

San Mateo County Transportation Authority San Carlos, California



Comprehensive Annual Financial Report *Fiscal Year Ended June 30, 2013*

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SAN MATEO COUNTY
Transportation
Authority

San Carlos, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

Prepared by the Finance Division

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Section I

INTRODUCTORY

Letter of Transmittal

GFOA Certificate of Achievement

Board of Directors

Executive Management

Organization Chart

Map

Table of Credits

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December 31, 2013

**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, 2013**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo County Transportation Authority (TA) for fiscal year July 1, 2012 through June 30, 2013. This transmittal letter includes the formal transmittal of the CAFR, a profile of the TA, information useful in assessing the government's economic condition and awards and acknowledgements. Readers desiring an analytical overview of the basic financial statements or TA's financial activities may refer to the Management's Discussion and Analysis in 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 Maze & Associates, 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

Basic Information

San Mateo County, with a population of nearly 750,000, is located on a peninsula south of the City and County of San Francisco, bordered on the west by the Pacific Ocean, on the east by San Francisco Bay and on the south by the counties of Santa Clara and Santa Cruz. 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. 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. The 2004 Transportation Expenditure Plan includes six program categories including:

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1. Transit
2. Highways
3. Local Streets/Transportation
4. Grade Separations
5. Pedestrian and Bicycle
6. Alternative Congestion Relief Programs

Whenever possible, the TA 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 transportation projects. Thus, the TA will continue to fund vital transportation improvements to the benefit of San Mateo County residents through 2033.

Interested readers may view the 1988 and the 2004 Measure A Transportation Expenditure Plans online at http://www.smcta.com/about/Expenditure_Plans.html or by contacting:

Director, Transportation Authority Program
San Mateo County Transportation Authority
1250 San Carlos Avenue
P.O. Box 3006
San Carlos, California 94070-1306

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 the interests of North County, Central County, South County and the cities-at-large.
- The San Mateo County Transit District (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 Plans.

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 Plans. 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 departments provide a complete and responsive team for all the TA activities as follows:

The *Office of the District Secretary* is responsible for directing and overseeing all activities and for providing support to the Board of Directors.

The *Finance and Administration Division* is responsible for financial accounting and reporting, capital budgeting, operational budgeting, payroll and vendor disbursements, investments and cash management, debt management, revenue control, purchasing, contract administration, risk management, information technology, security, safety and human resources.

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The *Operations, Engineering and Construction 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, quality assurance, capital project engineering and construction.

The *Office of Customer Service and Marketing* is responsible for fare media, customer service, marketing, sales, advertising, and distribution services.

The *Office of Caltrain Modernization* is responsible for guiding the planning and implementation of projects that will upgrade the performance, operating efficiency, capacity, safety and reliability of Caltrain's commuter rail.

The *Office of Planning and Development* is responsible for oversight of the Transportation Expenditure Plans, strategic planning and performance, grant administration, and property management.

The *Office of Public Affairs* is responsible for public information, media relations, legislative activities and community outreach.

Component Units

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 (District) or any other entity. Therefore, this CAFR and the financial statements contained within represent solely the activities, transactions and status of the TA.

Budget

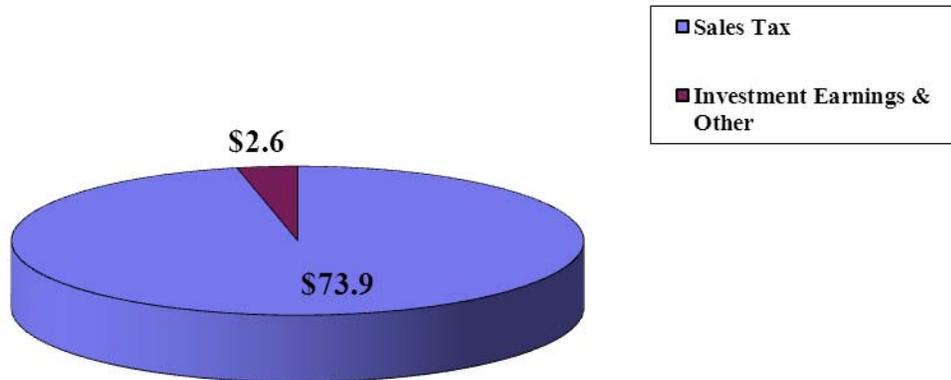
State law requires the TA to adopt an annual budget by resolution of the Board of Directors. In the spring preceding the start of each fiscal year, staff presents an annual budget for the Special Revenue governmental fund based on established agency goals, objectives and performance measures to the Board 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 and departments to the Executive Director or his designee. 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 by issuing purchase orders to avoid over-commitment of resources.

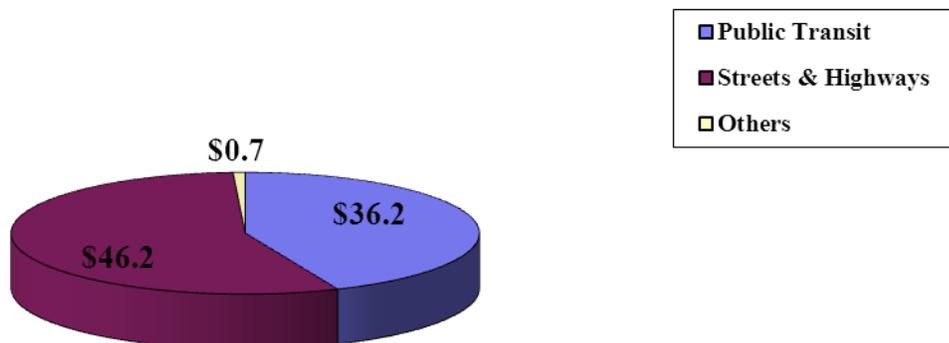
The TA employs the same basis of controls and accounting principles for both budgeted and actual revenues and expenditures, except that actual proceeds from the sale of capital assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget. The pie charts below show actual results for the major revenue and expense categories of fiscal year 2013. 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 2013 was \$548.9 million and the limit for fiscal year 2014 is \$583.3 million.

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**San Mateo County Transportation Authority
Year Ended June 30, 2013
REVENUES
(\$millions)**



**San Mateo County Transportation Authority
Year Ended June 30, 2013
EXPENSES
(\$millions)**



ECONOMIC CONDITION

Local Economy

Unemployment in San Mateo County was down to 5.4 percent in June 2013 from 7.4 percent in June 2012 and 8.7 percent in June 2011. This compares to 8.9 percent in June 2013 in the state of California and 10.7 and 12.0 percent in June 2012 and 2011, respectively. The TA's sales tax receipts increased 6.3 percent in fiscal year 2013 from fiscal year 2012 levels, which were up by 9.4 percent from the prior year.

San Mateo County remains one of the wealthiest counties in California. With significant employment in diverse industries including air travel, technology, biotechnology, finance, education, conventions, tourism, agriculture and manufacturing, San Mateo County is not dependent on any one employment sector for its prosperity. This broad base will help to ensure long-term stability for San Mateo County residents.

Long-term Financial and Strategic Planning

The goal of the TA is to administer the proceeds from Measure A to fund a broad spectrum of projects and programs as approved by the San Mateo County voters. Long-term financial planning is crucial towards accomplishing this goal, and to ensure funds are expended in the most efficient and effective manner possible.

The reauthorization of Measure A with the 2004 Transportation Expenditure Plan was placed before county voters in the November 2004 regular election. Voters passed the reauthorization measure by a 75.3 percent majority, extending the TA's mission through 2033. The implementation guidelines in the 2004 Transportation Expenditure Plan required that the TA prepare a strategic plan by December 31, 2008, which readers can view online at www.smcta.com. The new Strategic Plan was adopted December 4, 2008, and 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 2004 Transportation Expenditure 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 TA currently has a number of calls for projects, in various stages, underway for several categories within the 2004 Transportation Expenditure Plan.

Significant strides have been made with the funds in both the original and now the new Measure A programs. Most notably, original Measure A revenues contributed to the Caltrain right of way purchase in 1991 and towards the purchase of the Dumbarton rail corridor. Both original and new Measure A 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 grade separation projects, including the current San Bruno Grade Separation that will elevate the Caltrain tracks above three existing at-grade street crossings at San Bruno, San Mateo and Angus Avenues. Additional project expenditures funded highway improvements to improve safety and reduce freeway congestion including auxiliary lanes and other improvements throughout the Highway 101 corridor and Highway 92 improvements. 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 and pedestrian access improvements.

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As of June 30, 2013, the TA had spent 78 percent and 45 percent of total sales tax revenues and other earnings received from the original Measure A and the new Measure A, respectively, on San Mateo County transportation improvements. Delivery of original Measure A funded projects continues beyond the expiration of the original Measure A Program on December 31, 2008, in keeping with the commitment to the voters who approved the original Measure A Program.

Major Initiatives

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 and 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

Notable projects supporting the JPB during fiscal year 2013 include:

- Preliminary engineering and right of way acquisition for the San Francisco Downtown Extension Project
- Design and construction of the San Mateo County Local Safety and Access Improvements Program
- Construction of San Bruno Grade Separation Project
- Environmental studies for the Dumbarton Rail Corridor Project
- Provision of local match requirements for federally funded capital construction grants
- Environmental assessment/Final Environmental Impact Report for the Peninsula Corridor Electrification Project

Other notable public transit projects during fiscal year 2013 include:

- Contributions to SamTrans for paratransit and other accessible services
- Contributions to BART for the SFO Extension
- Contribution to local shuttles

Highway 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

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Notable street and highway projects during fiscal year 2013 include:

- Construction of auxiliary lanes on Highway 101 from Marsh Road Interchange in San Mateo County to Embarcadero Road Interchange in Santa Clara County.
- Environmental studies for Route 1 Improvement Project, Fassler Avenue to Westport Drive in Pacifica.
- PS&E (Plan, Specifications and Estimate) design work for the 101/Broadway Interchange project.
- PS&E (Plan, Specifications and Estimate) design work for San Pedro Creek/Route 1 Bridge Replacement project in Pacifica.
- PSR (Project Study Report) for additional auxiliary lanes from Highway 101 to I-280.

Alternative Congestion Relief Programs

The TA funds alternative congestion relief (ACR) programs aimed at reducing vehicular traffic on congested freeways and busy city streets. These customized programs target both infrastructure problems and personal driving habits. ACR 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 fourteen years, the TA has provided the majority of its ACR 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 has provided funds from the original Measure A to the City/County Association of Governments (C/CAG) to print San Mateo County bicycle maps. Funds are also being provided for the bike safety improvement project on Alpine Road at I-280.

New Measure A funds have been provided to C/CAG to develop the San Mateo County Comprehensive Bicycle and Pedestrian Plan, the design and construction of the Ralston Avenue pedestrian / bicycle overcrossing in Belmont, as well as for the pilot regional bikeshare project which will have a site in Redwood City. In addition, the TA programmed and allocated \$4.5 million in July 2011 for Pedestrian and Bicycle programs. Of this, \$1.9 million is to fund 5 pre-construction projects, and \$2.6 million is to fund 11 pre-construction and construction projects. Projects funded include design for Burlingame Avenue Bicycle and Pedestrian improvements, design of Pedestrian and Bicycle overcrossings of US-101, striping and signage improvements, bridge replacement, and Highway 1 Multi-Use trail Extension.

Local Programs

The original Measure A required 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. The total local aid distributed from the original Measure A was \$203.3 million. The new Measure A requires the TA to earmark 22.5 percent for this purpose. During

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fiscal year 2013, local agencies received \$16.6 million from the new Measure A, bringing the total local aid since the inception of the new Measure A to \$65.7 million. The recipients of these funds principally use them for street and road projects.

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 expect sales tax growth to be minimal in the coming years as we emerge from the recession, the TA expects the continued enthusiasm and dedication of its transit professionals to meet the transportation challenges of the future.

The Government Finance Officers Association (GFOA) recognized the TA's fiscal year 2012 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 fiscal year 2013 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, Maze & Associates, 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
Deputy CEO



Rima Lobo
Director of Finance

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Government Finance Officers Association

**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, 2012



Executive Director/CEO

BOARD OF DIRECTORS

CAROLE GROOM, CHAIR

KARYL MATSUMOTO, VICE CHAIR

DAVID CANEPA

ROSANNE FOUST

DON HORSLEY

TERRY NAGEL

NAOMI PATRIDGE

CAROLE GROOM, CHAIR, was appointed to the TA in 2009 representing the Board of Supervisors. She has served as a member of the San Mateo County Board of Supervisors since 2009 and served as president in 2011. Prior to joining the Board of Supervisors, she served nine years on the San Mateo City Council, and two terms as mayor.

KARYL MATSUMOTO, VICE CHAIR, was elected to the TA in 2008 representing the San Mateo County Transit District. She was first elected to the South San Francisco City Council in 1997 and has served three terms as mayor.

DAVID CANEPA was elected to the TA in 2013 representing North County. He was first elected to the City Council of Daly City in December 2008 and currently serves as the city's Vice Mayor. In addition, Director Canepa has served on several San Mateo County regional boards dealing with transportation, housing, homelessness and infrastructure including City/County Association of Governments.

ROSANNE FOUST was elected to the TA in 2005 representing South County. She has served as a council member for Redwood City since 2003 and has served as mayor. Director Foust is president and CEO of the San Mateo County Economic Development Association (SAMCEDA).

DON HORSELY was appointed to the TA in 2011 representing the Board of Supervisors. He has served as a member of the San Mateo County Board of Supervisors since 2011 and is currently serving as Board President. Prior to joining the Board of Supervisors, he served as the elected County Sheriff for 14 years and was Board President of the Sequoia Healthcare District.

TERRY NAGEL was elected to the TA in 2010 representing Central County. She was elected to the Burlingame City Council in 2003 and has served two terms as mayor. Among other roles, Director Nagel is the city's representative on the City/County Association of Governments.

NAOMI PATRIDGE was elected to the TA in 2012 representing San Mateo County's cities at large. Director Patridge serves on the Half Moon Bay City Council, and was previously a Half Moon Bay Parks & Recreation Commissioner for 14 years. She also serves as the City's representative to the City/County Association of Governments and several other organizations.

EXECUTIVE MANAGEMENT

EXECUTIVE DIRECTOR

Michael J. Scanlon

EXECUTIVE OFFICERS

Virginia Harrington, - Deputy CEO

C. H. (Chuck) Harvey - Deputy CEO

April Chan – Executive Officer, Planning and Development

Rita Haskin, Executive Officer, Customer Service and Marketing

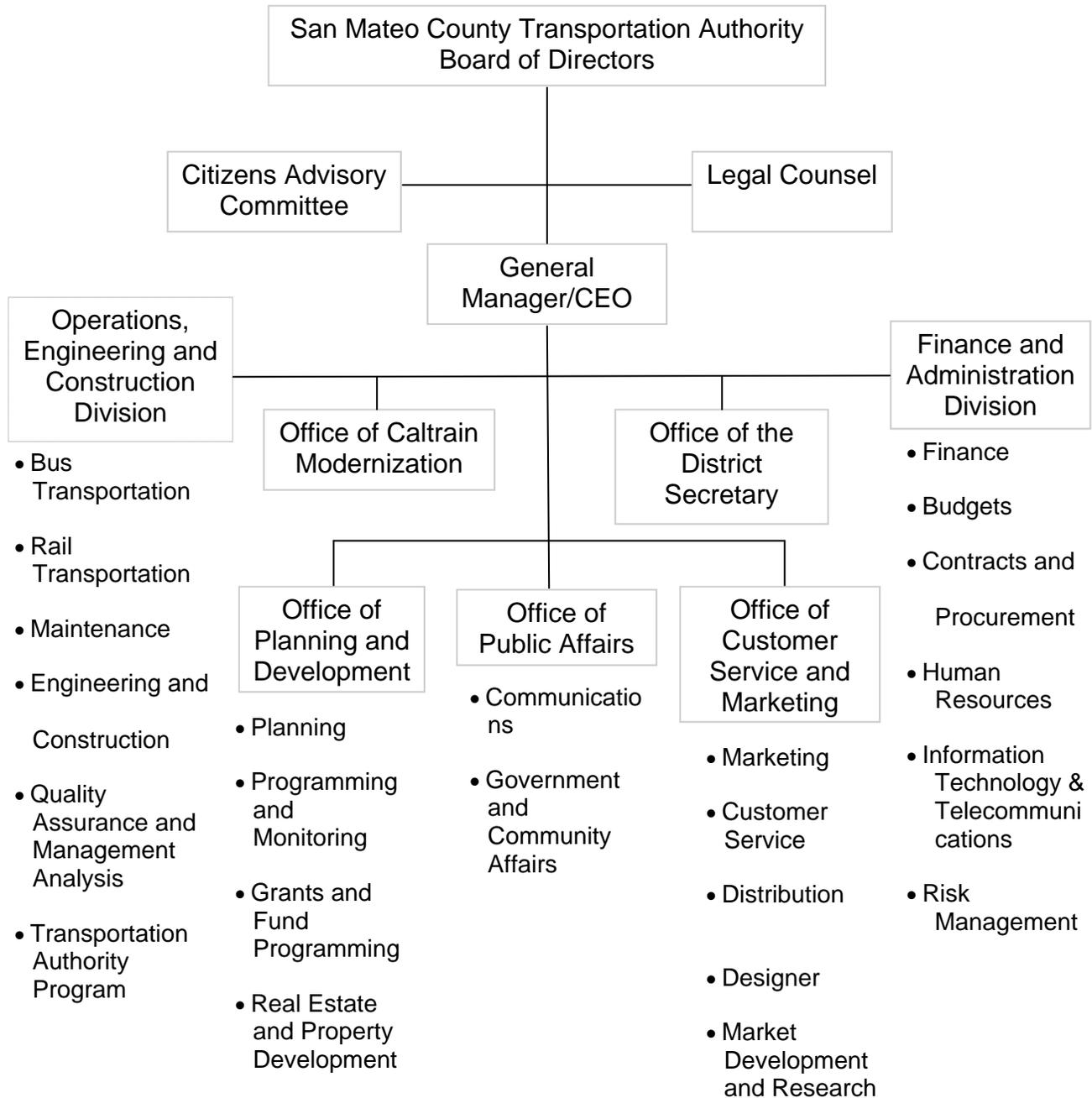
Martha Martinez – Authority Secretary

Mark Simon – Executive Officer, Public Affairs

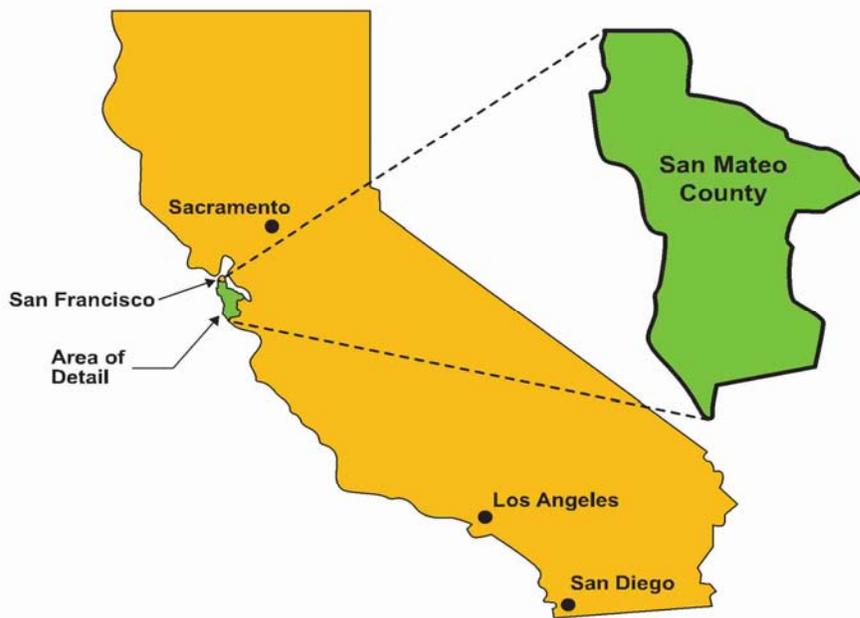
GENERAL COUNSEL

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

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San Mateo County, California



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TABLE OF CREDITS

The following individuals contributed to the production of the Fiscal Year 2013 CAFR:

<u>Finance:</u>	Manager, General Ledger	Sheila Tioyao
	Manager, Treasury	Lori Snow
	Senior Budget Analyst	Angela Ho
<u>Audit Firm:</u>	Partner	Vikki C. Rodriguez

Section II

FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

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

Required Supplementary Information

Other Supplemental Information

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Mateo County Transportation Authority (TA), as of and for the years ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the TA's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. The prior year summarized comparative information has been derived from the TA's 2012 financial statements, and in our report dated September 28, 2012, we expressed an unqualified opinion on those financial statements. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the TA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the TA as of June 30, 2013, and the respective changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows or Resources and Net Position*, which became effective during the year ended June 30, 2013 and changed certain statement titles and nomenclature in the financial statements.

See Note 1B to the financial statements for relevant disclosures.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Mateo County Transportation Authority's financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not required parts of the financial statements.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2013 on our consideration of the TA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Report on Summarized Comparative Information

We have previously audited the TA's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2012. In our opinion, the summarized comparative information as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maze & Associates

Pleasant Hill, California
October 4, 2013

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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, 2013 with comparisons to the fiscal year ended June 30, 2012. 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 \$4.9 million or 1.0 percent to \$476.0 million at June 30, 2013 compared to June 30, 2012. Cash and investments comprised \$438.6 million or 92.1 percent of the total 2013 year-end amount.
- Sales tax revenue for all funds was \$73.9 million during 2013, an increase of \$4.4 million or 6.3 percent from 2012.
- The TA expended \$55.0 million in capital outlay during 2013, an increase of \$26.7 million or 94.5 percent over 2012. This amount included construction costs related to the San Bruno Grade Separation Project and right of way acquisition for the Downtown Extension project.
- Total liabilities increased \$7.6 million or 53.1 percent to \$21.9 million at June 30, 2013 compared to June 30, 2012.
- Total net position decreased by \$2.7 million or 0.6 percent to \$454.1 million at June 30, 2013 compared to June 30, 2012. These decreases are due primarily to total expenditures exceeding total revenues in 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

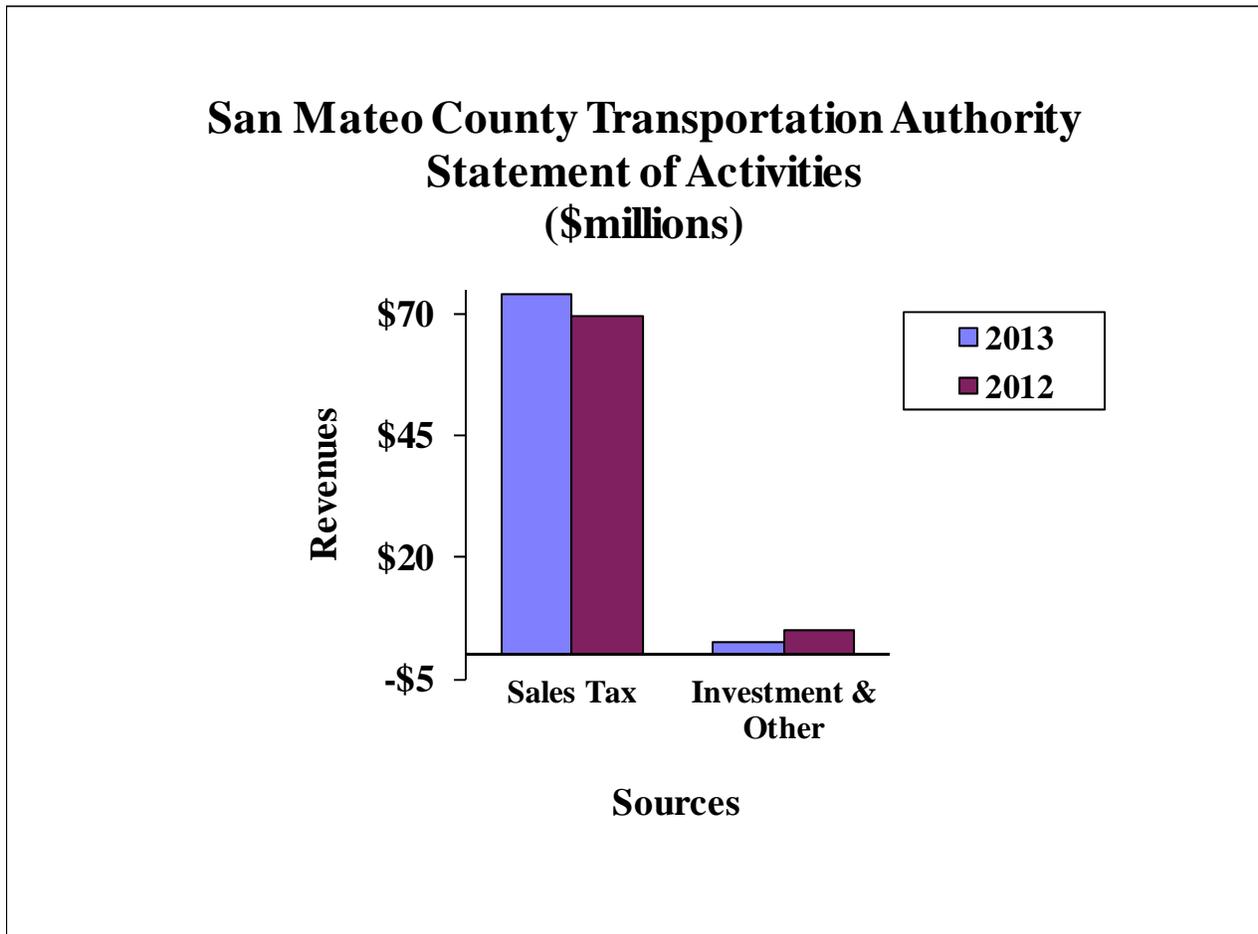
The Financial Section of this report presents the TA's basic financial statements in three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Other supplementary information also appears in addition to the basic financial statements.

Government-wide Financial Statements

The *Statement of Net Position* presents total assets and total liabilities with the difference between the two reported as net position. Changes in net position over time provide 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, 2013**

The *Statement of Activities* reports on the change in net position 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 separately as general revenues. The TA reports all changes in net position 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.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2013**

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 position. This information is useful for evaluating the TA's current financing requirements.

The TA reports the *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*.

Notes to the Financial Statements

The *Notes to the Basic 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 29 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.

Government-wide Financial Analysis

At June 30, 2013, total assets were \$476.0 million, an increase of \$4.9 million or 1.0 percent from June 30, 2012. Cash and investments comprise \$438.6 million of this amount. With only \$21.9 million in total liabilities, the TA is in an excellent position to meet its obligations for current construction projects. As of the end of fiscal year 2013, existing encumbrances and expected future costs combined for current construction projects are estimated to total \$278.5 million.

Capital assets were \$13.6 million in 2013. There were no changes compared to 2012.

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 #7- Capital Assets* of the *Notes to the Financial Statements* on page 41 of this report.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2013**

	Governmental Activities	
	2013	2012
Current and other assets	\$ 462,455,047	\$ 457,519,475
Capital assets	13,590,975	13,590,975
Total assets	\$ 476,046,022	\$ 471,110,450
Long-term liabilities outstanding	\$ 3,450,000	\$ 3,450,000
Other liabilities	18,455,825	10,856,006
Total liabilities	\$ 21,905,825	\$ 14,306,006
Net position:		
Net investment in capital assets	\$ 13,590,975	\$ 13,590,975
Restricted	440,549,222	443,213,470
Unrestricted	-	-
Total net position	\$ 454,140,197	\$ 456,804,445

Total liabilities increased by \$7.6 million or 53.1 percent to \$21.9 million at June 30, 2013 compared to \$14.3 million at June 30, 2012. The increase was due to additional accruals for capital projects and disbursements to local entities for transportation projects.

Net position decreased by \$2.7 million or 0.6 percent to \$454.1 million at June 30, 2013, the result of expenses exceeding revenues in 2013.

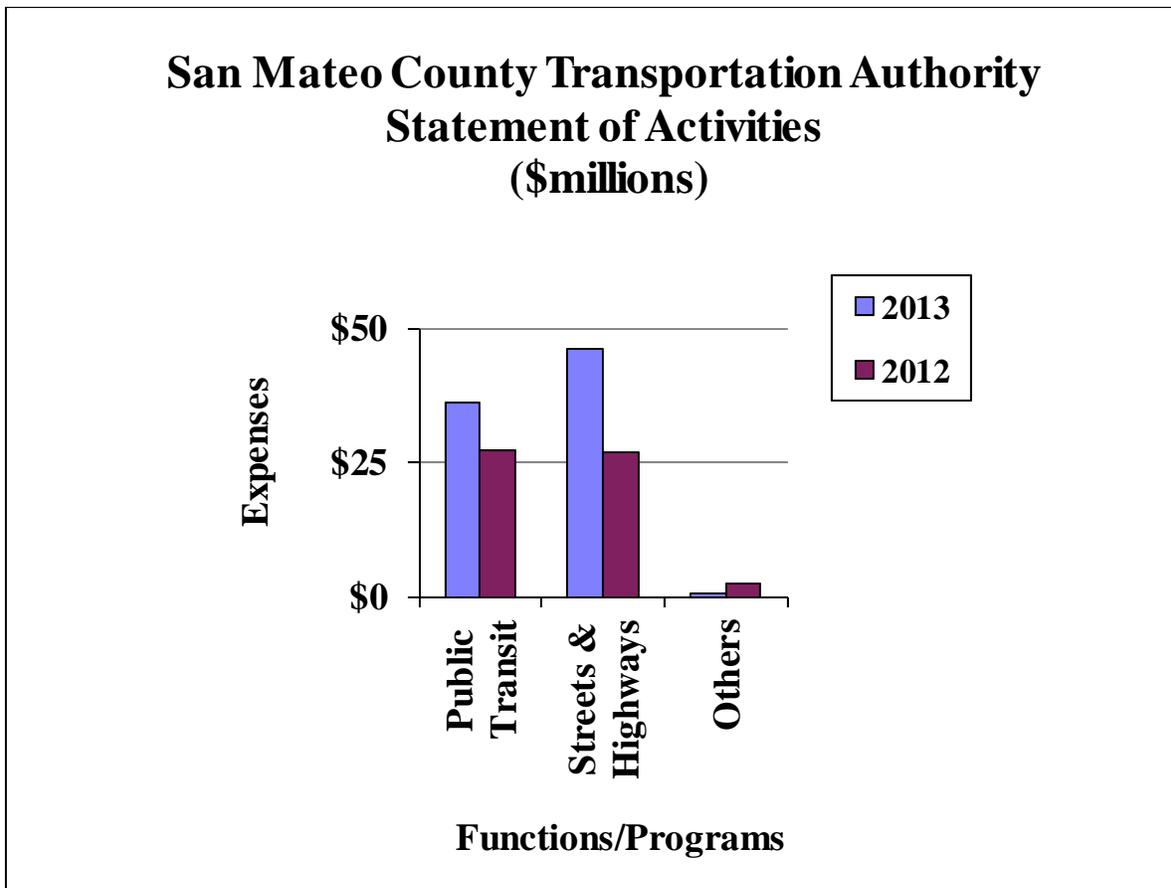
	Governmental Activities	
	2013	2012
Revenues:		
Program revenues		
Charges for services	\$ 1,141,776	\$ 1,107,863
Operating grants/contributions	2,799,379	3,606,251
General revenues		
Sales tax	73,857,787	69,475,756
Investment earnings and others	2,616,617	5,097,144
Total revenues	80,415,559	79,287,014
Expenses:		
Public transit	36,171,150	27,387,123
Streets and highways	46,242,562	26,665,098
Others	666,095	2,272,745
Total expenses	83,079,807	56,324,966
Change in net position	(2,664,248)	22,962,048
Net position - July 1	456,804,445	433,842,397
Net position - July 30	\$ 454,140,197	\$ 456,804,445

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2013**

Governmental Activities

Total expenses for governmental activities were \$83.1 million in 2013, an increase of \$26.8 million or 47.5 percent compared to 2012. The functional components of total expenses are public transit (43.5 percent), streets and highways (55.7 percent) and other programs (0.8 percent). The following are the highlights of the TA's governmental activities:

- Sales tax revenue increased by \$4.4 million or 6.3 percent to \$73.9 million in 2013 from 2012.
- Investment earnings and other revenues of \$2.6 million in 2013 was \$2.5 million or 48.7 percent lower compared to 2012. The decrease was mostly due to the decrease in fair value of investments.
- Expenses for public transit projects in 2013 increased by \$8.8 million or 32.1 percent to \$36.2 million compared to 2012. The increase was mainly due to the San Francisco Downtown Extension project.
- Spending for streets and highways in 2013 increased by \$19.6 million or 73.4 percent to \$46.2 million compared to 2012 mainly due to the increase in distribution to local entities for transportation projects as a result of sales tax increase.



**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2013**

Financial Analysis of the TA's Funds

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 \$439.0 million at June 30, 2013, a decrease of \$2.7 million or 0.6 percent from June 30, 2012, as total expenses exceeded total revenues during 2013. The total fund balance at June 30, 2013 of \$439.0 million is restricted for Measure A projects and is available for spending at the discretion of the TA's Board of Directors in accordance with the Transportation Expenditure Plan. 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 fund balance to its future commitments. At June 30, 2013, the estimated cost to complete on-going projects is \$278.5 million or 63.4 percent of total fund balance.

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 capital assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget.

Sales tax represented 92.6 percent of the *Special Revenue Fund's* total budgeted revenue for FY 2013. Actual sales tax revenue for the year was \$73.9 million, which exceeded the budget by \$5.9 million or 8.6 percent.

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

The TA spent \$55.0 million or 53.4 percent of its final 2013 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 2012 is not included in the 2013 *Budgetary Comparison Schedule*.

Capital Projects

The TA spent \$55.0 million on capital projects in 2013, an increase of \$26.8 million or 94.5 percent compared to 2012. Following are the major capital expenditures:

- Funding for the 2013 local capital match requirement assessed to San Mateo County according to the Caltrain Joint Powers Agreement (\$3.0 million).
- Construction costs associated with the grade separation project for San Bruno Avenue in San Bruno and Linden Avenue in South San Francisco (\$21.4 million).

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2013**

- Design costs associated with the 101/Broadway Interchange project (\$14.3 million).
- Construction cost for the addition of auxiliary lanes on Highway 101 starting from Marsh Road to University Ave and then to Embarcadero Road (\$6.9 million).

More information on the TA's capital project activity appears in *Notes #14 and #15 – Capital Outlay and Construction Commitments* on page 44 in the *Notes to the Financial Statements*.

Debt

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 was initially due on December 31, 2009, but the agreement has been updated and Caltrans has granted the TA an extension through November 7, 2013 to repay the loan. The TA used the proceeds of this non-interest-bearing loan to purchase property from Southern Pacific Transportation Company.

More information on the TA's long-term debt activity appears in *Note #10 – Long-term Liabilities* beginning on page 42 in the *Notes to the Financial Statements*.

Economic Factors

The U.S. has enjoyed more than three years of uninterrupted economic growth and falling unemployment since the recession ended, but economic growth has averaged less than 2.25 percent since the recovery began and unemployment is still above where it should be. California's unemployment rate is forecasted to remain below 10 percent and above 7 percent through 2015. Unemployment rate in San Mateo County was down to 5.4 percent in June 2013 from 7.4 percent in June 2012 and 8.7 percent in June 2011.

As confidence in the economy is restored, consumer spending in California is expected to rise and peak in late 2014. The increase in TA's sales tax of \$4.4 million or 6.3 percent in FY2013 to \$73.9 million after having increased \$6.0 million or 9.4 percent in FY2012 is evidence of the economic recovery. The TA has taken this trend into account in its FY2014 budget projections.

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 Deputy CEO, 1250 San Carlos Ave., P.O. Box 3006, San Carlos, California, 94070-1306.

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BASIC FINANCIAL STATEMENTS
Government-wide Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012

	Governmental Activities	
	2013	2012
ASSETS		
Cash and investments (Note 2)	\$ 438,600,440	\$ 434,642,676
Receivables:		
Sales tax (Note 3)	13,437,975	13,251,611
Interest (Note 4)	1,444,025	1,740,767
Note receivable (Note 5)	4,343,404	4,343,404
Other (Note 6)	4,625,903	3,537,717
Prepays	3,300	3,300
Capital assets, nondepreciable (Note 7)	13,590,975	13,590,975
Total Assets	476,046,022	471,110,450
LIABILITIES		
Accounts payable (Note 8)	2,342,680	3,792,068
Accrued liabilities (Note 9)	16,027,853	7,017,886
Unearned revenue	26,969	6,953
Deposits	58,323	39,098
Long-term liabilities (Note 10):		
Due within one year	3,450,000	3,450,000
Total Liabilities	21,905,825	14,306,005
NET POSITION (Note 11)		
Net investment in capital assets	13,590,975	13,590,975
Restricted for Measure A Programs	440,549,222	443,213,470
Total Net Position	\$ 454,140,197	\$ 456,804,445

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED DATA FOR THE YEAR ENDED JUNE 30, 2012)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	2013	2012
Governmental Activities:					
Public transit					
Upgrades and extensions	\$ 4,269,864	\$ -	\$ -	\$ (4,269,864)	\$ (3,574,023)
Grade separations	21,421,134	838,760	-	(20,582,374)	(8,338,108)
Dumbarton spur	673,711	303,016	390,551	19,856	(127,922)
BART	1,477,155	-	-	(1,477,155)	(1,389,515)
Caltrain	5,908,623	-	-	(5,908,623)	(5,558,061)
Projects funding	2,420,663	-	129,115	(2,291,548)	(5,632,992)
Street and highways					
Distributions to local entities	19,982,312	-	-	(19,982,312)	(18,809,179)
Projects funding	26,260,250	-	2,279,713	(23,980,537)	(5,908,307)
Caltrain shuttle program	-	-	-	-	(1,447,983)
Program administration	666,095	-	-	(666,095)	(824,762)
Total Governmental Activities	\$ 83,079,807	\$ 1,141,776	\$ 2,799,379	(79,138,652)	(51,610,852)
General revenues:					
Sales taxes				73,857,787	69,475,756
Investment earnings (Note 12)				377,989	3,569,473
Recovery from Lehman Brothers (Note 2)				2,238,628	1,527,671
Total General Revenues				76,474,404	74,572,900
Change in Net Position				(2,664,248)	22,962,048
Net Position-Beginning of Year				456,804,445	433,842,397
Net Position-Ending of Year				\$ 454,140,197	\$ 456,804,445

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

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS – SPECIAL REVENUE FUND
BALANCE SHEET JUNE 30, 2013 AND 2012

	Total Governmental Funds	
	2013	2012
ASSETS		
Cash and investments (Note 2)	\$ 438,600,440	\$ 434,642,676
Receivables:		
Sales tax (Note 3)	13,437,975	13,251,611
Interest (Note 4)	763,764	1,119,885
Other (Note 6)	4,625,903	3,537,717
Prepays	3,300	3,300
Total Assets	<u>\$ 457,431,382</u>	<u>\$ 452,555,189</u>
LIABILITIES		
Accounts payable (Note 8)	\$ 2,342,680	\$ 3,792,068
Accrued liabilities (Note 9)	16,027,853	7,017,886
Deferred rent revenue	26,969	6,953
Deposits	58,323	39,098
Total Liabilities	<u>18,455,825</u>	<u>10,856,005</u>
FUND BALANCES		
Fund balance (Note 11)		
Nonspendable:		
Prepays	3,300	3,300
Restricted for:		
Current Measure A projects	278,517,658	301,529,002
Future Measure A Projects	160,454,599	140,166,882
Total Fund Balances	<u>438,975,557</u>	<u>441,699,184</u>
Total Liabilities and Fund Balances	<u>\$ 457,431,382</u>	<u>\$ 452,555,189</u>

These accompanying notes are an integral part of these basic financial statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Balance Sheet and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental net assets reported on the Statement of Net Assets, which is prepared on the full accrual basis.		
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 438,975,557	\$ 441,699,184
Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:		
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	13,590,975	13,590,975
Long term note receivable is not a financial resource and, therefore, is not reported in the governmental funds:		
Note receivable	4,343,404	4,343,404
Interest receivable	680,261	620,882
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:		
Loan from State of California	<u>(3,450,000)</u>	<u>(3,450,000)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 454,140,197</u>	<u>\$ 456,804,445</u>

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS – SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Total	
	2013	2012
REVENUES		
Sales tax	\$ 73,857,787	\$ 69,475,756
Investment income (Note 12)	318,610	3,502,912
Rental income	1,141,776	1,107,613
Other income	2,241,868	1,527,671
Grant proceeds	2,796,139	3,606,501
Total Revenues	80,356,180	79,220,453
EXPENDITURES		
Current		
Administration:		
Staff support (Note 13)	443,627	568,414
Board compensation	6,100	6,900
Professional and legal fees	183,080	190,306
Other services and supplies	29,177	51,831
Travel and meetings	2,101	2,307
Distribution to local entities	19,982,312	18,809,179
BART	1,477,155	1,389,515
Caltrain	5,908,623	5,558,061
Caltrain shuttles program	-	1,447,983
Dumbarton corridor maintenance	2,010	5,000
Capital outlay (Note 14)	55,045,622	28,295,470
Total Expenditures	83,079,807	56,324,966
NET CHANGE IN FUND BALANCES	(2,723,627)	22,895,487
BEGINNING FUND BALANCES	441,699,184	418,803,697
ENDING FUND BALANCES	\$ 438,975,557	\$ 441,699,184

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 STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
The schedule below reconciles the Net Changes in Fund Balances reported in the Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.		
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,723,627)	\$ 22,895,487
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
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.	59,379	66,561
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,664,248)</u>	<u>\$ 22,962,048</u>

The accompanying notes are an integral part of these financial statements

BASIC FINANCIAL STATEMENTS
Notes to the Basic Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

<i>INDEX TO THE NOTES</i>	<i>Pages</i>
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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The San Mateo County Transportation Authority (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 was responsible for the administration of funds collected through the one-half cent county sales tax for a period of 20 years, initially. 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. The San Mateo County Transit District (District) was designated as the entity responsible for overall management of the TA.

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

GASB Statement No. 60 – In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnerships. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement had no impact on the TA's June 30, 2013 financial statements.

GASB Statement No. 61 – In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. This Statement had no material impact to the TA's financial statements.

GASB Statement No. 62 – In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement had no material impact to the TA's financial statements.

GASB Statement No. 63 – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement required certain financial statement titles and classification of fund equity to be changed in the financial statements for the fiscal year ending June 30, 2013.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement changed certain financial statement titles and nomenclature on the TA's financial statements for fiscal year ending June 30, 2013.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 65 – In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The TA early implemented this Statement. This Statement had no material impact to the TA's financial statements.

GASB Statement No. 66 – In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The TA has not determined its effect on the financial statements.

GASB Statement No. 67 – In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. The TA has not determined its effect on the financial statements.

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The TA has not determined its effect on the financial statements.

GASB Statement No. 69 – In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The provisions of the Statement are effective for financial statement for periods beginning after December 15, 2013. The TA has not determined its effect on the financial statements.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 70 - In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The provisions of this Statement are effective for financial statement periods after June 15, 2013. The TA has not determined its effect on the financial statements.

C. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities report the financial activities of the TA. The Statement of Activities presents 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 program. Revenues that are not classified as program revenues, including sales tax revenues, are presented instead as general revenues.

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 fund:

The *Special Revenue Fund* accounts for the proceeds of the one-half cent county sales tax. These funds are legally restricted to expenditure specified in Measure A.

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place.

Nonexchange transactions, in which the 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.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the current financial resources management 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. Capital asset acquisitions are reported as expenditures in governmental funds.

E. Non-current Governmental Assets/Liabilities

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

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 Statement of Net Position.

G. Prepays

Prepaid items 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 maturities 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.

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.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Use of Estimates

The Authority's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

K. Deferred Outflow/Inflow of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. Summarized Data

The summarized data provided in these financial statements for fiscal year ended June 30, 2012 is not a requirement for fair presentation of the financial statements, but is being presented as additional analytical data. Such information does not provide 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, 2012 from which such comparative information was derived.

NOTE 2 - CASH AND INVESTMENTS

The Authority pools cash from all sources and funds except cash and investments with Trustees so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

The Authority records investment transactions on the trade date. Investments are reported at fair value. Fair value is defined as the amount that the Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and seller, and is generally measured by quoted market prices. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. Investment income is allocated among funds on the basis of average daily cash and investment balances in these funds.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits and investments as of June 30 are categorized as follows:

	<u>2013</u>	<u>2012</u>
Cash and Investments		
Special Revenue Fund		
Cash and cash equivalents:		
Bank balance	\$ 447,618	\$ 684,691
Investments	<u>438,152,822</u>	<u>433,957,985</u>
Total Special Revenue Fund	<u>438,600,440</u>	<u>434,642,676</u>
Total Cash and Investments	<u>\$ 438,600,440</u>	<u>\$ 434,642,676</u>

Authorized Investments by the Authority

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	15 years	None	None
U.S. Treasury Obligations	15 years	None	None
U.S. Agency Securities or Government Sponsor Enterprises	15 years	None	None
Bankers' 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% 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 Backed Pass-Through Securities	5 years	20%	5%
San Mateo County Investment Fund	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, 2013 AND 2012

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The TA monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. With respect to this metric, the TA’s policies are as follows:

- No investment shall be made in securities with a remaining useful life exceeding 15 years
- The weighted average maturity of the portfolio shall not exceed 5 years

The TA’s weighted average maturity of its investment portfolio at June 30, 2013 was as follows:

Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury Notes	\$ 25,548,253	1.72
U.S. Agency Securities	134,179,907	2.12
Investment in County Investment Pool	267,954,344	1.97
Investment in State Investment Pool	15,564,677	2.78
	<u>\$ 443,247,181</u>	
Portfolio Weighted Average Maturity		2.03

The TA’s weighted average maturity of its investment portfolio at June 30, 2012 was as follows:

Investment Type	Amount	Weighted Average Maturity (in years)
Repurchase Agreements	\$ 713,469	-
U.S. Treasury Notes	27,899,900	1.02
U.S. Agency Securities	128,232,961	2.64
Investment in County Investment Pool	258,185,947	1.60
Investment in State Investment Pool	20,509,218	0.73
	<u>\$ 435,541,495</u>	
Portfolio Weighted Average Maturity		1.82

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – CASH AND INVESTMENTS (Continued)

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. Presented below is the actual rating as of the fiscal year end for each investment type.

TA’s investment portfolio credit ratings at June 30 were as follows:

Investment Type	Amount	Rating as of June 30, 2013			
		AAA	AA	A	Not Rated
U.S. Treasury Notes	\$ 25,548,253	\$ -	\$ 25,548,253	\$ -	\$ -
U.S. Agency Securities	134,179,907	-	134,179,907	-	-
Investment in County Investment Pool	267,954,344	-	-	-	267,954,344
Investment in State Investment Pool	15,564,677	-	-	-	15,564,677
Total	\$ 443,247,181	\$ -	\$ 159,728,160	\$ -	\$ 283,519,021

Investment Type	Amount	Rating as of June 30, 2012			
		AAA	AA	A	Not Rated
Repurchase Agreements	\$ 713,469	\$ -	\$ -	\$ -	\$ 713,469
U.S. Treasury Notes	27,899,900	-	-	-	27,899,900
U.S. Agency Securities	128,232,961	-	128,232,961	-	-
Investment in County Investment Pool		-	-	-	258,185,947
Investment in State Investment Pool	20,509,218	-	-	-	20,509,218
Total	\$ 435,541,495	\$ -	\$ 128,232,961	\$ -	\$ 288,463,562

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – CASH AND INVESTMENTS (Continued)

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. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the TA's total investments at June 30 are held in the Special Revenue Fund as follows:

Issuer	Investment Type	Fair Value 2013
Federal National Mortgage Association (FNMA)	U.S. Agency Security	\$ 70,903,265
Federal Home Loan Mortgage Corporation (FHLM)	U.S. Agency Security	63,276,642

Issuer	Investment Type	Fair Value 2012
Federal National Mortgage Association (FNMA)	U.S. Agency Security	\$ 62,080,160
Federal Home Loan Mortgage Corporation (FHLM)	U.S. Agency Security	65,464,735

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

The custodial credit risk for *deposit* 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 custodial credit risk for *investment* is the risk that in the event of the failure of the counter party (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 possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the TA's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the TA's name and places the TA ahead of general creditors of the institution.

The TA invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, TA employs the Trust Department of a bank or trustee as the custodian of certain TA managed investments, regardless of their form.

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 the 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 adjustments to "fair value." The TA is required to disclose its methods and assumptions used to estimate the fair value of its holding in the County Pool. The TA relied upon information provided by the County Treasurer in estimating the TA's fair value position of its holding in the County Pool. The TA had a contractual withdrawal value of \$264,604,657 and \$257,113,401, at June 30, 2013 and 2012, respectively, that is recorded at \$263,660,018 and \$258,185,947 on the balance sheet after the adjustment for unrealized gains/losses for fiscal years ending June 30, 2013 and 2012, respectively. The fair value change in these investments for the year just ended is shown as unrealized gain/losses in the income statement via inclusion in the amount of Investment Income.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 auspices of the County Treasurer's office. As of June 30, 2012, the County Pool elected to drop its credit rating by Standard & Pools. The TA is a voluntary participant in the investment pool.

On September 15, 2008, Lehman Brothers Holding filed for Chapter 11 bankruptcy protection. The San Mateo County Portfolio included \$155 million of Lehman Brothers Holding investment at the time, in both commercial paper and floating securities. The County Pool wrote off these investments as of September 30, 2009, 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, 2009, and therefore incurred its percentage share of this loss on October 1, 2009. The loss the TA incurred was approximately \$25.3 million. All funds recovered by the County Pool will be distributed to Pool participants in proportion to their participation in the loss. Lehman exited bankruptcy in March 2012 and began making settlement payments to creditors. In all they made four payments, in April 2012, October 2012, April 2013, and the final payout upon sale of the remaining shares held by the County Pool in August 2013, resulting in the TA receiving a total distribution of \$10,084,307, or just under \$0.40 on the dollar total recovery.

State of California State Treasurer's Local Authority Investment Fund (LAIF): The TA holds an investment in LAIF that is subject to "fair value" adjustments. The TA is required to disclose its methods and assumptions used to estimate the fair value of its holding 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 \$15,568,929 and \$20,509,218 on the balance sheet after the adjustment for unrealized gains/losses for fiscal year 2013 and 2012, respectively.

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 RECEIVABLES

Sales tax receivable consists of sales tax due from the State Board of Equalization of the quarter ended June 30, 2013.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 - INTEREST RECEIVABLE

Interest receivables at June 30 are as follows:

	2013	2012
Interest due from deposits and investments	\$ 763,764	\$ 1,119,885
Total reported on Governmental Funds Statements	763,764	1,119,885
Accrued interest on note receivable	680,261	620,882
Total reported on Government- Wide Statements	\$ 1,444,025	\$ 1,740,767

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 eventually became excess property. The development portion of the property was transferred at no cost; however, the District is obligated to transfer half its interest in the railroad corridor property on the JPB 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 7- Capital Assets*.

NOTE 6 - OTHER RECEIVABLES

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

	2013	2012
Metropolitan Transportation Commission	\$ 804,646	\$ 1,108,119
San Mateo County Transit District	66,389	75,829
Peninsula Corridor Joint Powers Board	-	161,555
Alameda County Transportation Improvement Authority	206,689	153,432
Santa Clara Valley Transportation Authority	40,216	97,255
California State Department of Transportation	3,380,857	1,941,527
Other	127,106	-
Total Other Receivables	\$ 4,625,903	\$ 3,537,717

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2013 are as follow:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets - Land	\$ 13,590,975	\$ -	\$ -	\$ 13,590,975

Land represents the cost of right of way acquisition for future grade separation projects, as well as for corridor preservation purposes. On December 27, 2007, 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.

NOTE 8 – ACCOUNTS PAYABLE

Accounts payable at June 30 are as follows:

	2013	2012
District - Salaries and benefits	\$ 304,217	\$ 424,728
Shuttle program	-	289,201
Paratransit program	657,854	825,555
Caltrain	1,315,708	1,651,104
Capital project	6,048	560,459
Other	58,853	41,021
Total	\$ 2,342,680	\$ 3,792,068

NOTE 9 – ACCRUED LIABILITIES

Accrued liabilities at June 30 are as follows:

	2013	2012
Disbursements to local entities for transportation projects	\$ 3,696,320	\$ 3,716,080
Capital project	12,033,319	2,980,410
Transportation System Management	-	14,872
BART	268,759	265,032
Other	29,455	41,492
Total	\$ 16,027,853	\$ 7,017,886

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 10 – LONG-TERM LIABILITIES

Loan from State

The TA obtained a \$3,450,000 non-interest bearing loan from the State of California in FY 1995 to purchase property from Southern Pacific Transportation Company. The loan agreement required the TA to pay the full amount by December 31, 2009. In an updated agreement, Caltrans granted the TA an extension of time through November 7, 2013 for the TA to repay the loan.

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Loan Payable to the State of California	\$ 3,450,000	\$ -	\$ -	\$ 3,450,000
Total Long-term Liabilities	<u>\$ 3,450,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,450,000</u>

NOTE 11 – NET POSITION/FUND BALANCE

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis.

Net Position

Net Position is the excess of all the TA’s assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted – 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.

Fund Balances

Governmental fund balances represent the net current position of each fund. Net current position generally represents a fund’s cash and receivables, less its liabilities.

The TA’s fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definition*, which requires the TA to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the TA prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 11 – NET POSITION / FUND BALANCE (Continued)

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the TA Board which may be altered only by formal action of the TA Board. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the TA's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the TA Board or its designee and may be changed at the discretion of the TA Board or its designee. This category includes encumbrances; Nonspendables, when it is the TA's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 12 – INVESTMENT INCOME

Investment income activity for the fiscal year ended June 30 is as follows:

	2013	2012
Interest Income	\$ 3,295,496	\$ 4,090,947
Net increase (decrease) in fair value of investments	(2,917,507)	(521,474)
Investment income – Statement of Activities (see below)	377,989	3,569,473
Increase in long-term interest receivable	(59,379)	(66,561)
Investment income – Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 318,610	\$ 3,502,912
Investment Income – Statement of Activities reported below:		
Unrestricted investment earnings	\$ 377,989	\$ 3,569,473
	\$ 377,989	\$ 3,569,473

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 13 – STAFF SUPPORT EXPENDITURES

Staff support expenditures for the year ended June 30 are as follows:

	2013	2012
Salaries and benefits	\$ 379,597	\$ 459,466
Indirect costs	64,030	108,948
Total	\$ 443,627	\$ 568,414

NOTE 14 – CAPITAL OUTLAY

The expenditures on public transportation projects during FY 2013 and 2012 were \$55,045,622 and \$28,295,470, respectively. Total expenditures on such projects from inception through June 30, are as follows:

Capital Projects	2013	2012
Dumbarton Spur	\$ 32,565,221	\$ 31,891,395
Caltrain	178,992,561	174,722,693
Ferry	8,087,122	7,392,821
Local Shuttle	2,269,537	543,174
Railroad Grade Separations	212,142,862	190,721,671
Streets and Highways	245,551,533	223,099,660
Oversight and Bicycle	11,005,521	7,197,320
Total	\$ 690,614,357	\$ 635,568,734

The Dumbarton Spur expenditures of \$32,565,221 were partially financed by a state loan of \$3,450,000. Of the total expenditures of \$690,614,357 for capital outlay, \$21,653,392 was funded by contributions from external entities.

NOTE 15 – CONSTRUCTION COMMITMENTS

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

Capital Projects	2013	2012
Dumbarton Spur	\$ 12,664,156	\$ 13,000,322
Caltrain	31,474,684	29,808,661
Ferry	6,952,877	7,647,178
Local Shuttle	4,713,533	1,661,603
Railroad Grade Separations	78,358,472	101,348,211
Streets and Highways	134,958,918	141,832,850
Oversight and Bicycle	7,261,787	7,862,831
Total	\$ 276,384,427	\$ 303,161,656

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 16 – 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 or resulting from any acts or omissions by such agencies. During the audit period, the TA and its managing entity, the District, has an aggregate insurance coverage of \$100,000,000.

The TA did not have any claim settlements that exceeded the insurance coverage in the last three years.

NOTE 17 – SUBSEQUENT EVENTS

A. Lehman Brothers Holdings Settlement

On August 14, 2013, and pursuant to the recovery payment reported in Note 2, the remaining Lehman Brothers Holdings were sold by the San Mateo County Treasurer, Sandie Arnott, on advice of County council. The sale effectively removed the TA from the bankruptcy liquidation plan, recovered the remaining proceeds immediately foregoing an additional one to two year wait for a final distribution, and increased the amount of the recovery from an anticipated twenty-five or thirty cents on the dollar to just over thirty-nine cents in total. The Treasurer notified the TA on June 26, 2013 of their intention to act provided the sale netted an average recovery of thirty-nine cents or higher. The TA's final payment of \$6,318,005.44 brings the overall loss recovered by the TA to \$10,084,304.07.

B. Loan from State

On November 4, 2013, the TA issued a check to the California Department of Transportation (Caltrans) for the repayment of a non-interest bearing loan used to purchase property from Southern Pacific Transportation Company (See Note 10). The amount of the check was \$3,211,500 which was \$238,500 less than the \$3,450,000 loan amount. Caltrans credited the TA for two condemnation proceedings on the property for which Caltrans was issued payment.

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REQUIRED SUPPLEMENTARY INFORMATION

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive/(Negative)
	Original	Final		
Budgetary Fund Balance, Beginning of Year	\$ 405,211,033	\$ 444,581,025	\$ 444,581,025	\$ -
Resources (inflows)				
Sales Tax	65,000,000	68,000,000	73,857,787	5,857,787
Investment Income	4,022,150	4,022,150	3,209,224	(812,926)
Rental Income	1,116,180	1,116,180	1,141,776	25,596
Grant proceeds	-	308,000	2,796,140	2,488,140
Other Income	-	-	2,241,868	2,241,868
Amounts Available for Appropriation	<u>70,138,330</u>	<u>73,446,330</u>	<u>83,246,795</u>	<u>9,800,465</u>
Charges to appropriation (outflows)				
Program Administration				
Staff support	634,125	634,125	443,626	190,499
Board compensation	8,400	8,400	6,661	1,739
Professional and legal fees	221,489	221,489	165,713	55,776
Other services and supplies	98,570	98,570	47,587	50,983
Travel and meeting	5,500	5,500	2,103	3,397
	<u>968,084</u>	<u>968,084</u>	<u>665,690</u>	<u>302,394</u>
Distribution to local entities	17,635,000	18,430,000	19,572,312	(1,142,312)
BART	1,300,000	1,360,000	1,477,156	(117,156)
Caltrain	5,200,000	5,440,000	5,908,623	(468,623)
Caltrain shuttle program	-	-	-	-
Measure A information	16,500	16,500	406	16,094
Capital outlays	<u>73,250,646</u>	<u>76,859,646</u>	<u>55,432,107</u>	<u>21,427,539</u>
Total Charges to Appropriations	98,370,230	103,074,230	83,056,294	20,017,936
Budgetary Fund Balance, End of Year	<u>\$ 376,979,133</u>	<u>\$ 414,953,125</u>	<u>\$ 444,771,526</u>	<u>\$ 29,818,401</u>
Explanation of Difference Between Budgetary Inflows and GAAP Revenues				
Actual amounts available for appropriation - budgetary basis from above				\$ 83,246,795
Unrealized gains under GASB 31				<u>(2,890,615)</u>
Total revenues in the Statement of Revenues, Expenses and Changes in Fund Balances - GAAP basis				<u>\$ 80,356,180</u>

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2013**

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 expenditure, except that proceeds from sale of capital assets and unrealized gains and losses under GASB Statement No. 31 are not included in the budget for the major Special Revenue Fund.

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

Section III

STATISTICAL

Financial Trends

- **Net Position and Change in Net Position (For fiscal years 2004-2013)**
- **Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance (For fiscal years 2004-2013)**

Revenue Capacity

- **Revenue Base and Revenue Rate (For fiscal years 2004-2013)**
- **Principal Revenue Payers (For fiscal years 2004 and 2012)**

Debt Capacity

- **Ratio of Outstanding Debt (For fiscal years 2004-2013)**
- **Bonded Debt (For fiscal years 2004-2013)**
- **Direct and Overlapping Debt and Debt Limitation (For fiscal year 2013)**
- **Pledged Revenue Coverage (For fiscal years 2004-2013)**

Demographics and Economic Information

- **Population, Income and Unemployment Rates (For fiscal years 2004-2013)**
- **Principal Employers (For fiscal years 2011 and 2005)**

Operating Information

- **Capital Outlay (For fiscal years 2004-2013)**
- **Employees (For fiscal years 2004-2013)**
- **Capital Assets (For fiscal years 2004-2013)**

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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 POSITION AND CHANGE IN NET POSITION
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

Fiscal year	2013	2012	2011	2010	2009
GOVERNMENTAL ACTIVITIES:					
PROGRAM REVENUES					
Grade Separations	\$ 839	\$ 819	\$ 786	\$ 1,103	\$ 3,209
Paratransit		-	-	-	-
Dumbarton Spur	694	1,916	994	1,930	5,287
Caltrain Shuttle Program		-	-	-	-
Projects Funding	2,408	1,979	9	-	-
Total Program Revenues	3,941	4,714	1,789	3,033	8,496
PROGRAM EXPENDITURES					
Upgrades and Extension	4,270	3,574	16,285	19,709	9,612
Grade Separations	21,421	9,157	9,607	14,445	9,118
Paratransit		-	-	2,339	26,071
Dumbarton Spur	674	2,044	1,017	2,146	6,045
BART	1,477	1,390	1,270	1,170	535
Caltrain	5,909	5,558	5,081	4,679	2,142
Distribution to local entities	19,982	18,809	17,289	13,159	12,674
Projects funding	28,681	13,521	8,948	16,779	24,577
Caltrain Shuttle Program	-	1,448	1,377	1,322	1,339
Transportation Systems Management	-	-	-	473	462
Program Administration	666	825	833	719	746
Interest on debt		-	-	-	-
Total Program Expenditures	83,080	56,325	61,707	76,940	93,321
NET REVENUES (EXPENDITURES)	(79,139)	(51,611)	(59,918)	(73,907)	(84,825)
General revenues					
Sales tax	73,858	69,476	63,516	58,485	60,022
Unrestricted investment earnings	378	3,569	5,201	7,866	(12,249)
Other income	2,239	1,528	-	-	-
CHANGE IN NET ASSETS	(2,664)	22,962	8,799	(7,556)	(37,051)
Net Asset Components					
Invested in capital assets, net of related debt	13,591	13,591	13,591	13,591	13,591
Restricted	440,549	443,213	420,251	-	-
Unrestricted		-	-	411,452	419,008
NET ASSETS	\$ 454,140	\$ 456,804	\$ 433,842	\$ 425,043	\$ 432,599

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 – NET POSITION AND CHANGE IN NET POSITION
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

2008	2007	2006	2005	2004
\$ 876	\$ 731	\$ 731	\$ 878	\$ 713
1,149	1,411	636	692	51
1,942	620	1,310	507	158
-	-	-	86	-
-	-	-	-	-
<u>3,967</u>	<u>2,762</u>	<u>2,677</u>	<u>2,163</u>	<u>922</u>
12,481	8,136	9,275	14,436	3,624
4,525	1,867	5,016	4,698	1,398
2,780	2,542	2,358	880	2,836
2,286	852	1,595	649	1,314
-	-	-	-	-
-	-	-	-	-
13,734	13,240	12,762	11,991	11,079
31,634	19,928	6,690	10,427	18,559
1,075	1,064	1,010	712	835
483	476	408	400	392
803	670	1,133	551	509
379	764	1,121	1,458	1,917
<u>70,180</u>	<u>49,539</u>	<u>41,370</u>	<u>46,201</u>	<u>42,464</u>
(66,213)	(46,777)	(38,692)	(44,037)	(41,542)
68,670	66,202	63,811	59,953	55,394
18,313	20,564	9,549	9,591	1,089
(227)	-	161	1	1,054
<u>20,543</u>	<u>39,989</u>	<u>34,829</u>	<u>25,509</u>	<u>15,995</u>
13,591	18,161	18,161	18,161	11,505
25,000	35,413	35,403	35,395	35,395
431,060	395,533	355,553	320,732	295,224
<u>\$ 469,651</u>	<u>\$ 449,107</u>	<u>\$ 409,117</u>	<u>\$ 374,289</u>	<u>\$ 342,124</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
FINANCIAL TRENDS – GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

Fiscal year	2013	2012	2011	2010	2009
REVENUES					
Sales tax	\$ 73,858	\$ 69,476	\$ 63,516	\$ 58,485	\$ 60,022
Investment income	319	3,503	5,120	7,723	(12,630)
Rental income	1,142	1,108	1,064	1,072	1,076
Grant proceeds	2,796	3,607	725	1,961	7,420
Proceeds from sale of properties	-	-	-	-	-
Non-operating reimbursements	-	-	-	-	-
Other income	2,241	1,527	-	-	-
Total Revenue	80,356	79,220	70,425	69,241	55,888
EXPENDITURES					
Administrative:					
Staff support	444	568	570	489	487
Board compensation	6	7	6	7	7
Professional and legal fees	183	190	206	181	170
Other services and supplies	29	52	43	34	59
Travel and meeting	2	2	3	3	10
Leases and rental	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Subtotal	664	820	828	714	733
Distributions to local entities	19,982	18,809	17,289	15,971	14,207
BART	1,477	1,390	1,270	1,170	536
Caltrain	5,909	5,558	5,081	4,679	2,143
Special allocation to Samtrans	-	-	-	-	25,000
Caltrain shuttles program	-	1,448	1,377	1,322	1,339
Dumbarton corridor maintenance	2	5	5	5	242
Measure A information	-	-	-	-	13
2004 Election	-	-	-	-	-
Capital outlay	55,045	28,295	35,857	53,079	49,110
Total Expenditures	83,079	56,325	61,707	76,940	93,323
Excess Revenues Over Expenditures	(2,723)	22,895	8,718	(7,699)	(37,434)
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	-	-	2,902
Transfer out	-	-	-	-	(2,902)
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change In Fund Balance	(2,723)	22,895	8,718	(7,699)	(37,434)
Fund Balance					
Reserved	-	-	-	-	-
Unreserved	438,976	441,699	418,804	410,085	417,784
Total Ending Fund Balance	\$ 438,976	\$ 441,699	\$ 418,804	\$ 410,085	\$ 417,784
Total Debt Service expenditures as a %					
Total Noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFRs.

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
FINANCIAL TRENDS – GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

2008	2007	2006	2005	2004
\$ 68,670	\$ 66,202	\$ 63,811	\$ 59,953	\$ 55,394
18,995	21,985	10,306	10,400	1,251
997	902	892	994	870
1,821	449	1,149	479	1,060
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>90,483</u>	<u>89,538</u>	<u>76,159</u>	<u>71,825</u>	<u>58,575</u>
593	500	418	350	359
7	6	6	7	6
148	112	115	122	89
37	51	63	39	53
9	5	4	6	7
-	-	-	-	-
8,855	8,475	8,115	7,780	7,465
407	789	1,146	1,480	1,794
<u>10,056</u>	<u>9,938</u>	<u>9,867</u>	<u>9,784</u>	<u>9,773</u>
16,997	16,257	15,529	13,271	14,307
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,074	1,064	1,010	712	835
182	265	246	231	287
14	3	11	32	-
-	-	521	-	-
<u>50,745</u>	<u>30,518</u>	<u>22,330</u>	<u>29,979</u>	<u>24,608</u>
<u>79,068</u>	<u>58,045</u>	<u>49,514</u>	<u>54,008</u>	<u>49,811</u>
<u>11,415</u>	<u>31,493</u>	<u>26,644</u>	<u>17,817</u>	<u>8,765</u>
-	-	-	-	1,795
-	-	-	-	(1,795)
-	-	-	-	-
<u>11,415</u>	<u>31,493</u>	<u>26,644</u>	<u>17,817</u>	<u>8,765</u>
25,000	35,414	35,403	35,395	35,395
430,217	408,389	376,907	350,270	332,454
<u>\$ 455,217</u>	<u>\$ 443,803</u>	<u>\$ 412,310</u>	<u>\$ 385,665</u>	<u>\$ 367,849</u>
32.7%	33.7%	34.1%	38.5%	36.7%

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

Fiscal year ended	Special Revenue Fund		
	Reserved	Designated	Total
2013	\$ -	\$ 438,976	\$ 438,976
2012	-	441,699	441,699
2011	-	418,804	418,804
2010	-	410,085	410,085
2009	-	417,189	417,189
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

Fiscal year ended	All Other Governmental Funds		
	Reserved	Designated	Total
2013	\$ -	\$ -	\$ -
2012	-	-	-
2011	-	-	-
2010	-	-	-
2009	-	594	594
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

Source: CAFRs.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE (CONTINUED)
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

Fiscal year	2013	2012	2011
The TA's Sales Tax Rate	0.5%	0.5%	0.5%
Total Sales Tax Revenue	\$ 73,858	\$ 69,476	\$ 63,516
Total Taxable Sales in San Mateo County	\$ 14,771,600 ^[1]	\$ 13,895,200 ^[1]	\$ 13,020,643

[1] 2012 and 2013 taxable sales are estimates based on sales tax revenues received; 2011 taxable sales amount is the most current information available.

Source: California State Board of Equalization

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE (CONTINUED)
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
\$ 58,485	\$ 60,022	\$ 68,670	\$ 66,202	\$ 63,811	\$ 59,953	\$ 55,394
\$ 11,966,338	\$ 11,327,022	\$ 13,137,913	\$ 13,326,306	\$ 12,900,391	\$ 12,451,350	\$ 11,808,074

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS
FISCAL YEARS 2004 AND 2012 (in thousands)**

Principal Revenue Payers	FY2012*			FY2004		
	Rank	Percent of Taxable Sales	Amount	Rank	Percent of Taxable Sales	Amount
All other outlets	1	33.4%	\$1,046,755	1	27.4%	\$3,238,288
Food Services/drinking places	2	11.2%	352,727	10	3.4%	\$401,438
Automotive group	3	10.6%	333,699	2	14.1%	1,667,627
Gasoline (Service) stations	4	9.6%	301,231	7	6.1%	714,645
General merchandise stores	5	7.7%	242,536	3	10.4%	1,226,528
Building materials group	6	5.3%	165,620	6	7.8%	915,860
Apparel stores	7	4.5%	140,853	11	2.9%	337,738
Food/Beverage stores	8	4.1%	127,581	5	8.6%	1,019,966
Miscellaneous Store Retailers	9	3.6%	112,981	9	4.1%	480,851
Electronics & Appliance stores	10	2.9%	89,558			
Furniture/Home furnishings	11	2.7%	83,841	8	4.3%	510,736
Sporting Goods, Hobby, Book & Music Stores (Specialty stores)	12	2.1%	64,604	4	9.6%	1,129,654
Health and personal services	13	2.0%	62,423			
Nonstore Retailers	14	0.4%	12,820	12	1.4%	164,743
Total		100.0%	\$3,137,230		100.0%	\$11,808,074

* Principal tax payers information for 1st Quarter, 2012 is the most current information available.

This table ranks the top 14 principal tax payers by industry.

Source: California State Board of Equalization

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
DEBT CAPACITY – RATIO OF OUTSTANDING DEBT
FISCAL YEARS 2004 THROUGH 2013**

Fiscal Year	Limited Tax Revenue Bonds for SMCTA^[1]	Personal Income for San Mateo County^[3]	As a Percent of Personal Income
2013	\$ -	\$ 53,678,186 ^[2]	0.00%
2012	-	52,114,744 ^[2]	0.00%
2011	-	50,596,839	0.00%
2010	-	48,907,268	0.00%
2009	-	47,279,930	0.00%
2008	-	49,416,583	0.00%
2007	8,855	50,610,056	0.02%
2006	17,330	47,695,895	0.04%
2005	25,445	43,554,177	0.06%
2004	33,225	40,272,935	0.08%

[1] CAFRs

[2] U.S. Department of Commerce, Bureau of Economic Analysis, calendar year figures. Data for 2012 and 2013 is based on an estimated three percent annual increase over 2011.

[3] Updated Total Personal Income (TPI) for Fiscal Year 2004 through FY 2011 based on the published Bureau of Economic Analysis (BEA -

BEARFACTS) San Mateo, California report

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
DEBT CAPACITY – BONDED DEBT
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

Fiscal Year	Limited Tax Revenue Bonds for SMCTA	Total Taxable Sales in San Mateo County	As a Percent of Total Taxable Sales in San Mateo County
2013	\$ -	\$ 14,771,600 ^[1]	0.00%
2012	-	13,895,200 ^[1]	0.00%
2011	-	13,020,643	0.00%
2010	-	11,966,338	0.00%
2009	-	11,327,022	0.00%
2008	-	13,137,913	0.00%
2007	8,855	13,326,306	0.07%
2006	17,330	12,900,391	0.13%
2005	25,445	12,451,350	0.20%
2004	33,225	11,808,074	0.28%

[1] 2012 and 2013 taxable sales are estimates based on sales tax revenues received; 2011 taxable sales amount is the most current information available

Source: CAFRs & California State Board of Equalization

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
DEBT CAPACITY – DIRECT AND OVERLAPPING DEBT AND DEBT LIMITATION
JUNE 30, 2013**

Overlapping Debt

The Transportation Authority does not have overlapping debt with other governmental agencies.

Debt Limitation

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 2004 THROUGH 2013 (in thousands)

Fiscal Year	Pledged Sales Tax Revenue *	Debt Service			Coverage
		Principal	Interest	Total	
2013	\$ 59,086	\$ -	\$ -	\$ -	-
2012	55,581	-	-	-	-
2011	50,813	-	-	-	-
2010	46,788	-	-	-	-
2009	48,018	-	-	-	-
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

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

Source: CAFRs.

This table presents the relationship between total sales tax revenue, debt service payments and the TA's ability to meet its debt obligations. The bonds were fully paid in 2009 and accordingly, no revenues were pledged.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
 DEMOGRAPHIC AND ECONOMIC INFORMATION – POPULATION, INCOME AND
 UNEMPLOYMENT RATES
 FISCAL YEARS 2004 THROUGH 2013**

Year	Population ^[1]	Total Personal Income (in millions) ^[2]	Per Capita Personal Income ^[2]	Average Unemployment Rates ^[3]
2013	735,678	\$ 53,678 *	\$ 73,814 *	5.5%
2012	736,362	52,115 *	71,664 *	6.7%
2011	727,980	50,597	69,577	7.9%
2010	719,729	48,907	67,964	8.8%
2009	716,264	47,280	66,254	8.4%
2008	711,374	49,417	70,211	4.8%
2007	704,272	50,610	72,941	3.8%
2006	699,398	47,696	69,107	3.7%
2005	699,277	43,554	63,115	4.3%
2004	701,401	40,273	58,353	4.9%

[1] California Department of Finance, Demographic Research Unit (2013 data as of Jan 1, 2013-Report E-1; 2004-2012 data as of July 1-Report E-6)

[2] U.S. Department of Commerce, Bureau of Economic Analysis, BEARFACTS 2004-2011, San Mateo, California [06081], most current information available.

[3] California Economic Development Department, Labor Force/Unemployment Data (2013 data average Jan-Aug, 2004-2012 data average for calendar year)

*Personal Income & Per Capita Personal Income data for 2012 and 2013 is based on an estimated three percent annual increase over 2011.

This table highlights San Mateo County's total population, total personal income, per capita income, and unemployment rates for the past ten years.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
 DEMOGRAPHIC AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS
 FISCAL YEARS 2011 AND 2004**

Employers in San Mateo County	2011*			2004		
	Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
Genentech Inc.	8,600	1	2.43%	5,120	4	1.48%
Oracle Corporation	7,000	2	1.98%	7,000	2	2.02%
County of San Mateo	5,979	3	1.69%	5,663	3	1.63%
Kaiser Permanente	3,855	4	1.09%	3,494	5	1.01%
Visa USA/Visa International	3,100	5	0.88%	0		0.00%
Mills-Peninsula Health Services	2,500	6	0.71%	2,470	7	0.71%
San Mateo County Community College District	2,115	7	0.60%	0		0.00%
Safeway Inc.	2,075	8	0.59%	2,145	8	0.62%
Electronic Arts Inc.	2,000	9	0.57%	1,750	10	0.50%
Facebook Inc.	2,000	10	0.57%	0		0.00%
SLAC National Accelerator Laboratory				0		0.00%
Seton Medical Center				0		0.00%
United Airlines				10,933	1	3.15%
Applied Biosystems				2,640	6	0.76%
United States Postal Service				1,853	9	0.53%
Total	39,224		11.11%	43,068		12.41%

* Principal employer information for years 2013 and 2012 are not available.

This table presents the top 10 principal employers in San Mateo County for 2011 and 2004.

Source: San Francisco Business Times - Book of Lists; California Employment Development Department

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
 OPERATING INFORMATION – CAPITAL OUTLAY
 FISCAL YEARS 2004 THROUGH 2013 (in thousands)**

Cumulative Capital Outlay	2013	2012	2011	2010
Dumbarton Spur	\$ 32,565	\$ 31,891	\$ 29,847	\$ 28,830
Caltrain-Downtown Extension	178,993	174,723	171,149	154,880
Ferry	8,087	7,393	2,044	377
Local Shuttle	2,269	543	228	135
Railroad Grade Separations	212,143	190,722	181,565	171,958
Streets and Highways	245,552	223,100	216,936	210,320
Oversight and Bicycle	11,005	7,197	5,505	4,933
Total	\$ 690,614	\$ 635,569	\$ 607,274	\$ 571,433

Source: CAFRs

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – CAPITAL OUTLAY
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

2009	2008	2007	2006	2005	2004
\$ 26,684	\$ 20,881	\$ 18,777	\$ 18,190	\$ 16,841	\$ 16,377
135,170	125,558	113,077	104,941	95,666	81,322
-	-	-	-	-	-
-	-	-	-	-	-
157,514	148,396	143,871	142,003	136,987	125,647
194,663	171,478	140,360	120,900	114,399	102,752
4,324	2,931	2,415	1,947	1,758	962
<u>\$ 518,354</u>	<u>\$ 469,244</u>	<u>\$ 418,500</u>	<u>\$ 387,981</u>	<u>\$ 365,651</u>	<u>\$ 327,060</u>

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – EMPLOYEES
FISCAL YEARS 2004 THROUGH 2013**

DIVISION	FULL-TIME EQUIVALENTS			
	2013	2012	2011	2010
CALTRAIN MODERNIZATION PROGRAM	0.02	-	-	-
CUSTOMER SERVICE AND MARKETING	0.13	0.14	0.20	0.35
EXECUTIVE	0.55	0.57	0.55	0.65
FINANCE AND ADMINISTRATION	3.76	4.39	4.00	3.75
OPERATIONS, ENGINEERING AND CONSTRUCTION	4.43	4.47	3.66	1.10
PLANNING AND DEVELOPMENT	2.63	1.97	2.75	6.80
PUBLIC AFFAIRS	1.40	1.10	1.00	0.95
TOTAL EMPLOYEES	12.92	12.64	12.16	13.60

Note: The organization went through a reorganization in FY2010; Caltrain Modernization Program division was added in FY2013 as a replacement for the Peninsula Rail department.

DIVISION	FULL-TIME EQUIVALENTS					
	2009	2008	2007	2006	2005	2004
EXECUTIVE	0.80	0.60	0.60	-	-	-
ADMINISTRATION	0.80	0.15	0.10	0.19	0.19	0.12
COMMUNICATIONS	0.75	0.90	1.00	1.95	3.27	1.69
DEVELOPMENT	11.14	8.00	8.83	6.12	4.99	5.66
FINANCE	0.90	0.80	1.05	1.03	3.07	3.25
OPERATIONS	0.25	0.15	0.20	0.21	0.19	0.59
TOTAL EMPLOYEES	14.64	10.60	11.78	9.50	11.71	11.31

Source: TA's annual operating and capital budgets.

This table presents total full-time equivalents by division.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – CAPITAL ASSETS
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital Assets:					
Land	\$ 13,591	\$ 13,591	\$ 13,591	\$ 13,591	\$ 13,591
Furniture and equipment		-	-	-	-
Total	<u>\$ 13,591</u>				

Source: CAFRs.

This table presents capital assets for the past 10 years.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – CAPITAL ASSETS
FISCAL YEARS 2004 THROUGH 2013 (in thousands)

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 13,591	\$ 18,161	\$ 18,161	\$ 18,161	\$ 11,505
-	-	-	-	-
<u>\$ 13,591</u>	<u>\$ 18,161</u>	<u>\$ 18,161</u>	<u>\$ 18,161</u>	<u>\$ 11,505</u>

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