Highway 101 between Third Ave. and Millbrae Ave. in the cities of San Mateo and Burlingame (\$2.5 million).
- Design costs of a new maintenance, storage and operations facility in San Jose for Caltrain locomotives and passenger cars (\$1.4 million).
- Funding for the FY2004 local capital match requirement assessed to San Mateo County as stipulated in the Caltrain Joint Powers Agreement (\$1.2 million).
- Studies and design costs associated with the development of a plan for the Dumbarton Rail Corridor (\$1.0 million).

Debt

At the end of the current fiscal year, the Authority had \$33.2 million in outstanding bonds versus \$40.7 million last year, a decrease of \$7.5 million or 18.3 percent. This reduction represents the principal payment due June 1 each year. A pledge of sales tax revenues secures the Authority's bonds and insurance secures the payment of principal and interest on the due dates. The Authority retains a trustee to maintain its bond fund.

The Authority retains bond counsel to assist in calculating arbitrage liability, which is payable to the federal government every five years for as long as the bonds are outstanding. The cumulative rebate liability on arbitrage earnings for fiscal year 2004 is \$270,006.

An outstanding loan of \$3.5 million from the State of California remained at the same amount as last year. The Authority used the proceeds of this non-interest-bearing loan, which is due on or before December 31, 2009, to purchase property from Southern Pacific Transportation Company.

The Authority has a contingent liability of \$0.2 million for a disputed claim unresolved at year-end. This amount is an estimate of the maximum potential liability to the Authority.

More information on the Authority's long-term debt activity appears on pages 29 and 30 of the *Notes to the Financial Statements*.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

Economic Factors

With the economy showing signs of rebounding from the slowdown it suffered in prior years, the San Mateo County is again back on its track with unemployment showing an impressive decrease from 5.4 percent in June 2003 to 4.1 percent in June 2004. Consequently, retail consumer spending is on the rise again. During fiscal year 2004, actual local sales tax revenue was just slightly under the budgeted amount by \$0.7 million or 1.2 percent. The Transportation Authority has taken this trend into account in its 2005 budget and projected a modest increase of \$1.8 million or 3.2 percent in local sales tax revenue compared to the 2004 actual performance.

Requests for Information

This financial report intends to provide our citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to demonstrate accountability for resources received. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, 1250 San Carlos Avenue, San Carlos, California, 94070-1306.

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

STATEMENTS OF NET ASSETS JUNE 30, 2004 AND 2003

	Governmental Activities	
	2004	2003
ASSETS		
Cash and investments (Note 2)	\$ 350,683,509	\$ 349,020,825
Receivables:		
Sales tax (Note 3)	10,095,920	9,487,421
Interest (Note 4)	2,665,049	3,045,273
Note (Note 5)	2,852,888	1,657,407
Other (Note 6)	283,092	724,579
Prepaid expenses	451,909	30,076
Restricted assets (Notes 2 & 7)	8,794,724	8,802,569
Capital assets (Note 8)		
Non-depreciable	11,504,975	11,504,975
Total Assets	\$ 387,332,066	\$ 384,273,125
LIABILITIES		
Accounts payable (Note 9)	\$ 1,286,978	\$ 721,690
Accrued liabilities (Note 10)	6,105,553	11,948,724
Deferred revenue (Note 11)	634,003	993,189
Deposits	75,353	20,646
Long-term liabilities (Note 12):		
Due within one year	7,780,000	7,465,000
Due beyond one year	29,325,982	36,994,977
Total Liabilities	45,207,869	58,144,226
NET ASSETS		
Invested in capital assets, net of related debt	11,504,975	11,504,975
Restricted for (Notes 1 & 13):		
Debt service	10,394,940	10,398,091
Paratransit programs - nonexpendable	25,000,000	25,000,000
Unrestricted (Note 13)	295,224,282	279,225,833
Total Net Assets	342,124,197	326,128,899
Total Liabilities and Net Assets	\$ 387,332,066	\$ 384,273,125

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Contributions and Grants	2004	2003
Governmental Activities:					
Upgrades and extensions	\$ 3,623,778	\$ -	\$ -	\$ (3,623,778)	\$ (8,544,239)
Grade separations	1,398,322	712,595	-	(685,727)	(234,192)
Paratransit	2,836,021	-	51,289	(2,784,732)	(1,847,775)
Dumbarton spur	1,314,368	157,833	-	(1,156,535)	(302,996)
Street and highways					
Distributions to local entities	11,078,866	-	-	(11,078,866)	(10,970,908)
Projects funding	18,558,922	-	-	(18,558,922)	(14,707,997)
Caltrain shuttle program	835,146	-	-	(835,146)	(622,743)
Transportation systems management	392,320	-	-	(392,320)	(414,400)
Program administration	508,843	-	-	(508,843)	(582,571)
Interest on long-term debt	1,917,194	-	-	(1,917,194)	(2,088,010)
Total Governmental Activities	<u>\$ 42,463,780</u>	<u>\$ 870,428</u>	<u>\$ 51,289</u>	<u>(41,542,063)</u>	<u>(40,315,831)</u>
General Revenues:					
Sales tax				55,394,330	54,854,537
Unrestricted investment earnings				1,088,604	16,855,658
Other income				1,054,428	296,229
Change in Net Assets				15,995,299	31,690,593
Net Assets at Beginning of Year				326,128,898	294,438,305
Net Assets at End of Year				<u>\$ 342,124,197</u>	<u>\$ 326,128,898</u>

The accompanying notes are an integral part of these financial statements

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004**

	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds	
				2004	2003
ASSETS					
Cash and investments (Note 2)	\$ 315,081,132	\$ 49,212	\$ 35,553,165	\$ 350,683,509	\$ 349,020,825
Receivables:					
Sales tax (Note 3)	8,552,884	1,543,036	-	10,095,920	9,487,421
Interest (Note 4)	2,461,049	-	204,000	2,665,049	3,045,273
Note (Note 5)	2,852,888	-	-	2,852,888	1,657,407
Other (Note 6)	283,092	-	-	283,092	724,579
Prepaid	451,909	-	-	451,909	30,076
Restricted assets (Notes 2 & 7)	8,023,032	771,692	-	8,794,724	8,802,569
Total Assets	\$ 337,705,986	\$ 2,363,940	\$ 35,757,165	\$ 375,827,091	\$ 372,768,150
LIABILITIES					
Accounts payable (Note 9)	690,209	-	473,410	1,163,619	721,690
Accrued liabilities (Note 10)	6,036,652	-	68,901	6,105,553	11,918,725
Deferred revenue (Note 11)	634,003	-	-	634,003	993,189
Deposits	75,353	-	-	75,353	20,646
Total Liabilities	7,436,217	-	542,311	7,978,528	13,654,250
FUND EQUITY					
Fund Balances:					
Reserved for (Note 1 & 13):					
Debt service	8,031,000	2,363,940	-	10,394,940	10,398,091
Paratransit programs	-	-	25,000,000	25,000,000	25,000,000
Unreserved, reported in (Note 13):					
Special revenue fund					
Designated for -					
Current Measure A Projects	133,480,718	-	-	133,480,718	98,093,759
Future Measure A Projects	188,758,051	-	-	188,758,051	210,415,687
Nonmajor special revenue funds					
Designated	-	-	10,214,854	10,214,854	14,806,782
Undesignated	-	-	-	-	369,581
Total Fund Balances	330,269,769	2,363,940	35,214,854	367,848,563	359,083,900
Total Liabilities and Fund Balances	\$ 337,705,986	\$ 2,363,940	\$ 35,757,165	\$ 375,827,091	\$ 372,738,150

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004 AND 2003**

	2004	2003
Fund Balances - Total Governmental Funds	\$ 367,848,563	\$ 359,083,900
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,504,975	11,504,975
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is paid. On the government-wide statements, unmatured interest on long-term debt is recognized as it accrues.	(123,359)	-
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the governmental funds:		
Limited Tax Bonds	(33,225,000)	(40,690,000)
Cumulative rebate liability	(270,006)	(159,001)
Loan from State of California	(3,450,000)	(3,450,000)
Other	(160,976)	(160,975)
	(37,105,982)	(44,459,976)
Net Assets of Governmental Activities	\$ 342,124,197	\$ 326,128,899

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004**

	Special Revenue	Debt Service	Other Governmental	Total	
				2004	2003
REVENUES					
Sales tax	\$ 46,135,128	\$ 9,259,202	\$ -	\$ 55,394,330	\$ 54,854,537
Investment income (Note 14)	1,187,384	1,682	61,832	1,250,898	17,671,620
Rental income	870,428	-	-	870,428	715,375
Grant proceeds	1,059,628	-	-	1,059,628	292,665
Total Revenues	49,252,568	9,260,884	61,832	58,575,284	73,537,761
EXPENDITURES					
Current:					
Staff support (Note 15)	359,002	-	-	359,002	449,645
Board compensation	6,400	-	-	6,400	7,400
Professional and legal fees	66,621	-	-	66,621	60,527
County services	22,254	-	-	22,254	24,550
Other services and supplies	47,417	5,200	-	52,617	33,742
Travel and meeting	7,149	-	-	7,149	6,707
Debt Service:					
Principal	-	7,465,000	-	7,465,000	7,175,000
Interest	-	1,793,835	-	1,793,835	2,088,010
Total current	508,843	9,264,035	-	9,772,878	9,845,581
Distribution to local entities	11,078,866	-	3,228,341	14,307,207	12,527,608
Caltrain shuttles program	835,146	-	-	835,146	622,743
Dumbarton corridor maintenance	287,350	-	-	287,350	270,244
Capital outlays (Note 16)	24,608,040	-	-	24,608,040	28,347,929
Total Expenditures	37,318,245	9,264,035	3,228,341	49,810,621	53,514,105
Excess (Deficiency) of Revenues					
Over Expenditures	11,934,323	(3,151)	(3,166,509)	8,764,663	20,023,656
OTHER FINANCING SOURCES (USES)					
Transfer in (Note 17)	1,795,000	-	-	1,795,000	2,091,000
Transfer out (Note 17)	-	-	(1,795,000)	(1,795,000)	(2,091,000)
Total Other Financing Sources (Uses)	1,795,000	-	(1,795,000)	-	-
Net Change in Fund Balances	13,729,323	(3,151)	(4,961,509)	8,764,663	20,023,656
Fund Balances, Beginning of Year	316,540,446	2,367,091	40,176,363	359,083,900	339,060,244
Fund Balances, End of Year	\$ 330,269,769	\$ 2,363,940	\$35,214,854	\$ 367,848,563	\$ 359,083,900

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE ENTITY-WIDE STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Amounts reported for governmental activities in the statement of activities are different because:		
Net Changes in fund balances - total governmental funds	\$ 8,764,663	\$ 20,023,656
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect of transactions involving capital assets:		
Capital asset purchase capitalized	-	3,423,609
Deductions in capital assets	-	(33,259)
Repayment of Limited Tax Bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	7,465,000	7,175,000
Accrual of interest expense on the 1997 bonds is recorded as an expense in the government-wide statement of activities, but is not recorded in the governmental funds.	(123,359)	-
Payment relating to the liability for arbitrage rebate on investment earnings from bond proceeds is offset against related revenue in the governmental funds, but reduces long-term liabilities in the statement of net assets.	-	537,564
Adjustment reducing the long-term liability for a loss contingency does not require use of current financial resources and therefore, are not recorded in governmental funds, but reduces long-term liabilities in the statement of net assets.	-	723,025
Some expenses do not require use of current financial resources and therefore, are not recorded in governmental funds, but increase long-term liabilities in the statement of net assets.		
Increase in cumulative rebate liability	(111,005)	(159,001)
Change in Net Assets of Governmental Activities	\$ 15,995,299	\$ 31,690,594

The accompanying notes are an integral part of these financial statements

BASIC FINANCIAL STATEMENTS
Notes to the Basic Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

<i>INDEX TO THE NOTES</i>	<i>Pages</i>
(1) Summary of Significant Accounting Policies	20-23
(2) Deposits and Investments	24-26
(3) Sales Tax Receivable	26
(4) Interest Receivable	26
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(6) Other Receivables	27
(7) Restricted Assets	27
(8) Capital Payable	27
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(10) Accrued Liabilities	28
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(13) Net Assets/Fund Balance	31
(14) Investment Income	32
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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

San Mateo County Transportation Authority (Authority) was formed in June 1988 as a result of the approval of Measure A (One-Half Cent Sales Tax and Transportation Expenditure Plan) by the voters of San Mateo County pursuant to the Bay Area County Traffic and Transportation Funding Act. The Authority is responsible for the administration of funds collected through the one-half cent sales tax for a period of 20 years for transportation projects. San Mateo County Transit District (SamTrans) was designated as the entity responsible for overall management of the Authority.

B. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 39 - In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement provides additional guidance to determine whether certain organizations should be reported as component units based on the nature and the significance of the relationship with the primary government. This statement does not have a significant impact on the financial statements of the Authority.

GASB Statement No. 40 - In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB No. 3. This statement modifies the Deposit and Investment Risk Categorization Disclosures and requires additional information on an entity's portfolio. This statement is not effective until June 30, 2005. The Authority has not determined its effect on the financial statements.

GASB Statement No. 41 - In May 2003, the GASB issued Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences, an amendment of GASB 34*. This statement establishes guidance for governments with significant budgetary perspective differences to report budgetary comparison schedules within the GASB 34 reporting model. This statement does not have a significant impact on the financial statements of the Authority.

GASB Statement No. 42 - In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement requires governments to measure, recognize, and disclose the effects of capital asset impairments in their financial statements when it occurs. This statement also clarifies and establishes accounting requirements for insurance recoveries, including those associated with capital asset impairment. This statement is not effective until June 30, 2006. The Authority has not determined its effect on the financial statements.

GASB Statement No. 43 - In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). This statement is not effective until June 30, 2007. This statement is not expected to have a significant impact on the financial statements of the Authority.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Implementation of Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 44 - In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section an amendment of NCGA Statement No. 1*. This Statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement is not effective until June 30, 2006. The Authority has not determined its effect on the financial statements.

GASB Statement No. 45 - In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is not effective until June 30, 2008. The Authority has not determined its effect on the financial statements.

C. Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities report the financial activities of the Authority. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority. Direct expenses are those that are specifically associated with a program or a function and; therefore, are clearly identifiable to a particular function. Program revenues refer to charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including sales tax revenues, are presented instead as general revenues.

When both restricted and unrestricted net assets are available for the same purpose, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (Continued)

The Authority reports the following major governmental funds:

The *Special Revenue Fund* accounts for the proceeds of the half-cent sales tax, which are legally restricted to expenditures specified in Measure A.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The Authority reports the following non-major governmental funds in an aggregated column:

The *Paratransit Permanent Fund* was established as provided in the Transportation Expenditure Plan with a principal balance of \$25 million from Measure A Funds and will be maintained in perpetuity as required under Measure A. Investment earnings of this fund are transferred to the Paratransit Special Revenue Fund.

The *Paratransit Special Revenue Fund* accounts for all transactions relating to Paratransit, except for the \$25 million principal balance maintained in the Paratransit Permanent Fund. The Paratransit Special Revenue Fund includes allocations for Paratransit in excess of the principal balance of \$25 million, Consumer Price Index (CPI) adjustments to the principal balance and investment earnings. Investment earnings are allocated to local entities, upon the advice of the Paratransit Coordinating Council and the County, to support the transportation needs of elderly, handicapped, and developmentally disabled persons (Paratransit Programs).

The *Transportation System Management (TSM) Special Revenue Fund* accounts for a "Restricted Reserve Account" established pursuant to Board Resolution No. 1989-12 passed on July 6, 1989. The resolution authorized the transfer of a principal amount of \$5 million to an interest-bearing Restricted Reserve Account (the Account) to fund the TSM Project in the Transportation Expenditure Plan.

Prior to October 7, 1999, interest accrued in the Account was allocated for TSM activities. On October 7, 1999, Board Resolution No. 1999-20 was passed which amended Resolution 1989-12. The amendment was to clarify the intent of the Authority to cease making annual allocations for TSM activities from the interest proceeds of the Restricted Reserve Account and make the required annual allocations out of the principal of the Account.

D. Basis of Accounting

The government-wide 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 Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include one-half cent sales tax and distribution to local entities. On an accrual basis, revenues from the one-half cent sales tax are recognized when the underlying exchange transactions occur.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered available when their receipt occurs within sixty days after the end of the accounting period. Sales tax and investment earnings are recorded when measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred, except that principal and interest on long-term debt are recognized when paid. Capital asset acquisitions are reported as expenditures in governmental funds.

E. Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide statement of net assets.

F. Cash and Investments

All highly liquid investments with maturity of three months or less when purchased are considered cash equivalents.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The custodian determines fair value or trustee using quoted market prices or valuation services, as applicable.

G. Capital Assets

Capital assets are recorded at historical cost. All capital asset purchases are recorded as expenditures at the time of acquisition in the governmental funds. Such amounts are then capitalized and reported in the government-wide financial statements.

Construction projects financed by the Authority from the one-half cent sales tax include highways, streets, and grade separations. These infrastructure assets are of value only to the local government units in whose jurisdiction they are constructed and are not recorded as capital assets in the Authority's books.

H. Comparative Data

The comparative data for fiscal year ended June 30, 2003 provided on these financial statements is not required for a fair presentation of the financial statements, but is presented as additional analytical data.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE #2 – DEPOSITS AND INVESTMENTS

The deposits and investments as of June 30, 2004 and 2003 were as follows:

	Fair Value	
	2004	2003
Cash and Investments		
Special Revenue Fund		
Cash and Cash Equivalents		
Bank balance	\$ 264,958	\$ 538,320
Investment in San Mateo County Investment Pool	277,440,046	263,732,214
Investment in Local Agency Investment Fund	4,253	4,186
	<u>277,709,257</u>	<u>264,274,720</u>
Investments	37,371,875	44,781,250
Total Special Revenue Fund	<u>315,081,132</u>	<u>309,055,970</u>
Debt Service Fund		
Cash and Cash Equivalents		
Bank Balance	49,212	52,731
Other Governmental Funds		
Cash and Cash Equivalents		
Investment in San Mateo County Investment Pool		
Paratransit Permanent Fund	25,000,000	25,000,000
Paratransit Special Revenue Fund	5,138,674	9,104,390
TSM Special Revenue Fund	5,414,491	5,807,734
Total Other Governmental Funds	<u>35,553,165</u>	<u>39,912,124</u>
Total Cash and Investments	<u>\$ 350,683,509</u>	<u>\$ 349,020,825</u>
Restricted Assets (See Note 7)		
Special Revenue Fund		
Investments in U.S. Treasury Notes	\$ 8,023,032	\$ 8,031,000
Debt Service Fund		
Investment in Trustee's Pool	771,692	771,569
Total Restricted Assets	<u>\$ 8,794,724</u>	<u>\$ 8,802,569</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

Cash Deposits

The bank balance reported by the Authority represents its share in the managing entity's (SamTrans) bank account balance. The credit risk for the SamTrans bank balance is discussed in its Comprehensive Annual Financial Report.

Investments

The Authority's investment policies require investment in instruments authorized by the California Government Code, except that bond proceeds can only be invested in U.S. treasury securities. For financial reporting purposes, the Authority's investments, excluding investments in pools, are categorized to give an indication of the risk assumed by the Authority as of June 30, 2004. Category 1 includes investments that are insured or registered, or where the Authority or its agent in the Authority's name holds the securities. Category 2 includes uninsured and unregistered investments where the securities are held by the counter-party's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments where the securities are held by the counter-party, or by its trust department or agent but not in the Authority's name. As of June 30, 2004 and 2003, all of the Authority's investments met the criteria for Category 1 classification except for the investments reported as restricted assets in the special revenue fund (fair value \$8,023,032 and \$8,031,000 as of June 30, 2004 and 2003 respectively), which met the criteria for Category 3 classification.

Investments in pools are not identified as to specific investment securities and are not categorized.

Fair Value of Investments

Accounting pronouncement GASB Statement No. 31 applies to investments purchased with maturities greater than one year, investments in external investment pools (State of California LAIF & county treasury investment pools), mutual funds, and certain investment agreements. Generally, governmental entities need to report the fair value changes for these investments at year-end and record these gains or losses on their income statement.

Methods and assumptions used to estimate fair value: The Authority maintains investment accounting records on amortized cost and adjusts those records to 'fair value' on an annual basis. Unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered 'fair value'. The Authority's investment custodian provides market value on each investment instrument. The investments held by the Authority are widely traded in the financial markets and trading values are readily available from numerous published sources. The Authority has elected to report its money market investments (those investments with maturities of less than one year) at amortized cost adjusted to fair value on an annual basis.

San Mateo County Treasurer's Investment Pool: The Authority holds investments in the County Pool that are subject to being adjusted to "fair value". The Authority is required to disclose its methods and assumptions used to estimate the fair value of its holdings in the County Pool. The Authority relied upon information provided by the County Treasurer in estimating the Authority's fair value position of its holdings in County Pool. The Authority had a contractual withdrawal value of \$314,947,278 and \$297,652,591 June 30, 2004 and 2003, respectively, that is recorded at \$312,993,211 and \$303,644,338 on the balance sheet after the adjustment for unrealized gains/losses for years ending 2004 and 2003 respectively. The fair value change in these investments for the year just ended is shown as unrealized gain/losses in the income statement via inclusion in the amount of Investment Income.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

NOTE #2 – DEPOSITS AND INVESTMENTS

The San Mateo County Treasurer's Investment Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee, comprised of local government officials and various participants, provide oversight to the management of the fund. The daily operations and responsibilities of the pool fall under the auspices of the County Treasurer's office. The Authority is a voluntary participant in the investment pool.

State of California State Treasurer's Local Agency Investment Fund ('LAIF'): The Authority holds an investment in LAIF that is subject to being adjusted to "fair value". The Authority is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The Authority relied upon information provided by the State Treasurer in estimating the Authority's fair value position of its holdings in LAIF. The Authority had a contractual withdrawal value of \$4,253 and \$4,186 at fiscal year ending 2004 and 2003 respectively. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

The State Treasurer's Local Agency Investment Fund ("LAIF") is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The Authority is a voluntary participant in the investment pool.

NOTE #3 – SALES TAX RECEIVABLE

Sales tax receivable consists of sales tax due from the State Board of Equalization for the quarter ended June 30, 2004.

NOTE #4 – INTEREST RECEIVABLE

Interest receivable represents interest due from deposits and investments.

NOTE #5 – NOTE RECEIVABLE

The note receivable is for the amount drawn by a project lead agency from an approved loan in the principal amount of \$10,750,000. The loan provides the lead agency a contingent source of funding to complete a major project in the expenditure plan. The amount owed bears an interest rate equal to the payee's rate of return on its long-term investment portfolio. The maturity date is October 1, 2008, when the entire unpaid principal and accrued interest becomes due. Prepayments are required in the event the payee draws the maximum loan amount. As of June 30, 2004 and 2003, the amount outstanding was \$2,852,888 and \$1,657,407 respectively.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE #6 – OTHER RECEIVABLES

Other receivables consist of amounts owed by other government agencies and rent receivable as listed below:

	2004	2003
Peninsula Corridor Joint Powers Board (JPB)		
Promissory note	\$ -	\$ 416,909
Other	-	16
	-	416,925
State Department of Transportation	68,120	292,665
San Mateo County Transit District (SamTrans)	13,496	12,993
Alameda County Transportation Authority	200,000	-
Other	1,476	1,996
Total Other Receivables	\$ 283,092	\$ 724,579

NOTE #7 – RESTRICTED ASSETS

Bond covenants require the Authority to set aside with a trustee prescribed amounts of resources that can be used only for debt service on limited tax bonds. See Note 12.

NOTE #8 – CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2004 were as follows:

	Balance at July 1, 2003	Additions	Deletions	Balance at June 30, 2004
Capital Assets Not Being depreciated				
Land	\$ 11,504,975	\$ -	\$ -	\$ 11,504,975

Land represents the cost of right-of-way acquisitions for future grade separation projects as well as for corridor preservation purposes.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE #9 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2004 and 2003 were for the following:

	2004	2003
Salaries and benefits	\$ 54,825	\$ 136,441
SMCTA CalTrain Shuttle	-	423,390
Capital Projects	56,370	136,463
Shuttle Program	332,038	-
Paratransit Program	473,410	-
Other	246,976	25,396
Total reported on Governmental	1,163,619	721,690
Interest Accrual	123,359	-
Total reported on Entity-Wide	\$ 1,286,978	\$ 721,690

NOTE #10 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2004 and 2003 were for the following:

	2004	2003
Disbursement to local entities for transportation projects	\$ 2,019,184	\$ 4,432,654
Capital projects	4,006,155	7,502,970
Paratransit Programs	43,424	-
Other	11,313	-
TSM Programs	25,477	13,100
Total	\$ 6,105,553	\$ 11,948,724

NOTE #11 – DEFERRED REVENUE

Under a debt service forward-sale agreement the Authority received a fee of \$1,711,000 relating to investment of funds set-aside in the Debt Service Fund. The fee was recorded as deferred revenue and is being amortized over the life of the related limited tax bonds. Of the total deferred revenue of \$634,003 an unamortized balance of \$630,285 as of June 30, 2004 is included in deferred revenue reported as a liability, and the amortization amount for the fiscal year of \$157,571 is included in investment income in the Government-wide Financial Statements and Fund Financial Statements.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

NOTE #12 – LONG-TERM LIABILITIES

Limited Tax Bonds

In August 1997, the Authority issued \$80,310,000 of 1997 Series A Bonds to reimburse the Authority for prior capital expenditures. The bonds were sold at a premium of \$29,760. The cost of issuing the bonds was \$663,514. The bonds bear a variable interest rate from 4.0% to 4.6% and are payable from and secured by a pledge of sales tax revenues received by the Authority on or after September 1, 1997. Interest payments are due on June 1 and December 1 of each year. The bonds mature on June 1 of each year through June 1, 2008. The payment of principal and interest on the due dates is insured.

As required by the indenture, a portion of the bond proceeds is retained in a bond reserve fund maintained by a trustee. The debt covenants also require that the trustee receive the monthly sales tax revenue directly from the State Board of Equalization and allocate prescribed amounts to the interest and principal funds that are maintained by the trustee. Money set aside in these funds is reported as restricted assets and as reservations of fund balance as explained under Note 13.

Cumulative Rebate Liability

The cumulative rebate liability relates to arbitrage. Arbitrage is the excess of interest earned on unexpended tax-exempt bond proceeds over interest paid to bond holders. Federal tax law generally provides that the interest paid to bond holders is tax-exempt only if the issuer rebates any arbitrage earnings from investing bond proceeds to the federal government. The rebate is payable to the federal government every five years for as long as the bonds are outstanding. The first five-year period for the limited tax bonds ended on August 1, 2002 when 90% of the cumulative liability became due and was subsequently paid to the federal government.

As of June 30, 2004 and 2003, the cumulative rebate liability as calculated by the bond counsel was \$270,006 and \$159,001 respectively. The liability was recorded as long-term liability in the government-wide financial statements.

Debt service requirements to maturity for the limited tax bonds as of June 30, 2004, were as follows:

Year Ending June 30,	Principal	Interest
2005	\$ 7,780,000	\$ 1,480,305
2006	8,115,000	1,145,765
2007	8,475,000	788,705
2008	8,855,000	407,330
Total	<u>\$ 33,225,000</u>	<u>\$ 3,822,105</u>

Loan from State

The Authority borrowed \$3,450,000 from the State of California in the 1994-95 fiscal year to purchase property from Southern Pacific Transportation Company. The loan agreement requires the Authority to pay the full amount by December 31, 2009. No interest will be charged.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE #12 – LONG-TERM LIABILITIES (CONTINUED)

Other Long Term Payable

Other long-term payable of \$160,976 represents the Authority's maximum liability under a cost sharing agreement if a disputed claim is settled. The merited amount and the Authority's contribution, if any, are undetermined at this time.

Summary of long- term liabilities as of June 30, 2004, were as follows:

	Balance at July 1, 2003	Adjustments/ Additions	Deletions	Balance at June 30, 2004	Amounts Due within One Year
Governmental Activities					
Limited Tax Series 1997A Bonds issued in August 1997	\$ 40,690,000	\$ -	\$ 7,465,000	\$ 33,225,000	\$ 7,780,000
Cumulative rebate liability on arbitrage earnings	159,001	111,005	-	270,006	-
Loan payable to the State of California	3,450,000	-	-	3,450,000	-
Other long-term payable	160,976	-	-	160,976	-
Total Long-Term Liabilities	\$ 44,459,977	\$ 111,005	\$ 7,465,000	\$ 37,105,982	\$ 7,780,000
				Due within one year \$ 7,780,000	
				Due beyond one year 29,325,982	
				<u>\$ 37,105,982</u>	

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

NOTE #13 – NET ASSETS/FUND BALANCE

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

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

Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restriction imposed by law through constitutional provisions or enabling legislation. The restricted net assets consists of the principal amount in the Paratransit Permanent fund and amounts set aside for payment of principal and interest, and retained in a bond reserve fund as required by the bond covenants.

Unrestricted Net Assets - This category represents net assets of the Authority available for projects and other purposes specified under Measure A. Of the \$295,224,282 unrestricted amount, \$133,480,718 has been appropriated for current Measure A projects as of June 30, 2004.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purpose. The term "reserved" is used to indicate that a portion of reported fund balance is legally restricted to a specific use or not available for appropriation or expenditure. The Authority also "designates" portions of fund balance based on tentative spending plans. Should such plans change, the Authority may shift the designated fund balance to other uses.

Reserved fund balances consist of the following:

- The reserve for debt service represents the portion of fund balance that is set aside for payment of principal and interest, and the portion retained in a bond reserve fund as required by the bond covenants. The money in the bond reserve fund can only be used to make up any deficiencies in amounts set aside for debt service.
- The reserve for Paratransit programs represents the principal amount in the Paratransit Permanent Fund.

The designated fund balance consists of the following:

- \$322,238,769 in the major Special Revenue Fund designated for projects and other purposes specified under Measure A. As of June 30, 2004, \$133,480,718 of this amount has been appropriated for current Measure A projects.
- Cumulative CPI adjustments to the Paratransit Permanent Fund's principal balance, net additional allocations of \$5,014,000 to the fund pursuant to Board Resolutions 1999-19, 2000-32, 2002-11 and 2003-12 and investment earnings except unrealized gains that are undesignated.
- The TSM Special Revenue Fund's balance set-aside for TSM programs.

The designated fund balances may be redesignated by future Board resolution.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE #14 – INVESTMENT INCOME

Investment income is comprised of:

	<u>2004</u>	<u>2003</u>
Interest income	11,445,002	\$ 12,521,609
Net increase (decrease) in fair value of investments	<u>(10,305,109)</u>	<u>5,528,574</u>
Investment income - statement of activities (see below)	1,139,893	18,050,183
Increase (decrease) in cumulative rebate liability	<u>111,005</u>	<u>(378,563)</u>
Investment income - statement of revenues, expenditures and changes in fund balance	<u>\$ 1,250,898</u>	<u>\$ 17,671,620</u>

Investment income in the statement of activities is reported below:

Interest earned on the restricted \$25 million Paratransit reserve for allocations to Paratransit programs under Measure A	\$ 51,289	\$ 1,194,525
Unrestricted investment earnings	<u>1,088,604</u>	<u>16,855,658</u>
	<u>\$ 1,139,893</u>	<u>\$ 18,050,183</u>

NOTE #15 – STAFF SUPPORT EXPENDITURE

Staff support expenditures comprise of:

	<u>2004</u>	<u>2003</u>
Salaries and benefits	\$ 504,971	\$ 489,911
Other related charges	2,650	6,036
Indirect costs	479,076	487,471
Costs allocated to projects	<u>(627,695)</u>	<u>(533,773)</u>
Total	<u>\$ 359,002</u>	<u>\$ 449,645</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE #16 – CAPITAL OUTLAY

The expenditure on public transportation projects during the 2003-2004 fiscal year was \$24,608,040. Total expenditures on such projects from inception through June 30, 2004 and 2003 are summarized below:

	2004	2003
Dumbarton Spur	\$ 16,376,681	\$ 15,349,663
CalTrain-Downtown Extension	81,322,332	77,698,554
Railroad Grade Separations	125,646,868	124,248,546
Streets and Highways	102,751,942	84,824,773
Oversight	961,692	329,939
Total	<u>\$ 327,059,515</u>	<u>\$ 302,451,475</u>

The Dumbarton Spur expenditure of \$16,376,681 was partially financed by a state loan of \$3,450,000. There was \$17,927,169 in streets and highways expenditure this year.

NOTE #17 – TRANSFERS

The Authority transferred \$1,795,000 from the Paratransit special revenue fund to the major special revenue fund as approved in its budget for fiscal year 2004. To ensure effective utilization of available funds the Authority occasionally transfers unrestricted excess funds from the Paratransit special revenue fund for its capital and operating expenditures.

NOTE #18 – CONSTRUCTION COMMITMENTS

At June 30, 2004 and 2003, the Authority estimated the cost to complete the following unfinished projects:

Capital Project	Remaining Project Commitment	
	2004	2003
Dumbarton Spur	\$ 117,633	\$ 1,144,651
CalTrain-Downtown Extension	15,164,482	20,088,261
Railroad Grade Separations	20,034,480	4,882,802
Streets and Highways	98,031,499	71,453,668
Oversight	132,624	524,377
Total	<u>\$ 133,480,718</u>	<u>\$ 98,093,759</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

NOTE #19 – RISK MANAGEMENT

The Authority is not exposed to a significant number of risks, as its primary function is to receive and allocate one-half cent sales tax. All projects funded by the Authority are managed by various local agencies as well as CalTrans (lead agencies). The Authority is indemnified from and against all liabilities, claims, and lawsuits arising out of or resulting from any acts or omissions by such agencies. During the audit period, the Authority and its managing entity, SamTrans, had an aggregate insurance coverage of \$100,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary Fund Balance,				
Beginning of Year	\$ 9,005,022	\$ 1,799,022	\$ 316,270,905	\$ 314,471,883
Resources (inflows)				
Sales tax	46,787,038	46,787,038	\$ 46,135,128	(651,910)
Investment income	10,566,000	10,566,000	10,631,358	65,358
Rental income	635,800	635,800	870,428	234,628
Grant proceeds	-	-	1,059,628	1,059,628
Amounts Available for Appropriation	<u>57,988,838</u>	<u>57,988,838</u>	<u>58,696,542</u>	<u>707,704</u>
Changes to appropriation (outflows)				
Program Administration				
Staff support	500,800	500,800	359,002	141,798
Board compensation	9,800	9,800	6,400	3,400
Professional and legal fees	95,000	95,000	66,621	28,379
County services	33,000	33,000	22,254	10,746
Other services and supplies	136,150	136,150	47,417	88,733
Travel and meeting	11,000	11,000	7,149	3,851
	<u>785,750</u>	<u>785,750</u>	<u>508,843</u>	<u>276,907</u>
Distribution to local entities	11,209,200	11,209,200	11,078,866	130,334
Caltrain shuttles program	952,000	952,000	835,146	116,854
Dumbarton corridor maintenance	429,550	429,550	287,350	142,200
Capital outlays	54,740,000	59,995,000	24,608,040	35,386,960
Other Financing (Source) Use				
Transfer in	(1,795,000)	(1,795,000)	(1,795,000)	-
Total Changes to Appropriations	<u>66,321,500</u>	<u>71,576,500</u>	<u>35,523,245</u>	<u>36,053,255</u>
Budgetary Fund Balance, End of Year	<u>\$ 672,360</u>	<u>\$ (11,788,640)</u>	<u>\$ 339,444,202</u>	<u>\$ 279,126,332</u>

Explanation of Differences Between Budgetary Inflows and GAAP Revenues

Actual amounts available for appropriation - budgetary basis from above	\$ 58,696,542
Unrealized losses under GASB 31	(9,443,974)
Total revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances - GAAP basis	<u>\$ 49,252,568</u>

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE YEAR ENDED JUNE 30, 2004

NOTE #1 – BUDGETS AND THE BUDGETARY PROCESS

The Authority Board adopts an annual operating budget in accordance with Section 131265(a) of the Public Utilities Code. Budget amounts may be revised by Board Resolutions. The budget adopted by the Authority includes amounts for the major Special Revenue Fund. This fund's budget and actual revenues and expenditures are presented as required supplementary information. The basis the Authority uses to prepare the budget is consistent with the basis used to reflect the actual revenues and expenditures, except that proceeds from sale of fixed assets and unrealized gains and losses under GASB Statement No. 31 are not included in the budget.

NOTE #2 – EXPENDITURES IN EXCESS OF BUDGET

Management is authorized to exceed budget for individual categories provided the total expenditures do not exceed the total budget.

OTHER SUPPLEMENTAL INFORMATION

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004 AND 2003**

	Special Revenue Funds			Permanent	Total Nonmajor Governmental Funds		
	Transportation				Paratransit	2004	2003
	Paratransit Fund	System Management	Total				
ASSETS							
Cash and investments	\$ 5,138,674	\$ 5,414,491	\$ 10,553,165	\$ 25,000,000	\$ 35,553,165	\$ 39,912,124	
Receivables:							
Interest	204,000	-	204,000	-	204,000	290,639	
Total Assets	\$ 5,342,674	\$ 5,414,491	\$ 10,757,165	\$ 25,000,000	\$ 35,757,165	\$ 40,202,763	
LIABILITIES							
Accounts payable	473,410	-	473,410	-	473,410	13,300	
Accrued liabilities	43,424	25,477	68,901	-	68,901	13,100	
Total Liabilities	516,834	25,477	542,311	-	542,311	26,400	
FUND BALANCES							
Reserved	-	-	-	25,000,000	25,000,000	25,000,000	
Unreserved:							
Designated	4,825,840	5,389,014	10,214,854	-	10,214,854	14,806,782	
Undesignated	-	-	-	-	-	369,581	
Total Fund Balances	4,825,840	5,389,014	10,214,854	25,000,000	35,214,854	40,176,363	
Total Liabilities and Fund Balances	\$ 5,342,674	\$ 5,414,491	\$ 10,757,165	\$ 25,000,000	\$ 35,757,165	\$ 40,202,763	

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	Special Revenue Funds			Permanent Paratransit Fund	Total Nonmajor Governmental Funds	
	Transportation		Total		2004	2003
	Paratransit Fund	System Management				
REVENUES						
Interest	\$ 61,832	\$ -	\$ 61,832	\$ -	\$ 61,832	\$ 1,629,542
EXPENDITURES						
Current:						
Distribution to local entities	2,836,021	392,320	3,228,341	-	3,228,341	1,556,700
Special allocation to Samtrans	-	-	-	-	-	1,900,000
Total Expenditures	2,836,021	392,320	3,228,341	-	3,228,341	3,456,700
Excess of (Deficiency) Revenues Over Expenditures	(2,774,189)	(392,320)	(3,166,509)	-	(3,166,509)	(1,827,158)
OTHER FINANCING USES						
Transfer out	(1,795,000)	-	(1,795,000)	-	(1,795,000)	(2,091,000)
Net Change in Fund Balances	(4,569,189)	(392,320)	(4,961,509)	-	(4,961,509)	(3,918,158)
Fund Balances, Beginning of Year	9,395,029	5,781,334	15,176,363	25,000,000	40,176,363	44,094,521
Fund Balances, End of Year	\$ 4,825,840	\$ 5,389,014	\$ 10,214,854	\$ 25,000,000	\$ 35,214,854	\$ 40,176,363

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary Fund Balance,				
Beginning of Year	\$ 2,388,871	\$ 2,388,871	\$ 2,367,091	\$ (21,780)
Resources (inflows)				
Sales tax	9,258,962	9,258,962	9,259,202	240
Investment income	7,800	7,800	1,682	(6,118)
Amounts Available for Appropriation	<u>9,266,762</u>	<u>9,266,762</u>	<u>9,260,884</u>	<u>(5,878)</u>
Changes to appropriation (outflows)				
Bond principal payment	7,465,000	7,465,000	7,465,000	-
Bond interest expense	1,793,835	1,793,835	1,793,835	-
Other services	5,000	5,000	5,200	(200)
Total Changes to Appropriations	<u>9,263,835</u>	<u>9,263,835</u>	<u>9,264,035</u>	<u>(200)</u>
Budgetary Fund Balance, End of Year	<u>\$ 2,391,798</u>	<u>\$ 2,391,798</u>	<u>\$ 2,363,940</u>	<u>\$ (27,458)</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE PARATRANSIT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary Fund Balance, Beginning of Year	\$ 8,805,873	\$ 8,805,873	\$ 8,923,534	\$ 117,661
Resources (inflows)				
Interest	964,400	964,400	922,967	(41,433)
Amounts Available for Appropriation	964,400	964,400	922,967	(41,433)
Changes to appropriation (outflows)				
Distribution to local entities	3,063,400	3,063,400	2,836,021	227,379
Other Financing (Uses)				
Transfer out	1,795,000	1,795,000	1,795,000	-
Total Changes to Appropriations	4,858,400	4,858,400	4,631,021	227,379
Budgetary Fund Balance, End of Year	<u>\$ 4,911,873</u>	<u>\$ 4,911,873</u>	<u>\$ 5,215,480</u>	<u>\$ (151,151)</u>
Explanation of Differences Between Budgetary Inflows and GAAP Revenues				
Actual amounts available for appropriation - budgetary basis from above				\$ 922,967
Unrealized losses under GASB 31				(861,135)
Total revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances - GAAP basis				<u>\$ 61,832</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

**NONMAJOR GOVERNMENTAL FUNDS
TRANSPORTATION SYSTEM MANAGEMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Budgetary Fund Balance,				
Beginning of Year	\$ 5,781,334	\$ 5,781,334	\$ 5,781,334	\$ -
Changes to appropriation (outflows)				
Distribution to local entities	392,320	392,320	392,320	-
Total Changes to Appropriations	392,320	392,320	392,320	-
Budgetary Fund Balance,				
End of Year	\$ 5,389,014	\$ 5,389,014	\$ 5,389,014	\$ -

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Section III

STATISTICAL

Revenues and Expenditures as Percent of Totals

Revenues and Expenditures – Ten-Year Comparison

Capital Expenditures as Percent of Totals

Measure A Allocation to Local Entities

Paratransit Special Revenue Fund Allocations

Transportation System Management Fund Allocation

Transportation System Management Reserves

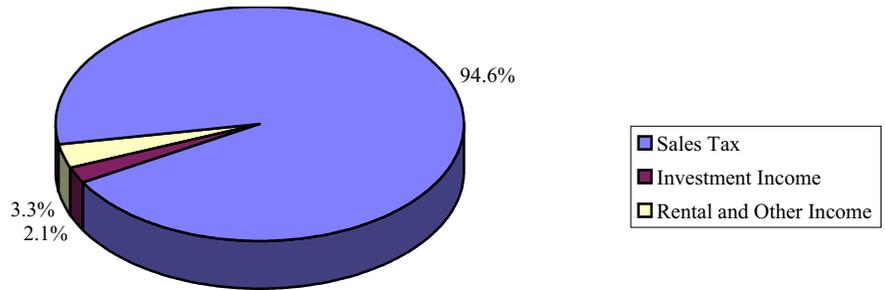
Demographic Data

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUES AND EXPENDITURES AS PERCENT OF TOTALS
YEAR ENDED JUNE 30, 2004
(In thousands)

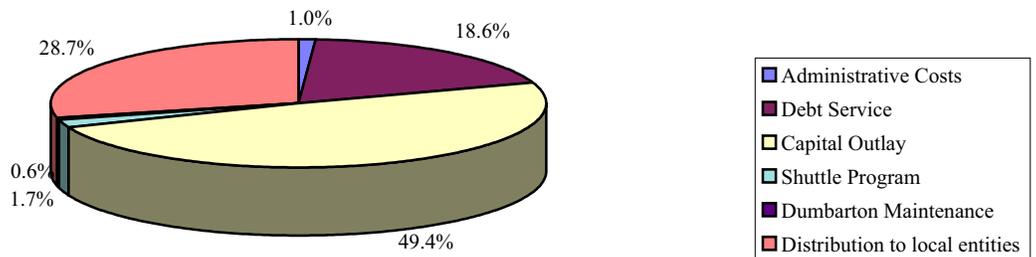
Revenue sources:

Sales Tax	\$ 55,394	94.6%
Investment Income	1,251	2.1%
Rental and Other Income	1,930	3.3%
Total Revenue	\$ 58,575	100.0%



Expenditures:

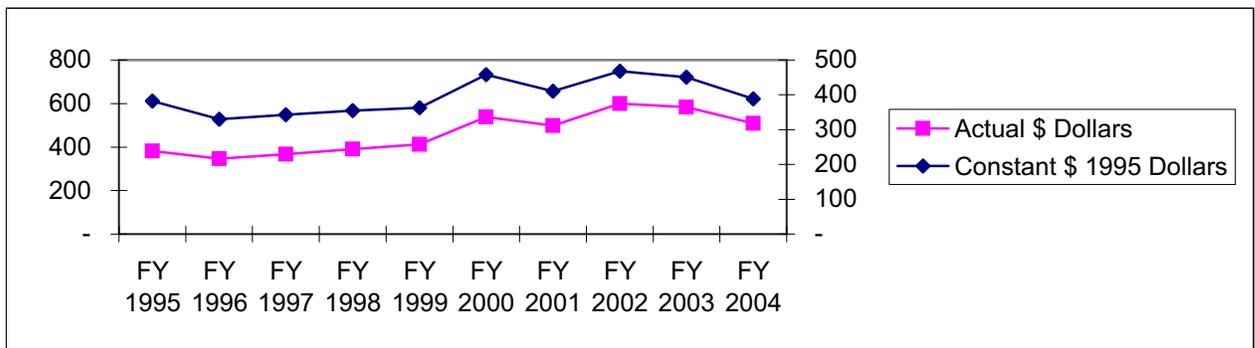
Administrative Costs	\$ 509	1.0%
Debt Service	9,264	18.6%
Capital Outlay	24,608	49.4%
Shuttle Program	835	1.7%
Dumbarton Maintenance	287	0.6%
Distribution to local entities	14,307	28.7%
Total Expenditures	\$ 49,810	100.0%



SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUES AND EXPENDITURES - TEN-YEAR COMPARISON
FY1995 through FY 2004 (In thousands)

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Revenue:										
Sales Tax	39,565	43,101	47,519	51,435	54,351	63,062	66,746	57,161	54,855	55,394
Investment Income	3,285	5,487	6,032	11,668	10,647	11,219	21,674	17,712	17,672	1,251
Rental Income	-	-	478	475	460	489	526	636	542	870
Other Income	1,006	40	78	3,905	1,024	22	358	-	470	1,060
Total Revenue	43,856	48,628	54,107	67,483	66,482	74,792	89,304	75,509	73,539	58,575
Expenditures:										
Administrative Costs	382	346	367	391	412	538	499	600	583	509
Debt Service/Bond Issuance Costs	-	-	-	9,738	9,260	9,260	9,260	9,260	9,263	9,264
Shuttle Program								176	623	835
Dumbarton Maintenance									270	287
Allocations to Local Entities	10,033	10,885	11,257	10,287	11,123	14,393	16,250	13,926	14,428	14,307
Capital Outlays	31,967	26,085	21,664	22,038	32,030	20,633	16,976	30,138	28,348	24,608
Total Expenditures	42,382	37,316	33,288	42,454	52,825	44,824	42,985	54,100	53,515	49,810
Excess of Revenues over Expenditures	1,474	11,312	20,819	25,029	13,657	29,968	46,319	21,409	20,024	8,765

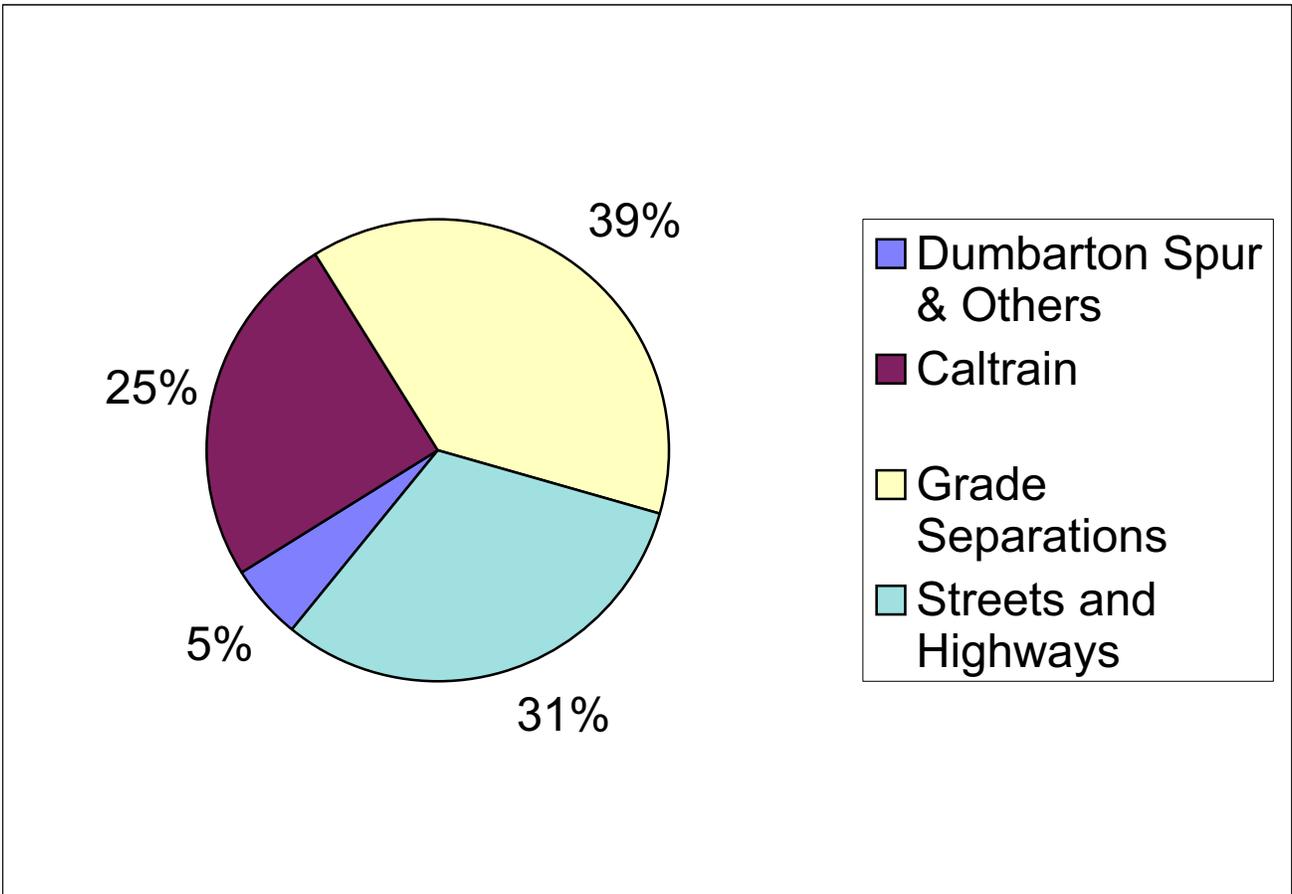
Administrative Costs - Actual Dollars Compared to Constant Dollars



	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Actual \$ Dollars	382	346	367	391	412	538	499	600	583	509
Constant \$ 1995 Dollars	382	330	343	355	363	458	410	468	451	389
CPI Percent Change	2.4%	2.3%	3.1%	3.4%	3.8%	4.2%	6.6%	1.2%	1.6%	1.4%
Cumulative Percent	2.4%	4.8%	7.1%	10.2%	13.6%	17.4%	21.6%	28.2%	29.4%	31.0%

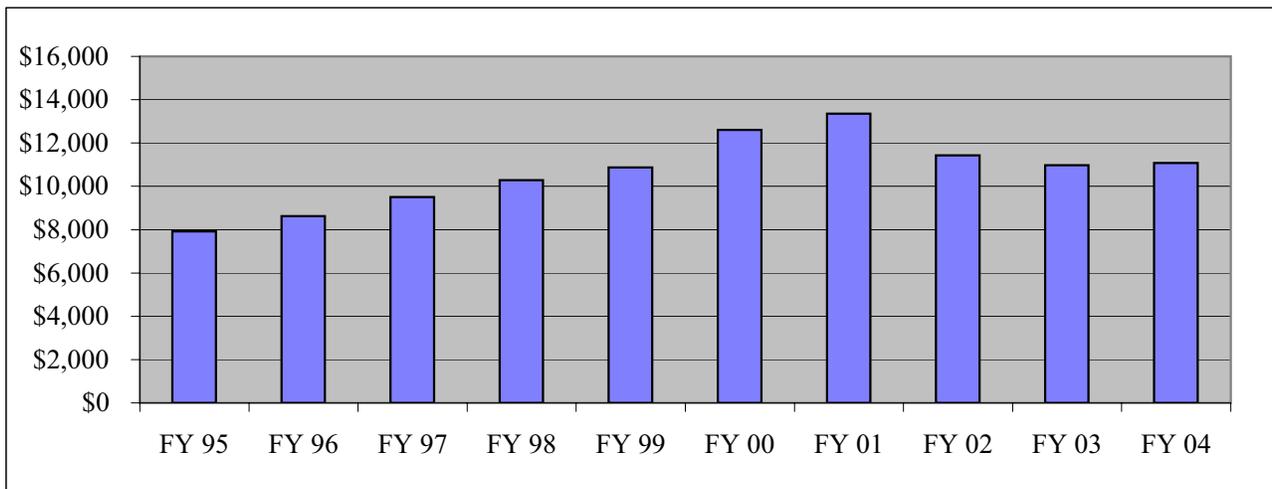
SAN MATEO COUNTY TRANSPORTATION AUTHORITY
CAPITAL EXPENDITURES AS PERCENT OF TOTALS
INCEPTION TO JUNE 30, 2004 (In thousands)

Dumbarton Spur & Others	\$ 17,339	5.30%
Caltrain	81,322	24.86%
Grade Separations	125,647	38.42%
Streets and Highways	102,752	31.42%
	<u>\$ 327,060</u>	<u>100.00%</u>



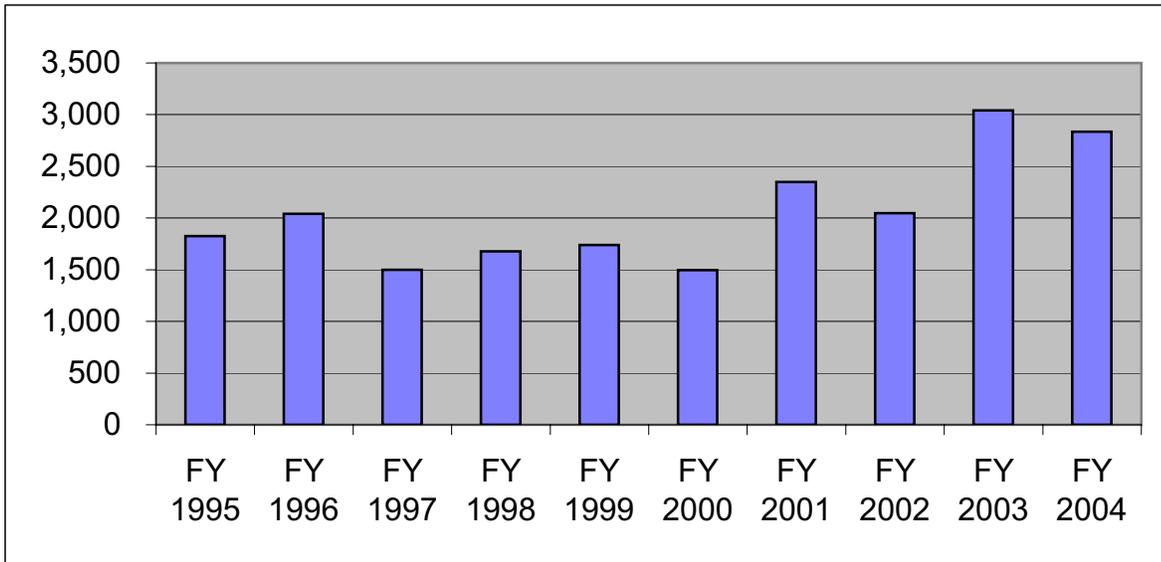
SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MEASURE A ALLOCATION TO LOCAL ENTITIES
FY1995 through FY 2004 (In thousands)

	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Local Entity										
Atherton	\$151	\$168	\$181	\$196	\$212	\$241	\$254	\$216	\$207	\$209
Belmont	294	315	348	377	397	463	497	405	389	393
Brisbane	59	65	70	76	82	93	114	93	90	91
Burlingame	335	366	401	435	462	532	570	482	463	466
Colma	24	25	29	31	32	38	41	34	33	33
Daly City	827	890	991	1,075	1,123	1,314	1,384	1,195	1,143	1,154
East Palo Alto	226	247	271	293	311	359	373	362	355	356
Foster City	267	298	320	347	376	425	456	378	362	373
Half Moon Bay	116	122	141	153	153	187	200	181	175	177
Hillsborough	241	266	289	313	336	383	406	343	329	332
Menlo Park	373	386	449	485	487	595	648	552	534	537
Millbrae	238	263	285	308	331	378	393	335	321	323
Pacifica	419	463	501	542	584	665	710	594	569	573
Portola Valley	103	106	123	134	134	164	198	169	162	165
Redwood City	781	826	942	1,024	1,041	1,251	1,293	1,100	1,056	1,065
San Bruno	405	472	485	523	596	643	676	573	548	558
San Carlos	338	372	407	439	470	540	570	482	469	473
San Mateo	946	1,021	1,137	1,229	1,288	1,510	1,582	1,347	1,297	1,307
South San Francisco	598	652	714	772	822	947	1,033	879	840	847
Woodside	125	139	151	163	175	201	227	193	185	186
San Mateo County	1,048	1,158	1,267	1,372	1,460	1,682	1,725	1,519	1,445	1,461
Total	\$7,913	\$8,620	\$9,504	\$10,287	\$10,869	\$12,612	\$13,349	\$11,432	\$10,971	\$11,079



SAN MATEO COUNTY TRANSPORTATION AUTHORITY
PARATRANSIT SPECIAL REVENUE FUND ALLOCATIONS
FY 1995 through FY 2004 (In thousands)

	COASTSIDE ADULT DAY HEALTH	COASTSIDE OPPORTUNITY	SAMTRANS REDI-WHEELS	TOTAL
FY 1995	0	112	1,712	1,824
FY 1996	0	123	1,919	2,042
FY 1997	0	90	1,410	1,500
FY 1998	0	101	1,576	1,676
FY 1999	0	104	1,636	1,741
FY 2000	0	90	1,407	1,497
FY 2001	0	111	2,239	2,350
FY 2002	0	123	1,923	2,046
FY 2003	0	69	2,974	3,042
FY 2004	0	0	2,836	2,836
TOTAL	\$0	\$922	\$19,632	\$20,554



**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEMS MANAGEMENT (TSM) FUND ALLOCATION
FY 1995 through FY 2004 (In thousands)**

	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTALS
City of Belmont			\$100.00								\$100
City of Burlingame	\$70	\$115	53		\$79		\$100				\$417
City of Foster City	17	5									\$22
City of Half Moon Bay		86									\$86
City of Menlo Park					36	\$44	109	\$51	\$52	\$51	\$343
City of Redwood City	10										\$10
City of San Mateo	5	17									\$22
City of South San Francisco			100								\$100
County of San Mateo	173										\$173
Multi-City TSM Agency					140						\$140
Peninsula Congestion Relief Alliance						240	342	396	362	341	\$1,681
SamTrans	-										\$20
	20										\$20
TOTAL	\$296	\$223	\$253	\$0	\$255	\$284	\$551	\$447	\$414	\$392	\$3,115

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEMS MANAGEMENT (TSM) RESERVES
FY 1995 through FY 2004 (In thousands)**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Beginning Balance	\$6,677	\$6,577	\$6,722	\$6,864	\$7,294	\$7,477	\$7,193	\$6,642	\$6,195	\$5,781
Sales Tax Contributions	0	0	0	0	0	0	0	0	0	0
Interest	258	368	395	430	438	0	0	0	0	0
Expenditures	(358)	(223)	(253)	(200)	(55)	(284)	(551)	(447)	(414)	(392)
Carryforward Amounts				200	(200)					
Ending Balance	<u>\$6,577</u>	<u>\$6,722</u>	<u>\$6,864</u>	<u>\$7,294</u>	<u>\$7,477</u>	<u>\$7,193</u>	<u>\$6,642</u>	<u>\$6,195</u>	<u>\$5,781</u>	<u>\$5,389</u>
Fund Balance										
Restricted	\$5,514	\$5,652	\$5,815	\$5,815	\$6,039	\$7,193	\$6,642	\$6,195	\$5,781	\$5,389
CPI Fund Designation	1,063	1,070	1,049	1,479	1,438	n/a	n/a	n/a	n/a	n/a
TOTAL	<u>\$6,577</u>	<u>\$6,722</u>	<u>\$6,864</u>	<u>\$7,294</u>	<u>\$7,477</u>	<u>\$7,193</u>	<u>\$6,642</u>	<u>\$6,195</u>	<u>\$5,781</u>	<u>\$5,389</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY

DEMOGRAPHIC DATA 1990-2000 (Unaudited)

Date of Authority Formation:	June 7, 1988		
Form of Government:	Transportation Planning Agency		
Service Area:	446 Square Miles		
	1990	2000	Percent Change
Total Population	649,623	737,100	13.5%
Persons Per Household	2.64	2.85	8.0%
Mean Household Income	\$63,672	\$88,700	39.3%
Minority Population:			
Black	35,283	33,582	-4.82%
Hispanic	114,627	172,495	50.48%
Asian & Pacific	109,281	160,827	47.17%
American Indian	2,987	3,245	8.64%
Total	262,178	370,149	41.18%
Percent of Minority Population to Total Population	40.4%	50.2%	24.3%
Population by Age			
0 - 4	44,793	50,600	13.0%
5 - 9	40,354	55,400	37.3%
10 - 14	35,863	47,700	33.0%
15 - 19	36,874	44,300	20.1%
20 - 24	46,450	41,600	-10.4%
25 - 34	122,716	94,200	-23.2%
35 - 44	110,280	125,600	13.9%
45 - 54	74,503	109,600	47.1%
55 - 59	29,130	39,600	35.9%
60 - 64	28,662	31,200	8.9%
65-Plus	79,998	97,300	21.6%
% of Employed Residents to Total Population	54.0%	53.4%	-1.1%
% of Residents Working Outside San Mateo County	41.0%	40.4%	-1.5%
% of People Commuting to San Mateo County to Work	36.0%	37.3%	3.6%

Source: 2000 Population Projections, United States Bureau of the Census, 1990, adopted by Metropolitan Transportation Commission and Association of Bay Area Governments.

