

San Mateo County Transportation Authority San Carlos, California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010



SAN MATEO COUNTY
Transportation
Authority

San Carlos, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

Prepared by the Finance Division

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Section I

INTRODUCTORY

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Board of Directors

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November 30, 2010

**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, 2010**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo County Transportation Authority (TA) for fiscal year July 1, 2009 through June 30, 2010. 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 over 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 or the 2004 Measure A Transportation Expenditure Plans online at http://www.smcta.com/Expenditure_Plan/information.asp or by contacting:

Director, Transportation Authority Program
San Mateo County Transportation Authority
1250 San Carlos Avenue
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, advertising and distribution services.

The *Office of Peninsula Rail* is responsible for working in conjunction with the High Speed Rail Authority to implement the Peninsula Rail Program along the Caltrain corridor.

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

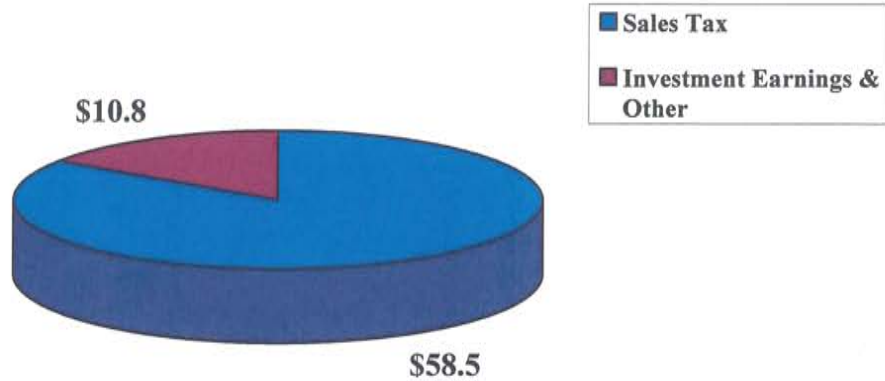
State law requires the TA to adopt an annual budget by resolution of the Board of Directors. In the spring preceding the start of each fiscal year, staff presents an annual budget for the Special Revenue governmental fund based on established agency goals, objectives and performance measures to the Board 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 on the following page show actual results for the major revenue and expense categories of fiscal year 2010. 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 2010 was \$513.9 million and the limit for Fiscal Year 2011 is \$506.7 million.

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**San Mateo County Transportation Authority
Year Ended June 30, 2010
REVENUES
(\$millions)**



**San Mateo County Transportation Authority
Year Ended June 30, 2010
EXPENSES
(\$millions)**



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ECONOMIC CONDITION

Local Economy

Unemployment in San Mateo County had risen to 9.2 percent by June 2010 from 9.0 percent in June 2009 and 4.8 percent in June 2008. This compares to 12.2 percent in June 2010 in the state of California and 11.6 and 6.9 percent in June 2009 and 2008, respectively. The TA's sales tax receipts decreased 2.6 percent in Fiscal Year 2010 from Fiscal Year 2009 levels which were down by 12.6 percent from the prior year after steadily increasing in 2004 through 2008.

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.

According to the National Bureau of Economic Research's Business Cycle Dating Committee, the recession which began in December 2007 has ended as of June 2009. However by the end of fiscal year 2010, San Mateo County was still feeling the affects. Nationally, the recession is said to have eliminated over seven million jobs, reduced economic output by 4.1 percent and decreased household net worth by 21 percent over 18 months. It is likely that the recovery will be very slow moving with continued slow growth and high unemployment.

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, 2010, the TA had spent 71 percent and 39 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.

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The reauthorization of Measure A with the 2004 Transportation Expenditure Plan was placed before county voters in the November 2004 regular election. Voters passed the reauthorization measure by a 75.3 percent majority, extending the TA's mission through 2033. The implementation guidelines in the 2004 Transportation Expenditure Plan required that the TA prepare a strategic plan by December 31, 2008, which readers can view online at www.smcta.com. The new Strategic Plan was 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 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.

Four percent of the new Measure A revenue is designated for providing shuttle services. The TA issued a two-year call for projects in the shuttle category in March 2010 to fund shuttle projects in Fiscal Years 2011 and 2012. Allocations in this category, based on this call for projects, have already been made for Fiscal Year 2011. The TA also plans to issue a two year-call for projects in the bike and pedestrian category this coming January 2011 to fund bike and pedestrian projects in fiscal years 2012 and 2013. Three percent of the new Measure A revenue is designated to provide safe paths for bicyclists and pedestrians.

MAJOR INITIATIVES

Public Transit Programs

Measure A funds and contributions from the District support the county's share of the Peninsula Corridor Joint Powers Board (JPB). The JPB provides public transit services via its Caltrain railroad over a 77-mile right of way extending from San Francisco in the north to Gilroy in the south. Projects funded include new construction 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 2010 include:

- Preliminary engineering work for the San Francisco Downtown extension
- Provision of local match requirements for federally funded capital construction grants
- Design and construction of system-wide State of Good Repair Projects
- Design and construction of the San Mateo County Local Safety and Access Improvements Program
- Design and construction of South San Francisco station parking improvements
- Design and construction of San Bruno Grade Separation Project
- Design and construction of San Mateo Bridges Retrofit Project
- Preliminary engineering and environmental studies for the Dumbarton Rail Corridor Project

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Other notable public transit projects during fiscal year 2010 include:

- Construction of South San Francisco ferry terminal
- Contributions to BART for the SFO Extension

Street and Highway Improvements Program

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

- Roadway widening
- Interchange reconstruction
- Highway ramp modification
- Travel pattern forecasts
- Travel time information system

Notable street and highway projects during Fiscal Year 2010 include:

- Construction of auxiliary lanes from Third Avenue in San Mateo to Millbrae Avenue in Millbrae
- Reconstruction of the Peninsula Avenue Interchange on the San Mateo/Burlingame border
- Design of the Marsh Road to the San Mateo/Santa Clara County Auxiliary Lane Project
- Preliminary engineering and environmental studies for Route 1 Improvement Project, Fassler Avenue to Westport Drive in Pacifica
- Operational analysis for Willow Road interchange
- Preliminary engineering and environmental studies for the 101/Broadway Interchange Project
- Design for the Smart Corridor Project
- Alternative analysis for 101 Auxiliary Lanes Project from Oyster Point to San Francisco
- Alternative analysis for 101/84 Woodside Road Interchange Project in Redwood City

Paratransit Programs

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

The District operates its Redi-Wheels and RediCoast programs pursuant to the ADA on behalf of public transit customers with disabilities. The District has certified more than 6,900 county residents as eligible for paratransit services and certifies approximately 154 new applicants each month. Service is available 365 days a year from 5:30 a.m. to midnight and 24-hour service is available in certain areas. Since inception, these programs have provided more than 3.68 million paratransit trips for persons with disabilities.

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

In addition to earnings generated from the permanent fund, four percent of the funds collected through the new Measure A are dedicated specifically to paratransit and other accessible services to meet special mobility needs of the residents of San Mateo County.

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Transportation Systems Management / Alternative Congestion Relief Programs

The TA funds transportation systems management (TSM) / 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. TSM / 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 eleven years, the TA has provided the majority of its TSM / 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 Bicycle Advisory Committee to print San Mateo County bicycle maps. These funds, which were a multi-year commitment, represented about one-fifth of the total allocated toward bicycle projects during the initial 20-year life of Measure A. Original Measure A funds also have been provided to create a plan for a multi-purpose trail as part of the Bay Trail System in San Mateo County.

New Measure A funds have been provided for design and construction of the Ralston Avenue pedestrian / bicycle overcrossing in Belmont.

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 2010, local agencies received \$13.2 million from the new Measure A, bringing the total local aid since the inception of the new Measure A to \$19.2 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.

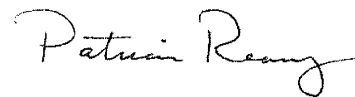
The Government Finance Officers Association (GFOA) recognized the TA's Fiscal Year 2009 CAFR for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both generally accepted accounting principles and applicable legal requirements. We believe our Fiscal Year 2010 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



Patricia Reavey
Director of Finance

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

San Mateo County
Transportation Authority
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



A handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

Executive Director

BOARD OF DIRECTORS

ROSANNE FOUST, CHAIR

JOHN LEE, VICE CHAIR

RICH GORDON

CAROLE GROOM

KARYL MATSUMOTO

TERRY NAGEL

JIM VREELAND

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

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

CAROLE GROOM was appointed to the TA in 2009 representing the Board of Supervisors. She has served as a member of the San Mateo County Board of Supervisors since 2009. Prior to joining the Board of Supervisors, she served nine years on the San Mateo City Council. Supervisor Groom's professional experience includes 18 years as a vice president of Mills-Peninsula Health Services.

JOHN LEE was elected to the TA in 2000 representing Cities-at-Large. He was elected to the San Mateo City Council in 1999. Director Lee served in the United States Marine Corps for 22 years, seeing active duty in Korea and Vietnam, and retiring with the rank of captain. Director Lee is one of the founders of Telogy, Inc., a high-tech electronics company in Union City.

KARYL MATSUMOTO was elected to the TA in 2008 representing the San Mateo County Transit District. She was elected to the South San Francisco City Council in 1997. Director Matsumoto is a native Californian and has lived in South San Francisco for more than 25 years.

TERRY NAGEL was elected to the TA in 2010 representing Central County. She was elected to the Burlingame City Council in 2003 and is currently vice mayor. Director Nagel is managing editor for Civic Ventures, a non-profit organization.

JIM VREELAND was elected to the TA in 2008 representing North County. He has served on the Pacifica City Council for more than 10 years. Director Vreeland works for the Environmental Protection Agency in San Francisco.

EXECUTIVE MANAGEMENT

EXECUTIVE DIRECTOR

Michael J. Scanlon

EXECUTIVE OFFICERS

Virginia Harrington, - Deputy CEO

C. H. (Chuck) Harvey - Deputy CEO

Rita Haskin – Executive Officer, Customer Service and Marketing

Marian Lee – Executive Officer, Planning and Development

Martha Martinez – Authority Secretary

Mark Simon – Executive Officer, Public Affairs

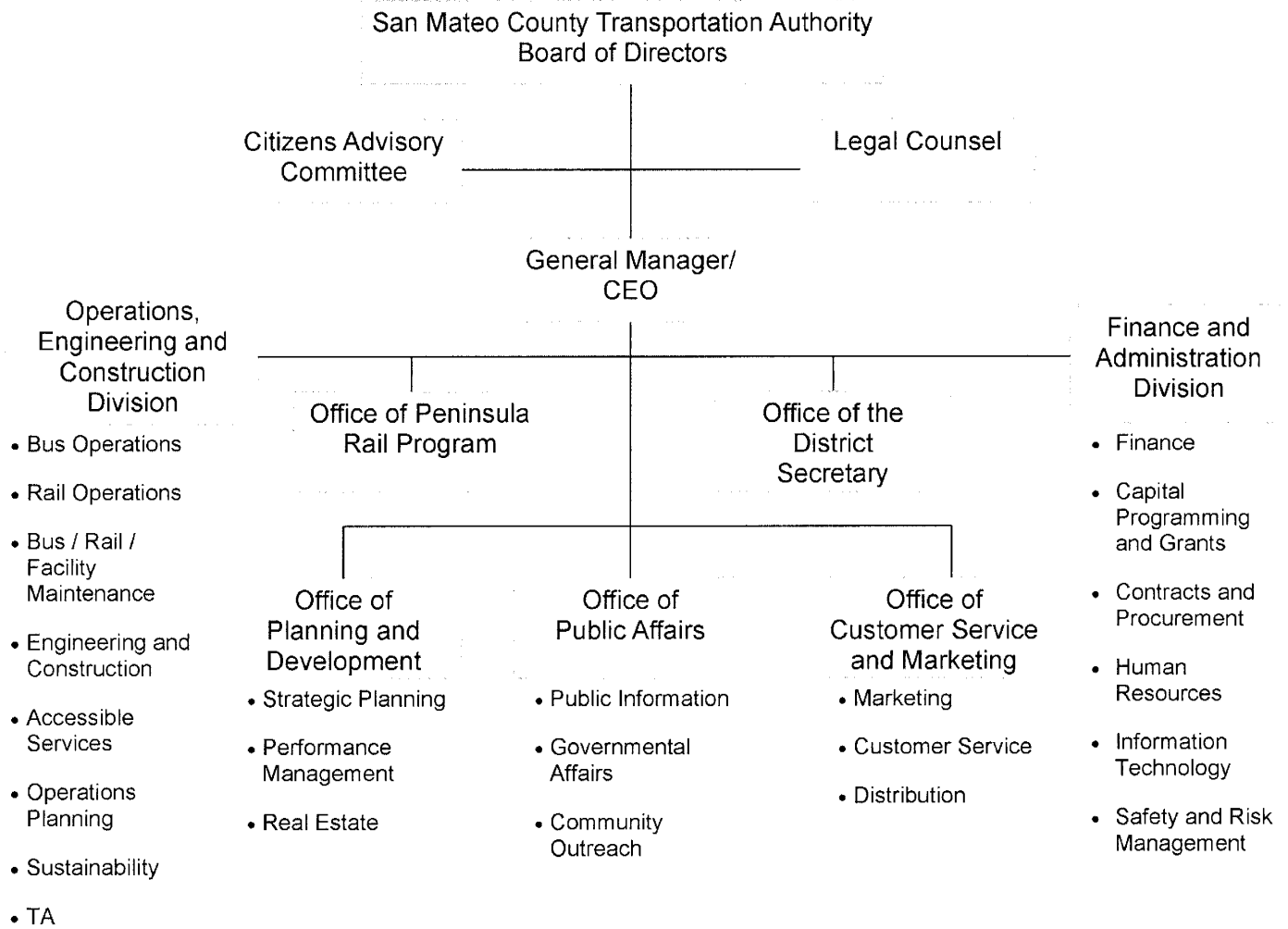
GENERAL COUNSEL

Hanson Bridgett, LLP:

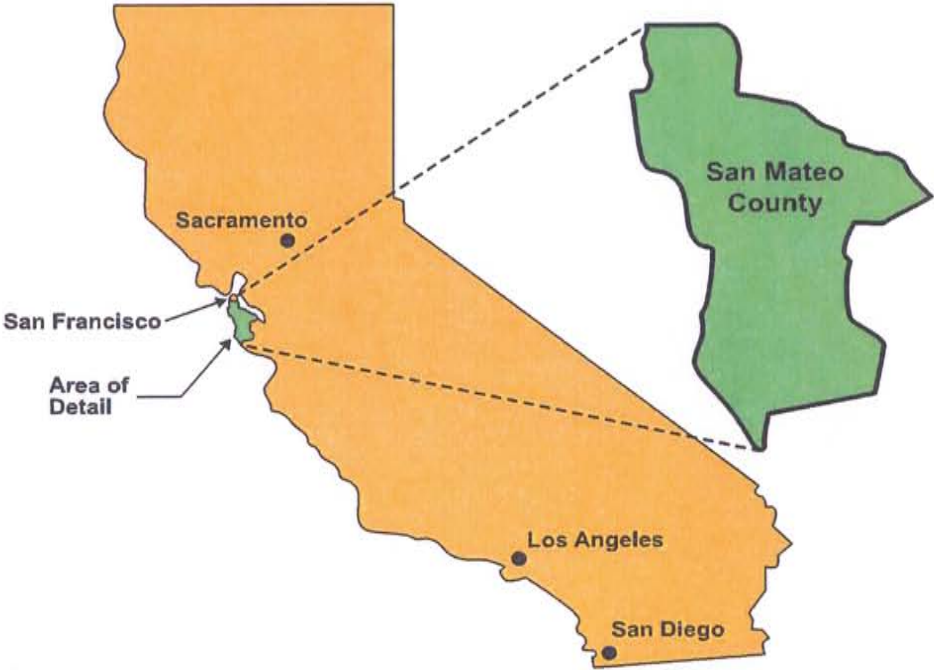
David J. Miller, Esq.

Joan Cassman, Esq.

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TABLE OF CREDITS

The following individuals contributed to the production of the Fiscal Year 2010 CAFR:

<u>Finance:</u>	Manager, Budgets	Ladi Bhuller
	Manager, General Ledger	Rima Lobo
	Manager, Treasury	Lori Snow
	Senior Accountant	Sheila Tioyao
	Senior Budget Analyst	Angela Ho
	Senior Budget Analyst	Chris Petak
	Senior Systems Accountant	Angustia Pacumio
<u>Audit Firm:</u>	Partner	Vikki C. Rodriguez

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Section II

FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

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

Required Supplementary Information

Other Supplemental Information

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo County Transportation Authority (TA), as of and for the year ended June 30, 2010, which collectively comprise the TA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the TA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the TA's June 30, 2009 financial statements, which were audited by other auditors, who provided an unqualified opinion on their report dated November 30, 2009.

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, each major fund, and the aggregate remaining fund information of the TA's as of June 30, 2010, 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 October 15, 2010 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, and Required Supplemental Information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introduction, and statistical section 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 on the information.

Maze & Associates

October 15, 2010

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, 2010 with comparisons to the fiscal year ended June 30, 2009. 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 decreased by \$7.8 million or 1.8 percent to \$438.9 million at June 30, 2010 compared to June 30, 2009. Cash and investments comprised \$405.7 million or 92.4 percent of the total 2010 year-end amount.
- Sales tax revenue for all funds was \$58.5 million during 2010, a decrease of \$1.5 million or 2.6 percent from 2009.
- The TA expended \$53.1 million in capital outlay during 2010, an increase of \$4.0 million or 8.1 percent over 2009. This amount included construction costs related to the addition of an auxiliary lane in both directions of Highway 101 between Third Avenue in San Mateo and Millbrae Avenue in Millbrae.
- Total liabilities decreased \$0.3 million or 2.0 percent to \$13.9 million at June 30, 2010 compared to June 30, 2009.
- Total net assets decreased by \$7.6 million or 1.7 percent to \$425.0 million at June 30, 2010 compared to June 30, 2009. In addition, the ending *unreserved fund balance* for the Special Revenue Fund decreased by \$7.7 million or 1.8 percent to \$410.1 million at 2010 year-end. These decreases are due to total expenditures exceeding total revenues in 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

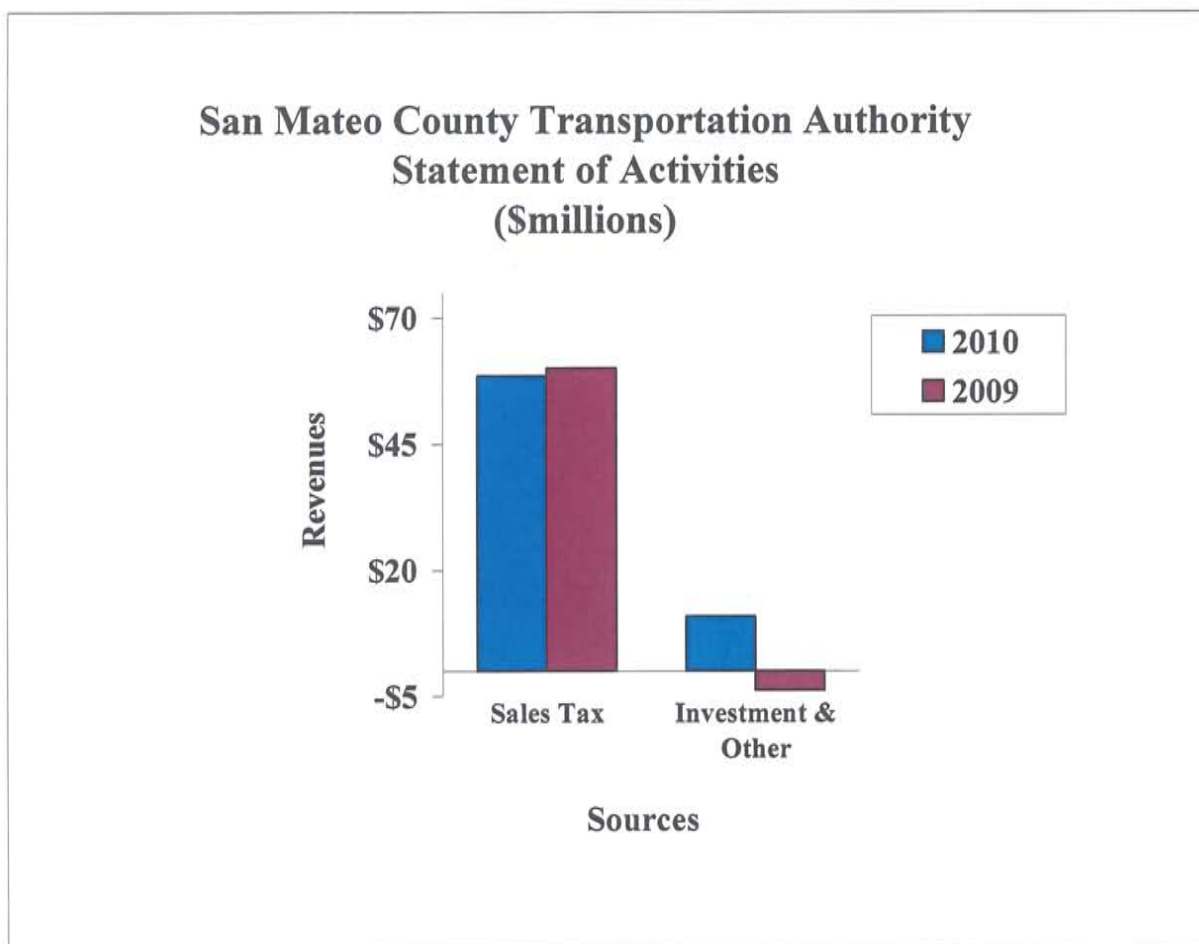
The Financial Section of this report presents the TA's basic financial statements in three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Other supplementary information also appears in addition to the basic financial statements.

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.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2010**

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.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2010**

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

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

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

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

- The *Transportation System Management (TSM)/Alternative Congestion Relief (ACR) Special Revenue Fund* which accounts for all transactions relating to funding of traffic management projects and creative congestion relief programs from the original Measure A program.

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 23 of this report, immediately following the financial statements to which they refer.

Other Information

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2010**

Government-wide Financial Analysis

At June 30, 2010, total assets were \$438.9 million, a decrease of \$7.8 million or 1.8 percent from June 30, 2009. Cash and investments comprise \$405.7 million of this amount. With only \$13.9 million in total liabilities, the TA is in an excellent position to meet its obligations for current construction projects. As of the end of fiscal year 2010, existing encumbrances and expected future costs combined for current construction projects are estimated to total \$281.2 million.

Capital assets were \$13.6 million in 2010. There were no changes compared to 2009.

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 33 of this report.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NET ASSETS

	Governmental Activities	
	2010	2009
Current and other assets	\$ 425,350,879	\$ 433,191,680
Capital assets	13,590,975	13,590,975
Total assets	<u>438,941,854</u>	<u>446,782,655</u>
Long-term liabilities outstanding	3,450,000	3,450,000
Other liabilities	10,449,236	10,733,864
Total liabilities	<u>13,899,236</u>	<u>14,183,864</u>
Net assets:		
Invested in capital assets, net of related debt	13,590,975	13,590,975
Unrestricted	411,451,643	419,007,816
Total net assets	<u>\$ 425,042,618</u>	<u>\$ 432,598,791</u>

Total liabilities decreased by \$0.3 million or 2.0 percent to \$13.9 million at June 30, 2010 compared to \$14.2 million at June 30, 2009. The decrease was due to a reduction in accruals for capital projects.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2010**

Net assets decreased by \$7.6 million or 1.7 percent to \$425.0 million at June 30, 2010, the result of expenses exceeding revenues in 2010.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
CHANGES IN NET ASSETS

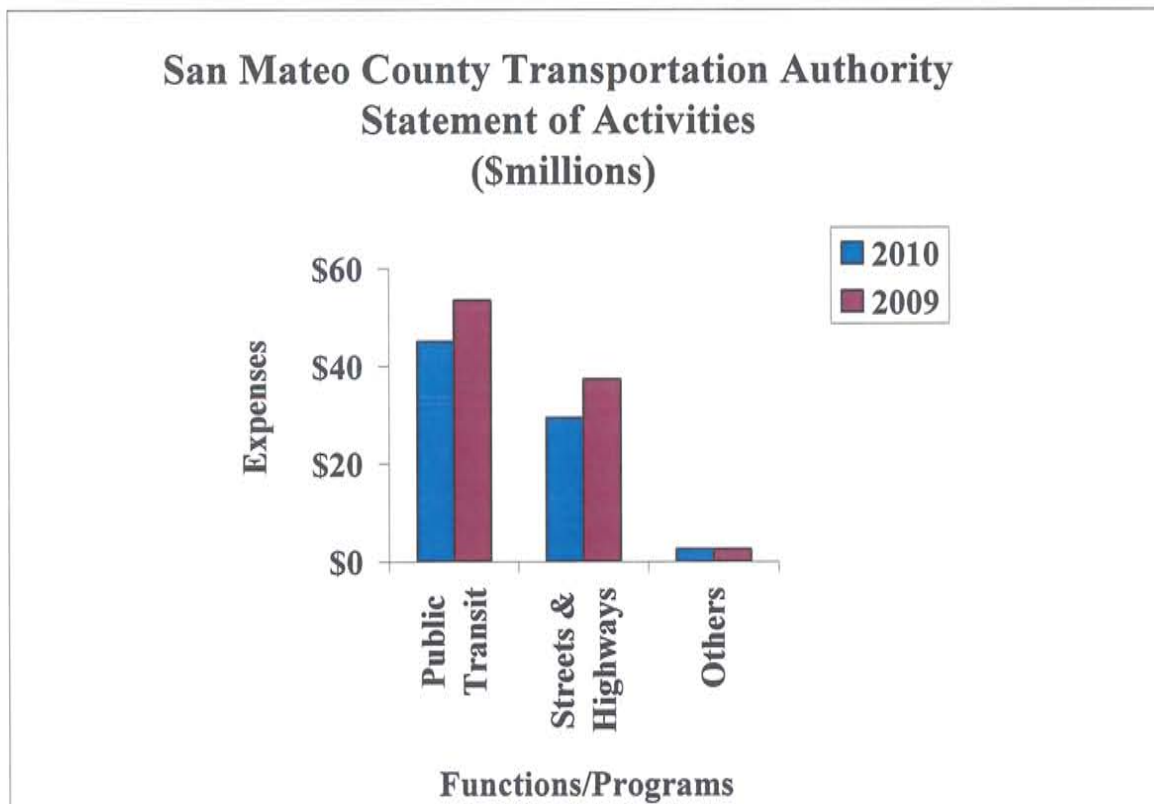
	Governmental Activities	
	2010	2009
Revenues:		
Program revenues		
Charges for services	\$ 1,072,287	\$ 1,076,491
Operating grants/contributions	1,960,811	7,419,581
General revenues		
Sales tax	58,485,023	60,022,443
Investment earnings and others	7,865,626	(12,249,132)
Total revenues	<u>69,383,747</u>	<u>56,269,383</u>
Expenses:		
Public transit	45,000,157	53,524,062
Streets and highways	29,426,154	37,251,122
Others	2,513,609	2,546,850
Total expenses	<u>76,939,920</u>	<u>93,322,034</u>
Change in net assets	(7,556,173)	(37,052,651)
Net assets - July 1	432,598,791	469,651,442
Net assets - July 30	<u>\$ 425,042,618</u>	<u>\$ 432,598,791</u>

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2010**

Governmental Activities

Total expenses for governmental activities were \$76.9 million in 2010, a decrease of \$16.4 million or 17.6 percent compared to 2009. The functional components of total expenses are public transit (58.5 percent), streets and highways (38.2 percent) and other programs (3.3 percent). The following are the highlights of the TA's governmental activities:

- Sales tax revenue decreased by \$1.5 million or 2.6 percent to \$58.5 million in 2010 from 2009. However, the TA's distribution of construction funds to local entities increased by \$0.5 million to \$13.2 million in 2010 from 2009 due to the change in the distribution percentage with the new Measure A from 20 percent to 22.5 percent effective January 2009.
- Investment earnings and other revenues of \$7.9 million in 2010 was \$20.1 million or 164.2 percent higher compared to 2009. This significant increase was mostly due to investment losses that occurred in 2009.
- Expenses for public transit projects in 2010 decreased by \$8.5 million or 15.9 percent to \$45.0 million compared to 2009. The decrease was mainly due to a one-time \$25 million transfer of the Paratransit Permanent Fund to the District pursuant to the 1988 Transportation Expenditure Plan. The transfer occurred in 2009.
- Spending for streets and highways in 2010 decreased by \$7.8 million or 21.0 percent to \$29.4 million compared to 2009 mainly due to the current phase of capital projects. Several streets and highway projects completed the construction phase in prior years, which is the most expensive phase of work on a project.



**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2010**

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 \$410.1 million at June 30, 2010, a decrease of \$7.7 million or 1.8 percent from June 30, 2009, as total expenses exceeded total revenues during 2010. The total fund balance at June 30, 2010 of \$410.1 million is unreserved 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 unreserved fund balance to its future commitments. At June 30, 2010, the estimated cost to complete on-going projects is \$281.2 million or 68.6 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 86.1 percent of the *Special Revenue Fund's* total budgeted revenue for FY 2010. Actual sales tax revenue for the year was \$58.5 million, which was below budget by \$1.5 million or 2.6 percent. The difference is due to lower sales tax collected in the county.

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

The TA spent \$53.1 million or 31.6 percent of its final 2010 budget for capital outlays, which included the cost of completing on-going capital projects. The difference is due to slower than anticipated progress on 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 2009 is not included in the 2010 *Budgetary Comparison Schedule*.

Capital Projects

The TA spent \$53.1 million on capital projects in 2010, an increase of \$4.0 million or 8.1 percent compared to 2009. Following are the major capital expenditures:

- Construction cost for the addition of an auxiliary lane in both directions of Highway 101 between Third Avenue in San Mateo and Millbrae Avenue in Millbrae (\$12.6 million).
- Studies and design costs associated with the grade separation project for San Bruno Avenue in San Bruno and Linden Avenue in South San Francisco (\$13.9 million).
- Signal design to improve safety at the rail grade crossings in San Mateo County (\$10.7 million).

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2010**

- Funding for the 2010 local capital match requirement assessed to San Mateo County according to the Caltrain Joint Powers Agreement (\$5.5 million).
- Acquisition of property in San Francisco for the Transbay Transit Center/Caltrain Downtown Extension project (\$3.5 million).
- Design costs associated with the 101/Broadway Interchange project (\$1.5 million).

More information on the TA's capital project activity appears in *Notes #14 and #15 – Capital Outlay and Construction Commitments* on page 40 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* on page 38 in the *Notes to the Financial Statements*.

Economic Factors

In September, the National Bureau of Economic Research's Business Cycle Dating Committee announced that the recession, which began in December 2007 and lasted 18 months, ended in June 2009. However, the TA's sales tax revenues decreased \$1.5 million or 2.6 percent in FY2010 to \$58.5 million after having decreased \$8.6 million or 12.6 percent in FY2009. A similar result was experienced with unemployment in San Mateo County reaching 9.2 percent in June 2010. This was up from 9.0 percent in June 2009 and 4.8 percent in June 2008. While the TA is still feeling the affects of the recession, the decrease has slowed over the last fiscal year. Consequently, the TA has taken this trend into account in its FY2011 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., San Carlos, California, 94070-1306.

BASIC FINANCIAL STATEMENTS
Government-wide Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010
(WITH COMPARATIVE DATA AS OF JUNE 30, 2009)

	Governmental Activities	
	2010	2009
ASSETS		
Cash and investments (Note 2)	\$ 405,729,418	\$413,302,074
Receivables:		
Sales tax (Note 3)	11,189,348	9,742,367
Interest (Note 4)	1,908,400	2,708,459
Note receivable (Note 5)	4,343,404	4,343,404
Other (Note 6)	2,177,009	3,083,992
Prepaid expenses	3,300	11,384
Capital assets, net of accumulated depreciation (Note 7)	13,590,975	13,590,975
Total Assets	438,941,854	446,782,655
LIABILITIES		
Accounts payable (Note 8)	2,560,638	2,009,024
Accrued liabilities (Note 9)	7,845,543	8,681,850
Unearned revenue	3,957	3,892
Deposits	39,098	39,098
Long-term liabilities (Note 10):		
Due beyond one year	3,450,000	3,450,000
Total Liabilities	13,899,236	14,183,864
NET ASSETS (Note 11)		
Invested in capital assets, net of related debt	13,590,975	13,590,975
Unrestricted net assets	411,451,643	419,007,816
Total Net Assets	\$ 425,042,618	\$432,598,791

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH SUMMARIZED DATA FOR THE YEAR ENDED JUNE 30, 2009)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Contributions and Grants	2010	2009
Governmental Activities:					
Public Transit					
Upgrades and extensions	\$ 19,709,380	\$ -	\$ -	\$ (19,709,380)	\$ (9,612,091)
Grade separations	14,444,661	794,614	308,446	(13,341,601)	(5,908,455)
Paratransit	2,339,401	-	-	(2,339,401)	(26,071,259)
Dumbarton spur	2,146,261	277,673	1,652,365	(216,223)	(758,038)
BART	1,169,700	-	-	(1,169,700)	(535,629)
Caltrain	4,678,803	-	-	(4,678,803)	(2,142,518)
Projects funding	511,951	-	-	(511,951)	-
Street and highways					
Distributions to local entities	13,159,130	-	-	(13,159,130)	(12,674,026)
Projects funding	16,267,024	-	-	(16,267,024)	(24,577,096)
Caltrain shuttle program	1,322,154	-	-	(1,322,154)	(1,339,250)
Transportation systems management	472,515	-	-	(472,515)	(461,781)
Program administration	718,940	-	-	(718,940)	(745,819)
Total Governmental Activities	<u>\$76,939,920</u>	<u>\$1,072,287</u>	<u>\$1,960,811</u>	<u>(73,906,822)</u>	<u>(84,825,962)</u>
General revenues:					
Sales taxes				58,485,023	60,022,443
Unrestricted investment earnings (Note 12)				7,865,626	(12,249,132)
Total General Revenues				<u>66,350,649</u>	<u>47,773,311</u>
Change in Net Assets				(7,556,173)	(37,052,651)
Net Asset-Beginning of Year				<u>432,598,791</u>	<u>469,651,442</u>
Net Assets-Ending of Year				<u>\$ 425,042,618</u>	<u>\$432,598,791</u>

The accompanying notes are an integral part of these financial statements

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010 (WITH SUMMARIZED INFORMATION AT JUNE 30, 2009)

	Special	Nonmajor Fund -	Total Governmental	
	Revenue Fund	Transportation System Management	2010	2009
ASSETS				
Cash and investments (Note 2)	\$ 405,729,418	\$ -	\$405,729,418	\$413,302,074
Receivables:				
Sales tax (Note 3)	11,189,348	-	11,189,348	9,742,367
Interest (Note 4)	1,435,327	-	1,435,327	2,377,673
Other (Note 6)	2,177,009	-	2,177,009	3,083,992
Prepaid expenses	3,300	-	3,300	11,384
Total Assets	\$420,534,402	\$ -	\$420,534,402	\$428,517,490
LIABILITIES				
Accounts payable (Note 8)	\$ 2,560,638	\$ -	\$ 2,560,638	\$ 2,009,024
Accrued liabilities (Note 9)	7,845,543	-	7,845,543	8,681,850
Deferred rent revenue	3,957	-	3,957	3,892
Deposits	39,098	-	39,098	39,098
Total Liabilities	10,449,236	-	10,449,236	10,733,864
FUND BALANCES				
Fund balance (Note 11)				
Reserved for prepaid expenses	3,300	-	3,300	-
Unreserved, reported in:				
Special revenue fund				
Designated for -				
Current Measure A Projects	281,239,724	-	281,239,724	167,207,482
Future Measure A Projects	128,842,142	-	128,842,142	249,981,771
Nonmajor special revenue funds				
Designated	-	-	-	594,373
Total Fund Balances	410,085,166	-	410,085,166	417,783,626
Total Liabilities and Fund Balances	\$ 420,534,402	\$ -	\$420,534,402	\$428,517,490

The accompanying notes are an integral part of these financial statements

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Balance Sheet and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental net assets reported on the Statement of Net Assets, which is prepared on the full accrual basis.		
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 410,085,166	\$ 417,783,626
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	473,073	330,786
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:		
Loan from State of California	<u>(3,450,000)</u>	<u>(3,450,000)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 425,042,618</u>	<u>\$ 432,598,791</u>

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009)

	Special Revenue Fund	Nonmajor Fund - Transportation System Management	Total	
			2010	2009
REVENUES				
Sales tax	\$ 58,485,023	\$ -	\$ 58,485,023	\$ 60,022,443
Investment income (Note 12)	7,723,339	-	7,723,339	(12,630,047)
Rental income	1,072,287	-	1,072,287	1,076,491
Grant proceeds	1,960,811	-	1,960,811	7,419,581
Total Revenues	69,241,460	-	69,241,460	55,888,468
EXPENDITURES				
Administration:				
Staff support (Note 13)	489,411	-	489,411	487,297
Board compensation	6,900	-	6,900	6,900
Professional and legal fees	181,197	-	181,197	169,792
Other services and supplies	33,948	-	33,948	58,861
Travel and meeting	2,484	-	2,484	9,799
Distribution to local entities	15,618,158	352,888	15,971,046	14,207,067
BART	1,169,700	-	1,169,700	535,630
Caltrain	4,678,803	-	4,678,803	2,142,517
Special allocation to Samtrans	-	-	-	25,000,000
Caltrain shuttles program	1,322,154	-	1,322,154	1,339,250
Dumbarton corridor maintenance	5,000	-	5,000	242,089
Measure A information	-	-	-	13,169
Capital outlays (Note 14)	53,079,277	-	53,079,277	49,109,663
Total Expenditures	76,587,032	352,888	76,939,920	93,322,034
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,345,572)	(352,888)	(7,698,460)	(37,433,566)
NET CHANGE IN FUND BALANCES	(7,345,572)	(352,888)	(7,698,460)	(37,433,566)
BEGINNING FUND BALANCES	417,430,738	352,888	417,783,626	455,217,192
ENDING FUND BALANCES	\$ 410,085,166	\$ -	\$ 410,085,166	\$ 417,783,626

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, 2010
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009)**

	<u>2010</u>	<u>2009</u>
The schedule below reconciles the Net Changes in Fund Balances reported in the Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.		
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (7,698,460)	\$(37,433,566)
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.	142,287	156,659
Payment of the arbitrage liability was recorded as an expenditure in the government funds but reduces the cumulative liability in the statement of net assets and does not affect the statement of activities.	-	224,256
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (7,556,173)</u>	<u>\$(37,052,651)</u>

The accompanying notes are an integral part of these financial statements

BASIC FINANCIAL STATEMENTS
Notes to the Basic Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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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. 51 – In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the TA's financial statements.

GASB Statement No. 53 – In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is intended to improve how State and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and accrual basis of accounting. The guidance in this statement also addresses hedge accounting requirement and is effective for financial statements with reporting periods beginning after June 15, 2009, with earlier application encouraged. This statement did not have an impact on the TA's financial statements.

GASB Statement No. 54 – In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The TA has not determined its effect on the financial statements.

GASB Statement No. 58- In December 2009, the GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.” This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the TA's financial statements.

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.

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

The *Transportation System Management (TSM)/Alternative Congestion Relief (ACR) Special Revenue Fund* accounts for all transactions relating to funding of traffic management projects and creative congestion relief programs from the original Measure A program.

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.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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.

J. Closed Funds

As of June 30, 2009, both the Permanent Paratransit Special Revenue Fund and the Debt Service Fund were closed.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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

K. Summarized Data

The summarized data provided in these financial statements for fiscal year ended June 30, 2009 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, 2009, from which such comparative information was derived.

L. Reclassifications

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

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:

	2010	2009
Cash and Investments		
Special Revenue Fund		
Cash and Cash equivalents:		
Bank balance	\$ 375,640	\$ 570,607
Investments	405,353,778	412,035,527
Total Special Revenue Fund	405,729,418	412,606,134
Other Governmental Funds		
Cash and cash equivalents:		
Bank balance	-	(6,330)
Investments:		
Paratransit Special Revenue Fund	-	164,120
ACR/TSM Special Revenue Fund	-	538,150
Total Other Governmental Funds	-	695,940
Total Cash and Investments	\$ 405,729,418	\$ 413,302,074

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

	2010	2009
Deposits with financial institutions	\$ 375,640	\$ 564,277
Investments	405,353,778	412,737,797
	<u>\$ 405,729,418</u>	<u>\$ 413,302,074</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%
Comercial Paper	270 days	25%	10%
Negoitable 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, 2010 AND 2009

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

The TA’s weighted average maturity of its investment portfolio at June 30, 2010 was as follows:

Investment Type	Amount	Weighted Average Maturity (in years)
Repurchase Agreement	\$ 415,041	0.00
U.S. Treasury Notes	35,942,708	2.59
U.S. Agency Securities	84,229,751	1.87
Corporate Bonds	18,979,601	1.49
Certificates of Deposit	3,275,841	0.76
Investment in County Investment Pool	255,807,095	1.00
Investment in State Investment Pool	7,118,782	0.56
	<u>\$ 405,768,819</u>	
Portfolio Weighted Average Maturity		1.33

The TA’s weighted average maturity of its investment portfolio at June 30, 2009 was as follows:

Investment Type	Amount	Weighted Average Maturity (in years)
Repurchase Agreement	\$ 598,277	-
U.S. Treasury Notes	15,015,232	1.16
U.S. Agency Securities	46,480,121	1.85
Corporate Bonds	9,194,361	2.02
Certificates of Deposit	3,214,510	1.76
Investment in County Investment Pool	338,828,171	0.90
Investment in State Investment Pool	5,402	0.64
	<u>\$ 413,336,074</u>	
Portfolio Weighted Average Maturity		1.05

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, 2010 AND 2009

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, 2010		
		AAA	A	Not Rated
Repurchase Agreements	\$ 415,041	\$ -	\$ -	\$ 415,041
U.S. Treasury Notes	35,942,708	-	-	35,942,708
U.S. Agency Securities	84,229,751	84,229,751	-	-
Corporate Bonds	18,979,601	18,979,601	-	-
Certificates of Deposit	3,275,841	-	-	3,275,841
Investment in County Investment Pool	255,807,095	255,807,095	-	-
Investment in State Investment Pool	7,118,782	-	7,118,782	-
Total	<u>\$ 405,768,819</u>	<u>\$ 359,016,447</u>	<u>\$ 7,118,782</u>	<u>\$ 39,633,590</u>

Investment Type	Amount	Rating as of June 30, 2010		
		AAA	A	Not Rated
Repurchase Agreements	\$ 415,041			\$ 415,041
U.S. Treasury Notes	35,942,708			35,942,708
U.S. Agency Securities	84,229,751	\$ 84,229,751		
Corporate Bonds	18,979,601	18,979,601		
Certificates of Deposit	3,275,841			3,275,841
Investment in County Investment Pool	255,807,095	255,807,095		
Investment in State Investment Pool	7,118,782		\$ 7,118,782	
Total	<u>\$ 405,768,819</u>	<u>\$ 359,016,447</u>	<u>\$ 7,118,782</u>	<u>\$ 39,218,549</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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 major Special Revenue Fund as follows:

Issuer	Investment Type	Fair Value 2010
Federal National Mortgage Association (FNMA)	U.S. Agency Security	\$ 34,758,156
Federal Home Loan Bank (FHLB)	U.S. Agency Security	28,967,416
Federal Home Loan Mortgage Corporation (FHLM)	U.S. Agency Security	20,504,180

There were no investments in any one issuer that represents five percent or more of the TA’s total investments at June 30, 2009.

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.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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 \$254,895,663 and \$339,905,958 at June 30, 2010 and 2009, respectively, that is recorded at \$255,807,095 and \$338,828,171 on the balance sheet after the adjustment for unrealized gains/losses for years ending 2010 and 2009, 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.

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, 2010, the County Pool’s credit rating by Standard & Poors was AAA. 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. As of October 4, 2010, the anticipated recovery value is projected to be \$0.23 on the dollar. Based on the TA’s participation rate, this equates to approximately \$5.8 million. However, this amount will fluctuate until Lehman Brothers’ bankruptcy proceedings are finalized.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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 \$7,118,782 and \$5,402 on the balance sheet after the adjustment for unrealized gains/losses for fiscal year 2010 and 2009 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. As of June 30, 2010, LAIF’s credit rating by Standard & Poors was A-. 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, 2010.

NOTE 4 - INTEREST RECEIVABLE

Interest receivables at June 30 are as follows:

	2010	2009
Interest due from deposits and investments	\$ 1,435,327	\$ 2,377,673
Total reported on Governmental Funds Statements	1,435,327	2,377,673
Accrued interest on note receivable	473,073	330,786
Total reported on Government-Wide Statements	\$ 1,908,400	\$ 2,708,459

NOTE 5 - NOTES 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*.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 6 - OTHER RECEIVABLES

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

	2010	2009
Metropolitan Transportation Commission	\$ 1,637,124	\$ 1,109,462
San Mateo County Transit District	23,225	26,273
Peninsula Corridor Joint Powers Board	103,061	58,268
Alameda County Transportation Improvement Authority	153,203	379,759
Santa Clara Valley Transportation Authority	113,523	293,371
California State Department of Transportation	137,706	1,211,041
Other	9,167	5,818
Total Other Receivables	\$ 2,177,009	\$ 3,083,992

NOTE 7 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2010 are as follow:

	Balance June 20, 2009	Additions	Deletions	Balance June 30, 2010
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:

	2010	2009
Salaries and benefits	\$ 374,895	\$ 129,889
Capital project	-	324,662
Shuttle program	356,224	243,007
Paratransit program	627,149	289,695
Caltrain	1,166,541	878,519
Other	35,829	143,252
Total	\$ 2,560,638	\$ 2,009,024

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 9 – ACCRUED LIABILITIES

Accrued liabilities at June 30 are as follows:

	2010	2009
Disbursements to local entities for transportation projects	\$ 3,010,391	\$ 2,538,973
Capital project	4,591,245	5,898,839
BART	223,787	194,847
Other	20,120	49,191
Total	\$ 7,845,543	\$ 8,681,850

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 at July 1, 2009	Adjustments/ Additions	Deletions	Balance at June 30, 2010
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

A. Government – Wide Net Assets

The government-wide financial statements utilize a net assets presentation. Under GASB 34, net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

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

Restricted Net Assets – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2010 and 2009, respectively, the TA does not have any restricted net assets.

Unrestricted Net Assets – This category represents net assets of the TA available for projects and other purposes specified under Measure A. Of the \$411,451,643 unrestricted amount, \$281,239,724 has been appropriated for current Measure A projects as of June 30, 2010.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 11 – NET ASSETS / FUND BALANCE (Continued)

B. Fund-Level Fund Balance

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

The designated fund balance consists of \$410,085,166 in the major Special Revenue Fund designated for projects and other purposes specified under Measure A. As of June 30, 2010, \$281,239,724 of this amount has been appropriated for current Measure A projects and \$128,845,442 has been designated for future Measure A projects.

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

NOTE 12 – INVESTMENT INCOME

Investment income activity was as follows for each fiscal year ending June 30:

	<u>2010</u>	<u>2009</u>
Interest Income	\$ 5,368,685	\$ 10,675,094
Net increase (decrease) in fair value of investments	<u>2,496,941</u>	<u>(22,924,226)</u>
Investment income - Statement of Activities (see below)	7,865,626	(12,249,132)
Increase in long-term interest receivable	(142,288)	(156,659)
Increase(decrease) in cumulative rebate liability	<u>-</u>	<u>(224,256)</u>
Investment income - Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 7,723,338</u>	<u>\$ (12,630,047)</u>
Investment income - Statements of Activities is reported below:		
Unrestricted investment earnings	<u>\$ 7,865,626</u>	<u>\$ (12,249,132)</u>
	<u>\$ 7,865,626</u>	<u>\$ (12,249,132)</u>

In fiscal year 2009, the TA transferred the 25 million corpus of the Paratransit Fund to the District for oversight. The TA was required to transfer the corpus to the District for Administration upon expiration of Measure A on December 31, 2008 per the 1988 Transportation Expenditure Plan. The District now administers the fund and utilizes earnings on the corpus to fund paratransit activities.

NOTE 13 – STAFF SUPPORT EXPENDITURES

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

	<u>2010</u>	<u>2009</u>
Salaries and benefits	\$ 413,558	\$ 400,857
Indirect costs	<u>75,853</u>	<u>86,440</u>
Total	<u>\$ 489,411</u>	<u>\$ 487,297</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 14 – CAPITAL OUTLAY

The expenditures on public transportation projects during FY 2010 were \$53,079,277. Total expenditures on such projects from inception through June 30, are as follows:

Capital Projects	2010	2009
Dumbarton Spur	\$ 28,830,255	\$ 26,683,994
Caltrain	154,879,460	135,170,076
Ferry	377,099	-
Local Shuttle	134,852	-
Railroad Grade Separations	171,958,308	157,513,647
Streets and Highways	210,320,387	194,662,691
Oversight and Bicycle	4,933,142	4,323,814
Total	\$ 571,433,503	\$ 518,354,222

The Dumbarton Spur expenditures of \$28,830,255 were partially financed by a state loan of \$3,450,000. Of the total expenditures of \$571,433,503 for capital outlay, \$14,544,251 was funded by contributions for external entities.

NOTE 15 – CONSTRUCTION COMMITMENTS

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

Capital Projects	2010	2009
Dumbarton Spur	\$ 15,598,783	\$ 17,372,222
Caltrain	30,818,628	38,313,014
Ferry	14,662,901	-
Local Shuttle	10,441	-
Railroad Grade Separations	118,527,570	24,587,688
Streets and Highways	91,501,507	83,248,922
Oversight and Bicycle	4,395,363	3,685,636
Total	\$ 275,515,193	\$ 167,207,482

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.

REQUIRED SUPPLEMENTARY INFORMATION

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive/(Negative)
	Original	Final		
Budgetary Fund Balance, Beginning of Year	\$ 449,848,997	\$ 421,948,270	\$ 424,975,231	\$ 84,547,241
Resources (inflows)				
Sales Tax	64,716,300	60,000,000	58,485,023	(1,514,977)
Investment Income	7,292,600	5,271,010	5,277,400	6,390
Rental Income	1,077,120	1,077,120	1,072,287	(4,834)
Grant proceeds	3,300,000	3,300,000	1,960,811	(1,339,190)
Amounts Available for Appropriation	<u>76,386,020</u>	<u>69,648,130</u>	<u>66,795,520</u>	<u>(2,852,610)</u>
Charges to appropriation (outflows)				
Program Administration				
Staff support	510,955	510,955	489,412	21,543
Board compensation	8,400	8,400	7,563	837
Professional and legal fees	295,770	295,770	197,478	98,292
Other services and supplies	35,167	35,167	22,004	13,164
Travel and meeting	9,700	9,700	2,484	7,217
	<u>859,992</u>	<u>859,992</u>	<u>718,940</u>	<u>141,052</u>
Distribution to local entities	17,796,983	16,487,455	15,618,157	869,298
BART	1,294,326	1,200,000	1,169,700	30,300
Caltrain	5,177,304	4,800,000	4,678,802	121,198
Caltrain shuttle program	1,431,768	1,431,768	1,322,154	109,614
Measure A information	17,500	17,500	-	17,500
Capital outlays	<u>167,766,696</u>	<u>167,766,696</u>	<u>53,079,282</u>	<u>114,687,414</u>
Total Charges to Appropriations	<u>194,344,569</u>	<u>192,563,411</u>	<u>76,587,035</u>	<u>115,976,376</u>
Budgetary Fund Balance, End of Year	<u>\$ 331,890,448</u>	<u>\$ 299,032,989</u>	<u>\$ 415,183,716</u>	<u>\$ 116,150,727</u>

Explanation of Difference Between Budgetary Inflows and GAAP Revenues

Actual amounts available for appropriation - budgetary basis from above	\$ 66,795,520
Unrealized gains under GASB 31	<u>2,445,940</u>
Total revenues in the Statement of Revenues, Expenses and Changes in Fund Balances - GAAP basis	<u>\$ 69,241,460</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2010

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.

OTHER SUPPLEMENTAL INFORMATION

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEM MANAGEMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive/(Negative)
	Original	Final		
Budgetary Fund Balance, Beginning of Year	\$ 406,350	\$ 594,373	\$ 352,888	\$ (241,485)
Resources (inflows)				
Sales Tax				-
Amounts Available for Appropriation	-	-	-	-
Charges to appropriation (outflows)				
Distribution to local entities	340,343	352,888	352,888	-
Other Financing (Source) Use				
Transfer in				-
Transfer out				-
Total charges to appropriations	340,343	352,888	352,888	-
Budgetary Fund Balance, End of Year	<u>\$ 66,007</u>	<u>\$ 241,485</u>	<u>\$ -</u>	<u>\$ -</u>

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Section III

STATISTICAL

Financial Trends

- **Net Assets and Change in Net Assets**
- **Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**

Revenue Capacity

- **Revenue Base and Revenue Rate**
- **Principal Tax Payer**

Debt Capacity

- **Ratio of Outstanding Debt**
- **Bonded Debt**
- **Direct and Overlapping Debt and Debt Limitation**
- **Pledged Revenue Coverage**

Demographics and Economic Information

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

Operating Information

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

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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 2010 (in thousands)

Fiscal year	2010	2009	2008	2007	2006
GOVERNMENTAL ACTIVITIES:					
PROGRAM REVENUES					
Grade Separations	\$ 1,103	\$ 3,209	\$ 876	\$ 731	\$ 731
Paratransit	-	-	1,149	1,411	636
Dumbarton Spur	1,930	5,287	1,942	620	1,310
Caltrain Shuttle Program	-	-	-	-	-
Total Program Revenues	3,033	8,496	3,967	2,762	2,677
PROGRAM EXPENDITURES					
Upgrades and Extension	19,709	9,612	12,481	8,136	9,275
Grade Separations	14,445	9,118	4,525	1,867	5,016
Paratransit	2,339	26,071	2,780	2,542	2,358
Dumbarton Spur	2,146	6,045	2,286	852	1,595
BART	1,170	535			
Caltrain	4,679	2,142			
Distribution to local entities	13,159	12,674	13,734	13,240	12,762
Projects funding	16,779	24,577	31,634	19,928	6,690
Caltrain Shuttle Program	1,322	1,339	1,075	1,064	1,010
Transportation Systems Management	473	462	483	476	408
Program Administration	719	746	803	670	1,133
Interest on debt	-	-	379	764	1,121
Total Program Expenditures	76,940	93,321	70,180	49,539	41,370
NET REVENUES (EXPENDITURES)	(73,907)	(84,825)	(66,213)	(46,777)	(38,692)
General revenues					
Sales tax	58,485	60,022	68,670	66,202	63,811
Unrestricted investment earnings	7,866	(12,249)	18,313	20,564	9,549
Other income	-	-	(227)	-	161
CHANGE IN NET ASSETS	(7,556)	(37,051)	20,543	39,989	34,829
Net Asset Components					
Invested in capital assets, net of related debt	13,591	13,591	13,591	18,161	18,161
Restricted	-	-	25,000	35,413	35,403
Unrestricted	411,452	419,008	431,060	395,533	355,553
NET ASSETS	\$425,043	\$432,599	\$469,651	\$449,107	\$409,117

Source: CAFRs.

The Net Assets Components information for 2002 and 2001 were not available.

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 2010 (in thousands)

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 878	\$ 713	\$ 542
692	51	1,195
507	158	174
86	-	-
<u>2,163</u>	<u>922</u>	<u>1,911</u>
14,436	3,624	8,544
4,698	1,398	776
880	2,836	3,042
649	1,314	477
11,991	11,079	10,971
10,427	18,559	14,708
712	835	623
400	392	414
551	509	583
1,458	1,917	2,088
<u>46,201</u>	<u>42,464</u>	<u>42,226</u>
(44,037)	(41,542)	(40,315)
59,953	55,394	54,855
9,591	1,089	16,856
1	1,054	296
<u>25,509</u>	<u>15,995</u>	<u>31,692</u>
18,161	11,505	11,505
35,395	35,395	35,398
320,732	295,224	279,226
<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 2001 THROUGH 2010 (in thousands)

Fiscal year	2010	2009	2008	2007	2006
REVENUES					
Sales tax	\$ 58,485	\$ 60,022	\$ 68,670	\$ 66,202	\$ 63,811
Investment income	7,723	(12,630)	18,995	21,985	10,306
Rental income	1,072	1,076	997	902	892
Grant proceeds	1,961	7,420	1,821	449	1,149
Proceeds from sale of properties	-	-	-	-	-
Non-operating reimbursements	-	-	-	-	-
Other income	-	-	-	-	-
Total Revenue	69,241	55,888	90,483	89,538	76,159
EXPENDITURES					
Administrative:					
Staff support	489	487	593	500	418
Board compensation	7	7	7	6	6
Professional and legal fees	181	170	148	112	115
Other services and supplies	34	59	37	51	63
Travel and meeting	3	10	9	5	4
Leases and rental	-	-	-	-	-
Debt Service:					
Principal	-	-	8,855	8,475	8,115
Interest	-	-	407	789	1,146
Subtotal	714	733	10,056	9,938	9,867
Distributions to local entities	15,971	14,207	16,997	16,257	15,529
BART	1,170	536			
Caltrain	4,679	2,143			
Special allocation to Samtrans	-	25,000			
Caltrain shuttles program	1,322	1,339	1,074	1,064	1,010
Dumbarton corridor maintenance	5	242	182	265	246
Measure A information	-	13	14	3	11
2004 Election	-	-	-	-	521
Capital outlay	53,079	49,110	50,745	30,518	22,330
Total Expenditures	76,940	93,323	79,068	58,045	49,514
Excess Revenues Over Expenditures	(7,699)	(37,434)	11,415	31,493	26,644
OTHER FINANCING SOURCES (USES)					
Transfer in	-	2,902	-	-	-
Transfer out	-	(2,902)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change In Fund Balance	(7,699)	(37,434)	11,415	31,493	26,644
Fund Balance					
Reserved	-	-	25,000	35,414	35,403
Unreserved	410,085	417,784	430,217	408,389	376,907
Total Ending Fund Balance	\$ 410,085	\$ 417,784	\$ 455,217	\$ 443,803	\$ 412,310
Total Debt Service expenditures as a %					
Total Noncapital expenditures	0.0%	0.0%	32.7%	33.7%	34.1%

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 2001 THROUGH 2010 (in thousands)

	2005	2004	2003	2002	2001
\$	59,953	\$ 55,394	\$ 54,855	\$ 57,161	\$ 66,746
	10,400	1,251	17,672	17,712	21,674
	994	870	715	635	526
	479	1,060	293	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	4	1	358
	<u>71,825</u>	<u>58,575</u>	<u>73,538</u>	<u>75,509</u>	<u>89,304</u>
	350	359	450	480	374
	7	6	7	7	5
	122	89	61	52	53
	39	53	58	54	62
	6	7	7	7	5
	-	-	-	-	-
	7,780	7,465	7,175	6,890	6,625
	1,480	1,794	2,088	2,371	2,636
	<u>9,784</u>	<u>9,773</u>	<u>9,846</u>	<u>9,861</u>	<u>9,759</u>
	13,271	14,307	14,428	13,925	16,250
	712	835	623	176	-
	231	287	270	-	-
	32	-	-	-	-
	-	-	-	-	-
	<u>29,979</u>	<u>24,608</u>	<u>28,348</u>	<u>30,138</u>	<u>16,976</u>
	<u>54,008</u>	<u>49,811</u>	<u>53,514</u>	<u>54,100</u>	<u>42,985</u>
	<u>17,817</u>	<u>8,765</u>	<u>20,024</u>	<u>21,409</u>	<u>46,319</u>
	-	1,795	2,091	-	2,300
	-	(1,795)	(2,091)	-	(2,300)
	-	-	-	-	-
	<u>17,817</u>	<u>8,765</u>	<u>20,024</u>	<u>21,409</u>	<u>46,319</u>
	35,395	35,395	35,398	35,397	35,389
	350,270	332,454	323,686	303,663	282,262
	<u>\$ 385,665</u>	<u>\$ 367,849</u>	<u>\$ 359,084</u>	<u>\$ 339,060</u>	<u>\$ 317,651</u>
	38.5%	36.7%	36.8%	38.6%	35.6%

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
FISCAL YEARS 2001 THROUGH 2010 (in thousands)

Fiscal year ended	Special Revenue Fund		
	Reserved	Designated	Total
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
2002	8,031	284,569	292,600
2001	8,031	262,535	270,566

Fiscal year ended	All Other Governmental Funds		
	Reserved	Designated	Total
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
2002	27,366	19,094	46,460
2001	27,358	19,728	47,086

Source: CAFRs.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
FISCAL YEARS 2001 THROUGH 2010 (in thousands)

Fiscal year	2010	2009	2008
The TA's Sales Tax Rate	0.5%	0.5%	0.5%
Total Sales Tax Revenue	\$ 58,485	\$ 60,022	\$ 68,670
Total Taxable Sales in San Mateo County	\$ 11,697,000 ^[1]	\$ 12,004,489 ^[1]	\$ 13,733,921 ^[1]

Source: California State Board of Equalization

[1] Estimate for fiscal year 2008, 2009 and 2010 is based on sales tax revenue received.

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
FISCAL YEARS 2001 THROUGH 2010 (in thousands)

2007	2006	2005	2004	2003	2002	2001
0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
\$ 66,202	\$ 63,811	\$ 59,953	\$ 55,394	\$ 54,855	\$ 57,161	\$ 66,746
\$ 13,326,306	\$ 12,900,391	\$ 12,451,350	\$ 11,808,074	\$ 11,358,439	\$ 11,614,809	\$ 12,859,589

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS
FISCAL YEARS 2001 AND 2009 (in thousands)**

Principal Revenue Payers	FY2009			FY2001		
	Rank	Percent of Taxable Sales	Amount	Rank	Percent of Taxable Sales	Amount
Total all other outlets	1	35.0%	\$ 975,047	1	33.7%	\$ 4,710,908
Other retail stores	12	0.4%	12,108	3	12.0%	1,680,495
Automotive group	3	8.7%	243,050	2	13.2%	1,839,587
General merchandise stores	4	7.6%	211,899	4	9.0%	1,250,564
Specialty stores	7	6.2%	172,411			-
Food Services/Drinking	2	11.2%	310,605	5	7.2%	999,003
Service stations	5	7.4%	204,916	6	5.8%	813,817
Building materials group	6	6.8%	190,615	7	5.7%	794,908
Business and personal services	11	2.1%	58,848	8	4.5%	629,613
Home furnishings/appliances	8	5.1%	142,676	9	3.4%	479,495
Food/Beverage stores	10	4.4%	123,435	10	3.0%	412,230
Apparel stores	9	4.9%	137,216	11	2.5%	350,957
Total		100.0%	\$ 2,782,826		100.0%	\$ 13,961,577

Source: California State Board of Equalization

This table ranks the top 12 principal tax payers by industry.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
DEBT CAPACITY – RATIO OF OUTSTANDING DEBT
FISCAL YEARS 2001 THROUGH 2010 (in thousands)

Fiscal Year	Limited Tax Revenue Bonds for SMCTA^[1]	Personal Income for San Mateo County^[2]	As a Percent of Personal Income
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%
2002	47,865	36,736,603	0.13%
2001	54,755	39,395,344	0.14%

[1] CAFRs

[2] U.S. Department of Commerce, Bureau of Economic Analysis, calendar year figures. Data for 2009 and 2010 is based on an estimated three percent annual increase over 2008.

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 2001 THROUGH 2010 (in thousands)

Fiscal Year	Limited Tax Revenue Bonds for SMCTA	Total Taxable Sales in San Mateo County	As a Percent of Total Taxable Sales in San Mateo County
2010	\$ -	\$ 11,697,000 ^[1]	0.00%
2009	-	12,004,489 ^[1]	0.00%
2008	-	13,733,921 ^[1]	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	11,358,439	0.36%
2002	47,865	11,614,809	0.41%
2001	54,755	12,859,589	0.43%

[1] 2008, 2009 and 2010 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.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
DEBT CAPACITY – DIRECT AND OVERLAPPING DEBT AND DEBT LIMITATION
JUNE 30, 2010

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 2001 THROUGH 2010 (in thousands)

Fiscal Year	Pledged Sales Tax Revenue *	Debt Service			Coverage
		Principal	Interest	Total	
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
2002	45,729	6,890	2,371	9,261	5
2001	53,397	6,625	2,635	9,260	6

* 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
 DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION AND INCOME
 FISCAL YEARS 2008 AND 2000**

	<u>2008</u>	<u>2000</u>	<u>Percent Change Percent Change 2000 - 2008</u>
Total Population	703,730	707,161	-0.5%
Persons Per Household	2.74	2.74	0.0%
Median Household Income	\$ 84,684	\$ 70,819	19.6%
Personal Income (in millions)	\$ 52,286 ^[1]	\$ 41,730	25.3%
Per Capita Income	\$ 73,839 ^[1]	\$ 58,905	25.4%
Minority Population:			
Black	21,816	24,840	-12.2%
Hispanic	162,562	154,708	5.1%
Asian	166,784	141,684	17.7%
Native American	2,815	3,140	-10.4%
Total	<u>353,976</u>	<u>324,372</u>	<u>9.1%</u>
Percent of Minority Population to Total Population	50.3%	45.9%	9.7%
Population by Age:			
4 years and younger	48,557	45,374	7.0%
5 to 17 years	110,486		N/A
5 to 19 years		131,912	N/A
18 to 64 years	451,795		N/A
20 to 64 years		441,790	N/A
65-plus	92,892	88,085	5.5%
Percent of Employed Residents to Total Population	51.5%	52.9%	-2.7%
Percent of Residents Working			
Outside of San Mateo County	40.9% ^[2]	41.8% ^[2]	-2.2%
Percent of People Commuting to			
the San Mateo County for Work	40.1%	41.5% ^[2]	-3.4%

[1] Bureau of Economic Analysis, BEARFACTS 1997 - 2007, San Mateo, California [06081], most current information available.

[2] Metropolitan Transportation Commission

Source: United States Census Bureau, American Community Survey and Bureau of Economic Analysis. 2008 is the most current information available.

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
DEMOGRAPHIC AND ECONOMIC INFORMATION – UNEMPLOYMENT RATES
FISCAL YEARS 2001 THROUGH 2010**

Year	Unemployment Rates
2010	9.2%
2009	9.0%
2008	4.7%
2007	3.8%
2006	3.7%
2005	4.3%
2004	4.9%
2003	5.8%
2002	5.7%
2001	3.8%

Source: California Employment Development Department

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
 DEMOGRAPHIC AND ECONOMIC INFORMATION – PRINCIPAL EMPLOYERS
 FISCAL YEARS 2009 AND 2000**

Employers in San Mateo County	2009*			2000*		
	Number of Employees	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
United Airlines	9,600	1	2.76%	17,700	1	4.61%
Genentech Inc.	8,250	2	2.37%	3,700	4	0.96%
Oracle Corporation	5,642	3	1.62%	7,400	2	1.93%
County of San Mateo	5,443	4	1.56%	4,944	3	1.29%
Kaiser Permanente	3,780	5	1.09%			
Safeway Inc.	2,273	6	0.65%			
Electronic Arts Inc.	2,000	7	0.57%			
San Mateo County Community College District	1,950	8	0.56%			
Mills-Peninsula Health Services	1,800	9	0.52%	2,474	6	0.64%
United States Postal Service	1,671	10	0.48%	1,898	7	0.49%
Visa USA/Visa International				2,677	5	0.70%
Applied Biosystems				1,765	8	0.46%
Siebel Systems Inc.				1,626	9	0.42%
San Francisco International Airport				1,497	10	0.39%
Total	42,409		12.18%	45,681		11.89%

Source: County of San Mateo

*Principal employer information for the years 2010 and 2001 are not available.

This table presents the top 10 principal employers in San Mateo County for 2009 and 2000.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – CAPITAL OUTLAY
FISCAL YEARS 2001 THROUGH 2010 (in thousands)

Cumulative Capital Outlay	2010	2009	2008	2007
Dumbarton Spur	\$ 28,830	\$ 26,684	\$ 20,881	\$ 18,777
Caltrain	154,880	135,170	125,558	113,077
Ferry	377			
Local Shuttle	135			
Railroad Grade Separations	171,958	157,514	148,396	143,871
Streets and Highways	210,320	194,663	171,478	140,360
Oversight and Bicycle	4,933	4,324	2,931	2,415
Total	\$ 571,433	\$ 518,354	\$ 469,244	\$ 418,500

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 2001 THROUGH 2010 (in thousands)

2006	2005	2004	2003	2002	2001
\$ 18,190	\$ 16,841	\$ 16,377	\$ 15,350	\$ 15,143	\$ 7,863
104,941	95,666	81,322	77,699	69,154	61,697
142,003	136,987	125,647	124,249	120,082	115,255
120,900	114,399	102,752	84,825	69,651	59,077
1,947	1,758	962	330	73	73
<u>\$ 387,981</u>	<u>\$ 365,651</u>	<u>\$ 327,060</u>	<u>\$ 302,453</u>	<u>\$ 274,103</u>	<u>\$ 243,965</u>

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – EMPLOYEES
FISCAL YEARS 2002 THROUGH 2010**

FULL-TIME EQUIVALENTS

DIVISION	2010
CUSTOMER SERVICE AND MARKETING	0.35
EXECUTIVE	0.65
FINANCE AND ADMINISTRATION	3.75
OPERATIONS, ENGINEERING AND CONSTRUCTION	1.10
PLANNING AND DEVELOPMENT	6.80
PUBLIC AFFAIRS	0.95
TOTAL EMPLOYEES	13.60

Note: The organization went through a reorganization in FY2010.

FULL-TIME EQUIVALENTS

DIVISION	2009	2008	2007	2006	2005	2004	2003	2002
EXECUTIVE	0.80	0.60	0.60	-	-	-	0.40	0.82
ADMINISTRATION	0.80	0.15	0.10	0.19	0.19	0.12	0.40	0.36
COMMUNICATIONS	0.75	0.90	1.00	1.95	3.27	1.69	0.28	0.35
DEVELOPMENT	11.14	8.00	8.83	6.12	4.99	5.66	6.44	6.87
FINANCE	0.90	0.80	1.05	1.03	3.07	3.25	2.75	3.21
OPERATIONS	0.25	0.15	0.20	0.21	0.19	0.59	-	-
TOTAL EMPLOYEES	14.64	10.60	11.78	9.50	11.71	11.31	10.27	11.61

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 full-time equivalents by division

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
 OPERATING INFORMATION – CAPITAL ASSETS
 FISCAL YEARS 2001 THROUGH 2010 (in thousands)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Capital Assets:					
Land	\$ 13,591	\$ 13,591	\$ 13,591	\$ 18,161	\$ 18,161
Furniture and equipment	-	-	-	-	-
Total	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 18,161</u>	<u>\$ 18,161</u>

Source: CAFRs.

This table presents capital assets for the past 10 years.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – CAPITAL ASSETS
FISCAL YEARS 2001 THROUGH 2010 (in thousands)

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 18,161	\$ 11,505	\$ 11,505	\$ 8,115	\$ 3,746
-	-	-	-	40
<u>\$ 18,161</u>	<u>\$ 11,505</u>	<u>\$ 11,505</u>	<u>\$ 8,115</u>	<u>\$ 3,786</u>

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