

# San Mateo County Transportation Authority San Carlos, California



## Comprehensive Annual Financial Report

*Fiscal Year Ended June 30, 2012*

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

***San Carlos, California***

**Comprehensive Annual Financial Report**

***Fiscal Year Ended June 30, 2012***

**Prepared by the Finance Division**

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# *Section I*

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## **INTRODUCTORY**

Letter of Transmittal

GFOA Certificate of Achievement

Board of Directors

Executive Management

Organization Chart

Map

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**November 30, 2012**

**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, 2012**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo County Transportation Authority (TA) for fiscal year July 1, 2011 through June 30, 2012. 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 just more than 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](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 and grant administration, 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 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 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***

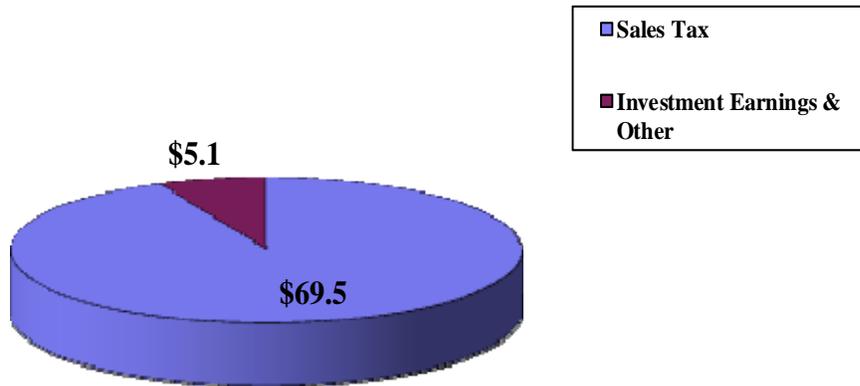
State law requires the TA to adopt an annual budget by resolution of the Board of Directors. In the spring preceding the start of each fiscal year, staff presents to the Board of Directors an annual budget for the Special Revenue governmental fund based on established agency goals, objectives and performance 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.

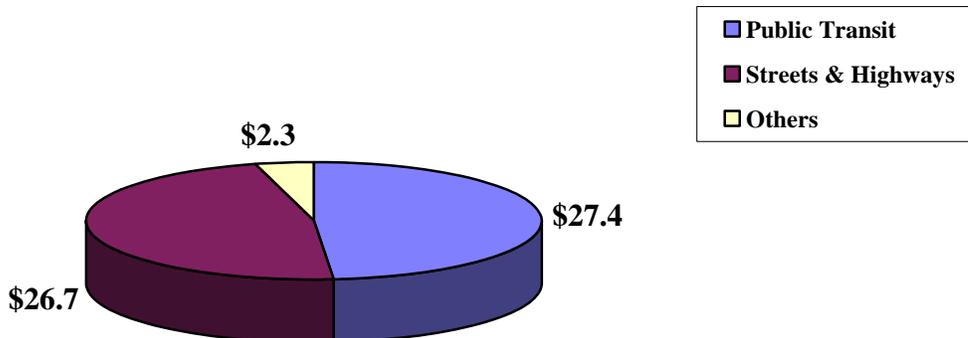
The TA employs the same basis of controls and accounting principles for both budgeted and actual revenues and expenditures, except that actual proceeds from the sale of capital assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget. The pie charts below show actual results for the major revenue and expense categories of fiscal year 2012. 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 2012 was \$523.8 million and the limit for fiscal year 2013 is \$548.9 million.

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**San Mateo County Transportation Authority  
Year Ended June 30, 2012  
REVENUES  
(\$millions)**



**San Mateo County Transportation Authority  
Year Ended June 30, 2012  
EXPENSES  
(\$millions)**



## **ECONOMIC CONDITION**

### ***Local Economy***

Unemployment in San Mateo County was 7.4 percent in June 2012 down from 8.7 percent in June 2011 and 9.2 percent in June 2010. This compares to 10.7 percent in June 2012 in the state of California and 12.0 and 12.2 percent in June 2011 and 2010, respectively. The TA's sales tax receipts increased 9.4 percent in fiscal year 2012 from fiscal year 2011 levels which were up by 8.6 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***

Long-term financial planning goes hand in hand with the strategic planning process targeting the goals of the TA which are to administer the proceeds from Measure A to fund a broad spectrum of projects and programs addressed in the strategic plan, as approved by the voters in the Transportation Expenditure Plans, in the most efficient way possible. The Transportation Expenditure Plans set policies and guidelines for administering Measure A funds. As of June 30, 2012, the TA had spent 74 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.

Significant strides have been made with the original Measure A program. Most notably, Measure A revenues contributed to the Caltrain right of way purchase in 1991 and towards the purchase of the Dumbarton rail corridor. This proved to be one of the most forward thinking long-term strategies for preserving transportation infrastructure, as today, right of way purchases are extremely difficult and expensive to secure. Measure A also provided funding for Caltrain operational improvements such as the construction of passing tracks and new signal and control systems to improve service reliability, as well as station and parking improvements in various cities within San Mateo County. To improve safety and reduce local traffic congestion, Measure A funds were allocated for the construction of nine grade separation projects of which five have been completed. 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 route planning.

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](http://www.smcta.com). The new Strategic Plan was brought before the Board of Directors and adopted December 4, 2008. The Strategic Plan is intended to establish a framework of policies to guide the decision-making process of prioritizing transportation projects and programs consistent with the goals and objectives of the Countywide Transportation Plan and the 2004

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Transportation Expenditure Plan. The Strategic Plan is anchored to the 2004 Transportation Expenditure Plan which was developed with public input. Building on the outreach involved with the conception of the Measure A Program and generation of the 2004 Transportation Expenditure Plan, the development of the Strategic Plan included direction from policy-makers and input from technical experts, community leaders and the public-at-large. 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.

### ***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 2012 include:

- Preliminary engineering and right of way acquisition for the San Francisco Downtown extension
- Design and construction of the San Mateo County Local Safety and Access Improvements Program
- Construction of South San Francisco station parking improvements
- Construction of San Bruno Grade Separation Project
- Construction of San Mateo Bridges Retrofit Project
- Environmental studies for the Dumbarton Rail Corridor Project
- Provision of local match requirements for federally funded capital construction grants

Other notable public transit projects during fiscal year 2012 include:

- Construction of South San Francisco ferry terminal
- Contributions to SamTrans for paratransit and other accessible services
- Contributions to BART for the SFO Extension

#### **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 2012 include:

- Construction of auxiliary lanes on Highway 101 from Marsh Road to University Ave and then to Embarcadero Road.
- Preliminary Engineering/Environmental studies for Dumbarton Rail Smart Corridor project.
- Construction of auxiliary lanes from Third Avenue in San Mateo to Millbrae Avenue in Millbrae.
- 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.

### **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 thirteen 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.

### **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 fiscal year 2012, local agencies received \$15.6 million from the new Measure A, bringing the total local aid since the inception of the new Measure A to \$49.1 million. The recipients of these funds principally use them for street and road projects.

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**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 2011 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 2012 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

**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, 2011

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



*Linda C. Danson*

President

*Jeffrey R. Emer*

Executive Director

**BOARD OF DIRECTORS**

**CAROLE GROOM, CHAIR**

**KARYL MATSUMOTO, VICE CHAIR**

**ROSANNE FOUST**

**DON HORSLEY**

**TERRY NAGEL**

**NAOMI PATRIDGE**

**SEPI RICHARDSON**

**CAROLE GROOM** was appointed to the TA in 2009 representing the Board of Supervisors and is currently serving as the chair. 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** 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.

**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. 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.

**SEPI RICHARDSON** was elected to the TA in 2012 representing North County. Director Richardson is a councilmember for the city of Brisbane and serves several organizations including the Chamber of Commerce Business Relations as liaison, and the City/County Association of Governments as alternate.

## **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

Marian Lee – Executive Officer, Caltrain Modernization Program

Martha Martinez – Authority Secretary

Mark Simon – Executive Officer, Public Affairs

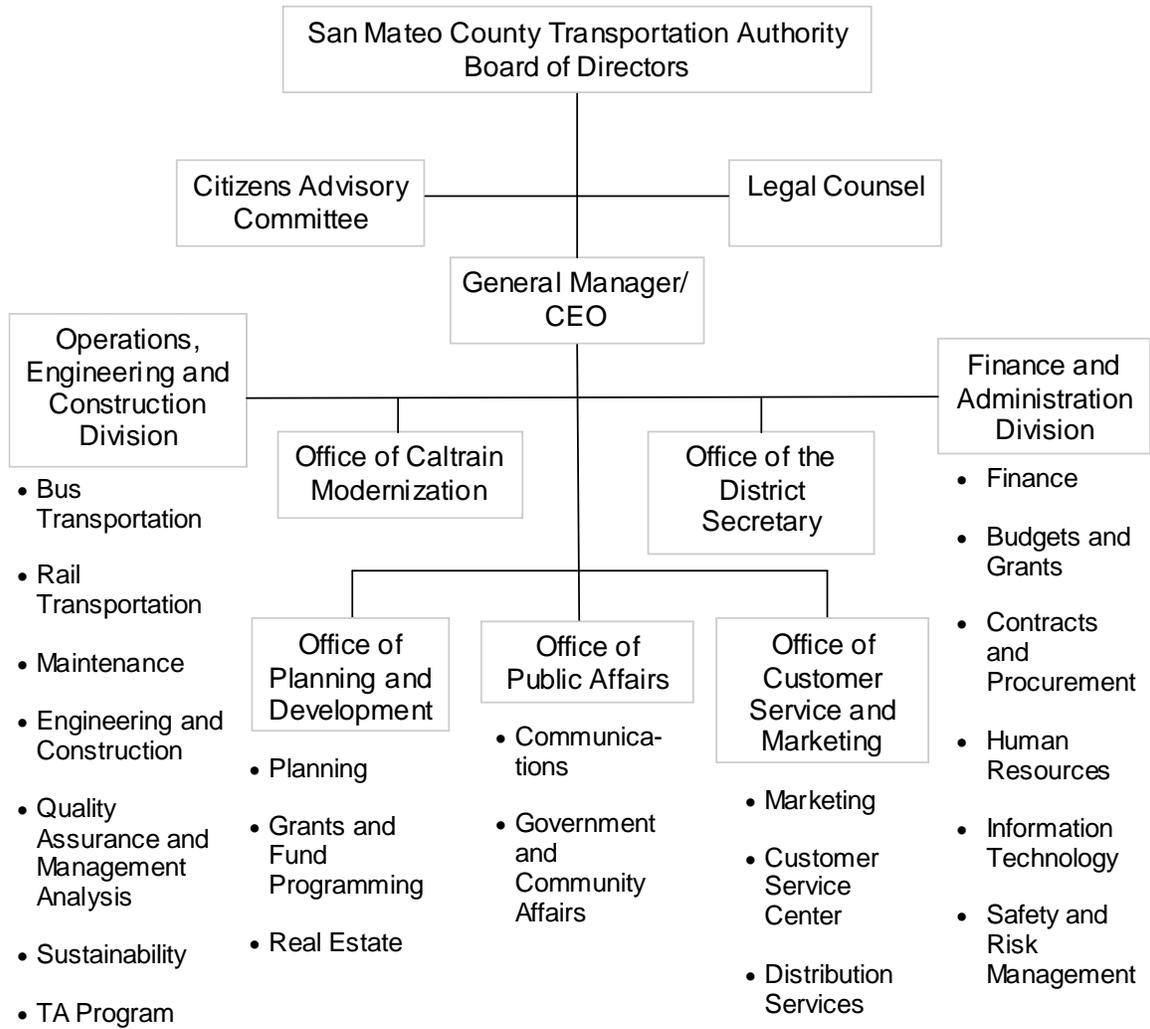
### **GENERAL COUNSEL**

Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP:

David J. Miller, Esq.

Joan Cassman, Esq.

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**TABLE OF CREDITS**

The following individuals contributed to the production of the Fiscal Year 2012 CAFR:

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

# *Section II*

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## **FINANCIAL**

*Independent Auditor's Report*

**Management's Discussion and Analysis**

**Basic Financial Statements:**

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

**Required Supplementary Information**

**Other Supplemental Information**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Mateo County Transportation Authority (TA), as of and for the year ended June 30, 2012, which collectively comprise the TA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the TA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the TA's 2011 financial statements, and in our report dated October 19, 2011, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund information of the TA as of June 30, 2012, and the respective changes in the financial position, and the respective budgetary comparisons included as part of the basic financial statements, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012 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.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the San Mateo County Transportation Authority's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

September 28, 2012

## **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, 2012 with comparisons to the fiscal year ended June 30, 2011. 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 \$24.6 million or 5.5 percent to \$471.1 million at June 30, 2012 compared to June 30, 2011. Cash and investments comprised \$434.6 million or 92.3 percent of the total 2012 year-end amount.
- Sales tax revenue for all funds was \$69.5 million during 2012, an increase of \$6.0 million or 9.4 percent from 2011.
- The TA expended \$28.3 million in capital outlay during 2012, a decrease of \$7.6 million or 21.1 percent over 2011. 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 \$1.6 million or 12.6 percent to \$14.3 million at June 30, 2012 compared to June 30, 2011.
- Total net assets increased by \$23.0 million or 5.3 percent to \$456.8 million at June 30, 2012 compared to June 30, 2011. These increases are due primarily to total revenues exceeding total expenditures in 2012.

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

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

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

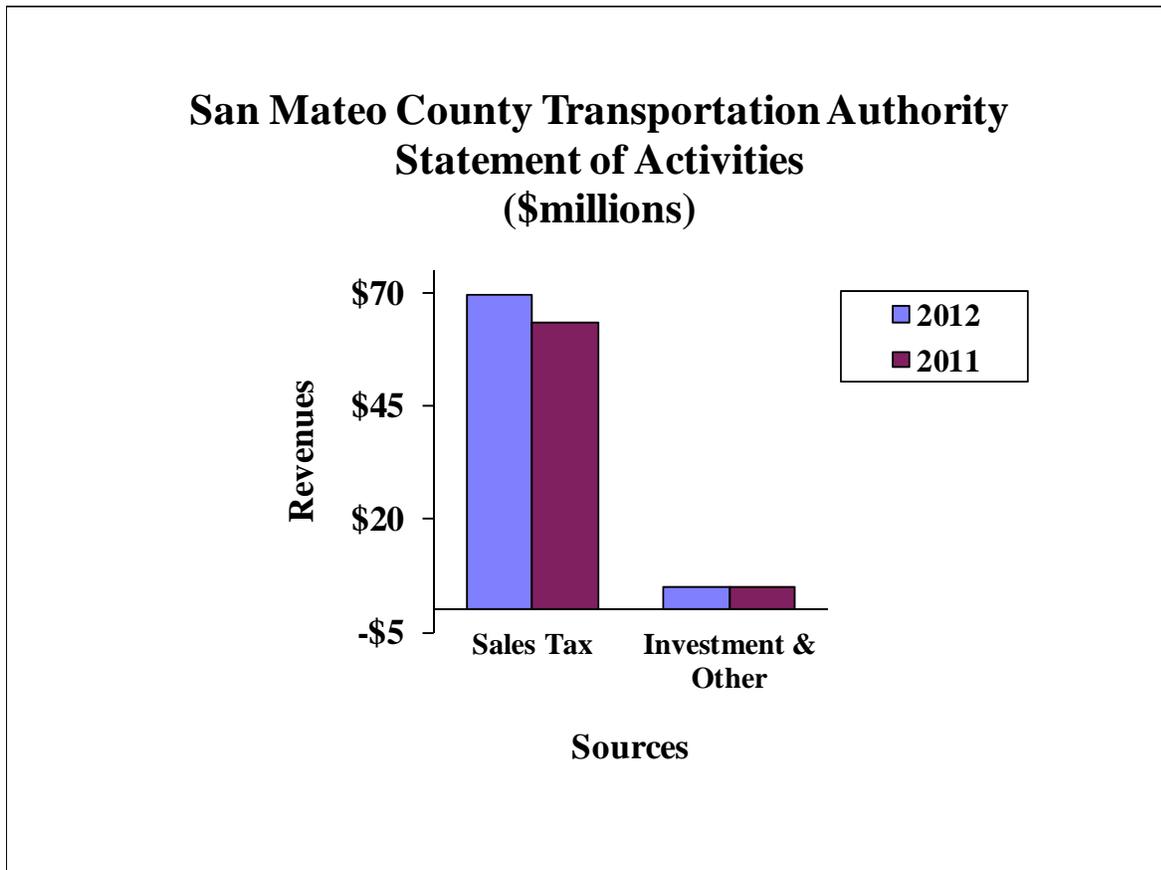
The *Statement of Net Assets* presents total assets and total liabilities with the difference between the two reported as net assets. Changes in net assets over time provide an indicator of whether the financial position of the government is improving or deteriorating.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2012**

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The *Statement of Activities* reports on the change in net assets during the year. It includes a comparison between direct expenses and related revenues for each program or function. Direct expenses are those specifically associated with and clearly identifiable with a particular program or function. The *Statement of Activities* matches revenues from charges to customers for goods and services to the program and functional expenses with which the revenues are directly related. Revenues not classified as program or functional, such as sales tax, are presented separately as general revenues. The TA reports all changes in net assets as soon as underlying events occur, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in the *Statement of Activities* result in cash flows in a future period.



### **Fund Financial Statements**

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

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2012**

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

The TA reports the *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 27 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, 2012, total assets were \$471.1 million, an increase of \$24.6 million or 5.5 percent from June 30, 2011. Cash and investments comprise \$434.6 million of this amount. With only \$14.3 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 2012, existing encumbrances and expected future costs combined for current construction projects are estimated to total \$301.5 million.

Capital assets were \$13.6 million in 2012. There were no changes compared to 2011.

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 38 of this report.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**JUNE 30, 2012**

	Governmental Activities	
	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 457,519,475	\$ 432,952,667
Capital assets	13,590,975	13,590,975
Total assets	<u>\$ 471,110,450</u>	<u>\$ 446,543,642</u>
Long-term liabilities outstanding	\$ 3,450,000	\$ 3,450,000
Other liabilities	10,856,006	9,251,245
Total liabilities	<u>\$ 14,306,006</u>	<u>\$ 12,701,245</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 13,590,975	\$ 13,590,975
Restricted	443,213,470	420,251,422
Total net assets	<u>\$ 456,804,445</u>	<u>\$ 433,842,397</u>

Total liabilities increased by \$1.6 million or 12.6 percent to \$14.3 million at June 30, 2012 compared to \$12.7 million at June 30, 2011. The increase was due to additional accruals for capital projects and disbursements to local entities for transportation projects.

Net assets increased by \$23.0 million or 5.3 percent to \$456.8 million at June 30, 2012, the result of revenues exceeding expenses in 2012.

	Governmental Activities	
	<b>2012</b>	<b>2011</b>
Revenues:		
Program revenues		
Charges for services	\$ 1,107,863	\$ 1,063,951
Operating grants/contributions	3,606,251	725,398
General revenues		
Sales tax	69,475,756	63,515,997
Investment earnings and others	5,097,144	5,201,398
Total revenues	<u>79,287,014</u>	<u>70,506,744</u>
Expenses:		
Public transit	27,387,123	35,019,597
Streets and highways	26,665,098	24,477,023
Others	2,272,745	2,210,345
Total expenses	<u>56,324,966</u>	<u>61,706,965</u>
Change in net assets	22,962,048	8,799,779
Net assets - July 1	433,842,397	425,042,618
Net assets - July 30	<u>\$ 456,804,445</u>	<u>\$ 433,842,397</u>

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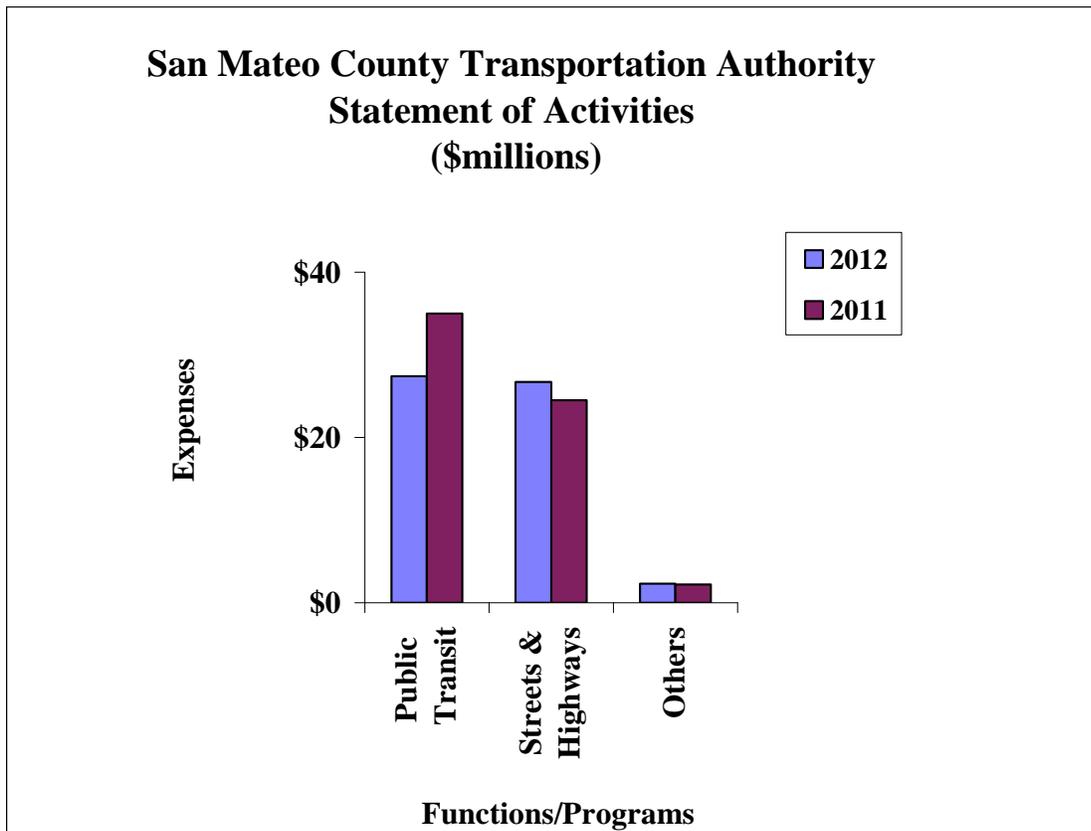
**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2012**

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**Governmental Activities**

Total expenses for governmental activities were \$56.3 million in 2012, a decrease of \$5.4 million or 8.7 percent compared to 2011. The functional components of total expenses are public transit (48.6 percent), streets and highways (47.3 percent) and other programs (4.0 percent). The following are the highlights of the TA's governmental activities:

- Sales tax revenue increased by \$6.0 million or 9.4 percent to \$69.5 million in 2012 from 2011.
- Investment earnings and other revenues of \$5.1 million in 2012 was \$0.1 million or 2.0 percent lower compared to 2011. The decrease was mostly due to the decrease in fair value of investments.
- Expenses for public transit projects in 2012 decreased by \$7.6 million or 21.8 percent to \$27.4 million compared to 2011. The decrease was mainly due to the San Francisco Downtown Extension project being delayed for 6 months for the coordination of safety and security elements.
- Spending for streets and highways in 2012 increased by \$2.2 million or 8.9 percent to \$26.7 million compared to 2011 mainly due to the increase in distribution to local entities for transportation projects as a result of sales tax increase.



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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2012**

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### **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 \$441.7 million at June 30, 2012, an increase of \$22.9 million or 5.5 percent from June 30, 2011, as total revenues exceeded total expenses during 2012. The total fund balance at June 30, 2012 of \$441.7 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, 2012, the estimated cost to complete on-going projects is \$301.5 million or 68.3 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 88.8 percent of the *Special Revenue Fund's* total budgeted revenue for FY 2012. Actual sales tax revenue for the year was \$69.5 million, which exceeded the budget by \$1.0 million or 1.4 percent.

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

The TA spent \$28.3 million or 45.2 percent of its final 2012 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 2011 is not included in the 2012 *Budgetary Comparison Schedule*.

### **Capital Projects**

The TA spent \$28.3 million on capital projects in 2012, a decrease of \$7.6 million or 21.1 percent compared to 2011. Following are the major capital expenditures:

- Preliminary engineering/environmental costs associated with Dumbarton Rail Corridor project (\$2.0 million).
- Funding for the 2012 local capital match requirement assessed to San Mateo County according to the Caltrain Joint Powers Agreement (\$3.0 million).
- Engineering design services costs associated with South San Francisco Ferry project (\$5.3 million).
- Construction costs associated with the grade separation project for San Bruno Avenue in San Bruno and Linden Avenue in South San Francisco (\$9.2 million).
- Design costs associated with the 101/Broadway Interchange project (\$2.5 million).

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2012**

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- Construction cost for the addition of auxiliary lanes on Highway 101 starting from Marsh Road to University Ave and then to Embarcadero Road (\$1.4 million).

More information on the TA's capital project activity appears in *Notes #14 and #15 – Capital Outlay and Construction Commitments* on page 41 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 39 in the *Notes to the Financial Statements*.

### **Economic Factors**

The U.S. economic recovery is progressing more slowly than previously expected. California's unemployment rate is forecasted to remain above 10 percent through mid-2014 and above 8 percent through the end of 2017. Unemployment in San Mateo County was down to 7.4 percent in June 2012 from 8.7 percent in June 2011 and 9.2 percent in June 2010.

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 \$6.0 million or 9.4 percent in FY2012 to \$69.5 million after having increased \$5.0 million or 7.9 percent in FY2011 is evidence of the economic recovery. The TA has taken this trend into account in its FY2013 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 ASSETS**  
**JUNE 30, 2012**  
**(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)**

	Governmental Activities	
	2012	2011
<b>ASSETS</b>		
Cash and investments (Note 2)	\$ 434,642,676	\$ 413,774,685
Receivables:		
Sales tax (Note 3)	13,251,611	12,156,027
Interest (Note 4)	1,740,767	1,996,455
Note receivable (Note 5)	4,343,404	4,343,404
Other (Note 6)	3,537,717	678,796
Prepays	3,300	3,300
Capital assets, nondepreciable (Note 7)	13,590,975	13,590,975
<b>Total Assets</b>	<b>471,110,450</b>	<b>446,543,642</b>
<b>LIABILITIES</b>		
Accounts payable (Note 8)	3,792,068	2,888,095
Accrued liabilities (Note 9)	7,017,886	6,313,500
Unearned revenue	6,953	10,552
Deposits	39,098	39,098
Long-term liabilities (Note 10):		
Due beyond one year	3,450,000	3,450,000
<b>Total Liabilities</b>	<b>14,306,005</b>	<b>12,701,245</b>
<b>NET ASSETS (Note 11)</b>		
Invested in capital assets	13,590,975	13,590,975
Restricted for Measure A Programs	443,213,470	420,251,422
<b>Total Net Assets</b>	<b>\$ 456,804,445</b>	<b>\$ 433,842,397</b>

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, 2012**  
**(WITH SUMMARIZED DATA FOR THE YEAR ENDED JUNE 30, 2011)**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Contributions and Grants	2012	2011
Governmental Activities:					
Public transit					
Upgrades and extensions	\$ 3,574,023	\$ -	\$ -	\$ (3,574,023)	\$ (16,284,977)
Grade separations	9,156,689	818,581	-	(8,338,108)	(8,819,910)
Dumbarton spur	2,044,091	289,032	1,627,137	(127,922)	(23,515)
BART	1,389,515	-	-	(1,389,515)	(1,270,320)
Caltrain	5,558,061	-	-	(5,558,061)	(5,081,280)
Projects funding	5,664,744	-	31,752	(5,632,992)	(1,750,246)
Street and highways					
Distributions to local entities	18,809,179	-	-	(18,809,179)	(17,289,493)
Projects funding	7,855,919	250	1,947,362	(5,908,307)	(7,187,530)
Caltrain shuttle program	1,447,983	-	-	(1,447,983)	(1,377,047)
Program administration	824,762	-	-	(824,762)	(833,298)
<b>Total Governmental Activities</b>	<b>\$ 56,324,966</b>	<b>\$ 1,107,863</b>	<b>\$ 3,606,251</b>	<b>(51,610,852)</b>	<b>(59,917,616)</b>
General revenues:					
Sales taxes				69,475,756	63,515,997
Unrestricted investment earnings (Note 12)				3,569,473	5,201,398
Recovery from Lehman Brothers (Note 2)				1,527,671	-
<b>Total General Revenues</b>				<b>74,572,900</b>	<b>68,717,395</b>
Change in Net Assets				22,962,048	8,799,779
Net Asset-Beginning of Year				433,842,397	425,042,618
Net Assets-Ending of Year				<b>\$ 456,804,445</b>	<b>\$ 433,842,397</b>

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**  
**BALANCE SHEET JUNE 30, 2012**  
**(WITH SUMMARIZED INFORMATION AT JUNE 30, 2011)**

	Special Revenue Fund	Total Governmental Funds	
		2012	2011
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 434,642,676	\$ 434,642,676	\$ 413,774,685
Receivables:			
Sales tax (Note 3)	13,251,611	13,251,611	12,156,027
Interest (Note 4)	1,119,885	1,119,885	1,442,134
Other (Note 6)	3,537,717	3,537,717	678,796
Prepays	3,300	3,300	3,300
<b>Total Assets</b>	<b>\$ 452,555,189</b>	<b>\$ 452,555,189</b>	<b>\$ 428,054,942</b>
<b>LIABILITIES</b>			
Accounts payable (Note 8)	\$ 3,792,068	\$ 3,792,068	\$ 2,888,095
Accrued liabilities (Note 9)	7,017,886	7,017,886	6,313,500
Deferred rent revenue	6,953	6,953	10,552
Deposits	39,098	39,098	39,098
<b>Total Liabilities</b>	<b>10,856,005</b>	<b>10,856,005</b>	<b>9,251,245</b>
<b>FUND BALANCES</b>			
Fund balance (Note 11)			
Nonspendable:			
Prepays	3,300	3,300	3,300
Restricted for:			
Current Measure A projects	301,529,002	301,529,002	271,356,576
Future Measure A Projects	140,166,882	140,166,882	147,443,821
<b>Total Fund Balances</b>	<b>441,699,184</b>	<b>441,699,184</b>	<b>418,803,697</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 452,555,189</b>	<b>\$ 452,555,189</b>	<b>\$ 428,054,942</b>

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 STATEMENTS OF NET ASSETS**  
**JUNE 30, 2012 AND 2011**

	2012	2011
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.		
<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 441,699,184</b>	<b>\$ 418,803,697</b>
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	620,882	554,321
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	(3,450,000)	(3,450,000)
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 456,804,445</b>	<b>\$ 433,842,397</b>

The accompanying notes are an integral part of these financial statements

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)**

	Special Revenue Fund	Total	
		2012	2011
<b>REVENUES</b>			
Sales tax	\$ 69,475,756	\$ 69,475,756	\$ 63,515,997
Investment income (Note 12)	3,502,912	3,502,912	5,120,150
Rental income	1,107,613	1,107,613	1,063,951
Other income	1,527,671	1,527,671	-
Grant proceeds	3,606,501	3,606,501	725,398
<b>Total Revenues</b>	<b>79,220,453</b>	<b>79,220,453</b>	<b>70,425,496</b>
<b>EXPENDITURES</b>			
Administration:			
Staff support (Note 13)	568,414	568,414	569,842
Board compensation	6,900	6,900	6,000
Professional and legal fees	190,306	190,306	206,355
Other services and supplies	51,831	51,831	42,785
Travel and meetings	2,307	2,307	3,315
Distribution to local entities	18,809,179	18,809,179	17,289,493
BART	1,389,515	1,389,515	1,270,320
Caltrain	5,558,061	5,558,061	5,081,280
Caltrain shuttles program	1,447,983	1,447,983	1,377,047
Dumbarton corridor maintenance	5,000	5,000	5,000
Capital outlay (Note 14)	28,295,470	28,295,470	35,855,528
<b>Total Expenditures</b>	<b>56,324,966</b>	<b>56,324,966</b>	<b>61,706,965</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>22,895,487</b>	<b>22,895,487</b>	<b>8,718,531</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>22,895,487</b>	<b>22,895,487</b>	<b>8,718,531</b>
<b>BEGINNING FUND BALANCES</b>	<b>418,803,697</b>	<b>418,803,697</b>	<b>410,085,166</b>
<b>ENDING FUND BALANCES</b>	<b>\$ 441,699,184</b>	<b>\$ 441,699,184</b>	<b>\$ 418,803,697</b>

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 YEAR ENDED JUNE 30, 2012  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)**

	<u>2012</u>	<u>2011</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.		
<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 22,895,487</b>	<b>\$ 8,718,531</b>
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.	66,561	81,248
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 22,962,048</u></b>	<b><u>\$ 8,799,779</u></b>

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, 2012 AND 2011**

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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***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. 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 has not determined its effect on the 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.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

**C. Basis of Presentation**

*Government-wide Financial Statements*

The Statement of Net Assets and Statement of Activities report the financial activities of the TA. The Statement of Activities present a comparison between direct expenses and program revenues for each function of the TA. Direct expenses are those that are specifically associated with a program or a function and therefore, are clearly identifiable to a particular function. Program revenues refer to charges paid by the recipients of goods or services offered by the 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.

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.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

***E. Non-current Governmental Assets/Liabilities***

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

***F. 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 Assets.

***G. Prepaid Expenditures***

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

***H. Cash and Investments***

All highly liquid investments with 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.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

***J. Summarized Data***

The summarized data provided in these financial statements for fiscal year ended June 30, 2011 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, 2011 from which such comparative information was derived.

***NOTE 2 - DEPOSITS 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.

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

	<u>2012</u>	<u>2011</u>
<b>Cash and Investments</b>		
Special Revenue Fund		
Cash and cash equivalents:		
Bank balance	\$ 684,691	\$ 555,222
Investments	<u>433,957,985</u>	<u>413,219,463</u>
Total Special Revenue Fund	<u>434,642,676</u>	<u>413,774,685</u>
Total Cash and Investments	<u>\$ 434,642,676</u>	<u>\$ 413,774,685</u>

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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

	2012	2011
Deposits with financial institutions	\$ 684,691	\$ 555,222
Investments	433,957,985	413,219,463
	<u>\$ 434,642,676</u>	<u>\$ 413,774,685</u>

**Authorized Investments by the Authority**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
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

**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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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

The TA's weighted average maturity of its investment portfolio at June 30, 2011 was as follows:

Investment Type	Amount	Weighted Average Maturity (in years)
Repurchase Agreements	\$ 527,632	-
U.S. Treasury Notes	32,666,079	2.81
U.S. Agency Securities	155,651,557	3.33
Corporate Bonds	12,770,394	1.94
Investment in County Investment Pool	203,367,861	1.50
Investment in State Investment Pool	8,722,912	0.65
	<u>\$ 413,706,435</u>	
Portfolio Weighted Average Maturity		2.29

**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.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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

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	-	-	-	258,185,947
Investment in State Investment Pool	20,509,218	-	-	-	20,509,218
<b>Total</b>	<b>\$ 435,541,495</b>	<b>\$ -</b>	<b>\$ 128,232,961</b>	<b>\$ -</b>	<b>\$ 307,308,534</b>

Investment Type	Amount	Rating as of June 30, 2011			
		AAA	AA+	A	Not Rated
Repurchase Agreements	\$ 527,632	\$ -	\$ -	\$ -	\$ 527,632
U.S. Treasury Notes	32,666,079	-	-	-	32,666,079
U.S. Agency Securities	155,651,557	155,651,557	-	-	-
Corporate Bonds	12,770,394	12,770,394	-	-	-
Investment in County Investment Pool	203,367,861	-	203,367,861	-	-
Investment in State Investment Pool	8,722,912	-	-	8,722,912	-
<b>Total</b>	<b>\$ 413,706,435</b>	<b>\$ 168,421,951</b>	<b>\$ 203,367,861</b>	<b>\$ 8,722,912</b>	<b>\$ 33,193,711</b>

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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***NOTE 2 – DEPOSITS 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 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

Issuer	Investment Type	Fair Value 2011
Federal National Mortgage Association (FNMA)	U.S. Agency Security	\$ 73,302,620
Federal Home Loan Bank (FHLB)	U.S. Agency Security	36,150,522
Federal Home Loan Mortgage Corporation (FHLM)	U.S. Agency Security	45,207,600

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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***NOTE 2 – DEPOSITS 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 \$257,113,401, and \$202,917,384 at June 30, 2012 and 2011, respectively, that is recorded at \$258,185,947 and \$203,367,861 on the balance sheet after the adjustment for unrealized gains/losses for fiscal years ending June 30, 2012 and 2011, 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.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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***NOTE 2 – DEPOSITS 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 & Poors. 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 and made its first of four to five settlement payments to creditors on April 17, 2012 with the TA receiving \$1,527,671. The remaining distributions will occur over the next two to three years and pool participants are expecting at least \$0.21 on the dollar in total. Based on the TA's participation rate, this equates to approximately \$5.3 million. During fiscal year ending June 30, 2012, TA received \$1,527,671 of Lehman Brothers Holdings 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 \$20,509,218 and \$8,722,912 on the balance sheet after the adjustment for unrealized gains/losses for fiscal year 2012 and 2011, 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, 2012.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 4 - INTEREST RECEIVABLE**

Interest receivables at June 30 are as follows:

	2012	2011
Interest due from deposits and investments	\$ 1,119,885	\$ 1,442,134
Total reported on Governmental Funds Statements	1,119,885	1,442,134
Accrued interest on note receivable	620,882	554,321
Total reported on Government- Wide Statements	\$ 1,740,767	\$ 1,996,455

**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:

	2012	2011
Metropolitan Transportation Commission	\$ 1,108,119	\$ 453,847
San Mateo County Transit District	75,829	42,783
Peninsula Corridor Joint Powers Board	161,555	59,634
Alameda County Transportation Improvement Authority	153,432	72,314
Santa Clara Valley Transportation Authority	97,255	44,180
California State Department of Transportation	1,941,527	-
City/County Association of Governments	-	3,019
Peninsula Traffic Congestion Relief Alliance	-	3,019
Total Other Receivables	\$ 3,537,717	\$ 678,796

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 7 – CAPITAL ASSETS**

Capital assets activities for the year ended June 30, 2012 are as follow:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
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:

	2012	2011
Salaries and benefits	\$ 424,728	\$ 313,973
Shuttle program	289,201	247,023
Paratransit program	825,555	727,391
Caltrain	1,651,104	1,442,591
Capital project	560,459	-
Other	41,021	157,117
<b>Total</b>	<b>\$ 3,792,068</b>	<b>\$ 2,888,095</b>

**NOTE 9 – ACCRUED LIABILITIES**

Accrued liabilities at June 30 are as follows:

	2012	2011
Disbursements to local entities for transportation projects	\$ 3,716,080	\$ 2,766,276
Capital project	2,980,410	3,248,785
Transportation System Management	14,872	14,872
BART	265,032	243,121
Other	41,492	40,446
<b>Total</b>	<b>\$ 7,017,886</b>	<b>\$ 6,313,500</b>

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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***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, 2011	Additions	Deletions	Balance June 30, 2012
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 ASSETS / FUND BALANCE***

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

***Net Assets***

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

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

*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 assets of each fund. Net current assets generally represent 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:

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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**NOTE 11 – NET ASSETS / 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 are as follows:

	2012	2011
Interest Income	\$ 4,090,947	\$ 5,649,710
Net increase (decrease) in fair value of investments	(521,474)	(448,312)
Investment income – Statement of Activities (see below)	3,569,473	5,201,398
Increase in long-term interest receivable	(66,561)	(81,248)
Investment income – Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 3,502,912	\$ 5,120,150
Investment Income – Statement of Activities reported below:		
Unrestricted investment earnings	\$ 3,569,473	\$ 5,201,398
	\$ 3,569,473	\$ 5,201,398

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 13 – STAFF SUPPORT EXPENDITURES**

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

	2012	2011
Salaries and benefits	\$ 459,466	\$ 473,843
Indirect costs	108,948	95,999
<b>Total</b>	<b>\$ 568,414</b>	<b>\$ 569,842</b>

**NOTE 14 – CAPITAL OUTLAY**

The expenditures on public transportation projects during FY 2012 and 2011 were \$28,295,470 and \$35,855,528, respectively. Total expenditures on such projects from inception through June 30, are as follows:

Capital Projects	2012	2011
Dumbarton Spur	\$ 31,891,395	\$ 29,847,303
Caltrain	174,722,693	171,148,670
Ferry	7,392,821	2,043,700
Local Shuttle	543,174	227,551
Railroad Grade Separations	190,721,671	181,564,980
Streets and Highways	223,099,660	216,935,651
Oversight and Bicycle	7,197,320	5,505,409
<b>Total</b>	<b>\$ 635,568,733</b>	<b>\$ 607,273,264</b>

The Dumbarton Spur expenditures of \$31,891,395 were partially financed by a state loan of \$3,450,000. Of the total expenditures of \$635,568,734 for capital outlay, \$18,875,902 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	2012	2011
Dumbarton Spur	\$ 13,000,322	\$ 15,038,635
Caltrain	29,808,661	30,011,419
Ferry	7,647,178	12,996,299
Local Shuttle	1,661,603	1,001,104
Railroad Grade Separations	101,348,211	108,931,299
Streets and Highways	141,832,850	88,703,946
Oversight and Bicycle	7,862,831	6,547,551
<b>Total</b>	<b>\$ 303,161,656</b>	<b>\$ 263,230,253</b>

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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***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***

On October 2, 2012, and pursuant to the recovery payment reported in Note 2, Lehman Brothers Holding made a second settlement payment to creditors. The TA's portion of \$971,712.29 raises the total recovery amount so far received by the TA to \$2,499,383.25.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive/(Negative)
	Original	Final		
<b>Budgetary Fund Balance, Beginning of Year:</b>	\$ 433,190,609	\$ 433,190,609	\$ 421,800,261	\$ (11,390,348)
<b>Resources (inflows)</b>				
Sales tax	61,500,000	68,501,000	69,475,757	974,757
Investment income	5,420,670	4,832,570	3,239,883	(1,592,687)
Rental income	1,087,560	1,087,560	1,107,613	20,053
Grant proceeds	2,733,100	2,733,100	3,606,751	873,651
Other income			1,527,921	
Amounts Available for Appropriation	<u>70,741,330</u>	<u>77,154,230</u>	<u>78,957,925</u>	<u>275,774</u>
<b>Charges to appropriation (outflows)</b>				
Program Administration				
Staff support	603,712	533,910	568,414	(34,504)
Board compensation	7,400	7,400	6,900	500
Professional and legal fees	269,689	269,689	190,306	79,383
Other services and supplies	71,248	75,248	51,831	23,417
Travel and meetings	5,900	5,900	2,307	3,593
	<u>957,949</u>	<u>892,147</u>	<u>819,758</u>	<u>72,389</u>
Distribution to local entities	16,695,803	17,093,303	18,809,179	(1,715,876)
BART	1,230,000	1,260,000	1,389,515	(129,515)
Caltrain	4,920,000	5,040,000	5,558,061	(518,061)
Caltrain shuttle program	1,441,335	1,441,335	1,447,983	(6,648)
Measure A information	11,250	11,250	5,000	6,250
Capital outlays	58,268,562	62,585,665	28,295,470	34,290,195
	<u>83,524,899</u>	<u>88,323,700</u>	<u>56,324,966</u>	<u>31,998,734</u>
<b>Budgetary Fund Balance, End of Year</b>	<u>\$ 420,407,040</u>	<u>\$ 422,021,139</u>	<u>\$ 444,433,220</u>	<u>\$ 22,412,081</u>

**Explanation of Difference Between Budgetary Inflows and GAAP Revenues**

Actual amounts available for appropriation - budgetary basis from above	\$ 78,957,925
Unrealized gains under GASB 31	<u>262,528</u>
Total revenues in the Statement of Revenues, Expenses and Changes in Fund Balances - GAAP basis	<u>\$ 79,220,453</u>

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE**  
**JUNE 30, 2012**

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***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*

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## **STATISTICAL**

### **Financial Trends**

- **Net Assets and Change in Net Assets (For fiscal years 2003-2012)**
- **Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance (For fiscal years 2003-2012)**

### **Revenue Capacity**

- **Revenue Base and Revenue Rate (For fiscal years 2003-2012)**
- **Principal Revenue Payers (For fiscal years 2003 and 2011)**

### **Debt Capacity**

- **Ratio of Outstanding Debt (For fiscal years 2003-2012)**
- **Bonded Debt (For fiscal years 2003-2012)**
- **Direct and Overlapping Debt and Debt Limitation (For fiscal year 2012)**
- **Pledged Revenue Coverage (For fiscal years 2003-2012)**

### **Demographics and Economic Information**

- **Population, Income and Unemployment Rates (For fiscal years 2003-2012)**
- **Principal Employers (For fiscal years 2010 and 2004)**

### **Operating Information**

- **Capital Outlay (For fiscal years 2003-2012)**
- **Employees (For fiscal years 2003-2012)**
- **Capital Assets (For fiscal years 2003-2012)**

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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 ASSETS AND CHANGE IN NET ASSETS**  
**FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

<b>Fiscal year</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
<b>PROGRAM REVENUES</b>					
Grade Separations	\$ 819	\$ 786	\$ 1,103	\$ 3,209	\$ 876
Paratransit	-	-	-	-	1,149
Dumbarton Spur	1,916	994	1,930	5,287	1,942
Caltrain Shuttle Program	-	-	-	-	-
Projects Funding	1,979	9	-	-	-
<b>Total Program Revenues</b>	<b>4,714</b>	<b>1,789</b>	<b>3,033</b>	<b>8,496</b>	<b>3,967</b>
<b>PROGRAM EXPENDITURES</b>					
Upgrades and Extension	3,574	16,285	19,709	9,612	12,481
Grade Separations	9,157	9,607	14,445	9,118	4,525
Paratransit	-	-	2,339	26,071	2,780
Dumbarton Spur	2,044	1,017	2,146	6,045	2,286
BART	1,390	1,270	1,170	535	-
Caltrain	5,558	5,081	4,679	2,142	-
Distribution to local entities	18,809	17,289	13,159	12,674	13,734
Projects funding	13,521	8,948	16,779	24,577	31,634
Caltrain Shuttle Program	1,448	1,377	1,322	1,339	1,075
Transportation Systems Management	-	-	473	462	483
Program Administration	825	833	719	746	803
Interest on debt	-	-	-	-	379
<b>Total Program Expenditures</b>	<b>56,325</b>	<b>61,707</b>	<b>76,940</b>	<b>93,321</b>	<b>70,180</b>
<b>NET REVENUES (EXPENDITURES)</b>	<b>(51,611)</b>	<b>(59,918)</b>	<b>(73,907)</b>	<b>(84,825)</b>	<b>(66,213)</b>
<b>General revenues</b>					
Sales tax	69,476	63,516	58,485	60,022	68,670
Unrestricted investment earnings	3,569	5,201	7,866	(12,249)	18,313
Other income	1,528	-	-	-	(227)
<b>CHANGE IN NET ASSETS</b>	<b>22,962</b>	<b>8,799</b>	<b>(7,556)</b>	<b>(37,051)</b>	<b>20,543</b>
<b>Net Asset Components</b>					
Invested in capital assets	13,591	13,591	13,591	13,591	13,591
Restricted	443,213	420,251	-	-	25,000
Unrestricted	-	-	411,452	419,008	431,060
<b>NET ASSETS</b>	<b>\$ 456,804</b>	<b>\$ 433,842</b>	<b>\$ 425,043</b>	<b>\$ 432,599</b>	<b>\$ 469,651</b>

Source: CAFRs.

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**FINANCIAL TRENDS – NET ASSETS AND CHANGE IN NET ASSETS**  
**FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 731	\$ 731	\$ 878	\$ 713	\$ 542
1,411	636	692	51	1,195
620	1,310	507	158	174
-	-	86	-	-
-	-	-	-	-
<u>2,762</u>	<u>2,677</u>	<u>2,163</u>	<u>922</u>	<u>1,911</u>
8,136	9,275	14,436	3,624	8,544
1,867	5,016	4,698	1,398	776
2,542	2,358	880	2,836	3,042
852	1,595	649	1,314	477
-	-	-	-	-
-	-	-	-	-
13,240	12,762	11,991	11,079	10,971
19,928	6,690	10,427	18,559	14,708
1,064	1,010	712	835	623
476	408	400	392	414
670	1,133	551	509	583
764	1,121	1,458	1,917	2,088
<u>49,539</u>	<u>41,370</u>	<u>46,201</u>	<u>42,464</u>	<u>42,226</u>
(46,777)	(38,692)	(44,037)	(41,542)	(40,315)
66,202	63,811	59,953	55,394	54,855
20,564	9,549	9,591	1,089	16,856
-	161	1	1,054	296
<u>39,989</u>	<u>34,829</u>	<u>25,509</u>	<u>15,995</u>	<u>31,692</u>
18,161	18,161	18,161	11,505	11,505
35,413	35,403	35,395	35,395	35,398
395,533	355,553	320,732	295,224	279,226
<u>\$ 449,107</u>	<u>\$ 409,117</u>	<u>\$ 374,289</u>	<u>\$ 342,124</u>	<u>\$ 326,129</u>

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**FINANCIAL TRENDS – GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

<b>Fiscal year</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>REVENUES</b>					
Sales tax	\$ 69,476	\$ 63,516	\$ 58,485	\$ 60,022	\$ 68,670
Investment income	3,503	5,120	7,723	(12,630)	18,995
Rental income	1,108	1,064	1,072	1,076	997
Grant proceeds	3,607	725	1,961	7,420	1,821
Proceeds from sale of properties	-	-	-	-	-
Non-operating reimbursements	-	-	-	-	-
Other income	1,527	-	-	-	-
<b>Total Revenue</b>	<b>79,220</b>	<b>70,425</b>	<b>69,241</b>	<b>55,888</b>	<b>90,483</b>
<b>EXPENDITURES</b>					
Administrative:					
Staff support	568	570	489	487	593
Board compensation	7	6	7	7	7
Professional and legal fees	190	206	181	170	148
Other services and supplies	52	43	34	59	37
Travel and meeting	2	3	3	10	9
Leases and rental	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	8,855
Interest	-	-	-	-	407
<b>Subtotal</b>	<b>820</b>	<b>828</b>	<b>714</b>	<b>733</b>	<b>10,056</b>
Distributions to local entities	18,809	17,289	15,971	14,207	16,997
BART	1,390	1,270	1,170	536	-
Caltrain	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	1,074
Dumbarton corridor maintenance	5	5	5	242	182
Measure A information	-	-	-	13	14
2004 Election	-	-	-	-	-
Capital outlay	28,295	35,857	53,079	49,110	50,745
<b>Total Expenditures</b>	<b>56,325</b>	<b>61,707</b>	<b>76,940</b>	<b>93,323</b>	<b>79,068</b>
Excess Revenues Over Expenditures	22,895	8,718	(7,699)	(37,434)	11,415
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	-	-	-	2,902	-
Transfer out	-	-	-	(2,902)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change In Fund Balance</b>	<b>22,895</b>	<b>8,718</b>	<b>(7,699)</b>	<b>(37,434)</b>	<b>11,415</b>
<b>Fund Balance</b>					
Reserved	-	-	-	-	25,000
Unreserved	441,699	418,804	410,085	417,784	430,217
<b>Total Ending Fund Balance</b>	<b>\$ 441,699</b>	<b>\$ 418,804</b>	<b>\$ 410,085</b>	<b>\$ 417,784</b>	<b>\$ 455,217</b>
Total Debt Service expenditures as a %					
Total Noncapital expenditures	0.0%	0.0%	0.0%	0.0%	32.7%

Source: CAFRs.

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**FINANCIAL TRENDS – GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	66,202	\$ 63,811	\$ 59,953	\$ 55,394	\$ 54,855
	21,985	10,306	10,400	1,251	17,672
	902	892	994	870	715
	449	1,149	479	1,060	293
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	4
	<u>89,538</u>	<u>76,159</u>	<u>71,825</u>	<u>58,575</u>	<u>73,538</u>
	500	418	350	359	450
	6	6	7	6	7
	112	115	122	89	61
	51	63	39	53	58
	5	4	6	7	7
	-	-	-	-	-
	8,475	8,115	7,780	7,465	7,175
	789	1,146	1,480	1,794	2,088
	<u>9,938</u>	<u>9,867</u>	<u>9,784</u>	<u>9,773</u>	<u>9,846</u>
	16,257	15,529	13,271	14,307	14,428
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	1,064	1,010	712	835	623
	265	246	231	287	270
	3	11	32	-	-
	-	521	-	-	-
	<u>30,518</u>	<u>22,330</u>	<u>29,979</u>	<u>24,608</u>	<u>28,348</u>
	<u>58,045</u>	<u>49,514</u>	<u>54,008</u>	<u>49,811</u>	<u>53,514</u>
	<u>31,493</u>	<u>26,644</u>	<u>17,817</u>	<u>8,765</u>	<u>20,024</u>
	-	-	-	1,795	2,091
	-	-	-	(1,795)	(2,091)
	-	-	-	-	-
	<u>31,493</u>	<u>26,644</u>	<u>17,817</u>	<u>8,765</u>	<u>20,024</u>
	35,414	35,403	35,395	35,395	35,398
	<u>408,389</u>	<u>376,907</u>	<u>350,270</u>	<u>332,454</u>	<u>323,686</u>
\$	<u><u>443,803</u></u>	<u><u>412,310</u></u>	<u><u>385,665</u></u>	<u><u>367,849</u></u>	<u><u>359,084</u></u>
	33.7%	34.1%	38.5%	36.7%	36.8%

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE**  
**FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

Fiscal year ended	Special Revenue Fund		
	Reserved	Designated	Total
2012	\$ -	\$ 441,699	\$ 441,699
2011	-	419,291	419,291
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
2003	8,031	308,509	316,540

Fiscal year ended	All Other Governmental Funds		
	Reserved	Designated	Total
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
2003	27,367	15,177	42,544

Source: CAFRs.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE (CONTINUED)  
FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

<b>Fiscal year</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
The TA's Sales Tax Rate	0.5%	0.5%	0.5%
Total Sales Tax Revenue	\$ 69,476	\$ 63,516	\$ 58,485
Total Taxable Sales in San Mateo County	\$ 13,895,200 <sup>[1]</sup>	\$ 12,703,200 <sup>[1]</sup>	\$ 11,697,000 <sup>[1]</sup>

Source: California State Board of Equalization

[1] Estimates for fiscal year 2008 through 2012 are based on sales tax revenue received.

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

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE (CONTINUED)**  
**FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

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<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
\$ 60,022	\$ 68,670	\$ 66,202	\$ 63,811	\$ 59,953	\$ 55,394	\$ 54,855
\$ 12,004,489 <sup>[1]</sup>	\$ 13,733,921 <sup>[1]</sup>	\$ 13,326,306	\$ 12,900,391	\$ 12,451,350	\$ 11,808,074	\$ 11,358,439

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS  
FISCAL YEARS 2003 AND 2011 (in thousands)**

<b>Principal Revenue Payers</b>	<b>FY2011*</b>			<b>FY2003</b>		
	<b>Rank</b>	<b>Percent of Taxable Sales</b>	<b>Amount</b>	<b>Rank</b>	<b>Percent of Taxable Sales</b>	<b>Amount</b>
All other outlets	1	34.07%	\$ 988,114	1	27.93%	\$ 3,172,149
Sporting Goods, Hobby, Book & Music Stores (Specialty stores)	12	2.17%	\$ 62,983	4	9.60%	\$ 1,090,344
Automotive group	3	10.26%	297,498	2	14.85%	1,686,863
General merchandise stores	5	8.07%	233,976	3	10.63%	1,207,576
Apparel stores	7	4.41%	128,015	11	2.75%	312,708
Food Services/drinking places	2	11.01%	319,289	5	8.38%	951,632
Gasoline (Service) stations	4	8.69%	252,088	7	5.77%	655,484
Building materials group	6	5.49%	159,169	6	7.02%	797,381
Health and personal services	13	1.99%	57,853	8	4.27%	484,754
Furniture/Home furnishings	11	2.70%	78,302	9	3.85%	437,556
Food/Beverage stores	8	4.10%	118,770	10	3.52%	399,776
Miscellaneous Store Retailers	9	3.72%	107,847	12	1.43%	162,216
Electronics & Appliance stores	10	2.89%	83,751			
Nonstore Retailers	14	0.43%	12,680			
<b>Total</b>		<b>100.00%</b>	<b>\$ 2,900,335</b>		<b>100.00%</b>	<b>\$ 11,358,439</b>

Source: California State Board of Equalization

\* Principal tax payers information for 1st Quarter, 2011 is the most current information available.

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
DEBT CAPACITY – RATIO OF OUTSTANDING DEBT  
FISCAL YEARS 2003 THROUGH 2012**

<b>Fiscal Year</b>	<b>Limited Tax Revenue Bonds for SMCTA<sup>[1]</sup></b>	<b>Personal Income for San Mateo County<sup>[2]</sup></b>	<b>As a Percent of Personal Income</b>
2012	\$ -	\$ 51,885,721	0.00%
2011	-	57,133,820	0.00%
2010	-	55,469,728	0.00%
2009	-	53,854,105	0.00%
2008	-	52,285,539	0.00%
2007	8,855	50,347,246	0.02%
2006	17,330	46,881,900	0.04%
2005	25,445	42,846,390	0.06%
2004	33,225	39,408,618	0.08%
2003	40,690	36,466,977	0.11%

[1] CAFRs

[2] U.S. Department of Commerce, Bureau of Economic Analysis, calendar year figures. Data for 2011 and 2012 are based on an estimated three percent annual increase over 2010.

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 2003 THROUGH 2012 (in thousands)**

<b>Fiscal Year</b>	<b>Limited Tax Revenue Bonds for SMCTA</b>	<b>Total Taxable Sales in San Mateo County</b>	<b>As a Percent of Total Taxable Sales in San Mateo County</b>
2012	\$ -	\$ 13,895,200 <sup>[1]</sup>	0.00%
2011	-	12,703,200 <sup>[1]</sup>	0.00%
2010	-	11,697,000 <sup>[1]</sup>	0.00%
2009	-	12,004,489 <sup>[1]</sup>	0.00%
2008	-	13,733,921 <sup>[1]</sup>	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%
2003	40,690	11,358,430	0.36%

[1] 2008 through 2012 taxable sales are estimates based on sales tax revenues received.

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.

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
DEBT CAPACITY – DIRECT AND OVERLAPPING DEBT AND DEBT LIMITATION  
JUNE 30, 2012**

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
DEBT CAPACITY – PLEDGED REVENUE COVERAGE  
FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

Fiscal Year	Pledged Sales Tax Revenue *	Debt Service			Coverage
		Principal	Interest	Total	
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
2003	43,884	7,175	2,088	9,263	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 2003 THROUGH 2012**

<b>Year</b>	<b>Population</b> <sup>[1]</sup>	<b>Total Personal Income (in millions)</b> <sup>[2]</sup>	<b>Per Capita Personal Income</b> <sup>[2]</sup>	<b>Average Unemployment Rates</b> <sup>[3]</sup>
2012	729,443	\$ 51,885	\$ 72,103	7.0%
2011	725,245	50,374	70,003	7.9%
2010	719,582	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%
2003	703,062	37,312	53,836	5.8%

[1] California Department of Finance, Demographic Research Unit (2012 data as of Jan 1,2012-Report E-1; 2003-2011 data as of July 1-Report E-6).

[2] U.S. Department of Commerce, Bureau of Economic Analysis, BEARFACTS 2003-2010, San Mateo, California [06081], most current information available.

[3] California Economic Development Department, Labor Force/Unemployment Data (2012 data average Jan-Sept, 2003-2011 data average for calendar year).

Personal Income data for 2011 and 2012 is based on an estimated three percent annual increase over 2010.

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 2010 AND 2004**

Employers in San Mateo County	2010*			2004*		
	Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
Genentech Inc.	8,800	1	2.57%	5,120	4	1.48%
County of San Mateo	6,079	2	1.78%	5,663	3	1.63%
Oracle Corporation	5,600	3	1.64%	7,000	2	2.02%
Kaiser Permanente	3,777	4	1.10%	3,494	5	1.01%
Mills-Peninsula Health Services	2,500	5	0.73%	2,470	7	0.71%
Visa USA/Visa International	2,462	6	0.72%			
Safeway Inc.	2,075	7	0.61%	2,145	8	0.62%
San Mateo County Community College District	1,951	8	0.57%			
SLAC National Accelerator Laboratory	1,764	9	0.52%			
Seton Medical Center	1,672	10	0.49%			
United Airlines				10,933	1	3.15%
Applied Biosystems				2,640	6	0.76%
United States Postal Service				1,853	9	0.53%
Electronic Arts Inc.				1,750	10	0.50%
<b>Total</b>	<b>36,680</b>		<b>10.73%</b>	<b>43,068</b>		<b>12.41%</b>

Source: San Francisco Business Times - Book of Lists

California Employment Development Department

\* Principal employer information for years 2003 and 2012 are not available.

This table presents the top 10 principal employers in San Mateo County for 2010 and 2004.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**OPERATING INFORMATION – CAPITAL OUTLAY**  
**FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

<b>Cumulative Capital Outlay</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Dumbarton Spur	\$ 31,891	\$ 29,847	\$ 28,830	\$ 26,684
Caltrain-Downtown Extension	174,723	171,149	154,880	135,170
Ferry	7,393	2,044	377	-
Local Shuttle	543	228	135	-
Railroad Grade Separations	190,722	181,565	171,958	157,514
Streets and Highways	223,100	216,936	210,320	194,663
Oversight and Bicycle	7,197	5,505	4,933	4,324
<b>Total</b>	<b>\$ 635,569</b>	<b>\$ 607,274</b>	<b>\$ 571,433</b>	<b>\$ 518,354</b>

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 2003 THROUGH 2012 (in thousands)**

<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 20,881	\$ 18,777	\$ 18,190	\$ 16,841	\$ 16,377	\$ 15,350
125,558	113,077	104,941	95,666	81,322	77,699
-	-	-	-	-	-
-	-	-	-	-	-
148,396	143,871	142,003	136,987	125,647	124,249
171,478	140,360	120,900	114,399	102,752	84,825
2,931	2,415	1,947	1,758	962	330
<u>\$ 469,244</u>	<u>\$ 418,500</u>	<u>\$ 387,981</u>	<u>\$ 365,651</u>	<u>\$ 327,060</u>	<u>\$ 302,453</u>

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
OPERATING INFORMATION – EMPLOYEES  
FISCAL YEARS 2003 THROUGH 2012**

<b>DIVISION</b>	<b>FULL-TIME EQUIVALENTS</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>CUSTOMER SERVICE AND MARKETING</b>	0.14	0.20	0.35
<b>EXECUTIVE</b>	0.57	0.55	0.65
<b>FINANCE AND ADMINISTRATION</b>	4.39	4.00	3.75
<b>OPERATIONS, ENGINEERING AND CONSTRUCTION</b>	4.47	3.66	1.10
<b>PLANNING AND DEVELOPMENT</b>	1.97	2.75	6.80
<b>PUBLIC AFFAIRS</b>	1.10	1.00	0.95
<b>TOTAL EMPLOYEES</b>	<b>12.64</b>	<b>12.16</b>	<b>13.60</b>

Note: The organization went through a reorganization in FY2010.

<b>DIVISION</b>	<b>FULL-TIME EQUIVALENTS</b>						
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>EXECUTIVE</b>	0.80	0.60	0.60	-	-	-	0.40
<b>ADMINISTRATION</b>	0.80	0.15	0.10	0.19	0.19	0.12	0.40
<b>COMMUNICATIONS</b>	0.75	0.90	1.00	1.95	3.27	1.69	0.28
<b>DEVELOPMENT</b>	11.14	8.00	8.83	6.12	4.99	5.66	6.44
<b>FINANCE</b>	0.90	0.80	1.05	1.03	3.07	3.25	2.75
<b>OPERATIONS</b>	0.25	0.15	0.20	0.21	0.19	0.59	-
<b>TOTAL EMPLOYEES</b>	<b>14.64</b>	<b>10.60</b>	<b>11.78</b>	<b>9.50</b>	<b>11.71</b>	<b>11.31</b>	<b>10.27</b>

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

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 2003 THROUGH 2012 (in thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</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 from the past 10 years.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY**  
**OPERATING INFORMATION – CAPITAL ASSETS**  
**FISCAL YEARS 2003 THROUGH 2012 (in thousands)**

<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 18,161	\$ 18,161	\$ 18,161	\$ 11,505	\$ 11,505
-	-	-	-	-
<u>\$ 18,161</u>	<u>\$ 18,161</u>	<u>\$ 18,161</u>	<u>\$ 11,505</u>	<u>\$ 11,505</u>

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