

# San Mateo County Transportation Authority San Carlos, California



## ***Comprehensive Annual Financial Report***

**Fiscal Year Ended June 30, 2008**





**SAN MATEO COUNTY**  
***Transportation***  
***Authority***

**San Carlos, California**

***Comprehensive Annual Financial Report***

**Fiscal Year Ended June 30, 2008**

**Prepared by the Finance Division**

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# Table of Contents

	Page
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	ix
Board of Directors .....	x
Executive Management .....	xii
Organization Chart .....	xiii
Map.....	xiv
Table of Credits .....	xv
<b>II. FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>1</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS .....</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements:</b>	
Statements of Net Assets - June 30, 2008 (with comparative data as of June 30, 2007) .....	12
Statements of Activities - For the Year Ended June 30, 2008 (with comparative data for the Year Ended June 30, 2007).....	13
<b>Fund Financial Statements:</b>	
Governmental Funds – Balance Sheet - June 30, 2008 (with comparative data as of June 30, 2007) .....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statements of Net Assets - June 30, 2008 and 2007 .....	15
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances - For the Year Ended June 30, 2008 (with comparative data for the Year Ended June 30, 2007).....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities - For the Years Ended June 30, 2008 and 2007 .....	17
<b>Notes to the Basic Financial Statements .....</b>	<b>18</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Special Revenue Fund – Budgetary Comparison Schedule – For the Year Ended June 30, 2008.....	37
Notes to Required Supplementary Schedule – Year Ended June 30, 2008 .....	38

# Table of Contents

---

---

	<b>Page</b>
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
Nonmajor Governmental Funds - Combining Balance Sheet – June 30, 2008 (with comparative data as of June 30, 2007) .....	39
Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances - For the Year Ended June 30, 2008 (with comparative data for the Year Ended June 30, 2007) .....	40
Debt Service Fund - Budgetary Comparison Schedule – For the Year Ended June 30, 2008 .....	41
Nonmajor Governmental Funds – Paratransit Special Revenue Fund - Budgetary Comparison Schedule - For the Year Ended June 30, 2008 .....	42
Nonmajor Governmental Funds – Transportation Systems Management Fund - Budgetary Comparison Schedule – For the Year Ended June 30, 2008.....	43
 <b>III. STATISTICAL SECTION</b>	
Financial Trends .....	44
Revenue Capacity .....	47
Debt Capacity .....	49
Demographics and Economic Information.....	53
Operating Information .....	56
 <b>IV. INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	59

# *Section I*

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## **INTRODUCTORY**

**Letter of Transmittal**

**GFOA Certificate of Achievement**

**Board of Directors**

**Executive Management**

**Organization Chart**

**Map**

**Table of Credits**

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**November 30, 2008**

**To the Executive Director, 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, 2008**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo County Transportation Authority (the TA) for fiscal year July 1, 2007 through June 30, 2008. This transmittal letter provides a summary of the TA's finances, services, achievements and economic prospects for readers without a technical background in accounting or finance. Readers desiring a more detailed discussion of the TA's financial results may refer to the Management's Discussion and Analysis portion of the Financial Section.

Management assumes sole responsibility for the information contained in this report, including its presentation and the adequacy of its disclosures. To the best of our knowledge, this report is 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 TA'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 TA'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 TA contracted for independent auditing services from Vavrinek, Trine, Day & Company, LLP, a certified public accounting firm licensed to practice in the State of California. The auditor expressed an opinion that the TA'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***

The voters of San Mateo County approved the creation of the TA pursuant to the Bay Area County Traffic and Transportation Funding Act in June 1988. This Measure A vote funded the TA with an annual one-half cent county sales tax levy and charged the TA with delivering a broad spectrum of transportation projects and programs pursuant to a Transportation Expenditure Plan over a period of 20 years. Whenever possible, the TA also seeks to attract state, federal and local funds by matching grant funds with Measure A dollars. These efforts have led to effective partnerships with city, county, state and federal agencies for designing and completing projects. In November 2004, the voters reauthorized the TA and its publicly developed expenditure plan for an additional 25 years beyond the original expiration date of 2008. Thus, the TA will continue to fund vital transportation improvements to the benefit of San Mateo County citizens through 2033.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2008**

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Interested readers may obtain a copy of the 1988 or the 2004 Measure A Transportation Expenditure Plan by contacting:

Director, Transportation Authority Program  
San Mateo County Transportation Authority  
1250 San Carlos Ave.  
San Carlos, California 94070-1306

Interested readers also may view the 2004 Transportation Expenditure Plan online at [www.smcta.com/Expenditure\\_Plan/Complete.pdf](http://www.smcta.com/Expenditure_Plan/Complete.pdf)

***Entity***

The TA is a legally separate and financially independent governmental agency that is not a component unit of the County of San Mateo, the San Mateo County Transit District (the District) or any other entity. Therefore, this CAFR and the financial statements contained within represent solely the activities, transactions and status of the TA.

***Governance***

A seven-member Board of Directors governs the TA 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 District appoints one Board member.

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

1. Public Transit
2. Street and Highway Improvements
3. Paratransit
4. Transportation Systems Management
5. Bicycles
6. Local Programs

***Administration***

The District provides administrative and staff services under the direction and oversight of the TA Board of Directors. District staff manages the funds collected through the one-half cent county sales tax and delivers projects per the Transportation Expenditure Plan. The TA reimburses the District for the cost of its direct services charged to the TA cost centers and also for indirect charges pursuant to overhead rates approved by the U.S. Department of Transportation. Currently, District divisions and their departments provide a complete and responsive team for all the TA activities as follows:

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

The *Communications Division* is responsible for marketing, advertising, public information, distribution,

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2008**

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media relations and customer service.

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 Department* is responsible for directing and overseeing all activities and for providing support to the Board of Directors.

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

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

***Budgetary Control***

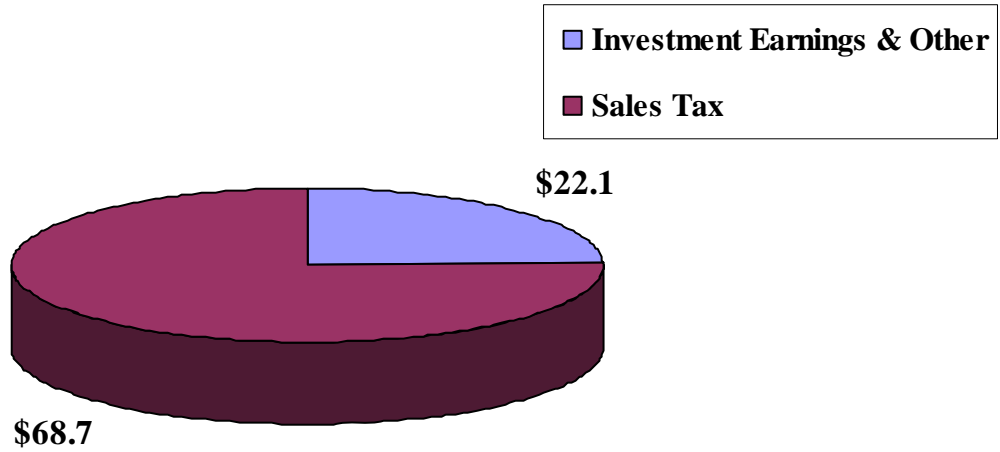
State law requires the TA to adopt an annual budget by resolution of the Board of Directors. In the spring preceding the start of each fiscal year, staff presents an annual budget for all of its governmental funds based on established agency goals, objectives and performance measures to the Board of Directors. The presentation may recommend using financial reserves to balance the budget where proposed expenditures exceed projected revenues. The Board of Directors monitors budget-to-actual performance through monthly staff reports. The Financial Section of this report includes supplemental schedules that compare actual results on a budgetary basis of accounting to the original and final adopted budgets.

Once adopted, the Board of Directors has the authority to amend the budget. While the legal level of budgetary control is at the entity level, the TA maintains more stringent control at division, departmental and line item levels to serve various needs. Cost center managers monitor budget-to-actual performance monthly on an accrual basis. The Board has delegated the authority to transfer budget amounts between divisions to the Executive Director. However, any increase to the expenditure budget as a whole requires the approval of the Board. In addition, the TA uses the encumbrance system to reduce budget balances, issuing purchase orders to avoid over-commitment of resources.

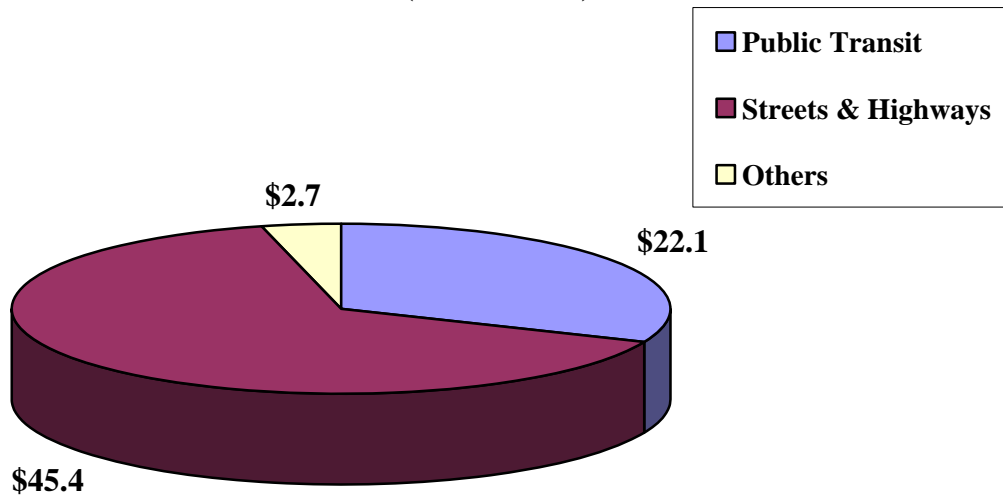
The TA employs the same basis and principles for both budgeted and actual revenues and expenditures, except that actual proceeds from the sale of fixed assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget. The pie charts on the next page show actual results for the major revenue and expense categories of fiscal year 2008 . Pursuant to procedures established in its enabling legislation, the TA establishes an appropriation limit for each annual budget cycle. The appropriation limit for fiscal year 2008 was \$477.8 million and the limit for fiscal year 2009 is \$504.6 million.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2008**

**San Mateo County Transportation Authority  
Year Ended June 30, 2008  
REVENUES  
(\$ in millions)**



**San Mateo County Transportation Authority  
Year Ended June 30, 2008  
EXPENSES  
(\$ in millions)**



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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2008**

---

**STRATEGIC PLANNING**

Significant strides have been made with the 1988 Measure A program. Most notably, Measure A revenues contributed to the Caltrain right of way purchase in 1991 and towards the purchase of the Dumbarton rail. This proved to be one of the most forward thinking long-term strategies for preserving transportation infrastructure, as today, right of way purchases are extremely difficult and expensive to secure. Measure A also provided funding for Caltrain operational improvements such as the construction of passing tracks and new signal and control systems to improve service reliability, as well as station and parking improvements in various cities within San Mateo County. To improve safety and reduce local traffic congestion, Measure A funds were allocated for the construction of 9 grade separation projects of which 5 have been completed. Additional project expenditures funded highway improvements to improve safety and reduce freeway congestion including auxiliary lanes throughout the Highway 101 corridor, Highway 92 improvements, and the Highway 101/Oyster Point Interchange in South San Francisco. On the local level, Measure A funds were passed to cities and the county for streets and road improvements. Investments have also been made to fund local shuttles, paratransit, and bicycle route planning. By December 31, 2008, when the 1988 Measure A Program will expire, the TA is expected to have spent 61 percent of total estimated sales tax revenues and other earnings on San Mateo County transportation improvements. Delivery of 1988 Measure A funded projects will continue beyond the expiration of the 1988 Measure A Program, in keeping with the commitment to the voters who approved the 1988 Measure A Program.

The reauthorization and a new Transportation Expenditure Plan was approved by the San Mateo County Supervisors and placed before county voters in the November 2004 regular election. Voters passed the reauthorization measure by a resounding 75.8 percent majority, extending the TA's mission through 2033. The implementation guidelines in the new Transportation Expenditure Plan require that the TA prepare a strategic plan prior to January 1, 2009. The strategic plan is intended to establish a framework of policies to guide the decision-making process of prioritizing transportation projects and programs consistent with the goals and objectives of the Countywide Transportation Plan and the new Transportation Expenditure Plan. The strategic plan will be anchored on the 2004 Expenditure Plan which was developed with public input. In developing the strategic plan, TA staff made a special effort to solicit input from the public to develop two key components of the strategic plan: criteria for project evaluation and prioritization, and monitoring programs and performance measures that would be used to ensure efficient use of Measure A money. The new strategic plan is expected to be brought before the Board of Directors for adoption in December 2008.

**CURRENT PROGRAMS**

***Public Transit Programs***

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

- Railway and trackage
- Maintenance facility
- Passenger stations
- Parking facilities
- Grade crossings and separations
- Safety improvements
- Signal and communications upgrades

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2008**

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Notable projects supporting the JPB during fiscal year 2008 include:

- Construction of the Burlingame station remodel.
- Preliminary engineering work for the San Francisco Downtown extension
- Provision of local match requirements for federally funded capital construction grants
- Design work for the San Mateo County Local Safety and Access Improvements program
- Railroad crossing safety improvement in San Bruno and South San Francisco

***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
- Travel time information system

Notable street and highway projects during fiscal year 2008 include:

- Construction on auxiliary lanes from Third Avenue in San Mateo to Millbrae Avenue in Millbrae.
- Reconstruction of Peninsula Avenue interchange.
- Operational analysis of Marsh Road to the San Mateo/Santa Clara County line allowing the TA to compete for infrastructure funds.
- Construction on the Route 92 improvement project and State Route 1 in Half Moon Bay.
- Preliminary engineering and environmental assessment on Route 1 improvement project, Fassler Avenue to Westport Drive in Pacifica.
- Operational analysis for Willow Road interchange.

***Paratransit Programs***

The TA has established a \$25.0 million principal amount in a Paratransit Permanent Fund and has dedicated the investment earnings from this fund to the paratransit programs offered by the District. The Permanent Fund made its first contribution to these programs in 1990. The management and oversight of this fund will become the responsibility of the District in January 2009 per the original intent of the 1988 Transportation Expenditure Plan.

The District operates its Redi-Wheels and RediCoast programs pursuant to the Americans with Disabilities Act (ADA) on behalf of public transit customers with disabilities. The District has certified more than 6,822 county residents as eligible for paratransit services and certifies approximately 135 new applicants each month. Service is available 365 days a year from 5:30 a.m. to midnight and 24-hour service is available in certain areas. Since inception, these programs have provided more than 3.1 million paratransit trips for persons with disabilities.

Earnings from the permanent fund have also funded new vehicles, programs training customers to use fixed-route service where feasible and other improvements to service delivery. The TA and the District will continue to commit Paratransit Permanent Fund earnings to the enhancement of paratransit programs in San Mateo County.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2008**

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***Transportation Systems Management Programs (TSM)***

The TA funds 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 nine years, the TA has provided the majority of its TSM funding to the Peninsula Traffic Congestion Relief Alliance, which serves 15 cities. The Alliance concentrates on four primary activities:

- 1) Outreach to employers in San Mateo county
- 2) Organizing vanpools and carpools
- 3) Outreach to new commercial developments
- 4) Organizing and managing shuttles to and from Caltrain stations

Other programs and projects include bike locker subsidies, transit incentives, interconnecting traffic signals, transit passes and guaranteed-ride home programs.

***Bicycle Programs***

The TA provided 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 initial 20-year life. The TA also provided funds to create a plan for a multi-purpose trail as part of the Bay Trail System in San Mateo County.

***Local Programs***

The 1988 Measure A requires the TA to earmark 20 percent of its 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 2008, local agencies received \$13.7 million, bringing the total local aid since the inception of Measure A to \$196.6 million. The recipients of these funds principally use them for street and road projects. The reauthorized Measure A, effective in 2009, increased the required local share amount to 22.5 percent of annual sales tax revenue.

**FACTORS AFFECTING FINANCIAL CONDITION**

***Local Economy***

San Mateo County is ranked number one in affluence among Bay Area counties and has a growing and maturing economy. The TA's sales tax receipts have steadily increased from 2004 through 2008 surpassing record high levels. However, the economy nationwide has been in a downward spiral for several months, unemployment is on the rise and many experts are indicating a recession. While these factors did not affect sales tax revenues in the last fiscal year, the TA will be cautious in budgeting sales tax revenues in the coming years.

With significant employment in diverse industries, including air travel, technology, biotechnology, finance, education, conventions, tourism, agriculture, and manufacturing, San Mateo County does not depend on any one sector for its prosperity. This broad base helps to ensure long-term stability for San Mateo County residents. The successful public vote in November 2004 reauthorizing the TA's mission for an additional 25 years underscored renewed citizen confidence in the positive impact the one-half cent county sales tax has made on countywide mobility over the last 20 years.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2008**

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***Cash Management***

The Board of Directors has adopted an investment policy as allowed by the State of California law. This policy emphasizes safety and liquidity over return on investment. Within these parameters, the TA pursues a prudent cash management and investment program to achieve maximum return on available funds. The TA's policy is to hold securities to maturity to avoid losses from a potential sale. All of the TA's unrestricted cash and investments as of June 30, 2008 were on deposit with either the Bank of America, the San Mateo County Treasurer's investment pool or with California State Treasurer's Local Agency Investment Fund (LAIF). All deposits are insured by the Federal Depository Insurance Corporation (FDIC) or covered by collateral.

***Risk Management***

The TA is not exposed to significant levels of risk, as its primary function is to receive and allocate one-half cent county sales tax to various state and local agencies for constructing projects funded by the TA. These agencies indemnify the TA against all claims, both of commission and omission. During the audit period, the TA and its administrative entity, the District, had an aggregate insurance coverage of \$100 million.

***Pension and other post-employment benefits***

Since the District provides staff services in support of the TA's mission, the persons supporting the TA are legally District employees, so the TA has no retirement or post-employment benefits obligations of its own but will share proportionately in the District's costs.

**AWARDS AND ACKNOWLEDGMENTS**

The staff and contracted firms of the TA bring an effective combination of skill, experience and dedication to carrying out the TA's mission. Together, they plan, develop and finance the creation of a modern, coordinated multimodal transportation system offering convenient access to the many attributes of the Bay Area and beyond. Although we have concerns about the current volatility in the financial markets that many experts have labeled a recession, the TA 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 TA's 2007 CAFR 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 2008 CAFR also meets the requirements for a Certificate of Achievement and have submitted it to the GFOA for evaluation. We would like to thank our independent audit firm, Vavrinek, Trine, Day and Company, LLP, for its timely and expert guidance in this matter.

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 Executive Director and the Board of Directors for their interest and support in the development and maintenance of a reliable financial management and reporting system.

Respectfully submitted,



**Virginia Harrington**  
Chief Financial Officer



**Patricia Reavey**  
Director of Finance



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, 2007

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.



*Charles S. Cox*

President

*Jeffrey R. Emswiler*

Executive Director

**BOARD OF DIRECTORS**

**ROSANNE FOUST, CHAIR**

**ROSALIE O'MAHONY, VICE CHAIR**

**MARK CHURCH**

**RICH GORDON**

**JOHN LEE**

**KARYL MATSUMOTO**

**JIM VREELAND**

**ROSANNE FOUST** was elected to the TA in 2005 representing South County and is currently serving as chair. She has served as a council member for Redwood City since November 2003 and is currently mayor. She is the vice president of the San Mateo County Economic Development Association.

**ROSALIE O'MAHONY** was elected to the TA in 2006 representing the Central County. Director O'Mahony was first elected to the Burlingame City Council in 1989, has been re-elected four times and is currently mayor. She is a professor of Mathematics at the College of San Mateo, where she has been teaching since 1965. She holds a PhD from the University of Southern California.

**MARK CHURCH** was appointed to the TA in 2001 representing the Board of Supervisors where he was elected in 2000. He previously served as mayor (1997-1998) and city councilman (1995-1999) of the City of Millbrae. Supervisor Church is a third-generation Californian and a San Mateo County native. He was admitted to the California Bar in 1976.

**RICH GORDON** was appointed to the TA in 1999 representing the Board of Supervisors. He has served as a member of the San Mateo County Board of Supervisors since 1997. Prior to his election to the 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. He is a third-generation Californian, having been born and raised in San Mateo County.

**JOHN LEE** was elected to the TA in 2000 representing Cities-at-Large. He is a member of the San Mateo City Council. He was elected mayor of the City of San Mateo in 2001. Director Lee served in the United States Marine Corps for 22 years, seeing active duty in Korea and Vietnam, and retiring with the rank of captain. Director Lee is one of the founders of Telogy, Inc. a high technology electronics company in Union City.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2008**

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**KARYL MATSUMOTO** was elected to the TA in 2008. Director Matsumoto was elected to the City of South San Francisco City Council in 1997. She is currently mayor pro tem. She is a native Californian and has lived in South San Francisco for 26 years.

**JIM VREELAND** was elected to the TA in 2008. He has served on the Pacifica City Council for 10 years and is currently mayor.

**EXECUTIVE MANAGEMENT**

**EXECUTIVE DIRECTOR**

Michael J. Scanlon

**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

**SPECIAL ASSISTANT TO THE EXECUTIVE DIRECTOR**

Mark Simon

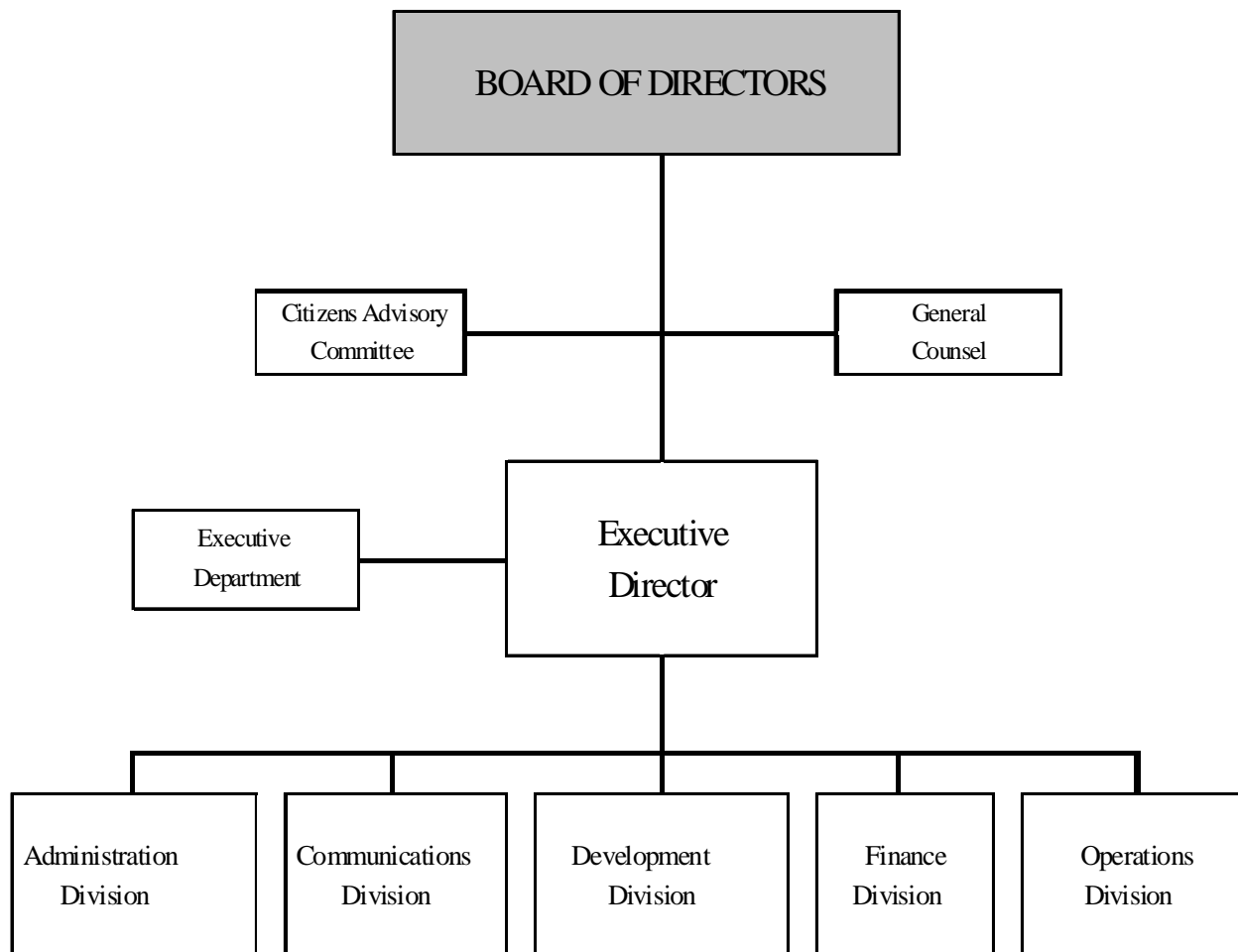
**AUTHORITY SECRETARY**

Martha Martinez

**GENERAL COUNSEL**

Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP:  
David J. Miller, Esq.  
Joan Cassman, Esq

**ORGANIZATION CHART**



- \* Human Resources
- \* Technology
- \* Procurement
- \* DBE Compliance
- \* Civil Rights
- \* Security
- \* Safety & Risk Management

- \* Marketing
- \* Public Information
- \* Media Relations
- \* Customer Service
- \* Distribution

- \* Project Management
- \* Planning
- \* Engineering
- \* Capital Program
- \* Grants
- \* Property Management
- \* Real Estate

- \* Budgeting
- \* Accounting
- \* Disbursements
- \* Receivables
- \* Treasury
- \* Audit

- \* Transit Operations
- \* Facilities
- \* Accessible Services
- \* Shuttles

### San Mateo County, California



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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2008**

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**TABLE OF CREDITS**

The following individuals contributed to the production of the fiscal year 2008 Comprehensive Annual Financial Report:

<b><u>Finance:</u></b>	Manager, Budgets	Ladi Bhuller
	Manager, General Ledger	Rima Lobo
	Manager, Treasury	Brian Lee
	Senior Accountant	Jeannie Chen
	Senior Accountant	Sheila Tioyao
	Senior Budget Analyst	Angela Ho
	Senior Systems Accountant	Angustia Pacumio
<b><u>Development:</u></b>	Director, Transportation Authority Program	Joseph Hurley
<b><u>Audit Firm:</u></b>	Partner	Leonard Danna
	Partner	Ahmad Gharaibeh

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# *Section II*

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## **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 financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Mateo County Transportation Authority (the TA) of California, as of and for the year ended June 30, 2008, which collectively comprise the TA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the TA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the TA's June 30, 2007 financial statements and, in our report dated November 30, 2007, we expressed an unqualified opinion on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the TA as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements include prior-year comparative information as explained in Note 1(J). Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the TA's financial statements for the year ended June 30, 2007, from which such comparative information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2008, on our consideration of the TA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and the Budgetary Comparison Schedule and its accompanying notes on pages 37 and 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 financial statements that collectively comprise the TA's basic financial statements. The supplemental information on combining fund statements listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 41 through 43 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vawrinek Trime Day + Co. LLP

Palo Alto, California  
November 30, 2008

## Management's Discussion and Analysis

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## **MANAGEMENT'S DISCUSSION & ANALYSIS**

This discussion and analysis of the TA's financial position addresses the TA's activities for the fiscal year ended June 30, 2008 with comparisons to the fiscal year ended June 30, 2007. 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 increased by \$4.8 million or 1.0 percent to \$483.0 million at June 30, 2008 compared to June 30, 2007. Cash and investments comprised \$447.2 million or 92.6 percent of the total 2008 year-end amount.
- Sales tax revenue for all funds reached \$68.7 million during 2008, an increase of \$2.5 million or 3.7 percent over 2007.
- The TA expended \$50.7 million in capital outlay during 2008, an increase of \$20.2 million or 66.3 percent over 2007. This amount included construction costs related to the addition of an auxiliary lane in both directions of Highway 101 between Third Avenue in San Mateo and Millbrae Avenue in Millbrae.
- Total liabilities decreased \$15.8 million or 54.2 percent to \$13.4 million at June 30, 2008 compared to June 30, 2007.
- Total net assets increased by \$20.5 million or 4.6 percent to \$469.7 million at June 30, 2008 compared to June 30, 2007. In addition, the ending *unreserved fund balance* for the Special Revenue Fund grew \$23.8 million or 5.9 percent to \$425.9 million at 2008 year-end. These increases are due primarily to total revenues exceeding total expenditures in 2008.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

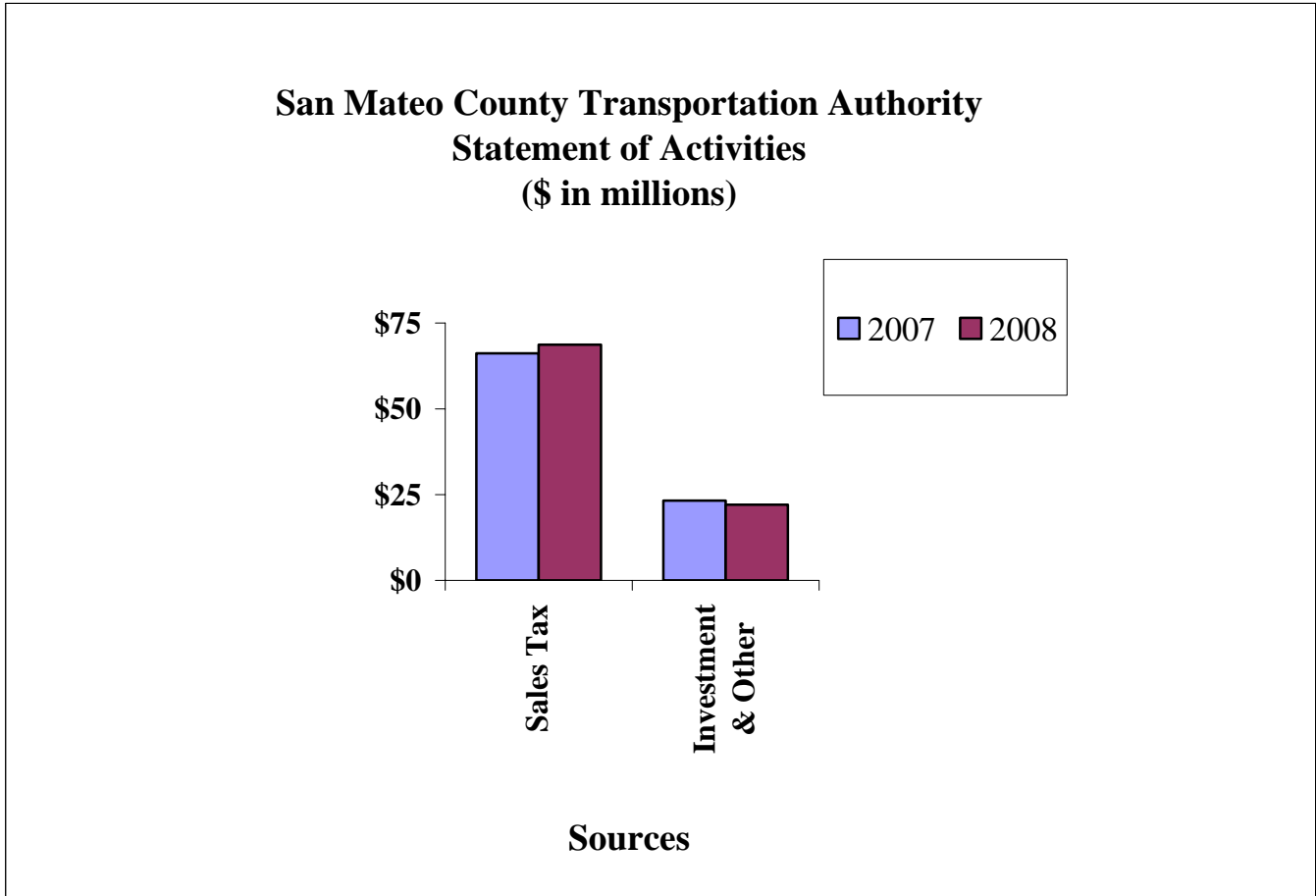
The Financial Section of this report presents the TA's basic financial statements in three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Other supplementary information also appears in addition to the basic financial statements.

#### **Government-wide Financial Statements**

The *Statement of Net Assets* presents total assets and total liabilities with the difference between the two reported as net assets. Changes in net assets over time provides an indicator of whether the financial position of the government is improving or deteriorating.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2008**

The *Statement of Activities* reports on the change in net assets during the year. It includes a comparison between direct expenses and related revenues for each program or function. Direct expenses are those specifically associated with and clearly identifiable with a particular program or function. The *Statement of Activities* matches revenues from charges to customers for goods and services to the program and functional expenses with which the revenues are directly related. Revenues not classified as program or functional, such as sales tax, are presented on their own as general revenues. The TA 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 in a future period.



**Fund Financial Statements**

A *fund* is a set of accounts used to control resources segregated for specific activities or objectives. Funds classified as *major* are reported individually on the financial statements. Funds classified as non-major are grouped and reported in a single column. In the supplemental section of this report, *combining statements* report data for each of the *non-major* funds. The TA 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.



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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2008**

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The TA 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 TA's current financing requirements.

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

- The *Special Revenue Fund* which accounts for the proceeds of the one-half cent county sales tax. These funds are legally restricted to expenditures for specific transportation improvement projects authorized in a referendum approved by San Mateo County voters. This referendum is referred to as *Measure A* and the list of eligible projects can be found in the *Transportation Expenditure Plan*.
- The *Debt Service Fund* which accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest.

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

- The *Paratransit Special Revenue Fund* which accounts for the investment earnings of the *Paratransit Permanent Fund* plus occasional allocations from the TA. Upon the advice of the San Mateo County Paratransit Coordinating Council and the District, the TA distributes the resources of this fund to local entities for programs supporting the transportation needs of persons with disabilities.
- The *Paratransit Permanent Fund* which 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 exists in perpetuity and investment earnings on the principal balance transfer to the *Paratransit Special Revenue Fund*.
- The *Transportation System Management (TSM) Special Revenue Fund* which 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 that the intent of the TA 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 to the Financial Statements* provide additional information that is essential to a full understanding of the *government-wide* and *fund* financial statements. These notes begin on page 18 of this report, immediately following the financial statements to which they refer.

## **Other Information**

This report also presents certain *required supplementary information* concerning compliance with the TA's annual budget for the *Special Revenue Fund* which is the TA's main operating fund and the equivalent of a *general fund*. This information and associated notes immediately follow the *basic financial statements* and their accompanying notes. Combining statements that present non-major governmental funds appear immediately following the *required supplementary information*.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2008**

**Government-wide Financial Analysis**

At June 30, 2008, total assets were \$483.0 million, an increase of \$4.8 million or 1.0 percent over June 30, 2007. Cash and investments including restricted assets comprise \$447.2 million of this amount. With only \$13.4 million in total liabilities, the TA is in an excellent position to meet its obligations for current construction projects. As of the end of 2008, existing encumbrances and expected future costs combined for current construction projects are estimated to total \$167.2 million.

Restricted assets represent amounts set aside and restricted as a bond reserve to pay debt service on the TA's limited tax bonds. Since the TA's 1997 Series A Limited Tax Bonds were fully paid in fiscal year 2008, restricted assets were released back to the general funds.

Capital assets decreased by \$4.6 million or 25.2 percent from \$18.2 million in 2007 to \$13.6 million in 2008. The change is due to a property sale that occurred in 2008.

The TA does not record the capital assets created by the construction projects it finances on its own accounting books since these assets are of value only to the local government units in which they are located. For more information on capital assets, please refer to *Note #8- Capital Assets* of the *Notes to the Financial Statements* on page 29 of this report.

	Governmental Activities	
	2008	2007
Current and other assets	\$ 469,417,680	\$ 450,760,101
Restricted assets	-	9,322,953
Capital assets	13,590,975	18,160,975
Total assets	483,008,655	478,244,029
Long-term liabilities outstanding	3,674,256	12,822,021
Other liabilities	9,682,957	16,314,642
Total liabilities	13,357,213	29,136,663
Net assets:		
Invested in capital assets, net of related debt	13,590,975	18,160,975
Restricted	25,000,000	35,413,891
Unrestricted	431,060,467	395,532,500
Total net assets	\$ 469,651,442	\$ 449,107,366

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2008**

Total liabilities decreased by \$15.8 million or 54.2 percent to \$13.4 million at June 30, 2008 compared to \$29.1 million at June 30, 2007. The decrease was due to a reduction in the accrual for capital projects and an \$8.9 million repayment on the limited tax bonds in 2008.

Net assets increased by \$20.5 million or 4.6 percent to \$469.7 million at June 30, 2008, the result of revenues exceeding expenses in 2008.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
CHANGES IN NET ASSETS**

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues		
Charges for services	\$ 996,862	\$ 902,444
Operating grants/contributions	2,969,662	1,859,644
General revenues		
Sales tax	68,669,604	66,201,576
Investment earnings and others	18,086,693	20,564,871
Total revenues	<u>90,722,821</u>	<u>89,528,535</u>
Expenses:		
Public transit	22,072,073	13,396,967
Streets and highways	45,368,006	33,168,274
Others	2,738,666	2,973,339
Total expenses	<u>70,178,745</u>	<u>49,538,580</u>
Change in net assets	20,544,076	39,989,955
Net assets - July 1,	449,107,366	409,117,411
Net assets - June 30,	<u>\$ 469,651,442</u>	<u>\$ 449,107,366</u>

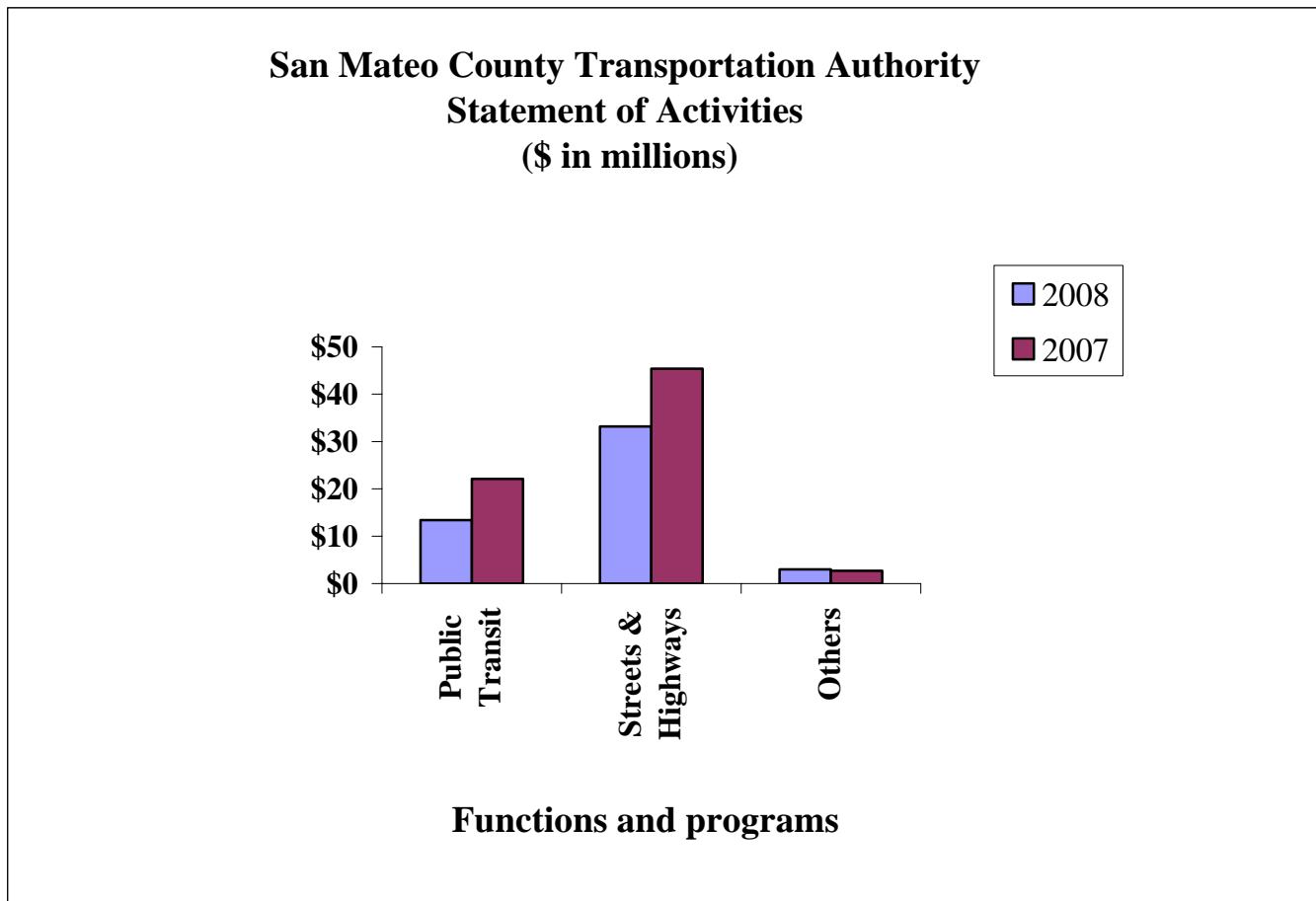
**Governmental Activities**

Total expenses for governmental activities were \$70.2 million in 2008, an increase of \$20.6 million or 41.7 percent compared to 2007. The functional components of total expenses are public transit (31.5 percent), streets and highways (64.6 percent) and other programs (3.9 percent). The following are the highlights of the TA's governmental activities:

- Sales tax revenue increased by \$2.5 million or 3.7 percent to \$68.7 million in 2008 over 2007. Consequently, the TA's distribution of construction funds to local entities, set at 20.0 percent of sales tax revenue, increased by \$0.5 million to \$13.7 million in 2008 over 2007.
- Investment earnings and other revenues of \$18.1 million in 2008 was \$2.5 million or 12.1 percent lower compared to 2007. This decrease was due to lower unrealized GASB 31 "mark to market" gains in 2008 compared to 2007.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2008**

- Expenses for public transit projects in 2008 increased by \$8.7 million to \$22.1 million or 64.8 percent compared to 2007. The majority of these expenses funded capital improvements for Caltrain rail service.
- Spending for streets and highways in 2008 increased by \$12.2 million or 36.8 percent to \$45.4 million compared to 2007 mainly due to the current phase of the capital projects. Most streets and highway projects happened to be in the construction phase which is the most expensive phase of work on a project.



**Financial Analysis of the TA’s Funds**

At June 30, 2008, governmental funds reported combined fund balances of \$455.2 million, an increase of \$11.4 million or 2.6 percent higher than June 30, 2007. Unreserved fund balance represents \$430.2 million or 94.5 percent of this total and is available for spending at the discretion of the TA’s Board of Directors in accordance with the Transportation Expenditure Plan. The remaining fund balance of \$25 million is reserved and intended to generate investment income to support the TA’s paratransit program.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2008**

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The *Special Revenue Fund* is the operating fund of the TA and equivalent to the general fund of other governmental entities. The fund balance reached \$425.9 million at June 30, 2008, an increase of \$15.8 million or 3.8 percent over June 30, 2007, as total revenues exceeded total expenditures during 2008. The total fund balance at June 30, 2008 of \$425.9 million is unreserved. Since the TA principally passes funding through to other organizations, the most accurate indicator of the TA's ability to meet its current and future obligations is a comparison of its unreserved fund balance to its future commitments. At June 30, 2008, the estimated cost to complete on-going projects is \$167.2 million or 39.3 percent of unreserved fund balance.

In fiscal year 2008, the TA's 1997 Series A Limited Tax Bonds matured. The remaining balance in the *Debt Service Fund* at the end of fiscal year 2008 will be transferred to the Special Revenue Fund and designated for future Measure A projects.

At June 30, 2008, the combined fund balance of *Other Governmental Funds* is \$29.3 million, which is \$2.1 million or 6.6 percent lower than June 30, 2007. The *Paratransit Permanent Fund*, at \$25.0 million on June 30, 2008, accounts for 85.5 percent of the *Other Governmental Funds* combined fund balance and is not available for expenditure. \$3.6 million of the *Other Governmental Funds* combined fund balance is held in the *Transportation Systems Management Special Revenue Fund*. The remaining amount accounts for the balance in the *Paratransit Special Revenue Fund*, which is designated for Paratransit programs.

### **Special Revenue Fund Budgetary Highlights**

GAAP requires a discussion of the budget-to-actual performance for the general fund or its equivalent. In the case of the TA, the *Special Revenue Fund* is the equivalent of a general fund as it is the chief operating fund. The TA classifies this fund as a special revenue fund because the activity of the fund is legally restricted to the special purposes enumerated in the Transportation Expenditure Plan approved by the voters of San Mateo County.

The *Special Revenue Fund* employs the same accounting basis and principles for both its budget and actual revenues and expenditures, except that proceeds from the sale of fixed assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget.

Sales tax represented 71.0 percent of the *Special Revenue Fund's* total budgeted revenue for fiscal year 2008. Actual sales tax revenue for the year was \$61.7 million, which exceeded the budget by \$3.3 million or 5.6 percent.

Total investment income for the *Special Revenue Fund* totaled \$16.4 million in fiscal year 2008, a decrease from the budgeted amount by \$2.3 million or 12.5 percent mainly due to lower than anticipated interest rates.

Program administration costs for the *Special Revenue Fund* were slightly under budget.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2008**

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The TA spent \$50.7 million or 269.2 percent of its final 2008 budget for capital outlays, which included the cost of completing on-going capital projects. Since capital projects normally span more than one year, the TA carries over unexpended budgets to succeeding years. However, to enhance understanding of the TA's fund balance for the *Special Revenue Fund*, the carry-over amount from 2007 is not included in the 2008 *Budgetary Comparison Schedule*.

### **Capital Projects**

The TA spent \$50.7 million on capital projects in 2008, an increase of \$20.2 million or 66.3 percent compared to 2007. Following are the major capital expenditures:

- Construction cost for the addition of an auxiliary lane in both directions of Highway 101 between Third Avenue in San Mateo and Millbrae Avenue in Millbrae (\$26.6 million).
- Studies and design costs associated with the grade separation project for San Bruno Avenue in San Bruno and Linden Avenue in South San Francisco (\$3.7 million).
- Construction cost of improvements on State Route 92 in the City of Half Moon Bay (\$3.5 million).
- Transbay Transit Center Program – Caltrain extension to Downtown San Francisco, preliminary engineering and design (\$3.2 million).
- Funding for the 2007 local capital match requirement assessed to San Mateo County according to the Caltrain Joint Powers Agreement (\$3.2 million).
- Signal design to improve safety at the rail grade crossings in San Mateo County (\$2.8 million).
- Construction of outside boarding platform and installation of a center-track fence to eliminate the hold-out rule at Burlingame station (\$2.6 million).

More information on the TA's capital project activity appears in *Notes #15 and #16 – Capital Outlay and Construction Commitments* on page 35 of the *Notes to the Financial Statements*.

### **Debt**

In 2008, the TA fully repaid the remaining \$8.9 million on its 1997 Series A Limited Tax Bonds. This reduction represents the final regularly scheduled principal payment made June 1, 2008. The maturity of this bond released: (a) the pledge of sales tax revenues which secured the debt and (b) the reserve fund which secured the semi-annual payment of principal and interest. The TA has subsequently closed its trust accounts which serviced the bond.

The TA retains professional consultants to assist in calculating arbitrage liability, which is typically payable to the federal government every five years while the bonds are outstanding. The cumulative rebate liability on arbitrage earnings as of the end of fiscal year 2008 was \$0.2 million which was paid in July 2008. This payment represents the final arbitrage rebate payment required for the bond.

The balance of an outstanding loan of \$3.5 million from the State of California remains unchanged from the prior year, as no principal payments were made. The loan is due on or before December 31, 2009. The TA used the proceeds of this non-interest-bearing loan to purchase property from Southern Pacific Transportation Company.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2008**

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More information on the TA's long-term debt activity appears in *Note #11 – Long-term Liabilities* beginning on page 30 of the *Notes to the Financial Statements*.

**Economic Factors**

During the fiscal year 2008, the San Mateo County economy was strong with TA sales tax receipts coming in at a new record high level of \$68.7 million for all funds, but currently the nationwide economy is going into crisis mode. The stock market has plunged and world renowned "A" rated corporations have filed for bankruptcy. The recent blow to the economy was originally brought on by an over abundance of sub-prime mortgage defaults as interest rates were adjusted to levels much higher than affordable by the borrowers. This led to widespread foreclosures which led to equity issues for many banks and insurers. The problems permeated the economy creating problems in the job market and all other aspects of the economy with many experts indicating a recession. The San Mateo County unemployment rate increased to the 4.7 – 5.0 percent range in June through September of 2008 compared to 3.9 – 4.1 percent during the same time period last year. With the volatility in fuel costs, an inevitable recession looming and unemployment rates on the rise, the TA expects consumer spending to be impacted in the coming years and will budget this revenue source accordingly.

**Requests for Information**

This financial report intends to provide our citizens, taxpayers, customers and creditors with a general overview of the TA'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 Ave., San Carlos, California, 94070-1306.

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**BASIC FINANCIAL STATEMENTS**  
**Government-wide Financial Statements**

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2008 (WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

	Governmental Activities	
	2008	2007
<b>ASSETS</b>		
Cash and investments (Notes 1 & 2)	\$ 447,174,985	\$ 432,747,009
Receivables:		
Sales tax (Note 3)	13,046,025	12,487,990
Interest (Note 4)	3,652,895	5,129,882
Note receivable (Note 5)	4,343,404	-
Other (Note 6)	1,197,071	391,920
Prepaid expenses	3,300	3,300
Restricted assets (Notes 2 & 7)	-	9,322,953
Capital assets (Notes 1 & 8)	13,590,975	18,160,975
Total Assets	<u>\$ 483,008,655</u>	<u>\$ 478,244,029</u>
<b>LIABILITIES</b>		
Accounts payable (Note 9)	\$ 1,397,824	\$ 1,322,678
Accrued liabilities (Note 10)	8,216,741	14,920,378
Deferred revenue	29,294	32,488
Deposits	39,098	39,098
Long-term liabilities (Note 11):		
Due within one year	224,256	9,372,021
Due beyond one year	3,450,000	3,450,000
Total Liabilities	<u>13,357,213</u>	<u>29,136,663</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	13,590,975	18,160,975
Restricted for (Notes 2 & 12):		
Debt service - nonexpendable (Note 7)	-	10,413,891
Paratransit programs - nonexpendable	25,000,000	25,000,000
Unrestricted (Note 12)	431,060,467	395,532,500
Total Net Assets	<u>469,651,442</u>	<u>449,107,366</u>
Total Liabilities and Net Assets	<u>\$ 483,008,655</u>	<u>\$ 478,244,029</u>

The accompanying notes are an integral part of these financial statements.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008 (WITH COMPARATIVE DATA**  
**FOR THE YEAR ENDED JUNE 30, 2007)**

	Expenditures	Program Revenues		Net (Expenditures) Revenues and Changes in Net Assets	
		Charges for Services	Operating Contributions and Grants	2008	2007
<b>GOVERNMENTAL ACTIVITIES:</b>					
Public Transit					
Upgrades and extensions	\$ 12,481,230	\$ -	\$ -	\$ (12,481,230)	\$ (8,135,808)
Grade separations	4,525,185	756,166	119,599	(3,649,420)	(1,136,060)
Paratransit	2,779,692	-	1,148,898	(1,630,794)	(1,130,904)
Dumbarton spur	2,285,966	240,696	1,701,165	(344,105)	(232,107)
Street and highways					
Distributions to local entities	13,733,921	-	-	(13,733,921)	(13,240,315)
Projects funding	31,634,085	-	-	(31,634,085)	(19,927,959)
Caltrain shuttle program	1,074,089	-	-	(1,074,089)	(1,063,683)
Transportation systems management	482,947	-	-	(482,947)	(475,510)
Program administration	802,890	-	-	(802,890)	(670,407)
Interest on debt	378,740	-	-	(378,740)	(763,739)
Total Governmental Activities	<u>\$ 70,178,745</u>	<u>\$ 996,862</u>	<u>\$ 2,969,662</u>	<u>(66,212,221)</u>	<u>(46,776,492)</u>
<b>GENERAL REVENUES:</b>					
Sales tax				68,669,604	66,201,576
Unrestricted investment earnings				18,313,289	20,564,871
Other income/(loss)				(226,596)	-
Total General Revenues				<u>86,756,297</u>	<u>86,766,447</u>
Change in Net Assets				20,544,076	39,989,955
Net Assets at Beginning of Year				449,107,366	409,117,411
Net Assets at End of Year				<u>\$ 469,651,442</u>	<u>\$ 449,107,366</u>

The accompanying notes are an integral part of these financial statements.

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**BASIC FINANCIAL STATEMENTS**  
**Fund Financial Statements**

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2008 (WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	
				2008	2007
<b>ASSETS</b>					
Cash and investments (Notes 1 & 2)	\$ 417,089,204	\$ 76,486	\$ 30,009,295	\$ 447,174,985	\$ 432,747,009
Receivables:					
Sales tax (Note 3)	13,046,025	-	-	13,046,025	12,487,990
Interest (Note 4)	3,266,084	-	212,684	3,478,768	5,129,882
Other (Note 6)	1,197,071	-	-	1,197,071	391,920
Prepaid	3,300	-	-	3,300	3,300
Restricted assets (Notes 2 & 7)	-	-	-	-	9,322,953
Total Assets	<u>\$ 434,601,684</u>	<u>\$ 76,486</u>	<u>\$ 30,221,979</u>	<u>\$ 464,900,149</u>	<u>\$ 460,083,054</u>
<b>LIABILITIES</b>					
Accounts payable (Note 9)	\$ 471,260	\$ -	\$ 926,564	\$ 1,397,824	\$ 1,288,734
Accrued liabilities (Note 10)	8,175,012	1,500	40,229	8,216,741	14,920,378
Deferred rent revenue	29,294	-	-	29,294	32,488
Deposits	39,098	-	-	39,098	39,098
Total Liabilities	<u>8,714,664</u>	<u>1,500</u>	<u>966,793</u>	<u>9,682,957</u>	<u>16,280,698</u>
<b>FUND EQUITY</b>					
Fund Balances:					
Reserved for (Notes 2 & 12):					
Debt service (Note 7)	-	-	-	-	10,413,891
Paratransit programs	-	-	25,000,000	25,000,000	25,000,000
Unreserved, reported in (Note 12):					
Special revenue fund					
Designated for -					
Current Measure A Projects	167,218,316	-	-	167,218,316	210,810,170
Future Measure A Projects	258,668,704	74,986	-	258,743,690	191,271,263
Nonmajor special revenue funds					
Designated	-	-	4,255,186	4,255,186	6,307,032
Total Fund Balances	<u>425,887,020</u>	<u>74,986</u>	<u>29,255,186</u>	<u>455,217,192</u>	<u>443,802,356</u>
Total Liabilities and Fund Balances	<u>\$ 434,601,684</u>	<u>\$ 76,486</u>	<u>\$ 30,221,979</u>	<u>\$ 464,900,149</u>	<u>\$ 460,083,054</u>

The accompanying notes are an integral part of these financial statements.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENTS OF NET ASSETS  
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Amounts reported for governmental activities in the Statements of Net Assets differ due to:		
<b>Fund Balances - Total Governmental Funds</b>	\$ 455,217,192	\$ 443,802,356
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	13,590,975	18,160,975
Long term note receivable is not a financial resource and, therefore, is not reported in the governmental funds.		
Note receivable	4,343,404	-
Interest receivable	174,127	-
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.	-	(33,944)
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	-	(8,855,000)
Cumulative rebate liability	(224,256)	(517,021)
Loan from State of California	(3,450,000)	(3,450,000)
Subtotal	<u>(3,674,256)</u>	<u>(12,822,021)</u>
<b>Net Assets of Governmental Activities</b>	<u>\$ 469,651,442</u>	<u>\$ 449,107,366</u>

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 BALANCES  
YEAR ENDED JUNE 30, 2008 (WITH COMPARATIVE DATA  
FOR THE YEAR ENDED JUNE 30, 2007)**

	Special	Debt	Other	Total	
	Revenue Fund	Service Fund	Governmental Fund	2008	2007
<b>REVENUES</b>					
Sales tax	\$ 61,722,856	\$ 6,946,748	\$ -	\$ 68,669,604	\$ 66,201,576
Investment income (Note 13)	17,771,469	13,033	1,210,793	18,995,295	21,985,127
Rental income	996,863	-	-	996,863	902,444
Grant proceeds	1,820,767	-	-	1,820,767	448,988
Total Revenues	<u>82,311,955</u>	<u>6,959,781</u>	<u>1,210,793</u>	<u>90,482,529</u>	<u>89,538,135</u>
<b>EXPENDITURES</b>					
Administrative:					
Staff support (Note 14)	592,978	-	-	592,978	499,998
Board compensation	7,100	-	-	7,100	6,000
Professional and legal fees	148,027	-	-	148,027	112,108
Other services and supplies	31,853	5,355	-	37,208	50,486
Travel and meeting	8,559	-	-	8,559	5,368
Debt Service:					
Principal	-	8,855,000	-	8,855,000	8,475,000
Interest	-	407,331	-	407,331	788,705
Subtotal	<u>788,517</u>	<u>9,267,686</u>	<u>-</u>	<u>10,056,203</u>	<u>9,937,665</u>
Distribution to local entities	13,733,921	-	3,262,639	16,996,560	16,257,385
Caltrain shuttles program	1,074,089	-	-	1,074,089	1,063,684
Dumbarton corridor maintenance	181,753	-	-	181,753	265,230
Measure A information	14,374	-	-	14,374	3,302
Capital outlays (Note 15)	50,744,714	-	-	50,744,714	30,518,135
Total Expenditures	<u>66,537,368</u>	<u>9,267,686</u>	<u>3,262,639</u>	<u>79,067,693</u>	<u>58,045,401</u>
Net Change in Fund Balances	15,774,587	(2,307,905)	(2,051,846)	11,414,836	31,492,734
Fund Balances, Beginning of Year	410,112,433	2,382,891	31,307,032	443,802,356	412,309,622
Fund Balances, End of Year	<u>\$ 425,887,020</u>	<u>\$ 74,986</u>	<u>\$ 29,255,186</u>	<u>\$ 455,217,192</u>	<u>\$ 443,802,356</u>

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 GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Amounts reported for governmental activities in the Statements of Activities differ due to:		
<b>Net Changes in Fund Balances - Total Governmental Funds</b>	\$ 11,414,836	\$ 31,492,734
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.	8,855,000	8,475,000
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.	33,944	31,821
Accrual of interest revenue on the note receivable for the sale of land is recorded as revenue in the government-wide statement of activities, but is not recorded in the governmental funds.	174,127	-
Loss on the sale of the land is recorded as an expense in the government-wide statement of activities, but is not recorded in the governmental funds.	(226,596)	-
Payment of the arbitrage liability was recorded as an expenditure in the government funds but reduces the cumulative liability in the statements of net assets and does not affect the statement of activities.	517,021	-
The increase in arbitrage cumulative liability is not recorded as an expenditure in the governmental funds but is recorded as an expenditure in the statement of activities and increases the long-term liability in the statement of net assets.	(224,256)	(9,600)
<b>Change in Net Assets of Governmental Activities</b>	<u>\$ 20,544,076</u>	<u>\$ 39,989,955</u>

The accompanying notes are an integral part of these financial statements.

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**BASIC FINANCIAL STATEMENTS**  
**Notes to the Basic Financial Statements**

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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<i>INDEX TO THE NOTES</i>	<i>Pages</i>
(1) Summary of Significant Accounting Policies	19
(2) Deposits and Investments	24
(3) Sales Tax Receivable	28
(4) Interest Receivable	28
(5) Note Receivable	28
(6) Other Receivables	29
(7) Restricted Assets	29
(8) Capital Assets	29
(9) Accounts Payable	30
(10) Accrued Liabilities	30
(11) Long-term Liabilities	30
(12) Net Assets/Fund Balance	32
(13) Investment Income	34
(14) Staff Support Expenditure	34
(15) Capital Outlay	35
(16) Construction Commitments	35
(17) Risk Management	35
(18) Subsequent Event	36

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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***NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

***A. Financial Reporting Entity***

The TA was formed in June 1988 as a result of the approval of Measure A (One-half cent county 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 TA is responsible for the administration of funds collected through the one-half cent county sales tax for a period of 20 years for transportation projects. The District was designated as the entity responsible for overall management of the TA.

***B. Implementation of Governmental Accounting Standards Board 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 effective June 30, 2008. This statement did not have an impact on the TA's financial statements.

**GASB Statement No. 47** – In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting guidance and disclosure requirements for termination benefit arrangements. This statement is effective in two parts. For termination benefits provided through an existing defined Other Postemployment Benefit plan (OPEB), the provisions should be implemented simultaneously with GASB Statement No. 45. For all other termination benefits, this statement is effective for periods beginning after June 15, 2005. This statement did not have an impact on the TA's financial statements.

**GASB Statement No. 48** – In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement is effective June 30, 2008. This statement did not have an impact on the TA's financial statements.

**GASB Statement No. 49** – In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The TA has not determined its effect on the financial statements.

**GASB Statement No. 50** – In May 2007, the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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

**B. Implementation of Governmental Accounting Standards Board Statements (continued)**

information (RSI) by pension plans and by employers that provide pension benefits. This statement is effective June 30, 2008. This statement did not have an impact on the TA's financial statements.

**GASB Statement No. 51** – In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The TA has not determined its effect on the financial statements.

**GASB Statement No. 52** – In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement is not effective until June 30, 2009. The TA has not determined its effect on the financial statements.

**GASB Statement No. 53** – In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is intended to improve how State and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this statement also addresses hedge accounting requirement and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. The TA 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 TA. The Statement of Activities present a comparison between direct expenses and program revenues for each function of the TA. 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.

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

**C. Basis of Presentation (continued)**

*Fund Financial Statements*

The fund financial statements provide information about the TA'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.

The TA reports the following major governmental funds:

The *Special Revenue Fund* accounts for the proceeds of the one-half cent county sales tax. These funds 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 TA reports the following non-major governmental funds in an aggregated column:

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 augmentation of fund 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 and persons with disabilities (Paratransit Programs).

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 *Transportation Systems 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 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 clarified the intent of the TA 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

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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

***D. Basis of Accounting (continued)***

which the TA gives (or receives) value without directly receiving (or giving) equal value in exchange, include one-half cent county sales tax receipts and distributions to local entities. On an accrual basis, revenues from the one-half cent county sales tax are recognized when the underlying exchange transactions occur.

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 60 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 Statements of Net Assets.

***F. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the Statements of Net Assets.

***G. Prepaid Expenditures***

Prepaid expenditures represent amounts paid in advance of receiving goods or services. The TA has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The TA has chosen to report the expenditures during the benefiting period.

***H. 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 or trustee determines fair value using quoted market prices or valuation services, as applicable.



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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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

***I. 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 TA from the one-half cent county 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 on the TA's books.

***J. Comparative Data***

The comparative data for fiscal year ended June 30, 2007 provided in these financial statements is not required for a fair presentation of the financial statements but is presented as additional analytical data.

***K. Reclassifications***

Certain comparative financial statement amounts from the prior year may have been reclassified to conform to the current year presentation.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE #2 – DEPOSITS AND INVESTMENTS**

The deposits and investments as of June 30, 2008 and 2007 are as follows:

	Fair Value	
	2008	2007
<b>Cash and Investments</b>		
Special Revenue Fund		
Cash and cash equivalents:		
Bank balance	\$ 113,369	\$ 153,066
Investment in San Mateo County Investment Pool	416,970,892	390,663,662
Investment in Local Agency Investment Fund	4,943	4,708
	<u>417,089,204</u>	<u>390,821,436</u>
Investments	-	10,028,125
Total Special Revenue Fund	<u>417,089,204</u>	<u>400,849,561</u>
Debt Service Fund		
Cash and cash equivalents		
Bank Balance	76,486	51,096
Other Governmental Funds		
Cash and cash equivalents:		
Investment in San Mateo County Investment Pool		
Paratransit Special Revenue Fund	1,346,849	2,726,742
Paratransit Permanent Fund	25,000,000	25,000,000
TSM Special Revenue Fund	3,662,446	4,119,610
Total Other Governmental Funds	<u>30,009,295</u>	<u>31,846,352</u>
Total Cash and Investments	<u>\$ 447,174,985</u>	<u>\$ 432,747,009</u>
<b>Restricted Assets (See Notes 7 &amp; 12)</b>		
Special Revenue Fund		
Investments in U.S. Treasury Securities	\$ -	\$ 7,873,432
Money Market Funds	-	659,600
Total Special Revenue Fund	-	8,533,032
Debt Service Fund		
Investment in Trustee's Pool	-	789,921
Total Restricted Assets	<u>\$ -</u>	<u>\$ 9,322,953</u>

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE #2 – DEPOSITS AND INVESTMENTS (continued)**

The TA's cash and investments as of June 30, 2008 and 2007 are as follows:

	2008	2007
Deposits with financial institutions	\$ 189,855	\$ 1,653,683
Deposits in external investment pools	446,985,130	422,514,722
Investments	-	17,901,557
	<u>\$ 447,174,985</u>	<u>\$ 442,069,962</u>

**Investments Authorized by the California Government Code and the TA's Investment Policy**

In accordance with the California Government Code, the TA may acquire investments as identified in the table below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	15 years	None	None
U.S. Agency Securities or Government Sponsored Enterprises	15 years	None	None
Banker's Acceptances	180 days	15%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	10%	5%
Repurchase Agreements	1 year	None	50%
Reverse Repurchase Agreements	92 days	20% of base value	20%
Medium-term Notes	5 years	30%	10%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-through Securities	5 years	20%	5%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE #2 – DEPOSITS AND INVESTMENTS (continued)**

The table below identifies the investment types that the TA is currently invested in, which have been authorized by the TA’s Board of Directors. The table also identifies certain provisions of the Authorized Investment Policy that address interest rate risk, credit risk, and concentration of credit risk. The TA’s Authorized Investment Policy provisions apply to the investment of debt proceeds.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
San Mateo County Investment Pool Funds (County Pool)	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk incurred when market interest rates adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the TA manages its exposure to interest rate risk is by investing in the County Pool and LAIF. The County Pool and LAIF’s investment policies limits their investments to the weighted average maturity not to exceed a maximum of five years. As of June 30, 2008, the weighted average maturity for the investments in the County Pool and LAIF are 1.2 years and 0.59 years, respectively.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The TA’s investments in the County Pool and LAIF are not rated.

**Concentration of Credit Risk**

The investment policy of the TA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5 percent or more of total investments beyond that stipulated by the California Government Code.

**Custodial Credit Risk**

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the TA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the TA’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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**NOTE #2 – DEPOSITS AND INVESTMENTS (continued)**

deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the TA deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The bank balance reported by the TA includes its share in the managing entity's (the District) bank account balance. The credit risk for the District's bank balance is discussed in its CAFR.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the TA will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The TA's investment policy requires the delivery of investments of marketable securities to its safekeeping agent, maintained in the name of the TA.

**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 TA 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 TA's investment custodian provides market value on each investment instrument. The investments held by the TA are widely traded in the financial markets and trading values are readily available from numerous published sources. The TA 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 TA holds investments in the County Pool that are subject to adjustment to "fair value". The TA is required to disclose its methods and assumptions used to estimate the fair value of its holdings in the County Pool. The TA relied upon information provided by the County Treasurer in estimating the TA's fair value position of its holdings in the County Pool. The TA had a contractual withdrawal value of \$450,026,534 and \$426,058,915 at June 30, 2008 and 2007, respectively, that is recorded at \$446,980,187 and \$422,475,364 on the balance sheet after the adjustment for unrealized gains/losses for years ending 2008 and 2007, 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. (*See Note# 18 – Subsequent Event*)

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 TA is a voluntary participant in the investment pool.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE #2 – DEPOSITS AND INVESTMENTS (continued)**

**State of California State Treasurer's Local Agency Investment Fund (LAIF):** The TA holds an investment in LAIF that is subject to being adjusted to "fair value". The TA is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The TA relied upon information provided by the State Treasurer in estimating the TA's fair value position of its holdings in LAIF. The TA had a contractual withdrawal value of \$4,943 and \$4,708 at fiscal years ending 2008 and 2007, 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 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 TA 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, 2008.

**NOTE #4 – INTEREST RECEIVABLE**

Interest receivable at June 30, 2008 and 2007 are as follows:

	2008	2007
Interest due from deposits and investments	\$ 3,478,768	\$ 5,129,882
Total reported on Governmental Funds Statements	3,478,768	5,129,882
Accrued interest on note receivable	174,127	-
Total reported on Government-wide Statements	\$ 3,652,895	\$ 5,129,882

**NOTE #5 – NOTE RECEIVABLE**

On December 27, 2007, the TA transferred 174,047 square feet of development and railroad corridor property owned by the TA and located at the northeast corner of Holly Street and El Camino Real in the City of San Carlos to the District. The property was originally acquired by the TA for a grade separation project but now is excess property. The development portion of the property was transferred in exchange for a promissory note of \$4,343,404 and the railroad corridor property was transferred at no cost, however, the District is obligated to transfer half its interest in the railroad corridor property to the Peninsula Corridor Joint Powers Board as San Mateo County's share of contributions for future capital projects. The District is required to pay interest on the note at the current rate of return earned by the TA on its investment portfolio until the principal is paid in full and is permitted to pay the principal of the note over time before December 1, 2033. See *Note #8 – Capital Assets*.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE #6 – OTHER RECEIVABLES**

Other receivables at June 30, 2008 and 2007, consist of amounts owed by other government agencies and miscellaneous receivable as follows:

	2008	2007
Metropolitan Transportation Commission	\$ 725,407	\$ 195,930
San Mateo County Transit District	92,657	28,140
Peninsula Corridor Joint Powers Board	52,971	42,005
Alameda County Transportation Improvement Authority	128,808	67,784
Santa Clara Valley Transportation Authority	128,600	52,738
California State Department of Transportation	68,628	-
Other	-	5,323
Total Other Receivables	<u>\$ 1,197,071</u>	<u>\$ 391,920</u>

**NOTE #7 – RESTRICTED ASSETS**

The bond covenants for the 1997 Series A Limited Tax Bonds required the TA to set aside in a trust account prescribed amounts of resources that can only be used for debt service. On June 1, 2008, the 1997 Series A Limited Tax Bonds were fully paid and the restrictions on the balance in the trust account were lifted and released. See *Note #11 – Long Term Liabilities*.

**NOTE #8 – CAPITAL ASSETS**

Capital asset activities for the year ended June 30, 2008 are as follows:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Capital Assets - Land	<u>\$ 18,160,975</u>	<u>\$ -</u>	<u>\$ (4,570,000)</u>	<u>\$ 13,590,975</u>

Land represents the cost of right of way acquisitions for future grade separation projects, as well as for corridor preservation purposes. The TA conveyed right of way on the land located on Holly Street to the District for a promissory note of \$4,343,404. The original acquisition cost of the property was \$4,570,000. See *Note#5 – Note Receivable*.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE #9 – ACCOUNTS PAYABLE**

Accounts payable at June 30, 2008 and 2007 are as follows:

	2008	2007
Salaries and benefits	\$ 277,511	\$ 252,677
Capital project	35,016	-
Shuttle program	152,802	157,969
Paratransit program	926,564	853,860
Other	5,931	24,228
Total reported on Governmental Funds Statements	1,397,824	1,288,734
Interest Accrual	-	33,944
Total reported on Government-wide Statements	\$ 1,397,824	\$ 1,322,678

**NOTE #10 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2008 and 2007 are as follows:

	2008	2007
Disbursements to local entities for transportation projects	\$ 3,065,111	\$ 1,416,968
Capital projects	5,070,255	12,394,651
TSM programs	40,229	14,446
Other	41,146	1,094,313
Total	\$ 8,216,741	\$ 14,920,378

**NOTE #11 – LONG-TERM LIABILITIES**

**Limited Tax Bonds**

In August 1997, the TA issued \$80,310,000 of 1997 Series A Limited Tax Bonds to reimburse the TA for prior capital expenditures. The bonds were sold at a \$29,760 premium. The cost of issuing the bonds was \$663,514. The bonds bore a variable interest rate ranging from 4.0 percent to 4.6 percent and were payable from and secured by a pledge of sales tax revenues received by the TA on or after September 1, 1997. Interest payments were due on June 1 and December 1 of each year. The bonds matured on June 1, 2008.



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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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***NOTE #11 – LONG-TERM LIABILITIES (continued)***

As required by the indenture, a portion of the bond proceeds was retained in a bond reserve fund maintained by a trustee. The debt covenants also required 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 were maintained by the trustee. Money set aside in these funds was reported as restricted assets and as reservations of fund balance as explained under *Note #12 – Net Assets/Fund Balance*. The requirement for a bond reserve was eliminated in June 2008 after the bonds matured on June 1, 2008.

**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 two five-year periods for the limited tax bonds ended on August 1, 2002 and August 1, 2007 when 90 percent of the current cumulative liability became due and was subsequently paid to the federal government.

As of June 30, 2008 and 2007, the cumulative rebate liability as calculated by the bond counsel was \$224,256 and \$517,021, respectively, and was recorded as a short-term liability in the government-wide financial statements. On June 1, 2008, the 1997 Series A Limited Tax Bonds matured. Therefore the balance of the cumulative rebate liability came due and has subsequently been paid to the United States Treasury in July 2008.

**Loan from State**

The TA obtained a \$3,450,000 non-interest bearing loan from the State of California in fiscal year 1995 to purchase property from Southern Pacific Transportation Company. The loan agreement requires the TA to pay the full amount by December 31, 2009.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE #11 – LONG-TERM LIABILITIES (continued)**

Summary of long- term liabilities as of June 30, 2008, are as follows:

	Balance at July 1, 2007	Adjustments/ Additions	Deletions	Balance at June 30, 2008	Amounts Due within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Limited Tax Series					
1997A Bonds issued in August 1997	\$ 8,855,000	\$ -	\$ 8,855,000	\$ -	\$ -
Cumulative rebate liability on arbitrage earnings	517,021	224,256	517,021	224,256	224,256
Loan payable to the State of California	3,450,000	-	-	3,450,000	-
Total Long-term Liabilities	<u>\$ 12,822,021</u>	<u>\$ 224,256</u>	<u>\$ 9,372,021</u>	<u>\$ 3,674,256</u>	<u>\$ 224,256</u>
		Due within one year		\$ 224,256	
		Due beyond one year		<u>3,450,000</u>	
				<u>\$ 3,674,256</u>	

**NOTE #12 – 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. Outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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***NOTE #12 – NET ASSETS/FUND BALANCE (continued)***

*Restricted Net Assets* - This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The restricted net assets consist of the principal amount in the Paratransit Permanent Fund and amounts set aside for payment of principal and interest of the 1997 Series A Limited Tax Bonds, and retained in a bond reserve fund as required by the bond covenants.

*Unrestricted Net Assets* - This category represents net assets of the TA available for projects and other purposes specified under Measure A. Of the \$431,060,467 unrestricted amount, \$167,218,316 has been appropriated for current Measure A projects as of June 30, 2008.

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 for a specific use or not available for appropriation or expenditure. The TA also "designates" portions of fund balance based on tentative spending plans. Should such plans change, the TA 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. In 2008, the TA's bonds were fully paid, eliminating the requirement to maintain a reserve 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:

- \$425,887,020 in the major Special Revenue Fund designated for projects and other purposes specified under Measure A. As of June 30, 2008, \$167,218,316 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 \$632,969 to the fund pursuant to Board Resolutions 1999-19, 2000-32, 2002-11, 2003-12 and 2005-05 and investment earnings.
- The TSM Special Revenue Fund balance of \$3,622,217 is set-aside for TSM programs.

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE #13 – INVESTMENT INCOME**

Investment income for the years ended June 30, 2008 and 2007 are as follows:

	2008	2007
Interest income	\$ 18,795,539	\$ 18,921,025
Net increase in fair value of investments	666,648	3,054,502
Investment income - Statements of Activities (see below)	<u>19,462,187</u>	<u>21,975,527</u>
Increase in long-term interest receivable	(174,127)	-
Increase/(decrease) in cumulative rebate liability	(292,765)	9,600
Investment income - Statements of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 18,995,295</u>	<u>\$ 21,985,127</u>

Investment income - Statements of Activities is reported below:

Interest earned on the restricted \$25 million Paratransit reserve for allocations to Paratransit programs under Measure A	\$ 1,148,898	\$ 1,410,656
Unrestricted investment earnings	<u>18,313,289</u>	<u>20,564,871</u>
	<u>\$ 19,462,187</u>	<u>\$ 21,975,527</u>

**NOTE #14 – STAFF SUPPORT EXPENDITURE**

Staff support expenditures for the years ended June 30, 2008 and 2007 are as follows:

	2008	2007
Salaries and benefits	\$ 453,668	\$ 386,250
Other related charges	842	926
Indirect costs	<u>138,468</u>	<u>112,822</u>
Total	<u>\$ 592,978</u>	<u>\$ 499,998</u>

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE #15 – CAPITAL OUTLAY**

The expenditures on public transportation projects during fiscal year 2008 were \$50,744,714. Total expenditures on such projects from inception through June 30, 2008 and 2007 are as follows:

Capital Projects	2008	2007
Dumbarton Spur	\$ 20,881,290	\$ 18,777,077
Caltrain-Downtown Extension	125,557,985	113,076,753
Railroad Grade Separations	148,395,875	143,870,691
Streets and Highways	171,478,255	140,359,956
Oversight and Bicycle	2,931,154	2,415,368
Total	\$ 469,244,559	\$ 418,499,845

The Dumbarton Spur expenditures of \$20,881,290 were partially financed by a state loan of \$3,450,000. Of the total expenditures of \$469,244,559 for capital outlay, \$5,163,859 was funded by contributions from external entities.

**NOTE #16 – CONSTRUCTION COMMITMENTS**

At June 30, 2008 and 2007, the TA estimated the cost to complete the following unfinished projects:

Capital Projects	Remaining Project Commitment	
	2008	2007
Dumbarton Spur	\$ 23,174,926	\$ 25,279,139
Caltrain-Downtown Extension	17,066,277	25,978,417
Railroad Grade Separations	31,705,459	31,328,205
Streets and Highways	93,633,358	127,345,326
Oversight and Bicycle	1,638,296	879,083
Total	\$ 167,218,316	\$ 210,810,170

**NOTE #17 – RISK MANAGEMENT**

The TA is not exposed to a significant number of risks, as its primary function is to receive and allocate one-half cent county sales tax. All projects funded by the TA are managed by lead agencies such as Caltrain and various local agencies. The TA 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 TA and its managing entity, the District, had an aggregate insurance coverage of \$100,000,000.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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***NOTE #18 – SUBSEQUENT EVENT***

On September 15, 2008, Lehman Brothers Holdings filed for Chapter 11 bankruptcy protection. The San Mateo County Pool portfolio included \$155 million of Lehman Brothers Holdings investments at that time in both commercial paper and floating rate securities. The County Pool wrote off these investments as of September 30, 2008 consequently showing a loss of \$155 million out of the total portfolio of approximately \$2.6 billion. The TA had approximately \$453 million invested through the County Pool as of September 30, 2008 and therefore incurred its percentage share of this loss on October 1, 2008. The loss the TA incurred was approximately \$25.0 million. When the bankruptcy proceedings are finalized, all funds recovered by the County Pool will be distributed to the pool participants in proportion to their participation in the loss.

## REQUIRED SUPPLEMENTARY INFORMATION

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance, Beginning of Year</b>	\$ 400,665,262	\$ 400,665,262	\$ 415,272,095	\$ 14,606,833
<b>Resources (inflows)</b>				
Sales tax	58,423,260	58,423,260	61,722,856	3,299,596
Investment income	18,746,210	18,746,210	16,410,836	(2,335,374)
Rental income	908,100	908,100	996,863	88,763
Grant proceeds	4,152,000	4,152,000	1,820,767	(2,331,233)
Amounts available for appropriation	82,229,570	82,229,570	80,951,322	(1,278,248)
<b>Charges to appropriations (outflows)</b>				
Program Administration				
Staff support	537,832	581,832	592,978	(11,146)
Board compensation	7,400	7,400	7,100	300
Professional and legal fees	145,000	145,000	148,027	(3,027)
Other services and supplies	66,417	64,288	31,853	32,435
Travel and meeting	8,470	10,599	8,559	2,040
Total program administration	765,119	809,119	788,517	20,602
Distributions to local entities	13,074,000	13,074,000	13,733,921	(659,921)
Caltrain shuttles program	1,207,672	1,207,672	1,074,089	133,583
Dumbarton corridor maintenance	383,185	339,185	181,753	157,432
Measure A information	26,500	26,500	14,374	12,126
Capital outlays	18,849,000	18,849,000	50,744,714	(31,895,714)
Total charges to appropriations	34,305,476	34,305,476	66,537,368	(32,231,892)
<b>Fund Balance, End of Year</b>	<b>\$ 448,589,356</b>	<b>\$ 448,589,356</b>	<b>\$ 429,686,049</b>	<b>\$ (18,903,307)</b>

**Explanation of differences between budgetary inflows and GAAP revenues**

Actual amounts available for appropriation - budgetary basis from above	\$ 80,951,322
Unrealized gains under GASB 31	1,360,633
Total revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances - GAAP basis	<u>\$ 82,311,955</u>

The accompanying notes are an integral part of this required supplementary information.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE  
JUNE 30, 2008**

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***NOTE #1 – BUDGETS AND THE BUDGETARY PROCESS***

The TA 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 TA 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 TA 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 for the major Special Revenue Fund.

***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, 2008 (WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

	Special Revenue			Permanent	Total Nonmajor Governmental Funds	
	Transportation Systems			Paratransit Fund	2008	2007
	Paratransit Fund	Management Fund	Total			
<b>ASSETS</b>						
Cash and investments	\$ 1,346,849	\$ 3,662,446	\$ 5,009,295	\$ 25,000,000	\$ 30,009,295	\$ 31,846,352
Receivables:						
Interest	212,684	-	212,684	-	212,684	328,986
<b>Total Assets</b>	<b>\$ 1,559,533</b>	<b>\$ 3,662,446</b>	<b>\$ 5,221,979</b>	<b>\$ 25,000,000</b>	<b>\$ 30,221,979</b>	<b>\$ 32,175,338</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 926,564	\$ -	\$ 926,564	\$ -	\$ 926,564	\$ 853,860
Accrued liabilities	-	40,229	40,229	-	40,229	14,446
<b>Total Liabilities</b>	<b>926,564</b>	<b>40,229</b>	<b>966,793</b>	<b>-</b>	<b>966,793</b>	<b>868,306</b>
<b>FUND BALANCES</b>						
Reserved	-	-	-	25,000,000	25,000,000	25,000,000
Unreserved:						
Designated	632,969	3,622,217	4,255,186	-	4,255,186	6,307,032
<b>Total Fund Balances</b>	<b>632,969</b>	<b>3,622,217</b>	<b>4,255,186</b>	<b>25,000,000</b>	<b>29,255,186</b>	<b>31,307,032</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,559,533</b>	<b>\$ 3,662,446</b>	<b>\$ 5,221,979</b>	<b>\$ 25,000,000</b>	<b>\$ 30,221,979</b>	<b>\$ 32,175,338</b>

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008 (WITH COMPARATIVE DATA  
FOR THE YEAR ENDED JUNE 30, 2007)**

	Special Revenue Funds			Permanent	Total Nonmajor Governmental Funds	
	Transportation Systems			Paratransit Fund	2008	2007
	Paratransit Fund	Management Fund	Total			
<b>REVENUES</b>						
Investment income	\$ 1,210,793	\$ -	\$ 1,210,793	\$ -	\$ 1,210,793	\$ 1,564,515
<b>EXPENDITURES</b>						
Distributions to local entities	2,779,692	482,947	3,262,639	-	3,262,639	3,017,070
Net change in fund balances	(1,568,899)	(482,947)	(2,051,846)	-	(2,051,846)	(1,452,555)
Fund Balances, Beginning of Year	2,201,868	4,105,164	6,307,032	25,000,000	31,307,032	32,759,587
Fund Balances, End of Year	\$ 632,969	\$ 3,622,217	\$ 4,255,186	\$ 25,000,000	\$ 29,255,186	\$ 31,307,032

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance, Beginning of Year</b>	\$ 2,366,175	\$ 2,366,175	\$ 2,382,891	\$ 16,716
<b>Resources (inflows)</b>				
Sales tax	6,946,740	6,946,740	6,946,748	8
Investment income	12,170	12,170	13,033	863
Amounts available for appropriation	6,958,910	6,958,910	6,959,781	871
<b>Charges to appropriations (outflows)</b>				
Bond principal payment	8,855,000	8,855,000	8,855,000	-
Bond interest expense	407,330	407,330	407,331	(1)
Other services	5,200	5,200	5,355	(155)
Total charges to appropriations	9,267,530	9,267,530	9,267,686	(156)
<b>Fund Balance, End of Year</b>	\$ 57,555	\$ 57,555	\$ 74,986	\$ 17,431

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE PARATRANSIT FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance, Beginning of Year</b>	\$ 2,198,077	\$ 2,198,077	\$ 2,437,053	\$ 238,976
<b>Resources (inflows)</b>				
Interest income	1,255,430	1,255,430	1,155,171	(100,259)
Amounts available for appropriation	1,255,430	1,255,430	1,155,171	(100,259)
<b>Charges to appropriation (outflows)</b>				
Distributions to local entities	2,779,692	2,779,692	2,779,692	-
Total charges to appropriations	2,779,692	2,779,692	2,779,692	-
<b>Fund Balance, End of Year</b>	<u>\$ 673,815</u>	<u>\$ 673,815</u>	<u>\$ 812,532</u>	<u>\$ 138,717</u>

**Explanation of differences between budgetary inflows and GAAP revenues**

Actual amounts available for appropriation - budgetary basis from above	\$ 1,155,171
Unrealized gains under GASB 31	55,622
Total revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances - GAAP basis	<u>\$ 1,210,793</u>



**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
NONMAJOR GOVERNMENTAL FUNDS  
TRANSPORTATION SYSTEMS MANAGEMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance, Beginning of Year</b>	\$ 3,986,174	\$ 3,986,174	\$ 4,105,164	\$ 118,990
<b>Charges to appropriations (outflows)</b>				
Distributions to local entities	3,557,590	3,557,590	482,947	3,074,643
Total charges to appropriations	3,557,590	3,557,590	482,947	3,074,643
<b>Fund Balance, End of Year</b>	\$ 428,584	\$ 428,584	\$ 3,622,217	\$ 3,193,633

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# *Section III*

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## **STATISTICAL**

### **Financial Trends**

- **Net Assets and Changes in Net Assets**
- **Governmental Funds Fund Balances and Changes in Fund Balances**

### **Revenue Capacity**

- **Revenue Base and Revenue Rate**
- **Principal Revenue Payers**

### **Debt Capacity**

- **Ratios of Outstanding Bonds**
- **Bonded Debt**
- **Direct and Overlapping Debt and Debt Limitations**
- **Pledged Revenue Coverage**

### **Demographics and Economic Information**

- **Population and Income**
- **Unemployment Rates**
- **Principal Employers**

### **Operating Information**

- **Capital Outlay**
- **Employees**
- **Capital Assets**

## **STATISTICAL SECTION**

The Statistical Section of the TA's CAFR presents detailed information as a context for understanding the information in the financial statements, notes disclosure, required supplementary information and other supplemental information and assessing the TA's economic condition.

### **Financial Trends**

These schedules contain trend information to assist readers in understanding and assessing how the TA's financial position has changed over time.

### **Revenue Capacity**

These schedules contain information to assist readers in understanding and assessing the factors affecting the TA's ability to generate its most significant local revenue source, sales tax.

### **Debt Capacity**

These schedules assist readers in understanding and assessing the TA's debt burden and its capacity to issue future debt.

### **Demographic and Economic Information**

These schedules present socioeconomic indicators to assist readers in understanding the environment within which the TA's financial activities take place.

### **Operating Information**

These schedules contain contextual information about the TA's operations and resources to assist readers in using financial statement information as a tool to understand and assess the TA's economic condition.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**FINANCIAL TRENDS – NET ASSETS AND CHANGES IN NET ASSETS**  
**FISCAL YEARS 2003 THROUGH 2008 (in thousands)**

<b>Fiscal year</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>GOVERNMENTAL ACTIVITIES:</b>						
<b>PROGRAM REVENUES</b>						
Grade Separations	\$ 876	\$ 731	\$ 731	\$ 878	\$ 713	\$ 542
Paratransit	1,149	1,411	636	692	51	1,195
Dumbarton Spur	1,942	620	1,310	507	158	174
Caltrain Shuttle Program	-	-	-	86	-	-
<b>Total Program Revenues</b>	<b>3,967</b>	<b>2,762</b>	<b>2,677</b>	<b>2,163</b>	<b>922</b>	<b>1,911</b>
<b>PROGRAM EXPENDITURES</b>						
Upgrades and Extension	12,481	8,136	9,275	14,436	3,624	8,544
Grade Separations	4,525	1,867	5,016	4,698	1,398	776
Paratransit	2,780	2,542	2,358	880	2,836	3,042
Dumbarton Spur	2,286	852	1,595	649	1,314	477
Distribution to local entities	13,734	13,240	12,762	11,991	11,079	10,971
Projects funding	31,634	19,928	6,690	10,427	18,559	14,708
Caltrain Shuttle Program	1,075	1,064	1,010	712	835	623
Transportation Systems Management	483	476	408	400	392	414
Program Administration	803	670	1,133	551	509	583
Interest on debt	379	764	1,121	1,458	1,917	2,088
<b>Total Program Expenditures</b>	<b>70,180</b>	<b>49,539</b>	<b>41,370</b>	<b>46,201</b>	<b>42,464</b>	<b>42,226</b>
<b>NET REVENUES (EXPENDITURES)</b>	<b>(66,213)</b>	<b>(46,777)</b>	<b>(38,692)</b>	<b>(44,037)</b>	<b>(41,542)</b>	<b>(40,315)</b>
<b>General revenues</b>						
Sales tax	68,670	66,202	63,811	59,953	55,394	54,855
Unrestricted investment earnings	18,313	20,564	9,549	9,591	1,089	16,856
Other income	(227)	-	161	1	1,054	296
<b>CHANGE IN NET ASSETS</b>	<b>20,543</b>	<b>39,989</b>	<b>34,829</b>	<b>25,509</b>	<b>15,995</b>	<b>31,692</b>
<b>Net Asset Components</b>						
Invested in capital assets, net of related debt	13,591	18,161	18,161	18,161	11,505	11,505
Restricted	25,000	35,413	35,403	35,395	35,395	35,398
Unrestricted	431,060	395,533	355,553	320,732	295,224	279,226
<b>NET ASSETS</b>	<b>\$ 469,651</b>	<b>\$ 449,107</b>	<b>\$ 409,117</b>	<b>\$ 374,289</b>	<b>\$ 342,124</b>	<b>\$ 326,129</b>

Source: CAFRs.

This table presents Governmental activity program revenues and expenditures, general revenues, sales tax and other income.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**FINANCIAL TRENDS – GOVERNMENTAL FUNDS**  
**FUND BALANCE**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

<b>Fiscal year</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>REVENUES</b>					
Sales tax	\$ 68,670	\$ 66,202	\$ 63,811	\$ 59,953	\$ 55,394
Investment income	18,995	21,985	10,306	10,400	1,251
Rental income	997	902	892	994	870
Grant proceeds	1,821	449	1,149	479	1,060
Proceeds from sale of properties	-	-	-	-	-
Non-operating reimbursements	-	-	-	-	-
Other income	-	-	-	-	-
<b>Total Revenue</b>	<b>90,483</b>	<b>89,538</b>	<b>76,159</b>	<b>71,825</b>	<b>58,575</b>
<b>EXPENDITURES</b>					
Administrative:					
Staff support	593	500	418	350	359
Board compensation	7	6	6	7	6
Professional and legal fees	148	112	115	122	89
Other services and supplies	37	51	63	39	53
Travel and meeting	9	5	4	6	7
Leases and rental	-	-	-	-	-
Debt Service:					
Principal	8,855	8,475	8,115	7,780	7,465
Interest	407	789	1,146	1,480	1,794
<b>Subtotal</b>	<b>10,056</b>	<b>9,938</b>	<b>9,867</b>	<b>9,784</b>	<b>9,773</b>
Distributions to local entities	16,997	16,257	15,529	13,271	14,307
Caltrain shuttles program	1,074	1,064	1,010	712	835
Dumbarton corridor maintenance	182	265	246	231	287
Measure A information	14	3	11	32	-
2004 Election	-	-	521	-	-
Capital outlay	50,745	30,518	22,330	29,979	24,608
<b>Total Expenditures</b>	<b>79,068</b>	<b>58,045</b>	<b>49,514</b>	<b>54,008</b>	<b>49,811</b>
<b>Excess Revenues Over Expenditures</b>	<b>11,415</b>	<b>31,493</b>	<b>26,644</b>	<b>17,817</b>	<b>8,765</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	-	-	-	-	1,795
Transfer out	-	-	-	-	(1,795)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change In Fund Balance</b>	<b>11,415</b>	<b>31,493</b>	<b>26,644</b>	<b>17,817</b>	<b>8,765</b>
<b>Fund Balance</b>					
Reserved	25,000	35,414	35,403	35,395	35,395
Unreserved	430,217	408,389	376,907	350,270	332,454
<b>Total Ending Fund Balance</b>	<b>\$ 455,217</b>	<b>\$ 443,803</b>	<b>\$ 412,310</b>	<b>\$ 385,665</b>	<b>\$ 367,849</b>

Source: CAFRs.

This table presents revenues, expenditures, other financing sources and changes in fund balance.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**FINANCIAL TRENDS – GOVERNMENTAL FUNDS**  
**FUND BALANCE**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
\$	54,855	\$ 57,161	\$ 66,746	\$ 63,062	\$ 54,351
	17,672	17,712	21,674	11,219	12,321
	715	635	526	489	460
	293	-	-	-	-
	-	-	-	-	996
	-	-	-	21	-
	4	1	358	2	28
	<u>73,538</u>	<u>75,509</u>	<u>89,304</u>	<u>74,792</u>	<u>68,156</u>
	450	480	374	381	252
	7	7	5	6	3
	61	52	53	63	39
	58	54	62	84	82
	7	7	5	4	3
	-	-	-	-	33
	7,175	6,890	6,625	6,370	6,125
	2,088	2,371	2,636	2,890	3,135
	<u>9,846</u>	<u>9,861</u>	<u>9,759</u>	<u>9,797</u>	<u>9,672</u>
	14,428	13,925	16,250	14,393	12,800
	623	176	-	-	-
	270	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<u>28,348</u>	<u>30,138</u>	<u>16,976</u>	<u>20,633</u>	<u>32,030</u>
	<u>53,514</u>	<u>54,100</u>	<u>42,985</u>	<u>44,824</u>	<u>54,502</u>
	<u>20,024</u>	<u>21,409</u>	<u>46,319</u>	<u>29,968</u>	<u>13,653</u>
	2,091	-	2,300	-	46
	(2,091)	-	(2,300)	-	(46)
	-	-	-	-	-
	<u>20,024</u>	<u>21,409</u>	<u>46,319</u>	<u>29,968</u>	<u>13,653</u>
	35,398	35,397	35,389	35,655	35,847
	<u>323,686</u>	<u>303,663</u>	<u>282,262</u>	<u>235,677</u>	<u>205,518</u>
\$	<u><u>359,084</u></u>	<u><u>339,060</u></u>	<u><u>317,651</u></u>	<u><u>271,332</u></u>	<u><u>241,365</u></u>

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**FINANCIAL TRENDS – GOVERNMENTAL FUNDS**  
**FUND BALANCE**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

<b>Fiscal year ended</b>	<b>Special Revenue Fund</b>		
	<b>Reserved</b>	<b>Designated</b>	<b>Total</b>
2008	\$ -	\$ 425,887	\$ 425,887
2007	8,031	402,081	410,112
2006	8,031	372,326	380,357
2005	8,031	345,281	353,312
2004	8,031	322,239	330,270
2003	8,031	308,509	316,540
2002	8,031	284,569	292,600
2001	8,031	262,535	270,566
2000	8,031	217,796	225,827
1999	8,031	194,483	202,514

<b>Fiscal year ended</b>	<b>All Other Governmental Funds</b>		
	<b>Reserved</b>	<b>Designated</b>	<b>Total</b>
2008	\$ 25,000	\$ 4,330	\$ 29,330
2007	27,383	6,307	33,690
2006	27,372	4,580	31,952
2005	27,364	4,989	32,353
2004	27,364	10,215	37,579
2003	27,367	15,177	42,544
2002	27,366	19,094	46,460
2001	27,358	19,728	47,086
2000	27,336	18,169	45,505
1999	27,315	11,535	38,850

Source: CAFRs.



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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

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<b>Fiscal year</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
The TA's Sales Tax Rate	0.5%	0.5%	0.5%	0.5%
Total Sales Tax Revenue	\$ 68,670	\$ 66,202	\$ 63,811	\$ 59,953
Total Taxable Sales in San Mateo County	\$ 13,734,000 <sup>[1]</sup>	\$ 13,240,200	\$ 12,451,350	\$ 12,055,706

Source: California State Board of Equalization

[1] Estimate for fiscal year 2008 is based on sales tax revenue received.

This table presents total sales tax and total taxable sales in San Mateo County.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

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<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
\$ 55,394	\$ 54,855	\$ 57,161	\$ 66,746	\$ 63,062	\$ 54,351
\$ 11,560,519	\$ 11,352,696	\$ 11,967,932	\$ 13,961,577	\$ 13,175,535	\$ 11,295,693

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS**  
**FISCAL YEARS 2008 AND 1999 (in thousands)**

<b>Principal Revenue Payers</b>	<b>2008</b>			<b>1999</b>		
	<b>Rank</b>	<b>Percent of Taxable Sales</b>	<b>Amount</b>	<b>Rank</b>	<b>Percent of Taxable Sales</b>	<b>Amount</b>
Total all other outlets	1	29.1%	\$ 968,961	1	35.4%	\$ 1,047,490
Automobile, boat, motorcycle and plane	2	12.0%	398,888	2	13.6%	401,717
Other retail stores	3	11.3%	377,979			
Eating/drinking	4	9.6%	321,621	5	7.4%	220,246
General merchandise stores	5	9.5%	317,696	4	9.2%	272,996
Service stations	6	7.5%	250,882	6	5.7%	168,183
Building materials and farm implements	7	6.6%	220,930	7	5.3%	157,556
Business and personal services	8	4.1%	135,190	8	4.4%	131,175
Home furnishings and appliances	9	4.0%	133,630	9	3.3%	97,727
Food stores	10	3.2%	105,918	10	3.1%	90,714
Apparel stores	11	3.1%	102,056	11	2.5%	73,282
Specialty stores				3	10.0%	296,291
<b>Total</b>		<b>100.0%</b>	<b>\$ 3,333,751</b>		<b>100.0%</b>	<b>\$ 2,957,377</b>

Source: California State Board of Equalization

This table ranks the top 11 principal tax payers by industry.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**DEBT CAPACITY – RATIOS OF OUTSTANDING BONDS**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

<b>Fiscal Year</b>	<b>Limited Tax Revenue Bonds</b>	<b>Personal Income</b>	<b>As a Percent of Personal Income</b>
2008	\$ -	\$ 43,066,256	0.00%
2007	8,855	41,811,899	0.02%
2006	17,330	40,594,077	0.04%
2005	25,445	39,411,725	0.06%
2004	33,225	38,263,811	0.09%
2003	40,690	36,409,914	0.11%
2002	47,865	36,736,603	0.13%
2001	54,755	39,395,344	0.14%
2000	61,380	41,730,460	0.15%
1999	67,750	35,485,821	0.19%

Note: Personal income data is from the U.S. Department of Commerce, Bureau of Economic Analysis, calendar year figures. Data for 2005, 2006, 2007 and 2008 is based on an estimated three percent annual increase over 2004.

This table presents the relationship between the limited tax revenue bonds and the total personal income of the residents in San Mateo County.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**DEBT CAPACITY – BONDED DEBT**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Total Sales Tax Revenue</b>	<b>As a Percent of Total Sales Tax Revenue</b>
2008	\$ -	\$ 13,734,000 <sup>[1]</sup>	0.00%
2007	8,855	13,240,200	0.07%
2006	17,330	12,451,350	0.14%
2005	25,445	12,055,706	0.21%
2004	33,225	11,560,519	0.29%
2003	40,690	11,352,696	0.36%
2002	47,865	11,967,932	0.40%
2001	54,755	13,961,577	0.39%
2000	61,380	13,175,535	0.47%
1999	67,750	11,295,693	0.60%

Source: CAFRs.

[1] Estimate for fiscal year 2008 is based on sales tax revenue received.

This table presents the ability of the TA to issue revenue bonds based on the total sales tax revenue of San Mateo County.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**DEBT CAPACITY – DIRECT AND OVERLAPPING DEBT AND DEBT LIMITATION**  
**YEAR ENDED JUNE 30, 2008**

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Enabling legislation (Measure A as approved by the voters in 1988) specifically authorized the TA to issue limited tax bonds from time to time, not to exceed \$804,000,000. Limited tax bonds are secured by a gross pledge of the TA's 80 percent shares of the one-half cent, Measure A sales tax revenues.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**DEBT CAPACITY – PLEDGED REVENUE COVERAGE**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

<b>Fiscal Year</b>	<b>Pledged Sales Tax Revenue *</b>	<b>Debt Service</b>			<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2008	\$ 54,936	\$ 8,855	\$ 407	\$ 9,262	6
2007	52,962	8,475	789	9,264	6
2006	51,049	8,115	1,146	9,261	6
2005	47,962	7,780	1,480	9,260	5
2004	44,315	7,465	1,794	9,259	5
2003	43,884	7,175	2,088	9,263	5
2002	45,729	6,890	2,371	9,261	5
2001	53,397	6,625	2,635	9,260	6
2000	50,450	6,370	2,890	9,260	5
1999	43,481	6,125	3,135	9,260	5

\* This amount represents 80 percent of the TA's total sales tax revenue from the County of San Mateo.

This table presents the relationship between total sales tax revenue, debt service payments and the TA's ability to meet its debt obligations.



**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
 DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION AND INCOME  
 FISCAL YEARS 2007 AND 2000**

	<b>2007</b>	<b>2000</b>	<b>Percentage Change 2000 - 2007</b>
<b>Total Population</b>	706,984 <sup>[1]</sup>	707,161	0.0%
<b>Persons Per Household</b>	2.77 <sup>[1]</sup>	2.74	1.1%
<b>Mean Household Income</b>	\$ 116,875 <sup>[1]</sup>	\$ 88,700	31.8%
<b>Personal Income</b>	\$ 46,847 <sup>[1][2]</sup>	\$ 41,512	12.9%
<b>Per Capita Income</b>	\$ 66,839 <sup>[1]</sup>	\$ 58,644	14.0%
<b>Minority Population:</b>			
Black	17,008	23,778	-28.5%
Hispanic	119,231	154,708	-22.9%
Asian	138,915	140,313	-1.0%
Native American	13,230	10,658	24.1%
<b>Total</b>	288,384	329,457	-12.5%
<b>Percent of Minority Population to Total Population</b>	40.8%	46.6%	-12.5%
<b>Population by Age:</b>			
4 years and younger	48,075	45,374	6.0%
5 to 19 years	127,964	131,912	-3.0%
20 to 64 years	439,037	441,790	-0.6%
65 Plus	91,908	88,085	4.3%
<b>Percent of Employed Residents to Total Population</b>	80.1%	55.0%	45.6%
<b>Percent of Residents Working Outside of San Mateo County</b>	42.0% <sup>[3]</sup>	41.0%	2.4%
<b>Percent of People Commuting to San Mateo County for Work</b>	41.0% <sup>[3]</sup>	36.0%	13.9%

[1] Bureau of Economic Analysis, BEARFACTS 1996 - 2007, San Mateo, California [06081], most current information available.

[2] Personal income in millions of dollars.

[3] Commute Profile 2008 San Mateo County, Peninsula Traffic Congestion Relief Alliance

Source: United States Census Bureau, American Community Survey and Bureau of Economic Analysis.

This table highlights San Mateo County's total population, mean household income, per capita income, population by age and percentage of employed residents.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**DEMOGRAPHICS AND ECONOMIC INFORMATION – UNEMPLOYMENT RATES**  
**FISCAL YEARS 1999 THROUGH 2008**

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<b>Year</b>	<b>Unemployment Rates</b>
2008	4.7%
2007	4.0%
2006	4.0%
2005	4.3%
2004	4.9%
2003	5.9%
2002	5.7%
2001	3.8%
2000	2.9%
1999	2.0%

Source: Department of Transportation's economic forecast.

This table presents the unemployment rates in San Mateo County for the past 10 years.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
 DEMOGRAPHICS AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS  
 FISCAL YEARS 2006 AND 1999**

Employers in San Mateo County	2006			1999		
	Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
United Airlines	9,600	1	2.73%	17,400	1	4.46%
Genentech Inc.	7,845	2	2.23%	2,839	7	0.73%
County of San Mateo	5,777	3	1.64%	4,761	3	1.22%
Oracle Corporation	5,642	4	1.61%	14,000	2	3.59%
Kaiser Permanente	3,609	5	1.03%			
Safeway Inc.	2,280	6	0.65%	1,973	10	0.51%
United States Postal Service	2,174	7	0.62%	2,937	4	0.75%
Electronic Arts	2,000	8	0.57%			
Mills-Peninsula Health	1,800	9	0.51%			
Applied Biosystems	1,578	10	0.45%			
Raychem Corporation				2,900	5	0.74%
American Airlines				2,700	8	0.69%
Franklin Templeton Corporation				2,849	6	0.73%
CHW West Bay Hospital				2,373	9	0.61%
<b>Total</b>	<b>42,305</b>		<b>12.04%</b>	<b>54,732</b>		<b>14.03%</b>

Note: Principal employer information for 2008 and 2007 is not available.

Source: County of San Mateo.

This table presents the top 10 principal employers in San Mateo County for 2006 and 1999.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**OPERATING INFORMATION – CAPITAL OUTLAY**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

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<b>Cumulative Capital Outlay</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Dumbarton Spur	\$ 20,881	\$ 18,777	\$ 18,190	\$ 16,841
Caltrain-Downtown Extension	125,558	113,077	104,941	95,666
Railroad Grade Separations	148,396	143,871	142,003	136,987
Streets and Highways	171,478	140,360	120,900	114,399
Oversight and Bicycle	2,931	2,415	1,947	1,758
Total	<u>\$ 469,244</u>	<u>\$ 418,500</u>	<u>\$ 387,981</u>	<u>\$ 365,651</u>

Source: CAFRs

This table presents the total cumulative capital outlay on public transportation projects for the past 10 years.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**OPERATING INFORMATION – CAPITAL OUTLAY**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

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<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
\$ 16,377	\$ 15,350	\$ 15,143	\$ 7,863	\$ 7,847	\$ 7,793
81,322	77,699	69,154	61,697	53,209	46,845
125,647	124,249	120,082	115,255	112,019	103,558
102,752	84,825	69,651	59,077	53,840	48,088
962	330	73	73	73	73
<b>\$ 327,060</b>	<b>\$ 302,453</b>	<b>\$ 274,103</b>	<b>\$ 243,965</b>	<b>\$ 226,988</b>	<b>\$ 206,357</b>

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
 OPERATING INFORMATION – EMPLOYEES  
 FISCAL YEARS 2002 THROUGH 2008**

<b>DIVISION</b>	<b>FULL-TIME EQUIVALENTS</b>						
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>EXECUTIVE</b>	0.80	0.60	-	-	-	0.40	0.82
<b>ADMINISTRATION</b>	0.80	0.10	0.19	0.19	0.12	0.40	0.36
<b>COMMUNICATIONS</b>	0.75	1.00	1.95	3.27	1.69	0.28	0.35
<b>DEVELOPMENT</b>	11.14	8.83	6.12	4.99	5.66	6.44	6.87
<b>FINANCE</b>	0.90	1.05	1.03	3.07	3.25	2.75	3.21
<b>OPERATIONS</b>	0.25	0.20	0.21	0.19	0.59	-	-
<b>TOTAL EMPLOYEES</b>	<b>14.64</b>	<b>11.78</b>	<b>9.50</b>	<b>11.71</b>	<b>11.31</b>	<b>10.27</b>	<b>11.61</b>

Note: Employee counts are for full-time equivalents (FTEs) charged to the TA. Data for 1999 through 2001 was not available.

Source: TA's annual operating and capital budgets.

This table presents total full-time equivalents by division.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**OPERATING INFORMATION – CAPITAL ASSETS**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

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	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Capital Assets:					
Land	\$ 13,591	\$ 18,161	\$ 18,161	\$ 18,161	\$ 11,505
Furniture and equipment	-	-	-	-	-
Total	<u>\$ 13,591</u>	<u>\$ 18,161</u>	<u>\$ 18,161</u>	<u>\$ 18,161</u>	<u>\$ 11,505</u>

Source: CAFRs.

This table presents capital assets for the past 10 years.



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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**OPERATING INFORMATION – CAPITAL ASSETS**  
**FISCAL YEARS 1999 THROUGH 2008 (in thousands)**

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<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ 11,505	\$ 8,115	\$ 3,746	\$ 3,641	\$ 3,641
-	-	40	40	40
<u>\$ 11,505</u>	<u>\$ 8,115</u>	<u>\$ 3,786</u>	<u>\$ 3,682</u>	<u>\$ 3,682</u>

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# *Section IV*

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## **INTERNAL CONTROL AND COMPLIANCE**

**Auditor's Report on Internal Control, Compliance and Other Matters**

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**REPORT 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 TA) of California, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the TA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the TA's financial statements that is more than inconsequential will not be prevented or detected by the TA's internal control.

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

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

## Compliance

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

This report is intended for the information of the Board of Directors, management, federal granting agencies and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Vawrinck Trime Day + Co. LLP

Palo Alto, California  
November 30, 2008