



COUNTY OF SAN MATEO, CALIFORNIA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2006

Tom Huening, Controller

County of San Mateo, California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2006



Tom Huening
Controller



Artwork Acknowledgments

- Cover: "United" by John Sommers**
Introductory Section: "Breakfast Table" by Lori Lightbody
Financial Section: "Blue River" by Lori Lightbody
Statistical Section: "Purple Bean Flowers" by Lusia A Binh-Diep

**COUNTY OF SAN MATEO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2006**

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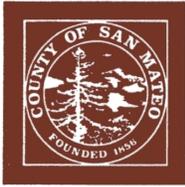
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INTRODUCTORY SECTION

- **Controller's Letter of Transmittal**
- **Certificate of Achievement - Government Finance Officers Association**
- **Organization Chart**
- **List of Elected and Appointed Officials**

Office of Controller



TOM HUENING
CONTROLLER

COUNTY OF SAN MATEO

555 COUNTY CENTER, 4TH FLOOR • REDWOOD CITY • CALIFORNIA 94063

ROBERT G. ADLER
ASSISTANT CONTROLLER

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November 9, 2006

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, 2006.

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 ended June 30, 2006. 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 3-16 of this report, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements 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 724,104 residents live in the suburban corridor east of the Santa Cruz Mountains, which bisect 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. 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 various services such as public protection, road construction and public facilities maintenance, sanitation, health and social services, elections and records, planning, zoning, 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 that are considered 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 of San Mateo 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 nonmajor special revenue fund in the County's governmental fund combining financial statements.
- The Board is the governing body of the County Service Areas, Sewer and Sanitation, Flood Control, Lighting, and Other Special Districts (special districts). The special districts are reported as nonmajor special revenue funds in the County's governmental fund combining financial statements.

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

In accordance with California Government Code Sections 29000 and 29143, the County prepares a budget for all governmental funds, except for the JPFA, on a modified accrual basis. For FY 2006-07, the Board adopted a budget of \$1.59 billion. 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.

Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. The ordinance sets limit on expenditures, which cannot be changed except by subsequent amendments to the budget. The Board must approve amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds for amounts above \$50,000. 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

The County has a diversified economic base, but its major industries are in the tourism and technology sectors. San Francisco International Airport (SFO) is located within the County's boundaries. The airport, airlines, and surrounding hotels are a major source of jobs; United Airlines is the County's largest employer. This sector also generates significant revenues for the County in the form of property taxes, sales taxes, and hotel taxes. The drop in air travel and tourism after the "9/11" event in 2001 significantly affected the County's economy, but this segment of local industry is gradually rebounding. The upward trend in SFO's total passenger volume slowed between FY 2004-05 and 2005-06, posting only a 1.1% increase. However, the volume is expected to get a boost in early 2007 when Virgin America makes SFO its home.

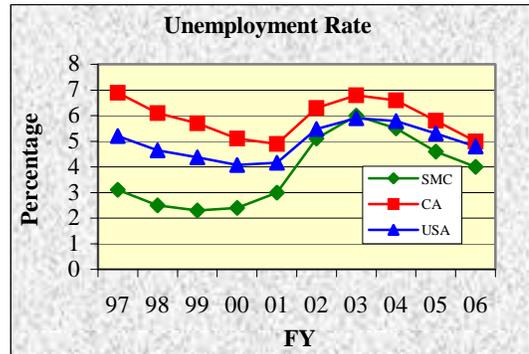


Source: SFO Comparative Traffic Reports

The County lies on the northern edge of Silicon Valley and is home to numerous software, biotechnology, and research companies. Major employers in the County include Oracle, Genetech, Applied Biosystems, and Electronic Arts. The County is also home to a large number of venture capital firms concentrated along Sand Hill Road in Menlo Park, and many technology related startup companies, such as YouTube, are based in the County. The County's gradual economic recovery has paralleled the recovery in the technology sector.

Employment

With unemployment at 4.0% for FY 2005-06, the County's unemployment rate has declined for the third straight year. There are indications that the downward trend will continue. In a survey released by the Bay Area Council in August 2006, 39% of Bay Area businesses said they expect to hire additional employees over the next six months. The survey provided especially good news for the County—nearly two thirds of executives in the travel and leisure industry expressed confidence that the local economy would moderately improve during the next six months.



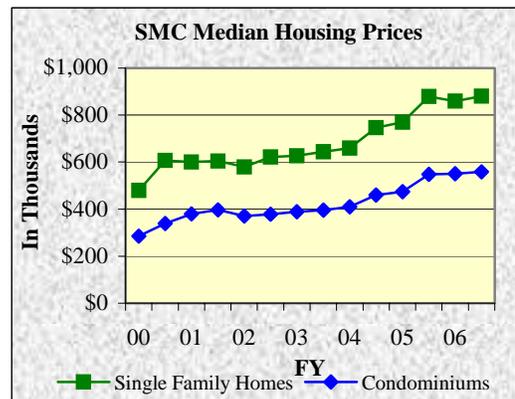
Sources: State of California, Employment Development Dept
U.S. Department of Labor

Residential Real Estate

Climbing interest rates and increasing housing inventory have slowed home sales in the County. However, it remains one of the highest priced regions in the State and the nation. For July 2006, the median price of a single-family home in the County was \$875,000, compared to \$567,360 for California and \$230,000 for the U.S.

Commercial Real Estate

The vacancy rate for office space continues its downward trend. The rate as of June 2006 is 17.1%, the lowest in five years. The decline is primarily driven by the expansion of the biotechnology industry. In north county, where biotechnology firms are concentrated, the vacancy rate is only 11.4%, compared to 18.9% in central county and 18.5% in south county.



Source: SAMCAR, based on statistics from RE InfoLink

Long-term Financial Planning

In order to continue vital health, human services, and public safety programs that would otherwise be reduced or eliminated as a result of increasing costs, the County has implemented a three-year plan to use available fund balance to balance the budget. The FY 2006-07 budget represents the first year of the plan. The use of fund balance will be limited to one-time costs such as unfunded retiree health liabilities, capital improvements, equipment replacement, and technology upgrades. Increases in ongoing costs, such as salaries and benefits, will be addressed by anticipated growth in property tax and other general purpose revenue along with reductions in general fund operating department budgets.

Salaries and Benefits

The Memoranda of Understanding (MOU) with the County's major labor organizations are expiring in November 2006. Annual County costs for employee healthcare are increasing by \$4.4 million and County contributions for employee retirement benefits are increasing by \$18 million. The growing number of retirees and new requirements for public agencies to account for the retiree healthcare liabilities will result in significant changes to the County's funding requirements for retiree healthcare costs.

Property Tax Revenues

The County's portion of total property tax revenue was \$298 million in FY 2005-06 compared to \$218 million in the prior fiscal year. In FY 2005-06, property in the County was valued at \$113.2 billion or \$7.7 billion more than the prior fiscal year. Assessed property values in FY 2006-07 are estimated to be \$122.8 billion, an increase of 8.6%.

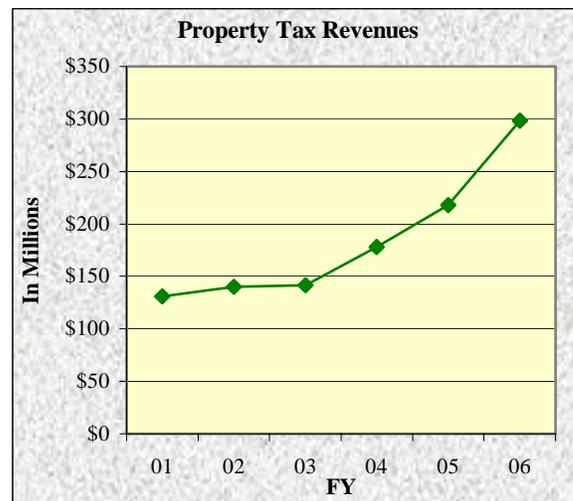
Pension Fund

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 San Mateo County Employees' Retirement Association (SamCERA), which is reported as a Pension Trust Fund in the County's financial statements.

As of June 30, 2006, SamCERA's total net assets held in trust for pension benefits totaled \$1.8 billion, representing an increase of \$190.6 million or 11.9% over the prior fiscal year. For FY 2005-06, the funded ratio was 75.4% primarily due to increased contributions from the members, employers, and improved investment income; and the unfunded actuarial accrued liability (UAAL) was 24.6% resulting from actuarial accrued liabilities exceeding the actuarially determined value of assets. From June 1994 to June 2001, the funded ratio steadily improved from 65.5% to 98.6%. Enhanced benefits granted in the 2002 MOU and the decline in equity markets between 2001 and 2004 caused a significant reduction in funded ratio, from 98.6% for FY 2000-01 to 74.2% for FY 2004-05. SamCERA is funding the UAAL over a 20-year amortization period, which began July 1, 2002, and is scheduled to end on June 30, 2022.

Workers' Compensation Insurance

For FY 2005-06, revenues in the Workers' Compensation Insurance Fund exceeded expenses by \$339,000. In FY 2006-07, the County will implement a new departmental charge system that factors in actual claim costs attributed to each department and provides increased incentives for departmental safety and savings. The County will continue to participate in workers' compensation reform efforts, actively manage claims, and work with departments to reduce future claims so that growth in these costs can be minimized.



Relevant Financial Policies

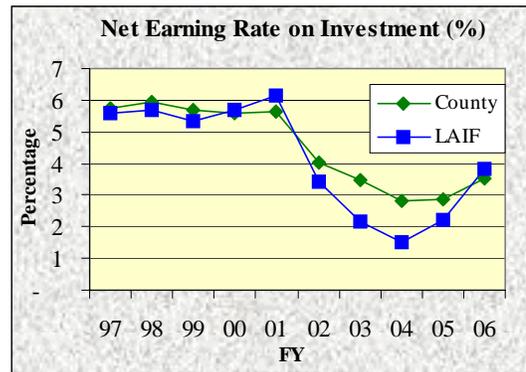
Debt Service Limit Policy

Adopted in 1997, the Debt Limit Ordinance requires the Board 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 interest of the County and its citizens.

Investment Policy

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

The County's pooled investments had a net earning rate of 3.53% for FY 2005-06, a significant increase from the net earning rate of 2.86% for FY 2004-05. In comparison, California's Local Agency Investment Fund (LAIF) had a net earning yield of 3.84% in FY 2005-06 and 2.23% in FY 2004-05.



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 policy establishes 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.

Major Initiatives

Youth Services Center

In FY 2004-05, the County began constructing a new Youth Services Center (Center) to provide comprehensive facilities to better meet the needs of County youth and their families. The Center was funded by a federal juvenile justice grant of \$21 million, several smaller grants, and the sale of lease revenue bonds totaling \$155.4 million. The new Center opened in September 2006 after the completion of main facilities, which include a 180-bed juvenile hall, 30-bed girl's camp, group homes containing 24 beds, juvenile courts, a community school, and probation administration offices. Still to be built is a receiving home. The initial debt service payment of \$5.2 million will be made in FY 2007-08, and annual payments of \$9.0 million will begin in FY 2008-09. The annual cost of operating the Center is about \$6.3 million.

Women's Jail Replacement Plan

The Women's Correctional Center in Redwood City is chronically overcrowded, and the inmate population is steadily increasing. The facility had an average daily population of 133 during 2005 and the population reached 161 by September 19, 2006. This is nearly double the State Board of Corrections capacity rating of 84 inmates. The upward trend in non-sentenced female population is expected to continue. The Sheriff and the

Board of Supervisors have established a Jail Planning Committee to plan for the eventual replacement of the facility. As a first step, a consultant has been selected to prepare the needs assessment.

Mainframe Computer Migration

The County's mainframe computer supports several software systems, including critical applications such as the Criminal Justice Information System and the County's payroll system. The mainframe is no longer a viable hardware platform because vendor support is being phased out. Funding for migration from the mainframe to alternate hardware platforms, estimated to be \$6.5 million, will come from the Information Services Department reserves and non-departmental funds. This migration will result in lower computing costs countywide.

Implementation of the Mental Health Services Act Plan

In November 2004, California voters passed the Mental Health Services Act (MHSA), which imposed a 1% income tax on personal income in excess of \$1 million with the money to be used for providing mental health services in the State. The Act required each county to develop a comprehensive three-year plan for new and expanded services. The County received a favorable review from the State in January 2006 and began implementing programs in Spring 2006. MHSA funding will be used to support programs for the seriously mentally ill, expanded community-based services, outreach and engagement activities targeting unserved ethnic minority and non-English speaking communities, school-based services, and much more. The first full year of services will be funded by \$6.5 million in MHSA funds and \$3.5 million in additional leveraged revenues.

Housing Our People Effectively

In April 2005, Supervisors Mark Church and Jerry Hill initiated Housing Our People Effectively (HOPE), a 10-year plan to end homelessness in the County. The goal of HOPE is to help 7,900 individual and family households in the County who have been homeless or are at severe risk of becoming homeless secure permanent housing. Full implementation may cost \$1.56 billion over ten years. The funds will be redirected from existing sources or new sources of revenue developed. Some costs may be offset by a reduction in expensive emergency services such as housing and medical care.

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, 2005. This was the sixth 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, 2005, and the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2005.

Acknowledgements

It is my goal 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 following personnel: Bob Adler, Peter Nystrom, Tat-Ling Chow, Gina di Gualco, Shirley Mathew, Susan Tumang, Alana Pijuan-Tugadi, and Yolanda Bernarte. I wish to also thank the Grand Jury Auditors, Macias Gini & O'Connell LLP.

Most importantly, I would like to thank the Board of Supervisors, 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,

A handwritten signature in black ink, reading "Tom Huening". The signature is written in a cursive style with a large, looping initial "T".

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, 2005

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.



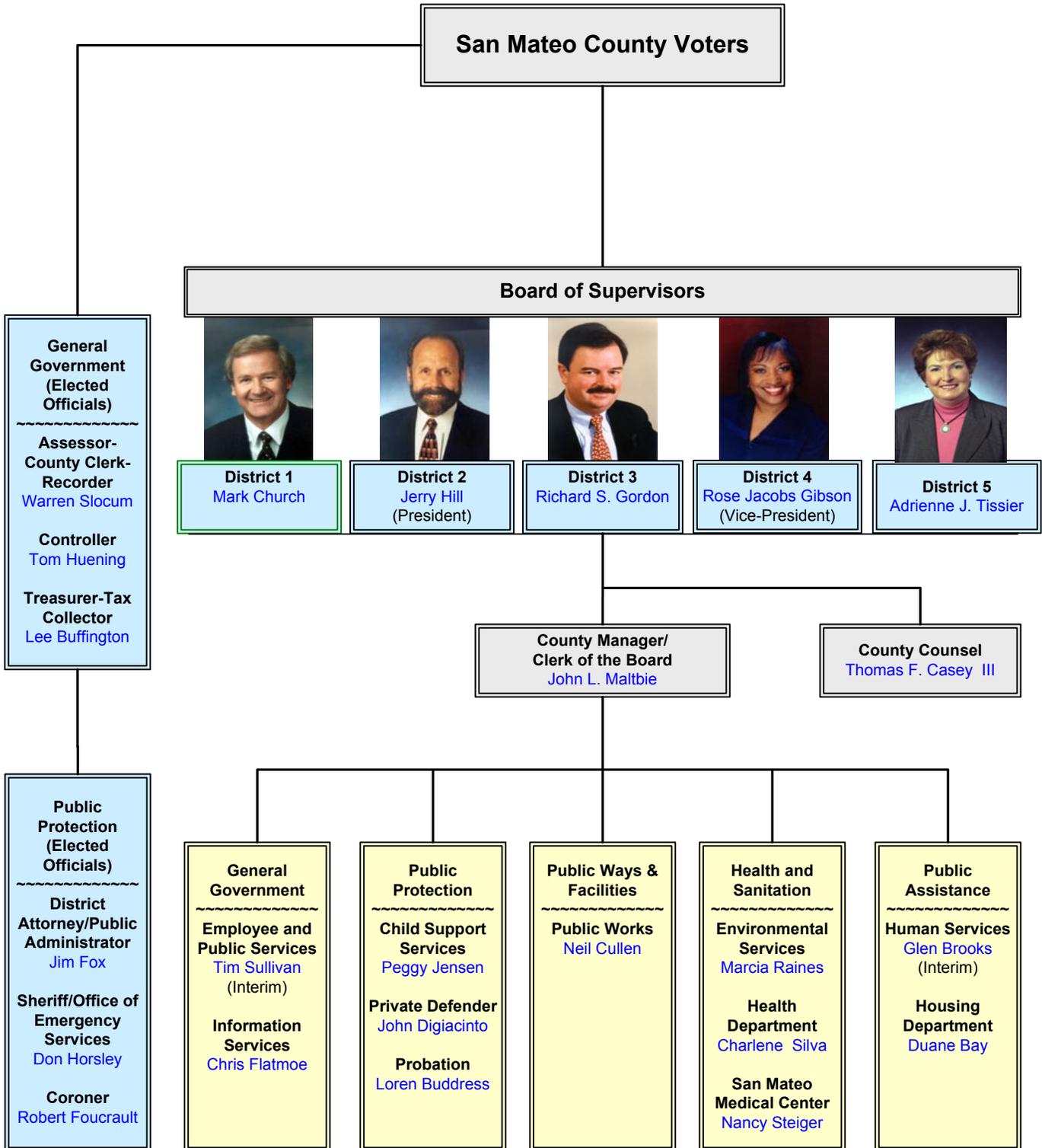
Carla E. Perry

President

Jeffrey R. Emery

Executive Director

COUNTY OF SAN MATEO
Organization Chart
 (As of June 30, 2006)



COUNTY OF SAN MATEO
Public Officials
As of June 30, 2006

ELECTED OFFICIALS

Supervisor, District 1	Mark Church
Supervisor, District 2	Jerry Hill, President
Supervisor, District 3	Richard S. Gordon
Supervisor, District 4	Rose Jacobs Gibson, Vice President
Supervisor, District 5	Adrienne J. Tissier
Assessor-County Clerk-Recorder	Warren Slocum
Controller	Tom Huening
Coroner	Robert Foucrault
District Attorney/Public Administrator	Jim Fox
Sheriff/Office of Emergency Services	Don Horsley
Treasurer-Tax Collector	Lee Buffington

APPOINTED OFFICIALS

Court Executive Officer/Jury Commissioner (<i>appointed by Judiciary</i>)	John Fitton
Private Defender (<i>appointed by Bar Association</i>)	John Digiacinto
Probation Officer (<i>appointed by Judiciary</i>)	Loren Buddress

DEPARTMENT DIRECTORS/ADMINISTRATORS

Child Support Services	Peggy Jensen
County Counsel	Thomas F. Casey III
County Manager/Clerk of the Board	John L. Maltbie
Employee and Public Services	Tim Sullivan (Interim)
Environmental Services	Marcia Raines
Health Department	Charlene Silva
Housing Department	Duane Bay
Human Services	Glen Brooks (Interim)
Information Services	Chris Flatmoe
Public Works	Neil Cullen
San Mateo Medical Center	Nancy Steiger

AFFILIATED ORGANIZATIONS

First 5 San Mateo County, Executive Director	Tammy Moss
San Mateo County In-Home Supportive Services Public Authority, Director	Lisa Mancini
San Mateo County Housing Authority, Director	Duane Bay
San Mateo County Joint Powers Financing Authority, President	Vacant
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**



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 fiscal year ended June 30, 2006, 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 and the San Mateo County Employees' Retirement Association, which represent the following percentages of assets, net assets/fund balances and revenues/additions as of and for the fiscal year ended June 30, 2006:

Opinion Unit	Assets	Net Assets / Fund Balances	Revenues / Additions
Business-type Activities	16.0%	25.1%	31.6%
Each Major Enterprise Fund –			
Housing Authority of the County of San Mateo	100.0%	100.0%	100.0%
Aggregate Remaining Fund Information	43.9%	51.9%	7.5%

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 for the Housing Authority of the County of San Mateo and the San Mateo County Employees' Retirement Association, is based 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 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, based on our audit and the reports of other auditors, 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 as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2(l) to the basic financial statements, effective July 1, 2005, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2006, 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, 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, infrastructure assets reported using the modified approach, the schedules of funding progress, and the budgetary comparison schedule – 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 and the other auditors 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 fund 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 fund statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, 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 9, 2006



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, 2006

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, 2006. 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 2005-06 by \$913,461 (*net assets*). Of this amount, \$504,696 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors, \$74,559 is restricted for specific purpose (*restricted net assets*), and \$334,206 is invested in capital assets, net of related debt.

Fund financial analysis:

Total fund balances for the County's governmental funds amounted to \$517,403 at June 30, 2006, a decrease of \$5,451 from the prior fiscal year. Approximately \$388,591, or 75%, of this total is unreserved and available to meet the County's current and future needs.

Unreserved fund balance in the County's chief operating fund, the General Fund, at year-end was \$332,479, or 52%, of its total expenditures for the year.

Capital asset and debt administration:

The County's investment in capital assets increased by \$66,944, or 10%, from \$680,288 to \$747,232. This balance consisted of \$703,870 for the governmental activities and \$43,362 for the business-type activities.

The County's total long-term debt decreased by \$7,955, or 2%, from \$446,219 to \$438,264. 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, education, and recreation. The business-type activities of the County include primarily 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 17-19](#) of this report.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2006

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 government-wide financial statements, 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 20-23](#) 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 24-27](#) 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 28-29](#) of this report.

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

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

Association (SamCERA); Housing Authority of the County of San Mateo (Housing Authority); In-Home Support Services Public Authority; County service areas, sewer and sanitation, flood control, lighting and other special districts. First 5 San Mateo County 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 30-60](#) 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 postemployment benefits; and 3) *County's General Fund budgetary schedule* to demonstrate compliance with the County's adopted budget.

Required supplementary information can be found on [pages 61-73](#) 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 74-118](#) of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets can serve over time as a useful indicator of the County's financial position. County assets exceeded liabilities by \$913,461 at June 30, 2006.

County's Net Assets

	Governmental Activities		Business-type Activities		Total			
	2006	2005	2006	2005	2006	2005	Variance (\$)	Variance (%)
Assets:								
Current and other assets	\$ 881,346	\$ 848,028	\$ 43,093	\$ 34,024	\$ 924,439	\$ 882,052	\$ 42,387	4.81%
Capital assets	703,870	639,207	43,362	41,081	747,232	680,288	66,944	9.84%
Total assets	1,585,216	1,487,235	86,455	75,105	1,671,671	1,562,340	109,331	7.00%
Liabilities:								
Current and other liabilities	192,738	200,413	44,713	33,771	237,451	234,184	3,267	1.40%
Long-term liabilities	511,845	578,551	8,914	17,443	520,759	595,994	(75,235)	-12.62%
Total liabilities	704,583	778,964	53,627	51,214	758,210	830,178	(71,968)	-8.67%
Net assets:								
Invested in capital assets, net of related debt	292,983	287,265	41,223	38,771	334,206	326,036	8,170	2.51%
Restricted	73,053	118,229	1,506	1,127	74,559	119,356	(44,797)	-37.53%
Unrestricted (deficit)	514,597	302,777	(9,901)	(16,007)	504,696	286,770	217,926	75.99%
Total net assets (as restated)	\$ 880,633	\$ 708,271	\$ 32,828	\$ 23,891	\$ 913,461	\$ 732,162	\$ 181,299	24.76%

Assets. The County's total assets increased by \$109,331 or 7%. The increase is primarily due to the following:

Governmental activities. Total assets for the governmental activities increased by \$97,981. At year-end, the General Fund advanced \$20,167 to the Medical Center to cover its operation shortfall. The advance was \$10,318 higher when compared to that of the prior year. Capital assets used to support governmental activities increased by \$64,663, resulting from a \$68,905 increase in non-depreciable capital assets primarily construction in progress; and a \$4,242 decrease in depreciable capital assets such as structures and improvements, equipment, and software.

Business-type activities. Total assets for the business-type activities increased by \$11,350. The increase is mainly attributed to the Medical Center's net patient accounts receivable and amounts due from other governmental agencies.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

The delays in implementing the Medi-Cal waiver and a hospital-wide fee increase caused a net increase of \$6,959 in the net patient accounts receivable. Increased reimbursements from the Medi-Cal waiver and increased charges for services provided to the members of Health Plan of San Mateo also caused an additional \$6,200 increase and \$8,000 increase in the amount due from other governmental agencies. Such increases were partially offset by a \$15,998 decrease in internal receivables. Other immaterial variances in the Medical Center and other enterprise funds accounted for the remaining increase.

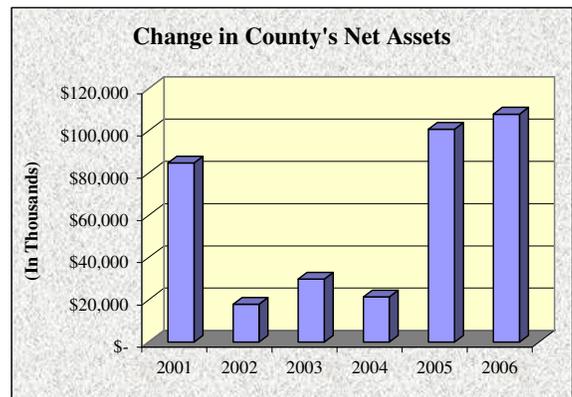
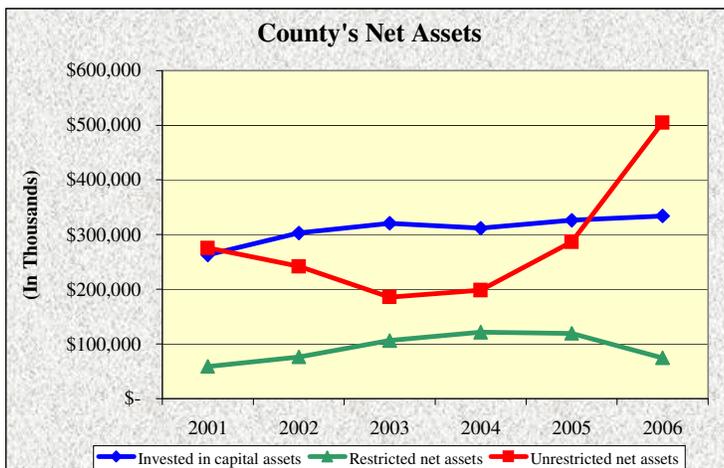
Liabilities. The County's total liabilities decreased by \$71,968 or 9%. The decrease is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities decreased by \$74,381. Historically, the County reported its retiree healthcare benefits as part of the compensated absences. This year the County elected to early implement Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting Postemployment Benefits Other Than Pensions*. This statement generally requires governments to account for and report the annual cost of other postemployment benefits (OPEB) and the outstanding obligations related to OPEB in essentially the same manner as pensions. Annual OPEB cost for most governments will be based on actuarially determined amounts that, if paid on an ongoing basis, would generally provide sufficient resources to pay benefits as they come due. GASB allows governments to apply this statement prospectively, establish the OPEB liability at zero at the beginning of the initial year of implementation, and does not require governments to fund the OPEB plans.

Thus, the County established its OPEB liability at zero this year and removed the previously accrued retiree healthcare benefits for a total of \$64,668 from the compensated absences liability. The outstanding obligation related to OPEB was \$5,500 at June 30, 2006, and reported as part of the County's liabilities. Other insignificant activities accounted for the remaining decrease.

Business-type. Total liabilities for the business-type activities increased by \$2,413. This increase came primarily from the net OPEB obligation of \$1,377 and \$701 more in accrued salaries and benefits when compared to the prior fiscal year. Although the State determined that the Medical Center was obligated to pay federal and state agencies an additional \$8,800 of settlement payments for prior claims, the increase was almost entirely offset by the \$8,619 decrease in compensated absences liability due to the implementation of GASB Statement No. 45. Other enterprise funds only showed slight changes in liabilities.

Net Assets. The County's overall financial position has improved during the fiscal year. The net assets have increased by \$181,299 or 25%, \$107,892 (14%) resulted from activities occurred during the fiscal year and \$73,407 (11%) from adjustments to the beginning net assets due to the implementation of GASB Statement No. 45 as discussed earlier. Increases in property taxes, charges for services, and operating and capital grants attributed to most of the remaining increase in net assets.



COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2006

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. About 37% of the County's net assets reflect 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 its capital assets is reported net of related debt, it should be noted that 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 8% is *restricted net assets* that are subject to external restrictions on how they may be used. The remaining 55% is *unrestricted net assets* that may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental activities. Net assets for the governmental activities increased by \$107,694, accounting for substantially all the growth in the County's net assets.

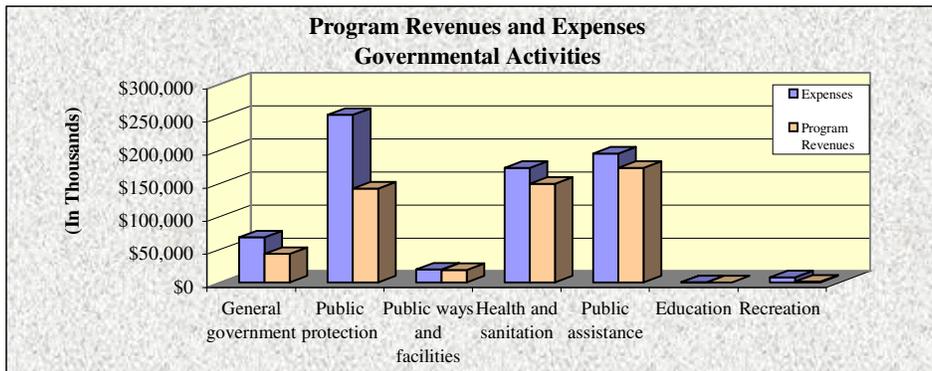
	County's Change in Net Assets						
	Governmental Activities		Business-type Activities		Total		Variance
	2006	2005	2006	2005	2006	2005	
Revenues:							
Program revenues:							
Charges for services	\$ 122,705	\$ 120,429	\$ 128,723	\$ 117,719	\$ 251,428	\$ 238,148	5.58%
Operating grants and contributions	392,847	382,115	73,128	75,310	465,975	457,425	1.87%
Capital grants and contributions	13,068	10,130	5,385	8,618	18,453	18,748	-1.57%
General revenues:							
Property taxes	298,368	218,188	-	-	298,368	218,188	36.75%
Other taxes	27,016	25,803	-	-	27,016	25,803	4.70%
Motor vehicle in-lieu taxes	-	58,033	-	-	-	58,033	-100.00%
Unrestricted investment earnings	19,059	20,369	286	258	19,345	20,627	-6.22%
Security lending activities:							
Securities lending income	3,689	1,895	83	30	3,772	1,925	95.95%
Securities lending expenses	(3,569)	(1,761)	(80)	(27)	(3,649)	(1,788)	104.08%
Miscellaneous	21,680	20,707	-	-	21,680	20,707	4.70%
Total revenues	894,863	855,908	207,525	201,908	1,102,388	1,057,816	4.21%
Expenses:							
General government	68,175	60,798	-	-	68,175	60,798	12.13%
Public protection	253,800	243,797	-	-	253,800	243,797	4.10%
Public ways and facilities	19,701	19,938	-	-	19,701	19,938	-1.19%
Health and sanitation	173,311	170,679	-	-	173,311	170,679	1.54%
Public assistance	195,258	184,150	-	-	195,258	184,150	6.03%
Education	142	151	-	-	142	151	-5.96%
Recreation	8,032	7,401	-	-	8,032	7,401	8.53%
Interest on long-term liabilities	19,459	19,019	-	-	19,459	19,019	2.31%
San Mateo Medical Center	-	-	188,920	178,500	188,920	178,500	5.84%
Airports	-	-	1,753	1,654	1,753	1,654	5.99%
Coyote Point Marina	-	-	1,330	1,045	1,330	1,045	27.27%
Housing Authority	-	-	64,615	69,899	64,615	69,899	-7.56%
Total expenses	737,878	705,933	256,618	251,098	994,496	957,031	3.91%
Change in net assets before transfers	156,985	149,975	(49,093)	(49,190)	107,892	100,785	7.05%
Transfers	(49,291)	(50,022)	49,291	50,022	-	-	0.00%
Change in net assets	107,694	99,953	198	832	107,892	100,785	7.05%
Net assets - beginning	708,271	608,318	23,891	23,059	732,162	631,377	15.96%
Change in accounting principle	64,668	-	8,739	-	73,407	-	0.00%
Net assets - beginning (as restated)	772,939	608,318	32,630	23,059	805,569	631,377	27.59%
Net assets - ending	\$ 880,633	\$ 708,271	\$ 32,828	\$ 23,891	\$ 913,461	\$ 732,162	24.76%

Revenues for governmental activities. Key factors accounting for significant changes noted are as follows:

Operating grants and contributions increased by \$10,732 or 3%. Federal grants for consolidated homeland and regional security increased to \$6,309 this year from \$731 last year, representing a total increase of \$5,578. Realignment sales tax revenues for mental health youth services were about \$2,900 more than last year due to improved economic conditions.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

- *Capital grants and contributions* increased by \$2,938 or 29%. The County was awarded a \$21,105 federal grant to finance a portion of the construction costs of the Youth Services Center. The grant is disbursed to the County in quarterly installments with the final 20% paid after occupancy. The County earned \$2,938 more capital contributions this year as its project outlays increased.
- *Property taxes* increased by \$80,180 or 37%. In FY 2004-05, vehicle license fee (VLF) was based on the original VLF and reported as motor vehicle in-lieu taxes. Starting in FY 2005-06, VLF in an amount of \$62,238 was based on the assessed valuations of property and reported as property tax revenue. The remaining increase was primarily due to anticipated growth in assessed valuations for secured property and refunds from the excess Education Revenue Augmentation Fund (ERAF). This fund was established under the California Revenue and Taxation Code (Code) enacted in 1992 to redirect property tax revenues from the County, cities, and special districts to public education programs. Once school districts and programs are paid the maximum allowable, the Code requires the excess ERAF be refunded to the local agencies.
- *Motor vehicle in-lieu taxes* decreased by \$58,033 or 100%. Beginning FY 2004-05, VLF was permanently swapped with property tax as enacted in the State budget. The swapped revenue was reported as motor vehicle in-lieu taxes in the prior fiscal year, but was reported as property tax in this fiscal year and thereafter.



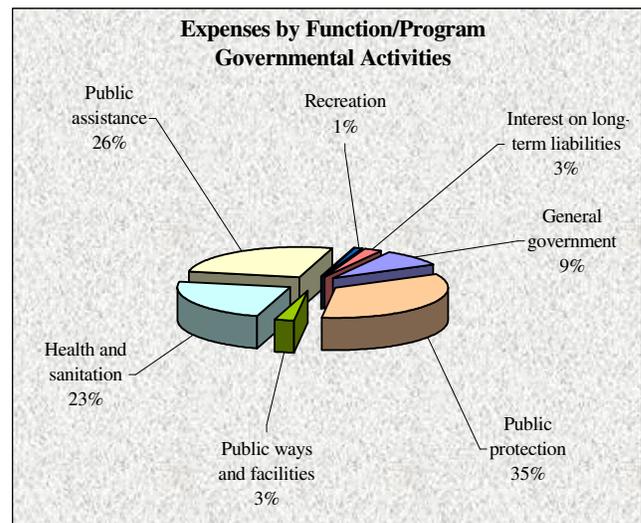
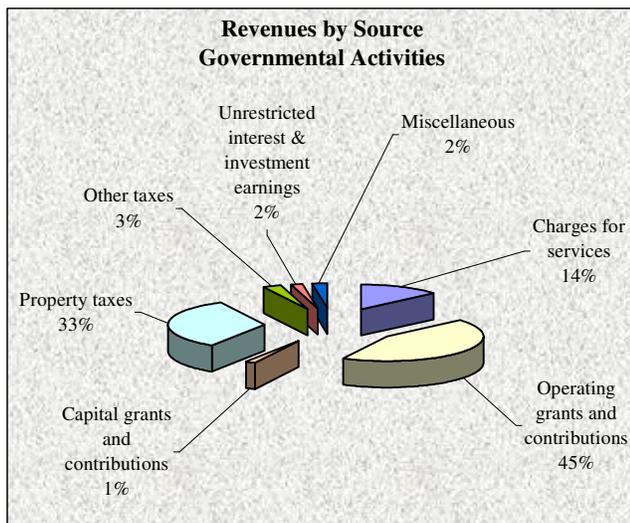
Expenses for governmental activities. Key factors accounting for significant changes noted are as follows:

- *General government* increased by \$7,377 or 12%. According to California Revenue and Taxation Section 98.2(a), cities are entitled to receive a minimum of 7% of the property tax revenue generated in their jurisdiction. If the minimum amount is not received through the normal property tax apportionment process, the County General Fund is obligated to fund the difference. During the fiscal year, the County General Fund paid a total of \$3,585 to four cities (Portola Valley, Colma, Woodside, and Half Moon Bay) to compensate the difference for FY 2003-04, FY 2004-05, and FY 2005-06. In addition, the County agreed to pay these cities an additional amount of \$3,361 as a final settlement for the years not being paid.
- *Public Protection* increased by \$10,003 or 4%. Several factors contributed to most of the increase:
 - During the year, new positions were added to reduce the number of violent incidents in the Juvenile Hall and improve the overall effectiveness of the Juvenile Hall operations. An assessment tool was also implemented to better evaluate the areas where juveniles and their families need additional assistance. These changes accounted for about \$1,915 increase in the Probation Department's salaries and benefits. In addition, Probation's contract services reflected an increase of \$1,381, mainly resulted from a data conversion project and increased charges for food services.
 - The California Department of Forestry (CDF) is contracted to provide fire protection services for the residents of unincorporated areas within the County. Total service charges paid to the CDF were \$1,820 higher than the prior year, primarily due to increased personnel costs.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

- Increased federal grants of \$763 for homeland security provided the Sheriff with additional resources to promote public safety.
- Constitutional requirements and State statutes require the County to provide legal services to individuals determined to be indigent by the Court. The San Mateo County Bar Association is contracted to provide such services. The negotiated contract fee this year was \$735 higher than last year.
- *Public assistance* increased by \$11,108 or 6%. The Human Services Agency collaborates public and private efforts to ensure that individuals and families become productive members of society. Its operating cost increased by approximately \$10,064 in FY 2005-06. Of this increase, the Human Services Agency expended \$5,803 on filling vacant positions and negotiated increases in salaries and benefits, \$2,019 on the implementation of a mandated statewide welfare information network, \$1,250 on a new service contract with First 5, and \$992 on increased service levels in substance abuse and crime prevention.

For the fiscal year ended June 30, 2006, revenues and expenses for the governmental activities were as follows:



Business-type activities. Net assets for the business-type activities increased by \$198. Key factors accounting for this change are as follows:

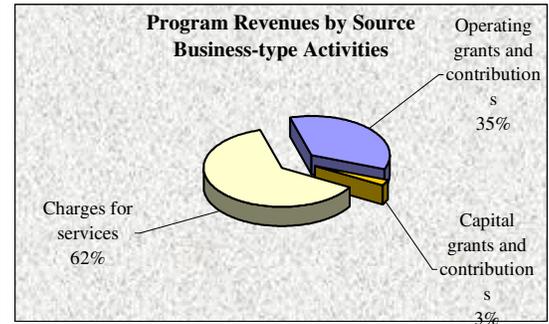
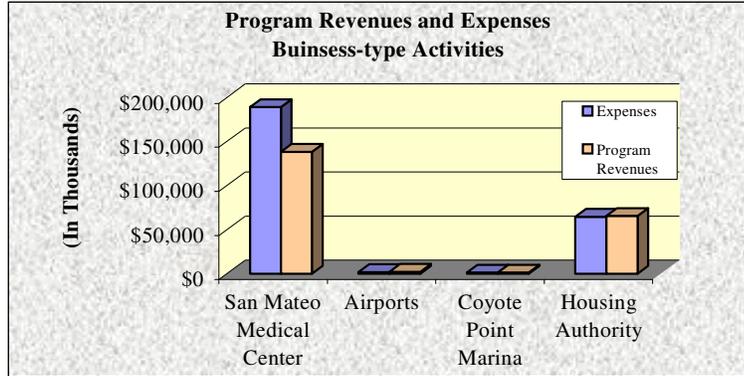
Medical Center. The Medical Center's net assets decreased by \$1,105 this year. Net operating loss decreased slightly, by \$1,017, from \$65,998 last year to \$64,981 this year. Although operating revenues increased by \$10,944, primarily due to increased funding from State supplemental programs, such increase was almost entirely offset by a \$7,800 increase in employee salaries and benefits and \$2,127 increase in services and supplies. Net nonoperating revenues increased by \$1,767, mostly due to increased funding from the State and federal agencies. Revenues from capital contributions and other interfund activities were \$3,964 lower than last year, mostly due to a \$3,233 decrease in capital contributions from the State's construction or renovation reimbursement program.

Housing Authority. The Housing Authority's net assets increased by \$998. For the most part, the increase was caused by a sizable reduction in housing assistance payments to needy families. The cut back was inevitable as subsidies and grants from the U.S. Department of Housing and Urban Development (HUD) declined.

Nonmajor Enterprise Funds. Total net assets of the Airports and Coyote Point Marina increased by \$409. The Airports realized a \$510 surplus, mainly from rent, concessions, and federal grants. Coyote Point Marina realized a \$101 net loss, primarily due to increased interest expense.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

For the fiscal year ended June 30, 2006, revenues and expenses for the business-type activities were 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 of Supervisors 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 spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved 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, 2006, the County's governmental funds reported combined ending fund balances of \$517,403, a decrease of \$5,451, or 1%, in comparison to the prior year. Approximately 75% of this total amount, or \$388,591, constitutes unreserved fund balance that is available to meet the County's current and future needs. The remainder of the fund balance is reserved for specific spending; \$3,758 is committed to liquidate contractual commitments, \$65,244 to meet debt service requirements, \$29,496 to reflect inventories and the amount due from other funds that are long-term in nature and thus do not represent available spendable resources, and \$30,314 to finance capital projects.

The **General Fund** is the chief operating fund of the County. At June 30, 2006, unreserved fund balance was \$332,479 while total fund balance reached \$362,308. As a measure of liquidity, both unreserved fund balance and total fund balance can be compared to total fund expenditures. Unreserved fund balance represents 52% of total fund expenditures, while total fund balance represents 57% of the same amount. The fund balance of the County's General Fund increased by \$53,996, or 18%, during the current fiscal year.

**Revenues by Source
General Fund**

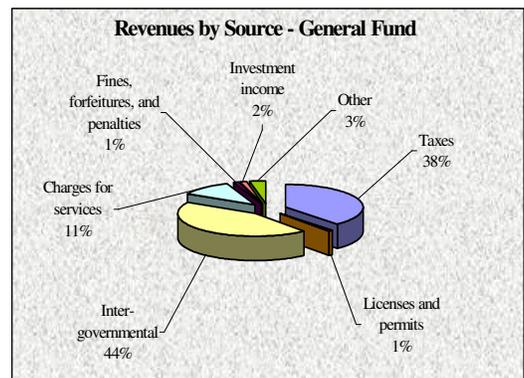
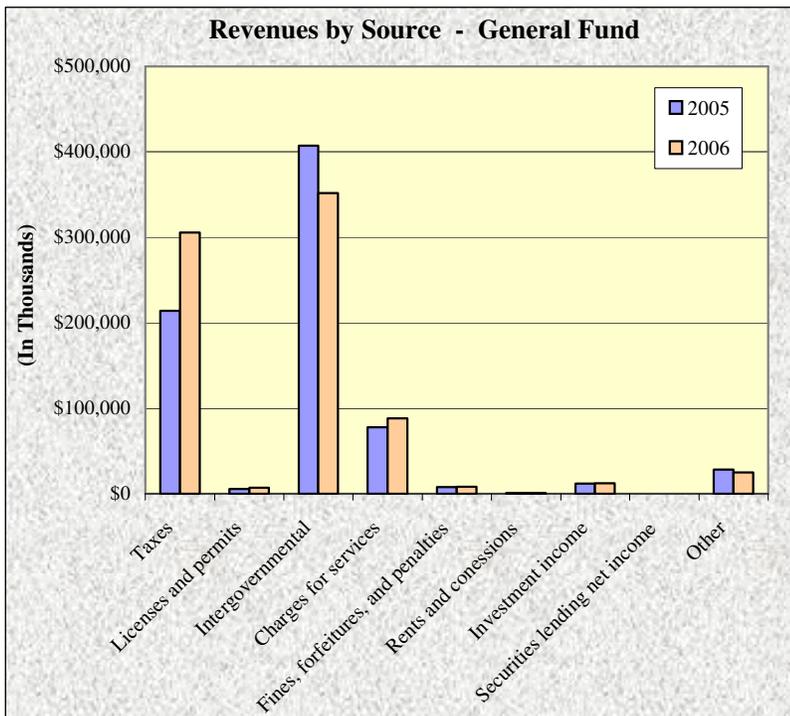
Revenues by Source	FY 2006		FY 2005		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 305,775	38.25%	\$ 214,243	28.40%	\$ 91,532	42.72%
Licenses and permits	7,053	0.88%	5,928	0.79%	1,125	18.98%
Intergovernmental	351,744	44.00%	407,055	53.96%	(55,311)	-13.59%
Charges for services	88,427	11.06%	77,943	10.33%	10,484	13.45%
Fines, forfeitures, and penalties	8,164	1.02%	7,716	1.02%	448	5.81%
Rents and concessions	833	0.10%	916	0.12%	(83)	-9.06%
Investment income	12,383	1.55%	11,929	1.58%	454	3.81%
Securities lending income, net	79	0.01%	85	0.01%	(6)	-7.06%
Other	24,902	3.12%	28,534	3.78%	(3,632)	-12.73%
Total	\$ 799,360	100.00%	\$ 754,349	100.00%	\$ 45,011	5.97%

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

Key factors accounting for significant changes noted in the General Fund's revenues are as follows:

- *Taxes* increased by \$91,532 or 43%. The increase comes mainly from property taxes. In FY 2004-05, VLF was based on the original VLF and reported as intergovernmental revenues. Starting in FY 2005-06, VLF in an amount of \$62,238 was based on assessed valuation of property and was reported as property tax revenue. Property tax refunds from ERAF, determined under the modified accrual basis of accounting, were \$15,190 higher than last year. Anticipated growth in assessed valuations for secured property also resulted in an \$11,333 increase in property tax revenue.
- *Licenses and permits* increased by \$1,125 or 19%. Fees collected from building, subdivision, grading, and zoning permits were \$764 higher than last year. The increase was caused by a higher demand for new single-family residences and two major construction projects. Under an amended franchise agreement with Comcast for PG&E access, franchise fees paid to the County were \$258 higher than the original agreement.
- *Intergovernmental revenues* decreased by \$55,311 or 14%. Beginning FY 2004-05, the VLF revenue was permanently swapped with property tax revenue as enacted in the State budget. The swapped revenue totaling \$54,491 was reported as intergovernmental revenues last fiscal year, but was reported as property tax beginning this fiscal year and beyond.
- *Charges for services* increased by \$10,484 or 13%. Under the modified accrual basis of accounting, revenues are recognized when they are earned and become available. In FY 2004-05, the Health Services recorded approximately \$9,395 receivable from Medi-Cal for services provided to mental health patients with an offset to deferred revenues. Reimbursements from Medi-Cal were received and recognized as revenues in FY 2005-06.

For the fiscal year ended June 30, 2006, revenues for the General Fund were distributed as follows:



COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

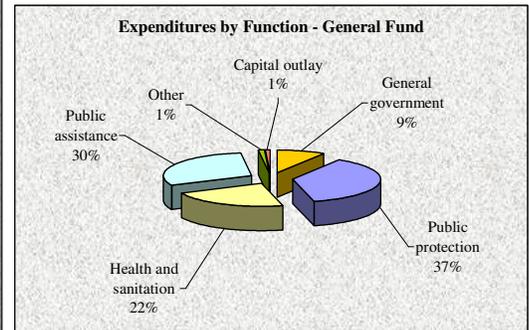
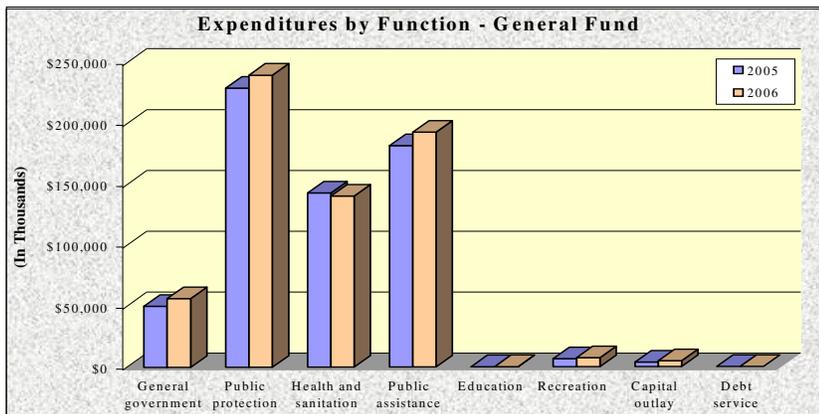
Key factors accounting for significant changes noted in the General Fund's expenditures are as follows:

General Fund - Expenditures by Function

Expenditures by Function	FY 2006		FY 2005		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 56,412	8.80%	\$ 50,113	8.16%	\$ 6,299	12.57%
Public protection	239,764	37.39%	229,213	37.30%	10,551	4.60%
Health and sanitation	140,375	21.89%	143,015	23.27%	(2,640)	-1.85%
Public assistance	192,731	30.05%	181,769	29.58%	10,962	6.03%
Education	141	0.02%	118	0.02%	23	19.49%
Recreation	7,310	1.14%	6,566	1.07%	744	11.33%
Capital outlay	4,545	0.71%	3,659	0.60%	886	24.21%
Debt service - principal retirement	26	0.00%	26	0.00%	-	0.00%
Debt service - interest charges	5	0.00%	6	0.00%	(1)	-16.67%
Total	\$ 641,309	100.00%	\$ 614,485	100.00%	\$ 26,824	4.37%

- *General government* increased by \$6,299 or 13%. Key factors attributed to most of this increase are discussed on page 8.
- *Public protection* increased by \$10,551 or 5%. Key factors attributed to most of this increase are discussed on pages 8-9.
- *Public assistance* increased by \$10,962 or 6%. Key factors attributed to most of this increase are discussed on page 9.

For the fiscal year ended June 30, 2006, expenditures for the General Fund were distributed as follows:



Joint Powers Financing Authority (JPFA) is a major governmental fund. Its key function is to obtain financing for County-sponsored capital projects. The JPFA's fund balance showed a net decrease of \$57,049, primarily caused by increased capital spending on the County's new Youth Services Center.

Nonmajor governmental funds include all special revenue funds, the debt service fund, and all capital project funds. Fund balances for the nonmajor governmental funds decreased by \$2,398. Two districts within the Sewer and Sanitation fund account for most of this decrease. The Crystal Springs Sanitary District contributed \$1,177 to the Town of Hillsborough to support its El Cerrito Trunk Sewer Improvement project. The Fair Oaks Sewer Maintenance District incurred additional expenditures this year, about \$901 on infrastructure improvement and \$206 on increased sewer charges.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

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). Prominent factors concerning the financial activities of these funds have already been addressed in the County's business-type activities section.

Internal service funds. Total net assets of the internal service funds increased by \$28,694. A predominant incident accounted for most of this increase. The County historically financed the retiree healthcare benefits on a pay-as-you-go basis. In June 2006, the County transferred \$29,239 earmarked for the retiree healthcare benefits from the General Fund to the Employee Benefits fund. This amount will subsequently be used to fund retiree healthcare benefits. The net assets in other internal service funds, which include fleet maintenance, Tower Road construction, Workers' Compensation Insurance, and Personal Injury and Property, changed slightly in the current fiscal year.

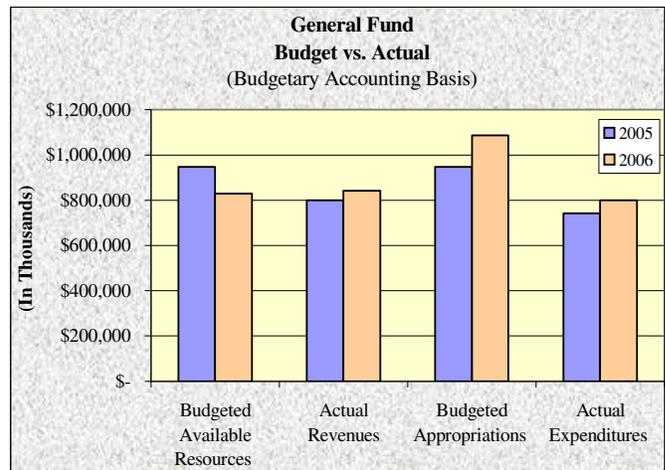
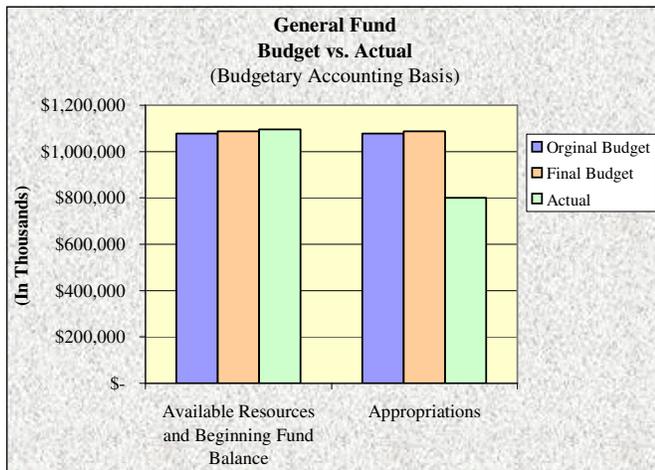
GENERAL FUND BUDGETARY HIGHLIGHTS

For fiscal year 2005-06, the General Fund's final budget exceeded its original budget by \$9,415 or 0.9%. Supplemental appropriations were sponsored through unanticipated revenues from various sources and general reserves. The Mental Health Division received \$3,858 of supplemental appropriations to cover its increased outlays for professional services, and other services and supplies. Another General Fund budget unit received \$6,248 of supplemental appropriations to cover the Medical Center's operation overruns. Expenditures in the Non-departmental Services budget unit of the General Fund were reduced to cover part of these supplemental appropriations.

General Fund revenues exceeded total budget estimates by \$11,787. Among other revenue sources, unanticipated increases in property taxes and ERAF rebates generated more tax revenues than budgeted. Most of these increases; however, were offset by lower than budgeted intergovernmental revenues primarily due to reduced reimbursements for social welfare activities, significant cuts in federal funding from HUD, and delays in claim reimbursements.

General Fund expenditures fell below the total budget estimates by \$286,639. Unfilled positions across all functions resulted in an \$18,396 savings in salaries and benefits. Unspent appropriations for services and supplies amounted to \$43,536, primarily due to improved control over costs and higher coverage of mental health pharmaceutical outlays by Medicare. Unspent appropriations for other charges and capital assets amounted to \$42,565, mainly resulting from the delays in implementation of major projects such as the county-wide automatic time-keeping system, cardkey upgrade, E-government upgrade, and the Probation Department's Adult Data System. Untapped contingency reserves approximated to \$182,142.

By year-end, unanticipated revenues coupled with appropriation savings reduced the need to draw upon the existing fund balance.



COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

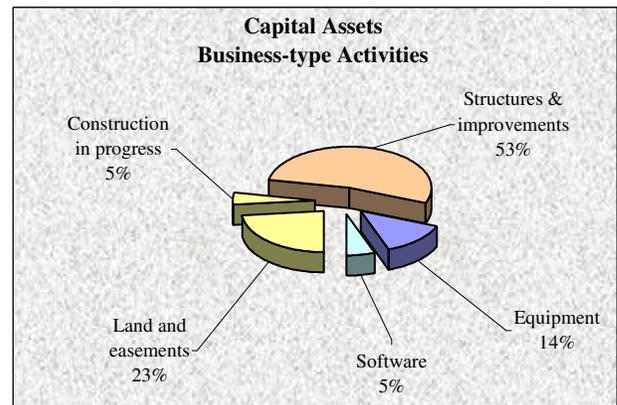
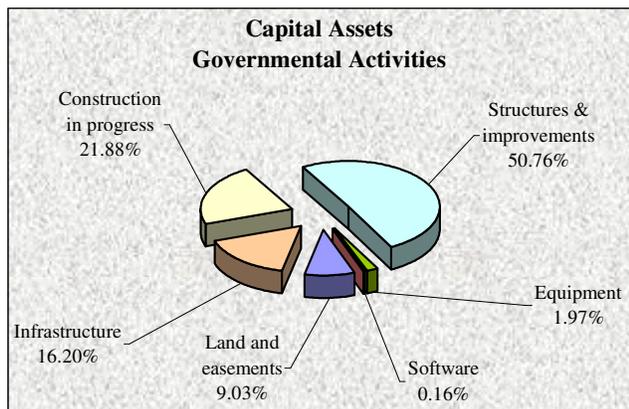
Capital assets. The County's capital assets include land and easements, infrastructure, construction in progress, structures and improvements, equipment, and software. At June 30, 2006, the County's investment in capital assets amounted to \$747,232. The County's capital assets increased by \$66,944 or 10% compared to the prior fiscal year. Investment in the County's Youth Services Center (YSC) accounted for most of the increase.

County's Capital Assets
 (Net of depreciation)

	Governmental Activities		Business-type Activities		Total		Variance
	2006	2005	2006	2005	2006	2005	
Land and easements	\$ 63,528	\$ 63,536	\$ 10,147	\$ 10,147	\$ 73,675	\$ 73,683	-0.01%
Infrastructure	114,051	113,987	-	-	114,051	113,987	0.06%
Construction in progress	153,973	86,142	2,042	917	156,015	87,059	79.21%
Structures & improvements	357,317	362,650	22,959	23,469	380,276	386,119	-1.51%
Equipment	13,882	12,593	5,865	6,548	19,747	19,141	3.17%
Software	1,119	299	2,349	-	3,468	299	1059.87%
Total	\$ 703,870	\$ 639,207	\$ 43,362	\$ 41,081	\$ 747,232	\$ 680,288	9.84%

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. The County has elected to use the modified approach to report its maintained road subsystem of the road network of \$73,504. Infrastructure assets reported under the modified approach are not subject to depreciation per this Statement.

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 adopted a policy requiring 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 the secondary maintained pavement subsystem (roads without structural sections) at a PCI of 40 or higher. A complete condition assessment is determined every three years. The last complete condition assessment was completed in FY 2003-04, when the County's maintained pavement subsystem was rated at a PCI of 75 on the average for the primary roads and 54 for the secondary roads. For the fiscal year ended June 30, 2006, the actual maintenance and preservation costs amounted to \$3,910, which is \$1,090 or 22% less than the estimated amount. The savings primarily resulted from canceled maintenance projects.



COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2006

As of June 30, 2006, the County's major capital project commitments were as follows:

- The JPFA issued lease revenue bonds in November 2003 to acquire and construct the YSC, including a juvenile hall, a girls' camp, a community school, a receiving home, group homes, juvenile courts and probation administration offices for the County. Main facilities of this project were completed in September 2006. The receiving home will be completed by November 2007. The commitments outstanding were \$13,694 as of June 30, 2006.
- The JPFA issued certificates of participation in November 2004 to finance certain improvements to the Colma Creek flood control system. The project includes channel improvements from Spruce Avenue to San Mateo Avenue and construction of required mitigation sites. The project was 90% complete as of June 30, 2006. The mitigation site construction was completed during FY 2005-06. Management believes the channel improvement project will be completed by June 30, 2007. The commitments outstanding totaled \$371 as of June 30, 2006.

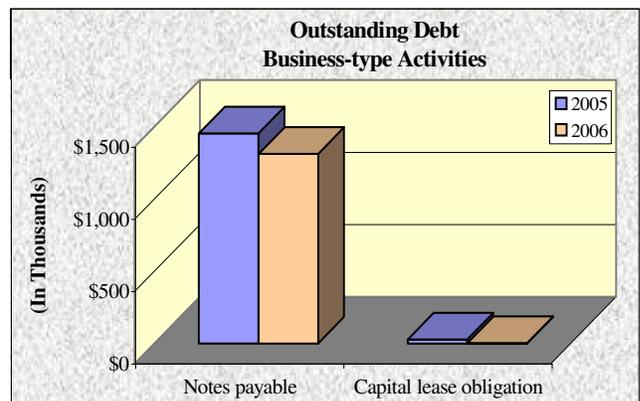
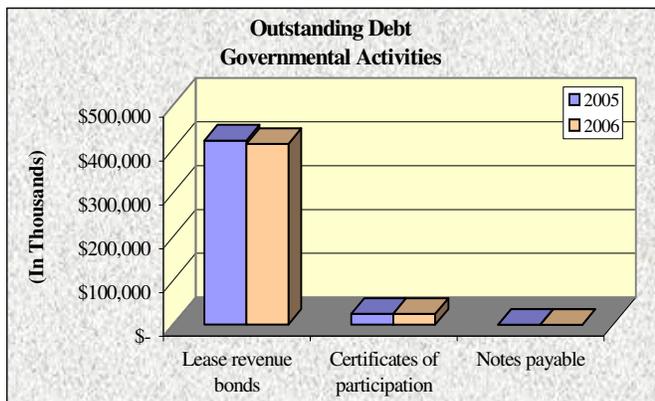
Additional information on the County's capital assets can be found in Note 8 on pages 47-48 of this report.

Long-term debt. At June 30, 2006, the County had a total outstanding debt of \$438,264. This amount is comprised of \$411,942 in lease revenue bonds, \$24,687 in certificates of participation, \$1,630 in notes payable, and \$5 in capital lease obligations. The County's total debt was decreased by \$7,955 or 2%, mainly due to scheduled retirement of debts.

County's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		
	2006	2005	2006	2005	2006	2005	Variance
Lease revenue bonds (including accreted interest)	\$ 411,942	\$ 419,323	\$ -	\$ -	\$ 411,942	\$ 419,323	-1.76%
Certificates of participation	24,687	24,939	-	-	24,687	24,939	-1.01%
Notes payable	316	358	1,314	1,455	1,630	1,813	-10.09%
Capital lease obligation	-	-	5	30	5	30	-83.33%
State settlement	-	114	-	-	-	114	-100.00%
Total	\$ 436,945	\$ 444,734	\$ 1,319	\$ 1,485	\$ 438,264	\$ 446,219	-1.78%

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 2005-06 was \$48,395. The amount applicable to the debt service limit was \$26,805, which was \$21,590 less than authorized.



Additional information on the County's long-term debt can be found in Note 10 on pages 49-53 of this report.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparing the County's budget for the fiscal year 2006-07, the following factors were considered:

- Recent real estate trends indicate a slow down in sales activities; however, the assessed property values remain strong. The budget assumes a \$13.6 million or 6% growth in property taxes.
- Consumer spending continues to rise due to the strengthening local economy. The budget includes a \$16 million or 5.5% increase in General Fund sales tax revenues.
- The County's Medical Center continues to face rising health care costs for indigents. Revenues generated are persistently insufficient to cover its operating costs. The budget includes a \$54 million subsidy to the Medical Center to meet the ongoing demand for indigent health care.
- The Mental Health Services Act (MHSA) imposes a 1% tax on personal income above \$1 million to fund County mental health services. Implementation of the new services under this Act is underway. New services consist of supported housing, education, and employment. The budget includes \$6.5 million in MHSA funds for multi-year system redesign and training in collaboration with the County's Alcohol and Other Drug Services and \$3.5 million in additional leveraged revenues to fund the first full year of expended services.
- The YSC consists of a new juvenile hall, a girl's camp, group homes, juvenile courts, a receiving home, a community school, and Probation administration offices. The budget includes \$5.1 million for 32 new positions in Probation, Public Works, Food Services, Mental Health and Correctional Health departments to fill the necessary staffing for the facilities.
- The County's recommended budget for FY 2006-07 is \$1.59 billion, an increase of \$65 million or 4.3%. The budget includes funding for the current level of County services, continuing projects such as the opening of the new YSC and implementing the MHSA, and initiatives for the Women's Jail Replacement Plan, Emancipating Youth Housing, Mainframe Computer Migration, and Midcoast Local Coastal Plan Update. The budget also reflects contributions toward retiree healthcare liability (\$22 million), increased contributions to retirement (\$18 million), increased costs to pay for annual salary adjustments (\$17 million), increased subsidy for the Medical Center (\$14 million), employee healthcare benefits (\$4 million), and other negotiated increases for employees represented by the California Nurses Association (\$6.5 million) and the Probation and Detention Association (\$3.3 million).

As of June 30, 2006, unreserved General Fund balance was \$332,479. The County has appropriated the full amount of unreserved fund balance for spending in the FY 2006-07 budget.

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, Redwood City, CA 94063. This report is also available online at www.co.sanmateo.ca.us.



Basic Financial Statements -
Government-Wide Financial Statements

COUNTY OF SAN MATEO
Statement of Net Assets
June 30, 2006
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 San Mateo County
Assets:				
Cash and investments	\$ 509,571	\$ 10,553	\$ 520,124	\$ 36,911
Restricted cash and investments	70,560	1,506	72,066	-
Securities lending collateral	84,297	1,900	86,197	5,820
Receivables (net)	63,838	28,032	91,870	594
Due from other governmental agencies	123,009	23,950	146,959	2,154
Inventories	613	573	1,186	-
Other assets	4,728	1,309	6,037	983
Internal balances	24,730	(24,730)	-	-
Capital assets:				
Nondepreciable	291,005	12,189	303,194	-
Depreciable, net	412,865	31,173	444,038	-
Total assets	<u>\$ 1,585,216</u>	<u>\$ 86,455</u>	<u>\$ 1,671,671</u>	<u>\$ 46,462</u>
Liabilities:				
Accounts payable	\$ 26,071	\$ 6,823	\$ 32,894	\$ 2,048
Payable from restricted cash and investments	-	1,506	1,506	-
Accrued interest payable	6,492	48	6,540	-
Accrued salaries and benefits	18,649	4,652	23,301	42
Accrued liabilities	-	502	502	-
Securities lending collateral - due to borrowers	84,297	1,900	86,197	5,820
Due to other governmental agencies	15,927	27,844	43,771	-
Unearned revenues	35,696	57	35,753	100
Deposits	106	4	110	-
Net OPEB obligation	5,500	1,377	6,877	11
Long-term liabilities				
Claims and judgments - arbitration	43	-	43	-
Compensated absences:				
Due within one year	22,929	6,336	29,265	-
Due beyond one year	8,018	629	8,647	43
Estimated claims:				
Due within one year	8,733	-	8,733	-
Due beyond one year	35,177	630	35,807	-
Other long-term liabilities:				
Due within one year	8,240	114	8,354	-
Due beyond one year	428,705	1,205	429,910	-
Total liabilities	<u>704,583</u>	<u>53,627</u>	<u>758,210</u>	<u>8,064</u>
Net Assets:				
Invested in capital assets, net of related debt	292,983	41,223	334,206	-
Restricted for:				
General government	760	-	760	-
Public protection	1,243	-	1,243	-
Public ways and facilities	33,758	-	33,758	-
Health and sanitation	1,525	-	1,525	-
Public assistance	31,128	-	31,128	-
Debt service	65	-	65	-
Capital projects	4,574	-	4,574	-
Housing assistance programs	-	1,506	1,506	-
Preschool programs	-	-	-	38,398
Unrestricted (deficit)	514,597	(9,901)	504,696	-
Total net assets	<u>880,633</u>	<u>32,828</u>	<u>913,461</u>	<u>38,398</u>
Total liabilities and net assets	<u>\$ 1,585,216</u>	<u>\$ 86,455</u>	<u>\$ 1,671,671</u>	<u>\$ 46,462</u>

COUNTY OF SAN MATEO
Statement of Activities
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Primary government				
Governmental activities:				
General government	\$ 68,175	\$ 31,903	\$ 11,500	\$ -
Public protection	253,800	29,831	99,266	13,068
Public ways and facilities	19,701	3,451	15,583	-
Health and sanitation	173,311	49,094	100,173	-
Public assistance	195,258	7,160	166,325	-
Education	142	-	-	-
Recreation	8,032	1,266	-	-
Interest on long-term liabilities	19,459	-	-	-
Total governmental activities	737,878	122,705	392,847	13,068
Business-type activities:				
San Mateo Medical Center	188,920	123,695	9,332	5,385
Airports	1,753	1,904	294	-
Coyote Point Marina	1,330	1,192	-	-
Housing Authority	64,615	1,932	63,502	-
Total business-type activities	256,618	128,723	73,128	5,385
Total primary government	\$ 994,496	\$ 251,428	\$ 465,975	\$ 18,453
Component unit:				
First 5 San Mateo County	\$ 11,947	\$ -	\$ 11,226	\$ -

General revenues:

Taxes:

Property taxes

Property transfer taxes

Sales and use taxes

In-lieu sales taxes

Transient occupancy taxes

Aircraft taxes

Other taxes

Unrestricted interest and investment earnings

Securities lending activities:

Securities lending income

Securities lending expenses

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Change in accounting principle

Net assets - beginning (as restated)

Net assets - ending

COUNTY OF SAN MATEO
Statement of Activities
For the Fiscal Year Ended June 30, 2006
(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
\$ (24,772)	\$ -	\$ (24,772)	
(111,635)	-	(111,635)	
(667)	-	(667)	
(24,044)	-	(24,044)	
(21,773)	-	(21,773)	
(142)	-	(142)	
(6,766)	-	(6,766)	
(19,459)	-	(19,459)	
<u>(209,258)</u>	<u>-</u>	<u>(209,258)</u>	
-	(50,508)	(50,508)	
-	445	445	
-	(138)	(138)	
-	819	819	
<u>-</u>	<u>(49,382)</u>	<u>(49,382)</u>	
<u>(209,258)</u>	<u>(49,382)</u>	<u>(258,640)</u>	
			\$ (721)
298,368	-	298,368	-
8,487	-	8,487	-
12,986	-	12,986	-
3,878	-	3,878	-
839	-	839	-
821	-	821	-
5	-	5	-
19,059	286	19,345	902
3,689	83	3,772	254
(3,569)	(80)	(3,649)	(246)
21,680	-	21,680	-
<u>(49,291)</u>	<u>49,291</u>	<u>-</u>	<u>-</u>
<u>316,952</u>	<u>49,580</u>	<u>366,532</u>	<u>910</u>
<u>107,694</u>	<u>198</u>	<u>107,892</u>	<u>189</u>
708,271	23,891	732,162	38,209
64,668	8,739	73,407	-
<u>772,939</u>	<u>32,630</u>	<u>805,569</u>	<u>38,209</u>
<u>\$ 880,633</u>	<u>\$ 32,828</u>	<u>\$ 913,461</u>	<u>\$ 38,398</u>

Functions/Programs:

Primary government

Governmental activities:

- General government
- Public protection
- Public ways and facilities
- Health and sanitation
- Public assistance
- Education
- 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
- In-lieu sales taxes
- Transient occupancy taxes
- Aircraft taxes
- Other taxes

Unrestricted interest and investment earnings

Securities lending activities:

- Securities lending income
- Securities lending expenses

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Change in accounting principle

Net assets - beginning (as restated)

Net assets - ending



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Basic Financial Statements -

Fund Financial Statements

COUNTY OF SAN MATEO
Balance Sheet
Governmental Funds
June 30, 2006
(In Thousands)

	General Fund	Joint Powers Financing Authority	Other Governmental Funds	Total
Assets:				
Cash and investments	\$ 356,052	\$ -	\$ 83,248	\$ 439,300
Restricted cash and investments	-	70,560	-	70,560
Securities lending collateral	56,127	3,965	13,126	73,218
Receivables (net):				
Accounts	17,888	-	72	17,960
Interest	6,795	839	876	8,510
Taxes	13,096	-	865	13,961
Other	22,576	-	135	22,711
Due from other funds	6,195	-	2,939	9,134
Due from other governmental agencies	116,318	3,058	3,333	122,709
Inventories	64	-	404	468
Other assets	54	-	-	54
Advances to other funds	26,028	-	3,000	29,028
Total assets	\$ 621,193	\$ 78,422	\$ 107,998	\$ 807,613
Liabilities:				
Accounts payable	\$ 19,974	\$ 2,358	\$ 3,067	\$ 25,399
Accrued salaries and benefits	18,157	-	345	18,502
Securities lending collateral - due to borrowers	56,127	3,965	13,126	73,218
Due to other funds	6,892	-	2,664	9,556
Due to other governmental agencies	15,927	-	-	15,927
Advances from other funds	3,000	-	1,000	4,000
Deferred revenues	138,798	3,058	1,740	143,596
Deposits	10	-	2	12
Total liabilities	258,885	9,381	21,944	290,210
Fund Balances:				
Reserved for:				
Encumbrances	3,737	-	21	3,758
Debt service	-	38,727	26,517	65,244
Inventories and advances	26,092	-	3,404	29,496
Capital projects	-	30,314	-	30,314
Unreserved, reported in				
General fund - undesignated	332,479	-	-	332,479
Special revenue funds				
Designated	-	-	21,910	21,910
Undesignated	-	-	23,632	23,632
Capital project funds - undesignated	-	-	10,570	10,570
Total fund balances	362,308	69,041	86,054	517,403
Total liabilities and fund balances	\$ 621,193	\$ 78,422	\$ 107,998	\$ 807,613

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, 2006
(In Thousands)

Fund balances - total governmental funds (page 20) \$ 517,403

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. 4,674

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 698,874

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 107,900

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. 31,397

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. (6,492)

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 \$122, unamortized premium of \$156, and unamortized deferred loss on refunding of \$71	(411,942)	
Certificates of participation, net of unamortized premium of \$72	(24,687)	
Notes payable	(316)	
Compensated absences	(30,676)	
Net OPEB obligation	(5,459)	
Rebatable arbitrage	(43)	
	(43)	(473,123)

Net assets of governmental activities (page 17) **\$ 880,633**

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, 2006
(In Thousands)

	General Fund	Joint Powers Financing Authority	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 305,775	\$ -	\$ 11,729	\$ 317,504
Licenses and permits	7,053	-	5,761	12,814
Intergovernmental	351,744	10,010	24,249	386,003
Charges for services	88,427	-	14,097	102,524
Fines, forfeitures and penalties	8,164	-	1,121	9,285
Rents and concessions	833	-	81	914
Investment income	12,383	3,889	1,995	18,267
Securities lending activities:				
Securities lending income	2,456	173	574	3,203
Securities lending expenditures	(2,377)	(168)	(553)	(3,098)
Other	24,902	-	1,398	26,300
Total revenues	<u>799,360</u>	<u>13,904</u>	<u>60,452</u>	<u>873,716</u>
Expenditures:				
Current:				
General government	56,412	2,242	4,258	62,912
Public protection	239,764	-	6,402	246,166
Public ways and facilities	-	-	18,829	18,829
Health and sanitation	140,375	-	28,283	168,658
Public assistance	192,731	-	-	192,731
Education	141	-	-	141
Recreation	7,310	-	-	7,310
Capital outlay	4,545	62,978	9,477	77,000
Debt service:				
Principal	26	7,010	16	7,052
Interest	5	19,795	4	19,804
Total expenditures	<u>641,309</u>	<u>92,025</u>	<u>67,269</u>	<u>800,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>158,051</u>	<u>(78,121)</u>	<u>(6,817)</u>	<u>73,113</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	1	-	45	46
Transfers in	504	21,072	32,056	53,632
Transfers out	(104,560)	-	(27,682)	(132,242)
Total other financing sources (uses)	<u>(104,055)</u>	<u>21,072</u>	<u>4,419</u>	<u>(78,564)</u>
Net change in fund balances	53,996	(57,049)	(2,398)	(5,451)
Fund balances - beginning	<u>308,312</u>	<u>126,090</u>	<u>88,452</u>	<u>522,854</u>
Fund balances - ending	<u>\$ 362,308</u>	<u>\$ 69,041</u>	<u>\$ 86,054</u>	<u>\$ 517,403</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, 2006
(In Thousands)

Net change in fund balances- total governmental funds (page 22) \$ (5,451)

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	\$ 77,000	
The net effect of various miscellaneous transactions involving capital assets such as sales, retirements, trade-ins, and donations	(740)	
Less current year depreciation	<u>(12,073)</u>	64,187

Governmental fund revenues deferred in the current year due to unavailability were reported in the statement of activities as revenues. 20,792

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

Principal repayments:		
Lease revenue bonds	6,760	
Certificates of participation	250	
Notes payable	42	
Payment of accreted interest on capital accretion bonds	825	
Repayment of a settlement claim with State	<u>114</u>	7,991

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 bond issuance costs	(217)	
Amortization of bond discount	(5)	
Amortization of bond premium	79	
Amortization of deferred loss on refunding	(34)	
Change in claims and judgments - arbitration	(21)	
Change in accrued interest payable	9	
Accretion of capital appreciation bonds	(242)	
Change in net OPEB obligation	(5,459)	
Change in compensated absences	<u>(2,733)</u>	(8,623)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of certain activities of the internal service funds are reported with governmental activities. 28,798

Change in net assets of governmental activities (page 19) \$ 107,694

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, 2006
(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	\$ 2,472	\$ 4,489	\$ 3,592	\$ 10,553	\$ 70,271
Restricted cash and investments	-	1,506	-	1,506	-
Securities lending collateral	389	945	566	1,900	11,079
Receivables (net):					
Accounts	26,686	205	34	26,925	244
Interest	40	61	41	142	452
Other	965	-	-	965	-
Due from other funds	4,856	-	-	4,856	21
Due from other governmental agencies	23,950	-	-	23,950	300
Other assets	-	30	-	30	-
Inventories	573	-	-	573	145
Total current assets	<u>59,931</u>	<u>7,236</u>	<u>4,233</u>	<u>71,400</u>	<u>82,512</u>
Noncurrent assets:					
Notes receivable	500	149	-	649	-
Deposits	630	-	-	630	-
Capital assets:					
Nondepreciable:					
Land	841	1,128	8,177	10,146	-
Construction in progress	1,002	-	1,041	2,043	3
Depreciable:					
Structures and improvements	4,021	20,568	24,423	49,012	1,046
Software	2,349	-	-	2,349	9
Equipment	10,735	878	189	11,802	17,822
Less accumulated depreciation	<u>(5,787)</u>	<u>(16,116)</u>	<u>(10,087)</u>	<u>(31,990)</u>	<u>(13,884)</u>
Total noncurrent assets	<u>14,291</u>	<u>6,607</u>	<u>23,743</u>	<u>44,641</u>	<u>4,996</u>
Total assets	<u>\$ 74,222</u>	<u>\$ 13,843</u>	<u>\$ 27,976</u>	<u>\$ 116,041</u>	<u>\$ 87,508</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 6,041	\$ 540	\$ 242	\$ 6,823	\$ 672
Payable from restricted cash and investments	-	1,506	-	1,506	-
Accrued interest payable	-	-	48	48	-
Accrued salaries and benefits	4,483	121	48	4,652	147
Accrued liabilities	-	142	-	142	-
Securities lending collateral - due to borrowers	389	945	566	1,900	11,079
Due to other funds	4,129	-	77	4,206	249
Due to other governmental agencies	27,844	-	-	27,844	-
Unearned revenues	-	8	-	8	-
Other liabilities	-	360	-	360	-
Net OPEB obligation	1,358	-	19	1,377	41
Compensated absences - current	6,058	225	53	6,336	229
Estimated claims - current	-	-	-	-	8,733
Long-term liabilities - current	5	-	109	114	-
Total current liabilities	<u>50,307</u>	<u>3,847</u>	<u>1,162</u>	<u>55,316</u>	<u>21,150</u>
Noncurrent liabilities:					
Advances from other funds	24,208	820	-	25,028	-
Unearned revenues	-	-	49	49	-
Deposits	-	-	4	4	94
Compensated absences - noncurrent	456	108	65	629	42
Estimated claims - noncurrent	-	630	-	630	35,177
Long-term liabilities - noncurrent	-	194	1,011	1,205	-
Total noncurrent liabilities	<u>24,664</u>	<u>1,752</u>	<u>1,129</u>	<u>27,545</u>	<u>35,313</u>
Total liabilities	<u>74,971</u>	<u>5,599</u>	<u>2,291</u>	<u>82,861</u>	<u>56,463</u>
Net assets:					
Invested in capital assets, net of related debt	13,156	5,444	22,623	41,223	4,996
Restricted for housing assistance programs	-	1,506	-	1,506	-
Unrestricted (deficit)	<u>(13,905)</u>	<u>1,294</u>	<u>3,062</u>	<u>(9,549)</u>	<u>26,049</u>
Total net assets (deficit)	<u>(749)</u>	<u>8,244</u>	<u>25,685</u>	<u>32,180</u>	<u>31,045</u>
Total liabilities and net assets	<u>\$ 74,222</u>	<u>\$ 13,843</u>	<u>\$ 27,976</u>	<u>\$ 116,041</u>	<u>\$ 87,508</u>
				(352)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>(352)</u>	
Net assets of business-type activities (page 17)				<u>\$ 32,828</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, 2006
(In Thousands)

	Business-type Activities - Enterprise Funds				Governmental
	San Mateo Medical Center	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues:					
Charges for services	\$ 290,563	\$ -	\$ 1,226	\$ 291,789	\$ 91,940
Less:					
Contractual allowances	(193,900)	-	-	(193,900)	-
Provision for doubtful accounts	(12,726)	-	-	(12,726)	-
Net charges for services	83,937	-	1,226	85,163	91,940
Program revenues:					
State supplemental programs	25,629	-	-	25,629	-
Tobacco tax	493	-	-	493	-
Sales tax	3,767	-	-	3,767	-
Tobacco settlement	85	-	-	85	-
Rent and concessions	-	1,536	1,833	3,369	-
Sales of drugs and medical supplies, fees, and others	7,189	-	-	7,189	-
Miscellaneous	2,595	396	37	3,028	673
Total operating revenues	123,695	1,932	3,096	128,723	92,613
Operating expenses:					
Salaries and benefits	116,622	3,790	1,220	121,632	3,690
Drugs	8,661	-	-	8,661	-
Contract provider services	18,469	-	-	18,469	-
General and administrative	43,904	2,360	1,253	47,517	8,696
Benefits and claims	-	-	-	-	18,218
Insurance premiums	-	-	-	-	62,040
Depreciation and amortization	1,020	412	494	1,926	1,573
Housing assistance payments	-	58,028	-	58,028	-
Total operating expenses	188,676	64,590	2,967	256,233	94,217
Operating income (loss)	(64,981)	(62,658)	129	(127,510)	(1,604)
Nonoperating revenues (expenses):					
State and federal grants	9,332	63,502	294	73,128	-
Loss on disposal of capital assets	(145)	-	-	(145)	(12)
Investment income	17	178	91	286	504
Interest expenses	(5)	(25)	(106)	(136)	-
Securities lending activities:					
Securities lending income	17	41	25	83	485
Securities lending expenses	(16)	(40)	(24)	(80)	(469)
Total nonoperating revenues, net	9,200	63,656	280	73,136	508
Net income (loss) before capital contributions and transfers	(55,781)	998	409	(54,374)	(1,096)
Capital contributions	5,385	-	-	5,385	-
Transfers in	59,159	-	-	59,159	29,319
Transfers out	(9,868)	-	-	(9,868)	-
Change in net assets	(1,105)	998	409	302	28,223
Net assets - beginning	(8,263)	7,246	25,156		2,351
Change in accounting principle	8,619	-	120		471
Net assets - beginning (as restated)	356	7,246	25,276		2,822
Net assets - ending	\$ (749)	\$ 8,244	\$ 25,685		\$ 31,045
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(104)	
Change in net assets of business-type activities (page 19)				\$ 198	

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, 2006
(In Thousands)

	Business-type Activities - Enterprise Funds				Governmental
	San Mateo	Housing Authority	Other	Total	Internal
	Medical Center		Enterprise Funds		Service Funds
Cash flows from operating activities					
Cash receipts from customers or interfund services provided	\$ 111,942	\$ 2,275	\$ 3,087	\$ 117,304	\$ 92,559
Cash paid to suppliers for goods and services	(72,173)	(1,547)	(1,096)	(74,816)	(71,518)
Cash paid to employees for services	(113,577)	(4,444)	(1,157)	(119,178)	(3,418)
Cash paid for housing assistance	-	(58,028)	-	(58,028)	-
Cash paid for judgments and claims	-	-	-	-	(14,954)
Net cash provided by (used in) operating activities	<u>(73,808)</u>	<u>(61,744)</u>	<u>834</u>	<u>(134,718)</u>	<u>2,669</u>
Cash flows from noncapital financing activities					
County subsidy transfer	58,899	-	-	58,899	-
Transfers out	(9,868)	-	-	(9,868)	-
Other transfers in	260	-	-	260	29,319
Short-term advances from the County	2,733	-	73	2,806	-
Repayment of advances from the County	-	(6)	-	(6)	-
Advances from the County	13,092	-	-	13,092	-
State and federal grant receipts	9,448	63,502	294	73,244	-
Net cash provided by noncapital financing activities	<u>74,564</u>	<u>63,496</u>	<u>367</u>	<u>89,136</u>	<u>29,319</u>
Cash flows from capital and related financing activities					
Acquisition of capital assets	(3,471)	(4)	(877)	(4,352)	(2,059)
Capital contribution from other governments	4,544	-	-	4,544	-
Principal paid on long-term liabilities	(25)	-	(141)	(166)	-
Interest paid on long-term liabilities	(5)	-	(58)	(63)	-
Net cash provided by (used in) capital and related financing activities	<u>1,043</u>	<u>(4)</u>	<u>(1,076)</u>	<u>(37)</u>	<u>(2,059)</u>
Cash flows from investing activities					
Investment income received	54	201	107	362	697
Investment expenses paid	(16)	(65)	(29)	(110)	(326)
Net cash provided by investing activities	<u>38</u>	<u>136</u>	<u>78</u>	<u>252</u>	<u>371</u>
Net increase in cash and cash equivalents	1,837	1,884	203	3,924	30,300
Cash and cash equivalents, beginning of the year	635	4,111	3,389	8,135	39,971
Cash and cash equivalents, end of the year	<u>\$ 2,472</u>	<u>\$ 5,995</u>	<u>\$ 3,592</u>	<u>\$ 12,059</u>	<u>\$ 70,271</u>

(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 Year Ended June 30, 2006
(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)	\$ (64,981)	\$ (62,658)	\$ 129	\$ (127,510)	\$ (1,604)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,020	412	494	1,926	1,573
Decrease (increase) in:					
Accounts receivable	(15,078)	394	-	(14,684)	(38)
Other receivable	-	1	-	1	-
Due from other funds	-	-	2	2	(16)
Due from other governmental agencies	(5,462)	-	-	(5,462)	-
Deposits	29	-	-	29	-
Inventories	70	-	-	70	42
Other assets	-	56	-	56	-
Increase (decrease) in:					
Accounts payable	(1,238)	534	157	(547)	(759)
Accrued salaries and benefits	678	11	12	701	27
Accrued liabilities	-	223	-	223	-
Due to other funds	-	-	-	-	(65)
Due to other governmental agencies	8,787	-	-	8,787	-
Net OPEB Obligation	1,358	-	19	1,377	41
Compensated absences	1,009	(665)	32	376	204
Unearned revenues	-	(52)	(11)	(63)	-
Estimated claims	-	-	-	-	3,264
Net cash provided by (used in) operating activities	<u>\$ (73,808)</u>	<u>\$ (61,744)</u>	<u>\$ 834</u>	<u>\$ (134,718)</u>	<u>\$ 2,669</u>
Supplemental disclosure of noncash investing, capital, or financing activities					
Decrease in fair value of investments	\$ (45)	\$ (109)	\$ (66)	\$ (220)	\$ (1,280)
Loss on disposal of capital assets	(145)	-	-	(145)	(12)

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, 2006
(In Thousands)

	SamCERA Pension Trust	Investment Trust	Agency
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 55,399	\$ 1,502,784	\$ 184,677
Securities lending collateral	554	236,374	29,108
Receivables (net):			
Interest	3,334	16,001	2,127
Taxes	-	-	116,434
Other	30,263	-	-
Contributions	4,474	-	-
Due from other governmental agencies	-	3,350	29,760
Prepaid expense	8	-	-
Investments:			
Fixed income securities:			
Domestic	528,657	-	-
Equities:			
Domestic	879,252	-	-
International	273,589	-	-
Real estate	117,548	-	-
Other assets	-	3	70,664
Capital assets, net of accumulated depreciation	9	-	-
Total assets	<u>1,893,087</u>	<u>1,758,512</u>	<u>\$ 432,770</u>
Liabilities:			
Accounts payable	308	4,965	\$ -
Accrued salaries and benefits	133	-	-
Accrued liabilities	100,055	-	-
Securities lending collateral - due to borrowers	554	236,374	29,108
Due to other governmental agencies	-	763	63,074
Other liabilities	2,139	3,329	-
Fiduciary liabilities	-	-	340,588
Total liabilities	<u>103,189</u>	<u>245,431</u>	<u>\$ 432,770</u>
Net assets:			
Net assets held in trust for pension benefits/investment pool participants	<u>\$ 1,789,898</u>	<u>\$ 1,513,081</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, 2006
(In Thousands)

	SamCERA Pension Trust	Investment Trust
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer contributions	\$ 76,090	\$ -
Plan member contributions	39,962	-
Contributions to investment pool	-	3,182,204
Total contributions	<u>116,052</u>	<u>3,182,204</u>
Net investment income:		
Net appreciation (depreciation) in fair value of investments	143,185	(16,517)
Investment income	32,159	175,889
Investment expense	(8,519)	-
Securities lending activities:		
Securities lending income	24	10,342
Securities lending expenses	(23)	(10,011)
Total net investment income	<u>166,826</u>	<u>159,703</u>
Other additions	<u>49</u>	<u>-</u>
Total additions	<u>282,927</u>	<u>3,341,907</u>
Deductions:		
Benefits and refunds paid to members and beneficiaries:		
Service retirement benefits	76,380	-
Disability retirement benefits	10,630	-
Death and other benefits	905	-
Distributions from investment pool	-	3,315,889
Withdrawals of members' contributions	2,258	-
Total benefits and refunds paid to members and beneficiaries	<u>90,173</u>	<u>3,315,889</u>
Administrative expenses	2,086	-
Other expenses	<u>40</u>	<u>-</u>
Total deductions	<u>92,299</u>	<u>3,315,889</u>
Change in net assets	190,628	26,018
Net assets - beginning	<u>1,599,270</u>	<u>1,487,063</u>
Net assets - ending	<u><u>\$ 1,789,898</u></u>	<u><u>\$ 1,513,081</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, 2006
(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), which is the governing body of the County. The Board 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, education, 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 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, although legally separate entities, in substance 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 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) is a joint exercise of powers agency organized under the laws of the State of California by agreements dated May 15, 1993 and entered into by the County. The JPFA was formed to assist the County in the financing of public capital improvements.

The JPFA and the County have a financial and operational relationship, which requires that the JPFA's financial statements be blended into the County's financial statements. A five-member board appointed by the County Board determines the JPFA's policies. The JPFA has no employees and all staff work is done by the County staff or by consultants of the JPFA.

San Mateo County Employees' Retirement Association

The financial activities of the County's pension plan are reported in the pension trust fund of the basic financial statements because it is an integral part of the County. A nine-member Board of Retirement controls the San Mateo County Employees' Retirement Association (SamCERA). The Board of Retirement is comprised of the County Treasurer, two general members of SamCERA, four members appointed by the County Board, one member from SamCERA's safety membership, and one member from the retired membership. The Board of Retirement has administrative and fiduciary responsibility over the pension plan and utilizes third-party banking institutions as custodians over the pension plan's assets.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

Housing Authority of the County of San Mateo

The Housing Authority was established pursuant to the State Health and Safety Code by the County Board to provide 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 activities of the Housing Authority are blended with the primary government.

In-Home Supportive Services (IHSS) Public Authority

The IHSS Public Authority, primarily funded by State grants, maintains a registry and referral system to assist consumers in finding qualified in-home supportive services personnel and provide training and support for providers and recipients of IHSS. The County Board is the governing body for the IHSS Public Authority. As such, the activities of the IHSS Public Authority are blended with the primary government.

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 the special districts. The special districts are reported as nonmajor special revenue funds in the governmental fund 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 its members and approves its budgets. First 5 is reported as a discretely presented component unit of the County.

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. Eliminations have been made to minimize the double counting of internal activities. 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.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(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. 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.

When both restricted and unrestricted net assets are available, restricted resources are depleted first before the unrestricted resources are used.

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 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:

- The *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 through other funds. For the County, the General Fund includes such activities as general government, public protection, health and sanitation, public assistance, education, and recreation services.
- The *Joint Powers Financing Authority (JPFA)* accounts for the lease revenue bonds and certificates of participation issued to generate funds for County-sponsored capital improvements and debt service payments to creditors. The JPFA's revenues primarily come from the base rental payments paid by the County pursuant to Master Facility Leases.

The County reports the following major enterprise funds:

- The *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, Short Doyle.
- The *Housing Authority* accounts for various housing programs primarily funded by contributions from HUD and tenants.

The County also reports the following additional fund types:

- The *Internal Service Funds* account for the County's fleet maintenance and road construction services provided to departments or other governments, and self-insurance programs including workers' compensation, long-term disability, employee benefits, and personal injury and property damage on a cost-reimbursement basis.
- The *Pension Trust Fund* accumulates contributions from the County and its employees as well as Mosquito Abatement District and its employees. Earnings from the fund's investments are credited to and disbursements are made from the fund for retirement, disability, death benefits (based on a defined benefit formula) and administrative expenses. This fund includes all assets of the SamCERA.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

- The *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 is obligated to disburse monies from these funds on demand.
 - *Individual Investment Account* accounts for specific investments acquired for 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.
- The *Agency Funds* account for assets held by the County as an agent for various local governments and individuals.

(b) 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. On an accrual basis, revenue from property taxes is 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 and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB) guidance. 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 a liability is incurred, as under 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 assets 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. All trust funds are reported using economic measurement focus and accrual basis of accounting. Agency funds are reported using 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, 2006
(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) 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 State 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 obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial papers, repurchase agreements, and the State of California Local Agency Investment Fund. SamCERA investments are made subject to guidelines of its investment plan approved by the Board of Retirement (See Note 13).

Investment transactions are recorded on the trade date. Investments in nonparticipating interest-earning investment contracts are reported at cost, commercial papers that have 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. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements, on an annual basis, as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2006, 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 the individual funds or external participants based on the funds' or participants' average daily cash balance at quarter end in relation to the total pool investments. Interest income earned in agency funds where there are no interest earning requirements are assigned to the General Fund per County Policy. Income from nonpooled investments is recorded based on specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

(e) Mortgages Receivable

For the purpose of the fund financial statements, General Fund expenditures relating to long-term mortgages receivable arising from mortgage 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 revenue 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, 2006, the County's mortgages receivable was \$49,852, of which 100% was reserved.

(f) 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 recorded by governmental funds include postage and materials and supplies for roads. Governmental fund inventories are recorded as expenditures at the time the inventories are consumed. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance is not available for future appropriation.

Inventories recorded in the proprietary funds mainly consist of maintenance and pharmaceutical supplies retained by the Medical Center. Inventories are expensed as the supplies are consumed.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

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

The State's Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless voters have approved an additional amount for general obligation debt. Assessed value is calculated at 100% of market value, as defined by Article XIII A, and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the County, cities, school districts, and other districts. The total fiscal year 2005-06 net assessed valuation of the County was \$103,586,202, after deducting \$9,569,382 for the redevelopment tax allocation increment.

The County assesses property values and 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

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the personal property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. Property taxes are recorded as deferred revenues when 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, penalties and interest collected on delinquent secured taxes are required to be held in trust 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 balance of 1% of the annual taxes levied on properties participating in the Teeter Plan, or approximately \$12.5 million at June 30, 2006. The balance in the TLRF was \$47.6 million at June 30, 2006. 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. Amounts in the TLRF are considered to be held in a custodial capacity for the participants in the County's Teeter Plan and accounted for in an agency fund.

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. For the fiscal year ended June 30, 2006, the County's share of the excess ERAF amounted to \$75,395.

(h) Capital Assets

Capital assets, including infrastructure, 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. Capital assets include public domain (infrastructure) general capital assets such as roads, bridges, water and sewer, lighting, drainage, and flood control systems. The County defines capital assets as assets with an initial, individual 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.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

Estimated useful lives for County’s 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 years

The County has five networks of infrastructure assets: road, 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 FY2003-04. This condition assessment is completed every three years.

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 and a minimum PCI of 55 for at least 75 percent of roads with a defined structural section. Accordingly, 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.

(i) 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 the unused vacation, compensatory time, and holiday. The County includes its share of social security and Medicare taxes payable on behalf of the employees in the accrual for compensated absences.

The County pays unused vacation leave, compensatory time, and holiday, up to a specified maximum, at the time of termination from the County employment. The County is not obligated to pay for unused sick leave if employees terminate prior to retirement, except for those individuals who are laid off. The public safety employees are eligible to receive post employment healthcare benefits 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.

Upon retirement, every eight hours of unused sick leave can be converted to one month of post employment healthcare premium coverage. Management employees will receive one month’s full premium payment for health, dental, and vision for every eight hours of unused sick leave. For non-management employees, the amount and the type of premium coverage vary, depending on the Memorandum of Understanding with various unions that the employees are enrolled in.

(j) Interfund Transactions

Interfund transactions are reflected as either 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 a fund balance reserve account in applicable governmental funds to indicate that they are not available financial resources and are not available for appropriation.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

- 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 treated as an adjustment to expenditures or expenses; that is, an corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in 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.

(k) 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.

(l) Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 45

For fiscal year ended June 30, 2006, the County has elected to early implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. These benefits are collectively referred to as other postemployment benefits (OPEB).

The County provides healthcare benefits to eligible retirees who elect to convert their unused sick leave balance to a County paid monthly benefit at a rate of eight hours per month. The duration, amount, and type of the County paid benefits depend on the sick leave balance at retirement and the bargaining unit to which the retiree belonged.

Historically, the County followed guidance provided by GASB Statement No. 16, *Accounting for Compensated Absences*, to report its liabilities for sick leave benefits. The liabilities were generally based on the County's past experience of paying sick leave benefits at retirement, adjusted for the effect of changes in its benefit policy and other factors. In June 2004, the GASB issued Statement No. 45. This statement generally requires that governments account for and report the annual cost of OPEB and the outstanding obligations related to OPEB in essentially the same manner as pensions. Annual OPEB cost for most governments will be based on actuarially determined amounts that, if paid on an ongoing basis, would generally provide sufficient resources to pay benefits as they come due.

The GASB allows governments to apply this statement prospectively, establish the OPEB liability at zero at the beginning of the initial year of implementation, and does not require governments to fund the OPEB plans. The statement supersedes or amends all previous authoritative guidance on accounting and financial reporting for an employer's OPEB expense and related information.

As the County elected to early implement GASB Statement No. 45 prospectively and opted to establish its OPEB liability at zero at the beginning of the initial year of implementation, the County's beginning net assets were restated to reflect this change in the accounting principle. As a result, \$64,668 and \$8,739 were added to the beginning net assets of the governmental activities and business-type activities, respectively, to recharacterize the County's liabilities for sick leave benefits accrued under GASB Statement No. 16. The beginning net assets of individual enterprise and internal service funds were also restated to reflect this change in accounting principle.

The latest actuarial valuation determined that the County's annual OPEB cost was \$12,730 for the fiscal year ended June 30, 2006. The cost was allocated among sponsoring funds and component units, causing a \$10,133 decrease in net assets for the governmental activities, \$2,537 for the business-type activities, \$21 for First 5, and \$39 for SamCERA.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

GASB Statement No. 46

For fiscal year ended June 30, 2006, the County implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*. This statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction is one that a party external to the County (such as citizens, public interest groups, or the judiciary) can compel a government to honor. This statement does not impact the County's financial statements, but requires the County disclose the portion of total net assets that is restricted by enabling legislation (See Note 11).

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriation

For the fiscal year ended June 30, 2006, expenditures at the "other charges" object level within the County Support of Courts budget unit of the General Fund (the legal level of budgetary control) exceeded appropriations by \$592. The expenditures were funded by available fund balance.

Deficit Fund Equity

At June 30, 2006, the following enterprise and internal service funds had reported net asset deficits:

Enterprise fund. The Medical Center had a net deficit of \$749. The General Fund provides significant subsidies to the Medical Center each year. In FY 2005-06, the County's subsidies to the Medical Center amounted to \$58,899. The Medical Center's management has considered a number of options for curing this deficit.

Internal service funds. The Tower Road Construction, Workers' Compensation Insurance, Long-Term Disability, and Personal Injury and Property Damage funds had net deficits of \$70, \$14,518, \$3,904, and \$1,927, respectively. In prior years, premium rates collected from departments have not been able to cover the operating expenses for these funds. A multi-year approach will be used to phase in premium rate increases to close the gap between ongoing revenues and expenses. The County will continue to participate in workers' compensation reform efforts, actively manage claims, 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 sponsors an investment pool that is managed by the County Treasurer to increase interest earnings from investment activities. Cash and investments for most County activities are included in the investment pool. Most cash and investments of JPFA and SamCERA are separately managed outside the County. The investment pool includes both voluntary and involuntary participation from external entities. State statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. At June 30, 2006, the net asset value of involuntary participation in the investment pool was \$1.59 billion.

The 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 are in order of priority: 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 annually review and approve the investment policy. The County Treasurer submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

Investment transactions are recorded on the trade date. Investments in nonparticipating interest-earning investment contracts are reported at cost, commercial papers that have 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.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

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. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements, on an annual basis, as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2006, 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 the individual funds or external participants based on the funds' or participants' average daily cash balance at quarter end in relation to the total pool investments. Interest income earned in agency funds where there are no interest earnings requirements are assigned to the General Fund per County Policy. Income from non-pooled investments is recorded based on specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

As of June 30, 2006, the County's cash and investments consisted of the following:

<i>Cash:</i>	
Cash on hand	\$ 376
Deposit in bank	1,253
Total cash	1,629
<i>Investments:</i>	
In Treasurer's pool	2,269,645
With Fiscal Agents of JPFA	45,412
In Pension portfolio	1,850,931
With others external to the Treasurer's pool	3,390
Total investments	4,169,378
Total cash and investments	\$ 4,171,007

As of June 30, 2006, the County's cash and investments were reported on the financial statements as follows:

Primary government	\$ 592,190
Component unit	36,911
Pension trust	1,854,445
Investment trust fund	1,502,784
Agency funds	184,677
Total cash and investments	\$ 4,171,007

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 does not contain legal requirements that would limit the exposure to custodial credit risk for deposits.

Under the California Government Code, a financial institution is required to secure deposits in excess of \$100 made by State or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of those deposits. The County's deposits in excess of the Federal Deposit Insurance Corporation's coverage are fully collateralized by the Bank Treasury Security Pool at 110%.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

Investments

As of June 30, 2006, the County's investments 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	2.63% - 4.88%	05/15/08 - 05/31/11	\$ 256,106	\$ 247,956	1.41
Loaned securities for cash collateral	2.63% - 4.50%	05/15/08 - 02/28/11	343,894	329,073	1.82
U.S. government agency securities:					
Not on securities loan	2.10% - 5.50%	07/12/06 - 04/02/14	700,410	690,552	1.03
Loaned securities for cash collateral	3.25% - 3.50%	09/08/06 - 04/15/09	19,590	18,960	0.04
Negotiable certificate of deposit	4.73% - 5.05%	07/07/06 - 12/01/06	143,000	143,000	0.08
Commerical papers - discount	5.17% - 5.25%	07/05/06 - 08/01/06	299,250	299,018	0.02
Corporate bonds	2.50% - 5.75%	07/1/06 - 04/25/11	249,000	240,767	1.69
Asset-backed securities	4.14%	01/15/08	10,199	10,157	1.55
Floating rate securities	5.02% - 5.56%	7/3/06 - 4/25/08	253,000	253,162	0.25
Local Agency Investment Fund (LAIF)	4.53%	On Demand	37,000	37,000	0.42
Total investments in investment pool			<u>2,311,449</u>	<u>2,269,645</u>	1.39
Investments outside of Investment Pool					
<i>San Mateo Joint Power Financing Authority</i>					
Money market mutual funds			16,457	16,457	**
Federal National Mortgage Association (FNMA) - discount note			2,541	2,541	*
Repurchase agreements			938	938	20.44
Investment contracts			25,476	25,476	21.15
Subtotal			<u>45,412</u>	<u>45,412</u>	19.27
<i>Other Individual Investment Accounts</i>					
U.S. government agency securities			2,500	2,487	0.66
Corporate bonds			500	497	0.96
LAIF			44	44	0.42
Mutual funds			362	362	**
Subtotal			<u>\$ 3,406</u>	<u>3,390</u>	0.63
<i>San Mateo County Employees' Retirement Association</i>					
Fixed income securities:					
U.S. Treasuries				53,904	8.77
Collateralized mortgage obligations				85,181	3.44
Commerical mortgage-backed securities				8,925	6.87
Asset backed securities				18,704	4.82
Taxable municipal bonds				7,819	8.24
Corporate bonds				71,152	13.12
Sovereign governments				6,123	24.32
U.S. government agency securities				5,750	14.11
Mortgage pass through				93,013	7.33
Preferred stock				125	25.04
Private placement				1,361	4.78
Enhanced index funds				163,808	7.59
Commingled funds				12,792	**
Equities:					
Domestic				879,252	**
International				273,589	**
Real estate				117,548	**
Money market funds				51,885	**
Subtotal				<u>1,850,931</u>	2.20
Total investments outside of investment pool				<u>1,899,733</u>	
Total investments				<u>\$ 4,169,378</u>	

* - 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, 2006
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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. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. Duration is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of the portfolio, the greater its price sensitivity to changes in interest rates. 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, 2006, the investment pool had a weighted average maturity of 1.39 years and its investment in floating rate securities was \$253,162. These securities are tied to the three-month London Interbank Offered Rate (LIBOR) index.

Credit Risk. The 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 investments in commercial papers to the rating of A1 or better by Standard & Poor's, or P-1 or better by Moody's Investors Service. State law and the County's investment policy also limit investments in corporate bonds to the rating of A or higher by both Standard & Poor's and Moody's Investors Service. The County does not have credit limits on the U.S. government agency securities and U.S. Treasuries.

<u>Investment at June 30, 2006</u>	<u>Standard & Poor's Rating</u>	<u>% of Portfolio</u>
U.S. Government Securities		
United States Treasury Notes	Exempt	25.42%
U.S. Government Agency Securities		
Federal Home Loan Mortgage Corporation	AAA	6.44%
Federal Farm Credit Bank	AAA	1.09%
Federal Home Loan Bank	AAA	9.18%
Federal National Mortgage Association	AAA	14.55%
Corporate Bonds		
Corporate Bonds	AAA	2.52%
Corporate Bonds	AA-	2.53%
Corporate Bonds	AA	2.15%
Corporate Bonds	A+	3.19%
Corporate Bonds	A	0.21%
Floating Rate Securities	AAA	1.59%
Floating Rate Securities	AA-	2.42%
Floating Rate Securities	A+	4.50%
Floating Rate Securities	A	2.21%
Floating Rate Securities	A-	0.44%
Asset Backed Securities	AAA	0.45%
Negotiable Certificate of Deposit	AA-	6.31%
Commercial Papers	A1	13.17%
Local Agency Investment Fund	Unrated	1.63%
Total		<u>100.00%</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of County's investment in a single issuer of securities. State law restricts the County's investments in commercial papers to 40% of its investment pool and to 10% per issuer. State law also limits the County's investments in corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer. At June 30, 2006, the County had 6.44% of its investment pool in Federal Home Loan Mortgage Corporation, 9.18% in Federal Home Loan Bank, and 14.55% in Federal National Mortgage Association; 22.21% in corporate bonds; and 13.17% in commercial papers. The County did not have 5% or more of its investments in corporate bonds or commercial papers of a single organization.

JPFA's Investment Portfolio

Interest Rate Risk. The JPFA does not have a formal policy that limits investment maturities 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, at the time of investment, 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, 2006, the JPFA's investment in money market funds was rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service. Its investment in FNMA discount note was rated AAA by Standard & Poor's and AAA by Moody's Investors Service. The JPFA's investment in County's investment pool and investment contracts are unrated.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

SamCERA's Investment Portfolio

Interest Rate Risk. SamCERA's investment plan does not have a formal policy that limits investment duration as a means of managing its exposure to fair value losses arising from increasing interest rates. SamCERA's active and passive bond portfolios are managed duration neutral to their benchmark, the Lehman Brothers 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 (approximately +/- 0.2 year of the Lehman Brothers Aggregate Bond Index). To facilitate this, SamCERA 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 plan 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 invest more than 10% in assets rated below BBB. On June 30, 2006, the credit quality breakdown of SamCERA's investments in bonds is indicated in the table below.

Credit Rating	Active Management	Commingled Management
AAA	45.0%	65.8%
AA	30.1%	8.1%
A	0.0%	10.7%
BBB	21.2%	14.8%
Less than BBB	0.0%	0.6%
Unrated	3.7%	0.0%
	100.0%	100.0%

Concentration of Credit Risk. SamCERA's investment plan states no investment shall constitute more than 5% of the overall outstanding equity. When measuring this aspect of compliance, SamCERA considers its ownership in relation to the "free float" of a particular security. At June 30, 2006, SamCERA did not hold any investments in any one issuer that would represent 5% or more of total investments.

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. SamCERA's international equity managers are permitted to invest in authorized countries. Forward currency contracts and currency futures, maturity ranging from at least 30 days and not to exceed one year for either instrument, are permitted for defensive currency hedging. SamCERA's exposure to foreign currency risk is as follows:

Currency	Common Stock	Foreign Currency	Mutual Fund	Preferred Stock	Total
Australian Dollar	\$ 16,241	\$ 881	\$ -	\$ -	\$ 17,122
Canadian Dollar	449	-	-	-	449
Czech Koruna	1,891	123	-	-	2,014
Danish Krone	700	8	-	-	708
Euro Currency	108,779	2,099	1,846	480	113,204
Hong Kong Dollar	7,164	178	-	-	7,342
Hungarian Forint	1,083	-	-	-	1,083
Indonesian Rupiah	-	10	-	-	10
Japanese Yen	35,602	4,823	-	-	40,425
Mexican Peso	267	-	-	-	267
Romanian Leu	741	-	-	-	741
Turkish Lira	1,557	-	-	-	1,557
New Zealand Dollar	1,470	-	-	-	1,470
Norwegian Krone	1,943	1,757	-	-	3,700
Philippine Peso	158	2	-	-	160
Polish Zloty	6,183	3	-	44	6,230
Pound Sterling	47,440	112	-	-	47,552
Singapore Dollar	1,481	-	-	-	1,481
South Korean Won	793	520	-	-	1,313
Swedish Krona	4,642	485	-	-	5,127
Swiss Franc	10,110	107	-	-	10,217
Thailand Bhat	258	-	-	-	258
Total	\$ 248,952	\$ 11,108	\$ 1,846	\$ 524	\$ 262,430

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

Local Agency Investment Fund

The County's investment pool is invested in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the State of California Pooled Money Investment Account (PMIA). At June 30, 2006, the PMIA balance was \$63.3 billion, of which 97.45% is invested in non-derivative financial products with 0.35% in structured notes and 2.2% in asset-backed securities. The total amount invested by all public agencies in LAIF was \$16.3 billion, and the County's investment in LAIF was \$37 million. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 152 days as of June 30, 2006. The Local Investment Advisory Board, which consisted of five members designated by the State statutes, has oversight responsibility for LAIF.

Securities Lending Program

State statutes and the County's investment policy permit the use of a securities lending program with its principal custodian bank. The investment policy allows the custodial bank (Custodian) to lend up to 20% of the portfolio within the guidelines of the investment policy. 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 borrowers.

The loaned securities as of June 30, 2006, consisted of U.S. Treasury notes and bonds, and U.S. government agency securities. In return, the County receives collateral in the form of cash or securities equal to at least 102% of the transferred securities plus accrued interest for reinvestment. The County authorized Bank of New York, the County's Custodian, to invest and reinvest cash collateral in the following investments: (a) securities issued or fully guaranteed by the United States Government and any agency, instrumentality, or establishment of the United States Government; (b) high-grade commercial papers, notes, bonds and other debt obligations, including promissory notes, funding agreements and guaranteed investment contracts, whether or not registered under the Securities Act of 1933, as amended. Such obligations may have fixed, floating, or variable rate interest payment provisions. Obligations will be rated A-1 by Standard & Poor's or P-1 by Moody's if maturing within one year, or be rated A by Standard & Poor's or A2 by Moody's if maturing beyond one year; (c) certificates of deposit, time deposits, and other bank obligations of U.S. banks, their branches and subsidiaries, and the branches and subsidiaries of foreign banks with credit rating of at least A-1 by Standard & Poor's and P-1 by Moody's; and (d) repurchase and reverse repurchase agreements, including the Bank of New York, with respect to approved investments. At June 30, 2006, all of the County's collateral was invested in repurchase agreements with a weighted average maturity of 3 days and commercial papers rated at least A-1 by Standard & Poor's and P-1 by Moody's. The County does not match the maturities of investments made with cash collateral with the securities on loan.

As of June 30, 2006, the underlying securities loaned by the County's investment pool amounted to approximately \$348 million. The cash collateral from the counterparty was \$358 million, \$266 million was invested in repurchase agreements and \$92 million in commercial papers. The County has no exposure to credit risk related to the securities lending transactions as of June 30, 2006, because the market value of the cash collateral exceeds that of the borrowed securities.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

County Investment Pool Condensed Financial Information

Below is a condensed statement of net assets and changes in net assets for the investment pool at June 30, 2006:

Assets:

U.S. government securities	\$ 577,029
U.S. government agency securities	709,512
Negotiable certificate of deposit	143,000
Commercial papers - discount	299,018
Corporate bonds	240,767
Asset-backed securities	10,157
Floating rate securities	253,162
Local Agency Investment Fund	37,000
Total investments	<u>2,269,645</u>
Other assets	1,777,866
Pool deposits	51,334
Total assets	<u>4,098,845</u>

Liabilities:

Unfunded checks and warrants	50,081
Other liabilities	0
Total liabilities	<u>50,081</u>

Net Assets:

Equity of internal pool participants	2,535,683
Equity of individual investment accounts	2,987
Equity of external pool participants	1,510,094
Total net assets	<u>\$ 4,048,764</u>

The net asset composition of the equity of external pool participants is as follows:

Participant units outstanding (\$1 par)	\$ 1,526,537
Undistributed and unrealized loss	(16,443)
Net assets at June 30, 2006	<u>\$ 1,510,094</u>

Statement of Changes in Net Assets

Net assets at July 1, 2005	\$ 2,235,692
Net change in investments by pool participants	1,813,072
Net assets at June 30, 2006	<u>\$ 4,048,764</u>

Participant net asset value at fair value price per share (\$1,510,094 divided by 1,526,537 units) \$ 0.99

NOTE 5 - RECEIVABLES

At June 30, 2006, receivables of the County's major individual funds, nonmajor funds, and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are listed below. The General Fund had a net receivable of \$60,355, of which \$16,407 is not expected to be collected within the next twelve months.

Receivables - Governmental Activities	General Fund	JPFA	Nonmajor Funds	Internal Service Funds	Total
Accounts	\$ 150,204	\$ -	\$ 73	\$ 244	\$ 150,521
Interest	6,795	839	876	452	8,962
Taxes	20,387	-	1,345	-	21,732
Other	22,576	-	135	-	22,711
Gross receivables	199,962	839	2,429	696	203,926
Less: allowances for uncollectibles	(139,607)	-	(481)	-	(140,088)
Total receivables, net	<u>\$ 60,355</u>	<u>\$ 839</u>	<u>\$ 1,948</u>	<u>\$ 696</u>	<u>\$ 63,838</u>

Receivables - Business-type Activities	San Mateo Medical Center	Housing Authority	Nonmajor Funds	Total
Accounts	\$ 101,507	\$ 205	\$ 432	\$ 102,144
Interest	40	61	41	142
Other	965	-	-	965
Gross receivables	102,512	266	473	103,251
Less: allowances for uncollectibles	(74,821)	-	(398)	(75,219)
Total receivables, net	<u>\$ 27,691</u>	<u>\$ 266</u>	<u>\$ 75</u>	<u>\$ 28,032</u>

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
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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 also defer revenue recognition for revenues not considered available to liquidate liabilities of the current period. At June 30, 2006, components of deferred revenues and unearned revenues reported were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental activities:			
General fund:			
Property taxes receivable	\$ 2,387	\$ 10,710	\$ 13,097
Grant drawdowns prior to meeting all eligibility requirements	-	8,529	8,529
Due from other governmental agencies	96,781	607	97,388
Other receivables and advances	5,043	14,741	19,784
Subtotal - General fund	<u>104,211</u>	<u>34,587</u>	<u>138,798</u>
JPFA			
Due from other governmental agencies	<u>3,058</u>	-	<u>3,058</u>
Nonmajor funds:			
Property taxes receivable	631	707	1,338
Other receivables and advances	-	402	402
Subtotal - Nonmajor funds	<u>631</u>	<u>1,109</u>	<u>1,740</u>
Total governmental activities	<u>\$ 107,900</u>	<u>\$ 35,696</u>	<u>\$ 143,596</u>
Business-type activities:			
Grant drawdowns prior to meeting all eligibility requirements			
Housing Authority		\$ 8	\$ 8
Nonmajor enterprise funds		49	49
Total business-type activities		<u>\$ 57</u>	<u>\$ 57</u>

NOTE 7 – INTERFUND TRANSACTIONS

At June 30, 2006, the General Fund agreed to provide the Medical Center a total of \$4,851 to cover its operation. 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.

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 1,800
	Medical Center	4,129
	Nonmajor Enterprise Funds	18
	Internal Service Funds	248
		<u>6,195</u>
Nonmajor Governmental Funds	General Fund	2,040
	Nonmajor Governmental Funds	839
	Nonmajor Enterprise Funds	59
	Internal Service Funds	1
		<u>2,939</u>
Medical Center	General Fund	4,851
	Nonmajor Governmental Funds	5
		<u>4,856</u>
Internal Service Funds	General Fund	1
	Nonmajor Governmental Funds	20
		<u>21</u>
Total		<u>\$ 14,011</u>

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

Advances to /from other funds:

The General Fund advanced a total of \$24,208 to the Medical Center, of which \$4,041 was used to defray its renovation and \$20,167 to cover its cash deficit in FY 2005-06. In prior years, the Accumulated Capital Outlay capital project fund advanced \$3,000 to the General Fund as working capital for an Employee Housing Opportunity Program. These advances are not expected to be repaid in the short-term.

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 1,000
	Medical Center	24,208
	Housing Authority	820
		26,028
Nonmajor Governmental Funds	General Fund	3,000
Total		\$ 29,028

Transfers:

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations, and re-allocations of special revenues. The following schedules briefly summarize the County's transfer activities:

(a) Between Funds within the Governmental Activities ⁽¹⁾:

Transfer from	Transfer To	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 9,476	Transfer funds to cover lease payments.
	Nonmajor Governmental Funds	2,378	Transfer funds to finance capital projects.
	Nonmajor Governmental Funds	4,488	Provide subsidy to in-home support services.
		16,342	
Nonmajor Governmental Funds	General Fund	100	Provide subsidy to emergency response program.
	General Fund	404	Transfer transportation subsidy to various programs.
	JPFA	21,072	Transfer funds to cover debt service payments.
	Nonmajor Governmental Funds	2,736	Transfer funds to finance capital projects.
	Nonmajor Governmental Funds	3,110	Transfer funds to cover lease payments.
		27,422	
Total		\$ 43,764	

(b) Between Governmental and Business-type Activities:

Transfer from	Transfer To	Amount	Purpose
General Fund	Medical Center	\$ 58,899	Provide subsidy to support the hospital operation.
General Fund	Internal service funds	29,319	Transfer funds designated for postemployment healthcare benefits.
Nonmajor Governmental Funds	Medical Center	260	Transfer transportation subsidy to various programs.
Medical Center	Nonmajor Governmental Funds	9,868	Transfer funds to cover lease payments.
Total		\$ 98,346	

⁽¹⁾ These transfers were eliminated, in the consolidation for the governmental activities, 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, 2006
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NOTE 8 – CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2006, were as follows:

	Balance June 30, 2005	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2006
<u>Governmental activities</u>					
<i>Capital assets, not being depreciated:</i>					
Land & easements	\$ 63,536	\$ -	\$ (8)	\$ -	\$ 63,528
Infrastructure - maintained road subsystem	72,422	677	-	405	73,504
Construction in progress	86,142	70,393	(276)	(2,286)	153,973
Total capital assets, not being depreciated	222,100	71,070	(284)	(1,881)	291,005
<i>Capital assets, being depreciated:</i>					
Infrastructure	57,606	128	(41)	-	57,693
Structures and improvements	430,507	1,016	-	1,199	432,722
Equipment	56,659	6,211	(1,831)	45	61,084
Software	349	634	-	349	1,332
Total capital assets, being depreciated	545,121	7,989	(1,872)	1,593	552,831
<i>Less accumulated depreciation for:</i>					
Infrastructure	(16,041)	(1,130)	25	-	(17,146)
Structures and improvements	(67,857)	(7,548)	-	-	(75,405)
Equipment	(44,066)	(4,805)	1,741	(72)	(47,202)
Software	(50)	(163)	-	-	(213)
Total accumulated depreciation	(128,014)	(13,646)	1,766	(72)	(139,966)
Total capital assets, being depreciated, net	417,107	(5,657)	(106)	1,521	412,865
Governmental activities capital assets, net	\$ 639,207	\$ 65,413	\$ (390)	\$ (360)	\$ 703,870
<u>Business-type activities</u>					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 10,147	\$ -	\$ -	\$ -	\$ 10,147
Construction in progress	917	1,183	-	(58)	2,042
Total capital assets, not being depreciated	11,064	1,183	-	(58)	12,189
<i>Capital assets, being depreciated:</i>					
Structures and improvements	48,669	285	-	58	49,012
Equipment	11,727	535	(460)	-	11,802
Software	-	2,349	-	-	2,349
Total capital assets, being depreciated	60,396	3,169	(460)	58	63,163
<i>Less accumulated depreciation for:</i>					
Structures and improvements	(25,200)	(856)	3	-	(26,053)
Equipment	(5,179)	(1,070)	312	-	(5,937)
Total accumulated depreciation	(30,379)	(1,926)	315	-	(31,990)
Total capital assets, being depreciated, net	30,017	1,243	(145)	58	31,173
Business-type activities capital assets, net	\$ 41,081	\$ 2,426	\$ (145)	\$ -	\$ 43,362

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
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Depreciation

Depreciation expense was charged to governmental and business-type functions as follows:

<u>Governmental functions</u>		<u>Business-type functions</u>	
General government	\$ 3,260	Medical Center	\$ 1,020
Public protection	3,842	Housing Authority	412
Public ways and facilities	736	Airports	257
Health and sanitation	3,022	Coyote Point Marina	237
Public assistance	663	Total depreciation - business-type functions	<u>\$ 1,926</u>
Recreation	550		
Depreciation on capital assets held by the County's internal service fund are charged to various functions based on their usage of the assets.	<u>1,573</u>		
Total depreciation - governmental functions	<u>\$ 13,646</u>		

Capital Project Commitments

Construction in progress for governmental activities represents work performed on the Colma Creek flood control zone, Youth Services Center, and a number of smaller projects.

The JPFA issued lease revenue bonds in November 2003 to acquire and construct a new County Youth Services Center including a juvenile hall, a girls' camp, a community school, a receiving home, group homes, juvenile courts, and probation administration offices for the County. Main facilities were completed in September 2006. The receiving home is scheduled to complete by November 2007. The commitments outstanding were \$13,694 as of June 30, 2006.

The JPFA issued certificates of participation in November 2004 to finance certain improvements for the Colma Creek flood control system. The project includes channel improvements from Spruce Avenue to San Mateo Avenue and construction of required mitigation sites. The project was 90% complete at June 30, 2006. The mitigation site construction was completed during FY 2005-06. Management believes the channel improvement project will be completed by June 30, 2007. The commitments outstanding totaled \$371 as of June 30, 2006.

The Medical Center's capital project commitments amounted to \$3,700 as of June 30, 2006. About \$1,600 will be used to acquire a new computerized tomography scan and \$2,100 will be used to support various automation projects.

NOTE 9 – LEASES

Operating Leases

The County leases various office buildings and facilities to conduct its businesses under operating leases. Total costs for such leases were \$6,156 for the year ended June 30, 2006. The future minimum lease payments for non-cancelable operating leases are as follows:

<u>Year ending June 30,</u>	
2007	\$ 6,036
2008	4,884
2009	2,174
2010	1,938
2011	1,436
2012-2016	1,122
2017-2021	156
2022-2024	87
Total	<u>\$ 17,833</u>

The County also leases various properties to other entities. Operating lease revenues from such leases were \$408 for the year ended June 30, 2006.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

NOTE 10 - LONG-TERM LIABILITIES

At June 30, 2006, long-term liabilities consisted of the following:

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2006
<u>Governmental Activities</u>					
<i>Lease Revenue Bonds:</i>					
1993 Issue (defeased 1991 Certificates of Participation and financed costs of the 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				59,690	49,290
1994 Issue - Satellite Clinic (financed a portion of the costs of constructing and equipping North County Satellite Clinic and 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	2,154
1994 Issue - Satellite Clinic				11,026	4,239
1997 Issue (financed the costs of construction, furnishing and equipping an office building and partial defeasance of the 1994 Issue - Satellite Clinic):					
Serial Current Interest Bonds	7/15/06 - 7/15/14	4.5 - 5.5%	\$3,060 - \$4,720	40,010	34,480
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				63,205	57,675
1999 Issue (financed a portion of the costs of completing the Health Center and partially defeased the 1993, 1994 and 1995 Issues):					
Serial Current Interest Bonds	7/15/06 - 7/15/19	3.8 - 5%	\$1,065 - \$6,570	47,565	44,095
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				113,140	109,670
2001 Issue (financed a portion of costs of acquisition of a microwave and law enforcement mutual aid communications system and a sheriff's radio system; and to finance the cost of the acquisition and construction of a forensics laboratory and coroner's office):					
Series A Current Interest Bonds	7/15/06 - 7/15/21	3 - 4.75%	\$210 - \$1,665	21,470	17,670
Series A Term Interest Bonds	7/15/22 - 7/15/31	4.75%	\$230 - \$355	2,900	2,900
Series B Current Interest Bonds	7/15/06 - 7/15/21	3 - 4.75%	\$175 - \$320	4,270	3,935
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				32,890	28,755
2003 Issue (financed the costs of acquisition and construction of a new Youth Services Center):					
Series A Current Interest Bonds	7/15/07 - 7/15/36	Auction Rate	\$1,250 - \$3,625	66,725	66,725
Series B Current Interest Bonds	7/15/07 - 7/15/36	Auction Rate	\$1,200 - \$3,625	66,825	66,825
Series C Current Interest Bonds	7/15/07 - 7/15/36	Auction Rate	\$325 - \$1,475	21,800	21,800
2003 Issue				155,350	155,350
2004 Issue (refunded a portion of the 1993 Issue):					
Series A Current Interest Bonds	7/1/06 - 7/1/08	3% - 4%	\$2,270 - \$2,390	7,805	7,000
Total lease revenue bonds and accreted interest on capital appreciation bonds				443,106	411,979

(Continued)

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2006</u>
<i>Certificates of Participation:</i>					
1997 Issue (financed the design, construction and installation of storm water and flood control improvements located in the Colma Creek Flood Control Zone):					
Series Certificates	8/1/06 - 8/1/12	4.5% - 5%	\$260 - \$345	3,635	2,090
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				15,780	14,235
2004 Issue (financed the acquisition, design, construction, improvement, and installation of certain improvements to the flood control system):					
Series Certificates	8/1/06 - 8/1/25	2% - 4.5%	\$35 - \$70	975	975
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				10,380	10,380
Total certificates of participation				26,160	24,615
<i>Notes Payable:</i>					
Department of Housing and Community Development:					
Housing Development Loan	8/2013	-	-	124	124
California Energy Commission:					
Energy Partnership Program Loan	6/22 & 12/22 through 2008	4.68%	Approx. \$24	225	73
County Service Area 11:					
State of California					
Department of Water Resources	4/1 and 10/1 through 2012	3.3712%	Approx. \$22	296	119
Total notes payable				645	316
Total governmental activities				\$ 469,911	\$ 436,910
<u>Business-type activities</u>					
<i>Notes Payable:</i>					
Department of Boating and Waterways	8/1/05 - 8/1/29	4.5%	\$45 - \$195	\$ 3,090	\$ 1,120
California Housing Finance Agency	5/20/57	-	-	49	46
Downey Savings and Loan Bank ^a	2/28/2016	-	-	148 ^a	148
Total business-type activities				\$ 3,287	\$ 1,314

^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, 2006
(In Thousands)

The following is a summary of long-term liability transactions for the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions/ Accretions	Retirements	Balance June 30, 2006	Amounts Due Within One Year
Governmental Activities:					
Accreted interest on capital appreciation bonds	\$ 2,737	\$ 242	\$ (825)	\$ 2,154	\$ -
Lease revenue bonds	416,585	-	(6,760)	409,825	7,860
Add: unamortized premium	233	-	(77)	156	77
Less: unamortized discount	(127)	-	5	(122)	(5)
Less: unamortized deferred loss on refunding	(105)	-	34	(71)	(34)
Lease revenue bonds, net	419,323	242	(7,623)	411,942	7,898
Certificates of participation	24,865	-	(250)	24,615	295
Add: unamortized premium	74	-	(2)	72	2
Certificates of participation, net	24,939	-	(252)	24,687	297
Notes payable	358	-	(42)	316	45
Estimated claims (Note 15)	40,646	18,218	(14,954)	43,910	8,733
State settlement	114	-	(114)	-	-
Claims and judgments - arbitrage	22	21	-	43	-
Compensated absences (as restated)	28,010	23,418	(20,481)	30,947	22,929
Total Governmental Activities	\$ 513,412	\$ 41,899	\$ (43,466)	\$ 511,845	\$ 39,902
Business-Type Activities:					
Notes payable	\$ 1,455	\$ -	\$ (141)	\$ 1,314	\$ 109
Capital lease obligations	30	-	(25)	5	5
Estimated claims	630	-	-	630	-
Compensated absences (as restated)	6,589	6,986	(6,610)	6,965	6,336
Total Business-Type Activities	\$ 8,704	\$ 6,986	\$ (6,776)	\$ 8,914	\$ 6,450

Resources used to liquidate long-term liabilities of governmental activities are as follows: Retirement of *Lease revenue bonds* and related interest payments are funded by lease payments made by departments on leased facilities. Retirement of *Certificates of participation* and related interest payments are funded by installment payments from the Flood Control Zone special revenue fund. *Notes payable* to the Department of Housing and Community Development, California Energy Commission, and Department of Water Resources are funded by the General Fund and County Service Area special revenue fund. *Estimated claims* are liquidated by charges for services collected through individual internal service funds. *Claims and judgments - arbitrage* is paid by the JPFA. *Compensated absences* are liquidated by the General Fund and related special revenue funds.

As of June 30, 2006, annual debt service requirements of governmental activities were summarized as follows:

Year Ended June 30,	Lease Revenue Bonds			Certificates of Participation	
	Principal	Interest Accretion	Interest *	Principal	Interest
2007	\$ 7,860	\$ -	\$ 18,228	\$ 295	\$ 1,220
2008	10,970	-	17,831	305	1,207
2009	11,360	-	17,379	320	1,194
2010	9,580	-	16,918	330	1,179
2011	9,895	-	16,497	350	1,163
2012-2016	77,730	-	72,659	2,025	5,533
2017-2021	81,536	3,014	52,034	2,590	4,953
2022-2026	84,546	5,927	32,426	3,320	4,213
2027-2031	64,048	-	15,676	4,245	3,260
2032-2036	43,575	-	4,868	5,435	2,129
2037-2040	8,725	-	-	5,400	692
Total requirements	409,825	8,941	264,516	\$ 24,615	\$ 26,743
Less: unaccreted interest	-	(6,787)	-		
Total	<u>\$ 409,825</u>	<u>\$ 2,154</u>	<u>\$ 264,516</u>		

* Projected interest payments for the variable rate series of bonds are based on the following rates in effect on June 30, 2006: Lease revenue bonds: 2003 Series A (3.7%), 2003 Series B (3.65%), and 2003 Series C (3.4%).

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

As of June 30, 2006, annual debt service requirements of business-type activities to maturity were as follows:

Year ending June 30,	Business-type Activities Notes Payable	
	Principal	Interest
2007	\$ 109	\$ 52
2008	71	47
2009	73	44
2010	77	41
2011	81	37
2012-2016	342	147
2017-2021	160	111
2022-2026	199	71
2027-2031	156	22
2032-2036	-	-
2037-2041	-	-
2042-2046	-	-
2047-2051	-	-
2052-2056	-	-
2057-2061	46	-
Total	<u>\$ 1,314</u>	<u>\$ 572</u>

Interest Rate Swap Agreements

In November 2003, the JPFA issued lease revenue bonds, 2003 Series A, 2003 Series B, and 2003 Series C in the amount of \$66,725, \$66,825, and \$21,800, respectively. The bonds were issued to acquire and construct a new County Youth Services Center including a juvenile hall, a girls' camp, a community school, a receiving home, group homes, juvenile courts, and probation administration offices for the County.

Objective of the Interest Rate Swaps. As a means to lower its borrowing costs, when compared against fixed-rate 4.78% bonds at the time of issuance in November 2003, the JPFA entered into interest rate swap agreements with Citibank N.A. (Citibank) and AIG Financial Products (AIG) in connection with its \$66,725 Series A and \$66,825 Series B variable rate lease revenue bonds (the bonds). The intention of the swaps was to effectively change the JPFA's variable interest rates on the bonds to a synthetic fixed rate of 3.33%.

Significant Terms. The bonds and related swap agreements mature on July 15, 2036, and the swaps' notional amount of \$133,550 matches the \$133,550 par amount of the variable rate bonds. The JPFA entered into two swaps with Citibank with a total notional amount of \$93,450 and one swap with AIG with a notional amount of \$40,100. The swaps were entered into at the same time the bonds were issued in November 2003. Starting in fiscal year 2008, the notional value of the swaps will decline as the principal amount of the associated debt begins to amortize. Under the swaps, the JPFA pays the counterparties a fixed payment of 3.33% and receives a variable payment computed as 55.5% of LIBOR plus 0.29%.

Fair Value. The swaps had a combined aggregate fair value of \$2,028 at June 30, 2006. Since coupons on the JPFA's auction rate securities adjust to changing interest rates, they have a corresponding fair value increase. The fair value is the net present value of the swaps using market data and the terms of the swaps, which include the expectations of the probability of occurrence of certain underlying events as defined in the swaps' documentation.

Credit Risk. The aggregate fair value of the swaps represented the JPFA's credit exposure to the counterparties as of June 30, 2006. Should the counterparties fail to perform according to terms of the swap contracts, the JPFA faced a maximum possible loss equivalent to the aggregate fair value of \$2,028. To mitigate the potential credit risk, the counterparties are required to post collateral, in the form of government securities, within 10 business days if their credit ratings for long-term unsecured debt obligations fall below "A" by Moody's Investors Service or "A" by Standard and Poor's or Fitch Ratings. As of June 30, 2006, Citibank N.A.'s ratings were Aa1 by Moody's, AA by Standard and Poor's, and AA+ by Fitch Ratings. AIG Financial Products was rated Aa2 by Moody's, AA by Standard and Poor's, and AA by Fitch Ratings.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
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Basis Risk. The swaps expose the JPFA to basis risk should the relationship between LIBOR and weekly auction rates converge, changing the synthetic rate on the bonds. As a result of changing basis between LIBOR and the rate on the JPFA's bonds during the course of the year, the synthetic fixed rate for the fiscal year ended June 30, 2006 was 3.83% for the Series A bonds and 3.78% for the Series B bonds.

Termination Risk. The JPFA or the counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. The swaps may be terminated by the JPFA if the counterparties' credit quality rating falls below "A-" as issued by Fitch Ratings or Standard and Poor's, or "A3" as issued by Moody's Investors Service. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swaps have a negative fair value, the JPFA would be liable to the counterparties for a payment equal to the swaps' fair value.

Swap Payments and Associated Debt. Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are provided below. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	2003 Lease Revenue Bonds (Series A)				2003 Lease Revenue Bonds (Series B)				Total Interest
	Principal	Variable Rate Interest *	Interest Rate Swaps, Net Interest/Swap	Subtotal Interest	Principal	Variable Rate Interest*	Interest Rate Swaps, Net Interest/Swap	Subtotal Interest	
2007	\$ -	\$ 2,469	\$ 87	\$ 2,556	\$ -	\$ 2,439	\$ 87	\$ 2,526	\$ 5,082
2008	1,250	2,423	85	2,508	1,200	2,395	85	2,480	4,988
2009	1,300	2,374	83	2,457	1,300	2,348	84	2,432	4,889
2010	1,350	2,325	82	2,407	1,350	2,299	82	2,381	4,788
2011	1,375	2,274	80	2,354	1,400	2,247	80	2,327	4,681
2012-2016	7,725	10,535	370	10,905	7,725	10,413	371	10,784	21,689
2017-2021	9,275	8,936	314	9,250	9,300	8,835	315	9,150	18,400
2022-2026	11,175	7,014	246	7,260	11,200	6,936	247	7,183	14,443
2027-2031	13,475	4,698	165	4,863	13,475	4,647	165	4,812	9,675
2032-2036	16,175	1,911	67	1,978	16,250	1,890	67	1,957	3,935
2037	3,625	-	-	-	3,625	-	-	-	-
	<u>\$ 66,725</u>	<u>\$ 44,959</u>	<u>\$ 1,579</u>	<u>\$ 46,538</u>	<u>\$ 66,825</u>	<u>\$ 44,449</u>	<u>\$ 1,583</u>	<u>\$ 46,032</u>	<u>\$ 92,570</u>

* Projected interest payments for the variable rate series of bonds are based on the following rates in effect on June 30, 2006: Lease revenue bonds: 2003 Series A (3.7%) and 2003 Series B (3.65%).

Arbitrage Rebate

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years.

The County calculated excess investment earnings on various bonds and financing. At June 30, 2006, the arbitrage liability was \$43 and was reported as claims and judgments on the government-wide statement of net assets.

Legal Debt Service Limit

The County's legal debt service limit is 4% of the average annual County budget for the current and the preceding four fiscal years covering non-voter approved County debt obligations. At June 30, 2006, the County's legal annual debt service limit, as defined by Ordinance No. 3773, was \$48,395.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(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* presents 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. 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. *Unrestricted Net Assets* represents net assets of the County not restricted for any project or purpose. At June 30, 2006, restricted net assets for the governmental activities were \$73,053 as reported on the government-wide statement of net assets, \$63,147 of which was restricted by enabling legislation.

NOTE 12 – RESERVED AND DESIGNATED FUND BALANCES

Fund balances are considered reserved if they are not available for appropriation or are not expendable financial resources. As of June 30, 2006, major components of reserved fund balances included the following:

- *Encumbrances* – to reflect outstanding contractual obligations for which goods and services have not been received.
- *Advances to other funds* – to reflect amounts due from other funds that are long-term in nature. Such amounts do not represent available spendable resources.
- *Inventories* – to reflect portion of assets that do not represent available spendable resources.
- *Debt service* – to reflect funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.
- *Capital projects* – to reflect funds held by fiscal agents exclusively for capital projects and improvements.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures.

NOTE 13 – EMPLOYEES’ RETIREMENT PLAN

San Mateo County Employees’ Retirement Association

(a) Plan Description

San Mateo County Employees’ Retirement Association (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 governed by the California Constitution, the 1937 Act, and the by laws, procedures, and policies adopted by the Board of Retirement.

(b) General

SamCERA is a cost-sharing multiple-employer, defined benefit pension plan established to provide pension benefits for substantially all permanent employees of the County and the San Mateo County Mosquito Abatement District. Management of the SamCERA is vested in the Board of Retirement consisting of nine members.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
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At June 30, 2006, the total number of plan participants was 10,057, of which 10,037 were County employees and 20 were Mosquito Abatement District employees. SamCERA has four plans covering members classified as general, safety, or probation. SamCERA issues a publicly available financial report that includes financial statements and required supplementary information. A complete comprehensive annual financial report for SamCERA can be obtained by writing to the San Mateo County Employees' Retirement Association, 100 Marine Parkway, Suite 125, Redwood Shores, California 94065.

(c) Benefit Provisions

SamCERA provides service retirement, disability, and death benefits based on defined benefit formulas using final average compensation, years of service, and age factors to calculate benefits payable. SamCERA also provides annual cost-of-living adjustments upon retirement for 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.

(d) Summary of Significant Accounting Policies

Basis of Accounting. SamCERA uses the accrual basis of accounting. Investment income is recognized when it is earned, and expenses are recognized when they are incurred. Contributions are recognized in the period when they are due. Pursuant to formal commitments as well as statutory or contractual requirements, benefits and refunds are recognized when payable under the terms of the plan.

Cash and 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. 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.

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. By contract, an independent appraisal is obtained once every three years to determine the fair market value of the real estate assets. In the interim years, real estate assets are reported at fair value utilizing an income approach to valuation. Interest income is recognized as it accrues. Dividend income is recognized when the dividends are declared. Realized and unrealized gains and losses on investments are combined and reported together as the net appreciation or depreciation in the fair value of investments.

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. The employer is required to contribute at an actuarially determined rate. The member contribution rates are based on entry age and are a percentage of covered compensation. For the fiscal year ended June 30, 2006, the County's required contribution was \$76,090 and the average member contribution rate was 9.7%.

Annual Pension Cost. For the fiscal year 2005-06, the County's annual pension cost was equal to the County's required contributions. The required contribution was determined at June 30, 2005, 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 (4%) and adjustment for merit and longevity (1.2%). The actuarial value of SamCERA's assets was determined using techniques that smoothed the effects of short-term volatility in the market value over a 5-year period. SamCERA's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over the period ending June 30, 2022.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
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(e) *Three-year Trend Information*

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 60,042	100.0%	-
6/30/2005	76,931	100.0%	-
6/30/2006	76,090	100.0%	-

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The County administers a single-employer defined benefit postemployment healthcare plan (“the Retiree Health Plan”). The Retiree Health Plan provides healthcare benefits to eligible retirees 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, at a rate of eight hours per month, to a County paid monthly benefit that will partially or fully cover their retiree health premiums. The duration, amount, and type of the County paid benefits depend on the amount of sick leave at retirement and the bargaining unit to which the retiree belonged.

The County contracts with various health plans such as Kaiser, Aetna, and Blue Shield to provide health coverage to its active and retired members. The retirees may continue coverage in the County health plans at their own expense after their sick leave balances are fully exhausted. The insurers charge the same premium for active and retired members; therefore, an implicit County subsidy of retiree premiums exists.

Benefit provisions are established and may be amended through negotiations between the County and the bargaining units during each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. Contribution requirements of the Retiree Health Plan members and the County are also established and may be amended through negotiations between the County and the bargaining units. The contribution is based on pay-as-you-go financing requirements. For fiscal year 2005-06, the County contributed \$5,820, or 45.7%, of the actuarially required contributions, to the Retiree Health Plan.

Annual OPEB Cost and Net OPEB Obligation. The County’s annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 12,730
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	12,730
Contribution made	(5,820)
Increase in net OPEB obligation	6,910
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 6,910</u>

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2005-06, the initial year implementing GASB Statement No. 45, is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2006	\$ 12,730	45.7%	\$ 6,910

Funded Status and Funding Progress. As of July 1, 2005, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$ 135,678
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 135,678
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Annual covered payroll (active plan members)	\$ 323,340
UAAL as a percentage of annual covered payroll	42.0%

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 and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2005 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4 percent investment rate of return; an annual healthcare cost trend rate of 10 percent initially, reduced by 1 percent increments to an ultimate rate of 5 percent in the sixth year and beyond; annual dental and vision cost trend rate of 5 percent; a 2 percent annual increase in county-paid benefit for new retirees per eight hours of sick leave; a 3.75 percent annual increase in projected payroll; and 95 percent eligible retirees elect to convert their sick leave balances to health benefits at the rate of eight hours per month. The Retiree Health Plan's unfunded actuarial accrued liability is being amortized as a level of percentage of expected payroll over thirty years. County management has deferred its decision on the amortization basis, as it would not impact the OPEB calculations for the first year. An appropriate amortization basis will be selected and used for the future actuarial valuation.

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. The County currently reports its risk management activities in its Workers' Compensation Insurance, Long-term Disability, Employee Benefits, and Personal Injury and Property Damage Funds (Internal Service Funds).

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

The County is self-insured for most insurable risks, 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 \$197,500.
- Earthquake in excess of \$250 or 5% of the replacement value, whichever is more per incident, but limited to a maximum of \$22,500 in aggregate.
- Flood damage in excess of 5% of the replacement value per location, but limited to a maximum of \$22,500 in aggregate.
- General liability in excess of \$300 per incident, but limited to a maximum of \$19,750.
- Workers' compensation in excess of \$1,000 per incident, but limited to a statutory amount.
- Auto liability in excess of \$300 per incident, but limited to a maximum of \$19,750.
- Malpractice in excess of \$10 per incident, but limited to a maximum of \$30,000 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 2005-06.

All of the County funds participate in the insurance program 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 \$43,910, as reported in the internal service funds at June 30, 2006, is based on requirements of GASB Statements No. 10 and 30. These statements require a liability for claims to be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

Of the \$43,910 estimated claims liability at June 30, 2006, approximately \$36,528 was actuarially determined. The actuarially determined liability relates to workers' compensation, general liability, and automobile liability; and includes allocated expenses and a provision for incurred but not reported claims. The actuarially determined liability was discounted at 3.5%.

Changes to the internal service funds' claims liability amount for FY2004-05 and FY2005-06 were as follows:

Liability at June 30, 2004	\$ 39,351
Current year claims and changes in estimates	15,905
Claim payments	(14,610)
Liability at June 30, 2005	40,646
Current year claims and changes in estimates	18,218
Claim payments	(14,954)
Liability at June 30, 2006	\$ 43,910

NOTE 16 – RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government and its component units during the year ended June 30, 2006:

<u>Component Unit</u>	<u>Significant Transactions</u>
JPFA	Lease revenue payments from the General Fund to JPFA - \$21,072
Housing Authority	Loans from the General Fund to Housing Authority - \$820
First 5	Salary and benefit reimbursements from First 5 to the County - \$931

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

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.

Medicare and Medi-Cal Reimbursements

The Medical Center provides healthcare services primarily to County residents. Net patient charges for service revenues are reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered; and include 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.

Revenues from Medicare and Medi-Cal programs accounted for approximately 30% and 65%, respectively, of the Medical Center's net patient charges for services for the year ended June 30, 2006. 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 will be piloted for five years 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; and (3) distribution from a newly created pool of federal funding for uninsured care known as the Safety Net Care Pool (SNCP). The nonfederal share of these three 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 currently provided at a 50% match. 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. In this situation, the first hospital is referred to as a "recipient" hospital and the second as a "donor" hospital. The Medical Center did not receive or donate any CPEs during the fiscal year ended June 30, 2006.

All CPEs reported by each hospital will be subject to the State and federal audit 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 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.

Housing Authority of the County of San Mateo

The Housing Authority (Authority) is a party, among several other potentially responsible entities, to a claim by the State of California, Department of Toxic Substances Control, for clean-up costs for the Midway Village and Bayshore Park in Daly City, California. The total outstanding clean-up costs approximate \$4,203 plus interest. Based upon expenses incurred by the State, the Authority's liability is about 15% of the final settlement amount. A \$630 estimated liability has been accrued to reflect such obligation. The Authority intends to seek funding from HUD to cover the related expenses once realized.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

San Mateo County Employees' Retirement Association

When instructed by members, SamCERA deducts the cost of health insurance premiums from a member's benefit payment. Beginning in 2002, a system change was implemented that treated those deductions as non-taxable income. Beginning in September 2006, and affecting the entire year of 2006, the health insurance premiums will be treated as taxable income. This change will impact SamCERA's benefit recipients with health insurance premium deductions.

In late August of 2006, SamCERA through its tax counsel approached the Internal Revenue Service to discuss a possible resolution of the tax liability associated with the treatment of the health insurance premiums as non-taxable income in years 2002 through 2005. The outcome of the discussions cannot be determined at this time.

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, such 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 \$1,300.

NOTE 18 – SUBSEQUENT EVENT

Tax Equity Allocation

According to California Revenue and Taxation Code Section 98.2(a), cities are entitled to receive a minimum of 7% of the property tax revenue generated in their jurisdiction. If the minimum amount is not received through the normal property tax apportionment process, the County General Fund is legally obligated to fund the difference. During the fiscal year, the County General Fund paid a total of \$3,585 to four cities (Portola Valley, Colma, Woodside, and Half Moon Bay) to compensate the difference for FY 2003-04, FY 2004-05, and FY 2005-06. In October 2006, the County agreed to pay these cities an additional amount of \$3,361 as a final settlement. The settlement amount was reported as a current liability in the General Fund. The settlement is expected to be finalized on November 15, 2006, with disbursement to occur within five calendar days thereafter.



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Required Supplementary Information
(Unaudited)

COUNTY OF SAN MATEO

Required Supplementary Information (Unaudited)

Required supplementary information in this section covers the following areas:

- *Trend data for infrastructure condition.* The County's road subsystems of infrastructure assets are accounted for using the modified approach. The information presented includes: (a) the condition of the road subsystems over time and (b) a comparison of the estimated and actual annual expense to preserve and maintain the road subsystems at the County's selected condition level.
- *Trend data for funding of pension.* The schedule of funding progress compares over time the County's actuarially determined annual required contribution with actual contributions to the County's pension plan.
- *Trend data for funding of other postemployment benefits (OPEB).* The schedule of funding progress compares over time the County's actuarially determined annual required contribution with actual contributions to the County's OPEB plan.
- *Budgetary comparisons.* Actual results of the General Fund using the basis of budgeting are compared with the original budget and the final amended budget.

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2006
(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 County has elected to use the modified approach to report its maintained road subsystem of the road network of \$73,504 at of June 30, 2006. 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 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 "Good" or better condition. The County adopted a policy requiring 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 the secondary maintained pavement subsystem (roads without structural sections) at a PCI of 40 or higher.

A complete condition assessment is determined every three years. The last complete condition assessment was completed in FY 2003-04, in which the County's maintained pavement subsystem was rated at a PCI of 75 on the average for the primary roads and 54 for the secondary roads. The condition of the primary and secondary road subsystems were improved when compared to that of FY 2000-01.

PCI Condition Rating	Primary		Primary		Secondary		Secondary	
	2004	2004	2001	2001	2004	2004	2001	2001
	Number of Miles	Percent						
Primary:								
Good to excellent (55-100)	122.45	78.9%	103.40	68.2%				
Substandard to fair (0-54)	32.66	21.1%	48.20	31.8%				
Secondary:								
Fair to excellent (40-100)					117.03	72.5%	26.80	16.7%
Substandard to fair (0-39)					44.49	27.5%	134.30	83.3%
Total	<u>155.11</u>	<u>100.0%</u>	<u>151.60</u>	<u>100.0%</u>	<u>161.52</u>	<u>100.0%</u>	<u>161.10</u>	<u>100.0%</u>

For the fiscal year ended June 30, 2006, the actual maintenance and preservation costs amounted to \$3,910, \$1,090 or 22% less than the estimated amount. The savings were primarily resulted from canceled maintenance projects.

Fiscal Year	Estimated Maintenance & Preservation Costs	Actual Maintenance & Preservation Costs	Variance
2001	\$ 13,750	\$ 7,786	\$ 5,964
2002	7,859	12,675	(4,816)
2003	6,400	6,615	(215)
2004	6,292	6,347	(55)
2005	6,000	4,803	1,197
2006	5,000	3,910	1,090

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited) – (Continued)
For the Fiscal Year Ended June 30, 2006
(In Thousands)

2. SCHEDULE OF FUNDING PROGRESS - PENSION

Schedule of funding progress presents a consolidated snapshot of SamCERA’s ability to meet current and future liabilities with the 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.

The table below presents six-year historical information about the funding status of the 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)
6/30/2001	\$ 1,384,586	\$ 1,404,060	\$ 19,474	98.6%	\$ 274,318	7.10%
6/30/2002	1,416,821	1,660,566	243,745	85.3%	301,891	80.70%
6/30/2003	1,353,941	1,781,544	427,603	76.0%	323,896	132.00%
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%

3. SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Schedule of funding progress presented below provides a consolidated snapshot of a County’s ability to meet current and future liabilities with the 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 actuarial value of assets and actuarial accrued liability are obtained from the latest actuarial report.

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%



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General Fund

COUNTY OF SAN MATEO

General Fund

The *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 in other funds. For the County, the general fund includes such activities as general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation services.

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 258,015	\$ 257,248	\$ (767)	\$ 254,061	\$ (3,187)
Resources (inflows):					
Taxes	238,747	238,747	-	304,765	66,018
Licenses and permits	5,541	5,605	64	7,009	1,404
Fines, forfeitures and penalties	6,897	6,908	11	7,769	861
Use of money and property	10,865	10,865	-	11,217	352
Intergovernmental revenues	388,339	394,698	6,359	338,422	(56,276)
Charges for services	83,043	85,311	2,268	83,415	(1,896)
Interfund revenue	60,514	60,544	30	56,606	(3,938)
Miscellaneous revenue	25,245	26,695	1,450	31,945	5,250
Other financing sources	494	494	-	506	12
Amounts available for appropriation	<u>819,685</u>	<u>829,867</u>	<u>10,182</u>	<u>841,654</u>	<u>11,787</u>
Charges to appropriations (outflows):					
General Government					
Board of Supervisors - District 1					
Salaries and benefits	331	316	(15)	305	11
Services and supplies	33	48	15	41	7
Other charges	31	31	-	29	2
Contingencies	8	8	-	-	8
Total Board of Supervisors - District 1	<u>403</u>	<u>403</u>	<u>-</u>	<u>375</u>	<u>28</u>
Board of Supervisors - District 2					
Salaries and benefits	330	344	14	344	-
Services and supplies	28	28	-	27	1
Other charges	29	30	1	30	-
Contingencies	8	-	(8)	-	-
Total Board of Supervisors - District 2	<u>395</u>	<u>402</u>	<u>7</u>	<u>401</u>	<u>1</u>
Board of Supervisors - District 3					
Salaries and benefits	325	320	(5)	311	9
Services and supplies	32	37	5	33	4
Other charges	30	30	-	28	2
Contingencies	8	8	-	-	8
Total Board of Supervisors - District 3	<u>395</u>	<u>395</u>	<u>-</u>	<u>372</u>	<u>23</u>
Board of Supervisors - District 4					
Salaries and benefits	325	314	(11)	314	-
Services and supplies	31	42	11	35	7
Other charges	31	31	-	30	1
Contingencies	29	29	-	-	29
Total Board of Supervisors - District 4	<u>416</u>	<u>416</u>	<u>-</u>	<u>379</u>	<u>37</u>
Board of Supervisors - District 5					
Salaries and benefits	349	361	12	361	-
Services and supplies	31	32	1	32	-
Other charges	32	34	2	33	1
Contingencies	8	-	(8)	-	-
Total Board of Supervisors - District 5	<u>420</u>	<u>427</u>	<u>7</u>	<u>426</u>	<u>1</u>
County Manager/Clerk of the Board					
Salaries and benefits	3,318	3,318	-	3,214	104
Services and supplies	1,022	1,022	-	902	120
Other charges	13,619	13,844	225	12,519	1,325
Fixed Assets	10	10	-	7	3
Intrafund transfers	(9,351)	(9,576)	(225)	(9,677)	101
Contingencies	229	229	-	-	229
Total County Manager/Clerk of the Board	<u>8,847</u>	<u>8,847</u>	<u>-</u>	<u>6,965</u>	<u>1,882</u>

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Assessor-Clerk-Recorder					
Salaries and benefits	13,545	13,295	(250)	12,806	489
Services and supplies	4,359	5,920	1,561	5,349	571
Other charges	2,073	2,073	-	2,004	69
Fixed assets	6,357	5,965	(392)	63	5,902
Contingencies	110	-	(110)	-	-
Total Assessor-Clerk-Recorder	<u>26,444</u>	<u>27,253</u>	<u>809</u>	<u>20,222</u>	<u>7,031</u>
Controller's Office					
Salaries and benefits	4,255	4,255	-	4,179	76
Services and supplies	1,237	1,237	-	561	676
Other charges	892	892	-	800	92
Fixed assets	117	117	-	-	117
Intrafund transfers	(364)	(364)	-	(195)	(169)
Contingencies	80	80	-	-	80
Total Controller's Office	<u>6,217</u>	<u>6,217</u>	<u>-</u>	<u>5,345</u>	<u>872</u>
Tax Collector/Treasurer					
Salaries and benefits	2,926	2,926	-	2,747	179
Services and supplies	2,661	2,661	-	1,152	1,509
Other charges	700	700	-	624	76
Fixed assets	826	826	-	218	608
Intrafund transfers	(274)	(274)	-	(131)	(143)
Contingencies	717	717	-	-	717
Total Tax Collector/Treasurer	<u>7,556</u>	<u>7,556</u>	<u>-</u>	<u>4,610</u>	<u>2,946</u>
County Counsel					
Salaries and benefits	5,936	5,967	31	5,966	1
Services and supplies	381	481	100	444	37
Other charges	298	305	7	304	1
Intrafund transfers	(1,105)	(1,202)	(97)	(1,410)	208
Contingencies	609	609	-	-	609
Total County Counsel	<u>6,119</u>	<u>6,160</u>	<u>41</u>	<u>5,304</u>	<u>856</u>
Employee and Public Services					
Salaries and benefits	16,587	16,587	-	15,200	1,387
Services and supplies	3,222	3,222	-	2,704	518
Other charges	1,541	1,541	-	1,503	38
Fixed assets	39	39	-	28	11
Intrafund transfers	(4,143)	(4,143)	-	(3,954)	(189)
Contingencies	516	516	-	-	516
Total Employee and Public Services	<u>17,762</u>	<u>17,762</u>	<u>-</u>	<u>15,481</u>	<u>2,281</u>
Information Services					
Salaries and benefits	16,153	16,153	-	14,947	1,206
Services and supplies	23,889	23,889	-	20,353	3,536
Other charges	1,099	1,099	-	1,000	99
Fixed assets	1,921	4,634	2,713	1,894	2,740
Other financing uses	324	324	-	286	38
Intrafund transfers	(33,161)	(35,066)	(1,905)	(31,989)	(3,077)
Contingencies	7,233	6,425	(808)	-	6,425
Total Information Services	<u>17,458</u>	<u>17,458</u>	<u>-</u>	<u>6,491</u>	<u>10,967</u>
Message Switch					
Services and supplies	422	380	(42)	378	2
Other charges	231	249	18	249	-
Fixed assets	67	92	25	19	73
Intrafund transfers	(109)	(109)	-	(109)	-
Contingencies	448	448	-	-	448
Total Message Switch	<u>1,059</u>	<u>1,060</u>	<u>1</u>	<u>537</u>	<u>523</u>

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Public Works					
Salaries and benefits	15,751	15,275	(476)	14,956	319
Services and supplies	11,972	13,087	1,115	12,136	951
Other charges	3,863	3,863	-	3,841	22
Fixed assets	84	74	(10)	53	21
Other financing uses	3,798	3,798	-	3,661	137
Intrafund transfers	(18,041)	(18,170)	(129)	(17,397)	(773)
Contingencies	786	286	(500)	-	286
Total Public Works	<u>18,213</u>	<u>18,213</u>	<u>-</u>	<u>17,250</u>	<u>963</u>
Food & Nutrition Services					
Salaries and benefits	2,715	2,643	(72)	2,643	-
Services and supplies	2,678	2,739	61	2,738	1
Other charges	107	107	-	93	14
Fixed assets	5	83	78	76	7
Intrafund transfers	(4,595)	(4,662)	(67)	(4,606)	(56)
Total Food & Nutrition Services	<u>910</u>	<u>910</u>	<u>-</u>	<u>944</u>	<u>(34)</u>
Non-Departmental Services					
Salaries and benefits	4,036	4,036	-	1,509	2,527
Services and supplies	13,114	13,472	358	12,296	1,176
Other charges	14,191	15,192	1,001	5,660	9,532
Fixed assets	3,502	3,502	-	85	3,417
Other financing uses	39,937	39,937	-	35,893	4,044
Intrafund transfers	(596)	(596)	-	(584)	(12)
Contingencies	162,588	154,624	(7,964)	-	154,624
Total Non-Departmental Services	<u>236,772</u>	<u>230,167</u>	<u>(6,605)</u>	<u>54,859</u>	<u>175,308</u>
Total General Government	<u>349,386</u>	<u>343,646</u>	<u>(5,740)</u>	<u>139,961</u>	<u>203,685</u>
Public Protection					
Grand Jury					
Salaries and benefits	72	72	-	46	26
Services and supplies	410	569	159	535	34
Other charges	10	10	-	2	8
Total Grand Jury	<u>492</u>	<u>651</u>	<u>159</u>	<u>583</u>	<u>68</u>
Criminal Division					
Salaries and benefits	17,651	17,651	-	15,983	1,668
Services and supplies	987	987	-	811	176
Fixed assets	1,543	1,503	(40)	1,499	4
Other charges	90	130	40	84	46
Contingencies	2,597	2,597	-	-	2,597
Total Criminal Division	<u>22,868</u>	<u>22,868</u>	<u>-</u>	<u>18,377</u>	<u>4,491</u>
Child Support Services					
Salaries and benefits	9,356	9,056	(300)	8,798	258
Services and supplies	606	906	300	859	47
Other charges	1,507	1,507	-	1,408	99
Total Child Support Services	<u>11,469</u>	<u>11,469</u>	<u>-</u>	<u>11,065</u>	<u>404</u>
County Support of Courts					
Salaries and benefits	360	360	-	305	55
Services and supplies	775	775	-	745	30
Other charges	20,131	20,144	13	20,736	(592)
Total County Support of Courts	<u>21,266</u>	<u>21,279</u>	<u>13</u>	<u>21,786</u>	<u>(507)</u>

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Private Defender Program					
Services and supplies	12,993	12,993	-	12,993	-
Other charges	-	1	1	-	1
Intrafund transfers	(98)	(98)	-	-	(98)
Total Private Defender Program	<u>12,895</u>	<u>12,896</u>	<u>1</u>	<u>12,993</u>	<u>(97)</u>
Sheriff					
Salaries and benefits	86,745	89,520	2,775	89,261	259
Services and supplies	12,822	9,756	(3,066)	8,395	1,361
Other charges	16,280	16,391	111	15,057	1,334
Fixed assets	511	2,125	1,614	1,984	141
Other financing uses	904	904	-	904	-
Intrafund transfers	(500)	(500)	-	(461)	(39)
Contingencies	879	-	(879)	-	-
Total Sheriff	<u>117,641</u>	<u>118,196</u>	<u>555</u>	<u>115,140</u>	<u>3,056</u>
Probation					
Salaries and benefits	43,180	44,334	1,154	44,333	1
Services and supplies	13,541	13,589	48	10,495	3,094
Other charges	7,341	7,366	25	6,809	557
Fixed assets	579	579	-	61	518
Intrafund transfers	(7,251)	(7,384)	(133)	(7,277)	(107)
Contingencies	512	420	(92)	-	420
Total Probation	<u>57,902</u>	<u>58,904</u>	<u>1,002</u>	<u>54,421</u>	<u>4,483</u>
Coroner's Office					
Salaries and benefits	1,600	1,698	98	1,688	10
Services and supplies	585	585	-	535	50
Other charges	218	242	24	224	18
Fixed assets	38	38	-	27	11
Contingencies	103	103	-	-	103
Total Coroner's Office	<u>2,544</u>	<u>2,666</u>	<u>122</u>	<u>2,474</u>	<u>192</u>
Environmental Services Administration					
Salaries and benefits	434	459	25	459	-
Services and supplies	63	68	5	53	15
Other charges	17	18	1	18	-
Intrafund transfers	(136)	(136)	-	(135)	(1)
Contingencies	8	8	-	-	8
Total Environmental Services Administration	<u>386</u>	<u>417</u>	<u>31</u>	<u>395</u>	<u>22</u>
Agricultural Commissioner/Sealer					
Salaries and benefits	2,689	2,735	46	2,732	3
Services and supplies	1,013	1,039	26	925	114
Other charges	277	428	151	406	22
Intrafund transfers	(885)	(938)	(53)	(842)	(96)
Contingencies	36	36	-	-	36
Total Agricultural Commissioner/Sealer	<u>3,130</u>	<u>3,300</u>	<u>170</u>	<u>3,221</u>	<u>79</u>
Animal Control					
Salaries and benefits	19	19	-	15	4
Services and supplies	4,796	4,796	-	4,791	5
Other charges	21	21	-	20	1
Intrafund transfers	(181)	(181)	-	(244)	63
Total Animal Control	<u>4,655</u>	<u>4,655</u>	<u>-</u>	<u>4,582</u>	<u>73</u>

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Local Agency Formation Commission					
Salaries and benefits	143	150	7	150	-
Services and supplies	39	32	(7)	12	20
Other charges	28	43	15	39	4
Intrafund transfers	(114)	(114)	-	(114)	-
Contingencies	15	1	(14)	-	1
Total Local Agency Formation Commission	111	112	1	87	25
Fire Protection					
Services and supplies	7,204	7,189	(15)	5,047	2,142
Other charges	156	171	15	131	40
Fixed assets	-	-	-	-	-
Total Fire Protection	7,360	7,360	-	5,178	2,182
Planning					
Salaries and benefits	5,049	5,338	289	4,816	522
Services and supplies	4,492	5,111	619	3,361	1,750
Other charges	717	717	-	686	31
Other financing uses	195	195	-	1	194
Intrafund transfers	(2,401)	(2,401)	-	(2,400)	(1)
Contingencies	1,766	1,766	-	-	1,766
Total Planning	9,818	10,726	908	6,464	4,262
Total Public Protection	272,537	275,499	2,962	256,766	18,733
Health and Sanitation					
Health Businesses & Administration					
Salaries and benefits	2,540	2,540	-	2,258	282
Services and supplies	8,808	8,808	-	8,454	354
Other charges	952	1,235	283	1,050	185
Intrafund transfers	(5,610)	(5,889)	(279)	(6,436)	547
Contingencies	252	247	(5)	-	247
Total Health Businesses & Administration	6,942	6,941	(1)	5,326	1,615
Health Policy Plan Promotion					
Salaries and benefits	1,702	1,702	-	1,475	227
Services and supplies	634	644	10	312	332
Other charges	65	65	-	52	13
Intrafund transfers	(680)	(680)	-	(560)	(120)
Total Health Policy Plan Promotion	1,721	1,731	10	1,279	452
Emergency Medical Services					
Salaries and benefits	493	558	65	546	12
Services and supplies	1,474	1,409	(65)	1,191	218
Other charges	94	94	-	52	42
Intrafund transfers	(493)	(493)	-	(521)	28
Total Emergency Medical Services	1,568	1,568	-	1,268	300
Hospital & Clinic Subsidy					
Services and supplies	8,671	-	(8,671)	-	-
Other charges	-	4,851	4,851	4,851	-
Other financing uses	45,377	55,445	10,068	54,048	1,397
Total Hospital & Clinic Subsidy	54,048	60,296	6,248	58,899	1,397

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Environmental Health Services					
Salaries and benefits	8,109	8,109	-	7,690	419
Services and supplies	2,121	2,121	-	1,801	320
Other charges	568	568	-	516	52
Fixed assets	36	36	-	-	36
Other financing uses	89	89	-	80	9
Contingencies	991	991	-	-	991
Total Environmental Health Services	<u>11,914</u>	<u>11,914</u>	<u>-</u>	<u>10,087</u>	<u>1,827</u>
Mental Health Services					
Salaries and benefits	30,854	31,687	833	29,315	2,372
Services and supplies	46,498	50,356	3,858	40,341	10,015
Other charges	15,029	15,075	46	13,862	1,213
Intrafund transfers	(2,295)	(2,295)	-	(1,460)	(835)
Contingencies	6,093	5,983	(110)	-	5,983
Total Mental Health Services	<u>96,179</u>	<u>100,806</u>	<u>4,627</u>	<u>82,058</u>	<u>18,748</u>
Public Health Services					
Salaries and benefits	25,755	25,067	(688)	24,678	389
Services and supplies	6,353	7,180	827	6,783	397
Other charges	5,431	5,384	(47)	4,390	994
Fixed Assets	633	633	-	559	74
Other financing uses	230	230	-	35	195
Intrafund transfers	(1,086)	(1,086)	-	(1,278)	192
Contingencies	1,120	1,028	(92)	-	1,028
Total Public Health Services	<u>38,436</u>	<u>38,436</u>	<u>-</u>	<u>35,167</u>	<u>3,269</u>
Correctional Health Services					
Salaries and benefits	6,421	6,446	25	6,307	139
Services and supplies	2,697	2,612	(85)	2,382	230
Other charges	484	484	-	459	25
Fixed Assets	-	85	85	62	23
Intrafund transfers	(3,808)	(3,808)	-	(3,885)	77
Total Correctional Health Services	<u>5,794</u>	<u>5,819</u>	<u>25</u>	<u>5,325</u>	<u>494</u>
Total Health and Sanitation	<u>216,602</u>	<u>227,511</u>	<u>10,909</u>	<u>199,409</u>	<u>28,102</u>
Public Assistance					
Aging & Adult Services					
Salaries and benefits	11,845	11,845	-	11,349	496
Services and supplies	3,474	3,611	137	2,804	807
Other charges	4,085	4,426	341	3,987	439
Intrafund transfers	(1,621)	(1,621)	-	(1,401)	(220)
Contingencies	492	415	(77)	-	415
Total Aging & Adult Services	<u>18,275</u>	<u>18,676</u>	<u>401</u>	<u>16,739</u>	<u>1,937</u>
In Home Support Services - Public Authority					
Other charges	4,488	4,488	-	4,488	-
Total In Home Support Services - Public Authority	<u>4,488</u>	<u>4,488</u>	<u>-</u>	<u>4,488</u>	<u>-</u>
Human Services Agency					
Salaries and benefits	75,922	76,057	135	71,552	4,505
Services and supplies	50,521	50,974	453	39,126	11,848
Other charges	86,038	86,258	220	74,329	11,929
Fixed assets	801	801	-	125	676
Other financing uses	313	313	-	286	27
Intrafund transfers	(23,200)	(23,200)	-	(20,233)	(2,967)
Contingencies	4,330	4,330	-	-	4,330
Total Human Services Agency	<u>194,725</u>	<u>195,533</u>	<u>808</u>	<u>165,185</u>	<u>30,348</u>

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Department of Housing					
Salaries and benefits	1,847	1,847	-	1,596	251
Services and supplies	1,404	1,404	-	380	1,024
Other charges	11,317	11,317	-	8,499	2,818
Intrafund transfers	(783)	(783)	-	(17)	(766)
Contingencies	85	85	-	-	85
Total Department of Housing	<u>13,870</u>	<u>13,870</u>	<u>-</u>	<u>10,458</u>	<u>3,412</u>
Total Public Assistance	<u>231,358</u>	<u>232,567</u>	<u>1,209</u>	<u>196,870</u>	<u>35,697</u>
Education					
Cooperative Extension					
Salaries and benefits	74	61	(13)	59	2
Services and supplies	22	34	12	24	10
Other charges	51	52	1	52	-
Contingencies	3	3	-	-	3
Total Cooperative Extension	<u>150</u>	<u>150</u>	<u>-</u>	<u>135</u>	<u>15</u>
Total Education	<u>150</u>	<u>150</u>	<u>-</u>	<u>135</u>	<u>15</u>
Recreation					
Parks & Recreation					
Salaries and benefits	5,692	5,562	(130)	5,374	188
Services and supplies	839	969	130	941	28
Other charges	977	1,052	75	1,028	24
Fixed assets	9	9	-	(8)	17
Contingencies	150	150	-	-	150
Total Parks & Recreation	<u>7,667</u>	<u>7,742</u>	<u>75</u>	<u>7,335</u>	<u>407</u>
Total Recreation	<u>7,667</u>	<u>7,742</u>	<u>75</u>	<u>7,335</u>	<u>407</u>
 Total charges to appropriations	 <u>1,077,700</u>	 <u>1,087,115</u>	 <u>9,415</u>	 <u>800,476</u>	 <u>286,639</u>
Budgetary fund balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 295,239</u></u>	<u><u>\$ 295,239</u></u>

(Continued)

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (page 65)	\$ 841,654
Differences - budget to GAAP:	
Reimbursements are inflows of budgetary resources but are used to offset expenditures for financial reporting purposes.	(56,606)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(504)
Receipts from sub-funds reclassified from County Agency Fund, not budgeted.	14,816
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 22)	\$ 799,360

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (page 71)	\$ 800,476
Differences - budget to GAAP:	
Expenditures offset by reimbursements for financial reporting purposes are outflows of budgetary appropriations.	(56,606)
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.	(667)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(104,560)
Disbursements from sub-funds reclassified from County Agency Fund, not budgeted.	2,666
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 22)	\$ 641,309

See Note to the Budgetary Comparison Schedule.

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Note to the Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2006
(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 prepares a budget for each fiscal year on or before August 30. 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 County Board of Supervisors.

An operating budget is adopted each fiscal year for all governmental funds except for the JPFA. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit, or between departments or funds, are authorized by the County Manager's office and must be approved by the Board of Supervisors. The County Board must approve supplemental appropriations normally financed by unanticipated revenues during the year. Pursuant to 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 County Board.

The County uses an encumbrance system as an extension of normal budgetary accounting for the general, special revenue, and other debt service funds and to assist in controlling expenditures of the capital projects funds. Under this 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 County Board for the General Fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other governmental funds. Actual reimbursements for these items have been eliminated in the accompanying budgetary financial schedules. Accordingly, the related budgets for these items have also been eliminated in order 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 on 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, 2006
(In Thousands)

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and investments	\$ 50,023	\$ 25,009	\$ 8,216	\$ 83,248
Securities lending collateral	7,888	3,943	1,295	13,126
Receivables (net):				
Accounts	72	-	-	72
Interest	556	241	79	876
Taxes	865	-	-	865
Other	135	-	-	135
Due from other funds	988	1,267	684	2,939
Due from other governmental agencies	1,498	-	1,835	3,333
Inventories	404	-	-	404
Advances to other funds	-	-	3,000	3,000
Total assets	<u>\$ 62,429</u>	<u>\$ 30,460</u>	<u>\$ 15,109</u>	<u>\$ 107,998</u>
Liabilities:				
Accounts payable	\$ 2,956	\$ -	\$ 111	\$ 3,067
Accrued salaries and benefits	345	-	-	345
Securities lending collateral - due to borrowers	7,888	3,943	1,295	13,126
Due to other funds	2,637	-	27	2,664
Advances from other funds	1,000	-	-	1,000
Deferred revenues	1,641	-	99	1,740
Deposits	2	-	-	2
Total liabilities	<u>16,469</u>	<u>3,943</u>	<u>1,532</u>	<u>21,944</u>
Fund balances:				
Reserved for:				
Encumbrances	14	-	7	21
Inventories and advances	404	-	3,000	3,404
Debt service	-	26,517	-	26,517
Unreserved, reported in				
Special revenue funds:				
Designated	21,910	-	-	21,910
Undesignated	23,632	-	-	23,632
Capital projects funds - undesignated	-	-	10,570	10,570
Total fund balances	<u>45,960</u>	<u>26,517</u>	<u>13,577</u>	<u>86,054</u>
Total liabilities and fund balances	<u>\$ 62,429</u>	<u>\$ 30,460</u>	<u>\$ 15,109</u>	<u>\$ 107,998</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, 2006
(In Thousands)

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 11,729	\$ -	\$ -	\$ 11,729
Licenses and permits	5,761	-	-	5,761
Intergovernmental	21,436	-	2,813	24,249
Charges for services	11,414	-	2,683	14,097
Fines, forfeitures and penalties	1,120	-	1	1,121
Rents and concessions	81	-	-	81
Investment income	1,305	479	211	1,995
Securities lending activities:				
Securities lending income	345	173	56	574
Securities lending expenditures	(333)	(167)	(53)	(553)
Other	1,161	-	237	1,398
Total revenues	<u>54,019</u>	<u>485</u>	<u>5,948</u>	<u>60,452</u>
Expenditures:				
Current:				
General government	4,175	83	-	4,258
Public protection	6,402	-	-	6,402
Public ways and facilities	18,829	-	-	18,829
Health and sanitation	28,283	-	-	28,283
Capital outlay	4,482	-	4,995	9,477
Debt service:				
Principal	16	-	-	16
Interest	4	-	-	4
Total expenditures	<u>62,191</u>	<u>83</u>	<u>4,995</u>	<u>67,269</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(8,172)</u>	<u>402</u>	<u>953</u>	<u>(6,817)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	45	-	-	45
Transfers in	4,488	22,454	5,114	32,056
Transfers out	(2,146)	(21,072)	(4,464)	(27,682)
Total other financing sources	<u>2,387</u>	<u>1,382</u>	<u>650</u>	<u>4,419</u>
Net change in fund balances	(5,785)	1,784	1,603	(2,398)
Fund balances - beginning	<u>51,745</u>	<u>24,733</u>	<u>11,974</u>	<u>88,452</u>
Fund balances - ending	<u>\$ 45,960</u>	<u>\$ 26,517</u>	<u>\$ 13,577</u>	<u>\$ 86,054</u>

COUNTY OF SAN MATEO

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for revenues that are restricted by law or administrative action and expenditures for specified purposes. The County's nonmajor special revenue funds are listed below:

The *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.

The *County Fire Protection Fund* provides 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.

The *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.

The *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.

The *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.

The *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.

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

The *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 other County departments and outside agencies.

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

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



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COUNTY OF SAN MATEO

Nonmajor Governmental Funds

Special Revenue Funds (*Continued*)

The *Public Authority IHSS Fund* assists consumers 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.

The *Other Special Revenue Funds* account for the activities of several Special Revenue Funds, which include the following:

- Fish and Game
- Off-Highway Vehicle License Fees
- Highlands Landscape Maintenance District
- Water District
- Redevelopment Agency
- Various Drainage Districts Funds

COUNTY OF SAN MATEO
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006
(In Thousands)

	Road	County Fire Protection	County Service Area	Sewer and Sanitation	Flood Control Zone	Lighting Districts	Emergency Medical Services
Assets:							
Cash and investments	\$ 3,437	\$ 155	\$ 4,314	\$ 6,413	\$ 9,863	\$ 6,563	\$ 1,337
Securities lending collateral	542	24	680	1,011	1,555	1,035	211
Receivables (net):							
Accounts	61	-	11	-	-	-	-
Interest	33	9	44	69	99	66	14
Taxes	-	353	193	35	216	63	-
Other	85	-	-	-	-	50	-
Due from other funds	865	-	-	-	-	-	123
Due from other governmental agencies	-	95	26	159	128	158	27
Inventories	404	-	-	-	-	-	-
Total assets	<u>\$ 5,427</u>	<u>\$ 636</u>	<u>\$ 5,268</u>	<u>\$ 7,687</u>	<u>\$ 11,861</u>	<u>\$ 7,935</u>	<u>\$ 1,712</u>
Liabilities:							
Accounts payable	\$ 123	\$ -	\$ 9	\$ 1,939	\$ 15	\$ -	\$ -
Accrued salaries and benefits	264	-	-	23	-	-	-
Securities lending collateral - due to borrowers	542	24	680	1,011	1,555	1,035	211
Due to other funds	901	-	8	256	144	13	-
Advances from other funds	-	-	-	1,000	-	-	-
Deferred revenues	208	448	219	194	344	220	-
Deposits	-	-	2	-	-	-	-
Total liabilities	<u>2,038</u>	<u>472</u>	<u>918</u>	<u>4,423</u>	<u>2,058</u>	<u>1,268</u>	<u>211</u>
Fund Balances:							
Reserved for:							
Encumbrances	-	-	10	-	-	-	-
Inventories and advances	404	-	-	-	-	-	-
Unreserved:							
Designated	311	-	3,506	3,264	7,536	6,667	-
Undesignated	2,674	164	834	-	2,267	-	1,501
Total fund balances	<u>3,389</u>	<u>164</u>	<u>4,350</u>	<u>3,264</u>	<u>9,803</u>	<u>6,667</u>	<u>1,501</u>
Total liabilities and fund balances	<u>\$ 5,427</u>	<u>\$ 636</u>	<u>\$ 5,268</u>	<u>\$ 7,687</u>	<u>\$ 11,861</u>	<u>\$ 7,935</u>	<u>\$ 1,712</u>

(Continued)

COUNTY OF SAN MATEO
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006
(In Thousands)

<u>County Half-Cent Transportation</u>	<u>County-Wide Road Improvement</u>	<u>Solid Waste</u>	<u>Public Authority IHSS</u>	<u>Other Special Revenue</u>	<u>Total</u>	
Assets:						
\$ 1,233	\$ 4,334	\$ 8,852	\$ 2,737	\$ 785	\$ 50,023	Cash and investments
195	683	1,396	432	124	7,888	Securities lending collateral
-	-	-	-	-	72	Receivables (net):
-	-	-	-	-	-	Accounts
19	44	128	22	9	556	Interest
-	-	-	-	5	865	Taxes
-	-	-	-	-	135	Other
-	-	-	-	-	988	Due from other funds
75	-	-	827	3	1,498	Due from other governmental agencies
-	-	-	-	-	404	Inventories
<u>\$ 1,522</u>	<u>\$ 5,061</u>	<u>\$ 10,376</u>	<u>\$ 4,018</u>	<u>\$ 926</u>	<u>\$ 62,429</u>	Total assets
Liabilities:						
\$ 8	\$ -	\$ 36	\$ 822	\$ 4	\$ 2,956	Accounts payable
26	-	22	10	-	345	Accrued salaries and benefits
195	683	1,396	432	124	7,888	Securities lending collateral - due to borrowers
149	860	306	-	-	2,637	Due to other funds
-	-	-	-	-	1,000	Advances from other funds
-	-	-	-	8	1,641	Deferred revenues
-	-	-	-	-	2	Deposits
<u>378</u>	<u>1,543</u>	<u>1,760</u>	<u>1,264</u>	<u>136</u>	<u>16,469</u>	Total liabilities
Fund Balances:						
-	-	-	4	-	14	Reserved for:
-	-	-	-	-	404	Encumbrances
-	-	-	-	-	-	Inventories and advances
-	-	390	-	236	21,910	Unreserved:
1,144	3,518	8,226	2,750	554	23,632	Designated
<u>1,144</u>	<u>3,518</u>	<u>8,616</u>	<u>2,754</u>	<u>790</u>	<u>45,960</u>	Undesignated
<u>\$ 1,522</u>	<u>\$ 5,061</u>	<u>\$ 10,376</u>	<u>\$ 4,018</u>	<u>\$ 926</u>	<u>\$ 62,429</u>	Total fund balances
						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, 2006
(In Thousands)

	Road	County Fire Protection	County Service Area	Sewer and Sanitation	Flood Control Zone	Lighting Districts	Emergency Medical Services
Revenues							
Taxes	\$ -	\$ 4,464	\$ 2,308	\$ 426	\$ 2,408	\$ 953	\$ -
Licenses and permits	-	-	46	-	-	-	-
Intergovernmental	15,464	48	21	4	23	7	132
Charges for services	2,131	411	1,010	5,878	493	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	1,115
Rents and concessions	43	29	-	-	9	-	-
Investment income	46	31	103	168	226	141	32
Securities lending activities:							
Securities lending income	24	1	30	44	68	45	9
Securities lending expenditures	(23)	(1)	(29)	(43)	(66)	(44)	(8)
Other	383	65	106	101	-	-	459
Total revenues	<u>18,068</u>	<u>5,048</u>	<u>3,595</u>	<u>6,578</u>	<u>3,161</u>	<u>1,102</u>	<u>1,739</u>
Expenditures							
Current:							
General government	-	-	3,852	-	-	312	-
Public protection	-	5,178	-	-	1,223	-	-
Public ways and facilities	15,262	-	-	-	-	-	-
Health and sanitation	-	-	-	8,351	-	-	1,469
Capital outlay	1,485	-	-	2,442	555	-	-
Debt service:							
Principal	-	-	16	-	-	-	-
Interest	-	-	4	-	-	-	-
Total expenditures	<u>16,747</u>	<u>5,178</u>	<u>3,872</u>	<u>10,793</u>	<u>1,778</u>	<u>312</u>	<u>1,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,321</u>	<u>(130)</u>	<u>(277)</u>	<u>(4,215)</u>	<u>1,383</u>	<u>790</u>	<u>270</u>
Other financing sources (uses)							
Proceeds from sale of capital assets	-	-	-	-	45	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(35)	-	(1,481)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(35)</u>	<u>-</u>	<u>(1,436)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,321</u>	<u>(130)</u>	<u>(312)</u>	<u>(4,215)</u>	<u>(53)</u>	<u>790</u>	<u>270</u>
Fund balances - beginning	<u>2,068</u>	<u>294</u>	<u>4,662</u>	<u>7,479</u>	<u>9,856</u>	<u>5,877</u>	<u>1,231</u>
Fund balances - ending	<u>\$ 3,389</u>	<u>\$ 164</u>	<u>\$ 4,350</u>	<u>\$ 3,264</u>	<u>\$ 9,803</u>	<u>\$ 6,667</u>	<u>\$ 1,501</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, 2006
(In Thousands)

County Half-Cent Transportation	County-Wide Road Improvement	Solid Waste	Public Authority IHSS	Other Special Revenue	Total	
\$ 1,108	\$ -	\$ -	\$ -	\$ 62	\$ 11,729	Revenues
-	-	5,715	-	-	5,761	Taxes
119	-	112	5,505	1	21,436	Licenses and permits
628	650	69	132	12	11,414	Intergovernmental
-	-	-	-	5	1,120	Charges for services
-	-	-	-	-	81	Fines, forfeitures and penalties
62	96	348	32	20	1,305	Rents and concessions
9	30	61	19	5	345	Investment income
(8)	(29)	(59)	(18)	(5)	(333)	Securities lending activities:
-	-	19	3	25	1,161	Securities lending income
1,918	747	6,265	5,673	125	54,019	Securities lending expenditures
						Other
						Total revenues
						Expenditures
						Current:
-	-	-	-	11	4,175	General government
-	-	-	-	1	6,402	Public protection
2,513	988	-	-	66	18,829	Public ways and facilities
-	-	7,986	10,439	38	28,283	Health and sanitation
-	-	-	-	-	4,482	Capital outlay
-	-	-	-	-	16	Debt service:
-	-	-	-	-	4	Principal
-	-	-	-	-	-	Interest
2,513	988	7,986	10,439	116	62,191	Total expenditures
						Excess (deficiency) of revenues over (under) expenditures
(595)	(241)	(1,721)	(4,766)	9	(8,172)	
						Other financing sources (uses)
-	-	-	-	-	45	Proceeds from sale of capital assets
-	-	-	4,488	-	4,488	Transfers in
(553)	-	(77)	-	-	(2,146)	Transfers out
(553)	-	(77)	4,488	-	2,387	Total other financing sources (uses)
(1,148)	(241)	(1,798)	(278)	9	(5,785)	Net change in fund balances
2,292	3,759	10,414	3,032	781	51,745	Fund balances - beginning
\$ 1,144	\$ 3,518	\$ 8,616	\$ 2,754	\$ 790	\$ 45,960	Fund balances - ending

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Road Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 1,646	\$ 1,646	\$ -	\$ 831	\$ (815)
Resources (inflows):					
Use of money and property	175	175	-	90	(85)
Intergovernmental revenues	15,040	15,040	-	15,464	424
Charges for services	54	54	-	49	(5)
Interfund revenue	612	612	-	1,095	483
Miscellaneous revenue	94	94	-	1,370	1,276
Amounts available for appropriation	15,975	15,975	-	18,068	2,093
Charges to appropriations (outflows):					
Public ways and facilities					
Salaries and benefits	7,701	7,701	-	6,860	841
Services and supplies	8,005	8,005	-	8,005	-
Other charges	915	915	-	665	250
Fixed assets	2,675	2,675	-	1,485	1,190
Intrafund transfers	(3,075)	(3,075)	-	(268)	(2,807)
Contingencies	1,400	1,400	-	-	1,400
Total charges to appropriations	17,621	17,621	-	16,747	874
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 2,152	\$ 2,152

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County Fire Protection Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 309	\$ 309	\$ -	\$ 295	\$ (14)
Resources (inflows):					
Taxes	4,490	4,490	-	4,464	(26)
Use of money and property	80	80	-	60	(20)
Intergovernmental revenues	65	65	-	48	(17)
Charges for services	175	175	-	125	(50)
Interfund revenue	286	286	-	286	-
Miscellaneous revenue	49	49	-	65	16
Amounts available for appropriation	5,145	5,145	-	5,048	(97)
Charges to appropriations (outflows):					
Public protection					
Services and supplies	5,454	5,454	-	5,178	276
Total charges to appropriations	5,454	5,454	-	5,178	276
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 165	\$ 165

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County Service Area Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 4,698	\$ 4,698	\$ -	\$ 4,410	\$ (288)
Resources (inflows):					
Taxes	2,183	2,183	-	2,308	125
Licenses and permits	63	63	-	46	(17)
Use of money and property	106	106	-	104	(2)
Intergovernmental revenues	19	19	-	21	2
Charges for services	1,013	1,013	-	1,010	(3)
Miscellaneous revenue	-	-	-	106	106
Amounts available for appropriation	3,384	3,384	-	3,595	211
Charges to appropriations (outflows):					
General government					
Services and supplies	4,437	4,437	-	3,531	906
Other charges	261	261	-	99	162
Other financing uses	35	35	-	35	-
Contingencies	3,014	3,014	-	-	3,014
Non-general fund reserves	335	335	-	-	335
Total charges to appropriations	8,082	8,082	-	3,665	4,417
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 4,340	\$ 4,340

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,665
Differences - budget to GAAP:	
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.	242
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(35)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 3,872

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Sewer and Sanitation Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 7,535	\$ 7,989	\$ 454	\$ 7,479	\$ (510)
Resources (inflows):					
Taxes	46	46	-	426	380
Use of money and property	178	178	-	169	(9)
Intergovernmental revenues	4	4	-	4	-
Charges for services	4,776	4,776	-	4,938	162
Interfund revenue	804	1,804	1,000	645	(1,159)
Miscellaneous revenue	-	-	-	396	396
Amounts available for appropriation	<u>5,808</u>	<u>6,808</u>	<u>1,000</u>	<u>6,578</u>	<u>(230)</u>
Charges to appropriations (outflows):					
Health and sanitation					
Salaries and benefits	692	692	-	584	108
Services and supplies	5,365	5,365	-	5,365	-
Other charges	39	1,671	1,632	1,220	451
Fixed assets	3,226	3,226	-	2,442	784
Intrafund transfers	(495)	(495)	-	(678)	183
Contingencies	4,516	4,338	(178)	1,860	2,478
Total charges to appropriations	<u>13,343</u>	<u>14,797</u>	<u>1,454</u>	<u>10,793</u>	<u>4,004</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,264</u>	<u>\$ 3,264</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Flood Control Zone Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 9,929	\$ 10,229	\$ 300	\$ 9,855	\$ (374)
Resources (inflows):					
Taxes	1,893	1,893	-	2,408	515
Use of money and property	190	190	-	237	47
Intergovernmental revenues	21	21	-	23	2
Miscellaneous revenue	-	-	-	493	493
Other financing sources	1,710	1,710	-	45	(1,665)
Amounts available for appropriation	3,814	3,814	-	3,206	(608)
Charges to appropriations (outflows):					
Public protection					
Services and supplies	1,377	1,377	-	1,025	352
Other charges	1,594	1,894	300	198	1,696
Fixed assets	2,000	2,000	-	555	1,445
Other financing uses	3,191	3,191	-	1,481	1,710
Contingencies	5,581	5,581	-	-	5,581
Total charges to appropriations	13,743	14,043	300	3,259	10,784
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 9,802	\$ 9,802

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,206
Differences - budget to GAAP:	
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financing reporting purposes.	(45)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 3,161

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,259
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	(1,481)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 1,778

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Lighting Districts Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 5,919	\$ 5,943	\$ 24	\$ 5,876	\$ (67)
Resources (inflows):					
Taxes	545	545	-	953	408
Use of money and property	139	139	-	142	3
Intergovernmental revenues	6	6	-	7	1
Amounts available for appropriation	690	690	-	1,102	412
Charges to appropriations (outflows):					
General government					
Services and supplies	580	580	-	385	195
Other charges	-	24	24	-	24
Intrafund transfers	(32)	(32)	-	(73)	41
Contingencies	6,061	6,061	-	-	6,061
Total charges to appropriations	6,609	6,633	24	312	6,321
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 6,666	\$ 6,666

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Emergency Medical Services Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 1,239	\$ 1,239	\$ -	\$ 1,236	\$ (3)
Resources (inflows):					
Fines, forfeitures and penalties	1,144	1,144	-	1,115	(29)
Use of money and property	40	40	-	33	(7)
Intergovernmental revenues	-	-	-	132	132
Miscellaneous revenue	325	325	-	459	134
Amounts available for appropriation	1,509	1,509	-	1,739	230
Charges to appropriations (outflows):					
Health and sanitation					
Services and supplies	1,497	1,497	-	1,469	28
Non-general fund reserves	1,251	1,251	-	-	1,251
Total charges to appropriations	2,748	2,748	-	1,469	1,279
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 1,506	\$ 1,506

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County Half-Cent Transportation Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 2,242	\$ 2,242	\$ -	\$ 1,939	\$ (303)
Resources (inflows):					
Taxes	1,492	1,492	-	1,108	(384)
Use of money and property	80	80	-	63	(17)
Intergovernmental revenues	-	-	-	119	119
Charges for services	600	600	-	626	26
Miscellaneous revenue	-	-	-	2	2
Amounts available for appropriation	2,172	2,172	-	1,918	(254)
Charges to appropriations (outflows):					
Public ways and facilities					
Salaries and benefits	676	676	-	672	4
Services and supplies	1,195	1,195	-	1,195	-
Other charges	726	726	-	646	80
Other financing uses	573	573	-	553	20
Non-general fund reserves	1,244	1,244	-	-	1,244
Total charges to appropriations	4,414	4,414	-	3,066	1,348
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 791	\$ 791

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,066
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(553)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 2,513

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County-wide Road Improvement Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 3,786	\$ 3,786	\$ -	\$ 3,759	\$ (27)
Resources (inflows):					
Use of money and property	107	107	-	97	(10)
Charges for services	600	600	-	650	50
Amounts available for appropriation	707	707	-	747	40
Charges to appropriations (outflows):					
Public ways and facilities					
Services and supplies	1,750	1,750	-	988	762
Non-general fund reserves	2,743	2,743	-	-	2,743
Total charges to appropriations	4,493	4,493	-	988	3,505
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 3,518	\$ 3,518

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Solid Waste Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 10,491	\$ 10,491	\$ -	\$ 10,414	\$ (77)
Resources (inflows):					
Licenses and permits	5,400	5,400	-	5,715	315
Use of money and property	300	300	-	350	50
Intergovernmental revenues	218	218	-	112	(106)
Charges for services	75	75	-	59	(16)
Interfund revenue	-	-	-	10	10
Miscellaneous revenue	25	25	-	19	(6)
Amounts available for appropriation	<u>6,018</u>	<u>6,018</u>	<u>-</u>	<u>6,265</u>	<u>247</u>
Charges to appropriations (outflows):					
Health and sanitation					
Salaries and benefits	1,071	1,071	-	806	265
Services and supplies	7,777	7,777	-	5,221	2,556
Other charges	1,885	1,885	-	1,959	(74)
Fixed assets	185	185	-	-	185
Other financing uses	110	110	-	77	33
Contingencies	390	390	-	-	390
Non-general fund reserves	5,091	5,091	-	-	5,091
Total charges to appropriations	<u>16,509</u>	<u>16,509</u>	<u>-</u>	<u>8,063</u>	<u>8,446</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,616</u>	<u>\$ 8,616</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,063
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(77)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 7,986</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Public Authority In-Home Supportive Service Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 3,060	\$ 3,060	\$ -	\$ 2,869	\$ (191)
Resources (inflows):					
Use of money and property	23	23	-	33	10
Intergovernmental revenues	7,686	7,686	-	5,505	(2,181)
Interfund revenue	4,488	4,488	-	132	(4,356)
Miscellaneous revenue	-	-	-	3	3
Other financing sources	-	-	-	4,488	4,488
Amounts available for appropriation	<u>12,197</u>	<u>12,197</u>	<u>-</u>	<u>10,161</u>	<u>(2,036)</u>
Charges to appropriations (outflows):					
Health and sanitation					
Salaries and benefits	311	311	-	271	40
Services and supplies	2,438	2,438	-	2,301	137
Other charges	9,657	9,657	-	7,871	1,786
Non-general fund reserves	2,851	2,851	-	-	2,851
Total charges to appropriations	<u>15,257</u>	<u>15,257</u>	<u>-</u>	<u>10,443</u>	<u>4,814</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,587</u>	<u>\$ 2,587</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 10,161
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes.	<u>(4,488)</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 5,673</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 10,443
Differences - budget to GAAP:	
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.	<u>(4)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 10,439</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Other Special Revenue Funds
For the Fiscal Year Ended June 30, 2006
(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	\$ 82	\$ 82	\$ -	\$ 88	\$ 6
Resources (inflows):					
Fines, forfeitures and penalties	7	7	-	5	(2)
Use of money and property	1	1	-	5	4
Amounts available for appropriation	8	8	-	10	2
Charges to appropriations (outflows):					
General government					
Services and supplies	25	25	-	11	14
Non-general fund reserves	65	65	-	-	65
Total charges to appropriations	90	90	-	11	79
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 87	\$ 87
<u>Off-Highway Vehicle License Fees Fund</u>					
Budgetary fund balances, July 1	\$ 298	\$ 298	\$ -	\$ 308	\$ 10
Resources (inflows):					
Use of money and property	8	8	-	8	-
Intergovernmental revenue	20	20	-	-	(20)
Amounts available for appropriation	28	28	-	8	(20)
Charges to appropriations (outflows):					
Public ways and facilities					
Services and supplies	67	67	-	67	-
Non-general fund reserves	259	259	-	-	259
Total charges to appropriations	326	326	-	67	259
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 249	\$ 249
<u>Highlands Landscape Maintenance District</u>					
Budgetary fund balances, July 1	\$ 300	\$ 300	\$ -	\$ 51	\$ (249)
Resources (inflows):					
Taxes	40	40	-	62	22
Use of money and property	7	7	-	7	-
Intergovernmental revenue	-	-	-	1	1
Charges for services	-	-	-	12	12
Amounts available for appropriation	47	47	-	82	35
Charges to appropriations (outflows):					
General government					
Services and supplies	211	211	-	38	173
Intrafund transfers	(100)	(100)	-	-	(100)
Contingencies	208	208	-	-	208
Non-general fund reserves	28	28	-	-	28
Total charges to appropriations	347	347	-	38	309
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 95	\$ 95

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Other Special Revenue Funds
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative) (Continued)
	<u>Original</u>	<u>Final</u>	<u>Increase (Decrease)</u>		
<u>Total - Other Special Revenue Funds</u>					
Budgetary fund balances, July 1	\$ 680	\$ 680	\$ -	\$ 447	\$ (233)
Resources (inflows)	83	83	-	100	17
Charges to appropriations (outflows)	<u>(763)</u>	<u>(763)</u>	<u>-</u>	<u>(116)</u>	<u>647</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431</u>	<u>\$ 431</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 100
Differences - budget to GAAP:	
Receipts from other special revenue funds, not budgeted.	<u>25</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 125</u>

COUNTY OF SAN MATEO

Nonmajor Governmental Funds

Debt Service Fund

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

The *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, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 24,913	\$ 24,913	\$ -	\$ 24,733	\$ (180)
Resources (inflows):					
Use of money and property	-	-	-	485	485
Other financing sources	21,049	21,049	-	22,454	1,405
Amount available for appropriation	<u>21,049</u>	<u>21,049</u>	<u>-</u>	<u>22,939</u>	<u>1,890</u>
Charges to appropriations (outflows):					
Other charges	22,192	22,192	-	83	22,109
Other financing uses	-	23,770	23,770	21,072	2,698
Non-general fund reserves	23,770	-	(23,770)	-	-
Total charges to appropriations	<u>45,962</u>	<u>45,962</u>	<u>-</u>	<u>21,155</u>	<u>24,807</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,517</u>	<u>\$ 26,517</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 22,939
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(22,454)</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor debt service fund	<u>\$ 485</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 21,155
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(21,072)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor debt service fund	<u>\$ 83</u>

COUNTY OF SAN MATEO

Nonmajor Governmental Funds

Capital Project Funds

Capital Project 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.

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

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

The *Criminal Facility Fund* was established to support construction, reconstruction, expansion, improvement, operation and maintenance of criminal justice facilities. For every \$10 of all criminal and traffic fines, 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.

The *Courthouse Construction Fund* was established to finance construction, rehabilitation, lease and financing courtrooms. Sources of revenue for this fund are identical to the Criminal Facility Construction Fund above.

The *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, 2006
(In Thousands)

	Parks <u>Acquisition</u>	Accumulated Capital <u>Outlay</u>	Criminal Facility	Courthouse Construction	Other Capital Projects	<u>Total</u>
Assets:						
Cash and investments	\$ 2,167	\$ 5	\$ 1,378	\$ 3,041	\$ 1,625	\$ 8,216
Securities lending collateral	341	1	218	479	256	1,295
Interest receivable	23	-	12	29	15	79
Due from other funds	59	-	-	-	625	684
Due from other governmental agencies	1,835	-	-	-	-	1,835
Advances to other funds	-	3,000	-	-	-	3,000
Total assets	<u>\$ 4,425</u>	<u>\$ 3,006</u>	<u>\$ 1,608</u>	<u>\$ 3,549</u>	<u>\$ 2,521</u>	<u>\$ 15,109</u>
Liabilities:						
Accounts payable	\$ 55	\$ -	\$ -	\$ -	\$ 56	\$ 111
Securities lending collateral - due to borrowers	341	1	218	479	256	1,295
Due to other funds	-	-	-	-	27	27
Deferred revenues	-	-	-	-	99	99
Total liabilities	<u>396</u>	<u>1</u>	<u>218</u>	<u>479</u>	<u>438</u>	<u>1,532</u>
Fund Balances:						
Reserved for:						
Encumbrances	7	-	-	-	-	7
Advances to other funds	-	3,000	-	-	-	3,000
Unreserved - undesignated	4,022	5	1,390	3,070	2,083	10,570
Total fund balances	<u>4,029</u>	<u>3,005</u>	<u>1,390</u>	<u>3,070</u>	<u>2,083</u>	<u>13,577</u>
Total liabilities and fund balances	<u>\$ 4,425</u>	<u>\$ 3,006</u>	<u>\$ 1,608</u>	<u>\$ 3,549</u>	<u>\$ 2,521</u>	<u>\$ 15,109</u>

COUNTY OF SAN MATEO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Parks Acquisition	Accumulated Capital Outlay	Criminal Facility	Courthouse Construction	Other Capital Projects	Total
Revenues:						
Intergovernmental	\$ 2,770	\$ -	\$ -	\$ -	\$ 43	\$ 2,813
Charges for services	62	-	1,311	1,310	-	2,683
Fines, forfeitures & penalties	-	-	-	1	-	1
Investment income	78	-	42	62	29	211
Securities lending activities:						
Securities lending income	15	-	9	21	11	56
Securities lending expenditures	(14)	-	(9)	(20)	(10)	(53)
Other	237	-	-	-	-	237
Total revenues	<u>3,148</u>	<u>-</u>	<u>1,353</u>	<u>1,374</u>	<u>73</u>	<u>5,948</u>
Expenditures:						
Capital outlay	462	-	-	-	4,533	4,995
Total expenditures	<u>462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,533</u>	<u>4,995</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>2,686</u>	<u>-</u>	<u>1,353</u>	<u>1,374</u>	<u>(4,460)</u>	<u>953</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	5,114	5,114
Transfers out	(1,338)	(3)	(1,946)	(1,177)	-	(4,464)
Total other financing sources (uses)	<u>(1,338)</u>	<u>(3)</u>	<u>(1,946)</u>	<u>(1,177)</u>	<u>5,114</u>	<u>650</u>
Net change in fund balances	1,348	(3)	(593)	197	654	1,603
Fund balances - beginning	<u>2,681</u>	<u>3,008</u>	<u>1,983</u>	<u>2,873</u>	<u>1,429</u>	<u>11,974</u>
Fund balances- ending	<u>\$ 4,029</u>	<u>\$ 3,005</u>	<u>\$ 1,390</u>	<u>\$ 3,070</u>	<u>\$ 2,083</u>	<u>\$ 13,577</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Parks Acquisition Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 2,698	\$ 2,698	\$ -	\$ 2,681	\$ (17)
Resources (inflows):					
Use of money and property	20	20	-	79	59
Intergovernmental revenues	3,378	4,331	953	2,770	(1,561)
Interfund revenue	-	-	-	62	62
Miscellaneous revenue	1,170	1,170	-	237	(933)
Amounts available for appropriation	<u>4,568</u>	<u>5,521</u>	<u>953</u>	<u>3,148</u>	<u>(2,373)</u>
Charges to appropriations (outflows):					
Services and supplies	969	969	-	4	965
Fixed assets	4,843	4,843	-	465	4,378
Other financing uses	1,359	2,312	953	1,338	974
Non-general fund reserves	95	95	-	-	95
Total charges to appropriations	<u>7,266</u>	<u>8,219</u>	<u>953</u>	<u>1,807</u>	<u>6,412</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,022</u>	<u>\$ 4,022</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,807
Differences - budget to GAAP:	
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.	(7)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	<u>(1,338)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital project funds	<u>\$ 462</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Accumulated Capital Outlay Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 8	\$ 8	\$ -	\$ 3,004	\$ 2,996
Charges to appropriations (outflows):					
Other financing uses	8	8	-	3	5
Total charges to appropriations	8	8	-	3	5
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,001</u>	<u>\$ 3,001</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

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

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Criminal Facility Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 1,998	\$ 1,998	\$ -	\$ 2,383	\$ 385
Resources (inflows):					
Use of money and property	40	40	-	42	2
Charges for services	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>1,311</u>	<u>111</u>
Amounts available for appropriation	<u>1,240</u>	<u>1,240</u>	<u>-</u>	<u>1,353</u>	<u>113</u>
Charges to appropriations (outflows):					
Other financing uses	1,960	1,960	-	1,946	14
Non-general fund reserves	<u>1,278</u>	<u>1,278</u>	<u>-</u>	<u>-</u>	<u>1,278</u>
Total charges to appropriations	<u>3,238</u>	<u>3,238</u>	<u>-</u>	<u>1,946</u>	<u>1,292</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,790</u>	<u>\$ 1,790</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,946
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,946)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital project funds	<u>\$ -</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Courthouse Construction Fund
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 2,894	\$ 2,894	\$ -	\$ 2,873	\$ (21)
Resources (inflows):					
Use of money and property	60	60	-	63	3
Fines, forfeitures & penalties	-	-	-	1	1
Charges for services	1,200	1,200	-	1,310	110
Amounts available for appropriation	1,260	1,260	-	1,374	114
Charges to appropriations (outflows):					
Other financing uses	1,659	1,881	222	1,177	704
Non-general fund reserves	2,495	2,273	(222)	-	2,273
Total charges to appropriations	4,154	4,154	-	1,177	2,977
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 3,070	\$ 3,070

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,177
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,177)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital project funds	\$ -

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Other Capital Projects Funds
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 55	\$ 198	\$ 143	\$ 1,623	\$ 1,425
Resources (inflows):					
Use of money and property	-	-	-	30	30
Intergovernmental revenues	3,410	3,410	-	43	(3,367)
Charges for services	1,121	1,121	-	-	(1,121)
Miscellaneous revenue	3,168	3,168	-	-	(3,168)
Other financing sources	21,691	22,867	1,176	5,114	(17,753)
Amounts available for appropriation	<u>29,390</u>	<u>30,566</u>	<u>1,176</u>	<u>5,187</u>	<u>(25,379)</u>
Charges to appropriations (outflows):					
Fixed assets	29,445	30,764	1,319	4,533	26,231
Total charges to appropriations	<u>29,445</u>	<u>30,764</u>	<u>1,319</u>	<u>4,533</u>	<u>26,231</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,277</u>	<u>\$ 2,277</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,187
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(5,114)</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital project funds	<u>\$ 73</u>



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/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The *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.

The *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, 2006
(In Thousands)

	Airports	Coyote Point Marina	Total
Assets:			
Current assets:			
Cash and investments	\$ 2,393	\$ 1,199	\$ 3,592
Securities lending collateral	377	189	566
Receivables (net):			
Accounts	16	18	34
Interest	27	14	41
Total current assets	2,813	1,420	4,233
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	6,843	1,334	8,177
Construction in progress	982	59	1,041
Depreciable:			
Structures and improvements	12,728	11,695	24,423
Equipment	73	116	189
Less accumulated depreciation	(5,742)	(4,345)	(10,087)
Total noncurrent assets	14,884	8,859	23,743
Total assets	\$ 17,697	\$ 10,279	\$ 27,976
Liabilities:			
Current liabilities:			
Accounts payable	\$ 223	\$ 19	\$ 242
Accrued interest payable	-	48	48
Accrued salaries and benefits	29	19	48
Securities lending collateral - due to borrowers	377	189	566
Due to other funds	18	59	77
Net OPEB obligation	9	10	19
Compensated absences - current	21	32	53
Long-term liabilities - current	-	109	109
Total current liabilities	677	485	1,162
Noncurrent liabilities:			
Unearned revenues	42	7	49
Deposits	1	3	4
Compensated absences - noncurrent	40	25	65
Long-term liabilities - noncurrent	-	1,011	1,011
Total noncurrent liabilities	83	1,046	1,129
Total liabilities	760	1,531	2,291
Net Assets:			
Invested in capital assets, net of related debt	14,884	7,739	22,623
Unrestricted	2,053	1,009	3,062
Total net assets	16,937	8,748	25,685
Total liabilities and net assets	\$ 17,697	\$ 10,279	\$ 27,976

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, 2006
(In Thousands)

	<u>Airports</u>	<u>Coyote Point Marina</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 62	\$ 1,164	\$ 1,226
Rent and concessions	1,805	28	1,833
Miscellaneous	37	-	37
Total operating revenues	<u>1,904</u>	<u>1,192</u>	<u>3,096</u>
Operating expenses:			
Salaries and benefits	691	529	1,220
General and administrative	804	449	1,253
Depreciation and amortization	257	237	494
Total operating expenses	<u>1,752</u>	<u>1,215</u>	<u>2,967</u>
Operating income (loss)	<u>152</u>	<u>(23)</u>	<u>129</u>
Nonoperating revenues (expenses):			
State and federal grants	294	-	294
Investment income	63	28	91
Interest expenses	-	(106)	(106)
Securities lending activities:			
Securities lending income	17	8	25
Securities lending expenses	(16)	(8)	(24)
Total nonoperating revenues (expenses)	<u>358</u>	<u>(78)</u>	<u>280</u>
Change in net assets	510	(101)	409
Net assets - beginning	16,373	8,783	25,156
Change in accounting principle	54	66	120
Net assets - beginning (as restated)	<u>16,427</u>	<u>8,849</u>	<u>25,276</u>
Net assets - ending	<u>\$ 16,937</u>	<u>\$ 8,748</u>	<u>\$ 25,685</u>

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Airports	Coyote Point Marina	Total
Cash flows from operating activities			
Cash receipts from customers	\$ 1,895	\$ 1,192	\$ 3,087
Cash paid to suppliers for goods and services	(635)	(461)	(1,096)
Cash paid to employees for services	(676)	(481)	(1,157)
Net cash provided by operating activities	584	250	834
Cash flows from noncapital financing activities			
Short-term advances from the County	14	59	73
State and federal grant receipts	294	-	294
Net cash provided by noncapital financing activities	308	59	367
Cash flows from capital and related financing activities			
Acquisition of capital assets	(819)	(58)	(877)
Principal paid on long-term liabilities	-	(141)	(141)
Interest paid on long-term liabilities	-	(58)	(58)
Net cash used in capital and related financing activities	(819)	(257)	(1,076)
Cash flows from investing activities			
Investment income received	70	37	107
Investment expense paid	(16)	(13)	(29)
Net cash provided by investing activities	54	24	78
Net increase in cash and cash equivalents	127	76	203
Cash and cash equivalents, beginning of the year	2,266	1,123	3,389
Cash and cash equivalents, end of the year	\$ 2,393	\$ 1,199	\$ 3,592
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 152	\$ (23)	\$ 129
Adjustments to reconcile operating income (loss) to cash flows from operating activities			
Depreciation	257	237	494
Decrease (increase) in:			
Due from other funds	2	-	2
Increase (decrease) in:			
Accounts payable	169	(12)	157
Accrued salaries and benefit	7	5	12
Net OPEB obligation	9	10	19
Compensated absences	(1)	33	32
Unearned revenues	(11)	-	(11)
Net cash provided by operating activities	\$ 584	\$ 250	\$ 834
Supplemental disclosure of noncash investing, capital, or financing activities:			
Decrease in fair value of investment	\$ (44)	\$ (22)	\$ (66)



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 are listed below:

The *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.

The *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 premiums paid by operating funds and interest on investments. The insurance programs include the following:

- Workers' Compensation Insurance
- Long-Term Disability
- Employee Benefits
- Personal Injury and Property Damage

COUNTY OF SAN MATEO
Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2006
(In Thousands)

	Fleet Maintenance	Tower Road Construction	Workers' Compensation Insurance	Long-Term Disability	Employee Benefits	Personal Injury and Property Damage	Total
Assets:							
Current assets:							
Cash and investments	\$ 7,944	\$ 59	\$ 19,442	\$ 2,132	\$ 39,141	\$ 1,553	\$ 70,271
Securities lending collateral	1,252	9	3,066	336	6,171	245	11,079
Receivables (net):							
Accounts	6	238	-	-	-	-	244
Interest	88	-	211	27	114	12	452
Due from other funds	-	21	-	-	-	-	21
Due from other governmental agencies	-	-	-	-	300	-	300
Inventories	145	-	-	-	-	-	145
Total current assets	<u>9,435</u>	<u>327</u>	<u>22,719</u>	<u>2,495</u>	<u>45,726</u>	<u>1,810</u>	<u>82,512</u>
Noncurrent assets:							
Non-depreciable:							
Construction in progress	3	-	-	-	-	-	3
Depreciable:							
Structures and improvements	1,046	-	-	-	-	-	1,046
Software	9	-	-	-	-	-	9
Equipment	17,752	70	-	-	-	-	17,822
Less accumulated depreciation	(13,824)	(60)	-	-	-	-	(13,884)
Total noncurrent assets	<u>4,986</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,996</u>
Total assets	<u>\$ 14,421</u>	<u>\$ 337</u>	<u>\$ 22,719</u>	<u>\$ 2,495</u>	<u>\$ 45,726</u>	<u>\$ 1,810</u>	<u>\$ 87,508</u>
Liabilities:							
Current liabilities:							
Accounts payable	\$ 193	\$ 53	\$ 150	\$ 18	\$ 142	\$ 116	\$ 672
Accrued salaries and benefits	41	106	-	-	-	-	147
Securities lending collateral - due to borrowers	1,252	9	3,066	336	6,171	245	11,079
Due to other funds	220	29	-	-	-	-	249
Net OPEB Obligation	12	29	-	-	-	-	41
Compensated absences - current	48	181	-	-	-	-	229
Estimated claims - current	-	-	6,400	491	468	1,374	8,733
Total current liabilities	<u>1,766</u>	<u>407</u>	<u>9,616</u>	<u>845</u>	<u>6,781</u>	<u>1,735</u>	<u>21,150</u>
Noncurrent liabilities:							
Deposits	94	-	-	-	-	-	94
Compensated absences - noncurrent	42	-	-	-	-	-	42
Estimated claims - noncurrent	-	-	27,621	5,554	-	2,002	35,177
Total noncurrent liabilities	<u>136</u>	<u>-</u>	<u>27,621</u>	<u>5,554</u>	<u>-</u>	<u>2,002</u>	<u>35,313</u>
Total liabilities	<u>1,902</u>	<u>407</u>	<u>37,237</u>	<u>6,399</u>	<u>6,781</u>	<u>3,737</u>	<u>56,463</u>
Net Assets:							
Invested in capital assets, net of related debt	4,986	10	-	-	-	-	4,996
Unrestricted (deficit)	7,533	(80)	(14,518)	(3,904)	38,945	(1,927)	26,049
Total net assets (deficit)	<u>12,519</u>	<u>(70)</u>	<u>(14,518)</u>	<u>(3,904)</u>	<u>38,945</u>	<u>(1,927)</u>	<u>31,045</u>
Total liabilities and net assets	<u>\$ 14,421</u>	<u>\$ 337</u>	<u>\$ 22,719</u>	<u>\$ 2,495</u>	<u>\$ 45,726</u>	<u>\$ 1,810</u>	<u>\$ 87,508</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, 2006
(In Thousands)

	Fleet Maintenance	Tower Road Construction	Workers' Compensation Insurance	Long-Term Disability	Employee Benefits	Personal Injury and Property Damage	Total
Operating revenues:							
Charges for services	\$ 5,101	\$ 3,565	\$ 11,691	\$ 595	\$ 64,831	\$ 6,157	\$ 91,940
Miscellaneous	103	117	74	3	-	376	673
Total operating revenues	<u>5,204</u>	<u>3,682</u>	<u>11,765</u>	<u>598</u>	<u>64,831</u>	<u>6,533</u>	<u>92,613</u>
Operating expenses:							
Salaries and benefits	976	2,714	-	-	-	-	3,690
General and administrative	2,439	1,179	2,156	680	1,513	729	8,696
Benefits and claims	-	-	8,747	2,125	5,437	1,909	18,218
Insurance premiums	-	-	992	-	56,580	4,468	62,040
Depreciation	1,572	1	-	-	-	-	1,573
Total operating expenses	<u>4,987</u>	<u>3,894</u>	<u>11,895</u>	<u>2,805</u>	<u>63,530</u>	<u>7,106</u>	<u>94,217</u>
Operating income (loss)	<u>217</u>	<u>(212)</u>	<u>(130)</u>	<u>(2,207)</u>	<u>1,301</u>	<u>(573)</u>	<u>(1,604)</u>
Non operating revenues (expenses)							
Loss on disposal of capital assets	(12)	-	-	-	-	-	(12)
Investment income (loss)	202	(14)	465	75	(272)	48	504
Securities lending activities:							
Securities lending income	55	1	134	15	270	10	485
Securities lending expenses	(53)	(1)	(130)	(14)	(261)	(10)	(469)
Total nonoperating revenues (expenses)	<u>192</u>	<u>(14)</u>	<u>469</u>	<u>76</u>	<u>(263)</u>	<u>48</u>	<u>508</u>
Net income (loss) before transfers	409	(226)	339	(2,131)	1,038	(525)	(1,096)
Transfers in	-	80	-	-	29,239	-	29,319
Change in net assets	<u>409</u>	<u>(146)</u>	<u>339</u>	<u>(2,131)</u>	<u>30,277</u>	<u>(525)</u>	<u>28,223</u>
Net assets (deficit) - beginning	11,932	(217)	(14,857)	(1,773)	8,668	(1,402)	2,351
Change in accounting principle	178	293	-	-	-	-	471
Net assets (deficit) - beginning (as restated)	<u>12,110</u>	<u>76</u>	<u>(14,857)</u>	<u>(1,773)</u>	<u>8,668</u>	<u>(1,402)</u>	<u>2,822</u>
Net assets (deficit) - ending	<u>\$ 12,519</u>	<u>\$ (70)</u>	<u>\$ (14,518)</u>	<u>\$ (3,904)</u>	<u>\$ 38,945</u>	<u>\$ (1,927)</u>	<u>\$ 31,045</u>

	Fleet Maintenance	Tower Road Construction	Workers' Compensation Insurance	Long-Term Disability
Cash flows from operating activities				
Cash received from interfund services provided	\$ 5,206	\$ 3,626	\$ 11,765	\$ 598
Cash payment to suppliers for goods and services	(2,314)	(1,167)	(3,090)	(676)
Cash payment to employees for services	(886)	(2,532)	-	-
Cash payment for judgments and claims	-	-	(7,403)	(497)
Net cash provided by (used in) operating activities	<u>2,006</u>	<u>(73)</u>	<u>1,272</u>	<u>(575)</u>
Cash flows from noncapital financing activities				
Transfers in	-	80	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>80</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(2,048)	(11)	-	-
Net cash used in capital and related financing activities	<u>(2,048)</u>	<u>(11)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Investment income received	178	-	405	73
Investment expense paid	-	(14)	-	-
Net cash provided by (used in) investing activities	<u>178</u>	<u>(14)</u>	<u>405</u>	<u>73</u>
Net increase (decrease) in cash and cash equivalents	136	(18)	1,677	(502)
Cash and cash equivalents, beginning of year	7,808	77	17,765	2,634
Cash and cash equivalents, end of year	<u>\$ 7,944</u>	<u>\$ 59</u>	<u>\$ 19,442</u>	<u>\$ 2,132</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 217	\$ (212)	\$ (130)	\$ (2,207)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,572	1	-	-
Decrease (increase) in:				
Accounts receivable	(3)	(35)	-	-
Due from other funds	5	(21)	-	-
Inventories	42	-	-	-
Increase (decrease) in:				
Accounts payable	72	1	76	5
Accrued salaries and benefits	10	17	-	-
Net OPEB obligation	12	29	-	-
Due to other funds	11	11	(18)	(1)
Compensated absences	68	136	-	-
Estimated claims	-	-	1,344	1,628

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2006
(In Thousands)

Employee Benefits	Personal Injury and Property Damage	Total
\$ 64,831	\$ 6,533	\$ 92,559
(59,122)	(5,149)	(71,518)
-	-	(3,418)
(5,414)	(1,640)	(14,954)
<u>295</u>	<u>(256)</u>	<u>2,669</u>
29,239	-	29,319
<u>29,239</u>	<u>-</u>	<u>29,319</u>
-	-	(2,059)
-	-	(2,059)
-	41	697
(312)	-	(326)
<u>(312)</u>	<u>41</u>	<u>371</u>
29,222	(215)	30,300
9,919	1,768	39,971
<u>\$ 39,141</u>	<u>\$ 1,553</u>	<u>\$ 70,271</u>

Cash flows from operating activities

Cash received from interfund services provided
Cash payment to suppliers for 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

Transfers in
Net cash provided by 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 provided by (used in) investing activities

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

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

\$ 1,301	\$ (573)	\$ (1,604)
-	-	1,573
-	-	(38)
-	-	(16)
-	-	42
(989)	76	(759)
-	-	27
-	-	41
(40)	(28)	(65)
-	-	204
23	269	3,264
<u>\$ 295</u>	<u>\$ (256)</u>	<u>\$ 2,669</u>

Operating income (loss)

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

Depreciation
Decrease (increase) in:
Accounts receivable
Due from other funds
Inventories
Increase (decrease) in:
Accounts payable
Accrued salaries and benefits
Net OPEB obligation
Due to other funds
Compensated absences
Estimated claims

Net cash provided by (used in) operating activities:

Supplemental disclosure of noncash investing, capital, or financing activities:

\$ (713)	\$ (28)	\$ (1,280)
-	-	(12)

Decrease in fair value of investments

Loss on disposal of capital assets



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Fiduciary Funds

COUNTY OF SAN MATEO

Fiduciary Funds

Trust Funds

Pension Trust. All assets of the San Mateo County Employees' retirement Association (SamCERA) are held in this fund. This fund, under the control of the SamCERA's Board of Retirement, accumulates contributions from the County, its employees, and other participating employers. Disbursements are made for administrative expenses as well as retirement, disability, and death benefits based on a defined benefit formula.

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. The County is obligated to disburse monies from these funds on demand.
- *Individual Investment Account* – This fund accounts for specific investments acquired for the Brisbane School District. These investments are separate from the County's investment pool, and the income from and changes in the value of these investments affect only the Brisbane School District.

Agency Funds

The *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. The JPA, primarily financed by property taxes, provides library services to eleven cities and all unincorporated areas within the County.

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

The *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.

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

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

The *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, 2006
(In Thousands)

	<u>External Investment Pool</u>				Individual Investment Account	Total
	Special Districts under Local Board	School Districts	Other Investment Trust	Subtotal		
Assets:						
Cash and investments	\$ 120,502	\$ 770,251	\$ 609,044	\$1,499,797	\$ 2,987	\$1,502,784
Securities lending collateral	18,907	121,442	96,025	236,374	-	236,374
Interest receivable	1,246	7,754	7,001	16,001	-	16,001
Due from other governmental agencies	3,334	16	-	3,350	-	3,350
Other assets	-	3	-	3	-	3
Total assets	<u>143,989</u>	<u>899,466</u>	<u>712,070</u>	<u>1,755,525</u>	<u>2,987</u>	<u>1,758,512</u>
Liabilities:						
Accounts payable	330	-	4,635	4,965	-	4,965
Securities lending collateral - due to borrowers	18,907	121,442	96,025	236,374	-	236,374
Due to other governmental agencies	-	1	762	763	-	763
Other liabilities	3,281	-	48	3,329	-	3,329
Total liabilities	<u>22,518</u>	<u>121,443</u>	<u>101,470</u>	<u>245,431</u>	<u>-</u>	<u>245,431</u>
Net Assets:						
Net assets held in trust for investment pool participants	<u>\$ 121,471</u>	<u>\$ 778,023</u>	<u>\$ 610,600</u>	<u>\$1,510,094</u>	<u>\$ 2,987</u>	<u>\$1,513,081</u>

COUNTY OF SAN MATEO
Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	<u>External Investment Pool</u>					<u>Total</u>
	<u>Special Districts under Local Board</u>	<u>School Districts</u>	<u>Other Investment Trust</u>	<u>Subtotal</u>	<u>Individual Investment Account</u>	
Additions:						
Contributions:						
Contributions to investment pool	\$ 202,601	\$ 2,524,105	\$ 454,998	\$ 3,181,704	\$ 500	\$ 3,182,204
Net investment income:						
Net depreciation in fair value of investments	(1,389)	(8,849)	(6,221)	(16,459)	(58)	(16,517)
Investment income	4,099	72,178	99,592	175,869	20	175,889
Securities lending activities:						
Securities lending income	827	5,313	4,202	10,342	-	10,342
Securities lending expenses	(801)	(5,143)	(4,067)	(10,011)	-	(10,011)
Total net investment income	<u>2,736</u>	<u>63,499</u>	<u>93,506</u>	<u>159,741</u>	<u>(38)</u>	<u>159,703</u>
Total additions	<u>205,337</u>	<u>2,587,604</u>	<u>548,504</u>	<u>3,341,445</u>	<u>462</u>	<u>3,341,907</u>
Deductions:						
Distribution from investment pool	<u>192,396</u>	<u>2,519,058</u>	<u>604,435</u>	<u>3,315,889</u>	<u>-</u>	<u>3,315,889</u>
Change in net assets	12,941	68,546	(55,931)	25,556	462	26,018
Net assets - beginning	<u>108,530</u>	<u>709,477</u>	<u>666,531</u>	<u>1,484,538</u>	<u>2,525</u>	<u>1,487,063</u>
Net assets - ending	<u>\$ 121,471</u>	<u>\$ 778,023</u>	<u>\$ 610,600</u>	<u>\$ 1,510,094</u>	<u>\$ 2,987</u>	<u>\$ 1,513,081</u>

COUNTY OF SAN MATEO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Balance July 1, 2005	Addition	Deletion	Balance June 30, 2006
<u>COUNTY LIBRARY</u>				
Assets:				
Cash and investments	\$ 7,379	\$ 18,966	\$ 17,831	\$ 8,514
Securities lending collateral	1,348	-	6	1,342
Interest receivable	55	92	55	92
Taxes receivable, net	1,116	1,078	1,116	1,078
Due from other governmental agencies	501	345	-	846
Other assets	1,743	1,968	3,065	646
Total assets	<u>\$ 12,142</u>	<u>\$ 22,449</u>	<u>\$ 22,073</u>	<u>\$ 12,518</u>
Liabilities:				
Securities lending collateral - due to borrowers	\$ 1,348	\$ -	\$ 6	\$ 1,342
Due to other governmental agencies	3	23	-	26
Fiduciary liabilities	10,791	39,928	39,569	11,150
Total liabilities	<u>\$ 12,142</u>	<u>\$ 39,951</u>	<u>\$ 39,575</u>	<u>\$ 12,518</u>
 <u>UNAPPORTIONED TAXES</u>				
Assets:				
Cash and investments	\$ 71,736	\$ 3,163,456	\$ 3,145,669	\$ 89,523
Securities lending collateral	13,106	1,009	-	14,115
Interest receivable	460	686	460	686
Due from other governmental agencies	33,448	-	33,448	-
Other assets	-	30,442	30,442	-
Total assets	<u>\$ 118,750</u>	<u>\$ 3,195,593</u>	<u>\$ 3,210,019</u>	<u>\$ 104,324</u>
Liabilities:				
Securities lending collateral- due to borrowers	\$ 13,106	\$ 1,009	\$ -	\$ 14,115
Due to other governmental agencies	54,075	5,884	-	59,959
Fiduciary liabilities	51,569	3,260,173	3,281,492	30,250
Total liabilities	<u>\$ 118,750</u>	<u>\$ 3,267,066</u>	<u>\$ 3,281,492</u>	<u>\$ 104,324</u>
 <u>TRIAL COURTS OPERATION</u>				
Assets:				
Cash and investments	\$ 12,228	\$ 47,173	\$ 48,250	\$ 11,151
Securities lending collateral	2,234	-	476	1,758
Interest receivable	92	131	92	131
Due from other governmental agencies	147	576	148	575
Other assets	733	2,046	1,826	953
Total assets	<u>\$ 15,434</u>	<u>\$ 49,926</u>	<u>\$ 50,792</u>	<u>\$ 14,568</u>
Liabilities:				
Securities lending collateral - due to borrowers	\$ 2,234	\$ -	\$ 476	\$ 1,758
Fiduciary liabilities	13,200	98,191	98,581	12,810
Total liabilities	<u>\$ 15,434</u>	<u>\$ 98,191</u>	<u>\$ 99,057</u>	<u>\$ 14,568</u>
 <u>PUBLIC ADMINISTRATOR</u>				
Assets:				
Cash and investments	\$ 5,676	\$ 14,267	\$ 11,368	\$ 8,575
Securities lending collateral	1,037	315	-	1,352
Interest receivable	38	92	39	91
Other assets	2,693	6	2,031	668
Total assets	<u>\$ 9,444</u>	<u>\$ 14,680</u>	<u>\$ 13,438</u>	<u>\$ 10,686</u>
Liabilities:				
Securities lending collateral - due to borrowers	\$ 1,037	\$ 315	\$ -	\$ 1,352
Fiduciary liabilities	8,407	16,401	15,474	9,334
Total liabilities	<u>\$ 9,444</u>	<u>\$ 16,716</u>	<u>\$ 15,474</u>	<u>\$ 10,686</u>

(Continued)

COUNTY OF SAN MATEO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2006
(In Thousands)

	Balance July 1, 2005	Addition	Deletion	Balance June 30, 2006
<u>PUBLIC GUARDIAN</u>				
Assets:				
Cash and investments	\$ 20,217	\$ 47,535	\$ 46,867	\$ 20,885
Securities lending collateral	3,693	-	401	3,292
Interest receivable	158	224	158	224
Due from other governmental agencies	5	34	39	-
Other assets	32,608	7,338	3,507	36,439
Total assets	<u>\$ 56,681</u>	<u>\$ 55,131</u>	<u>\$ 50,972</u>	<u>\$ 60,840</u>
Liabilities:				
Securities lending collateral - due to borrowers	\$ 3,693	\$ -	\$ 401	\$ 3,292
Due to other governmental agencies	663	1,097	663	1,097
Fiduciary liabilities	52,325	63,168	59,042	56,451
Total liabilities	<u>\$ 56,681</u>	<u>\$ 64,265</u>	<u>\$ 60,106</u>	<u>\$ 60,840</u>
<u>OTHER AGENCY</u>				
Assets:				
Cash and investments	\$ 80,864	\$ 4,429,504	\$ 4,464,339	\$ 46,029
Securities lending collateral	14,809	-	7,560	7,249
Interest receivable	837	917	851	903
Taxes receivable, net	113,060	116,185	113,889	115,356
Due from other governmental agencies	30,989	17,698	20,348	28,339
Other assets	35,032	54,077	57,151	31,958
Total assets	<u>\$ 275,591</u>	<u>\$ 4,618,381</u>	<u>\$ 4,664,138</u>	<u>\$ 229,834</u>
Liabilities:				
Securities lending collateral - due to borrowers	\$ 14,809	\$ -	\$ 7,560	\$ 7,249
Due to other governmental agencies	33,358	801	32,167	1,992
Fiduciary liabilities	227,424	4,766,485	4,773,316	220,593
Total liabilities	<u>\$ 275,591</u>	<u>\$ 4,767,286</u>	<u>\$ 4,813,043</u>	<u>\$ 229,834</u>
<u>TOTALS</u>				
Assets:				
Cash and investments	\$ 198,100	\$ 7,720,901	\$ 7,734,324	\$ 184,677
Securities lending collateral	36,227	1,324	8,443	29,108
Receivables:				
Interest	1,640	2,142	1,655	2,127
Taxes, net	114,176	117,263	115,005	116,434
Due from other governmental agencies	65,090	18,653	53,983	29,760
Other assets	72,809	95,877	98,022	70,664
Total assets	<u>\$ 488,042</u>	<u>\$ 7,956,160</u>	<u>\$ 8,011,432</u>	<u>\$ 432,770</u>
Liabilities:				
Securities lending collateral - due to borrowers	\$ 36,227	\$ 1,324	\$ 8,443	\$ 29,108
Due to other governmental agencies	88,099	7,805	32,830	63,074
Fiduciary liabilities	363,716	8,244,346	8,267,474	340,588
Total liabilities	<u>\$ 488,042</u>	<u>\$ 8,253,475</u>	<u>\$ 8,308,747</u>	<u>\$ 432,770</u>



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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 contains information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity

This segment contains present 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 contains demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

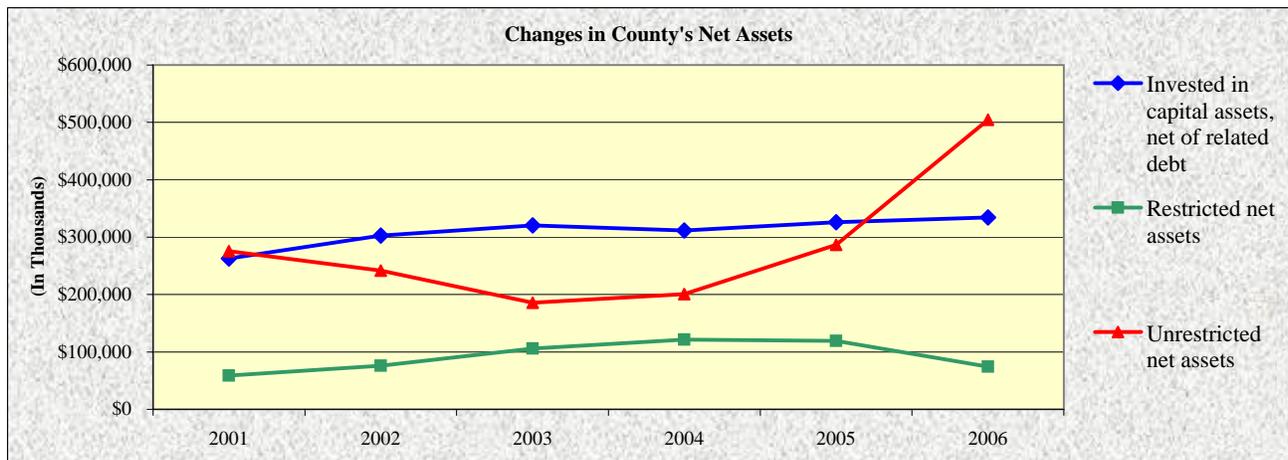
Operating information

This segment contains 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.

Note: Schedules designed to present government-wide information in this section cover periods beginning from FY 2000-01, the year GASB Statement No. 34 was implemented.

COUNTY OF SAN MATEO
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities						
Invested in capital assets, net of related debt ¹	\$ 209,076	\$ 264,251	\$ 281,735	\$ 271,872	\$ 287,265	\$ 292,983
Restricted for:						
Government programs ³	-	953	49,533	45,207	60,012	68,414
Debt service	55,235	72,592	34,505	71,958	58,217	65
Capital projects	-	-	18,917	-	-	4,574
Unrestricted	<u>285,608</u>	<u>259,093</u>	<u>197,799</u>	<u>219,281</u>	<u>302,777</u>	<u>514,597</u>
Subtotal governmental activities net assets	<u>549,919</u>	<u>596,889</u>	<u>582,489</u>	<u>608,318</u>	<u>708,271</u>	<u>880,633</u>
Business-type Activities						
Invested in capital assets, net of related debt	53,812	38,721	38,836	39,797	38,771	41,223
Restricted for:						
Housing assistance programs	3,731	2,638	3,219	4,167	1,127	1,506
Unrestricted (Deficit)	<u>(10,010)</u>	<u>(17,361)</u>	<u>(12,045)</u>	<u>(18,445)</u>	<u>(16,007)</u>	<u>(9,901)</u>
Subtotal business-type activities net assets	<u>47,533</u>	<u>23,998</u>	<u>30,010</u>	<u>25,519</u>	<u>23,891</u>	<u>32,828</u>
Primary Government						
Invested in capital assets, net of related debt	262,888	302,972	320,571	311,669	326,036	334,206
Restricted for:						
Government programs	-	953	49,533	45,207	60,012	68,414
Debt service	55,235	72,592	34,505	71,958	58,217	65
Capital projects	-	-	18,917	-	-	4,574
Housing assistance programs	3,731	2,638	3,219	4,167	1,127	1,506
Total restricted	<u>58,966</u>	<u>76,183</u>	<u>106,174</u>	<u>121,332</u>	<u>119,356</u>	<u>74,559</u>
Unrestricted ⁴	<u>275,598</u>	<u>241,732</u>	<u>185,754</u>	<u>200,836</u>	<u>286,770</u>	<u>504,696</u>
Total primary government net assets ²	<u>\$ 597,452</u>	<u>\$ 620,887</u>	<u>\$ 612,499</u>	<u>\$ 633,837</u>	<u>\$ 732,162</u>	<u>\$ 913,461</u>
Percent of increase (decrease) in primary government net assets	-	3.92%	-1.35%	3.48%	15.51%	24.76%



Source: Comprehensive Annual Financial Reports - County of San Mateo, California

- 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, and public assistance.
- 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. See Note 2(1) in the notes to the basic financial statements for more details.

COUNTY OF SAN MATEO

Changes in Net Assets

Last Six Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year Ended June 30,					
	2001	2002	2003	2004	2005	2006
Expenses						
<u>Governmental activities:</u>						
General government	\$ 50,942	\$ 61,071	\$ 60,667	\$ 60,845	\$ 60,798	\$ 68,175
Public protection	191,195	204,037	224,777	242,405	243,797	253,800
Public ways and facilities	15,611	24,925	21,546	22,657	19,938	19,701
Health and sanitation	142,654	154,955	152,449	157,452	170,679	173,311
Public assistance	149,934	169,021	172,014	182,914	184,150	195,258
Education	179	194	190	145	151	142
Recreation	7,277	8,011	7,685	7,397	7,401	8,032
Interest on long-term debt	13,866	14,677	14,603	17,023	19,019	19,459
Total governmental activities expenses	<u>571,658</u>	<u>636,891</u>	<u>653,931</u>	<u>690,838</u>	<u>705,933</u>	<u>737,878</u>
<u>Business-type activities:</u>						
San Mateo Medical Center	158,606	142,399	131,243	164,972	178,500	188,920
Airports	1,591	1,525	1,744	1,706	1,654	1,753
Coyote Point Marina	1,260	1,027	1,153	1,250	1,045	1,330
Housing Authority	34,052	48,314	68,695	71,776	69,899	64,615
Total business-type activities expenses	<u>195,509</u>	<u>193,265</u>	<u>202,835</u>	<u>239,704</u>	<u>251,098</u>	<u>256,618</u>
Total primary government expenses	<u>\$ 767,167</u>	<u>\$ 830,156</u>	<u>\$ 856,766</u>	<u>\$ 930,542</u>	<u>\$ 957,031</u>	<u>\$ 994,496</u>
Program Revenues						
<u>Governmental activities:</u>						
Charges for services						
General government	\$ 30,167	\$ 24,229	\$ 30,544	\$ 33,083	\$ 33,089	\$ 31,903
Public protection	23,460	22,941	24,441	28,093	30,603	29,831
Public ways and facilities	2,338	2,386	3,812	3,047	3,544	3,451
Health and sanitation	47,334	42,985	42,777	44,528	47,634	49,094
Public assistance	6,188	6,412	5,406	4,953	4,297	7,160
Recreation	1,185	1,168	1,224	1,361	1,262	1,266
Operating grants and contributions	320,699	339,288	343,808	368,896	382,115	392,847
Capital grants and contributions	140	17	18	3,304	10,130	13,068
Total governmental activities program revenues	<u>431,511</u>	<u>439,426</u>	<u>452,030</u>	<u>487,265</u>	<u>512,674</u>	<u>528,620</u>
<u>Business-type activities:</u>						
Charges for services						
San Mateo Medical Center	88,784	73,075	67,948	97,307	112,751	123,695
Airports	1,536	1,819	1,768	1,817	1,888	1,904
Coyote Point Marina	1,036	1,087	1,123	1,047	1,101	1,192
Housing Authority	1,140	1,173	1,309	1,444	1,979	1,932
Operating grants and contributions	83,204	83,099	102,962	75,280	75,310	73,128
Capital grants and contributions	147	-	5,839	3,680	8,618	5,385
Total business-type activities program revenues	<u>175,847</u>	<u>160,253</u>	<u>180,949</u>	<u>180,575</u>	<u>201,647</u>	<u>207,236</u>
Total primary government program revenues	<u>\$ 607,358</u>	<u>\$ 599,679</u>	<u>\$ 632,979</u>	<u>\$ 667,840</u>	<u>\$ 714,321</u>	<u>\$ 735,856</u>
Net (Expense)/Revenue ¹						
Governmental activities	\$ (140,147)	\$ (197,465)	\$ (201,901)	\$ (203,573)	\$ (193,259)	\$ (209,258)
Business-type activities	(19,662)	(33,012)	(21,886)	(59,129)	(49,451)	(49,382)
Total primary government net expense	<u>\$ (159,809)</u>	<u>\$ (230,477)</u>	<u>\$ (223,787)</u>	<u>\$ (262,702)</u>	<u>\$ (242,710)</u>	<u>\$ (258,640)</u>

Source: County's Comprehensive Annual Financial Reports

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.

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COUNTY OF SAN MATEO

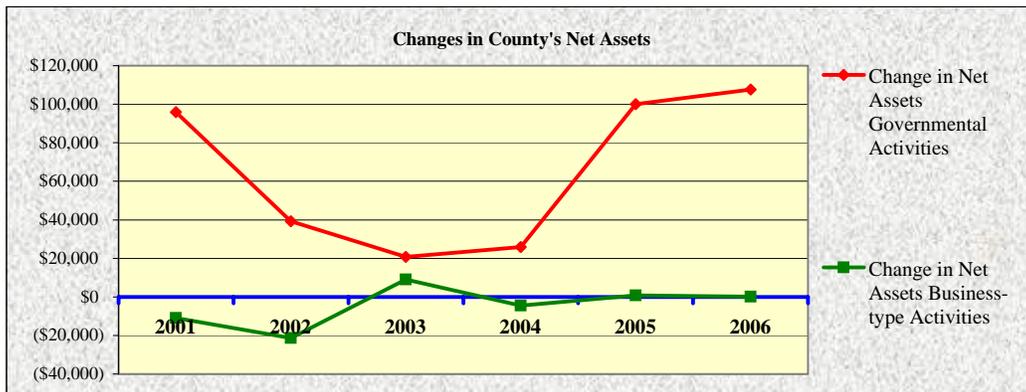
Changes in Net Assets

Last Six Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year Ended June 30,					
	2001	2002	2003	2004	2005	2006
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
Property transfer taxes	5,534	4,984	5,849	7,003	8,111	8,487
Sales and use taxes	18,243	16,155	15,882	15,762	16,061	12,986
In-lieu sales taxes	-	-	-	-	-	3,878 ²
Transient occupancy taxes	766	666	590	632	815	839
Aircraft taxes	1,166	1,336	1,123	1,017	814	821
Other taxes	1,776	-	-	-	2	5
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
Securities lending activities:						
Securities lending income	-	-	588	850	1,895	3,689
Securities lending expenses	-	-	(525)	(720)	(1,761)	(3,569)
Miscellaneous	11,819	18,660	13,890	20,293	20,707	21,680
Special items	495	(1,598)	-	-	-	-
Transfers	(7,528)	(12,225)	(29,403)	(52,082)	(50,022)	(49,291)
Total governmental activities	<u>236,005</u>	<u>236,776</u>	<u>222,690</u>	<u>229,402</u>	<u>293,212</u>	<u>316,952</u>
<u>Business-type activities:</u>						
Unrestricted interest and investment earnings	847	896	719	252	258	286
Securities lending activities:						
Securities lending income	-	-	31	16	30	83
Securities lending expenses	-	-	(27)	(12)	(27)	(80)
Miscellaneous	268	10,059	849	2,300	-	-
Special items	-	(11,445)	-	-	-	-
Transfers	7,528	12,225	29,403	52,082	50,022	49,291
Total business-type activities	<u>8,643</u>	<u>11,735</u>	<u>30,975</u>	<u>54,638</u>	<u>50,283</u>	<u>49,580</u>
Total primary government	<u>\$ 244,648</u>	<u>\$ 248,511</u>	<u>\$ 253,665</u>	<u>\$ 284,040</u>	<u>\$ 343,495</u>	<u>\$ 366,532</u>
Change in Net Assets						
Governmental activities	\$ 95,858	\$ 39,311	\$ 20,789	\$ 25,829	\$ 99,953	\$ 107,694
Business-type activities	(11,019)	(21,277)	9,089	(4,491)	832	198
Total primary government	<u>\$ 84,839</u>	<u>\$ 18,034</u>	<u>\$ 29,878</u>	<u>\$ 21,338</u>	<u>\$ 100,785</u>	<u>\$ 107,892</u>

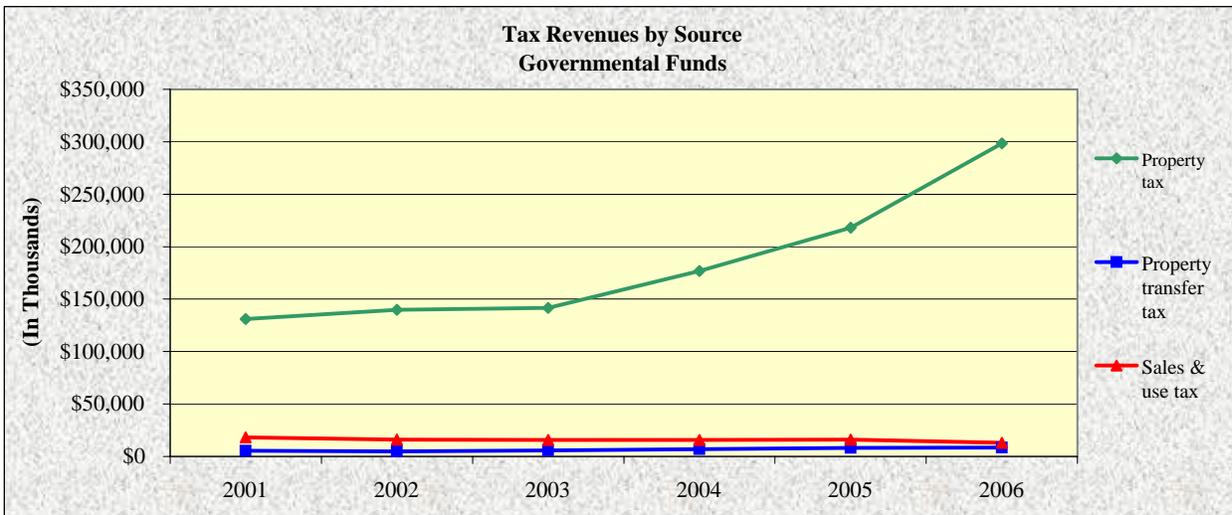


² This amount reflected the County's share of revenues from "Triple Flip", a State legislation enacted to replace 0.25% sales tax revenue to local governments via a temporary reduction to ERAF until the State's recovery loan is fully paid.

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 was based on the assessed valuations of property and reported as property tax revenue.

COUNTY OF SAN MATEO
Governmental Activities Tax Revenues by Source
Last Six Fiscal Years
(accrual basis of accounting)
(In Thousands)

Fiscal Year	Property		Sales and Use	Transient Occupancy	Aircraft	In-Lieu		Total
	Property	Transfer				Sales Tax	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	839	821	3,878 ⁴	5	325,384
Change								
2001 - 2006	128.0%	53.4%	-28.8%	9.5%	-29.6%	n/a	-99.7%	105.5%



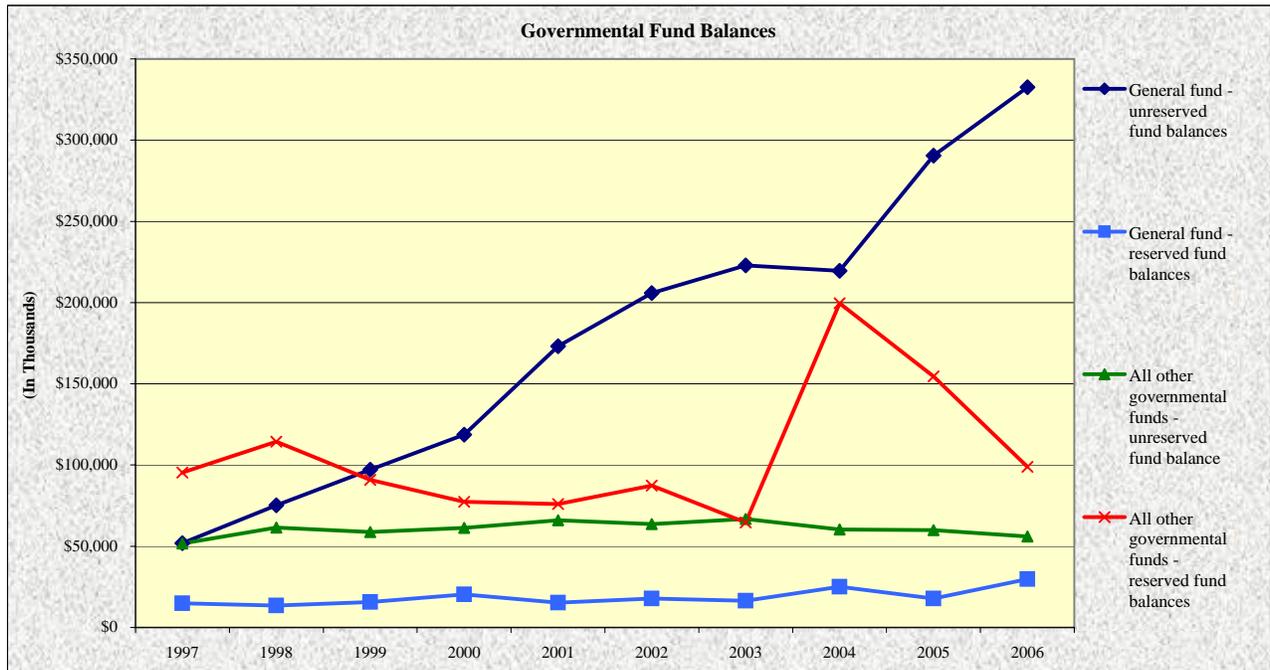
n/a - not applicable

Source: Controller's Office - County of San Mateo, California

- 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 this year, 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 in an amount of \$62,238 was based on the assessed valuations of property and is reported as property tax revenue. Anticipated growth in assessed valuations for secured property and increase in ERAF rebate account for the remaining increase in 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 via a temporary reduction to ERAF until the State's recovery loan is fully paid.

COUNTY OF SAN MATEO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund										
Reserved for:										
Encumbrances	\$ 5,959	\$ 6,465	\$ 8,655	\$ 9,943	\$ 9,977	\$ 12,609	\$ 11,274	\$ 2,902	\$ 3,070	\$ 3,737
Inventories and advances	9,015	7,133	6,948	10,516	5,218	5,173	5,099	22,141	14,771	26,092
Unreserved	<u>51,937</u>	<u>75,172</u>	<u>97,223</u>	<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>
Total general fund	<u>66,911</u>	<u>88,770</u>	<u>112,826</u>	<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>
All Other Governmental Funds										
Reserved for:										
Encumbrances	12,818	5,760	9,425	11,339	15,221	11,245	7,768	2,373	287	21
Debt service	77,888	104,745	77,546	62,240	57,255	72,592	34,505	71,958	58,217	65,244
Inventories and advances	4,747	3,805	3,900	3,789	3,603	3,569	3,369	3,393	3,420	3,404
Capital projects	-	-	-	-	-	-	18,917	121,796	92,606	30,314
Unreserved										
Special revenue	45,789	52,259	53,219	56,125	59,771	56,690	60,015	51,132	51,073	45,542
Debt service	1,195	533	257	-	-	-	-	-	-	-
Capital projects	4,644	8,792	5,252	5,172	6,191	7,011	6,775	9,187	8,939	10,570
Total all other governmental fund	<u>147,081</u>	<u>175,894</u>	<u>149,599</u>	<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>
Total Governmental Funds²										
Reserved for:										
Encumbrances	18,777	12,225	18,080	21,282	25,198	23,854	19,042	5,275	3,357	3,758
Debt service	77,888	104,745	77,546	62,240	57,255	72,592	34,505	71,958	58,217	65,244
Inventories and advances	13,762	10,938	10,848	14,305	8,821	8,742	8,468	25,534	18,191	29,496
Capital projects	-	-	-	-	-	-	18,917	121,796	92,606	30,314
Unreserved										
General Fund	51,937	75,172	97,223	118,691	173,189	205,836	222,896	219,529	290,471	332,479
Special revenue	45,789	52,259	53,219	56,125	59,771	56,690	60,015	51,132	51,073	45,542
Debt service	1,195	533	257	-	-	-	-	-	-	-
Capital projects	4,644	8,792	5,252	5,172	6,191	7,011	6,775	9,187	8,939	10,570
Total governmental funds	<u>\$ 213,992</u>	<u>\$ 264,664</u>	<u>\$ 262,425</u>	<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>



Source: Comprehensive Annual Financial Reports - County of San Mateo, California

¹ The substantial increase in fund balance is explained in Management's Discussion and Analysis.

² Governmental funds include general fund, special revenue funds, debt service funds and capital project funds.

COUNTY OF SAN MATEO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	Fiscal Year										10 Year % of Increase/ Decrease
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 ¹	Decrease
Revenues											
Taxes	\$ 116,039	\$ 123,070	\$ 125,733	\$ 135,970	\$ 152,469	\$ 165,309	\$ 166,717	\$ 200,766	\$ 225,830	\$ 317,504	173.62%
Licenses and permits	2,592	3,162	3,716	6,079	7,786	8,419	8,306	8,829	11,683	12,814	394.37%
Intergovernmental	315,663	314,056	331,205	363,420	351,795	391,521	393,075	406,135	437,231	386,003	22.28%
Charges for services	59,123	63,717	72,386	66,842	90,972	84,090	90,071	89,131	91,147	102,524	73.41%
Fines, forfeitures and penalties	2,470	7,110	8,330	11,626	11,127	10,445	8,789	9,589	8,831	9,285	275.91%
Rents and concessions	1,692	1,792	1,994	1,826	1,710	1,813	2,449	1,017	1,005	914	-45.98%
Investment income	18,390	22,324	15,306	22,128	25,615	21,456	20,660	6,983	19,359	18,267	-0.67%
Securities lending activities:											
Securities lending income	-	-	-	-	-	-	588	783	1,894	3,203	na
Securities lending expenditures	-	-	-	-	-	-	(525)	(663)	(1,760)	(3,098)	na
Other revenues	19,764	15,545	16,027	22,363	12,882	15,635	14,760	30,537	29,885	26,300	33.07%
Total revenues	<u>535,733</u>	<u>550,776</u>	<u>574,697</u>	<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>	63.09%
Expenditures											
General government	42,141	44,811	43,233	44,420	49,311	53,959	53,134	55,000	58,591	62,912	49.29%
Public protection	188,657	162,311	166,206	177,912	187,004	197,230	215,660	231,717	236,522	246,166	30.48%
Public ways and facilities	15,495	20,033	15,044	15,921	20,505	25,758	22,606	21,434	18,852	18,829	21.52%
Health and sanitation	101,421	108,679	118,811	134,028	141,622	152,896	148,363	153,376	166,250	168,658	66.29%
Public assistance	129,215	151,800	156,236	171,723	149,100	166,134	170,225	181,075	181,769	192,731	49.16%
Education	8,229	9,194	5,274	185	183	197	192	145	118	141	-98.29%
Recreation	5,046	5,501	5,914	6,182	6,773	7,241	7,018	6,682	6,566	7,310	44.87%
Capital outlay	35,919	25,948	46,107	38,414	29,126	50,986	42,169	34,802	72,262	77,000	114.37%
Debt service:											
Principal	10,864	2,213	7,480	5,902	6,656	5,693	5,440	7,756	7,172	7,052	-35.09%
Interest	15,143	14,614	15,023	16,336	13,365	14,177	14,707	16,892	18,515	19,804	30.78%
Bond issuance costs	-	-	-	-	-	703	-	4,077	480	-	na
Total expenditures	<u>552,130</u>	<u>545,104</u>	<u>579,328</u>	<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>	45.00%
Excess of revenues over (under) expenditures	<u>(16,397)</u>	<u>5,672</u>	<u>(4,631)</u>	<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>	545.89%
Other financing sources (uses)											
Issuance of lease revenue bonds/ certificates of participation (COP)	-	78,985	113,140	-	-	32,890	-	155,350	10,380	-	na
Issuance of refunding bonds	-	-	-	560	-	-	-	7,805	-	-	na
Premium on lease revenue bonds/COP	-	-	-	-	-	-	-	342	75	-	na
Discount on lease revenue bonds/COP	-	-	-	-	-	(146)	-	-	-	-	na
Payment to refunded bond escrow agent	-	(33,203)	(108,856)	-	-	-	-	(7,823)	-	-	na
Proceeds from sale of capital assets	-	-	-	-	1,500	134	-	-	2	46	na
Transfers in	21,969	34,020	34,389	47,045	50,445	72,563	40,379	57,790	53,485	53,632	144.13%
Transfers out	(25,630)	(32,613)	(35,302)	(52,075)	(58,038)	(84,855)	(69,862)	(119,822)	(103,507)	(132,242)	415.97%
Total other financing sources (uses)	<u>(3,661)</u>	<u>47,189</u>	<u>3,371</u>	<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>	2045.97%
Net change in fund balances	<u>\$ (20,058)</u>	<u>\$ 52,861</u>	<u>\$ (1,260)</u>	<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>	72.82%
Debt service as a percentage of noncapital expenditures	5.04%	3.24%	4.22%	3.88%	3.48%	3.30%	3.16%	4.24%	3.77%	3.71%	

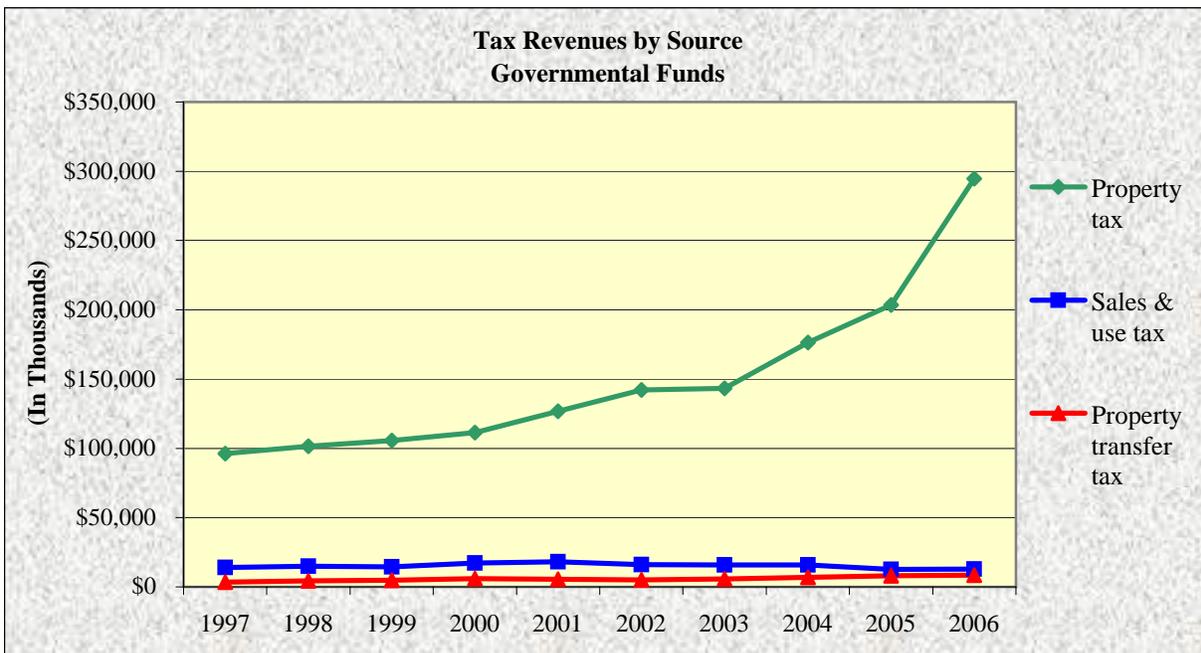
Source: Comprehensive Annual Financial Reports - County of San Mateo, California

¹ See the Management's Discussion and Analysis for reasons attributed to significant changes in revenues, expenditures, and fund balances.

na - 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
1997	\$ 96,113	\$ 13,968	\$ 439	\$ 3,454	\$ 2,065	\$ 116,039
1998	101,514	14,933	454	4,336	1,833	123,070
1999	105,664	14,477	474	4,790	328	125,733
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 ¹	15,762	1,017	7,003	632	200,765
2005	203,499 ²	12,706	814	8,111	700	225,830
2006	294,569 ³	12,855	821	8,487	772	317,504
Change 1997-2006	206.5%	-8.0%	87.0%	145.7%	-62.6%	173.6%



Source: Controller's Office - County of San Mateo, California

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.

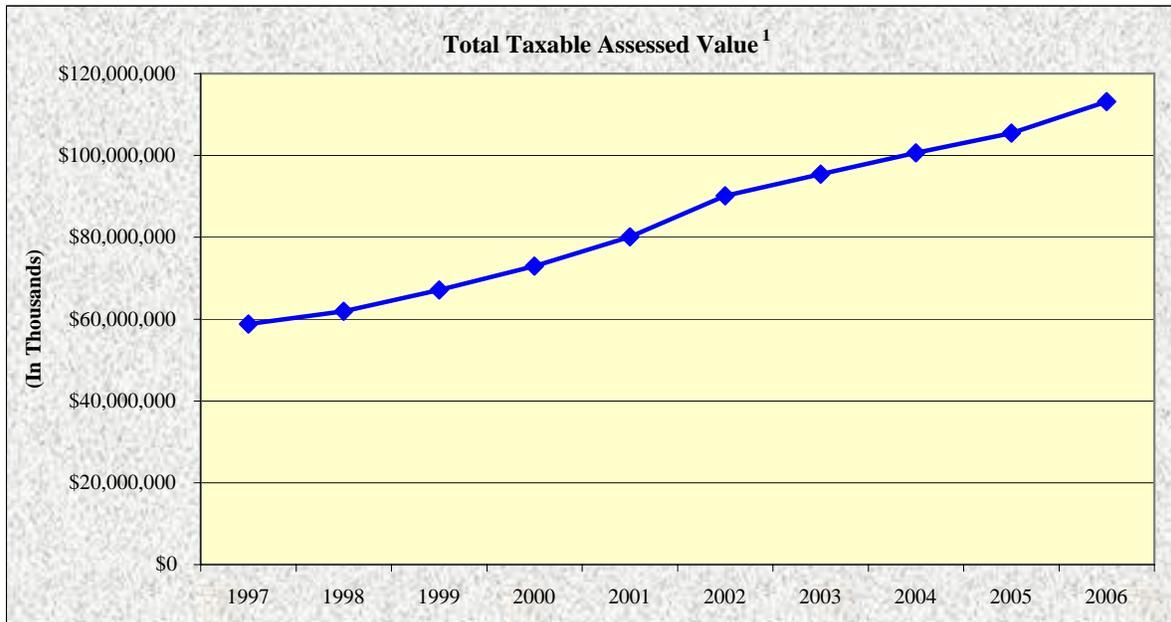
² The County received approximately \$23 million more in property tax rebates from in FY 2005, which accounted for most of the increase.

³ The County received approximately \$64 million more in property tax rebates from ERAF in FY 2006, which accounted for most of the increase.

COUNTY OF SAN MATEO
Assessed Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
1997	\$ 55,683,796	\$ 5,506,158	\$ 2,420,565	\$ 58,769,389	1.00%
1998	58,534,192	5,866,439	2,502,633	61,897,998	1.00%
1999	62,862,243	6,795,063	2,542,875	67,114,431	1.00%
2000	68,989,934	6,594,451	2,669,020	72,915,365	1.00%
2001	75,398,222	7,450,029	2,727,954	80,120,297	1.00%
2002	84,984,729	8,043,961	2,920,396	90,108,294	1.00%
2003	90,740,193	7,787,859	3,073,046	95,455,006	1.00%
2004	96,465,383	7,468,918	3,271,733	100,662,568	1.00%
2005	102,268,521	6,406,818	3,222,916	105,452,423	1.00%
2006	110,747,828	6,034,679	3,626,924	113,155,583	1.00%

10 year % of Change	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value
	98.89%	9.60%	49.84%	92.54%



Source: Assessor's Office - County of San Mateo, California

¹ Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased to reflect:

- a) annual inflation up to 2 percent;
- b) current market value at time of ownership change;
- c) market value for new construction.

Note: Estimated actual value of taxable property cannot easily be determined as the 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	County	Overlapping Governments			Total
	General Rate ²	Debt Service Tax Rate			
		Local Special Districts	Schools	Cities	
1997	1.0000	0.0004	0.0107	0.0025	1.0136
1998	1.0000	0.0004	0.0261	0.0022	1.0287
1999	1.0000	0.0004	0.0269	0.0021	1.0294
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	0.2975 ³	5.0790 ³	0.4841 ³	6.8606

Source: Controller's Office - County of San Mateo, California

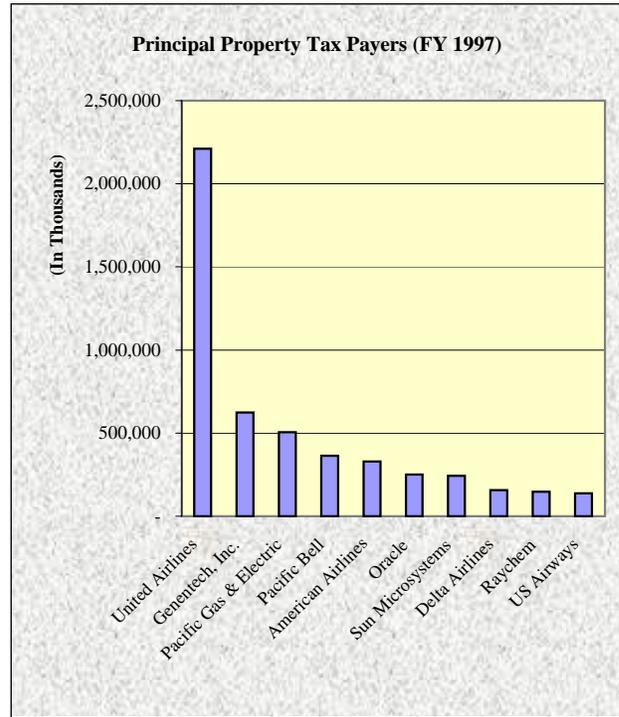
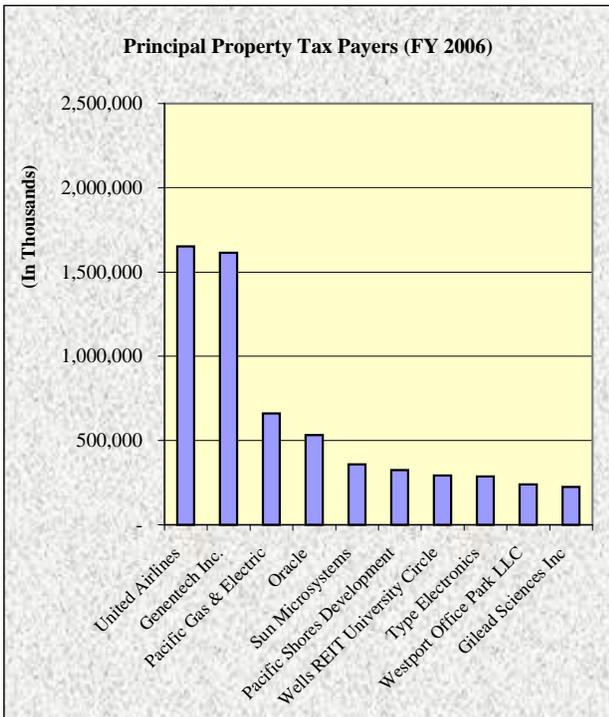
¹ On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) 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 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

² 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.

³ The General Obligation Indebtedness approved by the voters increased significantly in fiscal year 2005-06. The County increased the property tax rates to generate additional tax revenues to meet the debt service requirements of these jurisdictions.

COUNTY OF SAN MATEO
Principal Property Tax Payers
Current Fiscal Year and Nine Fiscal Year Ago
(In Thousands)

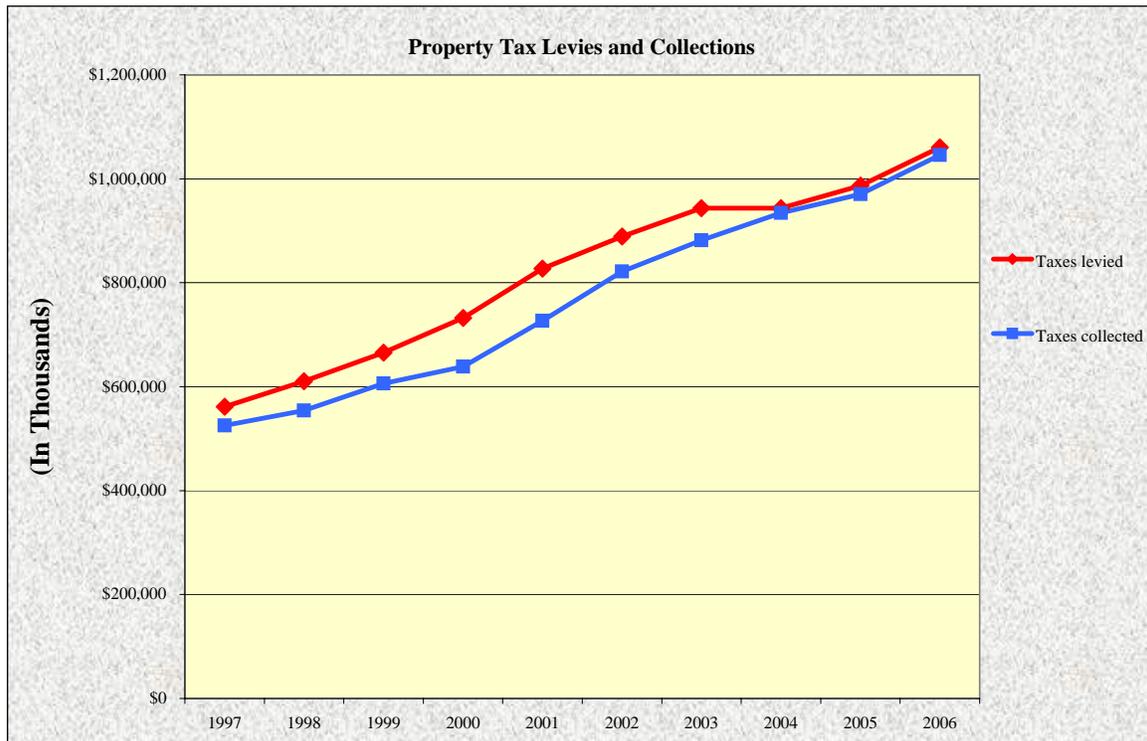
Tax Payer	Fiscal Year 2006			Fiscal Year 1997		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value
United Airlines	\$ 1,651,554	1	1.46%	\$ 2,210,194	1	3.76%
Genentech Inc.	1,615,162	2	1.43%	624,618	2	1.06%
Pacific Gas & Electric	660,596	3	0.58%	505,613	3	0.86%
Oracle	533,257	4	0.47%	250,883	6	0.43%
Sun Microsystems	359,438	5	0.32%	---	---	---
Pacific Shores Development	325,096	6	0.29%	242,524	7	0.41%
Wells REIT University Circle	293,000	7	0.26%	---	---	---
Type Electronics	287,929	8	0.25%	---	---	---
Westport Office Park LLC	239,700	9	0.21%	---	---	---
Gilead Sciences Inc	223,791	10	0.20%	---	---	---
AT&T (Pacific Bell)	---	---	---	363,738	4	0.62%
American Airlines	---	---	---	329,910	5	0.56%
Delta Airlines	---	---	---	157,777	8	0.27%
Raychem	---	---	---	147,182	9	0.27%
US Airways	---	---	---	137,324	10	0.23%
Total	\$ 6,189,523		5.47%	\$ 4,969,763		8.47%



¹ Taxable assessed value includes tax assessments on real and personal properties.

COUNTY OF SAN MATEO
Property Tax Levies and Collections
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30,	Total Tax Levy for the Fiscal Year					Collected within the Fiscal Year of the Levy		Total Collections to Date		
	General Levy	Debt Service Levy				Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
		County ¹	Local							
	Districts ²		Schools ²	Cities ²						
1997	\$ 517,947	\$ 207	\$ 6,136	\$ 1,390	\$ 525,680	\$ 525,493	99.96%	\$ 36	\$ 525,529	99.97%
1998	544,959	194	14,982	1,324	561,459	553,732	98.62%	433	554,165	98.70%
1999	590,190	217	18,375	1,342	610,124	605,415	99.23%	675	606,090	99.34%
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%	n/a	1,045,517	98.60%



Source: Assessor's Office - County of San Mateo, California

n/a - Information is unavailable

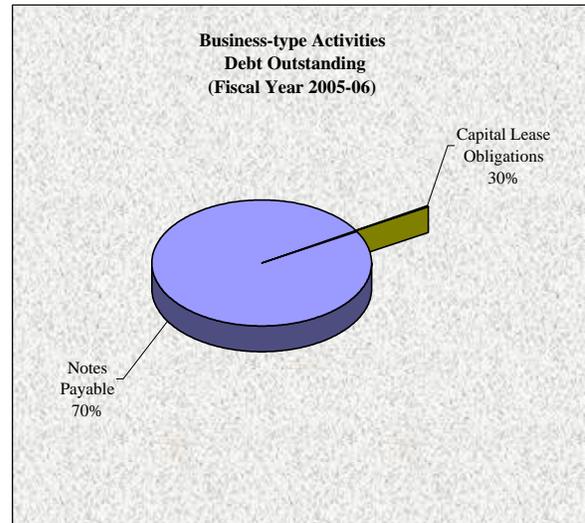
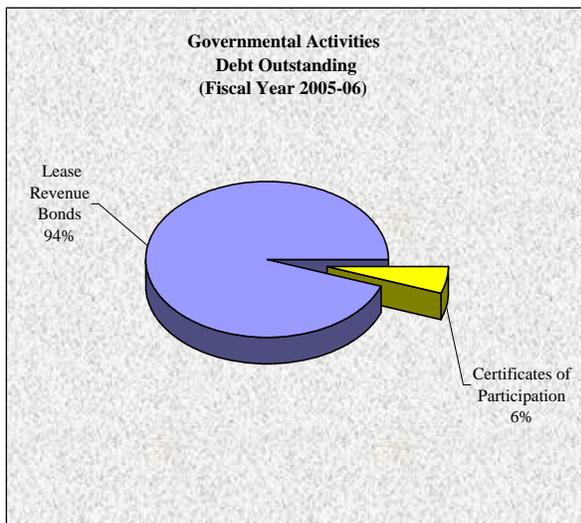
¹ Figures show the general tax dollars from secured, unsecured, homeowners, unitary and utility assessment rolls after tax shifts to schools.

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 tax assessment rolls provided by the County Assessor's Office.

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	State Settlement	Total	Notes Payable	Capital Lease Obligations	Total			
1997	\$ 220,503	\$ 1,915	\$ 4,855	\$ 18	\$ -	\$ 227,291	\$ 1,360	\$ 952	\$ 2,312	\$ 229,603	0.82%	\$ 323
1998	251,623	17,135	4,727	2,045	-	275,530	1,270	1,161	2,431	277,961	0.89%	385
1999	260,058	15,780	5,318	1,580	-	282,736	1,178	1,194	2,372	285,108	0.80%	392
2000	255,560	15,585	4,430	1,544	-	277,119	1,757	904	2,661	279,780	0.67%	396
2001	254,364	15,385	389	913	569	271,620	1,796	1,251	3,047	274,667	0.70%	386
2002	282,296	15,175	353	251	454	298,529	1,645	655	2,300	300,829	0.82%	420
2003	277,234	14,955	315	131	340	292,975	1,523	117	1,640	294,615	0.81%	409
2004	425,932	14,725	399	-	227	441,283	1,591	27	1,618	442,901	1.16%	622
2005	419,323	24,939	358	-	114	444,734	1,455	30	1,485	446,219	n/a	617
2006	411,942	24,687	316	-	-	436,945	1,314	5	1,319	438,264	n/a	605



Source: County Comprehensive Annual Financial Reports.

n/a - Information is unavailable.

¹ Lease revenue bonds are limited obligations of the San Mateo County Joint Powers Financing Authority (Authority) payable solely from, and secured by, revenues of the Authority. The Authority's revenues primarily consist of the base rental payments receivable from the County under a Master Facility Lease.

² Certificates of participation represent shares of lease-purchase payments for a flood control system made by the Authority. 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 a 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.

COUNTY OF SAN MATEO
Direct and Overlapping Debt
As of June 30, 2006
(In Thousands)

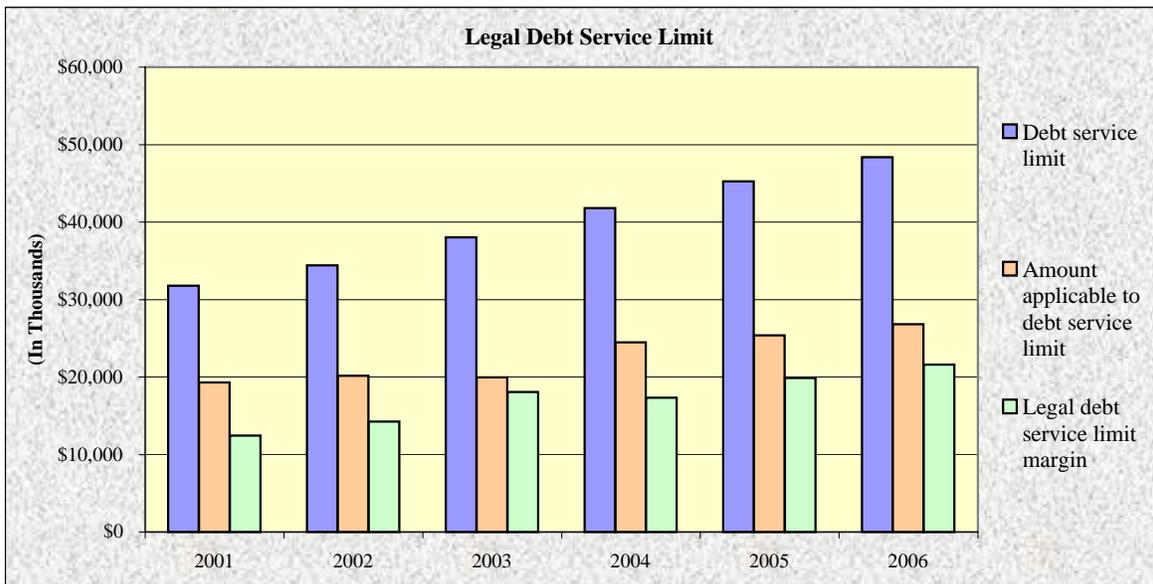
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct General Fund Obligation Debt			
San Mateo County General Fund Obligations	\$ 411,942	100.00%	\$ 411,942
San Mateo County Flood Control District Certificates of Participation	24,687	100.00%	24,687
Total direct debt	<u>436,629</u>		<u>436,629</u>
Overlapping General Fund Obligation Debt			
<i>Cities</i>			
City of Burlingame General Fund Obligations	27,855	100.00%	27,855
City of Redwood City General Fund Obligations	26,790	100.00%	26,790
Other City General Fund Obligations	125,195	100.00%	125,195
<i>Special Districts</i>			
Midpeninsula Regional Open Space Park General Fund Obligations	111,690	31.20%	34,846
San Mateo County Mosquito Abatement District Certificate of Participation	1,275	100.00%	1,275
Granada Sanitary District Certificates of Participation	807	100.00%	807
<i>School Districts</i>			
Cabrillo Unified School District General Fund Obligations	12,165	100.00%	12,165
Belmont School District General Fund Obligations	6,045	100.00%	6,045
San Mateo Community College District Certificates of Participation	30,885	100.00%	30,885
San Mateo County Board of Education Certificates of Participation	14,000	100.00%	14,000
Other School Districts General Fund Obligations	39,263	100.00%	39,263
Total overlapping general fund obligation debt	<u>395,970</u>		<u>319,126</u>
Overlapping Tax and Assessment Debt			
<i>Cities</i>			
	70,900	100.00%	70,900
<i>Special Districts</i>			
Estero Municipal Improvement District	2,845	100.00%	2,845
Redwood City General Improvement District No. 1-64	2,305	100.00%	2,305
Montara Sanitary District	17,010	100.00%	17,010
Community Facilities Districts	38,395	100.00%	38,395
Other Special Districts (1915 Act Bonds)	40,053	100.00%	40,053
<i>School Districts</i>			
Jefferson and San Mateo Union High School Districts	154,265	100.00%	154,265
Cabrillo Unified School District	25,241	100.00%	25,241
South San Francisco School District	36,825	100.00%	36,825
Sequoia Union High School District	197,590	100.00%	197,590
Jefferson School District	50,500	100.00%	50,500
Laguna Salada School District	29,402	100.00%	29,402
Redwood City School District	60,425	100.00%	60,425
San Carlos School District	53,894	100.00%	53,894
San Mateo - Foster City School District	101,852	100.00%	101,852
San Mateo Community College District	332,730	100.00%	332,730
Other School District	157,594	100.00%	157,594
Total overlapping tax and assessment debt	<u>1,371,826</u>		<u>1,371,826</u>
Total overlapping debt	<u>1,767,796</u>		<u>1,690,952</u>
Total direct and overlapping debt	<u>\$ 2,204,425</u>	¹	<u>\$ 2,127,581</u>

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 Six Fiscal Years
(In Thousands)

	<u>Fiscal Year</u>					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
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
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
Less: Amount applicable to debt service limit ³	<u>(19,316)</u>	<u>(20,171)</u>	<u>(19,969)</u>	<u>(24,464)</u>	<u>(25,372)</u>	<u>(26,805)</u>
Legal debt service margin	<u>\$ 12,453</u>	<u>\$ 14,240</u>	<u>\$ 18,050</u>	<u>\$ 17,351</u>	<u>\$ 19,868</u>	<u>\$ 21,590</u>
Legal debt service margin as a percentage of debt service limit	39.20%	41.38%	47.48%	41.49%	43.92%	44.61%



Source: County's Adopted Budget Books

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 by resolution 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 non-voter approved debt that is the obligation of the County.

³ The amount applicable to debt service limit represents the amount of debt service payment made towards non-voter approved debt that is the obligation of the County.

COUNTY OF SAN MATEO

Pledged Revenue Coverage

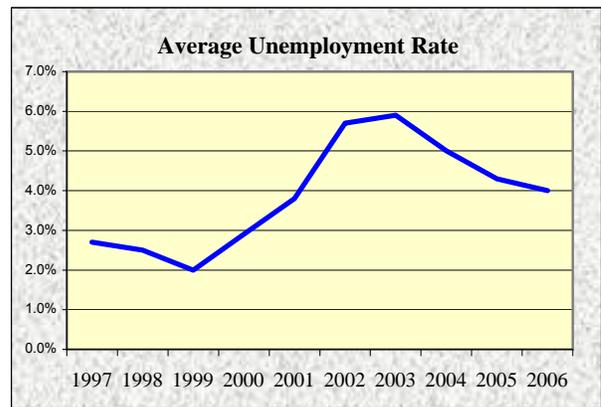
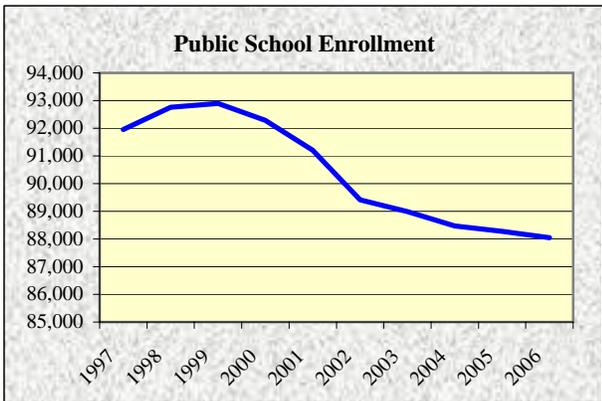
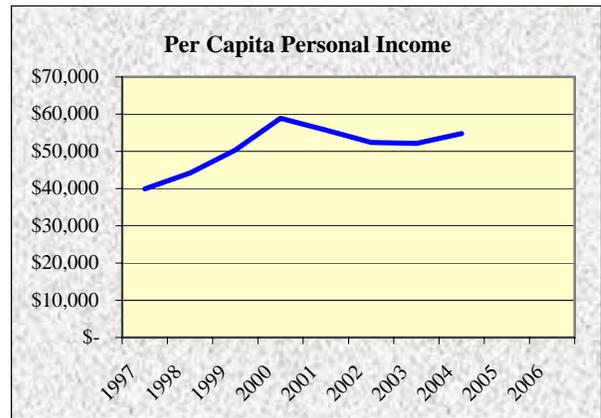
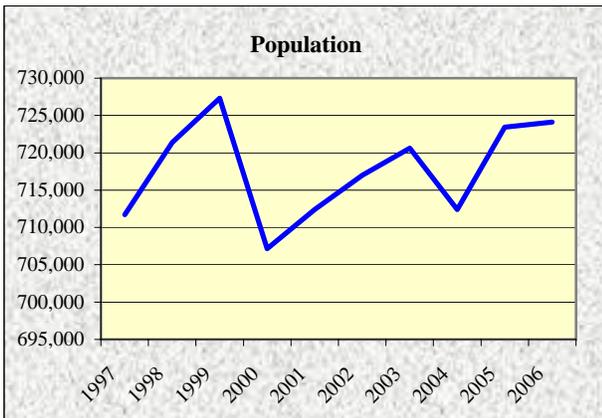
Last Six Fiscal Years

(In Thousands)

1993 Lease Revenue Bonds					2003 Lease Revenue Bonds				
Funding Source: General Fund and Criminal Justice Facilities Fund.					Funding Source: Rent from County departments occupying the facilities.				
Fiscal Year	Available	Debt Service		Coverage	Available	Debt Service		Coverage	
	Revenue	Principal	Interest			Revenue	Principal		Interest
2001	\$ 5,081	\$ 2,120	\$ 3,340	0.93 ¹	\$ -	\$ -	\$ -	-	
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	2,738	-	2,738	1.00	
2005	4,445	2,175	3,282	0.81	3,946	-	3,946	1.00	
2006	4,445	1,000	3,734	0.94	5,183	- ²	5,183	1.00	
1995 Lease Revenue Bonds					2004 Refunding Bonds				
Funding Source: General Fund, Court House Construction Fund, and claimable income maintenance revenue.					Funding Source: General Fund and San Mateo Medical Center.				
Fiscal Year	Available	Debt Service		Coverage	Available	Debt Service		Coverage	
	Revenue	Principal	Interest			Revenue	Principal		Interest
2001	\$ 1,376	\$ 575	\$ 103	2.03	\$ -	\$ -	\$ -	-	
2002	1,250	375	79	2.75	-	-	-	-	
2003	509	395	60	1.12	-	-	-	-	
2004	1,083	295	42	3.21	-	-	-	-	
2005	267	310	26	0.79	592	375	217	1.00	
2006	239	330	9	0.71	657	430	227	1.00	
1997 Lease Revenue Bonds					1997 Certificates of Participation				
Funding Source: Rent from County departments occupying the facilities.					Funding Source: Revenue from Colma Creek Flood Control Special District.				
Fiscal Year	Available	Debt Service		Coverage	Available	Debt Service		Coverage	
	Revenue	Principal	Interest			Revenue	Principal		Interest
2001	\$ 2,426	\$ 390	\$ 3,475	0.63	\$ 976	\$ 200	\$ 779	1.00	
2002	2,481	425	3,068	0.71	978	210	770	1.00	
2003	2,772	450	3,051	0.79	981	220	761	1.00	
2004	2,558	490	3,031	0.73	982	230	752	1.00	
2005	3,384	530	3,009	0.96	982	240	742	1.00	
2006	5,571	2,915	2,934	0.95	981	250	731	1.00	
1999 Lease Revenue Bonds					2004 Certificates of Participation				
Funding Source: General Fund, SB1732, Federally Qualified Health Center reimbursement, and tobacco settlement.					Funding Source: Revenue from Colma Creek Flood Control Special District.				
Fiscal Year	Available	Debt Service		Coverage	Available	Debt Service		Coverage	
	Revenue	Principal	Interest			Revenue	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	501	- ²	352	1.42	
2001 Lease Revenue Bonds					Sources: Debt service schedules. Contributions made by responsible funds/departments.				
Fiscal Year	Available	Debt Service		Coverage	Note: Details regarding the County's outstanding debt can be found in the notes to the basic financial statements .				
	Revenue	Principal	Interest		¹ Debt service payments not covered by available revenue were funded by amounts available in the interest, revenue, or reserve funds with the Trustee.				
2001	\$ -	\$ -	\$ -	-	² Retirement of principal begins in fiscal year 2007.				
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					

COUNTY OF SAN MATEO
Demographic and Economic Statistics
Last Ten Years

Year	Population ¹	Personal Income ⁵ <i>(amounts expressed in millions)</i>	Per Capita Personal Income ⁵	Median Age ²	Public School Enrollment ³	Average Unemployment Rate ⁴
1997	711,700	\$ 27,870	\$ 39,957	na	91,954	2.7%
1998	721,400	31,074	44,223	na	92,763	2.5%
1999	727,300	35,486	50,368	na	92,901	2.0%
2000	707,161	41,730	58,904	36.8	92,285	2.9%
2001	712,400	39,395	55,700	na	91,205	3.8%
2002	717,000	36,737	52,391	na	89,415	5.7%
2003	720,630	36,410	52,103	na	88,991	5.9%
2004	712,400	38,264	54,807	na	88,477	5.0%
2005	723,453	na	na	na	88,273	4.3%
2006	724,104	na	na	na	88,047	4.0%



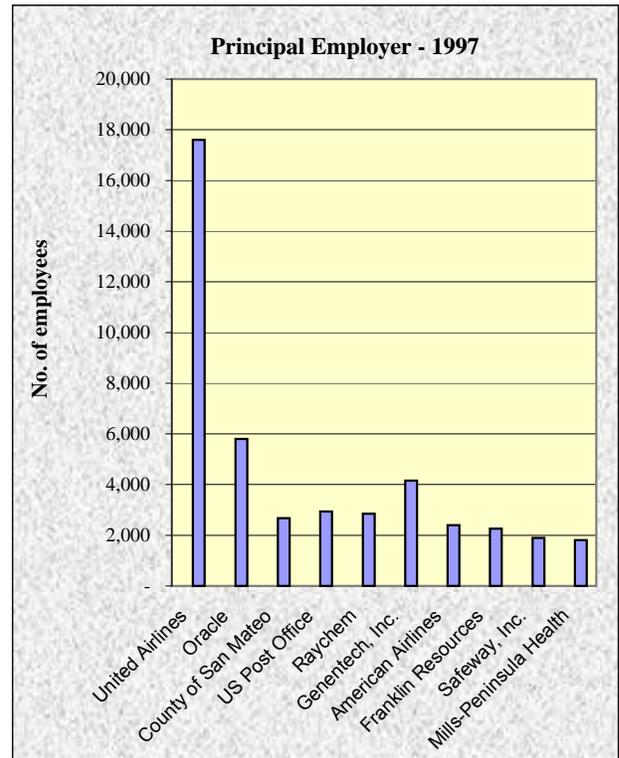
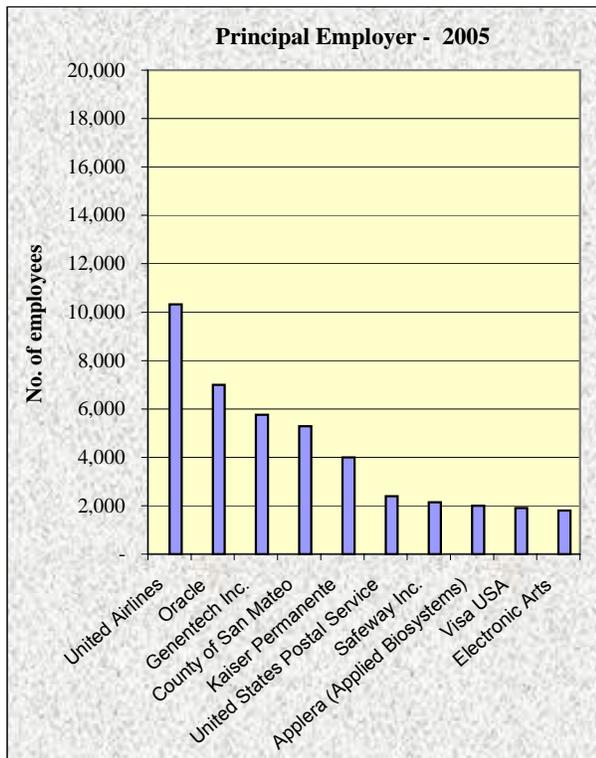
Sources:

- ¹ State of California - Department of Finance, Demographic Research Unit
- ² Association of Bay Area Governments, California
- ³ California Department of Education, Educational Demographics Unit
- ⁴ U.S. Bureau of Labor Statistics and California Employment Development Department
- ⁵ U.S. Department of Commerce, Bureau of Economic Analysis

na - Information is unavailable.

COUNTY OF SAN MATEO
Principal Employers
Last Year and Nine Year Ago

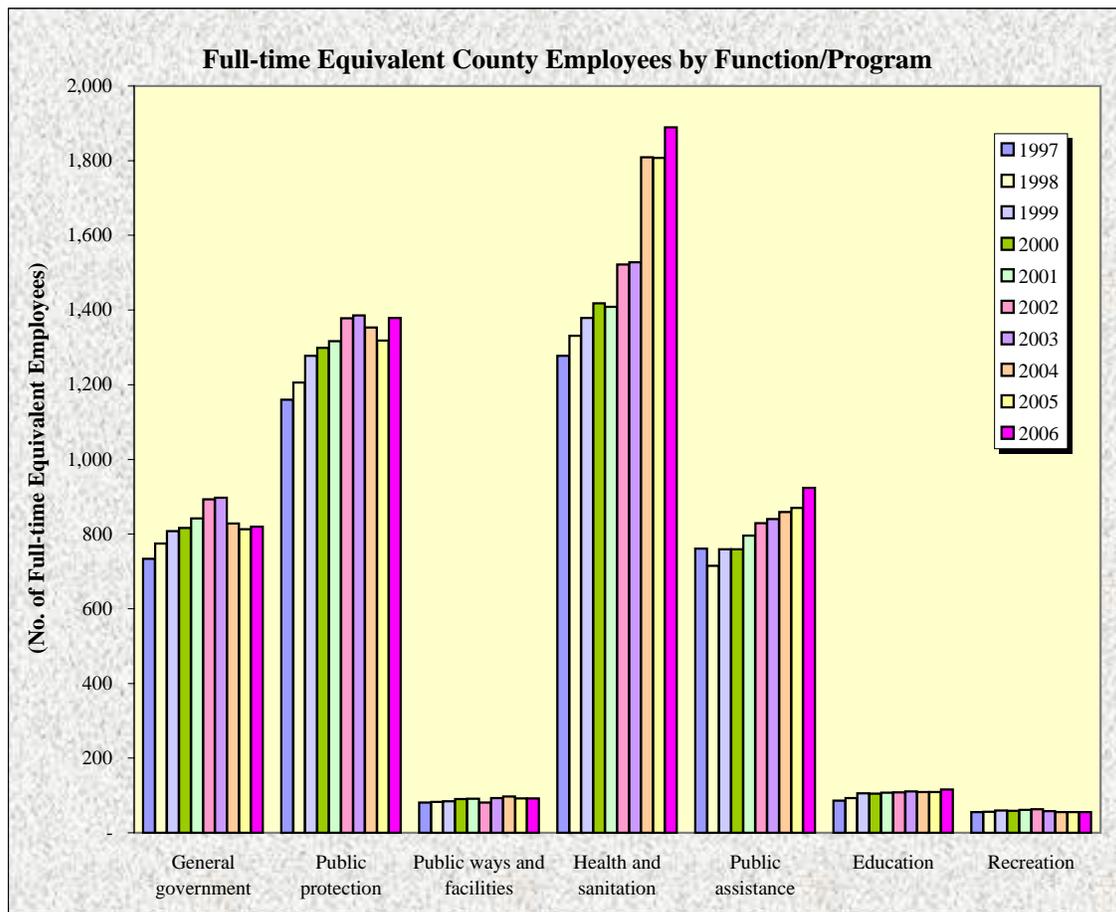
<u>Employer</u>	<u>2005</u>			<u>1997</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
United Airlines	10,328	1	2.95%	17,600	1	4.67%
Oracle	7,000	2	2.00%	5,800	2	1.54%
Genentech Inc.	5,763	3	1.65%	2,670	6	0.71%
County of San Mateo	5,288	4	1.51%	4,154	3	1.11%
Kaiser Permanente	3,992	5	1.14%	---	---	---
United States Postal Service	2,396	6	0.68%	2,937	4	0.78%
Safeway Inc.	2,140	7	0.61%	1,900	9	0.50%
Applera (Applied Biosystems)	2,000	8	0.57%	---	---	---
Visa USA	1,901	9	0.54%	---	---	---
Electronic Arts	1,800	10	0.51%	---	---	---
Raychem	---	---	---	2,850	5	0.76%
American Airlines	---	---	---	2,400	7	0.64%
Franklin Resources	---	---	---	2,260	8	0.60%
Mill-Peninsula Health	---	---	---	1,802	10	0.48%
Total	42,608		12.17%	44,373		11.78%



Source: San Francisco Business Times, Book of Lists.

COUNTY OF SAN MATEO
Full-time Equivalent County Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	734	775	808	816	842	893	897	828	813	820
Public protection	1,160	1,206	1,277	1,299	1,317	1,378	1,386	1,353	1,318	1,379
Public ways and facilities	81	83	84	90	91	81	93	97	92	92
Health and sanitation	1,277	1,331	1,379	1,418	1,409	1,522	1,528	1,809	1,807	1,889
Public assistance	761	715	759	759	796	829	840	859	870	924
Education	86	93	106	105	107	108	111	109	109	116
Recreation	55	56	60	59	61	63	58	55	55	55
Total full-time equivalent employees ²	4,154	4,259	4,473	4,546	4,623	4,874	4,913	5,110 ¹	5,064	5,275



Source: County's Budget System - County of San Mateo, California

- 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. The addition of BLTC increased the County's number of employees.
- ² The full-time equivalent employee count is based on the information available in the County's Budget System before the year-end.

COUNTY OF SAN MATEO
Operating Indicators by Function
Fiscal Years 2000-2005

Function:	Fiscal Year ³					
	2000	2001	2002	2003	2004	2005
<u>General Government</u>						
<i>County Counsel</i>						
Number of litigation cases	n/a ¹	1,316	1,316	1,571	1,568	1,545
Percent of litigation cases won or resolved with approval of client	n/a	n/a	n/a	89%	92%	100%
Attorney per capita	1:34,495	1:30,746	1:32,438	1:32,593	1:32,734	1:33,051
<i>Public Safety Communication</i>						
Number of calls received	n/a	481,623	746,500 ²	687,629	634,044	650,683
Number of calls processed annually by category:						
High priority	n/a	71,864	68,434	65,193	63,578	69,529
Other dispatched	n/a	184,935	207,910	207,160	200,348	181,261
Informational	n/a	224,824	470,156	415,276	370,118	399,893
<i>Utilities</i>						
Number of streetlights maintained	2,638	2,643	2,900	2,900	2,885	2,894
Number of properties served by County sewer districts	11,283	11,289	11,376	11,300	11,310	11,354
<u>Public Protection</u>						
<i>Child Support Services</i>						
Number of child support cases	17,593	15,678	14,687	14,768	15,325	14,396
Total amount of child support collected (in millions)	\$28.3	\$29.4	\$30.5	\$30.3	\$28.3	\$28.3
Percent of cases with a court orders	81%	81%	83%	84%	82%	88%
<i>District Attorney</i>						
Number of felony cases with victims	1,387	1,307	1,323	1,202	1,232	1,423
Number of Public Administrator cases opened	49	61	68	61	68	64
Number of Public Administrator cases closed	54	39	64	86	66	61
Percent of Public Administrator cases closed within 12 months	72%	60%	64%	67%	100%	85%
<i>Sheriff's Office</i>						
Investigative services						
Number of investigations performed annually	n/a	n/a	5,848	6,358	6,000	6,994
Multi-jurisdictional investigative service						
Number of investigations performed annually	809	768	820	724	710	554
Number of arrests made annually	489	413	286	306	397	372
Patrol Bureau						
Number of dispatched calls for service	60,057	59,049	70,668	63,547	59,999	57,662
Number of citations issued	8,482	9,084	10,278	9,857	11,185	11,453
Number of total traffic activities by Patrol Deputies (non-citation)	19,211	17,388	18,092	15,237	16,096	15,298
Average response time for priority dispatched calls (in minutes):						
Urbanized service areas	2.63	3.15	3.70	3.26	2.64	3.20
Rural service areas	13.03	8.40	9.75	8.27	9.67	9.60
<u>Public Ways and Facilities</u>						
<i>Road maintenance:</i>						
Number of service hours:						
Asphalt, concrete, pavement	32,100	31,470	38,688	27,281	22,714	20,224
Traffic control (signs & legends)	6,764	4,635	4,921	3,073	3,728	2,626
Drainage facilities	20,661	21,986	18,099	18,724	12,525	12,176
Vegetation management	15,426	20,469	22,015	19,403	15,568	14,569
<i>Number of lane miles:</i>						
Sealed	n/a	n/a	26.10	32.30	17.00	82.00
Resurfaced	n/a	n/a	34.24	41.70	23.00	14.00
Reconstructed	n/a	n/a	2.68	4.70	2.90	0.30

Source: County's Adopted Budget Books.

¹ n/a - Information not available.

² The September 11th terrorist attacks generated an exceptionally high volume of calls.

³ Operating statistics may subject to retroactively adjustment as needed. The statistics for FY 2005-06 are unavailable.

(continued)

COUNTY OF SAN MATEO
Operating Indicators by Function
Fiscal Years 2000-2005

Function:	Fiscal Year ³					
	2000	2001	2002	2003	2004	2005
<u>Health and Sanitation</u>						
<i>Emergency Medical Services (EMS)</i>						
Number of 9-1-1 calls for medical response	38,121	40,013	37,028	41,504	40,851	39,068
Percent of EMS calls responded to on time						
Ambulance	94%	94%	95%	95%	94%	93%
Fire first reponse	98%	98%	98%	98%	98%	98%
<i>Mental Health Adult Services</i>						
Number of clients served:						
Intensive level of service	2,680	2,676	2,575	2,578	2,631	2,446
Outpatient level of service	7,207	7,442	7,582	7,309	7,218	7,280
Lanterman Petris Short Conservatorship	477	437	392	369	374	381
<i>Mental Health Youth Services</i>						
Number of clients served:						
Intensive	685	700	719	784	711	637
Non-intensive	1,220	1,328	1,292	1,408	1,451	1,322
Early intervention	155	213	246	459	452	359
<i>Family Health Services</i>						
Number of customers served:						
Field nursing and maternal, child and adolescent health	2,528	2,330	2,405	2,388	2,078	2,017
Prenatal to three	5,503	6,316	6,764	3,336	3,575	3,645
Women, infants and children	22,600	22,600	19,050	22,231	25,599	21,688
California children services	3,446	3,327	4,480	1,747 ⁴	2,541	2,788
Child health and disability prevention	3,900	7,862	3,732	3,101 ⁴	2,696	2,074
Lead	65	140	185	69	76	82
California nutrition network	6,872	8,015	10,938	15,750	12,532	13,152
<i>Health Promotion and Disease Control</i>						
Number of clients served:						
AIDS progrm clinical services	549	554	576	546	565	559
Mobile clinic clinical services	n/a	n/a	2,975	1,463	3,024	2,713
STD Control	1,035	1,301	1,872	1,325	1,674	1,636
TB Control	--	237	641	811	508	901
<i>Community-Based Program</i>						
Number of adult protective services cases opened	968	1,125	1,243	1,358	1,252	1,040
Number of people served through Area Agency on Aging funds	11,544	12,168	10,547	13,259	15,193	11,384
<u>Public Assistance</u>						
<i>Community Capacity Building</i>						
Number of clients served by community based providers contracting with the Human Services Agency:						
Individuals	n/a	n/a	25,013	28,242	28,127	22,553
Families	n/a	n/a	9,137	9,582	9,580	8,271
<i>Economic Self-Sufficiency</i>						
Number of participants using PeninsulaWorks Centers	n/a	n/a	14,308	22,460	24,426 ⁵	24,794
Number of enrolled participants in Peninsula Works Intensive & Training Services	603	466	1,817	2,458	2,431	1,003
Number and percent of Peninsula Works participants employed in jobs six months after hire	n/a	90%	78%	89%	83%	80%
<i>Family Strength</i>						
Number of children receiving child care assistance:						
Human Services Agency	n/a	n/a	1,598	1,578	1,520	1,600
Child Care Coordinating Council/PACE	n/a	n/a	1,562	1,800	2,144	1,841
<u>Recreation</u>						
<i>Parks & Recreation</i>						
Number of park reservation calls taken	2,420	2,480	3,102	3,794	3,479	5,291 ⁶
Number of special events processed	113	100	95	64	106	78
Number of visitors	2,044,000	2,042,000	2,103,629	1,939,762	1,753,184	1,882,834

⁴ The decrease reflects changes in collection methodology.

⁵ The measure included Workforce Investment Act participants only.

⁶ In FY 2004-05, park reservations staff began making reservations for Fitzgerald Marine Reserve docent-led tours, a task previously performed by another party.

COUNTY OF SAN MATEO
Capital Asset Statistics by Function
Last Six Fiscal Years

<u>Function/Program</u> ¹	<u>Fiscal Year</u>					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Governmental Activities:</u>						
General government						
Child care centers	2	2	2	2	2	2
Fairground	1	1	1	1	1	1
Grant yards	6	6	6	6	6	6
Law library	1	1	1	1	1	1
Public protection						
Fire stations	4	4	4	4	4	4
Juvenile center	1	1	1	1	1	1
Sheriff stations	1	1	2	2	2	2
Jail	1	1	1	1	1	1
Public ways and facilities						
Road						
Pavement (miles)	316.5	316.6	316.7	316.8	316.6	316.2
Bridges	28	28	28	28	28	28
Traffic signals	17	17	17	18	19	19
Sewer and water						
Sewer:						
Sanitary sewers (miles)	148.45	148.45	148.45	148.45	148.51	149.47
Water:						
Water mains (miles)	6.5	6.5	6.5	6.5	6.5	6.5
Fire hydrants	20	20	20	20	20	20
Storage capacity (thousands of gallons)	710	710	710	710	710	710
Lighting						
Street lights	2,847	2,906	2,898	2,889	2,927	2,920
Flood control						
Channels (miles)	4.69	4.69	5.89	5.89	6.40	7.70
Health and sanitation						
Warehouse	1	1	1	1	1	1
Psychiatric center	1	1	1	1	1	1
Satellite clinic	1	1	1	1	1	1
Public assistance						
Drug treatment center	1	1	1	1	1	1
Employment and training center	1	1	1	1	1	1
Recreation						
Parks	21	21	22	22	22	22
Boating recreation center	1	1	1	1	1	1
<u>Business-type Activities:</u>						
Medical center	1	1	1	1	1	1

Sources: County Capital Asset Master File
Department of Public Works

¹ Four buildings are currently occupied by departments from different functions.