



**San Mateo County
Board of Supervisors
Finance and Operations Committee**

**Mark Church, Chair
Rich Gordon, Vice-Chair**

**Reyna Farrales, Deputy County Manager
John Beiers, Chief Deputy County Counsel
400 County Center, Redwood City
650-363-4123**

TO: Finance and Operations Committee

FROM: Reyna Farrales, Deputy County Manager

SUBJECT: Finance and Operations Committee Meeting—Agenda for January 20, 2010

TODAY'S DATE: January 14, 2010

Meeting Date: Wednesday, January 20, 2010

Time: 11:00 a.m. – 12:00 p.m.

Place: Board Conference Room, Office of the Board of Supervisors
First Floor, Hall of Justice, 400 County Center, Redwood City

1. Call to Order
2. Oral Communications and Public Comment
3. Accept the Audited Comprehensive Annual Financial Report for Fiscal Year 2008-09 (Controller) - *Attachment*
4. Review Outline for February 9 Mid-Year County Budget Update (County Manager) - *Attachment*
5. Approve Submission to the Full Board of the Resolution Revising the Expenditure Assumption Relating to the San Mateo Medical Center Budget Target and Stating that the SMMC Budget Target Shall Be Equivalent to the other Health System Divisions (Health System) - *Attachment*
6. Accept Reserves Policy Update (County Manager) - *Attachment*
7. Provide Preliminary Feedback on Draft Managing for Competitiveness Policy for Further Discussions with Employee Organizations (County Manager) - *Attachment*
8. Other Business
9. Adjourn

A COPY OF THE SAN MATEO FINANCE AND OPERATIONS COMMITTEE AGENDA PACKET IS AVAILABLE FOR REVIEW AT THE CLERK OF THE BOARD'S OFFICE, HALL OF JUSTICE, 400 COUNTY CENTER, FIRST FLOOR. THE CLERK OF THE BOARD'S OFFICE IS OPEN MONDAY THRU FRIDAY 8 A.M. - 5 P.M., SATURDAY AND SUNDAY – CLOSED.

**PLEASE NOTE: THE NEXT MEETING OF THE FINANCE AND OPERATIONS
STANDING COMMITTEE WILL BE ON FEBRUARY 17, 2010**

MEETINGS ARE ACCESSIBLE TO PEOPLE WITH DISABILITIES. INDIVIDUALS WHO NEED SPECIAL ASSISTANCE OR A DISABILITY-RELATED MODIFICATION OR ACCOMMODATION (INCLUDING AUXILIARY AIDS OR SERVICES) TO PARTICIPATE IN THIS MEETING, OR WHO HAVE A DISABILITY AND WISH TO REQUEST AN ALTERNATIVE FORMAT FOR THE AGENDA, MEETING NOTICE, AGENDA PACKET OR OTHER WRITINGS THAT MAY BE DISTRIBUTED AT THE MEETING, SHOULD CONTACT MARIE PETERSON, FINANCE AND OPERATIONS COMMITTEE CLERK, AT LEAST 72 HOURS BEFORE THE MEETING AT (650) 363-4634 AND/OR mpeterson@co.sanmateo.ca.us. NOTIFICATION IN ADVANCE OF THE MEETING WILL ENABLE THE COUNTY TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING AND THE MATERIALS RELATED TO IT. ATTENDEES TO THIS MEETING ARE REMINDED THAT OTHER ATTENDEES MAY BE SENSITIVE TO VARIOUS CHEMICAL BASED PRODUCTS.

If you wish to speak to the Committee, please fill out a speaker's slip. If you have anything that you wish distributed to the Committee and included in the official record, please hand it to the Deputy County Manager who will distribute the information to the Supervisors and staff.



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Controller's Office



DATE: January 12, 2010

BOARD MEETING DATE: January 20, 2010

TO: Honorable Board of Supervisors

FROM: Tom Huening, Controller

SUBJECT: Grand Jury Auditor Presentation of the Fiscal Year 2008/2009 County of San Mateo's Comprehensive Annual Report (CAFR)

RECOMMENDATION:

Accept the audited Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

BACKGROUND:

Annually the Controller prepares, in conjunction with the finance officers of all departments, the general purpose financial statements of the County. These financial statements are audited by the Grand Jury Auditors (currently Macias, Gini & O'Connell, LLP). Since the fiscal year ended June 30, 2000, the Controller has also prepared an award winning Comprehensive Annual Financial Report (CAFR) that contains the audited general purpose financial statements as well as additional sections that aid user understanding of these financial statements to the County's overall financial environment.

Consistent with recommended best practices of the Government Finance Officers Association (GFOA), the Board of Supervisors is presented with the audited CAFR by the Grand Jury Auditors. The Finance Committee of the Board of Supervisors performs this function. It is an opportunity for the Finance Committee to discuss any questions or concerns related to the CAFR with the independent auditors and to accept the CAFR from the Grand Jury Auditors.

DISCUSSION:

The County has once again obtained a "clean" audit opinion on its general purpose financial statements included in the CAFR. As in prior years, the Controller expects the fiscal year's 2008/2009 CAFR to win the GFOA's Award for Excellence in Financial Reporting.

The Grand Jury Auditors will also present other required communications to the Finance Committee for acceptance.

Performance Measure(s):

| Measure | FY 2008-09 Actual | FY 2009-10 Projected |
|--|-------------------------------|---------------------------------|
| Audit Adjustments as a percent of Total Assets | 0.8% (Target = 1%) | 0% |
| CAFR Issued with unqualified opinion and GFOA award of excellence | 100% | 100% |

FISCAL IMPACT:

A “clean” opinion on the CAFR aids the County in maintaining its high rating in the financial community thereby assisting in reducing the costs and remaining in compliance with the terms of borrowings. It also assists to ensure the continued inflow of grant monies (federal, state and local) as it gives confidence to grantors that their monies will be properly accounted for.

COUNTY OF SAN MATEO

Report to Board of Supervisors
and Grand Jury

For the Fiscal Year Ended
June 30, 2009

COUNTY OF SAN MATEO

**Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009**

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SACRAMENTO

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

To the Board of Supervisor and the Grand Jury
of the County of San Mateo
Redwood City, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of San Mateo, California (County) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America. Our opinion on the financial statements and this report, insofar as they relate to the Housing Authority of the County of San Mateo and the San Mateo County Employees' Retirement Association, are based solely on the report of other auditors. Professional auditing standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and U.S. Office of Management and Budget (OMB) Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our General Audit Plan to you dated May 20, 2009. Professional standards also require that we communicate to you other information related to our audit as discussed in the Required Communications section.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

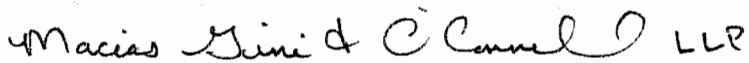
A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency presented in the Current Year Recommendations as finding 2009-01 to be a significant deficiency. In addition, we noted other matters involving the internal control and its operation that we have reported to management as described in the Current Year Recommendations section.

The County's written responses to the findings identified in our audit are described in the Current Year Recommendations section. We did not audit the County's responses and, accordingly, we express no opinion on them. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We have included in this letter a summary of communications with the Board of Supervisors and the Grand Jury as required by professional auditing standards. We have also provided a status of our prior year recommendations. We would like to thank County management and staff for the courtesy and cooperation extended to us during the course of our engagement.

This communication is intended solely for the information and use of the County Board of Supervisors, the Grand Jury, County management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties


Certified Public Accountants

Walnut Creek, California
November 18, 2009

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

REQUIRED COMMUNICATIONS – SIGNIFICANT AUDIT FINDINGS

I. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 2 to the financial statements. With the exception of the item described below, no new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009.

As described in Note 2(o) to the County's basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Fair value of investments;
- Allowances for doubtful accounts for accounts receivable;
- Allowance for uncollectible mortgage loans;
- Depreciation estimates for capital assets;
- Accrual and disclosure of compensated absences;
- Accrual and disclosure of other postemployment benefits;
- Accrual and disclosure of self-insured claims liabilities; and
- Contractual adjustments and estimated uncollectibles of patient accounts receivable.

Management's estimates were based on the following:

- Fair value of investments are based on custodian statements;
- Allowances for doubtful accounts for accounts receivable are based on historical collection rates;
- Allowance for uncollectible mortgage loans is based on loan terms and conditions. Some loans may be forgiven if certain terms and conditions of the loans are met;
- Depreciation for capital assets is based on estimated useful lives for capital assets;
- Accrual of compensated absences is based on unused vacation and compensatory time at year-end;
- Accruals of other postemployment benefits and self-insured claims liabilities are based on actuarial studies performed by the County's independent actuaries;
- Estimates of contractual adjustments and uncollectibles of patient accounts receivables are based on historical collections and reimbursement formulas prescribed by federal and state legislation.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

REQUIRED COMMUNICATIONS – SIGNIFICANT AUDIT FINDINGS (Continued)

I. Qualitative Aspects of Accounting Practices (Continued)

During our audit, we evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial reporting units that collectively comprise the County's basic financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were pension benefits and other postemployment benefits. The disclosures about pension benefits and postemployment benefits in Note 13 and Note 14 to the financial statements, respectively, are based on actuarial evaluations.

II. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

III. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our audit, we noted a material misstatement as a result of an adjusting entry not posted to the financial management system in the amount of \$7 million as discussed on page 7. This adjustment was subsequently corrected by management. In addition, the attached schedule on page 15 summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

IV. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

V. Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 18, 2009.

VI. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

REQUIRED COMMUNICATIONS – SIGNIFICANT AUDIT FINDINGS (Continued)

VII. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

VIII. Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the financial statements and our report does not extend beyond the financial information identified in our audit report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. The County includes its financial statements and our report in its Comprehensive Annual Financial Report (CAFR). However, we read the other information in the County's CAFR and considered whether such information, or its manner of presentation, was materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or manner of its presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

CURRENT YEAR RECOMMENDATIONS

2009-01 Authorization for Changes to the Charge Master

Significant Deficiency

The Charge Master Description ('CDM') pricing tables are periodically revised to account for changes in the Medical Center's operating environment and market prices for services and supplies provided to patients. During our tests of internal controls over the patient billing we noted that the documents authorizing changes to the CDM were not available for review. In addition, we noted that the process to request a change to the CDM is informal (mainly emails) and the procedures for requesting a change and listing of authorized individuals have not been documented.

We recommend that the Medical Center develop and communicate formal procedures for requesting changes to the CDM. In addition, a list of individuals authorized to approve changes should be maintained by the patient accounting department. Finally, the Medical Center should formalize a process to maintain authorization documents.

Management's Response:

The Medical Center is implementing Craneware software to review the CDM file. The review will include but is not limited to CPT codes, modifiers, revenue codes and compliance. Each manager will be trained on the use of the Craneware software by January 31, 2010.

All CDM updates and or changes will be requested by the department manager. The request will be made through the Craneware email system which will have an electronic audit trail. The email will be approved by the CFO and sent back to the CDM Coordinator who will make all necessary changes in the CORE system.

The Accounting Department is in the process of preparing a master list of authorized approvers, including sample signatures. The list will include authorized approvers for contracts, purchase orders, checks, wire transfers, CDM changes, accounts payable batches, journal entries, budget adjustments, etc.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

CURRENT YEAR RECOMMENDATIONS (Continued)

2009-02 Year-end Financial Reporting

Control Deficiency

As part of the County's Comprehensive Annual Financial Report (CAFR) preparation process, the County records its financial reporting adjustments in accordance with accounting principles generally accepted in the United States of America (GAAP) in the budget module of the County's accounting system (IFAS). Included in these financial reporting adjustments are entries to accrue outstanding liabilities at year-end. During our review of the County's basic financial statements for the year ended June 30, 2009, we noted that the County initiated a \$7 million adjusting entry to the General Fund's accounts payable that was not reflected in the County's draft financial statements. Further investigation revealed that the IFAS budget module requires batch IDs to be no more than 8 characters in length. Because a user inadvertently inputted too many digits in the batch ID when recording one of the adjusting entries, IFAS did not process the adjustment which affected the reporting in the GAAP financial statements.

In prior years, the Controller's Office printed a "posted copy" of all budget module journal entries to confirm the proper posting of these unique financial statement adjusting transactions. This specific posting report has not been generated by IFAS since 2006. As a result of this posting report not being printed, the County was not aware that IFAS did not post the year-end adjusting entry noted above.

We recommend that management consider re-establishing the printing function or establishing other alternative analytical procedures to ensure all adjusting entries related to the preparation of the GAAP financial statements are posted.

Management's Response:

We agree with the recommendation and have implemented the suggested controls.

Each year, after the books are closed, the Controller's Office manages the preparation of the County's Comprehensive Annual Financial Report which includes the audited basic financial statements. As part of this preparation process, post-closing adjusting entries are made in the accounting system's budget module (separate from the module used for day-to-day transaction processing). These post-closing adjusting entries are used to convert the activity in the general ledger system from a cash basis to both the full and modified accrual basis of accounting used in the audited financial statements.

To avoid the chance of recurrence of this instance, management has once again enabled this report for printing for each posted adjusting entry to ensure proper posting occurs. Additionally we will perform an analytical review specifically related to the completeness of the accounts payable liability.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

CURRENT YEAR RECOMMENDATIONS (Continued)

2009-03 Pharmaceuticals and Supplies Inventory Count *Control Deficiency*

Annually the Medical Center conducts a physical count of inventory related to pharmaceuticals and supplies which is used to determine the year-end inventory balances reported in the financial statements. We observed the inventory counts performed on June 30 and July 1, 2009, and documented our test counts, which agreed to those of the Medical Center on the days of the counts. However, we noted discrepancies in 18 out of 57 test counts where our documented test count did not agree to the final detailed inventory report. The Medical Center corrected 10 of these discrepancies but could not account for the difference in the remaining 8 discrepancies. Furthermore, we observed that the pharmacy count appears rushed due to limited resources.

We recommend the following:

- 1) Pharmacy – The Medical Center should consider contracting with a professional count team to perform the inventory count. This will relieve the burden on strained resource levels in the pharmacy by allowing staff to perform their normal service tasks.
- 2) Supply Distribution – The Medical Center should establish procedures to perform test re-counts on randomly selected items to verify the accuracy of the counts. If the error rate is high, management should order selective re-counts based on error rate by like products and individual counters. In addition, controls over the updating final inventory reports should be reviewed and revised as necessary to ensure the reports are accurately updated based on the results of the each count.

Management's Response:

- 1) Pharmacy – The Medical Center will contract with an inventory service to manage the pharmacy's physical inventory count at June 30, 2010.
- 2) Supply Distribution – The Medical Center is in process of replacing its materials management inventory system with a new system, which will maintain a reliable perpetual inventory balance and allow monthly random inventory checks. This new system is expected to go live during fiscal year 2009-10. For the next inventory count at June 30, 2010, the following controls will be put in place:
 - The Accounting Department will develop written procedures for physical inventories, including re-counts for randomly selected items.
 - The Materials Management Department will re-organize inventory stock so that each item of supply is in one location to enhance the accuracy of the inventory count.
 - The Materials Management Department will update the final inventory reports accurately based on the inventory count and submit to the Accounting Department.

The Accounting Department will verify that the final inventory reports agree to the inventory count.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

CURRENT YEAR RECOMMENDATIONS (Continued)

2009-04 Timely and accurate financial reporting

Other Matter

During the audit, we noted that Medical Center staff had not completed the reconciliations of several general ledger accounts (e.g. capital assets, depreciation, inventory) prior to the start of our fieldwork. We recommend the general ledger be reconciled in a timely manner subsequent to year-end.

Management's Response:

It is the Medical Center CFO's expectation that the Accounting Department performs monthly balance sheet account reconciliations for all of the balance sheet accounts. The target date for completion and ongoing reconciliations will be March 2010.

2009-05 Reconciliation of patient receivable balance and related bad debt reserves

Other Matter

The Medical Center currently does not have the staff resources to reconcile patient receivable balances and the related bad debt reserves and has engaged outside experts to assist them in this analysis. We recommend the Medical Center train staff to reconcile the patient receivable balances and related bad debt reserves. By developing such expertise, the Medical Center would be able to assess and evaluate the balances to ensure the reasonableness and accuracy of such material accounts.

Management's Response:

The CFO is working with staff to complete a new contractual model and bad debt reserve model that is based on the aging of accounts receivable to establish a monthly allowance reserve process that distinguishes contractual allowance and expense from bad debt allowance and expense. The completion and integration of the model will be for the February 2010 close.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

CURRENT YEAR RECOMMENDATIONS (Continued)

2009-06 American Recovery and Reinvestment Act

Informational

The American Recovery and Reinvestment Act of 2009 (the Recovery Act) provides approximately \$300 billion dollars in additional federal funds which will be passed down from federal agencies to state and local governments and institutions of higher education. These federal funds are intended to either supplement existing federal programs, create new programs, or to provide more broad fiscal relief.

The Recovery Act mandates that there be an unprecedented amount of oversight and transparency over the spending of all funds associated with it. The Office of Management and Budget (OMB) set up a web site to be the central point for the transparency part of the mandate. Also, the OMB issued guidance to the federal agencies regarding how they should carry out programs and activities relating to the Recovery Act that promotes timeliness and accountability. The OMB guidance addresses many issues and responsibilities including the following:

- Recipients are required to clearly distinguish Recovery Act funds from non-Recovery Act funds.
- New programs or existing programs that have significant changes in compliance requirements will be identified with a new Catalog of Federal Domestic Assistance (CFDA) number.
- Federal agencies designated Recovery Act programs as high-risk for single audit purposes.
- Extensive quarterly reporting to federal agencies may be required from recipients of Recovery Act funding, which will be due within 10 days of each calendar quarter-end.
- Federal agencies are required to initiate additional oversight to address the unique implementation risks of the Recovery Act. The expectation in this area is that federal agencies will establish defined strategies to prevent or timely detect waste, fraud, or abuse.
- Federal agencies will also use the single audit process as a means of promoting accountability for Recovery Act funds.
- The Federal Audit Clearinghouse (FAC) is required to make publicly available on the internet all single audit reports filed with the FAC for fiscal years ending September 30, 2009, and later.

Based on the information above, it is clear the Recovery Act funds will have a significant impact on your single audit. While the Recovery Act may not have an immediate impact on the County's single audit of the year ended June 30, 2009, it is likely that it will have a significant impact over the following two fiscal years. Therefore, the County should begin planning and assessing risks associated with the receipt, spending and reporting of Recovery Act funds. Specifically, you should consider the following:

- Whether control procedures in place over federal expenditures are appropriate, operating effectively, designed to detect and prevent unallowable expenditures, and to detect or prevent fraud and abuse.
- Whether the existing staffing resources are adequate to address the increased reporting and monitoring requirements as a result of the Recovery Act. The County should also identify individual(s) who will monitor requirements and provide consistent guidance to the organization.
- Whether additional controls and system requirements will be needed to ensure that Recovery Act funds can be separately identified and tracked.
- Whether new controls will need to be established to meet the stringent reporting requirements to federal agencies.
- If Recovery Act funds will be passed down to subrecipients, whether controls are in place to ensure appropriate subrecipient monitoring and also whether any new controls will need to be established related to new subrecipient reporting responsibilities.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

STATUS OF PRIOR YEAR RECOMMENDATIONS

2008-1, Well Patient Admission Documentation

Significant Deficiency

The Medical Center should develop a tracking tool, such as a checklist, to determine that all eligibility requirements are completed timely and required documentation received and properly filed in accordance to the guidance set forth for the Wellness, Education, Linkage, Low-Cost (Well) Program in July 1996.

Current Year Status:

Implemented. Beginning April 2009, a Well Program Benefits Analyst verifies that all eligibility requirements have been met and all required documentation is in the files. The review includes income verification, residency and timeliness of submission.

2008-2, Contractual Allowance Analysis

Significant Deficiency

The Medical Center should revise its Reserve Calculation worksheet to identify financial classes with negative accounts receivable balances and review its methodology to ensure these items are properly mitigated. In addition, procedures should be developed to perform an analysis of financial class "U" (Undetermined) annually to ensure reclassifications are based on current information.

Current Year Status:

Implemented. A new "net accounts receivable" column was added to the Reserve Calculation worksheet. Management reviewed the propriety of amounts in financial class "U". In addition, HFS Consultants conducted an overall reasonableness review of the contractual allowances as of June 30, 2009, prior to preparation of the annual financial statements.

2008-3, Grant Tracking

Control Deficiency

The Medical Center should develop a mechanism for tracking and monitoring individual grants received that will allow information to be provided timely related to grant progress and to assist in periodic reconciliations of grant revenues and expected future expenses.

Current Year Status:

In process. The County is currently implementing the grants module of the IFAS financial system. We understand the new module will go live during fiscal year 2009-10. In preparation for the change, the Medical Center has completed the following:

- Conducted an inventory of all Medical Center grants.
- Developed written SMMC grants procedures.

The Medical Center is in process of:

- Participating on the County's grants module implementation task force.
- Circulating a detail monthly grant revenue and expense statement to all grant administrators summarizing the status of each grant (are amounts being billed and collected, will grants be used before they expire).
- Conducting a review of the status of each grant, including accounting/reporting, billing/collecting, and award expiration dates.
- Centralizing location of all grant award and reimbursement documents in the Accounting Department.

SMMC will revise the grants procedures based on new County procedures.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

2008-4, Vendor Contracts

Control Deficiency

The Medical Center should review its current vendor agreements to determine if contracts expirations are imminent and analyze period-to-date expenses with future expectations, in addition to considering having the County's purchasing conduct a formal bidding process for the consortium contract to ensure that the Medical Center is getting the best price for drugs and supplies. Establishing budgetary controls (e.g. purchase orders) in the general ledger system for significant vendors to assist in controlling costs and timely identifying vendor costs exceeding expectations is also suggested.

Current Year Status:

In Process. The County is planning to implement the contracts module of the IFAS financial system. The Medical Center is beta testing this module. This will make it easier for the Medical Center to monitor the status of contracts.

The Accounting Department currently maintains a list of all payments by contract and does not pay any vendor invoices over the contract amount. Accounting also compares the unspent balance of each contract to the remaining contract period twice a year and notifies the department manager of those situations in which expenditures are in danger of exceeding the contract.

The Medical Center uses GPO ("Group Purchasing Organization") Amerinet as its primary supplier of drugs and supplies. This is a consortium of smaller hospitals to take advantage of group purchasing power. The County has a contract with Amerinet that was extended for two years through fiscal year 2010-2011. It is expected that the County will bid this contract again at that time.

2007-3, Recording of Mortgages Receivable

Significant Deficiency

The Department of Housing (DOH) should assume the responsibility of initiating and approving adjustments to the mortgage receivable and related allowance balances in the County's general ledger and reconcile them at least annually to its loan database. The DOH should also document its policies and procedures to prevent future errors. In fiscal year 2007-08, the DOH was in the process of formally documenting the department's procedures on the year-end analysis and financial reporting process to minimize the effects of "lost" knowledge due to turnover. Such documentation is to be completed by the end of fiscal year 2008-09.

Current Year Status:

Implemented.

2007-5, Missing Condition of Admission Forms

Control Deficiency

Of 32 in-patient files tested, 4 did not have a Conditions of Admissions form in the patient file. This form is required for in-patients to notify them of their rights and responsibilities. Management should emphasize the importance of obtaining and properly filing the Conditions of Admissions forms to ensure compliance. In FY2008, the Medical Center was in process of evaluating the controls over this process.

Current Year Status:

Implemented.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

2007-7, Risk Assessment and Monitoring

Informational

We recommended that the County perform and document a comprehensive risk assessment analysis to assess the effectiveness of internal controls design and/or effectiveness of its internal control framework.

Current Year Status:

In process. The Controller's Office's Internal Audit Division has identified and is updating the internal control assessments of five major countywide processes, including accounts payable, purchasing, cash disbursements; accounts receivable and cash receipts; payroll; capital assets; and fiscal year-end closing process. The Medical Center has hired a consultant to assist in its risk assessment. The results will be reviewed by the Internal Audit Division to be incorporated in the countywide documentation. The expected completion date for this phase of the assessment is June 2010.

Once the assessments of countywide processes are complete, the Internal Audit Division plans to expand its analysis to other County departments. The Medical Center will be one of the focus areas due to its size and diversity of transactions.

2006-1, Internal Control Weaknesses Related to Cash Receipts Process

Reportable Condition

We recommended that the Medical Center perform a more extensive internal review and assessment of its cash receipts process to include any major offsite collection points. Additionally, procedures at the Cashier's Office should be evaluated and documented. In FY08, the Medical Center hired a consultant to review the process and recommendations are being incorporated in the Medical Center's risk assessment evaluation.

Current Year Status:

In process. The 39 recommendations on cash collections identified in the September 2007 report prepared by a consultant are being distributed to the appropriate department managers with implementation guidance. An implementation schedule will be developed upon receiving responses from the departments and will be monitored by the Accounting Department.

2006-3, Adequate Staffing for Financial Reporting and Accounting Systems Functions

Other Comment

We recommended that the County evaluate appropriate staffing for critical functions of the Controller's Office and strongly consider adding positions to ensure continuity of these functions and to add capacity to evaluate key business processes for efficiency and effectiveness in daily operations.

Current Year Status:

We are removing this recommendation because additional positions appear unfeasible given the current budget constraints facing the County. However, the Controller's Office continues to cross-train its existing accounting staff to compensate for limited available resources dedicated to the financial reporting function.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

2005-4, Capital Assets Reconciliation

Other Comment

We recommended that the County consider allocating adequate resources to implement the capital asset module in the general ledger system (IFAS) to ensure that all capital asset activities are appropriately captured and reported. Due to resource constraints, the County has put this project on hold in FY2008.

Current Year Status:

Due to resource constraints, the County will postpone this project indefinitely. We are removing this recommendation as it is not practical under current circumstances.

COUNTY OF SAN MATEO

Report to Board of Supervisors and Grand Jury
For the Fiscal Year Ended June 30, 2009

SUMMARY OF UNCORRECTED MISSTATEMENTS

| PJE# | Fund | Account Description | Debit | Credit |
|-------------|-------------|--|--------------|---------------|
| 1 | SMMC | Unrestricted Net Assets | \$141,988 | |
| | SMMC | Depreciation Expense (To adjust depreciation expense for the current fiscal year). | | \$141,988 |
| 2 | SMMC | Unrestricted Net Assets | \$966,545 | |
| | SMMC | Interest Expense (To record interest expense in period incurred). | | \$966,545 |
| 3 | SMMC | Unrecorded OPEB expense | \$565,348 | |
| | SMMC | Transfers-in (General Fund Subsidy) (To record OPEB contribution by the General Fund on behalf of the Medical Center). | | \$565,348 |

COUNTY OF SAN MATEO, CALIFORNIA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2009

Tom Huening, Controller

County of San Mateo, California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2009



Tom Huening
Controller



Cover Photo: Vineyard Leaves - San Mateo County, California
Photographer: Bob Adler

**COUNTY OF SAN MATEO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2009**

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Office of Controller



TOM HUENING
CONTROLLER

COUNTY OF SAN MATEO

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November 18, 2009

The Honorable Members of the Board of Supervisors
Citizens of the County of San Mateo, California

California Government Code sections 25250 and 25253 require that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2009.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Macias Gini & O'Connell LLP has issued an unqualified ("clean") opinion on the County of San Mateo's financial statements for the fiscal year (FY) ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A), which appears on pages 3-20 of this report, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The County of San Mateo (County) is one of the nine counties in the San Francisco Bay Area. The County occupies 449 square miles on a peninsula bounded by San Francisco to the North, Santa Clara County to the South, San Francisco Bay to the East, and the Pacific Ocean to the West. Though sandwiched between two large urban areas, the County is a pleasant mix of suburban and rural areas. Most of the County's 745,858 residents live in the suburban corridor east of the Santa Cruz Mountains, which bisects the County. The western part of the County remains primarily rural and has some of California's most beautiful coastline.

The County, established by an Act of the State Legislature in 1856, is a legal subdivision of the State of California charged with governmental powers. With a charter form of government, the County's powers are exercised through an elected Board of Supervisors (Board). The Board, as the governing body, legislates and sets policies for County government activity except for those functions reserved for elected officials: Assessor-County Clerk-Recorder, Controller, Coroner, District Attorney/Public Administrator, Sheriff, and Treasurer-Tax Collector. The County provides a vast array of services to its residents, which include social services, public health protection, housing programs, public safety, elections, property tax assessments, and tax collection.

Component Units

The governmental reporting entity consists of the County and its blended and discretely presented component units. Component units are legally separate entities for which the County is financially accountable or for which the relationship with the County is so close that exclusion would cause the County's financial statements to be misleading or incomplete.

Blended Component Units

The County has the following independent fiscal agencies as blended component units:

- The San Mateo County Joint Powers Financing Authority (JPFA) assists the County in the financing of public capital improvements. The JPFA is reported as a major governmental fund in the County's governmental fund financial statements.
- The San Mateo County Employees' Retirement Association (SamCERA) administers the financial activities of the County's pension plan. SamCERA is reported as a pension trust fund in the County's fiduciary fund financial statements.
- The Housing Authority of the County provides housing assistance to low and moderate-income families. The Housing Authority is reported as a major enterprise fund in the County's proprietary fund financial statements.
- The In-Home Supportive Services (IHSS) Public Authority assists consumers in finding IHSS personnel, provides training and support for providers, recipients and recipients' families, and performs other functions related to the delivery of in-home supportive services. The IHSS Public Authority is reported as a non-major governmental fund in the County's combining financial statements for non-major special revenue funds.
- The Board is the governing body of the County Service Areas, Sewer and Sanitation, Flood Control, Lighting, and other special districts. These special districts are reported as non-major governmental funds in the County's combining financial statements for non-major special revenue funds.

Discretely Presented Component Unit

First 5 San Mateo County (First 5) was created in 1998 with the passage of Proposition 10, which requires that a portion of tobacco tax be used to promote early childhood development for children ages 0-5 through education, health, child care, and other programs. As the County's Board appoints all of its members and approves its budgets, First 5 is reported as a discretely presented component unit of the County in the government-wide financial statements.

Budget

Except for the JPFA and certain other special revenue funds, the County prepares a budget for all governmental funds on the modified accrual basis of accounting in accordance with California Government Code Sections 29000 and 29143. For the fiscal year 2009-10, the Board adopted a final budget of \$1.76 billion. This represents a 2.5% decrease of \$46 million from the fiscal year 2008-09 budget. The annual budget serves as the foundation for the County's financial planning and control of expenditures. The level at which expenditures may not legally exceed appropriations is at the object level (e.g. salaries and benefits) within a budget unit.

Budget expenditures are enacted into law through the passage of an Appropriation Ordinance. The ordinance sets limits on expenditures, which cannot be changed except by subsequent amendments to the budget. The Board must approve amendments or transfers of appropriations for an amount above \$50,000 or between budget units. The County Manager's Office is authorized to approve transfers and revisions of appropriations up to \$50,000 within a single budget unit. Regardless of the amount, the Board must approve supplemental appropriations normally financed by unanticipated revenues or reserves.

Local Economy

Major Industries

Tourism. San Francisco International Airport (SFO), located within the County's boundaries, remains a significant economic engine in the region by providing tens of thousands of jobs that are directly or indirectly tied to the airport's businesses. Tourism plays a significant role in the County's economy, providing revenues in property, sales and hotel taxes.

Despite the reopening of Terminal 2 and the expansion of Virgin America, air travel at SFO has been affected by the global economic downturn. SFO's total passenger volume declined by one percent to 36.7 million in June 2009 compared to 37.1 million in June 2008.

Technology. San Mateo County is home to a diverse businesses community which includes biotech/pharmaceutical, medical science, computer technology and other leading-edge industries. The County's top five largest employers include United Airlines, Genentech, Oracle, County of San Mateo, and Kaiser Permanente.

Employment

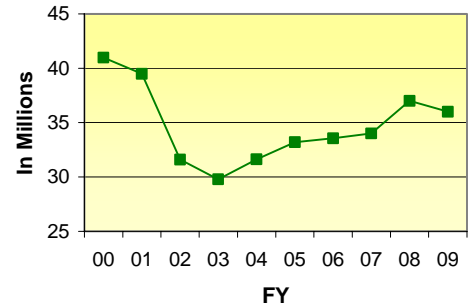
As the global economy weakened, the unemployment rate in San Mateo County rose to 8.9% as of June 2009, almost doubling from the prior year's estimate of 4.7%. This compares with an unadjusted unemployment rate of 11.6% for California and 9.7% for the nation in June 2009. Among California's 58 counties San Mateo County has the fourth lowest unemployment rate as of June 2009.

Real Estate

Residential. The overall housing prices and sales volumes declined in San Mateo County over the past year. The median price for a home in San Mateo County dropped 27.8% from \$880,000 in June 2008 to \$635,000 in June 2009. In contrast, the median price for a home in California is \$274,740 and in the rest of the U.S. is \$174,100 for June 2009.

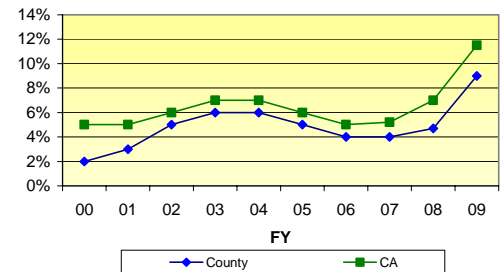
Commercial. The occupancy rate for office space in the County continues to plummet. The vacancy rate for June 2009 was at 16.7%, up from 10.1% for June 2008. This jump in vacancy rate is caused by the ever slowing economy on the peninsula. The average asking rate for space has dropped 24.2% from \$4.21 per square foot per month in 2008 to \$3.19 in 2009.

SFO Total Airport Passengers



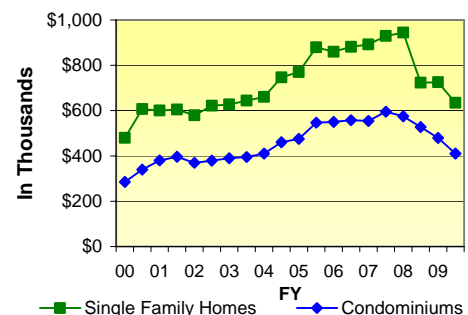
Source: SFO Comparative Traffic Reports

Unemployment Rate



Sources: Employment Development Dept., California
U.S. Department of Labor

SMC Median Housing Prices



Source: Statistics from RE InfoLink

Long Term Financial Planning

Shared Vision 2025

In the fall of 2008, the San Mateo County Board of Supervisors approved Shared Vision 2025. Shared Vision 2025 paints a picture of the desired future through five, high level outcome statements. Each statement fully reflects and incorporates both the verbiage used and the priorities that were consistently expressed, voted on and ranked the highest by the community. The community envisions a future with five broad outcomes, recognizing the interconnectedness of our communities' people, policies and programs. It places an emphasis on inclusiveness and requires greater collaboration. Together, Shared Vision 2025 expresses a desire for a sustainable community.

Our Shared Vision for 2025 is for a healthy, livable, prosperous, environmentally conscious and collaborative community.

Healthy Community - Our neighborhoods are safe and provide residents with access to quality health care and seamless services.

Livable Community - Our growth occurs near transit, promotes affordable, livable connected communities.

Prosperous Community - Our economic strategy fosters innovation in all sectors, creates jobs, builds community and educational opportunities for all residents.

Environmentally Conscious Community - Our natural resources are preserved through environmental stewardship, reducing our carbon emissions, and using energy, water and land more efficiently.

Collaborative Community - Our leaders forge partnerships, promote regional solutions, with informed and engaged residents, and approach issues with fiscal accountability and concern for future impacts.

Financial decisions of the Board of Supervisors and County Departments will be directed toward and measured for achieving the outcomes expressed in Shared Vision 2025.

Financial Challenges

As noted in the County Manager's 2009-2010 budget message, the current national economic crisis has a more pronounced impact on local governments than previous downturns due to the following major factors:

- The housing slump has resulted in significant declines in local property values which has led to almost no growth in property tax revenues compared to an average 7% growth in the last five years;
- Unemployment rates have doubled compared to 2008, resulting in significant demands for public assistance and safety net services provided by the County and community-based nonprofit organizations;
- Consumer spending has declined significantly, which has resulted in major reductions in sales tax revenues;
- Losses from investments in the stock market have resulted in (1) increased costs to fund retirement benefits for our employees, and (2) reduced income tax revenues to the state, which funds many of our state-mandated services like health, social services and public safety.

Although San Mateo County is comparatively better off than most other areas, there remains an estimated \$100 million structural budget gap in the General Fund budget due to increases in costs and reductions in revenues including:

- Increases in retirement contributions of over \$50 million starting July 1, 2010
- Reductions in state funding of over \$20 million (April 2009 estimate)
- Reductions in property tax and sales tax revenue and increases in other costs of at least \$20 million
- Reductions in other costs of \$10 million

To meet these challenges, the County Manager and Departments, under the leadership of the Board, have embarked on a five year plan, as described below, to eliminate the structural budget deficit.

Five-Year Plan to Eliminate the Structural Budget Deficit

The County has embarked on a five year plan to cure the structural budget gap (budgeted expenditures exceeding budgeted revenues) by the fiscal year ending June 30, 2013. Solutions will come from four areas: changes to programs and services, labor costs, countywide efficiencies (e.g., energy use, use of space, use of technology, reduction of overhead) and finding new sources of revenues. The County will use its reserves as the solutions to eliminate the structural budget deficit are implemented.

The five year plan was adopted by the Board of Supervisors with a set of strategies to eliminate the County's structure budget imbalance by 2013. These strategies include:

- Undertake no new expenditures without corresponding new revenue or cost-reduction offsets;
- Cap the annual rate of increase in General Fund Net County Cost to 5% to match the expected growth in revenue;
- Maintain operating reserves of at least 15% of net appropriations in the General Fund, in addition to 3% contingency reserves;
- Eliminate the General Fund subsidies to the County Fire and Sanitation districts;
- Reduce the General Fund contribution to the Medical Center to a level consistent with the Welfare and Institutions Code § 17000 indigent health care obligation; and
- Limit future use of revenues from excess Educational Revenue Augmentation Fund to facility and technology infrastructure improvements, productivity enhancements, reduction of unfunded liabilities, and other one-time uses.

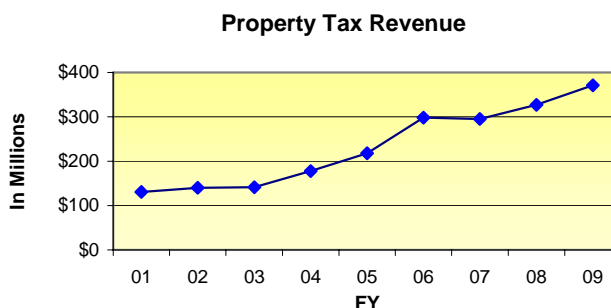
The plan allows use of General Fund Reserves over the course of five years to alleviate the impact on operating departments and ensure that excellent services are provided to the public with no interruption. In addition, the County has extended the freezing of jobs initially implemented in December 2007, ensuring that all County departments uphold a vacancy rate of at least five percent.

Salaries and Benefits

The County's expenditures have been growing faster than anticipated revenues. Salaries and benefits have increased from \$685.5 million in FY 2007-08 to \$724.7 million in FY 2009-10, a 5.7% increase from the prior year. This increase is primarily due to negotiated increases, addition of new positions, and retiree health costs.

Property Tax Revenues

Property tax revenue is the most important tax source for the County. Total taxable assessed property values for FY 2007-08 was \$132.5 billion compared to \$143.3 billion for FY 2008-09, an increase of 8.2%. The County's share of total property tax revenue was \$371 million in FY 2008-09 compared to \$327 million in FY 2007-08. Growth in property tax revenues is expected to be much slower in the year to come.



Source: Controller's Office, County of San Mateo

Pension Fund

The County participates in and contributes to a defined benefit pension plan that provides retirement, disability and death benefits for substantially all employees of the County. Contributions are made to the County's Retirement Fund, SamCERA, which is managed to earn 7.75% annually from investments to adequately fund employee retirement benefits. SamCERA lost 22.5% of its investment last fiscal year due to the instability in the stock markets. Investment earnings are used to fund up to 70% of retirement benefit costs, and the remainder comes from employer and employee contributions. Based on the actuarial valuation report as of June 30, 2009, the County needs to increase its contribution to employees' pension in FY 2010-2011 by up to 10% of payroll, or \$50 million more. This increase has been built into budget deficit projections, and is expected to grow through FY 2014-15 when prior year losses are recognized in future valuations.

SamCERA's total net assets held in trust for pension benefits totaled \$1.6 billion as of June 30, 2009, representing a decrease of \$419 million, or 21%, from the prior fiscal year. The funded ratio has dropped from 79% as of June 30, 2008 to 64% as of June 30, 2009, primarily due to recent devaluation of assets. The 36% of unfunded actuarial accrued liabilities (UAAL) results from actuarial accrued liabilities exceeding the actuarial value of assets. Original unfunded amount (UAAL) as of June 30, 2008, is amortized over 15 years. Future actuarial gains and losses will be amortized over new 15-year period.

Relevant Financial Policies

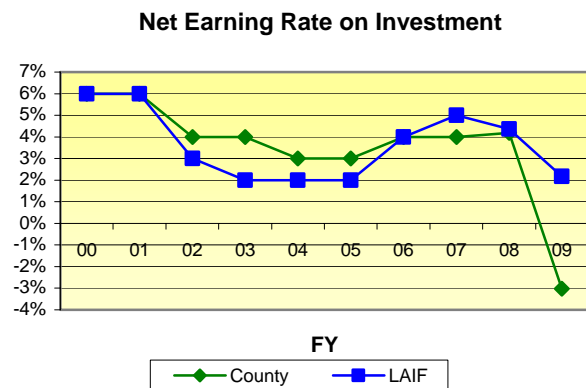
Debt Service Limit Policy

Under the County's Debt Limit Ordinance, the Board is required to establish the County debt service limit annually. The debt service limit is applicable to non-voter approved debt that is the obligation of the County. The limit does not apply to any voter approved debt or any debts of agencies, whether governed by the Board or not, other than the County. The annual debt service limit shall not exceed 4% of the average annual County budget for the current and the preceding four fiscal years. The approved limit can be exceeded only through a 4/5 vote of the Board and upon a finding that such action is necessary in the best interests of the County and its citizens.

Investment Policy

The County's investment policy has the following objectives in priority order: safety, liquidity, yield, and public trust. The Board reviews and approves the investment policy annually. The types of securities in which the County Treasurer may invest are governed by California Government Code and the County's investment policy.

During FY 2008-09, investments in the County investment pool experienced a sharp decline in value due to the faltering economy and the bankruptcy of Lehman Brothers Holdings Incorporation (Lehman). This bankruptcy had a direct, negative impact on the County's investment pool in the amount of a \$155 million loss. After extensive consultation with the County's financial advisors and legal counsel, the County Treasurer decided to retain the Lehman securities, but mark their value down to zero and carry the securities as a non-performing asset. As a result, the County's pooled investments had a net negative earning rate of 3.03% for FY 2008-09, a significant decrease from the 4.18% for FY 2007-08. In comparison, California's Local Agency Investment Fund (LAIF) had a net positive earning yield of 2.18% for FY 2008-09 and 4.37% for FY 2007-08.



Source: Treasurer's Office, County of San Mateo

Reserves Policy

The Board approved the County Reserves Policy in April 1999. Creation of the policy was initiated by the County's Fiscal Officers to help reduce the negative impact on the County during times of economic uncertainty and potential losses of funding from other governmental agencies. Available fund balance and reserves are viewed as one-time sources of funding that can only be used for one-time purposes or as part of a multi-year financial plan to balance the budget. The County Reserves Policy requires that (1) One-time funds will not be used to fund ongoing operations, unless in the context of a multi-year financial plan to balance expenditures and reserves; (2) General Fund departments maintain a minimum reserves amount equivalent to 2% of net appropriations; and (3) Unexpended one-time funds from deferred or incomplete projects can be carried over to the next fiscal year at 100% of the amount not spent.

Major Initiatives**Health Care**

The County continues to face with rapidly increasing costs and a growing uninsured population. For several years, the Board of Supervisors has been actively engaged in efforts to carefully balance the County's role in the delivery and coordination of healthcare for low-income residents within its financial capacity. It is clear that there is no "magic bullet" to address the complex forces that influence the County's available choices in the healthcare arena. In its efforts to improve the healthcare system for the underserved, the Board has implemented the Health System Redesigns initiative. This initiative focuses on several high priority areas, including (1) eligibility and administration, (2) chronic disease management, care coordination, and integration across levels of care, and (3) the development of a robust "Community Health Network for the Underserved" in partnership with private healthcare delivery organizations.

In 2009, the County combined the formerly separated Health Department and San Mateo Medical Center into a single unit, the Health System Department. This newly created department reflects the County's belief that a unified health agenda will serve the County best in addressing the community health challenges and finding opportunities for integrating approaches across health disciplines and working with community partners in a coherent manner. The full alignment of the County's health functions will ultimately influence disease prevalence and community healthcare needs.

Housing

The range of low to moderate housing options in San Mateo County is limited. Many people are unable to afford to live here. To meet this challenge, the County has stretched the mission of its Housing Department beyond the traditional scope of operating critical, federally funded affordable housing programs. The Department works increasingly more with partner agencies to inform, align, empower, and enlarge a growing "housing positive" network comprised of thousands of individuals, hundreds of organizations, and numerous countywide collaboratives. The Housing Authority also launched a five-year "asset repositioning" initiative to serve more households with a broader range of services at a lower public cost. This initiative led to the adoption of a plan for a full-service senior campus in Half Moon Bay that will integrate the services of four partner's agencies and triple the number of seniors served.

Criminal Justice

The County continues to face significant challenges affecting the criminal justice system. Inmate overcrowding in the County's jail facilities is now the standard operating environment. The Maguire Correctional Facility and the Women's Correctional Center consistently operate between 140 percent and 160 percent of rated capacity. The Correctional Division is challenged with a population of "at-risk" inmates. The County's Criminal Justice Working Group has continued its efforts in evaluating both the short-term jail population management strategies and the long-term need for replacement facilities. In FY 2009-10, the County will implement and test an expanded reentry program. The ultimate goal is to reduce recidivism by improving the successful return of inmates back into the community. The County is also pursuing an additional jail facility site to take advantage of State and Federal funds available for such a capital project.

Awards and Acknowledgements

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the ninth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2008 and the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2008.

Acknowledgements

My goal is to publish financial information on a schedule that is helpful to policy leaders and County managers. I wish to extend a special thanks to all the fiscal officers and staff of the County's departments and agencies whose efforts ensure the financial stability and integrity of the County. I would particularly like to acknowledge the extra efforts extended for the preparation of this report by the Controller's Office's personnel. I wish to also thank the Grand Jury Auditors, Macias Gini & O'Connell LLP.

Most importantly, I would like to thank the Board, the County Manager's Office, and all County departments for their continued efforts in planning and conducting the County's financial operations in a responsible and progressive manner.

Respectfully submitted,



Tom Huening, CPA, Certified Public Finance Officer
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Mateo
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



President

Executive Director

COUNTY OF SAN MATEO

Organization Chart

June 30, 2009

SAN MATEO COUNTY RESIDENTS

Board of Supervisors

County Counsel
Michael
Murphy

Elected Officials

Assessor-
County Clerk-
Recorder
Warren Slocum

Controller
Tom Huening

Coroner
Robert Foucault

District
Attorney/Public
Administrator
Jim Fox

Sheriff/Office of
Emergency
Services
Greg Munks

Treasurer-Tax
Collector
Lee Buffington



District 1
Mark Church
(President)



District 2
Carole Groom



District 3
Richard Gordon
(Vice-President)



District 4
Rose Jacobs Gibson



District 5
Adrienne Tissier

**County Manager/
Clerk of the Board**
David S. Boesch

Private Defender
John Digiacinto
(Bar Association)

Assistant County Manager
(Vacant)

**Deputy
County Manager
(Intergovernmental
and Public Affairs)**
Mary McMillan

**Deputy
County Manager
(Administrative
Services)**
Reyna Farrales

**Deputy
County Manager
(Community
Services)**
Peggy Jensen

Communications

Human
Resources
Donna
Vaillancourt

Child Support
Services
Iliana Rodriguez *

Planning and
Building
Department
Lisa Grote

Department of
Public Works
Jim Porter

Special
Projects

Information
Services
Chris Flatmoe *

Human Services
Agency
Beverly Beasley
Johnson *

Parks
Department
David Holland

Department of
Housing
Duane Bay *

Strategic
Planning

Budget and
Performance
Jim Saco

Health System
Jean S. Fraser *

Public Safety
Communications
Jaime Young

San Mateo
County Library
JPA
Martin Gomez

Legislation

Shared Services
Peter Tocchini

Real Property
Services
Steve Alms

Fire Services
John Ferreira
(Cal Fire)

LAFCo
Martha Poyatos

**Probation
(appointed by
Judiciary)**
Stuart Forrest

**Superior Court
(appointed by
Judiciary)**
John Fitton

**First 5
San Mateo
County**
Debby Armstrong

**Retirement
Office
(SamCERA)**
David Bailey

* Direct report to the County Manager

COUNTY OF SAN MATEO
Public Officials
June 30, 2009

ELECTED OFFICIALS

Board of Supervisors:

| | |
|--|--------------------|
| President | Mark Church |
| Vice-president | Richard Gordon |
| Supervisor | Rose Jacobs Gibson |
| Supervisor | Adrienne Tissier |
| Supervisor | Carole Groom |
| Assessor-County Clerk-Recorder | Warren Slocum |
| Controller | Tom Huening |
| Coroner | Robert Foucrault |
| District Attorney/Public Administrator | Jim Fox |
| Sheriff/Office of Emergency Services | Greg Munks |
| Treasurer-Tax Collector | Lee Buffington |

APPOINTED OFFICIALS

| | |
|--|----------------|
| County Manager/Clerk of the Board (<i>appointed by the Board of Supervisors</i>) | David Boesch |
| Court Executive Officer/Jury Commissioner (<i>appointed by Judiciary</i>) | John Fitton |
| Probation Officer (<i>appointed by Judiciary</i>) | Stuart Forrest |

DEPARTMENT DIRECTORS

| | |
|----------------------------------|-------------------------|
| County Counsel | Michael Murphy |
| Child Support Services | Iliana Rodriguez |
| Department of Housing | Duane Bay |
| Department of Public Works | Jim Porter |
| Health System | Jean Fraser |
| Human Resources | Donna Vaillancourt |
| Human Services Agency | Beverly Beasley Johnson |
| Information Services Department | Chris Flatmoe |
| Parks Department | David Holland |
| Planning and Building Department | Lisa Grote |

AFFILIATED ORGANIZATIONS

| | |
|---|-----------------|
| First 5 San Mateo County, Executive Director | Debby Armstrong |
| San Mateo County Housing Authority, Director | Duane Bay |
| San Mateo County Joint Powers Financing Authority, President | Robert Sans |
| San Mateo County Employees' Retirement Association, Chief Executive Officer | David Bailey |



FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Combining and Individual Fund Statements and Schedules**



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

WALNUT CREEK
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

SACRAMENTO

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

To the Grand Jury and the Board of Supervisors of
the County of San Mateo
Redwood City, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of San Mateo, California (County) as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the County of San Mateo (Housing Authority) and the San Mateo County Employees' Retirement Association (SamCERA). The Housing Authority, a major fund, represents 18 percent, 22 percent and 27 percent of the assets, net assets and revenues, respectively, of the business-type activities. SamCERA represents 41 percent and 45 percent of assets and net assets, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included in the Housing Authority and SamCERA, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo, as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2(o) to the basic financial statements, effective July 1, 2008, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the infrastructure assets reported using the modified approach, the schedules of funding progress, and the budgetary comparison information – general fund listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.


Certified Public Accountants

Walnut Creek, California
November 18, 2009



Management's Discussion and Analysis

(Unaudited)

COUNTY OF SAN MATEO
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2009

This section of the County's comprehensive annual financial report provides an overview and analysis of the County's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter located at the front of this report and the County's basic financial statements following this section. **All dollar amounts are expressed in thousands unless otherwise indicated.**

FINANCIAL HIGHLIGHTS

Government-wide financial analysis

The assets of the County exceeded its liabilities at the close of the fiscal year 2008-09 by \$1.1 billion (*net assets*). Of this amount, \$565 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors, \$146 million is restricted for specific purpose (*restricted net assets*), and \$415 million is invested in capital assets, net of related debt.

Fund financial analysis

Total fund balances for the County's governmental funds amounted to \$403 million as of June 30, 2009, a decrease of \$27 million from the prior fiscal year. Approximately \$260 million, or 65%, of this total is available to meet the County's current and future needs.

Available fund balance in the County's chief operating fund, the General Fund, at year-end was \$219 million, or 28% of its total expenditures for the year.

Capital asset and debt administration

The County's investment in capital assets has decreased by \$5 million, or 0.6%, from \$782 million to \$777 million. This balance consisted of \$724 million for the governmental activities and \$53 million for the business-type activities.

The County's total long-term debt has decreased by \$22 million, or 5%, from \$423 million to \$401 million. The decrease was primarily due to scheduled retirement of outstanding bonds and certificates of participation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) **Government-wide** financial statements, 2) **Fund** financial statements, and 3) **Notes** to the basic financial statements. In addition to the basic financial statements, *Required Supplementary Information* is included.

Government-wide Financial Statements provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in a future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, and recreation. The business-type activities of the County include the funds for the San Mateo Medical Center (Medical Center), the Airports, Coyote Point Marina, and Housing Authority.

The government-wide financial statements can be found on pages 21-23 of this report.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (*Continued*)
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2009

Fund Financial Statements are groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The County's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the governmental activities, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 20 individual governmental funds. Information for the General Fund and San Mateo County Joint Powers Financing Authority (JPFA) is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 24-27 of this report.

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Medical Center, Airports, Coyote Point Marina, and Housing Authority operations. *Internal service funds* are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its workers' compensation insurance, long-term disability insurance, employee benefits, personal injury and property damage insurance, fleet maintenance, and Tower Road construction functions. Because these services predominantly benefit governmental rather than business-type functions, they are included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as *business-type activities* in the government-wide financial statements, only in more detail. The County's major enterprise funds include the Medical Center and the Housing Authority. The County's six internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the nonmajor enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 28-31 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 32-33 of this report.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2009

Our basic financial statements also incorporate *component units* that are legally separate entities for which the County is financially accountable. These units possess substantially the same board as the County or provide services entirely to the County. The County's blended component units include JPFA; San Mateo County Employees' Retirement Association (SamCERA); Housing Authority of the County of San Mateo (Housing Authority); In-Home Supportive Services Public Authority; County service areas, sewer and sanitation, flood control, lighting and other special districts. First 5 San Mateo County (First 5) does not meet the requirements for blending and thus it is reported as a discretely presented component unit.

Notes to the Basic Financial Statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 34-68 of this report.

Required Supplementary Information consists of: 1) *infrastructure assets reported using the modified approach* to account for the County's road subsystem; 2) *funding progress schedules* for the pension benefits and other post employment benefits; and 3) *County's General Fund budgetary comparison schedule* to demonstrate compliance with the County's adopted budget.

Required supplementary information can be found on pages 69-79 of this report.

Combining and individual fund statements and schedules provide information for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 80-123 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets can serve over time as a useful indicator of whether the County's financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the County's overall financial position. The County's assets exceeded its liabilities by \$1.1 billion at June 30, 2009. The County's overall financial position has improved by \$34 million, or 3%, in FY 2008-09.

Net Assets (In Thousands)

| | Governmental Activities | | Business-type Activities | | Total | | Increase/(Decrease) | |
|--|----------------------------|--------------|-----------------------------|------------|--------------|--------------|---------------------|------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | Amount | Percentage |
| Assets: | | | | | | | | |
| Current and other assets | \$ 942,672 | \$ 953,949 | \$ 112,686 | \$ 100,073 | \$ 1,055,358 | \$ 1,054,022 | \$ 1,336 | 0.13% |
| Capital assets | 723,654 | 729,375 | 53,322 | 52,136 | 776,976 | 781,511 | (4,535) | -0.58% |
| Total assets | 1,666,326 | 1,683,324 | 166,008 | 152,209 | 1,832,334 | 1,835,533 | (3,199) | -0.17% |
| Liabilities: | | | | | | | | |
| Long-term liabilities | 479,731 | 494,870 | 14,336 | 13,636 | 494,067 | 508,506 | (14,439) | -2.84% |
| Other liabilities | 172,675 | 182,729 | 39,722 | 52,216 | 212,397 | 234,945 | (22,548) | -9.60% |
| Total liabilities | 652,406 | 677,599 | 54,058 | 65,852 | 706,464 | 743,451 | (36,987) | -4.98% |
| Net assets: | | | | | | | | |
| Invested in capital assets, net of related debt | 367,484 | 360,632 | 47,946 | 47,003 | 415,430 | 407,635 | 7,795 | 1.91% |
| Restricted | 135,240 | 141,124 | 10,263 | 7,595 | 145,503 | 148,719 | (3,216) | -2.16% |
| Unrestricted | 511,196 | 503,969 | 53,741 | 31,759 | 564,937 | 535,728 | 29,209 | 5.45% |
| Total net assets | \$ 1,013,920 | \$ 1,005,725 | \$ 111,950 | \$ 86,357 | \$ 1,125,870 | \$ 1,092,082 | \$ 33,788 | 3.09% |

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2009

Assets. The County's total assets decreased by \$3 million, or 0.2%. Significant changes are caused by the following:

Governmental activities. Total assets for the governmental activities decreased by \$17 million, or 1%. The decrease was primarily due to the following:

- Cash and investments decreased by \$39 million. On September 15, 2008, Lehman Brothers Holdings Inc. (Lehman) declared bankruptcy. This bankruptcy had a direct, negative impact on the County's investment pool in an amount of \$155 million as of September 30, 2008. After extensive consultation with the County's financial advisors and legal counsel, the County Treasurer decided to retain the Lehman securities, but mark their value down to zero and carry the securities as a non-performing asset. The overall reduction in value was distributed among all the pool participant accounts as one-time expense based on their respective average daily cash balances in the quarter that this loss occurred. The loss borne by funds engaging in governmental activities was \$20 million. Besides the Lehman loss, deferral of state payments further reduced the County's cash balance in the investment pool. Given the continued instability of the economy caused by the financial meltdown in 2008, investment value and return on investment reached a record low. All of these factors led to a significant decline in cash and investment.
- Securities lending collateral assets decreased by \$16 million. One of the investment vehicles the County uses to optimize its earnings is through securities lending. The underlying securities loaned to the counterparty decreased to \$175 million from \$283 million last year. This change caused a \$16 million decrease in securities lending collateral.
- The decreases discussed above, which aggregated to \$55 million, were reduced to \$17 million primarily due to \$22 million increase in receivables and \$18 million in due from other governmental agencies. Such increases are partially due to deferral of payments and the timing difference between claims and payments.

Business-type activities. Total assets for the business-type activities increased by \$14 million, or 9%. The increase is primarily due to the following:

- The Medical Center's total assets increased by \$15 million. The increase was primarily due to the following:
 - \$4.6 million increase in cash resulting from non-capital financing activities such as General Fund subsidies, State grants, and short-term loans from other funds.
 - \$6.1 million increase in due from other governmental agencies resulted primarily from a \$2.5 million increase in receivable from the Health Plan of San Mateo related to intergovernmental transfers and \$2.5 million from the State related to the Primary Care Access Networks (PCAN) pilot program. PCAN was founded to address the needs of the uninsured and those that are medically needy.
 - \$6.0 million increase in due from the County General Fund for County subsidy not yet received.
 - \$4.6 million decrease in patient accounts receivable due to increased collection effort.
- The Housing Authority's total assets increased by \$3 million. The increase occurred primarily in cash received from undistributed housing assistance funds provided by the U.S. Department of Urban Housing Department (HUD).

Liabilities. The County's total liabilities decreased by \$37 million, or 5%. Significant changes were caused by:

Governmental activities. Total liabilities for the governmental activities decreased by \$25 million, or 4%.

- Securities lending collateral liabilities decreased by \$16 million. The underlying securities loaned to the counterparty decreased to \$175 million from \$283 million last year. This change caused a \$16 million decrease in securities lending collateral.

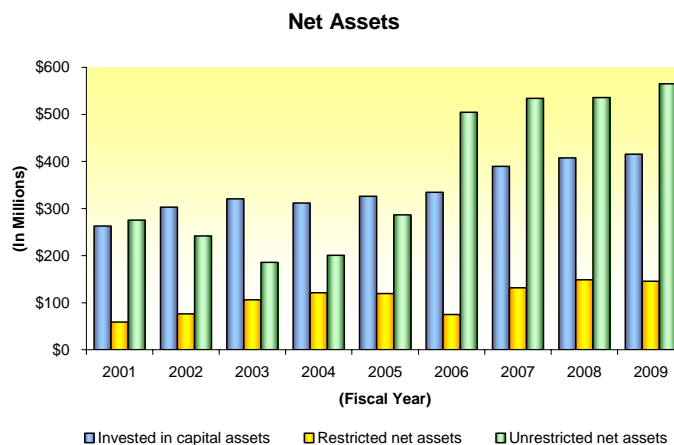
COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2009

- Long-term debt decreased by \$22 million. On September 28, 2008, the JPFA issued an aggregate of \$141 million in refunding lease revenue bonds (2008 Bonds) to provide funds, together with other available moneys, (i) to refund its 2003 outstanding lease revenue bonds totaling \$150 million and (ii) to pay for other costs related to the issuance of the 2008 Bonds and refunding of the 2003 Bonds. The refunding alone accounted for a net decrease of \$9 million in long-term debt. The remaining decrease was due to scheduled retirement of other outstanding lease revenue bonds and certificates of participation.
- The decreases discussed above, which aggregated to \$38 million, were reduced to \$25 million by various increases in other liabilities.

Business-type Activities. Total liabilities for the business-type activities decreased by \$12 million, or 18%. The decrease was primarily due to a mixed result of the following:

- The Medical Center's total liabilities decreased by \$5 million. The decrease was primarily caused by:
 - \$4.8 million decrease in accounts payable.
 - \$7.6 million decrease in due to other governmental agencies resulted primarily from the \$6.8 million payment made by the County on behalf of the Medical Center. This payment settled an investigation conducted by the U.S. Department of Health and Human Services in two areas: the Medical Center's cost reports related to the application of the Disproportionate Care Hospital payment calculation under the Medicare Program and the Medical Center's Medicaid billing procedures related to Institute for the Mental Disease patients.
 - \$4.0 million increase in due to other fund for the Health Plan of San Mateo (HPSM) intergovernmental transfer payments made by the County General Fund on behalf of the Medical Center.
- The Housing Authority's total liabilities decreased by \$1 million. The decrease was mainly due to a \$0.2 million decrease in escrow liabilities for the Family Self-Sufficiency Program, a \$0.2 million reduction in accrued liability, a \$0.2 million in an accounting adjustment, and \$0.3 in estimated claims.

Net Assets. The County's total net assets are divided into three portions: investment in capital assets less any related debt, restricted net assets, and unrestricted net assets. Approximately 37% of the County's net assets represents its *investment in capital assets* (e.g., land, buildings and equipment); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Another 13% is *restricted net assets* that are subject to external restrictions on how they may be used. The remaining 50% is *unrestricted net assets* that may be used to meet the County's ongoing obligations to citizens and creditors.



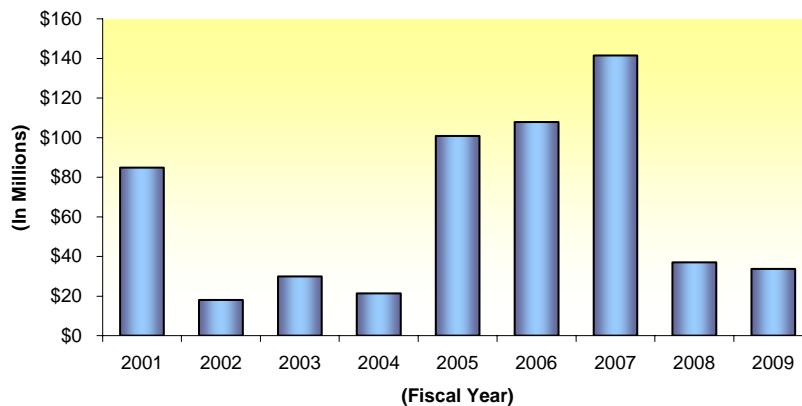
COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2009

As indicated earlier, the County's overall financial position has improved in FY 2008-09 by \$34 million, or 3%, with \$8 million net increase from governmental activities and \$26 million from business-type activities. Reclassifications were made to the 2008's revenues and expenses to conform to the current year's presentation.

**Change in Net Assets
(In Thousands)**

| | Governmental Activities | | Business-type Activities | | Total | | Increase/(Decrease) | |
|---|----------------------------|--------------|-----------------------------|------------|--------------|--------------|---------------------|------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | Amount | Percentage |
| Revenues: | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for services | \$ 161,765 | \$ 152,786 | \$ 131,629 | \$ 110,190 | \$ 293,394 | \$ 262,976 | \$ 30,418 | 11.57% |
| Operating grants and contributions | 385,104 | 408,626 | 107,735 | 106,474 | 492,839 | 515,100 | (22,261) | -4.32% |
| Capital grants and contributions | - | 750 | 4,805 | 5,398 | 4,805 | 6,148 | (1,343) | -21.84% |
| General revenues: | | | | | | | | |
| Property taxes | 370,695 | 326,757 | - | - | 370,695 | 326,757 | 43,938 | 13.45% |
| Other taxes | 27,747 | 27,846 | - | - | 27,747 | 27,846 | (99) | -0.36% |
| Unrestricted interest and investment earnings | (641) | 31,473 | (524) | 890 | (1,165) | 32,363 | (33,528) | -103.60% |
| Security lending activities: | | | | | | | | |
| Securities lending income | 375 | 2,750 | 26 | 133 | 401 | 2,883 | (2,482) | -86.09% |
| Securities lending expenses | (291) | (2,362) | (21) | (115) | (312) | (2,477) | 2,165 | -87.40% |
| Miscellaneous | 25,564 | 21,123 | 3,149 | 2,939 | 28,713 | 24,062 | 4,651 | 19.33% |
| Total revenues | 970,318 | 969,749 | 246,799 | 225,909 | 1,217,117 | 1,195,658 | 21,459 | 1.79% |
| Expenses: | | | | | | | | |
| Program expenses: | | | | | | | | |
| General government | 92,370 | 93,847 | - | - | 92,370 | 93,847 | (1,477) | -1.57% |
| Public protection | 297,357 | 294,239 | - | - | 297,357 | 294,239 | 3,118 | 1.06% |
| Public ways and facilities | 27,453 | 20,312 | - | - | 27,453 | 20,312 | 7,141 | 35.16% |
| Health and sanitation | 241,519 | 235,782 | - | - | 241,519 | 235,782 | 5,737 | 2.43% |
| Public assistance | 195,507 | 201,221 | - | - | 195,507 | 201,221 | (5,714) | -2.84% |
| Recreation | 8,704 | 8,839 | - | - | 8,704 | 8,839 | (135) | -1.53% |
| Interest on long-term liabilities | 19,677 | 20,126 | - | - | 19,677 | 20,126 | (449) | -2.23% |
| San Mateo Medical Center | - | - | 225,876 | 221,318 | 225,876 | 221,318 | 4,558 | 2.06% |
| Airports | - | - | 2,427 | 2,482 | 2,427 | 2,482 | (55) | -2.22% |
| Coyote Point Marina | - | - | 1,271 | 1,403 | 1,271 | 1,403 | (132) | -9.41% |
| Housing Authority | - | - | 63,029 | 58,947 | 63,029 | 58,947 | 4,082 | 6.92% |
| Total expenses | 882,587 | 874,366 | 292,603 | 284,150 | 1,175,190 | 1,158,516 | 16,674 | 1.44% |
| Excess (deficiency) before special item and transfers | 87,731 | 95,383 | (45,804) | (58,241) | 41,927 | 37,142 | 4,785 | 12.88% |
| Special item | (8,139) | - | - | - | (8,139) | - | (8,139) | --- |
| Transfers | (71,397) | (89,710) | 71,397 | 89,710 | - | - | - | --- |
| Change in net assets | 8,195 | 5,673 | 25,593 | 31,469 | 33,788 | 37,142 | (3,354) | -9.03% |
| Net assets - beginning | 1,005,725 | 1,000,052 | 86,357 | 54,888 | 1,092,082 | 1,054,940 | 37,142 | 3.52% |
| Net assets - ending | \$ 1,013,920 | \$ 1,005,725 | \$ 111,950 | \$ 86,357 | \$ 1,125,870 | \$ 1,092,082 | \$ 33,788 | 3.09% |

Change in Net Assets



COUNTY OF SAN MATEO
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Governmental activities. Net assets for the governmental activities increased by \$8 million, representing about 24% of the overall increase in the County's net assets.

Revenues for governmental activities. Significant changes were caused by the following:

Charges for services increased by \$9 million, or 6%. Most of the increase was caused by:

- The Behavioral Health and Recovery Services of the Health Department realized a \$10.0 million increase in revenues for services provided to the Federal Financial Participation program. This program was created as part of the Social Security Act of 1965 (i) to assist individuals eligible for Medicaid to enroll in the Medicaid program and (ii) to help individuals access Medicaid providers and services. The first involves outreach, assistance in enrollment, and navigating through various programs. The second involves ongoing case management to ensure the individuals' service needs are being addressed.
- The Election Office received a \$2.2 million reimbursement from the State for the 2008 Special Election.
- The County Counsel was awarded an attorney fee of \$1.2 million. On July 24, 2008, the County settled a personal jury lawsuit brought by the San Mateo Public Guardian on behalf of a disabled conservatee. The County Counsel was awarded this amount as a compensation for services performed.
- The Sheriff's Office recognized \$1.6 million in revenues for expanded security services provided to the San Mateo County Transit District (SamTrans).
- The increases discussed above were reduced to \$9 million by various insignificant transactions.

Operating grants and contributions decreased by \$24 million, or 6%.

- Public Safety Half-Cent Sales Tax (Prop 172) revenues slipped by \$5.7 million. The Prop 172 revenues have been the primary funding source of negotiated labor increases in criminal justice departments including the Sheriff, Probation, District Attorney, and Coroner. The staggering economy brought by the global financial crisis in 2008 significantly affected the amount of sales tax allocated to the County for the public safety programs.
- Realignment revenues from sales tax and vehicle license fee dropped by \$4.6 million. The realignment, which was enacted in 1991, shifted the responsibility from the State to the counties for important health, mental health, and social services programs. Under the realignment arrangement, the State provides counties with dedicated tax revenues from the sales tax and vehicle license fee to pay for these services. The financial downturn also affected realignment revenues allocated to the County.
- Multiple social services programs faced a \$6.2 million reduction in State aid due to decreased caseloads and diminished funding allocation. The reduction included:
 - \$3.5 million in Aid to Families with Dependent Children-Foster Care (AFDC-FC). The program provides cash and Medi-Cal benefits for providers of "out-of-home care" children placed into foster care.
 - \$1.4 million in California Work Opportunity and Responsibility to Kids (CalWORKs). The program provides temporary financial assistance and employment focused services to families with minor children who have income and property below State defined amounts.
 - \$0.8 million in Substance Abuse and Crime Prevention Act Program (SACPA). The program focuses on enhancing public safety by reducing drug-related crime and improving public health by reducing drug abuse through proven and effective treatment strategies.
 - \$0.5 million in Vocational Rehabilitation Services (VRS). The program provides quality, individualized services to enhance and support clients with disabilities to prepare for, obtain, or retain employment.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (*Continued*)
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- Federal grants from the U.S. Department of Housing and Urban Development decreased by \$1.5 million. The County Department of Housing (DOH) has not completed all the housing development projects in the current year. Consequently, the amount of drawdown from the funds awarded to the DOH was lower.

Property taxes increased by \$44 million, or 13%. The increase occurred mostly in the General Fund, which included:

- \$13.5 million in secured property taxes, which is in line with growth in the secured property tax assessment.
- \$5.0 million refund from contributions made to the Education Revenue Augmentation Fund (ERAF) in excess of mandated school funding level.
- \$5.5 million from property tax in lieu of vehicle license fee (VLF), which is also in line with growth in the secured tax assessment under the VLF swap provisions.
- \$7.4 million transfer of property tax revenues from the excess reserve under the "Teeter Plan". First enacted in 1949, the Teeter Plan provides California counties with an optional alternative method for allocating delinquent property revenues. Under the Teeter Plan, counties allocate property tax revenues based on the total amount of property taxes billed, but not yet collected. In exchange, counties receive the penalties and interest on the delinquent taxes when collected. The remaining increase occurred in the special revenue funds with property tax as the major source of operating income. These funds include County Fire Protection, County Service Area, Sewer and Sanitation, Flood Control Zone, and the Lighting Districts.

Unrestricted interest and investment earnings decreased by \$32 million, or 102%. As discussed earlier, investments in the County investment pool experienced a sharp decline in value. The global financial meltdown further reduced the return of the General Fund's investments in the investment pool. Lower investment value and diminished investment return resulted in a sizable decrease in interest and investment earnings.

Expenses for governmental activities. Significant changes were caused by the following:

Public ways and facilities increased by \$7 million, or 35%. Factors that contributed to most of the increase were:

- The number of road improvement projects undertaken by the Public Works Department was comparatively higher than the prior year, which caused a \$3.3 million increase in construction services.
- The Waste Management and Environmental Services unit contributed \$1.5 million out of its discretionary revenues to the Children's Health Initiative (CHI). Back in the late 1990's, County Counsel determined that a new fee structure could be created to provide a level of discretionary revenue in this fund to meet specific needs. CHI is dedicated to ensuring that all children ages 0-18 in the County have affordable health insurance.

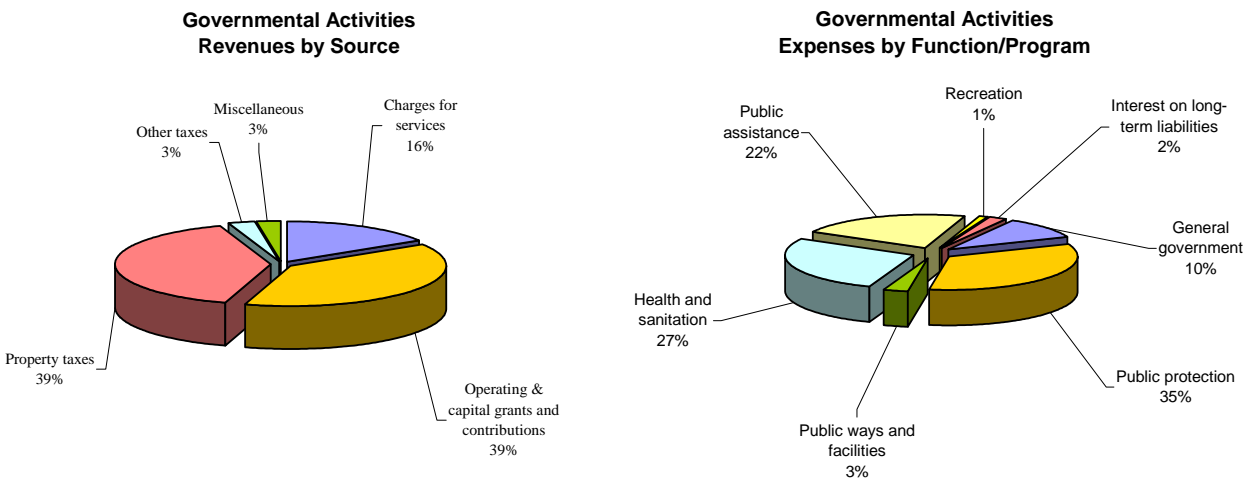
Public assistance decreased by \$6 million, or 3%. In FY 2007-08, four units of the Health Department: the Mental Health Services, the Family Health Services, the Environmental Health Services, and the Public Health Services, were relocated to a new building. The one-time moving expenses amounted to a \$5.9 million decrease in expenses in the current fiscal year.

Transfers out decreased by \$18 million, or 20%. In FY 2007-08, the County transferred \$62 million from the General Fund reserves to other operating funds in the County to provide a one-time subsidy for the pre-funding of other postemployment benefits (OPEB). The subsidy was used to pay down unfunded actuarial accrued liabilities for the retiree health benefits and build up assets for the years to come. This one-time transaction became the main cause for the overall decrease in the current fiscal year. The pre-funding reduced the County's OPEB unfunded actuarial liability to 50% at June 30, 2009.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
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Special item increased by \$8 million. In November 2003, the JPFA issued \$155 million in lease revenue bonds to construct the Youth Services Center. As a means to lowering its borrowing costs, the JPFA structured financing through variable rate bonds known as Auction Rate Securities (ARS). The JPFA also entered into interest rate swap agreements with Citibank and AIG, which effectively changed variable interest rates on the bonds to a “synthetic” fixed rate of 3.33%. As the sub-prime mortgage crisis unfolded and a lack of confidence in the credit quality of bond insurers grew in 2007, investors experienced difficulty in finding new investors to purchase ARS bonds in weekly or monthly auctions. In February 2008, the JPFA’s ARS market crashed when investors could not find new investors to purchase their bonds. The “failed” auctions essentially increased the borrowing costs of the bonds and pushed the combined swap and bond rate up to more than 6%. On September 3, 2008, given the continued instability of the financial markets, the JPFA terminated its interest swap agreements at an expense of \$8.1 million.

For the fiscal year ended June 30, 2009, revenues and expenses for the governmental activities were as follows:



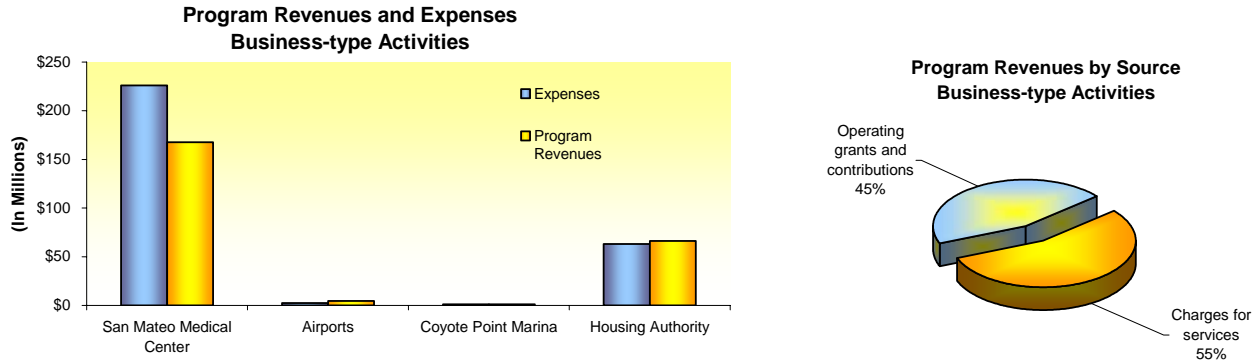
Business-type activities. Net assets for the business-type activities increased by \$26 million. Significant changes are as follows:

Medical Center. The Medical Center’s net assets increased by \$20 million. The Medical Center incurred a \$59 million loss from operation since the cost of providing healthcare services significantly overran the charges for the services provided. Total operating revenues reported was \$166 million, \$17 million higher than last fiscal year, primarily due to increases in the following areas: \$5 million in charges for services, \$5 million in State reimbursement from the Coverage Initiative, \$3 million in intergovernmental transfers from HPSM’s renegotiated contract with the State, and \$4 million in other operating revenues. Total operating expenses was \$225 million, \$5 million higher than last year, mainly caused by \$3 million increase in salaries and benefits to embrace normal cost of living increases as well as \$3 million increase in purchased services and other fees to cover the outsource courier services and the administration services by HPSM. Compared to FY 2007-08, the loss from operation for FY 2008-09 fell by \$12 million. With a subsidy of \$82 million from the General Fund, the Medical Center has a surplus of \$20 million in FY 2008-09 and is able to continuously provide mandated care for the uninsured and indigent population in the County.

Housing Authority. The Housing Authority’s net assets increased by \$4 million. In FY 2008-09, federal HUD subsidies and grants increased by \$2 million to \$64 million, and the housing assistance provided to the eligible recipients went up by \$2 million to \$55 million. The resulting unspent resources of \$9 million were partially offset by a \$1 million in the Lehman loss and \$2 million combined increase in salaries and benefits, insurance, information technology, outside professional services, and a settlement payment to the Office of the Inspector General.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2009

For the fiscal year ended June 30, 2009, revenues and expenses for the business-type activities are distributed as follows:

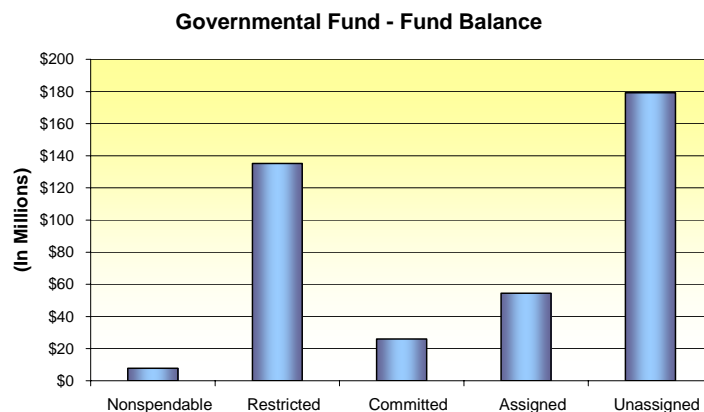


FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government's functions are reported in the general, special revenue, debt service, and capital projects funds. Included in these funds are various special districts governed by the Board that are blended into nonmajor governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of unrestricted resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance at the end of the fiscal year can serve as a useful measure of the County's net resources available for spending.

As of June 30, 2009, the County's governmental funds reported combined ending fund balances of \$403 million at year-end, a decrease of \$27 million, or 6%, compared to the prior year. Approximately 65% of this total amount, or \$260 million, constitutes fund balance that is available to meet the County's current and future needs. The remainder of the fund balance totaling \$143 million is either nonspendable or restricted for specific spending; including \$8 million "not in spendable form" for items that are not expected to be converted to cash such as inventories and long-term loans to other funds, and \$135 million restricted for programs at various levels.



The *General Fund* is the primary operating fund of the County. As of June 30, 2009, available fund balance was \$219 million while total fund balance reached \$257 million. As a measure of liquidity, both available fund balance and total fund balance can be compared to total fund expenditures. Available fund balance represents 28% of total fund expenditures, while total fund balance represents 33% of the same amount. The fund balance of the County's General Fund has decreased by \$16 million, or 6%, during FY 2008-09.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
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For the fiscal years ended June 30, 2009 and 2008, revenues for the General Fund are distributed as follows:

General Fund - Revenues by Source
(In Thousands)

| Revenues by Source | FY 2009 | | FY 2008 | | Increase/(Decrease) | |
|-----------------------------------|------------|------------------|------------|------------------|---------------------|-------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Change |
| Taxes | \$ 376,626 | 43.12% | \$ 334,266 | 39.17% | \$ 42,360 | 12.67% |
| Licenses and permits | 5,372 | 0.62% | 6,085 | 0.71% | (713) | -11.72% |
| Intergovernmental | 358,477 | 41.04% | 357,118 | 41.85% | 1,359 | 0.38% |
| Charges for services | 95,711 | 10.96% | 91,240 | 10.69% | 4,471 | 4.90% |
| Fines, forfeitures, and penalties | 9,011 | 1.03% | 8,404 | 0.98% | 607 | 7.22% |
| Rents and concessions | 1,264 | 0.14% | 1,117 | 0.13% | 147 | 13.16% |
| Investment income | 1,324 | 0.15% | 21,601 | 2.53% | (20,277) | -93.87% |
| Securities lending income, net | 54 | 0.01% | 254 | 0.03% | (200) | -78.74% |
| Other | 25,603 | 2.93% | 33,194 | 3.89% | (7,591) | -22.87% |
| Total | \$ 873,442 | 100.00% | \$ 853,279 | 100.00% | \$ 20,163 | 2.36% |

General Fund Revenues. Significant changes in revenues are as follows:

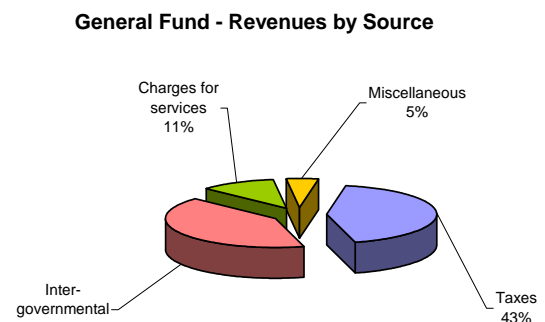
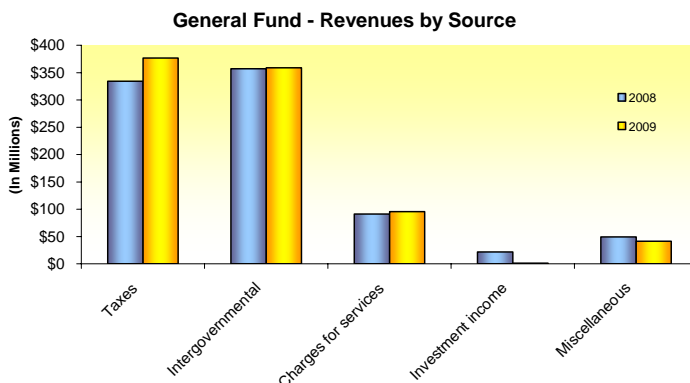
Taxes increased by \$42 million, or 13%. Explanations are provided on page 10.

Charges for services increased by \$4 million, or 5%. The increase was mainly caused by the following:

- The Election Office received a \$2.2 million reimbursement from the State for the 2008 Special Election.
- On July 24, 2008, County Counsel settled a personal jury lawsuit brought by the San Mateo Public Guardian on behalf of a disabled conservatee. County Counsel was awarded an attorney fee of \$1.2 million as compensation for the services provided.
- The Sheriff's Office recognized a \$1.6 million increase in revenues for the expanded security services provided to SamTrans.
- The overall increases discussed earlier aggregated to \$5 million, which was partially offset by miscellaneous decreases in other areas.

Investment income decreased by \$20 million, or 94%. Explanations are provided on page 10.

Other revenues decreased by \$8 million, or 23%. In FY 2007-08, the County recognized \$8 million in other revenues that were deferred in FY 2006-07 due to unavailability, which resulted in the decrease seen in the current fiscal year.



COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
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For the fiscal years ended June 30, 2009 and 2008, expenditures for the General Fund are distributed as follows:

General Fund - Expenditures by Function
(In Thousands)

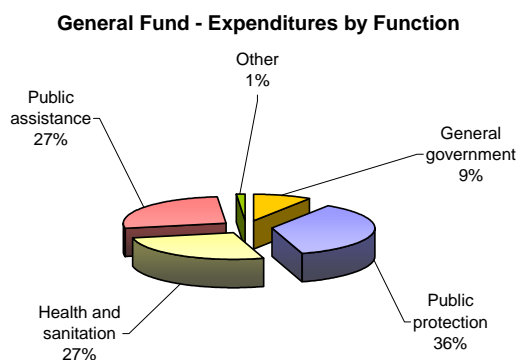
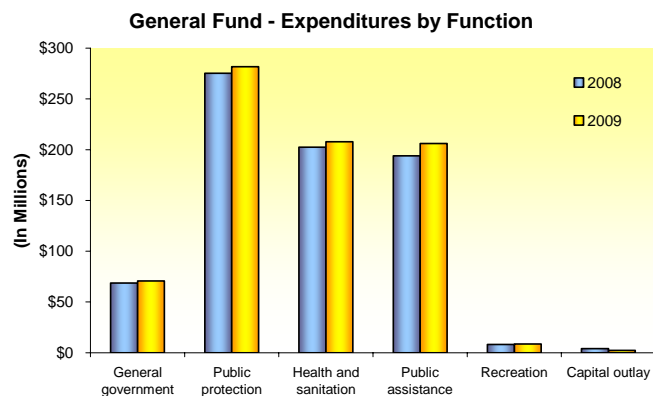
| Expenditures by Function | FY 2009 | | FY 2008 | | Increase/(Decrease) | |
|-------------------------------------|------------|------------------|------------|------------------|---------------------|-------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Change |
| General government | \$ 70,749 | 9.10% | \$ 68,723 | 9.13% | \$ 2,026 | 2.95% |
| Public protection | 281,796 | 36.26% | 275,259 | 36.58% | 6,537 | 2.37% |
| Health and sanitation | 207,640 | 26.72% | 202,418 | 26.90% | 5,222 | 2.58% |
| Public assistance | 206,098 | 26.52% | 193,902 | 25.77% | 12,196 | 6.29% |
| Recreation | 8,638 | 1.11% | 8,084 | 1.07% | 554 | 6.85% |
| Capital outlay | 2,214 | 0.28% | 4,058 | 0.54% | (1,844) | -45.44% |
| Debt service - principal retirement | 15 | 0.00% | 30 | 0.00% | (15) | -50.00% |
| Debt service - interest charges | - | 0.00% | 2 | 0.00% | (2) | -100.00% |
| Total | \$ 777,150 | 100.00% | \$ 752,476 | 100.00% | \$ 24,674 | 3.28% |

General Fund Expenditures. Significant changes in expenditures are as follows:

Public protection increased by \$6.5 million, or 2%. Rental for facilities occupied by the Probation Department increased by \$4.8 million. These facilities include a juvenile hall, a girls' camp, a community school, a receiving home, group homes, juvenile courts, and probation administration offices. Leases for these facilities are, in substance, direct financing leases under which lease payments are equal to debt service payments. The increase was intended to match lease payments with the required annual debt service. The remaining increase was caused by various incidents.

Public assistance increased by \$12 million, or 6%. The County Human Services Agency (HSA) assists individuals and families to achieve economic self sufficiency, promote community and family strength, and works to ensure child safety and well-being. HSA expenditures soared by \$10 million over a year, essentially due to increases of \$2.5 million in negotiated labor costs, \$3.4 million in rising services related to various social welfare programs, and \$3.8 million increase in other charges such as the migration of HSA's Oracle infrastructure from Windows to Enterprise Linux and increased demand for child care services. The remaining increase was caused by various incidents.

Capital outlay decreased by \$1.8 million, or 45%. Unexpected delay in the completion of various capital improvement projects was the main cause for the decrease.



Joint Powers Financing Authority is a major governmental fund. Its key function is to obtain financing for County-sponsored capital projects. In FY 2008-09, the JPFA experienced a \$10 million decrease in net assets. In September 2008, the JPFA issued a new series of lease revenue bonds totaling \$141 million to refund the 2003 Bonds. In conjunction with the refunding, the JPFA expended \$8.1 million to terminate the interest swap agreements associated with the 2003 Bonds. The interest swap agreements were originally intended to provide a leverage to lower the JPFA's borrowing costs.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (*Continued*)
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Nonmajor governmental funds include all special revenue funds, the debt service fund, and all capital projects funds. These funds showed a \$0.3 million net decrease in fund balance, which resulted from the following significant events:

Special revenue funds. Total fund balances in the special revenue funds increased by \$7.1 million. The increase was mainly caused by the following:

- Fund balance in the Road Fund increased by \$6.6 million. In April 2008, the County formed the La Honda Assessment District to construct a drain system and conduct slope stabilization improvements on failed hillsides. The District's operation is funded by special assessments and General Fund contributions. Execution of the improvement projects and related financial management are delegated to the Public Works Department and accounted for in the Road Fund. General Fund contributions of \$4 million to the Road Fund on December 31, 2008, accounted for most of the increase. The remaining increase was caused by State aid and service charges.
- Fund balance in the Sewer and Sanitation fund increased by \$1.3 million. The surplus was mainly caused by rate increases in sewer service charges in the Sewer and Sanitation Districts.
- Fund balance in the Solid Waste decreased by \$2.2 million. As mentioned earlier, the Waste Management and Environmental Services unit, a sub-unit of the Solid Waste Fund, contributed \$1.5 million to CHI to help children have access to quality healthcare coverage.
- The remaining special revenue funds experienced minor changes in fund balances.

Debt service fund. Fund balance in this fund decreased by \$7.9 million. The decrease was mainly caused by:

- The Debt Service Fund transferred \$4.9 million from its reserves to supplement resources required for (i) the refunding of the 2003 lease revenue bonds and (ii) the termination of related interest swap agreements as mentioned earlier.
- In January 2009 the Debt Service Fund transferred \$2.9 million from its reserves to the JPFA. The moneys were used to replenish the amount borrowed by the General Fund to cover debt service overruns in the Youth Service Center project.

Capital projects funds. Fund balances in the Capital Projects Funds increased by \$0.5 million. The increase is mainly caused by unspent state aid for the acquisition and development of parks.

Proprietary funds. The County's proprietary funds provide the same type of information that can be found in the government-wide financial statements, but in more detail.

Enterprise funds include two major funds (Medical Center and Housing Authority) and two nonmajor funds (Airports and Coyote Point Marina). Discussion on major fund activities can be found in the County's business-type activities section. Nonmajor enterprise funds show a \$1.9 million increase in net assets, primarily caused by the following:

- *Airports.* Total net assets of the Airports increased by \$2 million. Most of this increase was caused by increases in federal and state aid. The Airports received a total of \$2 million in grants, with \$0.1 million from the California Department of Transportation and \$1.9 million from the Federal Aviation Administration. The moneys are provided for the study and construction of improvements at the two County-owned airports, the San Carlos Airport and the Half Moon Bay Airport. These projects will rehabilitate airport infrastructure, improve security, and enhance safety for Airport users.
- *Coyote Point Marina.* Total net assets of the Coyote Point Marina decreased by \$0.2 million. Coyote Point Marina incurred an operating loss of \$0.1 million, primarily from diminished demand for marine services. The remaining decrease was partially due to investment losses.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
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Internal service funds. Total net assets of internal service funds decreased by \$2 million. The decrease is essentially caused by the following major events:

- *Workers' Compensation Insurance.* Total net assets in the Workers' Compensation Insurance Fund decreased by \$3.3 million. This fund experienced a \$2.6 million loss in operations. Premiums collected from departments have not been able to cover normal operating expenses. To close this gap, the County will continue to phase in rate increases, participate in workers' compensation reform efforts, manage claims actively, and work with departments to prevent future claims. The remaining decrease was brought primarily by investment losses.
- *Long-Term Disability.* Total net assets in the Long-Term Disability Fund decreased by \$2.3 million. The County provides long-term disability benefits for permanent employees who have worked for the County for three years and at least 20 hours per week. Claims for long-term disability went up significantly by 25% for various health-related issues. Consequently, the estimated claims liabilities increased by \$1.9 million and accounted for most of the decrease in net assets.
- *Personal Injury and Property Damage.* Total net assets in the Personal Injury and Property Damage Fund increased by \$2.2 million. The increase was essentially tied to higher chargeback for services to participating funds.

Changes in net assets for the remaining internal service funds, including Fleet Maintenance, Tower Road Construction, and Employee Benefits are immaterial.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's final budget exceeded its original budget by \$6 million, or 0.5%, for the fiscal year ended June 30, 2009. Supplemental appropriations were sponsored through unanticipated revenues. In most cases, unanticipated revenues were appropriated within the receiving budget units to complement operating outlays.

Unanticipated intergovernmental revenue - In October 2008, the Bay Area Super Urban Area Security Initiative (SUASI) was awarded \$27 million for Homeland Security Initiatives in the Bay Area SUASI region. The Bay Area SUASI designated \$1.6 million to support the fusion of the Northern California Regional Terrorism Threat Assessment Center and the Northern California High Intensity Drug Trafficking Area, and \$1.3 million of this amount was distributed to the County Sheriff's Department. The California Department of Health Care Service (DHCS) also conferred \$9 million in federal matching funds to the County. The General Fund retained \$3.5 million to finance the required intergovernmental transfer to DHCS, and let the Medical Center keep the remaining \$5.5 million as additional Medi-Cal revenue.

Unanticipated charges for services - On July 24, 2008, County Counsel settled a personal injury lawsuit brought by the San Mateo Public Guardian on behalf of a disabled conservatee. As part of the settlement, County Counsel was granted attorney fees of \$1.2 million.

Actual General Fund revenues fell below the total budget estimates by \$42 million, or 4%. The shortfall occurred primarily in intergovernmental revenues. Total intergovernmental revenues realized by the County were \$44 million below the budgeted amount. This massive gap was primarily due to deferral of payments and diminished allocations from the State. Although the County realized \$42 million unanticipated revenues in taxes primarily from the excess ERAF, this amount was entirely wiped out by unanticipated budget deficits in other sources of funds. Investment income was \$12 million below the budgeted amount due to investment losses. Interfund revenues were \$11 million and charges for services were \$4 million less than budgeted because of diminished demand for services. The remaining \$13 million decline resulted from decreases in other revenue sources.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
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Actual General Fund expenditures fell below the total budget estimates by \$347 million, or 27%. The savings were achieved by the following efforts:

- (a) \$31 million savings in salaries and benefits from a hiring freeze across all functions;
- (b) \$118 million savings in services, supplies, capital outlay, and other charges due to reduced caseloads, unfinished projects, effective cost controls, and prudent spending plans; and
- (c) \$218 million set aside in reserves for contingencies due to cognizant long-term financial planning.

The aggregated savings of \$367 million discussed earlier were reduced by a \$17 million decline in unrealized intra-fund transfers and \$3 million overrun in other financing uses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The County's capital assets include land and easements, infrastructure, construction in progress, structures and improvements, equipment, and software. At June 30, 2009, the County's investment in capital assets amounted to \$777 million. The County's capital assets have decreased by \$4.5 million, or 0.6%, primarily due to the transfer of certain court facilities to the State.

**Capital Assets
(In Thousands)**

| | Governmental Activities | | Business-type Activities | | Total Net of Accumulated Depreciation | | Increase/(Decrease) | |
|---------------------------|----------------------------|------------|-----------------------------|-----------|--|------------|---------------------|------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | Amount | Percentage |
| Land and easements | \$ 64,630 | \$ 64,671 | \$ 10,147 | \$ 10,147 | \$ 74,777 | \$ 74,818 | \$ (41) | -0.05% |
| Infrastructure | 132,707 | 133,786 | - | - | 132,707 | 133,786 | (1,079) | -0.81% |
| Construction in progress | 28,398 | 24,306 | 10,454 | 7,537 | 38,852 | 31,843 | 7,009 | 22.01% |
| Structures & improvements | 474,433 | 480,246 | 24,743 | 25,441 | 499,176 | 505,687 | (6,511) | -1.29% |
| Equipment | 22,699 | 25,423 | 5,206 | 5,259 | 27,905 | 30,682 | (2,777) | -9.05% |
| Software | 787 | 943 | 2,772 | 3,752 | 3,559 | 4,695 | (1,136) | -24.20% |
| Total | \$ 723,654 | \$ 729,375 | \$ 53,322 | \$ 52,136 | \$ 776,976 | \$ 781,511 | \$ (4,535) | -0.58% |

The County records its infrastructure assets at their historical cost, and uses the modified approach to report its maintained road subsystem of the road network of \$77 million. Infrastructure assets reported under the modified approach are not subject to depreciation per GASB Statement No. 34.

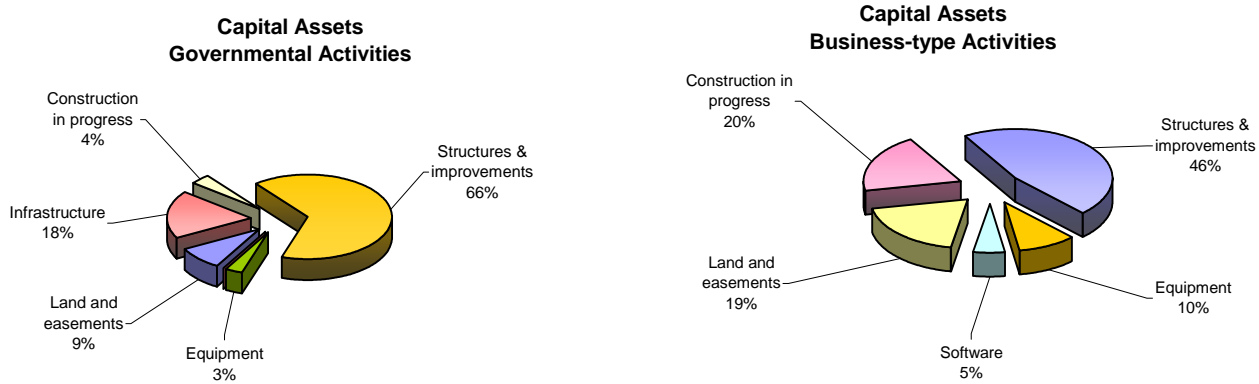
The County manages its maintained pavement subsystem of the road network using the Metropolitan Transportation Commission's Pavement Management Program (Program). This Program establishes a Pavement Condition Index (PCI) on a scale of zero to one hundred (0 – 100) for each road segment. Roads with a PCI of 40 or higher are considered in "Fair" or better condition, and roads with a PCI of 55 or higher in "Good" or better condition. The County policy requires that at least 75 percent of its primary maintained road subsystem (roads with structural sections) be maintained at a PCI of 55 or higher, and at least 65 percent of its secondary maintained pavement subsystem (roads without structural sections) at a PCI of 40 or higher.

A complete condition assessment is performed every three years. The latest complete condition assessment was completed in FY 2006-07 when the County's maintained pavement subsystem was rated at a PCI of 81 on the average for the primary roads and 62 for the secondary roads. For the fiscal year ended June 30, 2009, the actual maintenance and preservation costs were \$189 more than the estimated amount. The variance was primarily due to additional allocations from Proposition 1B - the State's general obligation bonds for specific transportation programs.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2009

In November 2003 the JPFA issued lease revenue bonds to acquire and construct a new Youth Services Center (YSC), which included a juvenile hall, a girls' camp, a community school, a receiving home, group homes, juvenile courts and probation administration offices for the County. The main facility of the YSC was completed in September 2006, and the receiving home was completed in November 2008. The remaining capital projects related to the YSC construction, including completion of the group home, deconstruction of the old facility, and removal of berm, will cost approximately \$10.3 million. The group home is still in planning, and the scope for this project is not yet finalized. The deconstruction of the old Hillcrest Facility will be completed in 2010. The removal of the berm will begin upon completion of the deconstruction of the old Hillcrest Facility. Total outstanding commitments amounted to approximately \$2.6 million at June 30, 2009.

The County's capital assets are distributed as follows:



Additional information on the County's capital assets can be found in Note 8 on pages 52-53 of this report.

Long-term debt. The County's total outstanding debt was \$401 million as of June 30, 2009. This amount is comprised of \$372 million in lease revenue bonds, \$24 million in certificates of participation, and \$5 million in notes payable. The County's total debt has decreased by \$22 million, or 5%, primarily due to scheduled retirement of debts and the refunding of the 2003 Bonds.

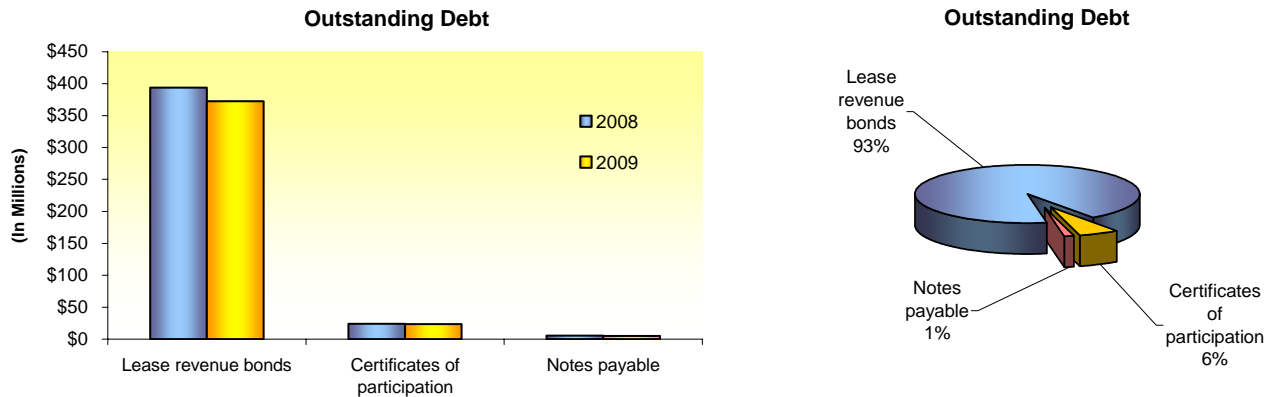
**Outstanding Debt
(In Thousands)**

| | Governmental Activities | | Business-type Activities | | Total | | Increase/(Decrease) | |
|---|-------------------------|------------|--------------------------|----------|------------|------------|---------------------|------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | Amount | Percentage |
| Lease revenue bonds (including accreted interest) | \$ 372,331 | \$ 393,565 | \$ - | \$ - | \$ 372,331 | \$ 393,565 | \$ (21,234) | -5.40% |
| Certificates of participation | 23,760 | 24,083 | - | - | 23,760 | 24,083 | (323) | -1.34% |
| Notes payable | 191 | 224 | 4,868 | 5,133 | 5,059 | 5,357 | (298) | -5.56% |
| Capital lease obligation | - | 7 | - | - | - | 7 | (7) | -100.00% |
| Total | \$ 396,282 | \$ 417,879 | \$ 4,868 | \$ 5,133 | \$ 401,150 | \$ 423,012 | \$ (21,862) | -5.17% |

County Ordinance No. 3773 limits the County annual debt service to 4% of the average annual County total budget for the current and the preceding four fiscal years. The debt service limit for FY 2008-09 was \$60 million. The amount applicable to the debt service limit was \$27 million, which was \$33 million, or 55%, less than authorized.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2009

The County's debts are distributed as follows:



Additional information on the County's long-term debt can be found in Note 10 on pages 54-57 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparing the County's budget for FY 2009-10, the following factors were considered:

1. The County's structural deficit, a persistent gap between public expenditures and revenues, is projected to hit \$100 million by 2011 if no actions are taken. Amid the problems posed by the state financial meltdown and the related slump in the global economy, the County faces significant financial challenges to eliminate this structural budget imbalance. The Board adopted a set of budget balancing principles to close the persistent gap by FY 2012-13. These principles include continuing the hiring freeze, undertaking no new expenses without parallel new revenues, capping growth in costs, retaining operating reserves, and limiting the use of excess property taxes from ERAF to one-time projects such as technology and capital improvements. Additionally, the Board instructed departments to develop strategies to reduce their costs by 10%, 20%, or 30% as needed.
2. The unprecedented real estate market collapse has hit property tax rolls across the State and created additional budget challenges for the State, counties, and school districts. The County Assessor released data showing that the cities and unincorporated areas within the County lost more than \$4 billion in assessed property value.
3. The unemployment rate in San Mateo County was 8.9% in June 2009, up from a revised 8.5% in May and above the year-ago estimate of 4.7%. Among California's 58 counties as of June 2009, the County registered the fourth lowest unemployment rate. In comparison, the unemployment rate for the State was 11.6% and for the nation was 9.7% in June 2009. The County is looking at expanding its role in job creation to stimulate economic development and put the unemployed back to work.
4. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA). ARRA provides stimulus funding to boost the faltering economy and create or save 3.5 million jobs. The County will receive about \$32 million of this stimulus funding. The County's stimulus funding will be allocated to various program areas including \$3 million in energy, \$3 million in health, \$7 million in housing, \$13 million in human services, \$1 million in public safety, \$3 million in labor and employment, and \$2 million in transportation projects.
5. On September 29 2009, the Board unanimously approved a \$1.76 billion budget for FY 2009-10. The budget provides funding for 5,626 positions, a net decline of 98 positions. The County has devoted to preserve critical services to meet the needs of residents.

As of June 30, 2009, available fund balance in the General Fund was \$219 million. The County has appropriated the full amount of unassigned fund balance for spending in the FY 2009-10's budget.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (*Continued*)
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2009

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, 555 County Center, 4th Floor, Redwood City, CA 94063. This report is also available online at www.co.sanmateo.ca.us.

SamCERA, Housing Authority, and First 5 issue separate financial reports that can be obtained by writing to:

- SamCERA at 100 Marine Parkway, Suite 125, Redwood Shores, CA 94065
- Housing Authority of the County of San Mateo at 264 Harbor Boulevard, Building A, Belmont CA 94002
- First 5 San Mateo County at 1700 S. El Camino Real, Suite 405, San Mateo, CA 94402



Basic Financial Statements -

Government-Wide Financial Statements

COUNTY OF SAN MATEO
Statement of Net Assets
June 30, 2009
(In Thousands)

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|---------------------|-----------------------------|
| | Governmental Activities | Business-type Activities | Total | First 5 San Mateo County |
| ASSETS | | | | |
| Cash and investments | \$ 445,677 | \$ 20,894 | \$ 466,571 | \$ 33,042 |
| Restricted cash and investments | 28,864 | 10,571 | 39,435 | - |
| Securities lending collateral | 30,960 | 2,217 | 33,177 | 2,329 |
| Receivables (net) | 137,694 | 33,063 | 170,757 | 2,803 |
| Due from other governmental agencies | 183,275 | 30,508 | 213,783 | - |
| Inventories | 598 | 1,142 | 1,740 | - |
| Other assets | 9,167 | 987 | 10,154 | - |
| Internal balances | 9,467 | (9,467) | - | - |
| Net OPEB asset | 96,970 | 22,771 | 119,741 | 154 |
| Capital assets: | | | | |
| Nondepreciable | 170,281 | 20,601 | 190,882 | - |
| Depreciable, net | 553,373 | 32,721 | 586,094 | - |
| Total assets | <u>\$ 1,666,326</u> | <u>\$ 166,008</u> | <u>\$ 1,832,334</u> | <u>\$ 38,328</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 31,946 | \$ 6,539 | \$ 38,485 | \$ 3,437 |
| Payable from restricted cash and investments | - | 496 | 496 | - |
| Accrued interest payable | 9,260 | 109 | 9,369 | - |
| Accrued salaries and benefits | 23,263 | 7,094 | 30,357 | 46 |
| Accrued liabilities | 2,354 | 28 | 2,382 | - |
| Other liabilities | - | 112 | 112 | - |
| Securities lending collateral - due to borrowers | 30,960 | 2,217 | 33,177 | 2,329 |
| Due to other governmental agencies | 19,616 | 23,028 | 42,644 | - |
| Unearned revenues | 55,132 | 95 | 55,227 | 6 |
| Deposits | 144 | 4 | 148 | - |
| Long-term liabilities: | | | | |
| Other long-term liabilities - due beyond one year | - | 508 | 508 | - |
| Net OPEB obligation - due beyond one year | - | 151 | 151 | - |
| Lease revenue bonds | | | | |
| Due within one year | 11,595 | - | 11,595 | - |
| Due beyond one year | 360,736 | - | 360,736 | - |
| Certificates of participation | | | | |
| Due within one year | 332 | - | 332 | - |
| Due beyond one year | 23,428 | - | 23,428 | - |
| Notes payable | | | | |
| Due within one year | 18 | 274 | 292 | - |
| Due beyond one year | 173 | 4,594 | 4,767 | - |
| Estimated claims | | | | |
| Due within one year | 10,513 | - | 10,513 | - |
| Due beyond one year | 39,295 | 704 | 39,999 | - |
| Compensated absences | | | | |
| Due within one year | 27,233 | 7,641 | 34,874 | - |
| Due beyond one year | 6,408 | 464 | 6,872 | 63 |
| Total liabilities | <u>652,406</u> | <u>54,058</u> | <u>706,464</u> | <u>5,881</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 367,484 | 47,946 | 415,430 | - |
| Restricted for: | | | | |
| General government | 12,158 | - | 12,158 | - |
| Public protection | 14,176 | - | 14,176 | - |
| Public ways and facilities | 16,340 | - | 16,340 | - |
| Health and sanitation | 14,490 | - | 14,490 | - |
| Public assistance | 25,257 | - | 25,257 | - |
| Capital projects | 6,315 | - | 6,315 | - |
| Debt service | 46,504 | - | 46,504 | - |
| Housing assistance programs | - | 10,263 | 10,263 | - |
| Preschool programs | - | - | - | 36 |
| Unrestricted | 511,196 | 53,741 | 564,937 | 32,411 |
| Total net assets | <u>1,013,920</u> | <u>111,950</u> | <u>1,125,870</u> | <u>32,447</u> |
| Total liabilities and net assets | <u>\$ 1,666,326</u> | <u>\$ 166,008</u> | <u>\$ 1,832,334</u> | <u>\$ 38,328</u> |

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Statement of Activities
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | | Program Revenues | | |
|-----------------------------------|---------------------|-------------------|-------------------|-----------------|
| | | Charges for | Operating | Capital |
| | Expenses | Services | Grants and | Grants and |
| | | | Contributions | Contributions |
| <u>Functions/Programs:</u> | | | | |
| Primary government | | | | |
| Governmental activities: | | | | |
| General government | \$ 92,370 | \$ 49,206 | \$ 6,364 | \$ - |
| Public protection | 297,357 | 29,314 | 91,468 | - |
| Public ways and facilities | 27,453 | 6,149 | 22,637 | - |
| Health and sanitation | 241,519 | 71,051 | 117,097 | - |
| Public assistance | 195,507 | 4,254 | 147,515 | - |
| Recreation | 8,704 | 1,791 | 23 | - |
| Interest on long-term liabilities | 19,677 | - | - | - |
| Total governmental activities | <u>882,587</u> | <u>161,765</u> | <u>385,104</u> | <u>-</u> |
| Business-type activities: | | | | |
| San Mateo Medical Center | 225,876 | 126,039 | 41,553 | 4,805 |
| Airports | 2,427 | 2,503 | 2,010 | - |
| Coyote Point Marina | 1,271 | 1,108 | - | - |
| Housing Authority | 63,029 | 1,979 | 64,172 | - |
| Total business-type activities | <u>292,603</u> | <u>131,629</u> | <u>107,735</u> | <u>4,805</u> |
| Total primary government | <u>\$ 1,175,190</u> | <u>\$ 293,394</u> | <u>\$ 492,839</u> | <u>\$ 4,805</u> |
| Component unit: | | | | |
| First 5 San Mateo County | <u>\$ 11,224</u> | <u>\$ -</u> | <u>\$ 8,760</u> | <u>\$ -</u> |

General revenues:

Taxes:

Property taxes
Property transfer taxes
Sales and use taxes
Property tax in-lieu of sales taxes
Transient occupancy taxes
Aircraft taxes
Other taxes

Unrestricted interest and investment earnings

Securities lending activities:

Securities lending income
Securities lending expenses

Miscellaneous

Special item

Transfers

Total general revenues, special item and transfers

Change in net assets

Net assets - beginning

Net assets - end

The notes to the basic financial statements are an integral part of this statement.

(Continued)

COUNTY OF SAN MATEO
Statement of Activities
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| Net (Expenses) Revenues and Changes in Net Assets | | | |
|--|---------------------------------|---------------------|--------------------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business- type Activities | Total | First 5 San Mateo County |
| \$ (36,800) | \$ - | \$ (36,800) | |
| (176,575) | - | (176,575) | |
| 1,333 | - | 1,333 | |
| (53,371) | - | (53,371) | |
| (43,738) | - | (43,738) | |
| (6,890) | - | (6,890) | |
| (19,677) | - | (19,677) | |
| <u>(335,718)</u> | <u>-</u> | <u>(335,718)</u> | |
| - | (53,479) | (53,479) | |
| - | 2,086 | 2,086 | |
| - | (163) | (163) | |
| - | 3,122 | 3,122 | |
| <u>-</u> | <u>(48,434)</u> | <u>(48,434)</u> | |
| <u>(335,718)</u> | <u>(48,434)</u> | <u>(384,152)</u> | |
| | | | \$ (2,464) |
| 370,695 | - | 370,695 | - |
| 3,842 | - | 3,842 | - |
| 16,479 | - | 16,479 | - |
| 4,880 | - | 4,880 | - |
| 1,016 | - | 1,016 | - |
| 1,517 | - | 1,517 | - |
| 13 | - | 13 | - |
| (641) | (524) | (1,165) | (1,053) |
| 375 | 26 | 401 | 28 |
| (291) | (21) | (312) | (22) |
| 25,564 | 3,149 | 28,713 | 16 |
| (8,139) | - | (8,139) | - |
| <u>(71,397)</u> | <u>71,397</u> | <u>-</u> | <u>-</u> |
| <u>343,913</u> | <u>74,027</u> | <u>417,940</u> | <u>(1,031)</u> |
| 8,195 | 25,593 | 33,788 | (3,495) |
| <u>1,005,725</u> | <u>86,357</u> | <u>1,092,082</u> | <u>35,942</u> |
| <u>\$ 1,013,920</u> | <u>\$ 111,950</u> | <u>\$ 1,125,870</u> | <u>\$ 32,447</u> |

Functions/Programs:

Primary government

Governmental activities:

General government
Public protection
Public ways and facilities
Health and sanitation
Public assistance
Recreation
Interest on long-term liabilities
Total governmental activities

Business-type activities:

San Mateo Medical Center
Airports
Coyote Point Marina
Housing Authority
Total business-type activities

Total primary government

Component unit:

First 5 San Mateo County

General revenues:

Taxes:

Property taxes
Property transfer taxes
Sales and use taxes
Property tax in-lieu of sales taxes
Transient occupancy taxes
Aircraft taxes
Other taxes

Unrestricted interest and investment earnings

Securities lending activities:

Securities lending income
Securities lending expenses

Miscellaneous

Special item

Transfers

Total general revenues, special item and transfers

Change in net assets

Net assets - beginning

Net assets - end



Basic Financial Statements -

Fund Financial Statements

COUNTY OF SAN MATEO
Balance Sheet
Governmental Funds
June 30, 2009
(In Thousands)

| | General Fund | Joint Powers Financing Authority | Other Governmental Funds | Total |
|--|-------------------|---|--------------------------------|-------------------|
| ASSETS | | | | |
| Cash and investments | \$ 275,982 | \$ 17,465 | \$ 101,530 | \$ 394,977 |
| Restricted cash and investments | - | 28,864 | - | 28,864 |
| Securities lending collateral | 19,446 | 784 | 7,156 | 27,386 |
| Receivables (net): | | | | |
| Accounts | 16,098 | - | 107 | 16,205 |
| Interest | 12,345 | 322 | 513 | 13,180 |
| Taxes | 16,195 | - | 1,028 | 17,223 |
| Mortgages | 60,188 | - | - | 60,188 |
| Other | 28,424 | - | 1,918 | 30,342 |
| Due from other funds | 13,867 | - | 530 | 14,397 |
| Due from other governmental agencies | 177,937 | - | 3,311 | 181,248 |
| Other assets | 6,114 | - | - | 6,114 |
| Inventories | 125 | - | 351 | 476 |
| Advances to other funds | 7,029 | - | 237 | 7,266 |
| Total assets | <u>\$ 633,750</u> | <u>\$ 47,435</u> | <u>\$ 116,681</u> | <u>\$ 797,866</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 26,880 | \$ 147 | \$ 3,043 | \$ 30,070 |
| Accrued salaries and benefits | 22,593 | - | 508 | 23,101 |
| Accrued liabilities | 2,219 | - | 135 | 2,354 |
| Securities lending collateral - due to borrowers | 19,446 | 784 | 7,156 | 27,386 |
| Due to other funds | 6,375 | - | 2,533 | 8,908 |
| Due to other governmental agencies | 19,616 | - | - | 19,616 |
| Advances from other funds | - | - | 800 | 800 |
| Deferred revenues | 279,146 | - | 3,564 | 282,710 |
| Deposits | - | - | 50 | 50 |
| Total liabilities | <u>376,275</u> | <u>931</u> | <u>17,789</u> | <u>394,995</u> |
| Fund Balances: | | | | |
| Nonspendable | 7,154 | - | 588 | 7,742 |
| Restricted | 31,668 | 46,504 | 57,068 | 135,240 |
| Committed | 789 | - | 25,310 | 26,099 |
| Assigned | 38,583 | - | 15,926 | 54,509 |
| Unassigned | 179,281 | - | - | 179,281 |
| Total fund balances | <u>257,475</u> | <u>46,504</u> | <u>98,892</u> | <u>402,871</u> |
| Total liabilities and fund balances | <u>\$ 633,750</u> | <u>\$ 47,435</u> | <u>\$ 116,681</u> | <u>\$ 797,866</u> |

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Reconciliation of the Governmental Funds Balance Sheet to
the Government-wide Statement of Net Assets
June 30, 2009
(In Thousands)

Fund balances - total governmental funds (page 24) \$ 402,871

Amounts reported for governmental activities in the statement of net assets are different because:

Deferred charges in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 2,223

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 717,221

Net OPEB asset is not available to pay for current-period expenditures. 96,320

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 227,661

Internal service funds are used by management to charge the costs of management of fleet maintenance, Tower Road construction, workers' compensation, long-term disability, employee benefits, and personal injury and property damage to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets. 6,558

Interest payable on long-term liabilities does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds. (9,260)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

| | | |
|---|--------------|-----------|
| Lease revenue bonds, net of unamortized discount of \$108 | \$ (372,331) | |
| Certificates of participation, net of unamortized premium of \$65 | (23,760) | |
| Notes payable | (191) | |
| Compensated absences | (33,392) | |
| | (429,674) | (429,674) |

Net assets of governmental activities (page 21) **\$ 1,013,920**

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | General Fund | Joint Powers Financing Authority | Other Governmental Funds | Total |
|--|-------------------|---|--------------------------------|-------------------|
| Revenues: | | | | |
| Taxes | \$ 376,626 | \$ - | \$ 14,380 | \$ 391,006 |
| Licenses and permits | 5,372 | - | 4,796 | 10,168 |
| Intergovernmental | 358,477 | - | 33,843 | 392,320 |
| Charges for services | 95,711 | - | 20,096 | 115,807 |
| Fines, forfeitures and penalties | 9,011 | - | 2,097 | 11,108 |
| Rents and concessions | 1,264 | - | 83 | 1,347 |
| Investment income (loss) | 1,324 | 357 | (2,541) | (860) |
| Securities lending activities: | | | | |
| Securities lending income | 237 | 10 | 86 | 333 |
| Securities lending expenditures | (183) | (7) | (67) | (257) |
| Other | 25,603 | - | 2,203 | 27,806 |
| Total revenues | <u>873,442</u> | <u>360</u> | <u>74,976</u> | <u>948,778</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 70,749 | 361 | 4,112 | 75,222 |
| Public protection | 281,796 | - | 6,901 | 288,697 |
| Public ways and facilities | - | - | 26,672 | 26,672 |
| Health and sanitation | 207,640 | - | 30,118 | 237,758 |
| Public assistance | 206,098 | - | - | 206,098 |
| Recreation | 8,638 | - | - | 8,638 |
| Capital outlay | 2,214 | 2,939 | 10,926 | 16,079 |
| Debt service: | | | | |
| Principal | 15 | 11,680 | 18 | 11,713 |
| Interest | - | 16,988 | 3 | 16,991 |
| Payment to bond refunding escrow | - | 778 | - | 778 |
| Bond issuance costs | - | 1,328 | - | 1,328 |
| Total expenditures | <u>777,150</u> | <u>34,074</u> | <u>78,750</u> | <u>889,974</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>96,292</u> | <u>(33,714)</u> | <u>(3,774)</u> | <u>58,804</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of capital assets | 2 | - | - | 2 |
| Issuance of refunding bonds | - | 141,080 | - | 141,080 |
| Bond premium | - | 1,703 | - | 1,703 |
| Payment to bond refunding escrow | - | (148,972) | - | (148,972) |
| Transfers in | 1,207 | 37,821 | 46,586 | 85,614 |
| Transfers out | (113,884) | - | (43,127) | (157,011) |
| Total other financing sources (uses) | <u>(112,675)</u> | <u>31,632</u> | <u>3,459</u> | <u>(77,584)</u> |
| Change in fund balances before special item | <u>(16,383)</u> | <u>(2,082)</u> | <u>(315)</u> | <u>(18,780)</u> |
| Special item | <u>-</u> | <u>(8,139)</u> | <u>-</u> | <u>(8,139)</u> |
| Net change in fund balances | <u>(16,383)</u> | <u>(10,221)</u> | <u>(315)</u> | <u>(26,919)</u> |
| Fund balances - beginning | <u>273,858</u> | <u>56,725</u> | <u>99,207</u> | <u>429,790</u> |
| Fund balances - end | <u>\$ 257,475</u> | <u>\$ 46,504</u> | <u>\$ 98,892</u> | <u>\$ 402,871</u> |

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-wide Statement of Activities
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Net change in fund balances - total governmental funds (page 26) \$ (26,919)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--|-----------------|---------|
| Expenditures for general capital assets and infrastructure | \$ 14,698 | |
| The net effect of various miscellaneous transactions involving capital assets such as sales, retirements, trade-ins, and donations | (2,606) | |
| Less current year depreciation | <u>(18,164)</u> | (6,072) |

| | | |
|---|--|-----------|
| Issuance of refunding lease revenue bonds provides current financial resources to the governmental funds but the bonds are reported as long-term liabilities in the government-wide financial statements. | | (141,080) |
|---|--|-----------|

| | | |
|---|--|---------|
| Bond premiums are other financing sources in the governmental funds but deferred and amortized over the life of the bonds in the statement of activities. | | (1,703) |
|---|--|---------|

| | | |
|--|--|-------|
| Bond issuance costs are expenditures in the governmental funds but deferred and amortized over the life of the bonds in the statement of activities. | | 1,328 |
|--|--|-------|

| | | |
|---|--|--------|
| Governmental fund revenues deferred in the current year due to unavailability were reported in the statement of activities as revenues. | | 26,489 |
|---|--|--------|

Repayment of long-term liabilities are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments:

| | | |
|---|----------|---------|
| Refunding of the 2003 lease revenue bonds | 149,750 | |
| Lease revenue bonds | 11,360 | |
| Certificates of participation | 320 | |
| Notes payable | 33 | |
| Capital lease obligations | <u>7</u> | 161,470 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|--|----------------|---------|
| Amortization of deferred charges | (99) | |
| Amortization of bond discount | (5) | |
| Amortization of bond premium | 52 | |
| Amortization of deferred loss on refunding | (92) | |
| Change in accrued interest payable | (2,900) | |
| Accretion of capital appreciation bonds | (289) | |
| Change in net OPEB asset | 1,561 | |
| Change in compensated absences | <u>(1,253)</u> | (3,025) |

| | | |
|--|--|----------------|
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expenses of certain activities of the internal service funds are reported with governmental activities. | | <u>(2,293)</u> |
|--|--|----------------|

Change in net assets of governmental activities (page 23) \$ 8,195

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Statement of Fund Net Assets
Proprietary Funds
June 30, 2009
(In Thousands)

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities |
|--|---|-------------------|------------------------|-------------------|-------------------------|
| | San Mateo Medical Center | Housing Authority | Other Enterprise Funds | Total | Internal Service Funds |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 7,572 | \$ 10,776 | \$ 2,546 | \$ 20,894 | \$ 50,700 |
| Restricted cash and investments | - | 10,571 | - | 10,571 | - |
| Securities lending collateral | 533 | 1,505 | 179 | 2,217 | 3,574 |
| Receivables (net): | | | | | |
| Accounts | 28,934 | 69 | 11 | 29,014 | 270 |
| Interest | 1 | 101 | 15 | 117 | 286 |
| Other | 3,848 | 84 | - | 3,932 | - |
| Due from other funds | 6,107 | - | 6 | 6,113 | 7 |
| Due from other governmental agencies | 30,216 | 292 | - | 30,508 | 2,027 |
| Inventories | 1,142 | - | - | 1,142 | 122 |
| Other assets | - | 71 | - | 71 | 830 |
| Total current assets | <u>78,353</u> | <u>23,469</u> | <u>2,757</u> | <u>104,579</u> | <u>57,816</u> |
| Noncurrent assets: | | | | | |
| Notes receivable | 200 | 139 | - | 339 | - |
| Deposits | 577 | - | - | 577 | - |
| Net OPEB asset | 22,482 | - | 289 | 22,771 | 650 |
| Capital assets: | | | | | |
| Nondepreciable: | | | | | |
| Land | 841 | 1,128 | 8,178 | 10,147 | - |
| Construction in progress | 2,209 | 213 | 8,032 | 10,454 | 7 |
| Depreciable: | | | | | |
| Structures and improvements | 4,333 | 20,873 | 28,151 | 53,357 | 1,078 |
| Equipment | 11,547 | 930 | 189 | 12,666 | 21,329 |
| Software | 6,081 | - | - | 6,081 | 9 |
| Less accumulated depreciation | <u>(10,790)</u> | <u>(16,917)</u> | <u>(11,676)</u> | <u>(39,383)</u> | <u>(15,990)</u> |
| Total noncurrent assets | <u>37,480</u> | <u>6,366</u> | <u>33,163</u> | <u>77,009</u> | <u>7,083</u> |
| Total assets | <u>115,833</u> | <u>29,835</u> | <u>35,920</u> | <u>181,588</u> | <u>64,899</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 6,353 | 145 | 41 | 6,539 | 1,876 |
| Payable from restricted cash and investments | - | 496 | - | 496 | - |
| Accrued interest payable | - | - | 109 | 109 | - |
| Accrued salaries and benefits | 6,894 | 135 | 65 | 7,094 | 162 |
| Accrued liabilities | - | 28 | - | 28 | - |
| Securities lending collateral - due to borrowers | 533 | 1,505 | 179 | 2,217 | 3,574 |
| Due to other funds | 9,003 | - | 14 | 9,017 | 2,592 |
| Due to other governmental agencies | 23,028 | - | - | 23,028 | - |
| Unearned revenues | - | 68 | 27 | 95 | 83 |
| Other liabilities | - | 112 | - | 112 | - |
| Compensated absences - current | 7,345 | 232 | 64 | 7,641 | 185 |
| Estimated claims - current | - | - | - | - | 10,513 |
| Other long-term liabilities - current | - | - | 274 | 274 | - |
| Total current liabilities | <u>53,156</u> | <u>2,721</u> | <u>773</u> | <u>56,650</u> | <u>18,985</u> |
| Noncurrent liabilities: | | | | | |
| Advances from other funds | 5,092 | 803 | - | 5,895 | 571 |
| Deposits | - | - | 4 | 4 | 94 |
| Net OPEB obligation - noncurrent | - | 151 | - | 151 | - |
| Capital lease obligation | - | - | - | - | - |
| Compensated absences - noncurrent | 306 | 101 | 57 | 464 | 64 |
| Estimated claims - noncurrent | - | 704 | - | 704 | 39,295 |
| Other long-term liabilities - noncurrent | <u>508</u> | <u>191</u> | <u>4,403</u> | <u>5,102</u> | <u>-</u> |
| Total noncurrent liabilities | <u>5,906</u> | <u>1,950</u> | <u>4,464</u> | <u>12,320</u> | <u>40,024</u> |
| Total liabilities | <u>59,062</u> | <u>4,671</u> | <u>5,237</u> | <u>68,970</u> | <u>59,009</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 13,713 | 6,036 | 28,197 | 47,946 | 6,433 |
| Restricted for housing assistance programs | - | 10,263 | - | 10,263 | - |
| Unrestricted | <u>43,058</u> | <u>8,865</u> | <u>2,486</u> | <u>54,409</u> | <u>(543)</u> |
| Total net assets | <u>\$ 56,771</u> | <u>\$ 25,164</u> | <u>\$ 30,683</u> | | <u>\$ 5,890</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | (668) | |
| Net assets of business-type activities (page 21) | | | | <u>\$ 111,950</u> | |

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities |
|--|---|----------------------|------------------------------|------------|------------------------------|
| | San Mateo Medical Center | Housing Authority | Other Enterprise Funds | Total | Internal Service Funds |
| Operating revenues: | | | | | |
| Charges for services | \$ 338,311 | \$ 1,979 | \$ 1,122 | \$ 341,412 | \$ 112,484 |
| Less: | | | | | |
| Contractual allowances | (211,819) | - | - | (211,819) | - |
| Provision for doubtful accounts | (24,024) | - | - | (24,024) | - |
| Net charges for services | 102,468 | 1,979 | 1,122 | 105,569 | 112,484 |
| Other program revenues: | | | | | |
| State supplemental programs: | | | | | |
| Medi-Cal Waiver | 19,528 | - | - | 19,528 | - |
| ACE Program | 8,860 | - | - | 8,860 | - |
| Long-term care supplemental | 5,723 | - | - | 5,723 | - |
| Sales tax | 3,926 | - | - | 3,926 | - |
| Health Plan of San Mateo | 11,861 | - | - | 11,861 | - |
| Other operating revenues: | | | | | |
| Rent and concessions | - | - | 2,489 | 2,489 | - |
| Sales of drugs and medical supplies, fees, and others | 11,710 | - | - | 11,710 | - |
| Miscellaneous | 2,156 | 921 | 72 | 3,149 | 1,529 |
| Total operating revenues | 166,232 | 2,900 | 3,683 | 172,815 | 114,013 |
| Operating expenses: | | | | | |
| Salaries and benefits | 139,463 | 4,024 | 1,431 | 144,918 | 3,997 |
| Drugs | 7,090 | - | - | 7,090 | - |
| Supplies | 11,434 | - | - | 11,434 | - |
| Contract provider services | 24,316 | - | - | 24,316 | - |
| Other fees and purchased services | 34,325 | - | - | 34,325 | - |
| General and administrative | 6,240 | 3,387 | 1,450 | 11,077 | 11,817 |
| Benefits and claims | - | - | - | - | 17,302 |
| Insurance premiums | - | - | - | - | 80,132 |
| Depreciation and amortization | 1,928 | 289 | 587 | 2,804 | 1,788 |
| Housing assistance payments | - | 55,142 | - | 55,142 | - |
| Total operating expenses | 224,796 | 62,842 | 3,468 | 291,106 | 115,036 |
| Operating income (loss) | (58,564) | (59,942) | 215 | (118,291) | (1,023) |
| Nonoperating revenues (expenses): | | | | | |
| State and federal grants | 3,516 | 64,172 | 2,010 | 69,698 | - |
| Loss from disposal of capital assets | (103) | - | - | (103) | - |
| Investment loss | (34) | (432) | (58) | (524) | (1,184) |
| Interest expense | (1,078) | (187) | (224) | (1,489) | - |
| Securities lending activities: | | | | | |
| Securities lending income | 6 | 18 | 2 | 26 | 42 |
| Securities lending expenses | (5) | (14) | (2) | (21) | (33) |
| Total nonoperating revenues, net | 2,302 | 63,557 | 1,728 | 67,587 | (1,175) |
| Income (loss) before capital contribution and transfers | (56,262) | 3,615 | 1,943 | (50,704) | (2,198) |
| Capital contribution | 4,805 | - | - | 4,805 | - |
| Transfers in | 81,777 | - | - | 81,777 | - |
| Transfers out | (10,308) | - | (72) | (10,380) | - |
| Change in net assets | 20,012 | 3,615 | 1,871 | 25,498 | (2,198) |
| Net assets - beginning | 36,759 | 21,549 | 28,812 | | 8,088 |
| Net assets - end | \$ 56,771 | \$ 25,164 | \$ 30,683 | | \$ 5,890 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | 95 | |
| Change in net assets of business-type activities (page 23) | | | | \$ 25,593 | |

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities |
|---|---|----------------------|------------------------------|------------|------------------------------|
| | San Mateo Medical Center | Housing Authority | Other Enterprise Funds | Total | Internal Service Funds |
| Cash flows from operating activities | | | | | |
| Cash receipts from customers | \$ 165,894 | \$ 3,017 | \$ 3,756 | \$ 172,667 | \$ - |
| Cash receipts from interfund services provided | - | - | - | - | 113,514 |
| Cash paid to suppliers of goods and services | (88,312) | (3,839) | (1,650) | (93,801) | (90,482) |
| Cash paid to employees for services | (138,595) | (4,019) | (1,427) | (144,041) | (4,044) |
| Cash paid for housing assistance | - | (55,023) | - | (55,023) | - |
| Cash paid for judgments and claims | - | - | - | - | (12,101) |
| Net cash provided by (used in) operating activities | (61,013) | (59,864) | 679 | (120,198) | 6,887 |
| Cash flows from noncapital financing activities | | | | | |
| County subsidy transfers | 74,942 | - | - | 74,942 | - |
| Transfers paid | (10,308) | - | (72) | (10,380) | - |
| Loan repayments to other funds | (6,010) | - | (95) | (6,105) | (279) |
| Advances from other funds | 4,003 | - | - | 4,003 | - |
| Interest paid | (10) | - | - | (10) | - |
| State and federal grant receipts | 3,293 | 63,520 | 2,010 | 68,823 | - |
| Net cash provided by (used in) noncapital financing activities | 65,910 | 63,520 | 1,843 | 131,273 | (279) |
| Cash flows from capital and related financing activities | | | | | |
| Acquisition of capital assets | (2,145) | (209) | (895) | (3,249) | (2,138) |
| Capital contribution | 2,268 | - | - | 2,268 | - |
| Payment on long-term liabilities | (337) | (5) | (260) | (602) | - |
| Interest paid on long-term liabilities | (17) | (184) | (239) | (440) | - |
| Net cash used in capital and related financing activities | (231) | (398) | (1,394) | (2,023) | (2,138) |
| Cash flows from investing activities | | | | | |
| Investment income received | 1 | 8 | 12 | 21 | 96 |
| Investment expense paid | (29) | (391) | (58) | (478) | (1,295) |
| Net cash used in investing activities | (28) | (383) | (46) | (457) | (1,199) |
| Net increase in cash and cash equivalents | 4,638 | 2,875 | 1,082 | 8,595 | 3,271 |
| Cash and cash equivalents, beginning | 2,934 | 18,472 | 1,464 | 22,870 | 47,429 |
| Cash and cash equivalents, end | \$ 7,572 | \$ 21,347 | \$ 2,546 | \$ 31,465 | \$ 50,700 |

(Continued)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|---|---|----------------------|------------------------------|---------------------|------------------------------|
| | San Mateo Medical Center | Housing Authority | Other Enterprise Funds | Total | Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | | |
| Operating income (loss) | \$ (58,564) | \$ (59,942) | \$ 215 | \$ (118,291) | \$ (1,023) |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | | | |
| Depreciation | 1,928 | 289 | 587 | 2,804 | 1,788 |
| Decrease (increase) in: | | | | | |
| Accounts receivable | 4,572 | 62 | 28 | 4,662 | 70 |
| Other receivable | (737) | 3 | - | (734) | - |
| Due from other funds | - | - | 38 | 38 | 52 |
| Due from other governmental agencies | (3,366) | - | 12 | (3,354) | (1,727) |
| Deposits | 68 | - | - | 68 | - |
| Inventories | (209) | - | - | (209) | 43 |
| Net OPEB assets | (359) | - | (5) | (364) | (11) |
| Other assets | - | (58) | - | (58) | 1,105 |
| Increase (decrease) in: | | | | | |
| Accounts payable | (4,766) | (521) | (200) | (5,487) | (78) |
| Accrued salaries and benefits | 826 | 5 | 7 | 838 | (32) |
| Accrued liabilities | - | (147) | - | (147) | - |
| Due to other funds | - | - | - | - | 1,418 |
| Due to other governmental agencies | (807) | 360 | - | (447) | - |
| Unearned revenues | - | 6 | (5) | 1 | 83 |
| Deposits | - | - | - | - | 1 |
| Net OPEB obligations | - | 56 | - | 56 | - |
| Compensated absences | 401 | 23 | 2 | 426 | (4) |
| Estimated claims | - | - | - | - | 5,202 |
| Net cash provided by (used in) operating activities | <u>\$ (61,013)</u> | <u>\$ (59,864)</u> | <u>\$ 679</u> | <u>\$ (120,198)</u> | <u>\$ 6,887</u> |
| Supplemental disclosure of noncash capital and related financing activities: | | | | | |
| Equipment acquired with other liabilities | \$ 845 | \$ - | \$ - | \$ 845 | \$ - |
| Supplemental disclosure of noncash noncapital financing activities: | | | | | |
| Payment by the General Fund on behalf of Medical Center of settlement liability to U.S. Department of Health and Human Services | 6,835 | - | - | - | - |

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(In Thousands)

| | SamCERA Pension Trust | Investment Trust | Agency |
|---|-----------------------------|---------------------|-------------------|
| ASSETS | | | |
| Cash and investments (in County investment pool) | \$ 7,119 | \$ 1,776,555 | \$ 202,528 |
| Cash and investments (outside County investment pool) | 60,790 | - | - |
| Securities lending collateral (in County investment pool) | 502 | 125,163 | 14,188 |
| Securities lending collateral (outside County investment pool) | 119,951 | - | - |
| Receivables (net): | | | |
| Interest | 4,211 | 10,780 | 1,350 |
| Taxes | - | - | 148,164 |
| Other | 64,859 | - | - |
| Contributions | 7,008 | - | - |
| Due from other governmental agencies | - | 2,981 | 14,194 |
| Prepaid expense | 8 | - | - |
| Net OPEB asset | 437 | - | - |
| Investments: | | | |
| Fixed income securities - domestic | 482,472 | - | - |
| Equities: | | | |
| Domestic | 604,211 | - | - |
| International | 359,981 | - | - |
| Real estate | 118,895 | - | - |
| Other assets | - | 159 | 79,419 |
| Total assets | <u>1,830,444</u> | <u>1,915,638</u> | <u>\$ 459,843</u> |
| LIABILITIES | | | |
| Accounts payable | 771 | 533 | \$ - |
| Accrued salaries and benefits | 361 | - | - |
| Accrued liabilities | 110,092 | - | - |
| Securities lending collateral (in County investment pool) - due to borrowers | 502 | 125,163 | 14,188 |
| Securities lending collateral (outside County investment pool) - due to borrowers | 119,951 | - | - |
| Due to other governmental agencies | - | 840 | 46,711 |
| Other liabilities | 7,367 | 13,518 | - |
| Fiduciary liabilities | - | - | 398,944 |
| Total liabilities | <u>239,044</u> | <u>140,054</u> | <u>\$ 459,843</u> |
| NET ASSETS | | | |
| Net assets held in trust for pension benefits/investment pool participants | <u>\$ 1,591,400</u> | <u>\$ 1,775,584</u> | |

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN MATEO
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | SamCERA Pension Trust | Investment Trust |
|---|-----------------------------|----------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer contributions | \$ 106,123 | \$ - |
| Plan member contributions | 50,372 | - |
| Contributions to investment pool | - | 3,216,088 |
| Total contributions | <u>156,495</u> | <u>3,216,088</u> |
| Net investment income: | | |
| Net appreciation (depreciation) in fair value of investments | (488,288) | 8,544 |
| Investment income | 42,096 | (79,233) |
| Investment expense | (11,118) | - |
| Securities lending activities: | | |
| Securities lending income | 3,329 | 1,525 |
| Securities lending expenses | (1,697) | (1,179) |
| Total net investment income | <u>(455,678)</u> | <u>(70,343)</u> |
| Total additions | <u>(299,183)</u> | <u>3,145,745</u> |
| DEDUCTIONS | | |
| Benefits and refunds paid to plan members and beneficiaries: | | |
| Service retirement benefits | 99,209 | - |
| Disability retirement benefits | 13,817 | - |
| Death and other benefits | 965 | - |
| Distributions from investment pool | - | 3,557,890 |
| Withdrawals of members' contributions | 2,795 | - |
| Total benefits and refunds paid to plan members and beneficiaries | <u>116,786</u> | <u>3,557,890</u> |
| Administrative expenses | 3,287 | - |
| Other expenses | 83 | - |
| Total deductions | <u>120,156</u> | <u>3,557,890</u> |
| Change in net assets | <u>(419,339)</u> | <u>(412,145)</u> |
| Net assets - beginning | <u>2,010,739</u> | <u>2,187,729</u> |
| Net assets - end | <u><u>\$ 1,591,400</u></u> | <u><u>\$ 1,775,584</u></u> |

The notes to the basic financial statements are an integral part of this statement.



Basic Financial Statements -

Notes to the Basic Financial Statements

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(In Thousands)

NOTE 1 – THE FINANCIAL REPORTING ENTITY

(a) Reporting Entity

The County of San Mateo, California (County), a Charter County established by an Act of the State Legislature in 1856, is a legal subdivision of the State of California charged with governmental powers. The County's powers are exercised through a Board of Supervisors (County Board) that serves as a governing body and is responsible for the legislative and executive control of the County. The County provides various services on a County-wide basis including law enforcement and legal justice, detention, social, health, hospital, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the County Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The basic financial statements include both blended and discretely presented component units. The blended component units are in substance, although legally separate entities, part of the County's operations and, therefore, data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the primary government.

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County Board. The financial statements of the individual component units may be obtained by writing to the County of San Mateo, Controller's Office, 555 County Center, 4th Floor, Redwood City, California 94063.

(b) Blended Component Units

San Mateo County Joint Powers Financing Authority

The San Mateo County Joint Powers Financing Authority (JPFA), a joint exercise of powers agency organized under the laws of the State of California by agreements dated May 15, 1993, was formed to assist the County in the financing of public capital improvements. The County Board appointed a five-member board to set policies. The JPFA has no employees; all staff work is done by the County staff or outside consultants. Because its financial and operational relationship with the County is closely integrated, the JPFA is reported as a major governmental fund in the County's financial statements.

San Mateo County Employees' Retirement Association

The San Mateo County Employees' Retirement Association (SamCERA) exists to serve as the administrator of the County's pension plan. Management of the SamCERA is vested in the Board of Retirement consisting of nine members. Pursuant to the County Employees Retirement Law of 1937, board members include the County Treasurer, two general members of SamCERA elected by their peers, four members appointed by the County Board, one member from SamCERA's safety members, and one member from the retirees. The Board of Retirement undertakes the administrative and fiduciary responsibility over the pension plan. Because of its prominent financial relationship with the County, SamCERA is reported as a pension trust fund in the County's financial statements.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (*Continued*)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Housing Authority of the County of San Mateo

The Housing Authority, established pursuant to the State Health and Safety Code by the County Board, provides housing assistance to low and moderate-income families at rents they can afford. Eligibility is determined by family composition and income in areas served by the Housing Authority. Most of the housing programs administered by the Housing Authority are funded by contributions from the U.S. Department of Housing and Urban Development (HUD) pursuant to the United States Housing Act of 1937 and the HUD Act.

The Housing Authority's Board of Commissioners is composed of the same members as the County Board. Decisions affecting the Housing Authority are addressed as part of the Board's overall meeting. As such, the Housing Authority is reported as a major enterprise fund in the County's financial statements.

In-Home Supportive Services (IHSS) Public Authority

The IHSS Public Authority assists IHSS clients in finding qualified caregivers. Though a legally separate entity, the IHSS Public Authority is programmatically integrated into the County service systems for seniors and persons with disabilities. The County Board serves as its governing body. Because of its prominent relationship with the County, the IHSS Public Authority is reported as a nonmajor governmental fund in the County's financial statements.

County Service Areas, Sewer and Sanitation, Flood Control, Lighting, and Other Special Districts

The County Board is the governing body of the County Service Areas, Sewer and Sanitation, Flood Control, Lighting, and Other Special Districts (special districts). Among its duties, the County Board approves the budgets, special taxes, and fees of these special districts. As an integral part of the County, these special districts are reported as nonmajor special revenue funds in the County's financial statements.

(c) Discretely Presented Component Unit

First 5 San Mateo County

The First 5 San Mateo County (First 5) was created in 1998 with the passage of Proposition 10, the California Children and Families First Act. The Proposition requires that a portion of tobacco tax be used to promote early childhood development for children ages 0-5 through education, health, childcare, and other programs. First 5 is governed by a nine-member commission that includes public officials and community leaders from the fields of early childhood education, health care, and family support. The primary role of First 5 is to ensure that resources from the California Children and Families Trust Fund are allocated in a fiscally responsible manner. The County can influence the day-to-day operations and financial decisions of First 5 as the County Board appoints all commission members and approves its budgets. First 5 is reported as a discretely presented component unit in the County's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements

The *statement of net assets* and *statement of activities* display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees charged to external parties. When both restricted and unrestricted net assets are available, restricted resources are depleted first before the unrestricted resources are used.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (*Continued*)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

The *statement of activities* presents a comparison between direct expenses and program revenues for each different identifiable activity of the County's *business-type activities* and for each function of the County's *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Interfund charges, which equal or approximate the external exchange value of services provided, are reported as program revenues. Interfund reimbursements, as repayments from the funds responsible for particular expenses to the funds that initially paid for them, are treated as an adjustment to expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds; each is displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

- *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for by other funds. These activities include general government, public protection, health and sanitation, public assistance, and recreation services.
- *Joint Powers Financing Authority (JPFA)* accounts for debts issued to finance County-sponsored capital projects and debt service payments to creditors. The JPFA's revenues primarily come from lease payments from the County under a master facility lease.

The County reports the following major enterprise funds:

- *San Mateo Medical Center (Medical Center)* accounts for the hospital and clinical services provided to County residents. The Medical Center's revenues are principally fees for patient services; realignment revenues and subsidies from the General Fund; and payments from federal and State programs such as Medicare, Medi-Cal, and Short Doyle.
- *Housing Authority* accounts for various housing programs primarily funded by contributions from HUD and rent payments from tenants.

The County also reports the following additional fund types:

- *Internal Service Funds* account for the County's fleet maintenance and road construction services provided to departments or other governmental agencies; employee benefits including medical, vision, and dental; and self-insurance programs including workers' compensation, long-term disability, and personal injury and property damage on a cost-reimbursement basis.
- *Pension Trust Fund* accumulates contributions from the County, the San Mateo County Mosquito and Vector Control District, and their employees. Earnings from investments are credited to and disbursements are made from this fund for retirement, disability, death benefits (based on a defined benefit formula), and administrative expenses. This fund accounts for all assets of the SamCERA.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (*Continued*)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

- *Investment Trust Fund* consists of two components:
 - *External Investment Pool* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities, and pass through funds for tax collections for cities. The County Treasurer is obligated to disburse monies from these funds on demand.
 - *Individual Investment Account* accounts for specific investments acquired on behalf of the Brisbane School District. These investments are separate from the County's investment pool. The income from and changes in the value of these investments affect only the Brisbane School District.
- *Agency Funds* are custodial in nature and do not report operating results. These funds are used to account for assets held by the County as an agent for various local governments and individuals, such as the County Library Fund governed by the Board of San Mateo Joint Powers Authority; unapportioned taxes for other local governmental agencies; funds administered by the San Mateo County Superior Court; and funds held for the Public Administrator, Public Guardian, and other governmental agencies.

(b) Measurement Focus and Basis of Accounting

The government-wide and proprietary fund 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 County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. Under the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements for the business-type activities and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are recognized when their receipt occurs within sixty days after the end of the accounting period. Expenditures are generally recorded when liabilities are incurred, as under the accrual basis of accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. *Operating revenues*, such as charges for services, result from exchange transactions associated with the principal activity of each fund. *Nonoperating revenues*, such as interest income, state and federal grants, and subsidies, result from nonexchange transactions or ancillary activities. *Operating expenses* include costs for providing services and delivering goods such as administrative expenses and depreciation on capital assets. All other expenses not meeting this definition are reported as *nonoperating expenses*.

Fiduciary funds include trust funds and agency funds. Trust funds (including pension trust, investment trust, and individual investment account) are reported using the economic measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting to recognize receivables and payables.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (*Continued*)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

(c) Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's investment pool to be cash equivalents.

(d) Restricted Cash and Investments

The County reports restricted cash and investments in the JPFA (governmental fund) and the Housing Authority (enterprise fund). Amounts reported in the JPFA are restricted for capital projects and debt service payments. Amounts reported in Housing Authority consist of security deposits received from tenants at move-in and assistance payments for tenants who participate in the Family Self-Sufficiency (FFS) Program. The monies are either returned to tenants upon move-out or given to FFS participants upon graduation.

(e) Investments

The County sponsors an investment pool that is managed by the County Treasurer. The Treasurer invests on behalf of most funds of the County and external participants in accordance with the California Government Code and the County's investment policy. The State of California's statutes authorize the County to invest its cash surplus (excluding SamCERA) in U.S. Treasury obligations, obligations of U.S. agencies or government sponsored enterprises, bankers' acceptances, collateralized time deposits within the State of California, negotiable certificates of deposit, commercial paper, repurchase agreements secured by U.S. Treasury or agency obligations, reverse repurchase agreements, corporate bonds, medium term notes, including asset-backed securities, Local Agency Investment Fund, shares of beneficial interest issued by diversified management companies as defined in Government Code section 53601, and mortgage backed securities or collateralized mortgage obligations. SamCERA is subject to its own investment policy, and significant accounting policies for its investments are separately discussed in Note 13.

Investment transactions are recorded on the trade date. Investments in nonparticipating interest-earning investment contracts are reported at cost, commercial paper that has a maturity of less than 90 days are reported at amortized cost, and all other investments are reported at fair value. The fair value represents the amount the County could reasonably expect to receive for an investment in a current sale between a willing buyer and seller. The fair value of investments is obtained by using quotations from independent published sources.

Participants' equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses; net of banking costs and administrative fees; are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2009, the County Treasurer has not entered into any legally binding guarantees to support the participant equity in the investment pool.

Income from pooled investments is allocated to individual funds or external participants based on each fund's or participant's average daily cash balance at quarter end in relation to the total pool investments. Investment income earned in agency funds with no interest earning requirements is assigned to the General Fund per County Policy. Income from non-pooled investments is deposited into funds that provided the resources.

(f) Mortgages Receivable

For the purpose of the fund financial statements, the governmental fund expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred credit account. In the governmental fund financial statements, the loans are reported as mortgages receivable with an offset to a deferred credit account. The balance of the mortgages receivable includes loans that may be forgiven if certain terms and conditions of the loans are met. At June 30, 2009, the County's net mortgages receivable was \$60 million, net of allowance of \$4 million.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

(g) Inventories

Inventories are stated at cost (first-in, first-out basis) for governmental funds and lower of average cost or market for proprietary funds. Inventories in governmental funds are recorded as expenditures when consumed. Unconsumed inventories in governmental funds are equally offset by nonspendable fund balance to indicate that portion of fund balance is not in spendable form. Inventories recorded in the proprietary funds primarily consist of maintenance and pharmaceutical supplies retained by the Medical Center. Inventories are expensed as the supplies are consumed.

(h) Property Tax Levy, Collection, and Maximum Rates

The State's Constitution Article XIII A, commonly known as Proposition 13, provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless two-thirds of the voters have approved additional taxes be levied to fund general obligation bond debt service. Under Proposition 13, beginning with FY 1978-79, assessed value is calculated at 100% of market value and may be adjusted by no more than 2% per year unless the property is sold or transferred. In 2002, California voters approved Proposition 39 that sets the approval threshold at 55% for school facilities related bonds.

The County is responsible for assessing, collecting, and distributing property taxes in accordance with State law. Property taxes are levied on both secured (real property) and unsecured (personal property other than land and buildings) property. Supplemental property taxes are assessed upon transfer of ownership in property or completion of new construction. The State legislature determines the method of distribution of receipts from a 1% tax levy among the County, cities, school districts, and other districts. The total fiscal year 2008-09 net assessed valuation of the County was \$129 billion, after deducting \$14 billion for the redevelopment tax allocation increment.

The County levies, bills, and collects taxes as follows:

| | <u>Secured</u> | <u>Unsecured</u> |
|----------------------|---|------------------|
| Valuation/lien dates | January 1 | January 1 |
| Levy dates | On or before November 1 | July 1 |
| Due dates | 50% on November 1 50% on February 1 | July 1 |
| Delinquent after | December 10 for November April 10 for February | August 31 |

On the government-wide financial statements, property tax revenues are recognized in the fiscal year for which they are levied. On the fund financial statements, property tax revenues are deferred if not received within sixty days after fiscal year-end.

Effective July 1, 1993, the County began apportioning secured property tax revenue in accordance with the alternate method of distribution, the Teeter Plan, as prescribed by Section 4717 of the California Revenue and Taxation Code. Under the Teeter Plan, the County allocates to local taxing agencies 100% of the secured property taxes billed. In return, the County retains penalties and interest on delinquent secured taxes in the Tax Loss Reserve Fund (TLRF). The primary purpose of TLRF is to cover losses that may occur as a result of special sales of tax-defaulted property. The County is legally required to maintain a minimum of 1% of the total tax levies on secured properties within the tax areas of participating entities, which was approximately \$15.9 million at June 30, 2009.

The County's management believes that any ownership rights to the TLRF the County may have are effective only upon a Board-approved transfer or to the extent of losses related to the sale of tax defaulted property. Balance in TLRF is being held in a custodial capacity for the participants in the County's Teeter Plan and accounted for in an agency fund. The balance in the TLRF was \$71.9 million at June 30, 2009.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

In accordance with Section 97.2 (D)(4)(i) of the California Revenue and Taxation Code (Code), the County established a trust fund, the Educational Revenue Augmentation Fund (ERAF), in 1992 to redirect property tax from the County, cities, and special districts to public education programs. Each of these local agencies is required to shift an amount of property tax revenues prescribed by the Code to ERAF. Once school districts and programs are paid the maximum allowable, the Code requires the excess ERAF be refunded to these local agencies. The County General Fund share of the excess ERAF was \$77 million for the fiscal year ended June 30, 2009.

(i) Capital Assets

Capital assets, including public domain (infrastructure such as road, bridge, water and sewer, lighting, drainage, and flood control systems), are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. The County defines capital assets as assets with an initial unit cost of more than \$5 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide financial statements, proprietary funds, and the pension trust fund. Estimated useful lives for the capital assets are as follows:

| | |
|---|----------------|
| Infrastructure (except for the maintained pavement subsystem) | 20 to 50 years |
| Structures and improvements | 50 years |
| Equipment | 3 to 15 years |
| Software | 3 to 5 years |

The County has six networks of infrastructure assets: road, bridge, water and sewer, lighting, drainage, and flood control. The maintained pavement subsystem of the road network is reported using the modified approach. The County commissioned a complete, physical assessment of the maintained pavement subsystem condition in FY2006-07. The condition assessment is completed triennially.

The County's maintained pavement subsystem has been classified as roads with or without formal structural sections. Each road segment is rated and given a Pavement Condition Index (PCI) value from zero to one hundred (0 – 100). Roads with a PCI of 40 or higher are considered in a "Fair" or better condition and roads with a PCI of 55 or higher in a "Good" or better condition. The County's policy is to maintain a minimum PCI of 40 for at least 65 percent of roads with no defined structural section (secondary roads) and a minimum PCI of 55 for at least 75 percent of roads with a defined structural section (primary roads). Under the modified approach, depreciation is not reported for this subsystem and all expenditures, except for betterments and major improvements, made to the subsystem are expensed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

(j) Compensated Absences (Accrued Vacation, Compensatory Time, and Holiday)

The County accrues for compensated absences, in the government-wide and proprietary fund financial statements, to pay its employees for unused vacation, compensatory time, and holiday. The accrual for compensated absences includes the County's share of social security and Medicare contributions payable on behalf of the employees. Unused vacation, compensatory, and holiday time are cashed out upon separation from the County.

(k) Other Postemployment Benefits (OPEB)

The County is not obligated to pay for unused sick leave if employees terminate employment prior to retirement, except for those individuals who are laid off. Upon retirement, unused sick leave can be converted to postemployment healthcare benefits. The amount and duration of the County-paid benefits vary, depending on the bargaining units to which the employee belongs. The public safety employees are eligible to retire after attaining age 40 with at least ten years of service, and others must retire from the County on or after attaining age 50 with at least ten years of service.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

(l) Interfund Transactions

Interfund transactions are reflected as loans, services provided or used, reimbursements, or transfers.

- Loans reported as receivables and payables are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide financial statements as “internal balances.” Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in the applicable governmental funds to indicate that they are not in spendable form.
- Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses.
- Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.
- All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

(m) Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(n) Special Item

Special items are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence.

(o) Implementation of Governmental Accounting Standards Board (GASB) Statement

In February 2009, GASB released a new Statement, *GASB Statement 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 and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The initial distinction in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The County has elected to early implement this Statement in the current fiscal year, and the details for the fund balance classifications prescribed under this Statement are separately discussed in Note 12.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

As of June 30, 2009, the Tower Road Construction, the Workers’ Compensation Insurance, and the Long-Term Disability internal service funds had net deficits of \$86, \$18,257, and \$5,586, respectively.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Tower Road Construction. Certain projects currently undertaken by this fund are not billable until the projects are fully completed. Deficits in this fund will ultimately be cured through project cost reimbursement from other funds.

Workers' Compensation Insurance and Long-Term Disability. Premium rates collected from departments have not been able to cover increased operating expenses for these funds. The County will continue to phase in premium rate increases to close the gap between ongoing revenues and expenses. Additionally, the County will continue to participate in workers' compensation reform efforts, manage claims actively, and work with County departments to prevent future claims so that growth in these costs can be minimized.

NOTE 4 – CASH AND INVESTMENTS

The County Treasurer manages an investment pool to increase interest earnings from investment activities. The investment pool includes both voluntary and involuntary participation from external entities. Majority of the County funds invest their monies in the investment pool. Part of the cash and investments with the JPFA and SamCERA are separately managed outside the County. Certain special districts and governmental entities, under state statutes, maintain their cash surplus with the County Treasurer. At June 30, 2009, the net asset value of involuntary participation in the investment pool was \$1.75 billion.

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and the County's investment policy. The objectives of this policy in order of priority are: safety, liquidity, yield, and public trust. The County has established an oversight committee to monitor the management of public funds in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the County Board review and approve the investment policy annually. Each month the County Treasurer submits a comprehensive investment report to the members of the oversight committee and the investment pool participants. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value. Significant accounting policies for investments can be found in Note 2(e).

As of June 30, 2009, the County's cash and investments, including invested cash collateral from securities lending transactions, were distributed and reported in the basic financial statements as follows:

Cash and cash equivalents:

| | |
|---------------------------------|---------------|
| Cash on hand - County | \$ 1,299 |
| Money market funds - JPFA | 26,228 |
| Money market funds - SamCERA | 60,790 |
| Deposits - County * | 5,353 |
| Total cash and cash equivalents | <u>93,670</u> |

Investments:

| | | | |
|--|---------------------|-------------------------------------|---------------------|
| In Treasurer's pool (including invested cash collateral) | 2,658,252 | | |
| With fiscal agents of the JPFA | 8,974 | Primary government | \$ 539,183 |
| In SamCERA's portfolio | 1,685,510 | Discretely Presented Component unit | 35,371 |
| With others external to the Treasurer's pool | 503 | Pension trust | 1,753,921 |
| Total investments | <u>4,353,239</u> | Investment trust fund | 1,901,718 |
| Total cash and investments | <u>\$ 4,446,909</u> | Agency funds | 216,716 |
| | | Total cash and investments | <u>\$ 4,446,909</u> |

* At year-end, the carrying amount of the County's cash deposits was \$5,353 and the bank balance was \$46,471. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit Risk for Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The County's investment policy requires that deposits in banks must meet the requirements of California Government Code. Under this code, any deposits of more than \$250 must be collateralized at 105% to 150% of the value of the deposit to guarantee the safety of the public funds. The first \$250 of the County's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250 insured amount are fully collateralized by Union Bank by pledging identifiable U.S. Government securities at a minimum of 110%.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Investments

The County's investments as of June 30, 2009, consisted of the following:

| | Interest Rates | Maturities | Par Value | Fair Value | Weighted Average Maturity (Years) |
|---|----------------|--------------------|------------------|---------------------|-----------------------------------|
| Investments in Investment Pool | | | | | |
| U.S. government securities: | | | | | |
| Not on securities loan | 0.06 - 2.00% | 7/16/09 - 4/30/14 | \$ 615,758 | \$ 610,319 | 1.58 |
| Loaned securities for cash collateral | 0.29 - 1.875% | 9/10/09 - 4/30/14 | 169,242 | 169,103 | 0.24 |
| U.S. government agency securities: | | | | | |
| Not on securities loan | 0.12 - 4.875% | 7/1/09 - 5/15/14 | 910,852 | 913,094 | 0.72 |
| Loaned securities for cash collateral | 2.375% | 5/28/10 | 3,300 | 3,357 | 0.90 |
| U.S. government agency securities: floating rate | 0.912 - .937% | 7/28/09 - 8/5/11 | 45,000 | 45,005 | 0.97 |
| Corporate bonds | 2.95 - 4.79% | 8/4/10 - 6/1/14 | 65,000 | 65,355 | 3.98 |
| Floating rate securities | | | | | |
| Not on securities loan | 0.862 - 3.006% | 7/29/09 - 5/21/12 | 280,400 | 274,954 | 0.95 |
| Loaned securities for cash collateral | 1.48% | 1/29/10 | 600 | 599 | 0.58 |
| FDIC-Temporary Liquidity Guarantee Program (Corporate Bond) | | | | | |
| Not on securities loan | 1.70 - 3.00% | 12/23/10 - 12/9/11 | 68,040 | 68,961 | 1.71 |
| Loaned securities for cash collateral | 3.00% | 12/9/11 | 1,960 | 2,025 | 2.44 |
| FDIC-Temporary Liquidity Guarantee Program (Corporate Bond) - floating rate | 2.816% | 12/9/10 | 10,000 | 10,127 | 1.44 |
| FDIC-Temporary Liquidity Guarantee Program (Commercial Paper) | 0.24 - 0.40% | 7/1/09 - 8/13/09 | 70,000 | 69,994 | 0.03 |
| Repurchase agreements | 0.00% | 7/1/09 | 250,000 | 250,000 | * |
| Subtotal | | | 2,490,152 | 2,482,893 | |
| Securities lending collateral - cash received and invested: | | | | | |
| Repurchase agreements | | | 175,359 | 175,359 | * |
| Total investments in investment pool | | | <u>2,665,511</u> | <u>2,658,252</u> | 0.89 |
| Investments outside of Investment Pool | | | | | |
| San Mateo Joint Powers Financing Authority | | | | | |
| Federal Home Loan Bank - discount note | | | 2,541 | 2,565 | * |
| Republic National Bank - repurchase agreements | | | 938 | 938 | 1.82 |
| Investment contract | | | 5,471 | 5,471 | 7.32 |
| Subtotal | | | <u>8,950</u> | <u>8,974</u> | 4.65 |
| Other Individual Investment Accounts | | | | | |
| Corporate bonds | | | 505 | 503 | 1.11 |
| Subtotal | | | <u>505</u> | <u>503</u> | 1.11 |
| San Mateo County Employees' Retirement Association | | | | | |
| Fixed income securities: | | | | | |
| U.S. government agency securities | | | | 8,002 | 11.17 |
| Asset backed securities | | | | 8,995 | 4.66 |
| Commercial mortgage-backed securities | | | | 15,383 | 5.92 |
| Collateralized mortgage obligations | | | | 32,924 | 6.24 |
| Commingled funds | | | | 14,290 | ** |
| Convertible | | | | 463 | 0.08 |
| Corporate bonds | | | | 94,238 | 10.49 |
| Mortgage pass through | | | | 100,146 | 5.25 |
| Taxable municipal bonds | | | | 4,978 | 7.79 |
| Preferred stock | | | | 224 | ** |
| Private placement | | | | 144 | 5.67 |
| Swaps | | | | 511 | ** |
| U.S. Treasuries | | | | 29,100 | 12.51 |
| Sovereign governments | | | | 10,578 | 13.75 |
| Fixed income securities ¹ | | | | 159,409 | 13.59 |
| Fixed income securities ² | | | | 3,087 | ** |
| Equities: | | | | | |
| Domestic | | | | 604,211 | ** |
| International | | | | 359,981 | ** |
| Real estate | | | | 118,895 | ** |
| Securities lending collateral in short-term investment pool | | | | 119,951 | ** |
| Subtotal | | | | <u>1,685,510</u> | 2.63 |
| Total investments outside of investment pool | | | | <u>1,694,987</u> | |
| Total investments | | | | <u>\$ 4,353,239</u> | |

¹ Securities are in portfolio managed by Pyramis Global Advisors

² Securities are in portfolios managed by Aberdeen Asset Management and Western Asset Management

* Weighted average maturity is less than 0.01 year.

** Not applicable or not available

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

County Investment Pool

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy. As of June 30, 2009, the investment pool had a weighted average maturity of one year and its investment in floating rate securities was \$331 million. These securities are tied to the three-month London Interbank Offered Rate (LIBOR) index.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law and the County's investment policy limit the County's investments in commercial paper to the rating of A1 or better by Standard & Poor's, or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or higher by both Standard & Poor's and Moody's Investors Service. No limits are placed on the U.S. government agency securities and U.S. Treasuries.

| Investment at June 30, 2009 | Standard & Poor's Rating | % of Portfolio |
|--|---|---------------------------|
| U.S. Government Securities | | |
| United States Treasuries | AAA | 31.39% |
| U.S. Government Agency Securities | | |
| Federal National Mortgage Association - Discount | AAA | 8.92% |
| Federal Home Loan Mortgage Corporation - Discount | AAA | 11.80% |
| Federal Home Loan Mortgage Corporation | AAA | 6.53% |
| Federal Farm Credit Bank | AAA | 0.40% |
| Federal National Mortgage Association | AAA | 9.26% |
| Federal Home Loan Bank - Floating Rate | AAA | 0.81% |
| Federal National Mortgage Association - Floating Rate | AAA | 1.01% |
| Corporate Bonds | | |
| Corporate Bonds | AAA | 0.80% |
| Corporate Bonds | AA+ | 0.41% |
| Corporate Bonds | AA | 0.81% |
| Corporate Bonds | A | 0.61% |
| Floating Rate Securities | AA | 1.40% |
| Floating Rate Securities | AA- | 2.80% |
| Floating Rate Securities | A+ | 1.01% |
| Floating Rate Securities | A | 5.00% |
| Floating Rate Securities | A- | 0.88% |
| FDIC-Temporary Liquidity Guarantee Program (Corporate Bond) | AAA | 2.86% |
| FDIC-Temporary Liquidity Guarantee Program (Corporate Bond) - Floating Rate | AAA | 0.41% |
| FDIC-Temporary Liquidity Guarantee Program (Corporate Paper) | AA+ | 2.82% |
| Repurchase Agreements - U. S. Treasuries | AAA | 10.07% |
| Total | | 100.00% |

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer of securities. State law and the County Investment Policy restrict the County's investments in U.S. Treasury Obligations to 100% of its portfolio (100% per issuer); Obligations of U.S. Agencies or government sponsored enterprises to 100% (100% per issuer); bankers acceptance to 15% (10% per issuer); collateralized time deposits within the State, negotiable certificates of deposit, corporate bonds and medium-term notes to 30% (10% per issuer); commercial paper and floating rate notes to 40% (10% per issuer); repurchase agreements secured by U.S. Treasury or agency obligation to 100% (50% per issuer); reverse repurchase agreements to 20% (20% per issuer); shares of beneficial interest issued by diversified management companies as defined in Government Code section 53601 to 10% (5% per issuer); and mortgage backed securities to 20% (5% per issuer). The investment pool is in compliance with the above mentioned guidelines. As of June 30, 2009, the investment pool has more than 5% of its total investments with the following issuers: 19% in Federal Home Loan Mortgage Corporation and 19% in Federal National Mortgage Association.

Foreign Currency Risk. Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair values of an investment or deposit. The County investment policy does not include specific provisions to address foreign currency risk as it does not hold foreign securities.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

JPFA's Investment Portfolio

Interest Rate Risk. The JPFA has not adopted a formal policy that limits investment maturity as a means of managing its exposure to declines in fair values arising from increasing interest rates.

Credit Risk. Provisions of the JPFA's bond trust agreements restrict the JPFA's investment in investment agreements with financial institutions that have long-term obligations rated in one of the two highest rating categories by Standard & Poor's, Moody's Investors Service, or Fitch Ratings. As of June 30, 2009, the JPFA's investment in money market funds was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Republic National Bank securities were rated A+ by Standard & Poor's, A2 by Moody's Investors Service, and AA- by Fitch Ratings. The Federal Home Loan Bank discount note was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The investment contract with Financial Guaranty Insurance Company Capital Market Services Group was unrated.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the JPFA's investment in a single issuer of securities. The JPFA places no limit on the amount invested in any one issuer. As of June 30, 2009, the JPFA has \$0.9 million, or 10%, of its total investments in repurchase agreements with Republic National Bank; \$2.6 million, or 29%, in a discount note with the Federal Home Loan Banks; and \$5.5 million, or 61%, in an investment contract with Financial Guaranty Insurance Company Capital Market Services Group.

Foreign Currency Risk. The JPFA has not adopted a specific policy that addresses foreign currency risk as the JPFA does not hold foreign securities.

SamCERA's Investment Portfolio

Interest Rate Risk. SamCERA's investment policy does not have a formal plan that limits investment duration as a means of managing its exposure to fair value losses arising from increasing interest rates. SamCERA's active bond portfolios are managed duration neutral to their benchmark, the Barclays Capital Aggregate Bond Index. Its enhanced index portfolio does not rely on active duration management, but instead maintains duration within a very narrow band around that of the benchmark (for the Barclays Capital Aggregate Bond Index, approximately +/- 0.2 year of the index). To facilitate this, Pyramis Global Advisors models the option-adjusted durations of the securities that comprise the index on a daily basis, and uses the output to align the portfolio duration to that of the benchmark.

Credit Risk. SamCERA's investment policy seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within the asset class. To control credit risk, credit quality guidelines have been established. SamCERA's Investment Policy has three requirements addressing fixed income quality. First, the minimum average rating of the total portfolio of fixed income assets under a manager's supervision must be "A" or better as rated by Standard & Poor's or Moody's equivalent, dollar weighted at market value. Second, the minimum quality rating eligible for the portfolio must be "B" or better as rated by Standard & Poor's or Moody's equivalent. The third requirement is that no more than 10% of SamCERA's fixed income assets under a manager's supervision shall be invested in securities with a rating below Baa3, BBB-, P-1 or A-1. SamCERA's core plus fixed income investment manager was given an exemption and may hold more than 10% in assets rated below BBB. At June 30, 2009, the credit quality breakdown of SamCERA's investments in bonds was as follows:

| <u>Credit Rating</u> | <u>Active Management</u> | <u>Commingled Management</u> |
|--------------------------|------------------------------|----------------------------------|
| AAA | 45.2% | 62.2% |
| AA | 2.5% | 4.6% |
| A | 6.3% | 12.7% |
| BBB | 29.5% | 19.8% |
| Less than BBB | 16.3% | 0.7% |
| Not rated | 0.2% | 0.0% |
| | <u>100.0%</u> | <u>100.0%</u> |

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Concentration of Credit Risk. SamCERA's investment policy states no investment shall constitute more than 5% of a company's outstanding equity. When measuring this aspect of compliance, SamCERA considers its ownership in relation to the "free float" of a particular security. As of June 30, 2009, SamCERA did not hold any investments in any one issuer that would represent 5% or more of total investments.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SamCERA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The individual investment guidelines for each investment manager require that managed investments be held in the name of SamCERA. The master custodian may rely on sub-custodians. The custodial requirement does not apply to real estate investments and investments in pools. As of June 30, 2009, SamCERA had no investments that were exposed to custodial risk. SamCERA does not have a general policy addressing custodial credit risk, but it is the practice of SamCERA that all investments are insured, registered, or held by the plan or its agent in the SamCERA's name. Deposits are to be insured, registered, or collateralized with securities held at fiscal agents in SamCERA's name.

Foreign Currency Risk. SamCERA's policy states that forward currency and currency contracts are permitted for defensive currency hedging to mitigate foreign currency risk on the portfolio. SamCERA's exposure to foreign currency risk is as follows:

| Currency | Common Stock | Foreign Currency | Mutual Fund | Preferred Stock | Rights | Total |
|--------------------|-------------------------|-----------------------------|------------------------|----------------------------|-----------------|-------------------|
| Australian Dollar | \$ 28,192 | \$ 573 | \$ - | \$ - | \$ 1,057 | \$ 29,822 |
| Brazilian Real | 92 | 12 | - | 1,607 | - | 1,711 |
| Bulgaria Lev | 627 | 164 | - | - | - | 791 |
| Canadian Dollar | 7,850 | 20 | - | - | - | 7,870 |
| Czech Koruna | 2,779 | 166 | - | - | - | 2,945 |
| Danish Krone | 1,033 | - | - | - | - | 1,033 |
| Euro Currency | 107,186 | 241 | - | 76 | 34 | 107,537 |
| Hong Kong Dollar | 17,857 | 22 | - | - | - | 17,879 |
| Hungarian Forint | 2,403 | - | - | - | - | 2,403 |
| Indonesian Rupiah | - | 3 | - | - | - | 3 |
| Japanese Yen | 52,955 | 437 | 5,263 | - | - | 58,655 |
| Mexican Peso | 177 | - | - | - | - | 177 |
| New Zealand Dollar | 1,221 | - | - | - | - | 1,221 |
| Norwegian Krone | 1,803 | - | - | - | - | 1,803 |
| Philippine Peso | - | 6 | - | - | - | 6 |
| Polish Zloty | 76 | - | - | - | - | 76 |
| Pound Sterling | 45,023 | - | - | - | 277 | 45,300 |
| Romanian Leu | 11 | 40 | - | - | - | 51 |
| Russian Ruble | 8,301 | - | - | - | - | 8,301 |
| Singapore Dollar | 442 | - | - | - | - | 442 |
| South African Rand | 4,891 | 7 | - | - | - | 4,898 |
| South Korean Won | 2,076 | - | - | - | - | 2,076 |
| Swedish Krona | 16,299 | 9 | - | - | - | 16,308 |
| Thailand Bhat | - | 2 | - | - | - | 2 |
| Total | \$ 301,294 | \$ 1,702 | \$ 5,263 | \$ 1,683 | \$ 1,368 | \$ 311,310 |

Security Lending Collateral Interest Rate Risk. All of the cash collateral received for securities lending is invested in the State Street Navigator Securities Lending Prime Portfolio. Its average effective duration is restricted to 90 days or less.

Security Lending Collateral Credit Risk. Cash collateral received for securities lending is invested in the State Street Navigator Securities Lending Prime Portfolio, which is not rated by credit rating agencies. All investments will qualify as "eligible securities" within the meaning of Rule 2(a)-7 of the Investment Companies Act of 1940. The portfolio seeks to maintain a stable net asset value per share of one dollar by valuing its portfolio using an amortized cost method and will comply with the requirements of Rule 2(a)-7.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Securities Lending Activity

County Investment Pool. State statutes and the County's investment policy permit the use of a securities lending program with its principal custodian bank. The County's investment policy allows the custodial bank (Custodian) to lend up to 20% of the portfolio within the established guidelines. The custodial agreement with the County's Custodian authorizes the Custodian to loan securities in the County investment portfolio under such terms and conditions as the County's Custodian deems advisable and to permit the loaned securities to be transferred into the name of the borrowers. The loaned securities represent securities on loan to brokers or dealers or other borrowers by the County's investment pool. The County receives a fee from the borrower for the use of the loaned securities. If the loaned securities are not returned by the borrower, the County's Custodian is responsible for replacement of the loaned securities with other securities of the same issuer, class and denomination, or if such securities are not available on the open market, the County's Custodian is required to credit the County's account with the market value of such unreturned loaned securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the County or the borrowers.

The loaned securities, as of June 30, 2009, consisted of U.S. Treasury securities, U.S. government agency securities, and corporate notes. In return, the County receives collateral in the form of cash equal to at least 102% of the transferred securities plus accrued interest for reinvestment. The County authorized Bank of New York Mellon Corporation (BONY), the County's Custodian, to invest in only U.S. Treasury securities and U.S. Federal Agency securities. All of the County's collaterals were invested in repurchase agreements, collateralized by U.S. Treasury securities, with a weighted average maturity of one day as of June 30, 2009. The County does not match the maturities of investments made with cash collateral with the securities on loan. As of June 30, 2009, the underlying securities loaned by the County's investment pools approximated to \$175 million. The cash collateral provided by the counterparty was \$175 million, or 100% of the fair value of the securities lent, and was invested in repurchase agreements. The cash collateral provided did not meet the 102% collateralization policy due to daily market fluctuations on the securities lent. On July 2, 2009, BONY increased the collateral amount to meet the 102% requirement. The County has no exposure to credit risk related to securities lending transactions as of June 30, 2009, because the market value of the invested cash collateral exceeds that of the borrowed securities. Repurchase agreements from securities lending collateral are unrated.

SamCERA Investment Portfolio. Beginning on July 1, 2007, the Board of Retirement authorized SamCERA to participate in a securities lending program. SamCERA has a securities lending agreement in place that authorizes the securities lending agent to lend SamCERA securities to broker-dealers and banks pursuant to a loan agreement. In each securities lending transaction, SamCERA receives either cash or non-cash collateral. SamCERA invests the cash and receives earnings on it in exchange for paying a loan rebate fee to the borrower. In the case of non-cash collateral, the borrower also pays SamCERA a loan premium.

For the year ended June 30, 2009, SamCERA's securities lending agent lent SamCERA securities to borrowers under the securities lending agreement. In return, SamCERA received cash, securities issued or guaranteed by the United States government, and sovereign debt or irrevocable bank letters-of credit as collateral. As SamCERA did not have the ability to pledge or sell collateral securities delivered absent a borrower default, such non-cash collateral is not reported on the statement of fiduciary net assets. Borrowers were required to deliver collateral equal to: (a) loaned securities denominated in U.S. dollars or sovereign debt issued by foreign governments, with a margin of at least 102% of the market value of the loaned securities; or (b) loaned securities not denominated in U.S. dollars, or whose primary trading market was not located in the United States, with a margin of at least 105% of the market value of the loaned securities. Borrowers were required to maintain the designated margin percentage of collateral on a daily basis.

SamCERA did not impose any restrictions for the fiscal year ended June 30, 2009, on the amount of loans that the securities lending agent made on its behalf. The securities lending agent indemnified SamCERA by agreeing to purchase replacement securities or supplement the amount of cash collateral in the event the borrower failed to return the loaned securities and the collateral was inadequate to replace the securities lent or the borrower failed to pay SamCERA for any income distributions on loaned securities. There were no losses during the fiscal year ended June 30, 2009, resulting from a default of the borrowers or the securities lending agent.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

SamCERA and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders had in a short term investment pool managed by the securities lending agent. As of June 30, 2009, this investment pool had an average duration of 54 days, and an average weighted maturity of 46 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. For the fiscal year ended June 30, 2009, SamCERA had no credit risk exposure to borrowers because, for each borrower, the value of borrower collateral held exceeded the value of the securities on loan to the borrower. As of June 30, 2009, SamCERA had securities on loan with a total value of \$115.5 million, and the cash and other collateral held against the loaned securities of \$120 million.

County Investment Pool Condensed Financial Information

Below is a condensed statement of net assets and changes in net assets for the investment pool as of and for the fiscal year ended June 30, 2009:

| | |
|--|---------------------|
| Assets: | |
| U.S. government securities | \$ 779,422 |
| U.S. government agency securities | 916,451 |
| U.S. government agency securities: floating rate | 45,005 |
| Corporate bonds | 65,355 |
| Floating rate securities | 275,553 |
| FDIC-Temporary Liquidity Guarantee Program (Corporate Bond) | 70,986 |
| FDIC-Temporary Liquidity Guarantee Program (Corporate Bond) - floating rate | 10,127 |
| FDIC-Temporary Liquidity Guarantee Program (Commerical Paper) | 69,994 |
| Repurchase agreements | 250,000 |
| Securities lending collateral | 175,359 |
| Total investments | <u>2,658,252</u> |
| Other assets | 13,910 |
| Pool deposits | 46,470 |
| Total assets | <u>2,718,632</u> |
| Liabilities: | |
| Unfunded checks and warrants | 41,117 |
| Securities lending collateral - due to borrowers | 175,359 |
| Other liabilities | 14,891 |
| Total liabilities | <u>231,367</u> |
| Net Assets: | |
| Equity of internal pool participants | 711,681 |
| Equity of individual investment accounts | 513 |
| Equity of external pool participants | 1,775,071 |
| Total net assets | <u>\$ 2,487,265</u> |
| Statement of Changes in Net Assets | |
| Net assets at July 1, 2008 | \$ 2,902,935 |
| Net change in investments by pool participants | <u>(415,670) *</u> |
| Net assets at June 30, 2009 | <u>\$ 2,487,265</u> |
| The net asset composition of the equity of external pool participants is as follows: | |
| Participant units outstanding (one dollar par value) | \$ 2,478,736 |
| Undistributed and unrealized gain | 8,529 |
| Net assets at June 30, 2009 | <u>\$ 2,487,265</u> |
| Participant net asset value at fair value price per share (\$2,487,265 divided by 2,478,736 units) | |
| | <u>\$ 1.0034</u> |

* On September 15, 2008, Lehman Brothers Holdings Inc. (Lehman) declared bankruptcy. This bankruptcy had a direct, negative impact on the County's investment pool in an amount of approximately \$155 million as of September 30, 2008. After extensive consultation with the County's financial advisors and legal counsel, the County Treasurer decided to retain the Lehman securities, but mark their value down to zero and carry the securities as non-performing assets. For the quarter ended September 30, 2008, the County charged all pool participants' accounts a one-time expense based on their average daily cash balances to reflect the reduction in value. The decrease in net assets included the \$155 million Lehman loss.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

NOTE 5 – RECEIVABLES

At June 30, 2009, receivables of the County's major individual funds, nonmajor funds in aggregate, and internal service funds in aggregate, including applicable allowances for uncollectible accounts, are listed below. The General Fund had a net receivable of \$133 million, of which \$86 million is not expected to be collected within the next twelve months.

| | General Fund | JPFA | Nonmajor Governmental Funds | Internal Service Funds | Total |
|-------------------------------------|-------------------|----------------------|-----------------------------------|------------------------------|-------------------|
| Governmental Activities | | | | | |
| Accounts | \$ 173,659 | \$ - | \$ 107 | \$ 270 | \$ 174,036 |
| Interest | 12,643 | 322 | 513 | 286 | 13,764 |
| Taxes | 26,711 | - | 1,697 | - | 28,408 |
| Mortgages | 64,450 | - | - | - | 64,450 |
| Other | 28,424 | - | 1,918 | - | 30,342 |
| Gross receivables | 305,887 | 322 | 4,235 | 556 | 311,000 |
| Less: allowances for uncollectibles | (172,637) | - | (669) | - | (173,306) |
| Total receivables, net | <u>\$ 133,250</u> | <u>\$ 322</u> | <u>\$ 3,566</u> | <u>\$ 556</u> | <u>\$ 137,694</u> |
| | | | | | |
| | Medical Center | Housing Authority | Nonmajor Enterprise Funds | Total | |
| Business-type Activities | | | | | |
| Accounts | \$ 100,920 | \$ 69 | \$ 11 | \$ 101,000 | |
| Interest | 1 | 101 | 15 | 117 | |
| Other | 3,848 | 84 | - | 3,932 | |
| Gross receivables | 104,769 | 254 | 26 | 105,049 | |
| Less: allowances for uncollectibles | (71,986) | - | - | (71,986) | |
| Total receivables, net | <u>\$ 32,783</u> | <u>\$ 254</u> | <u>\$ 26</u> | <u>\$ 33,063</u> | |

NOTE 6 – DEFERRED REVENUES

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net assets, governmental funds, and enterprise funds defer revenue recognition for resources that have been received at year-end, but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as unearned revenues. Under the modified accrual basis of accounting, revenues are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period. Thus, governmental funds defer revenue recognition for revenues not considered available to liquidate liabilities of the current period.

At June 30, 2009, components of deferred and unearned revenues reported were as follows:

| | Unavailable | Unearned | Total |
|---|-------------------|------------------|-------------------|
| Governmental activities | | | |
| General fund: | | | |
| Property taxes receivable | \$ 963 | \$ 14,154 | \$ 15,117 |
| Mortgages receivable | 60,188 | - | 60,188 |
| Mortgages interest receivable | 5,791 | - | 5,791 |
| Grant drawdowns prior to meeting all eligibility requirements | - | 26,106 | 26,106 |
| Due from other governmental agencies | 152,550 | - | 152,550 |
| Other receivables and advances | 7,694 | 11,700 | 19,394 |
| Subtotal - General fund | <u>227,186</u> | <u>51,960</u> | <u>279,146</u> |
| Nonmajor governmental funds: | | | |
| Property taxes receivable | 61 | 899 | 960 |
| Due from other governmental agencies | 414 | - | 414 |
| Other receivables and advances | - | 2,190 | 2,190 |
| Subtotal - Nonmajor governmental funds | <u>475</u> | <u>3,089</u> | <u>3,564</u> |
| Internal service funds: | | | |
| Other receivables and advances | - | 83 | 83 |
| Total governmental activities | <u>\$ 227,661</u> | <u>\$ 55,132</u> | <u>\$ 282,793</u> |
| Business-type activities | | | |
| Revenues received but not earned | | | |
| Housing Authority | | \$ 68 | |
| Nonmajor enterprise funds | | 27 | |
| Total business-type activities | | <u>\$ 95</u> | |

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

NOTE 7 – INTERFUND TRANSACTIONS

Due to/from other funds:

The General Fund, on behalf of the Medical Center, remitted \$9 million to the California Department of Health Services as intergovernmental transfer payment. The Medical Center expects to extinguish this short-term loan within the next twelve months. In addition, in an effort to continuously provide mandated care for the uninsured and indigent population in the County, the General Fund increased its subsidies to \$82 million in FY 2008-09. The unpaid portion of subsidies totaling \$6 million was reported as a General Fund payable to the Medical Center. All remaining interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund balances is presented below.

| Receivable Fund | Payable Fund | Amount |
|-----------------------------|-----------------------------|------------------|
| General Fund | Nonmajor Governmental Funds | \$ 2,529 |
| | Medical Center | 9,000 |
| | Nonmajor Enterprise Funds | 14 |
| | Internal Service Funds | 2,324 |
| | | <u>13,867</u> |
| Nonmajor Governmental Funds | General Fund | 255 |
| | Nonmajor Governmental Funds | 4 |
| | Medical Center | 3 |
| | Internal Service Funds | 268 |
| | | <u>530</u> |
| Medical Center | General Fund | 6,107 |
| Nonmajor Enterprise Funds | General Fund | 6 |
| Internal Service Funds | General Fund | 7 |
| | Total | <u>\$ 20,517</u> |

Advances to /from other funds:

In January 2000, the General Fund advanced a long-term loan of \$4 million to the Medical Center for the purchase of diagnostic equipment. Interest is calculated annually at the County's Investment Pool rate through the end of the term on December 31, 2014. As of June 30, 2009, total due from the Medical Center aggregated to \$5 million, including accrued interest of \$1 million since the inception. In January 1995 and July 2003, the General Fund advanced \$0.1 million and \$0.7 million to assist the Housing Authority with the development of affordable rental housing for low-income households. These loans will be due on December 31, 2010 and August 23, 2029. In January 2006, the General Fund provided a long-term loan of \$1 million to the Crystal Springs County Sanitation District. Loan proceeds were used to reimburse the Town of Hillsborough for the District's cost of a sewer capital improvement project. The District has repaid \$0.2 million to the General Fund, leaving an outstanding loan balance of \$0.8 million at year-end.

| Receivable Fund | Payable Fund | Amount |
|-----------------------------|-----------------------------|-----------------|
| General Fund | Nonmajor Governmental Funds | \$ 800 |
| | Medical Center | 5,092 |
| | Housing Authority | 803 |
| | Internal Service Funds | 334 |
| | | <u>7,029</u> |
| Nonmajor Governmental Funds | Internal Service Funds | 237 |
| | Total | <u>\$ 7,266</u> |

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Transfers:

Transfers are indicative of funding for capital projects, lease or debt service payments, subsidies, and revenue reallocations. The following schedules briefly summarize the County's transfer activities:

(a) Between Governmental and Business-type Activities:

| Transfer from | Transfer To | Amount | Purpose |
|---------------------------|-----------------------------|------------------|---|
| General Fund | Medical Center | \$ 72,217 | Provide budgeted subsidy to the Medical Center for indigent healthcare. |
| | Medical Center | 9,560 | Transfer additional subsidy to Medical Center. |
| | | <u>81,777</u> | |
| Medical Center | Nonmajor Governmental Funds | 9,969 | Transfer funds to cover lease payments. |
| | Nonmajor Governmental Funds | 339 | Transfer funds to finance capital improvements. |
| | | <u>10,308</u> | |
| Nonmajor Enterprise Funds | Nonmajor Governmental Funds | <u>72</u> | Transfer funds to finance capital improvements. |
| | Total | <u>\$ 92,157</u> | |

(b) Between Funds within Governmental Activities ⁽¹⁾:

| Transfer from | Transfer To | Amount | Purpose |
|-----------------------------|-----------------------------|------------------|---|
| General Fund | Nonmajor Governmental Funds | \$ 4,488 | Provide subsidy to finance in-home support services. |
| | Nonmajor Governmental Funds | 4,012 | Provide subsidy to finance the La Honda landslide assessment project. |
| | Nonmajor Governmental Funds | 17,563 | Transfer funds to cover lease payments. |
| | Nonmajor Governmental Funds | 6,044 | Transfer funds to finance capital projects. |
| | | <u>32,107</u> | |
| Nonmajor Governmental Funds | General Fund | 342 | Transfer funds to support emergency services run by the Sheriff's Department. |
| | General Fund | 96 | Transfer funds to finance general maintenance at the County Services Area Number 8. |
| | General Fund | 769 | Transfer funds to pay for debt service payments. |
| | JPFA | 37,821 | Transfer funds to cover debt service payments. |
| | Nonmajor Governmental Funds | 3,143 | Transfer funds to cover lease payments. |
| | Nonmajor Governmental Funds | 956 | Transfer funds to finance capital projects. |
| | | <u>43,127</u> | |
| | Total | <u>\$ 75,234</u> | |

⁽¹⁾ In the consolidation of the governmental activities, these transfers are eliminated in the government-wide statement of activities.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

NOTE 8 – CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2009, were as follows:

| | Balance July 1, 2008 | Additions | Retirements | Transfers & Adjustments | Balance June 30, 2009 |
|---|-------------------------|-------------------|-------------------|----------------------------|--------------------------|
| Governmental activities | | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | | |
| Land and easements | \$ 64,671 | \$ 236 | \$ (277) | \$ - | \$ 64,630 |
| Infrastructure - maintained road subsystem | 77,253 | - | - | - | 77,253 |
| Construction in progress | 24,306 | 6,155 | (3) | (2,060) | 28,398 |
| Total capital assets, not being depreciated | 166,230 | 6,391 | (280) | (2,060) | 170,281 |
| <i>Capital assets, being depreciated:</i> | | | | | |
| Infrastructure | 76,420 | 446 | (89) | - | 76,777 |
| Structures and improvements | 575,637 | 5,640 | (2,796) | 1,450 | 579,931 |
| Equipment | 80,630 | 4,326 | (495) | - | 84,461 |
| Software | 2,256 | 33 | - | 610 | 2,899 |
| Total capital assets, being depreciated | 734,943 | 10,445 | (3,380) | 2,060 | 744,068 |
| <i>Less accumulated depreciation for:</i> | | | | | |
| Infrastructure | (19,887) | (1,525) | 89 | - | (21,323) |
| Structures and improvements | (95,391) | (10,585) | 478 | - | (105,498) |
| Equipment | (55,207) | (7,043) | 488 | - | (61,762) |
| Software | (1,313) | (799) | - | - | (2,112) |
| Total accumulated depreciation | (171,798) | (19,952) | 1,055 | - | (190,695) |
| Total capital assets, being depreciated, net | 563,145 | (9,507) | (2,325) | 2,060 | 553,373 |
| Governmental activities capital assets, net | <u>\$ 729,375</u> | <u>\$ (3,116)</u> | <u>\$ (2,605)</u> | <u>\$ -</u> | <u>\$ 723,654</u> |
| Business-type activities | | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | | |
| Land | \$ 10,147 | \$ - | \$ - | \$ - | \$ 10,147 |
| Construction in progress | 7,537 | 2,942 | (239) | 214 | 10,454 |
| Total capital assets, not being depreciated | 17,684 | 2,942 | (239) | 214 | 20,601 |
| <i>Capital assets, being depreciated:</i> | | | | | |
| Structures and improvements | 53,130 | 226 | - | - | 53,356 |
| Equipment | 12,250 | 991 | - | (575) | 12,666 |
| Software | 6,266 | 152 | - | (337) | 6,081 |
| Total capital assets, being depreciated | 71,646 | 1,369 | - | (912) | 72,103 |
| <i>Less accumulated depreciation for:</i> | | | | | |
| Structures and improvements | (27,689) | (924) | - | - | (28,613) |
| Equipment | (6,991) | (1,085) | - | 616 | (7,460) |
| Software | (2,514) | (795) | - | - | (3,309) |
| Total accumulated depreciation | (37,194) | (2,804) | - | 616 | (39,382) |
| Total capital assets, being depreciated, net | 34,452 | (1,435) | - | (296) | 32,721 |
| Business-type activities capital assets, net | <u>\$ 52,136</u> | <u>\$ 1,507</u> | <u>\$ (239)</u> | <u>\$ (82)</u> | <u>\$ 53,322</u> |

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Depreciation

Depreciation expense was charged to various functions as follows:

| <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|---|------------------|---|-----------------|
| General government | \$ 5,709 | Medical Center | \$ 1,928 |
| Public protection | 6,675 | Housing Authority | 289 |
| Public ways and facilities | 766 | Airports | 350 |
| Health and sanitation | 3,348 | Coyote Point Marina | 237 |
| Public assistance | 927 | Total depreciation - business-type activities | <u>\$ 2,804</u> |
| Recreation | 739 | | |
| Depreciation on capital assets held by the County's internal service funds are charged to various functions based on their usage of the assets. | <u>1,788</u> | | |
| Total depreciation - governmental activities | <u>\$ 19,952</u> | | |

Capital Project Commitments

The JPFA issued lease revenue bonds in November 2003 to construct a new County Youth Services Center. The construction included a juvenile hall, a girls' camp, a community school, a receiving home, group homes, juvenile courts, and probation administration offices for the County. The main facility of the Youth Services Center was completed in September 2006, and the receiving home was completed in November 2008. The remaining capital projects attached to the Youth Services Center Construction, which include completion of the group home, deconstruction of the old facility, and removal of the berm, will cost approximately \$10.3 million. The group home is still in planning, and the scope for this project is not yet finalized. The deconstruction of the old Hillcrest Facility will be completed in 2010. The removal of the berm will begin upon completion of the deconstruction of the old Hillcrest Facility. Total outstanding commitments amounted to approximately \$2.6 million at June 30, 2009.

As of June 30, 2009, the Medical Center had approximately \$4.1 million of capital project commitments related to medical equipment, senior care center remodeling, and North County Clinic remodeling. This amount is expected to be paid in the upcoming fiscal year.

NOTE 9 – LEASES

Operating Leases

The County occupies a number of non-County owned office buildings and facilities to conduct its business under non-cancelable operating leases. Total rental paid for these leases was \$6,751 for the fiscal year ended June 30, 2009, and the future minimum lease payments are as follows:

| <u>Fiscal year ending June 30,</u> | |
|--|------------------|
| 2010 | \$ 6,537 |
| 2011 | 6,057 |
| 2012 | 5,864 |
| 2013 | 5,126 |
| 2014 | 5,076 |
| 2015-2019 | 18,523 |
| 2020-2024 | 666 |
| Total | <u>\$ 47,849</u> |

The County has leased various properties under non-cancelable operating leases to other entities. Income from these rental activities was \$695 for the fiscal year ended June 30, 2009.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

NOTE 10 - LONG-TERM LIABILITIES

The County's long-term liabilities as of June 30, 2009, were as follows:

| Type of indebtedness (purpose) | Maturities | Interest Rates | Annual Principal Installments | Original Issue Amount | Outstanding at June 30, 2009 |
|---|-------------------|----------------|-------------------------------|-----------------------|------------------------------|
| <u>Governmental Activities</u> | | | | | |
| <u>Lease Revenue Bonds:</u> | | | | | |
| <u>1993 Issue</u> | | | | | |
| Purpose: To defease 1991 Certificates of Participation and finance the costs of a parking garage and jail. | | | | | |
| Serial Current Interest Bonds | 7/1/16 - 7/1/19 | 6% - 6.5% | \$3,975 - \$4,675 | \$ 19,050 | \$ 8,650 |
| Term Current Interest Bonds | 7/1/13 - 7/1/21 | 5% - 6.5% | \$7,235 - \$14,560 | 40,640 | 40,640 |
| 1993 Issue | | | | <u>59,690</u> | <u>49,290</u> |
| <u>1993 Issue - Satellite Clinic</u> | | | | | |
| Purpose: To finance a portion of the costs of constructing and equipping the North County Satellite Clinic and an adjacent parking structure. | | | | | |
| Serial Capital Appreciation Bonds | 9/1/17 - 9/1/26 | 5.9% - 6% | \$188 - \$233 | 2,085 | 2,085 |
| Accreted interest on capital appreciation bonds | | | | 8,941 | 2,972 |
| 1993 Issue - Satellite Clinic | | | | <u>11,026</u> | <u>5,057</u> |
| <u>1997 Issue</u> | | | | | |
| Purpose: To finance the costs of constructing, furnishing and equipping an office building, and partial defeasance of the 1994 Issue. | | | | | |
| Serial Current Interest Bonds | 7/15/09 - 7/15/14 | 4.75% - 5% | \$3,605 - \$4,720 | 40,010 | 24,815 |
| Term Current Interest Bonds | 7/15/15 - 7/15/18 | 5% | \$680 - \$845 | 3,045 | 3,045 |
| Term Current Interest Bonds | 7/15/19 - 7/15/22 | 5% | \$910 - \$1,115 | 4,040 | 4,040 |
| Term Current Interest Bonds | 7/15/23 - 7/15/28 | 5.125% | \$1,190 - \$1,640 | 8,440 | 8,440 |
| Term Current Interest Bonds | 7/15/29 - 7/15/32 | 5.125% | \$1,745 - \$2,095 | 7,670 | 7,670 |
| 1997 Issue | | | | <u>63,205</u> | <u>48,010</u> |
| <u>1999 Issue</u> | | | | | |
| Purpose: To finance a portion of the costs of completing the Health Center and partial defeasance of the 1993, 1994, and 1995 Issues. | | | | | |
| Serial Current Interest Bonds | 7/15/09 - 7/15/19 | 4.75% - 5% | \$1,290 - \$6,570 | 47,565 | 40,700 |
| Term Current Interest Bonds | 7/15/20 - 7/15/23 | 4.75% | \$6,890 - \$7,560 | 29,250 | 29,250 |
| Term Current Interest Bonds | 7/15/24 - 7/15/29 | 5% | \$2,405 - \$8,375 | 36,325 | 36,325 |
| 1999 Issue | | | | <u>113,140</u> | <u>106,275</u> |
| <u>2001 Issue</u> | | | | | |
| Purpose: To finance a portion of acquisition costs of a microwave and law enforcement mutual aid communications system, a sheriff's radio system, and the costs of acquisition and construction of a forensics laboratory and a coroner's office. | | | | | |
| Series A Current Interest Bonds | 7/15/09 - 7/15/21 | 3.6% - 4.75% | \$210 - \$1,665 | 21,470 | 13,840 |
| Series A Term Interest Bonds | 7/15/22 - 7/15/31 | 4.75% | \$230 - \$355 | 2,900 | 2,900 |
| Series B Current Interest Bonds | 7/15/09 - 7/15/21 | 3.55% - 4.75% | \$190 - \$320 | 4,270 | 3,235 |
| Series B Term Interest Bonds | 7/15/22 - 7/15/26 | 4.875% | \$340 - \$410 | 1,865 | 1,865 |
| Series B Term Interest Bonds | 7/15/27 - 7/15/31 | 5% | \$430 - \$525 | 2,385 | 2,385 |
| 2001 Issue | | | | <u>32,890</u> | <u>24,225</u> |
| <u>2008 Issue</u> | | | | | |
| Purpose: To provide funds, together with other available moneys, to redeem the 2003 Bonds. | | | | | |
| Series A Current Interest Bonds | 7/15/09 - 7/15/25 | 3% - 5% | \$2,590 - \$5,205 | 62,480 | 62,480 |
| Term Interest Bonds | 7/15/26 - 7/15/28 | 5.25% | \$5,465 - \$6,070 | 17,295 | 17,295 |
| Term Interest Bonds | 7/15/29 - 7/15/33 | 5% | \$6,390 - \$7,805 | 35,405 | 35,405 |
| Term Interest Bonds | 7/15/34 - 7/15/36 | 5% | \$8,205 - \$9,070 | 25,900 | 25,900 |
| 2008 Issue | | | | <u>141,080</u> | <u>141,080</u> |
| Total lease revenue bonds and accreted interest on capital appreciation bonds | | | | <u>421,031</u> | <u>373,937</u> |

(Continued)

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| Type of indebtedness (purpose) | Maturities | Interest Rates | Principal Installments | Issue Amount | at June 30, 2009 |
|---|---------------------------|----------------|------------------------|-------------------|-------------------|
| Certificates of Participation: | | | | | |
| <u>1997 Issue</u> | | | | | |
| Purpose: To finance the design, construction and installation of storm water, and flood control improvements located in the Colma Creek Flood Control Zone. | | | | | |
| Serial Certificates | 8/1/09 - 8/1/12 | 4.8% - 5% | \$295 - \$345 | 3,635 | 1,275 |
| Term Certificates | 8/1/13 - 8/1/17 | 5.25% | \$360 - \$440 | 2,000 | 2,000 |
| Term Certificates | 8/1/18 - 8/1/32 | 5.125% | \$465 - \$935 | 10,145 | 10,145 |
| 1997 certificates of participation | | | | <u>15,780</u> | <u>13,420</u> |
| <u>2004 Issue</u> | | | | | |
| Purpose: To finance the acquisition, design, construction, improvement, and installation of certain improvements to the flood control system. | | | | | |
| Serial Certificates | 8/1/09 - 8/1/25 | 3.5% - 4.5% | \$35 - \$70 | 975 | 870 |
| Term Certificates | 8/1/26 - 8/1/29 | 4.75% | \$70 - \$85 | 310 | 310 |
| Term Certificates | 8/1/30 - 8/1/34 | 4.75% | \$85 - \$1,140 | 2,500 | 2,500 |
| Term Certificates | 8/1/35 - 8/1/39 | 5% | \$1,195 - \$1,450 | 6,595 | 6,595 |
| 2004 certificates of participation | | | | <u>10,380</u> | <u>10,275</u> |
| Total certificates of participation | | | | <u>26,160</u> | <u>23,695</u> |
| Notes Payable: | | | | | |
| Department of Housing | | | | | |
| Housing Development Loan | 8/2014 | - | - | 124 | 124 |
| County Service Area 11 | | | | | |
| State of California | | | | | |
| Department of Water Resources | 4/1 and 10/1 through 2012 | 3.3712% | \$10 - \$20 | 296 | 67 |
| Total notes payable | | | | <u>420</u> | <u>191</u> |
| Total governmental activities | | | | <u>\$ 447,611</u> | <u>\$ 397,823</u> |
| <u>Business-type Activities</u> | | | | | |
| Notes Payable: | | | | | |
| Coyote Point Marina | | | | | |
| Department of Boating and Waterways | 8/1/09 - 8/1/29 | 4.5% | \$14 - \$77 | \$ 3,090 | \$ 866 |
| Housing Authority | | | | | |
| California Housing Finance Agency | 5/20/57 | - | - | 49 | 43 |
| Downey Savings and Loan Bank ^a | 2/28/2016 | - | - | 148 | 148 |
| Airports | | | | | |
| Department of Transportation | 2/7/10 -2/7/23 | 4.78% | \$197 - \$362 | 4,000 | 3,811 |
| Total business-type activities | | | | <u>\$ 7,287</u> | <u>\$ 4,868</u> |

^a Upon unauthorized sale or transfer of the El Camino Real Project or violation of the related Housing Loan Agreement, this note will become due and payable. The entire principal amount of the note will be forgiven 15 years from the completion date of the El Camino Real Project, as long as no default has occurred under the loan agreement.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

The table below summarizes changes in the County's long-term liabilities for the fiscal year ended June 30, 2009:

| | Balance July 1, 2008 | Additions/ Accretions | Retirements | Balance June 30, 2009 | Amounts Due Within One Year |
|---|-------------------------|--------------------------|---------------------|--------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Accreted interest on capital appreciation bonds | \$ 2,683 | \$ 289 | \$ - | \$ 2,972 | \$ - |
| Lease revenue bonds | 390,995 | 141,080 | (161,110) | 370,965 | 11,655 |
| Add: unamortized premium | - | 1,703 | (49) | 1,654 | 62 |
| Less: unamortized deferred loss on refunding | - | (3,244) | 92 | (3,152) | (117) |
| Less: unamortized discount | (113) | - | 5 | (108) | (5) |
| Lease revenue bonds, net | 393,565 | 139,828 | (161,062) | 372,331 | 11,595 |
| Certificates of participation | 24,015 | - | (320) | 23,695 | 330 |
| Add: unamortized premium | 68 | - | (3) | 65 | 2 |
| Certificates of participation, net | 24,083 | - | (323) | 23,760 | 332 |
| Notes payable | 224 | - | (33) | 191 | 18 |
| Capital lease obligations | 7 | - | (7) | - | - |
| Estimated claims | 44,606 | 17,303 | (12,101) | 49,808 | 10,513 |
| Compensated absences | 32,392 | 25,955 | (24,706) | 33,641 | 27,233 |
| Total Governmental Activities | \$ 494,877 | \$ 183,086 | \$ (198,232) | \$ 479,731 | \$ 49,691 |
| Business-Type Activities: | | | | | |
| Notes payable | \$ 5,133 | \$ - | \$ (265) | \$ 4,868 | \$ 274 |
| Other long-term liabilities | - | 845 | (337) | 508 | - |
| Net OPEB Obligation | 95 | 67 | (11) | 151 | - |
| Estimated claims | 729 | - | (25) | 704 | - |
| Compensated absences | 7,679 | 7,228 | (6,802) | 8,105 | 7,641 |
| Total Business-Type Activities | \$ 13,636 | \$ 8,140 | \$ (7,440) | \$ 14,336 | \$ 7,915 |

Resources used to liquidate long-term liabilities of governmental and business-type activities are as follows:

- The *lease revenue bonds* are payable by a pledge of revenues from the base rental payments payable by the County, pursuant to the Master Facility Lease Agreements between the JPFA and the County for the use of equipment and facilities acquired or constructed by the JPFA. Under California law, the County cannot make lease payments until the County has constructive use or occupancy of the property being financed. Once construction is completed, the leases act like direct financing leases with lease payments equal to debt service payments. Total debt service requirements remaining on the lease revenue bonds is \$620 million payable through July 15, 2036. For the current year, principal and interest paid by the JPFA and the total lease payments made by the County total \$27 million and \$34 million, respectively.
- The *certificates of participation* are payable by a pledge of revenues from the installment payments payable by the County Flood Control District, pursuant to Installment Payment Agreements between the JPFA and the County. Total debt service payments remaining on the certificates of participation is \$147 million payable through August 1, 2039. For the current year principal and interest paid by the JPFA and the total installment payments made by the County Flood Control District totaled \$1.5 million and \$1.5 million, respectively.
- *Notes payable* to the Department of Housing and Community Development, Department of Water Resources, and Department of Transportation are funded by the General Fund, County Service Area special revenue fund, and the Airport enterprise fund.
- *Net OPEB obligation* and *compensated absences* are financed by individual funds that are responsible for the charges.
- *Estimated claims* are liquidated by charges for services collected through individual internal service funds.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

As of June 30, 2009, annual debt service requirements of governmental activities were summarized as follows:

| Year Ended June 30, | Government Activities | | | | | | | Business-type Activities | | |
|--------------------------|-----------------------|----------|------------|-------------------------------|-----------|---------------|----------|--------------------------|---------------|----------|
| | Lease Revenue Bonds | | | Certificates of Participation | | Notes Payable | | Fiscal Year | Notes Payable | |
| | Principal | Interest | Accretion | Principal | Interest | Principal | Interest | Ending June 30, | Principal | Interest |
| 2010 | \$ 11,655 | \$ - | \$ 18,130 | \$ 330 | \$ 1,178 | \$ 18 | \$ 2 | 2010 | \$ 276 | \$ 223 |
| 2011 | 12,230 | - | 17,745 | 350 | 1,162 | 19 | 1 | 2011 | 287 | 210 |
| 2012 | 12,880 | - | 17,320 | 365 | 1,145 | 20 | 1 | 2012 | 272 | 197 |
| 2013 | 13,575 | - | 16,857 | 385 | 1,126 | 10 | - | 2013 | 285 | 184 |
| 2014 | 14,310 | - | 15,894 | 405 | 1,107 | 124 | - | 2014 | 264 | 170 |
| 2015-2019 | 77,839 | 1,421 | 66,698 | 2,345 | 5,198 | - | - | 2015-2019 | 1,666 | 651 |
| 2020-2024 | 81,909 | 4,331 | 46,298 | 3,010 | 4,526 | - | - | 2020-2024 | 1,536 | 254 |
| 2025-2029 | 72,667 | 3,189 | 27,307 | 3,845 | 3,663 | - | - | 2025-2029 | 227 | 43 |
| 2030-2034 | 48,000 | - | 12,143 | 4,925 | 2,555 | - | - | 2030-2034 | 9 | 2 |
| 2035-2039 | 25,900 | - | 1,986 | 6,285 | 1,177 | - | - | 2035-2039 | - | - |
| 2040 | - | - | - | 1,450 | 36 | - | - | 2040-2044 | - | - |
| Total requirements | 370,965 | 8,941 | 240,378 | \$ 23,695 | \$ 22,873 | \$ 191 | \$ 4 | 2045-2049 | - | - |
| Less: unaccrued interest | - | (5,969) | - | | | | | 2050-2054 | - | - |
| Total | \$ 370,965 | \$ 2,972 | \$ 240,378 | | | | | 2055-2059 | 46 | - |
| | | | | | | | | Total | \$ 4,868 | \$ 1,934 |

New Issue

On September 28, 2008, the JPFA issued a total of \$141 million Refunding Lease Revenue Bonds (2008 Series A) to provide funds, together with other available moneys, to refund its 2003 outstanding lease revenue bonds (the 2003 Series A Bonds, the 2003 Series B Bonds, and the 2003 Series C Bonds) and to pay other costs related to the issuance of the 2008 Series A Bonds and refunding of the 2003 Bonds.

The 2003 Bonds were originally issued in November 2003, in an aggregate amount of \$155 million to finance the construction, furnishing, and equipping of construct a new County Youth Services Center. The Youth Services Center consists of a juvenile hall, a juvenile court, girls' camp, community day school, and probation offices. As a means to lower its borrowing costs, the JPFA structured the financing of the 2003 Series A Bonds and 2003 Series B Bonds through variable rate bonds known as Auction Rate Securities (ARS). The JPFA also entered into interest rate swap agreements in connection with its Series A and Series B Bonds, which effectively changed the variable interest rates on the bonds to a synthetic fixed rate of 3.33%. As the sub-prime mortgage crisis unfolded and a lack of confidence in the credit quality of bond insurers grew in 2007, investors experienced difficulty in finding new investors to purchase the ARS bonds in weekly or monthly auctions. In mid-February 2008, the JPFA's ARS market crashed when investors could not find new investors to purchase their bonds. The "failed" auctions essentially pushed the borrowing costs of the bonds up to more than 6% and subsequently invoked the refunding plan.

The proceeds of the 2008 Bonds, together with other available moneys, were used to (1) redeem all the outstanding 2003 Series A Bonds, the 2003 Series B Bonds, and the 2003 Series C Bonds, at a redemption price equal to 100% of the principal amount, plus any accrued interest and (2) to pay the termination fee with respect to the interest rate swap agreements with Citibank, N.A., New York, and American International Group, Inc. that were entered into at the time of issuance of the 2003 Bonds. The JPFA terminated the swap agreements on September 3, 2008, for a total of \$8.1 million, which is recorded as a special item in the County's statement of activities and the statement of revenues, expenditures and changes in fund balances.

Legal Debt Service Limit

The County's annual legal debt service limit shall not exceed 4% of the average annual County budget for the current and the preceding four fiscal years, and shall be for non-voter approved debt that is the obligation of the County. The County's legal debt service limit was \$60 million for the fiscal year ended June 30, 2009.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (*Continued*)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

NOTE 11 – NET ASSETS

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

- *Invested in Capital Assets, Net of Related Debt* groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the 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* reflects net assets that are subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. At June 30, 2009, restricted net assets for the governmental activities were \$135 million as reported on the government-wide statement of net assets, and \$37 million of which was restricted by enabling legislation.
- *Unrestricted Net Assets* represents net assets of the County that are not restricted for any project or purpose.

NOTE 12 – FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2009, fund balance for government funds are made up of the followings:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority, the County’s Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- *Assigned Fund Balance* – comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the County’s Board or (b) a body (for example: a budget or finance committee) or official to which the County’s Board has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Fund balances for all the major and nonmajor governmental funds as of June 30, 2009, were distributed as follows:

| | General Fund | JPFA | Nonmajor Funds | Total |
|----------------------------|-------------------|------------------|-------------------|-------------------|
| Nonspendable: | | | | |
| Inventory | \$ 125 | \$ - | \$ 351 | \$ 476 |
| Advances | 7,029 | - | 237 | 7,266 |
| Subtotal | 7,154 | - | 588 | 7,742 |
| Restricted for: | | | | |
| General government | 366 | - | 11,792 | 12,158 |
| Public protection | 1,080 | - | 13,096 | 14,176 |
| Public ways and facilities | - | - | 16,340 | 16,340 |
| Health and sanitation | 4,965 | - | 9,525 | 14,490 |
| Public assistance | 25,257 | - | - | 25,257 |
| Capital projects | - | - | 6,315 | 6,315 |
| Debt service | - | 46,504 | - | 46,504 |
| Subtotal | 31,668 | 46,504 | 57,068 | 135,240 |
| Committed to: | | | | |
| Public protection | 151 | - | - | 151 |
| Health and sanitation | 42 | - | - | 42 |
| Public assistance | 596 | - | - | 596 |
| Capital projects | - | - | 2,605 | 2,605 |
| Debt service | - | - | 22,705 | 22,705 |
| Subtotal | 789 | - | 25,310 | 26,099 |
| Assigned to: | | | | - |
| General government | 32,560 | - | 1,034 | 33,594 |
| Public protection | 520 | - | 495 | 1,015 |
| Public ways and facilities | - | - | 1,755 | 1,755 |
| Health and sanitation | 3,443 | - | 10,475 | 13,918 |
| Public assistance | 2,059 | - | 211 | 2,270 |
| Recreation | 1 | - | - | 1 |
| Capital projects | - | - | 1,956 | 1,956 |
| Subtotal | 38,583 | - | 15,926 | 54,509 |
| Unassigned | 179,281 | - | - | 179,281 |
| Total | \$ 257,475 | \$ 46,504 | \$ 98,892 | \$ 402,871 |

The Board adopted the County Reserves Policy in April 1999. The policy aims to help reduce the negative impact on the County in times of economic uncertainty and potential losses of funding from other governmental agencies. County reserves are restricted for one-time purposes or as part of multi-year financial plan to balance the budget and avoid operating deficits. The policy establishes minimum requirements for departmental reserves and General Fund non-departmental reserves, and provides guidelines for the use of these funds.

Departmental reserve requirements - Departments are required to maintain reserves at a minimum of two percent of annual net appropriations. Departmental reserves cannot be used to fund ongoing operations, except for a multi-year financial plan to balance the expenditures. In general, departmental reserves are restricted to one-time emergencies, unanticipated mid-year losses of funding, short-term coverage of costs associated with unanticipated caseload increases, and short-term coverage of costs to avoid employee layoffs in the presence of a long-term financial plan. When reserves are used during the fiscal year, excess fund balance at year-end must first be used to replenish the minimum reserve requirements. In addition, fund balance in excess of two percent minimum departmental reserves can only be appropriated to the following: purchase of capital assets, sinking fund for future replacement of assets, deferred maintenance, one-time departmental projects, reserve for audit allowances, local match for grants, seed money for new departmental programs with ongoing funding sources and outcome measures, and short-term coverage of operational costs to maintain program integrity and prevent employee layoffs. Unexpended one-time funds from deferred and incomplete projects are carried over to the next fiscal year at 100% of the amount not spent.

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General Fund non-departmental reserve requirements - Appropriation for contingencies is maintained at three percent of total General Fund net appropriations for one-time emergencies and economic uncertainties. Excess fund balance at year-end must first be used to replenish the reserve amount at the 3% level. In addition, a minimum reserve of \$1 million each for countywide capital improvements and automation projects are maintained and appropriated annually to meet specific needs. Fund balance in excess of the above requirements can only be allocated or maintained as reserves for the following one-time or short-term purposes such as debt retirement, litigation, local match for grants involving multiple departments, seed money for new programs involving multiple programs with ongoing funding sources and outcome measures, and other purposes deemed to be fiscally prudent for the County.

NOTE 13 – EMPLOYEES’ RETIREMENT PLANS

San Mateo County Employees’ Retirement Association

(a) Plan Description

General. San Mateo County Employees’ Retirement Association (SamCERA) is a cost-sharing multiple-employer, defined benefit pension plan that provides benefits for substantially all permanent employees of the County and the San Mateo County Mosquito and Vector Control District. SamCERA was founded in 1944 under the authority granted by Article XVI of the Constitution of the State of California, the County Employees’ Retirement Law of 1937 (the 1937 Act). SamCERA is not subject to the provisions of the Employee Retirement Income Security Act of 1974. Management of SamCERA is vested in the Board of Retirement consisting of nine members; and its operation is governed by the 1937 Act and the by-laws, procedures, and policies adopted by the Board of Retirement. As of June 30, 2009, the total number of plan participants was 10,733, of which 10,708 were County employees and 25 were Mosquito and Vector Control District employees. SamCERA issues a publicly available financial report that can be obtained by writing to the San Mateo County Employees’ Retirement Association, 100 Marine Parkway, Suite 125, Redwood Shores, California 94065.

Benefit Provisions. SamCERA provides service retirement, disability, and death benefits to plan members and beneficiaries based on defined benefit formulas using final average compensation, years of service, and age factors to calculate benefits payable. SamCERA has four plans that cover members classified as general, safety, or probation. Annual cost-of-living adjustments upon retirement are provided to members of Plans One, Two, and Four. The benefits of Plan Three are reduced by a portion of Social Security benefits received by the member. The 1937 Act vests the County Board with the authority to initiate benefits, while Government Code Section 31592.2 empowers the Board of Retirement to provide certain ad hoc benefits when the Section 31592 reserve exceeds 1% of assets.

(b) Summary of Significant Accounting Policies

Basis of Accounting. SamCERA uses the accrual basis of accounting to account for its financial activities. Investment income is recognized when it is earned, and expenses are recognized when they are incurred. Contributions are recognized when they are due, and benefits and refunds are recognized when payable under the terms of each plan.

Cash. Cash is pooled with other funds of the county or custodians, when appropriate, so as to earn a higher rate of return than could be earned by investing the funds individually. All highly liquid investments with maturities of three months or less when purchased, in addition to the pooled cash with the County and custodians, are considered cash equivalents.

Investments. The Board of Retirement has exclusive control of SamCERA’s investments. Government Code Section 31595 of the 1937 Act authorizes the Board of Retirement to invest, or delegate the authority to invest, the assets of SamCERA in any investment allowed by statutes and deemed prudent in the informed opinion of the Board of Retirement. SamCERA records investment transactions on the trade date. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. An independent appraisal is obtained once a year to determine the fair

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market value of the real estate assets. Interest income is recognized as it accrues. Dividend income is recognized when the dividends are declared. Realized and unrealized gains (or losses) on investments are combined and reported together as the net appreciation (or depreciation) in the fair value of investments.

Security Lending Activity. Security lending transactions are short-term collateralized loans of SamCERA securities for the purpose of generating additional investment income. For each lending transaction, SamCERA receives either cash collateral or non-cash collateral. The underlying securities out on loan are reported on SamCERA's statements of plan net assets as if the lending transaction had not occurred. In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transaction*, cash collateral held (or any security that can be sold or pledged without a default by the borrower) is separately reported on the statements of fiduciary net assets among the current assets. A corresponding liability of an equal amount, which represents the obligation to return the cash collateral, is reported as a liability. Non-cash collateral held and the corresponding liability are not reported on the statement of fiduciary net assets.

Foreign Currency Transactions. Gains and losses resulting from foreign currency transactions are recorded as a component of investment income. Gains and losses from translation of international investments at fiscal year-end rates of exchange are included in investment income. Forward currency contracts are used by investment managers to control currency exposure and facilitate the settlement of international security purchase and sale transactions. These contracts are agreements to exchange different currencies at specified rates and settlement dates. Differences between the contract and market exchange rates at settlement result in gains and losses, which are included in net investment income. Risks may arise from the possible inability of counter parties to meet the terms of their contracts and from movements in exchange and interest rates.

(c) Funding Policy

The 1937 Act established the basic obligations for employers and members to make contributions to the pension trust fund. The employer and member contribution rates are based on recommendations made by an independent actuary and adopted by the Board of Retirement. Participating employers are required by statutes to contribute the amounts necessary to fund the estimated benefits accruing to SamCERA members not otherwise funded by member contributions or expected investment earnings. Contribution rates are actuarially determined using the entry age normal method and consist of an amount for normal cost, the estimated amount necessary to finance benefits earned by members during the year, and an amount required to amortize the unfunded actuarial accrued liability (UAAL).

(d) Annual Pension Cost

For the fiscal year ended June 30, 2009, the County's annual pension cost was equal to the County's required contributions of \$106 million. The required contribution was determined by the actuarial valuation as of June 30, 2008, using the entry age normal actuarial cost method. The actuarial assumptions included 3.5% annual inflation rate, 7.75% annual investment rate of return, and 5.2% average annual projected salary increase attributed to inflation of 4% and adjustment for merit and longevity of 1.2%. Beginning with the June 30, 2008 actuarial valuation, SamCERA converted to the 15-year layered amortization methodology. Under this method, the original UAAL is amortized over 15 years as of the valuation date. Future actuarial gains and losses are amortized over the new 15-year periods. The Mosquito and Vector Control District contributes a lower percentage of covered payroll than the County does, due to lower benefits provided to the Mosquito and Vector Control District employees. The average employer contribution rate was 34% of the covered payroll, and the average member contribution rate was 9.74%. The UAAL is being amortized as a level percentage of projected payroll over the new 15-year periods. The table below presents three-year trend information:

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed |
|----------------------|------------------------------|----------------------------------|
| 6/30/2007 | \$100,550 | 100.0% |
| 6/30/2008 | 105,340 | 100.0% |
| 6/30/2009 | 106,123 | 100.0% |

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(e) Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 63.9% funded. The actuarial accrued liability for benefits was \$3 billion, and the actuarial value of assets was \$2 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$1 billion. The actuarial assets are valued using a five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The annual covered payroll (annual payroll of active employees covered by the plan) was \$436 million, and the ratio of the UAAL to the annual covered payroll was 247%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Housing Authority of the County of San Mateo

The Housing Authority, a blended component unit and a major Enterprise Fund of the County, has its own employees and participates in a defined contribution retirement plan administered by pension specialists. Employees with more than six months of service can participate in the plan. This plan provides an individual account for each participant. The amount a participant will receive depends solely on the amount contributed to the participant's account plus earnings from investments. Employer contributions are set forth in the plan and are vested 20% for each year of service until an employee becomes fully vested after five years. Under this plan, management employees do not need to make contributions. The Housing Authority will contribute 14% of the gross salaries to their accounts monthly. As of June 30, 2009, the plan had 43 active participants. For the fiscal year ended June 30, 2009, the Housing Authority contributed \$318 to its retirement plan. Monthly contributions made by the Housing Authority and its regular employees are as follows:

| Years of Service | Percentage of Gross Salaries | |
|------------------|------------------------------|-------------------|
| | Employees | Housing Authority |
| Over 6 months | 4.5% | 9.5% |
| Over 5 years | 3.5% | 10.5% |
| Over 10 years | 2.5% | 11.5% |
| Over 15 years | 2.0% | 12.0% |

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

County of San Mateo

Plan Description. The County administers a postemployment benefit (OPEB) sick leave conversion Retiree Health Plan (a single-employer defined benefit plan). This plan provides healthcare benefits to members who retire from the County and are eligible to receive a pension from SamCERA. Eligible retirees may elect to continue healthcare coverage in the County health plan and convert their sick leave balance at retirement to a County paid monthly benefit that will partially cover their retiree health premiums. The duration and amount of the County paid benefits depend on the amount of sick leave at retirement and the bargaining unit to which the retiree belonged. After the County paid benefits expire, the retirees may continue coverage in the County health plans at their own expense. Benefit provisions are established and may be amended through negotiations between the County and the bargaining units during each bargaining period. The plan does not cover employees of the Housing Authority nor issues a publicly available financial report.

The County contracts with Kaiser, Aetna, and Blue Shield Health Plans to provide health coverage to its active members and pre-Medicare retirees (under age 65 and not covered by Medicare). The County charges retirees not yet eligible for Medicare a health premium based on the claims experience of both actives and retirees. Since health claim costs generally increase with age, retiree health premiums would be significantly higher if the premiums were determined without regard to active claims experience. GASB Statement No. 45 requires that the value of this subsidy, commonly known as the "implicit subsidy", be recognized as a liability in valuations of OPEB costs. The implicit subsidy represents the difference between the true costs of the benefits and the actual premiums paid.

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The County contracts with Kaiser, Secure Horizons, and Blue Shield to provide supplemental health coverage for retirees enrolled in Medicare. Medical premiums for retirees enrolled in Medicare are not based on blended active experience and; therefore, premium subsidy does not exist for retirees enrolled in Medicare and receiving supplemental health coverage.

The County's Retiree Health Plan is being managed through the California Employers' Retiree Benefits Trust (CERBT), an irrevocable trust fund that allows public employers to prefund the future cost of their retiree health insurance benefits and other postemployment benefits for their covered employees or retirees. The CERBT's administrator, CalPERS, issues a publicly available financial report consisting of financial statements and required supplementary information for CERBT in aggregate. The report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

Funding Policy. Contribution requirements for the members and the County are also established and may be amended through negotiations between the County and the bargaining units. During FY 2008-09, the County contributed \$10.8 million, or 100%, of the actuarially required contributions to the Retiree Health Plan.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is equal to (a) the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over 30-year period from July 1, 2005. The remaining amortization period as of July 1, 2009 is 26 years.

The following table shows the components of the County's annual OPEB cost for the year, the amount contributed to the plan, and changes in the County's net OPEB obligation to the Retiree Health Plan:

| | |
|--|----------------------------|
| Annual required contribution | \$ 10,804 |
| Interest on prior year net OPEB asset | (9,175) |
| Adjustment to annual required contribution | <u>7,229</u> |
| Annual OPEB cost | 8,858 |
| Contribution made | <u>(10,804)</u> |
| Increase in net OPEB asset | (1,946) |
| Net OPEB asset - beginning of year | <u>(118,386)</u> |
| Net OPEB asset - end of year | <u><u>\$ (120,332)</u></u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the current and prior two years are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|-------------------|------------------|--|-----------------------------|
| 6/30/2007 | \$ 15,914 | 41.6% | \$ 16,209 |
| 6/30/2008 | 18,796 | 816.1% | (118,386) |
| 6/30/2009 | 8,858 | 122.0% | (120,332) |

The table below shows how the total net OPEB asset as of June 30, 2009, is distributed. Although SamCERA and First 5 are component units of the County, their employees are County employees and thereby eligible for postemployment health benefits.

| | Net OPEB Obligation (Asset) |
|--------------------------|-----------------------------|
| Governmental Activities | \$ (96,970) |
| Business-Type Activities | (22,771) |
| SamCERA | (437) |
| First 5 San Mateo County | <u>(154)</u> |
| | <u><u>\$ (120,332)</u></u> |

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Funded Status and Funding Progress. The unfunded actuarial accrued liability is being amortized as a level of percentage of expected payroll on a closed basis over thirty years, beginning July 1, 2005. The table below indicates the funded status of the Retiree Health Plan as of January 1, 2009, the most recent actuarial valuation date.

| | |
|---|-------------------|
| Actuarial accrued liability (AAL) | \$ 203,730 |
| Actuarial value of plan assets | 101,362 |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 102,368</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 49.8% |
| Annual covered payroll (active plan members) | \$ 413,738 |
| UAAL as a percentage of annual covered payroll | 24.7% |

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The actuarial value of plan assets is based on the actual market value of assets as of January 1, 2009.

The entry age normal cost method was used for the valuation as of January 1, 2009. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age at hire) and assumed exit (maximum retirement age). The actuarial assumptions included a 7.75% investment rate of return on investment; an annual healthcare cost trend rate of 9% for 2009, reduced by 0.5% each year with an ultimate rate of 5% for 2017 and beyond; annual dental and vision cost trend rate of 5%; negotiated annual increase in County-paid benefits; and a 3.25% annual increase in projected payroll.

The salary scale and demographic assumptions (including termination, disability, retirement, mortality, and possibility of marriage) were updated to reflect those used in the June 30, 2008 pension valuation. These assumptions were updated based on the latest experience study for SamCERA. This experience study was conducted based on retirement experience occurred prior to the adoption of new sick leave conversion benefit provisions. The new sick leave conversion benefits include the following:

- For management employees hired after April 1, 2008 (excluding current non-management employees promoted into management classification), their retiree healthcare benefits are capped at \$0.7 per month for each unused eight hours of sick leave at retirement. In lieu of this change, the County will contribute \$0.1 per month to each eligible employee's retire health savings account and continue to pay for dental and vision premiums for each unused eight hours of sick leave.
- For certain bargaining units, their sick leave benefits are either changed or enhanced beginning January 1, 2009.

While the new provisions may affect future patterns, sufficient experience is unavailable to observe any change in pattern. The County's actuary will monitor the emerging experience and make adjustments to such assumptions, if appropriate, in the next valuation.

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Housing Authority of the County of San Mateo

The Housing Authority maintains a separate OPEB plan and uses the projected unit benefit cost method to determine its OPEB obligations. The table below summarizes the position of the Housing Authority's OPEB plan for the fiscal year ended June 30, 2009. Further details can be found in its financial report, which may be obtained by writing to the Housing Authority at 264 Harbor Boulevard, Building A, Belmont, CA 94002.

| | |
|---|---------------|
| Annual required contribution | \$ 68 |
| Interest on prior year net OPEB obligation | 4 |
| Adjustment to annual required contribution | (5) |
| Annual OPEB cost | 67 |
| Contribution made | (11) |
| Increase in net OPEB obligation | 56 |
| Net OPEB obligation - beginning of year | 95 |
| Net OPEB obligation - end of year | <u>\$ 151</u> |
| Actuarial accrued liability (AAL) | \$ 702 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 702</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0.0% |

NOTE 15 – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. For most insurable risks, the County is self-insured except for excess insurance coverage provided by commercial insurance companies that are limited to the following:

- Real and personal property in excess of \$100 per incident, but limited to a maximum of \$500,000.
- Earthquake in excess of \$250 or 5% of the replacement value, whichever is more per incident, but limited to a maximum of \$25,000 in aggregate.
- Flood damage in excess of 5% of the replacement value per location, but limited to a maximum of \$25,000 in aggregate.
- General liability in excess of \$600 per incident, but limited to a maximum of \$55,000.
- Workers' compensation in excess of \$1,000 per incident, but limited to a statutory amount.
- Auto liability in excess of \$600 per incident, but limited to a maximum of \$55,000.
- Malpractice in excess of \$10 per incident, but limited to a maximum of \$25,000 per claim and aggregate.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years and there has not been a significant reduction in coverage in FY 2008-09.

The County currently reports its risk management activities in the internal service funds, which include Workers' Compensation Insurance, Long-term Disability, and Personal Injury and Property Damage Funds. All of the County funds participate in the County self-insured programs and make payments to the corresponding internal service fund based on estimated costs to pay prior and current years' claims. The estimated claims liability of \$49,808 as reported in the internal service funds at June 30, 2009, is based on requirements of GASB Statements No. 10 and 30. Under these statements, the County is required to report a liability for claims if, prior to issuance of the financial statements, information indicates that the liability is probable and the amount of loss can be reasonably estimated.

Of the \$49,808 estimated claims liability at June 30, 2009, approximately \$42,780 was actuarially determined at a discount rate of 2.43%. The actuarially determined liability covers workers' compensation losses, general liability, and automobile liability; and includes allocated expenses and a provision for incurred but not reported claims.

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Changes to the claims liability for FY2007-08 and FY2008-09 were as follows:

| | |
|--|------------------|
| Liability at June 30, 2007 | \$ 41,565 |
| Current year claims and changes in estimates | 16,640 |
| Payments on claims | <u>(13,599)</u> |
| Liability at June 30, 2008 | 44,606 |
| Current year claims and changes in estimates | 17,303 |
| Payments on claims | <u>(12,101)</u> |
| Liability at June 30, 2009 | <u>\$ 49,808</u> |

NOTE 16 – RELATED PARTY TRANSACTIONS

For the fiscal year ended June 30, 2009, the County recognized a \$1.6 million of cost reimbursement from First 5, a discretely presented component unit of the County, for the services provided by the County's employees.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Grants

Grant monies, which represent reimbursement for costs incurred in certain federal and State programs administered by the County, are recognized as revenues when received. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time. The County expects such amounts, if any, to be immaterial.

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but, rather, as committed fund balance. As of June 30, 2009, the County's General Fund had a total of \$1.8 million in encumbrances, which were reported as part of committed fund balance on the government fund balance sheet.

Medicare and Medi-Cal Reimbursements

The Medical Center provides healthcare services primarily to County residents. Net patient service revenues are reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered; including a provision for doubtful accounts and estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenues, on an estimated basis, in the period the related services are rendered. Such amounts are adjusted in future periods as adjustments become known, or as years are no longer subject to such audits, reviews, and investigations. For the fiscal year ended June 30, 2009, revenues from Medicare and Medi-Cal programs accounted for approximately 19% and 62% of net patient charges for services. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Medi-Cal Waiver

In FY 2005-06, the State implemented a new payment program, entitled "Medi-Cal Hospital/Uninsured Care Waiver," to pay selected hospitals, including the Medical Center, for hospital care provided to Medi-Cal and uninsured patients. This new payment program covers the period from July 1, 2005 to June 30, 2010. Under this program, payments for public hospitals are comprised of: (1) fee-for-service cost-based reimbursement for inpatient hospital services (exclusive of physician component); (2) Disproportionate Share Hospital (DSH) payments; (3) distribution from a

COUNTY OF SAN MATEO
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newly created pool of federal funding for uninsured care known as the Safety Net Care Pool (SNCP); (4) unreimbursed cost of physician and non-physician practitioner cost; and (5) cost applicable to the Coverage Initiative. The nonfederal share of these five types of payments will be provided by the public hospitals, primarily through certified public expenditures (CPE). The hospital would expend its local funding for services to draw down the federal financial participation (FFP) provided at a 50% match.

Effective October 1, 2008, the FFP was increased to 61.59% for 27 months as a provision of the American Recovery and Reinvestment Act of 2009. For the inpatient hospital cost-based reimbursement, each hospital will provide its own CPE and receive 100% of the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals will be used in the aggregate to draw down the federal match. One hospital may receive the federal match resulting from another hospital's CPE. All CPEs reported by each hospital will be subject to State and federal audits and final reconciliation. If the final reconciliation indicates that a hospital's claimed CPEs resulted in an overpayment to the State, the hospital may be required to return the overpayment to the State whether or not they receive the federal matching funds. There is a reasonable possibility that the Medical Center claimed CPEs may result in an overpayment to the State.

Health Plan of San Mateo

The Medical Center provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, and the Health Plan of San Mateo (HPSM). The HPSM, a managed care plan under contract by the State, reimburses the Medical Center directly for services provided to Medi-Cal patients. The Medical Center receives a fixed monthly premium payment for each patient enrolled.

Effective January 1, 2006, the HPSM contracted with the Federal government to provide services to Medicare HMO patients, a program called Care Advantage. The Medical Center contracted with HPSM to be reimbursed the same amount as traditional Medicare reimburses the Medical Center. The Medical Center meets the requirements of a Federally Qualified Health Center (FQHC) provider, and a large percentage of its outpatient clinic patients are covered by this reimbursement. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for Graduate Medical Education and Disproportionate Share Hospital amounts at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audit thereof by the Medicare fiscal intermediary. At June 30, 2009, the last Medical Center Medicare cost report audited by the fiscal intermediary was for June 30, 2002.

Housing Authority of the County of San Mateo

The Housing Authority is a party, among other responsible parties, to a claim by the State of California, Department of Toxic Substances Control (DTSC), for clean-up costs for the Midway Village and Bayshore Park in Daly City, California. Other parties named included City of Daly City, California and Pacific Gas and Electric Company (collectively referred to as the Parties including the Housing Authority).

In November 2008, the Parties entered into a Release and Settlement Agreement (the Agreement) under which the Housing Authority and the City of Daly City agreed to jointly and severally pay the DTSC's Response Cost in the amount between \$0.6 million and \$1 million, depending on the time period of payment up to 15 years from the effective date. In fiscal year 2008, the Housing Authority accrued a liability of \$0.7 million to address the potential liability out of the above settlement. As the obligation is jointly and severally, and the time period of payment cannot be reasonably determined, the Housing Authority's management concluded that the original accrual is considered reasonable as of June 30, 2009. The \$0.7 million is presented as non-current estimated claims in the Statement of Net Assets.

Airline Litigation Settlement

In 2001, a number of airlines filed claims for refund and applications for changed assessments in some of the counties with respect to certain property taxes. Between 2005 and 2006, the airlines and the counties agreed to resolve these matters through settlement agreements. Under these agreements, the counties would give the airlines tax credits for the

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tax years 2002-03 through 2005-06, and the airlines would terminate certain claims and applications for changed assessment. In addition, the airlines agree not to pursue assessment by the State Board of Equalization and that all of their personal property continues to be locally assessed for the tax years through 2010-11.

The County estimated that total tax credits to be refunded to the airlines from its General Fund were \$1.4 million. Under the terms of the settlement agreements, the County will distribute tax credits to the airlines over eight years through FY 2012-13. The County has distributed a total of \$883 tax credits to all the airlines named in the settlement agreements between FY 2006-07 and FY 2008-09.

Pending Litigation

The County is also a defendant in several lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the County, the loss has been accrued in the accompanying financial statements. Litigation where loss to the County is reasonably possible has not been accrued. County management and Counsel estimate that such loss was about \$440 as of June 30, 2009.

NOTE 18 – SUBSEQUENT EVENTS

Borrowing of property tax revenue

The State budget deal approved by the California legislature will have significant impacts on property tax revenues of local governments, including special districts, cities and counties. The State has elected to borrow its way out of its \$26 billion deficit by, among other strategies, tapping into \$1.9 billion of local government property tax revenues under the “severe state fiscal hardship” provisions of Proposition 1A.

The Proposition was passed by the voters in 2004 to protect the property tax of local governments. Under Proposition 1A, the State is only allowed to borrow an amount up to 8% of local governments’ prior year property tax allocations on the condition that the State will pay back the loan within three years and with interest. Proposition 1A also provides that the State cannot engage in such borrowing for more than two fiscal years during any 10-year period, and cannot borrow a second time unless the State has fully repaid the prior loan. The legislation includes two repayment options. The first option involves the establishment of a joint powers authority, which will issue bonds and use the proceeds to provide governments with funds to replace the borrowed property taxes. The State will pay for bond issuance and an interest of up to 8%. The second option is aimed at local governments that prefer to be repaid by the State directly at an interest rate determined by the California Department of Finance.

Under the legislation adopted to implement Proposition 1A, for FY 2009-10 each county auditor is expected to reduce the ad valorem property tax revenue that was distributed to local governments for FY 2008-09 by 8%. County auditors are required to transfer the loan amount in two equal shares no later than January 15, 2010 and May 1, 2010 to certain educational funds. The County estimates that the Proposition 1A loan to the State is about \$21.7 million, \$20.7 million from the General Fund and \$1.0 million from other funds.

On November 3, 2009, the Board elected to participate in the Proposition 1A securitization program. Participation in this program will provide an immediate cash relief to the County, and all financing costs are borne by the State. The County has no obligation on the bonds and is held harmless if the State does not repay the loans.

State budget reductions

The recently adopted State Budget for FY 2009-10 decreases funding for thirty-one State mandates. The loss of State funding for County programs in FY 2009-10 is estimated at \$26.6 million, \$26.0 million in program reductions and \$0.6 million in suspended mandates. In addition, the County anticipates a \$10.0 million delay in State funding, \$2.5 million in mental health services for special education pupils and \$7.5 million in highway user taxes and Proposition 42 (statewide street and roads) funding.



Required Supplementary Information **(Unaudited)**

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

1. INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The maintained road subsystem of the road network, with a total value of \$77 million at June 30, 2009, is reported under the modified approach and is not subject to depreciation per GASB Statement No. 34.

The County manages its maintained pavement subsystem of the road network using the Metropolitan Transportation Commission's Pavement Management Program (Program). This Program establishes a Pavement Condition Index (PCI) on a scale from zero to one hundred (0 – 100) for each road segment. The pavement of roads with a PCI of 40 or higher is considered in a "Fair" or better condition, and roads with a PCI of 55 or higher in a "Good" or better condition. The County requires that at least 75 percent of the primary maintained road subsystem (roads with structural sections) be maintained at a PCI of 55 or higher, and at least 65 percent of the secondary maintained pavement subsystem (roads without structural sections) at a PCI of 40 or higher.

A complete condition assessment is determined triennially. The latest complete condition assessment was completed in FY 2006-07. Per the assessment report, the County's maintained pavement subsystem was rated at a PCI of 81 on the average for the primary roads and 62 for the secondary roads. The condition of the primary and secondary road subsystems were improved when compared to that of FY 2003-04.

| PCI Condition Rating | Primary | | Primary | | Secondary | | Secondary | |
|----------------------------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|
| | 2007 | 2007 | 2004 | 2004 | 2007 | 2007 | 2004 | 2004 |
| | Number of Miles | Percent | Number of Miles | Percent | Number of Miles | Percent | Number of Miles | Percent |
| Primary: | | | | | | | | |
| Good to excellent (55-100) | 137.62 | 87.7% | 122.45 | 78.9% | | | | |
| Substandard to fair (0-54) | 19.22 | 12.3% | 32.66 | 21.1% | | | | |
| Secondary: | | | | | | | | |
| Fair to excellent (40-100) | | | | | 118.16 | 75.0% | 117.03 | 72.5% |
| Substandard to fair (0-39) | | | | | 39.41 | 25.0% | 44.49 | 27.5% |
| Total | 156.84 | 100.0% | 155.11 | 100.0% | 157.57 | 100.0% | 161.52 | 100.0% |

For the fiscal year ended June 30, 2009, the actual maintenance and preservation costs were \$189 more than the estimated. The variance was primarily due to additional allocation from the Proposition 1B bond funds. Proposition 1B was enacted in November 2006, authorizing the issuance of \$20 million in State general obligation bonds for specific transportation programs.

| Fiscal Year Ended June 30, | Maintenance and Perservation Cost | | Variance |
|-------------------------------|-----------------------------------|----------|----------|
| | Estimated | Actual | |
| 2004 | \$ 6,292 | \$ 6,347 | \$ (55) |
| 2005 | 6,000 | 4,803 | 1,197 |
| 2006 | 5,000 | 4,450 | 550 |
| 2007 | 2,900 | 3,725 | (825) |
| 2008 | 3,595 | 3,424 | 171 |
| 2009 | 4,320 | 4,509 | (189) |

2. SCHEDULE OF FUNDING PROGRESS - PENSION

The schedule of funding progress presents a consolidated snapshot of SamCERA's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

SamCERA issues a publicly available financial report that can be obtained by writing to the San Mateo County Employees' Retirement Association, 100 Marine Parkway, Suite 125, Redwood Shores, California 94065. The actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll are obtained from SamCERA's audited financial reports.

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited) – (Continued)
For the Fiscal Year Ended June 30, 2009
(In Thousands)

The table below presents six-year historical information about the funding status of the County's pension plan:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a % of Covered Payroll (b-a)/c |
|--------------------------------|--|--|--------------------------------------|----------------------------|---------------------------|--|
| 6/30/2004 | \$ 1,452,621 | \$ 1,921,328 | \$ 468,707 | 75.6% | \$ 365,385 | 128.28% |
| 6/30/2005 | 1,615,585 | 2,177,759 | 562,174 | 74.2% | 334,315 | 168.16% |
| 6/30/2006 | 1,769,021 | 2,345,149 | 576,128 | 75.4% | 363,648 | 158.43% |
| 6/30/2007 | 1,976,731 | 2,555,504 | 578,773 | 77.4% | 407,812 | 141.92% |
| 6/30/2008 | 2,218,937 | 2,806,222 | 587,285 | 79.1% | 416,243 | 141.09% |
| 6/30/2009 | 1,909,679 | 2,987,712 | 1,078,033 | 63.9% | 436,424 | 247.02% |

3. SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

The schedule of funding progress presented below provides a consolidated snapshot of a County's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

The table below presents historical information about the funding status of the County's OPEB plan with the California Employers' Retiree Benefits Trust (CERBT). CalPERS, the administrator of the CERBT, issues a publicly available financial report consisting of financial statements and required supplementary information for CERBT in aggregate. The report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)- Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll (b-a)/c |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| 7/1/2005 | \$ - | \$ 135,678 | \$ 135,678 | 0.0% | \$ 323,340 | 42.0% |
| 1/1/2007 * | - | 169,683 | 169,683 | 0.0% | 372,648 | 45.5% |
| 1/1/2007 ** | - | 156,843 | 156,843 | 0.0% | 397,314 | 39.5% |
| 1/1/2009 | 101,362 | 203,730 | 102,368 | 49.8% | 413,738 | 24.7% |

* Based on 6.9% discount rate used for FY 2006-07 annual required contribution (ARC).

** Based on 7.75% discount rate used for FY 2007-08 ARC.

The table below presents historical information about the funding status of the Housing Authority's OPEB plan. The Housing Authority issues a publicly available financial report that can be obtained by writing to Housing Authority of the County of San Mateo at 264 Harbor Boulevard, Building A, Belmont CA 94002.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)- Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll (b-a)/c |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| 7/1/2008 | \$ - | \$ 604 | \$ 604 | 0.0% | n/a | n/a |
| 7/1/2009 | - | 702 | 702 | 0.0% | n/a | n/a |



General Fund

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | \$ 298,164 | \$ 297,422 | \$ (742) | \$ 187,291 | \$ (110,131) |
| Resources (inflows): | | | | | |
| Taxes | 332,142 | 332,141 | (1) | 374,429 | 42,288 |
| Licenses and permits | 6,013 | 6,013 | - | 5,320 | (693) |
| Fines, forfeitures and penalties | 9,047 | 9,047 | - | 8,556 | (491) |
| Use of money and property | 15,727 | 15,727 | - | 3,815 | (11,912) |
| Intergovernmental revenues | 400,378 | 402,085 | 1,707 | 357,915 | (44,170) |
| Charges for services | 94,893 | 96,575 | 1,682 | 92,084 | (4,491) |
| Interfund revenue | 68,463 | 71,962 | 3,499 | 60,770 | (11,192) |
| Miscellaneous revenue | 37,077 | 37,188 | 111 | 28,121 | (9,067) |
| Other financing sources | 3,461 | 3,461 | - | 1,209 | (2,252) |
| Amounts available for appropriation | 967,201 | 974,199 | 6,998 | 932,219 | (41,980) |
| Charges to appropriations (outflows): | | | | | |
| <u>General Government</u> | | | | | |
| Board of Supervisors - District 1 | | | | | |
| Salaries and benefits | 576 | 576 | - | 519 | 57 |
| Services and supplies | 65 | 65 | - | 42 | 23 |
| Other charges | 37 | 37 | - | 36 | 1 |
| Contingencies | 22 | 22 | - | - | 22 |
| Total Board of Supervisors - District 1 | 700 | 700 | - | 597 | 103 |
| Board of Supervisors - District 2 | | | | | |
| Salaries and benefits | 600 | 580 | (20) | 546 | 34 |
| Services and supplies | 37 | 52 | 15 | 42 | 10 |
| Other charges | 36 | 41 | 5 | 38 | 3 |
| Contingencies | 14 | 14 | - | - | 14 |
| Total Board of Supervisors - District 2 | 687 | 687 | - | 626 | 61 |
| Board of Supervisors - District 3 | | | | | |
| Salaries and benefits | 545 | 543 | (2) | 532 | 11 |
| Services and supplies | 49 | 51 | 2 | 51 | - |
| Other charges | 36 | 36 | - | 34 | 2 |
| Contingencies | 13 | 13 | - | - | 13 |
| Total Board of Supervisors - District 3 | 643 | 643 | - | 617 | 26 |
| Board of Supervisors - District 4 | | | | | |
| Salaries and benefits | 504 | 504 | - | 443 | 61 |
| Services and supplies | 86 | 86 | - | 48 | 38 |
| Other charges | 35 | 35 | - | 35 | - |
| Contingencies | 50 | 50 | - | - | 50 |
| Total Board of Supervisors - District 4 | 675 | 675 | - | 526 | 149 |
| Board of Supervisors - District 5 | | | | | |
| Salaries and benefits | 538 | 541 | 3 | 541 | - |
| Services and supplies | 44 | 39 | (5) | 39 | - |
| Other charges | 35 | 37 | 2 | 37 | - |
| Contingencies | 12 | 12 | - | - | 12 |
| Total Board of Supervisors - District 5 | 629 | 629 | - | 617 | 12 |
| County Manager/Clerk of the Board | | | | | |
| Salaries and benefits | 5,917 | 5,902 | (15) | 5,488 | 414 |
| Services and supplies | 1,889 | 1,903 | 14 | 1,261 | 642 |
| Other charges | 2,218 | 2,219 | 1 | 1,700 | 519 |
| Fixed Assets | 34 | 34 | - | - | 34 |
| Intrafund transfers | (693) | (693) | - | (768) | 75 |
| Contingencies | 683 | 683 | - | - | 683 |
| Total County Manager/Clerk of the Board | 10,048 | 10,048 | - | 7,681 | 2,367 |

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|----------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Special Services | | | | | |
| Salaries and benefits | 578 | 578 | - | 563 | 15 |
| Services and supplies | 273 | 273 | - | 109 | 164 |
| Other charges | 13,531 | 14,466 | 935 | 13,828 | 638 |
| Intrafund transfers | (11,609) | (12,544) | (935) | (11,714) | (830) |
| Contingencies | 66 | 66 | - | - | 66 |
| Total Special Services | 2,839 | 2,839 | - | 2,786 | 53 |
| Public Safety Communication | | | | | |
| Salaries and benefits | 7,631 | 7,631 | - | 7,560 | 71 |
| Services and supplies | 556 | 556 | - | 401 | 155 |
| Other charges | 446 | 446 | - | 444 | 2 |
| Fixed assets | 270 | 270 | - | 8 | 262 |
| Intrafund transfers | (155) | (155) | - | (154) | (1) |
| Contingencies | 276 | 276 | - | - | 276 |
| Total Public Safety Communication | 9,024 | 9,024 | - | 8,259 | 765 |
| Assessor-Clerk-Recorder | | | | | |
| Salaries and benefits | 13,793 | 14,923 | 1,130 | 14,412 | 511 |
| Services and supplies | 3,794 | 5,578 | 1,784 | 4,375 | 1,203 |
| Other charges | 1,948 | 2,023 | 75 | 2,013 | 10 |
| Fixed assets | 20 | 20 | - | 20 | - |
| Total Assessor-Clerk-Recorder | 19,555 | 22,544 | 2,989 | 20,820 | 1,724 |
| Controller's Office | | | | | |
| Salaries and benefits | 5,308 | 5,308 | - | 4,971 | 337 |
| Services and supplies | 585 | 585 | - | 395 | 190 |
| Other charges | 2,805 | 2,805 | - | 2,367 | 438 |
| Fixed assets | 74 | 74 | - | - | 74 |
| Intrafund transfers | (730) | (730) | - | (159) | (571) |
| Contingencies | 645 | 645 | - | - | 645 |
| Total Controller's Office | 8,687 | 8,687 | - | 7,574 | 1,113 |
| Tax Collector/Treasurer | | | | | |
| Salaries and benefits | 6,931 | 6,931 | - | 6,156 | 775 |
| Services and supplies | 2,991 | 2,991 | - | 1,467 | 1,524 |
| Other charges | 1,140 | 1,140 | - | 955 | 185 |
| Fixed assets | 182 | 182 | - | 6 | 176 |
| Intrafund transfers | (2,827) | (2,827) | - | (2,781) | (46) |
| Contingencies | 1,675 | 1,675 | - | - | 1,675 |
| Total Tax Collector/Treasurer | 10,092 | 10,092 | - | 5,803 | 4,289 |
| County Counsel | | | | | |
| Salaries and benefits | 8,108 | 8,108 | - | 7,508 | 600 |
| Services and supplies | 777 | 777 | - | 488 | 289 |
| Other charges | 380 | 380 | - | 347 | 33 |
| Intrafund transfers | (1,120) | (1,120) | - | (1,221) | 101 |
| Contingencies | 511 | 1,761 | 1,250 | - | 1,761 |
| Total County Counsel | 8,656 | 9,906 | 1,250 | 7,122 | 2,784 |
| Human Resources | | | | | |
| Salaries and benefits | 7,054 | 7,009 | (45) | 6,923 | 86 |
| Services and supplies | 2,047 | 2,053 | 6 | 1,895 | 158 |
| Other charges | 485 | 531 | 46 | 525 | 6 |
| Fixed assets | 10 | 14 | 4 | - | 14 |
| Intrafund transfers | (1,363) | (1,363) | - | (1,188) | (175) |
| Contingencies | 580 | 580 | - | - | 580 |
| Total Human Resources | 8,813 | 8,824 | 11 | 8,155 | 669 |

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|----------------------------------|------------------|----------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Information Services | | | | | |
| Salaries and benefits | 21,402 | 21,402 | - | 19,583 | 1,819 |
| Services and supplies | 33,896 | 34,022 | 126 | 29,142 | 4,880 |
| Other charges | 1,352 | 1,352 | - | 1,330 | 22 |
| Fixed assets | 2,525 | 2,500 | (25) | 778 | 1,722 |
| Other financing uses | 286 | 361 | 75 | 327 | 34 |
| Intrafund transfers | (41,439) | (41,439) | - | (32,980) | (8,459) |
| Contingencies | 5,028 | 4,852 | (176) | - | 4,852 |
| Total Information Services | 23,050 | 23,050 | - | 18,180 | 4,870 |
| Message Switch | | | | | |
| Services and supplies | 522 | 522 | - | 357 | 165 |
| Other charges | 280 | 280 | - | 266 | 14 |
| Intrafund transfers | (133) | (133) | - | (132) | (1) |
| Contingencies | 363 | 363 | - | - | 363 |
| Total Message Switch | 1,032 | 1,032 | - | 491 | 541 |
| Public Works | | | | | |
| Salaries and benefits | 19,808 | 19,488 | (320) | 17,447 | 2,041 |
| Services and supplies | 13,959 | 14,510 | 551 | 14,052 | 458 |
| Other charges | 5,294 | 5,698 | 404 | 5,052 | 646 |
| Fixed assets | 85 | 85 | - | 60 | 25 |
| Other financing uses | 12,680 | 12,680 | - | 12,021 | 659 |
| Intrafund transfers | (31,029) | (31,029) | - | (30,801) | (228) |
| Contingencies | 201 | 201 | - | - | 201 |
| Total Public Works | 20,998 | 21,633 | 635 | 17,831 | 3,802 |
| Non-Departmental Services | | | | | |
| Salaries and benefits | 5,270 | 5,270 | - | 3,234 | 2,036 |
| Services and supplies | 18,152 | 18,459 | 307 | 11,323 | 7,136 |
| Other charges | 16,525 | 12,690 | (3,835) | 2,349 | 10,341 |
| Fixed assets | 3,000 | 3,000 | - | - | 3,000 |
| Other financing uses | 16,844 | 29,064 | 12,220 | 13,919 | 15,145 |
| Intrafund transfers | (550) | (550) | - | (552) | 2 |
| Contingencies | 164,992 | 143,533 | (21,459) | - | 143,533 |
| Total Non-Departmental Services | 224,233 | 211,466 | (12,767) | 30,273 | 181,193 |
| Total General Government | 350,361 | 342,479 | (7,882) | 137,958 | 204,521 |
| Public Protection | | | | | |
| Grand Jury | | | | | |
| Salaries and benefits | 72 | 72 | - | 47 | 25 |
| Services and supplies | 597 | 597 | - | 299 | 298 |
| Other charges | 12 | 12 | - | - | 12 |
| Contingencies | 129 | 129 | - | 3 | 126 |
| Total Grand Jury | 810 | 810 | - | 349 | 461 |
| Criminal Division | | | | | |
| Salaries and benefits | 20,697 | 20,697 | - | 20,213 | 484 |
| Services and supplies | 1,380 | 1,380 | - | 1,096 | 284 |
| Other charges | 1,735 | 1,735 | - | 1,734 | 1 |
| Intrafund transfers | - | - | - | - | - |
| Contingencies | 2,018 | 2,018 | - | - | 2,018 |
| Total Criminal Division | 25,830 | 25,830 | - | 23,043 | 2,787 |

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Child Support Services | | | | | |
| Salaries and benefits | 9,800 | 9,550 | (250) | 9,492 | 58 |
| Services and supplies | 544 | 644 | 100 | 461 | 183 |
| Other charges | 1,302 | 1,402 | 100 | 1,266 | 136 |
| Other financing uses | - | 50 | 50 | (2) | 52 |
| Intrafund transfers | (250) | (250) | - | (89) | (161) |
| Total Child Support Services | 11,396 | 11,396 | - | 11,128 | 268 |
| County Support of Courts | | | | | |
| Salaries and benefits | 420 | 420 | - | 411 | 9 |
| Services and supplies | 1,088 | 1,088 | - | 792 | 296 |
| Other charges | 21,563 | 21,563 | - | 21,034 | 529 |
| Total County Support of Courts | 23,071 | 23,071 | - | 22,237 | 834 |
| Private Defender Program | | | | | |
| Services and supplies | 15,816 | 15,816 | - | 15,816 | - |
| Other charges | 59 | 59 | - | 59 | - |
| Total Private Defender Program | 15,875 | 15,875 | - | 15,875 | - |
| Sheriff | | | | | |
| Salaries and benefits | 112,225 | 112,225 | - | 110,701 | 1,524 |
| Services and supplies | 14,837 | 16,371 | 1,534 | 12,028 | 4,343 |
| Other charges | 17,881 | 17,903 | 22 | 15,411 | 2,492 |
| Fixed assets | 966 | 1,044 | 78 | 772 | 272 |
| Other financing uses | 906 | 906 | - | 906 | - |
| Intrafund transfers | (1,433) | (1,631) | (198) | (1,417) | (214) |
| Contingencies | 2,470 | 2,470 | - | - | 2,470 |
| Total Sheriff | 147,852 | 149,288 | 1,436 | 138,401 | 10,887 |
| Probation | | | | | |
| Salaries and benefits | 53,946 | 53,946 | - | 53,236 | 710 |
| Services and supplies | 23,832 | 23,832 | - | 23,514 | 318 |
| Other charges | 16,276 | 16,276 | - | 15,594 | 682 |
| Fixed assets | 45 | 45 | - | 10 | 35 |
| Intrafund transfers | (19,911) | (19,911) | - | (19,806) | (105) |
| Total Probation | 74,188 | 74,188 | - | 72,548 | 1,640 |
| Coroner's Office | | | | | |
| Salaries and benefits | 1,858 | 1,858 | - | 1,738 | 120 |
| Services and supplies | 720 | 720 | - | 597 | 123 |
| Other charges | 284 | 284 | - | 257 | 27 |
| Fixed assets | 10 | 10 | - | - | 10 |
| Contingencies | 209 | 209 | - | - | 209 |
| Total Coroner's Office | 3,081 | 3,081 | - | 2,592 | 489 |
| Local Agency Formation Commission | | | | | |
| Salaries and benefits | 205 | 205 | - | 201 | 4 |
| Services and supplies | 93 | 93 | - | 28 | 65 |
| Other charges | 55 | 55 | - | 32 | 23 |
| Intrafund transfers | (96) | (96) | - | (96) | - |
| Contingencies | 56 | 56 | - | - | 56 |
| Total Local Agency Formation Commission | 313 | 313 | - | 165 | 148 |
| Fire Protection | | | | | |
| Salaries and benefits | 2 | 2 | - | - | 2 |
| Services and supplies | 5,706 | 5,879 | 173 | 5,879 | - |
| Other charges | 190 | 190 | - | 178 | 12 |
| Fixed assets | 310 | 302 | (8) | 162 | 140 |
| Total Fire Protection | 6,208 | 6,373 | 165 | 6,219 | 154 |

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|---------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Planning | | | | | |
| Salaries and benefits | 6,438 | 6,438 | - | 5,928 | 510 |
| Services and supplies | 4,567 | 4,902 | 335 | 3,420 | 1,482 |
| Other charges | 925 | 925 | - | 822 | 103 |
| Intrafund transfers | (2,540) | (2,540) | - | (2,539) | (1) |
| Contingencies | 4,167 | 4,167 | - | - | 4,167 |
| Total Planning | 13,557 | 13,892 | 335 | 7,631 | 6,261 |
| Total Public Protection | 322,181 | 324,117 | 1,936 | 300,188 | 23,929 |
| <u>Health and Sanitation</u> | | | | | |
| Health Services Administration | | | | | |
| Salaries and benefits | 2,439 | 2,489 | 50 | 2,371 | 118 |
| Services and supplies | 1,375 | 1,375 | - | 1,242 | 133 |
| Other charges | 942 | 1,392 | 450 | 1,390 | 2 |
| Intrafund transfers | (3,460) | (3,460) | - | (3,579) | 119 |
| Contingencies | 1,165 | 665 | (500) | - | 665 |
| Total Health Services Administration | 2,461 | 2,461 | - | 1,424 | 1,037 |
| Health Policy Plan Promotion | | | | | |
| Salaries and benefits | 3,004 | 2,906 | (98) | 2,729 | 177 |
| Services and supplies | 8,996 | 9,122 | 126 | 8,506 | 616 |
| Other charges | 213 | 237 | 24 | 233 | 4 |
| Intrafund transfers | (4,990) | (4,990) | - | (4,670) | (320) |
| Contingencies | 260 | 260 | - | - | 260 |
| Total Health Policy Plan Promotion | 7,483 | 7,535 | 52 | 6,798 | 737 |
| Emergency Medical Services | | | | | |
| Salaries and benefits | 845 | 909 | 64 | 872 | 37 |
| Services and supplies | 1,076 | 1,142 | 66 | 1,124 | 18 |
| Other charges | 109 | 79 | (30) | 71 | 8 |
| Intrafund transfers | (539) | (639) | (100) | (693) | 54 |
| Total Emergency Medical Services | 1,491 | 1,491 | - | 1,374 | 117 |
| Contributions to Medical Center | | | | | |
| Services and supplies | 20,000 | 27,848 | 7,848 | - | 27,848 |
| Other financing uses | 58,110 | 62,993 | 4,883 | 81,841 | (18,848) |
| Total Contributions to Medical Center | 78,110 | 90,841 | 12,731 | 81,841 | 9,000 |
| Environmental Health Services | | | | | |
| Salaries and benefits | 9,356 | 9,356 | - | 8,996 | 360 |
| Services and supplies | 2,653 | 2,653 | - | 2,264 | 389 |
| Other charges | 895 | 895 | - | 878 | 17 |
| Fixed assets | 24 | 24 | - | - | 24 |
| Intrafund transfers | (22) | (22) | - | - | (22) |
| Contingencies | 1,599 | 1,599 | - | - | 1,599 |
| Total Environmental Health Services | 14,505 | 14,505 | - | 12,138 | 2,367 |
| Behavioral Health Services | | | | | |
| Salaries and benefits | 45,308 | 45,308 | - | 42,520 | 2,788 |
| Services and supplies | 56,644 | 56,644 | - | 54,795 | 1,849 |
| Other charges | 33,346 | 33,346 | - | 29,449 | 3,897 |
| Intrafund transfers | (4,097) | (4,097) | - | (2,754) | (1,343) |
| Contingencies | 6,522 | 6,522 | - | - | 6,522 |
| Total Behavioral Health Services | 137,723 | 137,723 | - | 124,010 | 13,713 |

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Public Health Services | | | | | |
| Salaries and benefits | 14,254 | 14,254 | - | 12,956 | 1,298 |
| Services and supplies | 9,040 | 9,040 | - | 8,808 | 232 |
| Other charges | 3,650 | 3,650 | - | 2,537 | 1,113 |
| Intrafund transfers | (2,537) | (2,537) | - | (1,315) | (1,222) |
| Contingencies | 1,434 | 1,434 | - | - | 1,434 |
| Total Public Health Services | 25,841 | 25,841 | - | 22,986 | 2,855 |
| Family Health Services | | | | | |
| Salaries and benefits | 19,950 | 19,398 | (552) | 17,896 | 1,502 |
| Services and supplies | 3,497 | 3,119 | (378) | 2,996 | 123 |
| Other charges | 2,509 | 2,453 | (56) | 2,055 | 398 |
| Intrafund transfers | (703) | (703) | - | (690) | (13) |
| Contingencies | 299 | 299 | - | - | 299 |
| Total Family Health Services | 25,552 | 24,566 | (986) | 22,257 | 2,309 |
| Correctional Health Services | | | | | |
| Salaries and benefits | 11,615 | 11,615 | - | 11,377 | 238 |
| Services and supplies | 5,978 | 5,978 | - | 5,571 | 407 |
| Other charges | 610 | 610 | - | 445 | 165 |
| Fixed assets | 11 | 11 | - | 11 | - |
| Intrafund transfers | (9,869) | (9,869) | - | (9,629) | (240) |
| Contingencies | 194 | 194 | - | - | 194 |
| Total Correctional Health Services | 8,539 | 8,539 | - | 7,775 | 764 |
| Agriculture Commission/Sealer | | | | | |
| Salaries and benefits | 3,397 | 3,457 | 60 | 3,342 | 115 |
| Services and supplies | 298 | 305 | 7 | 185 | 120 |
| Other charges | 639 | 712 | 73 | 610 | 102 |
| Contingencies | 129 | 129 | - | - | 129 |
| Total Agriculture Commission/Sealer | 4,463 | 4,603 | 140 | 4,137 | 466 |
| Total Health and Sanitation | 306,168 | 318,105 | 11,937 | 284,740 | 33,365 |
| Public Assistance | | | | | |
| Aging & Adult Services | | | | | |
| Salaries and benefits | 13,977 | 13,977 | - | 12,661 | 1,316 |
| Services and supplies | 4,893 | 4,911 | 18 | 3,492 | 1,419 |
| Other charges | 5,632 | 5,809 | 177 | 4,778 | 1,031 |
| Intrafund transfers | (1,829) | (1,829) | - | (1,598) | (231) |
| Contingencies | 1,833 | 1,833 | - | - | 1,833 |
| Total Aging & Adult Services | 24,506 | 24,701 | 195 | 19,333 | 5,368 |
| In Home Support Services - Public Authority | | | | | |
| Other financing uses | 4,488 | 4,488 | - | 4,488 | - |
| Total In Home Support Services - Public Authority | 4,488 | 4,488 | - | 4,488 | - |
| Human Services Agency | | | | | |
| Salaries and benefits | 91,917 | 91,917 | - | 81,365 | 10,552 |
| Services and supplies | 60,273 | 60,334 | 61 | 44,290 | 16,044 |
| Other charges | 73,149 | 73,149 | - | 63,641 | 9,508 |
| Fixed assets | 575 | 575 | - | 233 | 342 |
| Other financing uses | 325 | 334 | 9 | 334 | - |
| Intrafund transfers | (28,706) | (28,706) | - | (26,097) | (2,609) |
| Contingencies | 10,195 | 10,195 | - | - | 10,195 |
| Total Human Services Agency | 207,728 | 207,798 | 70 | 163,766 | 44,032 |

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|------------------|-----------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Department of Housing | | | | | |
| Salaries and benefits | 2,220 | 2,220 | - | 2,211 | 9 |
| Services and supplies | 991 | 991 | - | 226 | 765 |
| Other charges | 7,598 | 7,598 | - | 3,436 | 4,162 |
| Contingencies | 54 | 54 | - | - | 54 |
| Total Department of Housing | 10,863 | 10,863 | - | 5,873 | 4,990 |
| Total Public Assistance | 247,585 | 247,850 | 265 | 193,460 | 54,390 |
| <u>Recreation</u> | | | | | |
| Parks & Recreation | | | | | |
| Salaries and benefits | 6,567 | 6,433 | (134) | 6,406 | 27 |
| Services and supplies | 1,049 | 1,089 | 40 | 1,060 | 29 |
| Other charges | 1,045 | 1,105 | 60 | 1,093 | 12 |
| Fixed assets | - | 70 | 70 | 32 | 38 |
| Intrafund transfers | (185) | (221) | (36) | (185) | (36) |
| Contingencies | 178 | 178 | - | - | 178 |
| Total Parks & Recreation | 8,654 | 8,654 | - | 8,406 | 248 |
| Total Recreation | 8,654 | 8,654 | - | 8,406 | 248 |
| <u>Contingencies</u> | | | | | |
| Contingencies | 30,416 | 30,416 | - | - | 30,416 |
| Total Contingencies | 30,416 | 30,416 | - | - | 30,416 |
| Total charges to appropriations | 1,265,365 | 1,271,621 | 6,256 | 924,752 | 346,869 |
| Budgetary fund balances, June 30 | \$ - | \$ - | \$ - | \$ 194,758 | \$ 194,758 |

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

| | |
|---|------------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (page 71) | \$ 932,219 |
|---|------------|

Differences - budget to GAAP:

| | |
|---|----------|
| Reimbursements are inflows of budgetary resources but are used to offset expenditures for financial reporting purposes. | (60,770) |
|---|----------|

| | |
|--|---------|
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | (1,207) |
|--|---------|

| | |
|--|-----|
| Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes. | (2) |
|--|-----|

| | |
|---|--|
| Receipts from sub-funds reclassified from County Agency Fund, not budgeted. | <div style="border-top: 1px solid black; display: inline-block;">3,202</div> |
|---|--|

| | |
|--|--|
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 26) | <div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 873,442</div> |
|--|--|

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

| | |
|---|------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (page 77) | \$ 924,752 |
|---|------------|

Differences - budget to GAAP:

| | |
|--|----------|
| Expenditures offset by reimbursements for financial reporting purposes are outflows of budgetary appropriations. | (60,770) |
|--|----------|

| | |
|---|-------|
| Encumbrances for supplies and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but in the year the supplies and services are received for financial reporting purposes. | 1,444 |
|---|-------|

| | |
|---|-----------|
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | (113,884) |
|---|-----------|

| | |
|--|---|
| Disbursements from sub-funds reclassified from County Agency Fund, not budgeted. | <div style="border-top: 1px solid black; display: inline-block;">25,608</div> |
|--|---|

| | |
|--|--|
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 26) | <div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 777,150</div> |
|--|--|

See Notes to the Budgetary Comparison Schedule.

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

BUDGETARY BASIS OF ACCOUNTING

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County is required to prepare a balanced budget for each fiscal year on or before August 30. The County Board of Supervisors (the Board) generally passes a resolution in June extending the due date to October 2. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the Board.

In late May of each year, the County Manager prepares and submits the recommended budget document to the Board. In late June, public hearings will be held to provide the general public with an opportunity to speak on any budget items before the Board. The Recommended budget, once adopted, is uploaded to the County's financial system in early July so that budget monitoring for the new fiscal year can begin. After fiscal year-end closing activities are completed and the State Budget is approved, the County Manager submits to the Board final adjustments to the recommended budget as a result of state budget adjustments for a final budget hearing in September. Changes approved by the Board are included in the Adopted Budget approved on or before October 2.

An operating budget is adopted each fiscal year for all governmental funds except for the JPFA and certain other special revenue funds. Expenditures are controlled at the object level within each budget unit of the County. The object level within a budget unit is the legal level of budgetary control at which the County's management may not reallocate resources without special approval. Any amendments or transfers of appropriations between object levels within the same budget unit, or between departments or funds, must be authorized by the County Manager's Office and approved by the Board. Supplemental appropriations, normally financed by unanticipated revenues during the year, require the Board's approval as well. Pursuant to the Board Resolution, the County Manager is authorized to approve transfers and revision of appropriations under \$50 within a single budget unit as deemed necessary and appropriate. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year by resolutions approved by the Board.

The County uses an encumbrance system as an extension of normal budgetary accounting for all governmental funds except for the JPFA to control expenditures. Under the encumbrance system, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered in order to reserve that portion of applicable appropriations. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end; encumbered appropriations at year-end are carried forward in the ensuing year's budget and reported in the original budget column.

The budget approved by the Board for the General Fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other governmental funds. In the accompanying budgetary financial schedules, actual reimbursements for these items have been eliminated from the resources and related expenditures have been eliminated from the charges to appropriations to provide a meaningful comparison of actual and budgeted results of operations.

The budgets for governmental funds may include an object level known as "intrafund transfers" in the charges to appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund (an example would be the General Fund).

The amounts reported on the budgetary basis differ from the basis used to present the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Annual budgets are prepared using the modified accrual basis of accounting except that current year encumbrances are budgeted as expenditures; certain transactions are accounted for in different periods between budgetary and GAAP reporting basis; and securities lending activities and transactions from sub-funds reclassified from County Agency funds are reported in GAAP reporting basis.



Combining and Individual Fund Statements and Schedules



Nonmajor Governmental Funds

COUNTY OF SAN MATEO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(In Thousands)

| | Special Revenue Funds | Debt Service Fund | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|-------------------------|------------------------------|--|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | | |
| Cash and investments | \$ 67,007 | \$ 22,607 | \$ 11,916 | \$ 101,530 |
| Securities lending collateral | 4,724 | 1,593 | 839 | 7,156 |
| Receivables (net): | | | | |
| Accounts | 41 | - | 66 | 107 |
| Interest | 360 | 98 | 55 | 513 |
| Taxes | 1,028 | - | - | 1,028 |
| Other | 1,918 | - | - | 1,918 |
| Due from other funds | 491 | - | 39 | 530 |
| Due from other governmental agencies | 3,311 | - | - | 3,311 |
| Inventories | 351 | - | - | 351 |
| Advances to other funds | 237 | - | - | 237 |
| Total assets | <u>\$ 79,468</u> | <u>\$ 24,298</u> | <u>\$ 12,915</u> | <u>\$ 116,681</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 2,632 | \$ - | \$ 411 | \$ 3,043 |
| Accrued salaries and benefits | 508 | - | - | 508 |
| Accrued liabilities | 135 | - | - | 135 |
| Securities lending collateral - due to borrowers | 4,724 | 1,593 | 839 | 7,156 |
| Due to other funds | 1,744 | - | 789 | 2,533 |
| Advances from other funds | 800 | - | - | 800 |
| Deferred revenues | 3,564 | - | - | 3,564 |
| Deposits | 50 | - | - | 50 |
| Total liabilities | <u>14,157</u> | <u>1,593</u> | <u>2,039</u> | <u>17,789</u> |
| Fund balances: | | | | |
| Nonspendable | 588 | - | - | 588 |
| Restricted | 50,753 | - | 6,315 | 57,068 |
| Committed | - | 22,705 | 2,605 | 25,310 |
| Assigned | 13,970 | - | 1,956 | 15,926 |
| Total fund balances | <u>65,311</u> | <u>22,705</u> | <u>10,876</u> | <u>98,892</u> |
| Total liabilities and fund balances | <u>\$ 79,468</u> | <u>\$ 24,298</u> | <u>\$ 12,915</u> | <u>\$ 116,681</u> |

COUNTY OF SAN MATEO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Special Revenue Funds | Debt Service Fund | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|-------------------------|------------------------------|--|
| Revenues: | | | | |
| Taxes | \$ 14,380 | \$ - | \$ - | \$ 14,380 |
| Licenses and permits | 4,796 | - | - | 4,796 |
| Intergovernmental | 32,418 | - | 1,425 | 33,843 |
| Charges for services | 17,624 | - | 2,472 | 20,096 |
| Fines, forfeitures and penalties | 2,031 | - | 66 | 2,097 |
| Rents and concessions | 83 | - | - | 83 |
| Investment income (loss) | (1,538) | (695) | (308) | (2,541) |
| Securities lending activities: | | | | |
| Securities lending income | 57 | 19 | 10 | 86 |
| Securities lending expenditures | (44) | (15) | (8) | (67) |
| Other | 1,272 | - | 931 | 2,203 |
| Total revenues | <u>71,079</u> | <u>(691)</u> | <u>4,588</u> | <u>74,976</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 4,084 | 28 | - | 4,112 |
| Public protection | 6,901 | - | - | 6,901 |
| Public ways and facilities | 26,672 | - | - | 26,672 |
| Health and sanitation | 30,118 | - | - | 30,118 |
| Capital outlay | 2,765 | - | 8,161 | 10,926 |
| Debt service: | | | | |
| Principal | 18 | - | - | 18 |
| Interest | 3 | - | - | 3 |
| Total expenditures | <u>70,561</u> | <u>28</u> | <u>8,161</u> | <u>78,750</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>518</u> | <u>(719)</u> | <u>(3,573)</u> | <u>(3,774)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 8,500 | 30,676 | 7,410 | 46,586 |
| Transfers out | (1,952) | (37,821) | (3,354) | (43,127) |
| Total other financing sources | <u>6,548</u> | <u>(7,145)</u> | <u>4,056</u> | <u>3,459</u> |
| Net change in fund balances | 7,066 | (7,864) | 483 | (315) |
| Fund balances - beginning | <u>58,245</u> | <u>30,569</u> | <u>10,393</u> | <u>99,207</u> |
| Fund balances - end | <u>\$ 65,311</u> | <u>\$ 22,705</u> | <u>\$ 10,876</u> | <u>\$ 98,892</u> |

COUNTY OF SAN MATEO

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The County's nonmajor special revenue funds include the following:

Road Fund - provides for planning, design, construction, maintenance, and administration of the County's transportation activities. Revenues primarily come from the County's share of state highway user taxes and federal grants.

County Fire Protection Fund - provides for fire protection services to both cities and unincorporated areas in the County. Revenues are derived from property taxes on all parcels within the County's fire protection districts.

County Service Area Fund - accounts for special district funds that provide refuse disposal, water, and lighting maintenance services to specific areas in the County. Revenues are derived from user charges and property taxes.

Sewer and Sanitation Fund - accounts for special district funds that support construction and maintenance of reliable sanitary sewer systems, providing sensitive sewage treatment and disposal to sewer and sanitary districts within the County. Revenues are derived from user charges and property taxes.

Flood Control Zone Fund - accounts for special district funds that support various flood control projects within the flood control districts. This fund is financed through property taxes, certificates of participation, and state and federal grants.

Lighting Districts Fund - accounts for special district funds that enhance the safety of residents and businesses by providing adequate lighting systems to street lighting districts within the County. Property taxes are the primary source of revenue.

Emergency Medical Services Fund - was established under Senate Bill 12/612 (Maddy legislation) to provide financial assistance for individuals and is used to pay physicians for uncompensated emergency care and hospitals providing disproportionate emergency and trauma care. This fund is financed by a special assessment imposed on court fines, forfeitures, and traffic school fees.

County Half-Cent Transportation Fund - accounts for a ½ cent sales tax revenue approved by the voters of San Mateo County in 1988 and re-approved in 2004. This fund is restricted for transportation programs sponsored by County departments and outside agencies.

County-Wide Road Improvement Fund - accounts for mitigation fees imposed on building permits to finance road improvements in the County.

Solid Waste Fund - accounts for revenues from management and operation of solid waste facilities owned by the County as well as aids from federal, state, and other local agencies. Revenues are primarily from licenses and permits. Expenditures are specifically restricted for resource conservation programs.

IHSS Public Authority Fund – provides for assistance in finding qualified In-Home Supportive Services (IHSS) personnel, and training of as well as support for providers and recipients of IHSS via the maintenance of a registry and referral system. This fund is primarily financed by state grants.

Other Special Revenue Funds - account for activities of several Special Revenue Funds, which include Fish and Game, Off-Highway Vehicle License Fees, Highlands Landscape Maintenance District, Water District, Redevelopment Agency, and Drainage Districts.

COUNTY OF SAN MATEO
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009
(In Thousands)

| | Road | County Fire Protection | County Service Area | Sewer and Sanitation | Flood Control Zone | Lighting Districts | Emergency Medical Services |
|--|------------------|------------------------------|---------------------------|----------------------------|--------------------------|-----------------------|----------------------------------|
| ASSETS | | | | | | | |
| Cash and investments | \$ 14,390 | \$ 724 | \$ 5,502 | \$ 10,969 | \$ 13,078 | \$ 7,418 | \$ 2,732 |
| Securities lending collateral | 1,014 | 51 | 388 | 773 | 922 | 523 | 193 |
| Receivables (net): | | | | | | | |
| Accounts | - | - | 13 | - | - | - | 28 |
| Interest | 67 | 3 | 34 | 61 | 72 | 43 | 13 |
| Taxes | - | 392 | 231 | 42 | 273 | 82 | - |
| Other | 1,918 | - | - | - | - | - | - |
| Due from other funds | 384 | - | 1 | 32 | 4 | 1 | - |
| Due from other governmental agencies | 1,357 | 167 | 2 | 98 | 105 | 205 | 282 |
| Inventories | 351 | - | - | - | - | - | - |
| Advances to other funds | - | - | - | - | - | - | - |
| Total assets | <u>\$ 19,481</u> | <u>\$ 1,337</u> | <u>\$ 6,171</u> | <u>\$ 11,975</u> | <u>\$ 14,454</u> | <u>\$ 8,272</u> | <u>\$ 3,248</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 431 | \$ - | \$ 286 | \$ 889 | \$ 7 | \$ 8 | \$ - |
| Accrued salaries and benefits | 349 | - | - | 37 | - | - | - |
| Accrued liabilities | - | 54 | 31 | 6 | 37 | 7 | - |
| Securities lending collateral - due to borrowers | 1,014 | 51 | 388 | 773 | 922 | 523 | 193 |
| Due to other funds | 392 | 204 | 29 | 152 | 32 | 3 | 465 |
| Advances from other funds | - | - | - | 800 | - | - | - |
| Deferred revenues | 2,023 | 533 | 218 | 136 | 360 | 281 | - |
| Deposits | 48 | - | 2 | - | - | - | - |
| Total liabilities | <u>4,257</u> | <u>842</u> | <u>954</u> | <u>2,793</u> | <u>1,358</u> | <u>822</u> | <u>658</u> |
| Fund Balances: | | | | | | | |
| Nonspendable | 351 | - | - | - | - | - | - |
| Restricted | 13,118 | - | 4,183 | 9,179 | 13,096 | 7,450 | - |
| Assigned | 1,755 | 495 | 1,034 | 3 | - | - | 2,590 |
| Total fund balances | <u>15,224</u> | <u>495</u> | <u>5,217</u> | <u>9,182</u> | <u>13,096</u> | <u>7,450</u> | <u>2,590</u> |
| Total liabilities and fund balances | <u>\$ 19,481</u> | <u>\$ 1,337</u> | <u>\$ 6,171</u> | <u>\$ 11,975</u> | <u>\$ 14,454</u> | <u>\$ 8,272</u> | <u>\$ 3,248</u> |

(Continued)

COUNTY OF SAN MATEO
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009
(In Thousands)

| County Half-Cent Transportation | County-Wide Road Improvement | Solid Waste | IHSS Public Authority | Other Special Revenue | Total | |
|---------------------------------------|------------------------------------|----------------|-----------------------------|-----------------------------|-----------|--|
| | | | | | | ASSETS |
| \$ 385 | \$ 2,884 | \$ 4,990 | \$ 3,105 | \$ 830 | \$ 67,007 | Cash and investments |
| 27 | 203 | 352 | 219 | 59 | 4,724 | Securities lending collateral |
| - | - | - | - | - | 41 | Receivables (net): |
| 1 | 17 | 32 | 12 | 5 | 360 | Accounts |
| - | - | - | - | 8 | 1,028 | Interest |
| - | - | - | - | - | 1,918 | Taxes |
| 29 | 3 | 37 | - | - | 491 | Other |
| 107 | - | - | 984 | 4 | 3,311 | Due from other funds |
| - | - | - | - | - | 351 | Due from other governmental agencies |
| - | - | 237 | - | - | 237 | Inventories |
| \$ 549 | \$ 3,107 | \$ 5,648 | \$ 4,320 | \$ 906 | \$ 79,468 | Advances to other funds |
| | | | | | | Total assets |
| | | | | | | LIABILITIES AND FUND BALANCES |
| | | | | | | Liabilities: |
| \$ 12 | \$ - | \$ 115 | \$ 876 | \$ 8 | \$ 2,632 | Accounts payable |
| 50 | - | 50 | 22 | - | 508 | Accrued salaries and benefits |
| - | - | - | - | - | 135 | Accrued liabilities |
| 27 | 203 | 352 | 219 | 59 | 4,724 | Securities lending collateral - due to borrowers |
| 244 | 8 | 203 | 12 | - | 1,744 | Due to other funds |
| - | - | - | - | - | 800 | Advances from other funds |
| - | - | - | - | 13 | 3,564 | Deferred revenues |
| - | - | - | - | - | 50 | Deposits |
| 333 | 211 | 720 | 1,129 | 80 | 14,157 | Total liabilities |
| | | | | | | Fund Balances: |
| - | - | 237 | - | - | 588 | Nonspendable |
| 216 | 2,896 | - | - | 615 | 50,753 | Restricted |
| - | - | 4,691 | 3,191 | 211 | 13,970 | Assigned |
| 216 | 2,896 | 4,928 | 3,191 | 826 | 65,311 | Total fund balances |
| \$ 549 | \$ 3,107 | \$ 5,648 | \$ 4,320 | \$ 906 | \$ 79,468 | Total liabilities and fund balances |

COUNTY OF SAN MATEO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Road | County Fire Protection | County Service Area | Sewer and Sanitation | Flood Control Zone | Lighting Districts | Emergency Medical Services |
|--|------------------|------------------------------|---------------------------|----------------------------|--------------------------|-----------------------|----------------------------------|
| Revenues | | | | | | | |
| Taxes | \$ - | \$ 5,010 | \$ 2,959 | \$ 715 | \$ 3,019 | \$ 942 | \$ - |
| Licenses and permits | 74 | - | 60 | - | - | - | - |
| Intergovernmental | 22,637 | 34 | 19 | 3 | 23 | 4 | - |
| Charges for services | 4,384 | 1,303 | 1,141 | 8,844 | - | - | - |
| Fines, forfeitures and penalties | - | - | - | - | - | - | 2,027 |
| Rents and concessions | 48 | 31 | - | - | 4 | - | - |
| Investment income (loss) | (118) | 6 | (140) | (248) | (343) | (204) | (63) |
| Securities lending activities: | | | | | | | |
| Securities lending income | 12 | 1 | 5 | 9 | 11 | 6 | 2 |
| Securities lending expenditures | (9) | (1) | (4) | (7) | (8) | (5) | (2) |
| Other | 547 | 158 | 21 | 19 | 48 | 3 | 335 |
| Total revenues | <u>27,575</u> | <u>6,542</u> | <u>4,061</u> | <u>9,335</u> | <u>2,754</u> | <u>746</u> | <u>2,299</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | 3,623 | - | - | 454 | - |
| Public protection | - | 6,219 | - | - | 668 | - | - |
| Public ways and facilities | 23,043 | - | - | - | - | - | - |
| Health and sanitation | - | - | - | 7,506 | - | - | 1,997 |
| Capital outlay | 1,975 | - | 41 | 549 | 200 | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | 18 | - | - | - | - |
| Interest | - | - | 3 | - | - | - | - |
| Total expenditures | <u>25,018</u> | <u>6,219</u> | <u>3,685</u> | <u>8,055</u> | <u>868</u> | <u>454</u> | <u>1,997</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,557</u> | <u>323</u> | <u>376</u> | <u>1,280</u> | <u>1,886</u> | <u>292</u> | <u>302</u> |
| Other financing sources (uses) | | | | | | | |
| Transfers in | 4,012 | - | - | - | - | - | - |
| Transfers out | - | - | (96) | - | (1,513) | - | - |
| Total other financing sources (uses) | <u>4,012</u> | <u>-</u> | <u>(96)</u> | <u>-</u> | <u>(1,513)</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>6,569</u> | <u>323</u> | <u>280</u> | <u>1,280</u> | <u>373</u> | <u>292</u> | <u>302</u> |
| Fund balances - beginning | <u>8,655</u> | <u>172</u> | <u>4,937</u> | <u>7,902</u> | <u>12,723</u> | <u>7,158</u> | <u>2,288</u> |
| Fund balances - end | <u>\$ 15,224</u> | <u>\$ 495</u> | <u>\$ 5,217</u> | <u>\$ 9,182</u> | <u>\$ 13,096</u> | <u>\$ 7,450</u> | <u>\$ 2,590</u> |

(Continued)

COUNTY OF SAN MATEO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| County Half-Cent Transportation | County-Wide Road Improvement | Solid Waste | IHSS Public Authority | Other Special Revenue | Total | |
|---------------------------------------|------------------------------------|----------------|-----------------------------|-----------------------------|-----------|--|
| | | | | | | Revenues |
| \$ 1,704 | \$ - | \$ - | \$ - | \$ 31 | \$ 14,380 | Taxes |
| - | - | 4,662 | - | - | 4,796 | Licenses and permits |
| - | - | 113 | 9,585 | - | 32,418 | Intergovernmental |
| 1,347 | 295 | 85 | 213 | 12 | 17,624 | Charges for services |
| - | - | - | - | 4 | 2,031 | Fines, forfeitures and penalties |
| - | - | - | - | - | 83 | Rents and concessions |
| 6 | (102) | (218) | (89) | (25) | (1,538) | Investment income (loss) |
| - | 3 | 4 | 3 | 1 | 57 | Securities lending activities: |
| - | (2) | (3) | (2) | (1) | (44) | Securities lending income |
| 38 | - | 74 | - | 29 | 1,272 | Securities lending expenditures |
| 3,095 | 194 | 4,717 | 9,710 | 51 | 71,079 | Other |
| | | | | | | Total revenues |
| | | | | | | Expenditures |
| | | | | | | Current: |
| - | - | - | - | 7 | 4,084 | General government |
| - | - | - | - | 14 | 6,901 | Public protection |
| 2,881 | 664 | - | - | 84 | 26,672 | Public ways and facilities |
| - | - | 6,541 | 14,074 | - | 30,118 | Health and sanitation |
| - | - | - | - | - | 2,765 | Capital outlay |
| | | | | | | Debt service: |
| - | - | - | - | - | 18 | Principal |
| - | - | - | - | - | 3 | Interest |
| 2,881 | 664 | 6,541 | 14,074 | 105 | 70,561 | Total expenditures |
| | | | | | | Excess (deficiency) of revenues over (under) expenditures |
| 214 | (470) | (1,824) | (4,364) | (54) | 518 | |
| | | | | | | Other financing sources (uses) |
| - | - | - | 4,488 | - | 8,500 | Transfers in |
| - | - | (343) | - | - | (1,952) | Transfers out |
| - | - | (343) | 4,488 | - | 6,548 | Total other financing sources (uses) |
| | | | | | | Net change in fund balances |
| 214 | (470) | (2,167) | 124 | (54) | 7,066 | |
| 2 | 3,366 | 7,095 | 3,067 | 880 | 58,245 | Fund balances - beginning |
| \$ 216 | \$ 2,896 | \$ 4,928 | \$ 3,191 | \$ 826 | \$ 65,311 | Fund balances - end |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Road Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 5,509</u> | <u>\$ 5,509</u> | <u>\$ -</u> | <u>\$ 8,224</u> | <u>\$ 2,715</u> |
| Resources (inflows): | | | | | |
| Licenses and permits | 240 | 240 | - | 74 | (166) |
| Use of money and property | 187 | 187 | - | (115) | (302) |
| Intergovernmental revenues | 26,457 | 26,457 | - | 22,637 | (3,820) |
| Charges for services | 6 | 6 | - | - | (6) |
| Interfund revenue | 626 | 626 | - | 984 | 358 |
| Miscellaneous revenue | 7,141 | 7,141 | - | 3,405 | (3,736) |
| Amounts available for appropriation | <u>34,657</u> | <u>34,657</u> | <u>-</u> | <u>26,985</u> | <u>(7,672)</u> |
| Charges to appropriations (outflows): | | | | | |
| Public ways and facilities | | | | | |
| Salaries and benefits | 8,665 | 8,665 | - | 7,897 | 768 |
| Services and supplies | 18,093 | 18,093 | - | 13,014 | 5,079 |
| Other charges | 1,199 | 1,199 | - | 1,013 | 186 |
| Fixed assets | 4,620 | 4,620 | - | 1,975 | 2,645 |
| Intrafund transfers | (3,214) | (3,214) | - | (1,767) | (1,447) |
| Contingencies | 10,803 | 10,803 | - | - | 10,803 |
| Total charges to appropriations | <u>40,166</u> | <u>40,166</u> | <u>-</u> | <u>22,132</u> | <u>18,034</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,077</u> | <u>\$ 13,077</u> |

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

| | |
|--|------------------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 26,985 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes | (4,012) |
| Receipts from sub-funds, not budgeted | <u>4,602</u> |
| Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 27,575</u> |

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

| | |
|--|------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 22,132 |
| Differences - budget to GAAP: | |
| Disbursements from sub-funds, not budgeted | <u>2,886</u> |
| Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 25,018</u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County Fire Protection Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|---------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 214</u> | <u>\$ 214</u> | <u>\$ -</u> | <u>\$ 172</u> | <u>\$ (42)</u> |
| Resources (inflows): | | | | | |
| Taxes | 4,894 | 4,894 | - | 5,010 | 116 |
| Use of money and property | 32 | 32 | - | 6 | (26) |
| Intergovernmental revenues | 40 | 40 | - | 34 | (6) |
| Charges for services | 345 | 345 | - | 286 | (59) |
| Interfund revenue | 915 | 1,079 | 164 | 1,048 | (31) |
| Miscellaneous revenue | 359 | 359 | - | 158 | (201) |
| Amounts available for appropriation | <u>6,585</u> | <u>6,749</u> | <u>164</u> | <u>6,542</u> | <u>(207)</u> |
| Charges to appropriations (outflows): | | | | | |
| Public protection | | | | | |
| Services and supplies | 6,208 | 6,372 | 164 | 6,219 | 153 |
| Non-general fund reserves | 591 | 591 | - | - | 591 |
| Total charges to appropriations | <u>6,799</u> | <u>6,963</u> | <u>164</u> | <u>6,219</u> | <u>744</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 495</u> | <u>\$ 495</u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County Service Area Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 5,223</u> | <u>\$ 5,245</u> | <u>\$ 22</u> | <u>\$ 4,937</u> | <u>\$ (308)</u> |
| Resources (inflows): | | | | | |
| Taxes | 2,818 | 2,818 | - | 2,959 | 141 |
| Licenses and permits | 57 | 57 | - | 60 | 3 |
| Use of money and property | 120 | 120 | - | (139) | (259) |
| Intergovernmental revenues | 20 | 20 | - | 19 | (1) |
| Charges for services | 1,138 | 1,138 | - | 1,141 | 3 |
| Miscellaneous revenue | 21 | 21 | - | 21 | - |
| Amounts available for appropriation | <u>4,174</u> | <u>4,174</u> | <u>-</u> | <u>4,061</u> | <u>(113)</u> |
| Charges to appropriations (outflows): | | | | | |
| General government | | | | | |
| Services and supplies | 3,745 | 3,730 | (15) | 3,404 | 326 |
| Other charges | 264 | 286 | 22 | 240 | 46 |
| Fixed assets | 28 | 43 | 15 | 41 | 2 |
| Other financing uses | 96 | 96 | - | 96 | - |
| Contingencies | 4,082 | 4,082 | - | - | 4,082 |
| Non-general fund reserves | 1,182 | 1,182 | - | - | 1,182 |
| Total charges to appropriations | <u>9,397</u> | <u>9,419</u> | <u>22</u> | <u>3,781</u> | <u>5,638</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,217</u> | <u>\$ 5,217</u> |

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

| | |
|--|-----------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 3,781 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | <u>(96)</u> |
| Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 3,685</u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Sewer and Sanitation Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 8,968</u> | <u>\$ 9,394</u> | <u>\$ 426</u> | <u>\$ 7,902</u> | <u>\$ (1,492)</u> |
| Resources (inflows): | | | | | |
| Taxes | 489 | 489 | - | 715 | 226 |
| Use of money and property | 223 | 223 | - | (246) | (469) |
| Intergovernmental revenues | 3 | 3 | - | 3 | - |
| Charges for services | 7,792 | 7,792 | - | 8,051 | 259 |
| Interfund revenue | 892 | 892 | - | 793 | (99) |
| Miscellaneous revenue | - | - | - | 19 | 19 |
| Other financing sources | 248 | 248 | - | - | (248) |
| Amounts available for appropriation | <u>9,647</u> | <u>9,647</u> | <u>-</u> | <u>9,335</u> | <u>(312)</u> |
| Charges to appropriations (outflows): | | | | | |
| Health and sanitation | | | | | |
| Salaries and benefits | 748 | 748 | - | 787 | (39) |
| Services and supplies | 9,504 | 9,504 | - | 7,449 | 2,055 |
| Other charges | 285 | 711 | 426 | 57 | 654 |
| Fixed assets | 2,437 | 2,437 | - | 549 | 1,888 |
| Other financing uses | 248 | 248 | - | - | 248 |
| Intrafund transfers | (616) | (616) | - | (787) | 171 |
| Contingencies | 6,009 | 6,009 | - | - | 6,009 |
| Total charges to appropriations | <u>18,615</u> | <u>19,041</u> | <u>426</u> | <u>8,055</u> | <u>10,986</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,182</u> | <u>\$ 9,182</u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Flood Control Zone Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 12,832</u> | <u>\$ 13,115</u> | <u>\$ 283</u> | <u>\$ 12,723</u> | <u>\$ (392)</u> |
| Resources (inflows): | | | | | |
| Taxes | 2,571 | 2,571 | - | 3,019 | 448 |
| Use of money and property | 255 | 255 | - | (340) | (595) |
| Intergovernmental revenues | 22 | 22 | - | 23 | 1 |
| Rent and concessions | - | - | - | 4 | 4 |
| Miscellaneous revenue | - | - | - | 48 | 48 |
| Other financing sources | 2,190 | 2,190 | - | - | (2,190) |
| Amounts available for appropriation | <u>5,038</u> | <u>5,038</u> | <u>-</u> | <u>2,754</u> | <u>(2,284)</u> |
| Charges to appropriations (outflows): | | | | | |
| Public protection | | | | | |
| Services and supplies | 1,417 | 1,417 | - | 471 | 946 |
| Other charges | 1,355 | 1,638 | 283 | 197 | 1,441 |
| Fixed assets | 3,500 | 3,500 | - | 200 | 3,300 |
| Other financing uses | 3,703 | 3,703 | - | 1,513 | 2,190 |
| Contingencies | 7,895 | 7,895 | - | - | 7,895 |
| Total charges to appropriations | <u>17,870</u> | <u>18,153</u> | <u>283</u> | <u>2,381</u> | <u>15,772</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,096</u> | <u>\$ 13,096</u> |

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

| | |
|--|----------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 2,381 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes. | <u>(1,513)</u> |
| Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 868</u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Lighting Districts Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 7,207</u> | <u>\$ 7,231</u> | <u>\$ 24</u> | <u>\$ 7,158</u> | <u>\$ (73)</u> |
| Resources (inflows): | | | | | |
| Taxes | 606 | 606 | - | 942 | 336 |
| Use of money and property | 220 | 220 | - | (203) | (423) |
| Intergovernmental revenues | 4 | 4 | - | 4 | - |
| Miscellaneous revenue | - | - | - | 3 | 3 |
| Amounts available for appropriation | <u>830</u> | <u>830</u> | <u>-</u> | <u>746</u> | <u>(84)</u> |
| Charges to appropriations (outflows): | | | | | |
| General government | | | | | |
| Services and supplies | 557 | 557 | - | 526 | 31 |
| Other charges | - | 24 | 24 | - | 24 |
| Fixed assets | 350 | 350 | - | - | 350 |
| Intrafund transfers | (108) | (108) | - | (72) | (36) |
| Contingencies | <u>7,238</u> | <u>7,238</u> | <u>-</u> | <u>-</u> | <u>7,238</u> |
| Total charges to appropriations | <u>8,037</u> | <u>8,061</u> | <u>24</u> | <u>454</u> | <u>7,607</u> |
| Budgetary fund balances, June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 7,450</u></u> | <u><u>\$ 7,450</u></u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Emergency Medical Services Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 2,300</u> | <u>\$ 2,300</u> | <u>\$ -</u> | <u>\$ 2,288</u> | <u>\$ (12)</u> |
| Resources (inflows): | | | | | |
| Fines, forfeitures and penalties | 1,906 | 1,906 | - | 2,027 | 121 |
| Use of money and property | 60 | 60 | - | (63) | (123) |
| Intergovernmental revenues | 9 | 9 | - | - | (9) |
| Miscellaneous revenue | <u>326</u> | <u>326</u> | <u>-</u> | <u>335</u> | <u>9</u> |
| Amounts available for appropriation | <u>2,301</u> | <u>2,301</u> | <u>-</u> | <u>2,299</u> | <u>(2)</u> |
| Charges to appropriations (outflows): | | | | | |
| Health and sanitation | | | | | |
| Services and supplies | 1,997 | 1,997 | - | 1,997 | - |
| Non-general fund reserves | <u>2,604</u> | <u>2,604</u> | <u>-</u> | <u>-</u> | <u>2,604</u> |
| Total charges to appropriations | <u>4,601</u> | <u>4,601</u> | <u>-</u> | <u>1,997</u> | <u>2,604</u> |
| Budgetary fund balances, June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 2,590</u></u> | <u><u>\$ 2,590</u></u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County Half-Cent Transportation Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 2</u> | <u>\$ 2</u> | <u>\$ -</u> | <u>\$ 2</u> | <u>\$ -</u> |
| Resources (inflows): | | | | | |
| Taxes | 1,382 | 1,732 | 350 | 1,704 | (28) |
| Use of money and property | - | - | - | 6 | 6 |
| Charges for services | 1,202 | 1,202 | - | 1,343 | 141 |
| Interfund revenue | - | - | - | 4 | 4 |
| Miscellaneous revenue | - | - | - | 38 | 38 |
| Amounts available for appropriation | <u>2,584</u> | <u>2,934</u> | <u>350</u> | <u>3,095</u> | <u>161</u> |
| Charges to appropriations (outflows): | | | | | |
| Public ways and facilities | | | | | |
| Salaries and benefits | 1,235 | 1,035 | (200) | 1,002 | 33 |
| Services and supplies | 1,203 | 1,703 | 500 | 1,682 | 21 |
| Other charges | 148 | 198 | 50 | 197 | 1 |
| Other financing uses | | - | - | - | - |
| Contingencies | | | - | - | - |
| Total charges to appropriations | <u>2,586</u> | <u>2,936</u> | <u>350</u> | <u>2,881</u> | <u>55</u> |
| Budgetary fund balances, June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 216</u></u> | <u><u>\$ 216</u></u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County-Wide Road Improvement Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 3,388</u> | <u>\$ 3,388</u> | <u>\$ -</u> | <u>\$ 3,366</u> | <u>\$ (22)</u> |
| Resources (inflows): | | | | | |
| Use of money and property | 100 | 100 | - | (101) | (201) |
| Charges for services | 450 | 450 | - | 295 | (155) |
| Amounts available for appropriation | <u>550</u> | <u>550</u> | <u>-</u> | <u>194</u> | <u>(356)</u> |
| Charges to appropriations (outflows): | | | | | |
| Public ways and facilities | | | | | |
| Services and supplies | 750 | 750 | - | 664 | 86 |
| Non-general fund reserves | <u>3,188</u> | <u>3,188</u> | <u>-</u> | <u>-</u> | <u>3,188</u> |
| Total charges to appropriations | <u>3,938</u> | <u>3,938</u> | <u>-</u> | <u>664</u> | <u>3,274</u> |
| Budgetary fund balances, June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 2,896</u></u> | <u><u>\$ 2,896</u></u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Solid Waste Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 6,288</u> | <u>\$ 6,288</u> | <u>\$ -</u> | <u>\$ 7,095</u> | <u>\$ 807</u> |
| Resources (inflows): | | | | | |
| Licenses and permits | 5,041 | 5,041 | - | 4,662 | (379) |
| Use of money and property | 150 | 150 | - | (217) | (367) |
| Intergovernmental revenues | 160 | 160 | - | 113 | (47) |
| Charges for services | 30 | 30 | - | 85 | 55 |
| Interfund revenue | 870 | 870 | - | - | (870) |
| Miscellaneous revenue | 25 | 25 | - | 74 | 49 |
| Amounts available for appropriation | <u>6,276</u> | <u>6,276</u> | <u>-</u> | <u>4,717</u> | <u>(1,559)</u> |
| Charges to appropriations (outflows): | | | | | |
| Health and sanitation | | | | | |
| Salaries and benefits | 1,087 | 1,212 | 125 | 1,123 | 89 |
| Services and supplies | 6,064 | 5,789 | (275) | 3,684 | 2,105 |
| Other charges | 1,742 | 1,742 | - | 1,734 | 8 |
| Other financing uses | 227 | 377 | 150 | 343 | 34 |
| Contingencies | 1,457 | 1,457 | - | - | 1,457 |
| Non-general fund reserves | 1,987 | 1,987 | - | - | 1,987 |
| Total charges to appropriations | <u>12,564</u> | <u>12,564</u> | <u>-</u> | <u>6,884</u> | <u>5,680</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,928</u> | <u>\$ 4,928</u> |

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

| | |
|--|-----------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 6,884 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | (343) |
| Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 6,541</u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
In-Home Supportive Services Public Authority Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 3,496</u> | <u>\$ 3,496</u> | <u>\$ -</u> | <u>\$ 3,067</u> | <u>\$ (429)</u> |
| Resources (inflows): | | | | | |
| Use of money and property | - | - | - | (88) | (88) |
| Intergovernmental revenues | 10,280 | 10,917 | 637 | 9,585 | (1,332) |
| Charges for services | - | - | - | 213 | 213 |
| Other financing sources | <u>4,488</u> | <u>4,488</u> | <u>-</u> | <u>4,488</u> | <u>-</u> |
| Amounts available for appropriation | <u>14,768</u> | <u>15,405</u> | <u>637</u> | <u>14,198</u> | <u>(1,207)</u> |
| Charges to appropriations (outflows): | | | | | |
| Health and sanitation | | | | | |
| Salaries and benefits | 522 | 522 | - | 466 | 56 |
| Services and supplies | 3,110 | 3,110 | - | 2,570 | 540 |
| Other charges | 11,135 | 11,772 | 637 | 11,038 | 734 |
| Non-general fund reserves | <u>3,497</u> | <u>3,497</u> | <u>-</u> | <u>-</u> | <u>3,497</u> |
| Total charges to appropriations | <u>18,264</u> | <u>18,901</u> | <u>637</u> | <u>14,074</u> | <u>4,827</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,191</u> | <u>\$ 3,191</u> |

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

| | |
|--|-----------------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 14,198 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes. | (4,488) |
| Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 9,710</u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Other Special Revenue Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| <u>Fish and Game Fund</u> | | | | | |
| Budgetary fund balances, July 1 | \$ 76 | \$ 76 | \$ - | \$ 84 | \$ 8 |
| Resources (inflows): | | | | | |
| Fines, forfeitures and penalties | 3 | 3 | - | 4 | 1 |
| Use of money and property | 3 | 3 | - | (2) | (5) |
| Amounts available for appropriation | 6 | 6 | - | 2 | (4) |
| Charges to appropriations (outflows): | | | | | |
| General government | | | | | |
| Services and supplies | 20 | 20 | - | 7 | 13 |
| Non-general fund reserves | 62 | 62 | - | - | 62 |
| Total charges to appropriations | 82 | 82 | - | 7 | 75 |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 79</u> | <u>\$ 79</u> |
| <u>Off-Highway Vehicle License Fees Fund</u> | | | | | |
| Budgetary fund balances, July 1 | \$ 199 | \$ 199 | \$ - | \$ 214 | \$ 15 |
| Resources (inflows): | | | | | |
| Use of money and property | 8 | 8 | - | (6) | (14) |
| Amounts available for appropriation | 8 | 8 | - | (6) | (14) |
| Charges to appropriations (outflows): | | | | | |
| Public ways and facilities | | | | | |
| Services and supplies | 118 | 118 | - | 84 | 34 |
| Non-general fund reserves | 89 | 89 | - | - | 89 |
| Total charges to appropriations | 207 | 207 | - | 84 | 123 |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 124</u> | <u>\$ 124</u> |
| <u>Highlands Landscape Maintenance District</u> | | | | | |
| Budgetary fund balances, July 1 | \$ 419 | \$ 419 | \$ - | \$ 169 | \$ (250) |
| Resources (inflows): | | | | | |
| Taxes | 24 | 24 | - | 31 | 7 |
| Use of money and property | 11 | 11 | - | (12) | (23) |
| Charges for services | 12 | 12 | - | 12 | - |
| Amounts available for appropriation | 47 | 47 | - | 31 | (16) |
| Charges to appropriations (outflows): | | | | | |
| Public protection | | | | | |
| Services and supplies | 94 | 94 | - | 14 | 80 |
| Contingencies | 319 | 319 | - | - | 319 |
| Non-general fund reserves | 53 | 53 | - | - | 53 |
| Total charges to appropriations | 466 | 466 | - | 14 | 452 |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 186</u> | <u>\$ 186</u> |

(Continued)

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Other Special Revenue Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| <u>Total - Other Special Revenue Funds</u> | | | | | |
| Budgetary fund balances, July 1 | \$ 694 | \$ 694 | \$ - | \$ 467 | \$ (227) |
| Resources (inflows) | 61 | 61 | - | 27 | (34) |
| Charges to appropriations (outflows) | <u>(755)</u> | <u>(755)</u> | <u>-</u> | <u>(105)</u> | <u>650</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 389</u> | <u>\$ 389</u> |

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

| | |
|--|--------------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 27 |
| Differences - budget to GAAP: | |
| Receipts from other special revenue funds, not budgeted | <u>24</u> |
| Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 51</u> |

COUNTY OF SAN MATEO

Nonmajor Governmental Funds

Debt Service Fund

Debt Service Fund is used to account for the accumulation of resources for, and payment of, principal and interest on the County's general long-term debt.

Other Debt Service Fund - was established to centrally budget all County debt service payments. Amounts are transferred into this fund from various funding sources before payments are made.

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Other Debt Service Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 23,971</u> | <u>\$ 23,971</u> | <u>\$ -</u> | <u>\$ 30,569</u> | <u>\$ 6,598</u> |
| Resources (inflows): | | | | | |
| Use of money and property | - | - | - | (691) | (691) |
| Other financing sources | <u>30,225</u> | <u>42,025</u> | <u>11,800</u> | <u>30,676</u> | <u>(11,349)</u> |
| Amount available for appropriation | <u>30,225</u> | <u>42,025</u> | <u>11,800</u> | <u>29,985</u> | <u>(12,040)</u> |
| Charges to appropriations (outflows): | | | | | |
| Other charges | 764 | 12,564 | 11,800 | 28 | 12,536 |
| Other financing uses | <u>37,821</u> | <u>37,821</u> | - | <u>37,821</u> | - |
| Non-general fund reserves | <u>15,611</u> | <u>15,611</u> | - | - | <u>15,611</u> |
| Total charges to appropriations | <u>54,196</u> | <u>65,996</u> | <u>11,800</u> | <u>37,849</u> | <u>28,147</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,705</u> | <u>\$ 22,705</u> |

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

| | |
|---|-----------------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 29,985 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | <u>(30,676)</u> |
| Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds | <u>\$ (691)</u> |

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

| | |
|---|-----------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 37,849 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | <u>(37,821)</u> |
| Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds | <u>\$ 28</u> |

COUNTY OF SAN MATEO

Nonmajor Governmental Funds

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition of land or acquisition and construction of major facilities other than those financed by the proprietary funds.

Parks Acquisition Fund - is used for the acquisition of land for the County Park System and the development of County park facilities. Revenues in this fund initially came from a one-time sale of land at San Bruno Mountain. Current revenues come from grants and interest earnings.

Accumulated Capital Outlay Fund - accounts for appropriations for County capital improvement and maintenance projects. Revenues are derived from selling the County real properties and interest earnings.

Criminal Facility Fund - was established to support construction, reconstruction, expansion, improvement, operation or maintenance of criminal justice facilities. For every \$10 of all criminal and traffic fines, and bail and imposed penalties; a \$2.25 penalty assessment is added to the fines and placed into this fund. A penalty assessment of \$1.50 is put into this fund for every parking offense paid. The County's Probation Department also deposits \$1 into this fund for every \$10 in fines collected pursuant to Government Code 76004.

Courthouse Construction Fund - was established to finance construction and rehabilitation of courtrooms. Revenues for this fund are identical to the Criminal Facility Construction Fund above.

Other Capital Projects Fund - was established to centrally budget other capital improvement projects in the County.

COUNTY OF SAN MATEO
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2009
(In Thousands)

| | Parks Acquisition | Accumulated Capital Outlay | Criminal Facility | Courthouse Construction | Other Capital Projects | Total |
|--|----------------------|----------------------------------|----------------------|----------------------------|------------------------------|------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 4,373 | \$ 6 | \$ 982 | \$ 4,327 | \$ 2,228 | \$ 11,916 |
| Securities lending collateral | 308 | - | 69 | 305 | 157 | 839 |
| Accounts receivable | - | - | 34 | 32 | - | 66 |
| Interest receivable | 19 | - | 4 | 23 | 9 | 55 |
| Due from other funds | - | - | - | - | 39 | 39 |
| Total assets | <u>\$ 4,700</u> | <u>\$ 6</u> | <u>\$ 1,089</u> | <u>\$ 4,687</u> | <u>\$ 2,433</u> | <u>\$ 12,915</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 52 | \$ - | \$ - | \$ - | \$ 359 | \$ 411 |
| Securities lending collateral - due to borrowers | 308 | - | 69 | 305 | 157 | 839 |
| Due to other funds | 4 | - | - | 769 | 16 | 789 |
| Total liabilities | <u>364</u> | <u>-</u> | <u>69</u> | <u>1,074</u> | <u>532</u> | <u>2,039</u> |
| Fund Balances: | | | | | | |
| Restricted | 4,336 | - | 989 | 990 | - | 6,315 |
| Committed | - | - | - | 2,605 | - | 2,605 |
| Assigned | - | 6 | 31 | 18 | 1,901 | 1,956 |
| Total fund balances | <u>4,336</u> | <u>6</u> | <u>1,020</u> | <u>3,613</u> | <u>1,901</u> | <u>10,876</u> |
| Total liabilities and fund balances | <u>\$ 4,700</u> | <u>\$ 6</u> | <u>\$ 1,089</u> | <u>\$ 4,687</u> | <u>\$ 2,433</u> | <u>\$ 12,915</u> |

COUNTY OF SAN MATEO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | <u>Parks Acquisition</u> | <u>Accumulated Capital Outlay</u> | <u>Criminal Facility</u> | <u>Courthouse Construction</u> | <u>Other Capital Projects</u> | <u>Total</u> |
|--|------------------------------|---|------------------------------|------------------------------------|---------------------------------------|------------------|
| Revenues: | | | | | | |
| Intergovernmental | \$ 1,425 | \$ - | \$ - | \$ - | \$ - | \$ 1,425 |
| Charges for services | - | - | 1,250 | 1,199 | 23 | 2,472 |
| Fines, forfeitures and penalties | - | - | 34 | 32 | - | 66 |
| Investment income (loss) | (121) | - | (32) | (99) | (56) | (308) |
| Securities lending activities: | | | | | | |
| Securities lending income | 4 | - | 1 | 3 | 2 | 10 |
| Securities lending expenditures | (3) | - | (1) | (2) | (2) | (8) |
| Other | 906 | - | - | - | 25 | 931 |
| Total revenues | <u>2,211</u> | <u>-</u> | <u>1,252</u> | <u>1,133</u> | <u>(8)</u> | <u>4,588</u> |
| Expenditures: | | | | | | |
| Capital outlay | <u>729</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,432</u> | <u>8,161</u> |
| Total expenditures | <u>729</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,432</u> | <u>8,161</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,482</u> | <u>-</u> | <u>1,252</u> | <u>1,133</u> | <u>(7,440)</u> | <u>(3,573)</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | - | 29 | 7,381 | 7,410 |
| Transfers out | <u>(786)</u> | <u>-</u> | <u>(1,124)</u> | <u>(1,444)</u> | <u>-</u> | <u>(3,354)</u> |
| Total other financing sources (uses) | <u>(786)</u> | <u>-</u> | <u>(1,124)</u> | <u>(1,415)</u> | <u>7,381</u> | <u>4,056</u> |
| Net change in fund balances | 696 | - | 128 | (282) | (59) | 483 |
| Fund balances - beginning | <u>3,640</u> | <u>6</u> | <u>892</u> | <u>3,895</u> | <u>1,960</u> | <u>10,393</u> |
| Fund balances- end | <u>\$ 4,336</u> | <u>\$ 6</u> | <u>\$ 1,020</u> | <u>\$ 3,613</u> | <u>\$ 1,901</u> | <u>\$ 10,876</u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Parks Acquisition Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 3,662</u> | <u>\$ 3,662</u> | <u>\$ -</u> | <u>\$ 3,640</u> | <u>\$ (22)</u> |
| Resources (inflows): | | | | | |
| Use of money and property | 70 | 70 | - | (120) | (190) |
| Intergovernmental revenues | 3,251 | 3,307 | 56 | 1,425 | (1,882) |
| Interfund revenue | 75 | 75 | - | - | (75) |
| Miscellaneous revenue | - | 39 | 39 | 906 | 867 |
| Amounts available for appropriation | <u>3,396</u> | <u>3,491</u> | <u>95</u> | <u>2,211</u> | <u>(1,280)</u> |
| Charges to appropriations (outflows): | | | | | |
| Services and supplies | 409 | 417 | 8 | 232 | 185 |
| Fixed assets | 2,328 | 2,115 | (213) | 497 | 1,618 |
| Other financing uses | 2,728 | 3,028 | 300 | 786 | 2,242 |
| Non-general fund reserves | <u>1,593</u> | <u>1,593</u> | <u>-</u> | <u>-</u> | <u>1,593</u> |
| Total charges to appropriations | <u>7,058</u> | <u>7,153</u> | <u>95</u> | <u>1,515</u> | <u>5,638</u> |
| Budgetary fund balances, June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 4,336</u></u> | <u><u>\$ 4,336</u></u> |

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

| | |
|---|----------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 1,515 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes. | (786) |
| Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds | <u><u>\$ 729</u></u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Accumulated Capital Outlay Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 6</u> | <u>\$ 6</u> | <u>\$ -</u> | <u>\$ 6</u> | <u>\$ -</u> |
| Resources (inflows): | | | | | |
| Use of money and property | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Amounts available for appropriation | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Charges to appropriations (outflows): | | | | | |
| Other financing uses | | | <u>-</u> | <u>-</u> | <u>-</u> |
| Contingencies | <u>6</u> | <u>6</u> | <u>-</u> | <u>-</u> | <u>6</u> |
| Total charges to appropriations | <u>6</u> | <u>6</u> | <u>-</u> | <u>-</u> | <u>6</u> |
| Budgetary fund balances, June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 6</u></u> | <u><u>\$ 6</u></u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Criminal Facility Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 899</u> | <u>\$ 899</u> | <u>\$ -</u> | <u>\$ 892</u> | <u>\$ (7)</u> |
| Resources (inflows): | | | | | |
| Fines, forfeitures and penalties | - | - | - | 34 | 34 |
| Use of money and property | 45 | 45 | - | (32) | (77) |
| Charges for services | <u>1,200</u> | <u>1,200</u> | <u>-</u> | <u>1,250</u> | <u>50</u> |
| Amounts available for appropriation | <u>1,245</u> | <u>1,245</u> | <u>-</u> | <u>1,252</u> | <u>7</u> |
| Charges to appropriations (outflows): | | | | | |
| Other financing uses | 1,172 | 1,172 | - | 1,124 | 48 |
| Non-general fund reserves | <u>972</u> | <u>972</u> | <u>-</u> | <u>-</u> | <u>972</u> |
| Total charges to appropriations | <u>2,144</u> | <u>2,144</u> | <u>-</u> | <u>1,124</u> | <u>1,020</u> |
| Budgetary fund balances, June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,020</u></u> | <u><u>\$ 1,020</u></u> |

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

| | |
|---|--------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 1,124 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | <u>(1,124)</u> |
| Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds | <u><u>\$ -</u></u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Courthouse Construction Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | <u>\$ 3,920</u> | <u>\$ 3,920</u> | <u>\$ -</u> | <u>\$ 3,895</u> | <u>\$ (25)</u> |
| Resources (inflows): | | | | | |
| Fines, forfeitures and penalties | - | - | - | 32 | 32 |
| Use of money and property | 100 | 100 | - | (98) | (198) |
| Charges for services | 1,300 | 1,300 | - | 1,199 | (101) |
| Other financing sources | - | - | - | 29 | 29 |
| Amounts available for appropriation | <u>1,400</u> | <u>1,400</u> | <u>-</u> | <u>1,162</u> | <u>(238)</u> |
| Charges to appropriations (outflows): | | | | | |
| Other financing uses | 1,541 | 4,291 | 2,750 | 1,444 | 2,847 |
| Non-general fund reserves | <u>3,779</u> | <u>1,029</u> | <u>(2,750)</u> | <u>-</u> | <u>1,029</u> |
| Total charges to appropriations | <u>5,320</u> | <u>5,320</u> | <u>-</u> | <u>1,444</u> | <u>3,876</u> |
| Budgetary fund balances, June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,613</u></u> | <u><u>\$ 3,613</u></u> |

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

| | |
|---|------------------------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 1,162 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes. | <u>(29)</u> |
| Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds | <u><u>\$ 1,133</u></u> |

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

| | |
|---|--------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 1,444 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | <u>(1,444)</u> |
| Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds | <u><u>\$ -</u></u> |

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Other Capital Projects Fund
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Budgeted Amounts | | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|------------------------|---|---|
| | Original | Final | Increase (Decrease) | | |
| Budgetary fund balances, July 1 | \$ 1,947 | \$ 1,947 | \$ - | \$ 1,960 | \$ 13 |
| Resources (inflows): | | | | | |
| Use of money and property | - | - | - | (56) | (56) |
| Charges for services | 1,079 | 1,079 | - | 23 | (1,056) |
| Miscellaneous revenue | 28 | 28 | - | 25 | (3) |
| Other financing sources | 21,834 | 25,304 | 3,470 | 7,381 | (17,923) |
| Amounts available for appropriation | 22,941 | 26,411 | 3,470 | 7,373 | (19,038) |
| Charges to appropriations (outflows): | | | | | |
| Fixed assets | 24,888 | 28,358 | 3,470 | 7,432 | 20,926 |
| Total charges to appropriations | 24,888 | 28,358 | 3,470 | 7,432 | 20,926 |
| Budgetary fund balances, June 30 | \$ - | \$ - | \$ - | \$ 1,901 | \$ 1,901 |

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

| | |
|---|----------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 7,373 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | (7,381) |
| Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds | \$ (8) |



Nonmajor Enterprise Funds

COUNTY OF SAN MATEO

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is to have the costs of providing goods or services (including depreciation and amortization) to the general public be financed primarily through user charges on a continuing basis; or where the County has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Airports Fund - was established to provide for operations and maintenance of San Carlos and Half Moon Bay aviation facilities. Revenues are derived from facility rental and federal aid.

Coyote Point Marina Fund - provides and maintains a fully utilized recreational facility for the boating public. Revenues arise from berth and facility rentals as well as interest earnings.

COUNTY OF SAN MATEO
Combining Statement of Fund Net Assets
Nonmajor Enterprise Funds
June 30, 2009
(In Thousands)

| | <u>Airports</u> | <u>Coyote Point Marina</u> | <u>Total</u> |
|--|------------------|------------------------------------|------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 2,119 | \$ 427 | \$ 2,546 |
| Securities lending collateral | 149 | 30 | 179 |
| Receivables (net): | | | |
| Accounts | - | 11 | 11 |
| Interest | 12 | 3 | 15 |
| Due from other funds | 6 | - | 6 |
| Total current assets | <u>2,286</u> | <u>471</u> | <u>2,757</u> |
| Noncurrent assets: | | | |
| Net OPEB asset | 175 | 114 | 289 |
| Capital assets: | | | |
| Nondepreciable: | | | |
| Land | 6,844 | 1,334 | 8,178 |
| Construction in progress | 7,320 | 712 | 8,032 |
| Depreciable: | | | |
| Structures and improvements | 16,438 | 11,713 | 28,151 |
| Equipment | 73 | 116 | 189 |
| Less accumulated depreciation | (6,621) | (5,055) | (11,676) |
| Total noncurrent assets | <u>24,229</u> | <u>8,934</u> | <u>33,163</u> |
| Total assets | <u>26,515</u> | <u>9,405</u> | <u>35,920</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 12 | 29 | 41 |
| Accrued interest payable | 71 | 38 | 109 |
| Accrued salaries and benefits | 41 | 24 | 65 |
| Securities lending collateral - due to borrowers | 149 | 30 | 179 |
| Due to other funds | 14 | - | 14 |
| Unearned revenues | 27 | - | 27 |
| Compensated absences - current | 26 | 38 | 64 |
| Other long-term liabilities - current | 197 | 77 | 274 |
| Total current liabilities | <u>537</u> | <u>236</u> | <u>773</u> |
| Noncurrent liabilities: | | | |
| Deposits | 1 | 3 | 4 |
| Compensated absences - noncurrent | 40 | 17 | 57 |
| Other long-term liabilities - noncurrent | 3,614 | 789 | 4,403 |
| Total noncurrent liabilities | <u>3,655</u> | <u>809</u> | <u>4,464</u> |
| Total liabilities | <u>4,192</u> | <u>1,045</u> | <u>5,237</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 20,243 | 7,954 | 28,197 |
| Unrestricted | 2,080 | 406 | 2,486 |
| Total net assets | <u>\$ 22,323</u> | <u>\$ 8,360</u> | <u>\$ 30,683</u> |

COUNTY OF SAN MATEO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | <u>Airports</u> | <u>Coyote Point Marina</u> | <u>Total</u> |
|--|-------------------------|------------------------------------|-------------------------|
| Operating revenues: | | | |
| Charges for services | \$ 39 | \$ 1,083 | \$ 1,122 |
| Rent and concessions | 2,464 | 25 | 2,489 |
| Miscellaneous | 64 | 8 | 72 |
| Total operating revenues | <u>2,567</u> | <u>1,116</u> | <u>3,683</u> |
| Operating expenses: | | | |
| Salaries and benefits | 891 | 540 | 1,431 |
| General and administrative | 1,000 | 450 | 1,450 |
| Depreciation and amortization | 350 | 237 | 587 |
| Total operating expenses | <u>2,241</u> | <u>1,227</u> | <u>3,468</u> |
| Operating income (loss) | <u>326</u> | <u>(111)</u> | <u>215</u> |
| Nonoperating revenues (expenses): | | | |
| State and federal grants | 2,010 | - | 2,010 |
| Investment loss | (46) | (12) | (58) |
| Interest expenses | (183) | (41) | (224) |
| Securities lending activities: | | | |
| Securities lending income | 2 | - | 2 |
| Securities lending expenses | (2) | - | (2) |
| Total nonoperating revenues (expenses) | <u>1,781</u> | <u>(53)</u> | <u>1,728</u> |
| Income (loss) before transfers | 2,107 | (164) | 1,943 |
| Transfers out | <u>-</u> | <u>(72)</u> | <u>(72)</u> |
| Change in net assets | 2,107 | (236) | 1,871 |
| Net assets - beginning | <u>20,216</u> | <u>8,596</u> | <u>28,812</u> |
| Net assets - end | <u><u>\$ 22,323</u></u> | <u><u>\$ 8,360</u></u> | <u><u>\$ 30,683</u></u> |

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Airports | Coyote Point Marina | Total |
|--|-----------------|---------------------------|-----------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | \$ 2,639 | \$ 1,117 | \$ 3,756 |
| Cash paid to suppliers of goods and services | (1,222) | (428) | (1,650) |
| Cash paid to employees for services | (892) | (535) | (1,427) |
| Net cash provided by operating activities | <u>525</u> | <u>154</u> | <u>679</u> |
| Cash flows from noncapital financing activities | | | |
| Transfers paid | - | (72) | (72) |
| Loan repayments to other funds | (95) | - | (95) |
| State and federal grant receipts | 2,010 | - | 2,010 |
| Net cash provided by (used in) noncapital financing activities | <u>1,915</u> | <u>(72)</u> | <u>1,843</u> |
| Cash flows from capital and related financing activities | | | |
| Acquisition of capital assets | (895) | - | (895) |
| Principal paid on long-term liabilities | (187) | (73) | (260) |
| Interest paid on long-term liabilities | (193) | (46) | (239) |
| Net cash used in capital and related financing activities | <u>(1,275)</u> | <u>(119)</u> | <u>(1,394)</u> |
| Cash flows from investing activities | | | |
| Investment income received | 10 | 2 | 12 |
| Investment expense paid | (47) | (11) | (58) |
| Net cash used in investing activities | <u>(37)</u> | <u>(9)</u> | <u>(46)</u> |
| Net increase (decrease) in cash and cash equivalents | 1,128 | (46) | 1,082 |
| Cash and cash equivalents, beginning | 991 | 473 | 1,464 |
| Cash and cash equivalents, end | <u>\$ 2,119</u> | <u>\$ 427</u> | <u>\$ 2,546</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ 326 | \$ (111) | \$ 215 |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | |
| Depreciation | 350 | 237 | 587 |
| Decrease (increase) in: | | | |
| Accounts receivable | 27 | 1 | 28 |
| Due from other funds | 38 | - | 38 |
| Due from other governmental agencies | 12 | - | 12 |
| Net OPEB assets | (3) | (2) | (5) |
| Increase (decrease) in: | | | |
| Accounts payable | (222) | 22 | (200) |
| Accrued salaries and benefits | 4 | 3 | 7 |
| Unearned revenues | (5) | - | (5) |
| Compensated absences | (2) | 4 | 2 |
| Net cash provided by operating activities | <u>\$ 525</u> | <u>\$ 154</u> | <u>\$ 679</u> |



Internal Service Funds

COUNTY OF SAN MATEO

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. Internal Service Funds used by the County include the following:

Fleet Maintenance Fund - provides vehicle and equipment acquisition, replacement, maintenance, repair, and fuel services to all County agencies. Full service repair facilities are operated in Belmont and Redwood City.

Tower Road Construction Fund - provides quality, cost-effective maintenance, repair and renovation of County facilities to ensure a safe, accessible, efficient and attractive environment for the public and all County employees. This unit also offers remodeling and craft services beyond the scope of building maintenance to the County and other government agencies; as well as capital project management, support, and maintenance services to the lighting districts on a fee for service basis.

Self-Insurance Funds - are established to account for administrative costs and claim payments under various self-insurance programs. Revenues are primarily from premiums paid by participating funds and income on investments. The insurance programs include the following:

- Workers' Compensation Insurance – provides medical benefits to employees for work-related injuries and illnesses.
- Long-Term Disability – provides long-term disability benefits for permanent employees who have worked for the County for three years and at least 20 hours per week.
- Personal Injury and Property Damage – provides insurance coverage for general liability (including errors and omissions) and automobile liability.

Employee Benefits Fund – are established to account for costs associated with providing comprehensive benefits, services, and programs to eligible employees, retirees, and their dependents that meet their needs. Revenues are primarily derived from contributions paid by individual funds.

COUNTY OF SAN MATEO
Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2009
(In Thousands)

| | Fleet Maintenance | Tower Road Construction | Workers' Compensation Insurance | Long-Term Disability | Personal Injury and Property Damage | Employee Benefits | Total |
|--|----------------------|-------------------------------|---------------------------------------|-------------------------|--|----------------------|-----------------|
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and investments | \$ 6,100 | \$ 138 | \$ 22,605 | \$ 673 | \$ 6,331 | \$ 14,853 | \$ 50,700 |
| Securities lending collateral | 430 | 10 | 1,593 | 48 | 526 | 967 | 3,574 |
| Receivables (net): | | | | | | | |
| Accounts | 3 | 264 | - | - | 3 | - | 270 |
| Interest | 33 | - | 132 | 5 | 33 | 83 | 286 |
| Due from other funds | 7 | - | - | - | - | - | 7 |
| Due from other governmental agencies | - | - | - | - | - | 2,027 | 2,027 |
| Inventories | 122 | - | - | - | - | - | 122 |
| Other assets | - | - | - | - | 830 | - | 830 |
| Total current assets | <u>6,695</u> | <u>412</u> | <u>24,330</u> | <u>726</u> | <u>7,723</u> | <u>17,930</u> | <u>57,816</u> |
| Noncurrent assets: | | | | | | | |
| Net OPEB asset | 223 | 427 | - | - | - | - | 650 |
| Capital assets: | | | | | | | |
| Non-depreciable: | | | | | | | |
| Construction in progress | 7 | - | - | - | - | - | 7 |
| Depreciable: | | | | | | | |
| Structures and improvements | 1,078 | - | - | - | - | - | 1,078 |
| Equipment | 21,259 | 70 | - | - | - | - | 21,329 |
| Software | 9 | - | - | - | - | - | 9 |
| Less accumulated depreciation | (15,924) | (66) | - | - | - | - | (15,990) |
| Total noncurrent assets | <u>6,652</u> | <u>431</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,083</u> |
| Total assets | <u>13,347</u> | <u>843</u> | <u>24,330</u> | <u>726</u> | <u>7,723</u> | <u>17,930</u> | <u>64,899</u> |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | 117 | 39 | 11 | 27 | 268 | 1,414 | 1,876 |
| Accrued salaries and benefits | 64 | 98 | - | - | - | - | 162 |
| Securities lending collateral - due to borrowers | 430 | 10 | 1,593 | 48 | 526 | 967 | 3,574 |
| Due to other funds | 411 | - | 183 | 7 | 166 | 1,825 | 2,592 |
| Unearned revenues | - | 83 | - | - | - | - | 83 |
| Compensated absences - current | 81 | 104 | - | - | - | - | 185 |
| Estimated claims - current | - | - | 8,087 | 592 | 1,289 | 545 | 10,513 |
| Total current liabilities | <u>1,103</u> | <u>334</u> | <u>9,874</u> | <u>674</u> | <u>2,249</u> | <u>4,751</u> | <u>18,985</u> |
| Noncurrent liabilities: | | | | | | | |
| Advances from other funds | - | 571 | - | - | - | - | 571 |
| Deposits | 94 | - | - | - | - | - | 94 |
| Compensated absences - noncurrent | 40 | 24 | - | - | - | - | 64 |
| Estimated claims - noncurrent | - | - | 32,713 | 5,638 | 944 | - | 39,295 |
| Total noncurrent liabilities | <u>134</u> | <u>595</u> | <u>32,713</u> | <u>5,638</u> | <u>944</u> | <u>-</u> | <u>40,024</u> |
| Total liabilities | <u>1,237</u> | <u>929</u> | <u>42,587</u> | <u>6,312</u> | <u>3,193</u> | <u>4,751</u> | <u>59,009</u> |
| NET ASSETS | | | | | | | |
| Invested in capital assets, net of related debt | 6,429 | 4 | - | - | - | - | 6,433 |
| Unrestricted | 5,681 | (90) | (18,257) | (5,586) | 4,530 | 13,179 | (543) |
| Total net assets (deficits) | <u>\$ 12,110</u> | <u>\$ (86)</u> | <u>\$ (18,257)</u> | <u>\$ (5,586)</u> | <u>\$ 4,530</u> | <u>\$ 13,179</u> | <u>\$ 5,890</u> |

COUNTY OF SAN MATEO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Fleet Maintenance | Tower Road Construction | Workers' Compensation Insurance | Long-Term Disability | Personal Injury and Property Damage | Employee Benefits | Total |
|---|----------------------|-------------------------------|---------------------------------------|-------------------------|--|----------------------|-----------------|
| Operating revenues: | | | | | | | |
| Charges for services | \$ 6,056 | \$ 3,212 | \$ 11,570 | \$ 623 | \$ 8,210 | \$ 82,813 | \$ 112,484 |
| Miscellaneous | 103 | 648 | 689 | 13 | 76 | - | 1,529 |
| Total operating revenues | <u>6,159</u> | <u>3,860</u> | <u>12,259</u> | <u>636</u> | <u>8,286</u> | <u>82,813</u> | <u>114,013</u> |
| Operating expenses: | | | | | | | |
| Salaries and benefits | 1,425 | 2,572 | - | - | - | - | 3,997 |
| General and administrative | 2,883 | 867 | 4,304 | 437 | 1,259 | 2,067 | 11,817 |
| Benefits and claims | - | - | 9,292 | 2,395 | 243 | 5,372 | 17,302 |
| Insurance premiums | - | - | 1,304 | 72 | 4,585 | 74,171 | 80,132 |
| Depreciation | 1,786 | 2 | - | - | - | - | 1,788 |
| Total operating expenses | <u>6,094</u> | <u>3,441</u> | <u>14,900</u> | <u>2,904</u> | <u>6,087</u> | <u>81,610</u> | <u>115,036</u> |
| Operating income (loss) | <u>65</u> | <u>419</u> | <u>(2,641)</u> | <u>(2,268)</u> | <u>2,199</u> | <u>1,203</u> | <u>(1,023)</u> |
| Nonoperating revenues (expenses) | | | | | | | |
| Investment income (loss) | (161) | 11 | (639) | (32) | (15) | (348) | (1,184) |
| Securities lending activities: | | | | | | | |
| Securities lending income | 5 | - | 19 | - | 6 | 12 | 42 |
| Securities lending expenses | (4) | - | (15) | - | (5) | (9) | (33) |
| Total nonoperating revenues (expenses) | <u>(160)</u> | <u>11</u> | <u>(635)</u> | <u>(32)</u> | <u>(14)</u> | <u>(345)</u> | <u>(1,175)</u> |
| Change in net assets | <u>(95)</u> | <u>430</u> | <u>(3,276)</u> | <u>(2,300)</u> | <u>2,185</u> | <u>858</u> | <u>(2,198)</u> |
| Net assets (deficits) - beginning | <u>12,205</u> | <u>(516)</u> | <u>(14,981)</u> | <u>(3,286)</u> | <u>2,345</u> | <u>12,321</u> | <u>8,088</u> |
| Net assets (deficits) - end | <u>\$ 12,110</u> | <u>\$ (86)</u> | <u>\$ (18,257)</u> | <u>\$ (5,586)</u> | <u>\$ 4,530</u> | <u>\$ 13,179</u> | <u>\$ 5,890</u> |

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Fleet Maintenance | Tower Road Construction | Workers' Compensation Insurance | Long-Term Disability |
|--|----------------------|-------------------------------|---------------------------------------|-------------------------|
| Cash flows from operating activities | | | | |
| Cash received from interfund services provided | \$ 6,220 | \$ 3,925 | \$ 12,259 | \$ 636 |
| Cash payment to suppliers of goods and services | (3,035) | (896) | (5,860) | (502) |
| Cash payment to employees for services | (1,417) | (2,627) | - | - |
| Cash payment for judgments and claims | - | - | (6,181) | (508) |
| Net cash provided by (used in) operating activities | <u>1,768</u> | <u>402</u> | <u>218</u> | <u>(374)</u> |
| Cash flows from noncapital financing activities | | | | |
| Loan repayments to other funds | - | (279) | - | - |
| Net cash used in noncapital financing activities | <u>-</u> | <u>(279)</u> | <u>-</u> | <u>-</u> |
| Cash flows from capital and related financing activities | | | | |
| Acquisition of capital assets | (2,138) | - | - | - |
| Net cash used in capital and related financing activities | <u>(2,138)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash flows from investing activities | | | | |
| Investment income received | 20 | 11 | 57 | 8 |
| Investment expense paid | (160) | (11) | (635) | (32) |
| Net cash used in investing activities | <u>(140)</u> | <u>-</u> | <u>(578)</u> | <u>(24)</u> |
| Net increase (decrease) in cash and cash equivalents | (510) | 123 | (360) | (398) |
| Cash and cash equivalents, beginning | 6,610 | 15 | 22,965 | 1,071 |
| Cash and cash equivalents, end | <u>\$ 6,100</u> | <u>\$ 138</u> | <u>\$ 22,605</u> | <u>\$ 673</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ 65 | \$ 419 | \$ (2,641) | \$ (2,268) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 1,786 | 2 | - | - |
| Changes in operating assets and liabilities: | | | | |
| Decrease (increase) in: | | | | |
| Accounts receivable | 16 | 57 | - | - |
| Due from other funds | 44 | 8 | - | - |
| Due from other government agencies | - | - | - | - |
| Inventories | 43 | - | - | - |
| Net OPEB assets | (3) | (8) | - | - |
| Other assets | - | - | - | - |
| Increase (decrease) in: | | | | |
| Accounts payable | (4) | (59) | (230) | 8 |
| Accrued salaries and benefits | 6 | (38) | - | - |
| Due to other funds | (191) | (53) | (22) | (1) |
| Unearned revenues | - | 83 | - | - |
| Deposits | 1 | - | - | - |
| Compensated absences | 5 | (9) | - | - |
| Estimated claims | - | - | 3,111 | 1,887 |
| Net cash provided by (used in) operating activities | <u>\$ 1,768</u> | <u>\$ 402</u> | <u>\$ 218</u> | <u>\$ (374)</u> |

(Continued)

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| Personal Injury and Property Damage | Employee Benefits | Total |
|--|----------------------|------------------|
| \$ 9,388 | \$ 81,086 | \$ 113,514 |
| (5,616) | (74,573) | (90,482) |
| - | - | (4,044) |
| - | (5,412) | (12,101) |
| <u>3,772</u> | <u>1,101</u> | <u>6,887</u> |
| - | - | (279) |
| - | - | (279) |
| - | - | (2,138) |
| - | - | (2,138) |
| - | - | 96 |
| (29) | (428) | (1,295) |
| (29) | (428) | (1,199) |
| 3,743 | 673 | 3,271 |
| 2,588 | 14,180 | 47,429 |
| <u>\$ 6,331</u> | <u>\$ 14,853</u> | <u>\$ 50,700</u> |
| \$ 2,199 | \$ 1,203 | \$ (1,023) |
| - | - | 1,788 |
| (3) | - | 70 |
| - | - | 52 |
| - | (1,727) | (1,727) |
| - | - | 43 |
| - | - | (11) |
| 1,105 | - | 1,105 |
| 244 | (37) | (78) |
| - | - | (32) |
| (17) | 1,702 | 1,418 |
| - | - | 83 |
| - | - | 1 |
| - | - | (4) |
| 244 | (40) | 5,202 |
| <u>\$ 3,772</u> | <u>\$ 1,101</u> | <u>\$ 6,887</u> |

Cash flows from operating activities

Cash received from interfund services provided
Cash payment to suppliers of goods and services
Cash payment to employees for services
Cash payment for judgments and claims
Net cash provided by (used in) operating activities

Cash flows from noncapital financing activities

Loan repayments to other funds
Net cash used in noncapital financing activities

Cash flows from capital and related financing activities

Acquisition of capital assets
Net cash used in capital and related financing activities

Cash flows from investing activities

Investment income received
Investment expense paid
Net cash used in investing activities

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents, beginning

Cash and cash equivalents, end

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income (loss)

Adjustments to reconcile operating income (loss)
to net cash provided by (used in) operating activities:

Depreciation

Changes in operating assets and liabilities:

Decrease (increase) in:

Accounts receivable

Due from other funds

Due from other government agencies

Inventories

Net OPEB assets

Other assets

Increase (decrease) in:

Accounts payable

Accrued salaries and benefits

Due to other funds

Unearned revenues

Deposits

Compensated absences

Estimated claims

Net cash provided by (used in) operating activities:



Fiduciary Funds

COUNTY OF SAN MATEO

Fiduciary Funds

Trust Funds

Pension Trust. The San Mateo County Employees' retirement Association (SamCERA), under the control of the SamCERA's Board of Retirement, accumulates earnings from investments and contributions from the County, San Mateo County Mosquito and Vector Control District, and their employees. Disbursements are made for administrative expenses as well as retirement, disability, and death benefits based on a defined benefit formula. This fund accounts for all assets of SamCERA.

Investment Trust:

- *External Investment Pool* - The external investment pool is made up of three separate funds: Special Districts under Local Board, School Districts, and Other Investment Trust. These funds account for assets, primarily cash and investments in the County's investment pool, owned by legally separate entities such as school and community colleges, special districts governed by local boards, regional boards and authorities, and pass through funds for tax collections for cities. Under sections 27133(h) and 27136 of the California Government Code, funds deposited in the County pool may be reclaimed at the rate of 20% of the principal balance per month, exclusive of apportionment, payroll and day-to-day operations, unless specifically authorized by the Treasurer.
- *Individual Investment Account* - This fund accounts for specific investments acquired on behalf of the Brisbane School District. These investments are separate from the County's investment pool and the income from and changes in the value of the investments affect only the Brisbane School District.

Agency Funds

County Library Fund - is governed by the Board of the San Mateo Joint Powers Authority (JPA). The Board has twelve members, one from each of the eleven cities and one from the County Board of Supervisors. JPA, primarily financed by property taxes, provides library services to eleven cities and all unincorporated areas within the County.

Unapportioned Taxes Fund - accounts for property tax receipts awaiting apportionment to other local governmental agencies.

Trial Courts Operation Fund - is solely financed by the State of California and administered by the San Mateo County Superior Court. Expenditures from this fund require written authorization from the Court's Presiding Judge or his/her designee. The County only holds a custodial relationship to this fund.

Public Administrator Fund - accounts for all assets under the control of the Public Administrator. The County holds the assets in a fiduciary capacity.

Public Guardian Fund - accounts for all assets under the control of the Public Guardian. The County holds the assets in a fiduciary capacity.

Other Agency Fund - accounts for assets held for other governmental agencies by the County in a fiduciary capacity.

COUNTY OF SAN MATEO
Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2009
(In Thousands)

| | External Investment Pool | | | | | |
|--|--|---------------------|------------------------------|---------------------|-------------------------------------|--------------------|
| | Special Districts under Local Board | School Districts | Other Investment Trust | Subtotal | Individual Investment Account | Total |
| ASSETS | | | | | | |
| Cash and investments | \$ 156,890 | \$ 1,101,910 | \$ 517,252 | \$ 1,776,052 | \$ 503 | \$1,776,555 |
| Securities lending collateral | 11,056 | 77,655 | 36,452 | 125,163 | - | 125,163 |
| Interest receivable | 907 | 6,678 | 3,185 | 10,770 | 10 | 10,780 |
| Due from other governmental agencies | 2,981 | - | - | 2,981 | - | 2,981 |
| Other assets | 104 | 55 | - | 159 | - | 159 |
| Total assets | <u>171,938</u> | <u>1,186,298</u> | <u>556,889</u> | <u>1,915,125</u> | <u>513</u> | <u>1,915,638</u> |
| LIABILITIES | | | | | | |
| Accounts payable | 194 | - | 339 | 533 | - | 533 |
| Securities lending collateral - due to borrowers | 11,056 | 77,655 | 36,452 | 125,163 | - | 125,163 |
| Due to other governmental agencies | - | 3 | 837 | 840 | - | 840 |
| Other liabilities | 4,075 | 7,886 | 1,557 | 13,518 | - | 13,518 |
| Total liabilities | <u>15,325</u> | <u>85,544</u> | <u>39,185</u> | <u>140,054</u> | <u>-</u> | <u>140,054</u> |
| NET ASSETS | | | | | | |
| Net assets held in trust for investment pool participants | <u>\$ 156,613</u> | <u>\$ 1,100,754</u> | <u>\$ 517,704</u> | <u>\$ 1,775,071</u> | <u>\$ 513</u> | <u>\$1,775,584</u> |

COUNTY OF SAN MATEO
Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | External Investment Pool | | | | | |
|---|--|---------------------|------------------------------|--------------|-------------------------------------|--------------|
| | Special Districts under Local Board | School Districts | Other Investment Trust | Subtotal | Individual Investment Account | Total |
| ADDITIONS | | | | | | |
| Contributions: | | | | | | |
| Contributions to investment pool | \$ 257,572 | \$ 2,454,966 | \$ 503,550 | \$ 3,216,088 | \$ - | \$ 3,216,088 |
| Net investment income: | | | | | | |
| Net appreciation in fair value of investments | 521 | 4,616 | 3,392 | 8,529 | 15 | 8,544 |
| Investment income (loss) | (4,830) | (41,108) | (33,302) | (79,240) | 7 | (79,233) |
| Securities lending activities: | | | | | | |
| Securities lending income | 135 | 946 | 444 | 1,525 | - | 1,525 |
| Securities lending expenses | (104) | (732) | (343) | (1,179) | - | (1,179) |
| Total net investment income | (4,278) | (36,278) | (29,809) | (70,365) | 22 | (70,343) |
| Total additions | 253,294 | 2,418,688 | 473,741 | 3,145,723 | 22 | 3,145,745 |
| DEDUCTIONS | | | | | | |
| Distribution from investment pool | 253,298 | 2,567,077 | 736,615 | 3,556,990 | 900 | 3,557,890 |
| Change in net assets | (4) | (148,389) | (262,874) | (411,267) | (878) | (412,145) |
| Net assets - beginning | 156,617 | 1,249,143 | 780,578 | 2,186,338 | 1,391 | 2,187,729 |
| Net assets - end | \$ 156,613 | \$ 1,100,754 | \$ 517,704 | \$ 1,775,071 | \$ 513 | \$ 1,775,584 |

COUNTY OF SAN MATEO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Balance July 1, 2008 | Addition | Deletion | Balance June 30, 2009 |
|--|-------------------------|---------------------|---------------------|--------------------------|
| <u>COUNTY LIBRARY</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 10,504 | \$ 22,968 | \$ 20,967 | \$ 12,505 |
| Securities lending collateral | 1,051 | - | 170 | 881 |
| Interest receivable | 87 | 71 | 88 | 70 |
| Taxes receivable, net | 1,466 | 1,289 | 1,466 | 1,289 |
| Due from other governmental agencies | 806 | 941 | 614 | 1,133 |
| Other assets | 967 | 1,059 | 881 | 1,145 |
| Total assets | <u>\$ 14,881</u> | <u>\$ 26,328</u> | <u>\$ 24,186</u> | <u>\$ 17,023</u> |
| Liabilities: | | | | |
| Securities lending collateral - due to borrowers | \$ 1,051 | \$ - | \$ 170 | \$ 881 |
| Fiduciary liabilities | 13,830 | 47,427 | 45,115 | 16,142 |
| Total liabilities | <u>\$ 14,881</u> | <u>\$ 47,427</u> | <u>\$ 45,285</u> | <u>\$ 17,023</u> |
| <u>UNAPPORTIONED TAXES</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 94,882 | \$ 3,686,140 | \$ 3,664,979 | \$ 116,043 |
| Securities lending collateral | 9,497 | - | 1,319 | 8,178 |
| Interest receivable | 482 | 675 | 482 | 675 |
| Due from other governmental agencies | 721 | - | 641 | 80 |
| Other assets | - | 8,178 | 8,178 | - |
| Total assets | <u>\$ 105,582</u> | <u>\$ 3,694,993</u> | <u>\$ 3,675,599</u> | <u>\$ 124,976</u> |
| Liabilities: | | | | |
| Securities lending collateral - due to borrowers | \$ 9,497 | \$ - | \$ 1,319 | \$ 8,178 |
| Due to other governmental agencies | 61,784 | 43,721 | 61,784 | 43,721 |
| Fiduciary liabilities | 34,301 | 3,898,994 | 3,860,218 | 73,077 |
| Total liabilities | <u>\$ 105,582</u> | <u>\$ 3,942,715</u> | <u>\$ 3,923,321</u> | <u>\$ 124,976</u> |
| <u>TRIAL COURTS OPERATION</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 2,939 | \$ 37,149 | \$ 37,290 | \$ 2,798 |
| Securities lending collateral | 294 | - | 97 | 197 |
| Interest receivable | 17 | 12 | 17 | 12 |
| Other assets | 1,109 | 197 | 197 | 1,109 |
| Total assets | <u>\$ 4,359</u> | <u>\$ 37,358</u> | <u>\$ 37,601</u> | <u>\$ 4,116</u> |
| Liabilities: | | | | |
| Securities lending collateral - due to borrowers | \$ 294 | \$ - | \$ 97 | \$ 197 |
| Fiduciary liabilities | 4,065 | 74,659 | 74,805 | 3,919 |
| Total liabilities | <u>\$ 4,359</u> | <u>\$ 74,659</u> | <u>\$ 74,902</u> | <u>\$ 4,116</u> |
| <u>PUBLIC ADMINISTRATOR</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 5,562 | \$ 5,940 | \$ 7,123 | \$ 4,379 |
| Securities lending collateral | 557 | - | 249 | 308 |
| Interest receivable | 35 | 28 | 63 | - |
| Other assets | 2,213 | 1,631 | 88 | 3,756 |
| Total assets | <u>\$ 8,367</u> | <u>\$ 7,599</u> | <u>\$ 7,523</u> | <u>\$ 8,443</u> |
| Liabilities: | | | | |
| Securities lending collateral - due to borrowers | \$ 557 | \$ - | \$ 249 | \$ 308 |
| Fiduciary liabilities | 7,810 | 39,314 | 38,989 | 8,135 |
| Total liabilities | <u>\$ 8,367</u> | <u>\$ 39,314</u> | <u>\$ 39,238</u> | <u>\$ 8,443</u> |

(Continued)

COUNTY OF SAN MATEO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2009
(In Thousands)

| | Balance July 1, 2008 | Addition | Deletion | Balance June 30, 2009 |
|--|-------------------------|---------------------|---------------------|--------------------------|
| <u>PUBLIC GUARDIAN</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 24,641 | \$ 47,961 | \$ 51,003 | \$ 21,599 |
| Securities lending collateral | 2,466 | - | 945 | 1,521 |
| Interest receivable | 196 | 124 | 196 | 124 |
| Other assets | 37,658 | 8,125 | 1,888 | 43,895 |
| Total assets | <u>\$ 64,961</u> | <u>\$ 56,210</u> | <u>\$ 54,032</u> | <u>\$ 67,139</u> |
| Liabilities: | | | | |
| Securities lending collateral - due to borrowers | \$ 2,466 | \$ - | \$ 945 | \$ 1,521 |
| Due to other governmental agencies | 1,381 | 1,032 | 1,381 | 1,032 |
| Fiduciary liabilities | 61,114 | 65,428 | 61,956 | 64,586 |
| Total liabilities | <u>\$ 64,961</u> | <u>\$ 66,460</u> | <u>\$ 64,282</u> | <u>\$ 67,139</u> |
| <u>OTHER AGENCY</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 39,132 | \$ 4,830,030 | \$ 4,823,958 | \$ 45,204 |
| Securities lending collateral | 3,815 | - | 712 | 3,103 |
| Interest receivable | 744 | 708 | 983 | 469 |
| Taxes receivable, net | 151,432 | 162,288 | 166,845 | 146,875 |
| Due from other governmental agencies | 31,256 | 11,367 | 29,642 | 12,981 |
| Other assets | 32,705 | 179,041 | 182,232 | 29,514 |
| Total assets | <u>\$ 259,084</u> | <u>\$ 5,183,434</u> | <u>\$ 5,204,372</u> | <u>\$ 238,146</u> |
| Liabilities: | | | | |
| Securities lending collateral - due to borrowers | \$ 3,815 | \$ - | \$ 712 | \$ 3,103 |
| Due to other governmental agencies | 477 | 1,847 | 366 | 1,958 |
| Fiduciary liabilities | 254,792 | 5,175,030 | 5,196,737 | 233,085 |
| Total liabilities | <u>\$ 259,084</u> | <u>\$ 5,176,877</u> | <u>\$ 5,197,815</u> | <u>\$ 238,146</u> |
| <u>TOTALS</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 177,660 | \$ 8,630,188 | \$ 8,605,320 | \$ 202,528 |
| Securities lending collateral | 17,680 | - | 3,492 | 14,188 |
| Receivables: | | | | |
| Interest | 1,561 | 1,618 | 1,829 | 1,350 |
| Taxes, net | 152,898 | 163,577 | 168,311 | 148,164 |
| Due from other governmental agencies | 32,783 | 12,308 | 30,897 | 14,194 |
| Other assets | 74,652 | 198,231 | 193,464 | 79,419 |
| Total assets | <u>\$ 457,234</u> | <u>\$ 9,005,922</u> | <u>\$ 9,003,313</u> | <u>\$ 459,843</u> |
| Liabilities: | | | | |
| Securities lending collateral - due to borrowers | \$ 17,680 | \$ - | \$ 3,492 | \$ 14,188 |
| Due to other governmental agencies | 63,642 | 46,600 | 63,531 | 46,711 |
| Fiduciary liabilities | 375,912 | 9,300,852 | 9,277,820 | 398,944 |
| Total liabilities | <u>\$ 457,234</u> | <u>\$ 9,347,452</u> | <u>\$ 9,344,843</u> | <u>\$ 459,843</u> |



STATISTICAL SECTION

(Unaudited)

COUNTY OF SAN MATEO

Statistical Section

This part of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Financial Trends

This segment contains trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

This segment includes information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity

This segment presents information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Economic & Demographic Information

This segment depicts demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

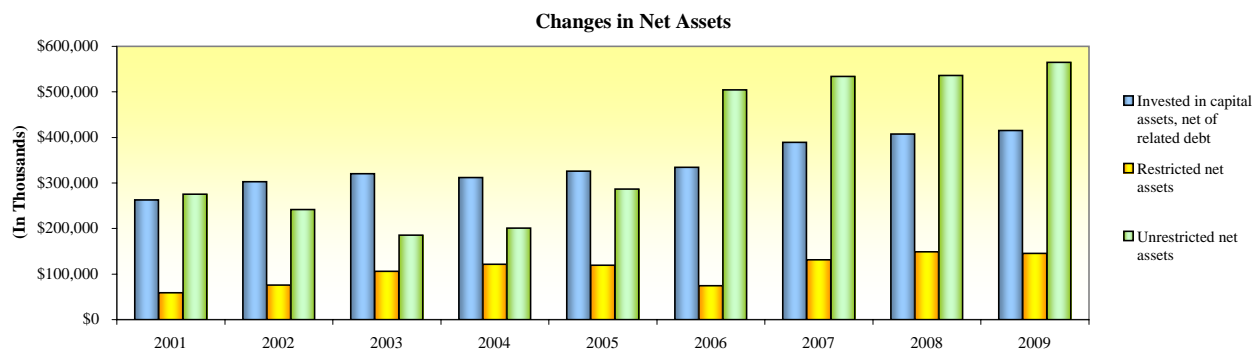
Operating information

This segment displays service and capital asset data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Sources: Unless otherwise stated, the information in this section is derived from the comprehensive annual financial reports for the relevant year. The County implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in FY 2000-01; schedules presenting government-wide activities include information beginning from that year.

COUNTY OF SAN MATEO
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)
(In Thousands)

| | As of June 30, | | | | | | | | |
|---|----------------|------------|------------|------------|------------|----------------------|--------------|--------------|--------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Governmental Activities | | | | | | | | | |
| Invested in capital assets, net of related debt ¹ | \$ 209,076 | \$ 264,251 | \$ 281,735 | \$ 271,872 | \$ 287,265 | \$ 292,983 | \$ 342,916 | \$ 360,632 | \$ 367,484 |
| Restricted for: | | | | | | | | | |
| Government programs ³ | - | 953 | 49,533 | 45,207 | 60,012 | 68,414 | 91,179 | 102,966 | 82,421 |
| Capital projects | - | - | 18,917 | - | - | 4,574 | - | - | 6,315 |
| Debt service | 55,235 | 72,592 | 34,505 | 71,958 | 58,217 | 65 | 40,248 | 38,158 | 46,504 |
| Unrestricted | 285,608 | 259,093 | 197,799 | 219,281 | 302,777 | 514,597 | 525,709 | 503,969 | 511,196 |
| Subtotal governmental activities net assets | 549,919 | 596,889 | 582,489 | 608,318 | 708,271 | 880,633 | 1,000,052 | 1,005,725 | 1,013,920 |
| Business-type Activities | | | | | | | | | |
| Invested in capital assets, net of related debt | 53,812 | 38,721 | 38,836 | 39,797 | 38,771 | 41,223 | 46,614 | 47,003 | 47,946 |
| Restricted for: | | | | | | | | | |
| Housing assistance programs | 3,731 | 2,638 | 3,219 | 4,167 | 1,127 | 1,506 | 167 | 7,595 | 10,263 |
| Unrestricted (Deficit) | (10,010) | (17,361) | (12,045) | (18,445) | (16,007) | (9,901) | 8,107 | 31,759 | 53,741 |
| Subtotal business-type activities net assets | 47,533 | 23,998 | 30,010 | 25,519 | 23,891 | 32,828 | 54,888 | 86,357 | 111,950 |
| Primary Government | | | | | | | | | |
| Invested in capital assets, net of related debt | 262,888 | 302,972 | 320,571 | 311,669 | 326,036 | 334,206 | 389,530 | 407,635 | 415,430 |
| Restricted for: | | | | | | | | | |
| Government programs | - | 953 | 49,533 | 45,207 | 60,012 | 68,414 | 91,179 | 102,966 | 82,421 |
| Capital projects | - | - | 18,917 | - | - | 4,574 | - | - | 6,315 |
| Debt service | 55,235 | 72,592 | 34,505 | 71,958 | 58,217 | 65 | 40,248 | 38,158 | 46,504 |
| Housing assistance programs | 3,731 | 2,638 | 3,219 | 4,167 | 1,127 | 1,506 | 167 | 7,595 | 10,263 |
| Total restricted | 58,966 | 76,183 | 106,174 | 121,332 | 119,356 | 74,559 | 131,594 | 148,719 | 145,503 |
| Unrestricted | 275,598 | 241,732 | 185,754 | 200,836 | 286,770 | 504,696 ⁴ | 533,816 | 535,728 | 564,937 |
| Total primary government net assets ² | \$ 597,452 | \$ 620,887 | \$ 612,499 | \$ 633,837 | \$ 732,162 | \$ 913,461 | \$ 1,054,940 | \$ 1,092,082 | \$ 1,125,870 |
| Percent of increase (decrease) in primary government net assets | - | 3.92% | -1.35% | 3.48% | 15.51% | 24.76% | 15.49% | 3.52% | 3.09% |



Source: Comprehensive Annual Financial Reports - County of San Mateo, California

Notes:

¹ Capital assets include land, easements, infrastructure, construction in progress, structures & improvements, and equipment.

² Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted only when an external party, such as the state or federal government, places a restriction on how the resources may be used, or through enabling legislation enacted by the County.

³ Net assets are restricted for specific programs at various functional levels such as general government, public protection, public ways and facilities, health and sanitation, public assistance, and recreation.

⁴ Substantial increase in net assets for the governmental and business-type activities is partially due to reporting postemployment healthcare benefits under GASB Statement No. 45 instead of GASB Statement No. 16.

COUNTY OF SAN MATEO
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(In Thousands)

| | Fiscal Year Ended June 30, | | | | | | | | |
|---|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Expenses | | | | | | | | | |
| <u>Governmental activities:</u> | | | | | | | | | |
| General government * | \$ 57,372 | \$ 68,125 | \$ 69,167 | \$ 69,935 | \$ 70,850 | \$ 93,645 | \$ 98,764 | \$ 93,847 | \$ 92,370 |
| Public protection | 191,195 | 204,037 | 224,777 | 242,405 | 243,797 | 253,800 | 277,542 | 294,239 | 297,357 |
| Public ways and facilities | 15,611 | 24,925 | 21,546 | 22,657 | 19,938 | 19,701 | 18,617 | 20,312 | 27,453 |
| Health and sanitation | 142,654 | 154,955 | 152,449 | 157,452 | 170,679 | 173,311 | 200,441 | 235,782 | 241,519 |
| Public assistance | 149,934 | 169,021 | 172,014 | 182,914 | 184,150 | 195,258 | 151,594 | 201,221 | 195,507 |
| Education | 179 | 194 | 190 | 145 | 151 | 142 | - | - | - |
| Recreation | 7,277 | 8,011 | 7,685 | 7,397 | 7,401 | 8,032 | 8,302 | 8,839 | 8,704 |
| Interest on long-term debt | 13,866 | 14,677 | 14,603 | 17,023 | 19,019 | 19,459 | 19,244 | 20,126 | 19,677 |
| Total governmental activities expenses | 578,088 | 643,945 | 662,431 | 699,928 | 715,985 | 763,348 | 774,504 | 874,366 | 882,587 |
| <u>Business-type activities:</u> | | | | | | | | | |
| San Mateo Medical Center | 158,606 | 142,399 | 131,243 | 164,972 | 178,500 | 188,920 | 207,729 | 221,318 | 225,876 |
| Airports | 1,591 | 1,525 | 1,744 | 1,706 | 1,654 | 1,753 | 2,146 | 2,482 | 2,427 |
| Coyote Point Marina | 1,260 | 1,027 | 1,153 | 1,250 | 1,045 | 1,330 | 1,252 | 1,403 | 1,271 |
| Housing Authority | 34,052 | 48,314 | 68,695 | 71,776 | 69,899 | 64,615 | 59,509 | 58,947 | 63,029 |
| Total business-type activities expenses | 195,509 | 193,265 | 202,835 | 239,704 | 251,098 | 256,618 | 270,636 | 284,150 | 292,603 |
| Total primary government expenses | \$ 773,597 | \$ 837,210 | \$ 865,266 | \$ 939,632 | \$ 967,083 | \$ 1,019,966 | \$ 1,045,140 | \$ 1,158,516 | \$ 1,175,190 |
| Program Revenues | | | | | | | | | |
| <u>Governmental activities:</u> | | | | | | | | | |
| Charges for services | | | | | | | | | |
| General government * | \$ 36,597 | \$ 31,283 | \$ 39,044 | \$ 42,173 | \$ 43,141 | \$ 57,373 | \$ 59,898 | \$ 50,164 | \$ 49,206 |
| Public protection | 23,460 | 22,941 | 24,441 | 28,093 | 30,603 | 29,831 | 30,864 | 28,849 | 29,314 |
| Public ways and facilities | 2,338 | 2,386 | 3,812 | 3,047 | 3,544 | 3,451 | 2,968 | 4,281 | 6,149 |
| Health and sanitation | 47,334 | 42,985 | 42,777 | 44,528 | 47,634 | 49,094 | 53,143 | 62,959 | 71,051 |
| Public assistance | 6,188 | 6,412 | 5,406 | 4,953 | 4,297 | 7,160 | 6,750 | 5,083 | 4,254 |
| Recreation | 1,185 | 1,168 | 1,224 | 1,361 | 1,262 | 1,266 | 1,364 | 1,450 | 1,791 |
| Operating grants and contributions | 320,699 | 339,288 | 343,808 | 368,896 | 382,115 | 392,847 | 414,761 | 408,626 | 385,104 |
| Capital grants and contributions | 140 | 17 | 18 | 3,304 | 10,130 | 13,068 | 1,769 | 750 | - |
| Total governmental activities program revenues | 437,941 | 446,480 | 460,530 | 496,355 | 522,726 | 554,090 | 571,517 | 562,162 | 546,869 |
| <u>Business-type activities:</u> | | | | | | | | | |
| Charges for services | | | | | | | | | |
| San Mateo Medical Center | 88,784 | 73,075 | 67,948 | 97,307 | 112,751 | 123,695 | 110,826 | 104,927 | 126,039 |
| Airports | 1,536 | 1,819 | 1,768 | 1,817 | 1,888 | 1,904 | 2,077 | 2,236 | 2,503 |
| Coyote Point Marina | 1,036 | 1,087 | 1,123 | 1,047 | 1,101 | 1,192 | 1,165 | 1,137 | 1,108 |
| Housing Authority | 1,140 | 1,173 | 1,309 | 1,444 | 1,979 | 1,932 | 1,727 | 1,890 | 1,979 |
| Operating grants and contributions | 83,204 | 83,099 | 102,962 | 75,280 | 75,310 | 73,128 | 103,700 | 106,474 | 107,735 |
| Capital grants and contributions | 147 | - | 5,839 | 3,680 | 8,618 | 5,385 | 8,357 | 5,398 | 4,805 |
| Total business-type activities program revenues | 175,847 | 160,253 | 180,949 | 180,575 | 201,647 | 207,236 | 227,852 | 222,062 | 244,169 |
| Total primary government program revenues | \$ 613,788 | \$ 606,733 | \$ 641,479 | \$ 676,930 | \$ 724,373 | \$ 761,326 | \$ 799,369 | \$ 784,224 | \$ 791,038 |
| Net Expense ¹ | | | | | | | | | |
| Governmental activities | \$ (140,147) | \$ (197,465) | \$ (201,901) | \$ (203,573) | \$ (193,259) | \$ (209,258) | \$ (202,987) | \$ (312,204) | \$ (335,718) |
| Business-type activities | (19,662) | (33,012) | (21,886) | (59,129) | (49,451) | (49,382) | (42,784) | (62,088) | (48,434) |
| Total primary government net expense | \$ (159,809) | \$ (230,477) | \$ (223,787) | \$ (262,702) | \$ (242,710) | \$ (258,640) | \$ (245,771) | \$ (374,292) | \$ (384,152) |

Source: County's Comprehensive Annual Financial Reports

Notes:

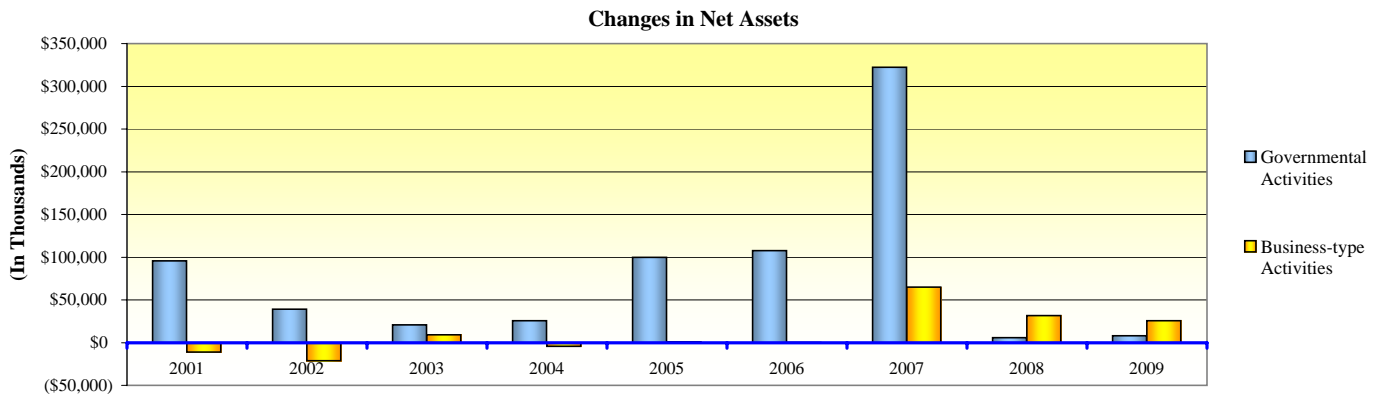
* Reclassifications were made to the prior years' general government revenues and expenses to conform with the current year's presentation.

¹ Net expense is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program supports itself with its own fees and grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses are net expenses, indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program.

(Continued)

COUNTY OF SAN MATEO
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(In Thousands)

| | Fiscal Year Ended June 30, | | | | | | | | |
|---|----------------------------|------------|------------|------------|------------|----------------|---------------------|------------|--------------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| General Revenues and Other Changes in Net Assets | | | | | | | | | |
| <u>Governmental activities:</u> | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes | \$ 130,871 | \$ 139,879 | \$ 141,582 | \$ 176,853 | \$ 218,188 | \$ 298,368 | \$ 295,134 | \$ 326,757 | \$ 370,695 |
| Property transfer taxes | 5,534 | 4,984 | 5,849 | 7,003 | 8,111 | 8,487 | 8,192 | 6,011 | 3,842 |
| Sales and use taxes | 18,243 | 16,155 | 15,882 | 15,762 | 16,061 | 12,986 | 13,544 | 14,896 | 16,479 |
| Property tax in-lieu of sales taxes | - | - | - | - | - | 3,878 | 4,164 ² | 4,569 | 4,880 |
| Transient occupancy taxes | 766 | 666 | 590 | 632 | 815 | 839 | 842 | 667 | 1,016 |
| Aircraft taxes | 1,166 | 1,336 | 1,123 | 1,017 | 814 | 821 | 1,287 | 1,680 | 1,517 |
| Other taxes | 1,776 | - | - | - | 2 | 5 | 4 | 23 | 13 |
| Motor vehicle in-lieu taxes | 44,814 | 46,295 | 49,785 | 52,799 | 58,033 | - ³ | - | - | - |
| Unrestricted interest and investment earnings | 28,049 | 22,624 | 23,329 | 6,995 | 20,369 | 19,059 | 40,750 ⁴ | 31,473 | (641) ⁵ |
| Securities lending activities: | | | | | | | | | |
| Securities lending income | - | - | 588 | 850 | 1,895 | 3,689 | 4,245 | 2,750 | 375 |
| Securities lending expenses | - | - | (525) | (720) | (1,761) | (3,569) | (4,139) | (2,362) | (291) |
| Miscellaneous | 11,819 | 18,660 | 13,890 | 20,293 | 20,707 | 21,680 | 20,301 | 21,123 | 25,564 |
| Special items | 495 | (1,598) | - | - | - | - | - | - | (8,139) |
| Transfers | (7,528) | (12,225) | (29,403) | (52,082) | (50,022) | (49,291) | (61,918) | (89,710) | (71,397) |
| Total governmental activities | 236,005 | 236,776 | 222,690 | 229,402 | 293,212 | 316,952 | 322,406 | 317,877 | 343,913 |
| <u>Business-type activities:</u> | | | | | | | | | |
| Unrestricted interest and investment earnings | 847 | 896 | 719 | 252 | 258 | 286 | 626 | 890 | (524) ⁵ |
| Securities lending activities: | | | | | | | | | |
| Securities lending income | - | - | 31 | 16 | 30 | 83 | 139 | 133 | 26 |
| Securities lending expenses | - | - | (27) | (12) | (27) | (80) | (137) | (115) | (21) |
| Miscellaneous | 268 | 10,059 | 849 | 2,300 | - | - | 2,298 | 2,939 | 3,149 |
| Special items | - | (11,445) | - | - | - | - | - | - | - |
| Transfers | 7,528 | 12,225 | 29,403 | 52,082 | 50,022 | 49,291 | 61,918 | 89,710 | 71,397 |
| Total business-type activities | 8,643 | 11,735 | 30,975 | 54,638 | 50,283 | 49,580 | 64,844 | 93,557 | 74,027 |
| Total primary government | \$ 244,648 | \$ 248,511 | \$ 253,665 | \$ 284,040 | \$ 343,495 | \$ 366,532 | \$ 387,250 | \$ 411,434 | \$ 417,940 |
| Change in Net Assets | | | | | | | | | |
| Governmental activities | \$ 95,858 | \$ 39,311 | \$ 20,789 | \$ 25,829 | \$ 99,953 | \$ 107,694 | \$ 322,406 | \$ 5,673 | \$ 8,195 |
| Business-type activities | (11,019) | (21,277) | 9,089 | (4,491) | 832 | 198 | 64,844 | 31,469 | 25,593 |
| Total primary government | \$ 84,839 | \$ 18,034 | \$ 29,878 | \$ 21,338 | \$ 100,785 | \$ 107,892 | \$ 387,250 | \$ 37,142 | \$ 33,788 |



Notes:

² This amount reflected the County's share of revenues from "Triple Flip", a State legislation enacted to replace 0.25% sales tax revenue to local governments via a temporary reduction to ERAF until the State's recovery loan is fully paid.

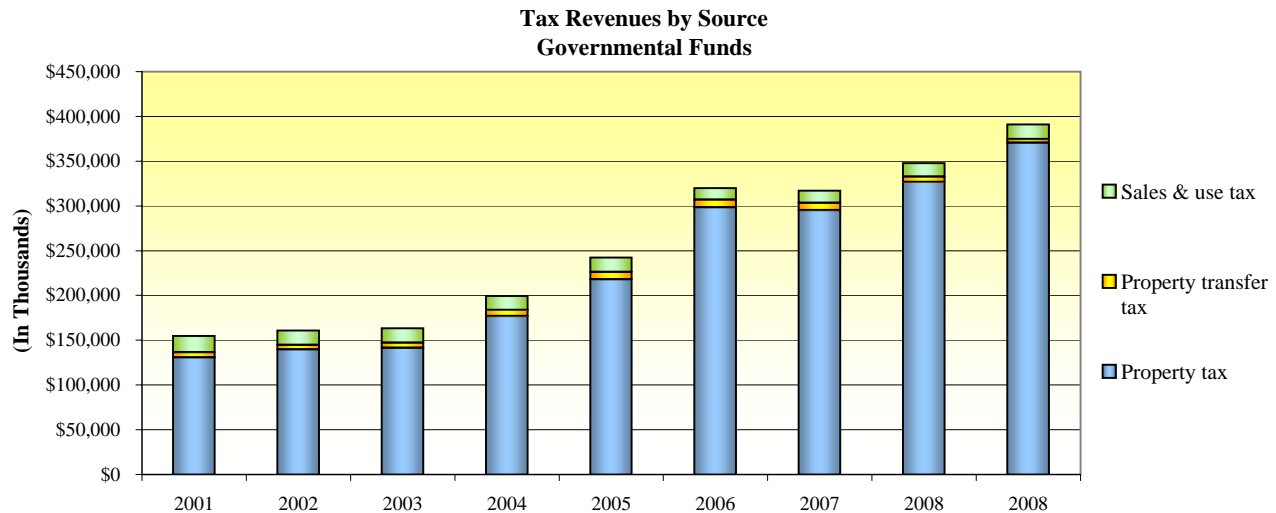
³ In prior years, vehicle license fee (VLF) was based on the original VLF and reported as motor vehicle in-lieu taxes. Starting in FY 2005-06, VLF is calculated using the prior year's VLF amount plus the local increases in assessed valuations of property and is reported as property tax revenue.

⁴ Strong economic conditions accounted for a significant return on investment.

⁵ Investments in the County investment pool experienced a sharp decline in value due to the Lehman loss. The financial meltdown further reduced the County's cash and investments in the investment pool. Lower investment value and diminished investment return resulted in a sizable decrease in interest and investment earnings.

COUNTY OF SAN MATEO
Governmental Activities Tax Revenues by Source
Last Nine Fiscal Years
(accrual basis of accounting)
(In Thousands)

| Fiscal Year | Property tax | | | | | | | Total |
|--------------------|----------------------|-------------------|---------------|----------------------|---------------------|----------|----------|------------|
| | Property | Property Transfer | Sales and Use | in-lieu of Sales Tax | Transient Occupancy | Aircraft | Other | |
| 2001 | \$ 130,871 | \$ 5,534 | \$ 18,243 | \$ - | \$ 766 | \$ 1,166 | \$ 1,776 | \$ 158,356 |
| 2002 | 139,879 | 4,984 | 16,155 | - | 666 | 1,336 | - | 163,020 |
| 2003 | 141,582 | 5,849 | 15,882 | - | 590 | 1,123 | - | 165,026 |
| 2004 | 176,853 ¹ | 7,003 | 15,762 | - | 632 | 1,017 | - | 201,267 |
| 2005 | 218,188 ² | 8,111 | 16,061 | - | 815 | 814 | 2 | 243,991 |
| 2006 | 298,368 ³ | 8,487 | 12,986 | 3,878 ⁴ | 839 | 821 | 5 | 325,384 |
| 2007 | 295,134 | 8,192 | 13,544 | 4,164 | 842 | 1,287 | 4 | 323,167 |
| 2008 | 326,757 | 6,011 | 14,896 | 4,569 | 667 | 1,680 | 23 | 354,603 |
| 2009 | 370,695 | 3,842 | 16,479 | 4,880 | 1,016 | 1,517 | 13 | 398,442 |
| Change | | | | | | | | |
| 2001 - 2009 | 183.3% | -30.6% | -9.7% | n/a | 32.6% | 30.1% | -99.3% | 151.6% |



Source: Controller's Office - County of San Mateo, California

Notes:

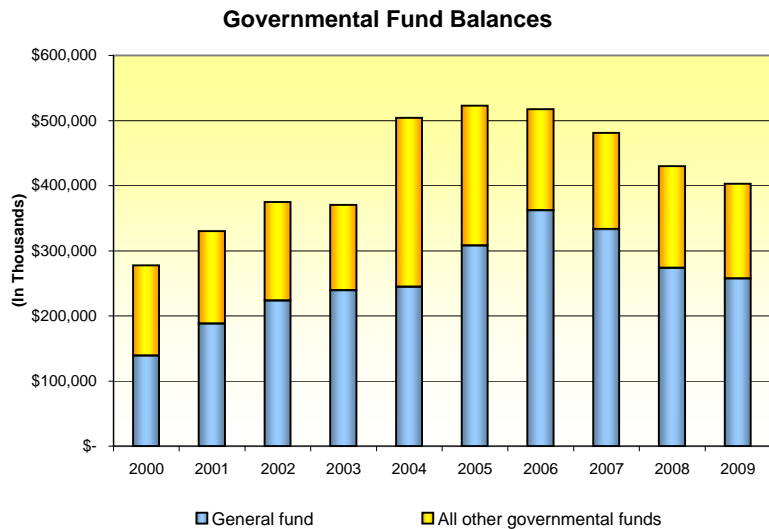
- ¹ Based on findings from the Controller's Office Internal Audit Division, the County received approximately \$25 million in property tax rebates from the Educational Revenue Augmentation Fund (ERAF) in FY 2004, which accounted for the substantial increase in property tax revenues.
- ² The County realized approximately \$41 million more in property tax rebates from ERAF in FY 2005, which accounted for most of the increase.
- ³ In FY 2004-05, vehicle license fee (VLF) was based on the original VLF and reported as intergovernmental revenues. Starting in FY 2005-06, VLF is calculated using the prior year's VLF amount plus the local increases in the assessed valuations of property and is reported as property tax revenue.
- ⁴ This amount reflected the County's share of revenues from "Triple Flip", a State legislation enacted to replace 0.25% sales tax revenue to local governments through a temporary reduction to ERAF until the State's recovery loan is fully paid.

n/a - not applicable

COUNTY OF SAN MATEO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

| Fund Balance ¹ | Fiscal Year | | | | | | | | |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General Fund | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Encumbrances | \$ 9,943 | \$ 9,977 | \$ 12,609 | \$ 11,274 | \$ 2,902 | \$ 3,070 | \$ 3,737 | \$ 3,209 | \$ 2,385 |
| Inventories and advances | 10,516 | 5,218 | 5,173 | 5,099 | 22,141 | 14,771 | 26,092 | 5,943 | 5,929 |
| Unreserved | <u>118,691</u> | <u>173,189</u> | <u>205,836</u> | <u>222,896</u> | <u>219,529</u> | <u>290,471</u> | <u>332,479</u> | <u>324,074</u> | <u>265,544</u> |
| Total general fund | <u>139,150</u> | <u>188,384</u> | <u>223,618</u> | <u>239,269</u> | <u>244,572</u> | <u>308,312</u> | <u>362,308</u> | <u>333,226</u> | <u>273,858</u> |
| All Other Governmental Funds | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Encumbrances | 11,339 | 15,221 | 11,245 | 7,768 | 2,373 | 287 | 21 | - | - |
| Debt service | 62,240 | 57,255 | 72,592 | 34,505 | 71,958 | 58,217 | 65,244 | 69,893 | 68,431 |
| Inventories and advances | 3,789 | 3,603 | 3,569 | 3,369 | 3,393 | 3,420 | 3,404 | 431 | 359 |
| Capital projects | - | - | - | 18,917 | 121,796 | 92,606 | 30,314 | 16,698 | 18,863 |
| Unreserved: | | | | | | | | | |
| Special revenue | 56,125 | 59,771 | 56,690 | 60,015 | 51,132 | 51,073 | 45,542 | 51,230 | 57,886 |
| Capital projects | <u>5,172</u> | <u>6,191</u> | <u>7,011</u> | <u>6,775</u> | <u>9,187</u> | <u>8,939</u> | <u>10,570</u> | <u>9,830</u> | <u>10,393</u> |
| Total all other governmental funds | <u>138,665</u> | <u>142,041</u> | <u>151,107</u> | <u>131,349</u> | <u>259,839</u> | <u>214,542</u> | <u>155,095</u> | <u>148,082</u> | <u>155,932</u> |
| Total Governmental Funds ² | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Encumbrances | 21,282 | 25,198 | 23,854 | 19,042 | 5,275 | 3,357 | 3,758 | 3,209 | 2,385 |
| Debt service | 62,240 | 57,255 | 72,592 | 34,505 | 71,958 | 58,217 | 65,244 | 69,893 | 68,431 |
| Inventories and advances | 14,305 | 8,821 | 8,742 | 8,468 | 25,534 | 18,191 | 29,496 | 6,374 | 6,288 |
| Capital projects | - | - | - | 18,917 | 121,796 | 92,606 | 30,314 | 16,698 | 18,863 |
| Unreserved: | | | | | | | | | |
| General Fund | 118,691 | 173,189 | 205,836 | 222,896 | 219,529 | 290,471 | 332,479 | 324,074 | 265,544 |
| Special revenue | 56,125 | 59,771 | 56,690 | 60,015 | 51,132 | 51,073 | 45,542 | 51,230 | 57,886 |
| Capital projects | <u>5,172</u> | <u>6,191</u> | <u>7,011</u> | <u>6,775</u> | <u>9,187</u> | <u>8,939</u> | <u>10,570</u> | <u>9,830</u> | <u>10,393</u> |
| Total governmental funds | <u>\$ 277,815</u> | <u>\$ 330,425</u> | <u>\$ 374,725</u> | <u>\$ 370,618</u> | <u>\$ 504,411</u> | <u>\$ 522,854</u> | <u>\$ 517,403</u> | <u>\$ 481,308</u> | <u>\$ 429,790</u> |

| | |
|--|--------------------------|
| General Fund | 2009 ³ |
| Nonspendable | \$ 7,154 |
| Restricted | 31,668 |
| Committed | 789 |
| Assigned | 38,583 |
| Unassigned | <u>179,281</u> |
| Total general fund | <u>257,475</u> |
| All Other Governmental Funds | |
| Nonspendable | 588 |
| Restricted | 103,572 |
| Committed | 25,310 |
| Assigned | <u>15,926</u> |
| Total all other governmental funds | <u>145,396</u> |
| Total Governmental Funds ² | |
| Nonspendable | 7,742 |
| Restricted | 135,240 |
| Committed | 26,099 |
| Assigned | 54,509 |
| Unassigned | <u>179,281</u> |
| Total governmental funds | <u>\$ 402,871</u> |



Source: Comprehensive Annual Financial Reports - County of San Mateo, California

Notes:

¹ Substantial increase in fund balance is explained in the Management's Discussion and Analysis.

² Governmental funds include general fund, special revenue funds, debt service funds, and capital projects funds.

³ The County early implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.

COUNTY OF SAN MATEO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> ¹ | 10 Year % of Increase/ Decrease |
|---|------------------|------------------|------------------|-------------------|-------------------|------------------|-------------------|--------------------|--------------------|--------------------------|--|
| Revenues | | | | | | | | | | | |
| Taxes | \$ 135,970 | \$ 152,469 | \$ 165,309 | \$ 166,717 | \$ 200,766 | \$ 225,830 | \$ 317,504 | \$ 329,142 | \$ 347,205 | \$ 391,006 | 187.57% |
| Licenses and permits | 6,079 | 7,786 | 8,419 | 8,306 | 8,829 | 11,683 | 12,814 | 11,900 | 11,311 | 10,168 | 67.26% |
| Intergovernmental | 363,420 | 351,795 | 391,521 | 393,075 | 406,135 | 437,231 | 386,003 | 405,455 | 387,475 | 392,320 | 7.95% |
| Charges for services | 66,842 | 90,972 | 84,090 | 90,071 | 89,131 | 91,147 | 102,524 | 92,011 | 109,150 | 115,807 | 73.25% |
| Fines, forfeitures and penalties | 11,626 | 11,127 | 10,445 | 8,789 | 9,589 | 8,831 | 9,285 | 9,806 | 10,114 | 11,108 | -4.46% |
| Rents and concessions | 1,826 | 1,710 | 1,813 | 2,449 | 1,017 | 1,005 | 914 | 1,123 | 1,194 | 1,347 | -26.23% |
| Investment income (loss) | 22,128 | 25,615 | 21,456 | 20,660 | 6,983 | 19,359 | 18,267 | 33,538 | 28,294 | (860) | -103.89% |
| Securities lending activities: | | | | | | | | | | | |
| Securities lending income | - | - | - | 588 | 783 | 1,894 | 3,203 | 3,872 | 2,474 | 333 | n/a |
| Securities lending expenditures | - | - | - | (525) | (663) | (1,760) | (3,098) | (3,775) | (2,124) | (257) | n/a |
| Other revenues | <u>22,363</u> | <u>12,882</u> | <u>15,635</u> | <u>14,760</u> | <u>30,537</u> | <u>29,885</u> | <u>26,300</u> | <u>17,863</u> | <u>34,157</u> | <u>27,806</u> | 24.34% |
| Total revenues | <u>630,254</u> | <u>654,356</u> | <u>698,688</u> | <u>704,890</u> | <u>753,107</u> | <u>825,105</u> | <u>873,716</u> | <u>900,935</u> | <u>929,250</u> | <u>948,778</u> | 50.54% |
| Expenditures | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| General government | 44,420 | 49,311 | 53,959 | 53,134 | 55,000 | 58,591 | 62,912 | 60,688 | 73,916 | 75,222 | 69.34% |
| Public protection | 177,912 | 187,004 | 197,230 | 215,660 | 231,717 | 236,522 | 246,166 | 268,318 | 282,132 | 288,697 | 62.27% |
| Public ways and facilities | 15,921 | 20,505 | 25,758 | 22,606 | 21,434 | 18,852 | 18,829 | 17,962 | 19,489 | 26,672 | 67.53% |
| Health and sanitation | 134,028 | 141,622 | 152,896 | 148,363 | 153,376 | 166,250 | 168,658 | 195,995 | 230,028 | 237,758 | 77.39% |
| Public assistance | 171,723 | 149,100 | 166,134 | 170,225 | 181,075 | 181,769 | 192,731 | 206,289 | 193,902 | 206,098 | 20.02% |
| Education | 185 | 183 | 197 | 192 | 145 | 118 | 141 | - | - | - | -100.00% |
| Recreation | 6,182 | 6,773 | 7,241 | 7,018 | 6,682 | 6,566 | 7,310 | 7,609 | 8,084 | 8,638 | 39.73% |
| Capital outlay | 38,414 | 29,126 | 50,986 | 42,169 | 34,802 | 72,262 | 77,000 | 41,286 | 18,978 | 16,079 | -58.14% |
| Debt service: | | | | | | | | | | | |
| Principal | 5,902 | 6,656 | 5,693 | 5,440 | 7,756 | 7,172 | 7,052 | 8,200 | 11,322 | 11,713 | 98.46% |
| Interest | 16,336 | 13,365 | 14,177 | 14,707 | 16,892 | 18,515 | 19,804 | 19,015 | 20,005 | 16,991 | 4.01% |
| Payment to bond refunding escrow | - | - | - | - | - | - | - | - | - | 778 | n/a |
| Bond issuance costs | - | - | 703 | - | 4,077 | 480 | - | - | - | 1,328 | n/a |
| Total expenditures | <u>611,023</u> | <u>603,645</u> | <u>674,974</u> | <u>679,514</u> | <u>712,956</u> | <u>767,097</u> | <u>800,603</u> | <u>825,362</u> | <u>857,856</u> | <u>889,974</u> | 45.65% |
| Excess of revenues over (under) expenditures | <u>19,231</u> | <u>50,711</u> | <u>23,714</u> | <u>25,376</u> | <u>40,151</u> | <u>58,008</u> | <u>73,113</u> | <u>75,573</u> | <u>71,394</u> | <u>58,804</u> | 205.78% |
| Other financing sources (uses) | | | | | | | | | | | |
| Proceeds from sale of capital assets | - | 1,500 | 134 | - | - | 2 | 46 | 2 | 2 | 2 | n/a |
| Issuance of lease revenue bonds/ certificates of participation (COP) | - | - | 32,890 | - | 155,350 | 10,380 | - | - | - | - | n/a |
| Issuance of refunding bonds | 560 | - | - | - | 7,805 | - | - | - | - | 141,080 | 25092.86% |
| Premium on lease revenue bonds/COP | - | - | - | - | 342 | 75 | - | - | - | 1,703 | n/a |
| Discount on lease revenue bonds/COP | - | - | (146) | - | - | - | - | - | - | - | n/a |
| Payment to bond refunding escrow | - | - | - | - | (7,823) | - | - | - | - | (148,972) | n/a |
| Capital leases | - | - | - | - | - | - | - | 30 | - | - | n/a |
| Capital contribution | - | - | - | - | - | - | - | - | 750 | - | n/a |
| Transfers in | 47,045 | 50,445 | 72,563 | 40,379 | 57,790 | 53,485 | 53,632 | 60,441 | 156,378 | 85,614 | 81.98% |
| Transfers out | <u>(52,075)</u> | <u>(58,038)</u> | <u>(84,855)</u> | <u>(69,862)</u> | <u>(119,822)</u> | <u>(103,507)</u> | <u>(132,242)</u> | <u>(172,141)</u> | <u>(163,580)</u> | <u>(157,011)</u> | 201.51% |
| Total other financing sources (uses) | <u>(4,470)</u> | <u>(6,093)</u> | <u>20,586</u> | <u>(29,483)</u> | <u>93,642</u> | <u>(39,565)</u> | <u>(78,564)</u> | <u>(111,668)</u> | <u>(6,450)</u> | <u>(77,584)</u> | 1635.66% |
| Change in fund balances before special item | 14,761 | 44,618 | 44,300 | (4,107) | 133,793 | 18,443 | (5,451) | (36,095) | 64,944 | (18,780) | -227.23% |
| Special item | - | - | - | - | - | - | - | - | (116,462) | (8,139) | n/a |
| Net change in fund balances | <u>\$ 14,761</u> | <u>\$ 44,618</u> | <u>\$ 44,300</u> | <u>\$ (4,107)</u> | <u>\$ 133,793</u> | <u>\$ 18,443</u> | <u>\$ (5,451)</u> | <u>\$ (36,095)</u> | <u>\$ (51,518)</u> | <u>\$ (26,919)</u> | -282.37% |
| Debt service as a percentage of noncapital expenditures | | | | | | | | | | | |
| | 3.88% | 3.48% | 3.30% | 3.16% | 4.24% | 3.77% | 3.71% | 3.47% | 3.73% | 3.53% | |

Source: Comprehensive Annual Financial Reports - County of San Mateo, California

Notes:

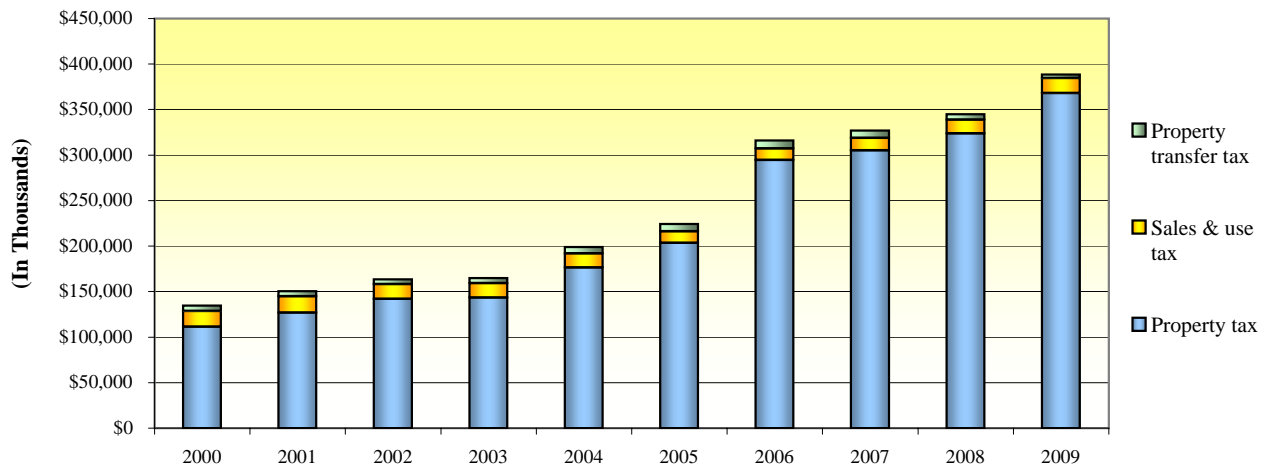
¹ See the Management's Discussion and Analysis for reasons attributed to significant changes in revenues, expenditures, and fund balances.

n/a - not applicable

COUNTY OF SAN MATEO
Governmental Fund Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

| Fiscal Year | Property | Sales & Use | Aircraft | Property Transfer | Transient Occupancy | Total |
|----------------------------|-----------------|------------------------|-----------------|--------------------------|----------------------------|--------------|
| 2000 | \$ 111,292 | \$ 17,280 | \$ 784 | \$ 6,074 | \$ 540 | \$ 135,970 |
| 2001 | 126,760 | 18,243 | 1,166 | 5,534 | 766 | 152,469 |
| 2002 | 142,168 | 16,155 | 1,336 | 4,984 | 666 | 165,309 |
| 2003 | 143,273 | 15,882 | 1,123 | 5,849 | 590 | 166,717 |
| 2004 | 176,351 | 15,762 | 1,017 | 7,003 | 632 | 200,765 |
| 2005 | 203,499 | 12,706 | 814 | 8,111 | 700 | 225,830 |
| 2006 | 294,569 | 12,855 | 821 | 8,487 | 772 | 317,504 |
| 2007 | 305,146 | 13,607 | 1,289 | 8,193 | 907 | 329,142 |
| 2008 | 323,897 | 14,867 | 1,680 | 6,011 | 750 | 347,205 |
| 2009 | 368,152 | 16,479 | 1,517 | 3,842 | 1,016 ¹ | 391,006 |
| 10 year % of change | 230.8% | -4.6% | 93.5% | -36.7% | 88.1% | 187.6% |

Tax Revenues by Source
Governmental Funds



Source: Controller's Office - County of San Mateo, California

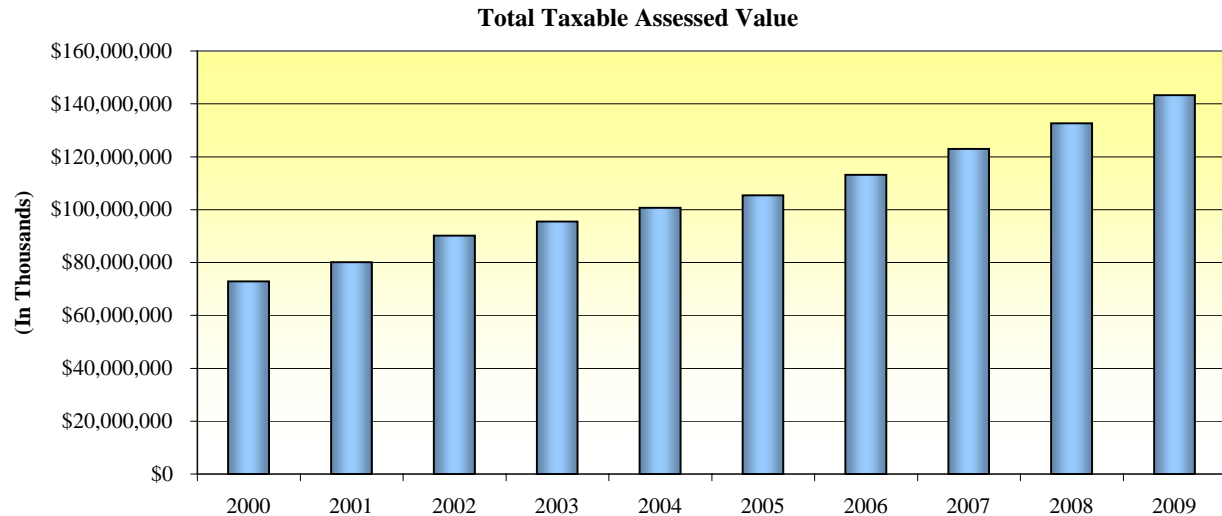
Note:

¹ The increase in transient occupancy tax was due to the opening a new inn, the Pillar Point Inn, at Princeton.

COUNTY OF SAN MATEO
Assessed Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

| Fiscal Year | Real Property ² | Personal Property | Less: Tax Exempt Real Property | Total Taxable Assessed Value ¹ | % of Change Total Taxable Assessed Value | Total Direct Tax Rate |
|--------------------|-----------------------------------|--------------------------|---------------------------------------|--|---|------------------------------|
| 2000 | \$ 68,989,934 | \$ 6,594,451 | \$ 2,669,020 | \$ 72,915,365 | 9% | 1% |
| 2001 | 75,398,222 | 7,450,029 | 2,727,954 | 80,120,297 | 10% | 1% |
| 2002 | 84,984,729 | 8,043,961 | 2,920,396 | 90,108,294 | 12% | 1% |
| 2003 | 90,740,193 | 7,787,859 | 3,073,046 | 95,455,006 | 6% | 1% |
| 2004 | 96,465,383 | 7,468,918 | 3,271,733 | 100,662,568 | 5% | 1% |
| 2005 | 102,268,521 | 6,406,818 | 3,222,916 | 105,452,423 | 5% | 1% |
| 2006 | 110,747,828 | 6,034,679 | 3,626,924 | 113,155,583 | 7% | 1% |
| 2007 | 120,723,432 | 6,178,495 | 3,952,784 | 122,949,143 | 9% | 1% |
| 2008 | 130,015,063 | 6,723,347 | 4,140,836 | 132,597,574 | 8% | 1% |
| 2009 | 139,551,172 | 8,122,323 | 4,341,148 | 143,332,347 | 8% | 1% |

| | | | | |
|----------------------------|---------|--------|--------|--------|
| 10 year % of Change | 102.28% | 23.17% | 62.65% | 96.57% |
|----------------------------|---------|--------|--------|--------|



Source: Assessor's Office - County of San Mateo, California

Notes:

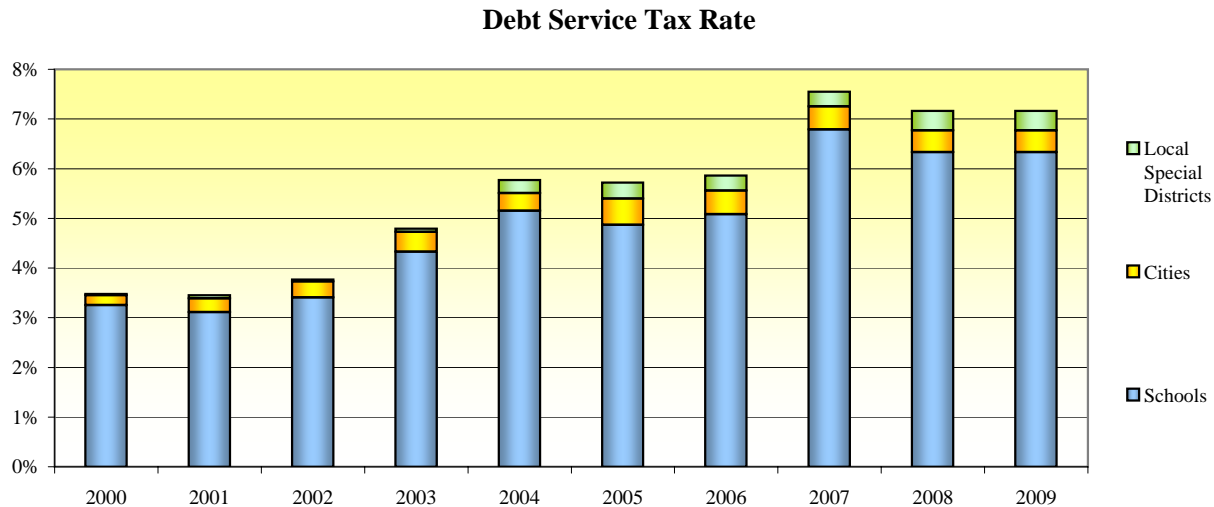
¹ Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base for valuation of property that is subject to taxes at the full cash value that appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased to reflect:

- a) annual inflation up to 2%,
- b) current market value at time of ownership change, and
- c) market value for new construction.

² Estimated actual value of taxable property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.

COUNTY OF SAN MATEO
Direct and Overlapping Property Tax Rates ¹
Last Ten Fiscal Years
(rate per \$100 of assessed value)

| Fiscal Year | General Rate ³ | Debt Service Tax Rate | | | Total |
|----------------|------------------------------|--------------------------------------|---------|--------|--------|
| | County | Overlapping Governments ² | | | |
| | | Local Special Districts | Schools | Cities | |
| 2000 | 1.0000 | 0.0003 | 0.0325 | 0.0020 | 1.0348 |
| 2001 | 1.0000 | 0.0006 | 0.0311 | 0.0028 | 1.0345 |
| 2002 | 1.0000 | 0.0004 | 0.0341 | 0.0032 | 1.0377 |
| 2003 | 1.0000 | 0.0006 | 0.0433 | 0.0040 | 1.0479 |
| 2004 | 1.0000 | 0.0026 | 0.0515 | 0.0036 | 1.0577 |
| 2005 | 1.0000 | 0.0032 | 0.0487 | 0.0053 | 1.0572 |
| 2006 | 1.0000 | 0.0030 | 0.0508 | 0.0048 | 1.0586 |
| 2007 | 1.0000 | 0.0030 | 0.0679 | 0.0046 | 1.0755 |
| 2008 | 1.0000 | 0.0039 | 0.0633 | 0.0044 | 1.0716 |
| 2009 | 1.0000 | 0.0039 | 0.0707 | 0.0042 | 1.0788 |



Source: Controller's Office - County of San Mateo, California

Notes:

¹ On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) which provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978.

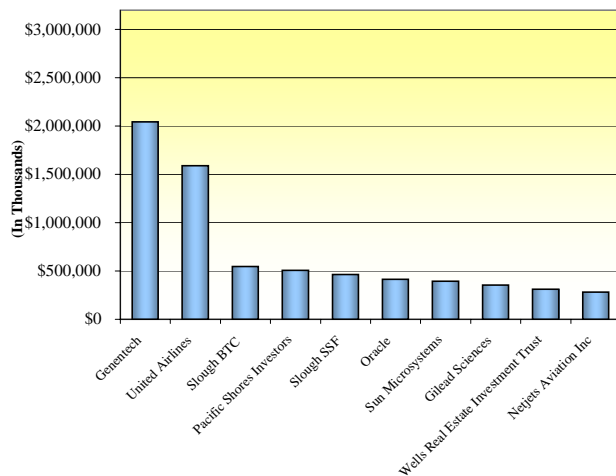
² Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County.

³ Proposition 13 allows each county to levy a maximum tax of \$1 per \$100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

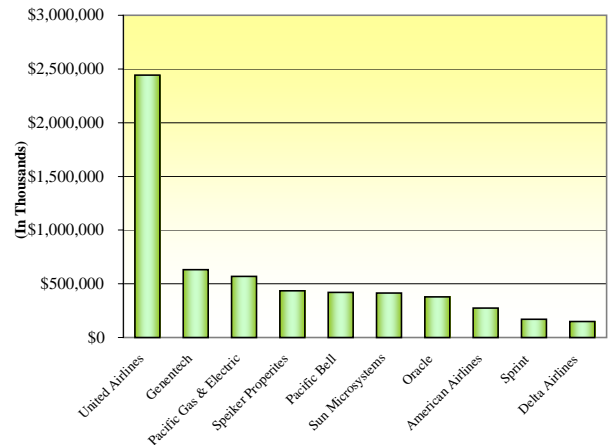
COUNTY OF SAN MATEO
Principal Property Assesseees
As of January 1, 2009 and January 1, 2000
(In Thousands)

| Assessee | Nature of Business | As of January 1, 2009 | | | As of January 1, 2000 | | |
|------------------------------------|--------------------|-------------------------------------|------|---|-------------------------------------|------|--|
| | | Taxable Assessed Value ¹ | Rank | Percentage of Total Taxable Assessed Value ² | Taxable Assessed Value ¹ | Rank | Percentage of Total Taxable Assessed Value |
| Genentech | Biotechnology | \$ 2,043,019 | 1 | 3.35% | \$ 631,127 | 2 | 1.02% |
| United Airlines | Air Carrier | 1,590,638 | 2 | 0.87% | 2,443,775 | 1 | 3.54% |
| Slough BTC | Lease | 546,250 | 3 | 0.78% | --- | --- | --- |
| Pacific Shores Investors | Investment | 506,399 | 4 | 0.60% | --- | --- | --- |
| Slough SSF | Lease | 465,349 | 5 | 0.58% | --- | --- | --- |
| Oracle | Software | 413,845 | 6 | 0.57% | 377,678 | 7 | 0.58% |
| Sun Microsystems | Computer Products | 393,009 | 7 | 0.52% | 413,979 | 6 | 0.42% |
| Gilead Sciences | Biopharmaceutical | 354,428 | 8 | 0.38% | --- | --- | --- |
| Wells Real Estate Investment Trust | Real estate | 310,934 | 9 | 0.23% | --- | --- | --- |
| Netjets Aviation Inc | Aircraft | 281,899 | 10 | 0.20% | --- | --- | --- |
| Pacific Bell (AT&T) | Telephone | --- | --- | --- | 419,275 | 5 | --- |
| Pacific Gas & Electric | Utilities | --- | --- | --- | 568,592 | 3 | 0.88% |
| Speiker Properties | Real estate | --- | --- | --- | 434,854 | 4 | 0.65% |
| American Airlines | Air Carrier | --- | --- | --- | 274,548 | 8 | 0.41% |
| Sprint | Phones | --- | --- | --- | 170,538 | 9 | 0.25% |
| Delta Airlines | Air Carrier | --- | --- | --- | 149,257 | 10 | 0.22% |
| Total | | <u>\$ 6,905,770</u> | | <u>8.08%</u> | <u>\$ 5,883,623</u> | | <u>7.97%</u> |

Principal Property Assesseees
As of January 1, 2009



Principal Property Assesseees
As of January 1, 2000



Source: Assessor's Office - County of San Mateo, California

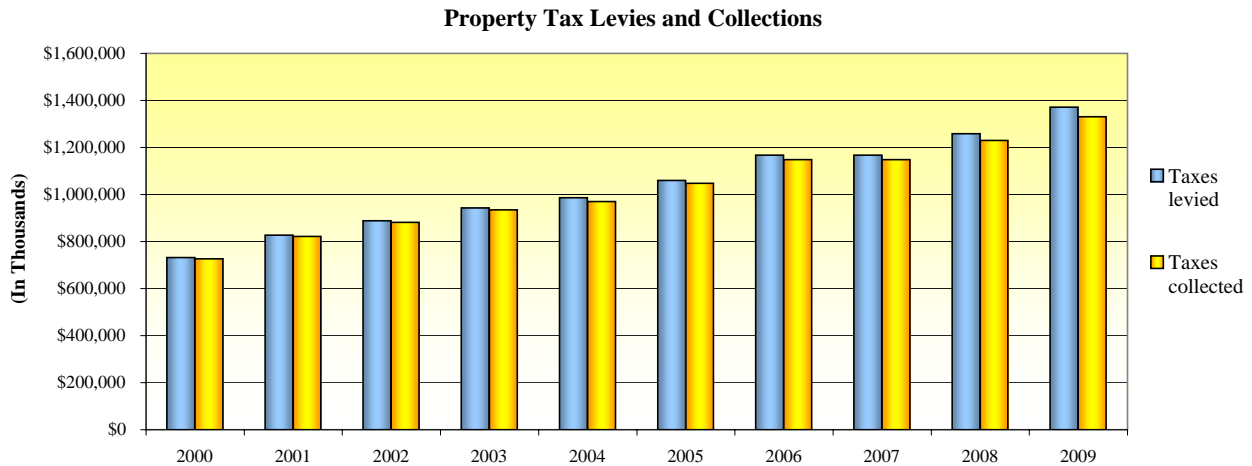
Notes:

¹ Taxable assessed value includes both real and personal properties.

² Total taxable assessed value for as of January 1, 2009, was about \$143 million.

COUNTY OF SAN MATEO
Property Tax Levies and Collections
Last Ten Fiscal Years
(In Thousands)

| Fiscal Year | Total Tax Levy for the Fiscal Year | | | | | Collected within the Fiscal Year of the Levy | | Total Collections to Date | | |
|----------------|------------------------------------|--------------------------------|-----------|----------|--------------------|---|-----------------------|---------------------------------------|------------|-----------------------|
| | General Levy ¹ | Debt Service Levy ² | | | | Amount | Percentage of Levy | Collections in Subsequent Years | Amount | Percentage of Levy |
| | | Local Special Districts | Schools | Cities | Total ³ | | | | | |
| | | | | | | | | | | |
| 2000 | \$ 640,788 | \$ 186 | \$ 23,307 | \$ 1,356 | \$ 665,637 | \$ 638,601 | 95.94% | \$ 244 | \$ 638,845 | 95.97% |
| 2001 | 704,974 | 324 | 24,864 | 2,071 | 732,233 | 726,243 | 99.18% | 291 | 726,534 | 99.22% |
| 2002 | 792,870 | 241 | 31,266 | 2,741 | 827,118 | 820,488 | 99.20% | 1,204 | 821,692 | 99.34% |
| 2003 | 839,786 | 388 | 44,924 | 3,660 | 888,758 | 880,057 | 99.02% | 1,618 | 881,675 | 99.20% |
| 2004 | 884,688 | 2,663 | 52,478 | 3,663 | 943,492 | 933,285 | 98.92% | 1,094 | 934,379 | 99.03% |
| 2005 | 926,041 | 3,354 | 51,713 | 5,605 | 986,713 | 968,038 | 98.11% | 2,673 | 970,711 | 98.38% |
| 2006 | 992,334 | 3,395 | 59,123 | 5,546 | 1,060,398 | 1,045,517 | 98.60% | 1,576 | 1,047,093 | 98.75% |
| 2007 | 1,079,958 | 3,705 | 77,821 | 5,781 | 1,167,265 | 1,147,755 | 98.33% | 986 | 1,148,741 | 98.41% |
| 2008 | 1,163,392 | 5,268 | 84,542 | 5,930 | 1,259,132 | 1,230,054 | 97.69% | 847 | 1,230,901 | 97.69% |
| 2009 | 1,258,424 | 5,695 | 101,079 | 6,012 | 1,371,210 | 1,330,807 | 97.05% | n/a | 1,330,807 | 97.05% |



Source: Assessor's Office - County of San Mateo, California

Notes:

¹ Figures show general tax dollars from secured, unsecured, homeowners, unitary and utility assessment rolls after tax shifts to schools.

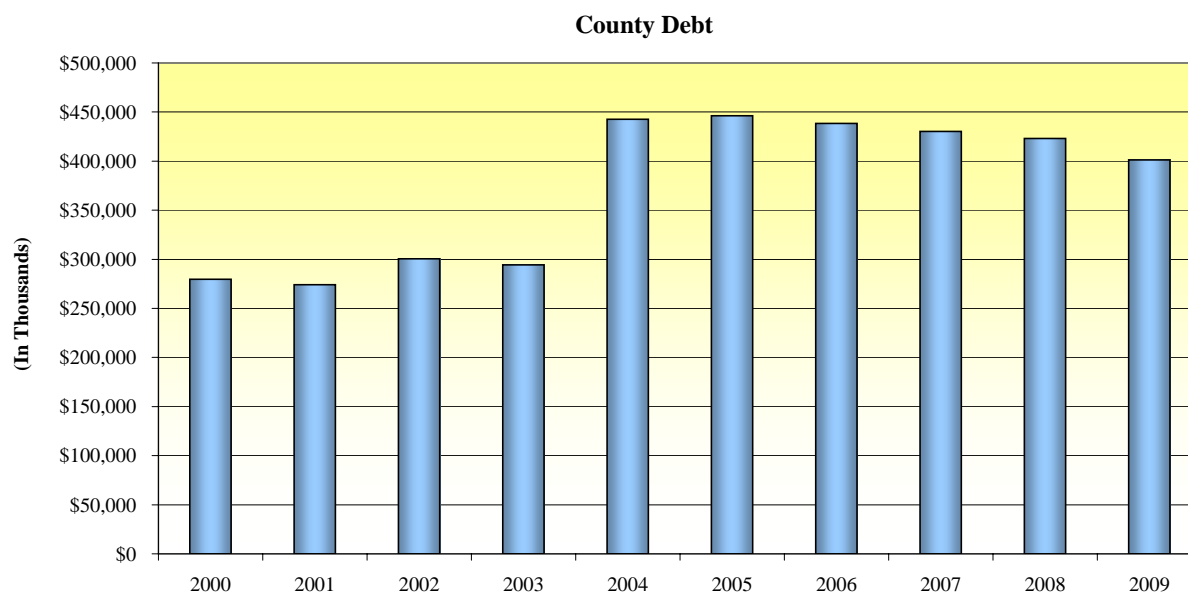
² Figures represent debt service levy for the local taxing agencies.

³ Total taxes levied for each fiscal year are based on the original property value assessment rolls provided by the County Assessor's Office

n/a - Information is unavailable

COUNTY OF SAN MATEO
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(In Thousands)

| Fiscal Year | Governmental Activities | | | | | Business-Type Activities | | | Total Primary Government | Percentage of Personal Income | Total Outstanding Debt Per Capita (In Absolute \$) |
|-------------|----------------------------------|--|---------------|--|------------|--------------------------|---------------------------|----------|--------------------------|-------------------------------|---|
| | Lease Revenue Bonds ¹ | Certificates of Participation ² | Notes Payable | Capital Lease Obligations ³ | Subtotal | Notes Payable | Capital Lease Obligations | Subtotal | | | |
| 2000 | \$ 255,560 | \$ 15,585 | \$ 4,430 | \$ 1,544 | \$ 277,119 | \$ 1,757 | \$ 904 | \$ 2,661 | \$ 279,780 | 0.67% | \$ 394 |
| 2001 | 254,364 | 15,385 | 389 | 913 | 271,051 | 1,796 | 1,251 | 3,047 | 274,098 | 0.70% | 384 |
| 2002 | 282,296 | 15,175 | 353 | 251 | 298,075 | 1,645 | 655 | 2,300 | 300,375 | 0.82% | 420 |
| 2003 | 277,234 | 14,955 | 315 | 131 | 292,635 | 1,523 | 117 | 1,640 | 294,275 | 0.81% | 410 |
| 2004 | 425,932 ⁴ | 14,725 | 399 | - | 441,056 | 1,591 | 27 | 1,618 | 442,674 | 1.12% | 616 |
| 2005 | 419,323 | 24,939 ⁵ | 358 | - | 444,620 | 1,455 | 30 | 1,485 | 446,105 | 1.02% | 618 |
| 2006 | 411,942 | 24,687 | 316 | - | 436,945 | 1,314 | 5 | 1,319 | 438,264 | 0.94% | 603 |
| 2007 | 404,301 | 24,390 | 271 | 15 | 428,977 | 1,206 | - | 1,206 | 430,183 | 0.85% | 586 |
| 2008 | 393,565 | 24,083 | 224 | 7 | 417,879 | 5,133 | - | 5,133 | 423,012 | n/a | 572 |
| 2009 | 372,331 | 23,760 | 191 | - | 396,282 | 4,868 | - | 4,868 | 401,150 | n/a | 538 |



Source: County Comprehensive Annual Financial Reports.

Notes:

¹ Lease revenue bonds are limited obligations of the San Mateo County Joint Powers Financing Authority (JPFA) payable solely from, and secured by, revenues of the JPFA, which primarily consist of base rental payments receivable from the County under a Master Facility Lease.

² Certificates of participation represent shares of lease-purchase payments from the Colma Creek Flood Control District via the JPFA. These tax-exempt certificates are sold publicly or privately to investors.

³ Capital lease obligations arise from lease agreements which are in-substance like purchases. The agreements convey property rights to the lessee and the lessee assumes substantially all of the risks and benefits of ownership.

⁴ The County issued \$155 million of lease revenue bonds to finance the construction of the Youth Services Center.

⁵ The County issued \$10.38 million of certificates of participation to finance the construction of a flood control zone at Colma Creek.

n/a - Information is unavailable.

COUNTY OF SAN MATEO
Direct and Overlapping Debt
As of June 30, 2009
(In Thousands)

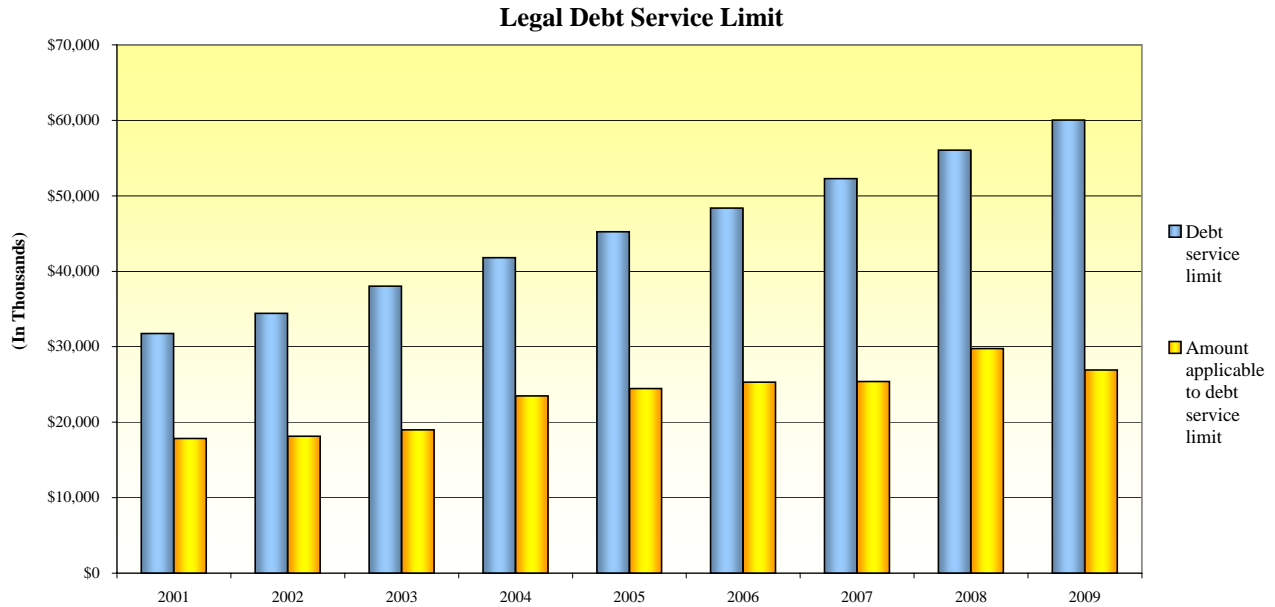
| | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|-----------------------------|--|--|
| DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT: | | | |
| Direct General Fund Obligation Debt | | | |
| San Mateo County General Fund Obligations | \$ 370,965 | 100.00% | \$ 370,965 |
| San Mateo County Flood Control District Certificates of Participation | 23,695 | 100.00% | 23,695 |
| Total direct debt | <u>394,660</u> | | <u>394,660</u> |
| Overlapping General Fund Obligation Debt | | | |
| <i>Cities</i> | | | |
| City of Burlingame General Fund and Pension Obligations | 49,310 | 100.00% | 49,310 |
| City of Daly City Certificates of Participation and Pension Obligations | 33,860 | 100.00% | 33,860 |
| City of Redwood City General Fund Obligations | 20,225 | 100.00% | 20,225 |
| City of San Mateo General Fund Obligations | 33,870 | 100.00% | 33,870 |
| Other City General Fund Obligations | 71,815 | 100.00% | 71,815 |
| <i>Special Districts</i> | | | |
| Midpeninsula Regional Open Space Park General Fund Obligations | 116,673 | 30.89% | 36,040 |
| San Mateo County Mosquito Abatement District Certificate of Participation | 540 | 100.00% | 540 |
| Granada Sanitary District Certificates of Participation | 630 | 100.00% | 630 |
| <i>School Districts</i> | | | |
| Cabrillo Unified School District General Fund Obligations | 13,350 | 100.00% | 13,350 |
| Belmont School District General Fund Obligations | 10,240 | 100.00% | 10,240 |
| San Mateo County Board of Education Certificates of Participation | 73,456 | 100.00% | 73,456 |
| San Mateo Union High School District Certificates of Participation | 5,615 | 100.00% | 5,615 |
| Other School Districts General Fund Obligations | 2,010 | 100.00% | 2,010 |
| Total overlapping general fund obligation debt | <u>431,594</u> | | <u>350,961</u> |
| Overlapping Tax and Assessment Debt | | | |
| <i>Cities</i> | 65,185 | 100.00% | 65,185 |
| <i>Special Districts</i> | | | |
| Montara Sanitary District | 15,480 | 100.00% | 15,480 |
| Community Facilities Districts | 33,710 | 100.00% | 33,710 |
| Other Special Districts (1915 Act Bonds) | 31,009 | 100.00% | 31,009 |
| <i>School Districts</i> | | | |
| San Mateo Community College District | 634,555 | 100.00% | 634,555 |
| Cabrillo Unified School District | 18,671 | 100.00% | 18,671 |
| South San Francisco School District | 35,777 | 100.00% | 35,777 |
| Jefferson and San Mateo Union High School Districts | 253,570 | 100.00% | 253,570 |
| Sequoia Union High School District | 266,520 | 100.00% | 266,520 |
| Hillsborough School District | 58,756 | 100.00% | 58,756 |
| Jefferson School District | 50,355 | 100.00% | 50,355 |
| Laguna Salada School District | 25,832 | 100.00% | 25,832 |
| Menlo Park City School District | 82,649 | 100.00% | 82,649 |
| Redwood City School District | 55,249 | 100.00% | 55,249 |
| San Carlos School District | 56,669 | 100.00% | 56,669 |
| San Mateo - Foster City School District | 147,202 | 100.00% | 147,202 |
| Other School District | 182,831 | 100.00% | 182,831 |
| Total overlapping tax and assessment debt | <u>2,014,020</u> | | <u>2,014,020</u> |
| Total overlapping debt | <u>2,445,614</u> | | <u>2,364,981</u> |
| Total direct and overlapping debt | <u>\$ 2,840,274</u> | ¹ | <u>\$ 2,759,641</u> |
| Direct debt per capita (in absolute dollars) | \$ 529 | | |
| Total net direct and overlapping debt per capita (in absolute dollars) | \$ 3,808 | | |

Source: California Municipal Statistics, Inc.

¹ Excludes revenue, mortgage revenue and tax allocation bonds, tax and revenue anticipation notes, and non-bonded capital lease obligations.

COUNTY OF SAN MATEO
Legal Debt Service Margin Information
Last Nine Fiscal Years
(In Thousands)

| | Fiscal Year | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Average Annual County budget¹ for the current and preceding four fiscal years | \$ 794,213 | \$ 860,283 | \$ 950,486 | \$ 1,045,364 | \$ 1,131,000 | \$ 1,209,880 | \$ 1,306,666 | \$ 1,401,783 | \$ 1,501,054 |
| Legal debt service limit² | | | | | | | | | |
| Debt service limit (4% of average county annual budget for the current and preceding four fiscal years) | 31,769 | 34,411 | 38,019 | 41,815 | 45,240 | 48,395 | 52,267 | 56,071 | 60,042 |
| Less: Amount applicable to debt service limit ³ | (17,834) | (18,143) | (18,991) | (23,486) | (24,448) | (25,328) | (25,403) | (29,762) | (26,940) |
| Legal debt service margin | <u>\$ 13,935</u> | <u>\$ 16,268</u> | <u>\$ 19,028</u> | <u>\$ 18,329</u> | <u>\$ 20,792</u> | <u>\$ 23,067</u> | <u>\$ 26,864</u> | <u>\$ 26,309</u> | <u>\$ 33,102</u> |
| Legal debt service margin as a percentage of debt service limit | 43.86% | 47.28% | 50.05% | 43.83% | 45.96% | 47.66% | 51.40% | 46.92% | 55.13% |



Source: County's Adopted Budget Books

Notes:

¹ The annual County budget represents the adopted annual budget of all funds in the County.

² County Ordinance No. 3773 requires the Board of Supervisors establish the County debt service limit annually. Under this ordinance, the debt service limit shall not exceed 4% of the average annual County budget for the current and the preceding four fiscal years, and shall be for non-voter approved debt that is the obligation of the County. The debt service limit does not apply to certificates of participation for the Colma Creek Flood Control District.

³ The information reflects debt service payments towards non-voter approved debt that is the obligation of the County.

COUNTY OF SAN MATEO

Pledged Revenue Coverage

Last Nine Fiscal Years

(In Thousands)

| 1993 Lease Revenue Bonds | | | | |
|--------------------------|--|--------------|----------|-----------------------------|
| Purpose: | Defeased 1991 Certificates of Participation and financed the costs of a parking garage and jail. | | | |
| Funding Source: | General Fund and Criminal Justice Facilities Fund. | | | |
| Fiscal Year | Available Revenue | Debt Service | | Coverage ratio ¹ |
| | | Principal | Interest | |
| 2001 | \$ 5,081 | \$ 2,120 | \$ 3,340 | 0.93 |
| 2002 | 4,911 | 2,135 | 3,327 | 0.90 |
| 2003 | 3,376 | 2,145 | 3,313 | 0.62 |
| 2004 | 6,671 | 2,160 | 3,298 | 1.22 |
| 2005 | 4,445 | 2,175 | 3,282 | 0.81 |
| 2006 | 4,445 | 1,000 | 3,734 | 0.94 |
| 2007 | 2,620 | - | 2,909 | 0.90 |
| 2008 | 2,620 | - | 2,909 | 0.90 |
| 2009 | 5,180 | 2,560 | 2,909 | 0.95 |

| 1997 Lease Revenue Bonds | | | | |
| Purpose: | Financed the costs of construction, furnishing and equipping an office building, and partial defeasance of the 1994 Issue - Satellite Clinic. | | | |
| Funding Source: | General Fund, SB1732, Federally Qualified Health Center reimbursement, and tobacco settlement. | | | |
| Fiscal Year | Available Revenue | Debt Service | | Coverage ratio |
| | | Principal | Interest | |
| 2001 | \$ 2,426 | \$ 390 | \$ 3,475 | 0.63 |
| 2002 | 2,481 | 425 | 3,068 | 0.71 |
| 2003 | 2,772 | 450 | 3,051 | 0.79 |
| 2004 | 2,558 | 490 | 3,031 | 0.73 |
| 2005 | 3,384 | 530 | 3,009 | 0.96 |
| 2006 | 5,571 | 2,915 | 2,934 | 0.95 |
| 2007 | 5,706 | 3,060 | 2,802 | 0.97 |
| 2008 | 5,725 | 3,220 | 2,661 | 0.97 |
| 2009 | 5,402 | 3,385 | 2,495 | 0.92 |
| 1999 Lease Revenue Bonds | | | | |
| Purpose: | Financed a portion of the costs of completing the Health Center and partial defeasance the 1993, 1994 and 1995 Issues. | | | |
| Funding Source: | General Fund, SB1732, Federally Qualified Health Center reimbursement, and tobacco settlement. | | | |
| Fiscal Year | Available Revenue | Debt Service | | Coverage ratio |
| | | Principal | Interest | |
| 2001 | \$ 6,315 | \$ 350 | \$ 5,429 | 1.09 |
| 2002 | 12,407 | 365 | 5,418 | 2.15 |
| 2003 | 5,917 | 375 | 5,406 | 1.02 |
| 2004 | 7,256 | 390 | 5,393 | 1.25 |
| 2005 | 6,004 | 630 | 5,374 | 1.00 |
| 2006 | 6,021 | 670 | 5,351 | 1.00 |
| 2007 | 6,383 | 1,065 | 5,318 | 1.00 |
| 2008 | 6,401 | 1,125 | 5,276 | 1.00 |
| 2009 | 6,429 | 1,205 | 5,224 | 1.00 |
| 2001 Lease Revenue Bonds | | | | |
| Purpose: | Financed a portion of costs of acquisition of a microwave and law enforcement mutual aid communications system and a sheriff's radio system; and the costs of the acquisition and construction of a forensics laboratory and coroner's office. | | | |
| Funding Source: | General Fund, Crime Lab fees, and Cities. | | | |
| Fiscal Year | Available Revenue | Debt Service | | Coverage ratio |
| | | Principal | Interest | |
| 2001 | \$ - | \$ - | \$ - | - |
| 2002 | - | - | 494 | - |
| 2003 | 380 | - | 1,327 | 0.29 |
| 2004 | 1,766 | 1,340 | 1,309 | 0.67 |
| 2005 | 2,651 | 1,380 | 1,272 | 1.00 |
| 2006 | 2,647 | 1,415 | 1,232 | 1.00 |
| 2007 | 2,654 | 1,465 | 1,189 | 1.00 |
| 2008 | 2,653 | 1,510 | 1,143 | 1.00 |
| 2009 | 2,647 | 1,555 | 1,092 | 1.00 |
| 1997 Certificates of Participation | | | | |
| Financed the design, construction, and installation of storm water and flood control improvements located in Colma Creek Flood Control Zone. | | | | |
| Colma Creek Flood Control District. | | | | |
| Fiscal Year | Available Revenue | Debt Service | | Coverage ratio |
| | | Principal | Interest | |
| 2001 | \$ 976 | \$ 200 | \$ 779 | 1.00 |
| 2002 | 978 | 210 | 770 | 1.00 |
| 2003 | 981 | 220 | 761 | 1.00 |
| 2004 | 982 | 230 | 752 | 1.00 |
| 2005 | 982 | 240 | 742 | 1.00 |
| 2006 | 981 | 250 | 731 | 1.00 |
| 2007 | 979 | 260 | 719 | 1.00 |
| 2008 | 977 | 270 | 707 | 1.00 |
| 2009 | 979 | 285 | 695 | 1.00 |
| 2004 Certificates of Participation | | | | |
| Financed the acquisition, design, construction, improvement, and installation of certain improvements to the flood control system. | | | | |
| Colma Creek Flood Control District. | | | | |
| Fiscal Year | Available Revenue | Debt Service | | Coverage ratio |
| | | Principal | Interest | |
| 2001 | \$ - | \$ - | \$ - | - |
| 2002 | - | - | - | - |
| 2003 | - | - | - | - |
| 2004 | - | - | - | - |
| 2005 | - | - | - | - |
| 2006 | 501 | - | 352 | 1.42 |
| 2007 | 535 | 35 | 500 | 1.00 |
| 2008 | 535 | 35 | 500 | 1.00 |
| 2009 | 534 | 35 | 499 | 1.00 |
| 2008 Lease Revenue Bonds ² | | | | |
| Provided funds, together with other available moneys, to redeem the 2003 Lease Revenue Bonds and to pay the termination payment for the 2003 County departments occupying the facilities. | | | | |
| Fiscal Year | Available Revenue | Debt Service | | Coverage ratio |
| | | Principal | Interest | |
| 2001 | \$ - | \$ - | \$ - | - |
| 2002 | - | - | - | - |
| 2003 | - | - | - | - |
| 2004 | - | - | - | - |
| 2005 | - | - | - | - |
| 2006 | - | - | - | - |
| 2007 | - | - | - | - |
| 2008 | - | - | - | - |
| 2009 | 2,230 | - | 2,230 | 1.00 |

Sources:
Available revenue - per contributions from responsible departments.
Principal and interest - per debt service schedules.

Notes:
¹ Debt service payments not covered by available revenue were funded by amounts available in the interest, revenue, or reserve funds with the Trustee.
² The 2008 Lease Revenue Bonds were issued in September 2008.

Sources:

Available revenue - per contributions from responsible departments.

Principal and interest - per debt service schedules.

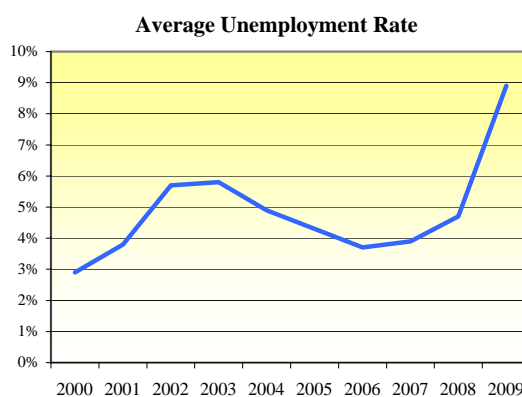
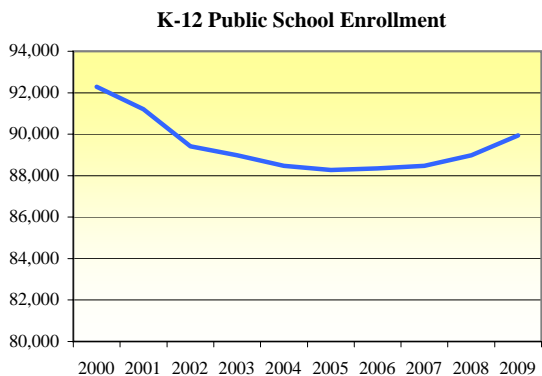
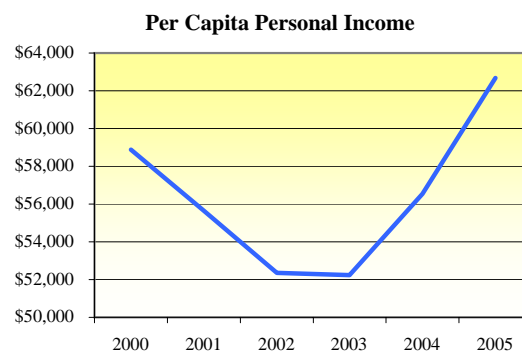
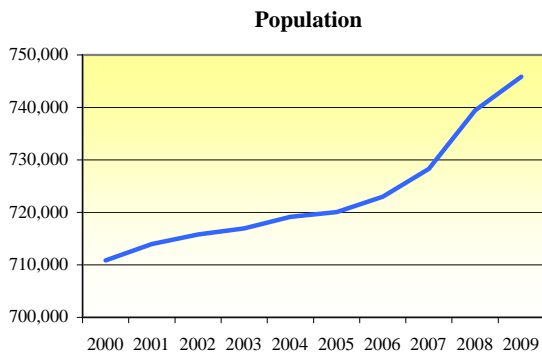
Notes:

¹ Debt service payments not covered by available revenue were funded by amounts available in the interest, revenue, or reserve funds with the Trustee.

² The 2008 Lease Revenue Bonds were issued in September 2008.

COUNTY OF SAN MATEO
Demographic and Economic Statistics
Last Ten Years

| Year | Population ¹ | Total Personal Income ⁵ (in millions) | Per Capita Personal Income ⁵ | Median Age ⁴ | K-12 Public School Enrollment ² | Average Unemployment Rate ³ |
|-------------|--------------------------------|---|--|------------------------------------|---|---|
| 2000 | 710,836 | \$ 41,731 | \$ 58,888 | 36.9 | 92,285 | 2.9% |
| 2001 | 713,958 | 39,395 | 55,649 | 36.8 | 91,205 | 3.8% |
| 2002 | 715,763 | 36,737 | 52,361 | 37.4 | 89,415 | 5.7% |
| 2003 | 716,943 | 36,467 | 52,235 | 38.7 | 88,991 | 5.8% |
| 2004 | 719,154 | 39,409 | 56,550 | 38.6 | 88,477 | 4.9% |
| 2005 | 720,042 | 43,755 | 62,680 | 39.2 | 88,273 | 4.3% |
| 2006 | 722,994 | 46,847 | 66,839 | 39.4 | 88,350 | 3.7% |
| 2007 | 728,314 | 50,347 | 71,753 | 39.7 | 88,479 | 3.9% |
| 2008 | 736,951 | n/a | n/a | n/a | 88,974 | 4.7% |
| 2009 | 745,858 | n/a | n/a | n/a | 89,941 | 8.9% ⁶ |



Sources:

- ¹ Data include revisions by the State of California Department of Finance, Demographic Research Unit.
- ² Data include revisions by the State of California Department of Education.
- ³ Data include revisions by the State of California Employment Development Department. The 2009's figure reflects the non-seasonally adjusted unemployment rate for the period ended June 30.
- ⁴ American Community Survey.
- ⁵ Data include revisions by the U.S. Department of Commerce Bureau of Economic Analysis.
- ⁶ The sharp increase in the unemployment rate was caused by the global economic downturn.

Note:

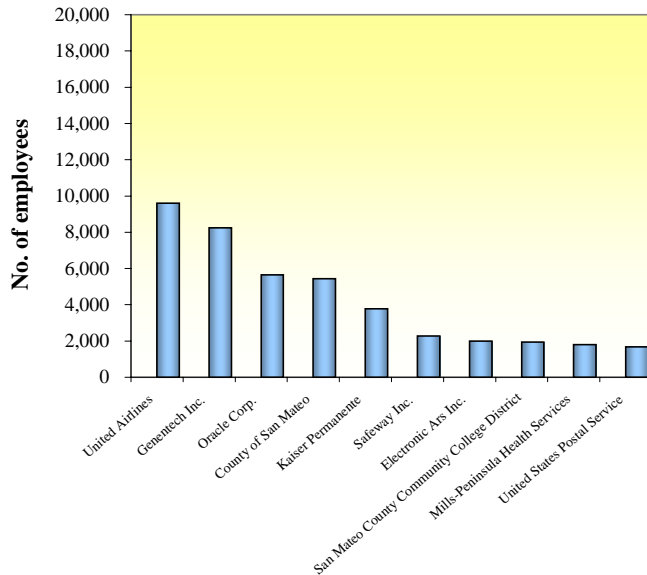
All data are presented in calendar year except for the average unemployment rate, which is presented in fiscal year.

n/a - Information is unavailable.

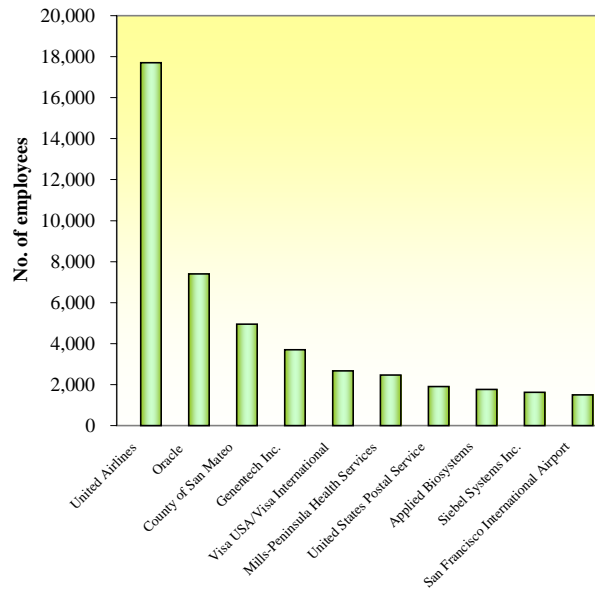
COUNTY OF SAN MATEO
Principal Employers
Year 2008 and Year 2000

| Employer | Business Type | 2008 ¹ | | | 2000 | | |
|---|----------------------------|----------------------------------|------|---------------------------------------|---------------------|------|---------------------------------------|
| | | Number of Employees ² | Rank | Percentage of Total County Employment | Number of Employees | Rank | Percentage of Total County Employment |
| United Airlines | Airline | 9,600 | 1 | 2.62% | 17,700 | 1 | 4.61% |
| Genentech Inc. | Biotechnology | 8,250 | 2 | 2.25% | 3,700 | 4 | 0.96% |
| Oracle Corp. | Software | 5,642 | 3 | 1.54% | 7,400 | 2 | 1.93% |
| County of San Mateo | Government | 5,443 | 4 | 1.49% | 4,944 | 3 | 1.29% |
| Kaiser Permanente | Health Care | 3,780 | 5 | 1.03% | --- | --- | --- |
| Safeway Inc. | Supermarket | 2,273 | 6 | 0.62% | --- | --- | --- |
| Electronic Arts Inc. | Interactive Entertainment | 2,000 | 7 | 0.55% | --- | --- | --- |
| San Mateo County Community College District | Public Education | 1,950 | 8 | 0.53% | --- | --- | --- |
| Mills-Peninsula Health Services | Health Care | 1,800 | 9 | 0.49% | 2,474 | 6 | 0.64% |
| United States Postal Service | Postal Service | 1,671 | 10 | 0.46% | 1,898 | 7 | 0.49% |
| Visa USA/Visa International | Global Payments Technology | --- | --- | --- | 2,677 | 5 | 0.70% |
| Applied Biosystems | Biotechnology | --- | --- | --- | 1,765 | 8 | 0.46% |
| Siebel Systems Inc. | Software | --- | --- | --- | 1,626 | 9 | 0.42% |
| San Francisco International Airport | Airport | --- | --- | --- | 1,497 | 10 | 0.39% |
| Total | | 42,409 | | 11.58% | 45,681 | | 11.89% |

**Principal Employer
Year 2008**



**Principal Employer
Year 2000**



Source: San Francisco Business Times - Book of Lists.

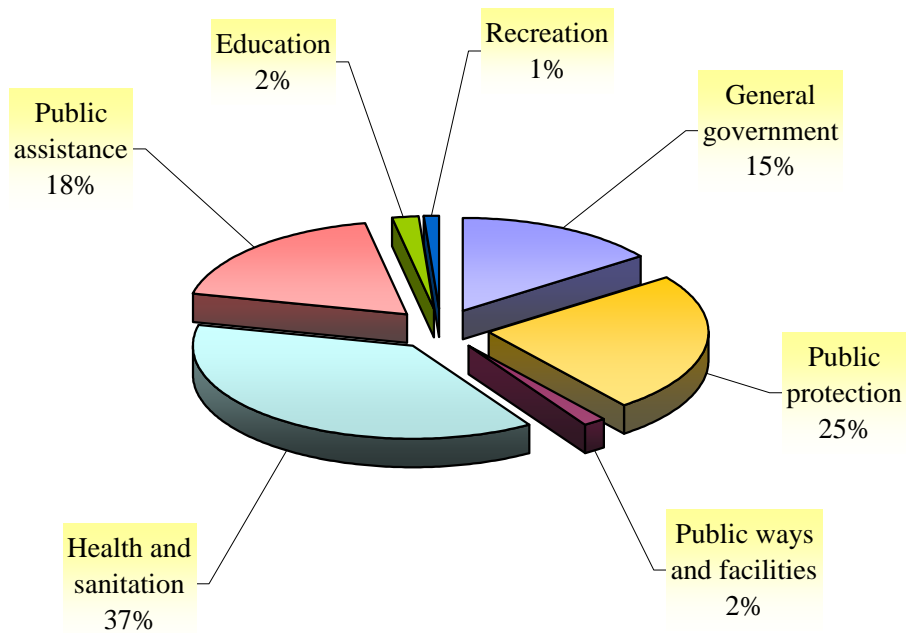
Notes:

¹ Principal employer information for year 2009 is not available.

COUNTY OF SAN MATEO
Full-time Equivalent County Employees by Function
Last Ten Fiscal Years

| Function | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|-------------|-------------|-------------|-------------|--------------------|-------------|-------------|--------------------|-------------|-------------|
| General government | 749 | 772 | 827 | 834 | 803 | 790 | 789 | 831 | 850 | 851 |
| Public protection | 1,263 | 1,281 | 1,344 | 1,354 | 1,321 | 1,292 | 1,354 | 1,381 | 1,391 | 1,395 |
| Public ways and facilities | 90 | 91 | 81 | 93 | 97 | 92 | 93 | 92 | 95 | 87 |
| Health and sanitation | 1,546 | 1,548 | 1,663 | 1,667 | 1,905 | 1,895 | 1,981 | 2,077 ³ | 2,174 | 2,142 |
| Public assistance | 743 | 773 | 800 | 870 | 893 | 906 | 953 | 994 | 1,036 | 1,041 |
| Education | 104 | 106 | 106 | 109 | 108 | 108 | 112 | 113 | 113 | 113 |
| Recreation | 59 | 61 | 63 | 58 | 55 | 55 | 55 | 56 | 56 | 57 |
| Total full-time equivalent employees ² | 4,554 | 4,632 | 4,884 | 4,985 | 5,182 ¹ | 5,138 | 5,337 | 5,544 | 5,715 | 5,686 |

Full-time Equivalent County Employees by Function
FY 2008-09



Source: County's Budget System - County of San Mateo, California

Notes:

¹ In August 2003, the County assumed control of the Burlingame Long Term Care Center (BLTC), a 281-bed skilled nursing facility that had been in State receivership since November 2002 due to the bankruptcy of its previous operator.

² The full-time equivalent (FTE) employee count was based on the information available in the County's Budget System.

³ The increase in FTE was primarily caused by extended services provided by the Public Health and the Mental Health divisions.

COUNTY OF SAN MATEO
Operating Indicators by Function
Fiscal Years 2000-2008

| Function | Fiscal Year ³ | | | | | | | | |
|--|--------------------------|----------|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General Government | | | | | | | | | |
| <i>County Counsel</i> | | | | | | | | | |
| Number of litigation cases | --- ¹ | 1,366 | 1,316 | 1,375 | 1,567 | 1,628 | 1,658 | 1,630 | 1,785 |
| Percent of general litigation cases won or resolved with approval of client | --- | --- | --- | 89% | 92% | 95% | 100% | 100% | 100% |
| Attorney per capita | 1:34,495 | 1:30,674 | 1:32,438 | 1:32,593 | 1:32,734 | 1:33,051 | 1:33,554 | 1:30,581 | 1:30,579 |
| Cost per capita as compared with surrounding counties: | | | | | | | | | |
| San Mateo County | \$6.86 | \$6.58 | \$7.72 | \$7.83 | \$7.89 | \$8.49 | \$9.13 | \$8.17 | \$9.70 |
| Surrounding counties | --- | --- | \$9.01 | \$9.54 | \$9.54 | \$11.08 | \$10.77 | \$12.04 | \$11.83 |
| <i>Public Safety Communication</i> | | | | | | | | | |
| Number of calls received | --- | 481,623 | 746,500 ² | 687,629 | 634,044 | 650,683 | 563,922 | 609,882 | 671,603 |
| Number of calls processed annually by category: | | | | | | | | | |
| High priority | --- | 71,864 | 68,434 | 65,193 | 63,578 | 69,529 | 73,138 | 77,691 | 82,342 |
| Non-Emergency | --- | 409,759 | 678,066 | 622,436 | 570,466 | 581,154 | 490,784 | 532,191 | 562,927 |
| Percent of high priority calls dispatched within established time frames: | | | | | | | | | |
| Police | 86% | 84% | 83% | 82% | 86% | 88% | 89% | 88% | 87% |
| Fire | 95% | 95% | 94% | 94% | 94% | 94% | 94% | 94% | 94% |
| Medical | 95% | 94% | 94% | 93% | 93% | 93% | 92% | 91% | 92% |
| Public Protection | | | | | | | | | |
| <i>District Attorney</i> | | | | | | | | | |
| Total cases reviewed | --- | --- | 21,038 | 23,392 | 26,031 | 22,215 | 22,904 | 22,947 | 23,232 |
| Total filings | --- | --- | 18,138 | 20,007 | 22,325 | 18,994 | 16,871 | 17,729 | 20,048 |
| Number of felony cases with victims | 1,387 | 1,308 | 1,323 | 1,202 | 1,232 | 1,423 | 1,470 | 1,532 | 1,429 |
| Number of victims contacted, including unsolved cases | --- | 638 | 701 | 2,585 | 4,754 | 5,018 | 5,460 | 4,404 | 3,840 |
| Average number of cases reviewed by attorney | --- | --- | 438 | 487 | 542 | 436 | 433 | 459 | 464 |
| Percent victims for whom services were provided | --- | --- | --- | 95% | 96% | 97% | 98% | 98% | 98% |
| <i>Sheriff's Office</i> | | | | | | | | | |
| Investigative services | | | | | | | | | |
| Number of cases performed annually | --- | --- | 5,848 | 6,358 | 6,000 | 5,035 | 5,456 | 7,935 | 5,891 |
| Number and percent of cases submitted to the District Attorney's Office (Investigations only) | --- | --- | 725/33% | 1,419/47% | 1,114/45% | 1,694/37% | 2,466/37% | 2,460/31% | 3,115/34% |
| Number and percent of youth re-offending within 12 months of completing Juvenile Diversion Program | 5/9% | 4/4% | 7/13% | 9/21% | 12/20% | 12/16% | 4/15% | 6/15% | 2/10% |
| Patrol Bureau | | | | | | | | | |
| Number of dispatched calls for patrol services | 60,057 | 59,049 | 70,668 | 63,547 | 59,999 | 57,662 | 57,831 | 56,937 | 64,229 |
| Number of citations issued - patrol services | 8,482 | 9,084 | 10,278 | 9,857 | 11,185 | 11,453 | 9,189 | 10,352 | 11,824 |
| Number of total traffic activities (non-citation) | 19,211 | 17,388 | 18,092 | 15,237 | 16,096 | 15,298 | 16,681 | 16,847 | 18,204 |
| Average response time for priority dispatched calls: | | | | | | | | | |
| Urbanized service areas (in minutes) | 2.63 | 3.15 | 3.70 | 3.26 | 2.64 | 3.20 | 3.28 | 3.57 | 4.44 |
| Rural service areas (in minutes) | 13.03 | 8.40 | 9.75 | 8.27 | 9.67 | 10.00 | 10.49 | 11.41 | 11.41 |
| Average cost per dispatched patrol service call | \$376 | \$382 | \$336 | \$436 | \$452 | \$494 | \$490 | \$539 | \$534 |
| <i>Probation Department</i> | | | | | | | | | |
| Adult Supervision Services | | | | | | | | | |
| Number of probationers placed on: | | | | | | | | | |
| Relapse prevention supervision services | --- | --- | --- | --- | 1,701 | 1,437 | 1,878 | 2,654 | 2,056 |
| Intensive supervision | --- | --- | 1,448 | 1,749 | 3,708 | 1,479 | 923 | 954 | 1,027 |
| Supervised Computer Assisted Case Services Unit | --- | --- | --- | --- | 5,552 | 4,504 | 3,596 | 1,552 | 1,146 |
| Number and percent of probationers: | | | | | | | | | |
| Completed probation without new sustained law violation | --- | --- | 1,354/65% | 687/71% | 1,652/75% | 526/66% | 840/56% | 805/63% | 2,087/63% |
| Completed treatment program during grant of probation | --- | --- | --- | --- | --- | 409/65% | 1,234/55% | 1,637/64% | 1,803/71% |

(continued)

Source: County's Adopted Budget Books.

Notes:

¹ --- Data are not available.

² The September 11th terrorist attacks generated an exceptionally high volume of calls.

³ Operating statistics is subject to retroactive adjustment as needed. The statistics for FY 2008-09 are not yet available.

COUNTY OF SAN MATEO
Operating Indicators by Function
Fiscal Years 2000-2008

| Function | Fiscal Year ³ | | | | | | | | |
|---|--------------------------|-----------|-----------|--------------------|-----------|-----------|---------------------|------------------|-----------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Juvenile Supervision Services | | | | | | | | | |
| Number of juveniles served on probation | --- | --- | --- | --- | 3,112 | 3,167 | 2,467 | 2,465 | 2,426 |
| Number of youth served under prevention/diversion programs | --- | --- | --- | --- | --- | 487 | 1,256 | 989 | 739 |
| Number and percent of probationers: | | | | | | | | | |
| Completed probation without new sustained law violation | 1,005/67% | 1,005/67% | 1,020/68% | 490/84% | 1,345/89% | 1,373/89% | 726/76% | 897/79% | 645/77% |
| Completed informal contract and are not filed upon within | | | | | | | | | |
| Six months of case closure | --- | --- | --- | --- | --- | --- | 1,262/84% | 435/85% | 382/85% |
| Public Ways and Facilities | | | | | | | | | |
| Road maintenance | | | | | | | | | |
| Number of service hours: | | | | | | | | | |
| Asphalt and concrete pavement | 32,100 | 31,470 | 38,688 | 27,281 | 22,714 | 20,224 | 17,208 | 20,274 | 15,718 |
| Traffic signs, striping and legends | 6,764 | 4,635 | 4,921 | 3,073 | 3,728 | 2,626 | 4,552 | 3,902 | 4,519 |
| Drainage facilities | 20,661 | 21,986 | 18,099 | 18,724 | 12,525 | 12,176 | 15,808 | 12,605 | 14,009 |
| Vegetation management | 15,426 | 20,469 | 22,015 | 19,403 | 15,568 | 14,569 | 13,763 | 16,861 | 14,842 |
| Number of lane miles: | | | | | | | | | |
| Sealed | --- | --- | 26.1 | 32.3 | 17.0 | 82.0 | 53.0 | 0.0 ⁶ | 29.0 |
| Resurfaced | --- | --- | 34.2 | 41.7 | 23.0 | 14.0 | 14.4 | 13.6 | 4.0 |
| Reconstructed | --- | --- | 2.7 | 4.7 | 2.9 | 0.3 | 1.2 | 1.9 | 1.3 |
| Waste management | | | | | | | | | |
| Number of website visits to the County's RecycleWorks website | --- | --- | 125,224 | 96,839 | 80,455 | 128,192 | 327,872 | 501,779 | 518,887 |
| Number of programs implemented that reduce waste or conserve resources (data development) | --- | --- | --- | --- | --- | --- | 34 | 32 | 58 |
| Health and Sanitation | | | | | | | | | |
| Emergency Medical Services (EMS) | | | | | | | | | |
| Number of 9-1-1 calls for medical response | 38,121 | 40,013 | 37,028 | 41,504 | 40,851 | 39,068 | 40,222 | 38,818 | 47,609 |
| Percent of EMS calls responded to on time | | | | | | | | | |
| Ambulance | 94% | 94% | 95% | 95% | 94% | 93% | 91% | 91% | 92% |
| Fire first reponse | 98% | 98% | 98% | 98% | 98% | 98% | 99% | 98% | 98% |
| Mental Health Adult Services | | | | | | | | | |
| Number of clients served: | | | | | | | | | |
| Intensive level of service | 2,680 | 2,676 | 2,575 | 2,578 | 2,631 | 2,446 | 2,409 | 2,221 | 2,249 |
| Outpatient level of service | 7,207 | 7,442 | 7,582 | 7,309 | 7,218 | 7,280 | 7,497 | 7,789 | 8,174 |
| Number of new clients served | --- | --- | --- | --- | --- | 2,556 | 2,613 | 2,722 | 2,332 |
| Percent of customer survey respondents indicating they have benefited from mental health treatment: | | | | | | | | | |
| Able to deal more effectively with daily problems | 91% | 91% | 93% | 90% | 96% | 95% | 92% | 87% | 94% |
| Better able to control their life | 90% | 90% | 91% | 88% | 94% | 95% | 94% | 87% | 94% |
| Mental Health Youth Services | | | | | | | | | |
| Number of clients served: | | | | | | | | | |
| Intensive | 685 | 700 | 719 | 784 | 711 | 752 | 993 | 1,125 | 1,138 |
| Outpatient | 1,220 | 1,328 | 1,292 | 1,408 | 1,451 | 2,136 | 2,024 | 2,302 | 2,220 |
| Number of new clients served | --- | --- | --- | --- | --- | 1,061 | 1,276 | 1,371 | 1,419 |
| Percent of survey respondents who agree or strongly agree that the client is better at handling daily life: | | | | | | | | | |
| Parents | --- | --- | 84% | 80% | 77% | 71% | 78% | 82% | 73% |
| Youth | --- | --- | 86% | 83% | 71% | 72% | 65% | 76% | 90% |
| Family Health Services | | | | | | | | | |
| Number of customers served: | | | | | | | | | |
| Field nursing and maternal, child and adolescent health | 2,528 | 2,330 | 2,405 | 2,388 | 2,078 | 2,017 | 2,057 | 1,903 | 1,960 |
| Prenatal to three | 5,503 | 6,316 | 6,764 | 3,336 | 3,575 | 3,645 | 3,714 | 3,722 | 3,473 |
| Women, infants and children | 22,600 | 22,600 | 19,050 | 22,231 | 25,599 | 21,688 | 17,976 | 19,595 | 18,257 |
| California children services | 3,446 | 3,327 | 4,480 | 1,747 ⁴ | 2,541 | 2,788 | 2,724 | 2,703 | 2,590 |
| Child health and disability prevention | 3,900 | 7,862 | 3,732 | 3,101 ⁴ | 2,696 | 2,074 | 1,881 | 2,177 | 1,847 |
| Lead | 65 | 140 | 185 | 69 | 76 | 82 | 102 | 40 | 41 |
| California nutrition network | 6,872 | 8,015 | 10,938 | 15,750 | 12,532 | 13,152 | 27,411 ⁵ | 23,818 | 16,737 |
| Number and percent of low-income children up-to-date on immunizations at age two | --- | --- | 372/63% | 374/67% | 444/69% | 316/71% | 1,090/70% | 1,107/84% | 1,071/88% |

(continued)

Notes:

⁴ The decrease reflected changes in collection methodology.

⁵ Staff attended a larger number of health fairs increasing the number of customer served.

⁶ The State usually allocates funding for road sealing, resurfacing, and reconstruction. In FY 2006-07, the State only allocated funding for resurfacing and reconstruction projects.

COUNTY OF SAN MATEO
Operating Indicators by Function
Fiscal Years 2000-2008

| Function | Fiscal Year ³ | | | | | | | | |
|--|--------------------------|-------|--------|--------|---------------------|--------------------|--------------------|--------|--------------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Health Promotion and Disease Control | | | | | | | | | |
| Number of clients served: | | | | | | | | | |
| AIDS progrm clinical services | 549 | 554 | 576 | 546 | 565 | 559 | 576 | 540 | 553 |
| Mobile clinic clinical services | --- | --- | 2,975 | 1,463 | 3,024 | 2,713 | 3,534 | 4,103 | 4,776 |
| STD Control | 1,035 | 1,301 | 1,872 | 1,325 | 1,674 | 1,636 | 2,951 ⁹ | 1,954 | 2,159 |
| TB Control | --- | 237 | 641 | 811 | 508 | 901 | 1,100 | 1,085 | 588 |
| Percent of clients demonstrating improvement in knowledge, attitudes, and behavior regarding disease prevention, control, and treatment | --- | --- | --- | 94% | 90% | 96% | 98% | 94% | 85% |
| Environmental Health Services | | | | | | | | | |
| Number of permitted facilities regulated | --- | --- | 15,476 | 15,694 | 16,481 | 16,092 | 17,350 | 17,763 | 17,935 |
| Percent of permitted facilities receiving an annual insepection | --- | --- | 82% | 88% | 91% | 88% | 93% | 87% | 80% |
| Number of complaints received | --- | --- | 1,183 | 1,416 | 1,970 | 1,416 | 2,077 | 2,120 | 1,748 |
| Percent of complaints responded to within the required time period | --- | --- | 85% | 86% | 85% | 86% | 84% | 86% | 71% |
| Public Assistance | | | | | | | | | |
| Prevention and Early Intervention | | | | | | | | | |
| Number of clients served by community based providers contracting with the Human Services Agency (HSA): | | | | | | | | | |
| Individuals | --- | --- | 25,013 | 28,242 | 28,127 | 22,553 | 29,313 | 23,413 | 26,600 |
| Families | --- | --- | 9,137 | 9,582 | 9,580 | 8,271 | 10,558 | 8,480 | 9,664 |
| Number of children who received childcare assistance through the HSA, Child Care Coordinaing Council, and Professional Association for Childhood Education | --- | --- | --- | --- | --- | --- | 2,800 | 2,859 | 2,765 |
| Percent of clients needing food and/or shelter received assistance: | | | | | | | | | |
| Food | --- | --- | 96% | 96% | 97% | 98% | 98% | 99% | 99% |
| Shelter | --- | --- | 69% | 63% | 68% | 64% | 67% | 75% | 76% |
| Economic Self-Sufficiency | | | | | | | | | |
| Number of participants using PeninsulaWorks Centers | --- | --- | 14,308 | 22,460 | 24,426 ⁸ | 24,794 | 20,089 | 17,654 | 19,586 |
| Number of Food Stamp applications: | | | | | | | | | |
| New applications | --- | --- | --- | --- | --- | --- | --- | --- | 9,830 |
| Approved applications | --- | --- | --- | --- | --- | --- | --- | --- | 4,254 |
| Denied applications | --- | --- | --- | --- | --- | --- | --- | --- | 5,988 |
| Child Welfare Services: | | | | | | | | | |
| Number of licensed foster homes | --- | --- | --- | --- | --- | --- | 73 | 83 | 83 |
| Number of families referred for counseling services at Family Resource Centers | --- | --- | --- | --- | --- | --- | --- | --- | 2,302 |
| Percent of child abuse/neglect referrals met with a timely face-to-face investigative response: | | | | | | | | | |
| Immediate referral response compliance | --- | --- | --- | --- | --- | --- | 98% | 98% | 98% |
| 10-Day referral response compliance | --- | --- | --- | --- | --- | --- | 92% | 94% | 98% |
| Percent of timely social worker visits with children on open cases | --- | --- | --- | --- | --- | --- | 96% | 96% | 96% |
| Housing & Community Development | | | | | | | | | |
| Number of affordable housing units developed and occupied | --- | --- | 215 | 124 | 104 | 53 | 158 | 321 | 340 |
| Recreation | | | | | | | | | |
| Parks & Recreation | | | | | | | | | |
| Number of park reservation calls taken | 2,420 | 2,480 | 3,102 | 3,794 | 3,479 | 5,291 ⁷ | 5,011 | 5,881 | 8913 ¹¹ |
| Number of special events processed | 113 | 100 | 95 | 64 | 106 | 78 | 87 | 110 | 93 |

Notes:

⁷ Park reservations staff began making reservations for Fitzgerald Marine Reserve docent-led tours, a task previously performed by others.

⁸ The measure included Workforce Investment Act participants only.

⁹ The increase in number of clients served was caused by increased capacity in STD clinic stabilized workforce.

¹⁰ The Human Services Agency changed its method in calculating the number of children served.

¹¹ The County implemented a new online reservation system and was inundated with phone reservations as people learned to navigate their way through the online reservation.

COUNTY OF SAN MATEO
Capital Asset Statistics by Function
Last Nine Fiscal Years

| | Fiscal Year | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|----------------|--------------------|-------------|
| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
| <u>Governmental Activities:</u> ¹ | | | | | | | | | |
| General government | | | | | | | | | |
| Child care centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fairground | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Grant yards | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Law library | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public protection | | | | | | | | | |
| Fire stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Sheriff stations | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Jail | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Youth services center | 1 | 1 | 1 | 1 | 1 | 1 | 1 ² | 1 | 1 |
| Public ways and facilities | | | | | | | | | |
| Road | | | | | | | | | |
| Pavement (miles) | 316.5 | 316.6 | 316.7 | 316.8 | 316.6 | 316.2 | 314.4 | 315.9 | 314.8 |
| Bridges | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 31 |
| Traffic signals | 17 | 17 | 17 | 18 | 19 | 19 | 19 | 19 | 19 |
| Sewer and water | | | | | | | | | |
| Sewer: | | | | | | | | | |
| Sanitary sewers (miles) | 148.45 | 148.45 | 148.45 | 148.45 | 148.51 | 149.47 | 149.47 | 147.35 | 147.47 |
| Water: | | | | | | | | | |
| Water mains (miles) | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Fire hydrants | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Storage capacity (thousands of gallons) | 710 | 710 | 710 | 710 | 710 | 710 | 710 | 710 | 710 |
| Lighting | | | | | | | | | |
| Street lights | 2,847 | 2,906 | 2,898 | 2,889 | 2,927 | 2,920 | 2,921 | 2,128 ³ | 2,166 |
| Flood control | | | | | | | | | |
| Channels (miles) | 4.69 | 4.69 | 5.89 | 5.89 | 6.40 | 7.70 | 7.70 | 7.70 | 7.70 |
| Health and sanitation | | | | | | | | | |
| Warehouse | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Psychiatric center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Satellite clinic | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public assistance | | | | | | | | | |
| Drug treatment center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Employment and training center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recreation | | | | | | | | | |
| Parks | 21 | 21 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Boating recreation center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| <u>Business-type Activities:</u> | | | | | | | | | |
| Medical center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Sources:

County Capital Asset Master File
Department of Public Works

Notes:

- ¹ Four buildings are currently occupied by departments from different functions.
- ² A new youth services center was opened in September 2006.
- ³ The decrease was caused by transfer of the Ravenswood Lighting District to the City of East Palo Alto.

**DRAFT Board Report Outline 01/13/10
County Mid-Year Budget Update
February 9, 2010 Board Meeting**

RECOMMENDATIONS

1. Accept the FY 2009-10 County Budget Update
2. Review key budget assumptions and provide direction regarding FY 2010-11 and 2011-12 Budget
3. Adopt Updates to the County Reserves Policy
4. Adopt Salary Ordinance Amendment eliminating vacant positions in the current fiscal year

I. FY 2009-10 County Financial Status

- A. FY 2009-10 County Financial Status
- B. Year-End Fund Balance Estimates– All Funds
- C. Explanation of Significant Variances

II. Local Economic Indicators and Workload Trends

- A. Bay Area Consumer Price Index (CPI)
- B. First-Time Housing Affordability Index)
- C. Median Home Price and Home Sales
- D. Foreclosure Activity
- E. Property Reassessment and Assessment Appeal Filings
- F. Office Space Availability and Asking Rates per Square Foot
- G. San Francisco International Airport – Total Passengers
- H. Building Permits Issued
- I. Unemployment Rate
- J. PeninsulaWorks Participants
- K. Public Assistance Caseloads
- L. Emergency Room Visits
- M. Health Insurance Enrollment Adults and Children
- N. Jail and Juvenile Hall Populations

III. Structural Budget Deficit and Major Budget Issues

- A. Updated Five-Year Projections FY 2010-15 and Structural Budget Deficit
- B. Major Budget Issues and Updates
 1. Governor's January Budget Proposal
 2. Updates on Budget Balancing Strategies
 - a. Accelerated Timeline - Mid year vacant position reductions
 - b. Program Reductions – Department Budget Targets
 - c. Multi-Departmental Strategies
 - d. Labor Costs
 - e. New Revenues
 3. Major Budget Issues
 - a. Status of New Jail Project
 - b. Solid Waste Fund Reserves
 - c. Property Tax Revenue Issues (ERAF, Teeter, Vehicle License Fee Swap)
 - d. Fire Protection Fund revenue shortfall

IV. Historical and Current Year General Revenue Trends – TABLE AND NARRATIVE

V. Five Year FY 2011-15 General Revenue Projections – TABLE AND NARRATIVE



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



DATE: January 12, 2010
COMMITTEE MEETING DATE: January 20, 2010

TO: Board of Supervisors, Finance and Operations Committee
FROM: Jean S. Fraser, Chief, San Mateo County Health System 
SUBJECT: Budget Assumptions for San Mateo Medical Center Budget 2010-2014

RECOMMENDATION:

Approve the submission to the entire Board of Supervisors of the attached resolution revising the expenditure assumption relating to the San Mateo Medical Center (SMMC) budget target and stating that the SMMC budget target shall be equivalent to the other Health System divisions.

BACKGROUND:

On December 16, 2008, your Board provided direction to the County Manager on a multi-year approach for eliminating the County's structural deficit by fiscal year 2013. Included in the Power Point presentation to the Board were several revenue and expenditure assumptions for the fiscal years 2009-10 through 2013-14 which included, among other items, a reduction in general fund contributions to the San Mateo Medical Center (SMMC) from \$72 million to \$50 million. The assumption has been repeated in other presentations to your Board since then without a specific focus on that assumption. In light of the recession and other factors, the Health System is requesting that the assumption be revised.

DISCUSSION:

Since December 2008 the recession has resulted in the loss of jobs and health insurance coverage in San Mateo County such that there is an increased demand for the services of the San Mateo Medical Center. Yet the assumption that SMMC can operate with a general fund contribution reduced to \$50 million has not been revisited.

For example, in July 2008, 12,465 county residents were enrolled in the WELL program (since renamed the ACE program), which is the program by which the County meets its state mandate to provide medical care to low-income uninsured residents. As of January 1, 2010, 20,362 county residents are now enrolled in the ACE program, for a 60% increase. Similarly, since July 2008, county wages and benefits have increased at annual rates of between 3.5% and 11.1%, and medical inflation has routinely outpaced

general inflation by two or more percentage points. Meanwhile, the county has already reduced the General Fund support to SMMC by \$5.7 million, or by 7%.

The Health System believes that the budget assumption of an additional General Fund \$16 million reduction to \$50 million, plus the requirement that SMMC cover 100% of salary and benefit increases, is no longer realistic in light of the increased demand for SMMC services and rising costs. We are asking your Board to eliminate it and to make the SMMC budget target equivalent to the other Health System divisions. The budget target for the other Health System divisions (with the exception of the county contribution to the In-Home Supportive Services Program), is a 10% General Fund reduction plus each division has to absorb 35% of the increase in salaries and benefits.

This would still cut the contribution to SMMC by \$6.7 million, and require SMMC to absorb a \$2.5 million increase in salary, retirement and other benefits for staff, for a total budget gap of \$9.2 million. This estimate does not include any state or federal cuts or increases in service, supplies or other costs.

Approval of the Resolution contributes to the Shared Vision 2025 outcome of a healthy community in which our neighborhoods are safe and provide residents with access to quality health care and seamless services by developing budget targets for the San Mateo Medical Center that reflect the recent economic developments and the increasing service need for community members who may have lost their jobs and health insurance coverage.

FISCAL IMPACT

The Resolution will align the SMMC budget target for 2010-11 through 2013-14 with the other divisions of the Health System. The budget target from the County Manager for all Health System Divisions (except SMMC and the In-Home Supportive Services Program) for FY 2010-11 is a 10% Net County Cost reduction from the NCC from FY 2009-10 and absorption of 35% of the increase in salaries and benefits for county staff. The difference between a General Fund contribution to SMMC of \$50 million and absorbing 100% of the increase in salaries and benefits, and a 10% reduction and absorbing 35% of the increase in salaries and benefits, would be approximately \$14.5 million.

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

*** * * * ***

RESOLUTION (1) REVISING EXPENDITURE ASSUMPTIONS FOR FISCAL YEARS 2010-2014 BY ELIMINATING THE ASSUMPTION THAT THE GENERAL FUND CONTRIBUTION TO THE SAN MATEO MEDICAL CENTER WILL BE REDUCED TO \$50 MILLION AND (2) STATING THAT THE BUDGET TARGETS FOR THE SAN MATEO MEDICAL CENTER DIVISION WILL BE EQUIVALENT TO THOSE OF THE OTHER DIVISIONS OF THE HEALTH SYSTEM.

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, on December 16, 2008, this Board provided direction to the County Manager on a multi-year approach for eliminating the County's structural deficit by fiscal year 2013; and

WHEREAS, there were several revenue and expenditure assumptions for the fiscal years 2010-2014 which included, among other items, a reduction in general fund contributions to the San Mateo Medical Center from \$72 million to \$50 million; and

WHEREAS, the downturn of the economy of the nation and of the State has resulted in loss of jobs and health insurance coverage in the community and in increased demand for the services of the San Mateo Medical Center; and

WHEREAS, services provided at the San Mateo Medical Center have been structured consistent with the vision of the Blue Ribbon Task Force on Adult Health Care Coverage Expansion and with the work of the Health System Redesign Initiative;

and

WHEREAS, the structural budget deficit and other economic developments have worsened the County's fiscal outlook and now require a broader, county-wide approach to maintain public services and the fiscal health of the County;

WHEREAS, this Board's shared vision is for a healthy community and to provide residents with access to quality health care and seamless services;

NOW THEREFORE, BE IT RESOLVED, by this Board of Supervisors that (1) the expenditure assumptions for fiscal years 2010-2014 are revised to eliminate the assumption that the general fund contribution to the San Mateo Medical Center will be reduced to \$50 million and (2) that the budget targets for the San Mateo Medical Center division will be equivalent to those of the other divisions of the Health System

* * * * *



MEETING DATE: January 20, 2010

TO: Finance and Operations Committee

FROM: Jim Saco, County Budget Director

SUBJECT: Update of County Reserves Policy

PURPOSE:

The County's Fund Balance and Reserves policies help reduce the negative impact on the County during times of economic uncertainty and potential losses of funding from other governmental agencies. Fund Balance and Reserves are viewed as one-time sources of funding which are only used for one-time purposes or as part of a multi-year financial plan to balance the budget. The County avoids operating deficits that are created through dependency on one-time funding for ongoing expenditures. The revised County Reserves Policy includes minimum requirements for departmental reserves, General Fund appropriation for contingencies, reserves for countywide capital improvements and automation projects, and provides guidelines for the use of these funds.

BACKGROUND:

The Board of Supervisors approved the original County Reserves Policy in April 1999. The policy has remained unchanged since that time. In light of the current economic crisis and the County's recent reliance on one-time Reserves to balance the budget, the Board directed staff during the June 2008 budget hearings to review reserves policies of other jurisdictions for updated best practices and to revise the policy to outline consequences for departments that fall below the two percent reserves requirement.

DISCUSSION:

Staff selected eighteen counties and five cities within the State of California for comparison purposes. The agencies were primarily selected based on one or more of the following characteristics: their close geographic proximity to the County, their comparable population to the County, or their reputation as a high achieving organization, including nine recipients of the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award. In comparing our policy with these jurisdictions, the following areas were reviewed:

- The minimum reserves percentage required by the policy
- The basis for calculating reserves requirement (Revenues, Expenditures, or Fund Balance)
- Whether General Fund operating departments appropriate reserves
- The minimum reserves requirement for operating departments

The findings can be found in the attached table and are summarized as follows: nineteen jurisdictions have a formal policy while four do not and only two jurisdictions (Orange and San Diego counties) allow General Fund operating departments to appropriate reserves, however, neither has a minimum reserves requirement. Perhaps the most interesting finding was the different methods used by counties and cities for determining the minimum reserves requirement. Similar to San Mateo County, seven jurisdictions base their minimum reserves requirement exclusively on expenditure appropriations (including five GFOA Award recipients), eight base their calculation exclusively on general purpose discretionary revenues, one bases its calculation exclusively on fund balance, and three use some combination of fund balance, revenue and/or expenditure appropriations. The counties with the highest reserves requirement percentages generally used revenues or fund balance as their basis. For example, Contra Costa County's reserves requirement is 15% of general purpose revenues. Translating San Mateo County's three percent contingency and two percent departmental reserve requirements from Net Appropriations to general purpose revenues equals 15.8%. The average reserves/contingencies requirement for all surveyed jurisdictions is 5% of Net Appropriations when applying the various methodologies to the County's budget. The most stringent policy of those surveyed is that of Ventura County which calls for a minimum general reserve of 1% of total appropriations, a contingency of \$2 million, and a minimum reserves requirement of 10% of total General Fund revenues, with a General Fund reserve goal of 15%. Ventura County currently falls short of its 10% minimum reserves requirement with 8.7% of General Fund revenues.

FINDINGS AND RECOMMENDATIONS:

Although a case could be made for any of the methodologies used as the basis for calculating the reserves requirement, the use of Net Appropriations takes into consideration the entire budget, including State and federally funded programs, as well as programs funded by local sources, such as fees and charges for services. The exclusive use of general purpose discretionary revenues takes changes in all other revenue sources out of the equation and fund balance is much too volatile during economic downturns. For these reasons the Workgroup believes the continued use of Net Appropriations as the basis is the preferred method; however, we do recognize that departments may have material one-time grants and contract expenditures appropriated for non-core services that may inflate the reserves requirement beyond what is reasonably attainable for those departments to achieve.

Given the current budget situation, it can be assumed with some degree of certainty that over the next three years departments will draw down significantly on their reserve balances. With that in mind, the Workgroup recommends that the two percent departmental reserves requirement remain in place, as well as the Non-Departmental three percent contingency requirement, but that a Non-Departmental General Fund reserve of five percent be established to ensure that the County's General Fund reserve balances do not drop below ten percent. The Workgroup also finds it prudent to increase the amount set aside for Countywide Capital Improvements and Automation Projects, and recommends that these amounts be increased from \$1 million each to \$2 million each, for a total set aside of \$4 million.

The major recommended changes to the updated County Reserves Policy are as follows:

- Non-Departmental General Fund Reserve Requirement – Policy establishes a new reserve requirement in Non-Departmental Services of five percent of Net Appropriations. This new requirement is in addition to the three percent General Fund contingency, two percent departmental reserve requirement, and set asides for countywide capital improvement and automation projects.
- Reserve for Countywide Capital Improvements and Automation Projects – The minimum reserve requirement to be set aside in Non-Departmental Services will be increased from \$1 million to \$2 million for both countywide capital improvement and automation projects, resulting in a total reserve requirement of \$4 million.
- Reserves Replenishment Plan – Should departments fall below the two percent minimum requirement, they must develop a multi-year financial plan that details how the department intends to replenish their reserves to the two percent minimum within three-year years or a mutually agreed upon timeframe. Departments that are unable to demonstrate progress towards achieving the minimum requirement shall be subject to enhanced fiscal oversight, including quarterly budget updates to the County Manager's Office.
- Calculation of Two Percent Reserves Requirement – Net Appropriations will continue to be the basis for calculating the minimum Reserve Requirement. However, material/one-time grant funds and revenue derived from service contracts that do not represent core departmental services will also receive consideration for exclusion, with final approval resting with the County Manager's Office.
- Excess ERAF (Educational Revenue Augmentation Fund) – Excess ERAF is recognized as a separate component of Non-Departmental Services' Fund Balance and Reserves and its uses are limited to one-time and short-term purposes.

NEXT STEPS:

After receiving feedback from the Board's Finance & Operations Committee, the updated policy will be taken to the full Board of Supervisor's on Tuesday, February 9, 2010 as part of the County's Mid-Year Budget Update.

FISCAL IMPACT:

Based on the County's FY 2009-10 Adopted Budget, the revised policy would require a minimum General Fund reserve requirement of \$104.7 million (or 10.3% of Net Appropriations). The County's General Fund reserves balance is currently \$217.6 million (21.4% of Net Appropriations).

Attachments:

Updated County Reserves Policy
Reserves Policy Comparison with Other Jurisdictions

| Organization | | | | Can Dept. Appropriate Reserves? | Dept Minimum Req |
|----------------|---|-------|--------------------------|---------------------------------------|------------------------|
| County | Policy | Total | Appropriation Basis | | |
| Alameda | General reserve of 1% of discretionary revenue | 1% | Revenue | No | No |
| Contra Costa | Minimum unreserved GF balance of 5% of GF revenues and minimum GF balance of 10% of GF revenues | 15% | Revenue | No | No |
| Los Angeles | "Rainy Day" fund of 3% of total annual fund balance and 10% reserve cap of on-going locally generated revenue | 13% | Revenue and Fund Balance | No | No |
| Marin | A minimum of 5% of its GF operating budget | 5% | Expenditures | No | No |
| Monterey | Annual contingency funding of 1% of adopted revenues to serve as "rainy day funds"; General Fund strategic reserve of 10% of adopted revenues | 11% | Revenue | No | No |
| Napa | A minimum of 3% of GF appropriation into an operating contingency and reserves of 10% of GF appropriations | 13% | Expenditures | No | No |
| Orange | Reserves of 10% of ongoing general purpose revenues | 10% | Revenue | Yes, for specific programs and uses | No |
| Riverside | Budget policy target of 15% of discretionary revenue for the size of one designation (economic uncertainty) and 4% of discretionary revenue for contingency | 19% | Revenue | No | No |
| Sacramento* | No policy | N/A | N/A | N/A | N/A |
| San Diego* | General reserve at 5% of budgeted general purpose revenues; general fund contingency at 2% of general purpose revenues; general fund unappropriated, unreserved, undesignated fund balance at 10% of budgeted general purpose revenues; no target for management reserves | 17% | Revenue and Fund Balance | Yes, management reserves | No |
| Santa Barbara* | Allows for certain GF departmental designations, but the general policy is for all savings and unanticipated revenue to fund balance then strategic reserves | N/A | Fund Balance | No | No |
| Santa Clara | Contingency reserve of 5% | 5% | Revenue | No | No |
| Santa Cruz | No policy | N/A | N/A | N/A | N/A |
| San Mateo* | GF net appropriations of 3% and departmental reserves of 2% | 5% | Expenditures | Yes | 2% |
| Shasta | General reserve target balance of 5% of unrestricted General Fund resources | 5% | Revenue | No | No |
| Sonoma* | Total GF discretionary reserves of 5%-15% of GF operating revenues | 15% | Revenue | No | No |
| Stanislaus* | Not less than 5% of GF appropriations for the preceding three fiscal years | 5% | Expenditures | No | No |

| Organization | | | | | |
|---------------|--|-------|--------------------------|---------------------------------|------------------|
| County | Policy | Total | Appropriation Basis | Can Dept. Appropriate Reserves? | Dept Minimum Req |
| Ventura | Minimum general reserve for GF is 1% of total appropriations; GF contingencies of \$2 million; GF designations of 10% of total revenues with long term goal of 15% of total appropriations | 11% | Revenue and Expenditures | No | No |
| City | | | | | |
| Fresno* | Adopted GF appropriations of 5% | 5% | Expenditures | No | No |
| Los Angeles* | Contingency reserve of 3% of GF adopted budget and emergency reserve account of 2% of GF adopted budget | 5% | Expenditures | No | No |
| Oakland* | GF appropriations of 7.5% | 7.5% | Expenditures | No | No |
| Sacramento | No policy | N/A | N/A | N/A | N/A |
| San Jose* | Central fund reserve amount of a minimum of 3% of the operating budget | 3% | Expenditures | No | No |
| City/County | | | | | |
| San Francisco | No policy | N/A | N/A | N/A | N/A |

*Government Finance Officer's Association Distinguished Budget Presentation Award Recipient

LONG-TERM FINANCIAL POLICIES

The primary fiscal agents for the County—the Board of Supervisors, County Manager, Controller, Assessor and Treasurer—have made public access to financial information a priority. The County's budget, budget information, Comprehensive Annual Financial Report (CAFR) and Popular Annual Financial Report (PAFR) are available on the County website, www.co.sanmateo.ca.us. Residents can look up the assessed value of their property or pay their property taxes online. Board meetings (including budget hearings) air on Peninsula TV, a local access cable channel operated by a consortium of public agencies.

COUNTY RESERVES POLICY

The Board of Supervisors approved the County's original Reserves Policy in April 1999. The creation of the policy was initiated by the County's Fiscal Officers to help reduce the negative impact on the County during times of economic uncertainty and potential losses of funding from other governmental agencies. The Board of Supervisors approved the revised policy on **DATE REVISED POLICY IS APPROVED BY THE BOARD OF SUPERVISORS** to align the policy with the current fiscal environment. Fund Balance and Reserves are viewed as one-time sources of funding which are only used for one-time purposes or as part of a multi-year financial plan to balance the budget. The County avoids operating deficits that are created through dependency on one-time funding for ongoing expenditures. The revised policy includes minimum requirements for Departmental Reserves, General Fund Appropriation for Contingencies, Reserves for Countywide Capital Improvements and Reserves for Countywide Automation Projects, and provides guidelines for the use of these funds.

Departmental Reserve Requirements

1. Use of One-Time Funds - One-time funds will not be used to fund ongoing operations, unless in the context of a multi-year financial plan to balance expenditures and Reserves.
2. Minimum Departmental Reserve Requirements - The minimum Departmental Reserves requirement is two (2) percent of Net Appropriations. Departmental Reserves will only be used for the following:
 - a. one-time emergencies;
 - b. unanticipated mid-year losses of funding;
 - c. short-term coverage of costs associated with unanticipated caseload increases; and
 - d. short-term coverage of costs to minimize employee lay-offs provided there is a long-term financial plan.
3. Reserves Replenishment Plan - Departments must obtain approval from the County Manager's Office prior to using Reserves which puts them in the position of falling below the two (2) percent Reserves requirement. Approval of funding Reserves below the two (2) percent requirement would be contingent upon review and approval of a multi-year financial plan that details how the department intends to replenish their Reserves to the two (2) percent level within three years or a mutually agreed upon timeframe by the department and County Manager's Office. Department plans must address the use of excess Fund Balance with the first priority being the replenishment of Reserves. This plan will be reviewed annually at the budget meeting with the County Manager's Office to determine if progress is being made to achieve the two (2) percent level. Departments that are unable to demonstrate progress towards achieving the two (2) percent requirement shall be subject to enhanced fiscal oversight, including quarterly budget updates to the County Manager's Office.
4. Calculation of Two (2) Percent Reserves Requirement - Net Appropriations will be the base for calculating the minimum Reserve requirement. Any exceptions will be made on the basis of materiality of adjustment and impact on direct ongoing operations. Material/onetime grant funds that must be appropriated should be excluded from the two (2) percent Reserves calculation. Revenue derived from service contracts that do not represent core departmental services will also receive consideration for

exclusion, with final approval resting with the County Manager's Office. With the exception of required grant matching funds, grants and service contracts will not be backfilled by the County's General Fund should funding be eliminated or reduced. The two (2) percent requirement for each department will be determined at the time that the final budget is formally adopted by the Board of Supervisors.

5. Guidelines for Fund Balance in Excess of Minimum Reserve Amount - Fund Balance generated in excess of the two (2) percent minimum departmental Reserves requirement can only be allocated to the following:
 - a. Appropriate in Departmental Reserves for future one-time purposes;
 - b. Purchase of fixed assets;
 - c. Sinking fund for future replacement of assets;
 - d. Deferred maintenance;
 - e. One-time departmental projects;
 - f. Reserve for audit disallowances;
 - g. Local match for grants;
 - h. Seed money for new departmental programs provided there is a plan that includes identification of future ongoing funding sources and outcome measures; and
 - i. Short-term coverage of operational costs in order to maintain program integrity and prevent employee lay-offs in conjunction with sections 1 and 2 above.
6. Deferred or Incomplete Projects - Unexpended one-time funds from deferred or incomplete projects, including grant funds, can be carried over to the next fiscal year at 100% of the amount not spent. These will be exempt from the Fund Balance Policy's 75/25 split.
7. Service Departments and Non-General Fund Departments - Fund balance generated by service departments shall be evaluated by the Service Charges Committee, including representatives from the County Fiscal Operating Committee, following the end of each fiscal year to recommend how they should be applied. Application of funds will be done in a way that maximizes cost reimbursement through claiming and fairly allocates any impacts on the A-87 cost plan.

Internal Service Funds can maintain Reserve balances for future purposes including, but not limited to, vehicle and equipment replacement costs and risk management claims.

As a goal, County Enterprise Funds, Special Revenue Funds and Special Districts should generate revenue sufficient to support the full direct and indirect costs of these funds above and beyond General Fund subsidy or contribution levels approved by the Board.

General Fund Non-Departmental Reserve Requirements

1. General Fund Reserves – Shall be maintained at a minimum of five (5) percent of total General Fund Net Appropriations for one-time purposes or as part of a multi-year financial plan to balance the County's budget. The five (5) percent requirement may include Excess ERAF (Educational Revenue Augmentation Fund) reserves. After Contingencies, the second priority for excess Fund Balance at the end of each fiscal year is to replenish this amount so that it is at or above the five (5) percent level.
2. Appropriation for Contingencies – Shall be maintained at three (3) percent of total General Fund Net Appropriations for one-time emergencies and economic uncertainties. In order to maintain the highest possible credit rating, the first priority for excess Fund Balance at the end of each fiscal year is to replenish this amount so that it is maintained at the three (3) percent level.

3. Reserve for Capital Improvements – In order to preserve the County's capital assets, a minimum reserve of \$2 million, which will include half of the Capital Facilities Surcharge, shall be maintained and appropriated annually for countywide capital improvements as specified in the County's Capital Improvement plan. The five-year plan will be updated annually during the budget process.
4. Reserve for Countywide Automation Projects – A minimum reserve of \$2 million shall be maintained and appropriated annually for countywide automation projects that will generate long-term ongoing savings and reductions to Net County Cost. Projects will be determined during the budget process.
5. Amounts in Excess of above Requirements - Fund Balance generated in excess of the above requirements, including all Excess ERAF, can only be allocated or maintained as Reserves for the following one-time or short-term purposes:
 - a. Capital and technology improvements
 - b. Reduction of unfunded liabilities, including Retirement and Retiree Health obligations;
 - c. Debt retirement;
 - d. Productivity enhancements;
 - e. Cost avoidance projects;
 - f. Litigation;
 - g. Local match for grants involving multiple departments;
 - h. Innovation and Entrepreneurial Fund – creates one-time and short term incentives for team efforts that generate ongoing savings or revenues in new and creative ways; including one-time investments in infrastructure and other areas, with established parameters regarding payback periods and returns on investment.
 - i. Seed money for new programs involving multiple departments provided there is a plan that includes identification of future ongoing funding sources and outcome measures; and
 - j. Other purposes deemed to be fiscally prudent for the County as identified and recommended by the County Manager's Office to the Board of Supervisors.



**San Mateo County
Board of Supervisors
*Finance and Operations Committee***

**Mark Church, Chair
Rich Gordon, Vice-Chair**

Reyna Farrales, Deputy County Manager
John Beiers, Chief Deputy County Counsel
400 County Center, Redwood City
650-363-4123

MEETING DATE: January 20, 2010

TO: Finance and Operations Committee

FROM: Reyna Farrales, Deputy County Manager

SUBJECT: Draft Managing for Competitiveness Policy

Recommendation

Provide preliminary feedback on Draft Managing for Competitiveness Policy for further discussions with Employee Organizations.

Background

Managed Competition is one of the strategies approved by the Board at its September 15 budget study session to allow for further exploration of solutions to eliminate the County's structural budget deficit. The County Manager's Office, Human Resources and the Information Services Department (ISD) have recently teamed to develop a draft County policy for consideration. Similar policies from the cities of San Mateo, San Jose and Sunnyvale, and San Diego County were reviewed to develop this first draft.

Multi-Step Process

The proposed Managing for Competitiveness Policy involves a multi-step process that begins with an initial assessment to determine if, among other criteria, the quality, cost and outcomes of a selected service could be improved through a contractual arrangement with another service provider. If so, the next step would be to compare existing performance, service levels and costs with other providers, giving staff the opportunity to make improvements through a benchmarking process. The final step would be to conduct a formal competitive process that involves the issuance of a Request for Proposals (RFP), with the expectation that County staff would submit a proposal and be better prepared to compete with other providers. Proposals would be evaluated and decisions made based on who can deliver the best results for San Mateo County.

Review of Policy and Next Steps

The draft Policy was reviewed with Department Heads at the December 21 Executive Council meeting. It was distributed to employee organizations at the January 6 monthly budget meeting, and will be discussed in detail at the February 3 meeting. A small cross-departmental labor-management group will be formed to refine the policy for Board consideration. One of the services to be explored once a policy is in place is the telephone operator service provided by the Information Services Department.

ATTACHMENT – Draft Managing for Competitiveness Policy
(distributed to Board Members via Members Memo, Department Heads and Employee Organizations)



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

MEETING DATE: Dec. 21, 2009

TO: Executive Council

FROM: Reyna Farrales, Deputy County Manager, CMO
Donna Vailancourt, Director, Human Resources
Chris Flatmoe, CIO\Director, Information Services Department

SUBJECT: Managing for Competitiveness Policy

Recommendation

Provide feedback on and support for San Mateo County's Managing for Competitiveness Policy

Background

The County of San Mateo has always sought to deliver quality services in the most cost-effective manner possible, within the context of public policy goals and interests. To make the effort of controlling costs while maintaining services levels more effective, a formal policy should be developed for use Countywide. Managed Competition is one of the long-term budget balancing strategies approved by the Board at its September 15 budget study session. The County Managers Office, Human Resources and ISD have recently teamed to develop a draft policy we are calling Managing for Competitiveness.

Discussion

Our managing for competitiveness model is a multi-step process, designed to identify County services that are the best candidates for the managing for competitiveness process. The initial step is a five (5) part criteria-screening scale intended to determine the value proposition of further exploring the application of the managing for competitiveness process for a given service. If warranted, additional steps in the process will be taken to include a competitive assessment of the selected in-house and/or contracted service. Our managing for competitiveness process includes benchmarking best-in-field practices of other organizations providing the same or similar service. In the competitive assessment phase, County staff providing the service under review has an opportunity to implement achievable improvements in an effort to reduce operating costs and/or increase service levels prior to a decision to determine the most competitive method to deliver the service. One of the services we are exploring as part of this effort is the non-hospital/clinic Telephone Operators. As we work with the Telephone Operators, we have notified and had preliminary discussions with AFSCME.

Moving Forward

The attached draft policy will be reviewed with labor organizations and the Board's Finance and Operations Committee in January. A small, cross-departmental labor-management team will be formed to further refine our managing for competitiveness policy. Please contact one of us if you have any questions or concerns regarding the attached draft or next steps.



-Draft-
Managing for Competitiveness Policy
Overview

Introduction:

On a continuous basis the County should have in use a process that will determine if services provided by the County are meeting quality of service goals for our clients and community, and are competitively priced. Often referred to as Managing for Competitiveness, this process is most successful when using an inclusive and transparent process consistently throughout the organization. The process would consist primarily of an assessment of selected County services, which would include reviewing best practices of other organizations providing the same service. Key to our managing for competitiveness process is the opportunity for County staff to implement improvements that will increase service quality and/or cost-effectiveness. It would be used only *after* the assessment of like service and, if applicable, an internal effort to better align service levels and costs with other service providers has been completed, that a determination of whether to explore outsourcing would be made.

Current Environment/Background

Over the years, San Mateo County has embarked upon several efforts of outsourcing services or programs in an effort to cut costs, improve services and/or to update service delivery methods to reflect current methods or best practices in the industry. Since 2006, a handful of County programs and/or services have been considered for outsourcing, of those, three were outsourced to some degree; one program was partially outsourced to external vendors, another was discontinued and services picked up by an external government entity, and the remaining program was absorbed by an internal County department. Although the support provided by County Departments minimized the impact that the program/service cuts had on employees, it did not include a formal process that allowed for internal changes intended to increase services and/or reduce costs.

San Mateo County has utilized a collaborative approach to explore outsourcing that involves employees, labor organizations, management, County administrators and officials. Generally, the following steps were followed for the above mentioned outsourcing efforts:

- A general outline is developed by the department describing the concept and services or program proposed for review;
- A preliminary cost benefit analysis is conducted by the department with HR review;
- Approval to conceptually explore the concept of outsourcing is submitted to the CMO/BOS;
- If concept is approved, labor organizations are notified of intent to conduct a Request for Information (RFI) of external agencies in an effort to determine viability of contracting out services;

- RFI information reviewed;
- Evaluation criteria was developed to include projected staffing impacts, cost savings/avoidance outcomes;
- Meet and confer process initiated;
- Proposal to outsource is reviewed, labor organizations and staff are provided an opportunity to submit proposals;
- Determination made to outsource or defer;
- RFP process initiated and issued;
- Proposals reviewed, recommendations submitted which may include proposals for full or partial services/programs;
- RFP process conducted, interviews, references completed;
- Provider selected;
- Implementation, performance management conducted and costs analyzed

While fairly comprehensive, these steps lacked a formal, quantifiable process or clear steps for internal process improvement prior to further exploration of outsourcing. This new managing for competitiveness process is meant to improve the current process.

Moving Forward - Continuous Improvement, Assessing Competitiveness and Benchmarking Best Practices:

It is important to emphasize that establishing a managed competitiveness process does not assume that County staff is not or cannot be competitive. In fact, the managing for competitiveness process provides County staff with an opportunity to adopt best practices and incorporate processes used by external service providers if these external service providers demonstrate an ability to provide service with an equal or higher service level at a cost lower than the cost County is incurring for this service. Through the managing for competitiveness process County staff is actively engaged in an effort to improve service quality and lower service delivery costs. Improvements in service, in many forms and varying degrees, now takes place on an ad hoc basis throughout the County. In some cases, quality improvements may come from bringing the service in-house instead of continuing to have a service provided by an external provider. With the adoption of this structured managing for competitiveness process, we would have in place a consistent process for use Countywide.

To a large extent, managing for competitiveness represents a more systematic way to:

- Measure and demonstrate the continuous improvements that are already occurring in the County; and
- Review and re-engineer current County service provision methods to further improve in-house quality and cost effectiveness.

At a macro level, there are three primary steps that should be taken when considering a County service for the managing for competitiveness process. Step One is the initial, smaller step, called Initial Criteria Screening (ICS), Step Two is the identification of service type(s), volume and levels currently provided by a County work-unit and benchmarking of like services provided by external agencies. If this review of like services identifies services are available from an external provider at a reduced cost than the County is currently incurring, while also providing an equal or higher level of service, County staff should initiate a formal project with the objective being matching the lower cost of the external service provider. Step Three is only necessary if step two is successful and would include the formal Request for Proposal (RFP) process to solicit bids and proposals from external service providers. ICS is important because it can save the organization time if the result of ICS does not warrant further

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exploration. If the ICM result is a managing for competitiveness process should be initiated, additional resources can be readied for this larger effort.

Based on the aforementioned general approach, the overall goals of the program are to:

- Reduce costs and/or avoid costs;
- Improve the quality of service provided; and
- Ensure alignment with and support for County's core mission, vision and values.

The program is designed to encourage the participation and partnership of staff and labor organizations. Any County staff impacted by the managed competitiveness process will be involved and treated with fairness and respect. Should the County decide to utilize a managing for competitiveness process, it will be undertaken in as fair as possible manner within the context of the County's best interests.

Operating Guidelines:

The following operating guidelines listed below should form the basis for the implementation of the managing for competitiveness process:

- Continue to Protect the Public Interest;
- Support Staff Efforts to be Competitive;
- Assess Organizational Competitiveness Before Competing;
- Consider Bringing Services In As Well As Out;
- Commit to Success;
- Partner with Staff and Organized Labor Throughout the Entire Process;
- Utilize a Common Managing for Competitiveness Process Countywide;
- Level the Playing Field to an Extent Consistent with Public Policy Goals;
- Maintain Long-term Competitiveness; and
- Ensure Managing for Competitiveness Efforts Result in the Desired Service Outcomes.

The details of these guidelines are contained in the complete policy text, which is located in **Exhibit A**.

How a Managing for Competitiveness Process is Best Designed:

Using a managing for competitiveness process will require commitment, planning, training and perseverance. Training and assistance must be provided to those specific units that will be using the managing for competitiveness process.

These guidelines will enhance the success of the managing for competitiveness process:

1. Start Small

Most public agencies using a managing for competitiveness process started out with pilot projects to develop and fine-tune the process and procedures.

2. Form Teams

In addition to County staff, any managing for competitiveness process will include the active participation of County management, staff and organized labor. Consultants may also be needed to provide training in key areas and independent third-party expertise. IE...HR, I.T., etc.

3. Conduct a Fair and Reasonable Process

The process should be as objective as possible, using quantifiable service-level standards and cost figures. Emphasizing best value and quality over lowest cost should avoid over-emphasizing cost savings and is consistent with the overall goals of the competition process.

4. Take a Deliberate Methodical Approach

The County should take a deliberate and methodical approach to implementation of a managing for competitiveness process. There will be an ongoing need to assess progress and success of the managing for competitiveness process with performance measures established to assist in this effort.

How would services be selected for a Managed Competitiveness Process?

In general, services that are quantifiable and presently provided on an open market basis by private and public firms to other customers, public and for profit, can be the best candidates for the managing for competitiveness process. There are other factors that must be considered in identifying services for a managed competitiveness process including;

- impact on service quality if the service is contracted to an outside source;
- the potential impact on staff;
- commercial market strength for the service;
- legal barriers; and
- the public agency's ability to effectively exert management oversight and control over the service.
- one-time startup costs
- barriers for re-entry
- existing relationships with partners, contractors, etc.

Service Selection Criteria:

The County Manager's Office, working closely with the Board Finance and Operations Committee as well as the Executive Council, will identify services that will enter into the managing for competitiveness process and determine the target dates for completing the steps of the process. Examples of criteria that should be considered in selecting services for the managing for competitiveness effort include:

- New Service
- Existing service that meets initial criteria screening (ICS)
- The degree of County control required to ensure high service levels;
- Impact on staff;
- Degree of institutional knowledge required to effectively provide a service;
- Nature of the service;
- Competitiveness of marketplace;
- Cost savings potential;
- Quality of service;
- Legal restrictions;
- Risk factors; and
- Resource issues.

The details of these guidelines are contained in the complete policy text, which is located in **Exhibit B**.

Managing for Competitiveness Process:

Before a County-provided service is considered a candidate for the managing for competitiveness process, it would be subjected to the ICS exercise. The following criteria has been established to determine whether outsourcing a County- provided service should be explored. Using the ICS criteria listed below, County staff will screen the service they are considering exploring further.

- 1) Service does not requires extensive Institutional Knowledge to be effective: Yes \ No
- 2) Can we expect the quality of service to be at least the same or better than we have now? Yes \ No
- 3) Is the potential for ongoing savings substantial (will generate at least 20% net ongoing savings in FY 2011-12 and beyond)? Yes \ No
- 4) If there are one-time upfront costs associated with this change, will ongoing savings be sufficient to pay back these costs within 5 years of implementation? Yes \ No
- 5) Will contractors comply with existing County contract requirements? Yes \ No

If through the ICS exercise the scoring results in a minimum of 4 yes answers, step 2 of the managing for competitiveness is warranted.

As outlined on page three of this document, Step Two in the County's managing for competitiveness process is the identification of service levels currently provided by a County work-unit and benchmarking of like services provided by other agencies. This benchmarking process should be performed by a cross-classification, cross departmental team to include staff from the subject work-unit, county management and organized labor. These initial steps should require no more than 45 to 60 days to complete.

If benchmarking of like services identifies services are in fact available from another agency at an reduced cost than the County is currently incurring, while also providing an equal or higher level of service, a formal efficiency improvement project should be initiated with the objective being matching the lower cost of the external service provider. Reducing internal operating costs may well require re-engineering an existing County business process, additional training of County staff and potentially a one-time investment in and/or technology. The County should support this internal competitiveness effort and allow up to 12 months before assessing the success of this internal competitiveness effort. If after the opportunity to match the cost of a service provided by an external provider is unsuccessful, Step Three of the managing for competitiveness process is warranted.

An effective (Step Three) RFP effort requires initial data gathering and analysis to include:

- The current full cost of a service
- Quantifiable service level metrics
- Comprehensive list of services offered by the work unit being considered
- Complete list of clients served by the work unit being considered
- Forecasted cost increases over the next three years

With this information, a stake holder list can be established and a kick-off meeting held to coordinate the process. The stake-holders will be charged with incorporating the above information, as well as other pertinent information the group may consider into the RFP requirements. The RFP requirements represent the basis for comparison between current providers of County services and other service providers.

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Once the RFP is reviewed by the stake holders it should be reviewed by a multi-disciplinary leadership team before issuance. If County leadership supports the issuance of the RFP, the RFP will be issued for a period of 30 to 45 days. Once the RFP submissions are received, the stake holders will review the submissions and compare them against the initial RFP requirements. Based on this review, a recommendation to either keep a service “in house” or to outsource a service will be provided to The County Manager. If the decision is to outsource a County service, a process should be in place to monitor costs and performance of this service.

Consistent with the County’s commitment for operational transparency, copies of the materials used in all phases of managed competitiveness will be made available to the public. These materials will be posted on the County’s web site. Additionally, when applicable, county residents will be involved in the process.

Employment Options:

Throughout the managing for competitiveness effort, a primary goal will be the fair and respectful treatment of County staff. In support of that goal, the County will be guided by the following:

Outplacement

If the managing for competitiveness effort results in the external delivery of a service previously provided in-house, the County will use best efforts to facilitate the transition of impacted staff to the successful contractor, if impacted employees elect to pursue this option. If unworkable, the County will provide other outplacement assistance.

Internal Placement

The County will make every reasonable effort to provide any displaced employee with other employment within the County to avoid the need for layoffs. *However, the County cannot guarantee that no layoffs will occur.*

If an employee is retained by the County, *the employee should not experience a reduction in current pay*, although the employee may be transferred, assigned to a different classification, have salary capped or have other opportunities for employment. Internal placement efforts *will not* apply in situations involving position reductions due to general budget reductions resulting from other circumstances.

This area would need to be discussed further as this could financially impact departments or minimize placement efforts for employees.

Fiscal Impact:

Conducting the managing for competitiveness effort will require resources including County staff, and possibly subject matter experts from the private sector (consultants). The cost of conducting a managing for competitiveness effort will vary based on the size and type of service being considered. Any cost associated with conducting a managing for competitiveness effort should be considered part of one time, upfront costs to be paid back with a maximum 5-year period.

Exhibit A

1. Continue to Protect the Public Interest

The County must continue to protect the public interest by ensuring equal access to high quality service, regardless of who provides the service and how it is provided.

2. Support Staff Efforts to Be Competitive

In providing staff with time to enhance service competitiveness, the County should exercise flexibility and empower employees to review current business processes and procedures and make improvements that will both reduce costs and maintain or increase service levels.

3. Assess Organizational Competitiveness Before Competing

A managed competition process should not be initiated until the County service has been first been through the ICM process. Only then would the service be assessed for its competitiveness and a decision made about utilizing the managed competition process to further enhance competitiveness.

4. Consider Bringing Services In As Well As Outsourcing

The County should look for appropriate opportunities to bring services into the County, and should consider using any revenues above costs to subsidize other County services.

5. Commit to Success

County Leadership should be committed to the success of a managing for competitiveness approach and should be willing to remove barriers to its success.

6. Partner with staff and organized labor throughout the entire process

County management, staff and organized labor should be partners in developing and implementing the County's managed competitiveness process.

7. Utilize a common managed competitiveness process Countywide

While County services vary, a common managed competitiveness process should be used to avoid deviating from the guiding principles and methodologies outlined in this document.

8. Level the playing field to an extent consistent with public policy goals

The County should be committed to a competitive process that is fair to both the County and competing public agencies and private sector firms. That includes a commitment to "leveling the playing field" in terms of identifying and comparing costs, preparing and evaluating proposals and monitoring performance to achieve projected service outcomes and cost-effectiveness.

9. Maintain long-term competitiveness

Regardless of the outcome of the managed competitiveness process, performance measures should be established to monitor service levels and costs over time.

10. Ensure Managing for Competitiveness efforts result in the desired service outcomes

Regardless of the outcome of the managed competitiveness process, the County should seek to ensure that desirable quality levels and costs are met. Desired managed competition outcomes are:

- Improve the quality and/or quantity of service provided;
- Reduce costs and/or avoid costs; and
- Ensure alignment with and support for County Vision 2025.

Exhibit B

1. New Service

Application of the County's managing for competitiveness policy should be strongly considered when establishing a new service.

2. Existing service that meets Initial Criteria Screening (ICS)

Any existing County service that receives a minimum of 4 yes answers when conducting the ICS process should be considered a strong candidate for the managing for competitiveness process.

3. Degree of County Control Required

The degree to which the County needs to exert control over the delivery of the service, can retain accountability for public funds, and has the ability to establish and maintain oversight of service quantity and quality through adequate contract management.

4. Impact on County Staff

The potential effects on County staff currently providing the service, and on the County workforce in general with respect to issues such as work load, productivity, the availability of measures to mitigate negative impacts on individual employees.

5. Degree of Institutional Knowledge Required

Effective service delivery experience with systems and/or the user community. Effective service delivery may require routine maintenance and/or maintaining a side-by-side working relationship with a large portion of County staff.

6. Type of the Service

The extent to which a service is a self-contained or a component of a larger service delivery system; is considered a core service versus an ancillary service; can be subdivided geographically with respect to volume of work or duration of work; and can be measured in terms of quantity, quality and other performance standards.

7. Competitiveness of Marketplace

The availability of a competitive market for the service, in which providers have an interest in competing for the service and the ability to provide the service in terms of skill sets and resources.

8. Cost Savings Potential

The degree to which managing competitively is likely to reduce or avoid future costs without compromising the quality or level of service. A working target will be a 20% reduction in net county cost.

9. Quality of Service

The degree to which performance standards can be defined for the quality and level of service. The degree to which managing competitively is likely to improve quality, customer satisfaction and/or responsiveness for the same or lower cost.

10. Legal Restrictions

The extent to which local, state and federal laws, regulations and funding guidelines restrict the method of service delivery or the competition process. The extent to which local ordinances can be changed to accommodate possible competition and alternate service delivery.

11. Risk Factors

The extent to which possible alternative service delivery presents risk to the County and the public in the areas of defaults, breach of contracts, service interruption, cost overruns and threats to public safety, health and welfare.

12. Resource Issues

The availability of County resources available to effectively conduct the managing for competitiveness process.