



COUNTY OF SAN MATEO, CALIFORNIA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2004

Tom Huening, Controller

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County of San Mateo, California



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

**Tom Huening
Controller**

COUNTY OF SAN MATEO, CALIFORNIA

Comprehensive Annual Financial Report

Prepared by the Controller's Office

For the Fiscal Year Ended June 30, 2004

**COUNTY OF SAN MATEO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2004**

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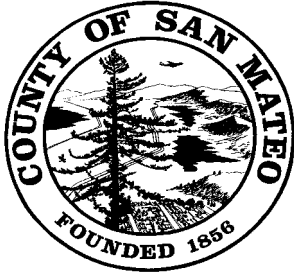
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INTRODUCTORY SECTION

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COUNTY OF SAN MATEO
OFFICE OF CONTROLLER

TOM HUENING, CONTROLLER

To The Members of the Board of Supervisors and the
Citizens of San Mateo County:

October 8, 2004

The Comprehensive Annual Financial Report (CAFR) of the County of San Mateo (County) for the 2003-04 fiscal year (FY) of is presented in compliance with Sections 25250 and 25253 of the Government Code of the State of California. State law requires that the County publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the CAFR of the County. This report consists of management's representations concerning the finances of the County. As management we assert, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. This report was prepared by the Office of the County Controller, which is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures.

Management of the County has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

We believe the data is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and changes in financial position and cash flows of the County as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The CAFR represents the culmination of all budgeting and accounting activities engaged in by management during the year, covering all funds of the County and its financial transactions. The CAFR is organized into three sections; Introductory, Financial and Statistical. This letter is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The County's MD&A can be found on pages 3-16 of this report.

THE REPORTING ENTITY

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 has a charter form of government. The County's powers are exercised through a Board of Supervisors (Board) which, as the governing body, is responsible for the legislative and executive control of the County. The County provides various services including public protection, road construction and public facilities maintenance, sanitation, health and social services, elections and records, planning, zoning and tax collection.

The governmental reporting entity consists of the County (Primary Government) and its blended and discretely presented component units. Component units are legally separate entities for which the primary government is financially accountable or other organizations for which the nature and significance of the relationship with the primary government is such that exclusion would make the financial statements misleading or incomplete.

Blended Component Units

The County has four independent fiscal agencies that are considered blended component units for reporting financial results. They vary widely in function and provide essential services.

- 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 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 financial statements. Its CAFR is

available from *SamCERA* at 100 Marine Parkway, Suite 125, Redwood Shores, California 94065 or via www.samcera.org.

- The Housing Authority of the County (Housing Authority) provides housing assistance to low and moderate income families. The Housing Authority is reported as a major enterprise fund in the County’s financial statements.
- The In-Home Supportive Services (IHSS) Public Authority assists consumers in finding in-home supportive services personnel, provides training and support for providers and recipients and their families and performs other functions related to the delivery of in-home supportive services. The IHSS Public Authority is reported as a special revenue fund in the County’s financial statements.

Discretely Presented Component Unit

First 5 San Mateo County (First 5) was established in March 1999 under the authority of the California Children and Families First Act of 1998 and Health and Safety Code 130100. The Board appoints all members of First 5. The Board can remove appointed members at will. First 5 accounts for receipts and disbursements of California Children and Families Trust Fund allocations and appropriations. The First 5 is a discretely presented component unit as the governing body of First 5 is not substantially the same as that of the County, and First 5 does not provide services entirely, or almost entirely to the County.

ECONOMIC CONDITIONS AND OUTLOOK

The County is one of 58 California counties and one of the nine counties in the San Francisco-Oakland Bay Area. The 449 square mile County, which includes 54 miles of coastline bluffs and beaches, is on a peninsula that is flanked by the Pacific Ocean on the west and the San Francisco Bay shoreline on the east. It is located in the middle of a continuous urban area stretching from Santa Clara County in the south to San Francisco County in the north. The County is one of nine counties that contributes to the economy of the San Francisco Bay Area. The coastal Santa Cruz Mountain range bisects the County, leaving the western side to more rural uses such as agriculture, game preserves, watershed, parks and undeveloped lands. According to the US Census Bureau as of 2003, the estimated 697,456 residents mainly live in the eastern half of the County which contains most of the major transportation arteries and facilities, including Interstate 280, Highway 101, the Dumbarton and San Mateo Bridges, San Francisco International Airport and the port of Redwood City.

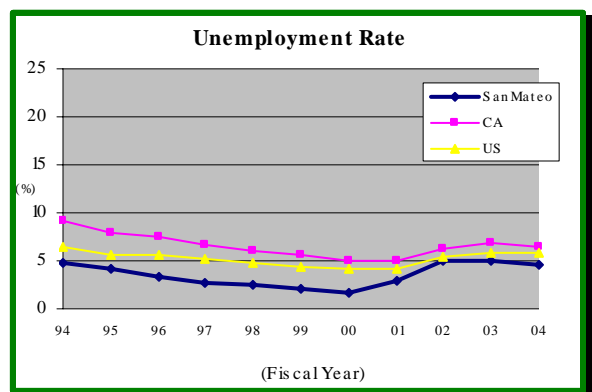
The County is made up of 20 cities and unincorporated areas. Seventy-four percent of the County’s land is reserved for agriculture, watershed, open space, wetlands or parks which contribute to its urban/rural characteristics and natural beauty. Key public policy issues relate to the economy, land use, congestion management and quality of life. The County’s demographic makeup mirrors California; it is rich in diversity with a plurality of ethnicities. According to the 2000 US Census Bureau, approximately 49.8% of the residents are Caucasian, 19.8% Asian, 21.9% Hispanic, 3.4% African-American and 3.3% identifying themselves, as “Two or More Races”. The County consistently ranks in the top five of California counties in terms of highest per capita personal income and lowest percentage of persons below poverty level. The County is one of the safest urban/suburban counties in California, an indicator of the area’s relative economic prosperity.

Employment Trends

The County’s unadjusted unemployment rate averaged 4.5% for FY 2003-04, down from 5.16% for FY 2002-03. This compares with an unadjusted unemployment rate of 6.5% for California and 5.8% for the nation.

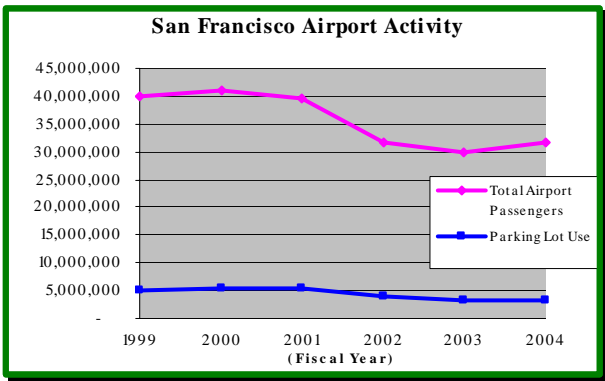
Tourism

San Francisco International Airport (SFO). Airports Council International passenger traffic rankings for FY 2003-04 indicate SFO is the 11th largest airport in the nation for passenger travel. Since early 2004, traffic at SFO has gradually rebounded from the combined effects of the technology recession, September 11th terrorist attack, United Airlines bankruptcy, SARS epidemic and Iraq War. During FY 2003-04, total passenger volume was 31.6 million, a 6.4% increase over the prior year. However, continued decline in cargo and mail traffic and parking use indicate that the recovery is not uniform across all airport-related businesses. The average number of employees in the Airport Transportation industry in the San Francisco Metropolitan Area (San Francisco, San Mateo and Marin) as of June 30, 2004 was 16,533, a 2,383 or 13% decline when compared to the prior year.



During FY 2003-04 Virgin USA, a fledgling low-cost carrier and subsidiary of Virgin Atlantic Airways, announced that it would establish its operational headquarters at SFO in mid 2005. In June 2004 Air New Zealand launched new service from SFO to Auckland, the first new international carrier SFO has added in five years. In addition, it was announced that Hong Kong-based Cathay Pacific Airlines would relocate its headquarters from Los Angeles to San Francisco.

US Airways, which flies from SFO to Pittsburgh, Philadelphia, Pennsylvania and Charlotte, North Carolina sought Chapter 11 bankruptcy subsequent to FY 2003-04, for the second time in two years. Other carriers have also downsized.

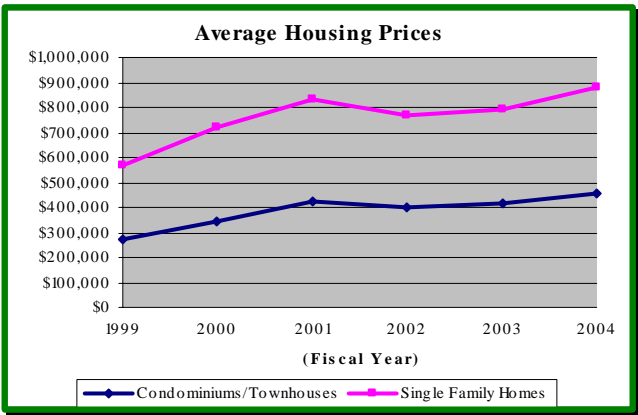


The hotel industry has shown early signs of recovery. Average occupancy rate was 62% compared to 55% in the prior year, while the average room rate declined by \$6.94. Total room revenue of \$292.1million represents an increase of \$13.7 million for the fiscal year.

Commercial and Residential Real Estate Trends

The County has 41.4 million square feet (sq. ft.) of net rentable office space. Although full economic recovery is not expected in the near future, positive signs of stabilization and a trend toward recovery began during FY 2003-04. Compared to the prior year, there has been a slight increase in the demand for office space though new commercial development projects still remain at a halt. At the close of the year, Class A office space rate was offered at \$2.32/sq. ft./mo. and Class B at \$2.02/sq. ft./mo., slight increases compared to the prior year. Although the vacancy rate remains high at 21.6%, it has declined compared to last year’s rate of 24.8%.

The Bay Area remains one of the highest priced regions in the state and among the highest in the nation for home prices. On average, home sellers received 100% of the listed price. The number of single-family homes on the market increased by 9% and condominiums by 24% when compared to last year. Home ownership still remains out of reach for many service employees, teachers, public safety employees and trades people. According to the Tri-County Apartment Association, average rent and occupancy rate for rentals were comparable with last year. This past year, the average rent rate was \$1,378 while occupancy rates for rentals averaged 93%. Based on supply and demand, projections indicate there will be a housing deficit of 16,669 units by 2010. Affordable housing remains a significant challenge for residents, employers and policymakers.



At the close of FY 2003-04 the Marina Shores Village project, the County’s largest development project in ten years, was approved by the City Council of Redwood City. This massive 43-acre development, located west of the Port of Redwood City, will include 1,930 residential units including a portion set aside for affordable housing. In addition to residential housing, 150,000 sq. ft. will be allocated for office space and 25,000 sq. ft. for retail. Several marinas, a hotel and public spaces are also included in the blueprints. The development of this waterfront urban village is a 20-year project. Subsequent to city council’s approval, a citizens group filed a referendum petition seeking a public vote to repeal the rezoning ordinance and thus halt the project. As a result, the City Council voted to place a measure on the November 2, 2004 ballot asking voters to decide whether or not to proceed with the project.

Major Infrastructure Improvement Projects

Caltrain, the regional railroad system that runs between San Francisco and Gilroy, completed its “Baby Bullet” project. This new express train service, which debuted June 7, 2004, also connects with the Bay Area Rapid Transit (BART) system at the Millbrae station. The Baby Bullet serves the San Francisco, 22nd Avenue, Hillsdale, Palo Alto, Mountain View and San Jose-Diridon stations. Baby Bullet trains save time by making fewer stops than other trains. The Baby Bullet service reduces travel time from San Francisco to San Jose from 1.5 hours to 1 hour.

The Bayshore Caltrain station in Brisbane was completely rebuilt and includes a pedestrian overpass. After two years of construction, in June 2004 Caltrain welcomed back riders on the weekend providing hourly service through most of the day.

The San Mateo County Transportation Authority (TA), which administers the Measure A half-cent sales tax program for transportation projects, has completed the second \$37.4 million phase of the three-phase project on US 101 in South San Francisco to accommodate traffic growth in the Gateway Redevelopment Area. Work began in the spring of 2003 to add six miles of auxiliary lanes on U.S. 101 from Belmont to Menlo Park to reduce congestion. Caltrans and the TA, partners in the project, are expected to complete the project in the fall of 2004. On July 27, 2004, the Board took the final action needed to place the reauthorization of Measure A on the November 2004 ballot which would extend the half-cent tax for an additional 25 years after it expires in 2008.

On March 2, 2004, voters passed Regional Measure 2, a \$1 toll increase estimated to raise approximately \$125 million per year to fund the Regional Traffic Relief Plan. Its purpose is to relieve congestion in the transbay bridge corridors and improve the convenience and reliability of the Bay Area's public transit system. Starting July 2004 the toll rose to \$3 for autos on the seven Bay Area toll bridges operated by Caltrans that include Antioch, Benicia-Martinez, Carquinez, Dumbarton, Richmond-San Rafael, San Francisco-Oakland Bay, and San Mateo-Hayward. The County transit projects receiving Measure 2 and funds include the first leg of the East-Bay BART extension to Silicon Valley, seismic retrofit of the transbay BART tube expanding Caltrain service along the Peninsula, with commuter rail service over the Dumbarton rail bridge.

Caltrain average weekday ridership for FY 2003-04 was 26,667, a 4% decline when compared to the prior year. SamTrans average weekday bus ridership was 48,315 during FY 2003-04, a 8.5% decline when compared to the prior year. BART ridership has continued to show slow but steady increases in the County.

Tax Revenues

County sales tax revenue for FY 2003-04 was flat at slightly less than \$16 million, which was indicative of the stagnant local economy.

The total taxable assessed value of both real and personal property for FY 2003-04 was \$100.7 billion, an increase of 5.2% or about \$5.0 billion more than the previous year. This is reflected in the annual property taxes levied of \$943 million in FY 2003-04 and an active real estate market.

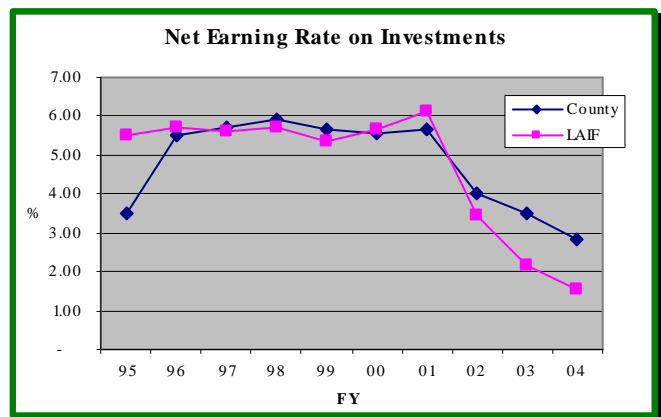
Transient Occupancy Tax, after dropping precipitously in FY 2001-02, has finally begun to improve. A total of \$632,000 was earned in FY 2003-04 compared to \$589,900 in FY 2002-03. This is consistent with the increases in hotel occupancy rates.

Proposition 172 Sales Tax, the Public Safety Fund, yielded \$64.4 million in FY 2003-04 compared to \$60.8 million in FY 2002-03. These County general funds, based on a statewide formula, are restricted in use to public safety purposes and are allocated to cities, the Sheriff, District Attorney, Probation, Coroner, County Fire and Public Safety Communications Dispatching.

Proposition 10, a ballot initiative known as Children and Families First (now First 5), increased tobacco taxes to fund early childhood (ages 0-5 years) development programs. In FY 2003-04, First 5 received \$10.0 million, an increase of approximately 2.3% or \$226,000 more than the prior year. Another tobacco-related source of revenue, the tobacco lawsuit settlement, brought in \$7.3 million a decrease of \$1.3 million or 15.1% over the prior year's \$8.6 million. Tobacco settlement money is used for County Health Services.

County Investment Pool

The County investment policy has the following investment objectives: safety, liquidity, yield and public trust. The California Government Code and the County's investment policy regulate the types of securities the County Treasurer may invest in. The County's pooled investments had a net earning rate of 2.82% for FY 2003-04. This compares with the net earning rate of 3.50% earned during FY 2002-03. The 0.68% decline from the previous fiscal year is due primarily to the lower interest rate environment of the overall economy. In comparison, California's Local Agency Investment Fund (LAIF) had a net earning yield of 2.17% in FY 2002-2003 and 1.53% in FY 2003-2004



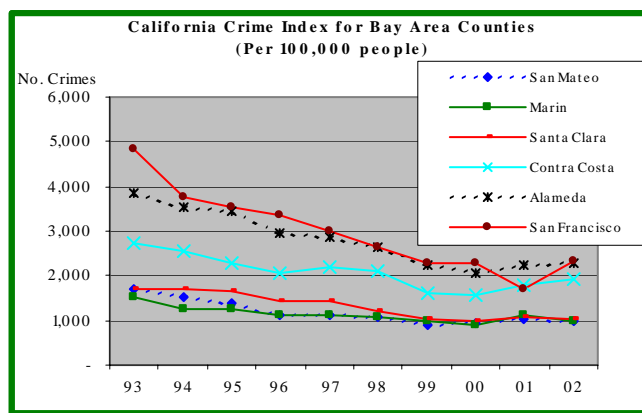
MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS

This section is presented to reflect the various functional categories reported in the government-wide statement of activities.

Public Protection

Crime Suppression. According to California Crime Index statistics gathered by the Department of Justice, San Mateo has consistently ranked the second safest Bay Area County, only slightly behind Marin for crimes associated with criminal homicide, forcible rape, robbery, aggravated assault, burglary, larceny, theft, arson and motor vehicle theft.

Probation. Construction of the new \$125 million Youth Services Center began in the prior fiscal year to replace the 55-year old Hillcrest Juvenile Hall. The project includes the construction of the new juvenile hall, girls ranch, receiving home, probation administrative office, juvenile probation and juvenile courts. Construction of the project will be funded with the sale of lease revenue bonds and federal funding. The estimated time of completion is the summer of 2006.



Child Support Services (CSS). In FY 2003-04 CSS opened over 3,200 cases and provided ongoing services to 12,000 families. Approximately \$30.3 million was collected on behalf of 22,000 dependents. The percent of cases with payments toward current support is 76% and 59% of current support dollars owed were paid. The County is ranked 13th in the state for current support collections. Among those counties with caseloads over 10,000, the County is ranked 2nd in the state for current support collections. The CSS department collects arrearages until the debt is paid in full, which can take a number of years in some cases. The County is ranked 5th in the state with payments on about 65% of its cases with arrears.

County Radio Project. The Sheriff's Radio System upgrade project was completed early July 2004. The upgrade resulted in bundling a number of radio frequencies in a "pipeline" and allowing multiple conversations between agencies and units to take place simultaneously. The system improves the efficiency and effectiveness of all of the emergency response agencies in the County.

Public Ways and Facilities

Recycling. The County has stepped up its efforts to promote recycling countywide. Recycle Works, the County's recycling and composting program, encourages residents to recycle, reuse, and otherwise practice "green" strategies in their daily lives. Recycle Works promotes its agenda by operating a comprehensive website, (www.recycleworks.org), a hotline and numerous outreach and public education programs. The County's internal efforts at recycling continue to be impressive as well. Through the program's efforts, 64 tons of Spanish roof tiles from the old Crime Lab and 27 tons of material from Crystal Springs were reused. Mixed paper recycling in County facilities topped 530 tons this year compared to 100 tons in the prior fiscal year. 107 tons of bottles and cans were collected for recycling for FY 2003-04.

The County sponsored the development and publication of the San Mateo Countywide Sustainable Buildings Guide and Checklist, which is now offered at 17 of the 21 jurisdictions in the County. The guide encourages architects, residents, and builders to design and build buildings using less materials, as well as recycled and environmental friendly materials. The guide also promotes the idea of recycling at the construction site to reduce the environmental impact of new construction and renovation.

Health and Sanitation

San Mateo Medical Center (SMMC). Since its completion in FY 2002-03, SMMC offers a full range of services including a total of 134 acute and 375 long-term care inpatient beds and 13 ambulatory clinics. Major services include inpatient and outpatient emergency psychiatric care, long-term care, an outpatient geriatric assessment center, ancillary and rehabilitative services, emergency room and outpatient surgical services. The County maintains the Wellness-Education-Linkage-Low Cost program to care for the majority of its indigent and under-insured patients.

The average daily inpatient census for Burlingame Long-Term Care facility was 214, an increase of 74 patients since the County's takeover in August 2003. SMMC is currently developing a plan to open an inpatient Labor & Delivery unit for patients of the County. In addition, the County has committed to retain its contract with the Health Plan of San Mateo for the care of Medi-Cal patients, while waiting for the final proposal from the State Governor regarding the overhaul of the Medi-

Cal program. In March 2004, SMMC opened up the Ron Robinson Senior Care Center located at 222 West 39th Avenue, San Mateo. This healthcare clinic specially caters to the complex healthcare needs of seniors and older adults. An in-depth assessment of the community's needs indicated there were not enough medical providers and systems to care for this fast growing segment of the population.

Health Services. During FY 2003-04 health insurance was provided to approximately 33,370 children in the County. The Health Services Agency in partnership with the Human Services Agency has aggressively enrolled children in state medical insurance programs including Medi-Cal, Healthy Families and the new County Healthy Kids program. For FY 2003-04, the Board allocated \$1.5 million for the Healthy Kids Program that has a total budget of \$4.2 million. As of June 2004, 4,970 children had been enrolled in Healthy Kids, representing nearly 90% of those originally estimated to be eligible for the program. Approximately 81% of the enrolled children are from families with incomes below 250% of the federal poverty level. Nearly all are undocumented and therefore do not qualify for Medi-Cal or Healthy Families.

In December 2003, the Mental Health Division of the Health Services Agency launched its Network of Care for Mental Health website, <http://sanmateo.networkofcare.org>, an online information site developed for individuals, families and agencies concerned with mental health and emotional wellness. The Network provides comprehensive information about public and private mental health services in San Mateo County. In addition to up-to-date news articles, this website offers access to an on-line mental health library, links, chat rooms, and secure, confidential folders for storing personal information related to health care. The Network web site development project was sponsored by a grant from the State. San Mateo is the third California county to initiate the Network of Care for Mental Health.

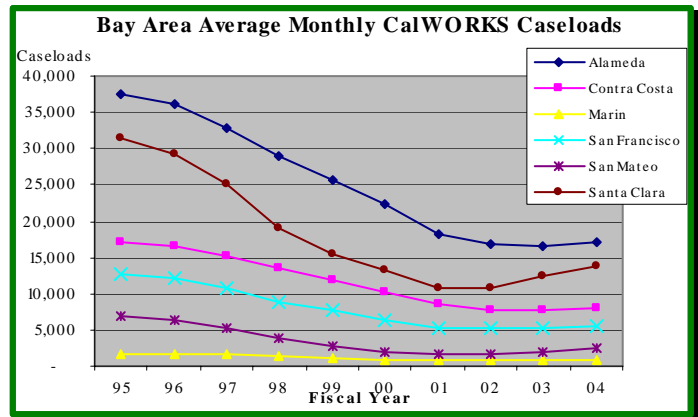
Health Services led bio-terrorism and communicable disease prevention efforts, which included developing smallpox pre and post event plans, leading a countywide response exercise, providing bio-terrorism training and education to the hospital staff first responders (police, fire, ambulance) and the community, and acquiring and managing a local pharmaceutical stockpile.

Aging and Adult Services, a division of the Health Services Agency, began implementation of a state pilot project for a uniform assessment of home and community-based services for the elder and dependent adults. The program also enhanced the continuum of services available to seniors and adults with disabilities through the collaborative effort of the Medical Center, the Ron Robinson Care Center and the Burlingame Long-Term Care Center.

Public Assistance

Human Services Agency. The Human Services Agency's expenses increased 9.2% from FY 2002-03 to FY 2003-04. This growth is primarily due to increased negotiated labor costs, the addition of 26 positions, the increased number of housing projects completed compared to the previous year, and a significant growth in CalWORKs and general assistance caseloads.

The ongoing shortage of childcare and affordable housing among working families in the County compels policymakers to seek creative solutions. In July 2003, research policy consultants, Brion & Associates with Vernazza Wolfe Associates, issued Child Care and Housing Linkage Research Study. The report outlines 16 policies and recommendations for local policy makers to consider and adopt. It suggests the County has opportunities to create policies that will better serve working families' needs by expanding child care slots and family housing units. The Human Service Agency, First 5 and the Child Care Coordinating Council of San Mateo County funded the study. A complete report is available online at www.smchsa.org.



The report outlines 16 policies and recommendations for local policy makers to consider and adopt. It suggests the County has opportunities to create policies that will better serve working families' needs by expanding child care slots and family housing units. The Human Service Agency, First 5 and the Child Care Coordinating Council of San Mateo County funded the study. A complete report is available online at www.smchsa.org.

In 2000, the Governor's Office and California Legislature created the Child Welfare Services Stakeholders Group (CWSSG). Their objective was to examine the current child welfare services in California, build on effective child welfare practices, and recommend system changes to improve outcomes for children and families. Through CWSSG's efforts, a long-term strategic plan to bring the new vision of child welfare services to counties was created, also called the Child Welfare Services (CWS) Redesign Initiative. In July 2003, Children and Family Services Division of the Human Services Agency, began the planning phase of the local CWS Redesign Initiative by assembling an oversight committee and convening community information meetings. Among five other counties, the County was selected by the California Department of Social Services to first implement the planning activities of CWS Redesign Initiative in phases by June 2008.

FINANCIAL INFORMATION

The Board, County Manager, and departments have been proactive in their response to the downturn in the economy and the State budget crisis. The countywide hiring freeze first placed on all vacant positions in mid-November 2001 continues. Departments were directed to produce budgets reflecting reductions of 10%. In the June budget hearings, the Board eliminated 51 permanent positions through the budget process. Employee and Public Services was successful at placing most of the employees who occupied positions that were eliminated with the exception of two. The Board of Supervisors approved the Recommended FY 2004-05 and FY 2005-2006 budgets in July, with a final budget adopted in September. Due to improving conditions, only 42 net positions were eliminated.

The Board approved the County Reserves Policy in April 1999. The creation of the policy was initiated by the County's Fiscal Officers to help reduce the negative impact on the County during times of economic uncertainty and potential losses of funding from other governmental agencies. Fund balances and reserves are viewed as one-time sources of funding which are only used for one time purposes or as part of a specific multi-year financial plan to balance the budget. The policy establishes minimum requirements for departmental reserves for countywide automation projects and provides guidelines for the use of these funds. The policy has helped the County maintain fiscal stability and continue the provision of critical programs and services during this period of economic uncertainty. The County will maintain its fiscally conservative approach in anticipation of future negative fiscal impacts from the state's deficit.

County management is responsible for establishing and maintaining a comprehensive internal control framework designed to ensure that the assets of the County are protected from loss, theft or misuse, and that accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control framework is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the likely benefits and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Pension Trust 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 *SamCERA*, which is reported as a Pension Trust Fund in the County's financial statements.

As of June 30, 2004, *SamCERA*'s total net assets held in trust for pension benefits totaled \$1.4 billion, which represents an increase of \$202.1 million or 16.39% over the prior fiscal year. Net assets increased during the fiscal year primarily due to market appreciation on investments.

From June 1994 to June 2001, the funded ratio steadily improved from 65.46% to 98.61%. As of June 30, 2003 declining equity markets and the County granting enriched benefits in the 2002 Memorandum of Understanding caused a 76% funded ratio or 24% unfunded ratio. This unfunded actuarial accrued liability (UAAL), results from actuarial accrued liabilities exceeding the actuarially determined value of assets. *SamCERA* is funding the UAAL over a 20-year amortization period, which is scheduled to end on June 30, 2022.

Worker's Compensation Insurance Trust Fund. Premium rates collected from departments have not been able to cover the operating expenses for the fund. During FY 2003-04, the County general fund provided \$7.7 million to help cover its operating expenses. A multi-year approach will be used to phase in premium rate increases in order to close the gap between ongoing revenue and expense. During this time, the General Fund will subsidize a portion of these costs. 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 is minimized.

OTHER INFORMATION

Independent Audit

The Charter of the County (Article VI Section 603) provides that the Board of Supervisors shall have an annual audit made by a certified public accountant and the auditor shall report on the County's financial transactions and records and the effectiveness of internal controls. The Board of Supervisors in consultation with the Grand Jury selected the firm of Macias Gini & Company LLP to perform the FY 2003-04 audit. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of (1) the Federal Single Audit Act Amendments of 1996, (2) the related U.S. Office of Management and Budget's Circular A-133, (3) auditing standards generally accepted in the United

States of America, and (4) the standards set forth in the Government Accountability Office's *Government Auditing Standards*. The independent auditor's report on the basic financial statements as well as combining and individual fund statements and schedules is included in the financial section of this report on pages 1-2. The auditor's reports on internal controls and compliance with applicable laws, regulations, contracts and grant agreements can be found in a separately issued single audit report.

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, 2003. 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 accounting principles generally accepted in the United States 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.

Acknowledgments

It is my goal to publish financial information on a schedule that is more 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 CAFR by the following fiscal personnel: Bob Adler, Assistant Controller, Tat-Ling Chow, Controller's Office Information Systems Division, Joe Demeo, Tax Collector-Treasurer Department, Donna Vaillancourt and Rudy Gopez, Public Works Department, John Joy and Patty Lockman, Human Services Agency, Geoff Dottery, San Mateo Medical Center, Steve Boles and Nancy Shockley and Priscilla Morse, Employee and Public Services Department, Lee Lazaro, Sheriff's Department, Reyna Farrales, Deputy County Manager/Budget Director, and Willy Padilla, Assessor-County Clerk-Recorder's Office and Shirley Mathew and Susan Tumang, Controller's Office's Internal Audit Division. I wish to also thank the Grand Jury Auditors, Macias, Gini & Company LLP, and specifically Kevin O'Connell, Cynthia Pon, Linda Hurley, Annie Louie, Guian Dela Cueva, Rosalba Calderon, Michael Ovadia and Larry Lo.

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 cursive script, appearing to read "Tom Huening".

Tom Huening, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Mateo,
California

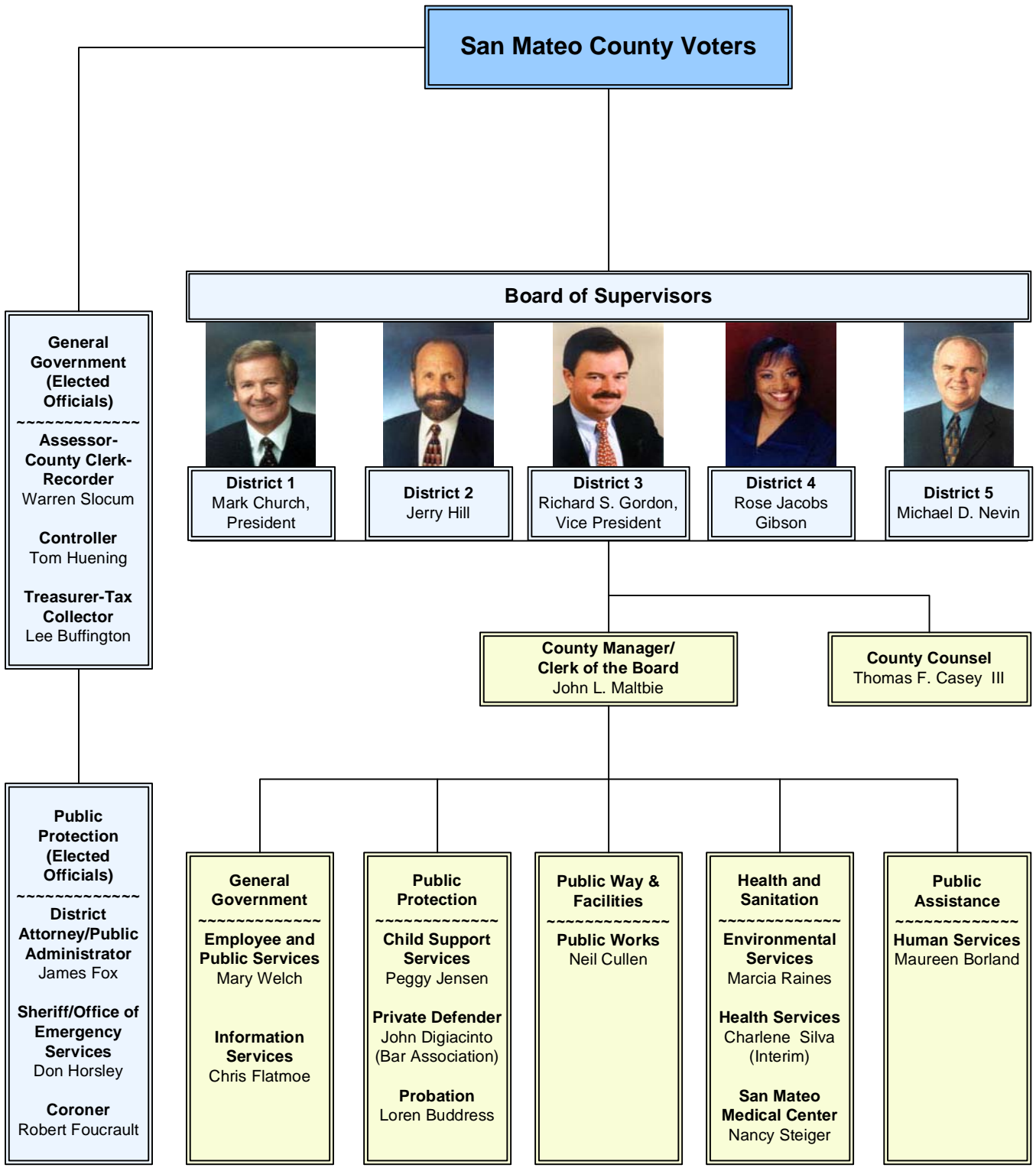
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



President

Executive Director



COUNTY OF SAN MATEO PUBLIC OFFICIALS

ELECTED OFFICIALS

June 30, 2004

Supervisor, District 1	Mark Church, President
Supervisor, District 2	Jerry Hill
Supervisor, District 3	Richard S. Gordon
Supervisor, District 4	Rose Jacobs Gibson
Supervisor, District 5	Michael D. Nevin
Assessor/Clerk/Recorder	Warren Slocum
Controller	Tom Huening
Coroner	Robert Foucrault
District Attorney/Public Administration	James Fox
Sheriff/Office of Emergency Services	Don Horsley
Treasurer/Tax Collector	Lee Buffington

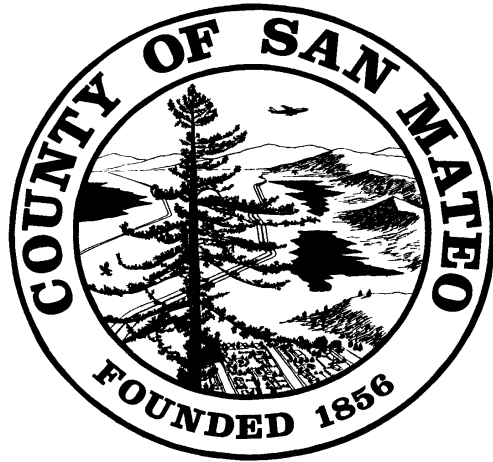
APPOINTED OFFICIALS

County Manager/Clerk of the Board	John L. Maltbie
County Counsel	Thomas F. Casey III
Court Executive Officer/Jury Commissioner (<i>appointed by the Judiciary</i>)	Peggy Thompson
County Probation Officer (<i>appointed by the Judiciary</i>)	Loren Buddress
Child Support Services Director	Peggy Jensen
Employee & Public Services Director	Mary Welch
Environmental Services Director	Marcia Raines
Health Services Director (<i>Interim</i>)	Charlene Silva
Human Services Director	Maureen Borland
Information Services Director	Chris Flatmoe
Private Defender (<i>appointed by the Bar Association</i>)	John Digiacinto
Public Works Director	Neil Cullen
San Mateo Medical Center Director	Nancy Steiger

AFFILIATED ORGANIZATIONS

Chief Executive Officer, San Mateo County Retirement Association	Sid McCausland
Director, Housing Authority of San Mateo County	Steve Cervantes
Director, In-Home Supportive Services Public Authority	Lisa Mancini
President, San Mateo County Joint Powers Financing Authority	Lee Mitchell
Executive Director, First 5 San Mateo County	Kris Perry

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FINANCIAL SECTION

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

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MACIAS GINI & COMPANY_{LLP}

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

925.274.0190 PHONE
925.274.3819 FAX

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, 2004, 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 San Mateo Housing Authority and the San Mateo Employees' Retirement Association, which represent the following percentages of assets and revenues/additions as of and for the fiscal year ended June 30, 2004:

Opinion Unit	Assets	Revenues/ Additions
Business-type Activities	25.4%	37.3%
Each Major Enterprise Fund – San Mateo Housing Authority	100.0%	100.0%
Aggregate Remaining Fund Information	36.6%	9.0%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Mateo County Housing Authority and the San Mateo Employees' Retirement Association, is based on the reports of the other auditors.

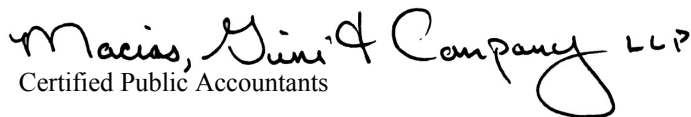
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, 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, 2004, 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.

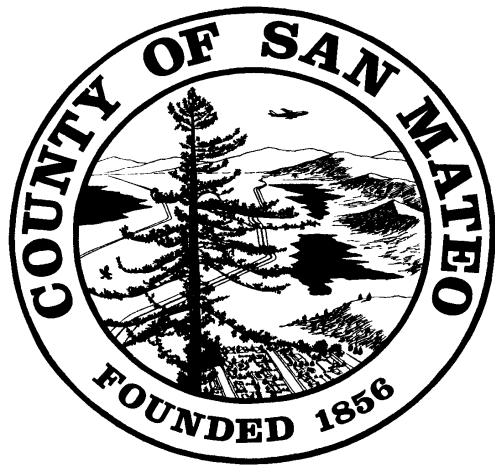
In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2004, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, infrastructure assets reported using the modified approach, the schedule of funding progress and the budgetary comparison schedule – general fund are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted primarily 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 do not express an 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 nonmajor fund statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.


Certified Public Accountants

Walnut Creek, California
October 8, 2004



Management's Discussion and Analysis
(Unaudited)

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COUNTY OF SAN MATEO
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)

This section of the County of San Mateo's (County's) comprehensive annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter 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

- The assets of the County exceeded its liabilities at the close of the fiscal year 2003-04 by \$633,837 (*net assets*). Of this amount, \$200,836 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors, \$121,332 is restricted for specific purpose (*restricted net assets*), and \$311,669 is invested in capital assets, net of related debt.
- The County's total net assets increased by \$21,338. Governmental activities increased the County's net assets by \$25,829 and business-type activities decreased the County's net assets by \$4,491.
- As of June 30, 2004, the County's governmental funds reported combined ending fund balances of \$504,411, an increase of \$133,793 in comparison with the prior year. Approximately 55% of this total amount, \$279,848 is *available* to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$219,529 or 37% of total General Fund expenditures.
- The County's total long-term debt increased by \$148,286 in comparison with the prior year. The increase was principally caused by the issuance of \$155,350 of 2003 lease revenue bonds to finance the construction of a Youth Services Center.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements are designed to 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 as soon as 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 in part 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 the San Mateo Medical Center (SMMC), Airports, Coyote Point Marina, and Housing Authority operations.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. Examples are: the San Mateo Joint Powers Financing Authority (JPFA), San Mateo County Employees' Retirement Association (SamCERA), San Mateo County Housing Authority, and In-Home Support Services (IHSS) Public Authority. First 5 San Mateo County (First 5) does not meet the requirements for blending and thus it is reported as a discretely presented component unit.

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)

Fund Financial Statements are groupings of related accounts that are 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 finance-related legal requirements. All of the funds of the County can be 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 is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and JPFA. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of *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 SMMC, Airport, 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, employee benefits, personal injury and property damage, fleet maintenance and Tower Road construction functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The SMMC and Housing Authority operations are considered to be major funds of the County. 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 these 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 much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 28-29 of this report.

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

The notes can be found on pages 30-56 of this report.

Required Supplementary Information is presented concerning the County's General Fund budgetary schedule, infrastructure assets reported using the modified approach, and the SamCERA funding progress schedules. The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The SamCERA pension schedules have been provided to present SamCERA's progress in funding its obligation to provide pension benefits to County employees.

Required supplementary information can be found on pages 57-67 of this report.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

Combining and individual fund statements and schedules referred to earlier 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 68-112 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets can over time serve as a useful indicator of the County's financial position. County assets exceeded liabilities by \$633,837 at June 30, 2004.

County's Net Assets

	Governmental Activities		Business-type Activities		Total		Variance
	2004	2003	2004	2003	2004	2003	
Assets:							
Current and other assets	\$ 774,186	\$ 578,699	\$ 17,598	\$ 18,094	\$ 791,784	\$ 596,793	32.67%
Capital assets	577,954	561,603	41,217	40,476	619,171	602,079	2.84%
Total assets	<u>1,352,140</u>	<u>1,140,302</u>	<u>58,815</u>	<u>58,570</u>	<u>1,410,955</u>	<u>1,198,872</u>	17.69%
Liabilities:							
Current and other liabilities	178,584	153,050	18,524	15,370	197,108	168,420	17.03%
Long-term liabilities	565,238	404,763	14,772	13,190	580,010	417,953	38.77%
Total liabilities	<u>743,822</u>	<u>557,813</u>	<u>33,296</u>	<u>28,560</u>	<u>777,118</u>	<u>586,373</u>	32.53%
Net assets:							
Invested in capital assets, net of related debt	271,872	281,735	39,797	38,836	311,669	320,571	-2.78%
Restricted	117,165	84,038	4,167	3,219	121,332	87,257	39.05%
Unrestricted	219,281	216,716	(18,445)	(12,045)	200,836	204,671	-1.87%
Total net assets	<u>\$ 608,318</u>	<u>\$ 582,489</u>	<u>\$ 25,519</u>	<u>\$ 30,010</u>	<u>\$ 633,837</u>	<u>\$ 612,499</u>	3.48%

The changes in the County's net assets are summarized as follows:

County's total assets increased by \$212,083 (or 18%). Three significant events account for this increase:

- The JPFA raised a total of \$155,350 through debt financing for the construction of a Youth Services Center of which \$140,717 was unspent at year end.
- The State passed a legislation to repay local governments for the motor vehicle license fee that was suspended from July to October of 2003 in 2006. The amount due to the County was \$14,477.
- The County's capital assets increased by \$17,092 as a result of its involvement in various capital projects.

County's total liabilities increased by \$190,745 (or 33%). Two significant events account for this increase:

- In November 2003, the JPFA issued 2003 lease revenues bonds of \$155,350 to finance the construction a Youth Services Center.
- Estimated claims was \$7,107 higher than the prior year, mainly resulting from \$6,406 increased liabilities in worker's compensation.

The composition of the County's net assets can be summarized as follows:

- A portion of the County's net assets, 32%, is *unrestricted net assets* that may be used to meet the County's ongoing obligations to citizens and creditors.
- Another 49% 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 is 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.

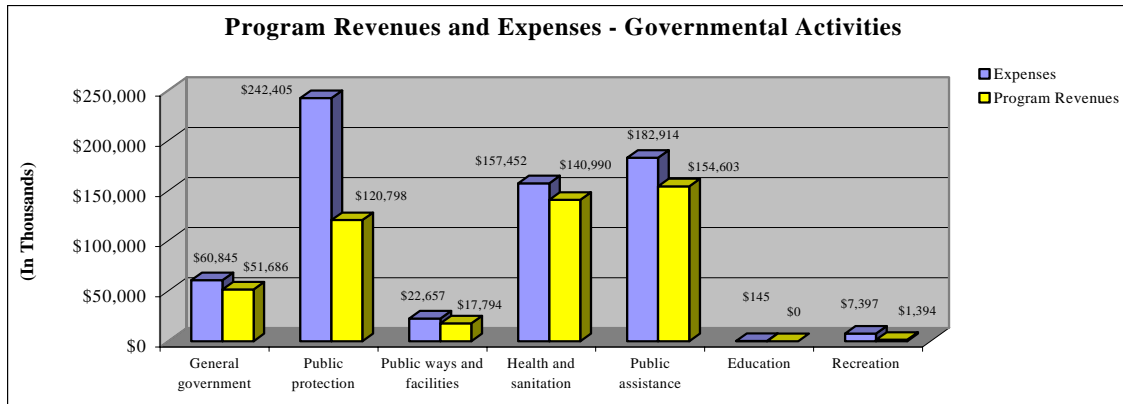
COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

- The remaining portion of the County's net assets, 19%, is *restricted net assets* that are subject to external restrictions on how they may be used.
- The County's net assets have increased by \$21,338 or 3% during the current fiscal year. This growth largely reflects increases in property taxes and miscellaneous revenues. When compared to the prior fiscal year, the County's overall financial position has improved.

Governmental activities. Governmental activities increased the County's net assets by \$25,829, thereby accounting for the total growth in the net assets of the County.

County's Change in Net Assets

	Governmental Activities		Business-type Activities		Total		Variance
	2004	2003	2004	2003	2004	2003	
Revenues:							
Program revenues:							
Charges for services	\$ 115,065	\$ 108,204	\$ 101,615	\$ 90,453	\$ 216,680	\$ 198,657	9.07%
Operating grants and contributions	368,896	343,808	75,280	84,657	444,176	428,465	3.67%
Capital grants and contributions	3,304	18	3,680	5,839	6,984	5,857	19.24%
General revenues:							
Property taxes	176,853	141,582	-	-	176,853	141,582	24.91%
Other taxes	24,414	23,444	-	-	24,414	23,444	4.14%
Motor vehicle in-lieu taxes	52,799	49,785	-	-	52,799	49,785	6.05%
Unrestricted interest and investment earnings	6,995	23,329	252	719	7,247	24,048	-69.86%
Security lending activities:							
Securities lending income	850	588	16	31	866	619	39.90%
Securities lending expenses	(720)	(525)	(12)	(27)	(732)	(552)	32.61%
Miscellaneous	20,293	13,890	2,300	849	22,593	14,739	53.29%
Total revenues	768,749	704,123	183,131	182,521	951,880	886,644	7.36%
Expenses:							
General government	60,845	60,667	-	-	60,845	60,667	0.29%
Public protection	242,405	224,777	-	-	242,405	224,777	7.84%
Public ways and facilities	22,657	21,546	-	-	22,657	21,546	5.16%
Health and sanitation	157,452	152,449	-	-	157,452	152,449	3.28%
Public assistance	182,914	172,014	-	-	182,914	172,014	6.34%
Education	145	190	-	-	145	190	-23.68%
Recreation	7,397	7,685	-	-	7,397	7,685	-3.75%
Interest on long-term liabilities	17,023	14,603	-	-	17,023	14,603	16.57%
San Mateo Medical Center	-	-	164,972	131,243	164,972	131,243	25.70%
Airports	-	-	1,706	1,744	1,706	1,744	-2.18%
Coyote Point Marina	-	-	1,250	1,153	1,250	1,153	8.41%
Housing Authority	-	-	71,776	68,695	71,776	68,695	4.49%
Total expenses	690,838	653,931	239,704	202,835	930,542	856,766	8.61%
Change in net assets before transfers	77,911	50,192	(56,573)	(20,314)	21,338	29,878	-28.58%
Transfers	(52,082)	(29,403)	52,082	29,403	-	-	0.00%
Change in net assets	25,829	20,789	(4,491)	9,089	21,338	29,878	-28.58%
Net assets - beginning	582,489	561,700	30,010	20,921	612,499	582,621	5.13%
Net assets - ending	\$ 608,318	\$ 582,489	\$ 25,519	\$ 30,010	\$ 633,837	\$ 612,499	3.48%



COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
Required Supplementary Information (Unaudited)

Key elements of the increase/decrease in revenues for governmental activities are as follows:

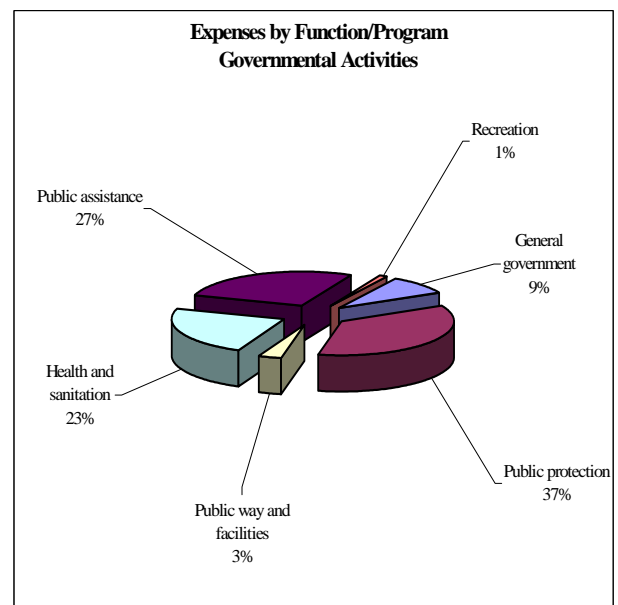
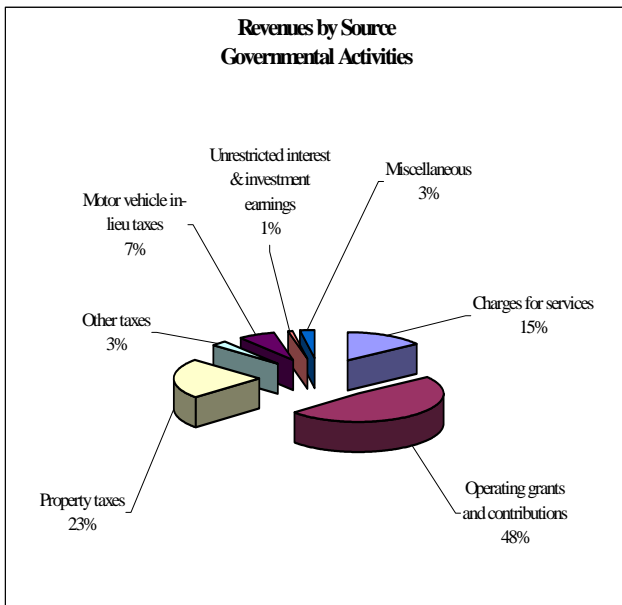
- Charges for services increased by \$6,861 or 6%. In 2004, Department of Public Works received \$6,237 for the work performed on the Youth Services Center construction project.
- Operating grants and contributions increased by \$25,088 or 7%. The increase was primarily due to the following:
 - Social welfare programs had a \$14,019 increase in revenue. The increasing number of caseloads and assistance payments resulted in additional state funding for California Assistance Payments for Immigrants (CAPI), CalWorks, Medi-Cal, and Non-Assistant Food Stamps. Also, the completion of five low-income housing projects resulted in additional funds from the US Department of Housing and Urban Development (HUD).
 - The Child Protective Services Program had an increase of \$1,374 due to receiving unanticipated revenue from the State Department of Social Services.
 - Expansion of the federal anti-terrorism grant and the addition of a new federal grant to Mental Health to compensate for the loss in the State Mandated Claim Reimbursement funding resulted in a \$4,605 increase in revenue.
 - The Children's Health Initiative (CHI), a county initiated program created to provide health coverage for uninsured children, received \$2,978 more in donations.
 - Parks and Recreation had a \$1,770 increase in state grants to fund various improvements such as the Sanchez Adobe Roof Replacement, Werder Fishing Pier, and Flood Park American Disability Act projects.
 - Probation processed more claims under the Title IV-E Program with the State Department of Social Services and received an additional \$1,099 in revenues.
- Capital grants and contributions increased by \$3,286. Parks and Recreation received a \$2,578 state grant for the acquisition of a parcel at Mirada Surf.
- Property taxes increased by \$35,271 or 25%. The increase was primarily due to the following:
 - The General Fund received a \$24,841 property tax refund from the Education Revenue Augmentation Fund.
 - The remaining increase relates to anticipated growth in property assessments and supplemental property tax payments.
- Motor vehicle in-lieu taxes increased by \$3,014 or 6%. The increase was attributable to an increased number of vehicle registrations.
- Unrestricted interest and investment earnings decreased by \$16,334 or 70%. Poor market conditions caused interest income to decrease by \$3,413 and the fair value of investments decreased by \$13,686 as compared to the prior year.
- Miscellaneous revenues increased by \$6,403 or 46%. The increase was primarily due to the following:
 - The County received a \$2,937 refund from PG&E for utility overcharges during their participation in the Joint Powers Authority with Association of Bay Area Governments (ABAG) Publicly Owned Energy Resources.
 - The General Fund received a \$7,327 tobacco settlement appropriation from the state. In prior years, the tobacco settlement revenues were deposited into the SMMC enterprise fund as operating grants and contributions. Beginning this year, the tobacco settlement revenues were reported in the General Fund and transferred to SMMC as part of the County subsidy.

Key elements of the increase/decrease in expenses for governmental activities are as follows:

- Public protection expenses increased by \$17,628 or 8%. The increase was primarily due to the following:
 - Salaries and benefits increased by \$10,213. This was mainly due to negotiated salary increases in the Sheriff and Probation Departments and filling positions in the District Attorney's office.
 - Expansion of the anti-terrorism program and further enhancement of the records management system resulted in a \$1,956 increase in costs to the Sheriff's department.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

- Late implementation of a mandated statewide automated child support system resulted in a \$741 federal penalty charge.
- The remaining portion of the variance relates to individual immaterial variances.
- Health and sanitation expenses increased by \$5,003 or 3%. The increase was primarily due to the following:
 - Salaries and benefits increased by \$1,655 due to the opening of the Canyon Oaks Youth Facility in August 2003.
 - Mental Health Adult Services had a \$1,422 increase in pharmacy and drug expenditures.
 - The new County bio-terrorism program resulted in a \$730 increase to expenditures.
 - The remaining increase relates to individual immaterial variances.
- Public assistance expenses increased by \$10,900 or 6%. The increase mainly relates to the rising costs of social welfare programs. The County's CalWORKS and Food Stamps programs had increases in administrative costs, number of assistance payments, and caseloads.
- Interest from long-term liabilities increased by \$2,420 or 17%. In November 2003, the JPFA issued new lease revenue bonds to finance the construction of a Youth Services Center. Interest paid on this new debt was \$2,738.



Key elements of the increases in transfers out for governmental activities are as follows:

Transfers out increased by \$22,679 or 77%. The significant increase in FY 2003-04 results from the change in accounting treatment for certain revenue streams. In prior years, the \$8,481 tobacco settlement revenues were directly deposited into the SMMC account as operating grants and contributions. This year, the \$7,327 tobacco settlement revenues were deposited into the General Fund and transferred to SMMC as part of the county subsidy. In addition, in prior years the County reported its annual \$8,670 SB855 match payment refund from the state in the SMMC enterprise fund as operating grants and contributions. Beginning FY 2003-04, the SB855 match payment refund was recorded as subsidy from the General fund to SMMC. Other factors causing the increase include a \$1,700 increase in the vehicle license fee realignment revenues that was given to SMMC as part of the county subsidy and an additional \$5,500 subsidy from the General Fund to cover the SMMC's operating expenses.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

Business-type activities. Business-type activities decreased the County's net assets by \$4,491. Key elements accounting for the increases or decreases in revenues and expenses are as follows:

Charges for services increased by \$11,162 or 12%. The increase principally caused by additional net patient revenue from Burlingame Long-term Care, which SMMC became the licensed long-term provider since August 1, 2003.

Operating grants and contributions decreased by \$9,377 or 11%. Two significant events account for this decrease:

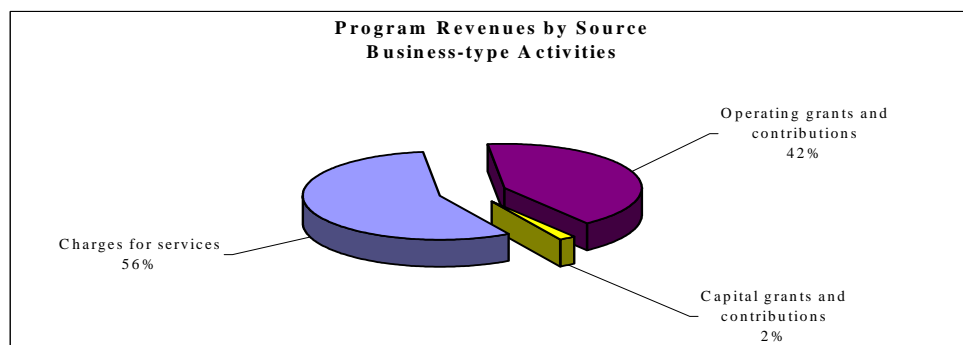
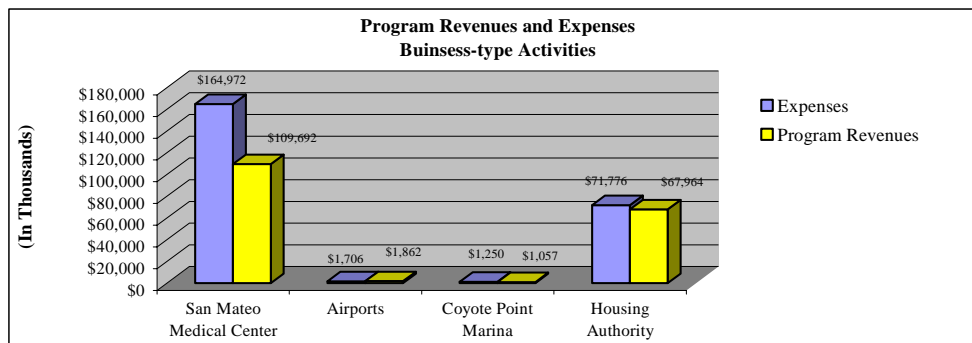
- In prior years, the \$8,481 tobacco settlement revenues were directly deposited into the SMMC enterprise fund as operating grants and contributions. This year the \$7,327 tobacco settlement revenues were deposited into the General Fund and transferred to SMMC as part of the county subsidy.
- Grants and subsidies from HUD decreased by \$1,800 as a result of decreased funding levels.

Capital grants and contributions decreased by \$2,159 or 37%. This year SMMC only received \$3,680 in contributions from SB1732, a state program established to reimburse hospitals contracting to provide Medi-Cal inpatient services for the cost of construction, renovation or replacement of hospital facilities. Last year SMMC received \$5,248 in contributions from SB1732 and \$591 in capital contributions from other sources.

SMMC's expenses increased by \$33,729 or 26%. The following factors accounted for the significant change in expenses:

- Employee salaries and benefits increased by \$26,100. Approximately \$9,100 related to negotiated increases in salaries and benefits, \$8,300 staffing in the Burlingame Long-term Care, \$3,800 increased pension costs, \$3,200 staffing in the Food and Nutrition Services unit that was transferred from the Health Services Agency, and \$1,700 usage of registry and overtime resulting from continual shortages in the workforce.
- Services charges increased by \$7,500. The primary factors accounting for this increase included a \$1,500 increase in maintenance, \$1,400 in collection fees charged by the Revenue Services Division, and \$1,700 in contracting services for the two new operating units: Burlingame Healthcare Center and the Food and Nutrition Services.

Housing Authority's expenses increased by \$3,081 or 4%. Housing assistance payments increased by \$2,900 due to maximized leasing in the Housing Choice Voucher program.



COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

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 functions are contained 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, 2004, the County's governmental funds reported combined ending fund balances of \$504,411, an increase of \$133,793 in comparison to the prior year. Approximately 55% of this total amount or \$279,848 constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of the fund balance is reserved for specific spending; \$71,958 is committed to pay debt service, \$25,534 to reflect inventories and the amount due from other funds that are long-term in nature and thus do not represent available spendable resources, \$5,275 to liquidate contractual commitments, and \$121,796 to finance capital projects.

The General Fund is the chief operating fund of the County. At June 30, 2004, unreserved fund balance was \$219,529 while total fund balance reached \$244,572. As a measure of liquidity, both unreserved fund balance and total fund balance can be compared to total fund expenditures. Unreserved fund balance represents 37% of total fund expenditures, while total fund balance represents 41% of the same amount. The fund balance of the County's General Fund increased by \$5,303 during the current fiscal year.

The following provides an explanation of revenues by source that changed significantly over the prior year:

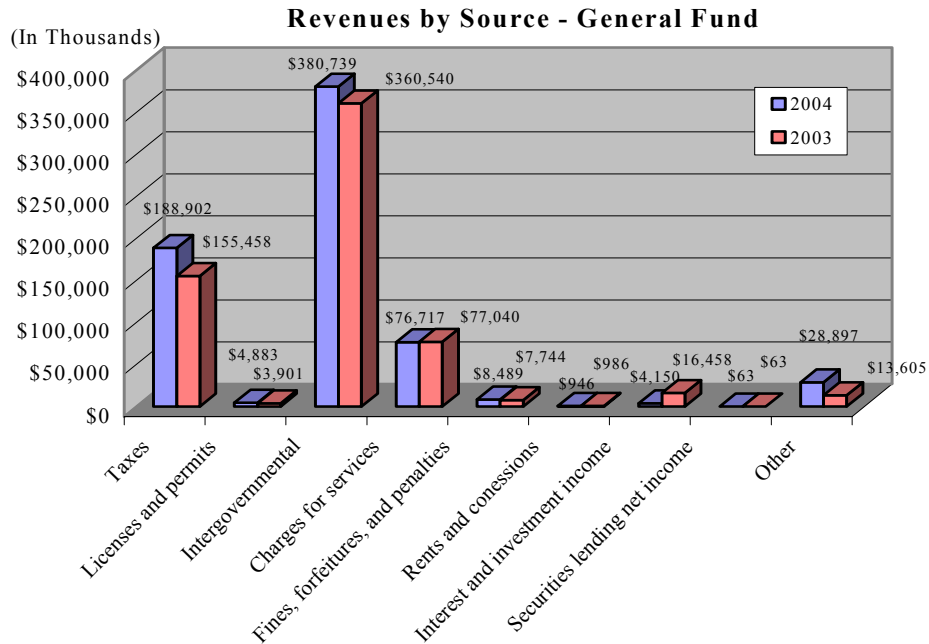
**Revenues by Source
General Fund**

Revenues by Source	FY 2004		FY 2003		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 188,902	27.23%	\$ 155,458	24.45%	\$ 33,444	21.51%
Licenses, permits and franchises	4,883	0.70%	3,901	0.61%	982	25.17%
Intergovernmental	380,739	54.88%	360,540	56.71%	20,199	5.60%
Charges for services	76,717	11.06%	77,040	12.12%	(323)	-0.42%
Fines, forfeitures, and penalties	8,489	1.22%	7,744	1.22%	745	9.62%
Rents and concessions	946	0.14%	986	0.16%	(40)	-4.06%
Investment income (loss)	4,150	0.60%	16,458	2.59%	(12,308)	-74.78%
Securities lending income, net	63	0.01%	63	0.01%	-	0.00%
Other	28,897	4.17%	13,605	2.14%	15,292	112.40%
Total	\$ 693,786	100.00%	\$ 635,795	100.00%	\$ 57,991	9.12%

- Taxes increased by \$33,444 or 22%. The increase was primarily due to the following:
 - The General Fund received a \$24,841 property tax refund from the Education Revenue Augmentation Fund.
 - The remainder of the increase relates to anticipated growth in property assessments and supplemental property tax payments.
- Intergovernmental revenues increased by \$20,199 or 6%. The increase was primarily caused by the following:
 - Social welfare programs had a \$14,019 increase in revenue. The increasing number of caseloads and assistance payments resulted in additional state funding to the CAPI, CalWorks, Medi-Cal, and Non-Assistant Food Stamps programs. The completion of five low-income housing projects resulted in additional funding from HUD.
 - The Child Protective Services Program had an increase of \$1,374 due to receiving unanticipated revenue from the State Department of Social Services.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

- Probation processed more claims under the Title IV-E Program with the State Department of Social Services and received an additional \$1,099 in revenues.
- Interest and investment income decreased by \$12,308 or 75%. Poor market conditions caused interest income to decrease by \$3,904 and the fair value of investment by \$8,404 as compared to the prior year.
- Other revenues increased by \$15,292 or 112%. The increase was primarily due to the following:
 - The County received a \$2,937 refund from PG&E for utility overcharges during their participation in the Joint Powers Authority with ABAG Publicly Owned Energy Resources.
 - The General Fund received a \$7,327 tobacco settlement appropriation from the state. In prior years, the tobacco settlement revenues were deposited into the SMMC enterprise fund as operating grants and contributions. Beginning this year, the tobacco settlement revenues were reported in the General Fund and transferred to SMMC as part of the County subsidy.
 - CHI received \$2,981 more in contributions than the prior year.



The following provides an explanation of expenditures by function that changed significantly over the prior year:

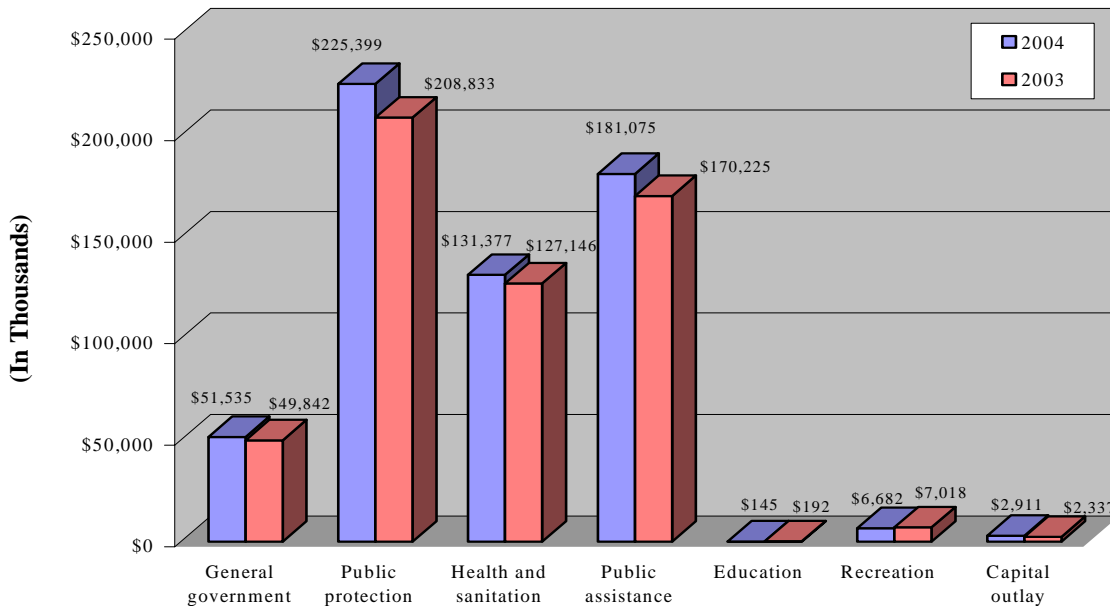
Expenditures by Function
General Fund

Expenditures by Function	FY 2004		FY 2003		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 51,535	8.60%	\$ 49,842	8.81%	\$ 1,693	3.40%
Public protection	225,399	37.61%	208,833	36.91%	16,566	7.93%
Health and sanitation	131,377	21.92%	127,146	22.47%	4,231	3.33%
Public assistance	181,075	30.22%	170,225	30.09%	10,850	6.37%
Education	145	0.02%	192	0.03%	(47)	-24.48%
Recreation	6,682	1.11%	7,018	1.24%	(336)	-4.79%
Capital outlay	2,911	0.49%	2,337	0.41%	574	24.56%
Debt service - principal retirement	156	0.03%	143	0.03%	13	9.09%
Debt service - interest charges	8	0.00%	15	0.00%	(7)	-46.67%
Total	\$ 599,288	100.00%	\$ 565,751	100.00%	\$ 33,537	5.93%

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

- General government expenditures increased by \$1,693 or 3%. The Assessor's office incurred \$1,968 more in expenses this year as a result of conducting three elections. The additional expenditures were for extra help personnel, ballot printing, election materials, absentee ballots, leasing of voting equipment and publications.
- Public protection expenditures increased by \$16,566 or 8%. The increase was primarily due to the following:
 - Salaries and benefits increased by \$10,213. This was mainly due to negotiated salary increases in the Sheriff and Probation Departments and filling positions in the District Attorney's office.
 - Expansion of the anti-terrorism program and further enhancement of the Sheriff's Records Management System caused \$1,956 of the increase.
 - Late implementation by the state of a federally mandated statewide child automated support system resulted in a \$741 federal penalty charge to the County.
 - The remaining portion of the variance was due to individual immaterial variances.
- Health and sanitation expenditures increased by \$4,231 or 3%. The increase was primarily due to the following:
 - The increased number of enrollees to CHI resulted in a \$4,129 increase to expenditures.
 - The new County bio-terrorism program resulted in a \$730 increase to expenditures.
- Public assistance expenditures increased by \$10,850 or 6%. The increase mainly related to the rising costs of social welfare programs. The County's CalWORKS and Food Stamp programs had increases in administrative costs, number of assistance payments, and caseloads.

Expenditures by Function - General Fund



Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net assets (deficits) amounted to \$(16,921) for the SMMC and \$1,165 for the Housing Authority at June 30, 2004. The total increase (decrease) in net assets for these funds was \$277 and \$(3,532). Factors concerning the finances of these major funds have already been addressed in the discussion of the County's business-type activities.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's final budget for the fiscal year 2004 exceeded its original budget by \$8,741 or 1%. The changes in resources and appropriations are summarized as follows:

- The General Fund reserves provided an additional \$6,700 to fund overruns in SMMC.
- United Way, First 5 and California Healthcare Foundation donated \$930 to (a) support events related to "Covering the Uninsured Week" for the Community Access Program, (b) pay for the funding of Healthy Kids premiums for children under 5, and (c) support the effort to provide "One Electronic Application" technical assistance.
- Unanticipated revenues from the election services, recording fees, and micro-graphic conversion trust fund provided \$862 to cover projected overruns in the Assessor-Clerk-Recorder Office's salaries, services, and supplies.
- The Recorder's Modernization Trust Fund provided \$198 to cover contract payments for an electronic recording project.

During the year, actual revenues were \$33,826 higher than the final budgetary estimates. While taxes, licenses, permits and franchises, intergovernmental revenues, fines, forfeitures and penalties, and miscellaneous revenues exceeded their estimates, revenues from charges for services, rents and concessions as well as investment income came in lower than estimated. Actual expenditures were \$164,212 lower than the final budgetary appropriations. The bulk of these cost savings resulted from the unspent appropriations of (a) \$91,112 in contingency reserves, (b) \$15,889 in salaries and benefits caused by the County's self-imposed hiring freeze, (c) \$41,857 in services & supplies and (d) \$15,354 in other charges for government programs including general government, public protection, health and sanitation, public assistance, education and recreation. These savings eliminated the need to draw upon the existing fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounted to \$619,171, net of accumulated depreciation of \$153,508. The investment in capital assets includes land and easements, infrastructure, construction in progress, structures and improvements, and equipment. The total increase in the County's investment in capital assets for the current period was 2.8%, which was comprised of a 2.9% increase for governmental activities and a 1.8% increase for business-type activities.

**County's Capital Assets
 (net of depreciation)**

	Governmental Activities		Business-type Activities		Total		
	2004	2003	2004	2003	2004	2003	Variance
Land and easements	\$ 61,524	\$ 58,220	\$ 10,147	\$ 10,147	\$ 71,671	\$ 68,367	4.83%
Infrastructure	111,823	94,138	-	-	111,823	94,138	18.79%
Construction in progress	40,091	42,450	64	-	40,155	42,450	-5.41%
Structures & improvements	350,988	352,530	24,224	23,836	375,212	376,366	-0.31%
Equipment	13,528	14,265	6,782	6,493	20,310	20,758	-2.16%
Total	\$ 577,954	\$ 561,603	\$ 41,217	\$ 40,476	\$ 619,171	\$ 602,079	2.84%

Major capital asset transactions/events during the current fiscal year included the following:

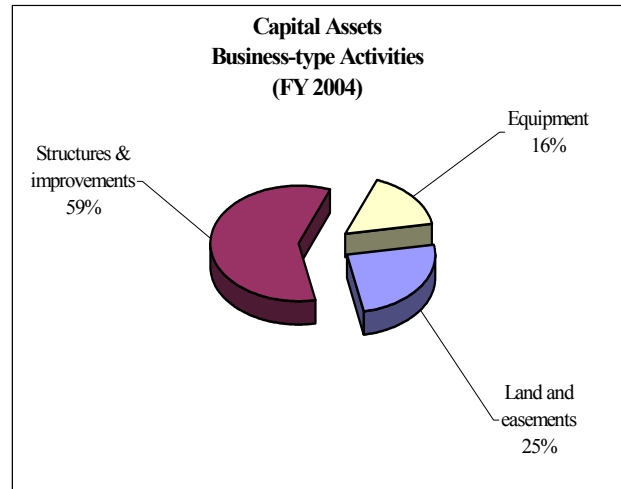
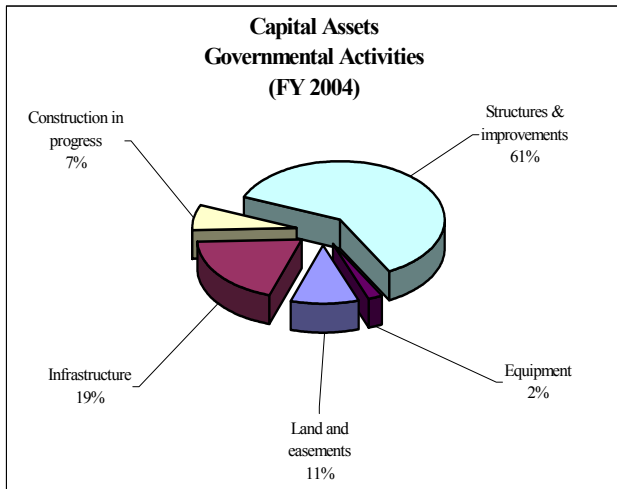
- The El Camino Real Box Culvert phase under the Colma Creek Flood Control project was completed in January 2004. Construction in progress of \$12,559 was transferred to infrastructure.
- The Youth Services Center project is currently in progress. Costs incurred in the current year amounted to \$13,314. The project is expected to be completed in May 2006.
- The Sheriff's radio system under the 2001 Capital Projects was still in progress as of June 30, 2004. The project was subsequently completed in July 2004.
- The commitments outstanding at June 30, 2004 amounted to \$9,625 for the Colma Creek Flood Control network, \$61,726 for the Youth Services Center, and \$1,769 for the Sheriff's radio system.

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by 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 \$70,638. Infrastructure assets reported under the modified approach are not subject to depreciation per GASB Statement No. 34. The remaining networks and other road network subsystems use the depreciation method of reporting. These networks and subsystems are being evaluated for the appropriateness and feasibility of conversion to the modified approach in future periods.

The County manages its maintained road subsystem of the road network using the Metropolitan Transportation Commission's Pavement Management Program. The Program establishes a Pavement Condition Index (PCI) on a scale from zero to one hundred (0 – 100) for each road segment being maintained by the Department of Public Works. The Program has defined the pavement of roads with PCI of 40 or higher to be in a "Fair" or better condition and roads with PCI of 55 or higher to be in "Good" or better condition. The County's policy is to maintain at least 75% of its primary maintained road system (roads with structural sections) at a PCI of 55 or higher and the secondary maintained road subsystem (roads without structural sections) at a PCI of 40 or higher. Condition assessments are determined every three years.

At June 30, 2004, the County's maintained road subsystem was rated at a PCI of 75 on the average for the primary roads and 54 for secondary roads. For the year ended June 30, 2004, the actual maintenance and preservation costs of \$6,347 were more than the estimated amount by \$55 or 0.9%.



Additional information on the County's capital assets can be found in Note 7 on pages 45-46 of this report.

Long-term debt. At June 30, 2004, the County had total debt outstanding of \$442,901. Of this amount, \$425,932 was comprised of lease revenue bonds, \$14,725 of certificates of participation, \$1,990 of notes payable, \$27 of capital lease obligations, and \$227 of state settlement.

County's Outstanding Debt

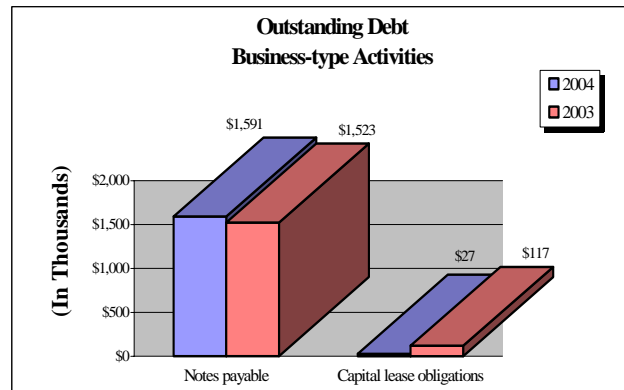
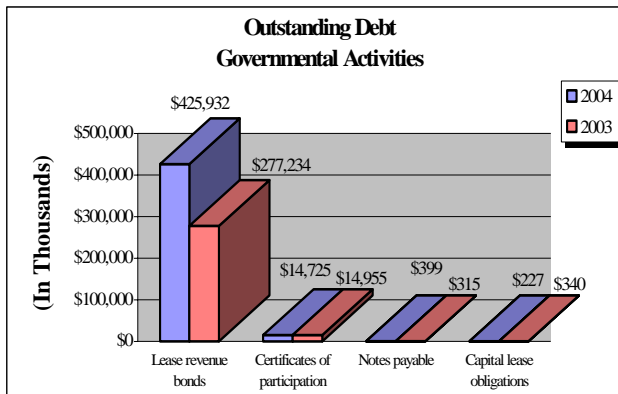
	Governmental Activities		Business-type Activities		Total		
	2004	2003	2004	2003	2004	2003	Variance
Lease revenue bonds (including accreted interest)	\$ 425,932	\$ 277,234	\$ -	\$ -	\$ 425,932	\$ 277,234	53.64%
Certificates of participation	14,725	14,955	-	-	14,725	14,955	-1.54%
Notes payable	399	315	1,591	1,523	1,990	1,838	8.27%
Capital lease obligations	-	131	27	117	27	248	-89.11%
State settlement	227	340	-	-	227	340	-33.24%
Total	\$ 441,283	\$ 292,975	\$ 1,618	\$ 1,640	\$ 442,901	\$ 294,615	50.33%

COUNTY OF SAN MATEO
Management's Discussion and Analysis (Continued)
 Required Supplementary Information (Unaudited)

Major debt financing activities during the fiscal year included the following:

- During the current fiscal year, the County's total debt increased by \$148,626 (or 50%). The increase was primarily caused by the issuance of \$155,350 of 2003 lease revenue bonds via JPFA to finance the construction of a Youth Services Center.
- The JPFA also issued \$7,805 of 2004 refunding Series A bonds to advance refund a portion of 1993 refunding Series A bonds totaling \$7,670. The net proceeds from the issuance of the 2004 refunding bonds were deposited in an irrevocable trust with an escrow agent to provide debt service payments of the refunded bonds. The advance refunding met the requirements of an in-substance debt defeasance and \$7,670 of 1993 refunding bonds was removed from the County's government-wide financial statements.

The County's 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 2004 fiscal year's debt service limit is \$41,815. The amount applicable to the debt service limit is \$24,464, which is \$17,351 less than authorized.



Additional information on the County's long-term debt can be found in Note 9 on pages 47-52 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The fiscal year 2004-05 recommended budget for all County funds totals \$1,287,000, a 1.4% increase when compared to the prior year. Although department budgets were reduced by \$19,500, \$56,300 will be taken from the General Fund reserves to cover the deficit. This is the fourth consecutive year that the County has used reserves.
- The provision of the County's medical care for the indigent through operation of SMMC continues to be a financial challenge. For the fiscal year ended June 30, 2004, General Fund subsidies to SMMC were \$62,300. Historically, four out of the five past years, SMMC has exceeded its budgeted subsidy amount resulting in increased General Fund subsidies in those years. General Fund subsidies for fiscal year 2004-05 were budgeted at \$62,270.
- The final State budget reflects the State Administration's and local government advocates' agreement to help solve the state fiscal crisis through a Vehicle License Fee/property tax swap. Under the agreement, local governments would lose \$1,300,000 in local revenue to state in FY 2004-05 and FY 2005-06. The County's share of loss is \$6,705 for each of the next two years.
- The fiscal year 2004-05 budget recommends eliminating 68 positions at the County.
- Growth in property taxes remains relatively strong. As of March 2004, the median home price in the County was \$729 as compared to \$640 a year ago.
- Although there was a slight upturn in fiscal year 2003-04, sales taxes remain relatively flat.

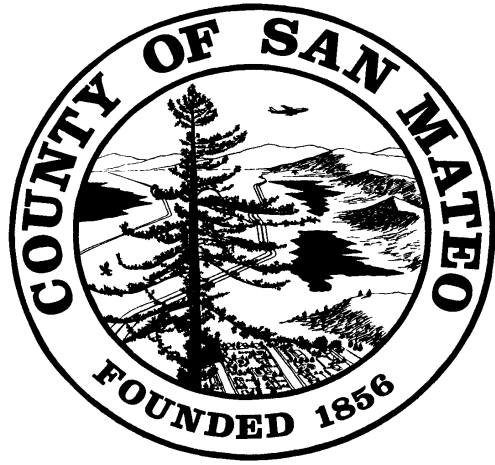
All of these factors were considered in preparing the County's budget for the fiscal year 2004-05.

COUNTY OF SAN MATEO
Management's Discussion and Analysis *(Continued)*
Required Supplementary Information (Unaudited)

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$219,529. The County has appropriated the full amount of spending in the 2005 fiscal year budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in 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 entire report is available online at www.co.sanmateo.ca.us.



Basic Financial Statements -
Government-Wide Financial Statements

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COUNTY OF SAN MATEO
Statement of Net Assets
June 30, 2004
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and investments	\$ 359,229	\$ 8,870	\$ 368,099	\$ 32,625
Restricted cash and investments	170,720	-	170,720	-
Securities lending collateral	80,528	1,527	82,055	5,620
Receivables (net)	53,800	17,137	70,937	416
Due from other governmental agencies	80,640	12,023	92,663	1,563
Inventories	669	462	1,131	-
Other assets	4,682	737	5,419	1,353
Internal balances	23,158	(23,158)	-	-
Receivable from external parties	760	-	760	-
Capital assets:				
Nondepreciable	172,253	10,211	182,464	-
Depreciable, net	405,701	31,006	436,707	-
Total assets	<u>\$ 1,352,140</u>	<u>\$ 58,815</u>	<u>\$ 1,410,955</u>	<u>\$ 41,577</u>
Liabilities:				
Accounts payable	\$ 25,035	\$ 6,257	\$ 31,292	\$ 81
Accrued interest payable	6,342	-	6,342	-
Accrued salaries and benefits	11,635	3,366	15,001	24
Accrued liabilities	-	1,533	1,533	-
Securities lending collateral - due to borrowers	80,528	1,527	82,055	5,620
Due to other governmental agencies	30,210	5,328	35,538	-
Deferred revenues	24,728	418	25,146	40
Deposits	106	95	201	-
Compensated absences:				
Due within one year	28,339	6,291	34,630	28
Due beyond one year	56,265	6,863	63,128	17
Estimated claims:				
Due within one year	9,590	-	9,590	-
Due beyond one year	29,761	-	29,761	-
Long-term liabilities:				
Due within one year	7,343	160	7,503	-
Due beyond one year	433,940	1,458	435,398	-
Total liabilities	<u>743,822</u>	<u>33,296</u>	<u>777,118</u>	<u>5,810</u>
Net Assets:				
Invested in capital assets, net of related debt	271,872	39,797	311,669	-
Restricted for:				
Debt service	71,958	-	71,958	-
Other purposes	45,207	4,167	49,374	148
Unrestricted	219,281	(18,445)	200,836	35,619
Total net assets	<u>608,318</u>	<u>25,519</u>	<u>633,837</u>	<u>35,767</u>
Total liabilities and net assets	<u>\$ 1,352,140</u>	<u>\$ 58,815</u>	<u>\$ 1,410,955</u>	<u>\$ 41,577</u>

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

COUNTY OF SAN MATEO
Statement of Activities
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary government				
Governmental activities:				
General government	\$ 60,845	\$ 33,083	\$ 16,025	\$ 2,578
Public protection	242,405	28,093	92,705	-
Public ways and facilities	22,657	3,047	14,747	-
Health and sanitation	157,452	44,528	96,462	-
Public assistance	182,914	4,953	148,924	726
Education	145	-	-	-
Recreation	7,397	1,361	33	-
Interest on long-term liabilities	17,023	-	-	-
Total governmental activities	<u>690,838</u>	<u>115,065</u>	<u>368,896</u>	<u>3,304</u>
Business-type activities:				
San Mateo Medical Center	164,972	97,307	8,705	3,680
Airports	1,706	1,817	45	-
Coyote Point Marina	1,250	1,047	10	-
Housing Authority	71,776	1,444	66,520	-
Total business-type activities	<u>239,704</u>	<u>101,615</u>	<u>75,280</u>	<u>3,680</u>
Total primary government	<u>\$ 930,542</u>	<u>\$ 216,680</u>	<u>\$ 444,176</u>	<u>\$ 6,984</u>
Component unit:				
First 5 San Mateo County	<u>\$ 8,687</u>	<u>\$ -</u>	<u>\$ 9,985</u>	<u>\$ -</u>

General revenues:
Taxes:
Property taxes
Property transfer taxes
Sales and use taxes
Transient occupancy taxes
Aircraft taxes
Motor vehicle in-lieu 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
Net assets - ending

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

(Continued)

COUNTY OF SAN MATEO
Statement of Activities
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Unit
\$ (9,159)	\$ -	\$ (9,159)	
(121,607)	-	(121,607)	
(4,863)	-	(4,863)	
(16,462)	-	(16,462)	
(28,311)	-	(28,311)	
(145)	-	(145)	
(6,003)	-	(6,003)	
(17,023)	-	(17,023)	
<u>(203,573)</u>	<u>-</u>	<u>(203,573)</u>	
-	(55,280)	(55,280)	
-	156	156	
-	(193)	(193)	
-	(3,812)	(3,812)	
<u>-</u>	<u>(59,129)</u>	<u>(59,129)</u>	
<u>(203,573)</u>	<u>(59,129)</u>	<u>(262,702)</u>	
			\$ 1,298
176,853	-	176,853	-
7,003	-	7,003	-
15,762	-	15,762	-
632	-	632	-
1,017	-	1,017	-
52,799	-	52,799	-
6,995	252	7,247	77
850	16	866	-
(720)	(12)	(732)	-
20,293	2,300	22,593	-
(52,082)	52,082	-	-
<u>229,402</u>	<u>54,638</u>	<u>284,040</u>	<u>77</u>
25,829	(4,491)	21,338	1,375
<u>582,489</u>	<u>30,010</u>	<u>612,499</u>	<u>34,392</u>
<u>\$ 608,318</u>	<u>\$ 25,519</u>	<u>\$ 633,837</u>	<u>\$ 35,767</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
- Transient occupancy taxes
- Aircraft taxes
- Motor vehicle in-lieu 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

Net assets - ending

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Basic Financial Statements -

Fund Financial Statements

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COUNTY OF SAN MATEO
Balance Sheet
Governmental Funds
June 30, 2004
(Dollars in Thousands)

	General Fund	Joint Powers Financing Authority	Other Governmental Funds	Total
Assets:				
Cash and investments	\$ 226,340	\$ -	\$ 95,674	\$ 322,014
Restricted cash and investments	-	170,720	-	170,720
Securities lending collateral	38,882	18,687	16,548	74,117
Receivables (net):				
Accounts	11,525	-	13	11,538
Interest	2,021	1,247	555	3,823
Taxes	14,196	-	1,027	15,223
Other	22,626	-	208	22,834
Due from other funds	10,475	-	1,217	11,692
Due from other governmental agencies	77,590	-	2,750	80,340
Inventories	164	-	393	557
Other assets	50	-	6	56
Advances to other funds	21,977	-	3,000	24,977
Total assets	<u>\$ 425,846</u>	<u>\$ 190,654</u>	<u>\$ 121,391</u>	<u>\$ 737,891</u>
Liabilities:				
Accounts payable	\$ 20,267	\$ 1,137	\$ 3,354	\$ 24,758
Accrued salaries and benefits	11,263	-	262	11,525
Securities lending collateral - due to borrowers	38,882	18,687	16,548	74,117
Due to other funds	761	-	10,368	11,129
Due to other governmental agencies	30,210	-	-	30,210
Advances from other funds	3,000	-	-	3,000
Deferred revenues	76,881	-	1,848	78,729
Deposits	10	-	2	12
Total liabilities	<u>181,274</u>	<u>19,824</u>	<u>32,382</u>	<u>233,480</u>
Fund Balances:				
Reserved for:				
Encumbrances	2,902	-	2,373	5,275
Debt service	-	49,034	22,924	71,958
Inventories and advances	22,141	-	3,393	25,534
Capital projects	-	121,796	-	121,796
Unreserved, reported in				
General fund				
Undesignated	219,529	-	-	219,529
Special revenue funds:				
Designated	-	-	12,395	12,395
Undesignated	-	-	38,737	38,737
Capital projects funds:				
Designated	-	-	3,735	3,735
Undesignated	-	-	5,452	5,452
Total fund balances	<u>244,572</u>	<u>170,830</u>	<u>89,009</u>	<u>504,411</u>
Total liabilities and fund balances	<u>\$ 425,846</u>	<u>\$ 190,654</u>	<u>\$ 121,391</u>	<u>\$ 737,891</u>

The notes to the 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 - Governmental Activities
June 30, 2004
(Dollars in Thousands)

Fund balances - total governmental funds (page 20) \$ 504,411

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. 4,626

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 573,050

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 54,001

Internal service funds are used by management to charge the costs of management of fleet maintenance, tower road construction, worker's 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. 4,062

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. (6,342)

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 \$132 and unamortized premium of \$310	(425,932)	
Certificates of participation	(14,725)	
Notes payable	(399)	
Compensated absences	(84,207)	
State settlement	(227)	
	(525,490)	(525,490)

Net assets of governmental activities (page 17) \$ 608,318

The notes to the 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, 2004
(Dollars in Thousands)

	General Fund	Joint Powers Financing Authority	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 188,902	\$ -	\$ 11,864	\$ 200,766
Licenses and permits	4,883	-	3,946	8,829
Intergovernmental	380,739	-	25,396	406,135
Charges for services	76,717	-	12,414	89,131
Fines, forfeitures and penalties	8,489	-	1,100	9,589
Rents and concessions	946	-	71	1,017
Investment income (loss)	4,150	2,994	(161)	6,983
Securities lending activities:				
Securities lending income	412	198	173	783
Securities lending expenditures	(349)	(168)	(146)	(663)
Other	28,897	800	840	30,537
Total revenues	<u>693,786</u>	<u>3,824</u>	<u>55,497</u>	<u>753,107</u>
Expenditures:				
Current:				
General government	51,535	292	3,173	55,000
Public protection	225,399	-	6,318	231,717
Public ways and facilities	-	-	21,434	21,434
Health and sanitation	131,377	-	21,999	153,376
Public assistance	181,075	-	-	181,075
Education	145	-	-	145
Recreation	6,682	-	-	6,682
Capital outlay	2,911	13,849	18,042	34,802
Debt service:				
Principal	156	7,585	15	7,756
Interest	8	16,879	5	16,892
Bond issuance costs	-	4,077	-	4,077
Total expenditures	<u>599,288</u>	<u>42,682</u>	<u>70,986</u>	<u>712,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,498</u>	<u>(38,858)</u>	<u>(15,489)</u>	<u>40,151</u>
Other financing sources (uses):				
Issuance of lease revenue bonds	-	155,350	-	155,350
Issuance of refunding bonds	-	7,805	-	7,805
Premium on lease revenue bonds	-	342	-	342
Payment to refunded bonds escrow agent	-	(7,823)	-	(7,823)
Transfers in	2,061	22,431	33,298	57,790
Transfers out	(91,256)	-	(28,566)	(119,822)
Total other financing sources (uses)	<u>(89,195)</u>	<u>178,105</u>	<u>4,732</u>	<u>93,642</u>
Net change in fund balances	5,303	139,247	(10,757)	133,793
Fund balances - beginning	<u>239,269</u>	<u>31,583</u>	<u>99,766</u>	<u>370,618</u>
Fund balances - ending	<u>\$ 244,572</u>	<u>\$ 170,830</u>	<u>\$ 89,009</u>	<u>\$ 504,411</u>

The notes to the 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 - Governmental Activities
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Net change in fund balances- total governmental funds (page 22) \$ 133,793

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	28,980	
The net effect of various miscellaneous transactions involving capital assets such as sales, retirements, trade-ins, and donations	(1,213)	
Less current year depreciation	<u>(11,569)</u>	16,198

Governmental fund revenues deferred in prior year due to unavailability were received in the current year but already recorded in the statement of activities last year. 20,719

Issuance of lease revenue bonds provides current financial resources to the governmental funds but the bonds are reported as long-term liabilities in the government-wide financial statements. (163,155)

Loss on early retirement of debt is expenditure in the governmental funds, but the payment is deferred and amortized over the life of the new debt issued to finance the refunding. 153

Bond issuance costs are expenditures in the governmental funds but deferred and amortized over the life of the bonds. 4,077

Bond premiums are other financing sources in the governmental funds but deferred and amortized over the life of the bonds. (342)

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	14,335	
Certificate of participation	230	
Notes payable	40	
Capital leases	131	
Payment of accreted interest on capital accretion bonds	690	
Repayment to a settlement claim with State	<u>113</u>	15,539

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	(113)	
Amortization of bond discount	(5)	
Amortization of bond premium	32	
Amortization of loss on early retirement of debt	(14)	
Change in accrued interest payable	312	
Accretion of capital appreciation bonds	(392)	
Change in compensated absences	<u>(5,013)</u>	(5,193)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expenses of certain activities of the internal service funds are reported with governmental activities. 4,040

Change in net assets of governmental activities (page 19) \$ 25,829

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

COUNTY OF SAN MATEO
Statement of Fund Net Assets
Proprietary Funds
June 30, 2004
(Dollars 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	\$ 592	\$ 5,394	\$ 2,884	\$ 8,870	\$ 37,215
Securities lending collateral	101	929	497	1,527	6,411
Receivables (net):					
Accounts	14,727	447	61	15,235	211
Interest	83	40	19	142	171
Advances	500	-	-	500	-
Other	842	418	-	1,260	-
Due from other funds	349	-	-	349	40
Due from other governmental agencies	12,023	-	-	12,023	300
Other assets	-	83	-	83	-
Inventories	462	-	-	462	112
Total current assets	<u>29,679</u>	<u>7,311</u>	<u>3,461</u>	<u>40,451</u>	<u>44,460</u>
Noncurrent assets:					
Deposits	654	-	-	654	-
Capital assets:					
Nondepreciable:					
Land	841	1,128	8,178	10,147	-
Construction in progress	-	-	64	64	54
Depreciable:					
Structures and improvements	6,667	20,568	23,300	50,535	927
Equipment	12,257	846	189	13,292	16,314
Less accumulated depreciation	<u>(8,770)</u>	<u>(14,942)</u>	<u>(9,109)</u>	<u>(32,821)</u>	<u>(12,391)</u>
Total noncurrent assets	<u>11,649</u>	<u>7,600</u>	<u>22,622</u>	<u>41,871</u>	<u>4,904</u>
Total assets	<u>\$ 41,328</u>	<u>\$ 14,911</u>	<u>\$ 26,083</u>	<u>\$ 82,322</u>	<u>\$ 49,364</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 6,025	\$ 120	\$ 112	\$ 6,257	\$ 277
Accrued salaries and benefits	3,234	98	34	3,366	110
Accrued liabilities	-	1,533	-	1,533	-
Securities lending collateral - due to borrowers	101	929	497	1,527	6,411
Due to other funds	-	-	6	6	186
Due to other governmental agencies	4,644	684	-	5,328	-
Compensated absences - current	5,817	415	59	6,291	257
Estimated claims - current	-	-	-	-	9,590
Long-term liabilities - current	27	-	133	160	-
Total current liabilities	<u>19,848</u>	<u>3,779</u>	<u>841</u>	<u>24,468</u>	<u>16,831</u>
Noncurrent liabilities:					
Advances from other funds	21,147	830	-	21,977	-
Deferred revenues	-	348	70	418	-
Deposits	-	91	4	95	94
Compensated absences - noncurrent	6,284	417	162	6,863	140
Estimated claims - noncurrent	-	-	-	-	29,761
Long-term liabilities - noncurrent	-	197	1,261	1,458	-
Total noncurrent liabilities	<u>27,431</u>	<u>1,883</u>	<u>1,497</u>	<u>30,811</u>	<u>29,995</u>
Total liabilities	<u>47,279</u>	<u>5,662</u>	<u>2,338</u>	<u>55,279</u>	<u>46,826</u>
Net assets:					
Invested in capital assets, net of related debt	10,970	7,599	21,228	39,797	4,904
Restricted	-	485	-	485	-
Unrestricted	<u>(16,921)</u>	<u>1,165</u>	<u>2,517</u>	<u>(13,239)</u>	<u>(2,366)</u>
Total net assets	<u>(5,951)</u>	<u>9,249</u>	<u>23,745</u>	<u>27,043</u>	<u>2,538</u>
Total liabilities and net assets	<u>\$ 41,328</u>	<u>\$ 14,911</u>	<u>\$ 26,083</u>	<u>\$ 82,322</u>	<u>\$ 49,364</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(1,524)	
Net assets of business-type activities (page 17)				<u>\$ 25,519</u>	

The notes to the 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, 2004
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	San Mateo Medical Center	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues:					
Charges for services	\$ 238,790	\$ -	\$ 1,081	\$ 239,871	\$ 74,272
Less:					
Contractual allowances	(133,188)	-	-	(133,188)	-
Provision for doubtful accounts	(17,246)	-	-	(17,246)	-
Net charges for services	88,356	-	1,081	89,437	74,272
Program revenues:					
SB-855	4,228	-	-	4,228	-
Proposition 99	428	-	-	428	-
Realignment sales tax	4,295	-	-	4,295	-
Rent and concessions	-	1,444	1,783	3,227	-
Miscellaneous	-	154	32	186	514
Total operating revenues	97,307	1,598	2,896	101,801	74,786
Operating expenses:					
Profession, nursing and ancillary services	75,321	-	-	75,321	-
Emergency and clinic	40,251	-	-	40,251	-
General and administrative	28,209	6,534	2,410	37,153	10,617
Support services	13,384	-	-	13,384	-
Rehabilitation program	5,680	-	-	5,680	-
Benefits and claims	-	-	-	-	21,826
Insurance premiums	-	-	-	-	47,711
Depreciation and amortization	809	750	462	2,021	1,654
Housing assistance payments	-	64,489	-	64,489	-
Total operating expenses	163,654	71,773	2,872	238,299	81,808
Operating income (loss)	(66,347)	(70,175)	24	(136,498)	(7,022)
Nonoperating revenues (expenses):					
State and federal grants	10,819	66,520	55	77,394	-
Disposal of capital assets	(78)	-	-	(78)	(61)
Investment income (loss)	124	124	5	253	(81)
Interest and investment expenses	(3)	(3)	(76)	(82)	-
Securities lending activities:					
Securities lending income	1	10	5	16	67
Securities lending expenses	(1)	(8)	(5)	(14)	(57)
Total nonoperating revenues	10,862	66,643	(16)	77,489	(132)
Net income (loss) before capital contributions and transfers	(55,485)	(3,532)	8	(59,009)	(7,154)
Capital contributions	3,680	-	-	3,680	-
Transfers in	62,313	-	-	62,313	9,950
Transfers out	(10,231)	-	-	(10,231)	-
Change in net assets	277	(3,532)	8	(3,247)	2,796
Net assets - beginning	(6,228)	12,781	23,737		(258)
Net assets - ending	\$ (5,951)	\$ 9,249	\$ 23,745		\$ 2,538
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(1,244)	
Change in net assets of business-type activities (page 19)				\$ (4,491)	

The notes to the 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, 2004
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental
				Total	Activities
	San Mateo Medical Center	Housing Authority	Other Enterprise Funds		Internal Service Funds
Cash flows from operating activities					
Cash receipts from customers	\$ 93,886	\$ 1,561	\$ 2,860	\$ 98,307	\$ 74,572
Cash paid to suppliers for goods and services	(67,333)	(70,613)	(1,237)	(139,183)	(55,831)
Cash paid to employees for services	(92,017)	-	(1,075)	(93,092)	(3,088)
Cash paid for judgments and claims	-	-	-	-	(14,719)
Net cash provided by (used in) operating activities	<u>(65,464)</u>	<u>(69,052)</u>	<u>548</u>	<u>(133,968)</u>	<u>934</u>
Cash flows from noncapital financing activities					
Transfers in	62,313	-	-	62,313	9,950
Transfers out	(10,230)	-	-	(10,230)	-
Due from other funds	(112)	-	-	(112)	-
Due to other funds	(1,964)	-	(1)	(1,965)	-
Due from other governmental agencies	100	(54)	-	46	-
State and federal grant receipts	10,536	67,141	55	77,732	-
Net cash provided by noncapital financing activities	<u>60,643</u>	<u>67,087</u>	<u>54</u>	<u>127,784</u>	<u>9,950</u>
Cash flows from capital and related financing activities					
Acquisition/disposal of fixed assets	(1,314)	(282)	(1,246)	(2,842)	(1,747)
Capital contribution from other governments	2,936	-	-	2,936	-
Principal paid on long-term liabilities	(90)	-	(129)	(219)	-
Interest paid on long-term liabilities	(4)	(3)	(76)	(83)	-
Net cash provided by (used in) capital and related financing activities	<u>1,528</u>	<u>(285)</u>	<u>(1,451)</u>	<u>(208)</u>	<u>(1,747)</u>
Cash flows from investing activities					
Investment income received	101	378	55	534	218
GASB 31 fair value adjustment	(4)	(34)	(41)	(79)	(234)
Investment expense paid	-	-	-	-	(8)
Net cash provided by (used in) investing activities	<u>97</u>	<u>344</u>	<u>14</u>	<u>455</u>	<u>(24)</u>
Net increase (decrease) in cash and cash equivalents	(3,196)	(1,906)	(835)	(5,937)	9,113
Cash and cash equivalents, beginning of the year	<u>3,788</u>	<u>7,300</u>	<u>3,719</u>	<u>14,807</u>	<u>28,102</u>
Cash and cash equivalents, end of the year	<u>\$ 592</u>	<u>\$ 5,394</u>	<u>\$ 2,884</u>	<u>\$ 8,870</u>	<u>\$ 37,215</u>

(Continued)

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

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds			Total	Governmental
	San Mateo Medical Center	Housing Authority	Other Enterprise Funds		Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (66,347)	\$ (70,175)	\$ 24	\$ (136,498)	\$ (7,022)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	809	750	462	2,021	1,654
Decrease (increase) in:					
Accounts receivable	(3,009)	(513)	(18)	(3,540)	(1)
Other receivable	246	-	-	246	-
Due from other funds	-	-	-	-	87
Due from other governmental agencies	(2,102)	-	-	(2,102)	(300)
Deposits	(42)	(91)	-	(133)	-
Inventories	4	-	-	4	(19)
Other assets	-	199	-	199	-
Increase (decrease) in:					
Accounts payable	588	612	67	1,267	(473)
Accrued salaries and benefits	3,076	476	31	3,583	(28)
Accrued liabilities	-	295	-	295	-
Due to other funds	-	-	-	-	(71)
Due to other governmental agencies	1,448	(605)	-	843	-
Deferred revenue	-	-	(18)	(18)	-
Deposits	(135)	-	-	(135)	-
Estimated claims	-	-	-	-	7,107
Net cash provided by (used in) operating activities	<u>\$ (65,464)</u>	<u>\$ (69,052)</u>	<u>\$ 548</u>	<u>\$ (133,968)</u>	<u>\$ 934</u>
Supplemental disclosure of noncash capital and related financing activities:					
Disposal of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>

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

COUNTY OF SAN MATEO
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004
(Dollars in Thousands)

	SamCERA Pension Trust	Investment Trust	Individual Investment Account	Agency
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and investments	\$ 16,372	\$ 1,602,656	\$ 2,585	\$ 177,964
Securities lending collateral	724	275,999	-	30,683
Receivables (net):				
Accounts	-	-	-	32,907
Interest	1,570	10,705	-	848
Taxes	-	-	-	116,427
Other	829	550	-	5
Contributions	2,547	-	-	-
Due from other governmental agencies	-	46	-	17,725
Prepaid expense	99	-	-	-
Investments:				
Fixed income securities:				
Domestic	375,188	-	-	-
Equities:				
Domestic	768,512	-	-	-
International	226,683	-	-	-
Real estate	58,214	-	-	-
Other assets	-	105	-	41,690
Capital assets, net of accumulated depreciation	28	-	-	-
Total assets	<u>1,450,766</u>	<u>1,890,061</u>	<u>2,585</u>	<u>\$ 418,249</u>
Liabilities:				
Accounts payable	302	2,887	-	5,456
Accrued salaries and benefits	140	-	-	-
Accrued liabilities	6,420	-	-	-
Securities lending collateral - due to borrowers	724	275,999	-	30,683
Due to other funds	-	760	-	-
Due to other governmental agencies	-	-	-	17,451
Notes payable	6,904	-	-	-
Fiduciary liabilities	941	-	-	364,659
Total liabilities	<u>15,431</u>	<u>279,646</u>	<u>-</u>	<u>\$ 418,249</u>
Net assets:				
Net assets held in trust for pension benefits/investment pool participants/individual investment account	<u>\$ 1,435,335</u>	<u>\$ 1,610,415</u>	<u>\$ 2,585</u>	

The notes to the 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, 2004
(Dollars in Thousands)

	SamCERA Pension Trust	Investment Trust	Individual Investment Account
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer contributions	\$ 60,042	\$ -	\$ -
Plan member contributions	27,094	-	-
Contributions to investment pool	-	2,636,391	-
Total contributions	<u>87,136</u>	<u>2,636,391</u>	<u>-</u>
Net investment income:			
Net appreciation (depreciation) in fair value of investments	184,592	(42,523)	(259)
Investment income	8,923	111,904	92
Real estate income	3,949	-	-
Investment expense	(4,159)	-	-
Securities lending activities:			
Securities lending income	8	2,922	-
Securities lending expenses	(6)	(2,478)	-
Net investment income	<u>193,307</u>	<u>69,825</u>	<u>(167)</u>
Total additions	<u>280,443</u>	<u>2,706,216</u>	<u>(167)</u>
Deductions:			
Service retirement benefits	62,431	-	-
Disability retirement benefits	9,359	-	-
Death and other benefits	2,227	-	-
Distributions from investment pool	-	2,704,695	483
Withdrawals of members' contributions	1,735	-	-
Administrative expenses	2,628	-	-
Total deductions	<u>78,380</u>	<u>2,704,695</u>	<u>483</u>
Change in net assets	202,063	1,521	(650)
Net assets - beginning	<u>1,233,272</u>	<u>1,608,894</u>	<u>3,235</u>
Net assets - ending	<u>\$ 1,435,335</u>	<u>\$ 1,610,415</u>	<u>\$ 2,585</u>

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



Basic Financial Statements -
Notes to the Basic Financial Statements

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COUNTY OF SAN MATEO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Dollars 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 (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 countywide 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's 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 San Mateo County Board of Supervisors determines the JPFA's policies. The JPFA has no employees and all staff work is done by the County staff or by consultants to 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 Retirement Board controls the San Mateo County Employees' Retirement Association (SamCERA). The Retirement Board is comprised of the County Treasurer, two general members of SamCERA, four members appointed by the County Board of Supervisors, one member from SamCERA's safety membership and one member from the retired membership. The Retirement Board has administrative and fiduciary responsibility over the pension plan. The Retirement Board utilizes third-party banking institutions as custodians over the plan's assets.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Housing Authority

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's 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 maintains a registry and referral system to assist consumers in finding qualified in-home supportive services personnel as well as training of and support for providers and recipients of IHSS. The IHSS Public Authority is primarily funded by State grants. The County's Board is the governing body for the IHSS Public Authority. Therefore, this entity has been blended with the primary government.

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

The County's 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's 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 types.

(c) Discretely Presented Component Unit

First 5 San Mateo County

The First 5 San Mateo County (First 5), formerly known as The Children and Families First Commission, was established in March 1999 under the authority of the California Children and Families First Act of 1998 and sections 130100, et seq. of the Health and Safety Code. The County Board appoints all members of the First 5. The Board can remove appointed members at will. The First 5 administers receipts and disbursements of California Children and Families First Trust Fund allocations and appropriations. The First 5 is a discretely presented component unit as its governing body is not substantially the same as that of the County, and the First 5 does not provide services entirely or almost entirely to the County.

In FY 2003-04, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*. The Statement amends Statement 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. The County determined that no other organizations have met the criteria to become additional component units 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, the County, 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

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

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.

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 public protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.
- The *Joint Powers Financing Authority (JPFA)* accounts for the lease revenue bonds issued to generate funds needed to finance public capital improvements and 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 (SMMC)* accounts for the hospital and clinical services provided to County residents. The SMMC's revenues are principally fees for patient services, payments from federal and State programs such as Medicare, Medi-Cal, Short Doyle, realignment revenues and subsidies from the General Fund.
- The *Housing Authority* accounts for the Housing Authority programs primarily funded by contributions from HUD and tenants.

The County reports the following additional fund types:

- *Internal Service Funds* account for the County's fleet maintenance and tower road construction provided to other departments or other governments as well as self-insurance programs including worker's compensation, long-term disability, employee benefits, and personal injury and property damage on a cost-reimbursement basis.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

- The *Pension Trust Fund* accumulates contributions from the County and its employees as well as Mosquito Abatement District and its employees, and earnings from the fund's investments. Disbursements are made from the fund for retirement, disability and death benefits (based on a defined benefit formula) and administrative expenses. This fund includes all assets of the SamCERA.
- The *Investment Trust Funds* account 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. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- *Individual Investment Account* – This fund is used to account 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, proprietary, and fiduciary 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.

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 accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments and compensated absences 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.

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 GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating 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*.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars 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. State 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 paper, 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 Retirement Board (See Note 11).

Investment transactions are recorded on the trade date. Investments in nonparticipating interest-earning investment contracts are reported at cost, commercial paper 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 obtained from independent published sources.

Participant's 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, 2004, 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 fund or participant's 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 nonpooled investments is recorded based on the 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 long-term receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

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

Inventory recorded in the proprietary funds mainly consists of maintenance supplies as well as pharmaceutical supplies maintained by the SMMC. Inventory is expensed as the supplies are consumed.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

(g) Property Tax Levy, Collection and Maximum Rates

The State of California's (State) 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 an additional amount for general obligation debt has been approved by voters. 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 2003-04 net assessed valuation of the County was \$92,016,238, after deducting \$8,646,331 for the redevelopment tax allocation increment.

The County assesses properties and bills for and collects property 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 (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (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 revenue 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 \$10 million at June 30, 2004. The balance in the TLRF was \$27 million at June 30, 2004. 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.

(h) Capital Assets

Capital assets, including infrastructure, are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets which consist of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. 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.

The estimated useful lives are as follows:

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

The County has five networks of infrastructure assets – road, water/sewer, lighting, drainage, and flood control. The maintained pavement subsystem of the road network is reported using the modified approach. The County commissioned a physical assessment of the maintained pavement subsystem condition in FY2003-04. This condition assessment is completed every three years.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

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), where PCIs of 40 or higher are assigned to be a "Fair" or better condition and roads with PCIs of 55 or higher to be in a "Good" or better condition. The County's policy relative to maintaining the maintained pavement subsystem is to keep a minimum PCI level for roads with no defined structural section at 40 and for roads with a defined structural section at 55. 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, Sick Leave, and Compensatory Time)

The County accrues for compensated absences, in the government-wide and proprietary fund financial statements, as the County is liable to pay its employees for the unused vacation and sick leave after termination or retirement from the County employment. 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, which can be accumulated up to a specified maximum, at the time of termination from the County employment. The County also provides health care, vision, and dental benefits to retired employees who have accumulated sick leave hours upon retirement. To be eligible for these benefits, the employees other than public safety employees must retire from the County on or after attaining age 50 with at least ten years of service. The public safety employees are eligible to receive the post retirement health care benefits after attaining age 40. The County pays the healthcare benefits based on the Memorandum of Understanding with the various unions that the County's employees are enrolled. The County converts eight hours of accrued sick leave time to one month of post retirement medical or dental premium coverage for management employees and not to exceed \$125 to \$481 per month for non-management employees depending on the employee's memorandum of understanding. As of June 30, 2004, approximately 643 retirees were receiving post retirement health care, vision, and dental benefits from the County. The cost of these benefits in FY2003-04 was approximately \$2,593. The County is not obligated to pay for unused sick leave if an employee terminates prior to retirement.

(j) Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers. Loans reported as receivables and payables as appropriate are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). 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 for appropriation and are not available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. 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.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

(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.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The San Mateo Medical Center has a net asset deficit of \$5,951 that expected to be removed in the future through increased collection efforts and cost containment.

The Worker’s Compensation Insurance and Personal Injury and Property Damage internal service funds have net asset deficits of \$15,222 and \$2,092. 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. During this period, the General Fund will subsidize a portion of these costs. 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 for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Cash and investments managed separately from the investment pool include those of JPFA and SamCERA.

The investment pool also includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The net asset value of involuntary participation in the investment pool totaled \$1,495,528 at June 30, 2004.

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 by the County’s investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors reviews and approves the investment policy annually. The County Treasurer prepares and 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.

At June 30, 2004, total County cash and investments at fair value were as follows:

<p><i>Cash:</i></p> <table border="0"> <tr> <td>Cash on hand</td> <td style="text-align: right;">\$ 210</td> </tr> <tr> <td>Certificate of deposit</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>Deposit overdrafts</td> <td style="text-align: right;">(31,215)</td> </tr> <tr> <td style="padding-left: 20px;">Total cash overdrafts</td> <td style="text-align: right; border-top: 1px solid black;">(6,005)</td> </tr> </table> <p><i>Investments:</i></p> <table border="0"> <tr> <td>In Treasurer's pool</td> <td style="text-align: right;">2,299,623</td> </tr> <tr> <td>With Fiscal Agents</td> <td style="text-align: right;">62,241</td> </tr> <tr> <td>In Pension portfolio</td> <td style="text-align: right;">1,440,769</td> </tr> <tr> <td>With others external to the Treasurer's pool</td> <td style="text-align: right;">2,990</td> </tr> <tr> <td style="padding-left: 20px;">Total investments</td> <td style="text-align: right; border-top: 1px solid black;">3,805,623</td> </tr> <tr> <td style="padding-left: 40px;">Total cash and investments</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 3,799,618</td> </tr> </table>	Cash on hand	\$ 210	Certificate of deposit	25,000	Deposit overdrafts	(31,215)	Total cash overdrafts	(6,005)	In Treasurer's pool	2,299,623	With Fiscal Agents	62,241	In Pension portfolio	1,440,769	With others external to the Treasurer's pool	2,990	Total investments	3,805,623	Total cash and investments	\$ 3,799,618	<p>Total cash and investments at June 30, 2004 were presented on the County's financial statements as follows:</p> <table border="0"> <tr> <td>Primary government</td> <td style="text-align: right;">\$ 538,819</td> </tr> <tr> <td>Component unit</td> <td style="text-align: right;">32,625</td> </tr> <tr> <td>Pension trust</td> <td style="text-align: right;">1,444,969</td> </tr> <tr> <td>Investment trust fund</td> <td style="text-align: right;">1,602,656</td> </tr> <tr> <td>Individual investment account</td> <td style="text-align: right;">2,585</td> </tr> <tr> <td>Agency funds</td> <td style="text-align: right;">177,964</td> </tr> <tr> <td style="padding-left: 20px;">Total cash and investments</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 3,799,618</td> </tr> </table>	Primary government	\$ 538,819	Component unit	32,625	Pension trust	1,444,969	Investment trust fund	1,602,656	Individual investment account	2,585	Agency funds	177,964	Total cash and investments	\$ 3,799,618
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COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Investments

As of June 30, 2004, the County had the following investments:

	Interest Rates	Maturities	Par	Fair Value	Weighted Average Maturity (Years)
Investments in Investment Pool					
U.S. government securities:					
Not on securities loan	2.125% - 5.625%	10/31/04 - 9/15/08	\$ 42,004	\$ 40,581	0.03
Loaned securities for cash collateral	2.625% - 3.50 %	11/15/06 - 3/15/09	337,996	330,880	0.55
U.S. government agency securities:					
Not on securities loan	1.35% - 6.50%	08/15/04 - 04/02/14	582,563	578,760	0.67
Loaned securities for cash collateral	2.50% - 5.00%	03/28/06 - 01/15/14	57,437	56,161	0.10
U.S. government agency securities - discount	-	07/01/04 - 06/24/05	346,000	345,501	0.01
Commercial paper	-	07/06/04 - 09/20/04	105,000	104,837	0.01
Corporate bonds	1.2375% - 7.75%	07/13/04 - 04/01/09	663,229	664,403	0.53
Repurchase agreement	1.21%	07/01/04	141,500	141,500	-
Local Agency Investment Fund (LAIF)	1.43%	On Demand	37,000	37,000	-
Total investments in investment pool			<u>2,312,729</u>	<u>2,299,623</u>	<u>0.27</u>
Investments outside Investment Pool					
<i>San Mateo Joint Power Financing Authority</i>					
Money market mutual funds			18,032	18,032	-
Repurchase agreements			938	938	22.44
U.S. agency securities			2,540	2,540	0.04
Investment contracts			40,731	40,731	10.86
Subtotal			<u>62,241</u>	<u>62,241</u>	<u>11.11</u>
<i>Other Individual Investment Accounts</i>					
U.S. government agency securities			1,500	1,559	0.67
Corporate bonds			1,000	1,026	2.67
LAIF			43	43	-
Mutual funds			362	362	-
Subtotal			<u>2,905</u>	<u>2,990</u>	<u>1.67</u>
<i>San Mateo County Employees' Retirement Assoc.</i>					
Fixed income securities:					
US Treasuries				16,729	12.86
Single family mortgage backed securities				64,875	4.60
Collateralized mortgage backed securities				7,333	3.88
Asset backed securities				14,838	2.90
Taxable municipal bonds				12,929	5.74
Corporate bonds				47,911	10.66
BGI U.S. debt index fund				210,573	6.79
Equities:					
Domestic				768,512	-
International				226,683	-
Real estate				58,214	-
Mutual funds				12,172	-
Subtotal				<u>1,440,769</u>	<u>6.78</u>
Total investments outside investment pool				<u>1,506,000</u>	<u>6.52</u>
Total fair value				<u>\$ 3,805,623</u>	

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Interest Rate Risk

- *County Investment Pool.* 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. The County invested \$35,295 in asset backed securities. These securities are based on cash flows for payments on underlying auto loans. Therefore, they are sensitive to prepayments by borrowers, which may result from a decline in interest rates. The County invested \$212,398 in floating rate securities. These are tied to the three month London Interbank Offered Rate (LIBOR) index.
- *San Mateo Joint Power Financing Authority's investment portfolio.* The JPFA does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate. The JPFA has exposure to interest rate risks by investing \$40,731 or 65% of its investment in investment contracts.
- *SamCERA's Investment portfolio.* SamCERA does not have a formal policy that limits investment maturities 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.

Credit Risk

- *County Investment Pool.* State law and the County's Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the County's Investment Policy also limit investments in corporate bonds to the rating of A by both Standards & Poor's and Moody's Investors Service. The County does not have credit limits on government agency securities.

Investment at June 30, 2004	Standard & Poor's Rating	% of Portfolio
Asset backed securities	AAA	1.50%
Repurchase agreements	AAA	6.09%
Certificate of deposit	AA-	1.08%
Commercial paper	A1	4.51%
Corporate bonds	A	0.66%
Corporate bonds	A+	4.27%
Corporate bonds	AA	2.16%
Corporate bonds	AA-	5.79%
Corporate bonds	AAA	5.05%
Floating rate securities - corporate	A	0.65%
Floating rate securities - corporate	A+	3.66%
Floating rate securities - corporate	AA	0.86%
Floating rate securities - corporate	AA-	2.16%
Floating rate securities - corporate	AAA	1.81%
U. S. Treasuries	AAA	15.98%
Federal Farm Credit	AAA	1.06%
Federal Home Loan Bank	AAA	3.18%
Federal Home Loan Mortgage Corporation	AA-	0.45%
Federal Home Loan Mortgage Corporation	AAA	7.81%
Federal Home Loan Mortgage Corporation - floating rate	AAA	0.43%
Federal Mortgage Credit Discount	AAA	1.16%
Federal National Mortgage Association	AA-	0.89%
Federal National Mortgage Association	AAA	13.05%
Federal National Mortgage Association Discount	AAA	13.70%
International Bank Recon. & Dev	AAA	0.45%
LAIF	Unrated	1.59%
Total		<u>100.00%</u>

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

- *San Mateo Joint Power Financing Authority's investment portfolio.* Provisions of the JPFA's bond trust agreements limit 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 and Poor's Corporation, Moody's Investors Service and Fitch Corporate.

As of June 30, 2004, the JPFA's investments in money market funds were rated AAA by Standard & Poor's, Aaa by Moody's Investors Service and AAA/V1+F by Fitch Corporate.

- *SamCERA's investment portfolio.* 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 (Standard & Poor's or Moody's equivalent), dollar weighted at market value. Second, the minimum quality rating eligible for the portfolio is "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.

The credit quality breakdown of SamCERA's investments in bonds on June 30, 2004 is indicated in the table below.

Credit Rating	Active Management	Passive Management
AAA+	-	70.48%
AAA	68.42%	6.23%
AA	7.14%	4.76%
A	12.20%	8.86%
BBB	11.91%	8.31%
Baa	0.33%	-
NR	-	1.36%
	<u>100.00%</u>	<u>100.00%</u>

Concentration of Credit Risk

- *County Investment Pool.* State law and the County's Investment Policy limit investments in commercial paper to 40% of the County Investment Pool and 10% of the County Investment Pool per issuer. At June 30, 2004, the County has 4.51% of its County Investment Pool in commercial paper. State law and the County's Investment Policy also limits investments in corporate bonds and medium term notes to 30% of the County Investment Pool and 10% of the County Investment Pool per issuer. At June 30, 2004, the County had 29% of its County Investment Pool in corporate bonds and medium term notes. The County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization.
- *San Mateo County Joint Power Financing Authority.* The JPFA places no limit on the amount that the JPFA may invest in any one issuer.
- *SamCERA's investment portfolios.* SamCERA investment policy places no limit on the amount that SamCERA may invest in any one issuer.

Local Agency Investment Fund

At June 30, 2004, the County's investment position in the State of California Local Agency Investment Fund (LAIF) is \$37,000, which approximates fair value and is the same as the value of the pool shares. The total amount invested by all public agencies in LAIF on that day is \$57,601,000 managed by the State Treasurer. Of that amount, 98.4% is invested in non-derivative financial products and 1.6% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Securities Lending Transactions

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 such 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.

Securities lending collateral represents investments in an investment pool purchased with cash collateral that may not be pledged or sold without default by the borrower. Securities lending transactions collateralized with securities that cannot be pledged or sold without borrower default are not reported as assets and liabilities in the statement of net assets. The County did not have any collateral at June 30, 2004 that represented securities. The County does not match the maturities of investments made with cash collateral with the securities on loan.

The loaned securities as of June 30, 2004, 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. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of one day. The relationship between the maturities of the investment pool and the County's loans is affected by the maturities of the securities loans made by the other entities that use the agent's pool, which the County cannot determine.

As of June 30, 2004, the underlying securities loaned by the County's investment pool amounted to approximately \$387,041. The cash collateral totaled \$395,081. The County has no exposure to credit risk related to the securities lending transactions as of June 30, 2004 because the amounts owed to borrowers exceed the amounts the borrowers owe to the County.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

County Investment Pool Condensed Financial Information

The following represents a condensed statement of net assets and changes in net assets for the investment pool at June 30, 2004:

Assets:	
U.S. government securities	\$ 371,461
U.S. government agency securities	980,422
Commercial paper	104,837
Corporate bonds	664,403
Repurchase agreement	141,500
Local Agency Investment Fund	37,000
Total investments	2,299,623
Other assets	287,405
Pool deposits	30,075
Total assets	2,617,103
 Liabilities:	
Unfunded checks and warrants	36,290
Other liabilities	279,646
Total liabilities	315,936
 Net Assets:	
Equity of internal pool participants	690,752
Equity of external pool participants	1,610,415
Total net assets	\$ 2,301,167
 Statement of Changes in Net Assets	
Net assets at July 1, 2003	\$ 2,225,359
Net change in investments by pool participants	75,808
Net assets at June 30, 2004	\$ 2,301,167

NOTE 5 - RECEIVABLES

Receivables at year-end of the County's major individual funds, nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables - Governmental Activities	General Fund	JPFA	Nonmajor Funds	Internal Service Funds	Total
Accounts	\$ 156,718	\$ -	\$ 13	\$ 211	\$ 156,942
Interest	2,021	1,247	555	171	3,994
Taxes	20,887	-	1,511	-	22,398
Other	22,626	-	208	-	22,834
Gross receivables	202,252	1,247	2,287	382	206,168
Less: allowances for uncollectibles	(151,884)	-	(484)	-	(152,368)
Total receivables, net	\$ 50,368	\$ 1,247	\$ 1,803	\$ 382	\$ 53,800
Receivables - Business-type Activities	San Mateo Medical Center	Housing Authority	Nonmajor Funds	Total	
Accounts	\$ 62,306	\$ 447	\$ 457	\$ 63,210	
Interest	83	40	20	143	
Advances	500	-	-	500	
Other	842	418	-	1,260	
Gross receivables	63,731	905	477	65,113	
Less: allowances for uncollectibles	(47,579)	-	(397)	(47,976)	
Total receivables, net	\$ 16,152	\$ 905	\$ 80	\$ 17,137	

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received or accrued but not yet earned.

At June 30, 2004, the components of deferred revenue and unearned revenue reported were as follows:

	Unavailable	Unearned
Governmental activities:		
General fund:		
Property taxes receivable	\$ 2,246	\$ 11,950
Grant drawdowns prior to meeting all eligibility requirements	-	11,598
Due from other governmental agencies	47,850	-
Other receivables and advances	3,237	-
Nonmajor funds:		
Property taxes receivable	163	864
Due from other governmental agencies	505	316
Total governmental activities	\$ 54,001	\$ 24,728
Business-type activities:		
Grant drawdowns prior to meeting all eligibility requirements		
Housing Authority		\$ 348
Nonmajor enterprise funds		70
Total business-type activities		\$ 418

NOTE 6 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2004 was as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 9,523
	Nonmajor Enterprise Funds	6
	Internal Service Funds	186
	Investment Trust Funds	760
		10,475
Nonmajor Governmental Funds	General Fund	394
	Nonmajor Governmental Funds	823
		1,217
San Mateo Medical Center	General Fund	349
Internal Service Funds	General Fund	18
	Nonmajor Governmental Funds	22
		40
Total		\$ 12,081

Advances to /from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	San Mateo Medical Center	\$ 21,147
	Housing Authority	830
		21,977
Nonmajor Governmental Funds	General Fund	3,000
Total		\$ 24,977

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

The General Fund advanced a \$4,041 to SMMC to finance the renovation of SMMC and \$17,106 to cover its operating cash deficits. The Accumulated Capital Outlay capital project fund advanced \$3,000 to the General Fund to provide working capital for an Employee Housing Opportunity Program. The advances are not expected to be repaid in the short-term.

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.

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 or Business-type Activities ⁽¹⁾:

<u>Transfer from</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
<i>Operating or debt subsidy:</i>			
General Fund	Nonmajor Governmental Funds	\$ 10,782	Transfer funds to cover debt service payments.
	Nonmajor Governmental Funds	3,723	Transfer funds to finance capital projects.
	Nonmajor Governmental Funds	4,488	Provide subsidy to In-Home Support Services.
	Internal Service Funds	9,950	Provide funds to cover anticipated payouts and unfunded liabilities.
		<u>28,943</u>	
Nonmajor Governmental Funds	General Fund	1,649	Transfer Children's Health Initiative (CHI) funding from Solid Waste to cover unreimbursed portion of CHI expenditures.
	General Fund	35	Transfer funds to cover Fair Oaks maintenance expenditures.
	General Fund	77	Provide subsidy to emergency response program.
	General Fund	300	Transfer transportation subsidy to various programs.
	JPFA	22,431	Transfer funds to cover debt service payments.
	Nonmajor Governmental Funds	1,496	Transfer funds to finance capital projects.
	Nonmajor Governmental Funds	2,578	Transfer funds to cover debt service payments.
		<u>28,566</u>	
Total		<u>\$ 57,509</u>	

⁽¹⁾ These transfers were eliminated in the consolidation, by column, for the Governmental and Business-type activities

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

(b) Between Governmental and Business-type Activities:

Transfer from	Transfer To	Amount	Purpose
<i>Operating or debt subsidy:</i>			
General Fund	San Mateo Medical Center	\$ 62,313	Provide subsidy to support hospital and clinical operation.
San Mateo Medical Center	Nonmajor Governmental Funds	10,231	Transfer funds to cover debt service payments.
Total		<u>\$ 72,544</u>	

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2004
<u>Governmental activities</u>					
<i>Capital assets, not being depreciated:</i>					
Land & easements	\$ 58,220	\$ 3,304	\$ -	\$ -	\$ 61,524
Infrastructure - maintained road subsystem	67,237	2	-	3,399	70,638
Construction in progress	42,450	20,316	-	(22,675)	40,091
Total capital assets, not being depreciated	167,907	23,622	-	(19,276)	172,253
<i>Capital assets, being depreciated:</i>					
Infrastructure	40,788	153	-	15,028	55,969
Structures and improvements	405,692	2,374	(603)	3,904	411,367
Equipment	57,629	4,576	(2,958)	(195)	59,052
Total capital assets, being depreciated	504,109	7,103	(3,561)	18,737	526,388
<i>Less accumulated depreciation for:</i>					
Infrastructure	(13,887)	(897)	-	-	(14,784)
Structures and improvements	(53,162)	(7,265)	48	-	(60,379)
Equipment	(43,364)	(5,061)	2,828	73	(45,524)
Total accumulated depreciation	(110,413)	(13,223)	2,876	73	(120,687)
Total capital assets, being depreciated, net	393,696	(6,120)	(685)	18,810	405,701
Governmental activities capital assets, net	<u>\$ 561,603</u>	<u>\$ 17,502</u>	<u>\$ (685)</u>	<u>\$ (466)</u>	<u>\$ 577,954</u>
<u>Business-type activities</u>					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 10,147	\$ -	\$ -	\$ -	\$ 10,147
Construction in progress	-	64	-	-	64
Total capital assets, not being depreciated	10,147	64	-	-	10,211
<i>Capital assets, being depreciated:</i>					
Structures and improvements	48,975	1,560	-	-	50,535
Equipment	13,022	1,218	(800)	(148)	13,292
Total capital assets, being depreciated	61,997	2,778	(800)	(148)	63,827
<i>Less accumulated depreciation for:</i>					
Structures and improvements	(25,139)	(1,167)	-	(5)	(26,311)
Equipment	(6,529)	(854)	717	156	(6,510)
Total accumulated depreciation	(31,668)	(2,021)	717	151	(32,821)
Total capital assets, being depreciated, net	30,329	757	(83)	3	31,006
Business-type activities capital assets, net	<u>\$ 40,476</u>	<u>\$ 821</u>	<u>\$ (83)</u>	<u>\$ 3</u>	<u>\$ 41,217</u>

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Depreciation

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

<u>Governmental functions</u>		<u>Business-type functions</u>	
General government	\$ 3,345	San Mateo Medical Center	\$ 809
Public protection	3,302	Housing Authority	750
Public ways and facilities	867	Airports	233
Health and sanitation	2,926	Coyote Point Marina	229
Public assistance	617	Total depreciation expense - business-type functions	<u>\$ 2,021</u>
Recreation	512		
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>1,654</u>		
Total depreciation expense - governmental functions	<u>\$13,223</u>		

Construction in Progress

Construction in progress for governmental activities represents work performed on the Colma Creek flood control zone, sheriff's radio system, Youth Services Center, and a number of smaller projects. Construction in progress for business-type activities relates to work performed to rehabilitate runways at the Half Moon Bay Airport.

Capital Projects Commitments

The Colma Creek Flood Control Project was 87% complete as of June 30, 2004 and will be done in six phases as follows: South Airport, Old Mission Road, Mainline Railroad Bridge, El Camino Real Box, Spruce to San Mateo Avenue Channel Improvement and Open Channel Over Bart. Management believes this project will be completed by June 30, 2006. The commitments outstanding as of June 30, 2004 totaled \$9,625.

In 2001, JPFA issued lease revenue bonds to acquire a microwave and law enforcement mutual aid communications system, a sheriff's radio system, and to construct a forensics laboratory and coroner's office for the County. The mutual aid communications system and the forensics laboratory and coroner's office project were completed in January 2003. The commitments outstanding for the sheriff's radio system were \$1,769 as of June 30, 2004.

In November 2003, the JPFA issued lease revenue bonds to acquire and construct a new County youth services campus including a juvenile hall, a juvenile court, girls camp, community school, receiving home, group home and probation offices for the County. The project completion is anticipated in May 2006. The commitments outstanding for this project as of June 30, 2004 were \$61,726.

NOTE 8 – LEASES

Operating Leases

The County leases office buildings and equipment, principally in the General Fund, under noncancelable operating leases. Total costs for such leases were \$11,289 for the year ended June 30, 2004. The future minimum lease payments for these leases are as follows:

<u>Year ending June 30,</u>	
2005	\$ 10,148
2006	8,580
2007	7,102
2008	6,320
2009	3,104
2010-2014	4,875
2015-2019	609
2020-2022	425
Total	<u>\$ 41,163</u>

The County also leases various properties to businesses and other governmental agencies. Operating lease revenues from such leases were \$604 for the year ended June 30, 2004.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2004 consisted of the following:

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments (in thousands)</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2004</u>
Governmental Activities					
<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
Serial Capital Appreciation Bonds	7/1/04 - 7/1/05	5.1 - 5.2%	\$1,000 - \$1,064	8,448	2,064
Accreted interest on capital appreciation bonds				1,495	1,495
1993 Issue				<u>69,633</u>	<u>52,849</u>
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				1,684	1,684
1994 Issue - Satellite Clinic				<u>3,769</u>	<u>3,769</u>
1994 Issue - Health Center (financed a portion of the costs of constructing and remodeling multiple buildings and replacement of infrastructure of the Health Center):					
Serial Current Interest Bonds	7/15/2004	5.60%	\$2,215	17,720	2,215
1995 Issue (financed the acquisition, construction and remodeling of various County buildings and facilities and the acquisition of various equipment):					
Serial Current Interest Bonds	7/15/04 - 7/15/05	5.3 - 5.4%	\$310 - \$330	5,500	640
1997 Issue (financed the costs of construction, furnishing and equipping an office building and partial defeasance of the 1994 Issue):					
Serial Current Interest Bonds	7/15/04 - 7/15/14	4.25 - 5.5%	\$530 - \$4,720	40,010	37,925
Term Current Interest Bonds	7/15/15 - 7/15/18	5%	\$680 - \$845	3,045	3,045
Term Current Interest Bonds	7/15/19 - 7/15/22	5%	\$910 - \$1,115	4,040	4,040
Term Current Interest Bonds	7/15/23 - 7/15/28	5.125%	\$1,190 - \$1,640	8,440	8,440
Term Current Interest Bonds	7/15/29 - 7/15/32	5.125%	\$1,745 - \$2,095	7,670	7,670
1997 Issue				<u>63,205</u>	<u>61,120</u>
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	7/15/04 - 7/15/19	3.6 - 5%	\$630 - \$6,570	47,565	45,395
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 - \$7,760	36,325	36,325
1999 Issue				<u>113,140</u>	<u>110,970</u>
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	7/15/04 - 7/15/21	2.7 - 4.75%	\$210 - \$1,665	21,470	20,130
Series A Term Interest Bonds	7/15/22 - 7/15/31	4.75%	\$230 - \$355	2,900	2,900
Series B Current Interest Bonds	7/15/04 - 7/15/21	2.75 - 4.75%	\$165 - \$320	4,270	4,270
Series B Term Interest Bonds	7/15/22 - 7/15/26	4.875%	\$340 - \$410	1,865	1,865
Series B Term Interest Bonds	7/15/27 - 7/15/31	5%	\$430 - \$525	2,385	2,385
2001 Issue				<u>32,890</u>	<u>31,550</u>
2003 Issue (financed the costs of acquisition and construction of a new youth services campus):					
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				<u>155,350</u>	<u>155,350</u>

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments (in thousands)	Original Issue Amount	Outstanding at June 30, 2004
<i>Lease Revenue Bonds:</i>					
2004 Issue (refunded a portion of the 1993 Bonds):					
Series A Current Interest Bonds	7/1/04 - 7/1/08	2% - 4%	\$375 - \$2,390	7,805	7,430
Total lease revenue bonds and accreted interest on capital appreciation bonds				469,012	425,893
<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):					
Serial Current Interest Bonds	8/1/04 - 8/1/12	4.3 - 5%	\$240 - \$345	3,635	2,580
Term Current Interest Bonds	8/1/13 - 8/1/17	5.25%	\$360 - \$440	2,000	2,000
Term Current Interest Bonds	8/1/18 - 8/1/32	5.125%	\$465 - \$935	10,145	10,145
Total certificates of participation				15,780	14,725
<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 and 12/22 through 2008	4.68%	Approx. \$24	225	125
County Service Area 11:					
State of California	4/1 and 10/1				
Department of Water Resources	through 2012	3.3712%	Approx. \$22	296	150
Total notes payable				645	399
Total governmental activities				\$ 485,437	\$ 441,017
<u>Business-type activities</u>					
<i>Notes Payable:</i>					
Department of Boating and Waterways	8/1/01 - 8/1/29	4.5%	\$45 - \$195	\$ 3,090	\$ 1,394
California Housing Finance Agency	5/20/57	-	-	49	49
Downey Savings and Loan Bank	2/28/2016	-	-	148 ^a	148
Total business-type activities				\$ 3,287	\$ 1,591
<u>Pension Trust Fund</u>					
<i>Mortgage Notes Payable:</i>					
Note payable on a real estate investment with principal payment due at maturity of \$6,458	Monthly to 9/1/2006	7.87%	\$732 - \$6,458	\$ 8,000	\$ 6,904

^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, 2004
(Dollars in Thousands)

The following is a summary of long-term liability transactions for the year ended June 30, 2004:

	Balance July 1, 2003	Additions/ Accretions	Retirements	Balance June 30, 2004	Amounts Due Within One Year
Governmental Activities:					
Accreted interest on capital appreciation bonds	\$ 3,477	\$ 392	\$ (690)	\$ 3,179	\$ 761
Lease revenue bonds	273,894	163,155	(14,335)	422,714	6,129
Add: unamortized premium	-	342	(32)	310	77
Less: unamortized discount	(137)	-	5	(132)	(5)
Less: unamortized deferred loss on refunding	-	(153)	14	(139)	(14)
Lease revenue bonds (net)	277,234	163,736	(15,038)	425,932	6,948
Certificates of participation	14,955	-	(230)	14,725	240
Notes payable	315	124	(40)	399	41
Capital lease obligations	131	-	(131)	-	-
Estimated claims (Note 12)	32,244	21,826	(14,719)	39,351	9,590
State settlement	340	-	(113)	227	114
Compensated absences	79,544	33,996	(28,936)	84,604	28,339
Total Governmental Activities	<u>\$ 404,763</u>	<u>\$ 219,682</u>	<u>\$ (59,207)</u>	<u>\$ 565,238</u>	<u>\$ 45,272</u>
Business-Type Activities:					
Notes payable	\$ 1,523	\$ 197	\$ (129)	\$ 1,591	\$ 133
Capital lease obligations	117	-	(90)	27	27
Estimated claims	630	-	(630)	-	-
Compensated absences	10,920	8,332	(6,098)	13,154	6,291
Total Business-Type Activities	<u>\$ 13,190</u>	<u>\$ 8,529</u>	<u>\$ (6,947)</u>	<u>\$ 14,772</u>	<u>\$ 6,451</u>
Pension Trust Fund:					
Notes payable	<u>\$ 7,085</u>	<u>\$ -</u>	<u>\$ (181)</u>	<u>\$ 6,904</u>	<u>\$ 196</u>

Governmental funds that have been used to liquidate long term liabilities of the governmental activities are as follows: *Lease revenue bonds* retirements and related interest payments are serviced by revenues generated from lease payments made by the General Fund on leased facilities. *Certificate of participation* retirements and related interest payments are serviced by revenues generated from the Flood Control Zone special revenue fund. *Notes payable* to the California Energy Commission and to Department of Water Resources are paid by the General Fund and County Service Area special revenue fund, respectively. *Capital lease obligations* and *state settlement* are paid by the General Fund. *Estimated claims* are liquidated by the cumulative charges for services recorded in the internal service funds. *Compensated absences* are generally liquidated by the General Fund and related special revenue funds.

As of June 30, 2004, annual debt service requirements of governmental activities to maturity were as follows:

Year ending June 30:	Lease Revenue Bonds			Certificates of Participation		Notes Payable	
	Principal	Interest	Interest	Principal	Interest	Principal	Interest
2005	\$ 6,129	\$ 761	\$ 17,736	\$ 240	\$ 742	\$ 41	\$ 10
2006	6,760	825	17,528	250	731	43	9
2007	7,860	-	17,272	260	719	45	7
2008	10,970	-	16,980	270	707	47	5
2009	11,360	-	16,545	285	695	33	3
2010-2014	66,970	-	58,035	1,635	3,246	190	4
2015-2019	80,445	1,421	41,434	2,105	2,765	-	-
2020-2024	84,444	4,331	24,754	2,715	2,147	-	-
2025-2029	74,431	3,188	11,078	3,485	1,356	-	-
2030-2034	48,220	-	2,942	3,480	368	-	-
2035-2037	25,125	-	773	-	-	-	-
Total requirements	422,714	10,526	225,076	14,725	13,476	399	38
Less unaccrued principal	-	(7,347)	-	-	-	-	-
Total	<u>\$ 422,714</u>	<u>\$ 3,179</u>	<u>\$ 225,076</u>	<u>\$ 14,725</u>	<u>\$ 13,476</u>	<u>\$ 399</u>	<u>\$ 38</u>

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
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As of June 30, 2004, annual debt service requirements of business-type activities and pension trust fund to maturity were as follows:

Year ending June 30:	Business-type Activities		Pension Trust Fund	
	Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2005	\$ 133	\$ 64	\$ 196	\$ 536
2006	140	58	212	521
2007	110	52	6,496	127
2008	71	47	-	-
2009	73	44	-	-
2010-2014	297	171	-	-
2015-2019	294	125	-	-
2020-2024	182	88	-	-
2025-2029	227	43	-	-
2030-2034	15	3	-	-
2035-2039	-	-	-	-
2040-2044	-	-	-	-
2045-2049	-	-	-	-
2050-2054	-	-	-	-
2055-2059	49	-	-	-
Total	\$ 1,591	\$ 695	\$ 6,904	\$ 1,184

New Issues

2003 Lease Revenue Bonds

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 campus including a juvenile hall, a juvenile court, girl's camp, community school, receiving home, group home and probation offices for the County.

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in November 2003, the JPFA entered into interest rate swap agreements 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%.

The bonds and related swap agreements mature on July 15, 2036, and the swaps' notional amount of \$133,550 matches the \$133,550 variable rate bonds. The swaps were entered into at the same time the bonds were issued in November 2003. Starting fiscal year 2008, the notional value of the swaps and the principal amount of the associated debt decline. 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%.

Credit Risk. As of June 30, 2004, the JPFA was not exposed to credit risk because the swaps had a negative fair value. The JPFA does bear the risk that the counterparties will not be able to make the offsetting payments on the bonds. 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 Investor Service or "A" by Standard and Poor's or Fitch Ratings. As of June 30, 2004, the counterparties' ratings were "Aaa" by Moody's, "AA" by Standard and Poors, and "AA+" by Fitch Ratings.

Fair Value. Because interest rates have declined since the execution of the swaps, the swaps had a combined negative fair value of \$41 as of June 30, 2004. Since coupons on the JPFA's auction rate securities adjust to changing interest rates, they do not 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.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
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Basis Risk. The swaps expose the JPFA to basis risk should the relationship between LIBOR and weekly auction rate converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate of 3.33% and synthetic rate of 3.41% for Series A bonds and 3.43% for Series B bonds at June 30, 2004. Because the rates have moved to convergence, the expected cost savings may not be realized. As of June 30, 2004, the weekly auction rate was 1.08% for Series A bonds and 1.1% for Series B bonds, whereas 55.5% of LIBOR plus 2.9% was 1%.

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 bond 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, 2004, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. 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	Interest Rate		Principal	Variable	Interest Rate		
		Rate	Swaps, Net	Subtotal		Rate	Swaps, Net	Subtotal	
		Interest *	Interest/Swap			Interest*	Interest/Swap		
2005	\$ -	\$ 721	\$ 1,555	\$ 2,276	\$ -	\$ 735	\$ 1,557	\$ 2,292	\$ 4,568
2006	-	721	1,555	2,276	-	735	1,557	2,292	4,568
2007	-	721	1,555	2,276	-	735	1,557	2,292	4,568
2008	1,250	721	1,555	2,276	1,200	735	1,557	2,292	4,568
2009	1,300	707	1,526	2,233	1,300	722	1,529	2,251	4,484
2010-2014	7,175	693	1,495	2,188	7,200	708	1,499	2,207	4,395
2015-2019	8,625	616	1,328	1,944	8,625	628	1,331	1,959	3,903
2020-2024	10,375	522	1,127	1,649	10,400	534	1,130	1,664	3,313
2025-2029	12,500	410	885	1,295	12,550	419	888	1,307	2,602
2030-2034	15,050	275	594	869	15,075	281	595	876	1,745
2035-2039	10,450	113	243	356	10,475	115	244	359	715
	<u>\$ 66,725</u>	<u>\$ 6,220</u>	<u>\$ 13,418</u>	<u>\$ 19,638</u>	<u>\$ 66,825</u>	<u>\$ 6,347</u>	<u>\$ 13,444</u>	<u>\$ 19,791</u>	<u>\$ 39,429</u>

* For the purposes of calculating the annual debt service requirements, the June 30, 2004 effective rate of 1.08% for Series A bonds and 1.1% for Series B were used for the variable rate.

2004 Series A Lease Revenue Bonds

In January 2004, the JPFA issued \$7,805 Series A lease revenue bonds to advance refund a portion of the 1993 bonds that were issued to finance and refinance the acquisition, construction, remodeling and equipping of certain facilities of the County. The portion of the 1993 bonds subject to advance refunding was \$7,670.

The 2004 Series A lease revenue bonds had an average interest rate of 3.23% whereas the 1993 refunding Series A bonds had an average interest rate of 5%. The first maturity call of the 1993 refunding bonds occurs on July 1, 2004 and the last maturity call on July 1, 2008. The net proceeds from the issuance of the 2004 bonds were deposited in an irrevocable trust with an escrow agent to provide debt service payments of the refunded bonds. The advance refunding met the requirements of an in-substance debt defeasance and \$7,670 of 1993 refunding bonds were removed from the County's government-wide financial statements. As a result of the advance refunding, the County reduced its total debt service requirements by \$324 from \$8,933 of the refunded bonds to \$8,609 of the refunding bonds resulting in an economic gain of \$314. At June 30, 2004, the outstanding lease revenue bonds were \$7,670 and are considered defeased.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
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Advance Refundings

(a) 1994 Series A Lease Revenue Bonds

On December 1, 1997, the JPFA issued \$63,205 lease revenue bonds of which \$34,525 was to advance refund \$31,180 of 1994 Series lease revenue bonds and the remaining funds were used for acquisition and construction of certain projects. At June 30, 2004, the outstanding lease revenue bonds were \$31,180 and are considered defeased.

(b) 1993, 1994, 1995 Lease Revenue Bonds

On January 1, 1999, the JPFA issued \$113,140 lease revenue bonds to advance refund \$6,425 of 1993 Series lease revenue bonds, \$80,290 of 1994 Series A lease revenue bonds, and \$14,820 of 1995 Series A lease revenue bonds and to provide \$1,968 of additional financing for the costs of completing the San Mateo County Health Center. At June 30, 2004, the outstanding lease revenue bonds were \$55,110 and are considered defeased.

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, 2004, the County's legal annual debt service limit, as defined by Ordinance No. 3773, was approximately \$41,815.

Arbitrage

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. During the current year, the County performed calculations of excess investment earnings on various bonds and financing and at June 30, 2004 does not expect to incur a liability.

NOTE 10 – NET ASSETS/FUND BALANCES

The government-wide and business-type activities 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* - This category 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* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the County not restricted for any project or other purpose.

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar action.

As of June 30, 2004, reservations of fund balance included:

- *Advances to other funds* - to reflect the amount due from other funds that are long-term in nature. Such amounts do not represent available spendable resources.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
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- *Debt service* - to reflect the 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 the resources reserved only for capital projects.
- *Encumbrances* - to reflect the outstanding contractual obligations for which goods and services have not been received.
- *Inventories* - to reflect the portion of assets that do not represent available spendable resources.

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 or capital projects. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures.

As of June 30, 2004, fund balance designations were reported in the following nonmajor governmental funds:

- *Special revenue funds* - to reflect management's intent to expend certain funds to support the County's fire protection, service area, emergency medical services, transportation, road improvement, solid waste management, in-home support services, fish and game propagation, and development of off-highway vehicle trails and facilities.
- *Capital project funds* - to reflect management's intent to expend certain funds for park acquisition, criminal facility, and courthouse construction capital projects.

NOTE 11 – EMPLOYEES' RETIREMENT PLAN

San Mateo Employees' Retirement Association

(a) Plan Description

The following description of the San Mateo County Employees' Retirement Association (SamCERA) is provided for general information purposes. SamCERA is governed by the County Employees Retirement Law of 1937 (1937 Act). Members should refer to this Law for more complete information. SamCERA is controlled by the Retirement Board.

(b) General

SamCERA is a cost-sharing multiple-employer defined benefit pension plan established to provide retirement, disability and death benefits for substantially all employees of the County and the San Mateo County Mosquito Abatement District. The total number of plan participants at June 30, 2003 was 9,246 of which 9,232 were County employees and 14 were Mosquito Abatement District employees, which is the most recent information available. SamCERA issues a publicly available financial report that includes financial statements and required supplementary information. A complete Comprehensive Annual Financial Report for SamCERA may 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, which use final average compensation, years of service, and age factors to calculate benefits payable. In addition, SamCERA 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 Board of Supervisors 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.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
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(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 when due. Benefits and refunds are recognized when due and payable under the terms of the plan.

Cash and Investments: The Retirement Board has exclusive control of the investments of SamCERA. Government Code Section 31595 of the 1937 Act authorizes the Retirement Board to invest, or delegate the authority to invest, the assets of SamCERA in any investment allowed by statute and deemed prudent in the informed opinion of the Retirement Board.

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.

Funding Policy: Both the plan members and their employers make contributions to SamCERA. The employee contribution rates are established and may be amended pursuant to Article 6 and 6.8 of the 1937 Act. The rates are determined by age at entry into SamCERA and are based on a percentage of covered compensation. The average employee contribution rate for the fiscal year ended June 30, 2003 was 5.7%, which is the most recent information available. The employers are required to contribute at an actuarially determined rate, and the current annual required contribution is \$60,042 or 100% of the amount recommended by the actuary.

Annual Pension Cost: For fiscal year 2003-04, the County's annual pension cost was equal to the County's required contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the Entry Age Normal Method. The actuarial assumptions included 8% investment rate of return and 6.25% projected salary increase attributed to inflation (4.25%) and adjustment for merit and longevity (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 December 31, 2022.

(e) Three-year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	\$ 33,541	100.0%	-
6/30/2003	36,070	100.0%	-
6/30/2004	60,042	100.0%	-

NOTE 12 – 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 Worker's Compensation Insurance, Long-term Disability, Employee Benefits, and Personal Injury and Property Damage Funds (Internal Service Funds).

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 \$200,000.
- Earthquake in excess of \$250 or 5% of the replacement value, whichever is more per incident, but limited to a maximum of \$25,000 in aggregate.
- Flood damage in excess of 5% of the replacement value per location but limited to a maximum of \$25,000 in aggregate.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

- General liability in excess of \$500 per incident but limited to a maximum of \$25,000.
- Worker’s compensation in excess of \$1,000 per incident but limited to a statutory amount.
- Auto liability in excess of \$500 per incident but limited to a maximum of \$25,000.
- 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 FY2003-04.

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 \$39,351 reported in the internal service funds at June 30, 2004 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 \$39,351 estimated claims liability at June 30, 2004, approximately \$35,949 was actuarially determined. The actuarially determined liability relates to workers’ compensation, general liability and automobile liability and it includes allocated expenses and a provision for incurred but not reported claims. The actuarially determined liability at June 30, 2004 was discounted at 3%. The estimated claims liability relating to the other areas of self-insurance was based upon historical trends and actual activity occurring in the first three months subsequent to June 30, 2004.

Changes to the internal service funds’ claims liability amount for FY2002-03 and FY2003-04 were as follows:

Liability at June 30, 2002	\$	29,537
Current year claims and changes in estimates		16,622
Claim payments		(13,915)
Liability at June 30, 2003		32,244
Current year claims and changes in estimates		21,826
Claim payments		(14,719)
Liability at June 30, 2004	\$	39,351

NOTE 13 – RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government and its component units during the year ended June 30, 2004:

<u>Component Unit</u>	<u>Significant Transactions</u>
JPFA	Lease revenue payments from the General Fund to JPFA - \$22,431
Housing Authority	Loans from the General Fund to Housing Authority - \$830
First 5 San Mateo County	Staffing support charged to the Commission by the General Fund - \$1,115

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The County recognizes as revenue, grant monies received as reimbursement for costs incurred in certain federal and State programs it administers. 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, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

COUNTY OF SAN MATEO
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Medicare and Medi-Cal Reimbursements

The SMMC provide health care services primarily to County residents. Net patient charges for service revenue is reported at estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and 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 28% and 62%, respectively, of the SMMC net patient charges for services revenue for the year ended June 30, 2004. 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.

San Mateo County Employees' Retirement

California's Supreme Court ruled that compensation paid in cash, even if not earned by all employees in the same grade or class, must be included in "compensation earnable" and the "final compensation" on which an employee's retirement benefit is based. The ruling overturned longstanding precedent. This August 14, 1997 decision in the matter of *Ventura County Deputy Sheriff's Association vs. Board of Retirement of the Ventura County Employees' Retirement Association* became final on October 1, 1997. SamCERA implemented *Ventura* prospectively for current employees and new retirees on December 28, 1997.

The *Ventura* decision was silent on two fundamental issues: terminal pay and retroactivity. For *SamCERA*, these issues were resolved by *Teamsters Local 856 vs. Board of Retirement, San Mateo County*. During the 2001 fiscal year, the trial court considered and rejected claims by petitioners that *Ventura* mandated the inclusion of terminal pay, third party payments, and employer pickups of employee contributions in the calculation of final compensation. On November 30, 2001, the trial court ruled that *Ventura* should be applied retroactively and that the pensions of all retirees and their beneficiaries, regardless of when they retired, must be recalculated. The Court of Appeals sustained the trial court's decisions on July 11, 2003. On October 14, 2003, the California Supreme Court declined to review the appellate court's decision.

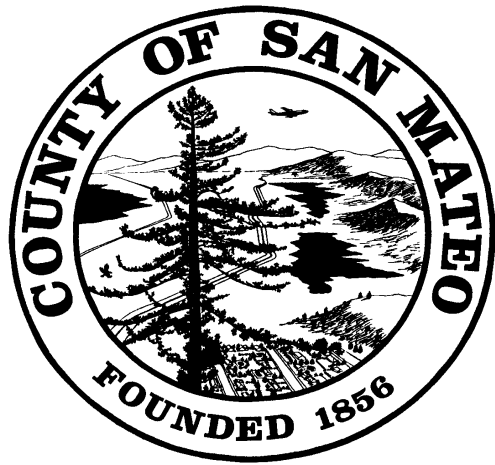
SamCERA filed its plan for the implementation of the November 30, 2001 writ of mandate with the court on April 13, 2004. The implementation plan provides for the research, calculation and payment of retroactive and prospective *Ventura*-enhanced benefits to all eligible retirees and their survivors. The plan includes provisions to complete the implementation process during the current calendar year.

SamCERA retained an actuary to estimate the financial impact of a range of possible decisions in the *Teamsters Local 856* litigation. Based on the provisions of the November 30, 2001 writ of mandate, the actuary estimated that the contingent liability totaled \$16,200 as of June 30, 2002, with interest on the liability compounding at 7% simple per annum. The actual present value of the liability will not be known until the calculation in the Pension Trust Fund of *Ventura*-enhanced benefits is completed. A reserve was established for this contingent liability. The current balance of this reserve is \$31,524 in the pension trust fund.

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; however, County management and Counsel estimate such loss to total \$1,438.

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Required Supplementary Information

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COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

1. INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

The County manages its maintained road subsystem of the road network using the Metropolitan Transportation Commission's Pavement Management Program (Program) and accounts for them using the modified approach. The Program establishes a Pavement Condition Index (PCI) on a scale from zero to one hundred (0 – 100) for each road segment being maintained by the Department of Public Works. The Program has defined the pavement of roads with PCI's of 40 or higher to be in a "Fair" or better condition and roads with PCI's of 55 or higher to be in a "Good" or better condition. It is the County's policy to maintain at least 75 percent of its primary maintained road subsystem at a PCI of 55 or higher and the secondary maintained pavement subsystem at a PCI of 40 or higher. Condition assessments are determined every three years.

The conditions of the primary and secondary has improved when compared to FY 2000-01. As of June 30, 2004, the County's maintained road subsystem was rated at a PCI index of 75 on the average for primary roads and 54 for secondary roads with the detail condition as follows:

PCI Condition Rating	Primary		Primary		Secondary		Secondary	
	2004 Number of Miles	2004 Percent	2001 Number of Miles	2001 Percent	2004 Number of Miles	2004 Percent	2001 Number of Miles	2001 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	155.11	100.0%	151.60	100.0%	161.52	100.0%	161.10	100.0%

For the year ended June 30, 2004, actual maintenance and preservation costs were more than estimated by \$55 or 0.9 percent.

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)

2. SCHEDULE OF FUNDING PROGRESS

SamCERA issues a publicly available financial report that can be obtained by writing to the San Mateo County Employee's 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 annual actuarial reports. The actuarial report for FY 2003-04 is not available. As such, the information of this fiscal year is not reflected in the six-year analysis:

Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b-a)/c)
6/30/1998	\$ 992,314	\$ 1,104,070	\$ 111,756	89.88%	\$ 211,529	52.83%
6/30/1999	1,109,417	1,205,554	96,137	92.03%	238,864	40.25%
6/30/2000	1,271,565	1,291,694	20,129	98.44%	259,075	7.77%
6/30/2001	1,384,586	1,404,060	19,474	98.61%	274,318	7.10%
6/30/2002	1,416,821	1,660,566	243,745	85.30%	301,891	80.70%
6/30/2003	1,353,941	1,781,544	427,603	76.00%	323,896	132.00%

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General Fund

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

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary Balances, July 1	\$ 198,827	\$ 198,827	\$ -	\$ 197,679	\$ (1,148)
Resources (inflows):					
Taxes	156,016	156,016	-	188,012	31,996
Licenses, permits and franchises	5,154	5,154	-	4,871	(283)
Use of money and property	11,266	11,266	-	4,426	(6,840)
Intergovernmental revenues	357,321	363,036	5,715	372,948	9,912
Charges for services	74,248	75,554	1,306	69,354	(6,200)
Fines, forfeitures and penalties	6,624	6,624	-	7,332	708
Interfund revenue	56,817	56,870	53	52,653	(4,217)
Miscellaneous revenue	23,049	24,716	1,667	31,820	7,104
Other financing sources	415	415	-	2,061	1,646
Amounts available for appropriation	<u>690,910</u>	<u>699,651</u>	<u>8,741</u>	<u>733,477</u>	<u>33,826</u>
Charges to appropriations (outflows):					
General Government					
Board of Supervisors - District 1					
Salaries and benefits	310	310	-	301	9
Services and supplies	32	32	-	26	6
Other charges	33	33	-	29	4
Contingencies	7	7	-	-	7
Total Board of Supervisors - District 1	<u>382</u>	<u>382</u>	<u>-</u>	<u>356</u>	<u>26</u>
Board of Supervisors - District 2					
Salaries and benefits	310	315	5	314	1
Services and supplies	27	22	(5)	22	-
Other charges	30	30	-	30	-
Contingencies	7	7	-	-	7
Total Board of Supervisors - District 2	<u>374</u>	<u>374</u>	<u>-</u>	<u>366</u>	<u>8</u>
Board of Supervisors - District 3					
Salaries and benefits	300	300	-	290	10
Services and supplies	31	31	-	26	5
Other charges	36	36	-	32	4
Contingencies	7	7	-	-	7
Total Board of Supervisors - District 3	<u>374</u>	<u>374</u>	<u>-</u>	<u>348</u>	<u>26</u>
Board of Supervisors - District 4					
Salaries and benefits	310	309	(1)	302	7
Services and supplies	30	31	1	31	-
Other charges	31	31	-	31	-
Contingencies	8	8	-	-	8
Total Board of Supervisors - District 4	<u>379</u>	<u>379</u>	<u>-</u>	<u>364</u>	<u>15</u>
Board of Supervisors - District 5					
Salaries and benefits	325	325	-	322	3
Services and supplies	30	30	-	28	2
Other charges	32	32	-	30	2
Contingencies	7	7	-	-	7
Total Board of Supervisors - District 5	<u>394</u>	<u>394</u>	<u>-</u>	<u>380</u>	<u>14</u>
County Manager/Clerk of the Board					
Salaries and benefits	2,901	3,032	131	3,011	21
Services and supplies	757	708	(49)	601	107
Other charges	11,983	11,994	11	11,211	783
Fixed Assets	-	6	6	5	1
Intrafund transfers	(8,687)	(8,687)	-	(8,812)	125
Contingencies	104	104	-	-	104
Total County Manager/Clerk of the Board	<u>7,058</u>	<u>7,157</u>	<u>99</u>	<u>6,016</u>	<u>1,141</u>

(Continued)

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Assessor-Clerk-Recorder					
Salaries and benefits	12,999	13,113	114	12,528	585
Services and supplies	5,363	6,136	773	5,868	268
Other charges	1,888	1,978	90	1,976	2
Fixed assets	2	118	116	109	9
Intrafund transfers	(571)	(571)	-	(571)	-
Contingencies	1,146	1,113	(33)	-	1,113
Total Assessor-Clerk-Recorder	<u>20,827</u>	<u>21,887</u>	<u>1,060</u>	<u>19,910</u>	<u>1,977</u>
Controller's Office					
Salaries and benefits	4,036	4,036	-	4,011	25
Services and supplies	1,109	1,109	-	574	535
Other charges	970	970	-	957	13
Intrafund transfers	(323)	(323)	-	(201)	(122)
Contingencies	111	111	-	-	111
Total Controller's Office	<u>5,903</u>	<u>5,903</u>	<u>-</u>	<u>5,341</u>	<u>562</u>
Tax Collector/Treasurer					
Salaries and benefits	2,517	2,517	-	2,449	68
Services and supplies	2,289	2,289	-	1,025	1,264
Other charges	585	585	-	575	10
Intrafund transfers	(280)	(280)	-	(130)	(150)
Contingencies	902	902	-	-	902
Total Tax Collector/Treasurer	<u>6,013</u>	<u>6,013</u>	<u>-</u>	<u>3,919</u>	<u>2,094</u>
County Counsel					
Salaries and benefits	5,238	5,238	-	5,114	124
Services and supplies	527	527	-	273	254
Other charges	298	298	-	293	5
Intrafund transfers	(1,048)	(1,048)	-	(1,390)	342
Contingencies	73	73	-	-	73
Total County Counsel	<u>5,088</u>	<u>5,088</u>	<u>-</u>	<u>4,290</u>	<u>798</u>
Employee and Public Services					
Salaries and benefits	15,549	15,549	-	14,710	839
Services and supplies	3,489	3,489	-	2,816	673
Other charges	1,478	1,478	-	1,392	86
Intrafund transfers	(4,066)	(4,066)	-	(3,425)	(641)
Contingencies	485	485	-	-	485
Total Employee and Public Services	<u>16,935</u>	<u>16,935</u>	<u>-</u>	<u>15,493</u>	<u>1,442</u>
Information Services					
Salaries and benefits	16,214	16,214	-	14,110	2,104
Services and supplies	21,926	21,926	-	17,578	4,348
Other charges	1,201	1,201	-	1,081	120
Fixed assets	755	755	-	719	36
Other financing uses	324	324	-	286	38
Intrafund transfers	(29,493)	(29,493)	-	(23,395)	(6,098)
Contingencies	3,985	3,985	-	-	3,985
Total Information Services	<u>14,912</u>	<u>14,912</u>	<u>-</u>	<u>10,379</u>	<u>4,533</u>
Message Switch					
Services and supplies	359	359	-	338	21
Other charges	218	218	-	217	1
Intrafund transfers	(126)	(99)	27	(99)	-
Contingencies	446	446	-	-	446
Total Message Switch	<u>897</u>	<u>924</u>	<u>27</u>	<u>456</u>	<u>468</u>

(Continued)

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Public Works					
Salaries and benefits	15,539	15,355	(184)	14,655	700
Services and supplies	11,547	12,292	745	11,976	316
Other charges	3,544	3,544	-	3,416	128
Fixed assets	85	85	-	27	58
Other financing uses	3,477	3,477	-	3,440	37
Intrafund transfers	(17,409)	(17,409)	-	(16,656)	(753)
Contingencies	14	14	-	-	14
Total Public Works	<u>16,797</u>	<u>17,358</u>	<u>561</u>	<u>16,858</u>	<u>500</u>
Food & Nutrition Services					
Salaries and benefits	2,435	2,451	16	2,451	-
Services and supplies	2,333	2,337	4	2,335	2
Other charges	96	96	-	95	1
Fixed assets	88	68	(20)	29	39
Intrafund transfers	(4,157)	(4,157)	-	(4,173)	16
Total Food & Nutrition Services	<u>795</u>	<u>795</u>	<u>-</u>	<u>737</u>	<u>58</u>
Non-Departmental Services					
Salaries and benefits	536	447	(89)	24	423
Services and supplies	24,319	24,494	175	6,569	17,925
Other charges	15,850	14,797	(1,053)	11,414	3,383
Fixed assets	212	212	-	26	186
Other financing uses	13,041	18,126	5,085	12,779	5,347
Intrafund transfers	(513)	(513)	-	(514)	1
Contingencies	56,939	44,806	(12,133)	-	44,806
Total Non-Departmental Services	<u>110,384</u>	<u>102,369</u>	<u>(8,015)</u>	<u>30,298</u>	<u>72,071</u>
Total General Government	<u>207,512</u>	<u>201,244</u>	<u>(6,268)</u>	<u>115,511</u>	<u>85,733</u>
Public Protection					
Grand Jury					
Salaries and benefits	63	63	-	51	12
Services and supplies	370	395	25	370	25
Other charges	10	10	-	4	6
Total Grand Jury	<u>443</u>	<u>468</u>	<u>25</u>	<u>425</u>	<u>43</u>
Criminal Division					
Salaries and benefits	16,285	16,235	(50)	14,568	1,667
Services and supplies	927	927	-	720	207
Other charges	1,622	1,672	50	1,619	53
Contingencies	3,106	3,106	-	-	3,106
Total Criminal Division	<u>21,940</u>	<u>21,940</u>	<u>-</u>	<u>16,907</u>	<u>5,033</u>
Child Support Services					
Salaries and benefits	9,558	9,347	(211)	8,914	433
Services and supplies	2,542	2,645	103	2,173	472
Other charges	1,377	1,427	50	1,400	27
Fixed assets	-	58	58	36	22
Total Child Support Services	<u>13,477</u>	<u>13,477</u>	<u>-</u>	<u>12,523</u>	<u>954</u>
County Support of Courts					
Salaries and benefits	340	340	-	319	21
Services and supplies	707	1,207	500	1,164	43
Other charges	20,645	21,493	848	20,449	1,044
Total County Support of Courts	<u>21,692</u>	<u>23,040</u>	<u>1,348</u>	<u>21,932</u>	<u>1,108</u>

(Continued)

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Private Defender Program					
Services and supplies	11,636	11,636	-	11,636	-
Intrafund transfers	(98)	(98)	-	(74)	(24)
Total Private Defender Program	<u>11,538</u>	<u>11,538</u>	<u>-</u>	<u>11,562</u>	<u>(24)</u>
Sheriff					
Salaries and benefits	74,966	76,661	1,695	76,622	39
Services and supplies	11,049	11,049	-	8,577	2,472
Other charges	14,729	14,729	-	14,120	609
Fixed assets	740	740	-	226	514
Other financing uses	1,769	1,769	-	442	1,327
Intrafund transfers	(338)	(338)	-	(333)	(5)
Contingencies	695	695	-	-	695
Total Sheriff	<u>103,610</u>	<u>105,305</u>	<u>1,695</u>	<u>99,654</u>	<u>5,651</u>
Probation					
Salaries and benefits	39,452	39,558	106	39,558	-
Services and supplies	8,012	7,933	(79)	7,378	555
Other charges	7,277	7,277	-	6,879	398
Fixed assets	-	35	35	29	6
Intrafund transfers	(4,324)	(4,324)	-	(3,651)	(673)
Total Probation	<u>50,417</u>	<u>50,479</u>	<u>62</u>	<u>50,193</u>	<u>286</u>
Coroner's Office					
Salaries and benefits	1,447	1,576	129	1,576	-
Services and supplies	612	482	(130)	473	9
Other charges	210	211	1	209	2
Contingencies	164	164	-	-	164
Total Coroner's Office	<u>2,433</u>	<u>2,433</u>	<u>-</u>	<u>2,258</u>	<u>175</u>
Environmental Services Administration					
Salaries and benefits	394	394	-	394	-
Services and supplies	29	29	-	10	19
Other charges	20	20	-	16	4
Intrafund transfers	(47)	(47)	-	(44)	(3)
Contingencies	8	8	-	-	8
Total Environmental Services Administration	<u>404</u>	<u>404</u>	<u>-</u>	<u>376</u>	<u>28</u>
Agricultural Commissioner/Sealer					
Salaries and benefits	2,723	2,723	-	2,658	65
Services and supplies	1,159	1,159	-	952	207
Other charges	366	366	-	313	53
Intrafund transfers	(956)	(956)	-	(806)	(150)
Contingencies	36	36	-	-	36
Total Agricultural Commissioner/Sealer	<u>3,328</u>	<u>3,328</u>	<u>-</u>	<u>3,117</u>	<u>211</u>
Animal Control					
Salaries and benefits	19	19	-	17	2
Services and supplies	4,508	4,508	-	4,501	7
Other charges	22	22	-	22	-
Intrafund transfers	(190)	(190)	-	(190)	-
Total Animal Control	<u>4,359</u>	<u>4,359</u>	<u>-</u>	<u>4,350</u>	<u>9</u>
Local Agency Formation Commission					
Salaries and benefits	131	132	1	132	-
Services and supplies	38	37	(1)	19	18
Other charges	15	15	-	13	2
Intrafund transfers	(41)	(41)	-	(40)	(1)
Contingencies	18	18	-	-	18
Total Local Agency Formation Commission	<u>161</u>	<u>161</u>	<u>-</u>	<u>124</u>	<u>37</u>

(Continued)

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Fire Protection					
Services and supplies	5,802	5,802	-	5,267	535
Other charges	219	219	-	215	4
Fixed assets	260	260	-	252	8
Total Fire Protection	<u>6,281</u>	<u>6,281</u>	<u>-</u>	<u>5,734</u>	<u>547</u>
Planning					
Salaries and benefits	4,261	4,261	-	4,058	203
Services and supplies	3,594	3,764	170	2,978	786
Other charges	650	650	-	626	24
Fixed assets	-	6	6	6	-
Intrafund transfers	(2,395)	(2,395)	-	(2,397)	2
Contingencies	204	204	-	-	204
Total Planning	<u>6,314</u>	<u>6,490</u>	<u>176</u>	<u>5,271</u>	<u>1,219</u>
Total Public Protection	<u>246,397</u>	<u>249,703</u>	<u>3,306</u>	<u>234,426</u>	<u>15,277</u>
Health and Sanitation					
Health Businesses & Administration					
Salaries and benefits	2,385	2,400	15	2,387	13
Services and supplies	5,425	6,785	1,360	6,118	667
Other charges	1,006	1,006	-	700	306
Intrafund transfers	(4,474)	(4,919)	(445)	(4,758)	(161)
Total Health Businesses & Administration	<u>4,342</u>	<u>5,272</u>	<u>930</u>	<u>4,447</u>	<u>825</u>
Emergency Medical Services					
Salaries and benefits	540	553	13	553	-
Services and supplies	282	269	(13)	193	76
Other charges	57	57	-	54	3
Intrafund transfers	(139)	(139)	-	(148)	9
Total Emergency Medical Services	<u>740</u>	<u>740</u>	<u>-</u>	<u>652</u>	<u>88</u>
Hospital & Clinic Subsidy					
Other financing uses	43,716	50,828	7,112	50,828	-
Intrafund transfers	-	-	-	(1,000)	1,000
Total Hospital & Clinic Subsidy	<u>43,716</u>	<u>50,828</u>	<u>7,112</u>	<u>49,828</u>	<u>1,000</u>
SB 855 Transfer Payment					
Services and supplies	8,671	10,570	1,899	10,464	106
Total SB 855 Transfer Payment	<u>8,671</u>	<u>10,570</u>	<u>1,899</u>	<u>10,464</u>	<u>106</u>
Environmental Health Services					
Salaries and benefits	7,296	7,469	173	7,086	383
Services and supplies	2,692	2,745	53	2,368	377
Other charges	562	587	25	515	72
Fixed assets	-	8	8	7	1
Other financing uses	300	400	100	379	21
Intrafund transfers	(1,001)	(1,001)	-	(863)	(138)
Contingencies	675	675	-	-	675
Total Environmental Health Services	<u>10,524</u>	<u>10,883</u>	<u>359</u>	<u>9,492</u>	<u>1,391</u>
Mental Health Services					
Salaries and benefits	26,493	26,493	-	25,479	1,014
Services and supplies	42,926	42,926	-	39,543	3,383
Other charges	13,897	13,897	-	13,794	103
Intrafund transfers	(2,394)	(2,394)	-	(1,841)	(553)
Contingencies	5,373	5,373	-	-	5,373
Total Mental Health Services	<u>86,295</u>	<u>86,295</u>	<u>-</u>	<u>76,975</u>	<u>9,320</u>

(Continued)

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Public Health Services					
Salaries and benefits	23,738	23,326	(412)	21,374	1,952
Services and supplies	7,850	8,348	498	7,572	776
Other charges	4,227	4,284	57	3,301	983
Fixed Assets	150	150	-	24	126
Other financing uses	5	5	-	-	5
Intrafund transfers	(1,485)	(1,485)	-	(780)	(705)
Contingencies	635	635	-	-	635
Total Public Health Services	<u>35,120</u>	<u>35,263</u>	<u>143</u>	<u>31,491</u>	<u>3,772</u>
Correctional Health Services					
Salaries and benefits	5,380	5,659	279	5,659	-
Services and supplies	1,712	1,712	-	1,697	15
Other charges	718	494	(224)	491	3
Intrafund transfers	(2,618)	(2,618)	-	(2,653)	35
Contingencies	118	118	-	-	118
Total Correctional Health Services	<u>5,310</u>	<u>5,365</u>	<u>55</u>	<u>5,194</u>	<u>171</u>
Total Health and Sanitation	<u>194,718</u>	<u>205,216</u>	<u>10,498</u>	<u>188,543</u>	<u>16,673</u>
Public Assistance					
Aging & Adult Services					
Salaries and benefits	10,605	10,605	-	10,150	455
Services and supplies	3,361	3,361	-	2,522	839
Other charges	4,829	5,259	430	4,487	772
Intrafund transfers	(1,585)	(1,585)	-	(1,406)	(179)
Contingencies	72	72	-	-	72
Total Aging & Adult Services	<u>17,282</u>	<u>17,712</u>	<u>430</u>	<u>15,753</u>	<u>1,959</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	65,054	65,054	-	60,389	4,665
Services and supplies	43,299	43,299	-	38,821	4,478
Other charges	92,145	92,145	-	85,107	7,038
Fixed assets	1,089	1,814	725	1,578	236
Other financing uses	338	338	-	312	26
Intrafund transfers	(18,007)	(18,007)	-	(17,754)	(253)
Contingencies	4,598	4,598	-	-	4,598
Total Human Services Agency	<u>188,516</u>	<u>189,241</u>	<u>725</u>	<u>168,453</u>	<u>20,788</u>
Total Public Assistance	<u>210,286</u>	<u>211,441</u>	<u>1,155</u>	<u>188,694</u>	<u>22,747</u>
Education					
Cooperative Extension					
Salaries and benefits	77	63	(14)	63	-
Services and supplies	13	19	6	18	1
Other charges	57	65	8	64	1
Total Cooperative Extension	<u>147</u>	<u>147</u>	<u>-</u>	<u>145</u>	<u>2</u>
Total Education	<u>147</u>	<u>147</u>	<u>-</u>	<u>145</u>	<u>2</u>

(Continued)

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<u>Recreation</u>					
Parks & Recreation					
Salaries and benefits	5,128	5,128	-	5,081	47
Services and supplies	987	1,007	20	949	58
Other charges	830	846	16	820	26
Fixed assets	397	411	14	97	314
Contingencies	136	136	-	-	136
Total Parks & Recreation	<u>7,478</u>	<u>7,528</u>	<u>50</u>	<u>6,947</u>	<u>581</u>
Total Recreation	<u>7,478</u>	<u>7,528</u>	<u>50</u>	<u>6,947</u>	<u>581</u>
<u>Contingencies</u>					
Contingencies					
Contingencies	23,199	23,199	-	-	23,199
Total Contingencies	<u>23,199</u>	<u>23,199</u>	<u>-</u>	<u>-</u>	<u>23,199</u>
Total Contingencies	<u>23,199</u>	<u>23,199</u>	<u>-</u>	<u>-</u>	<u>23,199</u>
Total charges to appropriations	<u>889,737</u>	<u>898,478</u>	<u>8,741</u>	<u>734,266</u>	<u>164,212</u>
Budgetary balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,890</u>	<u>\$ 196,890</u>

(Continued)

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (page 59)	\$ 733,477
Differences - budget to GAAP:	
Interfund revenues are inflows of budgetary resources but are used to offset expenditures for financial reporting purposes.	(52,653)
Transfers from other funds are inflows of budgetary resources but are revenues for financial reporting purposes.	(2,061)
Receipts from sub-funds reclassified from County Agency Fund, not budgeted.	<u>15,023</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 693,786</u></u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (page 65)	\$ 734,266
Differences - budget to GAAP:	
Expenditures offset by interfund revenues for financial reporting purposes are outflows of budgetary appropriations.	(52,653)
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.	(3,236)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(91,256)
Disbursements from sub-funds reclassified from County Agency Fund, not budgeted	<u>12,167</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 599,288</u></u>

COUNTY OF SAN MATEO
Required Supplementary Information (Unaudited)
Note to the Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars 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's Board of Supervisors.

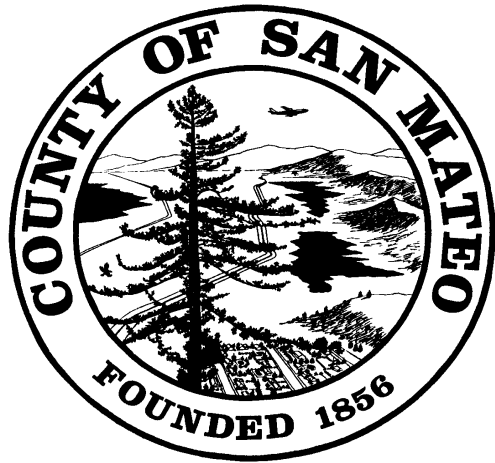
An operating budget is adopted each fiscal year for all Governmental Funds except for the JPFA. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments 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 Board of Supervisors 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 Board of Supervisors.

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 recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget and reported in the original budget column.

The budget approved by the Board of Supervisors 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.

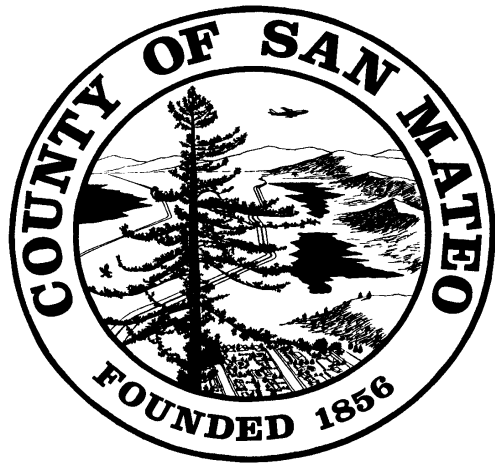
The budgets for the governmental funds may include an object level known as "intrafund transfers" in the charges to appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund (an example would be the General Fund).

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 transactions from sub-funds reclassified from County Agency funds are reported in GAAP reporting basis.



Combining and Individual Fund Statements and Schedules

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Nonmajor Governmental Funds

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COUNTY OF SAN MATEO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and investments	\$ 58,411	\$ 29,304	\$ 7,959	\$ 95,674
Securities lending collateral	10,129	5,048	1,371	16,548
Receivables (net):				
Accounts	13	-	-	13
Interest	370	145	40	555
Taxes	1,027	-	-	1,027
Other	208	-	-	208
Due from other funds	967	-	250	1,217
Due from other governmental agencies	925	-	1,825	2,750
Inventories	393	-	-	393
Other assets	6	-	-	6
Advances to other funds	-	-	3,000	3,000
Total assets	<u>\$ 72,449</u>	<u>\$ 34,497</u>	<u>\$ 14,445</u>	<u>\$ 121,391</u>
Liabilities:				
Accounts payable	\$ 3,198	\$ 2	\$ 154	\$ 3,354
Accrued salaries and benefits	262	-	-	262
Securities lending collateral - due to borrowers	10,129	5,048	1,371	16,548
Due to other funds	3,783	6,523	62	10,368
Deferred revenues	1,291	-	557	1,848
Deposits	2	-	-	2
Total liabilities	<u>18,665</u>	<u>11,573</u>	<u>2,144</u>	<u>32,382</u>
Fund balances:				
Reserved for:				
Encumbrances	2,259	-	114	2,373
Debt service	-	22,924	-	22,924
Inventories and advances	393	-	3,000	3,393
Unreserved, reported in				
Special revenue funds:				
Designated	12,395	-	-	12,395
Undesignated	38,737	-	-	38,737
Capital projects funds:				
Designated	-	-	3,735	3,735
Undesignated	-	-	5,452	5,452
Total fund balances	<u>53,784</u>	<u>22,924</u>	<u>12,301</u>	<u>89,009</u>
Total liabilities and fund balances	<u>\$ 72,449</u>	<u>\$ 34,497</u>	<u>\$ 14,445</u>	<u>\$ 121,391</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, 2004
(Dollars 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	\$ 11,864	\$ -	\$ -	\$ 11,864
Licenses and permits	3,946	-	-	3,946
Intergovernmental	20,963	-	4,433	25,396
Charges for services	9,535	-	2,879	12,414
Fines, forfeitures and penalties	1,100	-	-	1,100
Rents and concessions	71	-	-	71
Investment loss	(119)	(4)	(38)	(161)
Securities lending activities:				
Securities lending income	105	53	15	173
Securities lending expenditures	(89)	(45)	(12)	(146)
Other	508	-	332	840
Total revenues	<u>47,884</u>	<u>4</u>	<u>7,609</u>	<u>55,497</u>
Expenditures:				
Current Operating:				
General government	3,095	78	-	3,173
Public protection	6,318	-	-	6,318
Public ways and facilities	21,434	-	-	21,434
Health and sanitation	21,999	-	-	21,999
Capital outlay	10,340	-	7,702	18,042
Debt service:				
Principal	15	-	-	15
Interest	5	-	-	5
Total expenditures	<u>63,206</u>	<u>78</u>	<u>7,702</u>	<u>70,986</u>
Deficiency of revenues over expenditures	<u>(15,322)</u>	<u>(74)</u>	<u>(93)</u>	<u>(15,489)</u>
Other financing sources (uses):				
Transfers in	4,488	23,590	5,220	33,298
Transfers out	(3,142)	(22,431)	(2,993)	(28,566)
Total other financing sources	<u>1,346</u>	<u>1,159</u>	<u>2,227</u>	<u>4,732</u>
Net change in fund balances	(13,976)	1,085	2,134	(10,757)
Fund balances - beginning	<u>67,760</u>	<u>21,839</u>	<u>10,167</u>	<u>99,766</u>
Fund balances - ending	<u>\$ 53,784</u>	<u>\$ 22,924</u>	<u>\$ 12,301</u>	<u>\$ 89,009</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. Nonmajor special revenue funds used by the County are listed below:

The *Road Fund* provides for planning, design, construction, maintenance and administration of County transportation planning activities. Revenues consist primarily of the County's share of state highway user taxes and are supplemented by federal funds.

The *County Fire Protection Fund* provides fire protection services to both cities and unincorporated areas in the County. Property taxes provide most of the Fund's revenues.

The *County Service Area Fund* accounts for special district funds that provide water and refuse disposal services and lighting maintenance to specific areas in the County and are financed by property taxes and user charges.

The *Sewer and Sanitation Fund* accounts for special district funds that support construction and maintenance of reliable sanitary sewer systems, which allow sensitive sewage treatment and disposal in specific areas in the County and are financed by user charges and property taxes.

The *Flood Control Zone Fund* accounts for special district funds that provide services to control flood and storm waters within the districts. Revenues are primarily received from property taxes 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 specific areas in the County and are primarily financed by property taxes.

The *Emergency Medical Services Fund* was established to implement 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.

The *County Half-Cent Transportation Fund* accounts for revenues generated by a special one-half cent sales tax that was approved by the voters of San Mateo County during 1988. This fund is restricted for transportation related programs sponsored by other County departments and outside agencies.

The *County-Wide Road Improvement Fund* accounts for mitigation fees imposed when building permits are issued to fund improvements to the County road system.

The *Solid Waste Fund* accounts for revenues related to the County management and operation of solid waste facilities owned by the County as well as aid from federal, state and other local agencies. The primary source of revenue comes from licenses, permits and franchise fees. Expenditures are specifically for programs in resource conservation.

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COUNTY OF SAN MATEO

Nonmajor Governmental Funds

Special Revenue Funds (Continued)

The *Public Authority IHSS Fund* allows for the maintenance of a registry and referral system to assist consumers in finding qualified in-home supportive services (IHSS) personnel as well as training of and support for providers and recipients of IHSS. Revenues primarily come from state grants.

The *Other Special Revenue Funds* account for the activities of several Special Revenue Funds that include:

- 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, 2004
(Dollars in Thousands)

	Road	County Fire Protection	County Service Area	Sewer and Sanitation	Flood Control Zone	Lighting Districts	Emergency Medical Services
Assets:							
Cash and investments	\$ 4,198	\$ 1,490	\$ 4,058	\$ 8,902	\$ 11,764	\$ 5,099	\$ 870
Securities lending collateral	791	257	699	1,533	2,027	878	150
Receivables (net):							
Accounts	-	-	13	-	-	-	-
Interest	19	14	26	56	83	33	7
Taxes	-	487	204	37	231	64	-
Other	158	-	-	-	-	50	-
Due from other funds	967	-	-	-	-	-	-
Due from other governmental agencies	1	23	-	-	-	-	-
Inventories	393	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-
Total assets	<u>\$ 6,533</u>	<u>\$ 2,271</u>	<u>\$ 5,000</u>	<u>\$ 10,528</u>	<u>\$ 14,105</u>	<u>\$ 6,124</u>	<u>\$ 1,027</u>
Liabilities:							
Accounts payable	\$ 314	\$ -	\$ 216	\$ 347	\$ 1,147	\$ 10	\$ -
Accrued salaries and benefits	194	-	-	16	-	-	-
Securities lending collateral - due to borrowers	791	257	699	1,533	2,027	878	150
Due to other funds	1,103	-	5	173	142	9	-
Deferred revenues	264	487	204	37	231	64	-
Deposits	-	-	2	-	-	-	-
Total liabilities	<u>2,666</u>	<u>744</u>	<u>1,126</u>	<u>2,106</u>	<u>3,547</u>	<u>961</u>	<u>150</u>
Fund Balances:							
Reserved for:							
Encumbrances	2,056	-	194	-	-	-	-
Inventories and advances	393	-	-	-	-	-	-
Unreserved:							
Designated	-	214	29	-	-	-	863
Undesignated	1,418	1,313	3,651	8,422	10,558	5,163	14
Total fund balances	<u>3,867</u>	<u>1,527</u>	<u>3,874</u>	<u>8,422</u>	<u>10,558</u>	<u>5,163</u>	<u>877</u>
Total liabilities and fund balances	<u>\$ 6,533</u>	<u>\$ 2,271</u>	<u>\$ 5,000</u>	<u>\$ 10,528</u>	<u>\$ 14,105</u>	<u>\$ 6,124</u>	<u>\$ 1,027</u>

(Continued)

COUNTY OF SAN MATEO
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004
(Dollars 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:
\$ 2,770	\$ 4,467	\$ 11,016	\$ 3,056	\$ 721	\$ 58,411	Cash and investments
477	770	1,897	526	124	10,129	Securities lending collateral
-	-	-	-	-	13	Receivables (net):
19	27	81	-	5	370	Accounts
-	-	-	-	4	1,027	Interest
-	-	-	-	-	208	Taxes
-	-	-	-	-	967	Other
103	-	-	798	-	925	Due from other funds
-	-	-	-	-	393	Due from other governmental agencies
-	-	-	-	-	6	Inventories
<u>\$ 3,369</u>	<u>\$ 5,264</u>	<u>\$ 12,994</u>	<u>\$ 4,380</u>	<u>\$ 854</u>	<u>\$ 72,449</u>	Other assets
						Total assets
						Liabilities:
\$ 19	\$ -	\$ 34	\$ 1,107	\$ 4	\$ 3,198	Accounts payable
18	-	26	8	-	262	Accrued salaries and benefits
477	770	1,897	526	124	10,129	Securities lending collateral - due to borrowers
113	573	142	1,523	-	3,783	Due to other funds
-	-	-	-	4	1,291	Deferred revenues
-	-	-	-	-	2	Deposits
<u>627</u>	<u>1,343</u>	<u>2,099</u>	<u>3,164</u>	<u>132</u>	<u>18,665</u>	Total liabilities
						Fund Balances:
						Reserved for:
-	-	-	9	-	2,259	Encumbrances
-	-	-	-	-	393	Inventories and advances
						Unreserved:
2,261	2,544	5,815	394	275	12,395	Designated
481	1,377	5,080	813	447	38,737	Undesignated
<u>2,742</u>	<u>3,921</u>	<u>10,895</u>	<u>1,216</u>	<u>722</u>	<u>53,784</u>	Total fund balances
<u>\$ 3,369</u>	<u>\$ 5,264</u>	<u>\$ 12,994</u>	<u>\$ 4,380</u>	<u>\$ 854</u>	<u>\$ 72,449</u>	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, 2004
(Dollars in Thousands)

	Road	County Fire Protection	County Service Area	Sewer and Sanitation	Flood Control Zone	Lighting Districts	Emergency Medical Services
Revenues							
Taxes	\$ -	\$ 5,028	\$ 2,108	\$ 435	\$ 2,121	\$ 690	\$ -
Licenses and permits	-	-	63	-	-	-	-
Intergovernmental	14,520	160	20	3	25	6	-
Charges for services	1,924	248	964	5,082	169	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	1,089
Rents and concessions	44	17	-	-	10	-	-
Investment income (loss)	(73)	24	4	(35)	(15)	8	(2)
Securities lending activities:							
Securities lending income	8	3	7	16	21	9	1
Securities lending expenditures	(7)	(2)	(6)	(13)	(18)	(8)	(1)
Other	92	13	7	16	-	-	337
Total revenues	<u>16,508</u>	<u>5,491</u>	<u>3,167</u>	<u>5,504</u>	<u>2,313</u>	<u>705</u>	<u>1,424</u>
Expenditures							
Current Operating:							
General government	-	-	2,794	-	-	293	-
Public protection	-	5,766	-	-	552	-	-
Public ways and facilities	18,300	-	-	-	-	-	-
Health and sanitation	-	-	-	4,263	-	-	2,813
Capital outlay	3,934	-	170	493	5,675	68	-
Debt service:							
Principal	-	-	15	-	-	-	-
Interest	-	-	5	-	-	-	-
Total expenditures	<u>22,234</u>	<u>5,766</u>	<u>2,984</u>	<u>4,756</u>	<u>6,227</u>	<u>361</u>	<u>2,813</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,726)</u>	<u>(275)</u>	<u>183</u>	<u>748</u>	<u>(3,914)</u>	<u>344</u>	<u>(1,389)</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(35)	-	(982)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(35)</u>	<u>-</u>	<u>(982)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(5,726)</u>	<u>(275)</u>	<u>148</u>	<u>748</u>	<u>(4,896)</u>	<u>344</u>	<u>(1,389)</u>
Fund balances - beginning	<u>9,593</u>	<u>1,802</u>	<u>3,726</u>	<u>7,674</u>	<u>15,454</u>	<u>4,819</u>	<u>2,266</u>
Fund balances - ending	<u>\$ 3,867</u>	<u>\$ 1,527</u>	<u>\$ 3,874</u>	<u>\$ 8,422</u>	<u>\$ 10,558</u>	<u>\$ 5,163</u>	<u>\$ 877</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, 2004
(Dollars in Thousands)

County Half-Cent Transportation	County-Wide Road Improvement	Solid Waste	Public Authority IHSS	Other Special Revenue	Total
\$ 1,443	\$ -	\$ -	\$ -	\$ 39	\$ 11,864
-	-	3,883	-	-	3,946
210	-	203	5,798	18	20,963
571	508	69	-	-	9,535
-	-	-	-	11	1,100
-	-	-	-	-	71
2	7	13	(56)	4	(119)
5	8	20	6	1	105
(4)	(7)	(17)	(5)	(1)	(89)
-	-	16	7	20	508
<u>2,227</u>	<u>516</u>	<u>4,187</u>	<u>5,750</u>	<u>92</u>	<u>47,884</u>
-	-	-	-	8	3,095
-	-	-	-	-	6,318
2,489	600	-	-	45	21,434
-	-	4,587	10,279	57	21,999
-	-	-	-	-	10,340
-	-	-	-	-	15
-	-	-	-	-	5
<u>2,489</u>	<u>600</u>	<u>4,587</u>	<u>10,279</u>	<u>110</u>	<u>63,206</u>
<u>(262)</u>	<u>(84)</u>	<u>(400)</u>	<u>(4,529)</u>	<u>(18)</u>	<u>(15,322)</u>
-	-	-	4,488	-	4,488
(299)	-	(1,826)	-	-	(3,142)
<u>(299)</u>	<u>-</u>	<u>(1,826)</u>	<u>4,488</u>	<u>-</u>	<u>1,346</u>
(561)	(84)	(2,226)	(41)	(18)	(13,976)
<u>3,303</u>	<u>4,005</u>	<u>13,121</u>	<u>1,257</u>	<u>740</u>	<u>67,760</u>
<u>\$ 2,742</u>	<u>\$ 3,921</u>	<u>\$ 10,895</u>	<u>\$ 1,216</u>	<u>\$ 722</u>	<u>\$ 53,784</u>

Revenues

Taxes
Licenses and permits
Intergovernmental
Charges for services
Fines, forfeitures and penalties
Rents and concessions
Interest and investment income (loss)
Securities lending activities:
Securities lending income
Securities lending expenditures
Other
Total revenues

Expenditures

Current Operating:
General government
Public protection
Public ways and facilities
Health and sanitation
Capital outlay
Debt service:
Principal
Interest
Total expenditures

Excess (deficiency) of revenues over
(under) expenditures

Other financing sources (uses)

Transfers in
Transfers out
Total other financing sources (uses)

Net change in fund balances

Fund balances - beginning

Fund balances - ending

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Road Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 8,873	\$ 8,873	\$ -	\$ 1,117	\$ (7,756)
Resources (inflows):					
Use of money and property	619	619	-	(28)	(647)
Intergovernmental revenues	12,977	12,977	-	14,520	1,543
Charges for services	91	91	-	1,100	1,009
Interfund revenue	675	675	-	824	149
Miscellaneous revenue	306	306	-	92	(214)
Amounts available for appropriation	14,668	14,668	-	16,508	1,840
Charges to appropriations (outflows):					
Public ways and facilities					
Salaries and benefits	7,361	7,361	-	6,562	799
Services and supplies	17,183	13,433	(3,750)	6,606	6,827
Other charges	875	1,540	665	1,132	408
Fixed assets	627	4,027	3,400	3,934	93
Intrafund transfers	(2,905)	(2,905)	-	(1,183)	(1,722)
Contingencies	400	85	(315)	-	85
Total charges to appropriations	23,541	23,541	-	17,051	6,490
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 574	\$ 574

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 17,051
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.	5,183
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 22,234

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County Fire Protection Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 1,766	\$ 1,766	\$ -	\$ 1,803	\$ 37
Resources (inflows):					
Taxes	5,235	5,235	-	5,028	(207)
Use of money and property	50	50	-	42	(8)
Intergovernmental revenues	126	126	-	160	34
Charges for services	72	72	-	111	39
Interfund revenue	137	137	-	137	-
Miscellaneous revenue	-	-	-	13	13
Amounts available for appropriation	5,620	5,620	-	5,491	(129)
Charges to appropriations (outflows):					
Public protection					
Services and supplies	6,073	6,073	-	5,766	307
Non-general fund reserves	1,313	1,313	-	-	1,313
Total charges to appropriations	7,386	7,386	-	5,766	1,620
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 1,528	\$ 1,528

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County Service Area Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 3,648	\$ 3,670	\$ 22	\$ 3,703	\$ 33
Resources (inflows):					
Taxes	1,885	1,885	-	2,108	223
Licenses, permits & franchises	-	-	-	63	63
Use of money and property	85	85	-	5	(80)
Intergovernmental revenues	144	144	-	20	(124)
Charges for services	977	977	-	964	(13)
Miscellaneous revenue	-	-	-	7	7
Other financing sources	154	154	-	-	(154)
Amounts available for appropriation	3,245	3,245	-	3,167	(78)
Charges to appropriations (outflows):					
General government					
Services and supplies	2,800	2,800	-	2,800	-
Other charges	153	175	22	175	-
Fixed assets	662	662	-	170	492
Other financing uses	35	35	-	35	-
Intrafund transfers	(50)	(50)	-	-	(50)
Contingencies	2,491	2,491	-	-	2,491
Non-general fund reserves	802	802	-	10	792
Total charges to appropriations	6,893	6,915	22	3,190	3,725
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 3,680	\$ 3,680

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,190
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.	(171)
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	\$ 2,984

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Sewer and Sanitation Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 7,479	\$ 7,875	\$ 396	\$ 7,674	\$ (201)
Resources (inflows):					
Taxes	345	345	-	435	90
Use of money and property	299	299	-	(32)	(331)
Intergovernmental revenues	3	3	-	3	-
Charges for services	3,741	3,741	-	4,436	695
Interfund revenue	781	781	-	646	(135)
Miscellaneous revenue	2	2	-	16	14
Amounts available for appropriation	<u>5,171</u>	<u>5,171</u>	<u>-</u>	<u>5,504</u>	<u>333</u>
Charges to appropriations (outflows):					
Health and sanitation					
Salaries and benefits	645	645	-	574	71
Services and supplies	4,922	4,922	-	3,972	950
Other charges	116	512	396	115	397
Fixed assets	5,350	5,350	-	493	4,857
Intrafund transfers	(496)	(496)	-	(398)	(98)
Contingencies	2,113	2,113	-	-	2,113
Total charges to appropriations	<u>12,650</u>	<u>13,046</u>	<u>396</u>	<u>4,756</u>	<u>8,290</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,422</u>	<u>\$ 8,422</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Flood Control Zone Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 18,824	\$ 18,895	\$ 71	\$ 15,453	\$ (3,442)
Resources (inflows):					
Taxes	1,885	1,885	-	2,121	236
Use of money and property	523	523	-	(2)	(525)
Intergovernmental revenues	22	22	-	25	3
Charges for services	-	-	-	168	168
Interfund revenue	-	-	-	1	1
Other financing sources	-	148	148	-	(148)
Amounts available for appropriation	2,430	2,578	148	2,313	(265)
Charges to appropriations (outflows):					
Public protection					
Services and supplies	895	1,043	148	473	570
Other charges	85	156	71	79	77
Fixed assets	17,500	17,500	-	5,675	11,825
Other financing uses	2,413	2,562	149	982	1,580
Intrafund transfers	(1,392)	(1,392)	-	-	(1,392)
Contingencies	1,753	1,604	(149)	-	1,604
Total charges to appropriations	21,254	21,473	219	7,209	14,264
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 10,557	\$ 10,557

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,209
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	(982)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 6,227

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Lighting Districts Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 4,722	\$ 4,756	\$ 34	\$ 4,818	\$ 62
Resources (inflows):					
Taxes	475	475	-	690	215
Use of money and property	158	158	-	9	(149)
Intergovernmental revenues	5	5	-	6	1
Amounts available for appropriation	638	638	-	705	67
Charges to appropriations (outflows):					
General government					
Services and supplies	484	484	-	400	84
Other charges	-	34	34	-	34
Fixed assets	80	80	-	68	12
Intrafund transfers	(110)	(110)	-	(107)	(3)
Contingencies	4,906	4,906	-	-	4,906
Total charges to appropriations	5,360	5,394	34	361	5,033
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 5,162	\$ 5,162

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Emergency Medical Services Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 2,230	\$ 2,230	\$ -	\$ 2,271	\$ 41
Resources (inflows):					
Fines, forfeitures and penalties	1,009	1,009	-	1,089	80
Use of money and property	90	90	-	(2)	(92)
Miscellaneous revenue	-	-	-	337	337
Amounts available for appropriation	<u>1,099</u>	<u>1,099</u>	<u>-</u>	<u>1,424</u>	<u>325</u>
Charges to appropriations (outflows):					
Health and sanitation					
Services and supplies	1,126	2,948	1,822	2,813	135
Non-general fund reserves	2,203	381	(1,822)	-	381
Total charges to appropriations	<u>3,329</u>	<u>3,329</u>	<u>-</u>	<u>2,813</u>	<u>516</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 882</u>	<u>\$ 882</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County Half-Cent Transportation Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 3,131	\$ 3,132	\$ 1	\$ 2,950	\$ (182)
Resources (inflows):					
Taxes	1,350	1,350	-	1,443	93
Use of money and property	114	114	-	3	(111)
Intergovernmental revenues	-	-	-	210	210
Charges for services	591	591	-	571	(20)
Interfund revenues	50	50	-	-	(50)
Amounts available for appropriation	2,105	2,105	-	2,227	122
Charges to appropriations (outflows):					
Public ways and facilities					
Salaries and benefits	580	587	7	583	4
Services and supplies	2,604	2,598	(6)	1,110	1,488
Other charges	747	747	-	796	(49)
Other financing uses	573	573	-	299	274
Non-general fund reserves	732	732	-	-	732
Total charges to appropriations	5,236	5,237	1	2,788	2,449
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 2,389	\$ 2,389

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,788
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(299)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 2,489

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
County-wide Road Improvement Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 3,924	\$ 3,924	\$ -	\$ 4,005	\$ 81
Resources (inflows):					
Use of money and property	111	111	-	8	(103)
Charges for services	430	430	-	508	78
Amounts available for appropriation	<u>541</u>	<u>541</u>	<u>-</u>	<u>516</u>	<u>(25)</u>
Charges to appropriations (outflows):					
Public ways and facilities					
Services and supplies	1,170	1,170	-	600	570
Non-general fund reserves	<u>3,295</u>	<u>3,295</u>	<u>-</u>	<u>-</u>	<u>3,295</u>
Total charges to appropriations	<u>4,465</u>	<u>4,465</u>	<u>-</u>	<u>600</u>	<u>3,865</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,921</u>	<u>\$ 3,921</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Solid Waste Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 12,932	\$ 12,932	\$ -	\$ 13,099	\$ 167
Resources (inflows):					
Licenses, permits and franchises	5,100	5,100	-	3,883	(1,217)
Use of money and property	400	400	-	16	(384)
Intergovernmental revenues	266	266	-	203	(63)
Charges for services	60	60	-	49	(11)
Interfund revenue	-	-	-	20	20
Miscellaneous revenue	25	25	-	16	(9)
Amounts available for appropriation	<u>5,851</u>	<u>5,851</u>	<u>-</u>	<u>4,187</u>	<u>(1,664)</u>
Charges to appropriations (outflows):					
Health and sanitation					
Salaries and benefits	1,135	1,135	-	886	249
Services and supplies	5,109	5,109	-	1,848	3,261
Other charges	1,836	1,836	-	1,831	5
Fixed assets	350	350	-	-	350
Other financing uses	3,110	3,110	-	1,826	1,284
Contingencies	390	390	-	-	390
Non-general fund reserves	6,853	6,853	-	-	6,853
Total charges to appropriations	<u>18,783</u>	<u>18,783</u>	<u>-</u>	<u>6,391</u>	<u>12,392</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,895</u>	<u>\$ 10,895</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 6,391
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.	22
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,826)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 4,587</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Public Authority IHSS Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 1,443	\$ 1,443	\$ -	\$ 1,168	\$ (275)
Resources (inflows):					
Use of money and property	40	40	-	(55)	(95)
Intergovernmental revenues	7,366	7,366	-	5,798	(1,568)
Interfund revenue	4,488	4,488	-	-	(4,488)
Miscellaneous revenue	-	-	-	7	7
Other financing sources	-	-	-	4,488	4,488
Amounts available for appropriation	<u>11,894</u>	<u>11,894</u>	<u>-</u>	<u>10,238</u>	<u>(1,656)</u>
Charges to appropriations (outflows):					
Health and sanitation					
Salaries and benefits	363	363	-	139	224
Services and supplies	2,400	2,400	-	2,544	(144)
Other charges	9,430	9,430	-	7,679	1,751
Non-general fund reserves	1,144	1,144	-	-	1,144
Total charges to appropriations	<u>13,337</u>	<u>13,337</u>	<u>-</u>	<u>10,362</u>	<u>2,975</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,044</u>	<u>\$ 1,044</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 10,238
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>\$ 5,750</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 10,362
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>(83)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 10,279</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Other Special Revenue Funds
For the Fiscal Year Ended June 30, 2004
(Dollars 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	\$ 73	\$ 73	\$ -	\$ 79	\$ 6
Resources (inflows):					
Fines, forfeitures and penalties	4	4	-	11	7
Use of money and property	3	3	-	-	(3)
Amounts available for appropriation	7	7	-	11	4
Charges to appropriations (outflows):					
General government					
Services and supplies	26	26	-	7	19
Non-general fund reserves	54	54	-	-	54
Total charges to appropriations	80	80	-	7	73
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83</u>	<u>\$ 83</u>
<u>Off-Highway Vehicle License Fees Fund</u>					
Budgetary fund balances, July 1	\$ 316	\$ 316	\$ -	\$ 327	\$ 11
Resources (inflows):					
Use of money and property	11	11	-	8	(3)
Intergovernmental revenue	15	15	-	18	3
Amounts available for appropriation	26	26	-	26	-
Charges to appropriations (outflows):					
Public ways and facilities					
Services and supplies	74	74	-	45	29
Non-general fund reserves	268	268	-	-	268
Total charges to appropriations	342	342	-	45	297
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 308</u>
<u>Highlands Landscape Maintenance District</u>					
Budgetary fund balances, July 1	\$ 12	\$ 12	\$ -	\$ 16	\$ 4
Resources (inflows):					
Taxes	4	4	-	5	1
Amounts available for appropriation	4	4	-	5	1
Charges to appropriations (outflows):					
General government					
Services and supplies	5	5	-	1	4
Non-general fund reserves	11	11	-	-	11
Total charges to appropriations	16	16	-	1	15
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 20</u>

(Continued)

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Other Special Revenue Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<u>Various Drainage Districts</u>					
Budgetary fund balances, July 1	\$ 267	\$ 267	\$ -	\$ 262	\$ (5)
Resources (inflows):					
Taxes	56	56	-	34	(22)
Use of money and property	7	7	-	7	-
Amounts available for appropriation	<u>63</u>	<u>63</u>	<u>-</u>	<u>41</u>	<u>(22)</u>
Charges to appropriations (outflows):					
Health and sanitation					
Services and supplies	304	304	-	57	247
Intrafund transfers	(100)	(100)	-	-	(100)
Contingencies	126	126	-	-	126
Total charges to appropriations	<u>330</u>	<u>330</u>	<u>-</u>	<u>57</u>	<u>273</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246</u>	<u>\$ 246</u>
<u>Total - Other Special Revenue Funds</u>					
Budgetary fund balances, July 1	\$ 668	\$ 668	\$ -	\$ 684	\$ 16
Resources (inflows)	100	100	-	83	(17)
Charges to appropriations (outflows)	<u>(768)</u>	<u>(768)</u>	<u>-</u>	<u>(110)</u>	<u>658</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657</u>	<u>\$ 657</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 83
Differences - budget to GAAP:	
Receipts from Redevelopment Agency Fund, not budgeted.	<u>9</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 92</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 the 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, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 15,434	\$ 21,507	\$ 6,073	\$ 21,839	\$ 332
Resources (inflows):					
Use of money and property	-	-	-	4	4
Other financing sources	20,878	23,136	2,258	23,590	454
Amount available for appropriation	<u>20,878</u>	<u>23,136</u>	<u>2,258</u>	<u>23,594</u>	<u>458</u>
Charges to appropriations (outflows):					
Other charges	21,428	29,759	8,331	78	29,681
Non-general fund reserves	14,884	14,884	-	22,431	(7,547)
Total charges to appropriations	<u>36,312</u>	<u>44,643</u>	<u>8,331</u>	<u>22,509</u>	<u>22,134</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,924</u>	<u>\$ 22,924</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 23,594
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(23,590)</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	<u>\$ 4</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 22,509
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(22,431)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	<u>\$ 78</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 fund types.

Parks Acquisition Fund. This fund is used for the acquisition of land for the County Park System and the development of County park facilities. Revenue in this fund came from a one-time sale of land at San Bruno Mountain. Payments were made to this fund until August 1996 and interest has accrued on unspent balances. Revenue is currently received from grants and investment income.

Accumulated Capital Outlay Fund. This fund accounts for appropriations for County capital improvement projects, and facilities maintenance projects payments. Revenue is generated from the sale of County real property and from interest earnings on cash balances.

Criminal Facility Fund. For every \$10.00 of all criminal and traffic fines, bail and imposed penalties, a \$2.25 penalty assessment, which is added to the fine, is placed into this fund for purposes of construction, reconstruction, expansion, improvement, operation or maintenance of county criminal justice facilities which includes, but is not limited to, jails, women's centers, detention facilities, juvenile halls and courtrooms. A penalty assessment of \$1.50 is placed in this fund for every parking offense paid. The Probation Department of the County also deposits \$1.00 into this fund for every \$10.00 in fines collected pursuant to Government Code 76004.

Courthouse Construction Fund. Sources of revenue for this fund are identical to all the sources of revenues for the Criminal Facility Construction Fund above. Revenues received are intended for the construction, rehabilitation, lease and financing of courtrooms or of a courtroom building or buildings containing facilities necessary for the operations of the courts.

Other Capital Projects Fund. This 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, 2004
(Dollars in Thousands)

	Parks Acquisition	Accumulated Capital Outlay	Criminal Facility	Courthouse Construction	Other Capital Projects	Total
Assets:						
Cash and investments	\$ 1,950	\$ 8	\$ 2,041	\$ 2,821	\$ 1,139	\$ 7,959
Securities lending collateral	336	1	351	486	197	1,371
Interest receivable	5	-	13	17	5	40
Due from other funds	-	-	-	250	-	250
Due from other governmental agencies	1,825	-	-	-	-	1,825
Advances to other funds	-	3,000	-	-	-	3,000
Total assets	<u>\$ 4,116</u>	<u>\$ 3,009</u>	<u>\$ 2,405</u>	<u>\$ 3,574</u>	<u>\$ 1,341</u>	<u>\$ 14,445</u>
Liabilities:						
Accounts payable	\$ 80	\$ -	\$ -	\$ -	\$ 74	\$ 154
Securities lending collateral - due to borrowers	336	1	351	486	197	1,371
Due to other funds	-	-	-	-	62	62
Deferred revenues	525	-	-	-	32	557
Total liabilities	<u>941</u>	<u>1</u>	<u>351</u>	<u>486</u>	<u>365</u>	<u>2,144</u>
Fund Balances:						
Reserved for:						
Encumbrance	-	-	-	-	114	114
Advances to other funds	-	3,000	-	-	-	3,000
Unreserved:						
Designated	905	-	1,960	870	-	3,735
Undesignated	2,270	8	94	2,218	862	5,452
Total fund balances	<u>3,175</u>	<u>3,008</u>	<u>2,054</u>	<u>3,088</u>	<u>976</u>	<u>12,301</u>
Total liabilities and fund balances	<u>\$ 4,116</u>	<u>\$ 3,009</u>	<u>\$ 2,405</u>	<u>\$ 3,574</u>	<u>\$ 1,341</u>	<u>\$ 14,445</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, 2004
(Dollars in Thousands)

	Parks Acquisition	Accumulated Capital Outlay	Criminal Facility	Courthouse Construction	Other Capital Projects	Total
Revenues:						
Intergovernmental	\$ 4,238	\$ -	\$ -	\$ -	\$ 195	\$ 4,433
Charges for services	-	-	1,281	1,531	67	2,879
Investment loss	(21)	-	-	(3)	(14)	(38)
Securities lending activities:						
Securities lending income	4	-	4	5	2	15
Securities lending expenditures	(3)	-	(3)	(4)	(2)	(12)
Other	319	-	-	-	13	332
Total revenues	<u>4,537</u>	<u>-</u>	<u>1,282</u>	<u>1,529</u>	<u>261</u>	<u>7,609</u>
Expenditures:						
Capital outlay	3,561	-	-	-	4,141	7,702
Total expenditures	<u>3,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,141</u>	<u>7,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>976</u>	<u>-</u>	<u>1,282</u>	<u>1,529</u>	<u>(3,880)</u>	<u>(93)</u>
Other financing sources (uses)						
Transfers in	1,228	-	-	-	3,992	5,220
Transfers out	(394)	(1)	(1,551)	(1,047)	-	(2,993)
Total other financing sources (uses)	<u>834</u>	<u>(1)</u>	<u>(1,551)</u>	<u>(1,047)</u>	<u>3,992</u>	<u>2,227</u>
Net change in fund balances	1,810	(1)	(269)	482	112	2,134
Fund balances - beginning	<u>1,365</u>	<u>3,009</u>	<u>2,323</u>	<u>2,606</u>	<u>864</u>	<u>10,167</u>
Fund balances- ending	<u>\$ 3,175</u>	<u>\$ 3,008</u>	<u>\$ 2,054</u>	<u>\$ 3,088</u>	<u>\$ 976</u>	<u>\$ 12,301</u>

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Parks Acquisition Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 1,338	\$ 1,338	\$ -	\$ 975	\$ (363)
Resources (inflows):					
Use of money and property	30	30	-	(20)	(50)
Intergovernmental revenues	2,825	4,403	1,578	4,238	(165)
Miscellaneous revenue	363	398	35	319	(79)
Other financing sources	-	1,238	1,238	1,228	(10)
Amounts available for appropriation	3,218	6,069	2,851	5,765	(304)
Charges to appropriations (outflows):					
Services and supplies	1,575	1,345	(230)	105	1,240
Fixed assets	2	3,083	3,081	3,066	17
Other financing uses	2,923	2,923	-	394	2,529
Non-general fund reserves	56	56	-	-	56
Total charges to appropriations	4,556	7,407	2,851	3,565	3,842
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 3,175	\$ 3,175

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,765
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes.	(1,228)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital project funds	\$ 4,537

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,565
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.	390
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	(394)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital project funds	\$ 3,561

COUNTY OF SAN MATEO
Budgetary Comparison Schedule
Accumulated Capital Outlay Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 9	\$ 9	\$ -	\$ 3,009	\$ 3,000
Charges to appropriations (outflows):					
Other financing uses	9	9	-	1	8
Total charges to appropriations	9	9	-	1	8
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,008</u>	<u>\$ 3,008</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1)</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, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 2,276	\$ 2,276	\$ -	\$ 2,323	\$ 47
Resources (inflows):					
Use of money and property	40	40	-	1	(39)
Charges for services	<u>1,200</u>	<u>1,200</u>	-	<u>1,281</u>	<u>81</u>
Amounts available for appropriation	<u>1,240</u>	<u>1,240</u>	-	<u>1,282</u>	<u>42</u>
Charges to appropriations (outflows):					
Other financing uses	2,764	2,764	-	1,151	1,613
Non-general fund reserves	<u>752</u>	<u>752</u>	-	-	<u>752</u>
Total charges to appropriations	<u>3,516</u>	<u>3,516</u>	-	<u>1,151</u>	<u>2,365</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,454</u>	<u>\$ 2,454</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,151
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,151)</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, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 2,553	\$ 2,553	\$ -	\$ 2,606	\$ 53
Resources (inflows):					
Use of money and property	40	40	-	(2)	(42)
Charges for services	1,200	1,200	-	1,531	331
Amounts available for appropriation	1,240	1,240	-	1,529	289
Charges to appropriations (outflows):					
Other financing uses	2,522	2,522	-	1,047	1,475
Non-general fund reserves	1,271	1,271	-	-	1,271
Total charges to appropriations	3,793	3,793	-	1,047	2,746
Budgetary fund balances, June 30	\$ -	\$ -	\$ -	\$ 3,088	\$ 3,088

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,047
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,047)
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, 2004
(Dollars in Thousands)

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
Budgetary fund balances, July 1	\$ 1,267	\$ 1,267	\$ -	\$ 1,087	\$ (180)
Resources (inflows):					
Use of money and property	-	-	-	(14)	(14)
Intergovernmental revenues	2,251	2,251	-	195	(2,056)
Charges for services	502	502	-	67	(435)
Miscellaneous revenue	276	825	549	13	(812)
Other financing sources	12,442	15,042	2,600	3,992	(11,050)
Amounts available for appropriation	<u>15,471</u>	<u>18,620</u>	<u>3,149</u>	<u>4,253</u>	<u>(14,367)</u>
Charges to appropriations (outflows):					
Fixed assets	16,738	19,887	3,149	4,253	15,634
Total charges to appropriations	<u>16,738</u>	<u>19,887</u>	<u>3,149</u>	<u>4,253</u>	<u>15,634</u>
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,087</u>	<u>\$ 1,087</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,253
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(3,992)</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital project funds	<u>\$ 261</u>

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,253
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 supplies are received for financial reporting purposes.	<u>(112)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - nonmajor capital project funds	<u>\$ 4,141</u>



Nonmajor Enterprise Funds

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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 (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed primarily through user charges; 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 the San Carlos and Half Moon Bay aviation facilities. Revenues include receipts under rental and lease arrangements involving County airport facilities 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, 2004
(Dollars in Thousands)

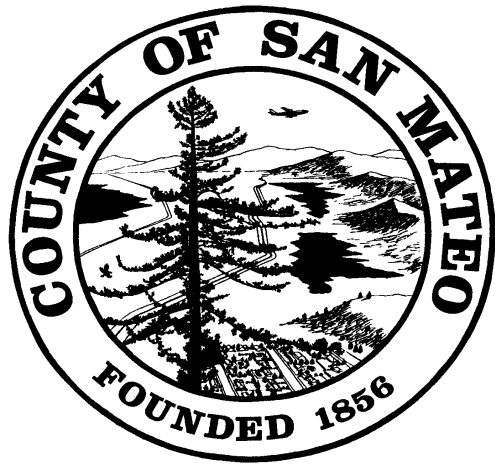
	Airports	Coyote Point Marina	Total
Assets:			
Current assets:			
Cash and investments	\$ 1,850	\$ 1,034	\$ 2,884
Securities lending collateral	319	178	497
Receivables (net):			
Accounts	43	18	61
Interest	11	8	19
Total current assets	2,223	1,238	3,461
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	6,843	1,335	8,178
Construction in progress	64	-	64
Depreciable:			
Structures and improvements	11,627	11,673	23,300
Equipment	73	116	189
Less accumulated depreciation	(5,239)	(3,870)	(9,109)
Total noncurrent assets	13,368	9,254	22,622
Total assets	\$ 15,591	\$ 10,492	\$ 26,083
Liabilities:			
Current liabilities:			
Accounts payable	\$ 53	\$ 59	\$ 112
Accrued salaries and benefits	20	14	34
Securities lending collateral - due to borrowers	319	178	497
Due to other funds	6	-	6
Compensated absences - current	25	34	59
Long-term liabilities - current	-	133	133
Total current liabilities	423	418	841
Noncurrent liabilities:			
Deferred revenues	63	7	70
Deposits	1	3	4
Compensated absences - noncurrent	75	87	162
Long-term liabilities - noncurrent	-	1,261	1,261
Total noncurrent liabilities	139	1,358	1,497
Total liabilities	562	1,776	2,338
Net Assets:			
Invested in capital assets, net of related debt	13,368	7,860	21,228
Unrestricted	1,661	856	2,517
Total net assets	15,029	8,716	23,745
Total liabilities and net assets	\$ 15,591	\$ 10,492	\$ 26,083

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, 2004
(Dollars in Thousands)

	<u>Airports</u>	<u>Coyote Point Marina</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 66	\$ 1,015	\$ 1,081
Rent and concessions	1,751	32	1,783
Miscellaneous	28	4	32
Total operating revenues	<u>1,845</u>	<u>1,051</u>	<u>2,896</u>
Operating expenses:			
General and administrative	1,467	943	2,410
Depreciation and amortization	233	229	462
Total operating expenses	<u>1,700</u>	<u>1,172</u>	<u>2,872</u>
Operating income (loss)	<u>145</u>	<u>(121)</u>	<u>24</u>
Nonoperating revenues (expenses):			
State and federal grants	45	10	55
Investment income	5	-	5
Interest expenses	-	(76)	(76)
Securities lending activities:			
Securities lending income	3	2	5
Securities lending expenses	(3)	(2)	(5)
Total nonoperating revenues (expenses)	<u>50</u>	<u>(66)</u>	<u>(16)</u>
Change in net assets	195	(187)	8
Net assets - beginning	<u>14,834</u>	<u>8,903</u>	<u>23,737</u>
Net assets - ending	<u>\$ 15,029</u>	<u>\$ 8,716</u>	<u>\$ 23,745</u>

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Airports	Coyote Point Marina	Total
Cash flows from operating activities			
Cash receipts from customers	\$ 1,816	\$ 1,044	\$ 2,860
Cash paid to suppliers for goods and services	(809)	(428)	(1,237)
Cash paid to employees for services	(634)	(441)	(1,075)
Net cash provided by operating activities	<u>373</u>	<u>175</u>	<u>548</u>
Cash flows from noncapital financing activities			
Due to other funds	(1)	-	(1)
State and federal grant receipts	45	10	55
Net cash provided by noncapital financing activities	<u>44</u>	<u>10</u>	<u>54</u>
Cash flows from capital and related financing activities			
Acquisition of fixed assets	(126)	(1,120)	(1,246)
Principal paid on long-term liabilities	-	(129)	(129)
Interest paid on long-term liabilities	-	(76)	(76)
Net cash used in capital and related financing activities	<u>(126)</u>	<u>(1,325)</u>	<u>(1,451)</u>
Cash flows from investing activities			
Investment income received	12	43	55
GASB 31 fair value adjustment	(7)	(34)	(41)
Net cash provided by investing activities	<u>5</u>	<u>9</u>	<u>14</u>
Net increase (decrease) in cash and cash equivalents	296	(1,131)	(835)
Cash and cash equivalents, beginning of the year	1,554	2,165	3,719
Cash and cash equivalents, end of the year	<u>\$ 1,850</u>	<u>\$ 1,034</u>	<u>\$ 2,884</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 145	\$ (121)	\$ 24
Adjustments to reconcile operating income to cash flows from operating activities:			
Depreciation	233	229	462
Decrease (increase) in:			
Accounts receivable	(18)	-	(18)
Increase (decrease) in:			
Accounts payable	16	51	67
Accrued salaries and benefits	8	23	31
Deferred revenues	(11)	(7)	(18)
Net cash provided by operating activities	<u>\$ 373</u>	<u>\$ 175</u>	<u>\$ 548</u>



Internal Service Funds

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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 at the County are listed below:

The *Fleet Maintenance Fund* is responsible for purchases and maintenance of all County vehicles and administers a lease program for county departments. 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. Remodeling and other craft services beyond the scope of building maintenance is provided to County departments and other government agencies on a fee for service basis. Capital project management and support and maintenance services to the Lighting Districts are also provided by this unit.

The *Self-Insurance Funds* are established to account for administrative costs and for payments of claims under the various insurance programs. Revenues are primarily premiums paid by other operating funds and interest on investments. The insurance programs are:

- Worker's 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, 2004
(Dollars in Thousands)

	Fleet Maintenance	Tower Road Construction	Worker's Compensation Insurance	Long-Term Disability	Employee Benefits	Personal Injury and Property Damage	Total
Assets:							
Current assets:							
Cash and investments	\$ 7,140	\$ 287	\$ 17,292	\$ 2,916	\$ 8,071	\$ 1,509	\$ 37,215
Securities lending collateral	1,230	49	2,979	503	1,390	260	6,411
Receivables (net):							
Accounts	1	210	-	-	-	-	211
Interest	46	-	64	18	43	-	171
Due from other funds	18	22	-	-	-	-	40
Due from other governmental agencies	-	-	-	-	300	-	300
Inventories	112	-	-	-	-	-	112
Total current assets	<u>8,547</u>	<u>568</u>	<u>20,335</u>	<u>3,437</u>	<u>9,804</u>	<u>1,769</u>	<u>44,460</u>
Noncurrent assets:							
Nondepreciable:							
Construction in progress	54	-	-	-	-	-	54
Depreciable:							
Structures and improvements	927	-	-	-	-	-	927
Equipment	16,233	59	-	-	-	22	16,314
Less accumulated depreciation	(12,332)	(59)	-	-	-	-	(12,391)
Total noncurrent assets	<u>4,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>4,904</u>
Total assets	<u>\$ 13,429</u>	<u>\$ 568</u>	<u>\$ 20,335</u>	<u>\$ 3,437</u>	<u>\$ 9,804</u>	<u>\$ 1,791</u>	<u>\$ 49,364</u>
Liabilities:							
Current liabilities:							
Accounts payable	\$ 43	\$ 90	\$ 1	\$ 1	\$ 3	\$ 139	\$ 277
Accrued salaries and benefits	29	69	-	12	-	-	110
Securities lending collateral - due to borrowers	1,230	49	2,979	503	1,390	260	6,411
Due to other funds	165	21	-	-	-	-	186
Compensated absences - current	66	191	-	-	-	-	257
Estimated claims - current	-	-	6,800	375	755	1,660	9,590
Total current liabilities	<u>1,533</u>	<u>420</u>	<u>9,780</u>	<u>891</u>	<u>2,148</u>	<u>2,059</u>	<u>16,831</u>
Noncurrent liabilities:							
Deposits	94	-	-	-	-	-	94
Compensated absences - noncurrent	86	54	-	-	-	-	140
Estimated claims - noncurrent	-	-	25,777	2,160	-	1,824	29,761
Total noncurrent liabilities	<u>180</u>	<u>54</u>	<u>25,777</u>	<u>2,160</u>	<u>-</u>	<u>1,824</u>	<u>29,995</u>
Total liabilities	<u>1,713</u>	<u>474</u>	<u>35,557</u>	<u>3,051</u>	<u>2,148</u>	<u>3,883</u>	<u>46,826</u>
Net Assets:							
Invested in capital assets, net of related debt	4,882	-	-	-	-	22	4,904
Unrestricted	6,834	94	(15,222)	386	7,656	(2,114)	(2,366)
Total net assets	<u>11,716</u>	<u>94</u>	<u>(15,222)</u>	<u>386</u>	<u>7,656</u>	<u>(2,092)</u>	<u>2,538</u>
Total liabilities and net assets	<u>\$ 13,429</u>	<u>\$ 568</u>	<u>\$ 20,335</u>	<u>\$ 3,437</u>	<u>\$ 9,804</u>	<u>\$ 1,791</u>	<u>\$ 49,364</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, 2004
(Dollars in Thousands)

	Fleet Maintenance	Tower Road Construction	Worker's Compensation Insurance	Long-Term Disability	Employee Benefits	Personal Injury and Property Damage	Total
Operating revenues:							
Charges for services	\$ 4,714	\$ 3,721	\$ 10,277	\$ 558	\$ 49,793	\$ 5,209	\$ 74,272
Miscellaneous	104	6	129	13	-	262	514
Total operating revenues	<u>4,818</u>	<u>3,727</u>	<u>10,406</u>	<u>571</u>	<u>49,793</u>	<u>5,471</u>	<u>74,786</u>
Operating expenses:							
General and administrative	2,305	3,647	2,057	64	1,342	1,202	10,617
Benefits and claims	-	-	14,384	752	5,061	1,629	21,826
Insurance premiums	317	19	931	-	43,301	3,143	47,711
Depreciation	1,654	-	-	-	-	-	1,654
Total operating expenses	<u>4,276</u>	<u>3,666</u>	<u>17,372</u>	<u>816</u>	<u>49,704</u>	<u>5,974</u>	<u>81,808</u>
Operating income (loss)	<u>542</u>	<u>61</u>	<u>(6,966)</u>	<u>(245)</u>	<u>89</u>	<u>(503)</u>	<u>(7,022)</u>
Non operating revenues (expenses)							
Loss from disposal of capital assets	(61)	-	-	-	-	-	(61)
Investment income (loss)	11	(10)	(43)	1	(31)	(9)	(81)
Securities lending activities:							
Securities lending income	13	1	31	5	15	2	67
Securities lending expenses	(11)	(1)	(27)	(4)	(12)	(2)	(57)
Total nonoperating revenues (expenses)	<u>(48)</u>	<u>(10)</u>	<u>(39)</u>	<u>2</u>	<u>(28)</u>	<u>(9)</u>	<u>(132)</u>
Net income (loss) before transfers in	494	51	(7,005)	(243)	61	(512)	(7,154)
Transfers in	-	-	7,736	-	-	2,214	9,950
Change in net assets	494	51	731	(243)	61	1,702	2,796
Net assets - beginning	11,222	43	(15,953)	629	7,595	(3,794)	(258)
Net assets - ending	<u>\$ 11,716</u>	<u>\$ 94</u>	<u>\$ (15,222)</u>	<u>\$ 386</u>	<u>\$ 7,656</u>	<u>\$ (2,092)</u>	<u>\$ 2,538</u>

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Fleet Maintenance	Tower Road Construction	Worker's Compensation Insurance	Long-Term Disability
Cash flows from operating activities				
Cash received from interfund service provided	\$ 4,926	\$ 3,705	\$ 10,406	\$ 571
Cash payment to suppliers for goods and services	(1,986)	(1,409)	(3,038)	(57)
Cash payment to employees for services	(911)	(2,177)	-	-
Cash payment for judgments and claims	-	-	(7,978)	(448)
Net cash provided by (used in) operating activities	<u>2,029</u>	<u>119</u>	<u>(610)</u>	<u>66</u>
Cash flows from noncapital financing activities				
Transfers in	-	-	7,736	-
Net cash provided by operating activities	<u>-</u>	<u>-</u>	<u>7,736</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(1,725)	-	-	-
Net cash used in capital and related financing activities	<u>(1,725)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Investment income received	64	-	91	23
GASB 31 fair value adjustment	(45)	(2)	(109)	(18)
Investment expense paid	-	(8)	-	-
Net cash provided by (used in) investing activities	<u>19</u>	<u>(10)</u>	<u>(18)</u>	<u>5</u>
Net increase in cash and cash equivalents	323	109	7,108	71
Cash and cash equivalents, beginning of year	6,817	178	10,184	2,845
Cash and cash equivalents, end of year	<u>\$ 7,140</u>	<u>\$ 287</u>	<u>\$ 17,292</u>	<u>\$ 2,916</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 542	\$ 61	\$ (6,966)	\$ (245)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,654	-	-	-
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	(1)	-	-	-
Due from other funds	109	(22)	-	-
Due from other government agencies	-	-	-	-
Inventories	(19)	-	-	-
Increase (decrease) in:				
Accounts payable	(134)	63	(50)	1
Accrued salaries and benefits	(84)	50	-	6
Due to other funds	(38)	(33)	-	-
Estimated claims	-	-	6,406	304
Net cash provided by (used in) operating activities	<u>\$ 2,029</u>	<u>\$ 119</u>	<u>\$ (610)</u>	<u>\$ 66</u>
Supplemental disclosure of noncash capital and related financing activities:				
Disposal of capital assets	<u>\$ 61</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Employee Benefits	Personal Injury and Property Damage	Total
\$ 49,493	\$ 5,471	\$ 74,572
(44,814)	(4,527)	(55,831)
-	-	(3,088)
(4,633)	(1,660)	(14,719)
<u>46</u>	<u>(716)</u>	<u>934</u>
-	2,214	9,950
-	<u>2,214</u>	<u>9,950</u>
-	(22)	(1,747)
-	<u>(22)</u>	<u>(1,747)</u>
29	11	218
(51)	(9)	(234)
-	-	(8)
<u>(22)</u>	<u>2</u>	<u>(24)</u>
24	1,478	9,113
8,047	<u>31</u>	<u>28,102</u>
<u>\$ 8,071</u>	<u>\$ 1,509</u>	<u>\$ 37,215</u>

Cash flows from operating activities

Cash received from interfund service 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 operating 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
GASB 31 fair value adjustment
Investment expense paid
Net cash provided by (used in) investing activities

Net increase 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:

\$ 89	\$ (503)	\$ (7,022)
-	-	1,654
-	-	(1)
-	-	87
(300)	-	(300)
-	-	(19)
(171)	(182)	(473)
-	-	(28)
-	-	(71)
428	<u>(31)</u>	<u>7,107</u>
<u>\$ 46</u>	<u>\$ (716)</u>	<u>\$ 934</u>

Operating income (loss)

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

Depreciation

Changes in operating assets and liabilities:

Decrease (increase) in:

Accounts receivable

Due from other funds

Due from other government agencies

Inventories

Increase (decrease) in:

Accounts payable

Accrued salaries and benefits

Due to other funds

Estimated claims

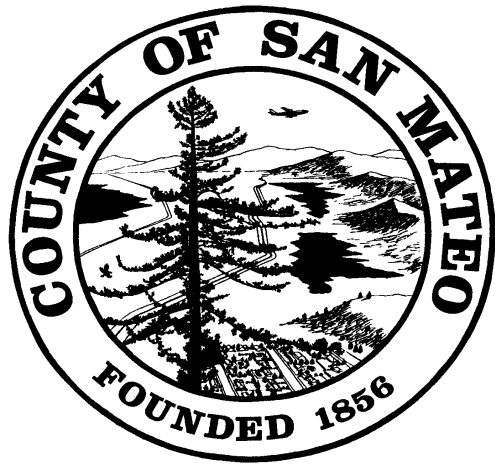
Net cash provided by (used in) operating activities

Supplemental disclosure of noncash capital and related financing activities:

<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>
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Disposal of capital assets

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Fiduciary Funds

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COUNTY OF SAN MATEO

Fiduciary Funds

Trust Funds

Pension Trust - This Fund, which is under the control of the Board of Retirement, accumulates contributions from the County, its employees and other participating employers, and earnings from the investments. Disbursements are made for retirement, disability and death benefits (based on a defined benefit formula) and administrative expenses. This Fund includes all assets of the San Mateo County Employees' Retirement Association.

Investment Trust:

- *External Investment Pool* – These funds are used by the County to account for the assets of legally separate entities that deposit cash with the County Treasurer. These 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. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- *Individual Investment Account* – This fund is used to account 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.

Agency Funds

The *County Library Fund* is governed by the Board of the San Mateo Joint Powers Authority (JPA). The JPA provides library services to 11 cities as well as all unincorporated areas of the County. The Board has 12 members, one representative from each of the 11 cities and one from the County Board of Supervisors. The main stream of revenue for this fund comes from property taxes.

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

The *Public Administrator Fund* is used to account for all of the Public Administrator's monies held by the County in a fiduciary capacity.

The *Public Guardian Fund* is used to account for all of the Public Guardian's monies held by the County in a fiduciary capacity.

The *Other Agency Fund* is used to account for assets held for other governmental agencies and governmental units by the County in a fiduciary capacity.

COUNTY OF SAN MATEO
Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2004
(Dollars in Thousands)

	External Investment Pool			
	Special Districts under Local Board	School Districts	Other Investment Trust	Total
Assets:				
Cash and investments	\$ 100,109	\$ 813,392	\$ 689,155	\$ 1,602,656
Securities lending collateral	17,177	140,116	118,706	275,999
Interest receivables	639	5,610	4,456	10,705
Other receivables	550	-	-	550
Due from other governmental agencies	46	-	-	46
Other assets	102	3	-	105
Total assets	118,623	959,121	812,317	1,890,061
Liabilities:				
Accounts payable	131	-	2,756	2,887
Securities lending collateral - due to borrowers	17,177	140,116	118,706	275,999
Due to other funds	-	1	759	760
Total liabilities	17,308	140,117	122,221	279,646
Net Assets:				
Net assets held in trust for investment pool participants	\$ 101,315	\$ 819,004	\$ 690,096	\$ 1,610,415

COUNTY OF SAN MATEO
Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	External Investment Pool			Total
	Special Districts under Local Board	School Districts	Other Investment Trust	
Additions:				
Contribution:				
Contribution to investment pool	\$ 162,529	\$ 2,034,342	\$ 439,520	\$ 2,636,391
Net investment income:				
Net depreciation in fair value of investments	(2,673)	(21,298)	(18,552)	(42,523)
Investment income	2,746	22,755	86,403	111,904
Securities lending activities:				
Securities lending income	182	1,483	1,257	2,922
Securities lending expenses	(154)	(1,258)	(1,066)	(2,478)
Net investment income	101	1,682	68,042	69,825
Total additions	162,630	2,036,024	507,562	2,706,216
Deductions:				
Distribution from investment pool	162,877	2,014,772	527,046	2,704,695
Change in net assets	(247)	21,252	(19,484)	1,521
Net assets - beginning	101,562	797,752	709,580	1,608,894
Net assets - ending	<u>\$ 101,315</u>	<u>\$ 819,004</u>	<u>\$ 690,096</u>	<u>\$ 1,610,415</u>

COUNTY OF SAN MATEO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Balance July 1, 2003	Addition	Deletion	Balance June 30, 2004
<u>COUNTY LIBRARY</u>				
Assets:				
Cash and investments	\$ 5,032	\$ 17,216	\$ 15,991	\$ 6,257
Securities lending collateral	859	219	-	1,078
Interest receivable	44	38	44	38
Due from other governmental agencies	-	56	-	56
Taxes receivable, net	1,319	1,167	1,319	1,167
Other assets	1,742	1,078	1,078	1,742
Total assets	<u>\$ 8,996</u>	<u>\$ 19,774</u>	<u>\$ 18,432</u>	<u>\$ 10,338</u>
Liabilities:				
Accounts payable	\$ 173	\$ 4,234	\$ 4,289	\$ 118
Securities lending collateral - due to borrowers	859	219	-	1,078
Fiduciary liability	7,964	31,505	30,327	9,142
Total liabilities	<u>\$ 8,996</u>	<u>\$ 35,958</u>	<u>\$ 34,616</u>	<u>\$ 10,338</u>
<u>TRIAL COURTS OPERATION</u>				
Assets:				
Cash and investments	\$ 16,551	\$ 42,268	\$ 46,517	\$ 12,302
Securities lending collateral	2,825	-	706	2,119
Interest receivable	129	82	129	82
Due from other governmental agencies	132	1,255	132	1,255
Other assets	681	2,288	2,236	733
Total assets	<u>\$ 20,318</u>	<u>\$ 45,893</u>	<u>\$ 49,720</u>	<u>\$ 16,491</u>
Liabilities:				
Accounts payable	\$ 231	\$ 6,723	\$ 6,150	\$ 804
Securities lending collateral - due to borrowers	2,825	-	706	2,119
Due to other governmental agencies	-	87	-	87
Fiduciary liability	17,262	86,134	89,915	13,481
Total liabilities	<u>\$ 20,318</u>	<u>\$ 92,944</u>	<u>\$ 96,771</u>	<u>\$ 16,491</u>
<u>UNAPPORTIONED TAXES</u>				
Assets:				
Cash and investments	\$ 91,585	\$ 2,747,018	\$ 2,769,445	\$ 69,158
Securities lending collateral	15,631	-	3,718	11,913
Interest receivable	-	32	-	32
Due from other governmental agencies	-	8	1	7
Other assets	-	11,921	11,921	-
Total assets	<u>\$ 107,216</u>	<u>\$ 2,758,979</u>	<u>\$ 2,785,085</u>	<u>\$ 81,110</u>
Liabilities:				
Accounts payable	\$ 7	\$ 15,662	\$ 15,636	\$ 33
Securities lending collateral - due to borrowers	15,631	-	3,718	11,913
Due to other governmental agencies	-	16,417	-	16,417
Fiduciary liabilities	91,578	2,910,441	2,949,272	52,747
Total liabilities	<u>\$ 107,216</u>	<u>\$ 2,942,520</u>	<u>\$ 2,968,626</u>	<u>\$ 81,110</u>
<u>PUBLIC ADMINISTRATOR</u>				
Assets:				
Cash and investments	\$ 9,172	\$ 12,978	\$ 15,002	\$ 7,148
Securities lending collateral	1,565	-	334	1,231
Accounts receivable, net	-	43	-	43
Interest receivable	68	40	68	40
Other assets	2,098	7,164	6,139	3,123
Total assets	<u>\$ 12,903</u>	<u>\$ 20,225</u>	<u>\$ 21,543</u>	<u>\$ 11,585</u>
Liabilities:				
Accounts payable	\$ 2,139	\$ 8,155	\$ 8,469	\$ 1,825
Securities lending collateral - due to borrowers	1,565	-	334	1,231
Fiduciary liability	9,199	15,561	16,231	8,529
Total liabilities	<u>\$ 12,903</u>	<u>\$ 23,716</u>	<u>\$ 25,034</u>	<u>\$ 11,585</u>

(Continued)

COUNTY OF SAN MATEO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Balance July 1, 2003	Addition	Deletion	Balance June 30, 2004
<u>PUBLIC GUARDIAN</u>				
Assets:				
Cash and investments	\$ 20,576	\$ 52,358	\$ 55,097	\$ 17,837
Securities lending collateral	3,511	-	439	3,072
Interest receivable	168	250	304	114
Other receivables	-	93	93	-
Other assets	38,627	9,005	11,789	35,843
Total assets	<u>\$ 62,882</u>	<u>\$ 61,706</u>	<u>\$ 67,722</u>	<u>\$ 56,866</u>
Liabilities:				
Accounts payable	\$ -	\$ 57	\$ 57	\$ -
Securities lending collateral - due to borrowers	3,511	-	439	3,072
Due to other governmental agencies	72	577	72	577
Fiduciary liability	59,299	59,490	65,572	53,217
Total liabilities	<u>\$ 62,882</u>	<u>\$ 60,124</u>	<u>\$ 66,140</u>	<u>\$ 56,866</u>
<u>OTHER AGENCY</u>				
Assets:				
Cash and investments	\$ 73,281	\$ 4,726,755	\$ 4,734,774	\$ 65,262
Securities lending collateral	12,669	-	1,399	11,270
Accounts receivable, net	14,585	364,219	345,940	32,864
Interest receivable	1,549	548	1,555	542
Taxes receivable, net	124,169	114,328	123,237	115,260
Other receivables	15	10	20	5
Due from other governmental agencies	-	21,539	5,132	16,407
Other assets	5,385	27,677	32,813	249
Total assets	<u>\$ 231,653</u>	<u>\$ 5,255,076</u>	<u>\$ 5,244,870</u>	<u>\$ 241,859</u>
Liabilities:				
Accounts payable	\$ 409	\$ 3,456,634	\$ 3,454,367	\$ 2,676
Securities lending collateral - due to borrowers	12,669	-	1,399	11,270
Due to other governmental agencies	-	553	183	370
Fiduciary liability	218,575	1,442,344	1,433,376	227,543
Total liabilities	<u>\$ 231,653</u>	<u>\$ 4,899,531</u>	<u>\$ 4,889,325</u>	<u>\$ 241,859</u>
<u>TOTALS</u>				
Assets:				
Cash and investments	\$ 216,197	\$ 7,598,593	\$ 7,636,826	\$ 177,964
Securities lending collateral	37,060	219	6,596	30,683
Receivables:				
Accounts, net	14,585	364,262	345,940	32,907
Interest	1,958	990	2,100	848
Taxes, net	125,488	115,495	124,556	116,427
Other	15	103	113	5
Due from other governmental agencies	132	22,858	5,265	17,725
Other assets	48,533	59,133	65,976	41,690
Total assets	<u>\$ 443,968</u>	<u>\$ 8,161,653</u>	<u>\$ 8,187,372</u>	<u>\$ 418,249</u>
Liabilities:				
Accounts payable	\$ 2,959	\$ 3,491,465	\$ 3,488,968	\$ 5,456
Securities lending collateral - due to borrowers	37,060	219	6,596	30,683
Due to other governmental agencies	72	17,634	255	17,451
Fiduciary liability	403,877	4,545,475	4,584,693	364,659
Total liabilities	<u>\$ 443,968</u>	<u>\$ 8,054,793</u>	<u>\$ 8,080,512</u>	<u>\$ 418,249</u>

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STATISTICAL SECTION
(Unaudited)

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COUNTY OF SAN MATEO

Statistical Section

The County adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*. The statement is intended to improve consistency and comparability in reporting and to provide clearer guidance regarding the applicability of the standards for the statistical section to all types of governmental entities.

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

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

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

Debt Capacity

These schedules 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

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

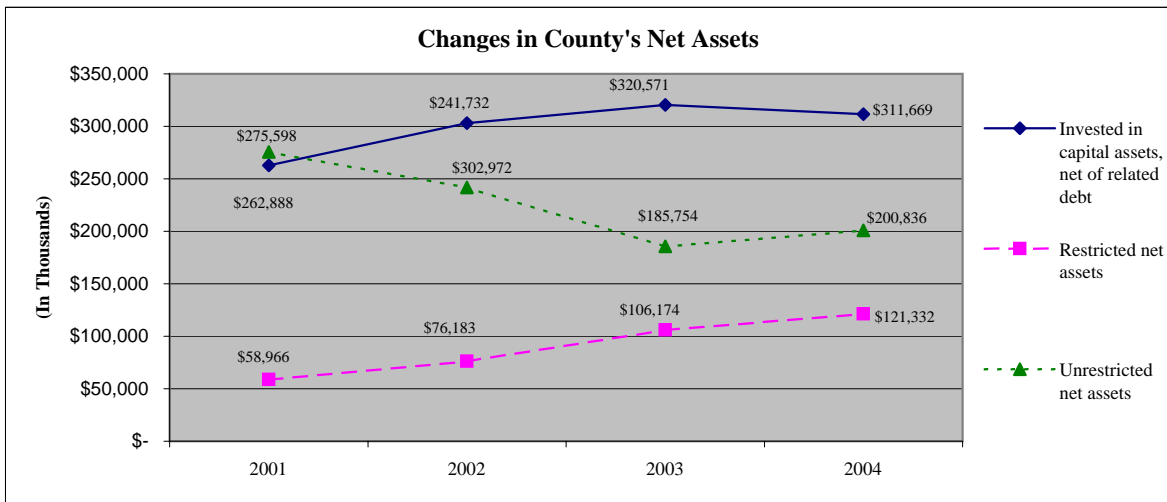
Operating information

These schedules contain 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: The County implemented GASB Statement No. 34 in FY 2000-01. Schedules presenting government-wide information include information beginning in that year.

COUNTY OF MATEO
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Governmental Activities				
Invested in capital assets ¹ , net of related debt	\$ 209,076	\$ 264,251	\$ 281,735	\$ 271,872
Restricted for:				
Debt service	55,235	72,592	34,505	71,958
Capital projects	-	-	18,917	-
Other purposes	-	953	49,533	45,207
Unrestricted	285,608	259,093	197,799	219,281
Subtotal governmental activities net assets	<u>549,919</u>	<u>596,889</u>	<u>582,489</u>	<u>608,318</u>
Business-type Activities				
Invested in capital assets, net of related debt	53,812	38,721	38,836	39,797
Restricted for:				
Other purposes	3,731	2,638	3,219	4,167
Unrestricted	(10,010)	(17,361)	(12,045)	(18,445)
Subtotal business-type activities net assets	<u>47,533</u>	<u>23,998</u>	<u>30,010</u>	<u>25,519</u>
Primary Government				
Invested in capital assets, net of related debt	262,888	302,972	320,571	311,669
Restricted for:				
Debt service	55,235	72,592	34,505	71,958
Capital projects	-	-	18,917	-
Other purposes	3,731	3,591	52,752	49,374
Unrestricted	275,598	241,732	185,754	200,836
Total primary government net assets ²	<u>\$ 597,452</u>	<u>\$ 620,887</u>	<u>\$ 612,499</u>	<u>\$ 633,837</u>
Percent of increase (decrease) in primary government net assets	-	3.92%	-1.35%	3.48%



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 governments, places a restriction on how the resources may be used, or through enabling legislation enacted by the County.

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

COUNTY OF SAN MATEO
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year			
	2001	2002	2003	2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Expenses				
General government	\$ 50,942	\$ 61,071	\$ 60,667	\$ 60,845
Public protection	191,195	204,037	224,777	242,405
Public ways and facilities	15,611	24,925	21,546	22,657
Health and sanitation	142,654	154,955	152,449	157,452
Public assistance	149,934	169,021	172,014	182,914
Education	179	194	190	145
Recreation	7,277	8,011	7,685	7,397
Interest on long-term debt	13,866	14,677	14,603	17,023
Total governmental activities expenses	<u>571,658</u>	<u>636,891</u>	<u>653,931</u>	<u>690,838</u>
Program Revenues				
Charges for services	110,672	100,121	108,204	115,065
Operating grants and contributions	320,699	339,288	343,808	368,896
Capital grants and contributions	140	17	18	3,304
Total governmental activities program revenues	<u>431,511</u>	<u>439,426</u>	<u>452,030</u>	<u>487,265</u>
Net Expense ¹	<u>(140,147)</u>	<u>(197,465)</u>	<u>(201,901)</u>	<u>(203,573)</u>
General Revenues and Other Changes in Net Assets				
Taxes:				
Property taxes	130,871	139,879	141,582	176,853
Property transfer taxes	5,534	4,984	5,849	7,003
Sales and use taxes	18,243	16,155	15,882	15,762
Transient occupancy taxes	766	666	590	632
Aircraft taxes	1,166	1,336	1,123	1,017
Other taxes	1,776	-	-	-
Motor vehicle in-lieu taxes	44,814	46,295	49,785	52,799
Unrestricted interest and investment earnings	28,049	22,624	23,329	6,995
Securities lending activities:				
Securities lending income	-	-	588	850
Securities lending expenses	-	-	(525)	(720)
Miscellaneous	11,819	18,660	13,890	20,293
Special items	495	(1,598)	-	-
Transfers	(7,528)	(12,225)	(29,403)	(52,082)
Total governmental activities and general revenues and other changes in net assets	<u>236,005</u>	<u>236,776</u>	<u>222,690</u>	<u>229,402</u>
Change in Net Assets - governmental activities	<u>\$ 95,858</u>	<u>\$ 39,311</u>	<u>\$ 20,789</u>	<u>\$ 25,829</u>

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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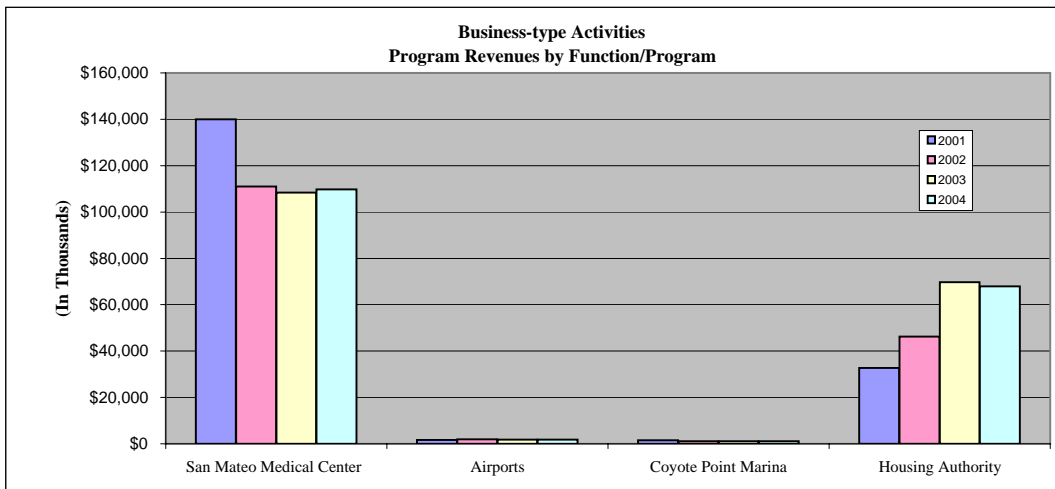
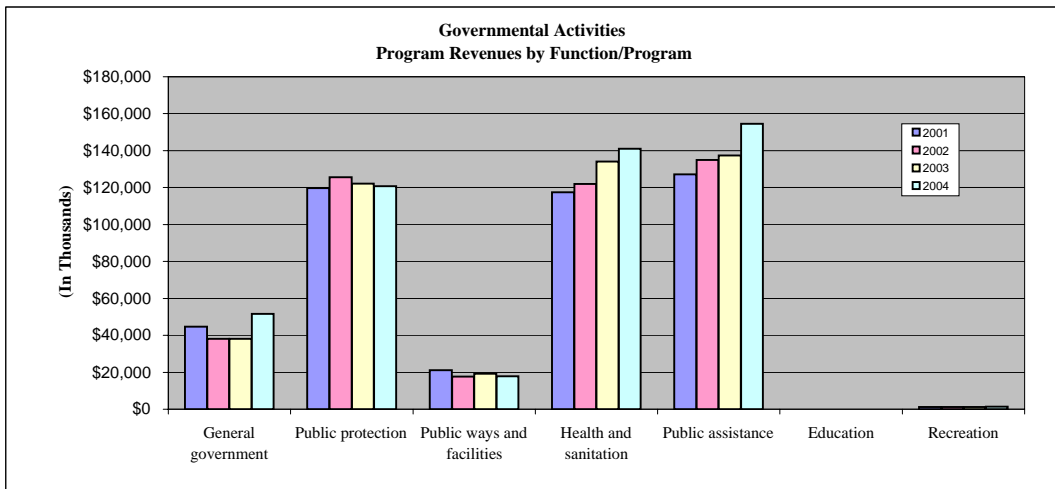
COUNTY OF SAN MATEO
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year			
	2001	2002	2003	2004
<u>BUSINESS-TYPE ACTIVITIES</u>				
Expenses				
San Mateo Medical Center	\$ 158,606	\$ 142,399	\$ 131,243	\$ 164,972
Airports	1,591	1,525	1,744	1,706
Coyote Point Marina	1,260	1,027	1,153	1,250
Housing Authority	34,052	48,314	68,695	71,776
Total business-type activities expenses	<u>195,509</u>	<u>193,265</u>	<u>202,835</u>	<u>239,704</u>
Program Revenues				
Charges for services	92,496	77,154	72,148	101,615
Operating grants and contributions	83,204	83,099	102,962	75,280
Capital grants and contributions	147	-	5,839	3,680
Total business-type activities program revenues	<u>175,847</u>	<u>160,253</u>	<u>180,949</u>	<u>180,575</u>
Net Expense	<u>(19,662)</u>	<u>(33,012)</u>	<u>(21,886)</u>	<u>(59,129)</u>
General Revenues and Other Changes in Net Assets				
Unrestricted interest and investment earnings	847	896	719	252
Securities lending activities:				
Securities lending income	-	-	31	16
Securities lending expenses	-	-	(27)	(12)
Miscellaneous	268	10,059	849	2,300
Special items	-	(11,445)	-	-
Transfers	7,528	12,225	29,403	52,082
Total governmental activities and general revenues and other changes in net assets	<u>8,643</u>	<u>11,735</u>	<u>30,975</u>	<u>54,638</u>
Change in Net Assets - business type activities	<u>\$ (11,019)</u>	<u>\$ (21,277)</u>	<u>\$ 9,089</u>	<u>\$ (4,491)</u>
<u>PRIMARY GOVERNMENT</u>				
Expenses				
Governmental activities	\$ 571,658	\$ 636,891	\$ 653,931	\$ 690,838
Business-type activities	195,509	193,265	202,835	239,704
Total primary government expenses	<u>767,167</u>	<u>830,156</u>	<u>856,766</u>	<u>930,542</u>
Revenues				
Governmental activities	431,511	439,426	452,030	487,265
Business-type activities	175,847	160,253	180,949	180,575
Total primary government revenues	<u>607,358</u>	<u>599,679</u>	<u>632,979</u>	<u>667,840</u>
Net Expense				
Governmental activities	(140,147)	(197,465)	(201,901)	(203,573)
Business-type activities	(19,662)	(33,012)	(21,886)	(59,129)
Total primary government net expense	<u>(159,809)</u>	<u>(230,477)</u>	<u>(223,787)</u>	<u>(262,702)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities	236,005	236,776	222,690	229,402
Business-type activities	8,643	11,735	30,975	54,638
Total primary government general revenues and changes in net assets	<u>244,648</u>	<u>248,511</u>	<u>253,665</u>	<u>284,040</u>
Change in Net Assets				
Governmental activities	95,858	39,311	20,789	25,829
Business-type activities	(11,019)	(21,277)	9,089	(4,491)
Total primary government change in net assets	<u>\$ 84,839</u>	<u>\$ 18,034</u>	<u>\$ 29,878</u>	<u>\$ 21,338</u>

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

COUNTY OF SAN MATEO
Program Revenues by Function/Program
Last Four Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

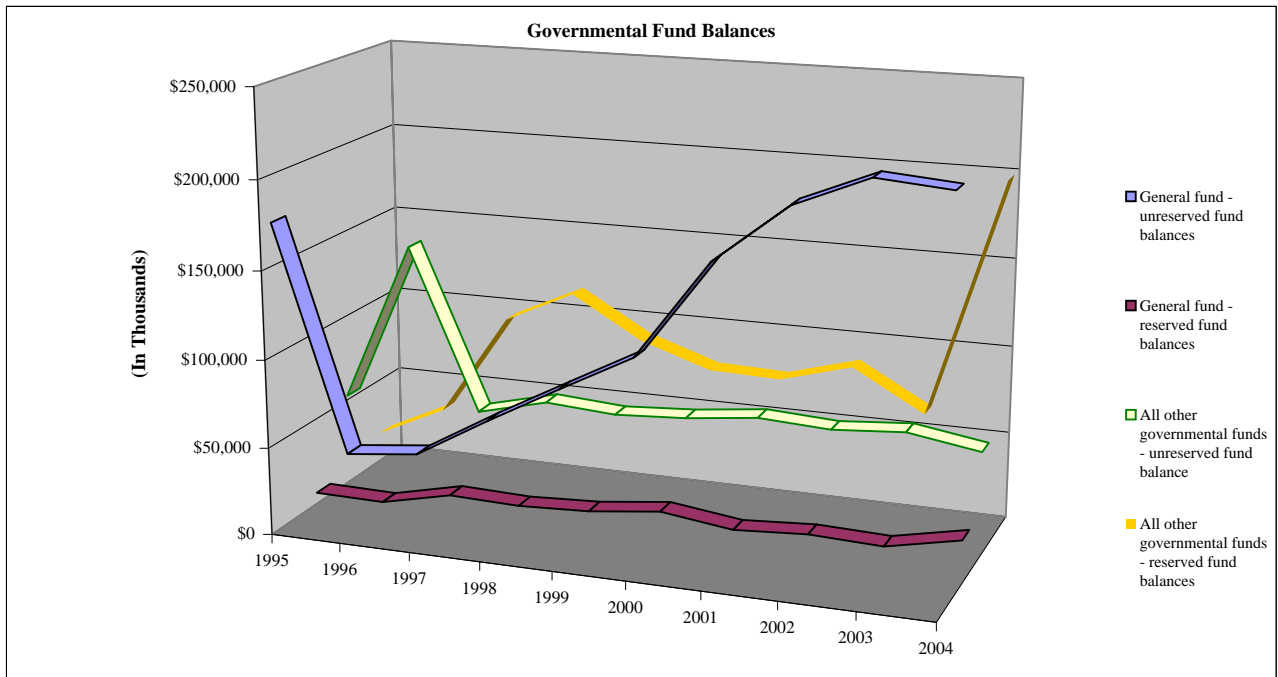
	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Governmental Activities - Program Revenues				
General government	\$ 44,684	\$ 38,128	\$ 38,067	\$ 51,686
Public protection	119,773	125,613	122,052	120,798
Public ways and facilities	21,118	17,618	19,217	17,794
Health and sanitation	117,521	121,917	134,005	140,990
Public assistance	127,112	134,917	137,424	154,603
Education	6	3	20	-
Recreation	1,297	1,230	1,245	1,394
Subtotal governmental activities	<u>431,511</u>	<u>439,426</u>	<u>452,030</u>	<u>487,265</u>
Business-type Activities - Program Revenues				
San Mateo Medical Center	139,975	110,931	108,379	109,692
Airports	1,696	1,941	1,771	1,862
Coyote Point Marina	1,497	1,087	1,123	1,057
Housing Authority	32,679	46,294	69,676	67,964
Subtotal business-type activities	<u>175,847</u>	<u>160,253</u>	<u>180,949</u>	<u>180,575</u>
 Total primary government	 <u>\$ 607,358</u>	 <u>\$ 599,679</u>	 <u>\$ 632,979</u>	 <u>\$ 667,840</u>



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

COUNTY OF SAN MATEO
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Fund										
Reserved for:										
Encumbrances	\$ 5,805	\$ 5,230	\$ 5,959	\$ 6,465	\$ 8,655	\$ 9,943	\$ 9,977	\$ 12,609	\$ 11,274	\$ 2,902
Inventories and advances	756	595	9,015	7,133	6,948	10,516	5,218	5,173	5,099	22,141
Unreserved	<u>173,960</u>	<u>47,518</u>	<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>
Total general fund	<u>180,521</u>	<u>53,343</u>	<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>
All Other Governmental Funds										
Reserved for:										
Encumbrances	13,212	11,017	12,818	5,760	9,425	11,339	15,221	11,245	7,768	2,373
Debt service	-	20,902	77,888	104,745	77,546	62,240	57,255	72,592	34,505	71,958
Inventories and advances	3,861	4,011	4,747	3,805	3,900	3,789	3,603	3,569	3,369	3,393
Capital projects	-	-	-	-	-	-	-	-	18,917	121,796
Unreserved										
Special revenue	38,978	42,986	45,789	52,259	53,219	56,125	59,771	56,690	60,015	51,132
Debt service	-	93,480	1,195	533	257	-	-	-	-	-
Capital projects	<u>13,416</u>	<u>8,311</u>	<u>4,644</u>	<u>8,792</u>	<u>5,252</u>	<u>5,172</u>	<u>6,191</u>	<u>7,011</u>	<u>6,775</u>	<u>9,187</u>
Total all other governmental fund	<u>69,467</u>	<u>180,707</u>	<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>
Total Governmental Funds²										
Reserved for:										
Encumbrances	19,017	16,247	18,777	12,225	18,080	21,282	25,198	23,854	19,042	5,275
Debt service	-	20,902	77,888	104,745	77,546	62,240	57,255	72,592	34,505	71,958
Inventories and advances	4,617	4,606	13,762	10,938	10,848	14,305	8,821	8,742	8,468	25,534
Capital projects	-	-	-	-	-	-	-	-	18,917	121,796
Unreserved										
General Fund	173,960	47,518	51,937	75,172	97,223	118,691	173,189	205,836	222,896	219,529
Special revenue	38,978	42,986	45,789	52,259	53,219	56,125	59,771	56,690	60,015	51,132
Debt service	-	93,480	1,195	533	257	-	-	-	-	-
Capital projects	<u>13,416</u>	<u>8,311</u>	<u>4,644</u>	<u>8,792</u>	<u>5,252</u>	<u>5,172</u>	<u>6,191</u>	<u>7,011</u>	<u>6,775</u>	<u>9,187</u>
Total governmental funds	<u>\$ 249,988</u>	<u>\$ 234,050</u>	<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>



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.

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

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

	Fiscal Year									
	<u>1995</u>	<u>1996</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>
Revenues										
Taxes	\$ 118,301	\$ 116,487	\$ 116,039	\$ 123,070	\$ 125,733	\$ 135,970	\$ 152,469	\$ 165,309	\$ 166,717	\$ 200,766
Licenses and permits	3,240	2,426	2,592	3,162	3,716	6,079	7,786	8,419	8,306	8,829
Intergovernmental	309,461	313,837	315,663	314,056	331,205	363,420	351,795	391,521	393,075	406,135
Charges for services	43,458	51,326	59,123	63,717	72,386	66,842	90,972	84,090	90,071	89,131
Fines, forfeitures and penalties	3,893	4,881	2,470	7,110	8,330	11,626	11,127	10,445	8,789	9,589
Rents and concessions	-	1,237	1,692	1,792	1,994	1,826	1,710	1,813	2,449	1,017
Interest and investment income	18,150	20,856	18,390	22,324	15,306	22,128	25,615	21,456	20,660	6,983
Securities lending activities:										
Securities lending income	-	-	-	-	-	-	-	-	588	783
Securities lending expenditures	-	-	-	-	-	-	-	-	(525)	(663)
Other revenues	17,538	12,890	19,764	15,545	16,027	22,363	12,882	15,635	14,760	30,537
Total revenues	<u>514,041</u>	<u>523,940</u>	<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>
Expenditures										
General government	39,075	37,861	42,141	44,811	43,233	44,420	49,311	53,959	53,134	55,000
Public protection	160,527	155,878	188,657	162,311	166,206	177,912	187,004	197,230	215,660	231,717
Public ways and facilities	17,244	17,945	15,495	20,033	15,044	15,921	20,505	25,758	22,606	21,434
Health and sanitation	104,657	96,294	101,421	108,679	118,811	134,028	141,622	152,896	148,363	153,376
Public assistance	156,665	169,435	129,215	151,800	156,236	171,723	149,100	166,134	170,225	181,075
Education	8,597	8,068	8,229	9,194	5,274	185	183	197	192	145
Recreation	5,223	4,872	5,046	5,501	5,914	6,182	6,773	7,241	7,018	6,682
Capital outlay	25,963	28,611	35,919	25,948	46,107	38,414	29,126	50,986	42,169	34,802
Debt service										
Principal	3,838	3,855	10,864	2,213	7,480	5,902	6,656	5,693	5,440	7,756
Interest	12,620	18,534	15,143	14,614	15,023	16,336	13,365	14,177	14,707	16,892
Bond issuance costs	-	-	-	-	-	-	-	703	-	4,077
Total expenditures	<u>534,409</u>	<u>541,353</u>	<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>
Excess of revenues over (under) expenditures	<u>(20,368)</u>	<u>(17,413)</u>	<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>
Other financing sources (uses)										
Proceeds from sale of capital assets	19,225	-	-	-	-	-	1,500	134	-	-
Issuance of lease revenue bonds	-	-	-	78,985	113,140	-	-	32,890	-	155,350
Issuance of refunding bonds	-	-	-	-	-	560	-	-	-	7,805
Premium on lease revenue bonds	-	-	-	-	-	-	-	-	-	342
Discount on lease revenue bonds	-	-	-	-	-	-	-	(146)	-	-
Payment to refunded bond escrow agent	-	-	-	(33,203)	(108,856)	-	-	-	-	(7,823)
Transfers in	6,944	12,320	21,969	34,020	34,389	47,045	50,445	72,563	40,379	57,790
Transfers out	(14,410)	(17,267)	(25,630)	(32,613)	(35,302)	(52,075)	(58,038)	(84,855)	(69,862)	(119,822)
Total other financing sources (uses)	<u>11,759</u>	<u>(4,947)</u>	<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>
Net change in fund balances	<u>\$ (8,609)</u>	<u>\$ (22,360)</u>	<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>
Debt service as a percentage of noncapital expenditures	3.15%	4.22%	4.80%	2.88%	3.32%	3.56%	3.17%	2.90%	2.85%	3.56%

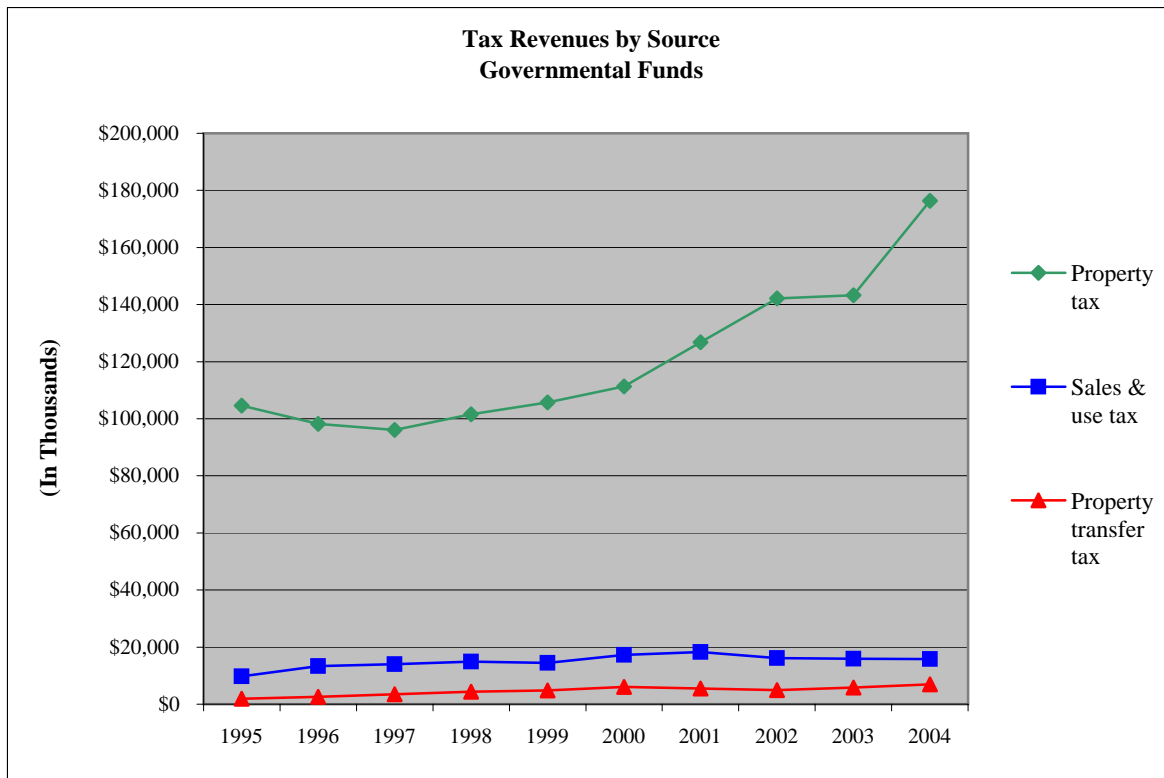
Source: Comprehensive Annual Financial Reports - County of San Mateo, California

COUNTY OF SAN MATEO
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales & Use</u>	<u>Aircraft</u>	<u>Property Transfer</u>	<u>Transient Occupancy</u>	<u>Total</u>
1995	\$104,550	\$9,797	\$411	\$1,928	\$1,615	\$118,301
1996	98,254	13,366	520	2,564	1,783	116,487
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	200,766

Change

1995 -						
2004	23.1%	-55.9%	-9.4%	19.7%	7.1%	20.4%

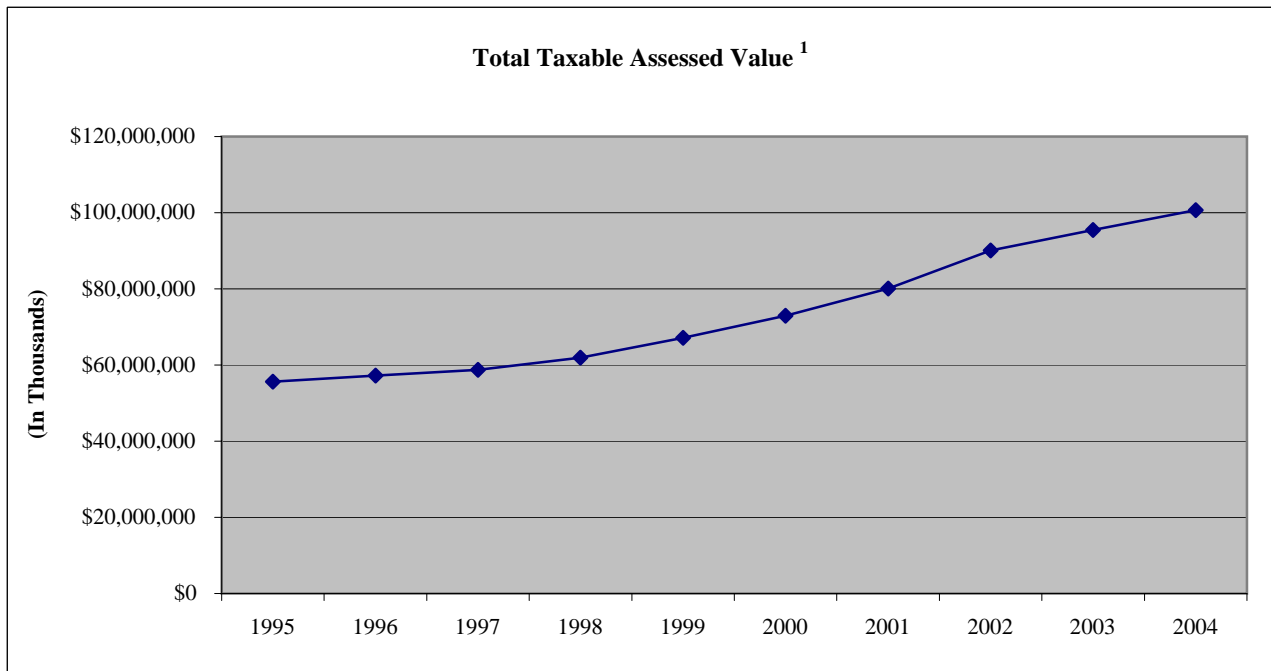


¹ The County received approximately \$25 million of property tax rebate from the Educational Revenue Augmentation Fund in FY 2004. The rebate accounts for the substantial increase in property tax revenues.

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

COUNTY OF SAN MATEO
Taxable Assessed Value of Property
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
1995	\$ 52,424,834	\$ 5,522,456	\$ 2,355,848	\$ 55,591,442	1.00%
1996	54,097,429	5,518,896	2,399,481	57,216,844	1.00%
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%



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 which appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased:

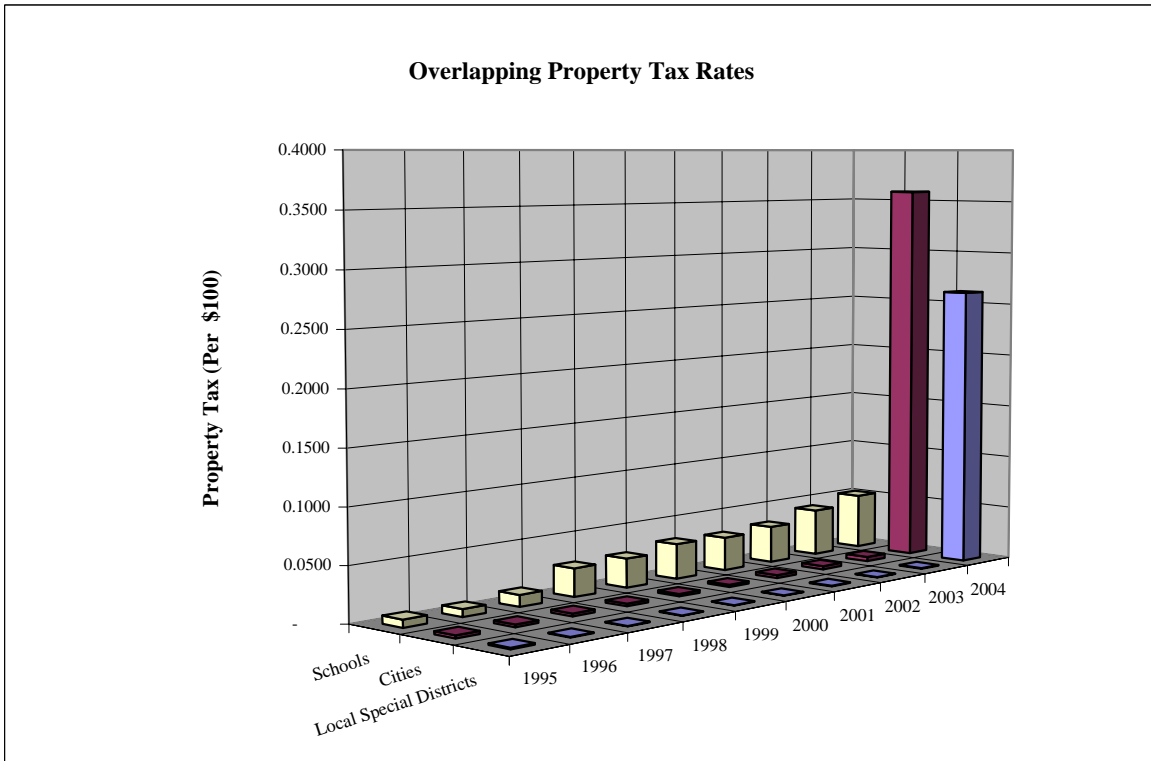
- a) to reflect annual inflation up to 2 percent;
- b) to reflect current market value at time of ownership change and
- c) to reflect market value for new construction.

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

COUNTY OF SAN MATEO
Direct and Overlapping Property Tax Rates ¹
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	County Direct Rate ²	Overlapping Governments			Total
		Local Special Districts	Schools	Cities	
1995	1.0000	0.0013	0.0071	0.0026	1.0110
1996	1.0000	0.0006	0.0070	0.0023	1.0099
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	0.2620	0.0514	0.3589	1.6723

³



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 tax 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.

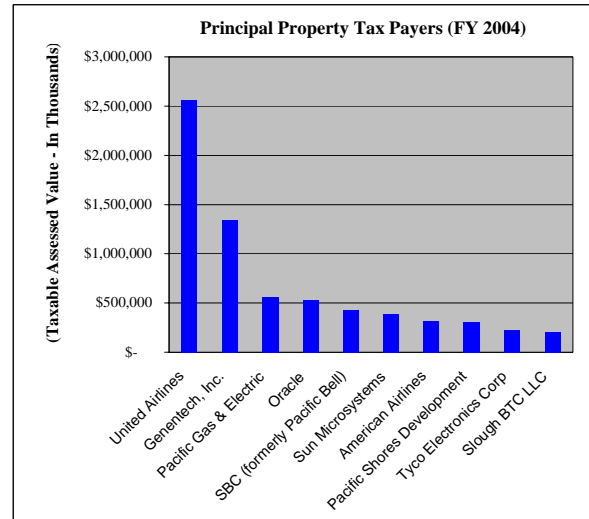
² Proposition 13 allows each county to levy a maximum tax of \$1 per \$100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

³ In FY 2003-04, certain local special districts, schools and cities issued bonds that were approved by voters to support their projects. Accordingly, the County adjusted the debt service tax rates levied by these local agencies to ensure sufficient revenues are available to meet the debt service requirements.

COUNTY OF SAN MATEO
Principal Property Tax Payers
Current Fiscal Year and Ten Fiscal Years Ago
(dollars in thousands)

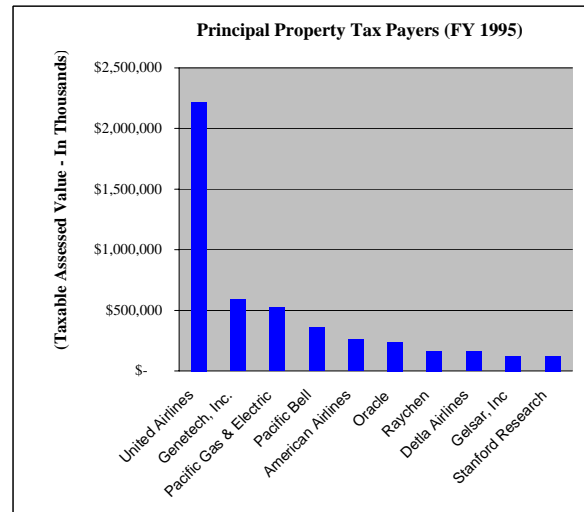
Fiscal Year 2004

Tax Payer	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value
United Airlines	\$ 2,559,383	1	2.68%
Genentech, Inc.	1,340,591	2	1.40%
Pacific Gas & Electric	555,795	3	0.58%
Oracle	526,111	4	0.55%
SBC (formerly Pacific Bell)	431,389	5	0.45%
Sun Microsystems	383,592	6	0.40%
American Airlines	320,133	7	0.34%
Pacific Shores Development	304,886	8	0.32%
Tyco Electronics Corp	224,744	9	0.24%
Slough BTC LLC	208,480	10	0.22%
Total	\$ 6,855,104		7.18%



Fiscal Year 1995

Tax Payer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
United Airlines	\$ 2,217,863	1	4.08%
Genentech, Inc.	588,371	2	0.93%
Pacific Gas & Electric	524,881	3	0.77%
Pacific Bell	358,850	4	0.65%
American Airlines	258,589	5	0.58%
Oracle	238,451	6	0.42%
Raychen	166,934	7	0.37%
Delta Airlines	160,432	8	0.27%
Gelsar, Inc	123,354	9	0.24%
Stanford Research	121,354	10	0.24%
Total	\$ 4,759,079		8.55%

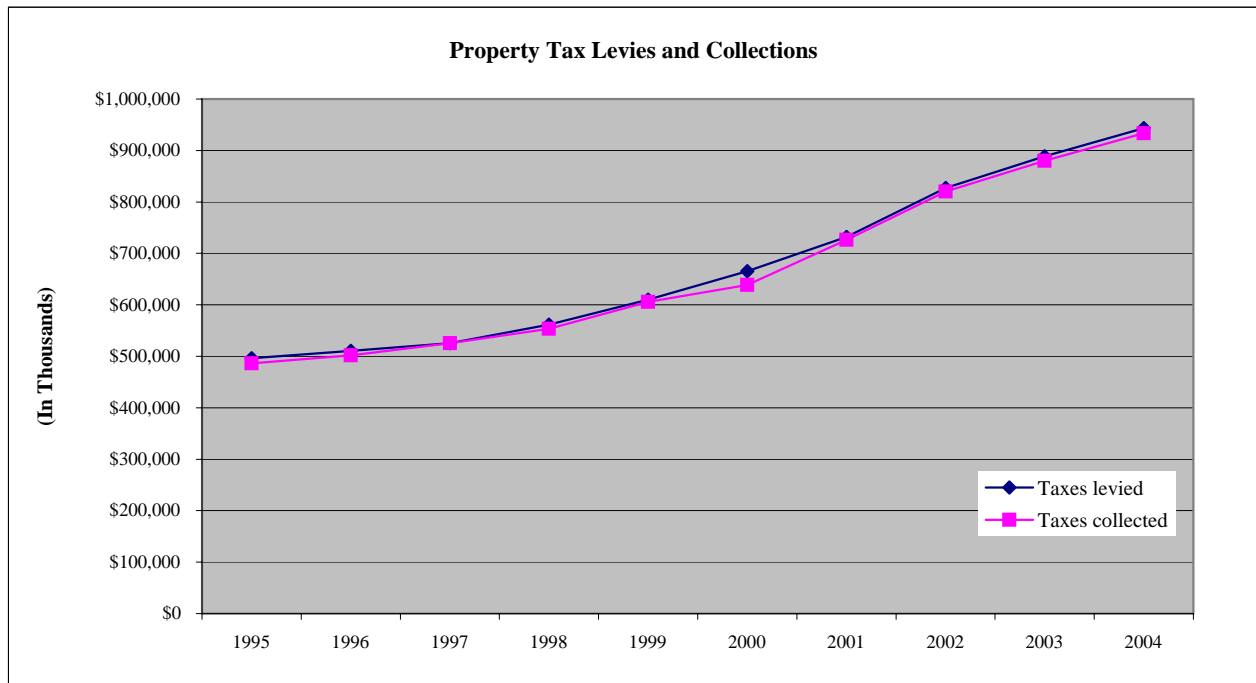


¹ The taxable assessed value includes tax assessments on the real properties and personal properties.

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

COUNTY OF SAN MATEO
Property Tax Levies and Collections
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year					Collected within the Fiscal Year of the Levy	
	County	Local Special Districts	Schools	Cities	Total	Amount	Percentage of Levy
1995	\$ 490,628	\$ 580	\$ 3,609	\$ 1,348	\$ 496,165	\$ 486,049	97.96%
1996	504,702	360	4,029	1,230	510,321	501,723	98.32%
1997	517,947	207	6,136	1,390	525,680	525,493	99.96%
1998	544,959	194	14,982	1,324	561,459	553,732	98.62%
1999	590,190	217	18,375	1,342	610,124	605,415	99.23%
2000	640,788	186	23,307	1,356	665,637	638,601	95.94%
2001	704,974	324	24,864	2,071	732,233	726,243	99.18%
2002	792,870	241	31,266	2,741	827,118	820,488	99.20%
2003	839,786	388	44,924	3,660	888,758	880,057	99.02%
2004	884,688	2,663	52,478	3,663	943,492 ¹	933,285	98.92%

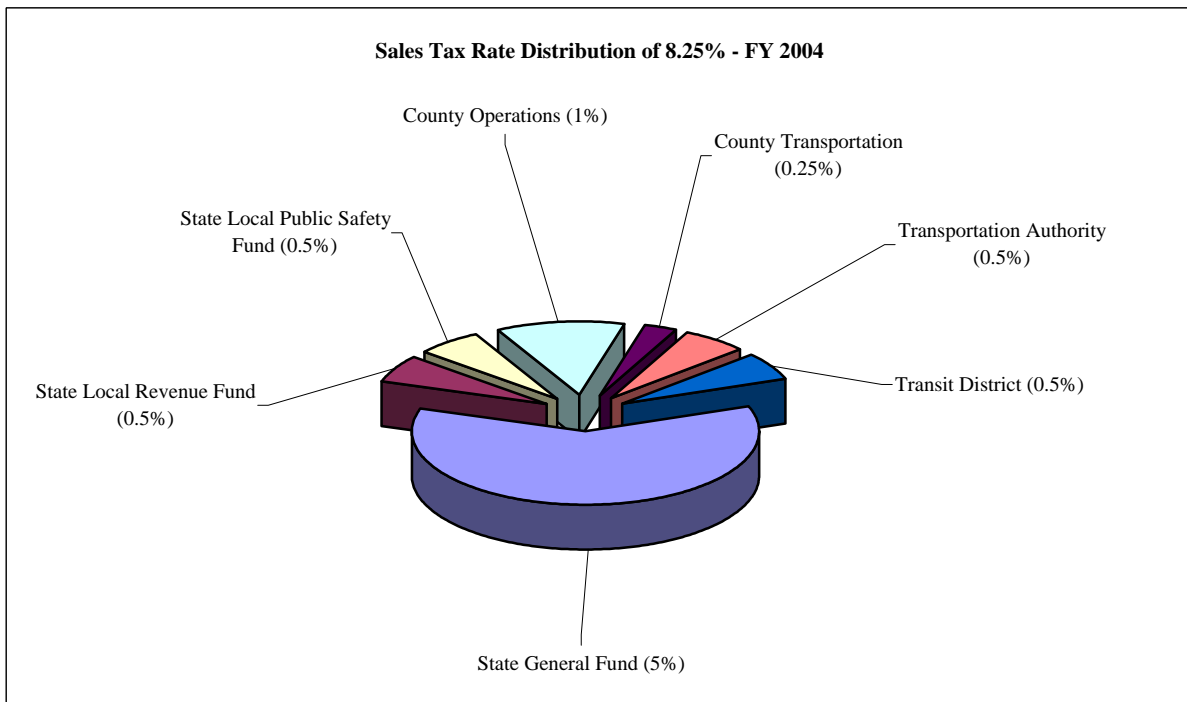


¹ In FY 2003-04, certain local special districts, schools and cities issued bonds that were approved by voters to support their projects. Accordingly, the County adjusted the debt service tax rates levied by these local agencies to ensure sufficient revenues are available to meet the debt service requirements.

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

COUNTY OF SAN MATEO
Direct and Overlapping Sales Tax Rates
Last Ten Calendar Years

Year	State		Direct Government		Overlapping Governments		Total	
	General Fund	Local Revenue Fund	Local Public Safety Fund	County Operations	County Transportation	Transportation Authority		Transit District
1995	5.00%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.25%
1996	5.00%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.25%
1997	5.00%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.25%
1998	5.00%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.25%
1999	5.00%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.25%
2000	5.00%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.25%
2001 ¹	4.75%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.00%
2002	5.00%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.25%
2003	5.00%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.25%
2004	5.00%	0.50%	0.50%	1.00%	0.25%	0.50%	0.50%	8.25%

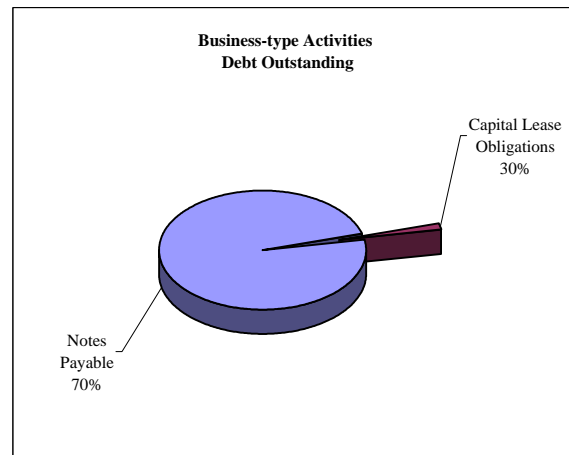
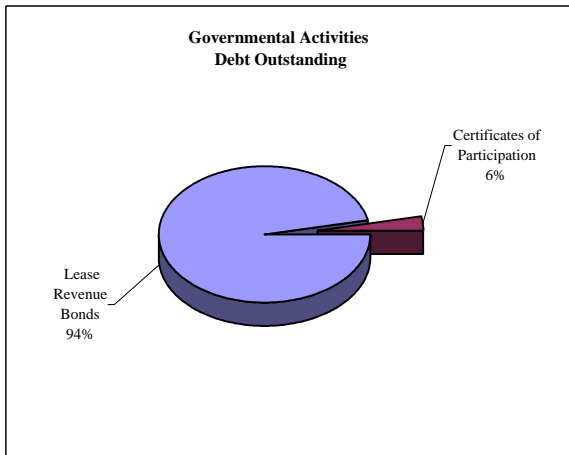


¹ The sales tax rate has remained at 8.25% for the past ten years except in 2001 when it was temporarily reduced by 0.25% to 8%.

Source: State Board of Equalization.

COUNTY OF SAN MATEO
Ratios of Total Debt Outstanding by Type
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year	Governmental Activities						Business-Type Activities			Total Primary Government	Percentage of Personal Income
	Lease Revenue Bonds ¹	Certificates of Participation ²	Notes Payable	Capital Lease Obligations ³	State Settlement	Total	Notes Payable	Capital Lease Obligations	Total		
1995	\$221,148	\$ 15,325	\$ 5,066	\$ 536	\$ -	\$242,075	\$1,526	\$ 303	\$1,829	\$ 243,904	1.00%
1996	221,148	12,145	5,024	126	-	238,443	1,445	1,149	2,594	241,037	0.89%
1997	220,503	1,915	4,855	18	-	227,291	1,360	952	2,312	229,603	0.80%
1998	251,623	17,135	4,727	2,045	-	275,530	1,270	1,161	2,431	277,961	0.88%
1999	260,058	15,780	5,318	1,580	-	282,736	1,178	1,194	2,372	285,108	0.81%
2000	255,560	15,585	4,430	1,544	-	277,119	1,757	904	2,661	279,780	0.67%
2001	254,364	15,385	389	913	569	271,620	1,796	1,251	3,047	274,667	0.67%
2002	282,296	15,175	353	251	454	298,529	1,645	655	2,300	300,829	n/a
2003	277,234	14,955	315	131	340	292,975	1,523	117	1,640	294,615	n/a
2004	425,932 ⁴	14,725	399	-	227	441,283	1,591	27	1,618	442,901	n/a



n/a - Percentage of personal income information is not available.

¹ Lease revenue bonds are limited obligations of the San Mateo County Joint Powers Financing 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.

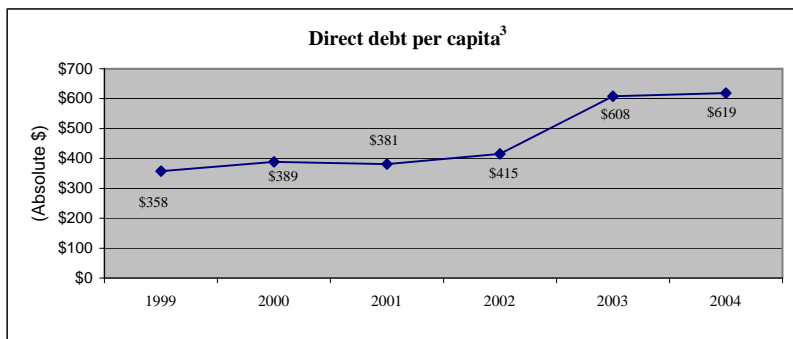
⁴ The County issued \$155 million of new lease revenue bonds to finance the construction of a Youth Services Center.

Source: County Comprehensive Annual Financial Reports.

COUNTY OF SAN MATEO
Direct and Overlapping Debt
As of June 30, 2004
(dollars in thousands)

Assessed Valuation (including unitary utility valuation)	\$ 100,662,568
Less: Redevelopment incremental valuation ¹	<u>(8,646,331)</u>
Adjusted assessed valuation	<u>\$ 92,016,237</u>

	Debt Outstanding	Percentage Applicable
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Direct General Fund Obligation Debt		
San Mateo County General Fund Obligations	\$ 425,932	100.00%
San Mateo County Flood Control District Certificates of Participation	<u>14,725</u>	100.00%
	440,657	
Overlapping General Fund Obligation Debt		
<i>Cities</i>		
City of Burlingame General Fund Obligations	32,305	100.00%
City of Redwood City General Fund Obligations	30,770	100.00%
Other City General Fund Obligations	78,647	100.00%
<i>Special Districts</i>		
Midpeninsula Regional Open Space Park General Fund Obligations	35,659	30.53%
San Mateo County Mosquito Abatement District Certificate of Participation	1,705	100.00%
Granada Sanitary District Certificates of Participation	910	100.00%
<i>School Districts</i>		
Cabrillo Unified School District General Fund Obligations	13,310	100.00%
Belmont School District General Fund Obligations	5,675	100.00%
San Mateo Community College District Certificates of Participation	30,885	100.00%
San Mateo County Board of Education Certificates of Participation	4,775	100.00%
Other School Districts General Fund Obligations	<u>7,285</u>	100.00%
Total gross direct and overlapping general fund obligation debt	682,583	
Less: City of Burlingame Certificates of Participation	<u>(11,265)</u>	100.00%
Total net direct and overlapping general fund obligation debt	<u>671,318</u>	
OVERLAPPING TAX AND ASSESSMENT DEBT:		
<i>Cities</i>	72,835	100.00%
<i>Special Districts</i>		
Estero Municipal Improvement District	6,748	100.00%
Redwood City General Improvement District No. 1-64	5,625	100.00%
Montara Sanitary District	17,500	100.00%
Community Facilities Districts	41,115	100.00%
Other Special Districts	30	100.00%
<i>School Districts</i>		
Jefferson and San Mateo Union High School Districts	160,010	100.00%
Cabrillo Unified School District	28,506	100.00%
South San Francisco School District	35,260	100.00%
Sequoia Union High School District	129,605	100.00%
Jefferson School District	34,500	
Laguna Salada School District	29,716	100.00%
Redwood City School District	62,775	100.00%
San Mateo - Foster City School District	103,245	100.00%
San Mateo Community College District	94,541	100.00%
Other School District	168,929	100.00%
<i>Unincorporated areas</i>		
1915 Act Special Assessment Bonds	<u>41,291</u>	100.00%
Total overlapping tax and assessment debt	<u>1,032,231</u>	
Total net direct and overlapping debt	<u>\$ 1,703,549</u> ²	
Ratio of total net direct and overlapping debt to adjusted assessed value		1.85%
Direct debt per capita (absolute dollars)	\$ 619	
Total net direct and overlapping debt per capita (absolute dollars)	\$ 2,391	



¹ Redevelopment incremental valuation refers to the difference between base year assessed value and current year assessed value of properties in areas designated for redevelopment. Base year assessed value is the agreed upon value of a property at the time the redevelopment agency was established.

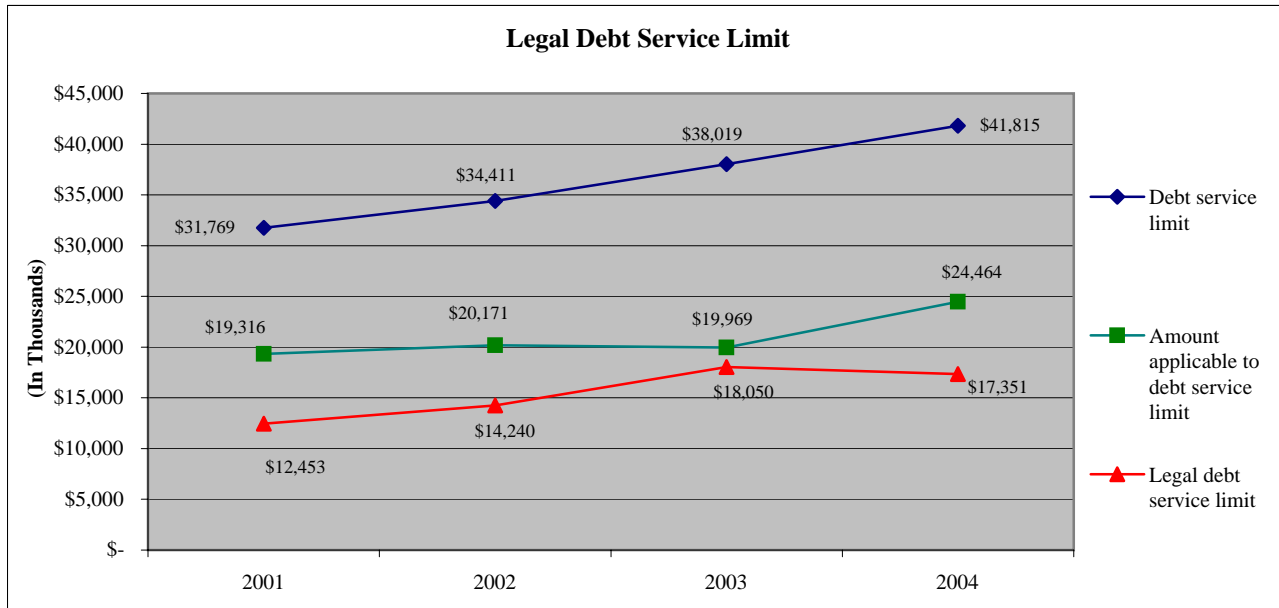
² Excludes revenue, mortgage revenue and tax allocation bonds, tax and revenue anticipation notes, and non-bonded capital lease obligations.

³ Direct debt per capita information prior to FY 1997-98 is not available.

Source: California Municipal Statistics, Inc.

COUNTY OF SAN MATEO
Legal Debt Service Margin Information
Last Four Fiscal Years
(dollars in thousands)

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Average Annual County budget ¹ for the current and preceding four fiscal years	\$ 794,213	\$ 860,283	\$ 950,486	\$ 1,045,364
Legal debt service limit ²				
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
Less: Amount applicable to debt service limit ³	<u>(19,316)</u>	<u>(20,171)</u>	<u>(19,969)</u>	<u>(24,464)</u>
Legal debt service margin	<u>\$ 12,453</u>	<u>\$ 14,240</u>	<u>\$ 18,050</u>	<u>\$ 17,351</u>
Legal debt service margin as a percentage of debt service limit	39.20%	41.38%	47.48%	41.49%



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.

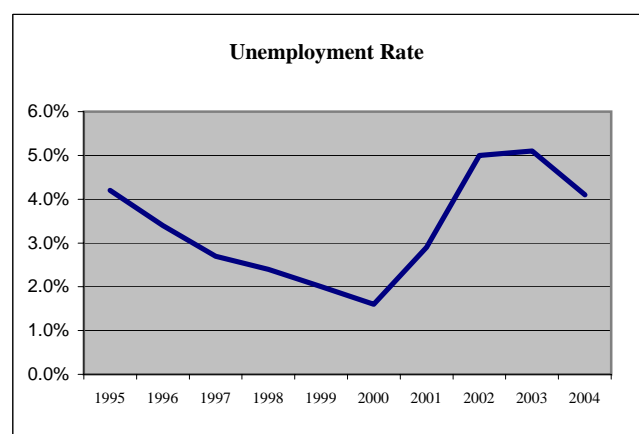
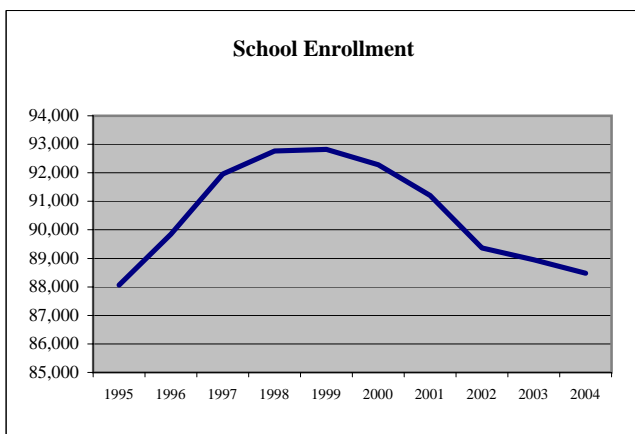
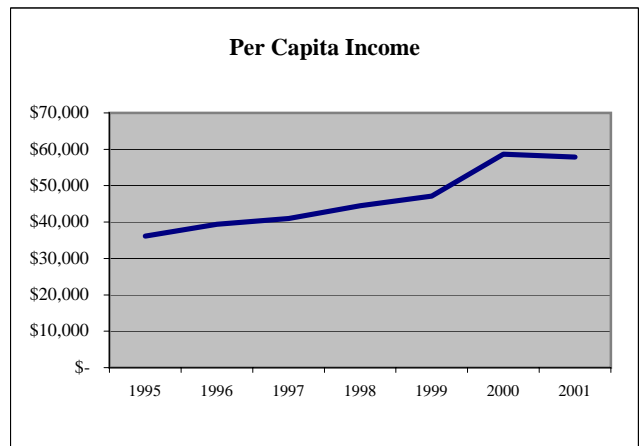
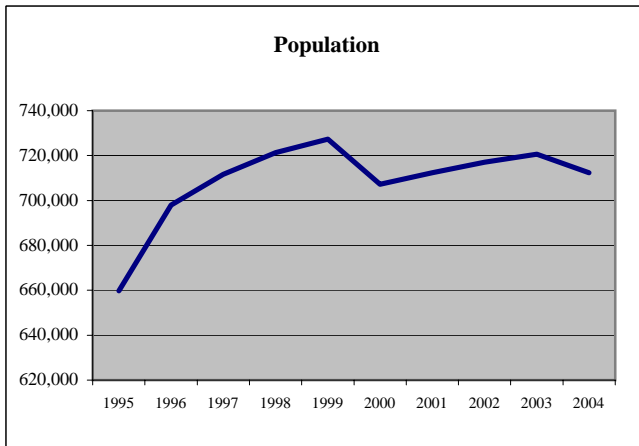
³ The amount applicable to debt service limit represents the amount of debt service payment made towards non-voter approved debt that is the obligation of the County.

Source: County's Adopted Budget Books

COUNTY OF SAN MATEO
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population ¹	Personal Income <i>(millions of dollars)</i>	Per Capita Personal Income ¹	Median Age ²	School Enrollment ³	Average Unemployment Rate <i>(Not Seasonal Adjusted)</i> ⁴
1995	659,700	\$ 24,512	\$ 36,162	36.0	88,064	4.2%
1996	698,000	27,013	39,413	N/A	89,850	3.4%
1997	711,700	28,537	41,020	N/A	91,954	2.7%
1998	721,400	31,688	44,537	N/A	92,763	2.4%
1999	727,300	35,028	47,146	N/A	92,825	2.0%
2000	707,161	41,512	58,644	36.8	92,285	1.6%
2001	712,400	41,039	57,906	N/A	91,206	2.9%
2002	717,000	N/A	N/A	N/A	89,361	5.0%
2003	720,630	N/A	N/A	N/A	88,954	5.1%
2004	712,400	N/A	N/A	N/A	88,474	4.1%

5



N/A - not available.

Sources:

¹ State of California - Department of Finance

² Association of Bay Area Governments (California)

³ State of California - Department of Education and San Mateo County Office of Education

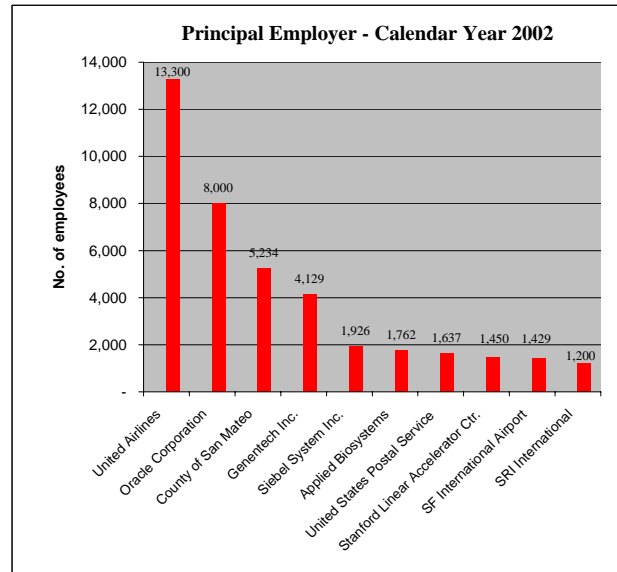
⁴ State of California - Employment Development Department.

⁵ The rate was annualized based on the unemployment rates from January to September 2004.

COUNTY OF SAN MATEO
Principal Employers
Two Calendar Years Ago and Eleven Calendar Years Ago

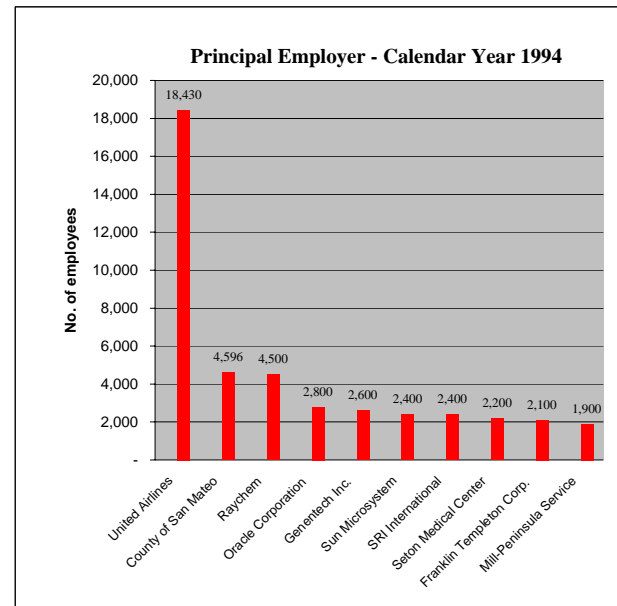
2002¹

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
United Airlines	13,300	1	3.68%
Oracle Corporation	8,000	2	2.21%
County of San Mateo	5,234	3	1.45%
Genentech Inc.	4,129	4	1.14%
Siebel System Inc.	1,926	5	0.53%
Applied Biosystems	1,762	6	0.49%
United States Postal Service	1,637	7	0.45%
Stanford Linear Accelerator	1,450	8	0.40%
SF International Airport	1,429	9	0.40%
SRI International	1,200	10	0.33%
Total	40,067		11.08%



1994²

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
United Airlines	18,430	1	6.22%
County of San Mateo	4,596	2	1.55%
Raychem	4,500	3	1.52%
Oracle Corporation	2,800	4	0.94%
Genentech Inc.	2,600	5	0.88%
Sun Microsystem	2,400	6	0.81%
SRI International	2,400	7	0.81%
Seton Medical Center	2,200	8	0.74%
Franklin Templeton Corp.	2,100	9	0.71%
Mill-Peninsula Service	1,900	10	0.64%
Total	43,926		14.82%



¹ The principal employer information for 2003 and 2004 is not available and, therefore, the 2002 information is presented.

² The principal employer information for 1995 is not available and, therefore, the 1994 information is presented.

Source: San Francisco Business Times Book of Lists

COUNTY OF SAN MATEO
Miscellaneous Statistical Information
June 30, 2004

Geographical Location: South of San Francisco in the Bay Area.
 Bordered by the City/County of San Francisco on the North,
 by the Pacific Ocean on the West and South,
 by the San Francisco Bay on the East,
 by the County of Santa Clara on the South East, and
 by the County of Santa Cruz on the South South East.

Altitude: Sea level to 2,417 feet at Sierra Morena

Date of Incorporation: April 19, 1856

Governed by: Five Member Board of Supervisors

Area: 449 square miles with 20 incorporated cities and
 the San Francisco International Airport

County Seat: Redwood City

Roads: 317 miles of County maintained streets and roads
 in the unincorporated areas.

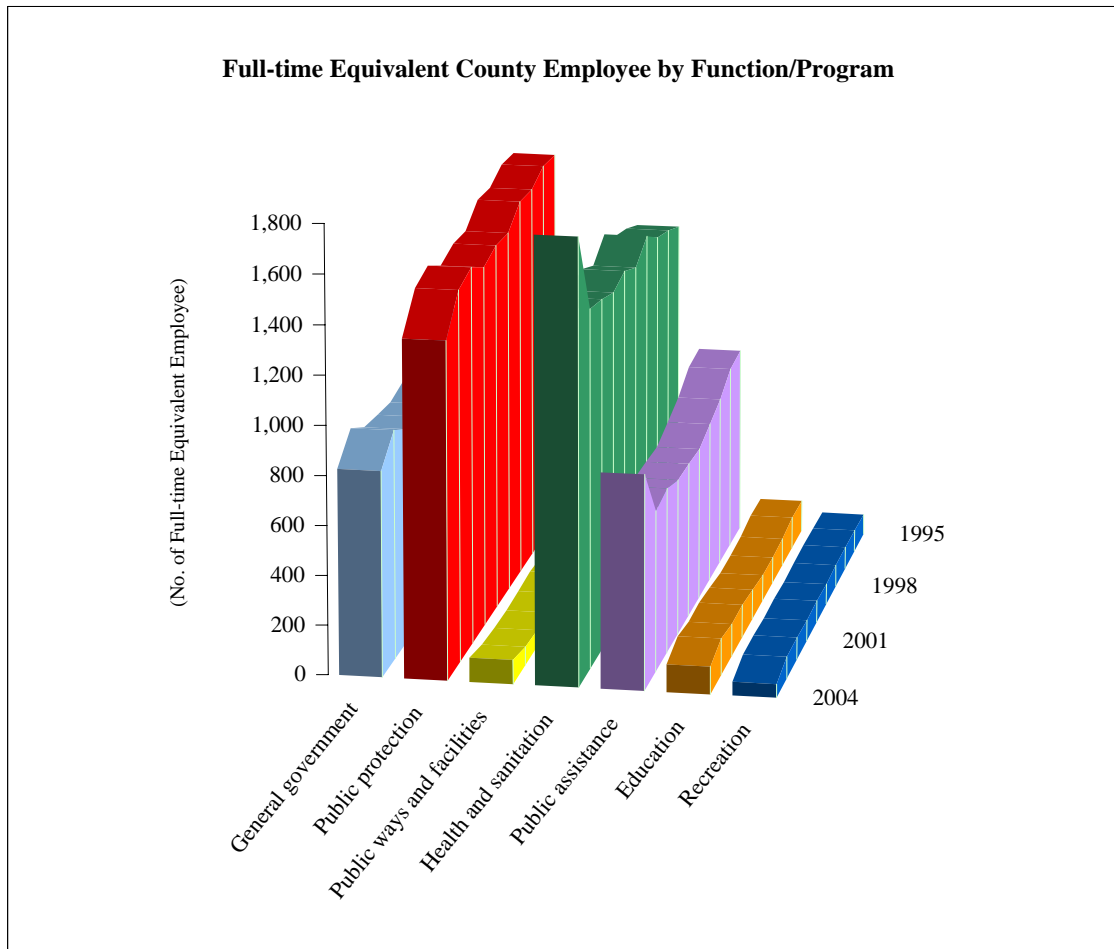
Registered Voters:	June 1998	November 1998	March 2000	November 2000	March 2002	November 2002	November 2003
	<u>Primary Election</u>	<u>General Election</u>	<u>Primary Election</u>	<u>General Election</u>	<u>Primary Election</u>	<u>General Election</u>	<u>General Election</u>
Democrats	174,279	166,899	160,802	171,184	167,817	166,843	164,539
Republicans	99,180	95,333	89,709	92,702	90,218	89,266	85,660
Other (including decline to state)	63,287	62,885	64,677	74,347	74,322	75,961	79,980
Total registered voters	<u>336,746</u>	<u>325,117</u>	<u>315,188</u>	<u>338,233</u>	<u>332,357</u>	<u>332,070</u>	<u>330,179</u>
Number Voting	150,967	210,282	181,190	226,198	121,660	179,279	160,512
Percent Voting	44.8%	64.7%	57.5%	66.8%	36.6%	54.0%	48.6%

County employees at January 1:	<u>Year</u>	<u>Number of Employees</u>	<u>Percent of Increase (Decrease)</u>	<u>Employees Per Thousand of Population</u>
	1995	4,716	2.6	7.1
	1996	4,760	0.9	6.8
	1997	4,693	(1.4)	6.6
	1998	4,749	1.2	6.6
	1999	4,535	(4.5)	6.2
	2000	4,598	1.4	6.5
	2001	4,578	(0.4)	6.4
	2002	4,742	3.6	6.6
	2003	4,815	1.5	6.7
	2004	5,107	6.1	7.2

¹ In August 2003, the County assumed control of the Burlingame Long Term 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.

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1995</u>	<u>1996</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>
General government	873	863	877	893	839	820	838	857	922	829
Public protection	1,545	1,558	1,522	1,534	1,468	1,480	1,455	1,519	1,493	1,359
Public ways and facilities	71	68	65	66	75	66	62	65	74	97
Health and sanitation	1,265	1,312	1,345	1,414	1,349	1,399	1,377	1,415	1,441	1,791
Public assistance	753	743	684	649	616	625	630	667	649	865
Education	127	129	111	106	106	120	133	130	148	111
Recreation	82	87	89	87	82	88	83	89	88	55
Total full-time equivalent employees	4,716	4,760	4,693	4,749	4,535	4,598	4,578	4,742	4,815	5,107 ¹

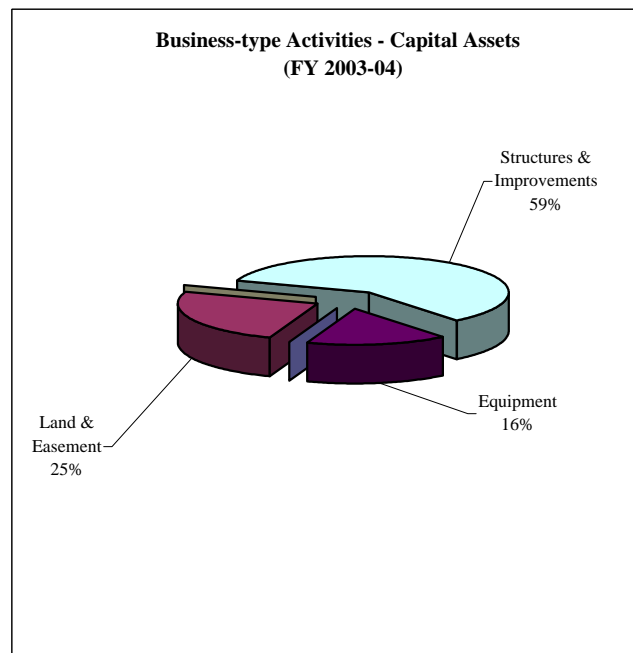
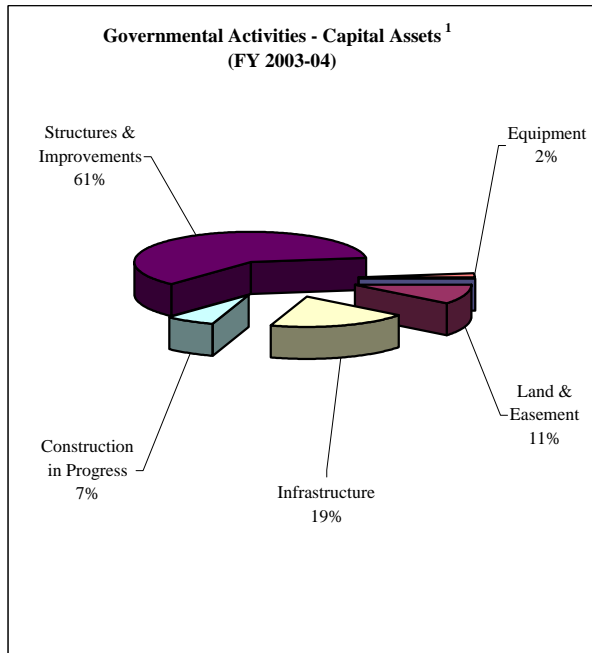


¹ In August 2003, the County assumed control of the Burlingame Long Term Center (BLTC), a 281-bed skilled nursing facility that had been in State receivership since November 2002 due to the bankruptcy of its previous operator. The addition of BLTC increased the County's number of employees.

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

COUNTY OF SAN MATEO
Capital Asset and Infrastructure Statistics
Last Four Fiscal Years
(Dollars in Thousands)

<u>Fiscal Year</u>	<u>Non-depreciable</u>			<u>Depreciable</u>			<u>Total</u>
	<u>Land & Easement</u>	<u>Infra-structure</u>	<u>Construction in Progress</u>	<u>Infra-structure</u>	<u>Structures & Improvements</u>	<u>Equipment</u>	
Governmental Activities							
2001	\$ 54,490	\$ 62,762	\$ 51,513	\$ 21,219	\$ 275,658	\$ 15,054	\$ 480,696
2002	58,020	65,907	88,921	19,800	281,458	15,755	529,861
2003	58,220	67,237	42,450	26,901	352,530	14,265	561,603
2004	61,524	70,638	40,091	41,185	350,988	13,528	577,954
Business-type Activities							
2001	\$ 10,147	\$ -	\$ 6,428	\$ -	\$ 32,852	\$ 7,432	\$ 56,859
2002	10,147	-	278	-	24,621	6,822	41,868
2003	10,147	-	-	-	23,836	6,493	40,476
2004	10,147	-	64	-	24,224	6,782	41,217



¹ The County implemented GASB Statement No. 34 in FY 2000-01 and started reporting capital assets of both governmental and business-type activities at net book value with distinction made between depreciable and nondepreciable capital assets. Prior to FY 2000-01, capital assets of the governmental funds were not depreciated and infrastructure not reported, and therefore they are not included in this presentation.

COUNTY OF SAN MATEO
Operating Indicators by Function/Program
Last Four Fiscal Year

Function/program:	Fiscal Year⁴			
	2000	2001	2002	2003
<u>General government</u>				
<i>County Counsel</i>				
Number of litigation cases	n/a ¹	1,316	1,366	1,440
Percent of litigation cases won or resolved within approval of client	n/a	n/a	n/a	89%
Attorney per capita	34,495	30,746	32,439	32,734
<i>Public Safety Communication</i>				
Number of calls received	n/a	481,623	746,500 ²	687,629
Percent of customers rating overall services as good or better	90%	99%	96%	96%
<i>Utilities</i>				
Number of streetlights maintained	2,638	2,643	2,900	2,900
Number of properties served by County sewer districts	11,283	11,289	11,376	11,300
<u>Public Protection</u>				
<i>Child Support Services</i>				
Number of child support cases	17,593	15,678	14,687	14,768
Total amount of child support collected (in millions)	\$28.3	\$29.4	\$30.5	\$29.3
Percent of cases with a court orders	81%	81%	83%	84%
<i>District Attorney</i>				
Number of felony cases with victims	1,387	1,307	1,323	1,202
Number of Public Administrator cases opened	49	61	68	61
Number of Public Administrator cases closed	54	39	64	86
Percent of Public Administrator cases closed within 12 months	72%	60%	64%	67%
<i>Sheriff's Office -- Multi-Jurisdictional Services</i>				
Countywide Narcotics Task Force/Vehicle Theft Task Force				
Number of investigations performed annually	689	654	686	583
Number of arrests made annually	465	380	252	266
Number of law enforcement operations supported annually through the Northern California High Intensity Drug Trafficking Area (HIDTA) narcotics information center				
	25,750	26,455	31,856	27,744
Number of forensic examinations performed annually at the Crime Lab				
	22,427	22,864	26,130	17,398
<i>Sheriff's Office -- Patrol Bureau</i>				
Number of dispatched calls for service	60,057	59,049	70,668	63,547
Number of parking and other citations issued	8,482	9,084	10,490	9,852
Number of total traffic activities by Patrol Deputies (non-citation)	19,211	17,388	18,092	15,237
Average response time for priority dispatched calls (in minutes):				
Urbanized service areas	2.63	3.15	3.7	3.26
Rural service areas	13.03	8.4	9.75	8.27
<u>Public ways and facilities</u>				
<i>Primary road (road with a defined structural section):</i>				
Number and percent of road miles with Pavement Condition ³				
Index greater than established baseline of 55	103/68%	103/68%	116/77%	120/78%
<i>Secondary road (road without a defined structural section):</i>				
Number and percent of road miles with Pavement Condition ³				
Index greater than established baseline of 40	34/21%	34/21%	126/79%	125/76%

¹ n/a - not available.

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

³ Inromation is obtained from the County's Comprehensive Annual Financial Reports

⁴ Operating statistics for FY 2004 are not available

(continued)

COUNTY OF SAN MATEO
Operating Indicators by Function/Program
Last Four Fiscal Year

Function/program:	Fiscal Year ⁴			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<i>Road maintenance:</i>				
Asphalt, concrete, pavement				
Number of service hours	32,100	31,470	38,688	27,281
Percent of work completed	94%	93%	85%	92%
Traffic control (signs & legends)				
Number of service hours	6,764	4,635	4,921	3,073
Percent of work completed	97%	95%	88%	91%
Drainage facilities				
Number of service hours	20,661	21,986	18,099	18,724
Percent of work completed	98%	98%	98%	98%
Vegetation management				
Number of service hours	15,426	20,469	22,015	19,403
Percent of work completed	99%	100%	97%	97%
<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
Percent of EMS calls responded to on time	94%	94%	95%	95%
<i>Mental Health Adult Services</i>				
Number of clients served:				
Intensive level of service	2,680	2,676	2,575	2,578
Outpatient level of service	7,207	7,442	7,582	7,309
Lanterman Petris Short Conservatorship	477	437	392	369
Percent of customers rating services good or better	91%	92%	94%	94%
<i>Mental Health Youth Services</i>				
Number of clients served:				
Intensive	685	700	719	784
Non-intensive	1,220	1,328	1,292	1,408
Early intervention	155	213	246	459
Percent of youth survey respondents rating services good or better	85%	86%	86%	83%
<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
Prenatal to three	5,503	6,316	6,764	3,336
Women, infants and children	22,600	22,600	19,050	22,231
California children services	3,446	3,327	4,480	2,101 ⁵
Child health and disability prevention	3,900	7,862	3,732	3,101 ⁵
Lead	65	140	185	69
California nutrition network	6,872	8,015	10,938	15,750
Percent of customer survey respondents rating services as good or better	97%	97%	97%	98%
Percent of customers receiving services in a timely manner	78%	80%	83%	80%
<i>Health Promotion and Disease Control</i>				
Number of clients served:				
AIDS progrm clinical services	549	554	576	546
Mobile clinic clinical services	n/a	n/a	2,975	1,463
Smoke free start	67	58	158	351
STD Control	1,035	1,301	1,872	1,325
TB Control	n/a	237	641	811
Vital statistics (births and deaths)	10,888	10,433	10,445	10,004
Percent of customer survey respondents rating services as good or better	95%	96%	98%	94%
Percent of customer survey respondents rating response time as good or better	92%	95%	96%	93%

⁵ The decrease reflects changes in collection methodology.

(continued)

COUNTY OF SAN MATEO
Operating Indicators by Function/Program
Last Four Fiscal Year

Function/program:	Fiscal Year⁴			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Public Assistance</u>				
<i>Community-Based Program</i>				
Number of adult protective services cases opened	968	1,125	1,243	1,358
Number of people served through Area Agency on Aging funds	11,544	12,168	10,547	13,259
Percent of cases that are effectively resolved and stabilized for at least twelve months	85%	85%	82%	86%
<i>Economic Self-Sufficiency</i>				
Number of enrolled participants in Peninsula Works Intensive and Training services	603	466	1,817	2,458
Number and percent of Peninsula Works participants employed in jobs six months after hire	n/a	64/90%	78/78%	65/89%
<u>Recreation</u>				
<i>Parks & Recreation</i>				
Number of visitors	2,044,000	2,042,000	2,103,629	1,939,762
Percent of ranger staff time spent on facility maintenance	75%	75%	80%	77%
Number of volunteer hours	16,390	23,753	29,252	24,100
Number of sensitive habitat acres restored during year	6	6	56	295
Ton of material recycled	365	365	410	575
Percent of customer survey respondents rating service and facilities as good or better	82%	94%	96%	88%