

**COUNTY OF SAN MATEO, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2017**  
**Juan Raigoza, Controller**



# County of San Mateo, California

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2017



**Juan Raigoza**  
**Controller**

**COUNTY OF SAN MATEO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2017**

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## **INTRODUCTORY SECTION**

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**COUNTY OF SAN MATEO**  
OFFICE OF THE CONTROLLER

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November 22, 2017

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

California Government Code sections 25250 and 25253 require that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. The Comprehensive Annual Financial Report (CAFR) of the County of San Mateo (County) for the fiscal year ended June 30, 2017 is hereby published.

Management assumes full responsibility for the completeness and reliability of the information contained in the CAFR, based upon a comprehensive framework of internal control established for this purpose. As the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The County's independent auditor, Macias Gini & O'Connell LLP, has issued an unmodified ("clean") opinion on the County's financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

The Management's Discussion and Analysis (MD&A) section, which appears on pages 4-21 of this report, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this Letter of Transmittal and should be read in conjunction with it.

### **Profile of the Government**

The County, one of the nine counties in the San Francisco Bay Area, was established by State law in 1856. The County occupies 455 square miles and contains 20 cities on a peninsula bounded by the City and County of San Francisco to the North, Santa Clara County to the South, San Francisco Bay to the East, and the Pacific Ocean to the West. Though sandwiched between two large urban areas, the County is a pleasant mix of suburban and rural areas. Most of the County's 770,203 residents live in the suburban corridor east of the Santa Cruz Mountains, which bisect the County. The western part of the County remains primarily rural and has some of California's most beautiful coastline.

The County performs a dual role that differs from cities. Cities generally provide basic services such as police and fire protection, sanitation, recreation programs, planning, street repair, and building inspection. The 20 cities within the County are governed by their own city council. The County, as a subdivision of the State, provides a vast array of services for its residents. These services include social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. The County also provides basic city-type services for residents who do not live within a city but live in an unincorporated area.



Under a charter form of government, the County is governed by a five-member Board of Supervisors (the Board). Each Supervisor serves four-year terms on a full-time basis, must reside in one of the five districts of the County, and is elected by district in non-partisan elections. The Board is responsible, among other duties, for passing ordinances, adopting the County's budget, and appointing committees, the County Manager/Clerk of the Board and the County Counsel. The County Manager appoints the non-elected directors of ten departments. The County has six elected officials responsible for the offices of the Assessor-County Clerk-Recorder, Controller, Coroner, District Attorney, Sheriff, and Treasurer-Tax Collector.

Included in the County's operations are various "blended" component units which provide specific services countywide or to distinct areas within the County. While the component units are legally separate from the County, the County is financially accountable for them as their governing bodies are substantially the same as the County's Board. The County has the following "blended" component units: the San Mateo County Joint Powers Financing Authority, San Mateo County Housing Authority, In-Home Supportive Services Public Authority, and numerous special districts including County Service Areas, Sewer and Sanitation, Flood Control, Lighting, and other special districts.

### **Key Financial Policies**

#### **Investments**

The County investment pool was established to meet the County's liquidity and long-term investment needs. The Board established an eight-member oversight committee under State law to monitor the management of public funds in the investment pool. The oversight committee meets at least three times a year to evaluate general strategies, monitor results, and evaluate the economic outlook, portfolio diversification, maturity structure, and potential risks to the invested funds. The Board reviews and approves the Investment Policy annually. The foundation of the County Investment Policy is in priority order: safety, liquidity, and yield. The County pool is not only designed as an income fund to maximize returns, but also attempts to match maturities with capital expenditures and other planned outlays. All amendments to the policy require the Board's approval.

#### **Reserves**

The Board approved the original County Reserves Policy in April 1999. The creation of this policy was initiated to reduce the negative impact on the County's financial resources during times of economic uncertainty and potential losses of funding from other governmental agencies. In 2010, the Board adopted the revised policy to align it with the current fiscal environment. In 2012 the Board authorized the use of 50% of future Excess ERAF proceeds for ongoing purposes. The current ERAF reserves and 50% of future proceeds are only used for one-time purposes as described in the County Reserves Policy.

Fund balance and reserves are viewed as one-time sources of funding and can only be used either for one-time purposes or as part of a multi-year financial plan to balance the budget. Such constraints prohibit creation of operating deficits through dependency on fund balance and reserves for ongoing expenditures. The policy requires departments to maintain reserves at a minimum of 2% of net appropriation; General Fund reserves shall be maintained at a minimum of 5% of total General Fund net appropriations; appropriations for contingencies shall be maintained at 3% of total general fund net appropriations; a minimum reserve of \$2 million shall be maintained for capital improvements; and a minimum \$2 million in reserves for countywide automation projects. In 2013 the Board directed the County Manager to amend the Fund Balance Policy by changing the year-end Fund Balance split with General Fund departments to 50/50. The Board subsequently adopted this change to reduce the use of these one-time funds for ongoing General Fund operations and maintain an appropriate level of savings.

#### **Budget**

Under State law, the County is required to adopt a balanced budget by October 2<sup>nd</sup> of each year. Except for the Joint Powers Financing Authority and certain other special revenue funds, the County Manager's Office prepares a budget for all governmental funds on the modified accrual basis of accounting in accordance with California Government

Code Sections 29000 and 29143.

The annual budget serves as the foundation for the County's financial planning and control of expenditures. The legal level of budgetary control, where expenditures may not exceed appropriations, is at the object level (e.g., salaries and benefits) within a budget unit in a fund. Budget expenditures are enacted into law through the passage of an Appropriation Ordinance. The ordinance sets limits on expenditures, which cannot be changed except by subsequent amendments to the budget.

Budget appropriation transfers/amendments are used to appropriate new expenditures, unanticipated revenues, or to transfer existing appropriations from one budget unit to another, or between objects within the same budget unit. Transfers of any amount within a budget unit and within a fund, except transfers to/from reserves and contingencies, may be approved by the County Manager and Controller without Board of Supervisors approval, provided that the overall appropriations of budget unit are not increased. All other budget transfers and appropriations must be approved by the Board.

### **Debt Service Limit**

Under the County's Debt Limit Ordinance, the Board is required to establish the County debt service limit annually. The debt service limit is applicable to non-voter approved debt that is the obligation of the County. The limit does not include any voter approved debt or any debts of agencies, whether governed by the Board or not, other than the County. The annual debt service limit shall not exceed 4% of the average annual County budget for the current and the preceding four fiscal years. The approved limit can be exceeded only through a 4/5 vote of the Board and upon a finding that such action is necessary and in the best interest of the County and its citizens. For FY 2016-17, the County continued to remain within this limit.

### **Economic and Financial Outlook**

Global outlook has brightened, although growth remained tepid in many advanced economies. Global gross domestic product (GDP) is projected to rise from 3.1% in 2016 to 3.5% in 2017, and to 3.6% in 2018. United States' projected growth has been revised upward, reflecting the assumed fiscal policy and uptick in confidence, and is forecasted to grow at an annual rate of 2.1% in 2017, up from 1.6% in 2016, and 2.2% in 2018 and 1.9% in 2019. GDP of San Francisco metropolitan area, which includes San Mateo County, increased by 5.4% in 2016 (latest available data) compared to the average U.S. metro area growth of 1.7%.

Unemployment rates in both the State and County have declined steadily during the past years. As of August 2017, the County's unemployment rate is 3.2% (down from 3.3% in 2016), and is lower than both the State's rate of 5.1% and the national rate of 4.4%. According to the California Employment Development Department, the Bay-Peninsula region, of which San Mateo County is a part of, has the lowest unemployment rate in the State and experienced the fastest job growth of any region in the State over the course of the current economic expansion (July 2010 through July 2017). While the blistering pace of job growth in the technology sector has slowed, it continues to grow and contribute jobs to the State's economy.

Property tax revenues are the County's largest source of General Fund revenues. The health of the local real estate market and associated changes in assessed property values are key indicators of the County's financial outlook. For fiscal year (FY) 2017-18 the total value of assessed properties within the County increased by 7.9% to \$208 billion. This will increase the property tax revenue base to \$2.08 billion. Property tax revenues are shared by all local taxing agencies (schools, cities, special districts, and County). FY 2017-18 is the sixth consecutive year of record growth, surpassing the major milestone of \$200 billion for the first time.

The median price paid for a home (house and condo) in the Bay Area in August 2017 was \$742,000, up 11.6% from August of 2016. Within the County the median home price for August 2017 increased to \$1,134,750, an 11.3% jump from August of 2016. The County's median single-family home price rose 10% to \$1,375,000 as of August 2017. It was \$1,255,000 as of August 2016. While this will result in higher assessed property values and property tax revenues in the future, affordability continues to be a challenge across the Bay Area.

The California Association of Realtors' Traditional Housing Affordability Index measures the percentage of households that can afford to purchase a median priced home. The housing affordability index for the Bay Area was 21 as of the quarter ending in June 2017. The County's affordability index was 14 (unchanged from prior year), while the U.S. index was 57 and the State's was 29 in June 2017. Accordingly, during the June 2017 quarter, only 14% of households in the County could afford to purchase a median priced home in the County.

The commercial real estate market remains fundamentally strong, but the softening leasing rate and slowing activity in office leasing may signal a modest shift in market direction. In the County, aside from the conventional technology sector, the biotechnology sector is heating up, while industrial and research and development (R&D) leasing also have strong growth rates. The average asking rate to lease commercial space in the County rose 1.4%, compared to the prior year, to \$5.08 per square foot per month as of June 2017. Meanwhile, the County's vacancy rate for commercial property has increased slightly to 4.0% in June 2017, up from 3.7% in June 2016, but much lower than 7.7% in June 2015. Local vacancy rates and leasing costs of commercial properties are indicators of the overall demand for commercial space and of the general economy within the County.

### **Long-Term Financial Planning**

#### **Educational Revenue Augmentation Fund (ERAF)**

Since FY 1992-93 local taxing entities (cities, special districts, and the County) are mandated to shift a portion of their property tax dollars to the ERAF to be used to reduce the State's obligation in funding school districts. School districts that receive less than their minimum State guaranteed amount are eligible to receive revenues from the ERAF while those that receive property taxes equal to or greater than their minimum State guaranteed amount do not.

Starting in FY 2013-14, legislation created a new funding formula to determine the minimum State guaranteed amount for K-12 school districts. The new formula, referred to as the Local Control Funding Formula (LCFF), is expected to increase the State's minimum guaranteed amount for school districts, thus increasing the obligation from the ERAF. School districts that receive monies from ERAF per the LCFF are referred to as LCFF-funded schools.

Any monies in the ERAF that are in excess of the total amount the LCFF-funded school districts are eligible to receive, less special education funding as determined by the California Department of Education and funding for community colleges, is refunded back to the local taxing agencies in the same proportion as their contributions. These refunded monies are referred to as Excess ERAF.

Generally, the fewer LCFF-funded school districts, the larger the Excess ERAF amount. In FY 2016-17, 12 out of 24 K-14 school districts were LCFF-funded school districts. Over time, as the State increases the minimum funding requirements, the number of LCFF-funded school districts will increase and thus reduces the amount of Excess ERAF returned to the County, cities, and special districts.

The County's portion of Excess ERAF monies was \$111.8 million in FY 2016-17. The County is conservative in budgeting Excess ERAF monies, as the revenues are subject to legislative risks.

#### **Employees' Retirement Plan**

In FY 2014-15, the County implemented the Government Accounting Standards Board (GASB) Statement No. 68 related to financial reporting of pension plans on the basic financial statements. It also requires full disclosures in the Notes to the Basic Financial Statements and Required Supplementary Information sections of the CAFR. The San Mateo Employees' Retirement Association (SamCERA) administers the pension plan for the County and its employees. Because of this reporting standard SamCERA and the County now use two different actuarial valuation methods for its pension plan - one for financial reporting purposes as required by GASB No. 68, and another for funding purposes to determine the County's annual contribution to the plan.

As of June 30, 2017, for financial reporting purposes, the County’s net pension liability is \$675.6 million, and the plan’s funded ratio is 83.3%. Contributions from the County to the pension plan totaled \$190.4 million in FY 2016-17.

As of June 30, 2017, for funding purposes as reported by SamCERA, the entire pension plan’s Unfunded Actuarial Accrued Liability (UAAL) totaled \$743.1 million, an increase of \$5.5 million from the UAAL of \$737.6 million in FY 2015-16. For funding purposes, the pension plan’s funded ratio increased from 83.1%, as of June 30, 2016, to 84.3% as of June 30, 2017, while the County’s proportionate share of the plan’s unfunded liability increased to \$707 million (95.16% of \$743.1 million). SamCERA lowered the discount rate from 7.00% to 6.75% beginning in FY 2016-17.

The table below reflects major differences between the two actuarial valuation methodologies.

	Funding Purposes	Financial Reporting Purposes
Discount Rate / Assumed Rate of Return	6.75%	7.20%
Measurement Date of Assets	June 30, 2017	June 30, 2016
Recognition of Investment Income (Loss)	Gain (loss) recognized over 5-year period, 20% per year	Projected gain plus/minus 20% of difference between projected and actual gain (loss)
Funded Ratio as of June 30, 2017	84.3%	83.3%
Unfunded Actuarial Accrued Liability as of June 30, 2017	\$707.1 million	n/a
Net Pension Liability as of June 30, 2017	n/a	\$675.6 million

The discount rate, the assumed investment rate of return, has a major impact when determining the actuarial net pension liability amount. Note 13, Employees’ Retirement Plans, includes a required disclosure titled *Sensitivity of the County’s Proportionate Share of Net Pension Liability to Changes in the Discount Rate*. Decreasing the discount rate by 1% from 7.20% to 6.20% would increase the County’s net pension liability, for financial statement reporting purposes, from \$675.6 to \$1,231.6 million. Similarly, significant changes to the unfunded liability amount, as calculated by SamCERA for funding purposes, would result if that discount rate was decreased from 6.75% to 5.75%.

In FY 2013-14, the Board approved a resolution to accelerate the payment of unfunded pension liabilities by contributing an additional \$50 million in FY 2013-14 from reserves, and an additional \$10 million in each of the following nine years. These extra contributions are in addition to the annual contractually required contribution amounts. Under this scenario, which started in FY 2013-14, the County is expecting to achieve a 90% funded ratio in 7 years, and 100% in 11 years, if actuarial assumptions used for funding purposes are realized. These additional contributions were estimated to save the County about \$304 million in cumulative contributions and, therefore, reduce operating costs over the next 30 years.

**Other Postemployment Benefits (OPEB)**

The County administers an “other postemployment benefits” (OPEB) Retiree Health Plan. The County prefunds its OPEB obligations through the California Employers’ Retiree Benefits Trust (CERBT). For the year ended June 30, 2017, the County contributed \$29.9 million to the Retiree Health Plan. Beginning in the fiscal year ended June 30, 2017, an actuarial analysis will be performed annually instead of biennially. Based on the latest actuarial report, using a discount rate of 6.73%, the plan’s funded ratio was 75.8% as of June 30, 2017. The Retiree Health Plan’s unfunded actuarial accrued liability (UAAL) decreased by 40.9% to \$88.8 million, as of June 30, 2017, from \$150.3 million as of June 30, 2015.

In June 2015, GASB issued Statements No. 74 and No. 75. These Statements specify accounting and financial reporting requirements for postemployment benefits other than pensions. The County implemented GASB No. 74 effective in FY 2016-17 but there is no impact to its financial statements. The County will implement GASB No. 75 in FY 2017-18. GASB No. 75 is similar to pension reporting standards released by GASB No. 68, in that it requires reporting of the net OPEB liability amount on the face of the financial statements. It will also require additional disclosures in the CAFR’s Notes to the Basic Financial Statements and in the Required Supplementary Information

sections about the actuarial assumptions and methods used to account for OPEB plans. These changes will increase the transparency of the plan and its unfunded liabilities.

### **Measure K Sales Tax Revenues**

In November 2012 the voters approved Measure A which provided for a one-half cent countywide sales tax increase until March 2023. In November 2016 voters passed Measure K which extended the sales tax for an additional 20 years. Measure K programs and initiatives are tracked separately for budgeting and reporting purposes, and are mostly funded on a reimbursement basis, while success is measured through approved performance measures. San Mateo County (SMC) Performance, an online dashboard, provides information about the use of Measure K funds and allows for citizen feedback.

In FY 2016-17 and FY 2015-16, Measure K tax generated \$83.0 million and \$79.9 million, respectively. During the same years, the County spent \$58.2 million and \$44.1 million, respectively, on Measure K funded initiatives. Significant expenditures for FY 2016-17 included: Housing Preservation (\$6.5 million), Loan Program for Behavior Health Recovery Services Providers (\$4.3 million), and Regional Operations Center (\$3.8 million). Additional information about Measure K revenues and expenditures is available in the annual report of Measure K Sales and Use Tax Revenues accessible via County's Measure K Oversight Committee website.

### **Affordable Care Act**

The Affordable Care Act (ACA) changed health care coverage for Americans in two significant ways. It expands Medicaid (called Medi-Cal in California) to cover more low-income individuals in the States that have chosen to pursue such an expansion, and provides subsidies for low and middle income Americans to purchase insurance through health insurance marketplaces.

The implementation of the ACA in San Mateo County has been a success. The Human Services Agency in partnership with the Health System and a network of community-based organization partners have carried out four seasons of Open Enrollment for health insurance coverage under the ACA. Census data to track the impact of the ACA's health insurance expansion on the number of uninsured Americans contains a lag, but the most recent estimates (Fall 2016) indicate that 95.8% of San Mateo County residents are insured, a sizable increase since the pre-ACA insured level of 89%.

As of September 2017, approximately 36,000 San Mateo County residents are enrolled in the segment of Medi-Cal that was expanded through the ACA and approximately 25,000 residents are enrolled in a health insurance offering through California's health insurance marketplace, Covered California.

In addition to the expansion of Medi-Cal coverage, the ACA added treatment for moderate mental illness and for substance use treatment as Medi-Cal benefits. The ACA has increased access to mental health services by four fold since inception and allowed the County to become the first California entity to implement substance use treatment under the ACA, doubling the number of persons in treatment.

The ACA's provisions also affect the financing of healthcare, particularly for health care providers that serve a large population of low-income residents. Of the approximately 36,000 residents who are enrolled in the expanded component of Medi-Cal, more than 18,000 are assigned to San Mateo Medical Center (SMMC). SMMC's revenues and net operating results have improved since a greater proportion of the patients it serves now have insurance.

However, the full long-term financial impacts to SMMC may not be known for several years as the various financial components that are a part of California's Medi-Cal and healthcare safety net financing continue to be implemented and many payment sources are changing from reimbursement of costs to performance based. Future federal legislation regarding the ACA may also result in additional unknown financial impacts to SMMC.

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**Infrastructure**

The two-year Adopted Budget, for FY 2017-18 and FY 2018-19, includes a total of \$310.7 million for capital projects from General Fund, Measure K, and other County funding sources.

Major General Fund projects include the Animal Care Shelter replacement (\$20 million), San Mateo Medical Center Campus (\$12 million), Parks and Marina projects (\$9.7 million), Mirada Road Erosion Protection (\$2.6 million), and Homeless Shelter (\$2 million).

Some key capital projects funded by Measure K include the Public Safety Dispatch and Emergency Operations Center (\$29 million), Skylonda Fire Station (\$4.5 million), Pescadero Fire Station Replacement (\$2.1 million), other infrastructure replacement projects (\$3.7 million), and the Respite Center - Hacienda House remodel (\$2.8 million).

In 2014, \$87.1 million from the sale of the Circle Star Plaza property were set aside in the Accumulated Capital Outlay (ACO) Fund for future construction projects. Several projects including County Office Building #3 (\$55.4 million) and Lathrop House Relocation (\$0.9 million) will be funded by the ACO Fund.

**Meeting the Future**

The County's economic climate is influenced by State and federal government actions and legislation. The key economic indicators for the County remain positive and the current growth cycle is one of the longest sustained cycles. The upward revision of U.S. GDP forecast suggests the overall economy remains positive. However, the pervasive uncertainty surrounding federal policies and other factors may impede future growth. While the County's unemployment rate is a low 3.2% as of August 2017, and home prices continue to increase, the pace of growth is expected to slow as the economic cycle matures. Additionally, slower increases to home prices will also slow the growth in property tax revenues.

County revenues that are subject to uncertainty include funding for health care services under the Affordable Care Act and property tax revenues received from the Excess Educational Revenue Augmentation Fund (ERAF). Future federal legislation may reduce payment amounts to the County for providing health care services and/or increase the number of uninsured residents, which would reduce the San Mateo Medical Center's revenues. Furthermore, as the State makes changes to the Local Control Funding Formula (LCFF) for schools and/or increases the minimum funding requirements to school districts the amount of Excess ERAF monies returned to the County, cities and special districts may decrease.

Although additional payments of pension obligations will lower future required contributions, lowering of the pension plan's assumed rate of return by the San Mateo Employees' Retirement Association (SamCERA) from 7.00% to 6.75% will require increasing contributions. Over the last three years, SamCERA has reduced the plan's assumed rate of return by 1.50%, from 7.50% to 6.75%.

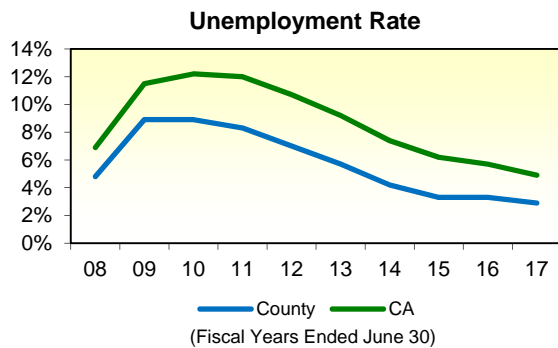
Planned investments in capital projects will require hundreds of millions of dollars in one-time construction and acquisition costs, plus additional annual funds to operate and maintain such infrastructure. Voters' approval of Measure K will help to provide the resources to replace some of the County's aging physical infrastructure and mission-critical technology infrastructure. The FY 2017-18 and FY 2018-19 budgets include \$310.7 million for capital projects. Ongoing operating and maintenance costs for some of these capital projects will likely require tens of millions of dollars of additional funding each year.

The above will require the County to focus on sustainable growth, exercise fiscal discipline, and closely monitor expenditures in order to weather any future revenue reductions and the next cyclical economic slowdown. Although we are in one of the longest sustained growth cycles of the post-war era, a recession is inevitable and the County should prepare for it.

**Factors Affecting Economy**

**Employment**

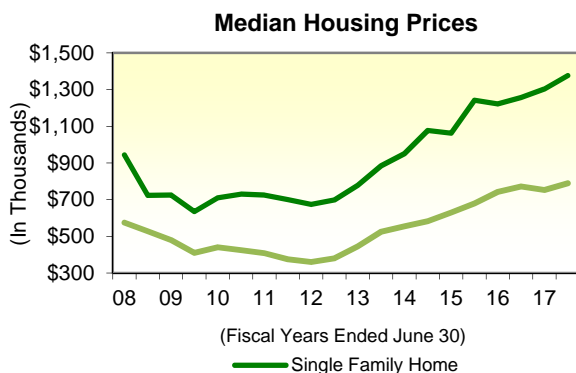
- The County had an estimated 13,000 unemployed residents as of June 2017, down from 14,700 in June 2016.
- The County’s unemployment rate was 2.9% for June 2017, down from 3.3% in June 2016.
- This compares with an unemployment rate of 4.9% for California and 4.4% for the U.S. in June 2017.
- Among California’s 58 counties, once again, the County recorded the lowest unemployment rate (a frequent occurrence) as of June 2017.



Source: Employment Development Dept., California U.S. Dept of Labor

**Residential Property**

- The County’s median single-family home price rose 7.8% to \$1,428,000 as of June 2017 from \$1,325,000 as of June 2016.
- The County’s median condominium price rose 10.2% to \$833,000 as of June 2017 from \$756,000 as of June 2016.



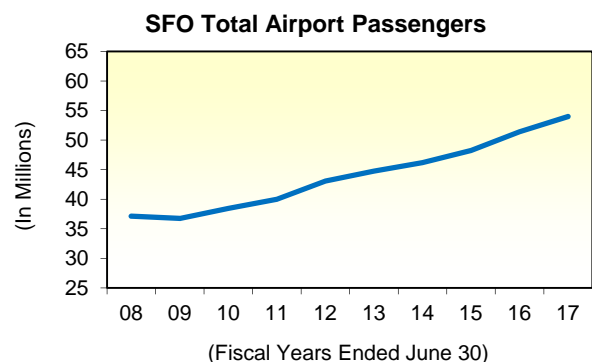
Source: San Mateo County Association of Realtors, based on statistics from Multiple Listing Services, Inc.

**Commercial Property**

- The County’s vacancy rate in June 2017 was at 4.0%, slighter higher than 3.7% for June 2016, and significantly lower than 7.7% for June 2015.
- The average asking rate to lease space in the County rose 1.4% to \$5.08 per square foot per month in June 2017, up from \$5.01 in June 2016, and up from \$4.40 in June 2015.

**Tourism**

- San Francisco International Airport remains a significant economic engine in the region by providing tens of thousands of jobs. The Airport’s total passenger volume rose 5% to 54 million for June 2017 from 51 million for June 2016.



Source: SFO Comparative Traffic Reports

**Taxable Sales**

- Total taxable sales throughout the County grew 1.3% to \$3.98 billion for the third quarter ended September 2016 (latest data) from \$3.92 billion for the same period ended September 2015.

**Median Family Income & Per Capita Income**

- The County’s estimated median family income increased to \$108,627 for 2016 (latest data), a 7.3% increase from \$101,272 for 2015.
- The County’s per capita personal income increased to \$97,553 in 2015 (latest data), a 6.1% increase from \$91,935 in 2014.

**Major Initiatives**



**Healthy and Safe Community**

*Health System / Sheriff’s Office*

- Dedicated mental health pods to treat inmates with severe mental illness at the Maguire Correctional Health Facility and Maple Street Correctional Center.

*Health System*

- Youth Mental Health First Aid (YMHFA) program includes training services for adults to learn how to help a young person who may be experiencing a mental health challenge or crisis.

*County Manager’s Office / Health System*

- Rebuild the aging Cordilleras Mental Health Facility.

*Probation Department / Sheriff’s Office / Human Services Agency*

- Prevent abuse of children via Human Trafficking and Commercially Sexually Exploited Children initiative which has hired its first Human Trafficking Program Coordinator.

*County Manager’s Office*

- Manage fire station replacement projects in Skylonda and Pescadero, both are more than a half-century old.
- Manage construction of new Public Safety Communications and Emergency Operations Center facility.

*Human Service Agency*

- Eligibility Determination program ensures that eligible children and youth have access to CalWORKs support, Medi-Cal health insurance, CalFresh, and nutrition services.



**Environmentally Conscious Community**

*Office of Sustainability*

- Climate Resiliency and Sea Level Rise program assesses countywide vulnerabilities to help ensure communities, ecosystems, and businesses are better prepared for climate change.

*Department of Public Works*

- Working to complete the Pescadero Aquifer Study and Pescadero Alternate Water Source Evaluation projects.



**Prosperous Community**

*Board of Supervisors*

- Big Lift early-learning countywide collaborative initiative provides quality preschool and other services to promote literacy and reduce absenteeism.

*Human Resources Department*

- Expand Supported Training and Employment Program (STEP) to a year-round program. STEP offers emancipated foster youth job readiness skills training, employment coaching, and hands-on work experience in a County department.

*Department of Housing / Board of Supervisors*

- Invest in 50-unit veteran housing project in Colma, and in Homeless Outreach Team (HOT).
- Invest \$46.2 million in affordable housing projects during FYs 2017-18 and 2018-19 to acquire and preserve the affordability of existing multifamily buildings within the County.



**Livable Community**

*Department of Public Works*

- Improve facilities at San Carlos Airport and fund safety project at Half Moon Bay Airport.

*Office of Sustainability*

- Manage the County’s employee commuter bus pilot program to reduce traffic and help commuters.



**Collaborative Community**

*Information Services Department / Sheriff’s Office / District Attorney’s Office / Probation Department / Superior Court*

- Implemented new portal for Criminal Justice Integration (CJI) project to provide more transparent and timely criminal justice data and improve case management for the Sheriff’s Office, District Attorney’s Office, Superior Court, and Probation Department.

*Assessor’s Office / Tax Collector’s Office / Controller’s Office / Information Services Department*

- Replace old systems with a modern integrated assessment and property tax system.



**Awards and Acknowledgements**

**Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report (CAFR) for the prior fiscal year ended June 30, 2016. This was the seventeenth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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.

The County also received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2016. The Popular Annual Financial Report (PAFR), also known as the Financial Highlights report, presents information from the CAFR in a more concise and easy-to-read manner.

**Acknowledgements**

My goal for this report is to provide financial information that is transparent to our citizens, tax payers, policy leaders, and County management. We welcome input from all users of this report.

This report would not have been possible without the dedication of all County fiscal officers and staff. Their daily work help to ensure the financial stability and integrity of the County. I would like to acknowledge the extra efforts extended for the preparation of this report by the Controller's Office personnel. I also wish to thank the County's independent auditors Macias Gini & O'Connell LLP.

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

Finally, I wish to thank all of the citizens of San Mateo County for their support and employees of the County for their dedication and contributions to County government.

Respectfully submitted,



Juan Raigoza  
Controller



Government Finance Officers Association

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

Presented to

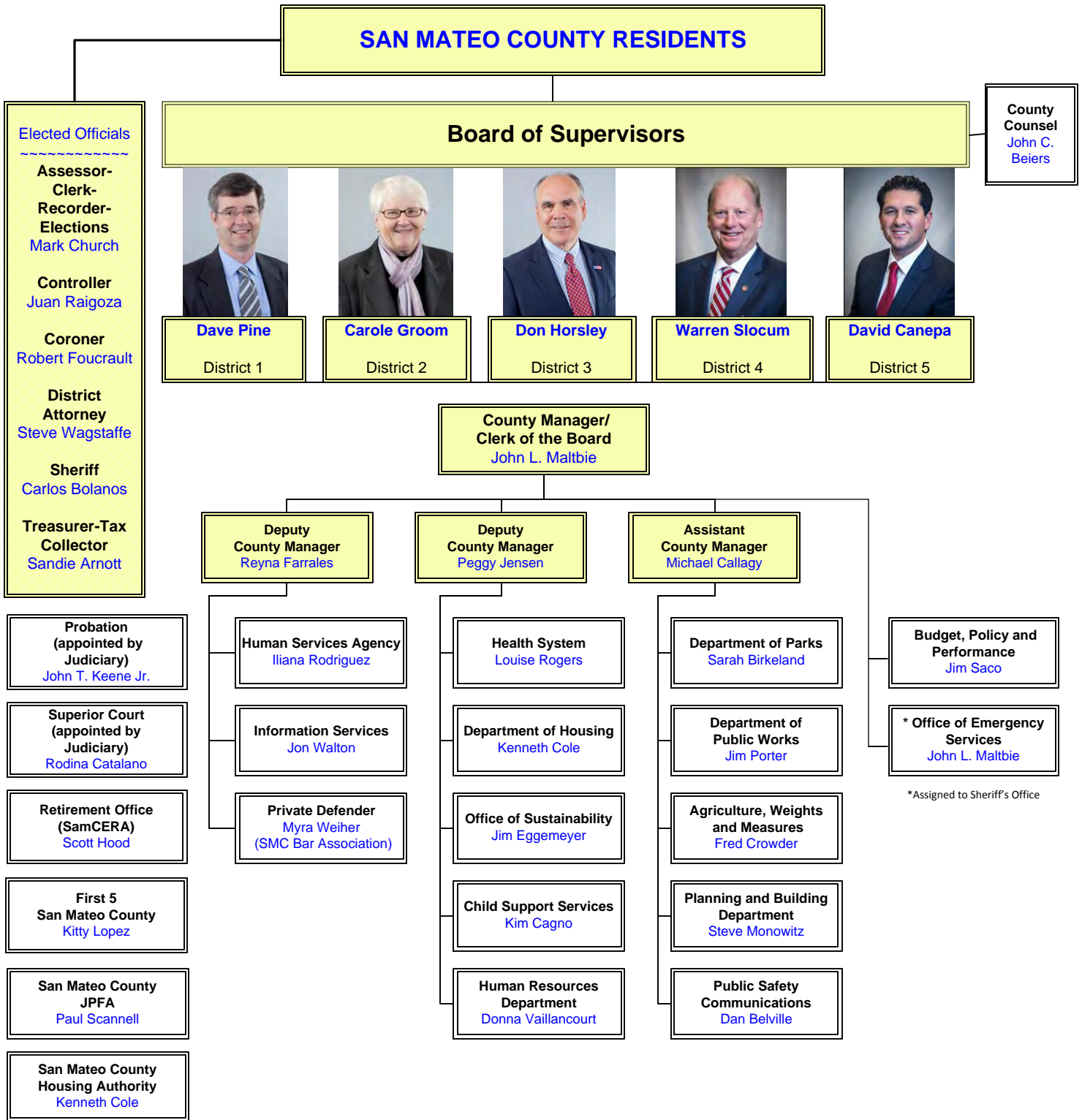
**County of San Mateo  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

**COUNTY OF SAN MATEO**  
**Organization Chart**  
 June 30, 2017



**COUNTY OF SAN MATEO**  
**Public Officials**

**ELECTED OFFICIALS**

Board of Supervisors:

Supervisor – District 1	Dave Pine
Supervisor – District 2	Carole Groom
Supervisor – District 3	Don Horsley
Supervisor – District 4	Warren Slocum
Supervisor – District 5	David Canepa

Assessor-Clerk-Recorder-Elections	Mark Church
Controller	Juan Raigoza
Coroner	Robert Foucrault
District Attorney	Steve Wagstaffe
Sheriff	Carlos Bolanos
Treasurer-Tax Collector	Sandie Arnott

**APPOINTED OFFICIALS**

County Manager/Clerk of the Board – <i>(appointed by Board of Supervisors)</i>	John L. Maltbie
Assistant County Manager – <i>(appointed by County Manager)</i>	Michael Callagy
Deputy County Manager – <i>(appointed by County Manager)</i>	Reyna Farrales
Deputy County Manager – <i>(appointed by County Manager)</i>	Peggy Jensen
County Counsel – <i>(appointed by Board of Supervisors)</i>	John C. Beiers
Court Executive Officer and Jury Commissioner – <i>(appointed by Judiciary)</i>	Rodina Catalano
Probation Officer – <i>(appointed by Judiciary)</i>	John T. Keene Jr.

**DEPARTMENT DIRECTORS**

Agriculture, Weights and Measures	Fred Crowder
Child Support Services	Kim Cagno
Housing	Kenneth Cole
Parks	Sarah Birkeland
Public Works	Jim Porter
Health System	Louise Rogers
Human Resources	Donna Vaillancourt
Human Services Agency	Iliana Rodriguez
Information Services	Jon Walton
Planning and Building	Steve Monowitz
Public Safety Communications	Dan Belville
Office of Sustainability	Jim Eggemeyer

**AFFILIATED ORGANIZATIONS**

First 5 San Mateo County, Executive Director	Kitty Lopez
San Mateo County Housing Authority, Director	Kenneth Cole
San Mateo County Joint Powers Financing Authority, President	Paul Scannell
San Mateo County Employees' Retirement Association, Chief Executive Officer	Scott Hood



## **FINANCIAL SECTION**

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



## Independent Auditor’s Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of San Mateo, California (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the table of contents.

#### *Management’s Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor’s Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the County of San Mateo (Housing Authority), the San Mateo County Employees’ Retirement Association (SamCERA), the First 5 San Mateo County (First 5), and the Health Plan of San Mateo (HPSM), which represent the following percentages of the assets and deferred outflows, net positions/fund balances, and revenues/additions of the following opinion units as of and for the year ended June 30, 2017.

Opinion Unit	Assets and Deferred Outflows	Net Positions/ Fund Balances	Revenues/ Additions
Business-type activities	9%	31%	24%
Major enterprise fund – Housing Authority	100%	100%	100%
Aggregate remaining fund information	51%	56%	13%
Aggregate discretely presented component units	100%	100%	100%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Housing Authority, SamCERA, First 5, and HPSM, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the HPSM were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, information on the infrastructure assets reported using the modified approach, the schedule of proportionate share of the net pension liability, the schedule of County contributions – pension plan, the schedule of funding progress – other postemployment benefits, and the budgetary comparison information – General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive style with a large, stylized "L" at the end.

Walnut Creek, California  
November 22, 2017





**Management's Discussion and Analysis**  
**(Unaudited)**

**COUNTY OF SAN MATEO**  
**Management's Discussion and Analysis**  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2017

This Management's Discussion and Analysis provides a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we provided in our transmittal letter in the preceding section. All dollar amounts are expressed in thousands unless otherwise indicated.

**Financial Highlights**

**Government-wide financial position**

The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2016-17 by \$2.0 billion (*net position*):

- \$656 million represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets (*net investment in capital assets*). These capital assets are used to provide services to citizens and are not available for future spending.
- \$261 million represents resources that are subject to external restrictions on their use and are available to meet the County's ongoing obligations for programs with external restrictions (*restricted net position*).
- \$1,068 million is available to fund County programs for citizens and debt obligations to creditors (*unrestricted net position*).

The County's total net position increased \$194.3 million to \$2.0 billion over the year. The positive change in County's net position indicates that the financial position of the County is improving.

- \$190.8 million increase in net position was derived from governmental activities predominantly from increases in property taxes, interest and investment.
- \$3.5 million increase in net position was derived from business-type activities with \$5.7 million increase from the Medical Center, \$2.8 million decrease from the Housing Authority and \$0.9 million increase from the Airports.

**Fund financial position**

The County's governmental funds reported combined fund balances of \$1.2 billion at the close of fiscal year, an increase of \$54 million compared to the prior year. About \$901 million (sum of assigned and unassigned fund balances) of this amount, or 75%, is available for spending at the County's discretion.

**Capital assets and debt administration**

The County's *capital assets* increased \$36 million to \$1,085 million with \$1,005 million for the governmental activities and \$80 million for the business-type activities. The increase was mainly from an \$8.3 million increase in land purchase (\$5.4 million purchase of Coastside Clinic land, \$2 million purchase of Middlefield property, and \$0.9 million donation of the Thompson property), a \$36 million increase in Structures and Improvements (\$23.8 million for the Maple Street Correctional Center - Phase 2 to build out the Warm Shell (grand floor), \$2.7 million for the purchase of Coastside Clinic building, \$1.3 million towards replacement of the Youth Services Center's surveillance system, and \$8 million donation of the Coyote Point Shooting Range, and a \$11 million increase in infrastructure from completion of Eleanor Drive Sewer Rehabilitation and SMCo Smart Corridors projects. This was offset by a \$20 million decrease in construction in progress mainly due to the transfer of Maple Street Correctional Center from construction in progress to Structures and Improvements.

The County's total outstanding *long-term debt* (including lease revenue and revenue refunding bonds, notes payable, and other long-term obligations) decreased \$35 million to \$476 million. The decrease was mainly caused by normal debt payments made on the lease revenue and revenue refunding bonds (\$33.6 million in principal payment and \$2.6

**COUNTY OF SAN MATEO**  
**Management's Discussion and Analysis (Continued)**  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2017

million in bond premiums amortized) and partially offset by other long term obligations (\$1.4 million increase in issuance of other long term obligations and offset by \$0.6 million in Genentech final payment and other scheduled long term obligation payments).

**Overview of Financial Statements**

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

**Government-wide Financial Statements** provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses.

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period (e.g., uncollected taxes).

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

The government-wide financial statements include not only the County itself (known as the primary government), but also legally separate entities for which the County is financially accountable (known as component units). Some of these entities, although legally separate, function for all practical purposes as departments of the County and therefore have been included as an integral part of the primary government.

*The government-wide financial statements can be found on pages 22-24 of this report.*

**Fund Financial Statements** provide a narrower view of the County's finances. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of the County are divided into three categories: (1) Governmental Funds include general, special revenue, debt service, and capital project funds; (2) Proprietary Funds include enterprise and internal service funds; and (3) Fiduciary Funds include investment trust, pension trust, and agency 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 governmental activities, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the

**COUNTY OF SAN MATEO**  
**Management's Discussion and Analysis (Continued)**  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2017

County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 20 individual governmental funds. Information for the General Fund and the major fund, San Mateo County Joint Powers Financing Authority (JPFA), is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Other governmental funds (special revenue funds including various special districts governed by the County's governing board, debt service fund, and capital project funds) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the *combining statements* in this report.

*The governmental fund financial statements can be found on pages 25-28 of this report.*

**Proprietary funds** are comprised of two different fund types:

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Medical Center, Airports, Coyote Point Marina Park and Recreation, and Housing Authority of the County of San Mateo (Housing Authority) operations.

*Internal service funds* are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its workers' compensation insurance, long-term disability insurance, employee benefits, personal injury and property damage insurance, fleet maintenance, and Tower Road construction functions. Because these services predominantly benefit governmental rather than business-type functions, they are included within *governmental activities* in the government-wide financial statements.

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

*The proprietary fund financial statements can be found on pages 29-32 of this report.*

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

*The fiduciary fund financial statements can be found on pages 33-34 of this report.*

The basic financial statements also incorporate *component units* that are legally separate entities for which the County is financially accountable. A component unit can be "blended" or "discretely presented" in the County's financial statements. A blended component unit functions, for all practical purposes, as an integral part of the primary government (the County), whereas a discretely presented component unit does not function as an integral part of the County.

The County's blended component units include JPFA, Housing Authority, In-Home Supportive Services Public Authority, and special districts governed by the County Board of Supervisors (including County service areas, sewer and sanitation, flood control, lighting and other special districts). First 5 San Mateo County (First 5) and Health Plan of San Mateo (HPSM) do not meet the requirements for blending; therefore, are separately reported as discretely presented component units of the County.

**COUNTY OF SAN MATEO**  
**Management's Discussion and Analysis (Continued)**  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2017

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

*The notes can be found on pages 35-88 of this report.*

**Required Supplementary Information** consists of: 1) *infrastructure assets reported using the modified approach* to account for the County's road subsystem; 2) *net pension liability and contributions schedules* for pension benefits; 3) *funding progress schedules* for other postemployment benefits; and 4) the *County's General Fund budgetary comparison schedule* to demonstrate compliance with the County's adopted budget.

*Required supplementary information can be found on pages 89-102 of this report.*

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

*Combining and individual fund statements and schedules can be found on pages 103-145 of this report.*

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, the County's net position may serve over time as a useful indicator of whether the County's financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the County's overall financial position. The County's net position is summarized as follows:

	<b>County's Net Position</b>							
	Governmental		Business-type		Total		Increase/(Decrease)	
	Activities		Activities				Amount	Percentage
	2017	2016	2017	2016	2017	2016		
Current and other assets	\$ 1,771,539	\$ 1,704,577	\$ 259,552	\$ 256,843	\$ 2,031,091	\$ 1,961,420	\$ 69,671	4%
Capital assets	1,004,781	969,889	80,060	78,743	1,084,841	1,048,632	36,209	3%
Total assets	<u>2,776,320</u>	<u>2,674,466</u>	<u>339,612</u>	<u>335,586</u>	<u>3,115,932</u>	<u>3,010,052</u>	<u>105,880</u>	4%
Deferred outflows of resources	406,805	208,340	71,733	34,492	478,538	242,832	235,706	97%
Long-term liabilities	570,015	599,168	14,467	14,410	584,482	613,578	(29,096)	-5%
Net pension liability	558,747	387,434	116,105	78,341	674,852	465,775	209,077	45%
Other liabilities	170,947	170,709	166,789	160,922	337,736	331,631	6,105	2%
Total liabilities	<u>1,299,709</u>	<u>1,157,311</u>	<u>297,361</u>	<u>253,673</u>	<u>1,597,070</u>	<u>1,410,984</u>	<u>186,086</u>	13%
Deferred inflows of resources	10,478	43,368	2,035	7,996	12,513	51,364	(38,851)	-76%
Net position:								
Net investment in capital assets	579,485	508,490	76,676	75,231	656,161	583,721	72,440	12%
Restricted	260,536	256,224	362	362	260,898	256,586	4,312	2%
Unrestricted	1,032,917	917,413	34,911	32,816	1,067,828	950,229	117,599	12%
Total net position	<u>\$ 1,872,938</u>	<u>\$ 1,682,127</u>	<u>\$ 111,949</u>	<u>\$ 108,409</u>	<u>\$ 1,984,887</u>	<u>\$ 1,790,536</u>	<u>\$ 194,351</u>	11%

**Analysis of Net Position.** The County's net position increased \$194 million, or 11%, to \$2.0 billion at June 30, 2017.

**Governmental Activities** increased the County's net position by \$191 million, or 11% to \$1.9 billion.

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**Total assets** increased \$102 million, or 4%, to \$2.8 billion. The significant changes in assets occurred in the following areas:

- *Cash and investments* increased by \$38 million. This increase was due primarily to \$24.8 million in unspent Measure K sales and use tax revenues, and \$13 million increase in Secured Property Taxes.
- *Receivables and loan receivable* increased \$12 million primarily due to \$6.2 million in net mortgage receivable, \$2.3 million in tax receivable, \$2.7 million in accrued mortgage interest and other interest income, and \$1.5 million loan receivable from Peninsula Clean Energy.
- *Due from other governmental agencies* increased by \$11 million primarily due to the timing of receipts in Medi-Cal revenues.
- *Capital assets* increased by \$36 million. The significant changes occurred in the following areas:
  - \$8.3 million increase in land purchase of Coastside Clinic, Middlefield property, and donation of the Thompson property.
  - \$11 million increase in infrastructure resulted from completion of the Eleanor Drive Sewer Rehabilitation Project and SMC Co Smart Corridors Project.
  - \$36 million increase in structure and improvements resulted from \$8 million donation of the Coyote Point Shooting Range, \$2.7 million for the purchase of Coastside Clinic building, \$1.3 million in replacement of the Youth Services Center's surveillance system, and \$23.8 million for Phase 2 of the Warm Shell Project at the Maple Street Correctional Center (MSCC). Partially offset by \$20 million decrease in construction in progress mainly due to the transfer of MSCC.

**Total liabilities** increased \$142 million, or 12% to \$1.3 billion. The significant changes in liabilities occurred in the following areas:

- *Net pension liability* increased \$171 million or 44% to \$558.7 million. This increase is a reflection of the actuarially determined amount required to provide pension benefits for both active and retired members.
- *Long-term liabilities (lease revenue and revenue refunding bonds)* decreased by \$29.1 million. The decrease was primarily due to \$36 million regularly scheduled debt payments, and accreted interest. Additionally, \$2 million was offset by the increase in compensated absences and \$5 million increase in estimated claims and other long term obligations.
- *Other liabilities* remained relatively the same in the current year.

**Business-Type Activities** increased the County's net position by \$3.5 million, or 3% to \$112 million.

Total assets increased \$4 million, or 1%, to \$340 million. The increase was primarily caused by the following:

- The *Medical Center's total assets* increased \$5.9 million. The significant changes are discussed below:
  - \$3.4 million increase in cash and cash equivalents due to increased in operating revenues.
  - \$1.7 million increase in net patient accounts receivable, grant interest, and other receivables. This is due to increased inpatient and outpatient visits.
  - \$3.8 million decrease in due from other County funds is a result of payments received on outstanding balances.
  - \$3.0 million increase in due from other governmental agencies because of outstanding balances related to Health Plan of San Mateo (HPSM) intergovernmental transfers (IGT) payable and the Medi-Cal 2020 Waiver

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receivable. This is due to timing of collections from the State.

- \$1.2 million increase in capital assets net of accumulated depreciation due to the acquisition of new equipment netted with current year's depreciation and amortization expense.
- The *Housing Authority's total assets* decreased \$2.8 million resulted primarily from the decrease in cash and investments as the U.S. Department of Housing and Urban Development (HUD) transitions excess housing assistance payments funds from the Housing Authority back to HUD held funds.

Total liabilities increased \$44 million, or 17%, to \$297 million. The increase was primarily due to the following:

- The *Medical Center's total liabilities* increased \$42.9 million. The significant changes are discussed below:
  - Recognition of an increase in the net pension liability as of June 30, 2017, amounting to \$37.3 million.
  - Increase of \$5.2 million in accounts payable and accrued salaries and benefits is mainly due to the timing of payment to vendors, employees and contractors.
  - Increase of \$0.4 million in due to other governmental agencies because of additional audit reserves for uncertainty associated with governmental reimbursement programs for patient services.

The **County's total net position** increased by \$194 million, or 11%, to \$2.0 billion as of June 30, 2017. The County's net position can be divided into three categories: net investment in capital assets, restricted, and unrestricted.

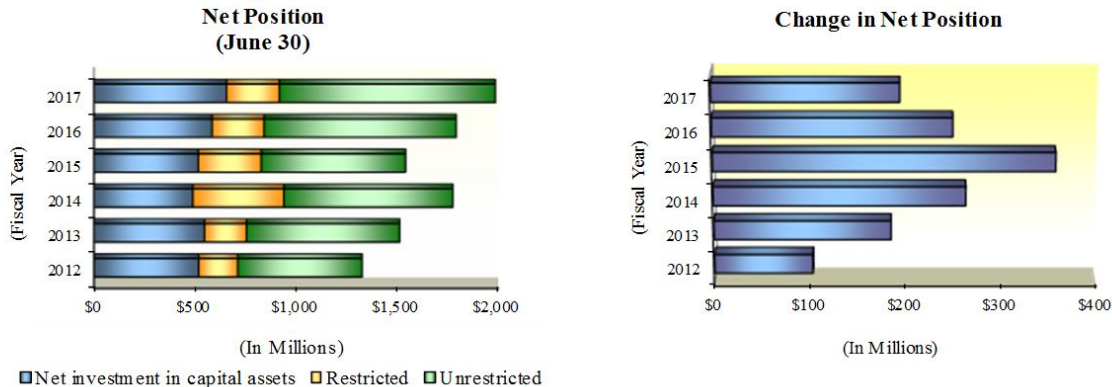
- 33%, or \$656 million, of the County's net position reflects its *investment in capital assets* (e.g., land, buildings and equipment); net of any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to citizens. These assets, therefore, are *not* available for future spending. Although the County's investment in capital assets is reported net of related debt, the resources needed to repay this debt are provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.
- 13%, or \$261 million, of the County's net position represents resources that are subject to external restrictions on how they may be used and therefore *restricted*.
- 54%, or \$1,068 million, of the County's net position represents resources that may be used to meet the County's ongoing obligations to citizens and creditors and therefore *unrestricted*.

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

	Governmental Activities		Business-type Activities		Total		Increase/(Decrease)	
	2017	2016	2017	2016	2017	2016	Amount	Percentage
<b>Revenues:</b>								
Program revenues:								
Charges for services	\$ 173,974	\$ 173,088	\$ 323,154	\$ 303,391	\$ 497,128	\$ 476,479	\$ 20,649	4%
Operating grants and contributions	501,166	479,695	1,488	3,316	502,654	483,011	19,643	4%
Capital grants and contributions	-	-	6,431	5,226	6,431	5,226	1,205	23%
Total program revenues	675,140	652,783	331,073	311,933	1,006,213	964,716	41,497	4%
General revenues:								
Property taxes	514,936	471,985	-	-	514,936	471,985	42,951	9%
Other taxes	133,303	127,944	-	-	133,303	127,944	5,359	4%
Unrestricted interest and investment earnings	14,859	21,026	(222)	776	14,637	21,802	(7,165)	-33%
Miscellaneous	42,246	27,188	422	283	42,668	27,471	15,197	55%
Total general revenues	705,344	648,143	200	1,059	705,544	649,202	56,342	9%
Total revenues	1,380,484	1,300,926	331,273	312,992	1,711,757	1,613,918	97,839	6%
<b>Expenses:</b>								
Program expenses:								
General government	130,331	111,332	-	-	130,331	111,332	18,999	17%
Public protection	403,393	357,729	-	-	403,393	357,729	45,664	13%
Public ways and facilities	23,460	20,058	-	-	23,460	20,058	3,402	17%
Health and sanitation	304,204	275,293	-	-	304,204	275,293	28,911	11%
Public assistance	243,469	222,255	-	-	243,469	222,255	21,214	10%
Recreation	15,483	13,171	-	-	15,483	13,171	2,312	18%
Interest on long-term liabilities	19,068	22,187	-	-	19,068	22,187	(3,119)	-14%
San Mateo Medical Center	-	-	290,389	264,854	290,389	264,854	25,535	10%
Airports	-	-	3,808	3,318	3,808	3,318	490	15%
Coyote Point Marina	-	-	1,234	1,090	1,234	1,090	144	13%
Housing Authority	-	-	82,567	72,783	82,567	72,783	9,784	13%
Total expenses	1,139,408	1,022,025	377,998	342,045	1,517,406	1,364,070	153,336	11%
Excess (deficiency) before special item and transfers	241,076	278,901	(46,725)	(29,053)	194,351	249,848	(55,497)	-22%
Special item	-	(603)	-	-	-	(603)	603	100%
Transfers	(50,265)	(49,923)	50,265	49,923	-	-	-	0%
<b>Change in net position</b>	190,811	228,375	3,540	20,870	194,351	249,245	(54,894)	-22%
Net position - beginning	1,682,127	1,453,752	108,409	87,539	1,790,536	1,541,291	249,245	16%
Net position - ending	\$ 1,872,938	\$ 1,682,127	\$ 111,949	\$ 108,409	\$ 1,984,887	\$ 1,790,536	\$ 194,351	11%

The County is able to report positive balances in all reported categories of net position, both for the County as a whole, and for its separate governmental and business-type activities. The same held true for the prior fiscal year. The charts below provide a snapshot of County's net position and change in net position for the past five fiscal years:



The reasons for the overall increase in net position are discussed in the following sections for governmental activities and business-type activities.



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**Governmental Activities.** Governmental activities increased the County's net position by \$191 million to \$1.9 billion for the fiscal year ended June 30, 2017. Such increase accounted for 98% of the County's overall increase in net position.

**Analysis of Governmental Activities - Revenues**

**Program Revenues** accounted for 49% of the County's overall governmental activities revenues. Program revenues consisted of three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. Program revenues increased \$22.4 million, or 3%, from the prior year. The significant changes included the following:

- *Charges for services* increased \$0.9 million, or 1%, to \$174 million due primarily to the increase in Medi-Cal revenues and third party reimbursements.
- *Operating grants and contributions* increased \$21.5 million, or 4%, to \$501 million. The increase was primarily due to the following:
  - \$9.4 million increase from the County's Crystal Springs Dam Bridge project which is federally reimbursable.
  - \$3.6 million increase from Medi-Cal State allocation.
  - \$3.0 million increase from increased CalWORKs and Foster Care revenues, offset by \$1.5 million decrease due to declining Aid payment caseloads.
  - \$1.9 million increase from State Aid-Public Safety funding received to pay for the personnel costs at the Maguire Correctional Center.
  - Behavioral Health received \$1.3 million in SB90 audit settlement for FYs 1996-99.
  - \$1 million RDA (Redevelopment Agency) proceeds from sale of assets, offset by reduction of \$2.1 million in SB90 state-mandated reimbursement revenues.

**General Revenues** increased \$57.2 million, or 9%, from the prior year. General revenues accounted for 51% of the County's overall governmental activities revenues. The significant changes included the following:

- *Property Tax Revenues* increased \$43 million, or 9%, to \$515 million. The significant changes included the following:
  - \$17 million increase in secured tax apportioned to the County general fund which represents an 8% increase over last year. The 8% increase is consistent with the countywide increase in property assessment roll of 7.7%.
  - \$12 million increase in total excess ERAF by \$16 million in FY 17 due to the increase in secured property tax revenue for ERAF. The County general fund's share of excess ERAF is 73% or \$12 million of the increase.
  - \$7 million or 8% increase in vehicle license fee (VLF) which is consistent with the 7.6% countywide assessed valuation growth in FY 17.
  - In FY 16-17 Redevelopment Property Tax Trust Fund (RPTTF) revenue increased by \$22 million. Negotiated pass-through is computed as a percentage of total RPTTF revenue, which is a \$3.8 million increase in County negotiated pass-through revenue.
  - \$5 million decrease in required funding for the former Redevelopment Agencies (RDA) obligations, which caused an increase in residual revenue. The County's estimated share of residual covers between 20% to 25% over all 13 former RDAs. With an average of 23%, the increase in County residual resulted in a decrease in obligations of about \$1.1 million.

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- *Other Tax Revenues* increased \$5.4 million, or 4%, to \$133 million primarily due to \$3 million increase in Measure K sales tax revenue and \$1.9 million increase in Public Safety (Prop. 172) half-cent sales tax.
- *Unrestricted Interest and Investment Earnings* decreased \$6.2 million, or 29%, primarily due to reduced earnings on investments.
- *Miscellaneous Revenues* increased \$15 million, or 55% primarily due to \$1.1 million increase in VLF, \$1.6 million increase in Behavioral Health’s 2011 Realignment growth, \$2.2 million increase from Probation department’s AB-109 realignment charges, \$8 million donation given to the Sheriff’s Office by the Thomas and Stacey Siebel Foundation for the construction of the Coyote Point indoor shooting range.

**Analysis of Governmental Activities – Expenses**

Expenses for *General Government* increased by \$19 million, or 17%. This increase was due to \$15 million increase in pension expense and \$1 million increase in other post employment benefits expense.

Expenses for *Public protection* increased by \$46 million, or 13%. The increase was due to \$26 million increase due to rent and related payments for the Maple Street Correctional Center (MSCC) facility, \$6.4 million increase in personnel and operating expenses of the MSCC facility, \$4.8 million for food services contracted by the Sheriff’s office, \$2.6 million increase in personnel costs for the Maguire Correctional Center, and capital outlay, \$1.3 million increase in purchase of new vehicles to replace the aging vehicle fleet.

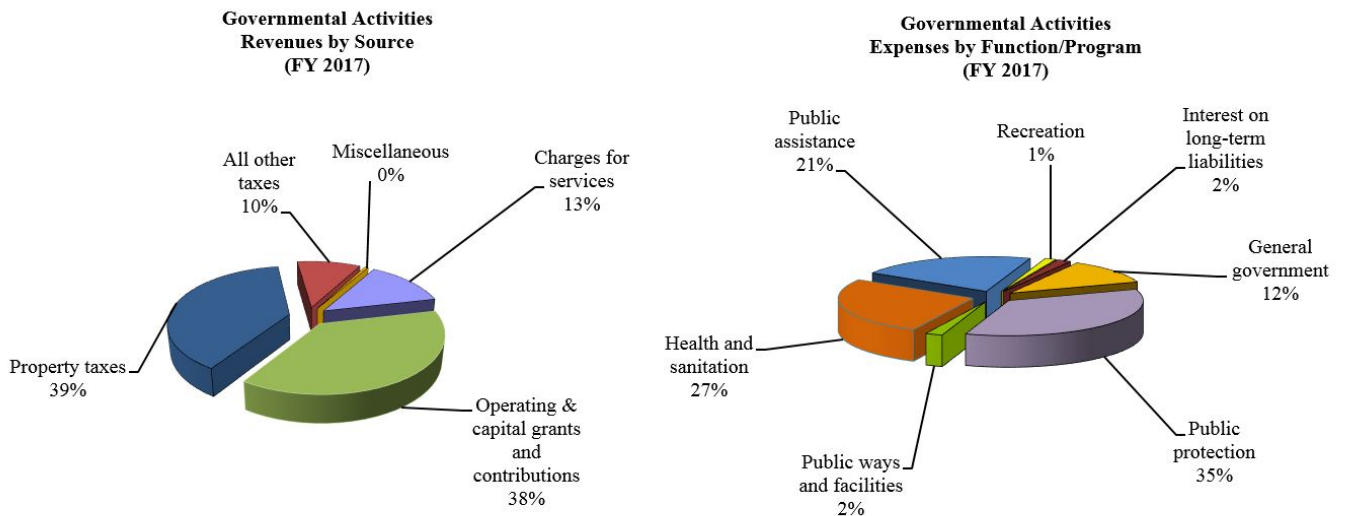
Expenses for *Public ways and facilities* increased by \$3 million or 17%. The increase was due to \$2.4 million increase in road infrastructure improvements constructed during the fiscal year.

Expenses for *Health and sanitation* increased by \$29 million, or 11%. The increase was due to \$26 million expenditures associated with the ‘Whole Person Care’ program, and \$3.1 million increase in contract cost to provide expanded Medi-Cal services.

Expenses for *Public assistance* increased by \$21 million, or 10%. The increase is due to a \$5.6 million increase in operating expenses to commensurate the growth in 1991 Realignment of Local Health and Welfare, and \$7.9 million increase salary and benefits adjustments in social services programs.

Expenses for *Recreation* increased by \$2 million, or 18%. This increase was due primarily to salaries and benefits.

For the fiscal year ended June 30, 2017, revenues and expenses for governmental activities are as follows:



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**Transfers out** to business-type activities were relatively the same in the current year.

**Business-type Activities.** The net position for business-type activities decreased \$3.5 million to \$112 million.

**Analysis of Business-type Activities – Revenues and Expenses**

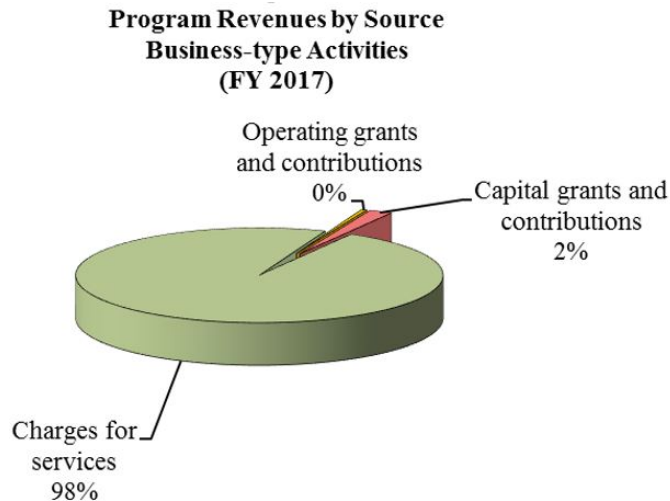
**Medical Center.** The net position of Medical Center increased \$5.7 million, or 16%, to \$41 million.

The Medical Center’s net operating loss increased \$12.9 million, or 35%, to \$50.1 million. The significant changes included the following:

- Other program revenues increased by \$4.1 million.
- Sales tax realignment increased by \$15 million.
- Employee salaries and benefits increased \$8.7 million resulting from the cost of salaries and benefits due to renegotiations of union agreements.
- Pension expense increased \$10.9 million due to the results of actuarial analysis performed under the provisions of GASB Statement No. 68, which increased the net pension liability.
- Drugs increased \$0.9 million from the previous year. This increase was due to market increases in cost.
- Contract provider services increased by \$2.7 million due to higher claims for patients enrolled in the County’s health coverage program.
- Other fees and purchased services increased by \$2.8 million due to the expenses related to the Medi-Cal 2020 Waiver’s Whole Person Care program. These are offset by revenues received and posted in this program.

**Housing Authority.** The net position of the Housing Authority decreased \$2.8 million, or 8%, to \$34.3 million. Major factors for the Housing Authority’s net decrease of \$2.8 million included \$6.9 million increase in federal revenue for rental programs needs, Continuum of Care grant and Veterans Affairs Supportive Housing (VASH) awards, and \$0.9 million due to land donation. This increase was offset by \$8.8 million increases in Housing Assistance Payment (HAP) expenses, and \$0.9 million increase in general expenses due to increases in Provider Based program expansion, Housing Locator services and settlement payment.

Program revenues for business-type activities are distributed as follows:



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**FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS**

**Governmental funds.** As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of unrestricted resources. Such information is useful in assessing the County’s financing requirements. In particular, assigned and unassigned fund balance at the end of the fiscal year may serve as a useful measure of the County’s net resources available for spending.

As of June 30, 2017, the County’s governmental funds reported combined fund balances of \$1.2 billion at year-end, an increase of \$54 million, or 5%, compared to the prior fiscal year. Approximately 75% of the combined amount, or \$901 million, constitutes fund balance that is available for appropriation in the upcoming year. The remainder of the fund balance totaling \$307 million is nonspendable and restricted, including \$41 million “not in spendable form” for items that are not expected to be converted into cash such as inventories and long-term loans, and \$266 million restricted for specific purposes.

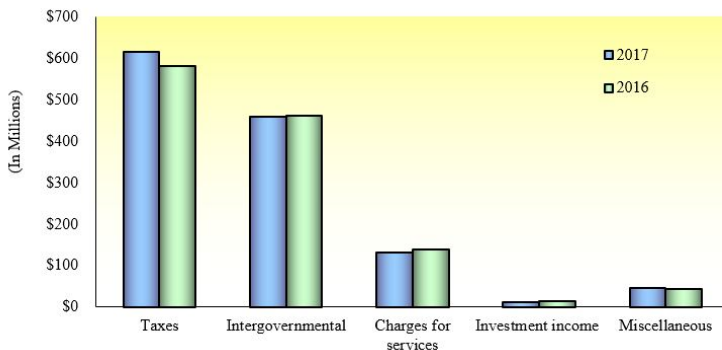
The *General Fund* is the primary operating fund of the County. At June 30, 2017, the General Fund’s total assigned and unassigned fund balance (*unrestricted*) was \$801 million with total fund balance at \$936 million. As a measure of liquidity, total unrestricted fund balance as well as total fund balance can be compared to total fund expenditures. Total unrestricted fund balance represents 76% of total fund expenditures, and total fund balance represents 89% of total fund expenditures. The overall fund balance in the General Fund has increased \$62 million during the current fiscal year.

For the fiscal years ended June 30, 2017 and 2016, revenues for the General Fund are distributed as follows:

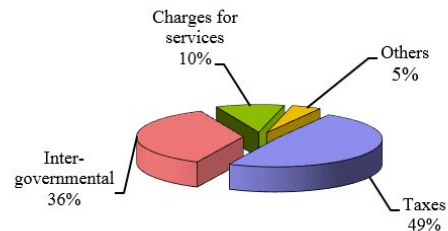
**General Fund - Revenues by Source**  
**(In Thousands)**

Revenues by Source	FY 2017		FY 2016		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 616,435	49%	\$ 580,840	47%	\$ 35,595	6%
Licenses and permits	7,504	1%	7,365	1%	139	2%
Intergovernmental	459,724	36%	460,412	37%	(688)	0%
Charges for services	131,324	10%	137,345	11%	(6,021)	-4%
Fines, forfeitures, and penalties	8,052	1%	9,819	1%	(1,767)	-18%
Rents and concessions	1,546	0%	1,666	0%	(120)	-7%
Investment income	10,853	1%	14,607	1%	(3,754)	-26%
Other	28,643	2%	23,760	2%	4,883	21%
<b>Total</b>	<b>\$1,264,081</b>	<b>100%</b>	<b>\$1,235,814</b>	<b>100%</b>	<b>\$ 28,267</b>	<b>2%</b>

**General Fund - Revenues by Source**



**General Fund - Revenues by Source (FY 2017)**



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

*Taxes* increased by \$36 million, or 6%. See explanations on page 11.

*Charges for services* decreased by \$6 million, or 4%. See explanations on page 11. The decrease on page 11 was primarily from the timing in revenue recognition discussed in the preceding paragraph.

*Fines, forfeitures, and penalties* decreased by \$1.8 million, or 18% primarily due to decrease in revenue from court fines.

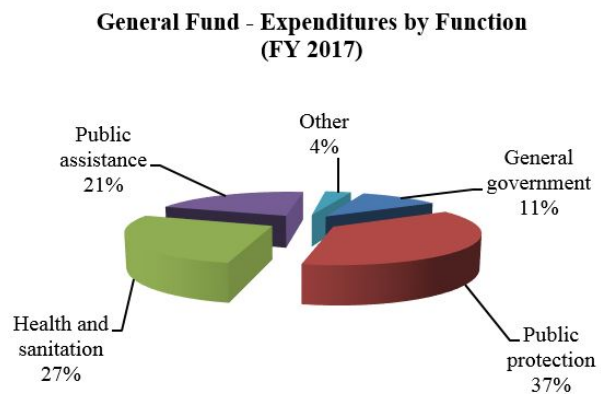
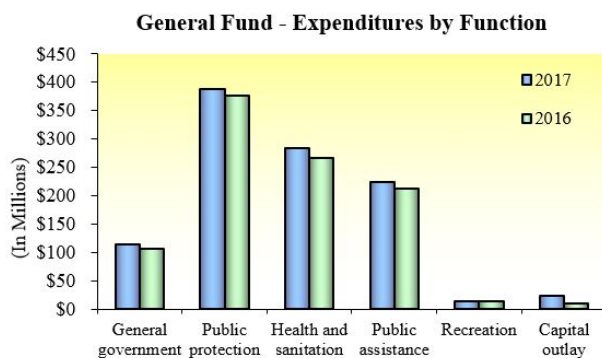
*Investment income* decreased by \$3.8 million, or 26%, due primarily to reduced investment earnings and lower fair market valuation comparing to prior year.

Other revenue increased \$4.9 million, or 21%, due mainly to \$3 million donation by the Thomas and Stacey Siebel Foundation and \$1 million increased in correctional health reimbursement.

For the fiscal years ended June 30, 2017 and 2016, expenditures for the General Fund are distributed as follows:

**General Fund - Expenditures by Function**  
**(In Thousands)**

Expenditures by Function	FY 2017		FY 2016		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 114,264	11%	\$ 106,369	11%	\$ 7,895	7%
Public protection	387,718	37%	376,640	38%	11,078	3%
Health and sanitation	283,836	27%	266,788	27%	17,048	6%
Public assistance	224,640	21%	212,631	22%	12,009	6%
Recreation	14,629	1%	12,992	1%	1,637	13%
Capital outlay	22,728	2%	9,020	1%	13,708	152%
<b>Total</b>	<b>\$1,047,815</b>	<b>100%</b>	<b>\$ 984,440</b>	<b>100%</b>	<b>\$ 63,375</b>	<b>6%</b>



**COUNTY OF SAN MATEO**  
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**General Fund Expenditures.** Significant changes in expenditures are as follows:

Expenditures for *General Government* increased by \$7.9 million, or 7%. See explanations on page 12.

Expenditures for *Public Protection* increased by \$11.1 million, or 3%. See explanations on page 12.

Expenditures for *Health and Sanitation* increased by \$17.0 million, or 6%. See explanations on page 12.

Expenditures for *Public Assistance* increased by \$12.0 million, or 6%. See explanations on page 12.

Expenditures for *Recreation* increased by \$1.6 million, or 13%. See explanations on page 12.

*Capital Outlay* increased by \$13.7 million, or 152%. The increase was primarily due to a \$8.1 million increase in land and building for the purchase of Coastside Clinic property, a \$2 million increase in the purchase of land at Middlefield Road property, and \$3.5 million increase in structure and improvement expenditures.

**Joint Powers Financing Authority** is a major governmental fund. During FY 2016-17, JPFA's fund balance decreased \$4.9 million to \$26.6 million. The decrease resulted predominantly from \$0.9 million in expenditures on the Maple Street Correctional Center, \$1.3 million in the Youth Services Center, and \$1.7 million in the Skylonda Fire Station.

**Nonmajor governmental funds** experienced a \$3.2 million decrease in fund balance as a whole. The significant changes occurred in the following areas:

*Capital Project Fund.* The overall fund balance for capital project funds decreased \$3.1 million to \$99 million. This decrease is mainly due to the transfer from the Accumulated Capital Outlay Fund to fund the County Office Building remodel project.

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

*Enterprise Funds.* The overall net position of enterprise funds increased \$3.8 million, with \$2.9 million from major enterprise funds (Medical Center and Housing Authority) and the remaining from non-major enterprise funds (Airports and Coyote Point Marina). Discussion on major enterprise funds can be found in the business-type activities section.

Airports Fund's net position increased \$0.9 million to \$28.8 million, due mainly in the increased in State and federal grants revenue.

Coyote Point Marina Fund's net position stayed the same as last year. Overall, the Fund operated at nearly break-even.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund's final budget exceeded the original budget by \$12.4 million, or 0.7%, for the fiscal year ended June 30, 2017. Supplemental appropriations were sponsored through unanticipated revenues. In most cases, unanticipated revenues were appropriated within budget units receiving the revenues in the same accounting period.

During FY 2016-17, the General Fund realized a total of \$12.4 million unanticipated revenues primarily from the following:

- \$4.2 million to Public Health, Policy and Planning, and Behavioral Health and Recovery to improve the quality of care, access, and efficiency within five years for the target population.
- \$3.0 million from the Thomas and Stacey Siebel Foundation for the construction of the indoor firearms training facility at the Coyote Point Recreational facility.

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- \$1.9 million from the Department of Transportation to promote walking and bicycling.
- \$1.5 million from higher reimbursement than originally anticipated from the Election Office.
- \$0.9 million from California Department of Social Services Work Opportunity and Responsibility to Kids (CalWORKs) to support rapid re-housing services, and fostering housing stability for homeless families in the program.
- \$0.9 million from other sources for various purposes.

Actual General Fund revenues were below budgeted by \$117 million, or 8.6%. Revenues from intergovernmental agencies were below anticipated projections by \$15.2 million, while other financing sources were \$5.2 million lower than budget. Actual tax revenues, however, fell below the total budgeted by \$0.9 million due primarily to lower than expected income from sales and use taxes (Measure K), property tax in-lieu of sales taxes, property transfer taxes, and vehicle rental business license tax. The overall revenue from the remaining sources was \$95.6 million lower than expected.

Actual General Fund expenditures were below budgeted by \$519 million, or 29%. The unspent appropriations can be found in the following areas:

- \$168.8 million unspent appropriations in contingencies resulted from cognizant long-term financial planning.
- \$68.1 million unspent appropriations in other financing uses due primarily to major capital projects funded by Non-Departmental Services either not yet started or completed including planned improvements to the Maguire Correctional Facility and the Maple Street Homeless Shelter, siting and design for the new homeless shelter, replacement of the Coyote Point Animal Shelter, replacement of the Memorial Park Wastewater and Portable Water Systems, improvements to Alpine Trail and Mirada Road, various maintenance and energy conservation projects, various Americans with Disabilities Act (ADA) barrier removal projects, and ongoing master planning for the Redwood City, San Mateo and Tower Road campuses.
- \$126.4 million unspent appropriations in services and supplies due primarily to delays in one-time and ongoing Measure K funded initiatives including North Fair Oaks Forward and Parks projects, countywide and department-specific IT related projects, County leased facility tenant improvement projects, and prudent spending.
- \$86.7 million unspent appropriations in salaries and benefits due primarily to savings from unfilled positions and the recording of \$33.6 million in additional pension contributions as a “special item” rather than benefit expenditures.
- \$97.6 million unspent appropriations in other charges due primarily to delays in Measure K funded initiatives including the Big Lift, Housing Projects and District-Specific grants and loans, lower than anticipated CalWORKs and Public Assistance payments, deferred loan payments to the cities of Half Moon Bay and Brisbane for their new libraries, unspent contingent operational expenses, and prudent spending.
- \$12 million unspent appropriations in capital assets due primarily to planned equipment and capital IT purchases not yet made, including equipment in the Sheriff's correctional facilities and Measure K funded replacement of fire apparatus and safety equipment.

The overall unspent appropriation discussed above was offset by unrealized *intrafund transfers* (reimbursements from General Fund departments) of \$43.3 million.

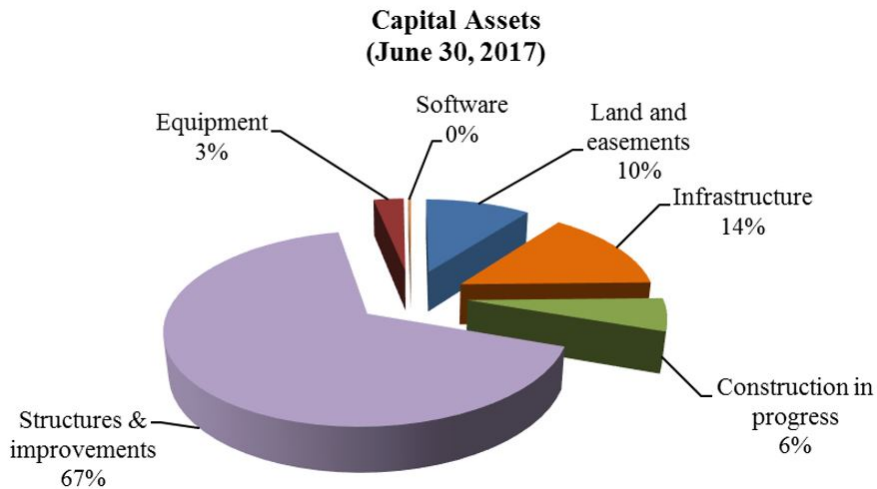
**COUNTY OF SAN MATEO**  
**Management’s Discussion and Analysis (Continued)**  
 Required Supplementary Information (Unaudited)  
 For the Fiscal Year Ended June 30, 2017

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The County’s investment in capital assets increased \$36 million, or 3%, to \$1,085 million (net of accumulated depreciation). The investment includes land, easements, infrastructure, construction in progress, structures and improvement, equipment, and software. The County’s capital assets as of June 30, 2017 and 2016, are comprised of the following:

	<b>Capital Assets Net of Accumulated Depreciation (In Thousands)</b>							
	Governmental Activities		Business-type Activities		Total		Increase/(Decrease)	
	2017	2016	2017	2016	2017	2016	Amount	Percentage
Land and easements	\$ 97,420	\$ 89,084	\$ 14,247	\$ 13,157	\$ 111,667	\$ 102,241	\$ 9,426	9%
Infrastructure	155,841	144,825	-	-	155,841	144,825	11,016	8%
Construction in progress	54,876	77,313	6,353	4,224	61,229	81,537	(20,308)	-25%
Structures and improvements	676,697	639,330	44,897	46,137	721,594	685,467	36,127	5%
Equipment	19,646	17,635	12,369	11,915	32,015	29,550	2,465	8%
Software	301	1,702	2,194	3,310	2,495	5,012	(2,517)	-50%
Total	<u>\$ 1,004,781</u>	<u>\$ 969,889</u>	<u>\$ 80,060</u>	<u>\$ 78,743</u>	<u>\$ 1,084,841</u>	<u>\$ 1,048,632</u>	<u>\$ 36,209</u>	<u>3%</u>

The County’s capital assets are comprised of and distributed as follows:



*Additional information on the County’s capital assets can be found in Note 8 on pages 62-63 of this report.*

*Infrastructure assets* reported under the modified approach are not subject to depreciation per GASB Statement No. 34. The County reports its maintained pavement subsystem of the road network totaling \$92 million using the modified approach. The County manages its maintained pavement subsystem of the road network using the Metropolitan Transportation Commission’s Pavement Management Program (Program). This Program establishes a Pavement Condition Index (PCI) on a scale of zero to one hundred (0 – 100) for each road segment. Roads with a PCI of 40 or higher are considered in “Fair” or better condition, and roads with a PCI of 55 or higher in “Good” or better condition. The County policy requires that at least 75 percent of its primary maintained road subsystem (roads with structural sections) be maintained at a PCI of 55 or higher, and at least 65 percent of its secondary maintained pavement subsystem (roads without structural sections) at a PCI of 40 or higher.

A complete condition assessment on the County’s maintained pavement subsystem is performed every three years. From the latest complete condition assessment in FY 2015-16, the County’s maintained pavement subsystem was rated at a PCI of 72 based on a weighted average by area for the primary roads and 59 for the secondary roads.



**COUNTY OF SAN MATEO**  
**Management's Discussion and Analysis (Continued)**  
 Required Supplementary Information (Unaudited)  
 For the Fiscal Year Ended June 30, 2017

PCI Condition Rating	2016	2016	2013	2013	2010	2010
	Number of Miles	Percent	Number of Miles	Percent	Number of Miles	Percent
<b>Primary:</b>						
Good to excellent (55-100)	136.07	86.8%	139.19	89.3%	138.22	88.8%
Substandard to fair (0-54)	20.66	13.2%	16.73	10.7%	17.35	11.2%
Total	<u>156.73</u>	<u>100.0%</u>	<u>155.92</u>	<u>100.0%</u>	<u>155.57</u>	<u>100.0%</u>
<b>Secondary:</b>						
Fair to excellent (40-100)	130.07	81.6%	128.16	80.3%	117.05	73.2%
Substandard (0-39)	29.30	18.4%	31.36	19.7%	42.77	26.8%
Total	<u>159.37</u>	<u>100.0%</u>	<u>159.52</u>	<u>100.0%</u>	<u>159.82</u>	<u>100.0%</u>

Major events related to capital assets included the following:

- *Construction of Maple Street Correctional Center.* In December 2010 the County purchased real properties at Chemical Way in Redwood City to build a 6-level new jail for incarcerated men and women. The jail project was budgeted for \$165 million to house 768 beds as well as administrative and support facilities. The County agreed to finance \$25.6 million to affix phase two of the warm shell to the facility. Phase 1 (the main facility) of the new correctional center was completed in FY 2015-16. Phase 2 (warm shell) was completed in FY 2016-17 with corrections of all punch list items. The total project cost since inception through June 30, 2017 was \$195.6 million (\$171 million reported in FY 2015-16 structures and improvements and \$23.8 million transferred from construction-in-progress to structures and improvements during FY 2016-17).
- *Youth Services Center.* The replacement of the Youth Services Center's surveillance system was completed in May 2017. The total cost of this project from inception through June 30, 2017 was \$1.5 million. Of this amount, \$1.3 million was incurred during FY 2016-17.
- *Coyote Point Shooting Range.* In May 2016, the Thomas and Stacey Siebel Foundation and a private donor jointly donated the construction of an indoor firearms training facility valued at approximately \$8 million on the County property at the Coyote Point Recreational Facility.
- *Roads Infrastructure.* In FY 2016-17, there was an increase of \$11 million in road infrastructure due to the completion of Eleanor Drive Sewer Rehabilitation Project and SMCo Smart Corridors Project.
- *Coastside Clinic.* In previous years, the San Mateo Health System leased a portion of the building for use as a satellite clinic to provide a limited scope of medical services. In February 2017, the County acquired the land and building for \$8.1 million.

Major capital project commitments include the following:

- *Skylonda Fire Station.* This project will replace the existing barracks and offices at Station 58 and adds a community room in a new 6,000 square foot facility. The project underwent a series of framing modifications which are mostly complete. The permit for the modification work is expected to be issued in July 2017. Interior construction has also begun. The total project cost is estimated to be \$8.5 million with anticipated completion by December 2017.

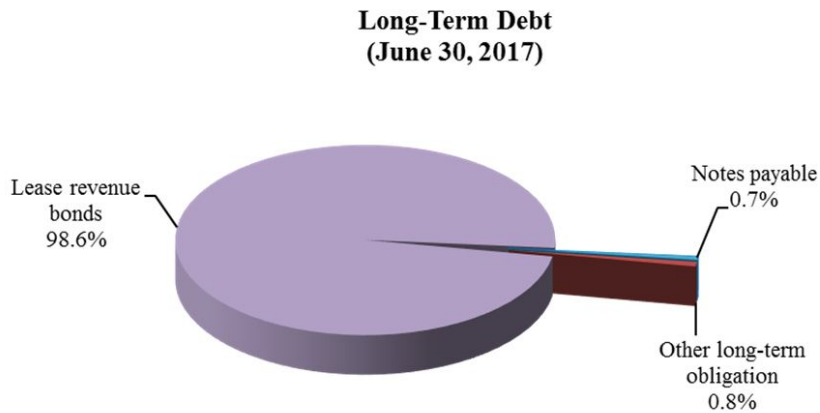
**Long-Term Debt.** The County's total debt decreased \$35 million, or 7%, to \$476 million as of June 30, 2017. The decrease is mainly caused by paying the scheduled retirement of outstanding debts. As indicated in the table below, the County's total debt is primarily comprised of \$469 million in lease revenue and revenue refunding bonds, \$3 million in notes payable, and \$3.8 million in other long-term obligations.

**COUNTY OF SAN MATEO**  
**Management's Discussion and Analysis (Continued)**  
 Required Supplementary Information (Unaudited)  
 For the Fiscal Year Ended June 30, 2017

**Long-Term Debt**  
**(In Thousands)**

	Governmental Activities		Business-type Activities		Total		Increase/(Decrease)	
	2017	2016	2017	2016	2017	2016	Amount	Percentage
Lease revenue and revenue refunding bonds (including accreted interest)	\$ 468,956	\$ 504,740	\$ -	\$ -	\$ 468,956	\$ 504,740	\$ (35,784)	-7%
Notes payable	-	-	3,116	3,511	3,116	3,511	(395)	-11%
Other long-term obligations	2,613	2,946	1,158	-	3,771	2,946	825	28%
<b>Total</b>	<b>\$ 471,569</b>	<b>\$ 507,686</b>	<b>\$ 4,274</b>	<b>\$ 3,511</b>	<b>\$ 475,843</b>	<b>\$ 511,197</b>	<b>\$ (35,354)</b>	<b>-7%</b>

The County's debts as of June 30, 2017, are distributed as follows:



Additional information on the County's long-term debt can be found in Note 10 on pages 65-68 of this report.

Major events related to the long-term debts included the following:

- *Scheduled Retirement of Outstanding Debt.* The County retired a total of \$36.2 million in outstanding lease revenue bonds, and revenue refunding bonds including amortization of premiums and discounts, based on the debt service payment schedules.

County Ordinance No. 3773 limits the County annual debt service to 4% of the average annual County total budget for the current and the preceding four fiscal years. The debt service limit for FY 2016-17 was \$91.8 million. The amount applicable to the debt service limit was \$52.8 million, which was \$39.0 million, or 42.5%, less than authorized.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County's economy continues to improve. The following economic factors were considered in the preparation of the County's final budget for FY 2017-18.

- As of June 2017, the unemployment rate in San Mateo County remains the lowest in the State at 2.9%.
- With the close of the assessment rolls, overall assessed value for secured property (real property) is anticipated to grow 7.5% for FY 2017-18. A 1% increase in the secured roll generates about \$3.4 million in General Fund discretionary income.

**COUNTY OF SAN MATEO**  
**Management's Discussion and Analysis (Continued)**  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2017

- Housing prices and commercial rents continue to climb. For June 2017 the median single family home price was \$1.4 million, representing an increase of 7.8% over June 2016. The average asking rent price for commercial space increased 1.4% to \$5.08 per square feet per month as of June 2017, from \$5.01 per square feet per month as of June 2016.
- The County's taxable sales have stagnated the past four years due to a number of factors, including lower fuel prices, use of more fuel efficient vehicles, and the increasing trend towards online sales. The County's reliance on fuel prices and consumption, particularly in the unincorporated San Francisco International Airport area, has offset sales tax growth in other business sectors. The County is projecting moderate 2% growth for both its Measure K Half Cent Sales Tax and the Bradley-Burns One Cent Sales Tax in FY 2017-18.

In September 2017 the County Board adopted the final budget of \$2.8 billion for FY 2017-18.

**REQUEST FOR INFORMATION**

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, 4<sup>th</sup> Floor, Redwood City, CA 94063.

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

- SamCERA at 100 Marine Parkway, Suite 125, Redwood Shores, CA 94065
- Housing Authority of the County of San Mateo at 264 Harbor Boulevard, Building A, Belmont, CA 94002
- First 5 San Mateo County at 1700 S. El Camino Real, Suite 405, San Mateo, CA 94402
- Health Plan of San Mateo at 701 Gateway Blvd., Suite 400, South San Francisco, CA 94080



**Basic Financial Statements -**  
Government-Wide Financial Statements

**COUNTY OF SAN MATEO**  
**Statement of Net Position**  
**June 30, 2017**  
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	First 5 San Mateo County	Health Plan of San Mateo (December 31, 2016)
<b>ASSETS</b>					
Cash and investments	\$ 1,303,481	\$ 115,550	\$ 1,419,031	\$ 16,396	\$ 602,497
Restricted cash and investments	15,963	219	16,182	-	300
Receivables (net)	169,696	17,191	186,887	931	14,345
Due from other governmental agencies	158,703	90,548	249,251	-	97,316
Inventories	560	3,258	3,818	-	-
Other assets	10,711	5,052	15,763	-	7,586
Internal balances	6,431	(6,431)	-	-	-
Notes/Loans receivable	4,654	10,249	14,903	-	-
Net pension asset	-	-	-	-	1,377
Net OPEB asset	101,340	23,916	125,256	165	-
Capital assets:					
Nondepreciable	244,310	20,600	264,910	-	15,668
Depreciable, net	760,471	59,460	819,931	-	60,383
Total assets	<u>2,776,320</u>	<u>339,612</u>	<u>3,115,932</u>	<u>17,492</u>	<u>799,472</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Unamortized losses on refunding of debts	15,525	-	15,525	-	-
Pension contributions subsequent to measurement date	164,147	26,037	190,184	177	-
Changes of pension-related assumptions	66,072	13,123	79,195	88	3
Changes in proportionate share of net pension liability	1,180	235	1,415	2	-
Difference in actual and proportionate share of pension contributions	862	168	1,030	1	-
Differences between expected and actual pension experience	35,285	7,055	42,340	48	300
Differences between projected and actual earnings on pension investments	123,734	25,115	148,849	176	779
Total deferred outflows of resources	<u>406,805</u>	<u>71,733</u>	<u>478,538</u>	<u>492</u>	<u>1,082</u>
<b>LIABILITIES</b>					
Accounts payable	51,110	15,734	66,844	2,330	1,851
Payable from restricted cash and investments	-	219	219	-	-
Accrued interest payable	6,000	114	6,114	-	-
Accrued salaries and benefits	25,888	6,509	32,397	58	-
Accrued liabilities	14	442	456	-	169,192
Due to other governmental agencies	20,035	142,765	162,800	-	330,835
Unearned revenues	67,793	1,002	68,795	-	-
Deposits	107	4	111	-	-
Long-term liabilities:					
Net pension liability - due beyond one year	558,747	116,105	674,852	771	-
Net OPEB obligation - due beyond one year	-	36	36	-	-
Lease revenue and revenue refunding bonds - due within one year	37,201	-	37,201	-	-
Lease revenue and revenue refunding bonds - due beyond one year	431,755	-	431,755	-	-
Notes payable - due within one year	-	410	410	-	-
Notes payable - due beyond one year	-	2,706	2,706	-	-
Other long-term obligations - due within one year	141	-	141	-	-
Other long-term obligations - due beyond one year	2,472	1,158	3,630	-	-
Estimated claims - due within one year	17,366	-	17,366	-	-
Estimated claims - due beyond one year	36,329	-	36,329	-	-
Compensated absences - due within one year	34,118	9,982	44,100	52	-
Compensated absences - due beyond one year	10,633	175	10,808	14	-
Total liabilities	<u>1,299,709</u>	<u>297,361</u>	<u>1,597,070</u>	<u>3,225</u>	<u>501,878</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unamortized inflows of resources on refunding debts	47	-	47	-	-
Differences between expected and actual pension experience	9,961	1,941	11,902	13	299
Changes of pension-related assumptions	-	-	-	-	955
Difference in actual and proportionate share of pension contributions	470	94	564	1	-
Total deferred inflows of resources	<u>10,478</u>	<u>2,035</u>	<u>12,513</u>	<u>14</u>	<u>1,254</u>
<b>NET POSITION</b>					
Net investment in capital assets	579,485	76,676	656,161	-	76,050
Restricted for:					
Behavioral health services	6	-	6	-	-
District Attorney case management system	290	-	290	-	-
Health realignment	4,826	-	4,826	-	-
Calworks	178	-	178	-	-
Social services realignment	42,067	-	42,067	-	-
Medi-Cal	22,671	-	22,671	-	-
Health services programs	7,691	-	7,691	-	-
California assistance program for immigrants	7,096	-	7,096	-	-
Wraparound program	7,804	-	7,804	-	-
Other social services programs	1,789	-	1,789	-	-
Debt services	47,752	-	47,752	-	-
Road improvement	25,779	-	25,779	-	-
Fire services	8,090	-	8,090	-	-
Sewer maintenance	14,650	-	14,650	-	-
Flood control	24,164	-	24,164	-	-
Lighting maintenance	14,312	-	14,312	-	-
Highway and transportation improvement	4,056	-	4,056	-	-
Waste management	12,115	-	12,115	-	-
Emergency care	1,992	-	1,992	-	-
Garbage and fire protection	8,920	-	8,920	-	-
Parks acquisition and development	2,345	-	2,345	-	-
Courthouse construction	173	-	173	-	-
Others	1,770	-	1,770	-	-
Healthcare services	-	-	-	-	300
Airport management by FAA	-	362	362	-	-
Unrestricted	1,032,917	34,911	1,067,828	14,745	221,072
Total net position	<u>\$ 1,872,938</u>	<u>\$ 111,949</u>	<u>\$ 1,984,887</u>	<u>\$ 14,745</u>	<u>\$ 297,422</u>

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

**COUNTY OF SAN MATEO**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs:</b>				
<b>Primary government</b>				
Governmental activities:				
General government	\$ 130,331	\$ 34,764	\$ 11,357	\$ -
Public protection	403,393	35,998	157,733	-
Public ways and facilities	23,460	2,979	22,797	-
Health and sanitation	304,204	92,286	126,628	-
Public assistance	243,469	5,416	182,618	-
Recreation	15,483	2,531	33	-
Interest on long-term liabilities	19,068	-	-	-
Total governmental activities	1,139,408	173,974	501,166	-
Business-type activities:				
San Mateo Medical Center	290,389	239,908	705	5,341
Airports	3,808	3,812	783	-
Coyote Point Marina	1,234	1,196	-	-
Housing Authority	82,567	78,238	-	1,090
Total business-type activities	377,998	323,154	1,488	6,431
Total primary government	\$ 1,517,406	\$ 497,128	\$ 502,654	\$ 6,431
<b>Component units:</b>				
First 5 San Mateo County	\$ 7,627	\$ -	\$ 6,275	\$ -
Health Plan of San Mateo	\$ 816,429	\$ 792,292	\$ -	\$ -
General revenues:				
Taxes:				
Property taxes				
Property transfer taxes				
Sales and use taxes				
Transient occupancy taxes				
Aircraft taxes				
Vehicle rental business license tax				
Unrestricted interest and investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

(Continued)

**COUNTY OF SAN MATEO**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

Net (Expenses) Revenues and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business- type Activities	Total	First 5 San Mateo County	Health Plan of San Mateo (For the Year Ended December 31, 2016)
\$ (84,210)	\$ -	\$ (84,210)		
(209,662)	-	(209,662)		
2,316	-	2,316		
(85,290)	-	(85,290)		
(55,435)	-	(55,435)		
(12,919)	-	(12,919)		
(19,068)	-	(19,068)		
<u>(464,268)</u>	<u>-</u>	<u>(464,268)</u>		
	-	(44,435)		
	787	787		
	(38)	(38)		
	(3,239)	(3,239)		
<u>-</u>	<u>(46,925)</u>	<u>(46,925)</u>		
<u>(464,268)</u>	<u>(46,925)</u>	<u>(511,193)</u>		
			\$ (1,352)	
				\$ (24,137)
514,936	-	514,936	-	-
10,088	-	10,088	-	-
107,398	-	107,398	-	-
1,749	-	1,749	-	-
1,487	-	1,487	-	-
12,581	-	12,581	-	-
14,859	(222)	14,637	87	1,011
42,246	422	42,668	305	2,789
(50,265)	50,265	-	-	-
<u>655,079</u>	<u>50,465</u>	<u>705,544</u>	<u>392</u>	<u>3,800</u>
190,811	3,540	194,351	(960)	(20,337)
<u>1,682,127</u>	<u>108,409</u>	<u>1,790,536</u>	<u>15,705</u>	<u>317,759</u>
<u>\$ 1,872,938</u>	<u>\$ 111,949</u>	<u>\$ 1,984,887</u>	<u>\$ 14,745</u>	<u>\$ 297,422</u>

Functions/Programs:

**Primary government**

Governmental activities:

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

Business-type activities:

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

Total primary government

**Component units:**

First 5 San Mateo County

Health Plan of San Mateo

General revenues:

Taxes:

Property taxes  
Property transfer taxes  
Sales and use taxes  
Transient occupancy taxes  
Aircraft taxes  
Vehicle rental business license tax  
Unrestricted interest and investment earnings  
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

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



## **Basic Financial Statements -**

### **Fund Financial Statements**



**COUNTY OF SAN MATEO**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**  
**(In Thousands)**

	General Fund	Joint Powers Financing Authority	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and investments	\$ 964,889	\$ 10,630	\$ 262,635	\$ 1,238,154
Restricted cash and investments	-	15,963	-	15,963
Receivables (net):				
Accounts	16,728	-	80	16,808
Interest	18,971	284	697	19,952
Taxes	20,517	-	1,252	21,769
Mortgages	88,059	-	-	88,059
Advances	1,571	-	-	1,571
Other	20,762	-	-	20,762
Due from other funds	7,230	-	10	7,240
Due from other governmental agencies	148,931	-	7,544	156,475
Loan receivable	4,654	-	-	4,654
Other assets	6,159	293	40	6,492
Inventories	108	-	376	484
Advances to other funds	11,854	-	-	11,854
Total assets	<u>\$ 1,310,433</u>	<u>\$ 27,170</u>	<u>\$ 272,634</u>	<u>\$ 1,610,237</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 41,242	\$ 591	\$ 8,404	\$ 50,237
Accrued salaries and benefits	25,261	-	511	25,772
Accrued liabilities	14	-	-	14
Due to other funds	329	-	5,219	5,548
Due to other governmental agencies	18,366	-	1,669	20,035
Unearned revenues	66,447	-	1,129	67,576
Deposits	-	-	13	13
Advances from other funds	-	-	7,305	7,305
Total liabilities	<u>151,659</u>	<u>591</u>	<u>24,250</u>	<u>176,500</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	2,290	-	140	2,430
Unavailable revenue - intergovernmental revenues	57,537	-	1,865	59,402
Unavailable revenue - mortgages and related interest	103,447	-	-	103,447
Unavailable revenue - excess ERAF	54,204	-	515	54,719
Unavailable revenue - SB 90	878	-	-	878
Unavailable revenue - others	4,538	-	-	4,538
Total deferred inflows of resources	<u>222,894</u>	<u>-</u>	<u>2,520</u>	<u>225,414</u>
<b>FUND BALANCES</b>				
<b>Nonspendable:</b>				
Inventories	108	-	376	484
Prepaid items	6,159	293	40	6,492
Long-term interfund advances	11,854	-	-	11,854
Long-term receivables	21,985	-	-	21,985
<b>Restricted:</b>				
Behavioral health services	6	-	-	6
District Attorney case management system	290	-	-	290
Health realignment	4,826	-	-	4,826
Calworks	178	-	-	178
Social services realignment	42,067	-	-	42,067
Medi-Cal	22,671	-	-	22,671
Health services programs	7,691	-	-	7,691
California assistance program for immigrants	7,096	-	-	7,096
Wraparound program	7,804	-	-	7,804
Other social services programs	1,789	-	-	1,789
Debt service	-	26,286	27,466	53,752
Road improvement	-	-	25,779	25,779
Fire services	-	-	8,090	8,090
Sewer maintenance	-	-	14,650	14,650
Flood control	-	-	24,164	24,164
Lighting maintenance	-	-	14,312	14,312
Highway and transportation improvement	-	-	4,056	4,056
Waste management	-	-	12,115	12,115
Emergency care	-	-	1,992	1,992
Garbage and fire protection	-	-	8,920	8,920
Parks acquisition and development	-	-	2,345	2,345
Courthouse construction	-	-	173	173
Others	-	-	1,770	1,770
<b>Assigned:</b>				
Capital projects and improvements	2,184	-	99,295	101,479
Public services	8,051	-	867	8,918
<b>Unassigned</b>	791,121	-	(546)	790,575
Total fund balances	<u>935,880</u>	<u>26,579</u>	<u>245,864</u>	<u>1,208,323</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,310,433</u>	<u>\$ 27,170</u>	<u>\$ 272,634</u>	<u>\$ 1,610,237</u>

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

**COUNTY OF SAN MATEO**  
**Reconciliation of the Governmental Funds Balance Sheet to**  
**the Government-wide Statement of Net Position**  
**June 30, 2017**  
**(In Thousands)**

**Fund balances - total governmental funds (page 25)** \$ 1,208,323

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

Deferred outflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	405,590
Deferred inflows of resources in governmental activities does not require the use of financial resources and, therefore, are not reported in the governmental funds.	(10,442)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,000,282
Net OPEB asset is not a financial resource and, therefore, is not reported in the governmental funds.	100,657
Other long-term assets are not available to pay for current-period expenditures and, therefore, are shown as deferred inflows of resources in the governmental funds.	225,414
Internal service funds are used by management to charge the costs of management of fleet maintenance, Tower Road construction, workers' compensation, long-term disability, employee benefits, and personal injury and property damage to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.	21,963
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.	(6,000)
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 and revenue refunding bonds	\$ (468,956)
Other long-term obligations	(2,613)
Compensated absences	(44,542)
Net pension liability	(556,738)
	(1,072,849)

**Net position of governmental activities (page 22)** **\$ 1,872,938**

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

**COUNTY OF SAN MATEO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	General Fund	Joint Powers Financing Authority	Other Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 616,435	\$ -	\$ 25,563	\$ 641,998
Licenses and permits	7,504	-	3,478	10,982
Intergovernmental	459,724	-	41,715	501,439
Charges for services	131,324	-	22,063	153,387
Fines, forfeitures and penalties	8,052	-	1,434	9,486
Rents and concessions	1,546	-	109	1,655
Investment income	10,853	603	1,249	12,705
Other revenues	28,643	5	909	29,557
Total revenues	<u>1,264,081</u>	<u>608</u>	<u>96,520</u>	<u>1,361,209</u>
<b>Expenditures:</b>				
Current:				
General government	114,264	84	723	115,071
Public protection	387,718	-	11,369	399,087
Public ways and facilities	-	-	22,225	22,225
Health and sanitation	283,836	-	21,550	305,386
Public assistance	224,640	-	20,776	245,416
Recreation	14,629	-	-	14,629
Capital outlay	22,728	4,959	39,790	67,477
Debt service:				
Principal	-	32,970	710	33,680
Interest	-	19,691	931	20,622
Bond insurance	-	5	2	7
Total expenditures	<u>1,047,815</u>	<u>57,709</u>	<u>118,076</u>	<u>1,223,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>216,266</u>	<u>(57,101)</u>	<u>(21,556)</u>	<u>137,609</u>
<b>Other financing sources (uses):</b>				
Loan proceeds	-	-	222	222
Proceeds from sale of capital assets	33	-	-	33
Transfers in	1,696	52,498	81,031	135,225
Transfers out	(122,344)	(283)	(62,873)	(185,500)
Total other financing sources (uses)	<u>(120,615)</u>	<u>52,215</u>	<u>18,380</u>	<u>(50,020)</u>
<b>Change in fund balances before special item</b>	<u>95,651</u>	<u>(4,886)</u>	<u>(3,176)</u>	<u>87,589</u>
<b>Special item:</b>				
Additional pension contribution to SamCERA	(33,600)	-	-	(33,600)
	<u>(33,600)</u>	<u>-</u>	<u>-</u>	<u>(33,600)</u>
<b>Net change in fund balances</b>	62,051	(4,886)	(3,176)	53,989
Fund balances - beginning	<u>873,829</u>	<u>31,465</u>	<u>249,040</u>	<u>1,154,334</u>
Fund balances - end	<u>\$ 935,880</u>	<u>\$ 26,579</u>	<u>\$ 245,864</u>	<u>\$ 1,208,323</u>

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

**COUNTY OF SAN MATEO**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Government-wide Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

<b>Net change in fund balances - total governmental funds (page 27)</b>	\$	53,989
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 the assets' estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets and infrastructure	\$ 67,477	
Expenditures not subject to capitalization	(13,402)	
The net effect of various miscellaneous transactions involving capital assets such as sales, retirements, trade-ins, and donations	5,871	
Less current year depreciation	<u>(26,239)</u>	33,707
Pension contributions made subsequent to the measurement date is an expenditure in the governmental funds, but reported as a deferred outflow of resources in the government-wide financial statements		163,701
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues in the statement of activities.		12,460
Issuance of other long term obligations provide current financial resources to the governmental funds, but these obligations are reported as long-term liabilities in the government-wide financial statements.		(222)
Repayment and defeasance of long-term liabilities are expenditures and other financing uses in the governmental funds but reduces long-term liabilities in the statement of net position.		
Payments toward:		
Lease revenue bonds	32,970	
Revenue refunding bonds	<u>630</u>	33,600
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 premium	2,646	
Retirement and amortization of loss on refunding of debt	(844)	
Change in accrued interest payable	211	
Accretion of capital appreciation bonds	(462)	
Change in net OPEB asset	(395)	
Change in other long-term liabilities	333	
Change in compensated absences	<u>(1,944)</u>	(455)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(102,588)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expenses of certain activities of the internal service funds are reported with governmental activities.		<u>(3,381)</u>
<b>Change in net position of governmental activities (page 24)</b>	<b>\$</b>	<b><u>190,811</u></b>

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

**COUNTY OF SAN MATEO**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2017**  
**(In Thousands)**

	Business-type Activities - Enterprise Funds				Governmental Activities
	San Mateo Medical Center	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 94,001	\$ 16,626	\$ 4,923	\$ 115,550	\$ 65,327
Restricted cash and investments	-	219	-	219	-
Receivables (net):					
Accounts	14,657	9	53	14,719	607
Grant	481	-	-	481	-
Interest	306	45	6	357	168
Other	1,634	-	-	1,634	-
Due from other funds	318	-	-	318	1
Due from other governmental agencies	90,028	262	258	90,548	2,228
Inventories	3,258	-	-	3,258	76
Notes receivable	-	4	-	4	-
Other assets	3,574	452	-	4,026	4,220
Total current assets	<u>208,257</u>	<u>17,617</u>	<u>5,240</u>	<u>231,114</u>	<u>72,627</u>
Noncurrent assets:					
Notes receivable	200	7,917	-	8,117	-
Loan receivable	2,128	-	-	2,128	-
Deposits	1,026	-	-	1,026	-
Net OPEB asset	23,613	-	303	23,916	683
Capital assets:					
Nondepreciable:					
Land	841	5,228	8,178	14,247	-
Construction in progress	2,590	-	3,763	6,353	198
Depreciable:					
Structures and improvements	15,030	23,566	44,767	83,363	999
Equipment	20,395	1,317	198	21,910	23,335
Software	15,834	-	-	15,834	9
Less accumulated depreciation	(24,178)	(19,348)	(18,121)	(61,647)	(20,042)
Total capital assets	<u>30,512</u>	<u>10,763</u>	<u>38,785</u>	<u>80,060</u>	<u>4,499</u>
Total noncurrent assets	<u>57,479</u>	<u>18,680</u>	<u>39,088</u>	<u>115,247</u>	<u>5,182</u>
Total assets	<u>265,736</u>	<u>36,297</u>	<u>44,328</u>	<u>346,361</u>	<u>77,809</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension contributions subsequent to measurement date	25,781	-	256	26,037	446
Changes of pension-related assumptions	12,996	-	127	13,123	226
Changes in proportionate share of net pension liability	232	-	3	235	4
Difference in actual and proportionate share of pension contributions	167	-	1	168	3
Differences between expected and actual pension experience	6,989	-	66	7,055	119
Differences between projected and actual earnings on pension investments	24,859	-	256	25,115	417
Total deferred outflows of resources	<u>71,024</u>	<u>-</u>	<u>709</u>	<u>71,733</u>	<u>1,215</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	15,257	383	94	15,734	874
Payable from restricted cash and investments	-	219	-	219	-
Accrued interest payable	-	-	114	114	-
Accrued salaries and benefits	6,291	152	66	6,509	116
Accrued liabilities	-	442	-	442	-
Due to other funds	2,008	-	1	2,009	2
Due to other governmental agencies	142,765	-	-	142,765	-
Unearned revenues	938	48	16	1,002	217
Deposits	-	-	4	4	94
Notes payable - current	-	1	409	410	-
Compensated absences - current	9,591	300	91	9,982	143
Estimated claims - current	-	-	-	-	17,366
Total current liabilities	<u>176,850</u>	<u>1,545</u>	<u>795</u>	<u>179,190</u>	<u>18,812</u>
Noncurrent liabilities:					
Advances from other funds	944	-	2,800	3,744	805
Net pension liability	115,008	-	1,097	116,105	2,009
Net OPEB obligation	-	36	-	36	-
Notes payable - noncurrent	-	35	2,671	2,706	-
Compensated absences - noncurrent	-	131	44	175	66
Estimated claims - noncurrent	-	-	-	-	36,329
Other long-term liabilities - noncurrent	890	268	-	1,158	-
Total noncurrent liabilities	<u>116,842</u>	<u>470</u>	<u>6,612</u>	<u>123,924</u>	<u>39,209</u>
Total liabilities	<u>293,692</u>	<u>2,015</u>	<u>7,407</u>	<u>303,114</u>	<u>58,021</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Differences between expected and actual pension experience	1,924	-	17	1,941	34
Differences in actual and proportionate share of pension contributions	93	-	1	94	2
Total deferred inflows of resources	<u>2,017</u>	<u>-</u>	<u>18</u>	<u>2,035</u>	<u>36</u>
<b>NET POSITION</b>					
Net investment in capital assets	30,512	10,459	35,705	76,676	4,499
Restricted:					
Airport management by FAA	-	-	362	362	-
Unrestricted	10,539	23,823	1,545	35,907	16,468
Total net position	<u>\$ 41,051</u>	<u>\$ 34,282</u>	<u>\$ 37,612</u>	<u>112,945</u>	<u>\$ 20,967</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(996)	
Net position of business-type activities (page 22)				<u>\$ 111,949</u>	

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

**COUNTY OF SAN MATEO**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Business-type Activities - Enterprise Funds				Governmental Activities
	San Mateo Medical Center	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
<b>Operating revenues:</b>					
Charges for services	\$ 414,984	\$ -	\$ 1,234	\$ 416,218	\$ 146,925
Less:					
Contractual allowances	(297,896)	-	-	(297,896)	-
Provision for doubtful accounts	(3,145)	-	-	(3,145)	-
Net charges for services	113,943	-	1,234	115,177	146,925
Other program revenues:					
Supplemental programs	59,910	-	-	59,910	-
Premium revenues	38,136	-	-	38,136	-
Sales tax realignment	15,325	-	-	15,325	-
Other operating revenues:					
Rent and concessions	1,606	3,687	3,774	9,067	-
Revenue from housing assistance payments	-	74,551	-	74,551	-
Revenue from foundations	3,839	-	-	3,839	-
Sales of drugs and medical supplies, fees, and others	7,149	-	-	7,149	-
Miscellaneous	-	352	70	422	2,193
Total operating revenues	<u>239,908</u>	<u>78,590</u>	<u>5,078</u>	<u>323,576</u>	<u>149,118</u>
<b>Operating expenses:</b>					
Salaries and benefits	151,832	4,953	1,459	158,244	2,633
Pension expenses	20,329	-	203	20,532	351
Pharmaceutical drugs	8,962	-	-	8,962	-
Supplies	10,890	-	-	10,890	-
Contract provider services	37,367	-	-	37,367	-
Other fees and purchased services	50,420	-	-	50,420	-
General and administrative	7,206	4,215	2,456	13,877	14,692
Benefits and claims	-	-	-	-	26,181
Insurance premiums	-	-	-	-	108,085
Depreciation and amortization	2,959	739	820	4,518	1,169
Housing assistance payments	-	72,660	-	72,660	-
Total operating expenses	<u>289,965</u>	<u>82,567</u>	<u>4,938</u>	<u>377,470</u>	<u>153,111</u>
Operating income (loss)	<u>(50,057)</u>	<u>(3,977)</u>	<u>140</u>	<u>(53,894)</u>	<u>(3,993)</u>
<b>Nonoperating revenues (expenses):</b>					
State and federal grants	-	-	783	783	-
Medi-Cal rate differential	705	-	-	705	-
Loss from disposal of capital assets	(98)	-	-	(98)	-
Investment income/(loss)	(301)	71	8	(222)	323
Interest expense	-	-	(151)	(151)	-
Total nonoperating revenues, net	<u>306</u>	<u>71</u>	<u>640</u>	<u>1,017</u>	<u>323</u>
Income (loss) before capital contributions and transfers	(49,751)	(3,906)	780	(52,877)	(3,670)
Capital contributions	5,341	1,090	-	6,431	-
Transfers in	59,663	-	119	59,782	37
Transfers out	(9,517)	-	-	(9,517)	(27)
<b>Change in net position</b>	<u>5,736</u>	<u>(2,816)</u>	<u>899</u>	<u>3,819</u>	<u>(3,660)</u>
Net position - beginning	35,315	37,098	36,713		24,627
Net position - end	<u>\$ 41,051</u>	<u>\$ 34,282</u>	<u>\$ 37,612</u>		<u>\$ 20,967</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(279)	
Change in net position of business-type activities (page 24)				<u>\$ 3,540</u>	

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

**COUNTY OF SAN MATEO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Business-type Activities - Enterprise Funds				Governmental Activities
	San Mateo Medical Center	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities</b>					
Cash receipts from customers	\$ 239,191	\$ 79,430	\$ 4,884	\$ 323,505	\$ -
Cash receipts from interfund services provided	-	-	-	-	151,883
Cash paid to suppliers of goods and services	(110,382)	(5,206)	(2,805)	(118,393)	(126,379)
Cash paid to employees for services	(176,853)	(4,438)	(1,686)	(182,977)	(3,077)
Cash paid for housing assistance	-	(73,100)	-	(73,100)	-
Cash paid for judgments and claims	-	-	-	-	(21,159)
Net cash provided by (used in) operating activities	<u>(48,044)</u>	<u>(3,314)</u>	<u>393</u>	<u>(50,965)</u>	<u>1,268</u>
<b>Cash flows from noncapital financing activities</b>					
County subsidy transfers	59,663	-	-	59,663	-
Transfers received from other funds	-	-	119	119	37
Transfers paid to other funds	(9,517)	-	-	(9,517)	(27)
Loan payments to other funds	(1,114)	-	-	(1,114)	(107)
Proceeds from long term borrowings	890	-	-	890	-
State and federal grant receipts	705	-	783	1,488	-
Net cash provided by (used in) noncapital financing activities	<u>50,627</u>	<u>-</u>	<u>902</u>	<u>51,529</u>	<u>(97)</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition of capital assets	(4,207)	(15)	(621)	(4,843)	(2,257)
Capital contribution	5,341	-	-	5,341	-
Loan from other funds	-	-	2,800	2,800	-
Payment on long-term liabilities	-	(1)	(394)	(395)	-
Interest paid on long-term liabilities	-	-	(160)	(160)	-
Net cash provided by (used in) capital and related financing activities	<u>1,134</u>	<u>(16)</u>	<u>1,625</u>	<u>2,743</u>	<u>(2,257)</u>
<b>Cash flows from investing activities</b>					
Cash disbursed for loans	(64)	(2,746)	-	(2,810)	-
Interest received from loans	-	4	-	4	-
Interest receipts/(payments)	(301)	93	7	(201)	301
Net cash provided by (used in) investing activities	<u>(365)</u>	<u>(2,649)</u>	<u>7</u>	<u>(3,007)</u>	<u>301</u>
Net increase (decrease) in cash and cash equivalents	3,352	(5,979)	2,927	300	(785)
Cash and cash equivalents, beginning	90,649	22,824	1,996	115,469	66,112
Cash and cash equivalents, end	<u>\$ 94,001</u>	<u>\$ 16,845</u>	<u>\$ 4,923</u>	<u>\$ 115,769</u>	<u>\$ 65,327</u>
<b>Financial statement presentation:</b>					
Cash and investments	\$ 94,001	\$ 16,626	\$ 4,923	\$ 115,550	\$ 65,327
Restricted cash and investments	-	219	-	219	-
Cash and cash equivalents, end	<u>\$ 94,001</u>	<u>\$ 16,845</u>	<u>\$ 4,923</u>	<u>\$ 115,769</u>	<u>\$ 65,327</u>
<b>Supplemental disclosure of noncash activities:</b>					
Noncash capital and related financing activities:					
Capital assets donated to Housing Authority	\$ -	\$ 1,090	\$ -	\$ 1,090	\$ -

(Continued)

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

**COUNTY OF SAN MATEO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Business-type Activities - Enterprise Funds				Governmental
	San Mateo Medical Center	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
<b>Operating income (loss)</b>	\$ (50,057)	\$ (3,977)	\$ 140	\$ (53,894)	\$ (3,993)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) from operating activities:					
Depreciation	2,959	739	820	4,518	1,169
Decrease (increase) in:					
Accounts receivable	(857)	3	12	(842)	(227)
Grant receivable	(20)	-	-	(20)	-
Other receivable	(778)	-	-	(778)	-
Due from other funds	3,753	-	-	3,753	13
Due from other governmental agencies	(2,974)	343	(209)	(2,840)	990
Inventories	(149)	-	-	(149)	11
Other assets	(399)	(392)	-	(791)	1,989
Deposits	(9)	-	-	(9)	-
Net OPEB asset	85	-	1	86	2
Deferred outflows of resources	(36,848)	-	-	(36,848)	(636)
Increase (decrease) in:					
Accounts payable	4,621	(634)	(349)	3,638	(3,609)
Accrued salaries and benefits	597	14	20	631	(2)
Accrued liabilities	-	376	-	376	-
Due to other funds	-	-	1	1	1
Due to other governmental agencies	379	-	-	379	-
Unearned revenues	179	(10)	2	171	(5)
Refundable deposits	-	48	-	48	-
Net pension liability	37,377	-	(6)	37,371	661
Net OPEB obligation	-	161	-	161	-
Compensated absences	9	15	10	34	-
Estimated claims	-	-	-	-	5,022
Deferred inflows of resources	(5,912)	-	(49)	(5,961)	(118)
Net cash provided by (used in) operating activities	<u>\$ (48,044)</u>	<u>\$ (3,314)</u>	<u>\$ 393</u>	<u>\$ (50,965)</u>	<u>\$ 1,268</u>

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



**COUNTY OF SAN MATEO**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**  
**(In Thousands)**

	SamCERA Pension Trust	Investment Trust	Agency Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments (in County investment pool)	\$ 20,727	\$ 2,830,761	\$ 380,445
Cash and investments (outside County investment pool)	196,675	-	-
Receivables (net):			
Due from broker for investments sold	8,274	-	-
Contributions	8,166	-	-
Interest	8,407	8,038	1,018
Taxes	-	-	154,922
Other	96	-	-
Due from other governmental agencies	-	4,770	15,198
Prepaid expense	8	-	-
Net OPEB asset	456	-	-
Investments:			
Fixed income	1,717,793	-	-
Equity	738,544	-	-
Alternatives	480,731	-	-
Risk parity	291,757	-	-
Inflation hedge	573,337	-	-
Capital assets, net	7,629	-	-
Other assets	-	107	40,167
Total assets	<u>4,052,600</u>	<u>2,843,676</u>	<u>\$ 591,750</u>
<b>LIABILITIES</b>			
Accounts payable	1,822	509	\$ -
Due to broker for investments purchased	9,417	-	-
Due to other governmental agencies	-	1,154	73,876
Other liabilities	2,659	6,128	-
Fiduciary liabilities	-	-	517,874
Total liabilities	<u>13,898</u>	<u>7,791</u>	<u>\$ 591,750</u>
<b>NET POSITION</b>			
Net position restricted for pension benefits/investment pool participants	<u>\$ 4,038,702</u>	<u>\$ 2,835,885</u>	

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

**COUNTY OF SAN MATEO**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	SamCERA Pension Trust	Investment Trust
	<u>          </u>	<u>          </u>
<b>ADDITIONS</b>		
Contributions:		
Employer contributions	\$ 198,727	\$ -
Plan member contributions	62,160	-
Contributions to investment pool	-	4,205,490
Total contributions	<u>260,887</u>	<u>4,205,490</u>
Net investment income:		
Net appreciation (depreciation) in fair value of investments	431,846	(11,285)
Investment income	38,446	71,670
Investment expense	(33,688)	-
Securities lending activities:		
Securities lending income	68	-
Securities lending expenses	(23)	-
Total net investment income	<u>436,649</u>	<u>60,385</u>
Other additions	27	-
Total additions	<u>697,563</u>	<u>4,265,875</u>
<b>DEDUCTIONS</b>		
Benefits and refunds paid to plan members and beneficiaries:		
Service retirement benefits	166,975	-
Disability retirement benefits	22,690	-
Death and other benefits	699	-
Withdrawals of members' contributions	2,876	-
Total benefits and refunds paid to plan members and beneficiaries	<u>193,240</u>	<u>-</u>
Distributions from investment pool	-	4,131,711
Administrative expenses	6,979	-
Other expenses	30	-
Total deductions	<u>200,249</u>	<u>4,131,711</u>
<b>Change in net position</b>	497,314	134,164
Net position - beginning	<u>3,541,388</u>	<u>2,701,721</u>
Net position - end	<u>\$ 4,038,702</u>	<u>\$ 2,835,885</u>

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



**Basic Financial Statements -**  
Notes to the Basic Financial Statements

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**NOTE 1 – THE FINANCIAL REPORTING ENTITY**

**(a) Reporting Entity**

The County of San Mateo, California (County), a Charter County, is a legal subdivision of the State of California established by an Act of the State Legislature in 1856. The County is governed by a five-member Board of Supervisors (County Board) with legislative and executive control of the County. Major services provided by the County include law enforcement and legal justice, detention, social, health, hospital, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, though they are legally separate entities, are in substance part of the County's operations. Thus, blended component units are presented as funds of the County. The discretely presented component units, on the other hand, are reported in separate columns in the government-wide financial statements to emphasize that they are not considered as an integral part of the primary government.

The County's financial statements include all financial activities for which the primary government is financially accountable or closely related. 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, 4<sup>th</sup> Floor, Redwood City, California 94063.

**(b) Blended Component Units**

*San Mateo County Joint Powers Financing Authority*

The San Mateo County Joint Powers Financing Authority (JPFA), a joint exercise of powers agency organized under the laws of the State of California by agreements dated May 15, 1993, was formed to assist the County in the financing of public capital improvements. The County Board appointed a five-member board to set policies. The JPFA has no employees, and its daily operation is conducted by County employees or consultants. Because its financial and operational relationship with the County is closely integrated, the JPFA is reported as a major governmental fund in the County's basic financial statements. The JPFA issues a separate financial report that can be obtained by writing to the Office of the County Manager, 400 County Center, 1<sup>st</sup> Floor, Redwood City, California 94063.

*Housing Authority of the County of San Mateo*

The Housing Authority of the County of San Mateo (Housing Authority), established pursuant to the State Health and Safety Code by the County Board, provides housing assistance to low and moderate-income families at rents they can afford. Eligibility is determined by family composition and income in areas served by the Housing Authority. Most of the housing programs administered by the Housing Authority are funded by contributions from the U.S. Department of Housing and Urban Development (HUD) pursuant to the United States Housing Act of 1937 and the HUD Act. The Housing Authority's Board of Commissioners is composed of the same members as the County Board. Decisions affecting the Housing Authority are addressed as part of the Board's overall meeting. The County is financially accountable for the Housing Authority because the County holds a voting majority and may impose its will on the Housing Authority. Thus, the Housing Authority is reported as a major enterprise fund in the County's basic financial statements. The Housing Authority issues a separate financial report that can be obtained by writing to Housing Authority of the County of San Mateo at 264 Harbor Boulevard, Building A, Belmont, California 94002.

*In-Home Supportive Services (IHSS) Public Authority*

The IHSS Public Authority assists IHSS clients in finding qualified caregivers. Though a legally separate entity, the IHSS Public Authority is programmatically integrated into the County service systems for seniors and persons with disabilities. The County Board serves as its governing body. The County is financially accountable for the IHSS Public Authority because the County holds a voting majority and may impose its will on the IHSS Public Authority. Because

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

of this relationship with the County, the IHSS Public Authority is reported as a nonmajor governmental fund in the County's basic financial statements.

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

The County Board, acting as a governing body, approves budgets, special taxes, and fees of the County Service Areas, Sewer and Sanitation, Flood Control, Lighting, and Other Special Districts (special districts). The County is financially accountable for these entities because the County holds a voting majority and may impose its will on each of these entities. Each of these special districts is, in substance, an integral part of the County and is reported as a nonmajor special revenue fund in the County's basic financial statements.

**(c) Discretely Presented Component Units**

*First 5 San Mateo County*

The First 5 San Mateo County (First 5) was created in 1998 as an "agency" of the County with independent authority with the passage of Proposition 10, the California Children and Families First Act. This Act levied tobacco tax to support an integrated, comprehensive, and collaborative system of information and services to enhance optimal early childhood development to ensure that children are ready to enter school.

The primary role of First 5 is to ensure resources from the California Children and Families Trust Fund are allocated in a fiscally responsible manner. Its governing board consists of nine members, including County public officials and community leaders from the fields of early childhood education, healthcare, and family support. First 5 board members are appointed and can be removed at will by the County Board. If the County opts to dismiss First 5 in the future, all of the residual equity with First 5 must return to the State. Because First 5 has independent authority over its strategic plan and its governing board is not substantially the same of the County, First 5 is reported as a discretely presented component unit in the County's basic financial statements. First 5 issues a separate financial report that can be obtained by writing to First 5 San Mateo County at 1700 South El Camino Real, Suite 405, San Mateo, California 94402.

*Health Plan of San Mateo*

The San Mateo Health Commission and the San Mateo Community Health Authority, doing business as Health Plan of San Mateo (HPSM), was established by the County Board under an ordinance pursuant to Section 14087.51 and Section 14087.54 of the Welfare and Institutional Code, respectively, as a Health Insuring Organization. The majority of HPSM's revenues are generated from a contract with the State of California Medi-Cal Program and a contract with the Centers for Medicare and Medicaid Services (CMS) for a Medicare program.

HPSM is a legally separate entity governed by eleven Commissioners appointed by the County Board. Because the County Board has the ability to appoint and remove all the Commissioners at will, HPSM is included in the County's basic financial statements as a discretely presented component unit. HPSM is a nonprofit entity that is separate and apart from the County, and is not considered to be an agency, division, or department of the County. Furthermore, HPSM is not governed by, nor is it subject to, the Charter of the County and is not subject to the County's policies or operational rules. HPSM's debts are not expected to be repaid with County resources. Therefore, HPSM's data are presented separately from the data of the primary government.

HPSM is responsible for managing a capitated prepaid health care system for residents of the County who are eligible for various health care programs, including Medi-Cal; a Medicare Dual Eligible Special Needs Plan; HealthWorx, an insurance program for In-Home Supportive Services employees, San Mateo County Extra Help employees, and certain City of San Mateo non-merit part-time and Library per diem employees; and Healthy Kids, a locally funded insurance product for children with family income levels of 400% of poverty or lower who do not qualify for Medi-Cal.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

HPSM acquired a license under the Knox-Keene Health Care Services Plan Act, and is regulated by the State's Department of Health Care Services (DHCS), California's Department of Managed Health Care (DMHC), and CMS. HPSM issues a separate financial report that can be obtained by writing to HPSM at 701 Gateway Blvd., Suite 400, South San Francisco, CA 94080.

**(d) Component Unit – Fiduciary in Nature**

*San Mateo County Employees' Retirement Association*

The San Mateo County Employees' Retirement Association (SamCERA) exists to serve as the administrator of the County's pension plan. SamCERA's management is vested in the Board of Retirement consisting of nine members. Pursuant to the County Employees Retirement Law of 1937, board members include the County Treasurer, two general members of SamCERA elected by their peers, four members appointed by the County Board, one member from SamCERA's safety members, and one member from the retirees. The Board of Retirement undertakes the administrative and fiduciary responsibility over the pension plan. Because of its fiduciary relationship with the County, SamCERA is a component unit of the County (fiduciary in nature) and reported as a pension trust fund in the County's basic financial statements and not reported in the government-wide financial statements. SamCERA issues a separate financial report that can be obtained by writing to SamCERA at 100 Marine Parkway, Suite 125, Redwood Shores, California 94065.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

*Government-wide Financial Statements*

The government-wide financial statements (i.e., the *statement of net position* and the *statement of activities*) report information on all of the non-fiduciary activities of the County and its component units. All fiduciary activities are reported only in the fund financial statements. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component units. Governmental activities, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees charged to external customers. Likewise, the County is reported separately from certain legally separate component units for which the County is financially accountable.

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 specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Interfund charges, which equal or approximate the external exchange value of services provided, are reported as program revenues. Interfund reimbursements, repayments from the funds responsible for particular expenses to the funds that initially paid for them, are treated as adjustments to expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the County's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

***Fund Financial Statements***

The fund financial statements provide information about the County's funds, including its 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, which are each displayed in a separate column. All remaining governmental and enterprise funds are respectively aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are presented as separate columns in the fund financial statements.

The County reports the following major governmental funds:

- *General Fund* is the County's primary operating fund and accounts for all financial resources of the County, except those accounted for in another fund. The activities carried out by the General Fund include general government, public protection, health and sanitation, public assistance, and recreation services.
- *Joint Powers Financing Authority (JPFA)* accounts for debts issued to finance County-sponsored capital projects and debt service payments to creditors. The JPFA's revenues predominantly come from lease payments made by the County under individual lease agreements.

The County reports the following major enterprise funds:

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

The County also reports the following additional fund types:

- *Internal Service Funds* account for the County's fleet services, road maintenance or construction services (provided to departments or other governmental agencies), risk management services (including claims for workers' compensation, long-term disability, general liability, and personal injury and property damage) and employee benefits (including medical, vision, and dental) on a cost-reimbursement basis.
- *Fiduciary Funds* are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and other government units.

These funds include:

- *SamCERA Pension Trust Fund* accumulates contributions from the County, the San Mateo County Mosquito and Vector Control District, the Superior Courts of the County of San Mateo, and their employees. Earnings from investments are credited to and disbursements are made from this fund for retirement, disability, death benefits (based on a defined benefit formula), and administrative expenses. This fund reports all assets of the SamCERA.
- *Investment Trust Fund* accounts for assets of legally separate entities (commonly known as *External Investment Pool*) being held by the County Treasurer. These entities include school and community college districts; other special districts governed by local boards, regional boards and authorities; and pass through funds for tax collections for cities. The County Treasurer is obligated to disburse monies from these funds on demand at a maximum of 20% of the principal balance each month, exclusive of apportionment, payrolls and day-to-day operations. Additional requests for withdrawals must be specifically authorized by the County Treasurer.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

- *Agency Funds* are custodial in nature and do not report operating results. These funds are used to account for assets held by the County as an agent for various local governments and individuals, such as the County Library Fund governed by the Board of San Mateo Joint Powers Authority; unapportioned taxes for other local governmental agencies; funds administered by the San Mateo County Superior Court; and funds held for the Public Administrator, Public Guardian, and other governmental agencies.

During the course of operations, the County has activity between funds for various purposes through due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between those funds included in the governmental activities (i.e., the governmental and the internal service funds) are eliminated so that only the net amount is reported as internal balances in the governmental activities column. Similarly, balances between those funds included in the business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Certain activities occur during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between those funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between those funds included in the business-type activities are eliminated so that only the net amount is included as transfer in the business-type activities column.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, and the basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flows take place. Under the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from nonexchange transactions such as taxes, grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met. Nonexchange transactions are those in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting method, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay for liabilities of the current period. The County considers revenues to be available if they are collected within the first two months (i.e. July and August) after year-end. Property and sales taxes, interest, certain state and federal grants, and charges for services are recognized if their receipt occurs within two months after year-end. Expenditures generally are recorded when liabilities are incurred, as under the accrual basis of accounting. However, expenditures for debt service, compensated absences, and claims and judgments are recorded only when payments are due. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The pension and investment trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but uses the accrual basis of accounting for reporting of its assets and liabilities.



**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. 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.

**2. Investments**

The County sponsors an investment pool to invest funds of the County and external public entities. The County's pool activity is governed by California Government Code Sections 27000.1 and 53607 as well as the County's Investment Policy, which delegate the County Treasurer to invest in securities issued by the United States, certain corporate bonds and notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, the State of California Local Agency Investment Fund, and securities lending transactions. SamCERA has its own investment policy and accounting policies for its investments that are separately discussed in Note 4.

Investment transactions are recorded on the trade date. Investments in nonparticipating interest-earning investment contracts are reported at cost; commercial paper that has a maturity of less than 90 days are reported at amortized cost; and all other investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of investments is determined using the fair value hierarchy defined by generally accepted accounting principles.

Participants' equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants.

For the fiscal year ended June 30, 2017, the County Treasurer has not entered into any legally binding guarantees to support the participant equity in the investment pool. Income from pooled investments is allocated to individual funds or external participants based on each fund's or participant's average daily cash balance at quarter end in relation to the total pool investments. Investment income earned in agency funds with no interest earning requirements is assigned to the General Fund. Income from non-pooled investments is deposited into funds that provided the resources.

**3. Restricted Cash and Investments**

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

**4. Mortgages Receivable**

For the purpose of the fund financial statements, governmental fund expenditures arising from long-term loan subsidy programs are charged to operations upon funding. The loans are recorded, net of an estimated allowance for potentially uncollectible loans, as mortgages receivable with an offset to deferred inflows of resources. The balance of the mortgages receivable includes loans that may be forgiven if certain terms and conditions are being met. The County reported mortgages receivable of \$88.1 million, net of allowance of \$15.2 million, on the governmental fund balance sheet as of June 30, 2017.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**5. Inventories**

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

**6. Capital Assets**

Capital assets, including public domain (except for the maintained pavement subsystem), are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value. The County defines capital assets as assets with an initial unit cost of more than \$5 thousand and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (for assets under capital leases) using the straight-line method over the lesser of their estimated useful live or the capital lease period in the government-wide financial statements and the proprietary funds. Estimated useful lives for the capital assets are as follows:

Infrastructure	20 to 50 years
Structures and improvements	50 years
Equipment	3 to 15 years
Software	3 to 5 years

The County has six networks of infrastructure assets: road, bridge, water and sewer, lighting, drainage, and flood control. The County’s maintained pavement subsystem has been classified as roads with or without formal structural sections and is reported using the modified approach. In FY 2015-16 the County performed a complete, physical assessment of the maintained pavement subsystem condition. The condition assessment is completed triennially.

Each road segment is rated and given a Pavement Condition Index (PCI) value from zero to one hundred (0 – 100). Roads with a PCI of 40 or higher are considered in a “Fair” or better condition. Roads with a PCI of 55 or higher are in a “Good” or better condition. The County’s policy is to maintain a minimum PCI of 40 for at least 65 percent of roads with no defined structural section (secondary roads), and a minimum PCI of 55 for at least 75 percent of roads with a defined structural section (primary roads). Under the modified approach, depreciation is not reported for this subsystem and all expenditures, except for betterments and major improvements, made to the subsystem are expensed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives of the capital assets, 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.

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows of resources related to the unamortized losses on refunding of debts and related to pensions. The losses on refunding result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet and related to pensions in its proprietary and government-wide statements. The governmental funds report unavailable revenues from property taxes, advances from the federal and State, and other sources as appropriate. These amounts are deferred and recognized as revenues in the period the amounts become available.

**8. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's pension plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by SamCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Plan investments are reported at fair value.

**9. Other Postemployment Benefits (OPEB)**

The County is not obligated to pay for unused sick leave if employees terminate employment prior to retirement, except for laid-off employees. Upon retirement, employees can convert their unused sick leave to postemployment healthcare benefits. The amount and duration of the County-paid benefits vary, depending on the bargaining units to which the employee belongs. See Note 14 for further discussion.

**10. Compensated Absences (Accrued Vacation, Compensatory Time, and Holiday)**

The County's policy allows employees to accumulate earned but unused vacation, compensatory, and holiday time, which are eligible for payment upon separation from the County service. The liability of such time is reported as incurred in the government-wide and proprietary fund financial statements. The liability for those amounts is recorded in the governmental funds only if the liability has matured as result of employee resignations or retirements. The liability for compensated absences includes the County's share of Social Security and Medicare contributions payable on behalf of the employees. Accumulated sick leave lapses when employees leave the County and, upon separation from service, no monetary obligation exists.

**11. Net Position**

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To determine the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The County considers restricted net position to have been depleted before unrestricted net position is applied.

**12. Fund Balance Policies**

Fund balance of governmental funds is reported in the following categories based on the nature of limitations confining the use of resources for specific purposes:

- *Nonspendable Fund Balance* – includes amounts that are (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid amounts, and long-term interfund advances and receivables.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

- *Committed Fund Balance* – represents amounts that can only be used for specific purposes through resolutions authorized by the County Board. Commitments can only be modified or lifted through Board resolutions.
- *Assigned Fund Balance* – comprises of amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The County Manager and department heads can assign available fund balance to be used for specific purposes during budget identification. Budgets recommended by departments require the County’s Board approval. Unlike commitments, assignments generally only exist temporarily. Further action is not needed to remove the assignment.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in other classifications. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (committed, assigned, and unassigned fund balances). To determine the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The County considers restricted fund balance to have been depleted before unrestricted fund balance is applied. Further, in circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**D. Revenues and Expenditures/Expenses**

**1. Property Tax Levy, Collection, and Maximum Rates**

The State’s Constitution Article XIII A, commonly known as Proposition 13, provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless two-thirds of the voters have approved additional taxes be levied to fund general obligation bond debt service. Under Proposition 13, beginning with FY 1978-79, assessed value is calculated at 100% of market value and may be adjusted by no more than 2% per year unless the property is sold or transferred. In November 2000, California voters approved Proposition 39 that sets the approval threshold at 55% for school facilities related bonds.

The County is responsible for assessing, collecting, and distributing property taxes in accordance with State law. Property taxes are levied on both secured (real property) and unsecured (personal property other than land and buildings) property. Supplemental property taxes are assessed upon transfer of ownership in property or completion of new construction. The State legislature determines the method of distribution of receipts from a 1% tax levy among the County, cities, school districts, and other districts. For fiscal year 2016-17, the total secured and unsecured assessed property value, net of all exemptions, and including utility, unitary, and railroad properties assessed by the State, was \$192.8 billion. This amount includes \$17.0 billion in redevelopment tax allocation increment. On the government-wide financial statements, property tax revenues are recognized in the fiscal year for which they are levied. On the fund financial statements, property tax revenues are deferred if not received within two months after fiscal year-end. The County levies, bills, and collects taxes as follows:

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

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Effective July 1, 1993, the County began apportioning secured property tax revenue in accordance with the alternate method of distribution, the Teeter Plan, as prescribed by Section 4717 of the California Revenue and Taxation Code. Under the Teeter Plan, the County allocates to local taxing agencies 100% of the secured property taxes billed. In return, the County retains penalties and interest on delinquent secured taxes in the Tax Loss Reserve Fund (TLRF). The primary purpose of TLRF is to cover losses that may occur as a result of special sales of tax-defaulted property. The County legally is required to maintain a minimum of 1% of the total tax levies on secured properties within the tax areas of participating entities, which was about \$22.9 million at June 30, 2017.

County management believes that any ownership rights to the TLRF the County may have are effective only upon a Board-approved transfer or to the extent of losses related to the sale of tax defaulted property. Balance in TLRF is being held in a custodial capacity for the participants in the County's Teeter Plan and accounted for in an agency fund. The balance in the TLRF was \$163.1 million at June 30, 2017.

Pursuant to Section 97.2 (D)(4)(i) of the California Revenue and Taxation Code (Code), in 1992 the County established an agency fund, the Educational Revenue Augmentation Fund (ERAF), to redirect property tax from the County, cities, and special districts to public education programs. Each of these local agencies is required to shift an amount of property tax revenues prescribed by the Code to ERAF. Once school districts and programs are paid the maximum allowable, the Code requires the excess ERAF be refunded to these local agencies. The County General Fund received a total of \$111.8 million from the excess ERAF for the fiscal year ended June 30, 2017.

## **2. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. *Operating revenues*, such as charges for services, generally result from exchange transactions associated with the principal activity of each fund. The Medical Center particularly defines its operating revenues as deemed by management to be ongoing, major, or central to the provision of healthcare services. Its operating revenues are derived from direct patient care, other programs (such as supplemental program and medical managed program), and revenues from the sale of other goods and services. The Housing Authority's principal operating revenues are dwelling rental income and HUD housing assistance payments. *Nonoperating revenues* are mainly derived from interest income, rent and concessions, County contributions, state and federal grants, and management services. *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*.

## **3. Special Items**

Special items are transactions or events that are within the control of County Management and that are either unusual in nature or infrequent in occurrence.

## **E. 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 may affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **F. Interfund Transactions**

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

- Loans reported as receivables and payables are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are

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offset by nonspendable fund balance in the applicable governmental funds to indicate that they are not in spendable form.

- Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses.
- Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.
- All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**G. Implementation of Governmental Accounting Standards Board (GASB) Statements**

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement is intended to make OPEB accounting and financial reporting consistent with the pension standards outlined in GASB Statement No. 67. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaced GASB Statement 43. GASB Statement No. 74 is effective for the County's fiscal year ending June 30, 2017 and there is no impact to the financial statements.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement is intended to improve financial reporting relating to disclosures of tax abatement transactions. The required disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues. The Statement is effective for the County's fiscal year ending June 30, 2017. This statement did not have a significant impact to the County's financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which amends the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pension* to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers, and (3) has no predominant State or local governmental employer. This Statement also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and require supplementary information for pensions that have the characteristics described above. The Statement is effective for the County's fiscal year ending June 30, 2017 and there is no impact to the financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of Statement No. 14*, which amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. The Statement establishes an additional blending requirement for the financial statement presentation of component units. The Statement is effective for the County's fiscal year ending June 30, 2017 and there is no impact to the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of Statements No. 67, No. 68, and No. 73*. This Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting for Financial Reporting for Pensions*, and No. 73, *Accounting for Financial Reporting for Pensions and Related Assets That Are Not within the Scope of Statement 68, and Amendments to Certain Provisions of Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for the County's fiscal year ending June 30,

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2017. The County incorporated the provisions of this Statement in Note 13 and required supplementary information of its financial statements.

The County is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes new accounting and financial reporting for state and local governments by improving the accounting and financial reporting for OPEB plans and provides information obtained by state and local government employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the County's fiscal year ending June 30, 2018.
- In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement is effective for the County's fiscal year ending June 30, 2018.
- In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement is to address accounting and financial reporting for certain retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for the County's fiscal year ending June 30, 2019.
- In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. This Statement is to establish criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for the County's fiscal year ending June 30, 2020.
- In March 2017, the GASB issued GASB Statement No. 85, *Omnibus 2017*. This Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement is effective for the County's fiscal year ending June 30, 2018.
- In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for the County's fiscal year ending June 30, 2018.
- In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement is to improve accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby

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enhancing the consistency of information about governments' leasing activities. This Statement is effective for the County's fiscal year ending June 30, 2021.

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deficit Fund Equity/Net Position**

At June 30, 2017, the IHSS Public Authority, a special revenue fund; the Tower Road Construction, and the Workers' Compensation Insurance internal service funds, reported net deficits of \$0.5 million, \$0.6 million, and \$27.7 million, respectively.

*IHSS Public Authority.* Revenues received to support this program were insufficient to offset increased operating expenditures in the current year. The County will take steps to cure the revenue shortfall through obtaining additional revenues and making staffing and spending reductions.

*Tower Road Construction.* Projects undertaken by this fund were insufficient to generate enough revenues to cover overhead expenses. The County will take steps to cure the financial imbalance through staffing and spending reductions, increase service charge billing rates, identify opportunities to increase efficiencies, and business process improvements.

*Workers' Compensation Insurance.* This fund has accumulated sufficient net position to pay for workers compensation claims on a pay as you go basis. The County has sufficient General Fund reserve to cover the deficit in this fund as needed. In addition, the County will continue to phase in premium rate increases and work with departments to inhibit growth in operating costs.

**NOTE 4 – CASH AND INVESTMENTS**

The County investment pool includes both voluntary and involuntary participation from external public entities. Certain special districts and entities are required under State statutes to maintain their cash surplus in the pool. The investment pool is not registered with the Securities and Exchange Commission as an investment company. Part of the JPFA's and SamCERA's cash and investments are deposited in and managed by outside financial institutions. As of June 30, 2017, the net asset value of involuntary participation in the investment pool was \$3.7 billion.

The investment pool activity is governed by the California Government Code and the County Investment Policy. The County Treasurer is responsible for managing the investment pool with deposits from the County, all County school districts, various districts, and some cities within the County pursuant to California Government Code Section 53600. The objectives of the County investment policy, in order of priority, are safety, liquidity, and yield. The pool attempts to match maturities with planned outlays and maximize the return on investment over various market cycles. Yield is considered only after safety and credit quality have been met, consistent with limiting risk and prudent investment principles. The County Board annually reviews the County Investment Policy, and all amendments to the policy require the County Board's approval.

In accordance with Article 6 Section 27131 of the California Government Code, the County Board established an eight-member County Treasury Oversight Committee (Oversight Committee) to oversee the management of public funds in the investment pool. The Oversight Committee meets at least three times annually to evaluate general strategies, monitor results, and assess economic outlook, portfolio diversification, maturity structure, and potential risks to the funds. Monthly the County Treasurer prepares and submits a comprehensive investment report to the members of the County Board, the members of the Oversight Committee, and the investment pool participants. The report covers the type of investments in the pool, name of the issuer, maturity date, par value, actual cost, and fair value. Significant accounting policies for investments are discussed in Note 2.C.2. The maximum allowable maturity of instruments in the County pool at the time of investment is seven years and the maximum dollar weighted average maturity of the fund is three years.



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**Cash and cash equivalents:**

Cash on hand - County	\$ 3,034
Certificates of deposit - County	150,000
Money market deposit accounts - JPFA	8,082
Money market mutual funds - JPFA	5,659
Cash and deposits - SamCERA	196,675
Deposits - County	(31,437) <sup>1</sup>
Cash deposits - HPSM	404,612 <sup>2</sup>
Cash equivalents - HPSM	40,272 <sup>2</sup>
Total cash	<u>776,897</u>

**The County's Cash and investments are reported as follows:**

Primary government	\$ 1,435,213
Discretely presented component unit - First 5	16,396
Discretely presented component unit - HPSM	602,797 <sup>2</sup>
Pension trust fund	4,019,564
Investment trust fund	2,830,761
Agency funds	<u>380,445</u>
Total cash and investments	<u>\$ 9,285,176</u>

**Investments:**

In Treasurer's pool	4,639,154
With fiscal agents of the JPFA	8,348
In SamCERA's portfolio	3,802,162
In HPSM's portfolio	<u>58,952 <sup>2</sup></u>
Total investments	8,508,616
Perspective difference	<u>(337) <sup>3</sup></u>
Total cash and investments	<u>\$9,285,176</u>

<sup>1</sup> At year-end, the carrying amount of the County's cash deposits was \$(31,437) and the bank balance was \$28,712. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

<sup>2</sup> HPSM's cash and investments were as of December 31, 2016.

<sup>3</sup> Perspective difference represents the difference between HPSM's participation in the Treasurer's pool at December 31, 2016 and June 30, 2017, which was \$98,961 and \$99,298, respectively.

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**Investments**

The table below summarizes total investments reported as of June 30, 2017:

	Interest Rates	Maturities	Par Value	Fair Value	Weighted Average Maturity (Years)
<b>Investments in Investment Pool</b>					
U.S. treasury notes	0.625% - 1.875%	9/30/17 - 10/31/23	\$ 575,000	\$ 566,369	3.44
U.S. treasury bills	0.615% - 0.977%	7/20/17 - 10/19/17	249,000	248,755	0.12
U.S. government agency securities	0.635% - 1.800%	7/14/17 - 8/17/21	1,754,421	1,749,694	0.81
U.S. government agency securities - floating rate	1.130% - 1.220%	1/11/18 - 5/26/20	35,000	35,058	1.61
<sup>2</sup> U.S. instrumentalities	0.650% - 2.000%	7/24/17 - 7/15/22	210,500	209,506	1.66
Corporate bonds	0.875% - 2.150%	7/21/17 - 4/7/21	341,200	341,067	1.20
Corporate bonds - floating rate	1.250% - 2.110%	7/17/17 - 5/16/22	320,400	321,228	1.40
Local Agency Investment Fund	1.010%	**	65,000	65,000	0.53 <sup>1</sup>
Commercial paper	0.894% - 1.425%	7/7/17 - 3/8/18	841,000	838,977	0.20
Repurchase agreements	1.080%	7/3/17	263,500	263,500	0.00
<b>Total investments in investment pool</b>			<u>\$ 4,655,021</u>	<u>\$ 4,639,154</u>	1.05
<b>Investments outside of Investment Pool</b>					
<i>San Mateo Joint Powers Financing Authority</i>					
U.S. treasury note				1,939	*
Hong Kong and Shanghai Banking Corporation - repurchase agreements				938	0.48
Investment contract				5,471	1.18
Subtotal				<u>8,348</u>	0.83
<i>San Mateo County Employees' Retirement Association</i>					
Commingled fixed income portfolio:					
Opportunistic Credit Funds <sup>3</sup>				273,467	6.97
BlackRock Intermediate Government Bond				121,382	4.11
Fidelity Institutional Asset Management				229,686	7.95
Western Asset Management				114,009	12.40
Subtotal				<u>738,544</u>	7.64
Debt securities:					
U.S. government securities				65,179	**
Equity securities:					
Foreign stocks				372,986	**
U.S. common & preferred stock				49,679	**
Commingled funds:					
Domestic equity				808,786	**
International equity				235,461	**
Liquid pool				190,503	**
Domestic equity				144,745	**
International equity				106,136	**
Real estate				267,102	**
Risk parity				291,757	**
Alternatives:					
Absolute return/hedge funds				227,288	**
Private equity				253,443	**
Private real asset				50,553	**
Subtotal				<u>3,063,618</u>	
Total SamCERA's investments				<u>3,802,162</u>	
<i>Health Plan of San Mateo</i> (as of December 31, 2016)					
Local Agency Investment Fund				58,952	0.53 <sup>1</sup>
<b>Total investments outside of investment pool</b>				<u>3,869,462</u>	
<b>Total investments</b>				<u>\$ 8,508,616</u>	

\* Weighted average maturity (WAM) is less than 0.01 year.

\*\* Not applicable or not available.

<sup>1</sup> WAM was computed using the average life from the Pooled Money Investment Account quarterly performance report as of June 30, 2017.

<sup>2</sup> U.S. instrumentalities are United States dollar denominated senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development.

<sup>3</sup> Angelo Gordon Opportunistic Whole Loan Fund, Angelo Gordon Securitized Asset Recovery Fund, Beach Point Select, Brigade Capital Management, Franklin Templeton, and Tennenbaum Capital Partners.

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**County Investment Pool**

California Government Code and the County Investment Policy govern the investment pool activity. The composition and value of investments in the County pool vary from time to time depending on cash flow needs of the County and pool participants as well as trading of securities.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years or less in accordance with its investment policy. At June 30, 2017, the investment pool had a weighted average maturity of 1.05 years and its investment in floating rate securities was \$356.3 million which are tied to the three-month London Interbank Offered Rate (LIBOR) index.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law and the County's investment policy limit the County's investments in commercial paper to the rating of "A1" or better by Standard & Poor's, or "P1" or better by Moody's Investors Service, and corporate bonds to the rating of "A" or higher by both Standard & Poor's and Moody's Investors Service. No limits are placed on the U.S. government agency securities and U.S. Treasuries. The County's investment pool was unrated.

<u>Investment as of June 30, 2017</u>	<u>Standard &amp; Poor's Rating</u>	<u>% of Portfolio</u>
U.S. Government Securities		
U.S. Treasury Securities	AA+	17.57%
U.S. Instrumentalities	AAA	4.52%
U.S. Government Agency Securities		
Federal Home Loan Bank	AA+	19.73%
Federal Home Loan Mortgage Corporation	AA+	10.22%
Federal National Mortgage Association	AA+	6.69%
Federal Farm Credit Bank	AA+	0.86%
Federal Agricultural Mortgage	Not rated	0.22%
Federal Farm Credit Bank - Floating Rate	AA+	0.43%
Federal National Mortgage Association - Floating Rate	AA+	0.32%
Corporate Bonds		
Corporate Bonds	AAA	0.11%
Corporate Bonds	AA+	1.01%
Corporate Bonds	AA	0.60%
Corporate Bonds	AA-	4.42%
Corporate Bonds	A+	1.21%
Corporate Bonds - Floating Rate Securities	AA+	0.76%
Corporate Bonds - Floating Rate Securities	AA	0.65%
Corporate Bonds - Floating Rate Securities	AA-	3.39%
Corporate Bonds - Floating Rate Securities	A+	1.59%
Corporate Bonds - Floating Rate Securities	A	0.54%
Local Agency Investment Fund	Not rated	1.39%
Commercial Paper	A1+	8.78%
Commercial Paper	A1	9.31%
Repurchase Agreements	AA+	5.68%
Total		<u>100.00%</u>

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**Notes to the Basic Financial Statements (Continued)**  
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*Custodial Credit Risk for Deposits.* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The County's investment policy requires that deposits in banks must meet the requirements of California Government Code. Under this code, any deposits of more than \$0.25 million must be collateralized at 110% to 150% of the value of the deposit to guarantee the safety of the public funds. The first \$0.25 million of the County's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$0.25 million insured amount are fully collateralized by Union Bank by pledging identifiable U.S. Government securities at 110% or more.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer of securities. State law and the County Investment Policy restrict the County's investments in U.S. Treasury Obligations to 100% of its portfolio (100% per issuer); Obligations of U.S. Agencies or government sponsored enterprises to 100% (40% per issuer); banker's acceptance to 15% (5% per issuer); collateralized time deposits within the State to 15% (5% per issuer), negotiable certificates of deposit, corporate bonds and medium-term notes to 30% (5% per issuer); commercial paper to 40% (5% per issuer); repurchase agreements secured by U.S. Treasury or agency obligation to 100% (100% per issuer for U.S. Treasuries and 40% per issuer for agency obligations); shares of beneficial interest issued by diversified management companies as defined in Government Code section 53601 to 10% (5% per issuer); and mortgage backed securities to 20% (5% per issuer). As of June 30, 2017, the investment pool has more than 5% of its total investments with the following issuers: 19.73% in Federal Home Loan Bank, 10.22% in Federal Home Loan Mortgage Corporation, and 7.01% in Federal National Mortgage Association.

*Foreign Currency Risk.* Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair values of an investment or deposit. The County's investment policy does not include specific provisions to address foreign currency risk because the County's investment pool does not invest in foreign securities.

The County's investment pool is invested in the State of California Local Agency Investment Fund (LAIF), which is part of the State of California Pooled Money Investment Account (PMIA). As of June 30, 2017, the PMIA balance was \$77.6 billion, of which 2.25% is in structured notes and medium-term asset backed securities, and 0.64% in short-term asset-backed commercial paper. The total amount invested by all public agencies in LAIF was \$22.8 billion, while the County's investment in LAIF was \$65 million and HPSM's investment in LAIF was \$58.9 million. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. PMIA is not SEC-registered, but is required to invest according to the California Government Code. The average maturity of PMIA investments was 194 days as of June 30, 2017. The Local Investment Advisory Board, which consisted of five members designated by State statutes, has oversight responsibility for LAIF.

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**County Investment Pool Condensed Financial Information**

Below is the condensed statement of the investment pool as of June 30, 2017:

**Statement of Net Position**

**Assets:**

U.S. treasury notes	\$ 566,369
U.S. treasury bills	248,755
U.S. government agency securities	1,749,694
U.S. government agency securities - floating rate	35,058
U.S. instrumentalities	209,506
Corporate bonds	341,067
Corporate bonds - floating rate	321,228
Local Agency Investment Fund	65,000
Commerical paper	838,977
Repurchase agreements	<u>263,500</u>
Total investments	<u>4,639,154</u>
Other assets	12,915
Pool deposits	<u>28,712</u>
Total assets	<u>4,680,781</u>

**Liabilities:**

Unfunded checks and warrants	60,149
Other liabilities	<u>7,791</u>
Total liabilities	<u>67,940</u>

**Net Position:**

Equity of internal pool participants	1,776,956
Equity of external pool participants	<u>2,835,885</u>
Total net position	<u>\$ 4,612,841</u>

**Statement of Changes in Net Position**

Net position at July 1, 2016	\$ 4,498,299
Net change in investments by pool participants	<u>114,542</u>
Net position at June 30, 2017	<u>\$ 4,612,841</u>

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

Participant units outstanding (one dollar par value)	\$ 4,624,126
Undistributed and unrealized gain	<u>(11,285)</u>
Net position at June 30, 2017	<u>\$ 4,612,841</u>

Participant net position at fair value price per share (\$4,612,841 divided by 4,624,126 units)	<u>\$ 0.9976</u>
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**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**JPFA's Investment Portfolio**

All moneys held by the JPFA's trustee are invested in "permitted investments" as defined in the Trust Agreement.

*Interest Rate Risk.* The JPFA has not adopted a formal policy that limits investment maturity as a means of managing its exposure to declines in fair values arising from increasing interest rates. As of June 30, 2017, the JPFA's investment portfolio had a weighted average maturity of 0.83 years.

*Credit Risk.* The JPFA's bond trust agreements include provisions which restrict the JPFA's investment in (a) money market mutual funds rated "AAm" or "AAM-G" by Standard & Poor's, or better; (b) repurchase agreements with any domestic bank the long-term debt of which is rated at least "A" or better by Standard & Poor's Corporation and Moody's Investors Service; (c) specific obligations of government sponsored agencies which are not backed by the full faith and credit of the United State of America, and (d) investment agreements. As of June 30, 2017, the JPFA's money market mutual fund was rated "Aaa-mf" by Moody's Investors Service. The repurchase agreement with the Hong Kong and Shanghai Banking Corporation was rated "Aa3" by Moody's Investors Service, and "AA" by Fitch. The U.S. Treasury Note was rated "AAA" by Standard & Poor's and "Aaa" by Moody's Investors Service. The remaining investments were unrated including the investment contract with Financial Guaranty Insurance Company Capital Market Services Group.

*Concentration of Credit Risk.* The JPFA places no limit on the amount invested in any one issuer. At June 30, 2017, the JPFA has \$0.9 million, or 11%, of its total investments in repurchase agreements with the Hong Kong and Shanghai Banking Corporation; \$1.9 million, or 23%, in a U.S. Treasury Note; and \$5.5 million, or 66%, in an investment contract with Financial Guaranty Insurance Company Capital Market Services Group.

**SamCERA's Investment Portfolio**

*Investments.* The Board of Retirement has exclusive control of SamCERA's investments. The 1937 Act authorizes the Board of Retirement to invest, or delegate the authority to invest, the assets of SamCERA in any investment allowed by statutes and deemed prudent in the informed opinion of the Board of Retirement. SamCERA records investment transactions on the trade date. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. An independent appraisal is obtained once every quarter to determine the fair market value of the real estate assets. Private equity and real assets are reported in SamCERA's financial statements based on the fair value provided by the General Partner on a quarterly basis. The management assumptions are based upon the nature of the investment and the underlying business. Risk parity, hedge funds, and commodities are reported based on the fair value provided by a third party administrator.

*Investment Policy.* The investment policy of SamCERA seeks to optimize long-term returns within acceptable risk parameters. The Board periodically reviews the asset allocation in response to changing market conditions that may affect forward-looking expected returns of asset classes. In October 2016, the Board completed an in-depth asset-liability study and approved a new target asset allocation, reducing exposure to public equity and increasing allocations to alternatives, inflation hedge, and fixed income. The new policy consists of 36% in public equity, 23% in fixed income, 13% in alternatives, 8% in risk parity, and 20% in inflation hedge.

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

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
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*Security Lending Activity.* Security lending transactions are short-term collateralized loans of SamCERA securities for the purpose of generating additional investment income. For each lending transaction, SamCERA receives either cash collateral or non-cash collateral. The underlying securities out on loan are reported on SamCERA's statements of plan net position as if the lending transaction had not occurred.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transaction*, cash collateral held (or any security that can be sold or pledged without a borrower default) is separately reported on the statements of fiduciary net position among the current assets. A corresponding liability of an equal amount, which represents the obligation to return the cash collateral, is reported as a liability. Non-cash collateral held that cannot be sold or pledged without a borrower default is not reported on the statement of fiduciary net position. As of June 30, 2017, SamCERA did not participate in any securities lending activity due to changes in the portfolio's investment manager structure and lending restrictions.

*Custodial Credit Risk - Deposits.* SamCERA has no general policy on custodial credit risk for deposits. SamCERA maintains cash deposits to support its investment activities and operational needs. At June 30, 2017, cash held with a financial institution in a pooled money market fund totaled \$162.2 million and cash held in the County's investment pool was \$20.7 million. Cash held by investment managers at year end amounted to \$9.3 million, which is swept daily into a pooled short-term investment fund. The deposits are not exposed to custodial credit risk as they are eligible and covered by insurance in accordance with applicable law and Federal Deposit Insurance Corporation rules and regulations. However, \$0.5 million held with the Northern Trust Company is uninsured and uncollateralized. Thus it is subject to custodian credit risk.

*Investment Risk.* SamCERA's investments are managed by independent investment management firms subject to the guidelines and controls specified in the SamCERA's investment policy and contracts. SamCERA uses a third party institution to serve as an independent custodian over the pension plan's assets. The guidelines stipulate the investment style, performance objective, performance benchmarks, and portfolio characteristics.

*Interest Rate Risk.* SamCERA has investments in nine external investment pools containing debt securities. SamCERA's investment policy does not have a formal policy that limits investment duration as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* SamCERA's investment policy seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within the asset class. To control credit risk, credit quality guidelines have been established for separately managed accounts. The table below summarizes the credit breakdown of SamCERA's investments in bonds.

Credit Risk	Active Management	Commingled Management
AAA	100.00%	38.73%
AA	-	3.32%
A	-	10.19%
BBB	-	1.08%
Less than BBB	-	36.07%
Not rated	-	5.76%
Cash	-	4.85%
	100.00%	100.00%

*Custodial Credit Risk - Investments.* The individual investment guidelines for each investment manager require that managed investments be held in the name of SamCERA. The master custodian may rely on sub-custodians. The custodial requirement does not apply to real estate investments and investments in pools. As of June 30, 2017,

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
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**(In Thousands)**

SamCERA had no investments that were exposed to custodial credit risk because all securities held by SamCERA's custodian bank are in SamCERA's name. SamCERA does not have a general policy addressing custodial credit risk.

*Foreign Currency Risk.* SamCERA's investment policy allows forward currency contracts and currency futures as defensive currency hedging to mitigate foreign currency risk on the portfolio. International equity and global bond managers are permitted to invest in authorized countries.

*Foreign Currency Risk - Foreign Exchange Contracts.* Foreign currency contracts are subject to foreign currency risk as the value of deposits or investments denominated in foreign currency may be adversely affected by changes in foreign exchange rates. Foreign exchange contracts include forward contracts and spot contracts. Currency forward contracts are derivatives and generally serve to hedge or offset the impact of foreign currency exchange rate fluctuations. Spot contracts are agreements to buy or sell a certain amount of foreign currency at the current market rate, for settlement in two business days. Spot contracts are generally used when SamCERA is required to make or receive payments in a foreign currency. SamCERA does not have a formal policy on foreign currency risk.

The table below shows the fair value of investments in U.S. dollars that are exposed to foreign currency risk as of June 30, 2017, by investment type and currency denomination.

Country	Common Stock	Foreign Currency	Total
Australia	\$ 15,674	\$ -	\$ 15,674
Brazil	2,497	-	2,497
Canada	2,220	295	2,515
Switzerland	32,891	1,052	33,943
Denmark	13,813	-	13,813
Europe	85,117	455	85,572
United Kingdom	76,933	132	77,065
Hong Kong	8,412	-	8,412
India	2,191	15	2,206
Japan	76,508	-	76,508
South Korea	5,181	-	5,181
Mexico	1,498	-	1,498
Malaysia	1,545	-	1,545
Philippines	910	-	910
Sweden	22,058	-	22,058
Singapore	16,764	15	16,779
South Africa	8,774	-	8,774
Total	<u>\$372,986</u>	<u>\$ 1,964</u>	<u>\$374,950</u>

*Concentration of Credit Risk.* SamCERA's investment policy has no general policy on the concentration of credit risk. As of June 30, 2017, SamCERA does not have investments in a single issuer with five percent or more of SamCERA's fiduciary net position.

*Derivatives.* SamCERA's investment contains various derivative positions as of and for the year ended June 30, 2017, primarily in swaps and foreign currency forward positions. In comparison to SamCERA's total investments at fair value, the fair value of SamCERA's derivative positions as of June 30, 2017 is not material. SamCERA held derivatives with a negative notional amount of \$110.9 million and a fair value of \$1 thousand at June 30, 2017 in the statement of fiduciary net position as part of the cash management overlay and inflation hedge. Changes in fair value during FY 2017 are reported in the statement of changes in fiduciary net position as a component of investment income. All derivatives held are investment derivatives and none of them are hedging derivatives.



**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
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The fair values of currency forward contracts are determined using a proprietary pricing service, which uses published foreign exchange rates as the primary source. The fair values of credit rate swaps, interest rate swaps, warrants, and “to-be-announced” transactions are determined by the custodian pricing vehicles.

The fair values of the derivatives are determined using a pricing service and validated by SamCERA’s custodian. Management of SamCERA accepts these valuations. Further disclosure on the derivative positions held at fiscal year-end are contained in the table below.

<u>Investment Derivatives as of June 30, 2017</u>	<u>Notional Value</u>	<u>Fair Value (Level 2)</u>
Interest rate contracts - short	\$ (14,434)	\$ -
Interest rate contracts - long	(129,534)	-
Foreign exchange contracts - long	927	-
Foreign exchange contracts - forwards	1	1
Equity contracts - long	32,145	-
Total	<u>\$ (110,895)</u>	<u>\$ 1</u>

*Custodial Credit Risk - Derivatives.* As of June 30, 2017, SamCERA’s derivatives were not subject to custodial credit risk. However, they are subject to other risks.

*Credit Risk - Derivatives.* SamCERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include credit default and interest rate swaps, currency forward contracts, rights, warrants and “to-be-announced” transactions. To minimize credit risk exposure, SamCERA’s investment managers continuously monitor credit rating of counterparties. Should there be a counterparty failure, SamCERA would be exposed to the loss of fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. SamCERA does not have a general investment policy with respect to netting arrangements or collateral requirements. In the event of bankruptcy or default by the counterparty, netting arrangements legally provide SamCERA with a right of offset.

**Fair Value Measurement**

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The investments in an external investment pool are not subject to reporting within the level hierarchy. The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

The County's cash equivalents and investments by fair value level as of June 30, 2017, include the following:

<u>Investments</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Investments subject to fair value hierarchy:			
U.S. treasury notes	\$ 568,308	\$ -	\$ 568,308
U.S. treasury bills	248,755	-	248,755
U.S. government agency securities	1,749,694	-	1,749,694
U.S. government agency securities - floating rate	35,058	-	35,058
U.S. instrumentalities	209,506	-	209,506
Corporate bonds	341,067	-	341,067
Corporate bonds - floating rate	321,228	-	321,228
Commercial paper	838,977	-	838,977
Repurchase agreements	264,438	-	264,438
Investment agreement	5,471	-	5,471
Debt securities:			
U.S. government securities	65,179	-	65,179
Equity securities:			
Foreign stocks	372,986	372,986	-
U.S. common & preferred stock	49,679	49,679	-
Commingled funds:			
Domestic bond	235,390	-	235,390
Domestic equity	808,786	-	808,786
International equity	235,461	-	235,461
Liquid pool	190,503	-	190,503
Total investments subject to fair value hierarchy	6,540,486	\$ 422,665	\$ 6,117,821
Investments not subject to fair value hierarchy:			
Local Agency Investment Fund	123,952		
Investments measured at the net asset value (NAV)			
Domestic bond	392,290		
Global bond	110,864		
Domestic equity	144,745		
International equity	106,136		
Real estate	267,102		
Risk parity	291,757		
Absolute return/hedge funds	227,288		
Private equity	253,443		
Private real asset	50,553		
Total investments measured at NAV	1,844,178		
Total investments	\$ 8,508,616		

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

<u>Investments measured at NAV</u>	<u>6/30/2017</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Domestic bond funds <sup>(1)</sup>	\$ 392,290	\$ -	Daily, quarterly	15-90 days
Global bond funds <sup>(1)</sup>	110,864	-	Monthly	15 days
Domestic equity funds <sup>(1)</sup>	144,745	-	Daily	1-5 days
International equity funds <sup>(1)</sup>	106,136	-	Daily	1-10 days
Real estate funds <sup>(2)</sup>	267,102	83,105	Quarterly, not eligible	45 days
Risk parity funds <sup>(3)</sup>	291,757	-	Monthly	15 days
Hedge funds/absolute return <sup>(4)</sup>	227,288	-	Semi-monthly, monthly	5-75 days
Private equity funds <sup>(5)</sup>	253,443	139,300	Not eligible	Not applicable
Private real asset funds <sup>(5)</sup>	50,553	55,900	Not eligible	Not applicable
Total investments measured at NAV	<u>\$ 1,844,178</u>	<u>\$ 278,305</u>		

- (1) *Bond and Equity Funds.* This type includes six domestic bond funds, one global bond fund, one domestic equity fund, and two international equity funds that are considered to be in commingled in nature. Each is valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments.
- (2) *Real Estate Funds.* This type includes three real estate funds that invest primarily in a diversified portfolio of institutional quality multi-family, industrial, retail and office assets in the United States. The fair values of the investments in this type have been determined using the NAV (or its equivalent) of the Plan's ownership interest in partners' capital. One investment has quarterly liquidity while the other is ineligible for redemption.
- (3) *Risk Parity Funds.* This type includes two risk parity funds that seek to generate returns from a risk diversified portfolio of asset exposures. The fair values of the investments in this type have been determined using the NAV (or its equivalent) of the plan's ownership interest in partners' capital. The funds can be redeemed on a monthly basis.
- (4) *Hedge Funds/Absolute Return.* This strategy consists of two multi-strategy hedge funds/absolute return. One fund delivers efficient exposure to a well-diversified portfolio of hedge fund strategies and the other builds a broad range of return-seeking positions (i.e. multi-strategy) with high underlying liquidity that incorporates multiple risk views.
- (5) *Private Equity and Real Asset Funds.* SamCERA's private equity portfolio consists of twenty-one funds, investing primarily in buyout funds, venture capital, and debt/special situations. The Private Real Asset portfolio comprises seven funds, investing in infrastructure and natural resources. The fair values of these funds have been determined using net assets values one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments with the funds are liquidated, which on average can occur over the span of 5 to 10 years.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**NOTE 5 – RECEIVABLES**

As of June 30, 2017, receivables of the County’s major funds, nonmajor funds in aggregate, and internal service funds in aggregate, including allowances for uncollectible accounts, are listed below. The General Fund has a net receivable of \$166.6 million, of which about \$122.8 million is not expected to be collected within the next twelve months.

<u><b>Governmental Activities</b></u>	General Fund	JPFA	Nonmajor Governmental Funds	Internal Service Funds	Total
Accounts	\$ 291,239	\$ -	\$ 279	\$ 607	\$ 292,125
Interest	19,730	284	697	168	20,879
Taxes	32,488	-	1,982	-	34,470
Mortgages	103,225	-	-	-	103,225
Advances	1,571	-	-	-	1,571
Other	20,762	-	-	-	20,762
Gross receivables	469,015	284	2,958	775	473,032
Less: allowances for uncollectibles	(302,407)	-	(929)	-	(303,336)
Total receivables, net	<u>\$ 166,608</u>	<u>\$ 284</u>	<u>\$ 2,029</u>	<u>\$ 775</u>	<u>\$ 169,696</u>

<u><b>Business-type Activities</b></u>	Medical Center	Housing Authority	Nonmajor Enterprise Funds	Total
Accounts	\$ 62,104	\$ 9	\$ 91	\$ 62,204
Grant	481	-	-	481
Interest	306	45	6	357
Other	1,634	-	-	1,634
Gross receivables	64,525	54	97	64,676
Less: allowances for uncollectibles	(47,447)	-	(38)	(47,485)
Total receivables, net	<u>\$ 17,078</u>	<u>\$ 54</u>	<u>\$ 59</u>	<u>\$ 17,191</u>

**NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables may result from services rendered by one fund to another fund, or from interfund loans. “Due from” and “due to” balances are generally used to reflect short-term interfund receivables and payables whereas “advance to” and “advance from” balances are for long-term.

***Due to/from other funds***

All the interfund balances presented below 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.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

The table below summarizes the County's interfund receivables and payables as of June 30, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 5,219
	Medical Center	2,008
	Nonmajor Enterprise Funds	1
	Internal Service Funds	2
		<u>7,230</u>
Nonmajor Governmental Funds	General Fund	<u>10</u>
Medical Center	General Fund	<u>318</u>
Internal Service Funds	General Fund	<u>1</u>
	Total	<u><u>\$ 7,559</u></u>

***Advances to/from other funds***

Advances from the General Fund are comprised of the following as of June 30, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 7,305
	Medical Center	944
	Nonmajor Enterprise Funds	2,800
	Internal Service Fund	805
	Total	<u><u>\$ 11,854</u></u>

- \$7.3 million, of the authorized \$8.7 million, was advanced to Crystal Springs Sanitation District in April 2015 to begin construction of the Crystal Springs/El Cerrito Trunk Sewer to improve performance and capacity of sewer facilities. Crystal Springs Sanitation District will return the \$8.7 million to the County General Fund over a twenty year period with 2.10% interest from revenue of the Crystal Springs Sanitation District.
- \$0.9 million represents a 10% reserve on Behavioral Health programs operated by the Medical Center. This reserve will be returned by the Medical Center to the Behavioral Health department when the P14 audit is completed. The P14 audit is not scheduled to be completed over the next several years.
- \$2.8 million was advanced to the Airport for the construction of two T-Hangar buildings at the San Carlos Airport. The Airport will return full amount to the County General Fund over twenty-five years with 0.80% interest rate.
- \$0.8 million outstanding advance resulted from three separate advances (\$0.3 million in June 2009, \$0.5 million in June 2010, and \$0.6 million in June 2011) to the Tower Road Construction Fund to cover cash deficits at year-end offset by a \$0.6 million payment against advances.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**NOTE 7 – INTERFUND TRANSFERS**

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

**(a) Between Governmental and Business-type Activities:**

Transfer from	Transfer To	Amount	Purpose
General Fund	Medical Center	\$ 58,122	Provide subsidy to support indigent healthcare as budgeted.
	Medical Center	1,541	Provide subsidy to finance retiree health benefits.
	Subtotal	<u>59,663</u>	
General Fund	Nonmajor Enterprise Funds	19	Provide subsidy to finance retiree health benefits.
	Nonmajor Enterprise Funds	100	Transfer funds to finance capital projects.
	Subtotal	<u>119</u>	
Medical Center	Nonmajor Governmental Funds	9,222	Transfer funds to cover lease payments.
	Nonmajor Governmental Funds	295	Transfer funds to finance capital projects.
	Subtotal	<u>9,517</u>	
Total		<u>\$ 69,299</u>	

**(b) Between Funds within Governmental Activities<sup>(1)</sup>:**

Transfer from	Transfer To	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 17,630	Provide funds to finance County capital projects.
	Nonmajor Governmental Funds	41,049	Transfer funds to cover lease payments.
	Nonmajor Governmental Funds	3,702	Contribute funds to support in-home supportive services.
	Nonmajor Governmental Funds	144	Provide funds to subsidize County retirement.
	Subtotal	<u>62,525</u>	
General Fund	Internal Service Funds	36	Provide subsidy to finance retiree health benefits.
	Internal Service Funds	1	Provide funds to finance County capital projects.
	Subtotal	<u>37</u>	
JPFA	General Fund	<u>283</u>	Provide residual funds to finance County Radio System.
Nonmajor Governmental Funds	General Fund	653	Transfer funds to cover rent surcharges.
	General Fund	739	Reimburse Commute Alternatives Program costs.
	Subtotal	<u>1,392</u>	
Nonmajor Governmental Funds	Nonmajor Governmental Funds	3,849	Transfer funds to cover lease payments.
	Nonmajor Governmental Funds	3,612	Transfer funds to finance capital improvements.
	Nonmajor Governmental Funds	1,522	Transfer funds to cover debt service payments.
	Subtotal	<u>8,983</u>	
Nonmajor Governmental Funds	JPFA	<u>52,498</u>	Transfer funds to cover debt service payments.
Internal Service Funds	General Fund	<u>21</u>	Provide funds to support Sheriff's driver's training program.
Internal Service Funds	Nonmajor Governmental Funds	1	Transfer funds to finance capital projects.
	Nonmajor Governmental Funds	5	Transfer funds to cover lease payments.
	Subtotal	<u>6</u>	
Total		<u>\$ 125,745</u>	

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

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**NOTE 8 – CAPITAL ASSETS**

Capital asset activities for the fiscal year ended June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2017
<b>Governmental activities</b>					
<i>Capital assets, not being depreciated:</i>					
Land and easements	\$ 89,084	\$ 8,336	\$ -	\$ -	\$ 97,420
Infrastructure - maintained road subsystem	91,952	-	-	62	92,014
Construction in progress	77,313	37,913	-	(60,350)	54,876
Total capital assets, not being depreciated	258,349	46,249	-	(60,288)	244,310
<i>Capital assets, being depreciated:</i>					
Infrastructure	85,597	-	-	13,310	98,907
Structures and improvements	827,456	10,798	-	43,822	882,076
Equipment	98,030	8,549	(5,264)	-	101,315
Software	10,389	-	-	-	10,389
Total capital assets, being depreciated	1,021,472	19,347	(5,264)	57,132	1,092,687
<i>Less accumulated depreciation for:</i>					
Infrastructure	(32,724)	(2,356)	-	-	(35,080)
Structures and improvements	(188,126)	(17,253)	-	-	(205,379)
Equipment	(80,395)	(6,398)	5,124	-	(81,669)
Software	(8,687)	(1,401)	-	-	(10,088)
Total accumulated depreciation	(309,932)	(27,408)	5,124	-	(332,216)
Total capital assets, being depreciated, net	711,540	(8,061)	(140)	57,132	760,471
<b>Governmental activities capital assets, net</b>	<b>\$ 969,889</b>	<b>\$ 38,188</b>	<b>\$ (140)</b>	<b>\$ (3,156)</b>	<b>\$ 1,004,781</b>
<b>Business-type activities</b>					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 13,157	\$ 1,090	\$ -	\$ -	\$ 14,247
Construction in progress	4,224	2,485	-	(356)	6,353
Total capital assets, not being depreciated	17,381	3,575	-	(356)	20,600
<i>Capital assets, being depreciated:</i>					
Structures and improvements	82,891	335	-	137	83,363
Equipment	20,447	1,948	(524)	39	21,910
Software	15,579	246	-	9	15,834
Total capital assets, being depreciated	118,917	2,529	(524)	185	121,107
<i>Less accumulated depreciation for:</i>					
Structures and improvements	(36,754)	(1,712)	-	-	(38,466)
Equipment	(8,532)	(1,435)	426	-	(9,541)
Software	(12,269)	(1,371)	-	-	(13,640)
Total accumulated depreciation	(57,555)	(4,518)	426	-	(61,647)
Total capital assets, being depreciated, net	61,362	(1,989)	(98)	185	59,460
<b>Business-type activities capital assets, net</b>	<b>\$ 78,743</b>	<b>\$ 1,586</b>	<b>\$ (98)</b>	<b>\$ (171)</b>	<b>\$ 80,060</b>

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**Depreciation**

Depreciation expense was charged to various functions or activities as follows:

<u><b>Governmental Activities</b></u>	
General government	\$ 4,401
Public protection	15,466
Public ways and facilities	913
Health and sanitation	3,044
Public assistance	1,245
Recreation	1,170
Depreciation on capital assets held by the County's internal service funds are charged to various functions based on their usage of the assets.	1,169
Total depreciation - governmental activities	<u>\$27,408</u>
<u><b>Business-type Activities</b></u>	
Medical Center	\$ 2,959
Housing Authority	739
Airports	506
Coyote Point Marina	314
Total depreciation - business-type activities	<u>\$ 4,518</u>

**Capital Project Commitments**

The County has one major capital project underway in FY 2016-17 as follows:

*Skylonda Fire Station*

In August 2013, the JPFA issued the 2013 Bonds totaling \$40 million. A portion of the proceeds of the 2013 Bonds was used to finance capital improvements to the Skylonda Fire Station located on Skyline Boulevard in the Town of Woodside, California. This project will replace the existing barracks and offices at Station 58 and adds a community room in a new 6,000 square foot facility. The fire station will house two engines (a paramedic engine and a wildland engine) and serves the communities of Skylonda, Kings Mountain, La Honda, Upper Woodside, Alpine Road, Middleton Tract, and Skyline Boulevard. The project underwent a series of framing modifications which are mostly complete. The permit for the modification work is expected to be issued in July 2017. Interior construction has also begun. The total project cost is estimated to be \$8.5 million with anticipated completion by December 2017.



**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**NOTE 9 – LEASES**

The County occupies a number of non-County owned office buildings and facilities to conduct its business under non-cancelable operating leases. Total rental paid for these leases was approximately \$14.1 million for the fiscal year ended June 30, 2017, and the future minimum lease payments are as follows:

<b>Governmental Activities</b>		<b>Component Units</b>	
Fiscal year ending June 30,		Fiscal year ending June 30,	
2018	\$ 12,207	2018	\$ 85
2019	10,781	2019	87
2020	7,256	2020	90
2021	5,736	2021	92
2022	4,245	2022	31
2023-2027	12,611	Total	\$ 385
2028-2032	5,875		
2033-2037	5,875		
2038-2041	4,700		
Total	\$ 69,286		

The County also leases various County-owned properties to other entities under non-cancelable operating leases. Income from these rental activities amounted to \$0.9 million for the fiscal year ended June 30, 2017.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**NOTE 10 - LONG-TERM LIABILITIES**

The County's long-term liabilities as of June 30, 2017, are as follows:

<u>Type of indebtedness (purpose)</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2017</u>
<b><u>Governmental Activities</u></b>					
<b>Lease Revenue Bonds:</b>					
<b><u>1993 Issue</u></b>					
Purpose: To defease 1991 Certificates of Participation and finance the costs of a parking garage and jail.					
Term Current Interest Bonds	7/1/17 - 7/1/21	5% - 6%	\$4,230 - \$5,205	23,520	23,520
<b><u>1993 Issue - Satellite Clinic</u></b>					
Purpose: To finance a portion of the costs of constructing and equipping the North County Satellite Clinic and an adjacent parking structure.					
Serial Capital Appreciation Bonds	9/1/17 - 9/1/26	5.9% - 6%	\$188 - \$233	2,085	2,085
Accreted interest on capital appreciation bonds				8,941	6,009
1993 Issue - Satellite Clinic				11,026	8,094
<b><u>2009 Issue</u></b>					
Purpose: To provide funds, together with other available moneys, to refund a portion of the outstanding 1997 Bonds and the outstanding 1999 Bonds (collectively, the "Prior Bonds"), to pay costs of issuance of the 2009 Bonds, and to pay other costs relating to the refunding of the Prior Bonds.					
Serial Current Interest Bonds	7/15/17	5%	\$6,145	46,130	6,145
Serial Current Interest Bonds	7/15/18 - 7/15/26	5% - 5.25%	\$6,475 - \$8,990	69,375	69,375
2009 Issue				115,505	75,520
<b><u>2013 Issue</u></b>					
Purpose: To provide funds, together with other available moneys, (i) to redeem outstanding 1997, 1999, and 2001 Bonds, (ii) to finance certain capital improvements, and (iii) to pay costs of issuance of the 2013 Bonds.					
Serial Current Interest Bonds	7/15/17 - 7/15/32	2% - 5.25%	\$550 - \$10,320	40,065	36,720
<b><u>2014 Issue</u></b>					
Purpose: To provide funds, together with other available moneys, (i) to finance the acquisition, construction and equipping of the Maple Street Correctional Center, (ii) to refund all of the outstanding notes previously issued by the County in FY 2013-14, the proceeds of which were used to reimburse the County for the purchase price of the jail project site, (iii) to pay capitalized interest on the 2014 Bonds through May 30, 2016, (iv) to provide the Reserve Account Requirement, and (v) pay issuance costs of the 2014 Bonds.					
Serial Current Interest Bonds	6/15/18 - 6/15/31	3% - 5%	\$5,675 - \$18,085	157,895	140,150
Term Interest Bonds	6/15/32 - 6/15/35	4%	\$2,500 - \$5,010	15,145	15,145
Term Interest Bonds	6/15/36 - 6/15/37	4%	\$495 - \$1,530	2,025	2,025
2014 Issue				175,065	157,320
<b><u>2016 Issue</u></b>					
Purpose: To provide funds, together with other available moneys, to refund the outstanding 2008 Bonds, to pay costs of issuance of the 2016 Bonds, and to pay costs relating to the refunding of the 2008 Bonds.					
Serial Current Interest Bonds	7/15/17 - 7/15/36	2% - 5%	\$3,290 - \$7,620	107,600	104,225
<b>Total lease revenue bonds and accreted interest on capital appreciation bonds</b>				<b>472,781</b>	<b>405,399</b>

(Continued)

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
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Type of indebtedness (purpose)	Maturities	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2017
<b>Revenue Refunding Bonds:</b>					
<b><u>2015 Issue</u></b>					
Purpose: To provide funds, together with other available moneys, (i) to refund its Certificates of Participation in the Colma Creek Flood Control Zone, and (ii) to pay issuance costs of the 2015 Bonds.					
Serial Current Interest Bonds	8/1/17 - 8/1/35	2% - 5%	\$630 - \$1,410	\$ 18,725	\$ 18,095
<b>Total governmental activities</b>				<b>\$ 491,506</b>	<b>\$ 423,494</b>
<b><u>Business-type Activities</u></b>					
<b>Notes Payable:</b>					
<b>Coyote Point Marina</b>					
Department of Boating and Waterways	8/1/17 - 8/1/29	4.5%	\$14 - \$50	\$ 2,314	\$ 486
Dock 29 loan	8/1/17 - 8/1/45	4.5%	\$32 - \$114	1,919	1,886
<b>Housing Authority</b>					
California Housing Finance Agency	5/20/57	0.00%	-	49	36
<b>Airports</b>					
Department of Transportation	2/7/18 - 2/7/23	4.78%	\$346 - \$362	4,000	708
<b>Total business-type activities</b>				<b>\$ 8,282</b>	<b>\$ 3,116</b>

The table below summarizes changes in the County's long-term liabilities for the fiscal year ended June 30, 2017.

	Balance July 1, 2016	Additions/ Accretions	Retirements	Balance June 30, 2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Lease revenue bonds	\$ 432,360	\$ -	\$ (32,970)	\$ 399,390	\$ 33,233
Accreted interest on capital appreciation bonds	5,547	462	-	6,009	692
Add: unamortized premium	45,424	-	(2,505)	42,919	2,505
Lease revenue bonds, net	483,331	462	(35,475)	448,318	36,430
Revenue refunding bonds	18,725	-	(630)	18,095	630
Add: unamortized premium	2,684	-	(141)	2,543	141
Revenue refunding bonds, net	21,409	-	(771)	20,638	771
Other long-term obligations	2,946	222	(555)	2,613	141
Estimated claims	48,673	26,181	(21,159)	53,695	17,366
Compensated absences	42,809	34,208	(32,266)	44,751	34,118
<b>Total Governmental Activities</b>	<b>\$ 599,168</b>	<b>\$ 61,073</b>	<b>\$ (90,226)</b>	<b>\$ 570,015</b>	<b>\$ 88,826</b>
<b>Business-type Activities:</b>					
Notes payable	\$ 3,511	\$ -	\$ (395)	\$ 3,116	\$ 410
Net OPEB obligation	143	44	(151)	36	-
Estimated claims	633	-	(633)	-	-
Compensated absences	10,123	9,738	(9,704)	10,157	9,982
Other long-term obligations	-	1,158	-	1,158	-
<b>Total Business-type Activities</b>	<b>\$ 14,410</b>	<b>\$ 10,940</b>	<b>\$ (10,883)</b>	<b>\$ 14,467</b>	<b>\$ 10,392</b>

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
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Resources used to finance long-term liabilities of governmental and business-type activities are as follows:

- The *lease revenue bonds* are payable by a pledge of revenues from the base rental payments payable by the County, pursuant to individual lease agreements between the JPFA and the County for the use of equipment and facilities acquired or constructed by the JPFA. Under California law, the County cannot make lease payments until the County has constructive use or occupancy of the property being financed. Once construction is completed, the leases act like direct financing leases with lease payments equal to debt service payments. Total debt service requirements remaining on the lease revenue bonds is \$554.4 million payable through June 15, 2037. For the current year, principal and interest paid by the JPFA totaled \$33.0 million and \$19.7 million, respectively.
- The *revenue refunding bonds* are payable by a pledge of revenues from the installment payments payable by the County Flood Control District. Total debt service requirements remaining on the revenue refunding bonds is \$27.7 million payable through August 1, 2035. For the current year principal and interest paid by the District totaled \$0.6 million and \$0.9 million, respectively.
- *Notes payable* under business-type activities are funded separately by respective enterprise funds.
- *Other long-term obligation* are financed by the General Fund including Los Trancos County Water District, and State Water Resources Control Board, and enterprise funds (Medical Center and Housing Authority).
- *Net OPEB obligation* is financed by the Housing Authority.
- *Estimated claims* are liquidated by charges for services collected through individual internal service funds and reserves of the Housing Authority.
- *Compensated absences* are financed by governmental funds (General Fund and individual special revenue funds) and enterprise funds (Medical Center, Housing Authority, Airports, and Coyote Point Marina) that are responsible for the charges.

Annual debt service requirements for the governmental activities as of June 30, 2017, are summarized as follows:

Fiscal Year Ended June 30,	<b>Governmental Activities</b>					
	Lease Revenue Bonds			Revenue Refunding Bonds		
	Principal	Interest		Principal	Interest	
2018	\$ 33,233	\$ 692	\$ 18,350	\$ 630	\$ 876	
2019	32,792	728	16,816	650	854	
2020	31,335	775	15,249	680	824	
2021	28,806	819	13,804	710	789	
2022	26,844	866	12,449	750	753	
2023-2027	110,660	5,061	45,616	4,335	3,148	
2028-2032	85,850	-	19,481	5,535	1,920	
2033-2037	49,870	-	4,319	4,805	445	
Total requirements	399,390	8,941	146,084	\$ 18,095	\$ 9,609	
Less: unaccrued interest	-	(2,932)	-			
Total	\$ 399,390	\$ 6,009	\$ 146,084			

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
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Annual debt service requirements for the business-type activities as of June 30, 2017, are summarized as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Business-type Activities</u>	
	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 410	\$ 144
2019	427	125
2020	69	105
2021	72	102
2022	75	98
2023-2027	430	436
2028-2032	388	332
2033-2037	348	248
2038-2042	435	160
2043-2047	426	50
2048-2052	-	-
2053-2057	36	-
Total requirements *	<u>\$ 3,116</u>	<u>\$ 1,800</u>

\* The County was awarded a \$2.1 million loan for plans, permits, environmental review, and construction of Dock 29. Under this loan agreement, the State Department of Boat and Waterways reimburses the County for the amount expended on the Dock 29 project. In exchange, the County is obligated to pay interest annually until the Dock 29 is constructed and then principal plus interest afterwards. The loan repayment schedule is not available until the project is fully completed. As of June 30, 2017, the total principal due to the State is \$1,886.

**Legal Debt Service Limit**

The County's annual legal debt service limit shall not exceed 4% of the average annual County budget for the current and the preceding four fiscal years, and shall be for non-voter approved debt that is the obligation of the County. The County's legal debt service limit was \$91.8 million for the fiscal year ended June 30, 2017.

**NOTE 11 – NET POSITION**

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

- *Net Investment in Capital Assets* groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows of resources, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
  - Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
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- A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. As of June 30, 2017, restricted net position for the governmental activities was \$260.5 million as reported on the government-wide statement of net position, and approximately \$76.8 million of which was restricted by enabling legislation.
- *Unrestricted Net Position* represents net position of the County that is not restricted for any project or purpose.

**NOTE 12 – FUND BALANCES**

The County Board adopted the County Reserves Policy in April 1999. The policy was created to help reduce the negative impact on the County in times of economic uncertainty and potential losses of funding from other governmental agencies. On February 9, 2010, the County Board approved a revised policy to keep pace with the current fiscal environment. County reserves are generally restricted for one-time purposes or as part of multi-year financial plan to balance the budget. The revised policy establishes minimum requirements for General Fund departmental reserves, General Fund non-departmental reserves, service department reserves and Non-General Fund department reserves, including guidelines for the use of these funds. On January 31, 2011, the Board authorized the use of 50% of future excess ERAF proceeds for ongoing purposes. The current ERAF reserves and 50% of future proceeds can only be used for one-time purposes as described in the County Reserves Policy.

**General Fund Departmental Reserve Requirements**

General Fund departments are required to maintain reserves at a minimum of two percent (2%) of Net Appropriations. In general, departmental reserves are restricted to one-time emergencies, unanticipated mid-year losses of funding, short-term coverage of costs associated with unanticipated caseload increases, and short-term coverage of costs to avoid employee layoffs in the presence of a long-term financial plan. One-time funds will not be used to fund ongoing operations, except for a multi-year financial plan to balance expenditures and reserves.

Departments must obtain approval from the County Manager prior to using reserves that will reduce the reserve below the two percent requirement. Excess fund balance at year end must first be used to replenish the minimum reserve requirement. Departments that are unable to demonstrate progress towards achieving the two percent requirement will be subject to enhanced fiscal oversight. Fund balance in excess of two percent minimum departmental reserves can only be allocated to the following: one-time purposes, purchase of capital assets, sinking fund for future replacement of assets, deferred maintenance, one-time departmental projects, reserve for audit disallowances, local match for grants, seed money for new departmental programs with ongoing funding sources and outcome measures, and short-term coverage of operational costs to maintain program integrity and prevent employee layoffs. Unexpended one-time funds from deferred and incomplete projects are carried over to the next fiscal year at 100% of the amount not spent.

**General Fund Non-departmental Reserve Requirements**

General Fund non-departmental reserve requirements are classified into five categories:

1. *General Fund Reserves* – should be maintained at a minimum of five percent (5%) of total General Fund Net Appropriations for one-time purposes or as part of a multi-year financial plan to balance the County’s budget. The five percent requirement may include Excess ERAF reserves. Excess fund balance at year end should first be used to replenish “Appropriation for Contingencies” and next the minimum of the five percent requirement.
2. *Appropriation for Contingencies* – should be maintained at three percent (3%) of total General Fund Net Appropriations for one-time emergencies and economic uncertainties. Excess fund balance at year end must be first used to replenish this amount to achieve the highest possible credit rating.
3. *Reserve for Capital Improvements* – should be maintained at a minimum of \$2 million to preserve the County’s capital assets. The reserve will be appropriated annually to finance countywide capital improvements as specified in the five-year County’s Capital Improvement plan. This plan will be updated annually during the budget process.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
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4. *Reserve for Countywide Automation Projects* – should be maintained at a minimum of \$2 million to support automation projects that will generate long-term ongoing savings and reductions to net county cost.
5. *Reserve in Excess of Above Requirements* – can only be allocated for the following one-time or short-term purposes:
  - Capital and technology improvements;
  - Reduction of unfunded liabilities, including Retirement and Retiree Health obligations;
  - Debt retirement;
  - Productivity enhancements;
  - Cost avoidance projects;
  - Litigation;
  - Local match for grants involving multiple departments;
  - Innovation and Entrepreneurial Fund to create one-time and short term incentives for team efforts that generate ongoing savings or revenues in new and creative ways, including one-time investments in infrastructure and other areas with established parameters regarding payback periods and returns on investments;
  - Seed money for new programs involving multiple departments with future ongoing funding sources and outcome measures; and
  - Other purposes deemed to be fiscally prudent for the County as identified and recommended by the County Manager’s Office to the Board.

General Fund departmental and non-departmental reserves are reported within unassigned fund balances because they do not meet the criteria to be reported within the restricted or committed classifications.

**Service Departments and Non-General Fund Departments**

Following the end of each fiscal year, the Service Charges Committee will evaluate the fund balance generated by service departments and recommend how the balance be used.

- Internal Service Funds can maintain reserve balances for future purposes including, but not limited to, vehicle and equipment replacement costs and risk management claims.
- Enterprise Funds and Special Revenue Funds should generate revenue sufficient, as a goal, to support the full operating costs of these funds above and beyond General Fund subsidy or contribution levels approved by the County Board.

**NOTE 13 – EMPLOYEES’ RETIREMENT PLANS**

**San Mateo County Employees’ Retirement Association**

**(a) Plan Description**

*General.* The San Mateo County Employees’ Retirement Association (SamCERA) is a cost-sharing multiple-employer, defined benefit pension plan that provides benefits for substantially all permanent employees of the County (primary government), First 5 (discrete component unit), and employees of the San Mateo County Library, the Superior Courts of the County of San Mateo, and the San Mateo County Mosquito and Vector Control District. SamCERA was founded in 1944 under the authority granted by Article XVI of the Constitution of the State of California and the County Employees’ Retirement Law of 1937 (the 1937 Act), and is not subject to the provisions of the Employee Retirement Income Security Act of 1974. SamCERA is a Pension Trust Fund of the participating employers.

**COUNTY OF SAN MATEO**  
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Management of SamCERA is vested in the Board of Retirement consisting of nine members. SamCERA is governed by the California Constitution, the 1937 Act and the by-laws, procedures, and policies adopted by the Board of Retirement. Pursuant to the County Employees Retirement Law of 1937, board members include the County Treasurer, two general members of SamCERA elected by their peers, four members appointed by the County Board, one member from SamCERA's safety members, and one member from the retired membership.

The Board of Retirement undertakes the administrative and fiduciary responsibility over the pension plan. SamCERA issues a publicly available financial report that can be obtained by writing to the San Mateo County Employees' Retirement Association, 100 Marine Parkway, Suite 125, Redwood Shores, California 94065 or via the Internet at [www.samcera.org/comprehensive-annual-financial-reports](http://www.samcera.org/comprehensive-annual-financial-reports).

*Benefit Provisions.* SamCERA provides service retirement, disability, and death benefits to plan members and beneficiaries based on defined benefit formulas using final average compensation, years of service, and age factors to calculate benefits payable. SamCERA has seven tiers that cover members classified as general, safety, or probation, and provides annual cost-of-living adjustments upon retirement to members of Tiers 1, 2, 4, 5, 6, and 7. The benefits of Tier 3 are reduced by a portion of Social Security benefits received by the member. The 1937 Act vests the County Board with the authority to initiate benefits, while Government Code Section 31592.2 empowers the Board of Retirement to provide certain ad hoc benefits when the Section 31592 reserve exceeds 1% of assets.

SamCERA has seven tiers covering members classified as general, safety or probation. The tables below provide details for each of these tiers.

	<b>General Member</b>	<b>Probation Member</b>	<b>Safety Member</b>
Plan 1*	Hire date	On or before 7/5/80	On or before 7/5/80
	Benefit factor	2%@55.5	3%@50
	Maximum COLA	5%	3%
	FAC period**	Highest 1 year	Highest 1 year
	Eligibility for service retirement	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; or any age with 20 years of service.
Plan 2*	Hire date	7/6/80 - 7/12/97	7/6/80 - 7/12/97
	Benefit factor	2%@55.5	3%@50
	Maximum COLA	3%	3%
	FAC period	Highest 1 year	Highest 1 year
	Eligibility for service retirement	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; or any age with 20 years of service.
Plan 3*	Hire date	On or before 12/22/12, a non-contributory plan.  (After five years of service, Plan 3 members can elect membership under the eligible contributory plan. Members currently working in a contributory plan with Plan 3 service may purchase an upgrade of their Plan 3 service. Plan 3 closed effective December 23, 2012.)  (If retirement occurs prior to age 65, benefit amount will be adjusted by an actuarial equivalent factor.)	Not applicable
	Maximum COLA	No COLA	Not applicable
	FAC period	Highest 3 years (non-consecutive)	Not applicable
	Eligibility for service retirement	Age 65 with 10 years of service; reduced benefit at age 55 with 10 years of service.	Not applicable
			Not applicable

\* Plans 1, 2, 3 and 4 are closed to new entrants. However, eligible general members with reciprocity of the Mosquito District may participate in Plan 4.

\*\* FAC period stands for "final average compensation" period.



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**Notes to the Basic Financial Statements (Continued)**  
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	<u>General Member</u>	<u>Probation Member</u>	<u>Safety Member</u>	
Plan 4*	Hire date	7/13/97 - 8/6/11	7/13/97 - 7/9/11	7/13/97 - 1/7/12
		(Note: Plan 4 closed simultaneously with the implementation of Plans 5 and 6.)		
	Benefit factor	2%@55.5	3%@50	3%@50
	Maximum COLA	2%	2%	2%
	FAC period**	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)
Eligibility for service retirement	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; or any age with 20 years of service.	Age 50 with 10 years of service; or any age with 20 years of service.	
Plan 5	Hire date	8/7/11 - 12/31/12	7/10/11 - 12/31/12	1/8/12 - 12/31/12
		(Note: General Plan 5 members after 10 years of service can elect to transfer to Plan 4 and must pay the total actuarial equivalent cost of the increase in past service benefits at the date of transfer.)		
	Benefit factor	2%@61.25	3%@55	3%@55
	Maximum COLA	2%	2%	2%
	FAC period	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)
Eligibility for service retirement	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; or any age with 20 years of service.	Age 50 with 10 years of service; or any age with 20 years of service.	
Plan 6	Hire date	Not applicable	7/10/11 - 12/31/12	1/8/12 - 12/31/12
	Benefit factor	Not applicable	2%@50	2%@50
	Maximum COLA	Not applicable	2%	2%
	FAC period	Not applicable	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)
	Eligibility for service retirement	Not applicable	Age 50 with 10 years of service; or any age with 20 years of service.	Age 50 with 10 years of service; or any age with 20 years of service.
Plan 7	Hire date	On or after 1/1/13	On or after 1/1/13	On or after 1/1/13
	Benefit factor	2%@62	2.7%@57	2.7%@57
	Maximum COLA	2%	2%	2%
	FAC period	Highest 36 consecutive months	Highest 36 consecutive months	Highest 36 consecutive months
	Eligibility for service retirement	Age 52 with 5 years of service.	Age 50 with 5 years of service.	Age 50 with 5 years of service.

\* Plans 1, 2, 3 and 4 are closed to new entrants. However, eligible general members with reciprocity of the Mosquito District may participate in Plan 4.

\*\* FAC period stands for "final average compensation" period.

In addition to the basic member and the cost sharing contributions, certain plan members (except those in tier 3) are required to make contributions to fund the Cost of Living Adjustments (COLA). Certain members in tiers 1, 2 and 4 contribute a specific percentage of the retirement COLA cost. All members in tiers 5 and 6 contribute 50% of the COLA. Members in tier 7 contribute 50% of the aggregate normal cost rate for their plan.

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*Pension Plan Membership.* Plan membership as of June 30, 2017 is displayed in the table below.

	Tier 1*	Tier 2*	Tier 3*	Tier 4*	Tier 5	Tier 6	Tier 7	Total
<b>RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS</b>								
General	1,603	1,913	130	675	1	-	-	4,322
Safety	276	194	-	59	-	-	-	529
Probation	28	54	-	23	-	-	-	105
Subtotal	1,907	2,161	130	757	1	-	-	4,956
<b>TERMINATED MEMBERS ENTITLED TO BUT NOT RECEIVING BENEFITS (INACTIVE/DEFERRED)</b>								
General	10	324	89	725	50	-	152	1,350
Safety	1	22	-	45	5	-	4	77
Probation	-	19	-	38	1	-	2	60
Subtotal	11	365	89	808	56	-	158	1,487
<b>CURRENT MEMBERS, VESTED</b>								
General	11	658	70	2,076	88	-	13	2,916
Safety	1	64	-	249	12	-	1	327
Probation	1	38	-	189	2	-	-	230
Subtotal	13	760	70	2,514	102	-	14	3,473
<b>CURRENT MEMBERS, NON-VESTED</b>								
General	-	-	6	33	191	-	1,414	1,644
Safety	-	-	-	1	47	-	128	176
Probation	-	-	-	-	5	1	38	44
Subtotal	-	-	6	34	243	1	1,580	1,864
Total Members	1,931	3,286	295	4,113	402	1	1,752	11,780

\* Plans closed to new entrants except eligible general members with reciprocity of the Mosquito District may participate in Plan 4.

*Contributions.* The 1937 Act established the basic obligations for employers and members to make contributions to the pension trust fund. The employer and member contribution rates are based on recommendations made by an independent actuary and adopted by the Board of Retirement. The participating employers are required by statutes to contribute the amounts necessary to fund the estimated benefits accruing to SamCERA members not otherwise funded by member contributions or expected investment earnings. Employer contribution rates for each tier are determined pursuant to Government Code Section 31453 of the 1937 Act. Contribution rates are actuarially determined using the entry age normal method and consist of an amount for normal cost (the estimated amount necessary to finance benefits earned by members during the year) and an amount required to amortize the unfunded actuarial accrued liability. Contributions to the plan from the County were \$190.2 million and First 5 were \$0.2 million for the year ended June 30, 2017.

**(b) Net Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2017, the County reported \$674.8 million of net pension liability for its proportionate share of the net pension liability, while First 5 reported \$0.8 million of net pension liability for its proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2016, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The County's proportion of the net pension liability was based on statutory contributions. The County's proportionate share of the net pension liability, which includes First 5 was 94.79% as of June 30, 2016, which was an increase of 0.01% from its share measured as of June 30, 2015.

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For the year ended June 30, 2017, the County recognized pension expense of \$123.5 million and First 5 recognized pension expense of \$139.5 thousand. At June 30, 2017, the County and First 5 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		First 5	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected pension experience	\$ 42,340	\$ (11,902)	\$ 48	\$ (13)
Change of pension-related assumptions	79,195	-	88	-
Differences between projected and actual earnings on pension investments	148,849	-	176	-
Change in proportionate share of net pension liability	1,415	-	2	-
Difference in actual and proportionate share of pension contributions	1,030	(564)	1	(1)
Pension contributions subsequent to measurement date	190,184	-	177	-
<b>TOTAL</b>	<b>\$ 463,013</b>	<b>\$ (12,466)</b>	<b>\$ 492</b>	<b>\$ (14)</b>

The County reported \$190.2 million and First 5 reported \$0.2 million as deferred outflows of resources related to pension contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Primary Government	First 5
2018	\$ 49,267	\$ 59
2019	49,267	59
2020	98,731	112
2021	63,098	71

**(c) Actuarial Assumptions**

The total pension liabilities in the June 30, 2016 actuarial valuation were determined using the information below.

**Actuarial Methods and Assumptions**

Valuation date	6/30/2016
Actuarial cost method	Entry Age Normal
Actuarial experience study	July 1, 2011 to April 30, 2014
Amortization method	Level Percent of Projected Payroll
Amortization period	UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL is amortized over separate closed 15-year layers which are determined annually.
Asset valuation method	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.
Actuarial assumptions:	
Investment rate of return	7.20%, net of pension plan investment and administrative expenses
Inflation rate (CPI)	2.75%
Payroll growth rate	3.25%
Mortality	Rates are primarily based on RP-2000 mortality tables. See the valuation report as of June 30, 2016, for details.

**COUNTY OF SAN MATEO**  
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The long-term expected rate of return on pension plan investments was determined using a building-block approach in which a median (or expected) geometric rate of return is developed for each major asset class. The median rates are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and estimates of the median geometric rates of return for each major asset class are shown in the table below. The asset class return assumptions are presented on a nominal basis, and all assumptions include a base inflation rate assumption of 3.0%.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Equity	42%	6.90%
Fixed Income	21%	3.90%
Alternatives	13%	7.60%
Risk Parity	8%	5.50%
Inflation Hedge	16%	6.70%
Cash	0%	2.20%
<b>Total</b>	<b>100%</b>	

*Discount Rate.* The investment rate of return assumption used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employer and member contributions will be made at the funding requirements under SamCERA's funding policy and the legal requirements under the County Employees Retirement Law of 1937. In addition, the County intends to contribute additional amounts over the next 10 years to accelerate the elimination of the unfunded actuarial accrued liability. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

*Sensitivity of the County's Proportionate Share of Net Pension Liability to Changes in the Discount Rate.* The following presents net pension liability of SamCERA, calculated using the discount rate of 7.20%, as well as what SamCERA's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.20%) or 1 percentage point higher (8.20%) than the current rate.

*(Dollars in Millions)*

	<u>Primary Government</u>		
	<u>1% Decrease:</u>	<u>Current Discount Rate:</u>	<u>1% Increase:</u>
	<u>6.20%</u>	<u>7.20%</u>	<u>8.20%</u>
Total pension liability	\$ 4,583.3	\$ 4,027.9	\$ 3,571.1
Fiduciary net position	3,353.1	3,353.1	3,353.1
Net pension liability	1,230.2	674.8	218.0
	<u>First 5</u>		
	<u>1% Decrease:</u>	<u>Current Discount Rate:</u>	<u>1% Increase:</u>
	<u>6.20%</u>	<u>7.20%</u>	<u>8.20%</u>
Total pension liability	\$ 5.2	\$ 4.6	\$ 4.1
Fiduciary net position	3.8	3.8	3.8
Net pension liability	1.4	0.8	0.3

*Pension Plan Fiduciary Net Position.* Detailed information about the plan's fiduciary net position is available in the separately issued SamCERA financial report.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
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***(d) Payable to the Pension Plan***

At June 30, 2017, the County has paid all contributions to the pension plan required for the year ended June 30, 2017.

**San Mateo County Supplemental Retirement Plan**

The San Mateo County Supplemental Retirement Plan (“Supplemental Retirement Plan”) is a defined contribution plan established in the form of a Governmental Money Purchase Plan & Trust administered by the ICMA Retirement Corporation.

Federal and State tax laws, and the 1937 Act limit the annual compensation that can be used to determine benefits in SamCERA. All County employees who were hired after July 1, 1996, are subject to the annual limit, which is \$265 thousand for calendar year 2016. The Supplemental Retirement Plan was established in 2004 to invest contributions on compensation earnable over the annual limit to compensate for benefits that cannot be paid under SamCERA. The County is the plan trustee and is authorized to invest funds held under the Supplemental Retirement Plan. Fees are charged to the participants based on the fund selection.

Each year the County will contribute to the Supplemental Retirement Plan for certain employee participants. The amount of the contributions to the Supplemental Retirement Plan is the same amount that the County would have contributed to SamCERA for the benefits that cannot be paid under that plan. Contributions are fully vested. The employee participants and the amount of the County’s annual contributions are designated in the plan documents. During the year ended June 30, 2017, the County contributed \$61 thousand into the Supplemental Retirement Plan.

**County of San Mateo Extra Help Agile 401a Plan**

The County maintains a qualified defined contribution plan for extra help employees. Employees are eligible upon employment at their discretion. Employer contributions are discretionary and are determined by the County on an annual basis. Employer matching contributions made by the County, including any earnings, vest over a 3-year period. During the year ended June 30, 2017, the County contributed \$0.5 million into the Agile 401a Plan.

**Housing Authority of the County of San Mateo**

The Housing Authority has its own employees and participates in a defined contribution retirement plan administered by The Variable Annuity Life Insurance Company. Employees with more than six months of service can participate in the plan. This plan provides an individual account for each participant. The amount a participant will receive depends solely on the amount contributed to the participant’s account plus earnings from investments of those contributions.

The Housing Authority is required to deposit an amount as set forth in the plan to employee accounts. Employer contributions are vested 20% for each year of service of the individual employee until the employee becomes fully vested after five years. Under this plan, management employees do not need to make contributions. The Housing Authority contributes 14% of the gross salary monthly for management. The plan had 46 active participants as of June 30, 2017. During the fiscal year ended June 30, 2017, the Housing Authority contributed \$0.4 million to its retirement plan.

Monthly contributions made by the Housing Authority and its non-management employees are as follows:

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

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**Health Plan of San Mateo**

Health Plan of San Mateo (HPSM) established the Health Plan of San Mateo Employee Retirement (the “Plan”) in January 1994. The Plan is a single-employer defined benefit pension (cash balance) plan administered by HPSM. Eligible HPSM employees become members of the Plan on the first day of employment. HPSM has the authority to amend or terminate the Plan at any time and for any reason by actions of its Commission.

Under the Plan, participants’ account balances are credited with contributions equal to 10% of their annual compensation, plus interest of 5% on an annual basis effective January 1, 2005. Benefits are payable in the form of a single sum payment upon termination or can be deferred through optional payment forms. Participants earn a vested right to accrued benefits upon completion of three years of service and upon death, permanent disability or employer termination of the Plan. Contributions to the Plan are made by HPSM as no contributions are permitted by participants.

As of December 31, 2016, HPSM recognized \$1.1 million of deferred outflows of resources including \$0.3 million in difference between expected and actual experience, \$3 thousand in changes in assumptions, and \$0.8 million in difference between projected and actual investment earnings, \$1.3 million of deferred inflows of resources including \$0.3 million in difference between expected and actual experience and \$1.0 million in changes in assumptions, and established \$1.4 million in net pension asset.

Amount reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense are as follows:

<b>Year Ended December 31</b>	<b>HPSM</b>
2017	\$ (10)
2018	(10)
2019	(10)
2020	(182)
2021	41

Actuarial assumptions used by HPSM as of December 31, 2016:

Valuation date	Contributions related to the actuarially determined contributions are made for the plan year January 1 to December 31
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Projected Payroll
Asset valuation method	Market value
Actuarial assumptions:	
Projected salary increases	5.00%
Mortality	Based on the RP-2014 Health Annuitant and Employee tables for males and females with generational projections from 2006 using projection scale MP-2016
Discount rate	7.50%

The following table summarizes the sensitivity of net pension assets to changes in the discount rates as of December 31, 2016.

	<b>HPSM</b>		
	<b>1% Decrease:</b>	<b>Current Discount Rate:</b>	<b>1% Increase:</b>
	<b>6.50%</b>	<b>7.50%</b>	<b>8.50%</b>
Net pension asset as of December 31, 2016	\$ (71)	\$ (1,377)	\$ (2,536)

For further information on discount rate, deferred outflows and deferred inflows of resources as calculated under the requirement of GASB 68, details can be found in the HPSM’s stand-alone financial statements as of December 31, 2016.

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**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS**

**County of San Mateo**

**Plan Description.** The County administers a postemployment benefit (OPEB) sick leave conversion Retiree Health Plan (a single-employer defined benefit plan). This plan provides healthcare benefits to members who retire from the County and are eligible to receive a pension from SamCERA. Eligible retirees may elect to continue healthcare coverage in the County health plan and convert their sick leave balance at retirement to a County-paid monthly benefit that will partially fund their retiree health premiums.

The duration and amount of the County-paid benefits varies based on the amount of sick leave at retirement, the date of hire, the date of retirement, and the bargaining group to which the retiree belongs. After the County-paid benefits expire, the retirees may continue coverage in the County health plans at their own expense. Benefit provisions are established and may be amended through negotiations between the County and the bargaining units during each bargaining period. The plan does not cover employees of the Housing Authority nor issues a separate financial report.

The County contracts with Kaiser and Blue Shield Health Plans to provide health coverage to its active members and pre-Medicare retirees (under age 65 and not covered by Medicare). The insurers charge the same premium for actives and retirees without Medicare; therefore, an implicit County subsidy of retiree premium exists. The implicit subsidy is determined by the difference between the true costs of the benefits and the actual premiums paid. Retiree health premiums would be significantly higher if premiums were determined without regard to active claims experience because health claim costs generally increase with age. GASB Statement No. 45 requires that the value of the implicit subsidy be recognized as a liability in valuations of OPEB costs.

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

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

**Funding Policy.** The current funding policy of the County is to contribute the annual required contribution each year. Contribution requirements or amendments for members and the County are established through negotiations with individual bargaining units. For the fiscal year ended June 30, 2017, the County contributed \$29.9 million, or 98.4% of the annual required contribution to the Retiree Health Plan.

**Annual OPEB Cost and Net OPEB Asset.** The County's annual OPEB cost consists of: (1) the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, (2) one year's interest on the beginning balance of the net OPEB asset, and (3) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over a closed 30-year period from July 1, 2005. The remaining amortization period as of June 30, 2017, is 18 years.

The County currently has a net OPEB asset as a result of the contribution made in FY 2007-08. If the County does not set aside funds equal to the ARC (less current year benefit payments made directly by the County) each year, then the ARC (less benefit payments) will offset the net OPEB asset that has accumulated on the County's statement of net position. Similarly, if the County sets aside funds greater than the ARC each year, it will increase the net OPEB asset on the County's statement of net position.

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The following table shows the components of the County's annual OPEB cost for the fiscal year ended June 30, 2017, the amount contributed to the plan, and changes in the County's net OPEB asset:

Annual required contribution	\$ 29,945
Interest on prior year net OPEB asset	(8,504)
Adjustment to annual required contribution	<u>8,989</u>
Annual OPEB cost	30,430
Contribution made	<u>(29,945)</u>
Decrease in net OPEB asset	485
Net OPEB asset - beginning of year	<u>(126,362)</u>
Net OPEB asset - end of year	<u><u>\$(125,877)</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2015	\$ 23,735	100.7%	\$ (126,532)
6/30/2016	28,474	99.4%	(126,362)
6/30/2017	30,430	98.4%	(125,877)

The table below shows how the total net OPEB asset as of June 30, 2017, is distributed. SamCERA's and First 5's employees are County employees and thereby eligible for postemployment health benefits.

	Net OPEB Obligation (Asset)
Governmental Activities	\$ (101,340)
Business-type Activities	(23,916)
SamCERA	(456)
First 5 San Mateo County	<u>(165)</u>
	<u><u>\$ (125,877)</u></u>

**Funded Status and Funding Progress.** The unfunded actuarial accrued liability is being amortized as a level of percentage of expected payroll on a closed basis over 30 years, beginning July 1, 2005.

The table below indicates the funded status of the Retiree Health Plan (from the most recent actuarial valuation) as of June 30, 2017:

Actuarial accrued liability (AAL)	\$ 366,222
Actuarial value of plan assets	<u>277,450</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 88,772</u></u>
Funded ratio (actuarial value of plan assets/AAL)	75.8%
Annual covered payroll (active plan members)	\$ 549,205
UAAL as a percentage of annual covered payroll	16.2%



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

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

The Entry Age Normal Cost Method was used for the June 30, 2017 valuation. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age at hire) and assumed exit (maximum retirement age).

An excise tax for high cost health coverage, or “Cadillac” health plans was included in the Patient Protection and Affordable Care Act (ACA) passed into law in March 2010. The provision levies 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. GASB Statement No. 45 indicates that the projection of benefits should include all benefits to be provided to retirees in accordance with the current “substantive” plan at the time of valuation. For this reason, the actuary has included the value of the excise tax in the June 30, 2017 valuation. The valuation also assumes that there will be no changes to the current law and that there will be no changes in plan design to help mitigate the impact of the tax.

Actuarial assumptions for the June 30, 2017 valuation included an annual investment rate of return of 6.73%, price inflation of 2.75%, dental cost trend of 5%, vision cost trend of 5%, and projected payroll increases of 3%. The health cost trend has been adjusted to reflect the costs expected to emerge as the result of ACA. The actuarial assumption for health cost trend is 7.6% for year 2017-18, 7.2% for 2018-19, 7.0% for 2019-20, and gradually reduced to reach an ultimate rate of 4.5% after year 2073. Future increases in retiree sick leave conversion benefits vary among various bargaining groups under the County’s latest bargaining agreements. Demographic assumptions regarding retirement, disability, and turnover are based on statistics from the June 30, 2017 pension valuation for SamCERA.

**Housing Authority of the County of San Mateo**

**Plan Description.** The Housing Authority maintains a separate OPEB sick leave conversion retiree health plan (a single-employer defined benefit plan). This plan provides healthcare benefits to members who directly retire from the Housing Authority on or after age 55 with 5 years of service. Retirees receive health coverage based on the unused sick leave at retirement. The Housing Authority joined the Teamsters Healthcare Fund in March 2006 to provide health coverage for its employees and retirees. This fund adjusts premium rates in October of each year.

**Funding Policy.** Contribution requirements for the members and the Housing Authority are established through a Memorandum of Understanding between the Housing Authority and its employees. For each eight hours of unused sick leave, the Housing Authority will contribute \$165.00 towards the monthly health premiums for non-management retirees and their eligible dependents up to 384 hours. The contribution increases to \$200.00 monthly for each 8 hours above 384 hours unused at retirement. The retiree may choose to convert more sick leave hours each month for higher payments. For each eight hours of unused sick leave, the Housing Authority will pay for the entire cost of monthly health premiums for management retirees and their eligible dependents until the unused sick leave is fully exhausted.

**COUNTY OF SAN MATEO**  
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**Annual OPEB Cost and Net OPEB Obligation.** The Housing Authority uses the Entry Age Normal cost method to determine its OPEB obligations. Under this method, the actuarial present value of projected benefits of each individual included in the valuation is allocated as a level of percentage of expected salary for each year of employment between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date is called the unfunded actuarial accrued liability (UAAL). In determining the annual required contribution, the UAAL is amortized as a level dollar over an “open” 30 years.

The table below summarizes the position of the Housing Authority’s OPEB plan for the fiscal year ended June 30, 2017.

Annual required contribution	\$	46
Interest on prior year net OPEB obligation		8
Adjustment to annual required contribution		(10)
Annual OPEB cost		44
Contribution made		(151)
Decrease in net OPEB obligation		(107)
Net OPEB obligation - beginning of year		143
Net OPEB obligation - end of year	\$	36

The Housing Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior three years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 132	97.6%	\$ 118
6/30/2016	148	82.6%	143
6/30/2017	44	343.2%	36

**Funded Status and Funding Progress.** The unfunded actuarial accrued liability is amortized as a level dollar over an “open” 30 years. The table below indicates the funded status as of July 1, 2017, the most recent actuarial valuation date.

Actuarial accrued liability (AAL)	\$	1,222
Actuarial value of plan assets		918
Unfunded actuarial accrued liability (UAAL)	\$	304
Funded ratio (actuarial value of plan assets/AAL)		75.1%
Annual covered payroll (active plan members)	\$	3,314
UAAL as a percentage of annual covered payroll		9.2%

**Actuarial Methods and Assumptions.** The Entry Age Normal Cost Method was used for the valuation at July 1, 2017. The actuarial assumptions included a 5.75% return on investment and the medical inflation rate of 7.50% and 6.60% for pre 65 and post 65, respectively, for FY 2017-18 (6.20% and 5.60% for pre 65 and post 65 for FY 2018-19 and 5.70% and 5.40% for pre 65 and post 65 for FY 2019-2020) with an underlying general inflation rate at 2.5%. The demographic assumptions (including termination, retirement, and mortality), the sick leave accrual rate, and the sick leave usage rate are updated in each new valuation to determine the actuarial present value of projected benefits. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**NOTE 15 – RISK MANAGEMENT**

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

- Real and personal property in excess of \$100 per incident, but limited to a maximum of \$500,000.
- Earthquake in excess of \$250 or 5% of the replacement value, whichever is more per incident, but limited to a maximum of \$50,000 in aggregate.
- Flood damage in excess of 5% of the replacement value per location, but limited to a maximum of \$50,000 in aggregate.
- General liability in excess of \$1,000 per incident, but limited to a maximum of \$55,000.
- Workers’ compensation in excess of \$1,000 per incident including statutorily required limits.
- Auto liability in excess of \$1,000 per incident, but limited to a maximum of \$55,000.
- Malpractice in excess of \$500 per incident, but limited to a maximum of \$25,000 per claim and aggregate.

The County currently reports its risk management activities in the internal service funds, which include Workers’ Compensation Insurance, Long-term Disability, and Personal Injury and Property Damage Funds. All of the County funds participate in the County self-insured programs and make payments to the corresponding internal service fund based on estimated costs to pay for prior and current years’ claims.

The estimated claims liability of \$53.7 million, as reported in the internal service funds at June 30, 2017, is based on requirements of GASB Statements No. 10 and 30. Under these statements, the County is required to report a liability for claims if, prior to issuance of the financial statements, information indicates that the liability is probable and the amount of loss can be reasonably estimated. About \$53.1 million of the \$53.7 million reported was actuarially determined at a discount rate of 2%. The actuarially determined liability (which covers workers’ compensation losses, general liability, and automobile liability) includes allocated loss adjustment expenses, case reserves, development of known claims, and incurred but not reported claims. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years and there has not been a significant reduction in coverage in FY 2016-17.

Changes to the claims liability for FY 2015-16 and FY 2016-17 are as follows:

Liability at June 30, 2015	\$ 47,279
Current year claims and changes in estimates	19,904
Payments on claims	<u>(18,510)</u>
Liability at June 30, 2016	48,673
Current year claims and changes in estimates	26,181
Payments on claims	<u>(21,159)</u>
Liability at June 30, 2017	<u><u>\$ 53,695</u></u>

**Housing Authority.** The Housing Authority is exposed to all common perils associated with the ownership and rental of real estate properties. Management has established a risk management program to minimize loss occurrence and to transfer risk through various levels of insurance. The Housing Authority is a member of Housing Authority Insurance Group (HAIG). Through HAIG, the Housing Authority maintains liability coverage for Commercial and Auto claims up to \$10 million and for public officials and employment practice up to \$1 million (defense only). All other common perils such as business, auto, and flood (where applicable) are insured through commercial insurance carriers. For fiscal year ended June 30, 2017, the Housing Authority paid \$114 thousand towards premium.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

**Grants**

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

**Encumbrances**

The County uses “encumbrances” to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. As of June 30, 2017, the County’s General Fund had a total of \$1.9 million in encumbrances.

**Medical Center Third-Party Payors**

The Medical Center is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. Except as disclosed below, the Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the County related to the Medical Center. In the opinion of County management, such claims if disposed of unfavorably, would not have a material adverse effect on the financial position or changes in financial position of the Medical Center and are considered in the loss reserves and actuarial valuations of the County’s self-insurance program. Thus no liabilities have been accrued as of June 30, 2017, on the Medical Center’s statement of net position pertaining to these claims.

In February 2017, the Medical Center received an inquiry and documentation request from the Federal Department of Health and Human Services Office of Inspector General (HHS-OIG). The inquiry is related to the categorization, coding, or billing of a service as an inpatient service as opposed to an outpatient service. The Medical Center continues to provide documents to the HHS-OIG and the investigation is currently in progress. Although management cannot predict the ultimate outcome of this investigation, the Medical Center believes it is compliance with applicable laws and regulations and believes an unfavorable outcome would not have a material adverse effect on the financial position of the Medical Center.

The majority of the Medical Center’s receivables are related to the care of patients covered by Medi-Cal and Medicare programs, and special funding created by legislative acts that subsidize certain health care facilities that treat a disproportionate share of Medi-Cal beneficiaries and uninsured patients.

**Medical Center Concentration of Credit Risk**

Receivables from federal and State government agencies represent \$90.0 million at June 30, 2017, and Medical Center management does not believe that there is any credit risk associated with collection from these governmental agencies. Third party patient accounts receivable consist of receivables from various payors, including individuals involved in diverse activities subject to differing economic conditions, and do not represent any concentrated credit risk to the Medical Center. Management continually monitors and adjusts its allowances associated with these receivables and such allowances have historically been adequate to cover losses realized.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**Medical Center Third-Party Reimbursement Agreements**

The Medical Center provides services to patients covered by various reimbursement programs. The principal programs include the State of California Medi-Cal programs, Medicare, Health Plan of San Mateo (HPSM) Medi-Cal Managed Care and Medicare Care Advantage programs, and other reimbursement programs. The amount of revenue to recognize under these programs is subject to management's best estimates of the revenue that will ultimately be collected based on governmental regulations and contractual terms, including an assessment of risk related to potential retroactive audit adjustments and other uncertainties.

Federal Medicaid law allows local public entities such as counties to transfer permissible public funds to the State Medicaid agency to be utilized as the non-Federal share of Medicaid expenditures, which are then eligible for Federal matching funds. San Mateo County has used this mechanism, known as an Intergovernmental Transfer (IGT), to draw down Federal matching funds for several programs.

The Affordable Care Act (ACA) became effective on January 1, 2014. As a result, a portion of reimbursement under various Medi-Cal programs was shifted from supplemental program revenue to patient revenue as more of the Medical Center's patients become eligible for Medi-Cal coverage. The most significant changes were the automatic transition of patients from the Medical Center's Low Income Health Program (LIHP) to Medi-Cal, enhanced Federal Medical Assistance Percentage (FMAP) reimbursement for "newly eligible" Medi-Cal Managed Care enrollees, and temporary Medi-Cal coverage through the Hospital Presumptive Eligibility program.

California's initial Section 1115 Medicaid Waiver, the Medi-Cal Hospital/Uninsured Demonstration Project (Demonstration), was a program implemented in 2006 for paying selected hospitals, including the Medical Center, for hospital care provided to Medi-Cal and uninsured patients. The Demonstration was negotiated between the State of California's Department of Health Care Services (DHCS) and the federal Centers for Medicare and Medicaid Services (CMS), which covered the period from July 1, 2005 to October 31, 2010.

Beginning November 1, 2010, California was granted a renewal of the Section 1115 Medicaid Demonstration, which was entitled "California's Bridge to Reform" (Bridge to Reform). The Bridge to Reform Waiver covered the period from November 1, 2010, through October 31, 2015. This renewal extended the prior "Medi-Cal/Uninsured Demonstration Project".

The five-year Demonstration and Bridge to Reform Waivers affect payments for 19 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients.

Under the Demonstration and Bridge to Reform programs, payments for the public hospitals were comprised of: 1) fee for service (FFS) reimbursement for inpatient hospital services (exclusive of physician component); 2) Medi-Cal Disproportionate Share Hospital (DSH) payments; 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) unreimbursed cost of physician and non-physician practitioner services; and 5) costs applicable to the Coverage Initiative. In addition, the Bridge to Reform program also covers i) LIHP which includes the Medicaid Expansion Coverage (MCE) and Health Care Coverage Initiative (HCCI) previously called Coverage Initiative; and ii) Delivery System Reform Incentive Pool (DSRIP) program which is a subset of the SNCP. The non-federal share of these five types of payments is provided by the public hospitals rather than the State, primarily through Certified Public Expenditures (CPE) whereby the hospital expends its local funding for services to draw down federal financial participation (FFP) calculated using the Federal Medical Assistance Percentage (FMAP). The FMAP rate was 50% for all years covered by the Demonstration and Bridge to Reform Waivers dating back to 2010. For the inpatient hospital cost-based reimbursement, each hospital provided its own CPE and received the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals were used in the aggregate to draw down the federal match. The Medical Center reported its CPEs to DHCS each fiscal year through submission of the State mandated "Paragraph 14" Workbook (P14).

All CPEs reported by the Medical Center are subject to State and federal audit and final reconciliation. If at the end of the final reconciliation process it is determined that the Medical Center's claimed CPEs resulted in an overpayment by

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

the State, the Medical Center may be required to return the overpayment whether or not they received the federal matching funds. The Medical Center has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. DSH and SNCP funds are shared among the California public hospitals participating in the Bridge to Reform Waiver, so there is uncertainty as to the outcome of all the P14 audits and their subsequent impact to DSH and SNCP funds' allocation to each hospital. The Medical Center has recorded these anticipated revenues based on estimates provided by the California Association of Public Hospitals (CAPH), with reserves established for the uncertainty of future financial impact of potential audit and reconciliation adjustments.

At June 30, 2017, the Medical Center's P14 cost reports under the two (2) Medicaid waiver programs have been audited for FY06, FY07, FY08 and FY14, with the FY09 audit currently in progress. It is anticipated that FY10 through FY13 and FY15 through FY16 will be audited over the next several years.

The Bridge to Reform Waiver expired October 31, 2015. On December 30, 2015, CMS approved "California Medi-Cal 2020 Demonstration" (Medi-Cal 2020 Waiver) – a five year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift the focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component to public hospital's ability to continue to successfully implement the ACA beyond the primary step of coverage expansion.

On December 3, 2014, CMS issued a final rule on Medicaid DSH payments. The preamble to CMS's final rule included language explaining the exclusion of uncompensated costs of FQHCs for purposes of calculating hospital-specific DSH payments. While this exclusion has not been previously applied in the calculation of DSH payments to California public hospitals, CMS is taking the position that the exclusion is consistent with CMS policy articulated in prior regulatory guidance, including a December 19, 2008, DSH final rule. As a result, on May 19, 2016, DHCS notified the Medical Center that it is incorporating CMS' policy into DSH audits and DSH reconciliations effective for FY13. DHCS has also instructed the Medical Center to exclude uncompensated FQHC costs in future data submissions related to DSH payments for subsequent years. DHCS recently requested the Medical Center to resubmit its P14s for FY11 and FY12, which the Medical Center declined to do, but did provide FQHC revenues and costs under protest. The DSH audit for FY14 is currently in progress.

Management estimates the application of this policy by CMS will have a material adverse effect on the Medical Center's financial position and recorded a liability of \$44.4 million for the potential recoupment of prior year DSH payments. However, the Medical Center disputes the CMS policy and its retroactive application and has joined five other public hospitals in a lawsuit filed against CMS to protect its ability to continue providing essential health care services to Medi-Cal and uninsured patients. Although management of the Medical Center cannot predict the ultimate outcome of this lawsuit with certainty, it believes it has recorded sufficient reserves to account for potential losses as a result of an unfavorable outcome.

Payments to private and non-designated public DSH hospitals that exceed the aggregate baseline are considered stabilization funds and are included in the allocation of stabilization among all waiver hospitals based on State law. Stabilization is distributed to the designated public hospitals from the SNCP. The non-federal share of these funds is based on CPEs for services and as such is subject to interim and final cost settlement.

SB 1100 requires the DHCS to finalize the calculation of stabilization funding for each hospital and pay that amount by April 1<sup>st</sup> following the project year. This determination is based on cost estimates and specified adjustments. Under State law the stabilization determined through this process shall not be modified for any reason other than mathematical errors or mathematical omissions on the part of DHCS.

**Health Plan of San Mateo.** HPSM, a Medi-Cal managed care plan under contract by the State, reimburses the Medical Center directly for services provided to Medi-Cal patients. Effective July 1, 2014, the Medical Center amended its contract with HPSM to cover the newly eligible Medi-Cal Managed Care patients for inpatient, outpatient, clinic and emergency room visits on a "per member per month" arrangement (premium revenue, also known as capitation revenue). The Medical Center was not at risk for these patients who receive services out-of-network. Patients under this contract were newly eligible and former LIHP enrollees.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

The capitation arrangement terminated December 31, 2016. For traditional Medi-Cal patients and all newly eligible patients, effective January 1, 2017, the Medical Center receives a fixed monthly premium payment for each patient enrolled to cover primary care services (primary care capitation payment) and receives fee-for-service (FFS) payments for hospital and specialty care services. Further, effective January 1, 2006, HPSM contracted with the Federal government to provide services to Medicare HMO patients, a program called Care Advantage. The Medical Center contracted with HPSM for this program to be reimbursed at Medicare FFS rates.

The Medical Center received a total of \$79.7 million in FY17 from HPSM, which includes \$50.5 million in FFS revenue, \$8.9 million in AB85 rate range capitation revenue, \$4.3 million in primary care capitation revenue, \$15.8 million in newly eligible Medi-Cal Managed Care capitation revenue, \$8.8 million in IGT and \$0.3 million for pay-for-performance (P4P) revenue. The FFS revenue is reported as a component of net patient service revenue while AB85 rate range capitation, primary care capitation, newly eligible Medi-Cal Managed Care capitation and P4P revenues are reported as premium revenues on the Statement of Revenues, Expenses and Changes in Net Position.

**Medicare.** Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for Graduate Medical Education and Disproportionate Share Hospital amounts at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audit thereof by the Medicare fiscal intermediary. At June 30, 2017, the last Medical Center Medicare cost report audited by the fiscal intermediary was for June 30, 2015. Medicare revenue is presented as part of net patient service revenue on the Statement of Revenues, Expenses and Changes in Net Position. At June 30, 2017, the Medical Center recorded \$0.2 million of reserves related to potential Medicare cost report audit adjustments.

**Health Realignment.** In 1991, the State enacted a major change in the State and local government relationship, known as Realignment. In the areas of mental health, social services, and health, Realignment transferred programs from the state to county control, altered program cost-sharing ratios, and provided counties with dedicated tax revenues from the sales tax and vehicle license fee to pay for these changes.

With California electing to implement a State-run Medi-Cal Expansion program offered by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of this population becomes eligible for coverage through Medi-Cal or Covered California. On June 27, 2013, Governor Brown signed into law AB 85 that provides a mechanism for the State to redirect State Health Realignment funding to fund social service programs. The redirected amount will be determined according to a formula-based approach that takes into account a county's cost and revenue experience, and redirects 80% of any profits (longfalls) realized by the county back to the State, up to a maximum of 100% of the Realignment funds allocated. The formula options were developed in consultation with the counties and DHCS to ensure continued viability of the county as a safety net provider. In FY17, the Medical Center recognized \$14.0 million in AB 85 realignment revenue, which is reflected on the financial statements as part of the sales tax component of other program revenues.

**Medical Center Net Patient Service Revenue**

The Medical Center provides healthcare services primarily to County residents. Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivables are recorded net of estimated allowances, which include allowances for contractual adjustments, bad debts, and administrative write-offs. These allowances are based on the collection history of closed patient accounts.

**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**Charity Care**

The Medical Center provides treatment to all patients regardless of their ability to pay. Throughout the admission, billing and collection processes, certain patients are identified by the Medical Center as qualifying for the charity-discounted-health program. Once a patient is determined to be eligible for the Medical Center program, the patient's account is classified as charity-discounted care. Costs are the basis for valuing charity care. The cost of charity care provided was approximately \$41.0 million for the year ended June 30, 2017. The total cost estimate is based on a ratio of cost to charges, where costs are allocated as a percentage of payor mix. Charity care charges are calculated as payor revenue, patient-related revenue due to sliding-scale payments, and other patient-specific sources and totaled \$69.5 million for the year ended June 30, 2017. Net charity charges over costs for the year ended June 30, 2017, amounted to \$28.5 million.

**Housing Authority of the County of San Mateo**

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

In November 2008, the parties entered into a Release and Settlement Agreement (the Agreement) under which the parties agreed that the payments made pursuant to the Agreement represent a good faith compromise of disputed claims and that the compromise represents a fair, reasonable, and equitable discharge of the claim in the Agreement. Pursuant to the Agreement, on or before 15 years from the effective date (November 2008) of the Agreement, the Housing Authority and the City of Daly City, California shall jointly and severally pay DTSC's Response Costs in an amount of \$1 million, except that the Response Costs shall be reduced based on the time period of payments.

In addition to the Response Costs, Daly City and the Housing Authority shall jointly and severally pay to DTSC a "carrying charge" of \$24 thousand per year until the Response Cost payment is fully paid. During the fiscal year ended June 30, 2017, the Housing Authority paid the full amount of the liability as set forth by the agreement for \$0.7 million to DTSC. A liability of \$0.4 million is included in accrued liabilities as of June 30, 2017 related to an option to purchase land from Daly City. The Housing Authority intends to exercise its option to purchase the property subsequent to year end.

**Genentech Tax Settlement**

In April 2011, the County settled property tax claims brought by Genentech that the company paid excess taxes for the years 1990 through 1999. The original dispute arose when Genentech challenged the methodology used to determine the taxable value of its land, buildings, fixtures, and equipment. The settlement resolved all claims spanning 10 years and brought to an end years of litigation. The County agreed to credit Genentech with \$26.5 million in property taxes plus interest over six years. As of June 30, 2017, the County credited the final balance of \$3.2 million to Genentech, thus fulfilled its property tax claims for years 1990 through 1999.

Property tax paid in San Mateo County is distributed to schools, cities and successor agencies to the former redevelopment agencies, the County, and special districts such as for flood control and mosquito abatement. Refunds of property tax overpayments are collected from these entities as determined by the County's Property Tax Division.

There are currently outstanding appeals before the San Mateo County Assessment Appeals Board (AAB) brought by Genentech with respect to the assessed values of its property for tax years 2000 through 2005. Genentech's appeal applications routinely claim a 50% reduction in the value of its properties as assessed by the County. In considering the Genentech assessment appeals, the AAB has determined that for several of appeals for tax year 2003, Genentech is entitled to have its application values applied. Depending upon interest and the precise calculations used to determine the reduction of assessed value, which are still to be decided by the AAB, the total refund and interest thereon, due from all affected taxing entities, is currently estimated to be between \$7 million and \$17 million. The County's portion of that amount would exceed \$500,000. The Assessor filed a Writ of Mandate on August 24, 2016 seeking review of a



**COUNTY OF SAN MATEO**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

portion of the AAB decision. Even if the Assessor prevails on the Writ, a minimum of approximately \$6.7 million in refunds, plus interest, will be due to Genentech.

**Pending Litigation**

The County is a defendant in several lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the County, the loss has been accrued in the accompanying financial statements. Litigation where loss to the County is reasonably possible has not been accrued. County management has set aside \$1 million to cover possible loss from such litigation.

**NOTE 17 – SPECIAL ITEM**

**Additional Pension Contribution to SamCERA**

The County's total pension liability has increased over the past decade. On November 19, 2013, the Board adopted a resolution to deposit supplemental funding of \$50 million to SamCERA in fiscal year 2013-14 and \$10 million each fiscal year from fiscal years 2014-15 through 2022-23 to provide greater security for pension benefits for both active and retired members, enhance the solvency of SamCERA, and reduce County's long-term pension costs by accelerating the reduction of the net pension liability. In June 2017, the County contributed \$10 million to SamCERA.

On March 29, 2016, the Board adopted a resolution setting employer and member contribution rates for all members and employers for fiscal year 2016-17 in accordance with Government Code Sections 31453 and 31454. This resolution set the County's targeted contribution rate at 37.14%. To reach the targeted contribution rate, the County made an additional contributions of \$23.6 million to SamCERA in June 2017. These contributions were reported as special items on the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances.



**Required Supplementary Information  
(Unaudited)**

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**1. INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH**

The County’s infrastructure assets are recorded at historical cost in the government-wide financial statements as required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The maintained road subsystem of the road network, with a total value of \$92 million at June 30, 2017, is reported under the modified approach and is not subject to depreciation under GASB Statement No. 34.

The County manages its maintained pavement subsystem of the road network using the Metropolitan Transportation Commission’s Pavement Management Program (Program). This Program establishes a Pavement Condition Index (PCI) on a scale from zero to one hundred (0 – 100) for each road segment. The pavement of roads with a PCI of 40 or higher is considered in a “Fair” or better condition, and roads with a PCI of 55 or higher in a “Good” or better condition. The County requires that at least 75 percent of the primary maintained road subsystem (roads with structural sections) be maintained at a PCI of 55 or higher, and at least 65 percent of the secondary maintained pavement subsystem (roads without structural sections) at a PCI of 40 or higher. A complete condition assessment is determined triennially. The latest complete condition assessment was completed in FY 2015-16.

PCI Condition Rating	2016	2016	2013	2013	2010	2010
	Number of Miles	Percent	Number of Miles	Percent	Number of Miles	Percent
<b>Primary:</b>						
Good to excellent (55-100)	136.07	86.8%	139.19	89.3%	138.22	88.8%
Substandard to fair (0-54)	20.66	13.2%	16.73	10.7%	17.35	11.2%
Total	<u>156.73</u>	<u>100.0%</u>	<u>155.92</u>	<u>100.0%</u>	<u>155.57</u>	<u>100.0%</u>
<b>Secondary:</b>						
Fair to excellent (40-100)	130.07	81.6%	128.16	80.3%	117.05	73.2%
Substandard (0-39)	29.30	18.4%	31.36	19.7%	42.77	26.8%
Total	<u>159.37</u>	<u>100.0%</u>	<u>159.52</u>	<u>100.0%</u>	<u>159.82</u>	<u>100.0%</u>

For the fiscal year ended June 30, 2017, the actual maintenance and preservation cost exceeded the estimated costs by \$644. The variance was primarily due to increased spending required for the maintenance and preservation work.

Fiscal Year Ended June 30,	Maintenance and Preservation Cost		
	Estimated	Actual	Variance
2012	\$ 5,943	\$ 5,736	\$ 207
2013	5,731	6,110	(379)
2014	4,375	4,805	(430)
2015	3,964	3,472	492
2016	4,511	4,841	(330)
2017	5,518	6,162	(644)

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited) – (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**2. SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<b>2017</b>			
	<b>Governmental</b>	<b>Business type</b>	<b>First 5</b>	<b>Total County</b>
County's proportion of the collective net pension liability	78.39%	16.29%	0.11%	94.79%
County's proportionate share of the collective net pension liability	\$ 558,747	\$ 116,105	\$ 771	\$ 675,623
County's covered-employee payroll	370,325	76,952	511	447,788
County's proportionate share of the collective net pension liability as a percentage of covered payroll	150.88%	150.88%	150.88%	150.88%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	83.25%	83.25%	83.25%

	<b>2016</b>			
	<b>Governmental</b>	<b>Business type</b>	<b>First 5</b>	<b>Total County</b>
County's proportion of the collective net pension liability	78.75%	15.92%	0.11%	94.78%
County's proportionate share of the collective net pension liability	\$ 387,414	\$ 78,341	\$ 517	\$ 466,272
County's covered-employee payroll	358,061	72,402	478	430,941
County's proportionate share of the collective net pension liability as a percentage of covered payroll	108.20%	108.20%	108.20%	108.20%
Plan fiduciary net position as a percentage of the total pension liability	87.53%	87.53%	87.53%	87.53%

	<b>2015</b>			
	<b>Governmental</b>	<b>Business type</b>	<b>First 5</b>	<b>Total County</b>
County's proportion of the collective net pension liability	79.06%	15.41%	0.10%	94.57%
County's proportionate share of the collective net pension liability	\$ 325,438	\$ 63,439	\$ 410	\$ 389,287
County's covered-employee payroll	333,641	65,038	420	399,099
County's proportionate share of the collective net pension liability as a percentage of covered payroll	97.54%	97.54%	97.54%	97.54%
Plan fiduciary net position as a percentage of the total pension liability	88.88%	88.88%	88.88%	88.88%

**3. SCHEDULE OF COUNTY CONTRIBUTIONS - PENSION PLAN**

	<b>2017</b>			
	<b>Governmental</b>	<b>Business type</b>	<b>First 5</b>	<b>Total County</b>
Contractually required contributions	\$ 130,547	\$ 26,037	\$ 177	\$ 156,761
Contributions in relation to the contractually required contribution	164,147	26,037	177	190,361
Contribution deficiency (excess)	(33,600)	-	-	(33,600)
Covered payroll	399,906	83,099	552	483,557
Contributions as a percentage of covered payroll	41.05%	31.33%	32.08%	39.37%

	<b>2016</b>			
	<b>Governmental</b>	<b>Business type</b>	<b>First 5</b>	<b>Total County</b>
Contractually required contributions	\$ 134,538	\$ 26,931	\$ 183	\$ 161,652
Contributions in relation to the contractually required contribution	154,076	26,931	183	181,190
Contribution deficiency (excess)	(19,538)	-	-	(19,538)
Covered payroll	372,001	75,220	496	447,717
Contributions as a percentage of covered payroll	41.42%	35.80%	36.87%	40.47%

	<b>2015</b>			
	<b>Governmental</b>	<b>Business type</b>	<b>First 5</b>	<b>Total County</b>
Contractually required contributions	\$ 135,405	\$ 26,396	\$ 170	\$ 161,971
Contributions in relation to the contractually required contribution	145,405	26,396	170	171,971
Contribution deficiency (excess)	(10,000)	-	-	(10,000)
Covered payroll	358,061	72,402	478	430,941
Contributions as a percentage of covered payroll	40.61%	36.46%	35.48%	39.91%

	<b>2014</b>			
	<b>Governmental</b>	<b>Business type</b>	<b>First 5</b>	<b>Total County</b>
Contractually required contributions	\$ 112,044	\$ 31,588	\$ 204	\$ 143,836
Contributions in relation to the contractually required contribution	162,044	31,588	204	193,836
Contribution deficiency (excess)	(50,000)	-	-	(50,000)
Covered payroll	333,641	65,038	420	399,099
Contributions as a percentage of covered payroll	48.57%	48.57%	48.57%	48.57%

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited) – (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**Notes to Schedule 2:**

*Changes in Assumptions* – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2014 and June 30, 2015, and was reduced to 7.20% as of June 30, 2016.

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**Notes to Schedule 3:**

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**Actuarial Valuation Methods and Assumptions.** Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year. Actuarial methods and key assumptions for the actuarial valuation are summarized in the table below.

<b>Actuarial Valuation (For Funding Purposes)</b>				
Valuation date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization period	UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL is amortized over separate closed 15-year layers which are determined annually.			
Asset valuation method	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.			
<b>Actuarial assumptions:</b>				
Investment rate of return *	7.25%	7.25%	7.50%	7.50%
Inflation rate (CPI)	3.00%	3.00%	3.25%	3.25%
Annual projected salary increases	3.50%	3.50%	3.75%	3.75%

\* Net of pension plan investment and administrative expenses

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited) – (Continued)**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**4. SCHEDULES OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
6/30/2013	\$192,789	\$319,359	\$126,570	60.4%	\$452,750	28.0%
6/30/2015	234,779	385,077	150,298	61.0%	464,721	32.3%
6/30/2017	277,450	366,222	88,772	75.8%	549,205	16.2%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
7/1/2015	\$ 589	\$ 1,946	\$ 1,357	30.3%	\$ 3,225	42.1%
7/1/2016	736	869	133	84.7%	3,316	4.0%
7/1/2017	918	1,222	304	75.1%	3,314	9.2%



## **Combining and Individual Fund Statements and Schedules**



General Fund



**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 427,830	\$ 427,830	\$ -	\$ 384,843	\$ (42,987)
<b>Resources (inflows):</b>					
Taxes	592,987	593,021	34	592,099	(922)
Licenses, permits and franchises	7,090	7,090	-	7,479	389
Fines, forfeitures and penalties	7,074	7,074	-	6,810	(264)
Use of money and property	10,387	10,387	-	12,472	2,085
Intergovernmental revenues	463,447	471,200	7,753	455,933	(15,267)
Charges for services	142,899	143,192	293	131,801	(11,391)
Interfund revenue	77,855	77,855	-	(875)	(78,730)
Miscellaneous revenue	33,651	36,758	3,107	29,065	(7,693)
Other financing sources	5,720	6,920	1,200	1,729	(5,191)
Amounts available for appropriation	1,341,110	1,353,497	12,387	1,236,513	(116,984)
<b>General Government</b>					
<b>Board of Supervisors - Special Projects</b>					
Salaries and benefits	35	35	-	-	35
Services and supplies	42	42	-	18	24
Intrafund transfers	(31)	(31)	-	-	(31)
Total Board of Supervisors - Special Projects	46	46	-	18	28
<b>Board of Supervisors - District 1</b>					
Salaries and benefits	817	817	-	814	3
Services and supplies	69	63	(6)	40	23
Other charges	104	110	6	109	1
Other financing uses	3	3	-	3	-
Total Board of Supervisors - District 1	993	993	-	966	27
<b>Board of Supervisors - District 2</b>					
Salaries and benefits	773	773	-	732	41
Services and supplies	71	71	-	41	30
Other charges	49	49	-	41	8
Other financing uses	3	3	-	3	-
Total Board of Supervisors - District 2	896	896	-	817	79
<b>Board of Supervisors - District 3</b>					
Salaries and benefits	867	867	-	767	100
Services and supplies	71	71	-	52	19
Other charges	52	52	-	45	7
Other financing uses	3	3	-	3	-
Total Board of Supervisors - District 3	993	993	-	867	126
<b>Board of Supervisors - District 4</b>					
Salaries and benefits	899	899	-	822	77
Services and supplies	74	71	(3)	64	7
Other charges	50	53	3	53	-
Other financing uses	3	3	-	3	-
Total Board of Supervisors - District 4	1,026	1,026	-	942	84
<b>Board of Supervisors - District 5</b>					
Salaries and benefits	818	818	-	654	164
Services and supplies	71	71	-	50	21
Other charges	49	49	-	45	4
Other financing uses	3	3	-	3	-
Total Board of Supervisors - District 5	941	941	-	752	189

(Continued)

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final	Increase (Decrease)		
<b>County Manager/Clerk of the Board</b>					
Salaries and benefits	6,301	7,063	762	5,498	1,565
Services and supplies	4,540	5,001	461	3,195	1,806
Other charges	775	900	125	876	24
Capital assets	-	140	140	-	140
Other financing uses	141	16	(125)	16	-
Intrafund transfers	(591)	(591)	-	(4)	(587)
Contingencies	1,538	1,538	-	-	1,538
Total County Manager/Clerk of the Board	12,704	14,067	1,363	9,581	4,486
<b>Special Services</b>					
Salaries and benefits	686	686	-	660	26
Services and supplies	826	749	(77)	127	622
Other charges	18,358	18,436	78	18,404	32
Other financing uses	4	4	-	2	2
Intrafund transfers	(15,887)	(15,887)	-	(15,332)	(555)
Contingencies	686	686	-	-	686
Total Special Services	4,673	4,674	1	3,861	813
<b>Assessor-Clerk-Recorder</b>					
Salaries and benefits	18,912	19,987	1,075	18,850	1,137
Services and supplies	10,283	10,678	395	3,733	6,945
Other charges	1,435	1,737	302	1,730	7
Capital assets	663	663	-	265	398
Other financing uses	530	530	-	530	-
Intrafund transfers	(5,406)	(5,406)	-	(2,555)	(2,851)
Contingencies	831	831	-	-	831
Total Assessor-Clerk-Recorder	27,248	29,020	1,772	22,553	6,467
<b>Controller's Office</b>					
Salaries and benefits	7,904	7,679	(225)	7,106	573
Services and supplies	1,250	1,475	225	1,213	262
Other charges	3,251	3,251	-	3,167	84
Other financing uses	177	177	-	177	-
Intrafund transfers	(262)	(262)	-	(181)	(81)
Contingencies	1,342	1,342	-	-	1,342
Total Controller's Office	13,662	13,662	-	11,482	2,180
<b>Tax Collector/Treasurer</b>					
Salaries and benefits	8,390	8,390	-	6,604	1,786
Services and supplies	3,374	3,374	-	1,091	2,283
Other charges	2,316	2,316	-	864	1,452
Capital assets	50	50	-	-	50
Other financing uses	181	181	-	181	-
Intrafund transfers	(3,081)	(3,081)	-	(2,851)	(230)
Contingencies	301	301	-	-	301
Total Tax Collector/Treasurer	11,531	11,531	-	5,889	5,642
<b>County Counsel</b>					
Salaries and benefits	11,271	11,267	(4)	10,616	651
Services and supplies	965	965	-	744	221
Other charges	621	625	4	625	-
Capital assets	10	10	-	-	10
Other financing uses	27	27	-	27	-
Intrafund transfers	(2,016)	(2,016)	-	(2,571)	555
Contingencies	2,180	2,180	-	-	2,180
Total County Counsel	13,058	13,058	-	9,441	3,617

(Continued)

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final	Increase (Decrease)		
<b>Human Resources</b>					
Salaries and benefits	13,102	13,102	-	12,312	790
Services and supplies	2,951	2,979	28	2,557	422
Other charges	1,442	1,442	-	1,197	245
Capital assets	396	396	-	-	396
Other financing uses	551	551	-	263	288
Intrafund transfers	(3,004)	(3,004)	-	(1,836)	(1,168)
Contingencies	457	457	-	-	457
Total Human Resources	15,895	15,923	28	14,493	1,430
<b>Information Services</b>					
Salaries and benefits	26,729	26,729	-	23,070	3,659
Services and supplies	63,874	63,874	-	32,167	31,707
Other charges	3,338	3,338	-	2,781	557
Capital assets	2,525	2,525	-	527	1,998
Other financing uses	509	509	-	383	126
Intrafund transfers	(68,027)	(68,027)	-	(46,622)	(21,405)
Contingencies	7,184	7,184	-	-	7,184
Total Information Services	36,132	36,132	-	12,306	23,826
<b>Public Works</b>					
Salaries and benefits	29,695	29,695	-	23,063	6,632
Services and supplies	24,711	24,686	(25)	15,374	9,312
Other charges	5,802	5,794	(8)	3,859	1,935
Capital assets	40	65	25	46	19
Other financing uses	610	618	8	566	52
Intrafund transfers	(28,438)	(28,438)	-	(29,787)	1,349
Contingencies	2,442	2,442	-	-	2,442
Total Public Works	34,862	34,862	-	13,121	21,741
<b>Non-Departmental Services</b>					
Salaries and benefits	42,570	42,570	-	40,120	2,450
Services and supplies	53,606	53,589	(17)	26,730	26,859
Other charges	52,444	51,628	(816)	10,437	41,191
Capital assets	11,400	11,200	(200)	10,252	948
Other financing uses	91,352	91,552	200	21,892	69,660
Intrafund transfers	(349)	(349)	-	(827)	478
Contingencies	69,600	68,337	(1,263)	-	68,337
Total Non-Departmental Services	320,623	318,527	(2,096)	108,604	209,923
<b>Total General Government</b>	<b>495,283</b>	<b>496,351</b>	<b>1,068</b>	<b>215,693</b>	<b>280,658</b>
<b>Public Protection</b>					
<b>Public Safety Communication</b>					
Salaries and benefits	11,585	11,585	-	11,231	354
Services and supplies	719	1,044	325	627	417
Other charges	638	660	22	627	33
Capital assets	575	551	(24)	240	311
Other financing uses	23	25	2	25	-
Intrafund transfers	(913)	(913)	-	(376)	(537)
Contingencies	445	445	-	-	445
Total Public Safety Communication	13,072	13,397	325	12,374	1,023

(Continued)

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final	Increase (Decrease)		
<b>Agricultural Commissioner</b>					
Salaries and benefits	4,516	4,516	-	4,180	336
Services and supplies	434	434	-	262	172
Other charges	708	708	-	676	32
Other financing uses	3	3	-	3	-
Contingencies	356	356	-	-	356
Total Agricultural Commission	6,017	6,017	-	5,121	896
<b>Grand Jury</b>					
Salaries and benefits	65	66	1	66	-
Services and supplies	49	48	(1)	39	9
Other charges	1	1	-	1	-
Total Grand Jury	115	115	-	106	9
<b>Message Switch</b>					
Services and supplies	506	506	-	363	143
Other charges	268	268	-	231	37
Capital assets	-	-	-	1	(1)
Intrafund transfers	(196)	(196)	-	(196)	-
Contingencies	699	699	-	-	699
Total Message Switch	1,277	1,277	-	399	878
<b>Criminal Division</b>					
Salaries and benefits	29,198	29,198	-	26,369	2,829
Services and supplies	2,441	2,441	-	1,688	753
Other charges	2,338	2,338	-	2,091	247
Other financing uses	158	158	-	158	-
Intrafund transfers	(556)	(556)	-	(189)	(367)
Contingencies	2,843	2,843	-	-	2,843
Total Criminal Division	36,422	36,422	-	30,117	6,305
<b>Child Support Services</b>					
Salaries and benefits	10,495	9,995	(500)	9,317	678
Services and supplies	428	928	500	756	172
Other charges	653	653	-	647	6
Other financing uses	267	267	-	267	-
Intrafund transfers	(146)	(146)	-	-	(146)
Total Child Support Services	11,697	11,697	-	10,987	710
<b>County Support of Courts</b>					
Salaries and benefits	520	520	-	515	5
Services and supplies	1,104	1,104	-	767	337
Other charges	19,401	19,401	-	18,546	855
Other financing uses	7	7	-	7	-
Total County Support of Courts	21,032	21,032	-	19,835	1,197
<b>Private Defender Program</b>					
Services and supplies	21,373	21,373	-	19,873	1,500
Other charges	22	22	-	21	1
Other financing uses	37	37	-	37	-
Total Private Defender Program	21,432	21,432	-	19,931	1,501

(Continued)

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final	Increase (Decrease)		
<b>Sheriff</b>					
Salaries and benefits	165,889	165,371	(518)	165,191	180
Services and supplies	22,464	22,422	(42)	16,002	6,420
Other charges	26,257	26,317	60	24,835	1,482
Capital assets	4,487	7,472	2,985	4,504	2,968
Other financing uses	27,704	28,286	582	27,481	805
Intrafund transfers	(3,387)	(3,387)	-	(2,794)	(593)
Contingencies	12,310	12,310	-	-	12,310
Total Sheriff	255,724	258,791	3,067	235,219	23,572
<b>Probation</b>					
Salaries and benefits	61,783	61,783	-	59,772	2,011
Services and supplies	24,889	24,909	20	23,226	1,683
Other charges	10,129	10,129	-	10,555	(426)
Capital assets	4,477	4,477	-	2,908	1,569
Other financing uses	6,364	6,364	-	6,364	-
Intrafund transfers	(18,611)	(18,611)	-	(18,441)	(170)
Contingencies	2,033	2,033	-	-	2,033
Total Probation	91,064	91,084	20	84,384	6,700
<b>Coroner's Office</b>					
Salaries and benefits	1,990	1,916	(74)	1,903	13
Services and supplies	721	742	21	715	27
Other charges	388	395	7	395	-
Capital assets	-	45	45	40	5
Other financing uses	17	18	1	17	1
Intrafund transfers	(20)	(20)	-	(20)	-
Contingencies	202	202	-	-	202
Total Coroner's Office	3,298	3,298	-	3,050	248
<b>Local Agency Formation Commission</b>					
Salaries and benefits	278	278	-	271	7
Services and supplies	94	103	9	81	22
Other charges	57	57	-	24	33
Intrafund transfers	(108)	(108)	-	(104)	(4)
Contingencies	78	69	(9)	-	69
Total Local Agency Formation Commission	399	399	-	272	127
<b>Fire Protection</b>					
Salaries and benefits	4	4	-	4	-
Services and supplies	8,969	8,969	-	7,180	1,789
Other charges	149	149	-	112	37
Capital assets	4,750	4,530	(220)	2,879	1,651
Other financing uses	183	403	220	315	88
Intrafund transfers	24	24	-	-	24
Total Fire Protection	14,079	14,079	-	10,490	3,589
<b>Planning</b>					
Salaries and benefits	9,115	8,940	(175)	7,931	1,009
Services and supplies	1,846	1,748	(98)	1,270	478
Other charges	1,081	1,256	175	1,250	6
Other financing uses	44	44	-	44	-
Intrafund transfers	(111)	(111)	-	(168)	57
Contingencies	1,193	1,193	-	-	1,193
Total Planning	13,168	13,070	(98)	10,327	2,743

(Continued)

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final	Increase (Decrease)		
<b>Office of Sustainability</b>					
Salaries and benefits	3,643	4,077	434	3,532	545
Services and supplies	15,038	16,472	1,434	4,962	11,510
Other charges	706	775	69	318	457
Other financing uses	8	19	11	18	1
Intrafund transfers	(2,904)	(2,904)	-	(655)	(2,249)
Contingencies	182	182	-	-	182
Total Office of Sustainability	16,673	18,621	1,948	8,175	10,446
<b>Total Public Protection</b>	505,469	510,731	5,262	450,787	59,944
<b>Health and Sanitation</b>					
<b>Health Services Administration</b>					
Salaries and benefits	6,037	6,037	-	5,040	997
Services and supplies	2,765	2,765	-	2,413	352
Other charges	9,260	9,260	-	5,618	3,642
Other financing uses	3	3	-	2	1
Intrafund transfers	(2,961)	(2,961)	-	(2,887)	(74)
Total Health Services Administration	15,104	15,104	-	10,186	4,918
<b>Health Coverage Unit</b>					
Salaries and benefits	3,878	3,492	(386)	2,754	738
Services and supplies	1,899	2,285	386	1,687	598
Other charges	200	200	-	167	33
Intrafund transfers	(998)	(998)	-	(67)	(931)
Total Health Coverage Unit	4,979	4,979	-	4,541	438
<b>Health Policy Plan Promotion</b>					
Salaries and benefits	17,542	19,386	1,844	15,895	3,491
Services and supplies	13,113	13,448	335	12,347	1,101
Other charges	2,001	2,013	12	1,876	137
Capital assets	668	703	35	550	153
Other financing uses	18	18	-	18	-
Intrafund transfers	(4,034)	(4,034)	-	(2,393)	(1,641)
Contingencies	764	764	-	-	764
Total Health Policy Plan Promotion	30,072	32,298	2,226	28,293	4,005
<b>Health IT</b>					
Salaries and benefits	4,381	4,851	470	4,693	158
Services and supplies	6,420	5,800	(620)	1,005	4,795
Other charges	373	523	150	501	22
Capital assets	-	-	-	9	(9)
Intrafund transfers	(3,672)	(3,672)	-	(3,870)	198
Total Health IT	7,502	7,502	-	2,338	5,164
<b>Emergency Medical Services</b>					
Salaries and benefits	2,255	2,255	-	1,940	315
Services and supplies	5,445	5,445	-	5,242	203
Other charges	336	336	-	309	27
Contingencies	326	326	-	-	326
Total Emergency Medical Services	8,362	8,362	-	7,491	871

(Continued)

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final	Increase (Decrease)		
<b>Contributions to Medical Center</b>					
Other financing uses	58,122	58,122	-	58,122	-
Total Contributions to Medical Center	58,122	58,122	-	58,122	-
<b>Environmental Health Services</b>					
Salaries and benefits	12,840	12,516	(324)	11,492	1,024
Services and supplies	2,682	2,684	2	2,270	414
Other charges	1,465	1,789	324	1,788	1
Other financing uses	6	6	-	6	-
Intrafund transfers	(123)	(123)	-	(46)	(77)
Contingencies	279	279	-	-	279
Total Environmental Health Services	17,149	17,151	2	15,510	1,641
<b>Behavioral Health Services</b>					
Salaries and benefits	73,215	72,289	(926)	70,463	1,826
Services and supplies	67,633	70,606	2,973	67,074	3,532
Other charges	45,562	44,262	(1,300)	40,229	4,033
Other financing uses	1,289	1,289	-	588	701
Capital assets	-	80	80	-	80
Intrafund transfers	(2,829)	(2,829)	-	(2,400)	(429)
Contingencies	147	147	-	-	147
Total Behavioral Health Services	185,017	185,844	827	175,954	9,890
<b>Family Health Services</b>					
Salaries and benefits	28,569	28,139	(430)	25,574	2,565
Services and supplies	3,688	3,688	-	2,640	1,048
Other charges	2,041	2,470	429	2,260	210
Other financing uses	3	3	-	3	-
Intrafund transfers	(2,187)	(2,187)	-	(1,149)	(1,038)
Contingencies	453	453	-	-	453
Total Family Health Services	32,567	32,566	(1)	29,328	3,238
<b>Correctional Health Services</b>					
Salaries and benefits	17,913	17,112	(801)	16,202	910
Services and supplies	4,441	5,578	1,137	4,766	812
Other charges	884	1,419	535	1,172	247
Capital assets	182	412	230	388	24
Intrafund transfers	(5,961)	(5,961)	-	(5,321)	(640)
Contingencies	174	174	-	-	174
Total Correctional Health Services	17,633	18,734	1,101	17,207	1,527
<b>Total Health and Sanitation</b>					
	376,507	380,662	4,155	348,970	31,692

(Continued)

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final	Increase (Decrease)		
<b><u>Public Assistance</u></b>					
<b>Aging &amp; Adult Services</b>					
Salaries and benefits	21,517	21,517	-	19,710	1,807
Services and supplies	6,918	6,918	-	4,853	2,065
Other charges	7,390	7,565	175	6,312	1,253
Other financing uses	8	8	-	8	-
Intrafund transfers	(3,421)	(3,421)	-	(2,241)	(1,180)
Contingencies	742	742	-	-	742
Total Aging & Adult Services	33,154	33,329	175	28,642	4,687
<b>In Home Support Services - Public Authority</b>					
Other charges	3,702	3,702	-	-	3,702
Other financing uses	-	-	-	3,702	(3,702)
Total In Home Support Services - Public Authority	3,702	3,702	-	3,702	-
<b>Human Services Agency</b>					
Salaries and benefits	107,721	107,721	-	97,389	10,332
Services and supplies	86,566	87,493	927	54,923	32,570
Other charges	76,184	76,184	-	53,438	22,746
Capital assets	119	119	-	660	(541)
Other financing uses	956	956	-	879	77
Intrafund transfers	(32,590)	(32,590)	-	(24,982)	(7,608)
Contingencies	11,309	11,309	-	-	11,309
Total Human Services Agency	250,265	251,192	927	182,307	68,885
<b>Department of Housing</b>					
Salaries and benefits	2,405	2,405	-	2,174	231
Services and supplies	830	830	-	331	499
Other charges	30,399	30,496	97	15,026	15,470
Intrafund transfers	(204)	(204)	-	104	(308)
Contingencies	37	37	-	-	37
Total Department of Housing	33,467	33,564	97	17,635	15,929
<b>Total Public Assistance</b>	<b>320,588</b>	<b>321,787</b>	<b>1,199</b>	<b>232,286</b>	<b>89,501</b>
<b><u>Recreation</u></b>					
<b>Parks &amp; Recreation</b>					
Salaries and benefits	10,445	10,453	8	9,359	1,094
Services and supplies	9,624	10,066	442	4,020	6,046
Other charges	2,060	2,060	-	1,856	204
Capital assets	1,670	1,923	253	109	1,814
Other financing uses	6	6	-	6	-
Intrafund transfers	(1,641)	(1,641)	-	(578)	(1,063)
Contingencies	1,143	1,143	-	-	1,143
Total Parks & Recreation	23,307	24,010	703	14,772	9,238
<b>Total Recreation</b>	<b>23,307</b>	<b>24,010</b>	<b>703</b>	<b>14,772</b>	<b>9,238</b>
<b><u>Contingencies</u></b>					
Contingencies	47,786	47,786	-	-	47,786
<b>Total Contingencies</b>	<b>47,786</b>	<b>47,786</b>	<b>-</b>	<b>-</b>	<b>47,786</b>
Total charges to appropriations	1,768,940	1,781,327	12,387	1,262,508	518,819
<b>Budgetary fund balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 358,848</b>	<b>\$ 358,848</b>



**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (page 93)	\$ 1,236,513
Differences - budget to GAAP:	
Reimbursements are inflows of budgetary resources but are used to offset expenditures for financial reporting purposes.	875
Proceeds from the sale of capital assets	33
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,696)
Receipts from County Agency subfunds are not budgeted but are reported as General Fund revenues for financial reporting purposes.	<u>28,356</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 27)	<u><u>\$ 1,264,081</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 100)	\$ 1,262,508
Differences - budget to GAAP:	
Expenditures offset by reimbursements for financial reporting purposes are outflow of budgetary appropriations, but are not expenditures for financial reporting purposes.	875
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.	5,190
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(122,344)
Special item is an outflow of budgetary resources but is not an expenditure for financial reporting purposes.	(33,600)
Disbursements from sub-funds classified from County Agency Fund, not budgeted.	<u>(64,814)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 27)	<u><u>\$ 1,047,815</u></u>

See Notes to the Budgetary Comparison Schedule.

**COUNTY OF SAN MATEO**  
**Required Supplementary Information (Unaudited)**  
**Note to the Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

**BUDGETARY BASIS OF ACCOUNTING**

Under State law, the County is required to adopt a balanced budget by October 2<sup>nd</sup> of each year. Except for the Joint Powers Financing Authority and certain other special revenue funds, the County Manager's Office prepares a budget for all County funds on the modified accrual basis of accounting in accordance with California Government Code Sections 29000 and 29143.

The annual budget serves as the foundation for the County's financial planning and control of expenditures. The legal level of budgetary control, where expenditures may not exceed appropriations, is at the object level (e.g., salaries and benefits) within a budget unit in a fund. Budget expenditures are enacted into law through the passage of an Appropriation Ordinance. The ordinance sets limits on expenditures, which cannot be changed except by subsequent amendments to the budget.

Budget appropriation transfers/amendments are used to appropriate new expenditures, unanticipated revenues, or to transfer existing appropriations from one budget unit to another, or between objects within the same budget unit. Transfers of any amount within a budget unit and within a fund, except transfers to/from reserves and contingencies, may be approved by the County Manager and Controller without Board of Supervisors approval, provided that the overall appropriations of budget unit are not increased. All other budget transfers and appropriations must be approved by the Board.

The County uses an encumbrance system as an extension of normal budgetary accounting for all governmental funds except for the JPFA to control expenditures. Under the encumbrance system, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered in order to reserve that portion of applicable appropriations. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end; encumbered appropriations at year-end are carried forward in the ensuing year's budget and reported in the original budget column. The budgets for governmental funds may include an object level known as "intrafund transfers" in the charges to appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund such as the General Fund.

The amounts reported on the budgetary basis differ from the basis used to present the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Annual budgets are prepared using the modified accrual basis of accounting except that (1) current year encumbrances are budgeted as expenditures, (2) reimbursements for amount disbursed on behalf of other governmental funds are reported as resources and related expenditures as charges to the appropriations, (3) certain transactions are accounted for in different periods between budgetary and GAAP reporting basis, and (4) transactions from sub-funds reclassified from County Agency funds are reported in GAAP reporting basis.



## Nonmajor Governmental Funds

**COUNTY OF SAN MATEO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**  
**(In Thousands)**

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 131,437	\$ 27,357	\$ 103,841	\$ 262,635
Receivables (net):				
Accounts	58	-	22	80
Interest	351	71	275	697
Taxes	1,252	-	-	1,252
Due from other funds	9	-	1	10
Due from other governmental agencies	7,490	-	54	7,544
Other assets	26	-	14	40
Inventories	376	-	-	376
Total assets	<u>\$ 140,999</u>	<u>\$ 27,428</u>	<u>\$ 104,207</u>	<u>\$ 272,634</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,071	\$ -	\$ 2,333	\$ 8,404
Accrued salaries and benefits	511	-	-	511
Due to other funds	5,210	-	9	5,219
Due to other governmental agencies	1,669	-	-	1,669
Unearned revenues	1,107	-	22	1,129
Deposits	13	-	-	13
Advances from other funds	7,305	-	-	7,305
Total liabilities	<u>21,886</u>	<u>-</u>	<u>2,364</u>	<u>24,250</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	140	-	-	140
Unavailable revenue - intergovernmental revenues	1,849	-	16	1,865
Unavailable revenue - excess ERAF	515	-	-	515
Total deferred inflows of resources	<u>2,504</u>	<u>-</u>	<u>16</u>	<u>2,520</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	376	-	-	376
Prepays	26	-	14	40
Restricted:				
Debt services	38	27,428	-	27,466
Road improvement	25,779	-	-	25,779
Fire services	8,090	-	-	8,090
Sewer maintenance	14,650	-	-	14,650
Flood control	24,164	-	-	24,164
Lighting maintenance	14,312	-	-	14,312
Highway and transportation improvement	4,056	-	-	4,056
Waste management	12,115	-	-	12,115
Emergency care	1,992	-	-	1,992
Garbage and fire protection	8,920	-	-	8,920
Parks acquisition and development	-	-	2,345	2,345
Courthouse construction	-	-	173	173
Miscellaneous purposes	1,770	-	-	1,770
Assigned:				
Capital projects and improvements	-	-	99,295	99,295
Miscellaneous purposes	867	-	-	867
Unassigned	(546)	-	-	(546)
Total fund balances	<u>116,609</u>	<u>27,428</u>	<u>101,827</u>	<u>245,864</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 140,999</u>	<u>\$ 27,428</u>	<u>\$ 104,207</u>	<u>\$ 272,634</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, 2017**  
**(In Thousands)**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 19,953	\$ -	\$ 5,610	\$ 25,563
Licenses and permits	3,478	-	-	3,478
Intergovernmental	41,465	-	250	41,715
Charges for services	20,146	-	1,917	22,063
Fines, forfeitures and penalties	1,434	-	-	1,434
Rents and concessions	109	-	-	109
Investment income	658	66	525	1,249
Other	639	6	264	909
Total revenues	<u>87,882</u>	<u>72</u>	<u>8,566</u>	<u>96,520</u>
<b>Expenditures:</b>				
Current:				
General government	716	7	-	723
Public protection	11,369	-	-	11,369
Public ways and facilities	22,225	-	-	22,225
Health and sanitation	21,550	-	-	21,550
Public assistance	20,776	-	-	20,776
Capital outlay	12,306	-	27,484	39,790
Debt service:				
Principal	710	-	-	710
Interest	931	-	-	931
Bond insurance	2	-	-	2
Total expenditures	<u>90,585</u>	<u>7</u>	<u>27,484</u>	<u>118,076</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,703)</u>	<u>65</u>	<u>(18,918)</u>	<u>(21,556)</u>
<b>Other financing sources (uses):</b>				
Loan proceeds	222	-	-	222
Transfers in	5,874	54,125	21,032	81,031
Transfers out	<u>(3,427)</u>	<u>(54,020)</u>	<u>(5,426)</u>	<u>(62,873)</u>
Total other financing sources	<u>2,669</u>	<u>105</u>	<u>15,606</u>	<u>18,380</u>
<b>Net change in fund balances</b>	(34)	170	(3,312)	(3,176)
Fund balances - beginning	<u>116,643</u>	<u>27,258</u>	<u>105,139</u>	<u>249,040</u>
Fund balances - end	<u>\$ 116,609</u>	<u>\$ 27,428</u>	<u>\$ 101,827</u>	<u>\$ 245,864</u>

## COUNTY OF SAN MATEO

### Nonmajor Governmental Funds

#### Special Revenue Funds

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

*Road Fund* – is responsible for routine and emergency road maintenance, performing inspections and issuing permits, constructing and installing sidewalks, signs, road markings, and landscaping maintenance. Revenues primarily come from state highway user taxes and federal grants.

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

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

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

*Flood Control Zone Fund* – accounts for special district funds that support various flood control projects within the flood control districts. This fund is financed through property taxes, revenue refunding bonds, and state and federal grants.

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

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

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

*County-Wide Road Improvement Fund* – accounts for mitigation fees imposed on building permits. Such fees are mainly used to finance road repairs for damages caused by new developments in areas where the mitigation fees are collected.

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

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

*Other Special Revenue Funds* – account for activities of several Special Revenue Funds, which include Fish and Game, Off-Highway Vehicle License Fees, Los Trancos County Maintenance District, Highlands Landscape Maintenance District, Water District, Drainage Districts, and Alameda Tree Maintenance District.

**COUNTY OF SAN MATEO**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2017**  
**(In Thousands)**

	Road	County Fire Protection	County Service Area	Sewer and Sanitation	Flood Control Zone	Lighting Districts	Emergency Medical Services
<b>ASSETS</b>							
Cash and investments	\$ 21,697	\$ 8,032	\$ 10,824	\$ 24,308	\$ 24,247	\$ 13,261	\$ 2,723
Receivables (net):							
Accounts	25	-	23	-	-	-	10
Interest	58	30	28	64	63	35	7
Taxes	-	464	295	56	318	95	-
Due from other funds	8	-	-	-	-	-	-
Due from other governmental agencies	2,643	150	51	1,811	136	208	308
Other assets	-	-	-	-	16	-	-
Inventories	376	-	-	-	-	-	-
Total assets	<u>\$ 24,807</u>	<u>\$ 8,676</u>	<u>\$ 11,221</u>	<u>\$ 26,239</u>	<u>\$ 24,780</u>	<u>\$ 13,599</u>	<u>\$ 3,048</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 1,571	\$ -	\$ 772	\$ 2,427	\$ 122	\$ 9	\$ -
Accrued salaries and benefits	376	-	3	44	-	-	-
Due to other funds	10	8	-	4	1	-	738
Due to other governmental agencies	-	-	-	1,669	-	-	-
Unearned revenues	-	434	248	47	268	80	10
Deposits	9	-	4	-	-	-	-
Advances from other funds	-	-	55	7,250	-	-	-
Total liabilities	<u>1,966</u>	<u>442</u>	<u>1,082</u>	<u>11,441</u>	<u>391</u>	<u>89</u>	<u>748</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	-	52	33	6	35	11	-
Unavailable revenue - intergovernmental revenues	-	92	46	-	-	-	308
Unavailable revenue - excess ERAF	-	-	2	142	136	207	-
Total deferred inflows of resources	<u>-</u>	<u>144</u>	<u>81</u>	<u>148</u>	<u>171</u>	<u>218</u>	<u>308</u>
<b>FUND BALANCES</b>							
Nonspendable:							
Inventories	376	-	-	-	-	-	-
Prepays	-	-	-	-	16	-	-
Restricted:							
Debt services	-	-	-	-	38	-	-
Road improvement	21,598	-	-	-	-	-	-
Fire services	-	8,090	-	-	-	-	-
Sewer maintenance	-	-	-	14,650	-	-	-
Flood control	-	-	-	-	24,164	-	-
Lighting maintenance	-	-	1,020	-	-	13,292	-
Highway and transportation improvement	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-
Emergency care	-	-	-	-	-	-	1,992
Garbage and fire protection	-	-	8,920	-	-	-	-
Miscellaneous purposes	-	-	118	-	-	-	-
Assigned	867	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>22,841</u>	<u>8,090</u>	<u>10,058</u>	<u>14,650</u>	<u>24,218</u>	<u>13,292</u>	<u>1,992</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,807</u>	<u>\$ 8,676</u>	<u>\$ 11,221</u>	<u>\$ 26,239</u>	<u>\$ 24,780</u>	<u>\$ 13,599</u>	<u>\$ 3,048</u>

(Continued)

**COUNTY OF SAN MATEO**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2017**  
**(In Thousands)**

<u>County Half-Cent Transportation</u>	<u>County-Wide Road Improvement</u>	<u>Solid Waste</u>	<u>IHSS Public Authority</u>	<u>Other Special Revenue</u>	<u>Total</u>	
\$ 4,043	\$ 4,170	\$ 12,226	\$ 4,224	\$ 1,682	\$ 131,437	<b>ASSETS</b>
-	-	-	-	-	58	Cash and investments
13	11	32	6	4	351	Receivables (net):
-	-	-	-	24	1,252	Accounts
-	-	1	-	-	9	Interest
-	-	-	2,155	28	7,490	Taxes
10	-	-	-	-	26	Due from other funds
-	-	-	-	-	376	Due from other governmental agencies
<u>\$ 4,066</u>	<u>\$ 4,181</u>	<u>\$ 12,259</u>	<u>\$ 6,385</u>	<u>\$ 1,738</u>	<u>\$ 140,999</u>	Other assets
						Inventories
						Total assets
\$ -	\$ -	\$ 107	\$ 1,028	\$ 35	\$ 6,071	<b>LIABILITIES</b>
-	-	36	52	-	511	Accounts payable
-	-	1	4,448	-	5,210	Accrued salaries and benefits
-	-	-	-	-	1,669	Due to other funds
-	-	-	-	20	1,107	Due to other governmental agencies
-	-	-	-	-	13	Unearned revenues
-	-	-	-	-	7,305	Deposits
<u>-</u>	<u>-</u>	<u>144</u>	<u>5,528</u>	<u>55</u>	<u>21,886</u>	Advances from other funds
						Total liabilities
-	-	-	-	3	140	<b>DEFERRED INFLOWS OF RESOURCES</b>
-	-	-	1,403	-	1,849	Unavailable revenue - property taxes
-	-	-	-	28	515	Unavailable revenue - intergovernmental revenues
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,403</u>	<u>31</u>	<u>2,504</u>	Unavailable revenue - excess ERAF
						Total deferred inflows of resources
						<b>FUND BALANCES</b>
-	-	-	-	-	376	Nonspendable:
10	-	-	-	-	26	Inventories
-	-	-	-	-	38	Prepays
-	4,181	-	-	-	25,779	Restricted:
-	-	-	-	-	8,090	Debt services
-	-	-	-	-	14,650	Road improvement
-	-	-	-	-	24,164	Fire services
-	-	-	-	-	14,312	Sewer maintenance
4,056	-	-	-	-	4,056	Flood control
-	-	12,115	-	-	12,115	Lighting maintenance
-	-	-	-	-	1,992	Highway and transportation improvement
-	-	-	-	-	8,920	Waste management
-	-	-	-	1,652	1,770	Emergency care
-	-	-	-	-	867	Garbage and fire protection
<u>-</u>	<u>-</u>	<u>-</u>	<u>(546)</u>	<u>-</u>	<u>(546)</u>	Miscellaneous purposes
<u>4,066</u>	<u>4,181</u>	<u>12,115</u>	<u>(546)</u>	<u>1,652</u>	<u>116,609</u>	Assigned
						Unassigned
						Total fund balances
<u>\$ 4,066</u>	<u>\$ 4,181</u>	<u>\$ 12,259</u>	<u>\$ 6,385</u>	<u>\$ 1,738</u>	<u>\$ 140,999</u>	Total liabilities, deferred inflows of resources, 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, 2017**  
**(In Thousands)**

	Road	County Fire Protection	County Service Area	Sewer and Sanitation	Flood Control Zone	Lighting Districts	Emergency Medical Services
<b>Revenues</b>							
Taxes	\$ 7	\$ 6,314	\$ 4,006	\$ 1,046	\$ 4,591	\$ 1,294	\$ -
Licenses and permits	407	-	131	-	-	-	-
Intergovernmental	22,841	2,342	40	3	19	4	-
Charges for services	1,996	244	1,626	14,965	-	120	-
Fines, forfeitures and penalties	-	-	-	-	-	-	1,431
Rents and concessions	76	31	-	-	2	-	-
Investment income	119	58	50	113	115	68	14
Other	74	55	99	14	3	16	52
Total revenues	<u>25,520</u>	<u>9,044</u>	<u>5,952</u>	<u>16,141</u>	<u>4,730</u>	<u>1,502</u>	<u>1,497</u>
<b>Expenditures</b>							
Current:							
General government	-	-	195	-	-	496	-
Public protection	-	7,551	3,198	-	610	-	-
Public ways and facilities	21,709	-	-	-	-	-	-
Health and sanitation	-	-	1,412	17,231	-	-	1,067
Public assistance	-	-	-	-	-	-	-
Capital outlay	9,622	-	175	2,140	250	119	-
Debt service:							
Principal	-	-	-	80	630	-	-
Interest	-	-	-	39	892	-	-
Bond insurance	-	-	-	-	2	-	-
Total expenditures	<u>31,331</u>	<u>7,551</u>	<u>4,980</u>	<u>19,490</u>	<u>2,384</u>	<u>615</u>	<u>1,067</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,811)</u>	<u>1,493</u>	<u>972</u>	<u>(3,349)</u>	<u>2,346</u>	<u>887</u>	<u>430</u>
<b>Other financing sources (uses)</b>							
Loan proceeds	-	-	-	222	-	-	-
Transfers in	622	-	-	13	1,522	5	-
Transfers out	(9)	-	(5)	-	(1,522)	-	(738)
Total other financing sources (uses)	<u>613</u>	<u>-</u>	<u>(5)</u>	<u>235</u>	<u>-</u>	<u>5</u>	<u>(738)</u>
<b>Net change in fund balances</b>	<u>(5,198)</u>	<u>1,493</u>	<u>967</u>	<u>(3,114)</u>	<u>2,346</u>	<u>892</u>	<u>(308)</u>
Fund balances - beginning	<u>28,039</u>	<u>6,597</u>	<u>9,091</u>	<u>17,764</u>	<u>21,872</u>	<u>12,400</u>	<u>2,300</u>
Fund balances - end	<u>\$ 22,841</u>	<u>\$ 8,090</u>	<u>\$ 10,058</u>	<u>\$ 14,650</u>	<u>\$ 24,218</u>	<u>\$ 13,292</u>	<u>\$ 1,992</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, 2017**  
**(In Thousands)**

County Half-Cent Transportation	County-Wide Road Improvement	Solid Waste	IHSS Public Authority	Other Special Revenue	Total
\$ 2,398	\$ -	\$ -	\$ -	\$ 297	\$ 19,953
-	-	2,940	-	-	3,478
-	-	17	16,198	1	41,465
-	500	126	562	7	20,146
-	-	-	-	3	1,434
-	-	-	-	-	109
25	22	63	4	7	658
-	-	-	325	1	639
<u>2,423</u>	<u>522</u>	<u>3,146</u>	<u>17,089</u>	<u>316</u>	<u>87,882</u>
-	-	-	-	25	716
-	-	-	-	10	11,369
341	-	-	-	175	22,225
-	-	1,840	-	-	21,550
-	-	-	20,776	-	20,776
-	-	-	-	-	12,306
-	-	-	-	-	710
-	-	-	-	-	931
-	-	-	-	-	2
<u>341</u>	<u>-</u>	<u>1,840</u>	<u>20,776</u>	<u>210</u>	<u>90,585</u>
<u>2,082</u>	<u>522</u>	<u>1,306</u>	<u>(3,687)</u>	<u>106</u>	<u>(2,703)</u>
-	-	-	-	-	222
-	-	10	3,702	-	5,874
<u>(1,153)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,427)</u>
<u>(1,153)</u>	<u>-</u>	<u>10</u>	<u>3,702</u>	<u>-</u>	<u>2,669</u>
929	522	1,316	15	106	(34)
<u>3,137</u>	<u>3,659</u>	<u>10,799</u>	<u>(561)</u>	<u>1,546</u>	<u>116,643</u>
<u>\$ 4,066</u>	<u>\$ 4,181</u>	<u>\$ 12,115</u>	<u>\$ (546)</u>	<u>\$ 1,652</u>	<u>\$ 116,609</u>

**Revenues**

Taxes
Licenses and permits
Intergovernmental
Charges for services
Fines, forfeitures and penalties
Rents and concessions
Investment income
Other
Total revenues

**Expenditures**

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

Excess (deficiency) of revenues over  
(under) expenditures

**Other financing sources (uses)**

Loan proceeds
Transfers in
Transfers out
Total other financing sources (uses)

**Net change in fund balances**

Fund balances - beginning

Fund balances - end

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Road Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 26,814	\$ 26,813	\$ (1)	\$ 25,892	\$ (921)
<b>Resources (inflows):</b>					
Taxes	-	144	144	7	(137)
Licenses, permits and franchises	170	170	-	407	237
Use of money and property	185	185	-	195	10
Intergovernmental revenues	23,307	23,307	-	22,841	(466)
Charges for services	24	24	-	1,996	1,972
Interfund revenue	1,156	1,156	-	-	(1,156)
Miscellaneous revenue	170	170	-	74	(96)
Other financing sources	1,450	1,450	-	622	(828)
Amounts available for appropriation	26,462	26,606	144	26,142	(464)
<b>Charges to appropriations (outflows):</b>					
Public ways and facilities					
Salaries and benefits	11,243	11,243	-	9,842	1,401
Services and supplies	13,250	13,393	143	12,179	1,214
Other charges	2,058	2,058	-	1,186	872
Capital assets	13,139	13,139	-	9,622	3,517
Other financing uses	9	9	-	9	-
Intrafund transfers	(1,295)	(1,295)	-	(1,498)	203
Contingencies	14,872	14,872	-	-	14,872
Total charges to appropriations	53,276	53,419	143	31,340	22,079
<b>Budgetary fund balance, June 30</b>	\$ -	\$ -	\$ -	\$ 20,694	\$ 20,694

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 26,142
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes.	(622)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 25,520

**Explanation of Differences between Budgetary Outflows and GAAP Expenditures:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 31,340
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	(9)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 31,331

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**County Fire Protection Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 6,556	\$ 6,556	\$ -	\$ 6,597	\$ 41
<b>Resources (inflows):</b>					
Taxes	5,426	5,426	-	6,314	888
Use of money and property	42	42	-	89	47
Intergovernmental revenues	2,120	2,120	-	2,342	222
Charges for services	290	290	-	244	(46)
Miscellaneous revenue	19	19	-	55	36
Amounts available for appropriation	7,897	7,897	-	9,044	1,147
<b>Charges to appropriations (outflows):</b>					
Public protection					
Services and supplies	10,345	10,345	-	7,551	2,794
Non-general fund reserves	4,108	4,108	-	-	4,108
Total charges to appropriations	14,453	14,453	-	7,551	6,902
<b>Budgetary fund balance, June 30</b>	\$ -	\$ -	\$ -	\$ 8,090	\$ 8,090

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**County Service Area Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 8,845	\$ 8,866	\$ 21	\$ 9,091	\$ 225
<b>Resources (inflows):</b>					
Taxes	3,438	3,438	-	4,006	568
Licenses, permits and franchises	125	125	-	131	6
Use of money and property	47	47	-	50	3
Intergovernmental revenues	668	668	-	40	(628)
Charges for services	1,578	1,578	-	1,626	48
Interfund revenue	30	30	-	-	(30)
Miscellaneous revenue	4	4	-	99	95
Amounts available for appropriation	5,890	5,890	-	5,952	62
<b>Charges to appropriations (outflows):</b>					
General government, public protection, health and sanitation, and public assistance					
Salaries and benefits	81	81	-	56	25
Services and supplies	5,546	5,566	20	4,837	729
Other charges	35	56	21	2	54
Capital assets	760	760	-	175	585
Contingencies	4,820	4,795	(25)	-	4,795
Non-general fund reserves	3,493	3,493	-	-	3,493
Other financing uses	-	5	-	5	-
Total charges to appropriations	14,735	14,756	16	5,075	9,681
<b>Budgetary fund balance, June 30</b>	\$ -	\$ -	\$ 5	\$ 9,968	\$ 9,968

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,075
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	(5)
Encumbrances are outflows of budgetary resources but are not expenditures	(90)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 4,980

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Sewer and Sanitation Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 22,485	\$ 23,081	\$ 596	\$ 16,432	\$ (6,649)
<b>Resources (inflows):</b>					
Taxes	631	631	-	1,046	415
Use of money and property	98	98	-	113	15
Intergovernmental revenues	3	3	-	3	-
Charges for services	12,076	12,076	-	14,965	2,889
Interfund revenue	6,716	6,716	-	-	(6,716)
Miscellaneous revenue	-	-	-	14	14
Other financing sources	46	46	-	235	189
Amounts available for appropriation	<u>19,570</u>	<u>19,570</u>	<u>-</u>	<u>16,376</u>	<u>(3,194)</u>
<b>Charges to appropriations (outflows):</b>					
Health and sanitation					
Salaries and benefits	1,339	1,339	-	1,218	121
Services and supplies	15,351	15,351	-	12,719	2,632
Other charges	6,969	7,565	596	3,413	4,152
Capital assets	4,529	4,529	-	2,140	2,389
Other financing uses	46	46	-	-	46
Contingencies	13,821	13,821	-	-	13,821
Total charges to appropriations	<u>42,055</u>	<u>42,651</u>	<u>596</u>	<u>19,490</u>	<u>23,161</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,318</u>	<u>\$ 13,318</u>

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 16,376
Differences - budget to GAAP:	
Proceeds from loan proceeds are budgetary resources but are not revenues for financing reporting purposes.	(222)
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes.	(13)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 16,141</u>

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Flood Control Zone Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 21,749	\$ 22,089	\$ 340	\$ 21,873	\$ (216)
<b>Resources (inflows):</b>					
Taxes	3,085	3,085	-	4,591	1,506
Use of money and property	93	93	-	117	24
Intergovernmental revenues	20	20	-	19	(1)
Miscellaneous revenue	-	-	-	3	3
Other financing sources	2,500	2,500	-	1,522	(978)
Amounts available for appropriation	5,698	5,698	-	6,252	554
<b>Charges to appropriations (outflows):</b>					
Public protection					
Services and supplies	2,549	2,549	-	458	2,091
Other charges	2,663	3,003	340	1,676	1,327
Capital assets	2,000	2,000	-	250	1,750
Other financing uses	4,022	4,022	-	1,522	2,500
Contingencies	16,213	16,213	-	-	16,213
Total charges to appropriations	27,447	27,787	340	3,906	23,881
<b>Budgetary fund balance, June 30</b>	\$ -	\$ -	\$ -	\$ 24,219	\$ 24,219

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,252
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes	(1,522)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 4,730

**Explanation of Differences between Budgetary Outflows and GAAP Expenditures:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,906
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	(1,522)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 2,384

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Lighting Districts Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	<u>\$ 12,358</u>	<u>\$ 12,415</u>	<u>\$ 57</u>	<u>\$ 12,400</u>	<u>\$ (15)</u>
<b>Resources (inflows):</b>					
Taxes	755	755	-	1,294	539
Use of money and property	64	64	-	68	4
Intergovernmental revenues	4	4	-	4	-
Interfund revenue	148	148	-	-	(148)
Charges for services	-	-	-	120	120
Miscellaneous revenue	-	-	-	16	16
Other financing sources	-	-	-	5	5
Amounts available for appropriation	<u>971</u>	<u>971</u>	<u>-</u>	<u>1,507</u>	<u>536</u>
<b>Charges to appropriations (outflows):</b>					
General government					
Services and supplies	2,115	1,987	(128)	469	1,518
Other charges	15	87	72	27	60
Capital assets	135	135	-	119	16
Other financing uses	-	113	-	-	113
Contingencies	<u>11,064</u>	<u>11,064</u>	<u>-</u>	<u>-</u>	<u>11,064</u>
Total charges to appropriations	<u>13,329</u>	<u>13,386</u>	<u>(56)</u>	<u>615</u>	<u>12,771</u>
<b>Budgetary fund balance, June 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 113</u></u>	<u><u>\$ 13,292</u></u>	<u><u>\$ 13,292</u></u>

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,507
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes.	<u>(5)</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u><u>\$ 1,502</u></u>



**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Emergency Medical Services Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 2,405	\$ 2,405	\$ -	\$ 2,300	\$ (105)
<b>Resources (inflows):</b>					
Fines, forfeitures and penalties	2,458	2,458	-	1,431	(1,027)
Use of money and property	21	21	-	14	(7)
Miscellaneous revenue	69	69	-	52	(17)
Amounts available for appropriation	<u>2,548</u>	<u>2,548</u>	<u>-</u>	<u>1,497</u>	<u>(1,051)</u>
<b>Charges to appropriations (outflows):</b>					
Health and sanitation					
Services and supplies	3,061	3,061	-	1,067	1,994
Other financing uses	-	-	-	738	(738)
Non-general fund reserves	1,892	1,892	-	-	1,892
Total charges to appropriations	<u>4,953</u>	<u>4,953</u>	<u>-</u>	<u>1,805</u>	<u>3,148</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,992</u>	<u>\$ 1,992</u>

**Explanation of Differences between Budgetary Outflows and GAAP Expenditures:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,805
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	<u>(738)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 1,067</u>

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**County Half-Cent Transportation Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 3,128	\$ 3,128	\$ -	\$ 3,137	\$ 9
<b>Resources (inflows):</b>					
Taxes	1,865	1,865	-	2,398	533
Use of money and property	-	-	-	25	25
Amounts available for appropriation	<u>1,865</u>	<u>1,865</u>	<u>-</u>	<u>2,423</u>	<u>558</u>
<b>Charges to appropriations (outflows):</b>					
Public ways and facilities					
Services and supplies	2,624	2,624	-	206	2,418
Other charges	119	119	-	135	(16)
Other financing uses	<u>2,250</u>	<u>2,250</u>	<u>-</u>	<u>1,153</u>	<u>1,097</u>
Total charges to appropriations	<u>4,993</u>	<u>4,993</u>	<u>-</u>	<u>1,494</u>	<u>3,499</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,066</u>	<u>\$ 4,066</u>

**Explanation of Differences between Budgetary Outflows and GAAP Expenditures:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,494
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	<u>(1,153)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	<u>\$ 341</u>

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**County-Wide Road Improvement Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 3,647	\$ 3,647	\$ -	\$ 3,659	\$ 12
<b>Resources (inflows):</b>					
Use of money and property	25	25	-	22	(3)
Charges for services	350	350	-	500	150
Amounts available for appropriation	375	375	-	522	147
<b>Charges to appropriations (outflows):</b>					
Public ways and facilities					
Other financing uses	400	400	-	-	400
Non-general fund reserves	3,622	3,622	-	-	3,622
Total charges to appropriations	4,022	4,022	-	-	4,022
<b>Budgetary fund balance, June 30</b>	\$ -	\$ -	\$ -	\$ 4,181	\$ 4,181

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Solid Waste Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 7,166	\$ 7,166	\$ -	\$ 10,799	\$ 3,633
<b>Resources (inflows):</b>					
Licenses, permits and franchises	2,550	2,550	-	2,940	390
Use of money and property	21	21	-	63	42
Intergovernmental revenues	-	-	-	17	17
Charges for services	874	874	-	126	(748)
Interfund revenue	75	75	-	-	(75)
Other financing sources	255	255	-	10	(245)
Amounts available for appropriation	3,775	3,775	-	3,156	(619)
<b>Charges to appropriations (outflows):</b>					
Health and sanitation					
Salaries and benefits	1,838	1,838	-	859	979
Services and supplies	2,267	2,267	-	877	1,390
Other charges	129	129	-	104	25
Other financing uses	255	255	-	-	255
Contingencies	3,184	3,184	-	-	3,184
Non-general fund reserves	3,268	3,268	-	-	3,268
Total charges to appropriations	10,941	10,941	-	1,840	9,101
<b>Budgetary fund balance, June 30</b>	\$ -	\$ -	\$ -	\$ 12,115	\$ 12,115

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,156
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes.	(10)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 3,146

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**In-Home Supportive Services Public Authority Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 862	\$ 862	\$ -	\$ (1,162)	\$ (2,024)
<b>Resources (inflows):</b>					
Use of money and property	-	-	-	4	4
Intergovernmental revenues	17,322	17,322	-	16,198	(1,124)
Charges for services	-	-	-	562	562
Interfund Revenue	3,970	3,970	-	-	(3,970)
Miscellaneous revenue	350	350	-	325	(25)
Other financing sources	-	-	-	3,702	3,702
Amounts available for appropriation	21,642	21,642	-	20,791	(851)
<b>Charges to appropriations (outflows):</b>					
Public assistance					
Salaries and benefits	1,581	1,331	(250)	1,203	128
Services and supplies	4,144	4,144	-	3,561	583
Other charges	15,917	16,167	250	16,012	155
Non-general fund reserves	862	862	-	-	862
Total charges to appropriations	22,504	22,504	-	20,776	1,728
<b>Budgetary fund balance, June 30</b>	\$ -	\$ -	\$ -	\$ (1,147)	\$ (1,147)

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 20,791
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financing reporting purposes.	(3,702)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 17,089

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Other Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b><u>Highlands Landscape Maintenance District</u></b>					
<b>Budgetary fund balance, July 1</b>	\$ 760	\$ 760	\$ -	\$ 555	\$ (205)
Resources (inflows):					
Taxes	35	35	-	-	(35)
Use of money and property	4	4	-	7	3
Charges for services	7	7	-	7	-
Intergovernmental	-	-	-	1	1
Miscellaneous revenue	-	-	-	1	1
Amounts available for appropriation	<u>46</u>	<u>46</u>	<u>-</u>	<u>16</u>	<u>(30)</u>
Charges to appropriations (outflows):					
General Government					
Services and supplies	85	85	-	25	60
Contingencies	598	598	-	-	598
Non-general fund reserves	123	123	-	-	123
Total charges to appropriations	<u>806</u>	<u>806</u>	<u>-</u>	<u>25</u>	<u>781</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546</u>	<u>\$ 546</u>
<b><u>Los Trancos County Maintenance Fund</u></b>					
<b>Budgetary fund balance, July 1</b>	\$ 417	\$ 417	\$ -	\$ -	\$ (417)
Resources (inflows):					
Taxes	330	330	-	297	(33)
Amounts available for appropriation	<u>330</u>	<u>330</u>	<u>-</u>	<u>297</u>	<u>(33)</u>
Charges to appropriations (outflows):					
Public Ways and Facilities					
Services and supplies	330	330	-	175	155
Non-general fund reserves	417	417	-	-	417
Total charges to appropriations	<u>747</u>	<u>747</u>	<u>-</u>	<u>175</u>	<u>572</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 122</u>
<b><u>Fish and Game Fund</u></b>					
<b>Budgetary fund balance, July 1</b>	\$ 72	\$ 72	\$ -	\$ 73	\$ 1
Resources (inflows):					
Fines, forfeitures, and penalties	1	1	-	3	2
Amounts available for appropriation	<u>1</u>	<u>1</u>	<u>-</u>	<u>3</u>	<u>2</u>
Charges to appropriations (outflows):					
Public Protection					
Services and supplies	10	10	-	10	-
Non-general fund reserves	63	63	-	-	63
Total charges to appropriations	<u>73</u>	<u>73</u>	<u>-</u>	<u>10</u>	<u>63</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 66</u>
<b><u>Total - Other Special Revenue Funds</u></b>					
<b>Budgetary fund balance, July 1</b>	\$ 1,249	\$ 1,249	\$ -	\$ 628	\$ (621)
Resources (inflows)	377	377	-	316	(61)
Charges to appropriations (outflows)	1,626	1,626	-	210	1,416
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734</u>	<u>\$ 734</u>

**COUNTY OF SAN MATEO**

**Nonmajor Governmental Funds**

**Debt Service Fund**

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

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

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Other Debt Service Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 19,595	\$ 19,595	\$ -	\$ 27,258	\$ 7,663
<b>Resources (inflows):</b>					
Use of money and property	-	-	-	66	66
Miscellaneous revenue	-	-	-	6	6
Other financing sources	54,958	54,958	-	54,125	(833)
Amount available for appropriation	<u>54,958</u>	<u>54,958</u>	<u>-</u>	<u>54,197</u>	<u>(761)</u>
<b>Charges to appropriations (outflows):</b>					
Services and supplies	17	17	-	-	17
Other charges	54,320	54,320	-	7	54,313
Other financing uses	-	-	-	54,020	(54,020)
Non-general fund reserves	20,216	20,216	-	-	20,216
Total charges to appropriations	<u>74,553</u>	<u>74,553</u>	<u>-</u>	<u>54,027</u>	<u>20,526</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,428</u>	<u>\$ 27,428</u>

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 54,197
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(54,125)</u>
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	<u>\$ 72</u>

**Explanation of Differences between Budgetary Outflows and GAAP Expenditures:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 54,027
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(54,020)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	<u>\$ 7</u>



## COUNTY OF SAN MATEO

### Nonmajor Governmental Funds

#### Capital Projects Funds

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

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

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

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

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

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

**COUNTY OF SAN MATEO**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2017**  
**(In Thousands)**

	Parks Acquisition	Accumulated Capital Outlay	Criminal Facility	Courthouse Construction	Other Capital Projects	Total
<b>ASSETS</b>						
Cash and investments	\$ 2,301	\$ 84,975	\$ 1,498	\$ 172	\$ 14,895	\$ 103,841
Accounts receivable	-	-	11	11	-	22
Interest receivable	6	229	5	1	34	275
Due from other funds	-	-	-	-	1	1
Due from other governmental agencies	54	-	-	-	-	54
Other assets	-	-	-	-	14	14
Total assets	<u>\$ 2,361</u>	<u>\$ 85,204</u>	<u>\$ 1,514</u>	<u>\$ 184</u>	<u>\$ 14,944</u>	<u>\$ 104,207</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,333	\$ 2,333
Due to other funds	-	-	-	-	9	9
Unearned revenues	-	-	11	11	-	22
Total liabilities	<u>-</u>	<u>-</u>	<u>11</u>	<u>11</u>	<u>2,342</u>	<u>2,364</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - intergovernmental revenues	16	-	-	-	-	16
Total deferred inflows of resources	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
<b>FUND BALANCES</b>						
Nonspendable						
Prepays	-	-	-	-	14	14
Restricted:						
Parks acquisition and development	2,345	-	-	-	-	2,345
Courthouse construction	-	-	-	173	-	173
Assigned	-	85,204	1,503	-	12,588	99,295
Total fund balances	<u>2,345</u>	<u>85,204</u>	<u>1,503</u>	<u>173</u>	<u>12,602</u>	<u>101,827</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,361</u>	<u>\$ 85,204</u>	<u>\$ 1,514</u>	<u>\$ 184</u>	<u>\$ 14,944</u>	<u>\$ 104,207</u>

**COUNTY OF SAN MATEO**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Parks Acquisition	Accumulated Capital Outlays	Criminal Facility	Courthouse Construction	Other Capital Projects	Total
<b>Revenues:</b>						
Taxes	\$ 143	\$ -	\$ -	\$ -	\$ 5,467	\$ 5,610
Intergovernmental	250	-	-	-	-	250
Charges for services	-	-	922	974	21	1,917
Investment income	12	457	12	(1)	45	525
Other	258	-	-	-	6	264
Total revenues	<u>663</u>	<u>457</u>	<u>934</u>	<u>973</u>	<u>5,539</u>	<u>8,566</u>
<b>Expenditures:</b>						
Capital outlay	<u>552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,932</u>	<u>27,484</u>
Total expenditures	<u>552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,932</u>	<u>27,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>111</u>	<u>457</u>	<u>934</u>	<u>973</u>	<u>(21,393)</u>	<u>(18,918)</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	21,032	21,032
Transfers out	<u>(57)</u>	<u>(3,046)</u>	<u>(1,100)</u>	<u>(1,223)</u>	<u>-</u>	<u>(5,426)</u>
Total other financing sources (uses)	<u>(57)</u>	<u>(3,046)</u>	<u>(1,100)</u>	<u>(1,223)</u>	<u>21,032</u>	<u>15,606</u>
<b>Net change in fund balances</b>	54	(2,589)	(166)	(250)	(361)	(3,312)
Fund balances - beginning	<u>2,291</u>	<u>87,793</u>	<u>1,669</u>	<u>423</u>	<u>12,963</u>	<u>105,139</u>
Fund balances - end	<u>\$ 2,345</u>	<u>\$ 85,204</u>	<u>\$ 1,503</u>	<u>\$ 173</u>	<u>\$ 12,602</u>	<u>\$ 101,827</u>

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Parks Acquisition Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 2,345	\$ 2,345	\$ -	\$ 2,291	\$ (54)
<b>Resources (inflows):</b>					
Taxes	256	256	-	143	(113)
Use of money and property	10	10	-	12	2
Intergovernmental revenues	375	375	-	250	(125)
Miscellaneous revenue	38	258	220	258	-
Other financing sources	1,220	1,220	-	-	(1,220)
Amounts available for appropriation	<u>1,899</u>	<u>2,119</u>	<u>220</u>	<u>663</u>	<u>(1,456)</u>
<b>Charges to appropriations (outflows):</b>					
Services and supplies	919	939	20	398	541
Capital assets	1,163	1,363	200	154	1,209
Other financing uses	998	998	-	57	941
Non-general fund reserves	1,164	1,164	-	-	1,164
Total charges to appropriations	<u>4,244</u>	<u>4,464</u>	<u>220</u>	<u>609</u>	<u>3,855</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,345</u>	<u>\$ 2,345</u>

**Explanation of Differences between Budgetary Outflows and GAAP Expenditures:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 609
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	<u>(57)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds	<u>\$ 552</u>

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Accumulated Capital Outlays Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 87,524	\$ 87,525	\$ 1	\$ 87,793	\$ 268
<b>Resources (inflows):</b>					
Use of money and property	500	500	-	457	(43)
Amounts available for appropriation	500	500	-	457	(43)
<b>Charges to appropriations (outflows):</b>					
Other financing uses	33,496	41,333	7,837	3,046	38,287
Non-general fund reserves	54,528	46,692	(7,836)	-	46,692
Total charges to appropriations	88,024	88,025	1	3,046	84,979
<b>Budgetary fund balance, June 30</b>	\$ -	\$ -	\$ -	\$ 85,204	\$ 85,204

**Explanation of Differences between Budgetary Outflows and GAAP Expenditures:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,046
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financing reporting purposes.	(3,046)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds	\$ -

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Criminal Facility Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 1,664	\$ 1,664	\$ -	\$ 1,669	\$ 5
<b>Resources (inflows):</b>					
Use of money and property	15	15	-	12	(3)
Charges for services	<u>1,100</u>	<u>1,100</u>	<u>-</u>	<u>922</u>	<u>(178)</u>
Amounts available for appropriation	<u>1,115</u>	<u>1,115</u>	<u>-</u>	<u>934</u>	<u>(181)</u>
<b>Charges to appropriations (outflows):</b>					
Other financing uses	1,100	1,100	-	1,100	-
Contingencies	54	54	-	-	54
Non-general fund reserves	<u>1,625</u>	<u>1,625</u>	<u>-</u>	<u>-</u>	<u>1,625</u>
Total charges to appropriations	<u>2,779</u>	<u>2,779</u>	<u>-</u>	<u>1,100</u>	<u>1,679</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,503</u>	<u>\$ 1,503</u>

**Explanation of Differences between Budgetary Outflows and GAAP Expenditures:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,100
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,100)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds	<u>\$ -</u>

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Courthouse Construction Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 421	\$ 421	\$ -	\$ 423	\$ 2
<b>Resources (inflows):</b>					
Use of money and property	2	2	-	(1)	(3)
Charges for services	1,100	1,100	-	974	(126)
Amounts available for appropriation	1,102	1,102	-	973	(129)
<b>Charges to appropriations (outflows):</b>					
Other financing uses	1,368	1,368	-	1,223	145
Non-general fund reserves	155	155	-	-	155
Total charges to appropriations	1,523	1,523	-	1,223	300
<b>Budgetary fund balance, June 30</b>	\$ -	\$ -	\$ -	\$ 173	\$ 173

**Explanation of Differences between Budgetary Outflows and GAAP Expenditures:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,223
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,223)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds	\$ -

**COUNTY OF SAN MATEO**  
**Budgetary Comparison Schedule**  
**Other Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Increase (Decrease)		
<b>Budgetary fund balance, July 1</b>	\$ 16,975	\$ 16,976	\$ 1	\$ 12,963	\$ (4,013)
<b>Resources (inflows):</b>					
Taxes	56,346	56,346	-	5,467	(50,879)
Use of money and property	-	-	-	45	45
Charges for services	-	-	-	21	21
Miscellaneous revenue	-	-	-	6	6
Other financing sources	135,469	144,443	8,974	21,032	(123,411)
Amounts available for appropriation	<u>191,815</u>	<u>200,789</u>	<u>8,974</u>	<u>26,571</u>	<u>(174,218)</u>
<b>Charges to appropriations (outflows):</b>					
Services and supplies	-	7,003	7,003	9,571	(2,568)
Capital assets	198,725	200,697	1,972	17,361	183,336
Contingencies	4,084	4,084	-	-	4,084
Other financing uses	4,500	4,500	-	-	4,500
Non-General Fund Reserves	1,481	1,481	-	-	1,481
Total charges to appropriations	<u>208,790</u>	<u>217,765</u>	<u>8,975</u>	<u>26,932</u>	<u>190,833</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,602</u>	<u>\$ 12,602</u>

**Explanation of Differences between Budgetary Inflows and GAAP Revenues:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule

\$ 26,571

Differences - budget to GAAP:

    Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.

(21,032)

Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor capital projects funds

\$ 5,539





## Nonmajor Enterprise Funds

## COUNTY OF SAN MATEO

### **Nonmajor Enterprise Funds**

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

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

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

**COUNTY OF SAN MATEO**  
**Combining Statement of Fund Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2017**  
**(In Thousands)**

	Airports	Coyote Point Marina	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 3,463	\$ 1,460	\$ 4,923
Receivables (net):			
Accounts	26	27	53
Interest	2	4	6
Due from other governmental agencies	258	-	258
Total current assets	3,749	1,491	5,240
Noncurrent assets:			
Net OPEB asset	184	119	303
Capital assets:			
Nondepreciable:			
Land	6,844	1,334	8,178
Construction in progress	3,763	-	3,763
Depreciable:			
Structures and improvements	29,082	15,685	44,767
Equipment	111	87	198
Less accumulated depreciation	(10,873)	(7,248)	(18,121)
Total capital assets	28,927	9,858	38,785
Total noncurrent assets	29,111	9,977	39,088
Total assets	32,860	11,468	44,328
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions subsequent to measurement date	191	65	256
Changes of pension-related assumptions	95	32	127
Changes in proportionate share of net pension liability	2	1	3
Difference in actual and proportionate share of pension contributions	1	-	1
Differences between expected and actual pension experience	49	17	66
Differences between projected and actual earnings on pension investments	189	67	256
Total deferred outflows of resources	527	182	709
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	82	12	94
Accrued interest payable	13	101	114
Accrued salaries and benefits	50	16	66
Due to other funds	1	-	1
Unearned revenues	16	-	16
Deposits	1	3	4
Notes payable - current	346	63	409
Compensated absences - current	67	24	91
Total current liabilities	576	219	795
Noncurrent liabilities:			
Advances from other funds	2,800	-	2,800
Net pension liability - noncurrent	817	280	1,097
Notes payable - noncurrent	362	2,309	2,671
Compensated absences - noncurrent	31	13	44
Total noncurrent liabilities	4,010	2,602	6,612
Total liabilities	4,586	2,821	7,407
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Differences between expected and actual pension experience	13	4	17
Difference in actual and proportionate share of pension contributions	1	-	1
Total deferred inflows of resources	14	4	18
<b>NET POSITION</b>			
Net investment in capital assets	28,219	7,486	35,705
Restricted for airport management by FAA	362	-	362
Unrestricted	206	1,339	1,545
Total net position	\$ 28,787	\$ 8,825	\$ 37,612

**COUNTY OF SAN MATEO**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Airports	Coyote Point Marina	Total
<b>Operating revenues:</b>			
Charges for services	\$ 47	\$ 1,187	\$ 1,234
Rent and concessions	3,765	9	3,774
Miscellaneous	68	2	70
Total operating revenues	3,880	1,198	5,078
<b>Operating expenses:</b>			
Salaries and benefits	1,090	369	1,459
Pension expense	151	52	203
General and administrative	2,067	389	2,456
Depreciation and amortization	506	314	820
Total operating expenses	3,814	1,124	4,938
Operating income	66	74	140
<b>Nonoperating revenues (expenses):</b>			
State and federal grants	783	-	783
Investment income	2	6	8
Interest expense	(43)	(108)	(151)
Total nonoperating revenues (expenses)	742	(102)	640
Income before transfers	808	(28)	780
Transfers in	114	5	119
<b>Change in net position</b>	922	(23)	899
Net position - beginning	27,865	8,848	36,713
Net position - end	\$ 28,787	\$ 8,825	\$ 37,612

**COUNTY OF SAN MATEO**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Airports	Coyote Point Marina	Total
<b>Cash flows from operating activities</b>			
Cash receipts from customers	\$ 3,662	\$ 1,222	\$ 4,884
Cash paid to suppliers of goods and services	(2,345)	(460)	(2,805)
Cash paid to employees for services	(1,263)	(423)	(1,686)
Net cash provided by operating activities	54	339	393
<b>Cash flows from noncapital financing activities</b>			
Transfers received from other funds	114	5	119
State and federal grants receipts	783	-	783
Net cash provided by noncapital financing activities	897	5	902
<b>Cash flows from capital and related financing activities</b>			
Acquisition of capital assets	(621)	-	(621)
Loan from other funds	2,800	-	2,800
Principal paid on long-term liabilities	(331)	(63)	(394)
Interest paid on long-term liabilities	(50)	(110)	(160)
Net cash provided by (used in) capital and related financing activities	1,798	(173)	1,625
<b>Cash flows from investing activities</b>			
Investment income received	2	5	7
Net cash provided by investing activities	2	5	7
Net increase in cash and cash equivalents	2,751	176	2,927
Cash and cash equivalents, beginning	712	1,284	1,996
Cash and cash equivalents, end	\$ 3,463	\$ 1,460	\$ 4,923
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
<b>Operating income</b>	\$ 66	\$ 74	\$ 140
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	506	314	820
Decrease (increase) in:			
Accounts receivable	(12)	24	12
Due from other governmental agencies	(209)	-	(209)
Net OPEB assets	1	-	1
Increase (decrease) in:			
Accounts payable	(278)	(71)	(349)
Accrued salaries and benefits	12	8	20
Due to other funds	1	-	1
Unearned revenues	2	-	2
Net pension liability	(3)	(3)	(6)
Compensated absences	6	4	10
Deferred inflows of resources	(38)	(11)	(49)
Net cash provided by operating activities	\$ 54	\$ 339	\$ 393



## Internal Service Funds

## COUNTY OF SAN MATEO

### **Internal Service Funds**

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

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

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

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

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

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

**COUNTY OF SAN MATEO**  
**Combining Statement of Fund Net Position**  
**Internal Service Funds**  
**June 30, 2017**  
**(In Thousands)**

	Fleet Maintenance	Tower Road Construction	Workers' Compensation Insurance	Long-Term Disability	Personal Injury and Property Damage	Employee Benefits	Total
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 16,942	\$ 265	\$ 19,633	\$ 1,809	\$ 3,558	\$ 23,120	\$ 65,327
Receivables (net):							
Accounts	4	20	-	-	2	581	607
Interest	43	1	58	6	11	49	168
Due from other funds	-	1	-	-	-	-	1
Due from other governmental agencies	-	-	-	-	-	2,228	2,228
Inventories	76	-	-	-	-	-	76
Other assets	-	-	835	-	3,385	-	4,220
Total current assets	<u>17,065</u>	<u>287</u>	<u>20,526</u>	<u>1,815</u>	<u>6,956</u>	<u>25,978</u>	<u>72,627</u>
Noncurrent assets:							
Net OPEB asset	239	444	-	-	-	-	683
Capital assets:							
Nondepreciable:							
Construction in progress	198	-	-	-	-	-	198
Depreciable:							
Structures and improvements	999	-	-	-	-	-	999
Equipment	23,311	24	-	-	-	-	23,335
Software	9	-	-	-	-	-	9
Less accumulated depreciation	(20,018)	(24)	-	-	-	-	(20,042)
Total capital assets	<u>4,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,499</u>
Total noncurrent assets	<u>4,738</u>	<u>444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,182</u>
Total assets	<u>21,803</u>	<u>731</u>	<u>20,526</u>	<u>1,815</u>	<u>6,956</u>	<u>25,978</u>	<u>77,809</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension contributions subsequent to measurement date	235	211	-	-	-	-	446
Changes of pension-related assumptions	119	107	-	-	-	-	226
Changes in proportionate share of net pension liability	2	2	-	-	-	-	4
Difference in actual and proportionate share of pension contributions	2	1	-	-	-	-	3
Differences between expected and actual pension experience	63	56	-	-	-	-	119
Differences between projected and actual earnings on pension investments	222	195	-	-	-	-	417
Total deferred outflows of resources	<u>643</u>	<u>572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,215</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	69	21	60	-	154	570	874
Accrued salaries and benefits	52	50	-	14	-	-	116
Due to other funds	1	1	-	-	-	-	2
Unearned revenues	-	-	151	-	66	-	217
Deposits	94	-	-	-	-	-	94
Compensated absences - current	67	76	-	-	-	-	143
Estimated claims - current	-	-	14,875	269	1,446	776	17,366
Total current liabilities	<u>283</u>	<u>148</u>	<u>15,086</u>	<u>283</u>	<u>1,666</u>	<u>1,346</u>	<u>18,812</u>
Noncurrent liabilities:							
Advances from other funds	-	805	-	-	-	-	805
Net pension liability - noncurrent	1,053	956	-	-	-	-	2,009
Compensated absences - noncurrent	47	19	-	-	-	-	66
Estimated claims - noncurrent	-	-	33,113	828	2,388	-	36,329
Total noncurrent liabilities	<u>1,100</u>	<u>1,780</u>	<u>33,113</u>	<u>828</u>	<u>2,388</u>	<u>-</u>	<u>39,209</u>
Total liabilities	<u>1,383</u>	<u>1,928</u>	<u>48,199</u>	<u>1,111</u>	<u>4,054</u>	<u>1,346</u>	<u>58,021</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Differences between expected and actual pension experience	18	16	-	-	-	-	34
Difference in actual and proportionate share of pension contributions	1	1	-	-	-	-	2
Total deferred inflows of resources	<u>19</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36</u>
<b>NET POSITION</b>							
Net investment in capital assets	4,499	-	-	-	-	-	4,499
Unrestricted	16,545	(642)	(27,673)	704	2,902	24,632	16,468
Total net position	<u>\$ 21,044</u>	<u>\$ (642)</u>	<u>\$ (27,673)</u>	<u>\$ 704</u>	<u>\$ 2,902</u>	<u>\$ 24,632</u>	<u>\$ 20,967</u>



**COUNTY OF SAN MATEO**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Fleet Maintenance	Tower Road Construction	Workers' Compensation Insurance	Long-Term Disability	Personal Injury and Property Damage	Employee Benefits	Total
<b>Operating revenues:</b>							
Charges for services	\$ 7,415	\$ 1,974	\$ 14,769	\$ 950	\$ 7,386	\$ 114,431	\$ 146,925
Miscellaneous	100	9	644	59	993	388	2,193
Total operating revenues	<u>7,515</u>	<u>1,983</u>	<u>15,413</u>	<u>1,009</u>	<u>8,379</u>	<u>114,819</u>	<u>149,118</u>
<b>Operating expenses:</b>							
Salaries and benefits	1,293	1,340	-	-	-	-	2,633
Pension expense	185	166	-	-	-	-	351
General and administrative	2,501	482	2,863	513	2,873	5,460	14,692
Benefits and claims	-	-	16,115	21	2,261	7,784	26,181
Insurance premiums	-	-	1,235	-	4,600	102,250	108,085
Depreciation	1,169	-	-	-	-	-	1,169
Total operating expenses	<u>5,148</u>	<u>1,988</u>	<u>20,213</u>	<u>534</u>	<u>9,734</u>	<u>115,494</u>	<u>153,111</u>
Operating income (loss)	<u>2,367</u>	<u>(5)</u>	<u>(4,800)</u>	<u>475</u>	<u>(1,355)</u>	<u>(675)</u>	<u>(3,993)</u>
<b>Nonoperating expenses</b>							
Investment income	81	1	120	11	21	89	323
Total nonoperating expenses	<u>81</u>	<u>1</u>	<u>120</u>	<u>11</u>	<u>21</u>	<u>89</u>	<u>323</u>
Income (loss) before transfers	2,448	(4)	(4,680)	486	(1,334)	(586)	(3,670)
Transfers in	21	16	-	-	-	-	37
Transfers out	<u>(2)</u>	<u>(4)</u>	<u>(21)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27)</u>
<b>Change in net position</b>	2,467	8	(4,701)	486	(1,334)	(586)	(3,660)
Net position - beginning	<u>18,577</u>	<u>(650)</u>	<u>(22,972)</u>	<u>218</u>	<u>4,236</u>	<u>25,218</u>	<u>24,627</u>
Net position - end	<u>\$ 21,044</u>	<u>\$ (642)</u>	<u>\$ (27,673)</u>	<u>\$ 704</u>	<u>\$ 2,902</u>	<u>\$ 24,632</u>	<u>\$ 20,967</u>

**COUNTY OF SAN MATEO**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Fleet Maintenance	Tower Construction	Workers' Compensation Insurance	Long-Term Disability
<b>Cash flows from operating activities</b>				
Cash received from interfund services provided	\$ 7,515	\$ 1,978	\$ 15,357	\$ 1,009
Cash payment to suppliers of goods and services	(2,517)	(486)	(4,138)	(510)
Cash payment to employees for services	(1,527)	(1,550)	-	-
Cash payment for judgments and claims	-	-	(11,416)	(310)
Net cash provided by (used in) operating activities	<u>3,471</u>	<u>(58)</u>	<u>(197)</u>	<u>189</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers received from other funds	21	16	-	-
Transfers paid to other funds	(2)	(4)	(21)	-
Loan to other funds	-	(107)	-	-
Net cash provided by (used in) noncapital financing activities	<u>19</u>	<u>(95)</u>	<u>(21)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(2,257)	-	-	-
Net cash used in capital and related financing activities	<u>(2,257)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Investment income received	71	1	108	9
Net cash provided by investing activities	<u>71</u>	<u>1</u>	<u>108</u>	<u>9</u>
Net increase (decrease) in cash and cash equivalents	1,304	(152)	(110)	198
Cash and cash equivalents, beginning	15,638	417	19,743	1,611
Cash and cash equivalents, end	<u>\$ 16,942</u>	<u>\$ 265</u>	<u>\$ 19,633</u>	<u>\$ 1,809</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 2,367	\$ (5)	\$ (4,800)	\$ 475
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,169	-	-	-
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	-	(18)	-	-
Due from other funds	-	13	-	-
Due from other government agencies	-	-	-	-
Inventories	11	-	-	-
Other assets	-	-	(56)	-
Net OPEB assets	1	1	-	-
Deferred outflows of resources	(338)	(298)	-	-
Increase (decrease) in:				
Accounts payable	(27)	(5)	(34)	3
Accrued salaries and benefits	(1)	(1)	-	-
Due to other funds	-	1	-	-
Unearned revenues	-	-	(6)	-
Net pension liability	348	313	-	-
Estimated claims	-	-	4,699	(289)
Deferred inflows of resources	(59)	(59)	-	-
Net cash provided by (used in) operating activities	<u>\$ 3,471</u>	<u>\$ (58)</u>	<u>\$ (197)</u>	<u>\$ 189</u>

(Continued)

**COUNTY OF SAN MATEO**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Personal Injury and Property Damage	Employee Benefits	Total	
	\$ 10,796	\$ 115,228	\$ 151,883	<b>Cash flows from operating activities</b>
	(10,961)	(107,767)	(126,379)	Cash received from interfund services provided
	-	-	(3,077)	Cash payment to suppliers of goods and services
	(1,889)	(7,544)	(21,159)	Cash payment to employees for services
	(2,054)	(83)	1,268	Cash payment for judgments and claims
				Net cash provided by (used in) operating activities
	-	-	37	<b>Cash flows from noncapital financing activities</b>
	-	-	(27)	Transfers received from other funds
	-	-	(107)	Transfers paid to other funds
	-	-	(97)	Loan to other funds
				Net cash provided by (used in) noncapital financing activities
	-	-	(2,257)	<b>Cash flows from capital and related financing activities</b>
	-	-	(2,257)	Acquisition of capital assets
				Net cash used in capital and related financing activities
	26	86	301	<b>Cash flows from investing activities</b>
	26	86	301	Investment income received
				Net cash provided by investing activities
	(2,028)	3	(785)	Net increase (decrease) in cash and cash equivalents
	5,586	23,117	66,112	Cash and cash equivalents, beginning
	<u>\$ 3,558</u>	<u>\$ 23,120</u>	<u>\$ 65,327</u>	Cash and cash equivalents, end
				<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>
	\$ (1,355)	\$ (675)	\$ (3,993)	<b>Operating income (loss)</b>
				Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:
	-	-	1,169	Depreciation
				Changes in operating assets and liabilities:
				Decrease (increase) in:
	372	(581)	(227)	Accounts receivable
	-	-	13	Due from other funds
	-	990	990	Due from other government agencies
	-	-	11	Inventories
	2,045	-	1,989	Other assets
	-	-	2	Net OPEB assets
	-	-	(636)	Deferred outflows of resources
				Increase (decrease) in:
	(3,489)	(57)	(3,609)	Accounts payable
	-	-	(2)	Accrued salaries and benefits
	-	-	1	Due to other funds
	1	-	(5)	Unearned revenues
	-	-	661	Net pension liability
	372	240	5,022	Estimated claims
	-	-	(118)	Deferred inflows of resources
	<u>\$ (2,054)</u>	<u>\$ (83)</u>	<u>\$ 1,268</u>	Net cash provided by (used in) operating activities



## Fiduciary Funds

## COUNTY OF SAN MATEO

### Fiduciary Funds

#### Trust Funds

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

#### Agency Funds

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

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

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

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

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

*Other Agency Fund* – accounts for assets held for other governmental agencies and entities by the County in a fiduciary capacity.

**COUNTY OF SAN MATEO**  
**Combining Statement of Fiduciary Net Position**  
**Investment Trust Funds**  
**June 30, 2017**  
**(In Thousands)**

	<b>External Investment Pool</b>			<b>Total</b>
	Special Districts under Local Board	School Districts	Other Investment Trust	
<b>ASSETS</b>				
Cash and investments	\$ 247,657	\$ 1,774,587	\$ 808,517	\$ 2,830,761
Interest receivable	694	4,977	2,367	8,038
Due from other governmental agencies	4,770	-	-	4,770
Other assets	104	3	-	107
Total assets	<u>253,225</u>	<u>1,779,567</u>	<u>810,884</u>	<u>2,843,676</u>
<b>LIABILITIES</b>				
Accounts payable	369	-	140	509
Due to other governmental agencies	-	1,154	-	1,154
Other liabilities	4,770	-	1,358	6,128
Total liabilities	<u>5,139</u>	<u>1,154</u>	<u>1,498</u>	<u>7,791</u>
<b>NET POSITION</b>				
Net position restricted for investment pool participants	<u>\$ 248,086</u>	<u>\$ 1,778,413</u>	<u>\$ 809,386</u>	<u>\$ 2,835,885</u>

**COUNTY OF SAN MATEO**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Investment Trust Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	<b>External Investment Pool</b>			<b>Total</b>
	Special Districts under Local Board	School Districts	Other Investment Trust	
<b>ADDITIONS</b>				
Contributions:				
Contributions to investment pool	\$ 355,943	\$ 3,361,224	\$ 488,323	\$ 4,205,490
Net investment income:				
Net depreciation in fair value of investments	(956)	(6,963)	(3,366)	(11,285)
Investment income	2,301	15,988	53,381	71,670
Total net investment income	1,345	9,025	50,015	60,385
Total additions	357,288	3,370,249	538,338	4,265,875
<b>DEDUCTIONS</b>				
Distribution from investment pool	337,199	3,262,853	531,659	4,131,711
<b>Change in net position</b>	20,089	107,396	6,679	134,164
Net position - beginning	227,997	1,671,017	802,707	2,701,721
Net position - end	\$ 248,086	\$ 1,778,413	\$ 809,386	\$ 2,835,885

**COUNTY OF SAN MATEO**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Balance July 1, 2016	Addition	Deletion	Balance June 30, 2017
<b><u>COUNTY LIBRARY</u></b>				
Assets:				
Cash and investments	\$ 29,459	\$ 33,544	\$ 30,145	\$ 32,858
Interest receivable	63	84	63	84
Taxes receivable, net	1,499	1,668	1,499	1,668
Due from other governmental agencies	1,488	1,641	1,488	1,641
Other assets	2,863	3,398	2,125	4,136
Total assets	<u>\$ 35,372</u>	<u>\$ 40,335</u>	<u>\$ 35,320</u>	<u>\$ 40,387</u>
Liabilities:				
Fiduciary liabilities	<u>\$ 35,372</u>	<u>\$ 31,433</u>	<u>\$ 26,418</u>	<u>\$ 40,387</u>
Total liabilities	<u>\$ 35,372</u>	<u>\$ 31,433</u>	<u>\$ 26,418</u>	<u>\$ 40,387</u>
 <b><u>UNAPPORTIONED TAXES</u></b>				
Assets:				
Cash and investments	\$ 110,067	\$ 3,525,976	\$ 3,515,499	\$ 120,544
Interest receivable	238	265	238	265
Due from other governmental agencies	1,871	850	1,871	850
Total assets	<u>\$ 112,176</u>	<u>\$ 3,527,091</u>	<u>\$ 3,517,608</u>	<u>\$ 121,659</u>
Liabilities:				
Due to other governmental agencies	\$ 66,709	\$ 73,700	\$ 66,709	\$ 73,700
Fiduciary liabilities	45,467	2,895,452	2,892,960	47,959
Total liabilities	<u>\$ 112,176</u>	<u>\$ 2,969,152</u>	<u>\$ 2,959,669</u>	<u>\$ 121,659</u>
 <b><u>TRIAL COURTS OPERATION</u></b>				
Assets:				
Cash and investments	\$ 1,617	\$ 34,115	\$ 34,182	\$ 1,550
Interest receivable	2	3	3	2
Other assets	1,109	-	-	1,109
Total assets	<u>\$ 2,728</u>	<u>\$ 34,118</u>	<u>\$ 34,185</u>	<u>\$ 2,661</u>
Liabilities:				
Fiduciary liabilities	<u>\$ 2,728</u>	<u>\$ 33,069</u>	<u>\$ 33,136</u>	<u>\$ 2,661</u>
Total liabilities	<u>\$ 2,728</u>	<u>\$ 33,069</u>	<u>\$ 33,136</u>	<u>\$ 2,661</u>
 <b><u>PUBLIC ADMINISTRATOR</u></b>				
Assets:				
Cash and investments	\$ 13,993	\$ 17,835	\$ 18,478	\$ 13,350
Interest receivable	32	39	71	-
Other assets	9,064	65	6,143	2,986
Total assets	<u>\$ 23,089</u>	<u>\$ 17,939</u>	<u>\$ 24,692</u>	<u>\$ 16,336</u>
Liabilities:				
Due to other governmental agencies	\$ 26	\$ 33	\$ 26	\$ 33
Fiduciary liabilities	23,063	7,052	13,812	16,303
Total liabilities	<u>\$ 23,089</u>	<u>\$ 7,085</u>	<u>\$ 13,838</u>	<u>\$ 16,336</u>

(Continued)



**COUNTY OF SAN MATEO**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**(In Thousands)**

	Balance July 1, 2016	Addition	Deletion	Balance June 30, 2017
<b><u>PUBLIC GUARDIAN</u></b>				
Assets:				
Cash and investments	\$ 21,259	\$ 40,673	\$ 42,995	\$ 18,937
Interest receivable	44	72	60	56
Other assets	28,015	3,279	1,241	30,053
Total assets	<u>\$ 49,318</u>	<u>\$ 44,024</u>	<u>\$ 44,296</u>	<u>\$ 49,046</u>
Liabilities:				
Due to other governmental agencies	\$ 40	\$ 53	\$ 40	\$ 53
Fiduciary liabilities	49,278	27,937	28,222	48,993
Total liabilities	<u>\$ 49,318</u>	<u>\$ 27,990</u>	<u>\$ 28,262</u>	<u>\$ 49,046</u>
<b><u>OTHER AGENCY</u></b>				
Assets:				
Cash and investments	\$ 181,979	\$ 6,523,997	\$ 6,512,770	\$ 193,206
Interest receivable	473	708	570	611
Taxes receivable, net	139,069	165,699	151,514	153,254
Due from other governmental agencies	47,713	12,707	47,713	12,707
Other assets	1,690	2,161	1,968	1,883
Total assets	<u>\$ 370,924</u>	<u>\$ 6,705,272</u>	<u>\$ 6,714,535</u>	<u>\$ 361,661</u>
Liabilities:				
Due to other governmental agencies	\$ 19,836	\$ 90	\$ 19,836	\$ 90
Fiduciary liabilities	351,088	6,932,466	6,921,983	361,571
Total liabilities	<u>\$ 370,924</u>	<u>\$ 6,932,556</u>	<u>\$ 6,941,819</u>	<u>\$ 361,661</u>
<b><u>TOTALS</u></b>				
Assets:				
Cash and investments	\$ 358,374	\$ 10,176,140	\$ 10,154,069	\$ 380,445
Receivables:				
Interest	852	1,171	1,005	1,018
Taxes, net	140,568	167,367	153,013	154,922
Due from other governmental agencies	51,072	15,198	51,072	15,198
Other assets	42,741	8,903	11,477	40,167
Total assets	<u>\$ 593,607</u>	<u>\$ 10,368,779</u>	<u>\$ 10,370,636</u>	<u>\$ 591,750</u>
Liabilities:				
Due to other governmental agencies	\$ 86,611	\$ 73,876	\$ 86,611	\$ 73,876
Fiduciary liabilities	506,996	9,927,409	9,916,531	517,874
Total liabilities	<u>\$ 593,607</u>	<u>\$ 10,001,285</u>	<u>\$ 10,003,142</u>	<u>\$ 591,750</u>



**STATISTICAL SECTION**  
**(Unaudited)**

# COUNTY OF SAN MATEO

## Statistical Section

This part of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

### **Financial Trends**

This segment contains trend information to help the reader understand how the County's financial performance and has changed over time.

### **Revenue Capacity**

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

### **Debt Capacity**

This segment presents information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

### **Economic and Demographic Information**

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

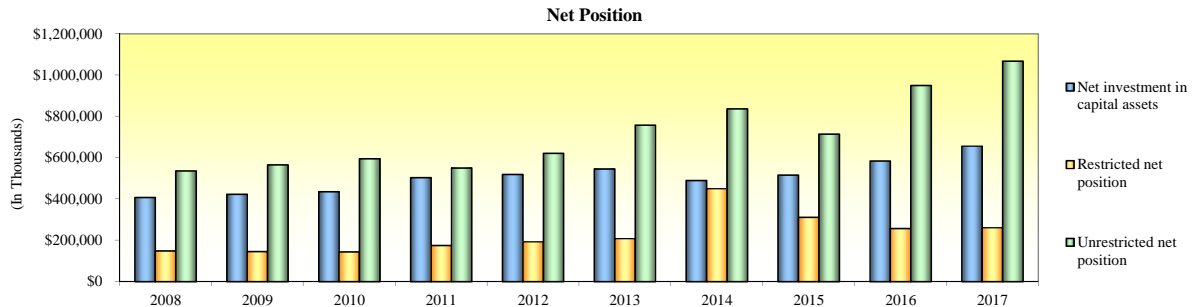
### **Operating Information**

This segment displays service and capital asset data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

**Sources:** Unless otherwise stated, the information in this section is derived from the comprehensive annual financial reports for the relevant years.

**COUNTY OF SAN MATEO**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
**(In Thousands)**

	As of June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net investment in capital assets <sup>1</sup>	\$ 360,632	\$ 375,392	\$ 381,801	\$ 449,235	\$ 459,511	\$ 482,077	\$ 418,671	\$ 441,955	\$ 508,490	\$ 579,485
Restricted for:										
Government programs <sup>3</sup>	102,966	82,421	99,319	108,657	126,227	143,399	247,541	201,262	201,059	210,266
Capital projects	-	6,315	3,231	3,718	3,675	3,595	5,977	3,179	2,714	2,518
Debt service	38,158	46,504	40,605	61,056	60,863	60,726	195,628	105,907	52,451	47,752
Unrestricted	503,969	511,196	538,887	481,004	550,999	679,125	756,305	701,449	917,413	1,032,917
Subtotal governmental activities net position	1,005,725	1,021,828 <sup>4</sup>	1,063,843	1,103,670	1,201,275	1,368,922	1,624,122	1,453,752	1,682,127	1,872,938
<b>Business-type Activities</b>										
Net investment in capital assets	47,003	47,946	53,559	54,851	58,904	63,516	70,560	73,924	75,231	76,676
Restricted for:										
Housing assistance programs	7,595	10,263	444	1,095	1,886	-	-	84	-	-
Airport management by FAA	-	-	-	-	-	524	843	709	362	362
Fuel Dock 10 project	-	-	-	-	-	-	137	137	-	-
Unrestricted (Deficit)	31,759	53,741	55,625	69,588	69,816	78,690	79,936	12,685	32,816	34,911
Subtotal business-type activities net position	86,357	111,950	109,628	125,534	130,606	142,730	151,476	87,539	108,409	111,949
<b>Primary Government</b>										
Net investment in capital assets	407,635	423,338	435,360	504,086	518,415	545,593	489,231	515,879	583,721	656,161
Restricted for:										
Governmental programs	102,966	82,421	99,319	108,657	126,227	143,399	247,541	201,262	201,059	210,266
Capital projects	-	6,315	3,231	3,718	3,675	3,595	5,977	3,179	2,714	2,518
Debt service	38,158	46,504	40,605	61,056	60,863	60,726	195,628	105,907	52,451	47,752
Housing assistance programs	7,595	10,263	444	1,095	1,886	-	-	84	-	-
Airport management by FAA	-	-	-	-	-	524	843	709	362	362
Fuel Dock 10 project	-	-	-	-	-	-	137	137	-	-
Total restricted	148,719	145,503	143,599	174,526	192,651	208,244	450,126	311,278	256,586	260,898
Unrestricted	535,728	564,937	594,512	550,592	620,815	757,815	836,241	714,134	950,229	1,067,828
Total primary government net position <sup>2</sup>	\$ 1,092,082	\$ 1,133,778	\$ 1,173,471	\$ 1,229,204	\$ 1,331,881	\$ 1,511,652	\$ 1,775,598	\$ 1,541,291 <sup>5</sup>	\$ 1,790,536	\$ 1,984,887
Percent of increase (decrease) in primary government net position	15.49%	3.82%	3.50%	4.75%	8.35%	13.50%	17.46%	-13.20%	16.17%	10.85%



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

Notes:

- <sup>1</sup> Capital assets include land, easements, infrastructure, construction in progress, structures & improvements, equipment, and software.
- <sup>2</sup> Accounting standards require that net position be reported in three components in the government-wide financial statements: net investment in capital assets, restricted, and unrestricted. Net position is considered restricted only when an external party, such as the state or federal government, places a restriction on how the resources may be used, or through enabling legislation enacted by the County.
- <sup>3</sup> Net position is restricted for specific purposes as indicated on the Statement of Net Position.
- <sup>4</sup> The FY2008-09's total primary government net position was restated to conform to the "retroactive adjustment" requirements under GASB Statement No. 53.
- <sup>5</sup> Decrease in total primary government net position is due to reporting net pension liability under GASB Statement Nos. 68 and 71.

**COUNTY OF SAN MATEO**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
**(In Thousands)**

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<u>Governmental activities:</u>										
General government	\$ 65,188	\$ 84,171	\$ 71,316	\$ 68,325	\$ 78,215	\$ 78,988	\$ 108,980	\$ 120,104	\$ 111,332	\$ 130,331
Public protection	294,239	297,357	308,208	329,087	330,062	337,059	353,458	321,375	357,729	403,393
Public ways and facilities	20,312	27,453	18,771	19,089	19,358	20,248	19,419	16,369	20,058	23,460
Health and sanitation	235,782	241,519	229,477	214,952	221,129	228,050	246,652	243,919	275,293	304,204
Public assistance	201,221	195,507	201,823	207,316	199,789	201,087	221,761	211,921	222,255	243,469
Recreation	8,839	8,704	9,316	9,608	8,538	8,621	10,420	11,537	13,171	15,483
Interest on long-term debt	20,126	19,677	15,829	18,185	16,841	16,292	16,351	22,980	22,187	19,068
Total governmental activities expenses	845,707	874,388	854,740	866,562	873,932	890,345	977,041	948,205	1,022,025	1,139,408
<u>Business-type activities:</u>										
San Mateo Medical Center	221,318	225,876	232,530	241,028	251,626	234,736	244,015	233,186	264,854	290,389
Airports	2,482	2,427	2,879	2,598	2,763	2,841	2,877	3,312	3,318	3,808
Coyote Point Marina	1,403	1,271	1,143	1,067	1,066	826	790	921	1,090	1,234
Housing Authority	58,947	63,029	65,919	68,728	70,553	70,578	71,052	68,016	72,783	82,567
Total business-type activities expenses	284,150	292,603	302,471	313,421	326,008	308,981	318,734	305,435	342,045	377,998
Total primary government expenses	\$ 1,129,857	\$ 1,166,991	\$ 1,157,211	\$ 1,179,983	\$ 1,199,940	\$ 1,199,326	\$ 1,295,775	\$ 1,253,640	\$ 1,364,070	\$ 1,517,406
<b>Program Revenues</b>										
<u>Governmental activities:</u>										
Charges for services										
General government	\$ 21,505	\$ 41,007	\$ 28,104	\$ 29,180	\$ 29,011	\$ 33,015	\$ 33,588	\$ 30,261	\$ 34,613	\$ 34,764
Public protection	28,849	29,314	32,776	36,881	35,478	35,822	34,680	35,191	36,755	35,998
Public ways and facilities	4,281	6,149	3,318	3,808	2,123	2,432	2,246	2,527	2,387	2,979
Health and sanitation	62,959	71,051	71,795	62,483	74,523	72,773	73,499	104,099	91,215	92,286
Public assistance	5,083	4,254	4,374	4,922	4,605	4,273	5,085	5,898	5,880	5,416
Recreation	1,450	1,791	2,054	1,641	2,253	2,028	1,983	1,649	2,238	2,531
Operating grants and contributions **	408,626	385,104	379,714	408,092	446,884	483,718	481,941	516,195	479,695	501,166
Capital grants and contributions	750	-	-	-	-	907	-	-	-	-
Total governmental activities program revenues	533,503	538,670	522,135	547,007	594,877	634,968	633,022	695,820	652,783	675,140
<u>Business-type activities:</u>										
Charges for services										
San Mateo Medical Center	104,927	126,039	131,370	121,074	124,285	173,494	183,861	195,904	227,104	239,908
Airports	2,236	2,503	2,609	2,771	2,589	2,505	2,712	2,674	3,833	3,812
Coyote Point Marina	1,137	1,108	1,064	1,132	1,198	1,000	977	1,089	1,103	1,196
Housing Authority	1,890	1,979	2,002	2,196	3,586	3,647	3,402	67,625	71,351	78,238
Operating grants and contributions	106,474	107,735	96,936	138,510	138,170	66,128	70,400	5,369	3,316	1,488
Capital grants and contributions	5,398	4,805	4,579	4,514	5,939	5,607	6,623	2,279	5,226	6,431
Total business-type activities program revenues	222,062	244,169	238,560	270,197	275,767	252,381	267,975	274,940	311,933	331,073
Total primary government program revenues	\$ 755,565	\$ 782,839	\$ 760,695	\$ 817,204	\$ 870,644	\$ 887,349	\$ 900,997	\$ 970,760	\$ 964,716	\$ 1,006,213
<b>Net Expense<sup>1</sup></b>										
Governmental activities	\$ (312,204)	\$ (335,718)	\$ (332,605)	\$ (319,555)	\$ (279,055)	\$ (255,377)	\$ (344,019)	\$ (252,385)	\$ (369,242)	\$ (464,268)
Business-type activities	(62,088)	(48,434)	(63,911)	(43,224)	(50,241)	(56,600)	(50,759)	(30,495)	(30,112)	(46,925)
Total primary government net expenses	\$ (374,292)	\$ (384,152)	\$ (396,516)	\$ (362,779)	\$ (329,296)	\$ (311,977)	\$ (394,778)	\$ (282,880)	\$ (399,354)	\$ (511,193)

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

Notes:

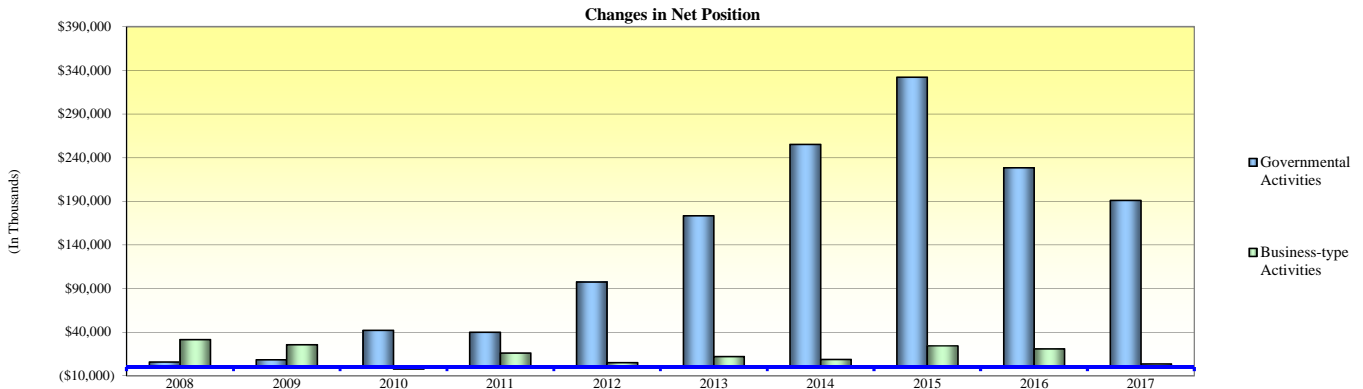
\*\* In prior years pass-through payments from redevelopment agencies were reported as part of the property tax revenues. Starting FY 2011-12 these payments were reported under "intergovernmental revenues" as operating grants.

<sup>1</sup> Net expense is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program supports itself with its own fees and grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses are net expenses, indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program.

(Continued)

**COUNTY OF SAN MATEO**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
**(In Thousands)**

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
<u>Governmental activities:</u>										
Taxes:										
Property taxes	\$ 326,757	\$ 370,695	\$ 372,312	\$ 356,011	\$ 360,310	\$ 403,021	\$ 430,981	\$ 455,001	\$ 471,985	\$ 514,936
Property transfer taxes	6,011	3,842	4,829	5,018	5,651	6,725	8,747	10,333	9,978	10,088
Sales and use taxes	14,896	16,479	14,579	16,395	18,869	35,687	95,357	102,724	98,437	107,398
Property tax in-lieu of sales taxes	4,569	4,880	4,372	4,772	5,560	6,247	5,726	6,793	4,808	-
Transient occupancy taxes	667	1,016	966	928	1,221	1,172	1,519	1,527	1,490	1,749
Aircraft taxes	1,680	1,517	1,631	857	1,091	1,576	1,399	1,125	1,086	1,487
Vehicle rental business license tax	-	-	-	-	-	7,907	12,254	12,181	12,145	12,581
Other taxes	23	13	75	43	2	-	-	-	-	-
Unrestricted interest and investment earnings	31,473	(641) <sup>2</sup>	11,916	10,008	10,602	3,863	11,861	13,742	21,026	14,859
Securities lending activities:										
Securities lending income	2,750	375	47	34	-	-	-	-	-	-
Securities lending expenses	(2,362)	(291)	(38)	(29)	-	-	-	-	-	-
Miscellaneous	21,123	25,564	22,599	20,873	24,483	31,100	39,880	35,070	27,188	42,246
Special items	-	(8,139)	-	-	-	-	45,283	-	(603)	-
Transfers	(89,710)	(71,397)	(58,668)	(55,528)	(51,129)	(68,570)	(53,788)	(53,939)	(49,923)	(50,265)
Total governmental activities	<u>317,877</u>	<u>343,913</u>	<u>374,620</u>	<u>359,382</u>	<u>376,660</u>	<u>428,728</u>	<u>599,219</u>	<u>584,557</u>	<u>597,617</u>	<u>655,079</u>
<u>Business-type activities:</u>										
Unrestricted interest and investment earnings	890	(524)	235	279	372	173	170	333	776	(222)
Securities lending activities:										
Securities lending income	133	26	3	2	-	-	-	-	-	-
Securities lending expenses	(115)	(21)	(2)	(2)	-	-	-	-	-	-
Miscellaneous	2,939	3,149	2,685	3,323	3,812	2,787	5,547	502	283	422
Special item	-	-	-	-	-	(2,806)	-	-	-	-
Transfers	89,710	71,397	58,668	55,528	51,129	68,570	53,788	53,939	49,923	50,265
Total business-type activities	<u>93,557</u>	<u>74,027</u>	<u>61,589</u>	<u>59,130</u>	<u>55,313</u>	<u>68,724</u>	<u>59,505</u>	<u>54,774</u>	<u>50,982</u>	<u>50,465</u>
Total primary government	<u>\$ 411,434</u>	<u>\$ 417,940</u>	<u>\$ 436,209</u>	<u>\$ 418,512</u>	<u>\$ 431,973</u>	<u>\$ 497,452</u>	<u>\$ 658,724</u>	<u>\$ 639,331</u>	<u>\$ 648,599</u>	<u>\$ 705,544</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 5,673	\$ 8,195	\$ 42,015	\$ 39,827	\$ 97,605	\$ 173,351	\$ 255,200	\$ 332,172	\$ 228,375	\$ 190,811
Business-type activities	31,469	25,593	(2,322)	15,906	5,072	12,124	8,746	24,279	20,870	3,540
Total primary government	<u>\$ 37,142</u>	<u>\$ 33,788</u>	<u>\$ 39,693</u>	<u>\$ 55,733</u>	<u>\$ 102,677</u>	<u>\$ 185,475</u>	<u>\$ 263,946</u>	<u>\$ 356,451</u>	<u>\$ 249,245</u>	<u>\$ 194,351</u>

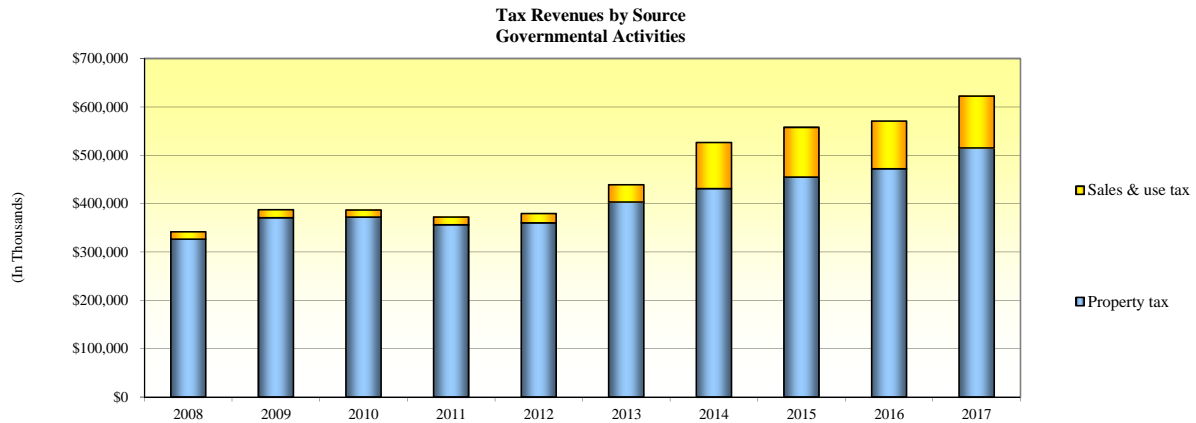


Notes:

<sup>2</sup> Investments in the County investment pool experienced a sharp decline in value due to the Lehman loss. The financial recession further reduced the County's cash and investments in the investment pool. Lower investment value and diminished investment return resulted in a sizable decrease in interest and investment earnings.

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

Fiscal Year				Property tax	Vehicle Rental				Total
	Property *	Property Transfer	Sales and Use Taxes	in-lieu of Sales Tax	Business License Tax	Transient Occupancy	Aircraft	Other	
2008	\$ 326,757	\$ 6,011	\$ 14,896	\$ 4,569	\$ -	\$ 667	\$ 1,680	\$ 23	\$ 354,603
2009	370,695	3,842	16,479	4,880	-	1,016	1,517	13	398,442
2010	372,312	4,829	14,579	4,372	-	966	1,631	75	398,764
2011	356,011	5,018	16,395	4,772	-	928	857	43	384,024
2012	360,310	5,651	18,869	5,560	-	1,221	1,091	2	392,704
2013	403,021	6,725	35,687 <sup>1</sup>	6,247	7,907 <sup>2</sup>	1,172	1,576	-	462,335
2014	430,981	8,747	95,357 <sup>3</sup>	5,726	12,254	1,519	1,399	-	555,983
2015	455,001	10,333	102,724	6,793	12,181	1,527	1,125	-	589,684
2016	471,985	9,978	98,437	4,808	12,145	1,490	1,086	-	599,929
2017	514,936	10,088	107,398	- <sup>4</sup>	12,581	1,749	1,487	-	648,239
<b>Change</b>									
<b>2008 - 2017</b>	57.6%	67.8%	621.0%	-100.0%	n/a	162.2%	-11.5%	-100.0%	82.8%



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

Notes:

- \* In prior years pass-through payments from redevelopment agencies were reported as part of the property tax revenues. Starting FY 2011-12 these payments were reported under "intergovernmental revenues" as operating grants.
- <sup>1</sup> In November 2012, San Mateo County voters approved a measure that increases the sales tax throughout the County by half a cent for the next 10 years (Measure A). Revenues from Measure A will be used to help fund county critical facilities and services.
- <sup>2</sup> In June 2012, with the voters' approval, the County adopted an ordinance to levy a business license tax on operators of vehicle rental businesses in the unincorporated area of the County. The Vehicle Rental Business License Tax was imposed at a rate of 2.5% on the gross receipts of vehicle rental businesses in the unincorporated areas effective July 1, 2012.
- <sup>3</sup> The sharp increase in sales and use tax revenue is predominantly from the passage of Measure A that increases the County's sales tax by half a cent for the next 10 years since its inception on April 1, 2013.
- <sup>4</sup> In-lieu sales and use taxes (triple flip) was fully distributed from the State, thus ended the triple flip revenue.

n/a - not applicable

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

<u>Fund Balance</u>	<u>As of June 30,</u>
	<u>2008</u>
<b>General Fund</b>	
Reserved for:	
Encumbrances	\$ 2,385
Inventories and advances	5,929
Unreserved	<u>265,544</u>
Total general fund	<u>273,858</u>
<b>All Other Governmental Funds</b>	
Reserved for:	
Debt service	68,431
Inventories and advances	359
Capital projects	18,863
Unreserved:	
Special revenue	57,886
Capital projects	<u>10,393</u>
Total all other governmental funds	<u>155,932</u>
<b>Total Governmental Funds<sup>2</sup></b>	
Reserved for:	
Encumbrances	2,385
Debt service	68,431
Inventories and advances	6,288
Capital projects	18,863
Unreserved:	
General Fund	265,544
Special revenue	57,886
Capital projects	<u>10,393</u>
Total governmental funds	<u>\$ 429,790</u>

	<u>As of June 30,</u>									
	<u>2009<sup>2</sup></u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
<b>General Fund</b>										
Nonspendable	\$ 7,154	\$ 10,666	\$ 12,099	\$ 27,124	\$ 28,517	\$ 31,031	\$ 35,269	\$ 33,905	\$ 40,106	
Restricted	31,668	33,466	35,653	46,149	60,119	146,966	85,816	89,025	94,418	
Committed	789	1,834	1,572	-	-	13,481	-	-	-	
Assigned	38,583	92,881	1,763	4,590	6,190	4,410	1,623	6,584	10,235	
Unassigned	<u>179,281</u>	<u>146,759</u>	<u>194,868</u>	<u>231,286</u>	<u>342,146</u>	<u>380,110</u>	<u>641,961</u>	<u>744,315</u>	<u>791,121</u>	
Total general fund	<u>257,475</u>	<u>285,606</u>	<u>245,955</u>	<u>309,149</u>	<u>436,972</u>	<u>575,998</u>	<u>764,669</u>	<u>873,829</u>	<u>935,880</u>	
<b>All Other Governmental Funds</b>										
Nonspendable	588	352	410	354	343	362	347	464	709	
Restricted	103,572	109,689	137,778	144,616	147,601	302,180	231,898	173,410	172,118	
Committed	25,310	25,283	-	-	-	-	-	-	-	
Assigned	15,926	15,281	14,567	12,725	15,730	95,372	95,239	107,192	100,162	
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(728)</u>	<u>-</u>	<u>(479)</u>	<u>(561)</u>	<u>(546)</u>	
Total all other governmental funds	<u>145,396</u>	<u>150,605</u>	<u>152,755</u>	<u>157,695</u>	<u>162,946</u>	<u>397,914</u>	<u>327,005</u>	<u>280,505</u>	<u>272,443</u>	
<b>Total Governmental Funds<sup>1</sup></b>										
Nonspendable	7,742	11,018	12,509	27,478	28,860	31,393	35,616	34,369	40,815	
Restricted	135,240	143,155	173,431	190,765	207,720	449,146	317,714	262,435	266,536	
Committed	26,099	27,117	1,572	-	-	13,481	-	-	-	
Assigned	54,509	108,162	16,330	17,315	21,920	99,782	96,862	113,776	110,397	
Unassigned	<u>179,281</u>	<u>146,759</u>	<u>194,868</u>	<u>231,286</u>	<u>341,418</u>	<u>380,110</u>	<u>641,482</u>	<u>743,754</u>	<u>790,575</u>	
Total governmental funds	<u>\$ 402,871</u>	<u>\$ 436,211</u>	<u>\$ 398,710</u>	<u>\$ 466,844</u>	<u>\$ 599,918</u>	<u>\$ 973,912</u>	<u>\$ 1,091,674</u>	<u>\$ 1,154,334</u>	<u>\$ 1,208,323</u>	

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

Notes:

<sup>1</sup> Governmental funds include general fund, special revenue funds, debt service funds, and capital projects funds.

<sup>2</sup> The County early implemented GASB Statement No. 54 under which governmental fund balances were reported as nonspendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.



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

	Fiscal Year Ended June 30,										10 Year % of Increase/ Decrease
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
<b>Revenues</b>											
Taxes *	\$ 347,205	\$ 391,006	\$ 401,382	\$ 389,130	\$ 381,743	\$ 453,666	\$ 554,773	\$ 587,811	\$ 605,521	\$ 641,998	84.90%
Licenses and permits	11,311	10,168	9,578	8,498	8,692	9,082	9,678	10,023	7,963	10,982	-2.91%
Intergovernmental *	387,475	392,320	392,303	403,907	463,959	493,731	470,364	508,386	494,214	501,439	29.41%
Charges for services	109,150	115,807	107,466	112,039	118,445	114,940	140,023	176,654	161,243	153,387	40.53%
Fines, forfeitures and penalties	10,114	11,108	13,052	14,904	12,967	12,409	11,476	11,098	11,679	9,486	-6.21%
Rents and concessions	1,194	1,347	1,181	1,960	1,599	1,708	3,538	1,178	1,769	1,655	38.61%
Investment income (loss)	28,294	(860)	9,707	8,328	10,127	3,731	10,352	12,187	18,371	12,705	-55.10%
Securities lending activities:											
Securities lending income	2,474	333	40	29	-	-	-	-	-	-	-100.00%
Securities lending expenditures	(2,124)	(257)	(32)	(25)	-	-	-	-	-	-	-100.00%
Other revenues	34,157	27,806	28,385	25,266	24,340	29,606	31,682	28,529	24,800	29,557	-13.47%
Total revenues	<u>929,250</u>	<u>948,778</u>	<u>963,062</u>	<u>964,036</u>	<u>1,021,872</u>	<u>1,118,873</u>	<u>1,231,886</u>	<u>1,335,866</u>	<u>1,325,560</u>	<u>1,361,209</u>	46.48%
<b>Expenditures</b>											
Current:											
General government**	73,916	75,222	73,680	60,788	62,548	72,902	100,404	119,377	109,491	115,071	55.68%
Public protection**	282,132	288,697	290,931	323,469	335,123	328,862	342,040	358,412	387,217	399,087	41.45%
Public ways and facilities	19,489	26,672	18,171	18,512	18,906	19,599	18,910	16,790	20,284	22,225	14.04%
Health and sanitation	230,028	237,758	238,572	211,873	221,383	222,494	243,850	258,824	287,217	305,386	32.76%
Public assistance	193,902	206,098	190,352	208,747	202,959	200,458	220,554	225,296	232,283	245,416	26.57%
Recreation	8,084	8,638	8,727	9,110	8,222	8,005	9,633	11,553	12,992	14,629	80.96%
Capital outlay	18,978	16,079	15,761	83,093	23,238	34,384	76,041	125,473	97,594	67,477	255.55%
Debt service:											
Principal	11,322	11,713	12,003	11,874	12,990	13,645	14,340	14,130	15,054	33,680	197.47%
Interest	20,005	16,991	16,145	18,562	17,542	16,914	16,278	24,377	22,926	20,622	3.08%
Payment to bond refunding escrow	-	778	4,454	-	-	-	1,085	-	9,758	-	n/a
Bond issuance costs	-	1,328	1,094	-	-	-	1,042	-	1,506	-	n/a
Bond insurance costs	-	-	-	-	-	-	-	-	-	7	n/a
Total expenditures	<u>857,856</u>	<u>889,974</u>	<u>869,890</u>	<u>946,028</u>	<u>902,911</u>	<u>917,263</u>	<u>1,044,177</u>	<u>1,154,232</u>	<u>1,196,322</u>	<u>1,223,600</u>	42.63%
Excess of revenues over expenditures	<u>71,394</u>	<u>58,804</u>	<u>93,172</u>	<u>18,008</u>	<u>118,961</u>	<u>201,610</u>	<u>187,709</u>	<u>181,634</u>	<u>129,238</u>	<u>137,609</u>	92.75%
<b>Other financing sources (uses)</b>											
Loan proceeds	-	-	-	-	-	-	-	1,332	619	222	100.00%
Proceeds from sale of capital assets	2	2	2	5	23	3	3	-	9	33	1550.00%
Issuance of refunding bonds	-	141,080	115,505	-	-	-	215,130	-	126,325	-	100.00%
Premium on lease revenue and revenue refunding bonds	-	1,703	8,438	-	-	-	27,308	-	18,690	-	100.00%
Payment to bond refunding escrow/agent	-	(148,972)	(124,860)	-	-	-	(39,155)	-	(143,364)	-	100.00%
Capital contribution	750	-	-	-	-	-	-	-	-	-	n/a
Transfers in	156,378	85,614	72,613	131,685	75,426	85,919	168,487	89,486	133,978	135,225	-13.53%
Transfers out	(163,580)	(157,011)	(131,530)	(187,199)	(126,276)	(154,458)	(222,542)	(144,690)	(183,297)	(185,500)	13.40%
Total other financing sources (uses)	<u>(6,450)</u>	<u>(77,584)</u>	<u>(59,832)</u>	<u>(55,509)</u>	<u>(50,827)</u>	<u>(68,536)</u>	<u>149,231</u>	<u>(53,872)</u>	<u>(47,040)</u>	<u>(50,020)</u>	675.50%
<b>Change in fund balances before special item</b>	64,944	(18,780)	33,340	(37,501)	68,134	133,074	336,940	127,762	82,198	87,589	34.87%
Special item	(116,462)	(8,139)	-	-	-	-	37,054	(10,000)	(19,538)	(33,600) <sup>1</sup>	n/a
<b>Net change in fund balances</b>	<u>\$ (51,518)</u>	<u>\$ (26,919)</u>	<u>\$ 33,340</u>	<u>\$ (37,501)</u>	<u>\$ 68,134</u>	<u>\$ 133,074</u>	<u>\$ 373,994</u>	<u>\$ 117,762</u>	<u>\$ 62,660</u>	<u>\$ 53,989</u>	-204.80%
<b>Debt service as a percentage of noncapital expenditures</b>	3.73%	3.28%	3.30%	3.53%	3.47%	3.46%	3.16%	3.74%	3.46%	4.70%	

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

\* Prior to FY 2011-12 pass-through payments from RDAs were reported as part of property taxes. Starting FY 2011-12 these payments were reported under intergovernmental revenues.

\*\* Historically, General Fund departments in various programs/functions moved their shares of debt service payments and 10% surcharges (as "program expenses") to a "general government" program (as "intrafund revenues"). This program then transferred the departments' contributions to the County's Debt Service and Capital Projects Funds (as "transfers-out") accordingly. The 10% surcharge was split equally between Debt Service Fund and Capital Project Fund. Beginning in FY 2012-13, departments directly transferred their shares to these two funds (as "transfers out" in lieu of "program expenses"). This new method essentially changed the way expenditures were recorded and reported in FY 2012-13.

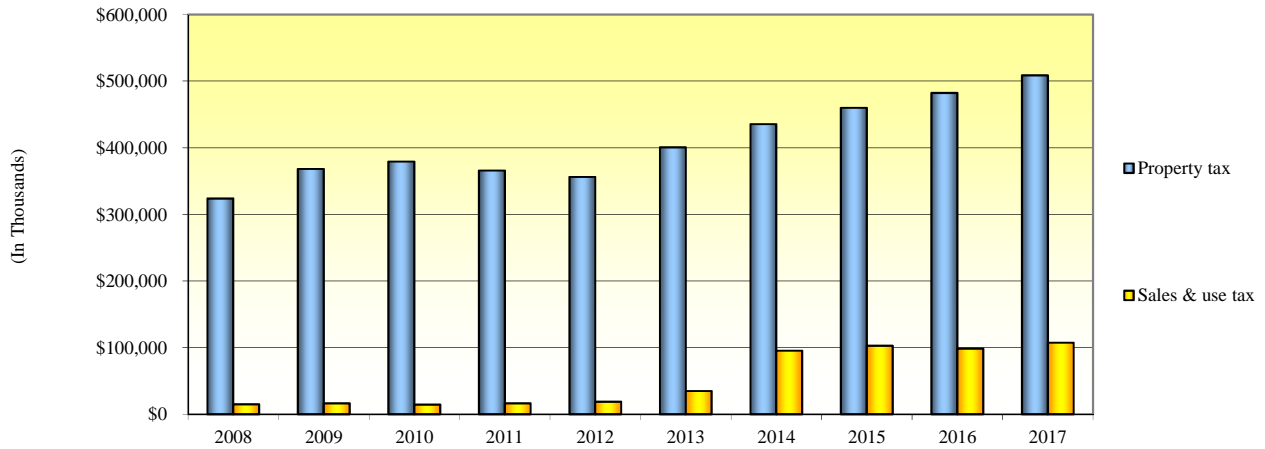
<sup>1</sup> See discussions under Note 17 to the basic financial statements.

n/a - not applicable

**COUNTY OF SAN MATEO**  
**Governmental Fund Tax Revenues by Source**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**(In Thousands)**

<b>Fiscal Year</b>	<b>Property* Taxes</b>	<b>Sales &amp; Use Taxes</b>	<b>Property Transfer Taxes</b>	<b>Vehicle Rental Business License Tax</b>	<b>All Other Taxes</b>	<b>Total</b>
2008	\$ 323,897	\$ 14,867	\$ 6,011	\$ -	\$ 2,430	\$ 347,205
2009	368,152	16,479	3,842	-	2,533	391,006
2010	379,302	14,579	4,829	-	2,672	401,382
2011	365,889	16,395	5,018	-	1,828	389,130
2012	356,221	18,869	5,651	-	1,002	381,743
2013	400,683	34,779 <sup>1</sup>	6,725	7,907 <sup>3</sup>	3,572 <sup>2</sup>	453,666
2014	435,497	95,357 <sup>1</sup>	8,747	12,254	2,918	554,773
2015	459,921	102,724	10,333	12,181	2,652	587,811
2016	482,385	98,437	9,978	12,145	2,576	605,521
2017	508,695	107,398	10,088	12,581	3,236	641,998
<b>10 year % of change</b>	57.1%	622.4%	67.8%	100.0%	33.2%	84.9%

**Tax Revenues by Source**  
**Governmental Funds**



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

\* Prior to FY 2011-12 pass-through payments from Redevelopment Agencies were reported as part of the property tax revenues. Starting FY 2011-12 these payments were reported under "intergovernmental revenues" as operating grants.

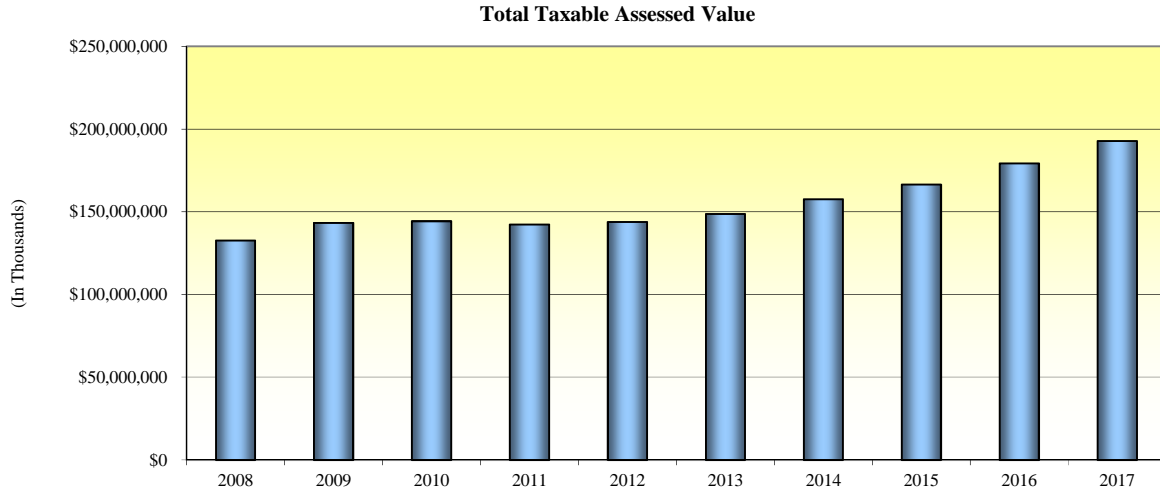
<sup>1</sup> The sharp increase in sales and use tax revenue is predominantly from the passage of Measure A, which increased the County's sales tax by half a cent for the next 10 years since its inception on April 1, 2013.

<sup>2</sup> The sizeable increase in other taxes is due primarily to the significant increases in Property Transfer Tax, and other taxes.

<sup>3</sup> In June 2012, with the voters' approval, the County adopted an ordinance to levy a business license tax on operators of vehicle rental businesses in the unincorporated area of the County. The Vehicle Rental Business License Tax was imposed at a rate of 2.5% on the gross receipts of vehicle rental businesses in the unincorporated areas effective July 1, 2012.

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

<b>Fiscal Year</b>	<b>Real Property <sup>2</sup></b>	<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value <sup>1</sup></b>	<b>% of Change Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2008	\$ 130,015,063	\$ 6,723,347	\$ 4,140,836	\$ 132,597,574	8%	1%
2009	139,551,172	8,122,323	4,341,148	143,332,347	8%	1%
2010	140,933,698	7,953,401	4,569,501	144,317,598	1%	1%
2011	140,260,986	6,591,402	4,513,149	142,339,239	-1%	1%
2012	142,561,543	6,193,886	4,849,067	143,906,362	1%	1%
2013	146,967,831	6,381,748	4,624,208	148,725,371	3%	1%
2014	156,221,561	6,389,447	5,036,955	157,574,053	6%	1%
2015	165,062,426	6,573,444	5,235,533	166,403,337	6%	1%
2016	177,738,379	6,972,721	5,501,611	179,209,489	8%	1%
2017	190,856,437	7,313,377	5,376,465	192,793,349	8%	1%
<b>10 year % of Change</b>	46.80%	8.78%	29.84%	45.40%		



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

Notes:

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

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

<sup>2</sup> Estimated actual value of taxable property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.

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

<b>Fiscal Year<sup>3</sup></b>	<b>Direct Rate<sup>1</sup></b>	<b>Overlapping Rates<sup>2</sup></b>			<b>Total</b>
	<b>County General</b>	<b>Local Special Districts</b>	<b>Schools</b>	<b>Cities</b>	
2008	1.0000	0.0010	0.0836	0.0050	1.0896
2009	1.0000	0.0010	0.0896	0.0047	1.0953
2010	1.0000	0.0010	0.0950	0.0043	1.1003
2011	1.0000	0.0010	0.1037	0.0042	1.1089
2012	1.0000	0.0009	0.1057	0.0042	1.1108
2013	1.0000	0.0009	0.1057	0.0042	1.1108
2014	1.0000	0.0009	0.1100	0.0039	1.1148
2015	1.0000	0.0008	0.1234	0.0037	1.1279
2016	1.0000	0.0011	0.1284	0.0032	1.1327
2017	1.0000	0.0010	0.1333	0.0029	1.1372

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

Notes:

<sup>1</sup> On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) which provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978. 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.

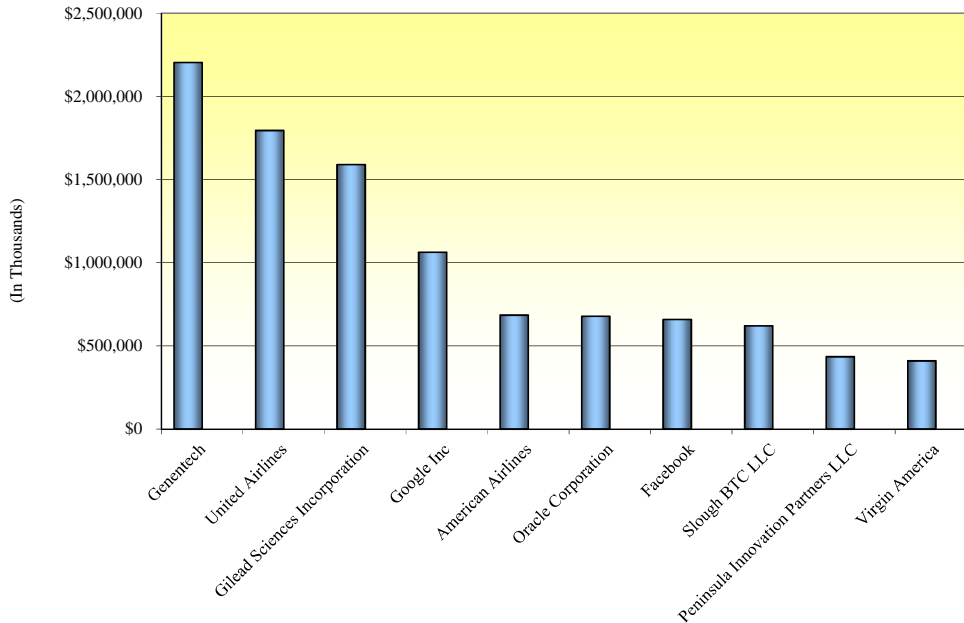
<sup>2</sup> These overlapping rates are in addition to the County rate, but only apply to taxpayers within the borders of the local special districts, schools, and cities that lie within the County.

<sup>3</sup> Data includes retroactive revisions based on corrections to the categorization and inclusion of certain property tax rates.

**COUNTY OF SAN MATEO**  
**Principal Property Assesseees**  
**As of January 1, 2017 and January 1, 2008**  
**(In Thousands)**

Assessee	Nature of Business	As of January 1, 2017			As of January 1, 2008		
		Taxable Assessed Value <sup>1</sup>	Rank	Percentage of Total Taxable Assessed Value <sup>2</sup>	Taxable Assessed Value <sup>1</sup>	Rank	Percentage of Total Taxable Assessed Value
Genentech	Biotechnology	\$ 2,203,689	1	1.14%	\$ 3,077,095	1	2.32%
United Airlines	Air Carrier	1,794,939	2	0.93%	1,715,684	2	1.29%
Gilead Sciences Incorporation	Biopharmaceutical	1,590,023	3	0.82%	274,771	9	
Google Inc	Technology	1,063,589	4	0.55%			
American Airlines	Air Carrier	685,461	5	0.36%			0.00%
Oracle Corporation	Software	678,295	6	0.35%	401,944	5	0.30%
Facebook	Technology	659,639	7	0.34%			
Slough BTC LLC	Lease	621,229	8	0.32%	501,775	3	
Peninsula Innovation Partners LLC	Financial Services/Consulting	434,985	9	0.23%			
Virgin America	Air Carrier	410,394	10	0.21%			
Pacific Shores Investors	Investment				500,706	4	0.38%
Slough SSF	Lease				371,550	6	0.28%
Sun Microsystems	Computer products				368,397	7	0.28%
Wells Real Estate Investment Trust	Real estate				304,837	8	0.23%
Britannia Pointe Grand LP	Lease				268,200	10	0.20%
<b>Total</b>		<b>\$10,142,243</b>		<b>5.26%</b>	<b>\$ 7,784,959</b>		<b>5.29%</b>

**Principal Property Assesseees**  
**As of January 1, 2017**



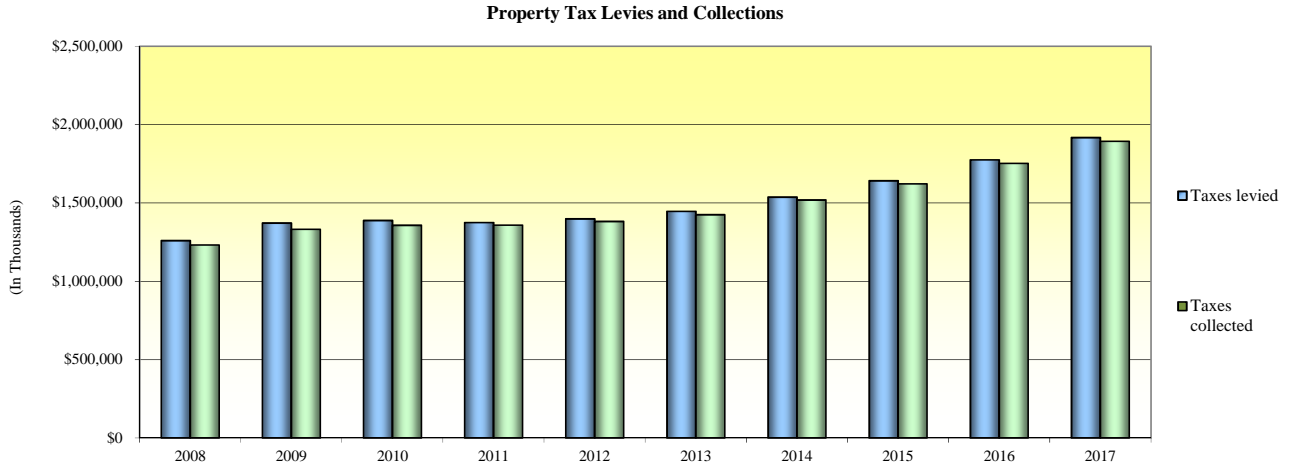
Source: Assessor's Office - County of San Mateo, California

Notes:

- <sup>1</sup> Taxable assessed value includes both real and personal properties.
- <sup>2</sup> Total taxable assessed value as of January 1, 2017, was about \$193 billion.

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

Fiscal Year	Total Tax Levy for the Fiscal Year					Collected within the Fiscal Year of the Levy		Total Collections to Date		
	General Levy <sup>1</sup>	Debt Service Levy <sup>2</sup>				Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
	Countywide	Local Special Districts	Schools	Cities	Total <sup>3</sup>					
2008	\$ 1,163,393	\$ 1,254	\$ 88,468	\$ 6,133	\$ 1,259,248	\$ 1,230,272	97.70%	\$ 847	\$ 1,231,119	97.77%
2009	1,258,414	1,260	105,219	6,245	1,371,138	1,330,700	97.05%	621	1,331,321	97.10%
2010	1,266,790	1,241	113,505	5,899	1,387,435	1,356,844	97.80%	565	1,357,409	97.84%
2011	1,249,489	1,240	118,720	5,341	1,374,790	1,356,790	98.69%	1,771	1,358,561	98.82%
2012	1,260,617	1,233	130,692	5,349	1,397,891	1,377,958	98.57%	4,067	1,382,025	98.87%
2013	1,302,110	1,235	137,591	5,442	1,446,378	1,422,976	98.38%	1,275	1,424,251	98.47%
2014	1,378,449	1,233	151,643	5,362	1,536,687	1,518,582	98.82%	n/a	1,518,582	98.82%
2015	1,455,157	1,237	179,632	5,347	1,641,373	1,621,807	98.81%	n/a	1,621,807	98.81%
2016	1,566,828	1,716	201,131	5,051	1,774,726	1,752,862	98.77%	n/a	1,752,862	98.77%
2017	1,685,948	1,636	224,731	4,865	1,917,180	1,892,826	98.73%	n/a	1,892,826	98.73%



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

Notes:

Data includes retroactive revisions based on corrections to the categorization and inclusion of certain property tax and debt service revenues.

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

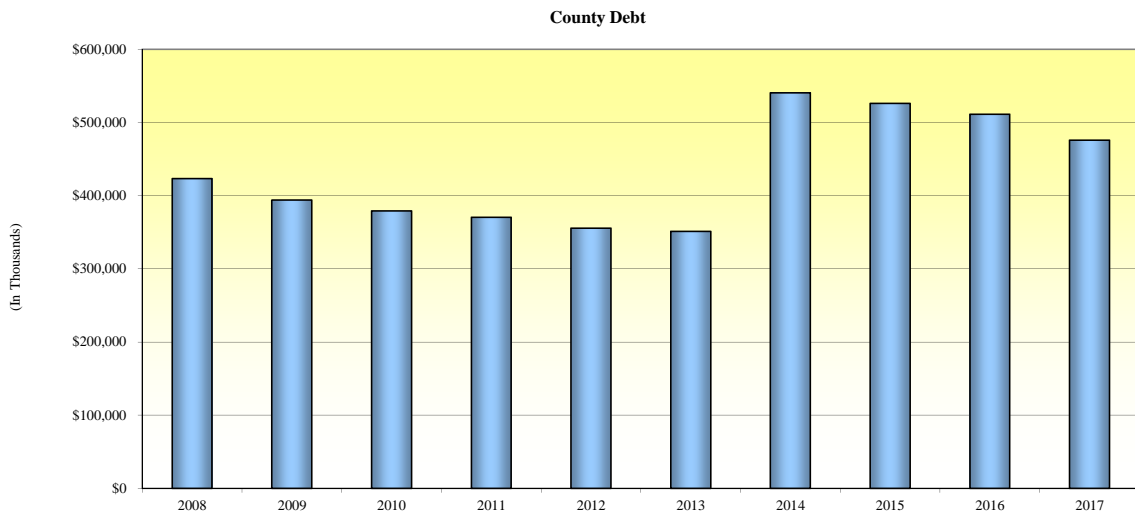
<sup>2</sup> Figures represent debt service levy for the local taxing agencies.

<sup>3</sup> Total taxes levied for each fiscal year are based on the original property value assessment rolls provided by the County Assessor's Office.

n/a - Information is unavailable.

**COUNTY OF SAN MATEO**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(In Thousands)**

Fiscal Year	Governmental Activities						Business-Type Activities			Total Primary Government	Percentage of Personal Income	Total Outstanding Debt Per Capita (In Absolute \$)
	Lease Revenue Bonds <sup>1</sup>	Certificates of Participation <sup>2</sup>	Revenue Refunding Bonds <sup>3</sup>	Notes Payable	Other Long-term Obligation	Subtotal	Notes Payable	Other Long-term Obligation	Subtotal			
2008	\$ 393,565	\$ 24,083	\$ -	\$ 224	\$ 7	\$ 417,879	\$ 5,133	\$ -	\$ 5,133	\$ 423,012	0.83%	\$ 574
2009	364,423	23,760	-	191	-	388,374	4,868	508	5,376	393,750	0.79%	528
2010	350,322	23,428	-	173	89	374,012	4,595	345	4,940	378,952	0.77%	502
2011	339,076	23,076	-	154	4,047	366,353	3,863	181	4,044	370,397	0.73%	511
2012	326,750	22,709	-	134	2,894	352,487	3,139	-	3,139	355,626	0.64%	488
2013	324,091	22,322	-	124	1,887	348,424	2,818	-	2,818	351,242	0.59%	477
2014	513,149	21,914	-	124	1,486	536,673	3,865	-	3,865	540,538	0.78%	725
2015	498,063	21,488	-	-	2,293	521,844	4,000	-	4,000	525,844	0.70%	698
2016	483,331	-	21,409	-	2,947	507,687	3,511	-	3,511	511,198	n/a	667
2017	448,318	-	20,638	-	2,613	471,569	3,116	1,158	4,274	475,843	n/a	618



Source: County Comprehensive Annual Financial Reports.

Notes:

- <sup>1</sup> Lease revenue bonds are limited obligations of the San Mateo County Joint Powers Financing Authority (JPFA) payable solely from, and secured by, revenues of the JPFA, which primarily consist of base rental payments receivable from the County under Master Facility Leases.
- <sup>2</sup> Certificates of participation represent shares of lease-purchase payments from the Colma Creek Flood Control District via the JPFA. These tax-exempt certificates are sold publicly and privately to investors.
- <sup>3</sup> In FY 2015-16, the San Mateo County Flood Control District issued \$21.5 million Revenue Refunding Bonds to refund the certificates of participation.

**COUNTY OF SAN MATEO**  
**Direct and Overlapping Debt**  
**As of June 30, 2017**  
**(In Thousands)**

Assessed valuation (including unitary utility valuation)	\$ 193,653,310		
Redevelopment Incremental Assessed Valuation	\$ 16,799,930		
<b>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</b>			
	<b>Debt</b>	<b>Estimated</b>	<b>Estimated</b>
	<b>Outstanding</b>	<b>Percentage</b>	<b>Share of</b>
		<b>Applicable<sup>1</sup></b>	<b>Overlapping</b>
			<b>Debt<sup>4</sup></b>
<b>Direct General Fund Obligation Debt</b>			
San Mateo County General Fund Obligations	\$ 448,318	100.00%	\$ 448,318
San Mateo County Flood Control District Revenue Refunding Bonds	20,638	100.00%	20,638
Other long-term obligations	<u>2,613</u>	100.00%	<u>2,613</u>
<b>Total direct debt</b>	<u>471,569</u>		<u>471,569</u>
<b>Overlapping General Fund Obligation Debt</b>			
<i>Cities</i>			
City of Brisbane General Fund and Pension Obligations	9,021	100.00%	9,021
City of Burlingame General Fund and Pension Obligations	25,495	100.00%	25,495
City of Daly City Pension Obligations	22,845	100.00%	22,845
City of Pacifica General Fund Obligations and Pension Obligations	25,680	100.00%	25,680
City of San Mateo General Fund Obligations	33,120	100.00%	33,120
Other City General Fund and Pension Obligations	<u>32,632</u>	100.00%	<u>32,632</u>
<i>Special Districts</i>			
Midpeninsula Regional Open Space Park General Fund Obligations	112,144	30.50%	34,204
Menlo Park Fire Protection District Certificates of Participation	<u>10,755</u>	100.00%	<u>10,755</u>
<i>School Districts</i>			
San Mateo County Board of Education Certificates of Participation	9,330	100.00%	9,330
South San Francisco Unified School District Certificates of Participation	276	100.00%	276
Jefferson Union High School District Certificates of Participation	1,279	100.00%	1,279
Burlingame School District General Fund Obligations	3,677	100.00%	3,677
Portola Valley School District Certificates of Participation	1,903	100.00%	1,903
San Bruno School District General Fund Obligations	<u>3,795</u>	100.00%	<u>3,795</u>
<b>Total overlapping general fund obligation debt</b>	<u>291,952</u>		<u>214,012</u>
<b>Overlapping Tax and Assessment Debt</b>			
<i>Cities</i>			
	53,715	100.00%	53,715
<i>Special Districts</i>			
Midpeninsula Open Space Park District	44,225	30.50%	13,489
Montara Sanitary District	10,715	100.00%	10,715
Community Facilities Districts	104,740	100.00%	104,740
1915 Act Bonds	<u>13,540</u>	100.00%	<u>13,540</u>
<i>School Districts</i>			
San Mateo Community College District	611,813	100.00%	611,813
Cabrillo Unified School District	60,409	100.00%	60,409
La Honda-Pescadero Unified School District	9,805	100.00%	9,805
South San Francisco School District	175,812	100.00%	175,812
Jefferson Union High School District	180,406	100.00%	180,406
San Mateo Union High School District	532,762	100.00%	532,762
Sequoia Union High School District	523,920	100.00%	523,920
Belmont-Redwood Shores School and School Facilities Improvement Districts	135,860	100.00%	135,860
Burlingame School District	127,787	100.00%	127,787
Hillsborough School District	71,061	100.00%	71,061
Jefferson School District	86,495	100.00%	86,495
Menlo Park City School District	118,949	100.00%	118,949
Millbrae School District	55,590	100.00%	55,590
Redwood City School District	85,711	100.00%	85,711
San Carlos School District	120,526	100.00%	120,526
San Mateo - Foster City School District	293,597	100.00%	293,597
Other School District	<u>129,769</u>	100.00%	<u>129,769</u>
<b>Total overlapping tax and assessment debt</b>	<u>3,547,207</u>		<u>3,516,471</u>
<b>Overlapping Tax Increment Debt</b>	<u>254,257</u>	100.00%	<u>254,257</u>
<b>Total overlapping debt</b>	<u>4,093,416</u>		<u>3,984,740</u>
<b>Total direct and overlapping debt</b>	<u>\$ 4,564,985<sup>2</sup></u>		<u>\$ 4,456,309</u>
Ratio of total direct and overlapping debt to adjusted assessed value:			
	2.36%		
Ratio of total overlapping tax increment debt to redevelopment incremental assessed value <sup>3</sup> of \$16,799,930			
	1.51%		

Source: California Municipal Statistics, Inc.

<sup>1</sup> Percentage of overlapping agency's assessed valuation located within the boundaries of the county.

<sup>2</sup> This total excludes enterprise revenue, mortgage revenue, tax and revenue anticipation notes, and non-bonded capital lease obligations.

<sup>3</sup> Redevelopment incremental valuation refers to the difference between base year assessed value and current year assessed value of properties in areas designated for redevelopment.

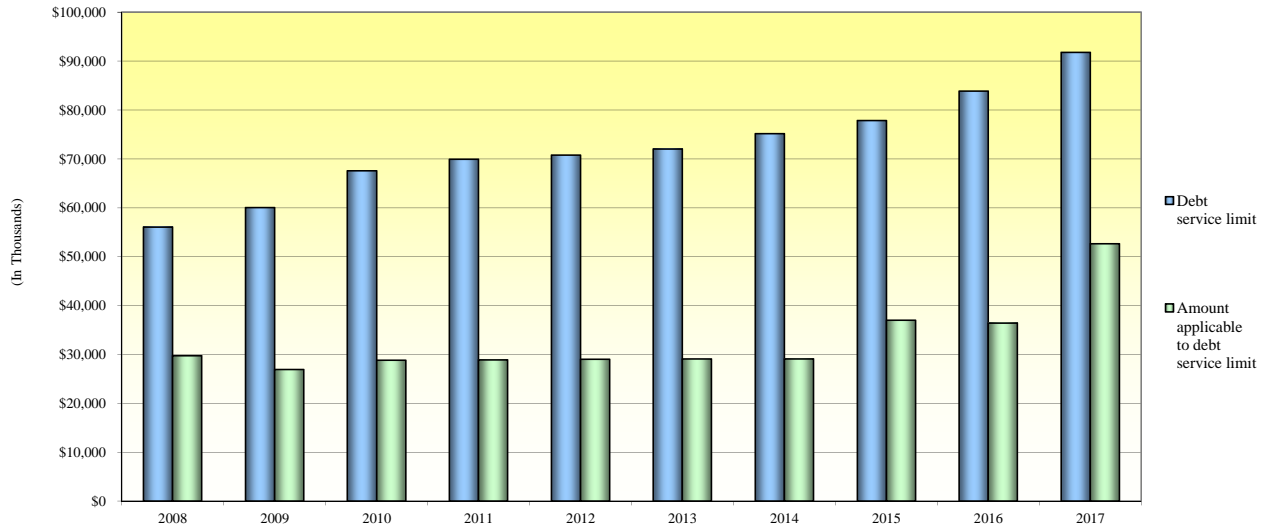
<sup>4</sup> Overlapping debt refers to liability incurred by a municipality or local government body in partly or fully financing projects falling in the jurisdiction of such other bodies.



**COUNTY OF SAN MATEO**  
**Legal Debt Service Margin Information**  
**Last Ten Fiscal Years**  
**(In Thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Average Annual County budget <sup>1</sup> for the current and preceding four fiscal years</b>	\$ 1,401,783	\$ 1,501,054	\$ 1,689,809	\$ 1,747,657	\$ 1,768,913	\$ 1,800,809	\$ 1,878,770	\$ 1,946,229	\$ 2,095,976	\$ 2,295,408
<b>Legal debt service limit <sup>2</sup></b> 4% of average county annual budget for the current and preceding four fiscal years	56,071	60,042	67,592	69,906	70,757	72,032	75,151	77,849	83,839	91,816
Less: Amount applicable to debt service limit <sup>3</sup>	(29,762)	(26,940)	(28,847)	(28,904)	(28,996)	(29,065)	(29,086)	(36,996)	(36,436)	(52,661)
<b>Legal debt service margin</b>	<u>\$ 26,309</u>	<u>\$ 33,102</u>	<u>\$ 38,745</u>	<u>\$ 41,002</u>	<u>\$ 41,761</u>	<u>\$ 42,967</u>	<u>\$ 46,065</u>	<u>\$ 40,853</u>	<u>\$ 47,403</u>	<u>\$ 39,155</u>
Legal debt service margin as a percentage of debt service limit	46.92%	55.13%	57.32%	58.65%	59.02%	59.65%	61.30%	52.48%	56.54%	42.65%

**Legal Debt Service Limit**



Source: County's Adopted Budget Books

Notes:

<sup>1</sup> The annual County budget represents the adopted annual budget of all funds in the County.

<sup>2</sup> County Ordinance No. 3773 requires the Board of Supervisors establish the County debt service limit annually. Under this ordinance, the debt service limit shall not exceed 4% of the average annual County budget for the current and the preceding four fiscal years, and shall be for non-voter approved debt that is the obligation of the County. The debt service limit does not apply to certificates of participation for the Colma Creek Flood Control District.

<sup>3</sup> The information reflects debt service payments towards non-voter approved debt that is the obligation of the County.

**COUNTY OF SAN MATEO**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
**(In Thousands)**

Fiscal Year	Available	Debt Service		Coverage	Available	Debt Service		Coverage	
	Revenue	Principal	Interest	ratio <sup>1</sup>		Revenue	Principal	Interest	ratio
<b>1993 Lease Revenue Bonds</b>					<b>2009 Lease Revenue Bonds</b>				
<b>Purpose:</b>	Defeased 1991 Certificates of Participation and financed the costs of a parking garage and jail.				Provided funds to refund a portion of outstanding 1997 Bonds and the outstanding 1999 Bonds, to pay for costs of issuance of the 2009 Bonds, and to pay for other costs relation to the refunding.				
<b>Funding Source:</b>	General Fund and Criminal Justice Facilities Fund.				General Fund, SB1732, Federally Qualified Health Center reimbursement, and tobacco settlement.				
2008	\$ 2,620	\$ -	\$ 2,909	0.90	\$ -	\$ -	\$ -	-	
2009	2,620	-	2,909	0.90	-	-	-	-	
2010	5,097	2,560	2,825	0.95	-	-	-	-	
2011	5,085	2,720	2,654	0.95	10,434	4,440	5,993	1.00	
2012	5,087	2,905	2,472	0.95	10,486	5,200	5,286	1.00	
2013	5,073	3,085	2,276	0.95	10,530	5,475	5,055	1.00	
2014	5,070	3,290	2,069	0.95	10,569	5,765	4,804	1.00	
2015	5,064	3,505	1,848	0.95	10,630	6,080	4,550	1.00	
2016	5,467	3,730	1,613	1.02	10,644	6,350	4,294	1.00	
2017	5,464	3,975	1,234	1.05	10,685	6,675	4,010	1.00	
<b>2013 Lease Revenue Bonds</b>					<b>2014 Lease Revenue Bonds</b>				
<b>Purpose:</b>	To provide funds, together with other available moneys, (i) to redeem outstanding 1997, 1999, and 2001 Bonds, (ii) finance certain capital improvements, and (iii) to pay costs of issuance of the 2013 Bonds.				To provide funds, together with other available moneys, (i) to finance the acquisition, construction, and equipping of the Maple Street Correctional Center, (ii) to refund all of the outstanding notes previously issued by the County in FY 2013-14, the proceeds of which were used to reimburse the County for the purchase price of the jail project site, (iii) to pay capitalized interest on the 2014 Bonds through May 30, 2016, (iv) to provide the Reserve Account Requirement, and (v) pay issuance costs of the 2014 Bonds.				
<b>Funding Source:</b>	County departments occupying the facilities.				County departments occupying the facilities.				
2014	\$ 861	\$ -	\$ 861	1.00	\$ -	\$ -	\$ -	n/a	
2015	2,941	990	1,951	1.00	-	-	8,775	-	
2016	3,073	1,155	1,918	1.00	8,079	-	8,079	1.00	
2017	3,071	1,200	1,871	1.00	25,824	17,745	8,079	1.00	
<b>2015 Revenue Refunding Bonds</b>					<b>2016 Lease Revenue Bonds</b>				
<b>Purpose:</b>	To provide funds, together with other available moneys, (i) to refund its Certificates of Participation in the Colma Creek Flood Control Zone, and (ii) to pay issuance costs of the 2015 Bonds.				To provide funds, together with other available moneys, (i) to refund outstanding 2008 Bonds to pay costs of issuance of the 2016 Bonds, and to pay costs relating to the refunding of the 2008 Bonds.				
<b>Funding Source:</b>	Colma Creek Flood Control District.				County departments occupying the facilities.				
2016	\$ -	\$ -	\$ 442	n/a	\$ -	\$ -	\$ -	n/a	
2017	-	-	-	n/a	7,744	3,375	4,369	n/a	

Sources:

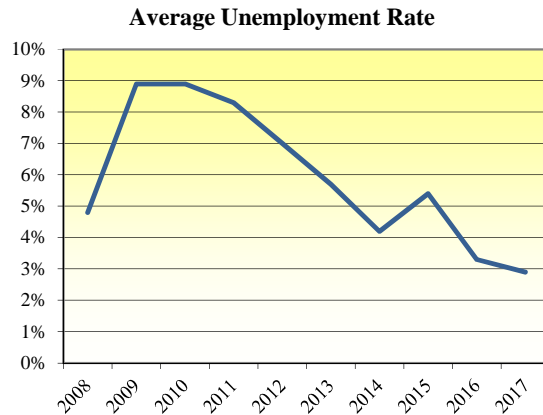
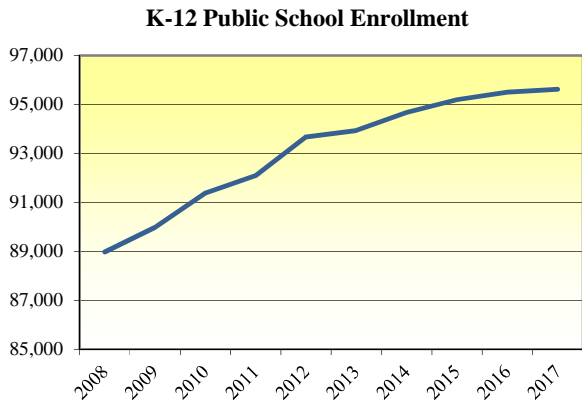
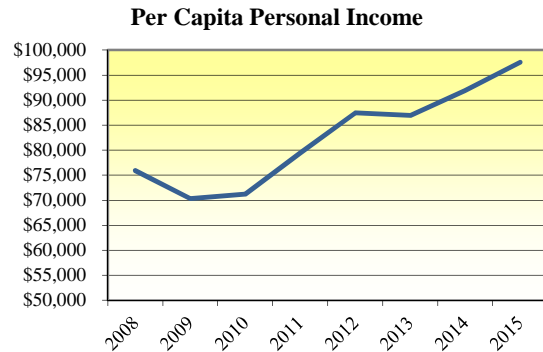
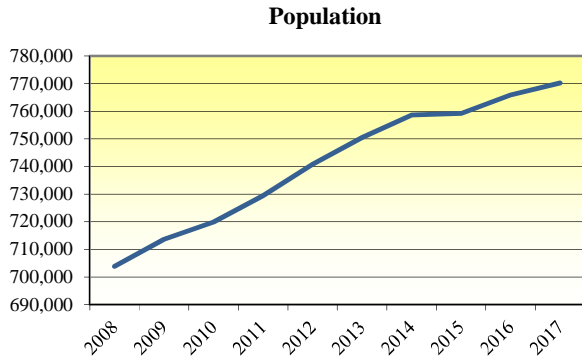
Available revenue - per contributions from responsible departments.  
Principal and interest - per debt service schedules.

n/a - not applicable.

<sup>1</sup> Debt service payments not covered by available revenues were funded by amounts available in accounts with Trustee.

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

<b>Year</b>	<b>Population<sup>1</sup></b> (January 1st)	<b>Total Personal Income<sup>5</sup></b> (in millions)	<b>Per Capita Personal Income<sup>5</sup></b>	<b>Median Age<sup>4</sup></b>	<b>K-12 Public School Enrollment<sup>2</sup></b>	<b>Average Unemployment Rate<sup>3</sup></b>
2008	703,830	\$ 53,434	\$ 75,919	39.9	88,974	4.8%
2009	713,617	50,175	70,311	38.9	89,971	8.9% <sup>6</sup>
2010	719,951	51,264	71,204	39.3	91,371	8.9%
2011	729,425	57,965	79,465	39.4	92,097	8.3%
2012	740,738	64,765	87,444	39.6	93,674	7.0%
2013	750,489	65,193	86,911	39.3	93,931	5.7%
2014	758,581	69,717	91,935	39.4	94,667	4.2%
2015	759,155	74,641	97,553	39.8	95,187	3.3%
2016	765,895	n/a	n/a	39.5	95,502	3.3%
2017	770,203	n/a	n/a	n/a	95,620	2.9%



**Sources:**

- <sup>1</sup> Data include retroactive revisions by the State of California Department of Finance, Demographic Research Unit.
- <sup>2</sup> Data include retroactive revisions by the State of California Department of Education.
- <sup>3</sup> Data include retroactive revisions by the State of California Employment Development Department. Unemployment rates are non-seasonally adjusted for June.
- <sup>4</sup> U.S. Census Bureau, American Community Survey.
- <sup>5</sup> Data include retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis.
- <sup>6</sup> The sharp increase in the unemployment rate was caused by the global economic downturn.

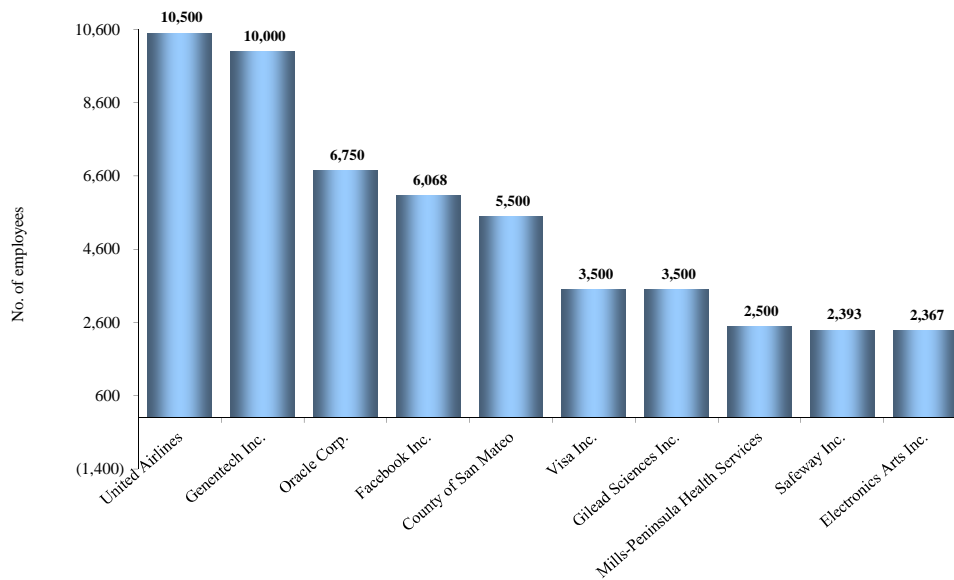
**Note:**

All data are presented in calendar year except for public school enrollment and average unemployment rate.  
n/a - Information is unavailable.

**COUNTY OF SAN MATEO  
Principal Employers  
Year 2016 and Year 2008**

Employer	Business Type	2016 <sup>1</sup>			2008		
		Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
United Airlines	Airline	10,500	1	2.41%	9,600	1	2.73%
Genentech Inc.	Biotechnology	10,000	2	2.30%	7,845	2	2.23%
Oracle Corp.	Hardware and Software	6,750	3	1.55%	5,642	4	1.61%
Facebook Inc.	Social Network	6,068	4	1.40%			
County of San Mateo	Government	5,500	5	1.26%	5,777	3	1.64%
Visa Inc.	Global Payments Technology	3,500	6	0.80%			
Gilead Sciences Inc.	Biotechnology	3,500	7	0.80%			
Mills-Peninsula Health Services	Health Care	2,500	8	0.57%	1,800	9	0.51%
Safeway Inc.	Retail Grocer	2,393	9	0.55%	2,280	6	0.65%
Electronics Arts Inc.	Interactive Entertainment	2,367	10	0.54%	2,000	8	0.57%
Kaiser Permanente	Health Care				3,609	5	1.03%
United States Postal Service	Postal Service				2,174	7	0.62%
Applied Biosystems	Biotechnology				1,578	10	0.45%
<b>Total</b>		<b>53,078</b>		<b>12.20%</b>	<b>42,305</b>		<b>12.04%</b>

**Principal Employers  
Year 2016**



Source: San Francisco Business Times - 2017 Book of Lists.

California Employment Development Department

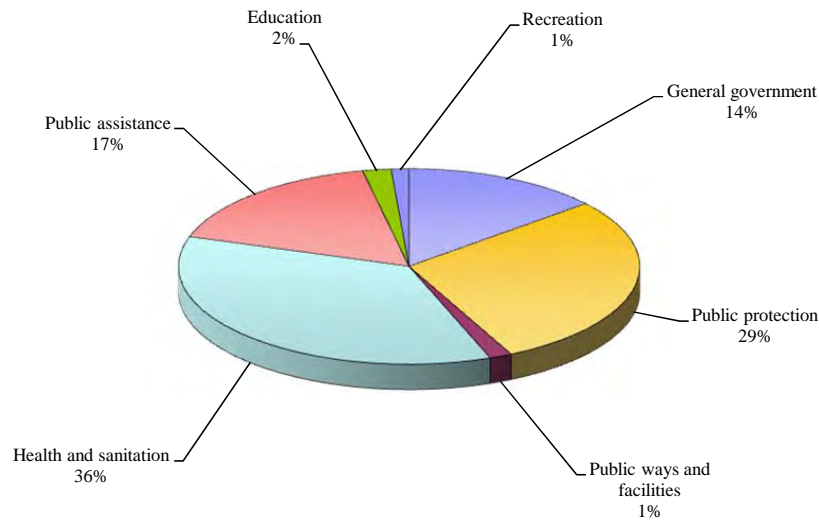
Notes:

<sup>1</sup> The latest information available for principal employers in the County.

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

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General government	850	801	774	740	736	700	704	706	746	762
Public protection	1,391	1,452	1,432	1,423	1,389	1,422	1,454	1,531	1,545	1,581
Public ways and facilities	95	96	96	90	85	86	86	85	92	86
Health and sanitation	2,174	2,142	2,022	1,995	1,932	1,802	1,851	1,906	1,961	1,955
Public assistance	1,036	1,041	960	887	890	931	979	915	921	924
Education	113	113	114	-	112	108	108	109	110	109
Recreation	56	57	52	52	51	49	59	57	64	68
Total full-time equivalent employees <sup>1</sup>	5,715	5,702	5,450	5,187	5,195	5,098	5,241	5,309	5,439	5,485

**Full-time Equivalent County Employees by Function**  
**As of June 30, 2017**



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

Notes:

<sup>1</sup> The full-time equivalent (FTE) employee count is based on the information available in the County's Budget System and may change due to revision.

**COUNTY OF SAN MATEO**  
**Operating Indicators by Function**  
**Fiscal Years 2015-2016**

Function <sup>1</sup>	Fiscal Year <sup>2</sup>	
	2015	2016
<b><u>General Government</u></b>		
<i>County Manager's Office</i>		
Issuer credit rating from Moody's/Standard & Poor's	Aaa/AAA	Aaa/AAA
<i>County Counsel</i>		
Percent of post-litigation survey respondents rating services	100%	100%
<i>Treasurer Tax Collector</i>		
Dollar earnings in County pool due to investments	\$32M	\$41M
<b><u>Public Protection</u></b>		
<i>District Attorney</i>		
Percent of clients rating victim services as good or better	93%	92%
<i>Private Defender Program</i>		
Number of criminal arraignments, both limited and general jurisdiction	16,997	18,852
<i>Sheriff's Office</i>		
<i>Forensic Laboratory</i>		
Percent of customers rating forensic laboratory services as good or better	100%	90%
<i>Patrol Bureau</i>		
Average response time - urban / rural	5:55 / n/a	5:04 / n/a
Number of life endangering interventions on railway system	39	42
<i>Investigations Bureau</i>		
<sup>3</sup> Annual clearance rates of violent crimes	51%	52%
<i>Maguire Correctional Facility</i>		
Number of persons booked into custody	15,054	15,194
<i>Court Security and Transportation Services</i>		
Number of inmates transported annually per deputy	2,354	2,123
<i>Probation Department</i>		
<i>Adult Services</i>		
Percent of adult probationers completing probation without a new sustained law violation	69%	78%
<i>Juvenile Services</i>		
Percent of juvenile probationers completing probation without new sustained law violations	84%	85%
<i>Institutions Services</i>		
Percent of Youth successfully completing the Community Care Program	65%	90%
<i>Coroner's Office</i>		
Percent of survey respondents rating services good or better	80%	90%
<b><u>Public Ways and Facilities</u></b>		
<i>Department of Public Works</i>		
<i>Facilities Services</i>		
Percent of facilities with Facilities Condition	47%	49%
<i>Construction Services</i>		
Percent of jobs completed within budget/schedule	100%	100%
<i>Utilities</i>		
Number of resolved sewer/sanitation district customer requests related to sewer lateral back-ups	606	573

Source: County's Adopted Budget for FY 2016-17

n/a - not applicable

<sup>1</sup> Functions/programs operate by the County.

<sup>2</sup> The County continuously develops and updates new set of performance measures every year.

<sup>3</sup> The latest information available for operating indicators by function in the County.

(Continued)

**COUNTY OF SAN MATEO**  
**Operating Indicators by Function**  
**Fiscal Years 2015-2016**

<u>Function</u> <sup>1</sup>	<u>Fiscal Year</u> <sup>2</sup>	
	<u>2015</u>	<u>2016</u>
<b><u>Health and Sanitation</u></b>		
<i>Health System</i>		
Health Administration		
Percent of stakeholders respondents rating services good or better	84%	89%
Health Coverage Unit		
Number of health coverage applications completed per FTE	1,100	1,034
Emergency Medical Services		
Percent of ambulance emergency medical service calls responded to on time per contract standards	94%	94%
Community-Based Programs		
Percent of Adult Protective Services cases that are resolved and stabilized for at least twelve months	88%	87%
Environmental Health Services		
Percent of suspected food-borne illness complaints responded to within one business day	98%	94%
Mental Health Adult Services		
Percent of adults who attend a follow up visit with a clinical provider within 7 days of being discharged from a psychiatric hospital	84%	63%
Correctional Health Services		
Percent of juvenile offenders receiving timely histories and physicals within 96 hours of incarceration	100%	100%
San Mateo Medical Center		
Percent of publicly reported quality measures scoring in the 90th percentile	38%	53%
<b><u>Public Assistance</u></b>		
<i>IHSS Public Authority</i>		
Average number of days it takes to provide a registry caregiver	8	6
<i>Human Services Agency</i>		
Key Performance Measures		
<sup>3</sup> Percent of applications for public assistance programs such as Medi-Cal that are processed within State standards for timeliness	71%	71%
<sup>3</sup> Percent of applications for public assistance programs such as CalFresh that are processed within State standards for timeliness	92%	88%
<sup>3</sup> Percent of applications for public assistance programs such as CalWORKs that are processed within State standards for timeliness	98%	94%
Reunification of children to the parent/guardian within 12 months of removal from home	77.0%	n/a
Eligibility Determination		
<sup>3</sup> Percent of residents receiving nutritional assistance through CalFresh benefits from total estimated population below the poverty limit	59%	58%
Vocational Rehabilitation Services (VRS)		
Overall satisfaction rated good or better for all VRS services	90%	93%
Homeless and Safety Net Services		
Percent of clients residing in homeless transitional shelters (HUD funded) that are connected to mainstream services and benefits	80%	87%
Percent of clients receiving food assistance by Core Service Agencies	95%	n/a
<i>Department of Housing</i>		
Housing & Community Development		
Number of households benefitting directly from County administered loans and grants for home purchase, repair, or rehabilitation	285	n/a
Housing Authority		
Number of individuals and families through Provider Based Assistance Program	46	n/a
<b><u>Recreation</u></b>		
<i>Parks &amp; Recreation</i>		
Percent of customers rating services and experiences 'good' or 'excellent'	78%	99%
<i>Coyote Point Marina</i>		
Percent of customers rating marina services and experiences 'good' or 'excellent'	100%	95%

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>Governmental Activities:</u></b>										
<b>General government</b>										
Child care centers	2	2	2	2	2	2	2	2	2	2
Fairground	1	1	1	1	1	1	1	1	1	1
Grant yards	6	6	6	6	6	6	6	6	6	6
Law library	1	1	1	1	1	1	1	1	1	1
Office buildings	4	4	4	4	4	4	4	4	4	4
Parking structures	1	1	1	2	2	2	2	2	2	2
<b>Public protection</b>										
Fire stations	4	4	4	4	4	4	4	4	4	4
Sheriff stations	1	1	1	1	1	1	1	1	1	1
Jail	2	2	2	2	2	2	2	2	2	3
Youth services center	1	1	1	1	1	1	1	1	1	1
<b>Public ways and facilities</b>										
Road										
Pavement (miles)	315.88	314.80	315.39	315.39	315.50	315.50	315.50	315.80	316.10	316.20
Bridges	28	31	31	31	32	33	33	33	33	33
Traffic signals	19	19	19	19	19	19	19	19	19	19
Flashing Beacons	3	3	3	4	4	4	4	4	4	4
Lighted Crosswalks	4	4	4	4	4	4	4	6	6	8
Radar Feedback signs	4	4	10	11	11	11	11	11	11	14
Sewer and water										
Sewer:										
Sanitary sewers (miles)	147.35	147.47	144.18 <sup>2</sup>	144.18	144.18	144.18	144.18	144.18	144.18	144.18
Water:										
Water mains (miles)	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Fire hydrants	20	20	20	20	20	20	20	20	20	20
Storage capacity (thousands of gallons)	710	710	710	710	710	710	710	710	710	710
Lighting										
Street lights	2,128 <sup>1</sup>	2166	2166	2167	2167	2179	2193	2194	2194	2197
Flood control										
Channels (miles)	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
<b>Health and sanitation</b>										
Warehouse	2	2	2	2	2	2	2	2	2	2
Psychiatric center	1	1	1	1	1	1	1	1	1	1
Satellite clinic	1	1	1	1	1	1	1	1	1	1
<b>Public assistance</b>										
Drug treatment center	1	1	1	1	1	1	1	1	1	1
Employment and training center	1	1	1	1	1	1	1	1	1	1
<b>Recreation</b>										
Parks	19	19	19	19	19	19	19	19	20	20
<b><u>Business-type Activities:</u></b>										
Medical center	1	1	1	1	1	1	1	1	1	1
Airports	2	2	2	2	2	2	2	2	2	2
Coyote Point Marina Recreation Area	1	1	1	1	1	1	1	1	1	1

Sources:

County Capital Asset Master File  
Department of Public Works

Notes:

n/a - not available

<sup>1</sup> The decrease was caused by transfer of the Ravenswood Lighting District to the City of East Palo Alto.

<sup>2</sup> Less sanitary sewer miles are maintained in the Emerald Lake Heights Sewer Maintenance District.





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