

**San Mateo County
Transportation Authority
San Carlos, California**



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

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SAN MATEO COUNTY
Transportation
Authority

San Carlos, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

Prepared by the Finance Division

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Section I

INTRODUCTORY

Letter of Transmittal

GFOA Certificate of Achievement

Board of Directors

Executive Management

Organization Chart

Map

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December 15, 2011

**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, 2011**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo County Transportation Authority (TA) for fiscal year July 1, 2010 through June 30, 2011. This transmittal letter includes the formal transmittal of the CAFR, a profile of the TA, information useful in assessing the government's economic condition and awards and acknowledgements. Readers desiring an analytical overview of the basic financial statements or TA's financial activities may refer to the Management's Discussion and Analysis in the Financial Section.

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

To test the performance of the internal control system, the TA contracted for independent auditing services from Maze & Associates, a certified public accounting firm licensed to practice in the State of California. The auditor expressed an opinion that the TA's financial statements are fairly stated and in compliance with accounting principles generally accepted in the United States of America. This conclusion is the most favorable kind and is commonly known as an "unqualified" or "clean" opinion.

PROFILE OF THE ORGANIZATION

Basic Information

San Mateo County, with a population just more than 750,000, is located on a peninsula south of the City and County of San Francisco, bordered on the west by the Pacific Ocean, on the east by San Francisco Bay and on the south by the counties of Santa Clara and Santa Cruz. The voters of San Mateo County approved the creation of the TA pursuant to the Bay Area County Traffic and Transportation Funding Act in June 1988. This Measure A vote funded the TA with an annual one-half cent county sales tax levy and charged the TA with delivering a broad spectrum of transportation projects and programs pursuant to a Transportation Expenditure Plan over a period of 20 years. In November 2004, the voters reauthorized the TA and its publicly developed expenditure plan for an additional 25 years beyond the original expiration date of 2008. The 2004 Transportation Expenditure Plan includes six program categories including:

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

Whenever possible, the TA seeks to attract state, federal and local funds by matching grant funds with Measure A dollars. These efforts have led to effective partnerships with city, county, state and federal agencies for designing and completing transportation projects. Thus, the TA will continue to fund vital transportation improvements to the benefit of San Mateo County residents through 2033.

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

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

Governance

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

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

The Board of Directors meets once a month to determine overall policy for the TA and to review the progress of the Transportation Expenditure Plans.

Administration

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

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

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

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

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

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

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

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

Component Units

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

Budget

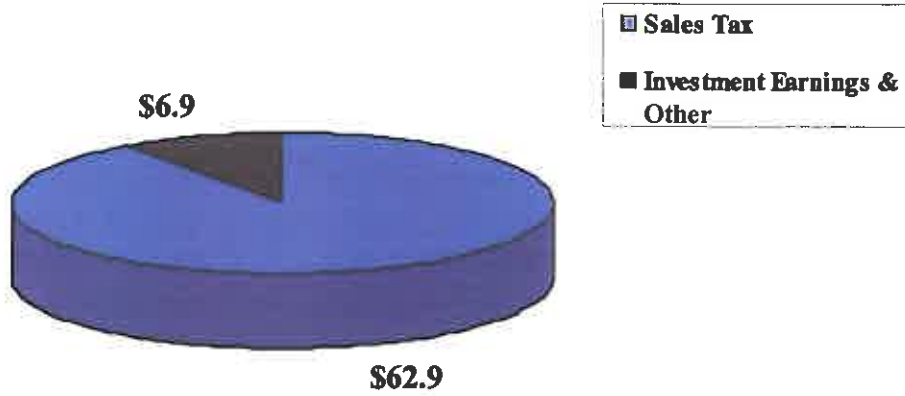
State law requires the TA to adopt an annual budget by resolution of the Board of Directors. In the spring preceding the start of each fiscal year, staff presents an annual budget for the Special Revenue governmental fund based on established agency goals, objectives and performance measures to the Board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

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

The TA employs the same basis of controls and accounting principles for both budgeted and actual revenues and expenditures, except that actual proceeds from the sale of capital assets, unrealized investment gains and losses and inter-fund transfers are not included in the budget. The pie charts below show actual results for the major revenue and expense categories of fiscal year 2011. 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 2011 was \$506.7 million and the limit for fiscal year 2012 is \$523.8 million.

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**San Mateo County Transportation Authority
Year Ended June 30, 2011
REVENUES
(\$millions)**



**San Mateo County Transportation Authority
Year Ended June 30, 2011
EXPENSES
(\$millions)**



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ECONOMIC CONDITION

Local Economy

Unemployment in San Mateo County was down to 8.6 percent in June 2011 from 9.2 percent in June 2010 and 9.0 percent in June 2009. This compares to 11.8 percent in June 2011 in the state of California and 12.2 and 11.6 percent in June 2010 and 2009, respectively. The TA's sales tax receipts increased 8.6 percent in fiscal year 2011 from fiscal year 2010 levels which were down by 2.6 percent from the prior year.

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

According to the National Bureau of Economic Research's Business Cycle Dating Committee, the recession which began in December 2007 ended as of June 2009. However by the end of fiscal year 2010 and 2011, San Mateo County was still feeling the affects. Nationally, the recession is said to have eliminated over seven million jobs, reduced economic output and decreased household net worth. 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, 2011, the TA had spent 73 percent and 41 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. The TA is currently in a variety of stages in the Call for Projects process for various categories within the 2004 Transportation Expenditure Plan.

Major Initiatives

Transit Programs

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

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

Notable projects supporting the JPB during fiscal year 2011 include:

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

Other notable public transit projects during fiscal year 2011 include:

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

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Highway Program

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

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

Notable street and highway projects during fiscal year 2011 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
- Environmental studies for Route 1 Improvement Project, Fassler Avenue to Westport Drive in Pacifica
- PS&E work 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

Alternative Congestion Relief Programs

The TA funds alternative congestion relief (ACR) programs aimed at reducing vehicular traffic on congested freeways and busy city streets. These customized programs target both infrastructure problems and personal driving habits. ACR programs have an incremental but discernible impact on reducing traffic congestion and improving air quality in San Mateo County and the San Francisco Bay region.

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

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

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

Bicycle Programs

The TA has provided funds from the original Measure A to the 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.

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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 2011, local agencies received \$14.3 million from the new Measure A, bringing the total local aid since the inception of the new Measure A to \$33.5 million. The recipients of these funds principally use them for street and road projects.

AWARDS AND ACKNOWLEDGMENTS

The staff and contracted firms of the TA bring an effective combination of skill, experience and dedication to carrying out the TA's mission. Together, they plan, develop and finance the creation of a modern, coordinated multimodal transportation system offering convenient access to the many attributes of the Bay Area and beyond. Although we expect sales tax growth to be minimal in the coming years as we emerge from the recession, the TA expects the continued enthusiasm and dedication of its transit professionals to meet the transportation challenges of the future.

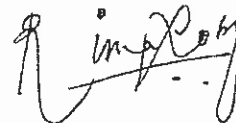
The Government Finance Officers Association (GFOA) recognized the TA's fiscal year 2010 CAFR for excellence in financial reporting and the Certificate of Achievement appears immediately following this transmittal letter. To be awarded a certificate, a report must be easy to read and efficiently organized, while satisfying both generally accepted accounting principles and applicable legal requirements. We believe our fiscal year 2011 CAFR also meets the requirements for a Certificate of Achievement and have submitted it to the GFOA for evaluation. We would like to thank our independent audit firm, Maze & Associates, for its timely and expert guidance in this matter.

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

Respectfully submitted,



Virginia Harrington
Deputy CEO



Rima Lobo
Director of Finance

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

Presented to

**San Mateo County
Transportation Authority
California**

**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010**

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



Linda C. Danison

President

Jeffrey R. Egan

Executive Director

BOARD OF DIRECTORS

**ROSANNE FOUST, CHAIR
CAROLE GROOM, VICE CHAIR
DON HORSLEY
JOHN LEE
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).

CAROLE GROOM was appointed to the TA in 2009 representing the Board of Supervisors and is currently serving as vice chair. She has served as a member of the San Mateo County Board of Supervisors since 2009 and is currently President. 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.

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

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 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

Aidan Hughes – Acting Executive Officer, Planning and Development

Marian Lee – Acting Director, Caltrain Modernization Program

Martha Martinez – Authority Secretary

Mark Simon – Executive Officer, Public Affairs

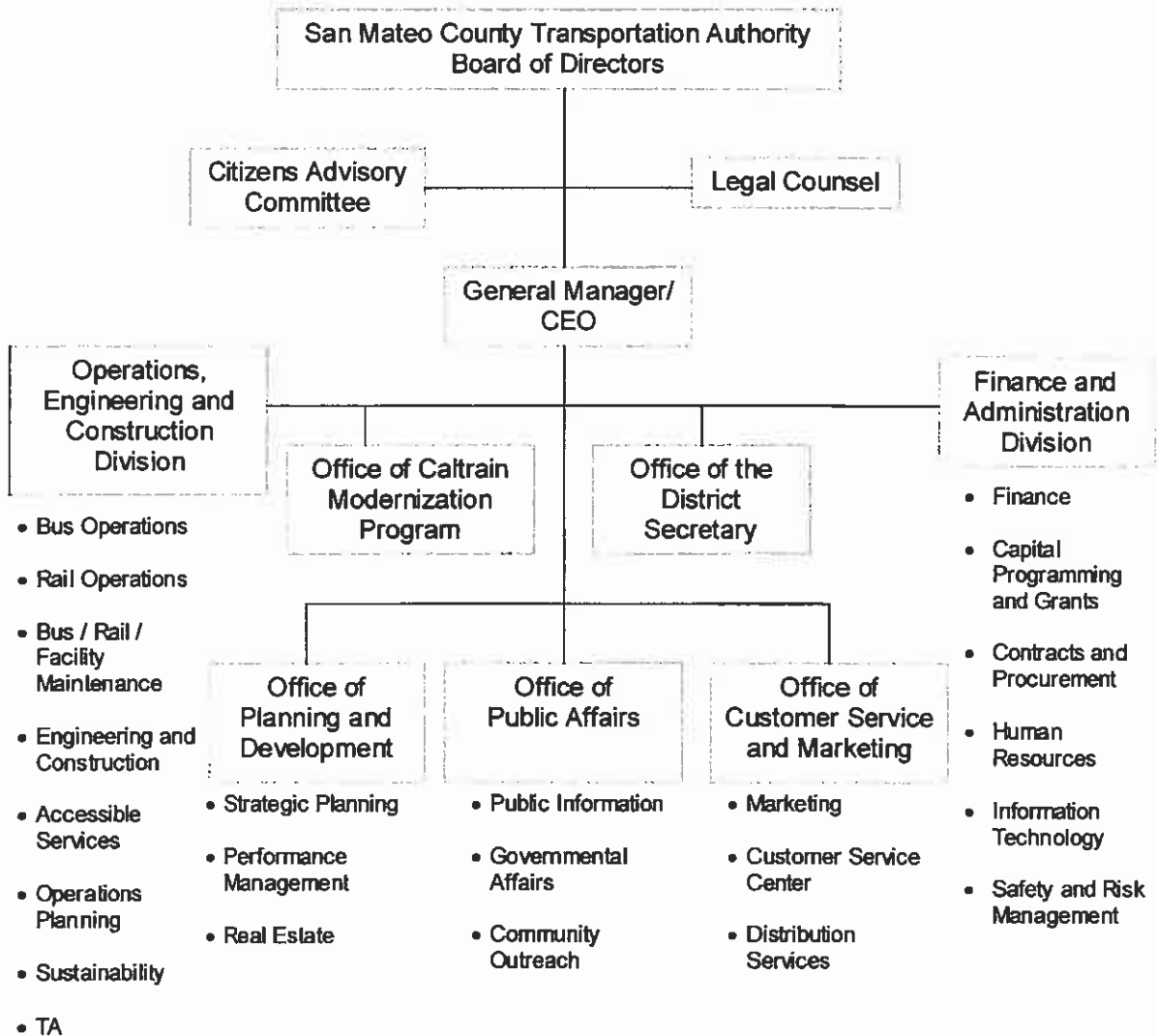
GENERAL COUNSEL

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

David J. Miller, Esq.

Joan Cassman, Esq.

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TABLE OF CREDITS

The following individuals contributed to the production of the Fiscal Year 2011 CAFR:

<u>Finance:</u>	Manager, General Ledger	Sheila Tioyao
	Manager, Treasury	Lori Snow
	Senior Accountant	Lily Balinton
	Senior Budget Analyst	Leslie Fong

<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 and the major fund of the San Mateo County Transportation Authority (TA), as of and for the year ended June 30, 2011, which collectively comprise the TA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the TA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the TA's 2010 financial statements, and in our report dated October 15, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund information of the TA as of June 30, 2011, 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 19, 2011 on our consideration of the TA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As of July 1, 2010, the TA adopted the provisions of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 11 to the financial statements, the provisions of this Statement affect the classifications of fund balances reported in the financial statements.

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.

The introduction and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on the information.

Maze & Associates

October 19, 2011

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, 2011 with comparisons to the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Financial Section.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$7.6 million or 1.7 percent to \$446.5 million at June 30, 2011 compared to June 30, 2010. Cash and investments comprised \$413.8 million or 92.7 percent of the total 2011 year-end amount.
- Sales tax revenue for all funds was \$63.5 million during 2011, an increase of \$5.0 million or 8.6 percent from 2010.
- The TA expended \$35.8 million in capital outlay during 2011, a decrease of \$17.2 million or 32.4 percent over 2010. This amount included construction costs related to the San Bruno Grade Separation Project and right of way acquisition for the Downtown Extension project.
- Total liabilities decreased \$1.2 million or 8.6 percent to \$12.7 million at June 30, 2011 compared to June 30, 2010.
- Total net assets increased by \$8.8 million or 2.1 percent to \$433.8 million at June 30, 2011 compared to June 30, 2010. These increases are due primarily to total revenues exceeding total expenditures in 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

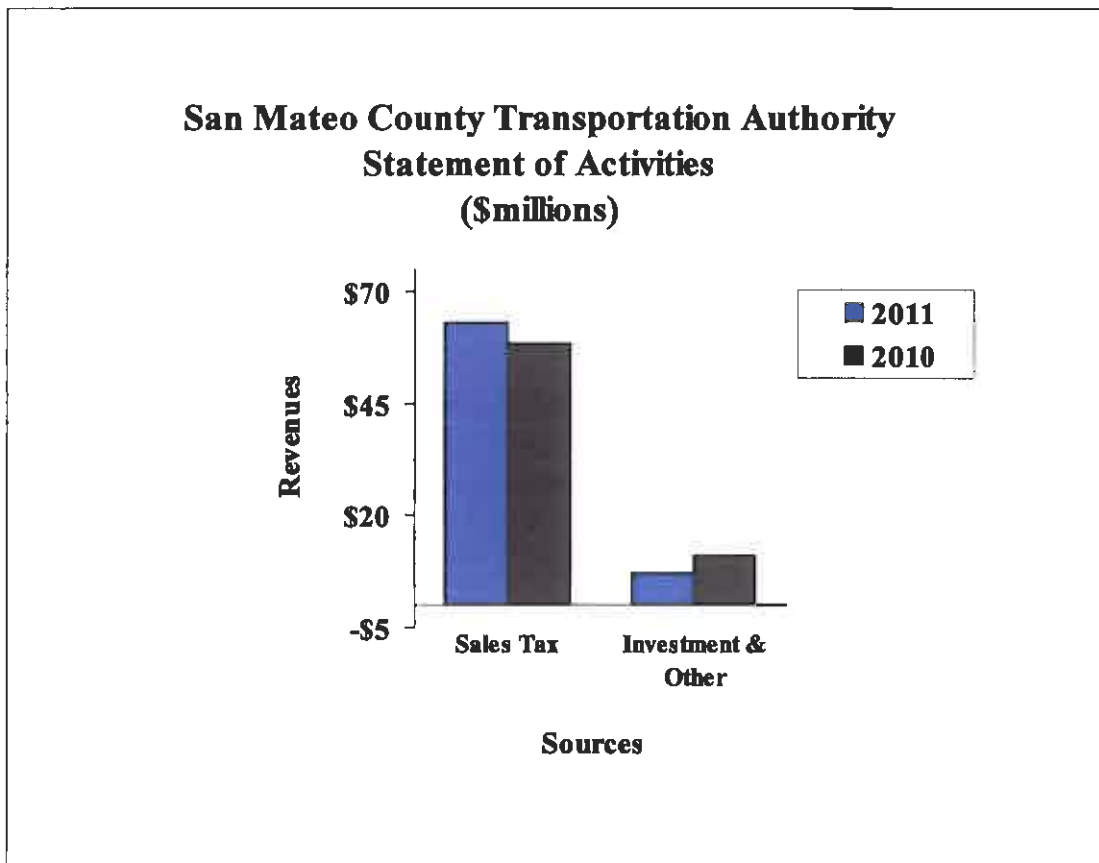
The Financial Section of this report presents the TA's basic financial statements in three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Other supplementary information also appears in addition to the basic financial statements.

Government-wide Financial Statements

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

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MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2011**

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, 2011**

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

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

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

Notes to the Financial Statements

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the *government-wide* and *fund* financial statements. These notes begin on *page 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.

Government-wide Financial Analysis

At June 30, 2011, total assets were \$446.5 million, an increase of \$7.6 million or 1.7 percent from June 30, 2010. Cash and investments comprise \$413.8 million of this amount. With only \$12.7 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 2011, existing encumbrances and expected future costs combined for current construction projects are estimated to total \$271.4 million.

Capital assets were \$13.6 million in 2011. There were no changes compared to 2010.

The TA does not record the capital assets created by the construction projects it finances on its own accounting books since these assets are of value only to the local government units in which they are located. For more information on capital assets, please refer to *Note #7- Capital Assets* of the *Notes to the Financial Statements* on page 38 of this report.

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2011**

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 432,952,667	\$ 425,350,879
Capital assets	13,590,975	13,590,975
Total assets	<u>\$ 446,543,642</u>	<u>\$ 438,941,854</u>
Long-term liabilities outstanding	\$ 3,450,000	\$ 3,450,000
Other liabilities	9,251,245	10,449,236
Total liabilities	<u>\$ 12,701,245</u>	<u>\$ 13,899,236</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 13,590,975	\$ 13,590,975
Restricted	420,251,422	411,451,643
Total net assets	<u>\$ 433,842,397</u>	<u>\$ 425,042,618</u>

Total liabilities decreased by \$1.2 million or 8.6 percent to \$12.7 million at June 30, 2011 compared to \$13.9 million at June 30, 2010. The decrease was due to a reduction in accruals for capital projects.

Net assets increased by \$8.8 million or 2.1 percent to \$433.8 million at June 30, 2011, the result of revenues exceeding expenses in 2011.

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

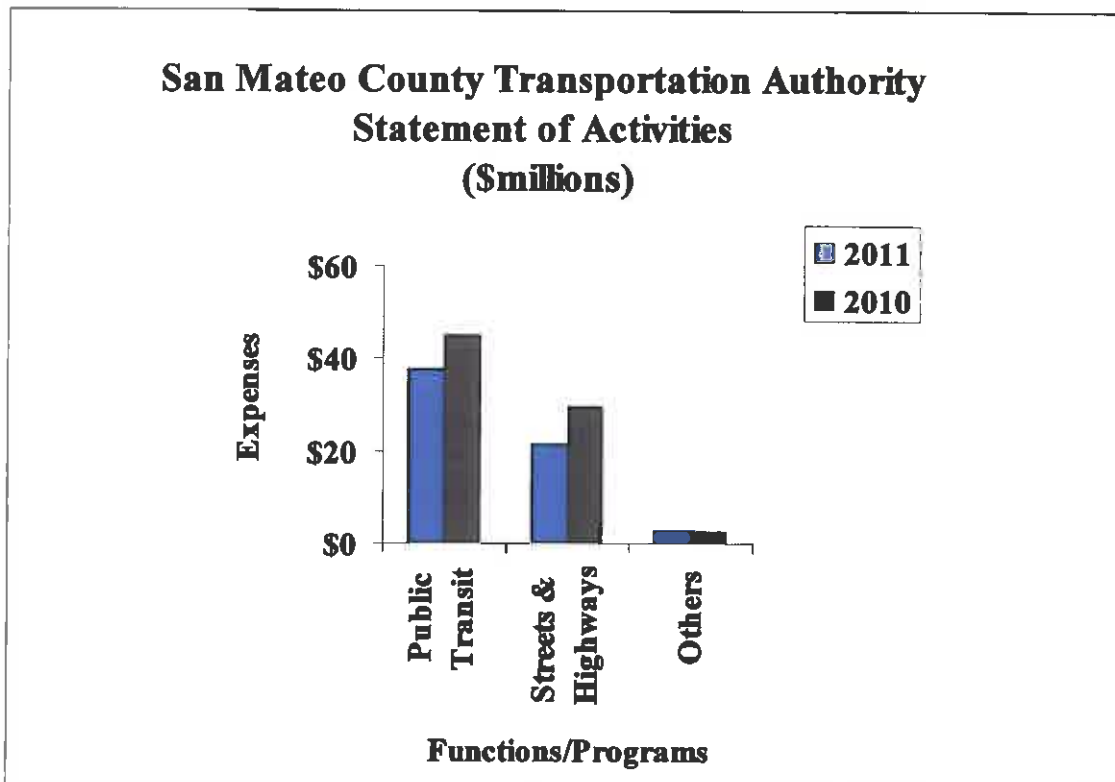
	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues		
Charges for services	\$ 1,063,951	\$ 1,072,287
Operating grants/contributions	725,398	1,960,811
General revenues		
Sales tax	63,515,997	58,485,023
Investment earnings and others	5,201,398	7,865,626
Total revenues	<u>70,506,744</u>	<u>69,383,747</u>
Expenses:		
Public transit	35,019,597	45,000,157
Streets and highways	24,477,023	29,426,154
Others	2,210,345	2,513,609
Total expenses	<u>61,706,965</u>	<u>76,939,920</u>
Change in net assets	8,799,779	(7,556,173)
Net assets - July 1	425,042,618	432,598,791
Net assets - July 30	<u>\$ 433,842,397</u>	<u>\$ 425,042,618</u>

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2011**

Governmental Activities

Total expenses for governmental activities were \$61.7 million in 2011, a decrease of \$15.2 million or 19.8 percent compared to 2010. The functional components of total expenses are public transit (56.8 percent), streets and highways (39.7 percent) and other programs (3.5 percent). The following are the highlights of the TA's governmental activities:

- Sales tax revenue increased by \$5.0 million or 8.6 percent to \$63.5 million in 2011 from 2010.
- Investment earnings and other revenues of \$5.2 million in 2011 was \$2.7 million or 33.9 percent lower compared to 2010. The decrease was mostly due to the decrease in fair value of investments.
- Expenses for public transit projects in 2011 decreased by \$10.0 million or 22.2 percent to \$35.0 million compared to 2010. The decrease was mainly due to the completion of the San Mateo County Local Safety and Access Improvement project.
- Spending for streets and highways in 2011 decreased by \$4.9 million or 16.8 percent to \$24.5 million compared to 2010 mainly due to the completion of the construction phase of the Highway 101 3rd Avenue to Millbrae Avenue (auxiliary lane) project.



**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2011**

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 \$418.8 million at June 30, 2011, an increase of \$8.7 million or 2.1 percent from June 30, 2010, as total revenues exceeded total expenses during 2011. The total fund balance at June 30, 2011 of \$418.8 million is restricted for Measure A projects and is available for spending at the discretion of the TA's Board of Directors in accordance with the Transportation Expenditure Plan. Since the TA principally passes funding through to other organizations, the most accurate indicator of the TA's ability to meet its current and future obligations is a comparison of its fund balance to its future commitments. At June 30, 2011, the estimated cost to complete on-going projects is \$271.4 million or 64.8 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 84.7 percent of the *Special Revenue Fund's* total budgeted revenue for FY 2011. Actual sales tax revenue for the year was \$63.5 million, which exceeded the budget by \$3.5 million or 5.9 percent.

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

The TA spent \$35.9 million or 138.7 percent of its final 2011 budget for capital outlays, which included the cost of completing on-going capital projects. Since capital projects normally span more than one year, the TA carries over unexpended budgets to succeeding years. However, to enhance understanding of the TA's fund balance for the *Special Revenue Fund*, the carry-over amount from 2010 is not included in the 2011 *Budgetary Comparison Schedule*.

Capital Projects

The TA spent \$35.9 million on capital projects in 2011, a decrease of \$17.2 million or 32.5 percent compared to 2010. Following are the major capital expenditures:

- Acquisition of property in San Francisco for the Transbay Transit Center/Caltrain Downtown Extension project (\$12.2 million).
- Construction costs associated with the grade separation project for San Bruno Avenue in San Bruno and Linden Avenue in South San Francisco (\$9.5 million).
- Funding for the 2011 local capital match requirement assessed to San Mateo County according to the Caltrain Joint Powers Agreement (\$3.0 million).

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2011**

- 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 (\$2.8 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 41 in the *Notes to the Financial Statements*.

Debt

The balance of an outstanding loan of \$3.5 million from the State of California remains unchanged from the prior year, as no principal payments were made. The loan was initially due on December 31, 2009, but the agreement has been updated and Caltrans has granted the TA an extension through November 7, 2013 to repay the loan. The TA used the proceeds of this non-interest-bearing loan to purchase property from Southern Pacific Transportation Company.

More information on the TA's long-term debt activity appears in *Note #10 – Long-term Liabilities* beginning on page 39 in the *Notes to the Financial Statements*.

Economic Factors

In September 2010, 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 increased \$5.0 million or 8.6 percent in FY2011 to \$63.5 million after having decreased \$1.5 million or 2.6 percent in FY2010. The TA has taken this trend into account in its FY2012 budget projections. Unemployment in San Mateo County was down to 8.6 percent in June 2011 from 9.2 percent in June 2010 and 9.0 percent in June 2009.

Requests for Information

This financial report intends to provide our citizens, taxpayers, customers and creditors with a general overview of the TA's finances and to demonstrate accountability for resources received. If you have questions about this report or need additional financial information, contact the Deputy CEO, 1250 San Carlos Ave., P.O. Box 3006, San Carlos, California, 94070-1306.

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BASIC FINANCIAL STATEMENTS
Government-wide Financial Statements

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)

	Governmental Activities	
	2011	2010
ASSETS		
Cash and investments (Note 2)	\$ 413,774,685	\$ 405,729,418
Receivables:		
Sales tax (Note 3)	12,156,027	11,189,348
Interest (Note 4)	1,996,455	1,908,400
Note receivable (Note 5)	4,343,404	4,343,404
Other (Note 6)	678,796	2,177,009
Prepaid expenses	3,300	3,300
Capital assets, nondepreciable (Note 7)	13,590,975	13,590,975
Total Assets	446,543,642	438,941,854
LIABILITIES		
Accounts payable (Note 8)	2,888,095	2,560,638
Accrued liabilities (Note 9)	6,313,500	7,845,543
Unearned revenue	10,552	3,957
Deposits	39,098	39,098
Long-term liabilities (Note 10):		
Due beyond one year	3,450,000	3,450,000
Total Liabilities	12,701,245	13,899,236
NET ASSETS (Note 11)		
Invested in capital assets, net of related debt	13,590,975	13,590,975
Restricted for Measure A Programs	420,251,422	411,451,643
Total Net Assets	\$ 433,842,397	\$ 425,042,618

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH SUMMARIZED DATA FOR THE YEAR ENDED JUNE 30, 2010)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Contributions and Grants	2011	2010
Governmental Activities:					
Public transit					
Upgrades and extensions	\$ 16,284,977	\$ -	\$ -	\$ (16,284,977)	\$ (19,709,380)
Grade separations	9,606,672	779,308	7,454	(8,819,910)	(13,341,601)
Paratransit	-	-	-	-	(2,339,401)
Dumbarton spur	1,017,048	284,643	708,890	(23,515)	(216,223)
BART	1,270,320	-	-	(1,270,320)	(1,169,700)
Caltrain	5,081,280	-	-	(5,081,280)	(4,678,803)
Projects funding	1,759,300	-	9,054	(1,750,246)	(511,951)
Street and highways					
Distributions to local entities	17,289,493	-	-	(17,289,493)	(13,159,130)
Projects funding	7,187,530	-	-	(7,187,530)	(16,267,024)
Caltrain shuttle program	1,377,047	-	-	(1,377,047)	(1,322,154)
Transportation systems management	-	-	-	-	(472,515)
Program administration	833,298	-	-	(833,298)	(718,940)
Total Governmental Activities	\$61,706,965	\$1,063,951	\$725,398	(59,917,616)	(73,906,822)
General revenues:					
Sales taxes				63,515,997	58,485,023
Unrestricted investment earnings (Note 12)				5,201,398	7,865,626
Total General Revenues				68,717,395	66,350,649
Change in Net Assets				8,799,779	(7,556,173)
Net Asset-Beginning of Year				425,042,618	432,598,791
Net Assets-Ending of Year				\$ 433,842,397	\$ 425,042,618

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

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET JUNE 30, 2011
(WITH SUMMARIZED INFORMATION AT JUNE 30, 2010)**

	Special Revenue Fund	Total Governmental Funds	
		2011	2010
ASSETS			
Cash and investments (Note 2)	\$ 413,774,685	\$ 413,774,685	\$ 405,729,418
Receivables:			
Sales tax (Note 3)	12,156,027	12,156,027	11,189,348
Interest (Note 4)	1,442,134	1,442,134	1,435,327
Other (Note 6)	678,796	678,796	2,177,009
Prepaid expenses	3,300	3,300	3,300
Total Assets	\$ 428,054,942	\$ 428,054,942	\$ 420,534,402
LIABILITIES			
Accounts payable (Note 8)	\$ 2,888,095	\$ 2,888,095	\$ 2,560,638
Accrued liabilities (Note 9)	6,313,500	6,313,500	7,845,543
Deferred rent revenue	10,552	10,552	3,957
Deposits	39,098	39,098	39,098
Total Liabilities	9,251,245	9,251,245	10,449,236
FUND BALANCES			
Fund balance (Note 11)			
Nonspendable:			
Prepaid expenses	3,300	3,300	3,300
Restricted for:			
Current Measure A projects	271,356,576	271,356,576	281,239,724
Future Measure A Projects	147,443,821	147,443,821	128,842,142
Total Fund Balances	418,803,697	418,803,697	410,085,166
Total Liabilities and Fund Balances	\$ 428,054,942	\$ 428,054,942	\$ 420,534,402

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</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	\$ 418,803,697	\$ 410,085,166
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	554,321	473,073
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>433,842,397</u>	\$ <u>425,042,618</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, 2011
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	Special Revenue Fund	Total	
		2011	2010
REVENUES			
Sales tax	\$ 63,515,997	\$ 63,515,997	\$ 58,485,023
Investment income (Note 12)	5,120,150	5,120,150	7,723,339
Rental income	1,063,951	1,063,951	1,072,287
Grant proceeds	725,398	725,398	1,960,811
Total Revenues	70,425,496	70,425,496	69,241,460
EXPENDITURES			
Administration:			
Staff support (Note 13)	569,842	569,842	489,411
Board compensation	6,000	6,000	6,900
Professional and legal fees	206,355	206,355	181,197
Other services and supplies	42,785	42,785	33,948
Travel and meeting	3,315	3,315	2,484
Distribution to local entities	17,289,493	17,289,493	15,971,046
BART	1,270,320	1,270,320	1,169,700
Caltrain	5,081,280	5,081,280	4,678,803
Caltrain shuttles program	1,377,047	1,377,047	1,322,154
Dumbarton corridor maintenance	5,000	5,000	5,000
Capital outlay (Note 14)	35,855,528	35,855,528	53,079,277
Total Expenditures	61,706,965	61,706,965	76,939,920
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,718,531	8,718,531	(7,698,460)
NET CHANGE IN FUND BALANCES	8,718,531	8,718,531	(7,698,460)
BEGINNING FUND BALANCES	410,085,166	410,085,166	417,783,626
ENDING FUND BALANCES	\$ 418,803,697	\$ 418,803,697	\$ 410,085,166

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, 2011
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)**

	<u>2011</u>	<u>2010</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	\$ 8,718,531	\$ (7,698,460)
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.	81,248	142,287
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 8,799,779</u>	<u>\$ (7,556,173)</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, 2011 AND 2010

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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. 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 implemented the provisions of this statement – See Note 11.

GASB Statement No. 60 – In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnerships. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The TA has not determined its effect on the financial statements.

GASB Statement No. 61 - In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. The TA has not determined its effect on the financial statements.

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

GASB Statement No. 63 – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The TA has not determined its effect on the financial statements.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

GASB Statement No. 64 – In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The TA has not determined its effect on the financial statements.

C. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities report the financial activities of the TA. The Statement of Activities present a comparison between direct expenses and program revenues for each function of the TA. Direct expenses are those that are specifically associated with a program or a function and therefore, are clearly identifiable to a particular function. Program revenues refer to charges paid by the recipients of goods or services offered by the program. Revenues that are not classified as program revenues, including sales tax revenues, are presented instead as general revenues.

Fund Financial Statements

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

The TA reports the following major governmental fund:

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

D. Basis of Accounting

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

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

Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered available when their receipt occurs within 60 days after the end of the accounting period. Sales tax and investment earnings are recorded when measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred. Capital asset acquisitions are reported as expenditures in governmental funds.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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 Fund

As of June 30, 2010, the Transportation System Management Special Revenue Fund was closed.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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, 2010 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, 2010 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:

	<u>2011</u>	<u>2010</u>
Cash and Investments		
Special Revenue Fund		
Cash and Cash equivalents:		
Bank Balance	\$ 555,222	\$ 375,640
Investments	<u>413,219,463</u>	<u>405,353,778</u>
Total Special Revenue Fund	<u>413,774,685</u>	<u>405,729,418</u>
Total Cash and Investments	<u>\$ 413,774,685</u>	<u>\$ 405,729,418</u>

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

	2011	2010
Deposits with financial institutions	\$ 555,222	\$ 375,640
Investments	413,219,463	405,353,778
	<u>\$ 413,774,685</u>	<u>\$ 405,729,418</u>

Authorized Investments by the Authority

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
Local Agency Bonds	15 years	None	None
U.S. Treasury Obligations	15 years	None	None
U.S. Agency Securities or Government Sponsor Enterprises	15 years	None	None
Bankers' Acceptances	180 days	15%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	10%	5%
Repurchase Agreements	1 year	None	50%
Reverse Repurchase Agreements	92 days	20% base value	20%
Medium – Term Notes	5 years	30%	10%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Backed Pass-Through Securities	5 years	20%	5%
San Mateo County Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk incurred when market interest rates adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the TA manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The TA monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. With respect to this metric, the TA's policies are as follows:

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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	-
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

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, 2011 AND 2010

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

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	\$ 405,768,819	\$ 359,016,447	\$ 7,118,782	\$ 39,633,590

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings and related issue ratings on ten of twelve Federal Home Loan Banks (FHLBs) and the senior debt issued by the FHLB System from AAA to AA+. S&P also lowered the ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating and the C rating on the preferred stock of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A-1+. As of June 30, 2011, the TA's investments in these agencies that were subject to the downgrade were as follows: FHLB \$36,150,522, FNMA \$73,302,620, and FHLM \$45,207,600.

On August 8, 2011, S&P also lowered the ratings on 126 Federal Deposit Insurance Corporation-guaranteed debt issues from thirty financial institutions that are under the temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) from AAA to AA+. As of June 30, 2011, the TA's investments in these institutions that were subject to the downgrade were as follows: Goldman Sachs \$3,084,189, Bank of America \$2,031,354, General Electric \$1,527,800, Wells Fargo \$3,050,793, John Deere Capital \$3,076,248.

Concentration of Credit Risk

The investment policy of the TA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the TA's total investments at June 30 are held in the Special Revenue Fund as follows:

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

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

The custodial credit risk for *deposit* is the risk that, in the event of the failure of a depository financial institution, the TA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investment* is the risk that in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the TA will not be able to recover the value of its investment or collateral securities that are in possession of another party.

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

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

Fair Value of Investments

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

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

San Mateo County Treasurer's Investment Pool: The TA holds investments in the County Pool that are subject to adjustments to "fair value." The TA is required to disclose its methods and assumptions used to estimate the fair value of its holding in the County Pool. The TA relied upon information provided by the County Treasurer in estimating the TA's fair value position of its holding in the County Pool. The TA had a contractual withdrawal value of \$202,917,384, and \$254,895,663 at June 30, 2011 and 2010, respectively, that is recorded at \$203,367,861 and \$255,807,095 on the balance sheet after the adjustment for unrealized gains/losses for fiscal years ending June 30, 2011 and 2010, respectively. The fair value change in these investments for the year just ended is shown as unrealized gain/losses in the income statement via inclusion in the amount of Investment Income.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

The San Mateo County Treasurer's Investment Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee comprised of local government officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of the pool fall under auspices of the County Treasurer's office. As of June 30, 2011, the County Pool's credit rating by Standard & Poors was AA+. 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 24, 2011, the anticipated recovery value is projected to be at least \$0.21 on the dollar. Based on the TA's participation rate, this equates to approximately \$5.3 million. However, this amount will fluctuate until Lehman Brothers' bankruptcy proceedings are finalized at Bankruptcy Court. A ruling is anticipated in early 2012.

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 \$8,722,912 and \$7,118,782 on the balance sheet after the adjustment for unrealized gains/losses for fiscal year 2011 and 2010, 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, 2011, 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, 2011.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 4 - INTEREST RECEIVABLE

Interest receivables at June 30 are as follows:

	2011	2010
Interest due from deposits and investments	\$ 1,442,134	\$ 1,435,327
Total reported on Governmental Funds Statements	1,442,134	1,435,327
Accrued interest on note receivable	554,321	473,073
Total reported on Government- Wide Statements	\$ 1,996,455	\$ 1,908,400

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*.

NOTE 6 - OTHER RECEIVABLES

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

	2011	2010
Metropolitan Transportation Commission	\$ 453,847	\$ 1,637,124
San Mateo County Transit District	42,783	23,225
Peninsula Corridor Joint Powers Board	59,634	103,061
Alameda County Transportation Improvement Authority	72,314	153,203
Santa Clara Valley Transportation Authority	44,180	113,523
California State Department of Transportation	-	137,706
City/County Association of Governments	3,019	-
Peninsula Traffic Congestion Relief Alliance	3,019	-
Other	-	9,167
Total Other Receivables	\$ 678,796	\$ 2,177,009

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 7 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2011 are as follow:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
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:

	2011	2010
Salaries and benefits	\$ 313,973	\$ 374,895
Shuttle program	247,023	356,224
Paratransit program	727,391	627,149
Caltrain	1,442,591	1,166,541
Other	157,117	35,829
Total	\$ 2,888,095	\$ 2,560,638

NOTE 9 – ACCRUED LIABILITIES

Accrued liabilities at June 30 are as follows:

	2011	2010
Disbursements to local entities for transportation projects	\$ 2,766,276	\$ 3,010,391
Capital project	3,248,785	4,591,245
Transportation System Management	14,872	-
BART	243,121	223,787
Other	40,446	20,120
Total	\$ 6,313,500	\$ 7,845,543

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 10 – LONG TERM LIABILITIES

Loan from State

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

	Balance July 1, 2010	Adjustments/ Additions	Deletions	Balance June 30, 2011
Loan Payable to the State of California	\$ 3,450,000	\$ -	\$ -	\$ 3,450,000
Total Long-term Liabilities	\$ 3,450,000	\$ -	\$ -	\$ 3,450,000

NOTE 11 – NET ASSETS / FUND BALANCE

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

A. Net Assets

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

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

Restricted 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.

B. Fund Balances

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

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 11 – NET ASSETS / FUND BALANCE (Continued)

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

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

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

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

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

NOTE 12 – INVESTMENT INCOME

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

	2011	2010
Interest Income	\$ 5,649,710	\$ 5,368,685
Net increase (decrease) in fair value of investments	(448,312)	2,496,941
Investment income – Statement of Activities (see below)	5,201,398	7,865,626
Increase in long-term interest receivable	(81,248)	(142,288)
Investment income – Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 5,120,150	\$ 7,723,338
Investment Income – Statement of Activities reported below:		
Unrestricted investment earnings	\$ 5,201,398	\$ 7,865,626
	\$ 5,201,398	\$ 7,865,626

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 13 – STAFF SUPPORT EXPENDITURES

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

	2011	2010
Salaries and benefits	\$ 473,843	\$ 413,558
Indirect costs	95,999	75,853
Total	\$ 569,842	\$ 489,411

NOTE 14 – CAPITAL OUTLAY

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

Capital Projects	2011	2010
Dumbarton Spur	\$ 29,847,303	\$ 28,830,255
Caltrain	171,148,670	154,879,460
Ferry	2,043,700	377,099
Local Shuttle	227,551	134,852
Railroad Grade Separations	181,564,980	171,958,308
Streets and Highways	216,935,651	210,320,387
Oversight and Bicycle	5,505,409	4,933,142
Total	\$ 607,273,264	\$ 571,433,503

The Dumbarton Spur expenditures of \$29,847,303 were partially financed by a state loan of \$3,450,000. Of the total expenditures of \$607,273,264 for capital outlay, \$15,269,650 was funded by contributions from external entities.

NOTE 15 – CONSTRUCTION COMMITMENTS

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

Capital Projects	2011	2010
Dumbarton Spur	\$ 15,038,635	\$ 15,598,783
Caltrain	30,011,419	30,818,628
Ferry	12,996,299	14,662,901
Local Shuttle	1,001,104	10,441
Railroad Grade Separations	108,931,299	118,527,570
Streets and Highways	88,703,946	91,501,507
Oversight and Bicycle	6,547,551	4,395,363
Total	\$ 263,230,253	\$ 275,515,193

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 16 – RISK MANAGEMENT

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive/(Negative)
	Original	Final		
Budgetary Fund Balance, Beginning of Year	\$ 298,820,434	\$ 413,096,728	\$ 413,096,727	\$ (1)
Resources (inflows)				
Sales Tax	60,000,000	60,000,000	63,515,997	3,515,997
Investment Income	5,557,240	5,557,240	5,105,147	(452,093)
Rental Income	1,085,640	1,085,640	1,063,950	(21,690)
Grant proceeds	4,218,000	4,218,000	725,398	(3,492,602)
Amounts Available for Appropriation	70,860,880	70,860,880	70,410,492	(450,388)
Charges to appropriation (outflows)				
Program Administration				
Staff support	606,390	606,390	569,841	36,549
Board compensation	7,900	7,900	6,000	1,900
Professional and legal fees	278,084	278,084	224,459	53,625
Other services and supplies	37,625	37,625	24,180	13,445
Travel and meeting	9,500	9,500	3,979	5,521
	939,499	939,499	828,459	111,040
Distribution to local entities	16,500,000	16,500,000	17,289,328	(789,328)
BART	1,200,000	1,200,000	1,270,319	(70,319)
Caltrain	4,800,000	4,800,000	5,081,279	(281,279)
Caltrain shuttle program	1,458,888	1,458,888	1,377,046	81,842
Measure A information	12,000	12,000	5,000	7,000
Capital outlays	13,349,612	25,856,612	35,855,527	(9,998,915)
Total Charges to Appropriations	38,259,999	50,766,999	61,706,958	(10,939,959)
Budgetary Fund Balance, End of Year	\$ 331,421,315	\$ 433,190,609	\$ 421,800,261	\$ (11,390,348)

Explanation of Difference Between Budgetary Inflows and GAAP Revenues

Actual amounts available for appropriation - budgetary basis from above	\$ 70,410,492
Unrealized gains under GASB 31	15,004
Total revenues in the Statement of Revenues, Expenses and Changes in Fund Balances - GAAP basis	\$ 70,425,496

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2011

Budgets and the Budgetary Process

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

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

Section III

STATISTICAL

Financial Trends

- **Net Assets and Change in Net Assets (For fiscal years 2003-2011)**
- **Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance (For fiscal years 2002-2011)**

Revenue Capacity

- **Revenue Base and Revenue Rate (For fiscal years 2002-2011)**
- **Principal Revenue Payers (For fiscal years 2002 and 2010)**

Debt Capacity

- **Ratio of Outstanding Debt (For fiscal years 2002-2011)**
- **Bonded Debt (For fiscal years 2002-2011)**
- **Direct and Overlapping Debt and Debt Limitation (For fiscal year 2011)**
- **Pledged Revenue Coverage (For fiscal years 2002-2011)**

Demographics and Economic Information

- **Population and Income (For fiscal years 2009 and 2000)**
- **Unemployment Rates (For fiscal years 2002-2011)**
- **Principal Employers (For fiscal years 2009 and 2000)**

Operating Information

- **Capital Outlay (For fiscal years 2002-2011)**
- **Employees (For fiscal years 2002-2011)**
- **Capital Assets (For fiscal years 2002-2011)**

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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 2011 (in thousands)

Fiscal year	2011	2010	2009	2008	2007
GOVERNMENTAL ACTIVITIES:					
PROGRAM REVENUES					
Grade Separations	\$ 786	\$ 1,103	\$ 3,209	\$ 876	\$ 731
Paratransit	-	-	-	1,149	1,411
Dumbarton Spur	994	1,930	5,287	1,942	620
Caltrain Shuttle Program	-	-	-	-	-
Projects Funding	9	-	-	-	-
Total Program Revenues	1,789	3,033	8,496	3,967	2,762
PROGRAM EXPENDITURES					
Upgrades and Extension	16,285	19,709	9,612	12,481	8,136
Grade Separations	9,607	14,445	9,118	4,525	1,867
Paratransit	-	2,339	26,071	2,780	2,542
Dumbarton Spur	1,017	2,146	6,045	2,286	852
BART	1,270	1,170	535	-	-
Caltrain	5,081	4,679	2,142	-	-
Distribution to local entities	17,289	13,159	12,674	13,734	13,240
Projects funding	8,948	16,779	24,577	31,634	19,928
Caltrain Shuttle Program	1,377	1,322	1,339	1,075	1,064
Transportation Systems Management	-	473	462	483	476
Program Administration	833	719	746	803	670
Interest on debt	-	-	-	379	764
Total Program Expenditures	61,707	76,940	93,321	70,180	49,539
NET REVENUES (EXPENDITURES)	(59,918)	(73,907)	(84,825)	(66,213)	(46,777)
General revenues					
Sales tax	63,516	58,485	60,022	68,670	66,202
Unrestricted investment earnings	5,201	7,866	(12,249)	18,313	20,564
Other income	-	-	-	(227)	-
CHANGE IN NET ASSETS	8,799	(7,556)	(37,051)	20,543	39,989
Net Asset Components					
Invested in capital assets, net of related debt	13,591	13,591	13,591	13,591	18,161
Restricted	420,251	-	-	25,000	35,413
Unrestricted	-	411,452	419,008	431,060	395,533
NET ASSETS	\$ 433,842	\$ 425,043	\$ 432,599	\$ 469,651	\$ 449,107

Source: CAFRA.

The Net Assets Components information for 2002 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 2011 (in thousands)

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
FINANCIAL TRENDS – GOVERNMENT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FISCAL YEARS 2002 THROUGH 2011 (in thousands)

Fiscal year	2011	2010	2009	2008	2007
REVENUES					
Sales tax	\$ 63,516	\$ 58,485	\$ 60,022	\$ 68,670	\$ 66,202
Investment income	5,120	7,723	(12,630)	18,995	21,985
Rental income	1,064	1,072	1,076	997	902
Grant proceeds	725	1,961	7,420	1,821	449
Proceeds from sale of properties	-	-	-	-	-
Non-operating reimbursements	-	-	-	-	-
Other income	-	-	-	-	-
Total Revenue	70,425	69,241	55,888	90,483	89,538
EXPENDITURES					
Administrative:					
Staff support	570	489	487	593	500
Board compensation	6	7	7	7	6
Professional and legal fees	206	181	170	148	112
Other services and supplies	43	34	59	37	51
Travel and meeting	3	3	10	9	5
Leases and rental	-	-	-	-	-
Debt Service:					
Principal	-	-	-	8,855	8,475
Interest	-	-	-	407	789
Subtotal	828	714	733	10,056	9,938
Distributions to local entities	17,289	15,971	14,207	16,997	16,257
BART	1,270	1,170	536		
Caltrain	5,081	4,679	2,143		
Special allocation to Samtrans	-	-	25,000		
Caltrain shuttles program	1,377	1,322	1,339	1,074	1,064
Dumbarton corridor maintenance	5	5	242	182	265
Measure A information	-	-	13	14	3
2004 Election	-	-	-	-	-
Capital outlay	35,857	53,079	49,110	50,745	30,518
Total Expenditures	61,707	76,940	93,323	79,068	58,045
Excess Revenues Over Expenditures	8,718	(7,699)	(37,434)	11,415	31,493
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	2,902	-	-
Transfer out	-	-	(2,902)	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change In Fund Balance	8,718	(7,699)	(37,434)	11,415	31,493
Fund Balance					
Reserved	-	-	-	25,000	35,414
Unreserved	418,804	410,085	417,784	430,217	408,389
Total Ending Fund Balance	\$ 418,804	\$ 410,085	\$ 417,784	\$ 455,217	\$ 443,803
Total Debt Service expenditures as a %					
Total Noncapital expenditures	0.0%	0.0%	0.0%	32.7%	33.7%

Source: CAFRs.

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
FINANCIAL TRENDS – GOVERNMENT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FISCAL YEARS 2002 THROUGH 2011 (in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	63,811	\$ 59,953	\$ 55,394	\$ 54,855	\$ 57,161
	10,306	10,400	1,251	17,672	17,712
	892	994	870	715	635
	1,149	479	1,060	293	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	4	1
	<u>76,159</u>	<u>71,825</u>	<u>58,575</u>	<u>73,538</u>	<u>75,509</u>
	418	350	359	450	480
	6	7	6	7	7
	115	122	89	61	52
	63	39	53	58	54
	4	6	7	7	7
	-	-	-	-	-
	8,115	7,780	7,465	7,175	6,890
	1,146	1,480	1,794	2,088	2,371
	<u>9,867</u>	<u>9,784</u>	<u>9,773</u>	<u>9,846</u>	<u>9,861</u>
	15,529	13,271	14,307	14,428	13,925
	1,010	712	835	623	176
	246	231	287	270	-
	11	32	-	-	-
	521	-	-	-	-
	<u>22,330</u>	<u>29,979</u>	<u>24,608</u>	<u>28,348</u>	<u>30,138</u>
	<u>49,514</u>	<u>54,008</u>	<u>49,811</u>	<u>53,514</u>	<u>54,100</u>
	<u>26,644</u>	<u>17,817</u>	<u>8,765</u>	<u>20,024</u>	<u>21,409</u>
	-	-	1,795	2,091	-
	-	-	(1,795)	(2,091)	-
	-	-	-	-	-
	<u>26,644</u>	<u>17,817</u>	<u>8,765</u>	<u>20,024</u>	<u>21,409</u>
	35,403	35,395	35,395	35,398	35,397
	<u>376,907</u>	<u>350,270</u>	<u>332,454</u>	<u>323,686</u>	<u>303,663</u>
\$	<u>412,310</u>	<u>\$ 385,665</u>	<u>\$ 367,849</u>	<u>\$ 359,084</u>	<u>\$ 339,060</u>
	34.1%	38.5%	36.7%	36.8%	38.6%

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SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE
FISCAL YEARS 2002 THROUGH 2011 (in thousands)

Fiscal year ended	Special Revenue Fund		
	Reserved	Designated	Total
2011	\$ -	\$ 419,291	\$ 419,291
2010	-	410,085	410,085
2009	-	417,189	417,189
2008	-	425,887	425,887
2007	8,031	402,081	410,112
2006	8,031	372,326	380,357
2005	8,031	345,281	353,312
2004	8,031	322,239	330,270
2003	8,031	308,509	316,540
2002	8,031	284,569	292,600

Fiscal year ended	All Other Governmental Funds		
	Reserved	Designated	Total
2011	\$ -	\$ -	\$ -
2010	-	-	-
2009	-	594	594
2008	25,000	4,330	29,330
2007	27,383	6,307	33,690
2006	27,372	4,580	31,952
2005	27,364	4,989	32,353
2004	27,364	10,215	37,579
2003	27,367	15,177	42,544
2002	27,366	19,094	46,460

Source: CAFRs.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – REVENUE BASE AND REVENUE RATE (CONTINUED)
FISCAL YEARS 2002 THROUGH 2011 (in thousands)

Fiscal year	2011	2010	2009
The TA's Sales Tax Rate	0.5%	0.5%	0.5%
Total Sales Tax Revenue	\$ 63,516	\$ 58,485	\$ 60,022
Total Taxable Sales in San Mateo County	\$ 12,703,200 ^[1]	\$ 11,697,000 ^[1]	\$ 12,004,489

Source: California State Board of Equalization

[1] Estimate for fiscal year 2008, 2009, 2010 and 2011 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 (CONTINUED)
FISCAL YEARS 2002 THROUGH 2011 (in thousands)

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
\$ 68,670	\$ 66,202	\$ 63,811	\$ 59,953	\$ 55,394	\$ 54,855	\$ 57,161
\$ 13,733,921 ⁽¹⁾	\$ 13,326,306	\$ 12,900,391	\$ 12,451,350	\$ 11,808,074	\$ 11,358,439	\$ 11,614,809

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
REVENUE CAPACITY – PRINCIPAL REVENUE PAYERS
FISCAL YEARS 2002 AND 2010 (in thousands)

Principal Revenue Payers	FY2010*			FY2002		
	Rank	Percent of Taxable Sales	Amount	Rank	Percent of Taxable Sales	Amount
Total all other outlets	1	35.0%	\$ 1,035,811	1	27.8%	\$ 833,549
Sporting Goods, Hobby, Book & Music Stores	12	2.1%	\$ 63,557	4	10.3%	\$ 310,321
Automotive group	3	9.4%	279,296	2	13.4%	402,545
General merchandise stores	5	7.7%	229,534	3	12.5%	373,702
Apparel stores	7	4.6%	136,769	11	3.2%	94,898
Food Services/drinking places	2	11.0%	324,766	5	7.9%	236,948
Service stations	4	7.9%	232,677	7	4.9%	148,182
Building materials group	6	6.5%	191,882	6	6.5%	194,136
Health and personal services	13	2.0%	59,954	8	4.4%	132,759
Furniture/Home furnishings	11	2.5%	75,444	9	3.8%	113,037
Food/Beverage stores	8	4.2%	124,540	10	3.7%	111,700
Miscellaneous Store Retailers	9	3.7%	110,229	12	1.6%	49,420
Electronics & Appliance stores	10	2.9%	84,578			
Nonstore Retailers	14	0.4%	13,128			
Total		100.0%	\$ 2,962,165		100.0%	\$ 3,001,197

Source: California State Board of Equalization

* Principal tax payers information for 2nd Quarter, 2010 is the most current information available.

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

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
DEBT CAPACITY – RATIO OF OUTSTANDING DEBT
FISCAL YEARS 2002 THROUGH 2011 (in thousands)

Fiscal Year	Limited Tax Revenue Bonds for SMCTA^[1]	Personal Income for San Mateo County^[2]	As a Percent of Personal Income
2011	\$ -	57,133,820	0.00%
2010	-	55,469,728	0.00%
2009	-	53,854,105	0.00%
2008	-	52,285,539	0.00%
2007	8,855	50,347,246	0.02%
2006	17,330	46,881,900	0.04%
2005	25,445	42,846,390	0.06%
2004	33,225	39,408,618	0.08%
2003	40,690	36,466,977	0.11%
2002	47,865	36,736,603	0.13%

[1] CAFRs

[2] U.S. Department of Commerce, Bureau of Economic Analysis, calendar year figures. Data for 2009, 2010 and 2011 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 2002 THROUGH 2011 (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
2011	\$ -	\$ 12,703,200 ^[1]	0.00%
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%

[1] 2008, 2009, 2010 and 2011 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, 2011**

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 2002 THROUGH 2011 (in thousands)

Fiscal Year	Pledged Sales Tax Revenue *	Debt Service			Coverage
		Principal	Interest	Total	
2011	\$ 50,813	\$ -	\$ -	\$ -	-
2010	46,788	-	-	-	-
2009	48,018	-	-	-	-
2008	54,936	8,855	407	9,262	6
2007	52,962	8,475	789	9,264	6
2006	51,049	8,115	1,146	9,261	6
2005	47,962	7,780	1,480	9,260	5
2004	44,315	7,465	1,794	9,259	5
2003	43,884	7,175	2,088	9,263	5
2002	45,729	6,890	2,371	9,261	5

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

Source: CAFRs

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
 DEMOGRAPHICS AND ECONOMIC INFORMATION – POPULATION AND INCOME
 FISCAL YEARS 2009 AND 2000**

	2009*	2000*	Percent Change Percent Change 2000 - 2009
Total Population	708,143	707,161	0.1%
Persons Per Household	2.76	2.74	0.7%
Median Household Income	\$ 85,250	\$ 70,819	20.4%
Personal Income (in millions)	\$ 50,014 ⁽¹⁾	\$ 41,730	19.9%
Per Capita Income	\$ 69,562 ⁽¹⁾	\$ 58,905	18.1%
Minority Population:			
Black	22,661	24,840	-8.8%
Hispanic	164,997	154,708	6.7%
Asian	171,371	141,684	21.0%
Native American	2,833	3,140	-9.8%
Total	361,862	324,372	11.6%
Percent of Minority Population to Total Population	51.1%	45.9%	11.4%
Population by Age:			
4 years and younger	48,862	45,374	7.7%
5 to 17 years	109,762		N/A
5 to 19 years		131,912	N/A
18 to 64 years	457,460		N/A
20 to 64 years		441,790	N/A
65-plus	92,059	88,085	4.5%
Percent of Employed Residents to Total Population	49.8%	52.9%	-5.9%
Percent of Residents Working Outside of San Mateo County	41.9% ⁽²⁾	41.8% ⁽²⁾	0.2%
Percent of People Commuting to the San Mateo County for Work	40.1%	41.5% ⁽²⁾	-3.4%

[1] Bureau of Economic Analysis, BEARFACTS 1999 - 2009, San Mateo, California [06081], most current information available.

[2] Metropolitan Transportation Commission

Source: United States Census Bureau, 2007 - 2009 American Community Survey 3-Year Estimates

* U.S. Census Bureau information for year 2001 is not available and 2009 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 2002 THROUGH 2011**

Year	Unemployment Rates
2011	8.6%
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%

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
Genentech Inc.	8,800	1	2.60%	3,700	4	0.96%
Oracle Corporation	5,642	2	1.66%	7,400	2	1.93%
County of San Mateo	5,179	3	1.53%	4,944	3	1.29%
Kaiser Permanente	3,790	4	1.12%			
Mills-Peninsula Health Services	2,500	5	0.74%	2,474	6	0.64%
Electronic Arts Inc.	2,000	6	0.59%			
United States Postal Service	1,964	7	0.58%	1,898	7	0.49%
San Mateo County Community College District	1,800	8	0.53%			
SLAC National Accelerator Laboratory	1650	9	0.49%			
Gilead Sciences Inc.	1480	10	0.44%			
United Airlines				17,700	1	4.61%
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	34,805		10.28%	45,681		11.89%

Source: County of San Mateo

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

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

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
 OPERATING INFORMATION – CAPITAL OUTLAY
 FISCAL YEARS 2002 THROUGH 2011 (in thousands)**

Cumulative Capital Outlay	2011	2010	2009	2008
Dumbarton Spur	\$ 29,847	\$ 28,830	\$ 26,684	\$ 20,881
Caltrain-Downtown Extension	171,149	154,880	135,170	125,558
Ferry	2,044	377		
Local Shuttle	228	135		
Railroad Grade Separations	181,565	171,958	157,514	148,396
Streets and Highways	216,936	210,320	194,663	171,478
Oversight and Bicycle	5,505	4,933	4,324	2,931
Total	\$ 607,274	\$ 571,433	\$ 518,354	\$ 469,244

Source: CAFRA

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 2002 THROUGH 2011 (in thousands)

2007	2006	2005	2004	2003	2002
\$ 18,777	\$ 18,190	\$ 16,841	\$ 16,377	\$ 15,350	\$ 15,143
113,077	104,941	95,666	81,322	77,699	69,154
143,871	142,003	136,987	125,647	124,249	120,082
140,360	120,900	114,399	102,752	84,825	69,651
2,415	1,947	1,758	962	330	73
\$ 418,500	\$ 387,981	\$ 365,651	\$ 327,060	\$ 302,453	\$ 274,103

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**SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – EMPLOYEES
FISCAL YEARS 2002 THROUGH 2011**

FULL-TIME EQUIVALENTS

DIVISION	2011	2010
CUSTOMER SERVICE AND MARKETING	0.20	0.35
EXECUTIVE	0.55	0.65
FINANCE AND ADMINISTRATION	4.00	3.75
OPERATIONS, ENGINEERING AND CONSTRUCTION	3.66	1.10
PLANNING AND DEVELOPMENT	2.75	6.80
PUBLIC AFFAIRS	1.00	0.95
TOTAL EMPLOYEES	12.16	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 total full-time equivalents by division.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – CAPITAL ASSETS
FISCAL YEARS 2002 THROUGH 2011 (in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Capital Assets:					
Land	\$ 13,591	\$ 13,591	\$ 13,591	\$ 13,591	\$ 18,161
Furniture and equipment	-	-	-	-	-
Total	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 18,161</u>

Source: CAFRs.

This table presents capital assets from the past 10 years.

SAN MATEO COUNTY TRANSPORTATION AUTHORITY
OPERATING INFORMATION – CAPITAL ASSETS
FISCAL YEARS 2002 THROUGH 2011 (in thousands)

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 18,161	\$ 18,161	\$ 11,505	\$ 11,505	\$ 8,115
\$ 18,161	\$ 18,161	\$ 11,505	\$ 11,505	\$ 8,115

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