



County of San Mateo, California Popular Annual Financial Report Fiscal Year Ended June 30, 2013



Letter to the Citizens of San Mateo County

It is my pleasure to present to you the County's Popular Annual Financial Report for fiscal year (FY) 2012-13. As the economy slowly recovers, the County's financial condition strengthens. Many of the County's economic and financial indicators are improving. Unemployment is down while real estate values are up.

However, the expected long-term reduction in Excess Educational Revenue Augmentation Fund monies, potential non-reimbursement of Vehicle License Fee ("VLF") and Sales and Use Taxes ("Triple Flip"), a continued increase in the State's realignment initiatives that pass costs and services down to the local level, and the potential net increased costs associated with providing health care under the Affordable Care Act will challenge the County to continually assess the use of its financial resources.

Measure A Sales Tax Revenues. The County's Board placed a tax measure on the November 2012 ballot which asked voters to approve a one-half cent sales tax increase for the next ten years. The approval of Measure A will fund a variety of services, programs and projects. Initiatives funded by Measure A include \$51.1 million for FY 2013-14 and \$42.4 million for FY 2014-15.

Educational Revenue Augmentation Fund (ERAF). Local taxing entities (counties, cities, and special districts) are mandated to shift a portion of their property tax dollars to the ERAF. ERAF is then used by the State to fund school districts up to their minimum State guaranteed amounts. The difference between a school district's minimum State guaranteed amount and its local property tax revenues is the maximum amount a school district can receive from ERAF. Any money remaining in ERAF after school districts have been fully funded to the State guaranteed amount is refunded back to local taxing entities in proportion to their contributions.

The Governor's School Finance Reform Plan created a new "Local Control Funding Formula" beginning in FY 2013-14 that increases the State's minimum guaranteed amount for school districts. The change in school funding formula is expected to reduce the Excess ERAF amount returned to local taxing entities.

Controller Bob Adler

BADler@smc.gov

(650) 363-4777



Vehicle License Fee (VLF). Starting in FY 2004-05, the State reduced the VLF rate and monies to cities and counties, and reimbursed them for lost VLF from ERAF and property tax revenues of Non-Basic Aid school districts. These school districts are backfilled up to the minimum State guaranteed amount for any ERAF and property taxes they do not receive.

State statutes do not allow for the use of local property taxes from Basic Aid school districts to pay the State's VLF obligations since those districts' local property taxes are greater than the State guaranteed amount, and no additional funding from the State is required.

**"If we could first know where we are, and
whither we are tending, we could better
judge what to do, and how to do it."**

— Abraham Lincoln —

Unfortunately, current statutes do not identify sources for VLF funding other than ERAF and the local property taxes from Non-Basic Aid school districts. As a result, a few counties across the State, including San Mateo County, have experienced "VLF shortfalls" where the State's obligation to fund VLF cannot be satisfied.

The County had a VLF shortfall of \$180,000 in FY 2011-12. In recognition of problems with the current statutes, the State agreed to a "one-time fix" for this deficiency through an appropriation in the FY 2013-14 State Budget. The County continues to advocate for full funding of any VLF shortfalls in subsequent years.

Letter to the Citizens of San Mateo County (continued)

Triple Flip. Beginning in FY 2004-05, a portion of sales and use taxes that were received by counties and cities were pledged to repay the State’s Economic Recovery Bonds. Counties and cities were reimbursed for their lost sales and use taxes from their local ERAF. This arrangement is referred to as “Triple Flip.” No statutory mechanism exists to fully reimburse counties and cities when the ERAF is insufficient. In FY 2012-13, the County had a “Triple Flip” shortage of \$1.9 million, which has not been addressed through State legislative or budget remedies. The County continues to advocate for full funding of Triple Flip shortfalls in FY 2012-13 and subsequent years.

Affordable Care Act (ACA). The ACA changes health care coverage for Americans in two significant ways. It expands Medicaid (called Medi-Cal in California) to cover more impoverished individuals and provides subsidies for low and middle income Americans, who can now purchase insurance through State-established health insurance marketplaces/exchanges. “Covered California” is the ACA insurance exchange for California residents.

“Let us not seek the Republican answer or the Democratic answer, but the right answer. Let us not seek to fix the blame for the past. Let us accept our own responsibility for the future”

— John F. Kennedy —

The increased enrollment to Medi-Cal will bring revenues to the County, but the ACA’s overall financial impact to the Health System is expected to be relatively neutral because of the loss of other federal and State reimbursements. The ACA is financed through a broad range of sources that includes phased-in reductions in payments to hospitals, such as the San Mateo Medical Center (SMMC), that see a disproportionate share of uninsured and Medicaid patients.

This reduction in the amount of disproportionate share payments will represent a net decrease in federal payments to the SMMC. The County is expected to lose about \$4 million in FY 2013-14 and up to \$17 million in FY 2014-15 from large reductions in State Health Realignment funds forced upon counties by the State.

Infrastructure. The budgets for capital improvements are \$136 million for FY 2013-14 and \$83 million for FY 2014-15. These include General Fund contributions and bond proceeds totaling \$158 million for the Maple Street Correctional Center.

The County’s list of deferred maintenance items grew over the last few years. Some Measure A funds will be used to begin rebuilding the County’s infrastructure for which maintenance was put off due to the 2008 Recession. The budget for the next two years includes over \$50 million for other facilities projects and another \$50 million for information technology projects. Repairing infrastructure will help ensure that safety, health and welfare services can be provided in the future.

Goals. The County continues to align its goals to the Strategic Plan (Shared Vision 2025) developed with County citizens. In the years to come County management continues to face financial challenges, but will no doubt continue to meet these challenges with innovation, collaboration, and prudent fiscal management as it has done in the past.

Sincerely,



Bob Adler, CPA
San Mateo County Controller



County Profile

San Mateo County Board of Supervisors



Dave Pine
(Vice-President)
District 1



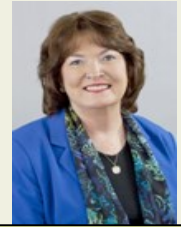
Carole Groom
District 2



Don Horsley
(President)
District 3



Warren Slocum
District 4



Adrienne Tissier
District 5

San Mateo County, one of the nine counties in the San Francisco Bay Area, was established in 1856. The County occupies 455 square miles and contains 20 cities on a peninsula bounded by San Francisco to the North, Santa Clara County to the South, San Francisco Bay to the East, and the Pacific Ocean to the West.

Sandwiched between two large urban areas (San Francisco and San Jose), the County is a pleasant mix of suburban and rural areas. Most of the County's residents live in the suburban corridor east of the Santa Cruz Mountains, which bisects the County. The western part of the County remains primarily rural and has some of California's most beautiful coastline.

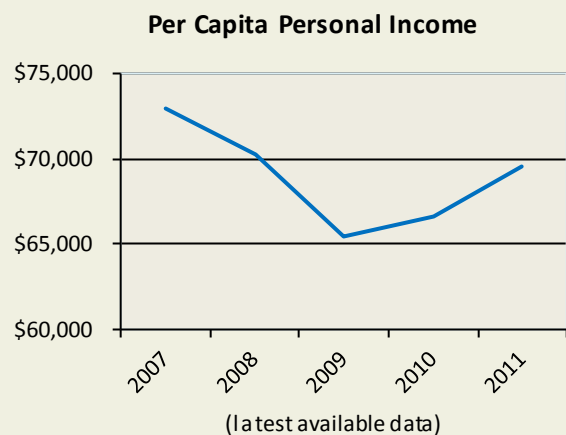
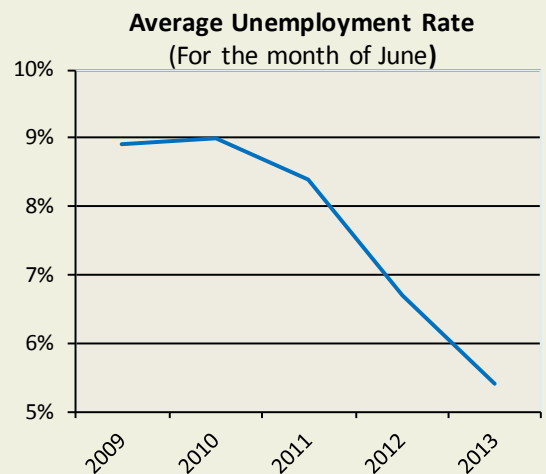
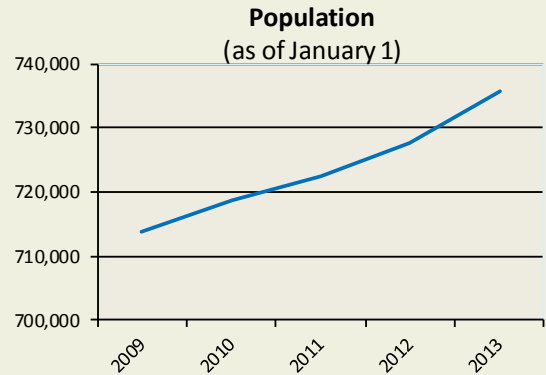
The County has long been a center for innovation. It is home to numerous colleges and is within the "golden triangle" of three of the top research institutions in the world: the University of California at Berkeley, the University of California at San Francisco, and Stanford University.

The County is governed by a five-member Board of Supervisors elected by San Mateo County voters. Supervisors are elected to staggered four-year terms for a maximum of three terms in office.

The County plays 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 County, as a subdivision of the State, provides a vast array of services for all residents.



These services include social services, public health protection, housing programs, property tax assessment, tax collection, elections, and public safety. The County also provides basic city services for residents who live in unincorporated areas.



Government-Wide Financial Position

The **Statement of Net Position** presents information on the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

Statement of Net Position (In Millions)	Governmental		Business-type		Total		Increase/(Decrease)	
	Activities		Activities				Amount	Percentage
	2013	2012	2013	2012	2013	2012		
Current and other assets	\$ 1,138	\$ 990	\$ 146	\$ 116	\$ 1,284	\$ 1,106	\$ 178	16%
Capital assets	790	779	66	62	856	841	15	2%
Total assets	1,928	1,769	212	178	2,140	1,947	193	10%
Total deferred outflows of resources	8	8	-	-	8	8	-	0%
Long-term liabilities	429	447	11	12	440	459	(19)	-4%
Other liabilities	138	134	58	35	196	169	27	16%
Total liabilities	567	581	69	47	636	628	8	1%
Net position:								
Net investment in capital assets	482	460	64	59	546	519	27	5%
Restricted	208	191	-	2	208	193	15	8%
Unrestricted	679	545	79	70	758	615	143	23%
Total net position	\$ 1,369	\$ 1,196	\$ 143	\$ 131	\$ 1,512	\$ 1,327	\$ 185	14%

Governmental activities are functions of the County that are primarily funded by taxes and intergovernmental revenues.

Business-type activities are functions of the County that are primarily funded by user fees and charges.

Assets are resources with service capacity that the County controls.

Liabilities are obligations that the County owes.

Long-Term Liabilities include net postemployment benefit obligation, estimated claims, compensated absences, and debts (such as lease revenue bonds, certificates of participation, notes payable, and other long-term obligations).

Deferred outflows of resources are the consumption of net assets applicable to future reporting periods.

Deferred inflows of resources are the acquisition of net assets applicable to future reporting periods.

Net position reflects the net worth of the County. (Net Position = Assets + Deferred Outflows of Resources - Liabilities - Deferred Inflows of Resources)

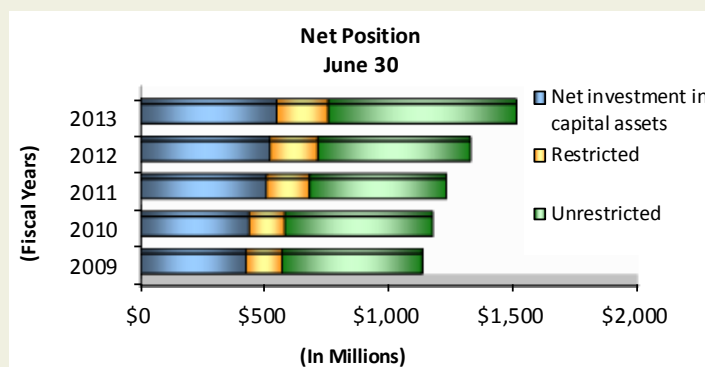
The information in this report is derived from the County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The CAFR, which provides more detailed information, is prepared in conformity with generally accepted accounting principles and available at: <http://www.co.sanmateo.ca.us/controller/2013cafr>

Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

For the fiscal year 2012-13, the County's total net position increased by \$185 million, or 14%, to \$1.5 billion. Such an increase indicates that the County's financial position is improving.

The County's total net position of \$1.5 billion can be classified into the following three categories:

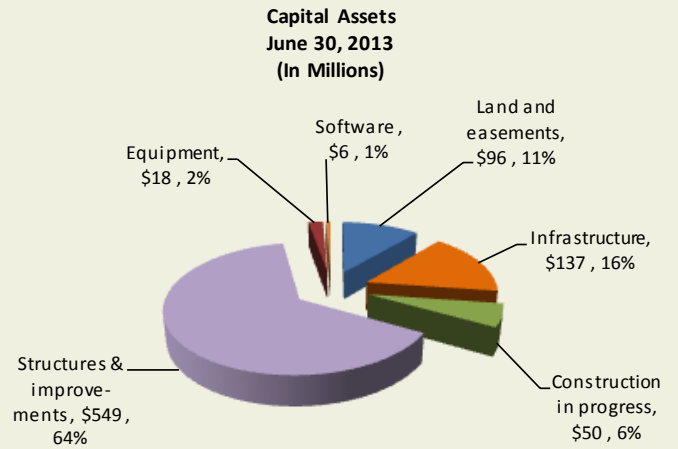
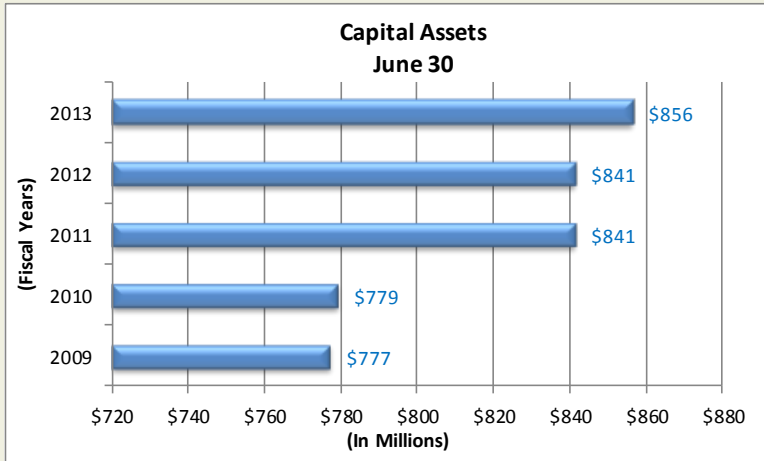
- \$546 million in net investment of capital assets (total capital assets net of related debts), which are used to provide services to citizens and are not available for future spending.
- \$208 million is restricted on its use, which is available to meet the County's ongoing obligations for programs with external restrictions.
- \$758 million is unrestricted on its use, which can be used to fund County programs for citizens as well as obligations to creditors.



Capital Assets

Capital assets. The County’s capital assets include land and easements, infrastructure, construction in progress, structures and improvements, equipment, and software. As of June 30, 2013, the County’s total investment in capital assets increased by \$15 million, or 2%, to \$856 million.

Major capital asset events during fiscal year 2012-13 included \$11.3 million for the new jail currently under construction, and \$0.5 million to upgrade the heating, ventilation, and air conditioning systems for the Maguire correctional facilities and the SMMC.



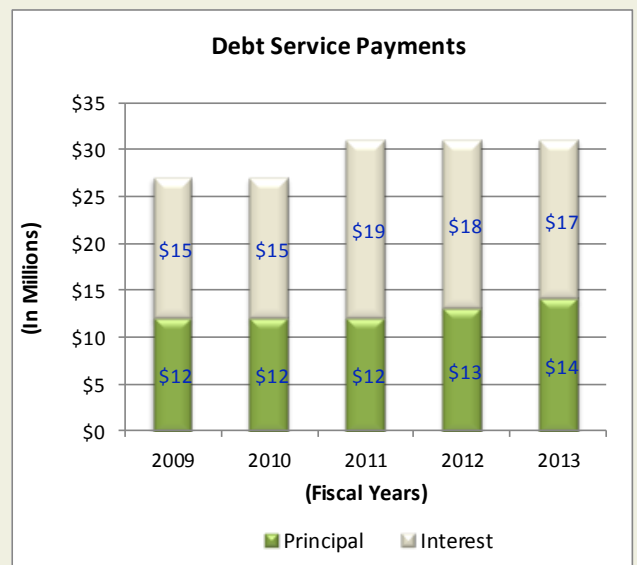
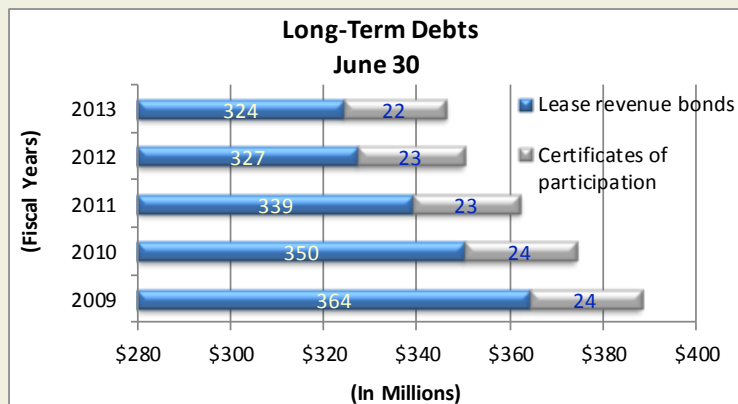
Long-Term Debts

Long-term debts. The County’s total long-term debts decreased \$15 million, or 4%, to \$351 million as of June 30, 2013. Pension and Other Postemployment liabilities (see page 7 for details) are not included.

The decrease is mainly caused by scheduled retirements of outstanding debts. County Ordinance No. 3773 limits the County annual debt service payments to 4% of the average annual County total budget for the current and the preceding four fiscal years. The debt service limit for FY 2012-13 was \$72 million.

As shown in the table below, the County’s total long-term debt is mainly comprised of \$324 million in lease revenue bonds, \$22 million in certificates of participation, \$3 million in notes payable, and \$2 million in other long-term obligations.

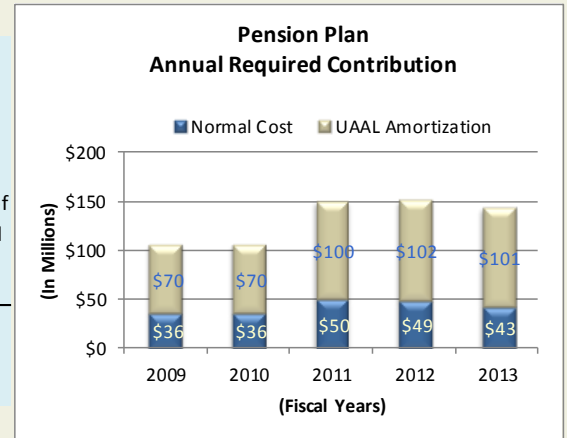
Lease revenue bonds	\$ 324	92%
Certificates of participation	22	6%
Notes payable	3	1%
Other long-term obligations	2	1%
Total	\$ 351	100%



Unfunded Liabilities - Pension & Other Postemployment Benefits

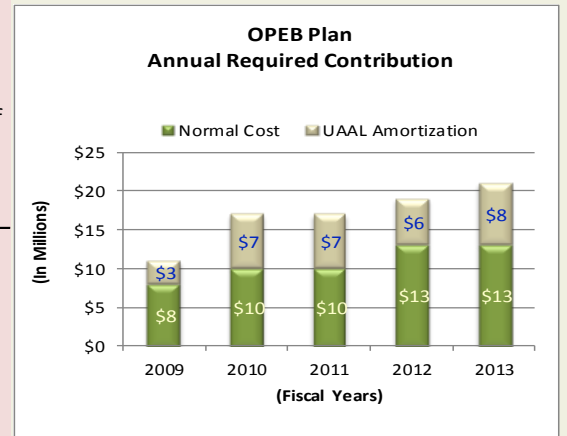
The San Mateo County Employees' Retirement Association (SamCERA) administers the **County's pension plan**, which provides pension benefits to all permanent employees of the County.

Pension Plan Schedule of Funding Progress (In Millions)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
6/30/2011	\$ 2,405	\$ 3,247	\$ 842	74.1%	\$ 424	198.5%
6/30/2012	2,480	3,442	962	72.0%	420	229.2%
6/30/2013	2,619	3,573	954	73.3%	407	234.5%



The County sponsors **Other Postemployment Benefits (OPEB)**, which provide healthcare benefits to eligible members who retire from the County and receive a pension from SamCERA.

OPEB Plan Schedule of Funding Progress (In Millions)						
Actuarial * Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
1/1/2011	\$ 153	\$ 243	\$ 90	63.0%	\$ 451	19.9%
6/30/2011 **	168	268	100	62.6%	465	21.5%
6/30/2013	193	319	126	60.4%	453	28.0%



* An actuarial valuation is performed biennially.

** Valuation date for the County's OPEB Plan changed to June 30 rather than January 1 effective FY 2010-11.

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

Unfunded actuarial accrued liability (UAAL) is the difference between actuarial accrued liability and the actuarial value of assets accumulated to finance an obligation, commonly referred to as the unfunded liability.

Funded ratio represents the percentage of the actuarial assets currently available to pay the actuarial liability.

Annual required contribution (ARC) is the amount required to pay the sum of the plan's normal cost and the cost to amortize the plan's unfunded actuarial accrued liability.

Normal cost represents the estimated amount necessary to finance benefits earned by members during the fiscal year.

UAAL Amortization is the paying off of UAAL in regular installments over a period of time.

Government-Wide Results of Operations

The **Statement of Activities** presents information on the County's results of operations from governmental activities and business-type activities.

Statement of Activities (In Millions)	Governmental Activities		Business-type Activities		Total		Increase/(Decrease)	
	2013	2012	2013	2012	2013	2012	Amount	%
Revenues:								
Program Revenues								
Charges for services	\$ 150	\$ 148	\$ 181	\$ 205	\$ 331	\$ 353	\$ (22)	-6%
Operating grants and contributions	480	447	66	65	546	512	34	7%
Capital grants and contributions	1	-	5	6	6	6	-	0%
Total program revenues	631	595	252	276	883	871	12	1%
General Revenues								
Taxes:								
Property taxes								
General property tax	280	274	-	-	280	274	6	2%
Excess ERAF	107	82	-	-	107	82	25	30%
RPTTF residual distributions	6	4	-	-	6	4	2	50%
Receipts from former RDAs	18	-	-	-	18	-	18	--
Subtotal - property taxes	411	360	-	-	411	360	51	14%
Property transfer taxes	7	6	-	-	7	6	1	17%
Sales and use taxes	31	19	-	-	31	19	12	63%
Property tax in-lieu of sales taxes	6	6	-	-	6	6	-	0%
Transient occupancy taxes	1	1	-	-	1	1	-	0%
Aircraft taxes	2	1	-	-	2	1	1	100%
Other taxes	8	-	-	-	8	-	8	--
Subtotal - taxes	466	393	-	-	466	393	73	19%
Unrestricted interest and investment earnings	4	10	-	-	4	10	(6)	-60%
Miscellaneous	27	25	3	4	30	29	1	3%
Total general revenues	497	428	3	4	500	432	68	16%
Total revenues	1,128	1,023	255	280	1,383	1,303	80	6%
Expenses:								
General government	79	78	-	-	79	78	1	1%
Public protection	337	330	-	-	337	330	7	2%
Public ways and facilities	20	19	-	-	20	19	1	5%
Health and sanitation	224	221	-	-	224	221	3	1%
Public assistance	201	200	-	-	201	200	1	1%
Recreation	9	9	-	-	9	9	-	0%
Interest on long-term liabilities	16	17	-	-	16	17	(1)	-6%
San Mateo Medical Center	-	-	235	252	235	252	(17)	-7%
Airports	-	-	3	3	3	3	-	0%
Coyote Point Marina	-	-	1	1	1	1	-	0%
Housing Authority	-	-	70	70	70	70	-	0%
Total expenses	886	874	309	326	1,195	1,200	(5)	0%
Excess (deficiency) before special item and transfers	242	149	(54)	(46)	188	103	85	83%
Special item	-	-	(3)	-	(3)	-	(3)	--
Transfers	(69)	(51)	69	51	-	-	-	--
Change in net position	173	98	12	5	185	103	82	80%
Net position, beginning of the year, as previously stated	1,202	1,098	131	126	1,333	1,224	109	9%
Prior year adjustment due to implementation of GASB 65	(6)	-	-	-	(6)	-	(6)	--
Net position, beginning of the year, as restated	1,196	1,098	131	126	1,327	1,224	103	8%
Net position, end of the year	\$ 1,369	\$ 1,196	\$ 143	\$ 131	\$ 1,512	\$ 1,327	\$ 185	14%
Breakdown of net position, end of the year								
Net investments in capital assets	\$ 482	\$ 460	\$ 64	\$ 59	\$ 546	\$ 519	\$ 27	5%
Restricted	208	191	-	2	208	193	15	8%
Unrestricted	679	545	79	70	758	615	143	23%
Net position, end of the year	\$ 1,369	\$ 1,196	\$ 143	\$ 131	\$ 1,512	\$ 1,327	\$ 185	14%
Population in San Mateo County					735,678	727,795		
Per capita general revenue (in absolute dollars)					\$ 680	\$ 594		
Per capita revenue (in absolute dollars)					\$ 1,880	\$ 1,790		
Per capita expense (in absolute dollars)					\$ (1,624)	\$ (1,649)		
Per capital net revenue (in absolute dollars)					\$ 256	\$ 141		

Government-Wide Results of Operations (continued)

Revenues are monies the County receives from a variety of sources.

Program revenues are derived directly from County programs and can be broken down into the following categories:

- **Charges for services** paid by the recipients of goods and services offered by County's various programs.
- **Grants and contributions** that are restricted to meet the operational or capital requirements of County programs.

General revenues are revenues that are not classified as program revenues such as property taxes and all other taxes.

Expenses are monies spent on providing services to the County's residents.

Governmental activities are normally funded by taxes and intergovernmental revenues and cover various services including:

General government includes costs incurred by the County's administrative offices.

Public protection safeguards the public through law enforcement, custody of criminals, and re-socialization of offenders.

Public ways and facilities maintain County roads, bridges, and other infrastructure.

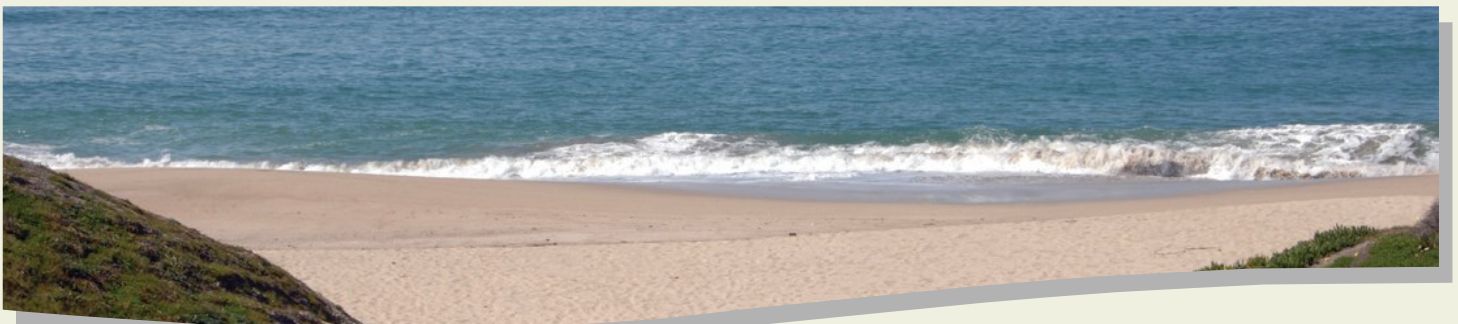
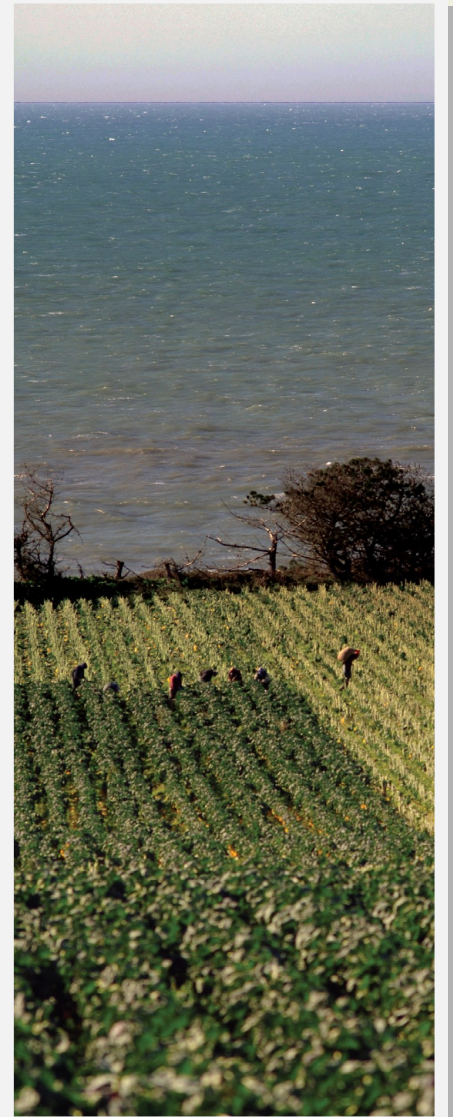
Health and sanitation build a healthy community and provide health care to vulnerable populations.

Public assistance helps individuals and families to achieve economic self-sufficiency, promote community and family strength, and ensure child safety and well-being.

Recreation provides residents with access to parks and recreational facilities.

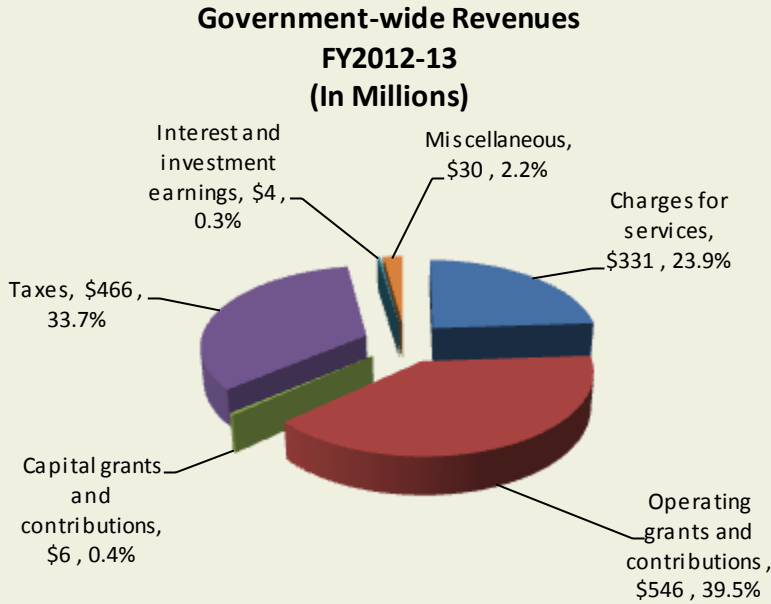
The County's total net position increased by \$185 million, or 14%, to \$1.5 billion.

- \$173 million increase in net position was derived from governmental activities, mainly due to increases in property taxes, intergovernmental revenues, and all other tax revenues.
- \$12 million increase in net position was derived from business-type activities, primarily due to increased County subsidies to the SMMC for the disposal of Burlingame Long-Term Care operation.
- The positive change in the County's net position indicates that the financial position of the County is improving.

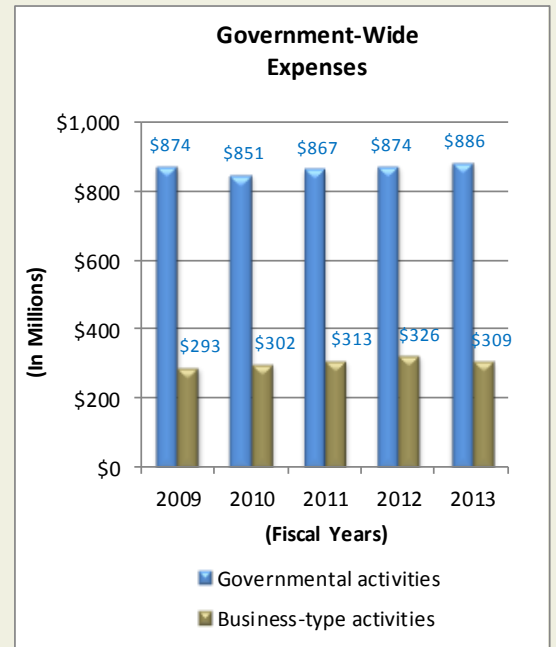
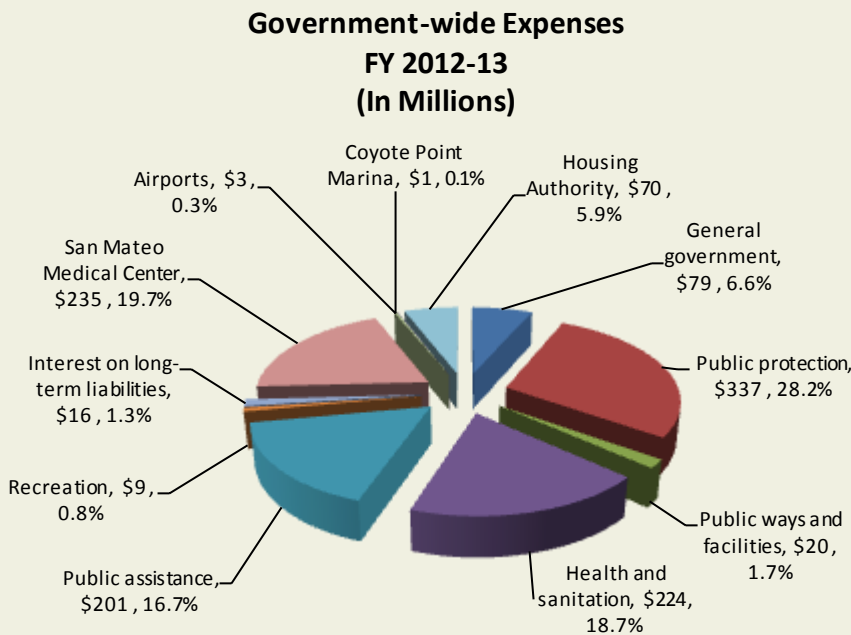


Government-Wide Results of Operations (continued)

Where did the County's money come from?



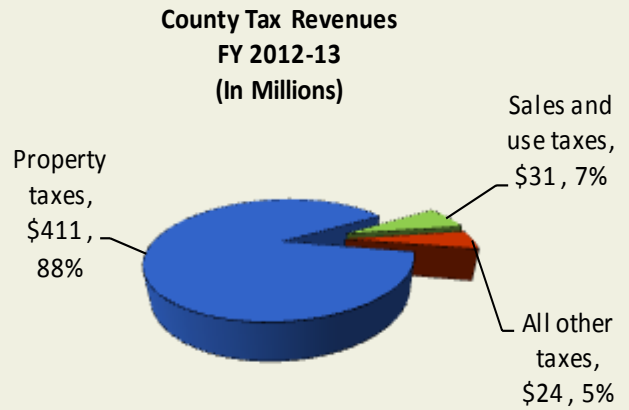
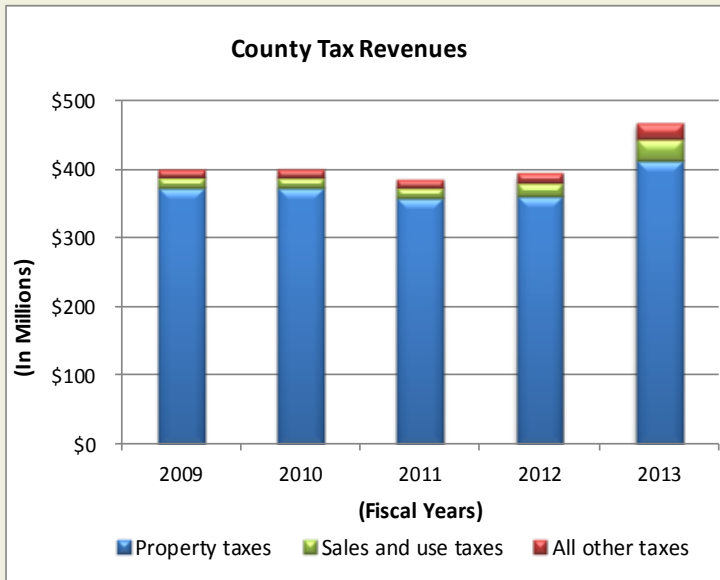
Where did the County's money go?



Governmental activities. In each of the past five fiscal years, total revenues from the County's governmental activities were greater than related expenses, mainly attributable to the County's continuous efforts to manage costs. Part of the excess revenues from the County's General Fund were used to subsidize mandated healthcare services provided by the SMMC (business-type activities) to the uninsured and indigent population in the County.

Business-type activities. In each of the past five fiscal years, total revenues from the County's business-type activities were less than related expenses. The deficits, mainly resulting from mandated healthcare services to the uninsured and indigent population, were absorbed by the County subsidies to the SMMC.

Tax Revenues



	2009	2010	2011	2012	2013
Property taxes	\$ 371	\$ 372	\$ 356	\$ 360	\$ 411
Sales and use taxes	16	15	16	19	31
All other taxes	11	12	12	14	24
Total	\$ 398	\$ 399	\$ 384	\$ 393	\$ 466

* Include tax revenues in the General Fund and other County funds.

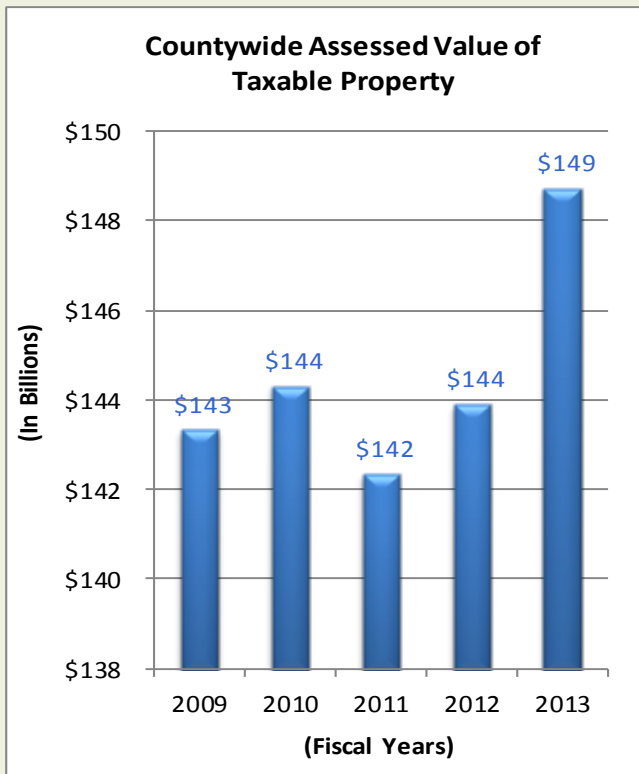


County's tax revenues increased by \$73 million, primarily caused by increases/decreases from the following:

- \$17.7 million **“one-time monies”** from the former redevelopment agencies (RDAs). In 2011, the State passed legislation mandating all RDAs be dissolved by February 2012. In FY 2012-13, the former RDAs began to turn over unencumbered cash after dissolution to the County. The unencumbered cash was subsequently distributed to the taxing entities that financed the former RDAs.
- \$24.9 million increase from excess ERAF. Local taxing entities are mandated to shift a portion of its property tax dollars to ERAF to fund school districts up to its minimum State-guaranteed amounts. Any money remaining in ERAF is refunded back to the contributing local taxing entities. Excess ERAF increased in FY 2012-13 because school districts received more local property tax revenues and therefore required less ERAF. In the State budget for FY 2013-14, the State reformed funding formulas for K-12 education that could reduce the County's share of excess ERAF in future years.
- \$9.6 million increase from secured property taxes due to growth in real property values and decline in tax refunds.
- \$14.6 million increase from sales and use taxes. In November 2012, the County voters approved Measure A that increases the sales tax throughout the County by half a cent for the next 10 years to fund the County's critical facilities and services.
- \$7.9 million **“new”** tax revenues from the Vehicle Rental Business License Tax . In June 2012, with the voter's 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 at a rate of 2.5% on the gross receipts effective July 1, 2012.
- The overall increase discussed above was reduced by a net amount of \$1.7 million due to various decreases and increases in other sources of taxes.

Tax Revenues (continued)

Property taxes are levied each fiscal year on taxable real property (secured) and personal property (unsecured) in the County.



Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	% of Change Total Taxable Assessed Value
2009	\$ 139,551	\$ 8,122	\$ 4,341	\$ 143,332	8%
2010	140,934	7,953	4,570	144,317	1%
2011	140,261	6,591	4,513	142,339	-1%
2012	142,562	6,194	4,849	143,907	1%
2013	146,968	6,382	4,624	148,726	3%



County's Top Ten Principal Property Assesseees

January 1, 2013
(In Millions)

	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Genentech	\$ 1,732	1.16%
United Airlines	1,078	0.72%
Gilead Sciences Incorporation	690	0.46%
Slough BTC	571	0.38%
Slough SSF LLC	487	0.33%
Oracle Corporation	477	0.32%
Pacific Shores Investors	408	0.27%
Virgin America Inc	386	0.26%
Wells Real Estate Investment Trust	325	0.22%
Continental Airlines Inc	313	0.21%
Total	\$ 6,467	4.33%

Given that property tax revenues make up the County's largest source of general fund discretionary revenues, the health of the local real estate market and associated changes in property assessed values are key indicators of the financial outlook for the County. The FY 2013-14 local combined property assessment roll value (\$156 billion as of January 1, 2013) for the County increased 6.01%, or \$8.8 billion, compared to last year. This increase in value translates to an increase in property tax revenues of about \$88 million countywide, shared by all local agencies (schools, cities, special districts and the County). The FY 2013-14 net property assessment value in the County is at the highest dollar amount and the fourth largest dollar increase in the County's history.

General Fund Financial Position

The **General Fund** is the County’s primary operating fund. The activities funded by the General Fund include general government, public protection, health and sanitation, public assistance, and recreation services.

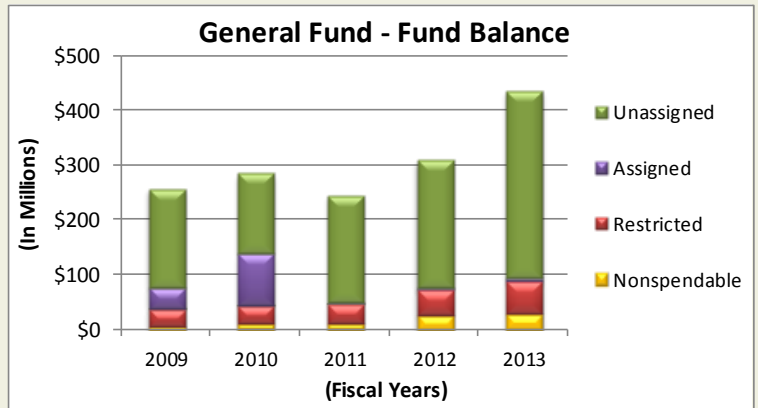
The focus of the County’s General Fund is to provide information on near-term inflows, outflows, and balances of unrestricted resources. Such information is useful in assessing the County’s financing requirements.

As a measure of General Fund’s liquidity, total unrestricted fund balance as well as total fund balance can be compared to General Fund’s total expenditures.

- Total unrestricted (assigned and unassigned) fund balance of the General Fund approximates 44% of its total expenditures.
- Total fund balance of the General Fund approximates 55% of its total expenditures.

At June 30, 2013, the General Fund had a total fund balance of \$437 million, made up the following:

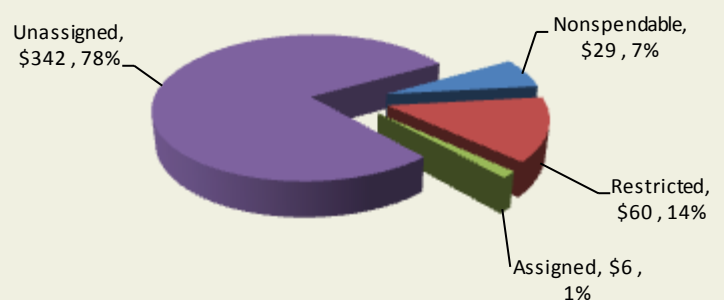
- \$29 million is **nonspendable**, which includes items that are not expected to be converted to cash such as inventories and prepaid items.
- \$60 million is **restricted**, which can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation.
- \$6 million is **assigned** to be used by the County for specific purposes.
- \$342 million is **unassigned** and can be used for any purposes.



“Change is the law of life. And those who look only to the past or present are certain to miss the future.”

— John F. Kennedy —

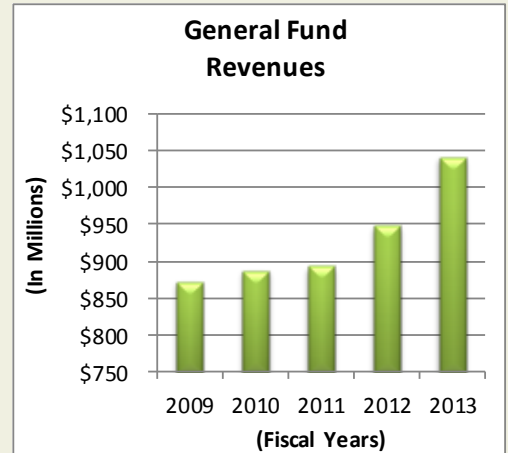
**General Fund - Fund Balance
June 30, 2013
(In Millions)**



General Fund Result of Operations

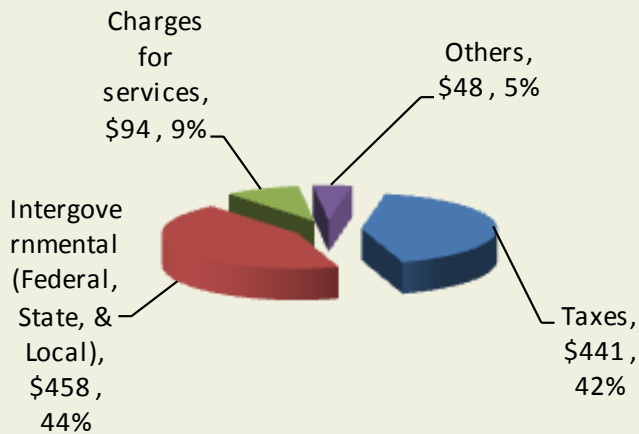
General Fund Revenues (In Millions)

Source	2013		2012		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 441	42%	\$ 367	39%	\$ 74 *	20%
Licenses and permits	6	1%	6	1%	-	0%
Intergovernmental	458	44%	433	46%	25	6%
Charges for services	94	9%	98	10%	(4)	-4%
Fines, forfeitures, and penalties	10	1%	11	1%	(1)	-9%
Rents and concessions	2	0%	2	0%	-	0%
Investment income	3	0%	8	1%	(5)	-63%
Other	27	3%	23	2%	4	17%
Total Revenues	\$ 1,041	100%	\$ 948	100%	\$ 93	10%

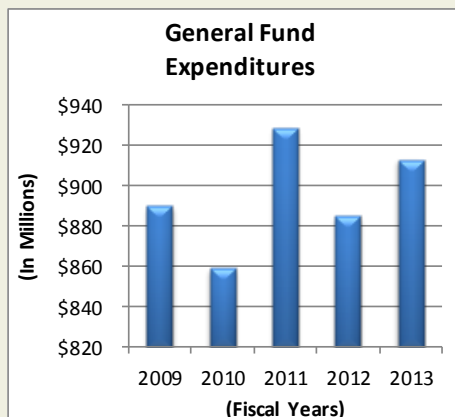
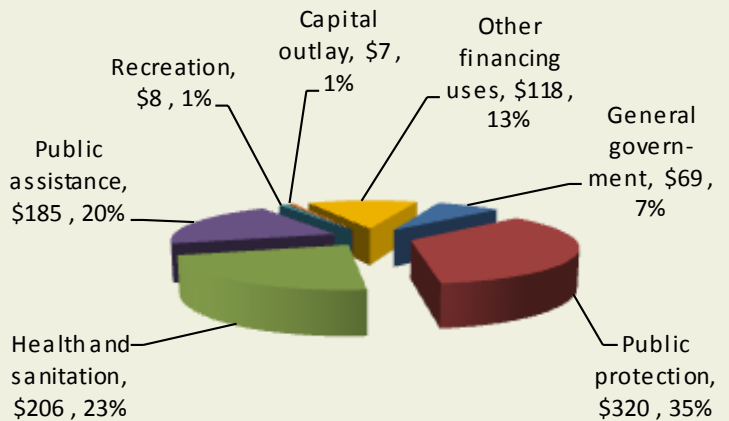


* See explanations on page 11.

General Fund Revenues FY 2012-13 (In Millions)



General Fund Expenditures FY 2012-13 (In Millions)



General Fund Expenditures (In Millions)

Function	2013		2012		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 69	9%	\$ 69	9%	\$ -	0%
Public protection	320	40%	317	40%	3	1%
Health and sanitation	206	26%	203	26%	3	1%
Public assistance	185	23%	188	23%	(3)	-2%
Recreation	8	1%	8	1%	-	0%
Capital outlay	7	1%	8	1%	(1)	-13%
Total functional expenditures	795	100%	793	100%	2	0%
Other financing uses	118		92		26	28%
Total expenditures	\$ 913		\$ 885		\$ 28	3%

General Fund Working Budget

In accordance with the County Budget Act, the County is required to prepare a balanced budget for each fiscal year on or before August 30. The County Board of Supervisors (County Board) generally passes a resolution in June extending the due date to October 2.

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. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County Board.

The County Board approves amendments or transfers of appropriations for an amount above \$50,000 or between budget units. The County Manager’s Office is authorized to approve transfers and revisions of appropriations up to \$50,000 within a single budget unit. Regardless of the amount, the County Board’s approval is required for supplemental appropriations normally financed by reserves or unanticipated revenues.

“A budget is just a method of worrying before you spend money, as well as afterward.”

— Anonymous —

**General Fund Expenditures
Budget vs. Actual By Department
FY 2012-13
(In Millions)**

General Fund Department	Budget		Actual Amount
	Amount	Percentage	
Health System	\$ 336.9	26.4%	\$ 310.1
Sheriff's Office	199.3	15.7%	173.8
Human Services Agency	188.5	14.7%	158.9
County Managers Office/Clerk of the Board	292.3	22.8%	110.9
Probation	77.5	6.0%	72.1
District Attorney	26.1	2.0%	23.9
Public Works	24.9	1.9%	19.7
Assessor	21.1	1.6%	18.0
Information Services Department	24.8	1.9%	15.9
Child Support Services	11.5	0.9%	10.7
Human Resources	10.7	0.8%	9.9
Controller	10.4	0.8%	8.3
Parks Department	8.6	0.7%	8.0
Housing	9.3	0.7%	7.7
County Counsel	10.2	0.8%	6.9
Planning and Building	7.9	0.6%	6.2
Tax Collector/Treasurer/Revenue Services	9.9	0.8%	4.9
Agriculture Weights and Measures	4.8	0.4%	4.4
Board of Supervisors	3.8	0.3%	3.1
Coroner	3.1	0.2%	2.5
Local Agency Formation Commission	0.3	0.0%	0.2
Total	\$ 1,281.9	100.0%	\$ 976.1

Intrafund transfers are used by the County to show reimbursements between operations within the same fund.

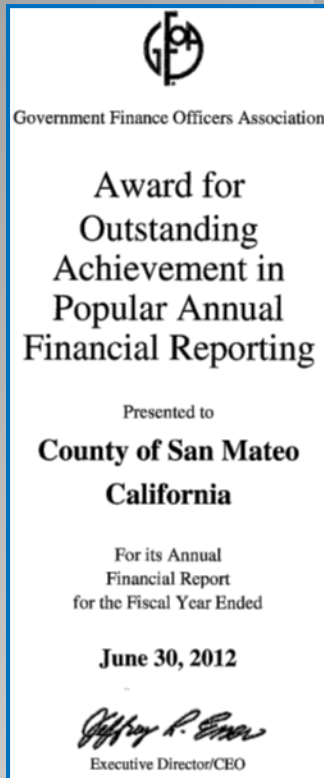
Contingencies are used by the County to address one-time emergencies and economic uncertainties.

**General Fund Expenditures
Budget vs. Actual By Class
FY 2012-13
(In Millions)**

Class	Budget	Actual
Salaries and benefits	\$ 572.6	\$ 541.4
Services and supplies	343.6	261.3
Other charges	232.8	191.6
Fixed assets	12.4	8.5
Other financing uses	124.3	118.9
Intrafund transfers	(170.4)	(145.6)
Contingencies	166.6	-
Total	\$ 1,281.9	\$ 976.1



Award for Outstanding Achievement



The Government Finance Officers Association of the United States and Canada (GFOA) has given an award for “Outstanding Achievement in Popular Annual Financial Reporting” to San Mateo County for its Financial Highlights publication for the fiscal year ended June 30, 2012. This Award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for “Outstanding Achievement in Popular Annual Financial Reporting” is valid for a period of one year only. San Mateo County has received this award for the last eleven consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

Bob Adler, CPA

San Mateo County Controller

