

**SAN BRUNO MOUNTAIN HABITAT  
CONSERVATION TRUST FUND**

**Financial Statements and  
Independent Auditor's Report**

**For the Fiscal Year Ended June 30, 2005**

# SAN BRUNO MOUNTAIN HABITAT CONSERVATION TRUST FUND

June 30, 2005

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**Office of Controller**



**TOM HUENING  
CONTROLLER**

**COUNTY OF SAN MATEO**

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**Independent Auditor's Report**

To the Board of Trustees  
San Bruno Mountain Habitat Conservation Trust Fund

We have audited the accompanying basic financial statements of the San Bruno Mountain Habitat Conservation Trust Fund (Trust Fund) as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust Fund as of June 30, 2005, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Trust Fund has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure - an amendment to GASB No. 3*, which modifies, adds and deletes certain disclosure requirements for cash and investments.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009, on our consideration of the Trust Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The budgetary comparison information on pages 16 through 17 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Trust Fund has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board had determined to supplement, although not required to be a part of, the basic financial statements.

*County of San Mateo Controller*

Redwood City, California  
June 30, 2009

**Office of Controller**



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**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed In Accordance  
with *Government Auditing Standards***

To the Board of Trustees  
San Bruno Mountain Habitat Conservation Trust Fund

We have audited the basic financial statements of the San Bruno Mountain Habitat Conservation Trust Fund (Trust Fund) as of and for the year ended June 30, 2005, and have issued our report thereon dated June 30, 2009. 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.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the Trust Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Trust Fund's accompanying financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Trust Fund in a separate letter dated June 30, 2009.

This report is intended solely for the information and use of the board of trustees, management, others within the Trust Fund administration and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

*County of San Mateo Controller*

Redwood City, California  
June 30, 2009

**BASIC FINANCIAL STATEMENTS**  
**Government-Wide Financial Statements**

# San Bruno Mountain Habitat Conservation Trust Fund

## Statement of Net Assets

June 30, 2005

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>                              |                                    |
| Cash and cash equivalents (Note 2)         | \$ 165,152                         |
| Securities lending collateral (Note 2)     | 24,744                             |
| Receivables, net (Note 3):                 |                                    |
| Accounts                                   | 42,391                             |
| Interest                                   | 1,116                              |
|  | <u>233,403</u>                     |
| Total Assets                               |                                    |
|  | <u>233,403</u>                     |
| <b>LIABILITIES</b>                         |                                    |
| Due to County of San Mateo (Note 4)        | 19,953                             |
| Accounts payable (Note 5)                  | 114,756                            |
| Securities lending collateral due (Note 2) | 24,743                             |
| Deferred revenue (Note 6)                  | 43,212                             |
|  | <u>202,664</u>                     |
| Total Liabilities                          |                                    |
|  | <u>202,664</u>                     |
| <b>NET ASSETS</b>                          |                                    |
| Unrestricted                               | <u>30,739</u>                      |
| Total Net Assets                           | <u>\$ 30,739</u>                   |

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



# San Bruno Mountain Habitat Conservation Trust Fund

## Statement of Activities

For the Year Ended June 30, 2005

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>EXPENSES</b>                                     |                                    |
| Salaries and benefits                               | \$ 6,107                           |
| Habitat management                                  | 139,574                            |
| Planning assistance                                 | 19,328                             |
| Audit   | 3,867                              |
| Office and miscellaneous expenses                   | 28,623                             |
| Total Program Expenses                              | <u>197,499</u>                     |
| <b>PROGRAM REVENUES (Note 7)</b>                    |                                    |
| Special assessments:                                |                                    |
| Homeowners and developer fees                       | 143,630                            |
| Operating contributions:                            |                                    |
| Developers  | 15,000                             |
| Total Program Revenues                              | <u>158,630</u>                     |
| Net Program (Expenses) Revenues                     | <u>(38,869)</u>                    |
| <b>GENERAL REVENUES (Note 7)</b>                    |                                    |
| Reimbursed costs                                    | 49,029                             |
| Investment earnings                                 | 3,394                              |
| Total General Revenues                              | <u>52,423</u>                      |
| Change in Net Assets                                | 13,554                             |
| <b>Net Assets - Beginning, as restated (Note 8)</b> | <u>17,185</u>                      |
| <b>Net Assets - Ending</b>                          | <u><u>\$ 30,739</u></u>            |

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

**BASIC FINANCIAL STATEMENTS**  
**Fund Financial Statements**

# San Bruno Mountain Habitat Conservation Trust Fund

## Balance Sheet

### Governmental Fund

June 30, 2005

#### ASSETS

|  |                   |
|--|-------------------|
| Cash and cash equivalents (Note 2)     | \$ 165,152        |
| Securities lending collateral (Note 2) | 24,744            |
| Receivables, net (Note 3):             |                   |
| Accounts                               | 42,391            |
| Interest                               | <u>1,116</u>      |
| Total Assets                           | <u>\$ 233,403</u> |

#### LIABILITIES AND FUND BALANCE

##### Liabilities:

|  |                |
|--|----------------|
| Due to County of San Mateo (Note 4)        | \$ 19,953      |
| Accounts payable (Note 5)                  | 114,756        |
| Securities lending collateral due (Note 2) | 24,743         |
| Deferred revenue (Note 6)                  | <u>43,212</u>  |
| Total Liabilities                          | <u>202,664</u> |

##### Fund Balance:

|                                    |                   |
|------------------------------------|-------------------|
| Unreserved-                        |                   |
| Undesignated                       | <u>30,739</u>     |
| Total Fund Balance                 | <u>30,739</u>     |
| Total Liabilities and Fund Balance | <u>\$ 233,403</u> |

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

**San Bruno Mountain Habitat Conservation Trust Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2005**

|  |                         |
|--|-------------------------|
| <b>REVENUES (Note 7)</b>   |                         |
| Contributions  | \$ 158,630              |
| Reimbursed costs   | 49,029                  |
| Investment earnings  | <u>3,394</u>            |
| Total Revenues   | <u>211,053</u>          |
| <br><b>EXPENDITURES</b>  |                         |
| County support   | 6,107                   |
| Habitat management   | 139,574                 |
| Audit  | 3,867                   |
| Office and miscellaneous expenses                                | 28,623                  |
| Planning assistance  | <u>19,328</u>           |
| Total Expenditures   | <u>197,499</u>          |
| Excess of Revenues Over Expenditures/ Net Change in Fund Balance | 13,554                  |
| <b>Fund Balance - Beginning , as restated (Note 8)</b>           | <u>17,185</u>           |
| <b>Fund Balance - Ending</b>                                     | <u><u>\$ 30,739</u></u> |

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

**BASIC FINANCIAL STATEMENTS**  
**Notes to the Basic Financial Statements**

**SAN BRUNO MOUNTAIN HABITAT CONSERVATION TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The San Bruno Mountain Habitat Conservation Trust Fund (Trust Fund) was created to carry out the purpose and provisions of the San Bruno Mountain Habitat Conservation Plan (the HCP), which attempts to resolve the endangered species and development conflict. The HCP allows limited development of endangered species habitat in exchange for implementation of a long-term program, funded by development, to protect and enhance the remaining portions of the San Bruno Mountain as habitat for the Mission Blue Butterfly and Callippe Silverspot Butterfly.

The HCP was adopted in 1983 and covers the entire area of San Bruno Mountain. The permit necessary to administer the HCP was issued by the U.S. Fish and Wildlife Service in 1983 and is in effect for thirty years. In 1983 the Trust Fund was also established by an agreement among the U.S. Fish and Wildlife Service, the California Department of Fish and Game, the California Department of Parks and Recreation, the County of San Mateo, the City of South San Francisco, the City of Brisbane, the City of Daly City and certain land developers. The members of the Board of Trustees are the County Manager of the County of San Mateo and the City Managers of the cities of Brisbane, Daly City and South San Francisco.

Currently, the County of San Mateo (County), as Plan Operator, is working with the U.S. Fish and Wildlife Service, the California Department of Fish and Game, the Habitat Manager and various consultants to amend the 1983 HCP Agreement. Transactions pertaining to the HCP amendment are accounted for in a separate fund maintained by the County.

The Trust Fund is an entity separate from each participating entity and the Board of Trustees controls the operations of the Trust Fund. Funding is provided by developers during construction and ongoing funding is provided by the new homeowners through the term of the Plan. The Trust Fund is administered by the San Mateo County Environmental Services Department.

The Trust Fund's financial transactions are accounted for in a Special Revenue Fund, as monies received by it are legally restricted to specific use. Trust Fund monies can only be expended for purposes authorized by the HCP agreement.

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

*GASB Statement No. 40*

During the year, the Trust Fund implemented GASB Statement No. 40 – *Deposit and Investment Risk Disclosure – an amendment to GASB No 3*. This statement adds to and changes some of the financial statement disclosures required for cash and investments. See Note 2.

**SAN BRUNO MOUNTAIN HABITAT CONSERVATION TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Government-Wide and Fund Financial Statements**

Government-wide financial statements (i.e. the statement of net assets and the statement of activities) and fund financial statements are presented for the Special Revenue Fund, a governmental fund, which accounts for all transactions of the Trust Fund. Under the new financial reporting model, governments are required to present government-wide and fund financial statements along with reconciliations between the two, where necessary. See 'Measurement Focus, Basis of Accounting and Financial Statement Presentation' below.

The statement of activities presents a comparison between direct expenses and program revenues of the Trust Fund. *Direct expenses* are those that are specifically associated with the Trust Fund. *Program revenues* refer to grants, contributions and other revenues that meet the operational or capital requirements of the program. Any revenues not classified as program revenues represent *general revenues*.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide 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 the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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 liabilities of the current period. For this purpose, the Trust Fund considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Fee assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Trust Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include 1) fees assessed to homeowners and developers for services provided, 2) operating grants and contributions, and 3) capital grants and contributions, as applicable. Internally dedicated resources are reported as *general revenue* rather than program revenues.

**SAN BRUNO MOUNTAIN HABITAT CONSERVATION TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

When both restricted and unrestricted resources are available for use, it is the Trust Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: Cash is pooled with other funds of the County to earn a higher rate of return than could be earned by investing the funds individually. The Trust Fund considers its equity in the County's investment pool to be cash equivalents.

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Fund Balance: The unreserved fund balance represents the amount available for future operations. Any reservations of fund balance for amounts not available for appropriation are separately reported.

**Use of Estimates**

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

**Budgetary Information**

The Board of Trustees approves and adopts an annual operating budget, which can be amended by the Board throughout the year. The basis used to prepare the budget is different from the basis used to reflect actual revenues and expenditures. Revenues and expenditures are recognized in the Trust Fund's budget on the cash basis of accounting except for contracted services, which are recognized on the modified accrual basis of accounting. See Note 1 of the notes to the required supplementary information on page 17 for detail.

**2. CASH AND CASH EQUIVALENTS**

**Cash and Cash Equivalents**

Cash is pooled with other funds in the San Mateo County Investment Pool (County Pool), which is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee comprised of local government officials and various participants provide oversight to the management of the fund. The Trust Fund is a voluntary participant in the County Pool.

Cash and cash equivalents in the County Pool are reported at fair value, as required by GASB 31. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of investment earnings. Fair value is based on information provided by the County Treasurer. The fair value of cash and cash equivalents as of June 30, 2005 approximates book value.



**SAN BRUNO MOUNTAIN HABITAT CONSERVATION TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**2. CASH AND CASH EQUIVALENTS (continued)**

At June 30, 2005, the County Pool was invested in the following securities:

| <u>Investment Type</u>                        | <u>Interest Rate</u> | <u>Maturities</u> | <u>Maturity<br/>(Years)</u> | <u>Rating</u> |
|---|----------------------|-------------------|-----------------------------|---------------|
| U.S. Governmental Securities:                 |                      |                   |                             |               |
| Not on securities loan                        | 3.875%               | 5/15/10           | .60                         | AAA           |
| Loaned securities for cash collateral         | 2.625% - 5.625%      | 5/15/08-10/15/09  | 2.84                        | AAA           |
| U.S. Government Agency Securities:            |                      |                   |                             |               |
| Not on securities loan                        | 1.70% - 6.25%        | 9/9/05-4/2/14     | 1.56                        | AAA           |
| Loaned securities for cash collateral         | 2.50% - 3.875%       | 9/15/06-4/15/09   | .21                         | AAA           |
| U.S. Government Agency Securities – Discount: |                      |                   |                             |               |
| Not on securities loan                        | 2.36% - 3.04%        | 7/1/05-8/29/05    | .07                         | AAA           |
| Loaned securities for cash collateral         | 2.41%                | 7/22/05           | -                           | AAA           |
| Certificate of Deposit                        | 3.28%                | 10/18/05          | -                           | AA            |
| Commercial Paper - Discount                   | 2.73% - 3.39%        | 7/1/05-9/1/05     | .02                         | A1            |
| Corporate Bonds                               | 1.75% - 6.25%        | 7/15/05-11/10/09  | 2.01                        | AAA-A         |
| Repurchase Agreements                         | 2.85%                | 7/1/05            | -                           | AAA           |
| Local Agency Investment Fund (LAIF)           | 2.95%                | On Demand         | .45                         | Unrated       |

**County Pool: Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

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

**County Pool: Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rate. One of the ways the County Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**SAN BRUNO MOUNTAIN HABITAT CONSERVATION TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**2. CASH AND CASH EQUIVALENTS (continued)**

**Concentration of Credit Risk**

State law restricts the County's investments in commercial paper to 40% of its investment pool and to 10% per issuer. State law also limits the County's investment in corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer. At June 30, 2005, the County had 12% of its investment pool in Federal Home Loan Mortgage Corporation, 7% in Federal Home Loan Bank, 13% in Federal Home Loan Association, 18% in commercial paper and 24% in corporate bonds and medium term notes. The County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization.

**Securities Lending Transactions**

State Statutes and San Mateo County's Investment Policy permit the use of a securities lending program with its principal custodian bank. The investment policy allows the custodial bank to lend up to 20% of the portfolio within the guidelines of the investment policy. The custodial agreement authorizes the bank to loan securities in the County Pool. The loaned securities represent securities on loan to brokers or dealers by the County Pool. The County receives a fee from the borrower for the use of the loaned securities. If loaned securities are not returned by the borrower, the County's Custodian is responsible for replacement of the loaned securities with similar securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the County or borrowers.

The loaned securities as of June 30, 2005 consisted of U.S. Treasury notes and bonds, U.S. government securities, and corporate bonds. In return, the County receives collateral in the form of cash or securities equal to at least 102% of the transferred securities plus accrued interest for reinvestment. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of one day. The relationship between the maturities of the investment pool and the County's loans is affected by the maturities of the securities loans made by the other entities that use the agent's pool, which San Mateo County cannot determine. Securities lending collateral represents investments in an investment pool purchased with cash collateral that may not be pledged or sold without default by the borrower.

Total cash collateral as of June 30, 2005 amounted to \$24,744. The value of underlying securities loaned by the County Pool as of June 30, 2005 amounted to \$24,264. The Trust Fund does not have any exposure to credit risk related to the securities lending transactions as of June 30, 2005 because the market value of cash collateral exceeded that of the borrowed securities.

**SAN BRUNO MOUNTAIN HABITAT CONSERVATION TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**3. RECEIVABLES**

**Accounts Receivable**

Accounts receivable represent amounts due from developers and homeowners for fees assessed during the year. As of June 30, 2005, the accounts receivable balance of \$42,391 was net of an allowance for uncollectible accounts of \$80,505.

**Interest Receivable**

The interest receivable balance of \$1,116 represents fourth quarter investment earnings due from the County Treasurer.

**4. DUE TO COUNTY OF SAN MATEO**

Amounts reported as due to County of San Mateo represent amounts related to the HCP amendment that were recorded in the Trust Fund as follows:

|                                  |                  |
|----------------------------------|------------------|
| Revenues                         | \$ 145,389       |
| Expenditures                     | <u>(125,436)</u> |
| Due to County of San Mateo - Net | <u>\$ 19,953</u> |

**5. ACCOUNTS PAYABLE**

Accounts payable comprises of amounts due for contracted services at fiscal year-end as follows:

|                     |                   |
|---------------------|-------------------|
| Habitat management  | \$ 80,591         |
| Planning assistance | 8,780             |
| Audit               | <u>25,385</u>     |
| Total               | <u>\$ 114,756</u> |

**6. DEFERRED REVENUE**

The deferred revenue balance of \$43,212 represents amounts collected from several homeowners, developers and homeowner associations who are currently invoiced on a calendar year basis. The portion of revenue billed for the period from July 1 through December 31 is shown as deferred.

**SAN BRUNO MOUNTAIN HABITAT CONSERVATION TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**7. REVENUES**

The Trust Fund's major sources of revenue are collections from homeowners, homeowner associations and developers for fees assessed per the HCP agreement. Contributions are deposited monthly, quarterly or annually, based on the agreements signed at the time construction began.

Other sources of revenue include the following: a) interest income received quarterly from the County Treasurer, b) funds from developers, which represent reimbursements for costs associated with the HCP and incurred by the Trust Fund and c) additional contributions from individuals developing adjacent to HCP boundaries.

**8. PRIOR PERIOD ADJUSTMENT**

Net assets and fund balance at the beginning of the fiscal year have been restated to reverse revenues and expenditures related to the HCP Amendment that were previously recorded in the Trust Fund in error. The effect of the restatement was a reduction in net assets and fund balance of \$122,161 and \$12,435, respectively.

**9. RISK MANAGEMENT**

As per the Agreement, the County of San Mateo added the Trust Fund to its excess liability insurance coverage. The existing insurance coverage is current as of the issuance of this report. The County Counsel provides legal representation for any claims or litigation of the Trust Fund at no charge.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**San Bruno Mountain Habitat Conservation Trust Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Governmental Fund**  
**For the Year Ended June 30, 2005**

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual Amount<br/>Budgetary Basis</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|-------------------------|--|---|
| <b>REVENUES</b>                           |                            |                         |  |   |
| Contributions                             | \$ 145,000                 | \$ 145,000              | \$ 154,218                               | \$ 9,218  |
| Reimbursed costs                          | 30,000                     | 30,000                  | 16,506                                   | (13,494)  |
| Investment earnings                       | 3,500                      | 3,500                   | 3,394                                    | (106)   |
| Total Revenues                            | 178,500                    | 178,500                 | 174,118                                  | (4,382)   |
| <b>EXPENDITURES</b>                       |                            |                         |  |   |
| County support                            | 13,500                     | 13,500                  | 6,107                                    | 7,393   |
| Habitat management                        | 132,647                    | 145,455                 | 139,574                                  | 5,881   |
| Audit                                     | 3,667                      | 3,667                   | 3,867                                    | (200)   |
| Planning assistance                       | 9,000                      | 9,000                   | 19,328                                   | (10,328)  |
| Total Expenditures                        | 158,814                    | 171,622                 | 168,876                                  | 2,746   |
| Net Change in Fund Balance                | \$ 19,686                  | \$ 6,878                | 5,242                                    | \$ (1,636)  |
| <b>Fund Balance - Beginning, restated</b> |                            |                         | 105,794                                  |   |
| <b>Fund Balance - Ending</b>              |                            |                         | \$ 111,036                               |   |

**Explanation of difference between budgetary revenues and GAAP revenue:**

|  |            |
|--|------------|
| Actual amount of "Total Revenues" (budgetary basis)  | \$ 174,118 |
| The Trust Fund budgets for special assessments only to the extent expected to be received, rather than on the modified accrual basis | 36,935     |
| Total Revenue as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance                                     | \$ 211,053 |

**Explanation of difference between budgetary expenditures and GAAP expenditures:**

|   |            |
|---|------------|
| Actual amount of "Total Expenditures" (budgetary basis)   | \$ 168,876 |
| The Trust Fund budgets for expenditures, except for contracted services, only to the extent to be paid, rather than on the modified accrual basis | 28,623     |
| Total Expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance   | \$ 197,499 |

**SAN BRUNO MOUNTAIN HABITAT CONSERVATION TRUST FUND**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2005**

**1. BUDGETS, BUDGETARY PROCESS AND ENCUMBRANCES**

The Board of Trustees adopts an annual operating budget, which can be amended by the Board throughout the year. As discussed in Note 1 of the notes to the financial statements, the basis used to prepare the budget is different from the basis used to reflect actual revenues and expenditures. Revenues and expenditures are recognized in the Trust Fund's budget on the cash basis of accounting except for contracted services, which are recognized on the modified accrual basis of accounting. The financial statements report revenues and expenditures on the modified accrual basis of accounting as required by Generally Accepted Accounting Principles (GAAP). Adjustments were made to certain budgeted accounts to reflect changes made in financial statement presentation.

The Trust Fund uses the encumbrance system in IFAS to assist in controlling expenditures. Purchase orders, contracts and other commitments for the expenditures of monies are recorded under this system in order to reserve applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance as they do not constitute expenditures or liabilities.

The amount reported in the Trust Fund as fund balance on the budgetary basis of accounting on page 16 differs from the fund balance reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance* on page 8 because of the cumulative effect of transactions such as those described on the reconciliations provided on the *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual* on page 16.

**2. EXPENDITURES IN EXCESS OF BUDGET**

During the fiscal year ended June 30, 2005 expenditures for audit exceeded the budget by \$200 and expenditures for planning assistance exceeded the budget by \$10,328; however, total expenditures for the year reflect a favorable variance of \$2,746.