



**County of San Luis Obispo, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012**

Prepared under the direction of Gere W. Sibbach, CPA, Auditor-Controller



COUNTY OF SAN LUIS OBISPO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION



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Office of the Auditor-Controller
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December 28, 2012

Honorable Board of Supervisors
County of San Luis Obispo
1055 Monterey Street, Suite D430
San Luis Obispo, California 93408

Your Honorable Board:

The Comprehensive Annual Financial Report (CAFR) of the County of San Luis Obispo for the fiscal year ended June 30, 2012, is hereby submitted as mandated by Sections 25250 and 25253 of the Government Code of the State of California. These statutes require that the County publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the County of San Luis Obispo. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County of San Luis Obispo has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County of San Luis Obispo's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County of San Luis Obispo's comprehensive framework of internal controls has been designed to provide a reasonable rather than an absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County of San Luis Obispo's financial statements have been audited by Gallina LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide a reasonable assurance that the financial statements of the County of San Luis Obispo for the fiscal year ended June 30, 2012, are free of any material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor

concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County of San Luis Obispo's financial statements for the fiscal year ended June 30, 2012, are fairly presented and in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County of San Luis Obispo (County) was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County of San Luis Obispo's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County of San Luis Obispo's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The County of San Luis Obispo, incorporated in 1850, is located on the central coast of the State of California, midway between Los Angeles and San Francisco. The County of San Luis Obispo currently occupies a land area of 3,326 square miles and serves a population of 273,231 residents. Approximately 44% of the population resides in the unincorporated area. The seven cities of the County are Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo.

A five-member County Board of Supervisors is the legislative authority and governance for the County. Each supervisor is elected to a four-year term in nonpartisan districts. The terms are staggered with two supervisors being elected then three supervisors being elected in alternating election years. The Board is responsible among other things, for establishing ordinances, adopting the budget, appointing committees, and hiring the County Administrator and non-elected department heads. The County Administrator is responsible for carrying out the policies and ordinances of the Board and for overseeing the day-to-day operations of the County. The County has six elected department heads responsible for the offices of the County Clerk-Recorder, Assessor, Treasurer-Tax Collector-Public Administrator, Auditor-Controller, District Attorney, and Sheriff-Coroner.

The County of San Luis Obispo provides a full range of services, including public safety and fire protection; construction and maintenance of highways, streets, and other infrastructure; health and social programs that promote the well-being of the community; and recreational activities and cultural events.

The annual budget serves as the foundation for the County of San Luis Obispo's financial planning and control. The County Budget Act, as presented in California Government Code section 29000 and 30200, provides the general provisions and requirements for preparing and approving the County budget. All County departments are required to submit budget requests to the County Administrator on or before June 10th of each year. The budgets are then reviewed by the County Administrator, and compiled into a proposed budget with a County Administrator's recommendation. Public hearings are set in the month of June, with the Board of Supervisors adopting the final budget before the start of the next fiscal year. The proposed budget is prepared by fund, function (e.g., public safety), and department or division (e.g., Sheriff). During the year, department heads may make transfers of appropriations within a division with the approval of the County Administrator and Auditor-Controller. Transfers of appropriations between departments or increases in the budget from new revenue sources, reserves and/or contingencies require Board of Supervisors approval. Monthly estimates for both revenues and expenditures are used to assist departments with budgetary control, and quarterly reports are submitted by each department to the County Administrator and the Board on the status of their budgets.

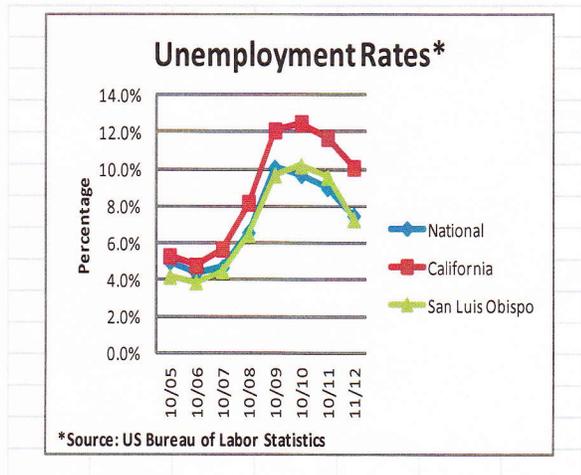
Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the required supplementary information immediately following the notes to the financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of the statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County of San Luis Obispo operates.

Employment:

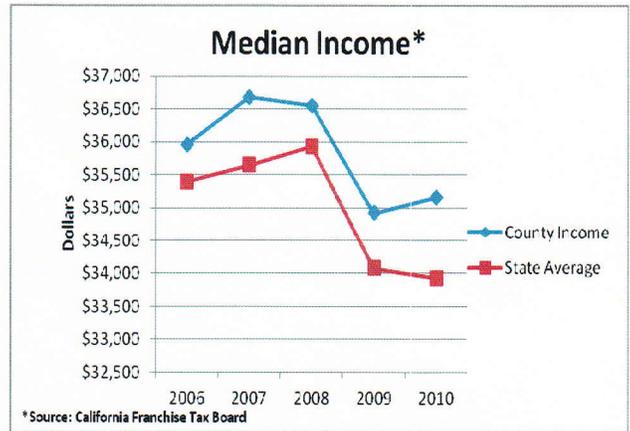
- Unemployment in the County as of October 30, 2012 was 7.3%, which is lower than the state rate of 10.1% and slightly lower than the national average (7.5%). Last year at this time unemployment in the County was 9.6%.
- The State of California has a major presence in this area with California Men's Colony, Atascadero State Hospital, CalTrans, and California Polytechnic State University, making the State the largest employer in the County. The reduction of the State workforce previously had an impact on the County's



unemployment rate. However, with an optimistic recovery in the economy and some of the cost saving measures implemented by the State unemployment statewide is showing improvements.

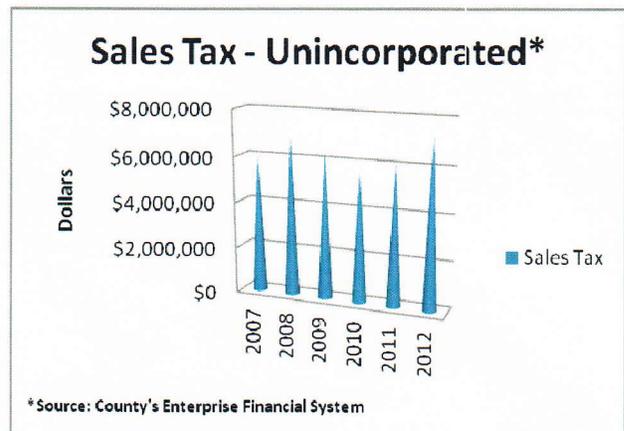
Income:

- Family average income of \$35,155, as reported to the Franchise Tax Board, increased by just under 1% from 2009 to 2010 (most recent data) for the residents of the County of San Luis Obispo.
- The San Luis Obispo 2010 average family income of \$35,155 was approximately 3.6% higher than the State average. San Luis Obispo County ranked 20th out of 58 counties when comparing annual income, in 2009 we were ranked 23rd.



Retail Sales:

- Retail sales for the County of San Luis Obispo as a whole increased by 5.0% from 2009 to 2010 according to the State Board of Equalization.
- The unincorporated area of the County of San Luis Obispo, for the second year in a row, realized a significant increase in sales tax revenue. From June 2011 to June 2012 sales tax revenue increased by 19.56%.



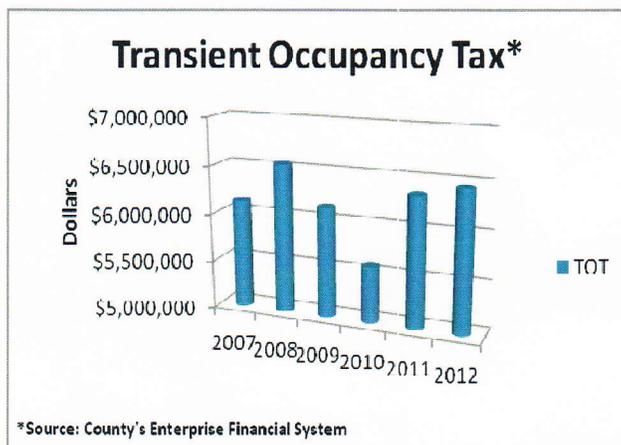
Real Estate:

- People's desire to live in the area kept the median home price at \$365,000 as of October 2012. This is an increase of 11.45% from the same period in the prior year. Increase of the median home price demonstrates that the local real estate market may have reached its low and is starting to rebound. Local economists are optimistic but remain guarded implying a real estate recovery will be slow, but we are seeing signs of improvement.
- Discretionary property tax revenue indicators clearly illustrate a slowly recovering local economy. Discretionary revenue receipts were \$149 million, an increase of 2% over the prior year.

- The total tax levy of secured property of \$447,610,414 for fiscal year 2012-2013 is an increase of 1.3% from the previous year.
- Property Transfer Tax is related to the value and number of real estate transactions during the year. The unincorporated area of the County saw an increase of close to 31% during 2011-2012. When this is compared to the prior fiscal years of decreases it implies that housing sales may be stabilizing. However, Property Transfer Tax is still close to 50% lower than it was in 2005.
- The property tax delinquency rate was the lowest it has been since 2005/2006 and has now decreased for 3 years in a row indicating that foreclosures are slowing down, and family income is remaining stable.
- Building permits issued remained stable from 2011 to 2012, but are still hovering around the lowest number of permits issued in the last 10 years. However, the valuation of the permits issued increased by 600% over the last fiscal year due to the building of two solar farms and the rebuilding of an oilfield.

Tourism:

- Transient occupancy tax increased in 2012 by 1.7% in the unincorporated area. The pristine coastline, small town atmospheres, sweeping vineyards, excellent restaurants, and friendly attitudes of the local residents make San Luis Obispo County a desired tourist destination.
- Tourists to San Luis Obispo County recognize the community’s commitment to environmental efforts, the latest being the Plastic Bag Ban. Shoppers must carry their own bags or purchase paper bags from the local vendors for 10 cents a bag. It was argued that plastic bags create serious litter and landfill problems as well as cause damage to local wildlife.



Long-term financial planning:

- The 2012-2013 fiscal year budget was developed to address major changes in the overall financial status of the County. The 2007 to 2010 downturn in the housing market continues to have a significant impact on the County’s main discretionary revenue source, property taxes. This factor, along with increases in employee pension costs produced another lean budget year. The final 2012-2013 budget authorized a \$490.9 million spending level, which is an increase over the \$443.2 million budget from the 2011-2012 FY. The general fund included \$403.0 million appropriated to finance the current year’s expenditures including contingencies, with \$8 million placed in general reserves and \$10.3 million earmarked for designations. The 2012-2013 FY budget anticipates that

the 2013-2014 FY will continue to be relatively flat. Accepting this outlook, hiring reservations are still in place so only positions that are critical to public health, public safety or essential for key operations will be filled.

- Each year a 5-year Capital Improvement Program (CIP) is compiled. The CIP is a plan for short range and long-range capital acquisition and development. It also includes plans to improve or rehabilitate County-owned roads and facilities. The plan provides the mechanism for estimating capital requirements; setting priorities; monitoring and evaluating the progress of capital projects; and informing the public of projected capital improvements and unfunded needs. While the CIP covers a five-year planning period, it is updated each year to reflect ongoing changes as new projects are added, existing projects modified, and completed projects deleted from the plan document. The five-year CIP does not appropriate funds; rather it serves as a budgeting tool, identifying those Capital Project appropriations to be made through the adoption of the County's annual budget. The 2012-2013 FY capital budget included only one new project. Total 2012-2013 appropriations for Capital Projects are approximately \$28.8 million. Many of the existing projects will be completed over multiple years.

Relevant Financial Policies:

- **Balanced Budget:** The County Administrative Officer shall present a balanced budget for all County operating funds on an annual basis.
- **Budget Cuts:** County departments have been able to absorb the decreases in revenue through budget cuts without having to create furlough days or implement staff layoffs of permanent full-time positions. Staff has been allowed to take Voluntary Time Off which results in a salary savings to their respective departments.
- **Budget Priorities:** For the FY 2012-2013 Budget the Board of Supervisors established budget priorities of a) Meet legal mandates; b) Meet debt service requirements; c) Provide public safety.
- **Use of "One-Time" Funds:** One-time revenue shall be dedicated for use for one-time expenditures. Annual budgets will not be increased to the point that ongoing operating costs become overly reliant upon cyclical or unreliable one-time revenues.
- **Adopt a Formal Debt Policy:** A comprehensive Debt Management Policy was developed by the Auditor-Controller and approved by the Debt Advisory Committee. It was adopted by the Board of Supervisors on December 14, 2010.
- **Cost Recovery through Fees:** Utilize fees to recover costs where reasonable and after all cost savings options have been explored.
- **Scrutinized Hiring:** Hiring restrictions are still in place so only positions that are critical to public health, public safety or essential for key operations will be filled.

The Sheriff's Department has added new positions due to the AB 109 public safety realignment. AB 109 has transferred a number of inmates from state prisons back to local jails.

- Pension Cost: The County has implemented a Tier II retirement plan for new employees for most of the employee bargaining units. The Tier II plan will reduce future employee retirement benefits and limit the County's future pension obligation. All new pension cost increases will be shared equally between the County and employees. In addition, Governor Brown implemented a Public Employee Pension Reform Act which takes effect on January 1, 2013. The County plans to establish a Tier III retirement plan and comply with or exceed the requirements of the pension reform legislation.

Major Initiatives:

- Los Osos Sewer Project: This project is underway and is being led by the County's Public Works Department. This high profile project has changed leadership numerous times and been debated for a number of years. Indecision and disagreement have led to multiple delays and increased project costs. This project is a requirement of the State to protect the local ground water tables which risk infusion from the numerous residential septic systems in the community of Los Osos.
- Women's Jail Expansion Project: Partially due to AB 109 public safety realignment, the County has decided to re-start the Women's jail expansion project. The Sheriff's Department is currently housing approximately 75 women in a facility that was designed for 43 female inmates. The expansion project should take approximately 3 years and when completed will house up to 198 inmates.
- Pandemic Response: The Health Agency's annual distribution of flu vaccinations prepares emergency responders to effectively handle pandemic threats.
- Anti-Gang Coordinating Commission: The Commission is coordinated through the efforts of the District Attorney, Sheriff-Coroner, and Chief Probation Officer. Due to their work, gang related cases have significantly decreased in the past three years.
- Greenhouse Gas Reduction: The County designed and implemented alternative work schedules to reduce the County's greenhouse gas footprint by decreasing the number of employee vehicle miles driven to and from work.
- Automation Enhancements: The County installed a new case management system linking together the public protection agencies of Sheriff-Coroner, District Attorney, Probation, and the local courts. The County also implemented a new case management system for the Health Agency divisions of Mental Health, Drug and Alcohol Services, and Public Health. These projects are still ongoing.

- Property Tax System: The County's mainframe Property Tax system is undergoing a platform change to a more usable and flexible server platform. This restructuring will reduce annual information technology maintenance cost and is part of the County's master plan of moving off of the mainframe.

Awards and Acknowledgments

Awards:

- The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of San Luis Obispo for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the twenty-sixth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report satisfied 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.

Acknowledgements:

- The preparation of the Comprehensive Annual Financial Report would not have been possible without the efficient and dedicated services of the entire staff of the Auditor-Controller's Office. We would like to acknowledge the special efforts of our Enterprise Financial System Operations Division and our independent auditors, Gallina LLP, for their assistance in the report preparation. We would also like to express our appreciation to all County departments who assisted in this process and to the Board of Supervisors for its leadership responsibility and unfailing support to ensure the continued general fiscal health and integrity of the County.

Respectfully submitted,



Gere W. Sibbach, CPA
Auditor-Controller



Dan Buckshi
County Administrative Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Luis Obispo
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Christopher P. Moivell

President

Jeffrey R. Emer

Executive Director

COUNTY OF SAN LUIS OBISPO

LIST OF ELECTED AND APPOINTED OFFICIALS

JUNE 30, 2012

Elected Officials

Board of Supervisors

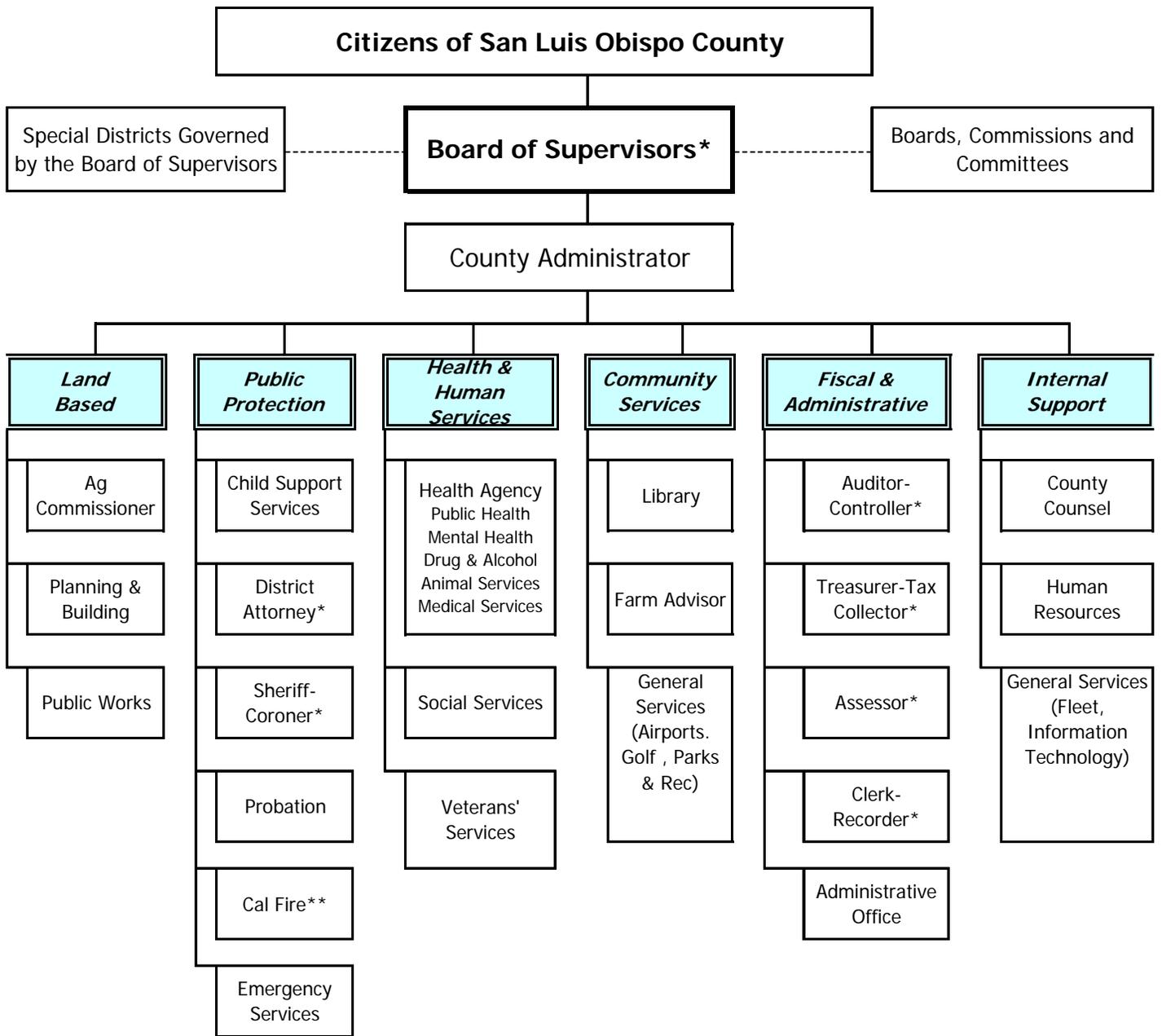
District #1 Frank R. Mecham
 District #2 Bruce S. Gibson
 District #3 Adam Hill
 District #4 *Vice-Chairperson* Paul Teixeira
 District #5 *Chairperson* James R. Patterson

Other Elected Officials

Assessor Tom J. Bordonaro Jr.
 Auditor-Controller Gere W. Sibbach
 Clerk-Recorder Julie L. Rodewald
 District Attorney Gerald T. Shea
 Sheriff-Coroner Ian Parkinson
 Treasurer/Tax Collector/Public Administrator Frank L. Freitas

Appointed Officials

Agricultural Commissioner Marty Settevendemie
 Chief Probation Officer James Salio
 Child Support Services Director Phil Lowe
 County Administrator Jim Grant
 County Counsel Warren Jensen
 County Fire Robert Lewin
 Behavioral Health Administrator Karen Baylor
 General Services Agency Director Janette Pell
 Farm Advisor Richard Enfield
 Health Agency Director Jeff Hamm
 Human Resources Director Tami Douglas-Schatz
 Library Director Brian A. Reynolds
 Planning Jason Giffen
 Public Health Officer Penny Borenstein
 Public Works Director Paavo Ogren
 Social Services Director Lee Collins
 Veteran's Service Director Dana Cummings



* Elected Officials

**Contract



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of San Luis Obispo, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Luis Obispo, California (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Luis Obispo County Pension Trust Fund, and the First 5 San Luis Obispo County, a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us. Our opinion, insofar as it relates to the amounts included in the San Luis Obispo County Pension Trust Fund, and the First 5 San Luis Obispo County is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit, and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Luis Obispo, California, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Honorable Board of Supervisors
County of San Luis Obispo, California

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, 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 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.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the County of San Luis Obispo's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial 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 financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Gallina LLP

Roseville, California
December 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



**COUNTY OF SAN LUIS OBISPO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

As management of the County of San Luis Obispo, (the County), we offer readers the County's financial statements, this narrative overview, and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the County's financial statements, which begin on page 39. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS (in thousands)

- ❖ The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$1,583,698 (*net assets*). Of this amount \$298,535 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, \$31,477 is restricted for specific purposes (*restricted net assets*), and \$1,253,686 is invested in capital assets, net of related debt. (Table A)
- ❖ The County's net assets increased by \$39,914 during the current fiscal year. The increase in restricted and unrestricted net assets represents the degree to which increases in ongoing revenues exceeded increases in ongoing expenditures. The increase in capital assets net of related debt represents capital acquisitions during the year reduced by depreciation and increased by retirement of long-term debt. (Table B)
- ❖ As of June 30, 2012 the County's governmental activities reported combined ending net assets of \$1,396,816, an increase of \$40,794 in comparison with the prior year. Approximately 20% of the combined fund balances, or \$265,454 is available for spending at the County's discretion for current and future needs (*unrestricted net assets*). (Table A)
- ❖ Business-type activities posted net program income of \$2,555 before general revenues, contributions and transfers from other funds, a decrease of \$1,332 when compared to net program income of \$3,887 in the prior year. Significant differences from the prior year include increased water sales in the Nacimiento Water Contract fund of \$4,899 and a one-time charge of \$6,288 in the Los Osos Wastewater fund related to the assumption of State loans from the Los Osos CSD.
- ❖ At the end of the fiscal year, spendable fund balance of the general fund was \$177,853 or 52% of total general fund expenditures.
- ❖ The County issued new Assessment bonds of \$15,364 to the USDA to finance costs of the Los Osos Wastewater project, repaying Bond Anticipation notes of \$8,677 issued in the prior year. Additional bonds will be issued as future project expenditures occur.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide financial statements

The *Government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee vacation balances).

Both of the 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 significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the County include public protection, public ways and facilities, health and sanitation, public assistance, education, recreational and cultural services and general government. The main business-type activities of the County include the airport, golf courses, flood control districts, the Nacimiento water project and county services areas.

Blended component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. They include county service areas, transit districts, flood control districts, waterworks districts, lighting maintenance districts, and the San Luis Obispo County Public Facilities Corporation and San Luis Obispo County Financing Authority.

The County discretely presents the First 5 San Luis Obispo County component unit. The mission of First 5 is to allocate funds from the California Children and Families Trust Fund and advocate for quality programs and services, supporting children prenatal to age 5, to ensure that every child is healthy and ready to learn in school. First 5 does not meet the requirements for blending, and therefore its financial activities are presented separately from the County.

The government-wide financial statements can be found on pages 39 to 41 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – 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 the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains twenty-five individual governmental funds organized according to their type: *general, special revenue, debt service, and capital projects*. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are considered to be major funds. Data from the remaining twenty-three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements found in the other supplementary information section of this report.

A budgetary comparison statement has been provided for the general fund and any major special revenue funds to demonstrate compliance with the budget and can be located in the required supplementary section of the report. Individual budgetary data for each of the non-major governmental funds is provided in the other supplementary information section of this report.

The basic governmental fund financial statements can be found on pages 45 to 48 of this report.

Proprietary funds – The County maintains two different types of proprietary funds, *enterprise* and *internal service funds*. *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 airport, golf course, transit districts, flood control districts, waterworks districts and county service areas. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its reprographic services, vehicle operations and maintenance, public works services, Other Post Employment Benefits, and self-insurance programs. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the *government-wide financial statements*, only in more detail. The Airport, Nacimiento Water Contract, State Water Project, Lopez Flood Control, and Los Osos Wastewater funds are considered to be major funds of the County and are presented separately in the *proprietary fund financial statements*. All other enterprise funds have been combined into a single column for presentation. The eight internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service and enterprise funds is provided in the form of *combining statements* found in the other supplementary section of this report.

The basic proprietary fund financial statements can be found on pages 49 to 51 of this report.

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

The basic fiduciary fund financial statements can be found on pages 52 to 53 of this report.

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

The notes to the basic financial statements can be found on pages 55 to 91 of this report.

Required Supplementary Information – The statements are followed by a section of *required supplementary information* (RSI) that further explains and supports the information in the financial statements.

The required supplementary information can be found on pages 93 to 99 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Other Supplementary Information – In addition to the basic financial statements, accompanying notes, and required supplementary information, this report also presents certain *other supplementary information* concerning the County's general fund and special revenue funds budgetary schedules and combining and individual fund statements.

Combining and individual fund statements and schedules – The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds, enterprise, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 103 to 118 and 139 to 163 of this report.

Budgetary comparison schedules – Budgetary comparison schedules for major funds (other than the General Fund which is presented with the individual General Fund statements). The budgetary comparison schedules for the Capital Projects, Pension Obligation Bond, Public Financing Corporation and non-major Special Revenue funds can be found on pages 119 to 138 of this report.

Detail Budgetary schedules demonstrating legal level of compliance with budgetary control for the General Fund are presented with the individual General Fund statements on pages 167 to 173 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

In accordance with changes in governmental accounting standards, the County applied Governmental Accounting Standards Board (GASB) Statement No. 34 to these financial statements.

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities \$1,583,698.

Table A
Statement of Net Assets
June 30, 2012
(in thousands)

	June 30, 2012			June 30, 2011			2011-
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Total % Chg
Assets:							
Current assets	\$ 353,819	\$ 169,017	\$ 522,836	\$ 346,969	\$ 177,609	\$ 524,578	(0.3%)
Other long-term assets	139,500	16,134	155,634	136,763	20,307	157,070	(0.9%)
Capital assets	1,125,153	415,313	1,540,466	1,111,182	405,853	1,517,035	1.5%
Total assets	<u>1,618,472</u>	<u>600,464</u>	<u>2,218,936</u>	<u>1,594,914</u>	<u>603,769</u>	<u>2,198,683</u>	0.9%
Liabilities:							
Long-term liabilities	170,518	275,774	446,292	174,047	259,970	434,017	2.8%
Other liabilities	51,138	137,808	188,946	67,685	153,197	220,882	(14.5%)
Internal balances	-	-	-	(2,840)	2,840	-	-
Total liabilities	<u>221,656</u>	<u>413,582</u>	<u>635,238</u>	<u>238,892</u>	<u>416,007</u>	<u>654,899</u>	(3.0%)
Net assets:							
Invested in capital assets, net related debt	1,099,885	153,801	1,253,686	1,084,978	149,097	1,234,075	1.6%
Restricted	31,477	-	31,477	36,258	-	36,258	(13.2%)
Unrestricted	265,454	33,081	298,535	234,786	38,665	273,451	9.2%
Total net assets	<u>\$ 1,396,816</u>	<u>\$ 186,882</u>	<u>\$ 1,583,698</u>	<u>\$ 1,356,022</u>	<u>\$ 187,762</u>	<u>\$ 1,543,784</u>	2.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Analysis of Net Assets

Approximately 19%, or \$298,535 of the County's net assets represents unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors.

The most significant portion of the County's net assets, \$1,253,686 or 79%, reflects its investment in capital assets net of accumulated depreciation (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of the County's net assets of \$31,477, or 2%, represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County reported positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental activities and business-type activities. Net assets for governmental activities increased \$40,794 and net assets for business activities decreased \$880 resulting in an overall increase of \$39,914 in the County's total net assets.

Invested in capital assets, net related debt for business type activities increased \$4,704. This increase is due to a contribution of land made by the Los Osos CSD to the Los Osos Wastewater fund in the amount of \$2,470 having no related debt, as well as reductions to capital related debt from scheduled debt service principal payments.

Invested in capital assets, net related debt for governmental activities increased \$14,907. The majority of the increase is associated with construction in progress for several large infrastructure projects having no related debt, and the retirement of capital related long-term debt.

There was an increase of \$25,084 in *unrestricted* net assets reported in connection with the Total Primary Government. This category represents net assets of the County that are not subject to constraints imposed by creditors, grantors, contributors, laws or regulations. This amount may be used to meet the County's general obligations. The increase was due to excess general revenues over net program revenues and a decrease in amounts restricted for commitments to creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following table indicates the changes in net assets for governmental and business-type activities:

Table B
Statement of Activities
For the Year Ended June 30, 2012
(in thousands)

	June 30, 2012			June 30, 2011			2011-2012
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government	Total % Chg
Revenues:							
Program revenues:							
Charges for services	\$ 53,171	\$ 37,789	\$ 90,960	\$ 61,966	\$ 32,218	\$ 94,184	(3.4%)
Operating grants and contributions	188,526	468	188,994	183,502	1,335	184,837	2.2%
Capital grants and contributions	14,020	9,329	23,349	7,771	11,719	19,490	19.8%
General revenues:							
Property taxes	140,288	3,799	144,087	139,214	3,841	143,055	0.7%
Other taxes	16,330	28	16,358	14,393	28	14,421	13.4%
Interest and investment income	1,202	0	1,202	986	965	1,951	(38.4%)
Grants not restricted to specific programs	3,978	755	4,733	3,520	-	3,520	34.5%
Other revenues	-	31	30	172	447	619	(95.2%)
Total revenues	<u>417,514</u>	<u>52,199</u>	<u>469,713</u>	<u>411,524</u>	<u>50,553</u>	<u>462,077</u>	1.7%
Expenses:							
General government	35,231	-	35,231	35,344	-	35,344	(0.3%)
Public protection	136,219	-	136,219	132,413	-	132,413	2.9%
Public ways and facilities	27,120	-	27,120	27,365	-	27,365	(0.9%)
Health sanitation	65,799	-	65,799	66,657	-	66,657	(1.3%)
Public assistance	96,435	-	96,435	98,841	-	98,841	(2.4%)
Education	10,000	-	10,000	10,057	-	10,057	(0.6%)
Recreational and cultural services	7,344	-	7,344	7,363	-	7,363	(0.3%)
Interest on Long-term debt	6,620	-	6,620	6,787	-	6,787	(2.5%)
Airport	-	5,422	5,422	-	7,732	7,732	(29.9%)
Golf	-	2,863	2,863	-	2,690	2,690	6.4%
State water contract	-	6,761	6,761	-	6,705	6,705	0.8%
Nacimiento Water Contract	-	11,901	11,901	-	11,844	11,844	0.5%
Lopez dam	-	5,752	5,752	-	6,499	6,499	(11.5%)
General Flood Control	-	1,816	1,816	-	928	928	95.7%
Transit	-	8	8	-	1,105	1,105	(99.3%)
County Service Areas	-	3,836	3,836	-	3,877	3,877	(1.1%)
Los Osos Wastewater	-	6,672	6,672	-	5	5	133,340%
Total expenses	<u>384,768</u>	<u>45,031</u>	<u>429,799</u>	<u>384,827</u>	<u>41,385</u>	<u>426,212</u>	0.8%
Excess/(deficiency) before transfers	<u>32,746</u>	<u>7,168</u>	<u>39,914</u>	<u>26,697</u>	<u>9,168</u>	<u>35,865</u>	11.3%
Transfers	<u>8,048</u>	<u>(8,048)</u>	<u>-</u>	<u>150</u>	<u>(150)</u>	<u>-</u>	0.0%
Change in net assets	40,794	(880)	39,914	26,847	9,018	35,865	11.3%
Net assets at beginning of year	<u>1,356,022</u>	<u>187,762</u>	<u>1,543,784</u>	<u>1,329,175</u>	<u>178,744</u>	<u>1,507,919</u>	2.4
Net assets at end of year	<u>\$ 1,396,816</u>	<u>\$ 186,882</u>	<u>\$ 1,583,698</u>	<u>\$ 1,356,022</u>	<u>\$ 187,762</u>	<u>\$ 1,543,784</u>	2.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Analysis of Governmental and Business-type Activities

Governmental Activities

Governmental activities increased San Luis Obispo County's net assets by \$40,794 compared to an increase of \$26,847 in the prior year. Factors contributing to the increase are as follows:

Total revenues from Governmental Activities grew slightly (1.7%) with a net increase of \$5.9 million from the prior year. Program Revenues saw increases in both *Capital and Operating Grants and Contributions* and a decrease in *Fines Fees and Charges for Services*. The *Capital Grants and Contributions* category rose primarily due to increased Statewide Transportation Improvement Program (STIP) funding in the Public Ways and Facilities function related to the Willow Road Interchange project. The San Simeon Creek Bridges and Price Canyon Road Bridge widening projects also contributed to the increase in this revenue category. *Operating Grants and Contributions* also saw increases in the Public Protection function in part due to new State funding from the passage of AB 109, commonly known as 2011 Public Safety Realignment, which realigned responsibility for incarcerating certain offenders from the State to counties with funding provided by the State. This increased funding is partially offset by reductions in Public Protection *Fines Fees and Charges for Services* revenue, reflecting court protection services now being funded through realignment that were previously accounted for in the *Fines Fees and Charges for Services* category. The *Operating Grants and Contributions* Public Ways and Facilities function also increased, due to nearly \$2 million additional State Highway Users Tax (gas tax) compared to the prior year.

These Program Revenue increases were partially offset by an \$8.7 million decline in *Charges for Services* compared to the prior year, primarily due to the prior year receipt of a single \$7.6 million Road Impact Fee, as well as the shift in accounting for court security revenue to the *Operating Grants and Contributions* category from *Fines Fees and Charges for Services* in connection with AB 109-2011 Public Safety Realignment.

General Revenues of Governmental Activities (comprised by Taxes, Grants not restricted to specific programs, Interest, Other Revenues and Transfers) were consistent with the prior year with the exception of Transfers. Transfers from Business-type to Governmental activities increased by nearly \$8 million due to a one-time transfer of reserves from the Nacimiento Water Contract fund (Nacimiento Water Contract Business-Type activity) to the SLO Flood Control & Water Conservation District (Governmental Activities, Public Ways and Facilities function).

Total expenses from Governmental Activities remained virtually flat with a \$59 thousand decrease from the prior year. Within Governmental Activities, the Public Protection function increased slightly (2.9%) driven by additional Sheriff-Coroner expense related to the 2011 Realignment program, as well as County Fire increases due in part to increased staffing during solar plant construction projects taking place in California Valley. Public Assistance functional expenses decreased slightly (2.4%) partly due to a reduction in Foster Care placement services as a result of efforts to limit placements through an ongoing emphasis on preventative social services, as well as reduced CalWORKS caseloads which remain historically high but appear to have peaked in FY2010-11 following the economic downturn.

As evidenced by flat year-over-year expenditures, the County has remained committed to a seven-year plan enacted in FY 2007-08 to navigate through national and local fiscal challenges and address a consequential structural budget gap. The plan includes a combination of short-term measures and expenditure reductions, with expenditure reductions addressing a larger share of the gap as the plan progresses. Expenditure measures have included reducing department budgets, maintaining a partial hiring freeze, and progressing labor negotiations including pension cost sharing, a reduced benefit pension plan (Tier 2) for new employees, and an updated approach to setting salaries by using a broader labor market for equitable compensation comparisons. As a result, the budget gap has been reduced from a peak of \$30 million in FY 2009-10 to \$11.4 million in the FY 2011-12, and is down to \$2 million for FY 2012-13.

Business-type Activities

Business-type Activities decreased San Luis Obispo County's net assets by \$.9 million compared to an increase of \$9 million in the previous year. Revenues exceeded expenses by \$7.2 million but a transfer to Governmental Activities resulted in the net reduction to net assets. Key elements of current year activity are as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Total revenue increased \$1.6 million from the preceding year. The largest increases occurred in *Fees, Fines and Charges for Services* (\$5.5 million) due to growth in the Nacimiento Water Contract activity as water sales increased to \$13.9 million in FY 2011-12 from \$8 million in FY 2010-11. Revenues in this category remained flat compared to the prior fiscal year for the other Business-Type activities. *Operating Grants and Contributions* decreased by \$.8 million primarily to the elimination of Transit related grants in connection with the transfer of SLOCAT operations outside of the primary government, from the Transit Enterprise fund to the SLO Regional Transit Authority (SLORTA). *Capital Grants and Contributions* dropped \$2.4 million from the prior year primarily due to the completion of a FAA-funded aircraft parking ramp in FY 2010-11 and the conclusion of the related revenue. Also contributing to the decrease was the completion of water tank replacements in County Service Area 23 during FY 2010-11 and the conclusion of the related USDA funding. *Capital Grants and Contributions* remained flat compared to the prior year for other Business-type activities. General Revenues for Business-type activities were consistent with the prior year with the exception of a one-time transfer of reserves from the Nacimiento Water Contract fund to the SLO Flood Control & Water Conservation District reported under Governmental Activities.

Expenses for Business-type Activities increased \$3.6 million over the prior year. Within Business-type activities, the Airport reported decrease of \$2.3 million over the prior year due to a one-time prior year charge related to the write off of costs from a cancelled terminal expansion project; with the exception of that charge Airport expenses were flat year-over-year. Transit activity expenses were virtually eliminated due to the transfer of SLOCAT operations outside of the primary government to SLORTA. Lastly, the Los Osos Wastewater activity increased significantly over the prior year due to a one-time charge of \$6,288 related to the assumption of State loans from the Los Osos CSD.

FUND FINANCIAL STATEMENT ANALYSIS

FINANCIAL ANALYSIS OF COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, total fund balance less the nonspendable portion may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- *Nonspendable fund balance*, \$3,566, represents amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and includes (1) inventories of \$96 (2) prepaid items of \$321 and (3) long term receivables of \$3,149.
- *Restricted fund balance*, \$26,470, represents amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation. This balance includes amounts restricted for (1) Tax Loss Reserves of \$6,682 (2) Public Protection of \$7, (3) Public Ways and Facilities of \$17,243, and (4) Debt Service of \$2,538.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balance of \$262,351, an increase of 10%, or \$23,827 in comparison with the prior year. Approximately 89% of the total fund balance, or \$232,315, is available to meet the County's current and future needs. Total fund balance consists of the following components (see footnote 11 for additional detail):

- *Committed fund balance*, \$130,024, represents amounts with constraints imposed by the Board of Supervisors for specified purposes. Significant components of this balance include commitments for (1) Public Protection - \$17,727, (2) Public Ways and Facilities - \$9,600, (3) Automation Projects - \$11,550, (4) Building Replacement \$12,512, (5) Tax Reduction Reserve - \$15,549, and (6) Capital Projects - \$22,675.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- *Unassigned fund balance*, \$102,291, consists of the excess of total fund balance over the other components (nonspendable + restricted + committed + assigned) for the County's General Fund. None of the other governmental funds had an unassigned balance.

General Fund

The general fund is the chief operating fund of the County. As of the end of the current fiscal year, spendable fund balance of the general fund was \$177,853 while total fund balance reached \$181,029. As a measure of the general fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures of \$338,853. Spendable fund balance represents 52% of the total fund expenditures, while total fund balance represents 53% of the same amount, a 6% increase from the prior year. During the current fiscal year, the fund balance of general fund increased by \$20,462.

The following provides an explanation for the change in fund balance.

- ❖ Total revenues exceeded total expenditures by \$38,357. General fund revenues ended the year with an increase of \$7 million over the prior year. Total expenditures decreased \$5.4 million.
- ❖ Revenue was up in all categories except *Fines, Forfeits and Penalties* and *Charges for Current Services* when compared to the previous year's totals. The largest dollar increases occurred in *Taxes* (\$5.6 million) and *Aid from Governmental Agencies* (\$4.8 million). *Fines, Forfeits and Penalties* decreased \$1.1 million and *Charges for Current Services* decreased \$4.8 million. Growth in *Taxes* came from Prior Year Secured Property Taxes of \$1.6 million over the prior year continuing an upward trend started in FY 2010-11 triggered by fewer Prop 8 reductions. Also contributing to the increase was Sales and Use Taxes, up \$1.2 million over FY 2010-11. Increases were also experienced in Transient Occupancy tax for the second year in a row. The growth in *Aid from Governmental Agencies* was largely driven by increased realignment revenue across many functions related to AB-109. There were decreases in this category as well, due to a slowdown in ARRA funding drops in assistance programs such as CalWORKS and Foster Care. The drop in *Fines, Forfeits and Penalties* compared to the prior year was largely due to the receipt of a \$1.9 million settlement in FY 2011 causing a spike in that year. The growth *Aid from Governmental Agencies* brought a corresponding decrease in *Charges for Current Services* as AB-109 funding shifted between those categories.
- ❖ Total expenditures in General Fund decreased \$5.5 million from the prior year. Expenditures were down or flat for all functions except for Public Protection which experienced a \$2.5 million increase over the prior year. This increase was driven by additional Sheriff-Coroner expense related to the 2011 Realignment program, as well as County Fire staffing associated with California Valley solar plant construction project. General Government functional expenditures decreased \$4.4 million (8.9%) due to higher prior year capital outlays related to the purchase property in Atascadero for a North County One Stop Shop that year. Also decreasing was Public Assistance expenditures, down \$3.2 million (3.5%), due to reduced assistance program caseloads.

Capital Projects

The Capital Projects Fund handles construction projects for the County's governmental funds. The fund had a total fund balance of \$22.7 million. Capital outlay expenditures exceeded revenues by \$4.5 million and transfers in exceeded transfers out by \$4.1 million. The net of these two factors resulted in a \$0.4 million decrease in fund balance for the current year. Funding for specific projects comes from use of designations, public facilities fees, issuance of long-term debt, and aid from other government agencies. The general fund was not used as a financing source for new capital projects in the current year. Significant current year activities of the Capital Projects Fund are discussed in the Capital Assets section under Governmental Activities.

Governmental Fund Revenues

Revenues for governmental funds combined totaled \$438,167 in the current fiscal year, which represents an increase of approximately 2.0% or \$8,458 from the prior fiscal year revenues of \$429,709.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year are displayed.

Table C
Revenues Classified by Source
Governmental Funds
Fund Financial Statements
For the Year Ended June 30, 2012
(in thousands)

	2011-2012		2010-2011		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Revenues by Source:						
Taxes	\$ 160,920	36.7%	\$ 155,419	36.2%	\$ 5,501	3.5%
Licenses, Permits, Franchises	7,863	1.8%	7,413	1.7%	450	6.1%
Fines, Forfeits, and Penalties	6,750	1.6%	7,993	1.9%	(1,243)	(15.6%)
Revenues from Use of Money and Property	2,273	0.5%	1,242	0.3%	1,031	83.0%
Aid from Governmental Agencies	206,372	47.1%	194,625	45.3%	11,747	6.0%
Charges for Current Services	45,538	10.4%	56,486	13.1%	(10,948)	(19.4%)
Other Revenues	8,451	1.9%	6,531	1.5%	1,920	29.4%
Total	\$ 438,167	100%	\$ 429,709	100%	\$ 8,458	2.0%

The following provides an explanation of revenues by source that changed significantly over the prior year in the governmental funds.

- ❖ *Fines, Forfeits, and Penalties* decreased \$1,243 or 15.6%. The most significant factor was from a spike in FY 2011 due to the receipt of a \$1.9 million judgment that year related to a major infrastructure project. In addition, the County experienced a continuing trend of modest declines in revenue from traffic school fees and alcohol related fines.
- ❖ *Aid from Governmental Agencies* increased \$11,747 or 6.0%. Within Governmental Aid, State Aid increased \$5.3 million and Federal Aid increased \$6.4 million. The primary contributor to State Aid increases was the enactment of AB-109 with large increases in realignment revenue. Increases were also seen in State Highway Users Tax and State Nuclear Planning assistance, while State Medi-Cal and CalWorks aid decreased from the prior year. Federal Aid growth was driven by significant increases in Statewide Transportation Improvement Program (STIP) funding, as well as more modest increases in health programs and HUD's CDBG program. Federal Revenue did experience decreases in funding from ARRA programs.
- ❖ *Charges for Current Services* decreased \$10,948 or 19.4%. The largest factor contributing to the decrease was the absence of a single a one-time \$7.6 million developer receipt that was received in FY 2011, contributing to a drop in Road Impact Fees from \$8.2 to \$2.6 million year-over-year. Also contributing to the decline was the shift of funding from *Charges for Current Services* to the *Aid from Governmental Agencies* category, in connection with AB-109 and the reimbursement of court security services provided by the Sheriff.

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

The following table presents the amount of expenditures by function as well as increases or decreases from the prior year.

Table D
Expenditures By Function Including Capital Outlay
Governmental Funds
Fund Financial Statements
For the Year Ended June 30, 2012
(in thousands)

	2011-2012		2010-2011		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Expenditures by Function:						
General Government	\$ 45,850	10.8%	\$ 50,321	11.9%	\$ (4,471)	(8.9%)
Public Protection	138,579	32.7%	135,636	32.0%	2,943	2.2%
Public Ways and Facilities	40,338	9.5%	37,261	8.8%	3,077	8.3%
Health and Sanitation	67,830	16.0%	68,472	16.2%	(642)	(0.9%)
Public Assistance	97,185	23.0%	100,202	23.6%	(3,017)	(3.0%)
Education	9,973	2.4%	10,191	2.4%	(218)	(2.1%)
Recreational and Cultural Services	6,998	1.7%	7,187	1.7%	(189)	(2.6%)
Principal payments	4,435	1.0%	4,595	1.1%	(160)	(3.5%)
Interest on Long-Term Debt	6,289	1.5%	6,464	1.5%	(175)	(2.7%)
Capital outlay	5,540	1.3%	3,399	.8%	2,141	63.0%
Total	\$ 423,017	100%	\$ 423,728	100%	\$ (711)	(0.2%)

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

- ❖ *General Government Expenditures* decreased \$4,471 or 8.9%. The majority of the decrease increase is attributable to high FY 2010-11 General Fund Capital Outlay related to the purchase of property that year for satellite offices for the Clerk-Recorder, Assessor, and Planning Departments to serve residents in the north county.
- ❖ *Public Ways and Facilities* expenditures increased \$3,077 or 8.3%. The fluctuation is attributable primarily to increased construction and maintenance activity in the Roads Fund. Significant Projects during the current fiscal year include Willow Road Interchange project in Nipomo and he San Simeon Creek Bridges and Price Canyon Road Bridge widening projects.
- ❖ *Public Assistance* expenditures decreased \$3,017 or 3.0% due to a general drop in assistance programs such foster care placement and CalWORKS.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following table shows actual revenues, expenses, and results of operations for the 2011-2012 fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Table E
Statement of Revenues, Expenses and Results of Operations
Proprietary Funds
Fund Financial Statements
For the Year Ended June 30, 2012
(in thousands)

	Major Funds					Nonmajor Funds	Total
	Airport	Nacimiento Water Contract	State Water Project	Lopez Flood Control	Los Osos Wastewater	Other Enterprise Funds	Total Enterprise
Operating revenues	\$ 3,719	\$ 13,893	\$ 6,609	\$ 6,440	\$ -	\$ 7,128	\$ 37,789
Operating expenses	<u>5,273</u>	<u>2,680</u>	<u>6,783</u>	<u>4,472</u>	<u>39</u>	<u>8,107</u>	<u>27,354</u>
Operating income (loss)	<u>(1,554)</u>	<u>11,213</u>	<u>(174)</u>	<u>1,968</u>	<u>(39)</u>	<u>(979)</u>	<u>10,435</u>
Non-operating revenues (expenses), net	<u>162</u>	<u>(7,512)</u>	<u>1,261</u>	<u>(130)</u>	<u>(6,574)</u>	<u>(154)</u>	<u>(12,947)</u>
Net income (loss) before contributions and transfers	(1,392)	3,701	1,087	1,838	(6,613)	(1,133)	(2,512)
Contributions and transfers, net	<u>445</u>	<u>(8,778)</u>	<u>-</u>	<u>-</u>	<u>9,127</u>	<u>616</u>	<u>1,410</u>
Change in net assets	<u>\$ (947)</u>	<u>\$ (5,077)</u>	<u>\$ 1,087</u>	<u>\$ 1,838</u>	<u>\$ 2,514</u>	<u>\$ (517)</u>	<u>\$ (1,102)</u>

All the enterprise funds are expected to continue to meet all ongoing cost of operations and in the long term be able to maintain sufficient reserves.

- ❖ *The Airport Fund* reported an operating loss of \$1,554 and a decrease in net assets of \$947. The loss was less than anticipated in the FY 2011-12 budget due to control of expenditures despite a 4% decrease in passenger enplanements compared to the prior year.
- ❖ *The Nacimiento Water Contract Fund* realized operating income of \$11,213, a 50% increase over the prior year, and a decrease in net assets of \$5,077. The increase in operating revenue came as the pipeline had its first full year of water delivery operations. The decrease in net assets was due to a one-time \$8.8 million transfer of reserves to the SLO Flood Control & Water Conservation District that became available for general district needs once the pipeline became fully operational. Current year non-operating revenue and expenses included \$9.2 million in interest expense and \$1.1 million in property tax revenue.
- ❖ *The Los Osos Wastewater Fund* reported an operating loss of \$39 and a non operating loss of \$6,574. The non operating loss is primarily due to a one-time charge of \$6.3 million related to the assumption of State loans from the Los Osos CSD in connection with the County taking responsibility for construction of the wastewater treatment facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for expenditures and transfers out increased by \$29.9 million, or 8%, during the course of the year contributing towards the final amended budget. This increase was funded in part by increases in budgeted revenues of \$19.3 million and the use of reserves and designations for the balance. Unanticipated revenues totaling \$15.6 million in State and Federal Aid, \$4.6 million in Other Revenue, \$.6 million in Fines, Forfeitures, and Penalties financed the budget augmentations and also offset an unanticipated decrease of \$1.8 million in Charges for Current Services. The largest budget augmentations occurred in the functional areas of General Government (\$6.9 million), Public Protection (\$9.7 million), and Health and Sanitation (\$3.7 million). The majority of the increase for General Government is attributable to \$4.7 million in maintenance project budgets that were carried forward from FY 2011 to FY 2012. Other significant budget increases included a \$1.7 million appropriation to fund a building replacement designation using proceeds from the sale of California Valley land parcels, a \$0.5 million increase to fund a financial reporting project, a \$0.4 million appropriation for a Sherriff evidence room remodel. Several additional budget supplements took place in the Health and Sanitation and Public Protection functions related to responsibilities placed on the County with AB-109. At the close of the current fiscal year, actual General Fund expenditures were 87% of budget, while General Fund revenues were realized at 99% of budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the County had \$1,540,469 invested in a broad range of capital assets, including land, buildings, systems improvements, machinery and equipment, park facilities, golf courses, airport facilities, roads, bridges, dams, and water and sewer lines (see Table F below). This amount represents a net decrease (including additions and deductions) of \$23,433 or 1.5% from last year.

**Table F
Capital Assets
June 30, 2012
(in thousands)**

	Governmental Activities June 30, 2011	Governmental Activities June 30, 2012	Business Type Activities June 30, 2011	Business Type Activities June 30, 2012	Total Capital Assets June 30, 2011	Total Capital Assets June 30, 2012	Total Percent Change
Land	\$ 791,590	791,410	\$ 29,745	\$ 32,485	\$ 821,335	823,892	0.3%
Water Rights	-	-	40,962	42,551	40,962	42,551	3.9%
Other Property Non Depreciable	-	-	1,968	1,968	1,968	1,968	-
Construction-in- progress	47,147	66,710	14,165	19,302	61,312	86,012	40.3%
Structures & Improvements	172,891	173,518	167,954	167,843	340,845	341,361	0.2%
Equipment	69,686	72,371	2,735	3,106	72,421	75,477	4.2%
Other Property Depreciable	340	340	554	554	894	894	-
Infrastructure Depreciable	<u>278,525</u>	<u>285,141</u>	<u>184,377</u>	<u>189,974</u>	<u>462,902</u>	<u>475,115</u>	2.6%
Subtotal	1,360,179	1,389,490	442,460	457,783	1,802,639	1,847,273	2.5%
Less Accumulated Depreciation	<u>(248,997)</u>	<u>(264,336)</u>	<u>(36,606)</u>	<u>(42,470)</u>	<u>(285,603)</u>	<u>(306,806)</u>	7.4%
Total	\$ <u>1,111,182</u>	\$ <u>1,125,154</u>	\$ <u>405,854</u>	\$ <u>415,313</u>	\$ <u>1,517,036</u>	\$ <u>1,540,467</u>	1.5%

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Major additions and future commitments in capital assets – Governmental activities

County Roads completed a \$4.6 million project to replace two bridges near Cambria on San Simeon Creek Road. The bridges were structurally deficient and qualified for Federal Highway Administration funding. Other infrastructure projects completed during FY 2012 include an Asphalt Concrete Overlay on Pomeroy and Willow Roads in Nipomo (\$1.6 million), the Salinas Dam Booster Pump Station Upgrade Project (\$1.4 million), and a Water Storage Tank Replacement in Santa Margarita (\$1.5 million). Future projects include a Women's Jail, expansion of the Juvenile Hall, and development of a new site for the Cambria Library. These projects are contingent on the availability of additional funding sources including community donations and State grant funds.

Major additions and future commitments in capital assets – Business-type activities

The Airport completed the New Terminal Aircraft Parking Ramp project. This \$6.5 million FAA designed project was necessary to meet safety and security needs in addition to creating capacity for future growth. Funding for the project was provided by an FAA grant and Passenger Facilities Charges.

Plans are being developed for a new 47,000 square foot terminal for the San Luis Obispo Airport. This modern facility will enable the Airport to provide a higher level of service and comfort for passengers. The preliminary cost estimate to construct the new terminal is \$22 million. Airport staff anticipates construction will begin in FY 2014/2015 provided sufficient funding can be arranged.

Work continued on a \$173 million wastewater project for the community of Los Osos. The project is designed to address groundwater contamination issues caused by years of seepage from septic systems and is scheduled for completion in early 2015. Costs to date through July 2012 totaled \$22.8million. In FY 2013, the County implemented a water conservation program with the goal of reducing indoor consumption to 50 gallons per person per day in accordance with the project's Coastal Development Permit.

More detailed information about the County's capital assets is presented in Notes 4 and 5 in the financial statements.

Debt Administration

At the end of the current fiscal year, the County of San Luis Obispo had total notes and bonds payable of \$428,487. In July 2003, the county issued Pension Obligation Bonds to refund the Unfunded Actuarial Accrued Liability due to the Pension Trust. In 2009, the County issued the 2009 Series A Term Bonds to refund and defease the 2003 Series B Auction Rate Bonds. The balance remaining on the County's Pension Obligation Bonds at the end of FY 2011/2012 is \$119,429. Pension Obligation Bonds debt service payments are funded by County payroll benefits. The remainder of the County's debt consists of: \$46,852 in certificates of participation, which are repaid from a variety of revenues; \$35,884 in State loans and \$199,641 in revenue bonds which are repaid with water service revenue. General Obligation Bonds totaling \$11,317 are backed by the full faith and credit of the County. Additionally, the County is liable for \$2,662 of special assessment debt in the event of default by the property owner subject to the assessment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Table G
Outstanding Debt
June 30, 2012
(in thousands)

	Governmental Activities June 30, 2011	Governmental Activities June 30, 2012	Business Type Activities June 30, 2011	Business Type Activities June 30, 2012	Total June 30, 2011	Total June 30, 2012	Total Percent Change
Certificates of participation	\$ 28,713	\$ 27,792	\$ 19,897	\$ 19,060	\$ 48,610	\$ 46,852	(3.8%)
Pension Obligation Bonds	122,689	119,429	-	-	122,689	119,429	(2.7%)
State notes	-	-	31,024	35,884	31,024	35,884	13.5%
Revenue bonds	-	-	202,815	199,641	202,815	199,641	(1.6%)
General obligation bonds	-	-	11,888	11,317	11,888	11,317	(5.0%)
Bond Anticipation Notes	-	-	8,677	-	8,677	-	-%
Assessment Bonds	-	-	-	15,364	-	15,364	100%
	<u>\$ 151,402</u>	<u>\$ 147,221</u>	<u>\$ 274,301</u>	<u>\$ 281,266</u>	<u>\$ 425,703</u>	<u>\$ 428,487</u>	0.6%

The increase over last year for the County's notes and bonds payable was \$2,784, or 0.6%. This increase is the net of new debt issuances and scheduled debt payments. During FY 2011/2012, the County issued \$15,354 in Assessment Bonds and \$6,289 in State Notes to help finance construction of the Los Osos Wastewater Project. Debt service payments will be funded by amounts levied against property owners and water service revenue. Bond Anticipation Notes totaling \$8,677 were repaid with Assessment Bonds issued by the USDA.

The County's received a credit rating of "AA+" from Standard & Poor's and an "AA" rating from Fitch on its most recent debt issuance in 2012. Moody's assigned an Aa3 rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 1.25% of its net assessed valuation. The current debt limitation for the County is \$516,755.

Additional information on the County's long-term debt can be found in Note 10 to the financial statements.

Other liabilities include compensated absences (\$26), landfill post-closure costs (\$4.1), and self-insurance (\$19.3). More detailed information about the County's long-term liabilities is presented in Note 10 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- ❖ For the fifth straight year, the County is forced to tackle budgeting challenges created by flat or decreasing revenues. Fiscal year 2013 represents year five of a seven year budget balancing plan that began in fiscal year 2009. The plan is designed to gradually close a structural budget gap through the use of short-term solutions initially, with increasing reliance on expenditure reductions that maintain a high level of service to the public, achieving structural balance by the end of year seven. The plan has been successful to date, with the budget gap reduced to \$2 million for FY 2012-13, considerably less than the \$6M gap originally forecasted for FY 2012-13 in the plan.
- ❖ Faced with an \$2 million budget gap in the General Fund's Status Quo budget, the County used a combination of short-term solutions and expenditure reductions to bridge the gap. The FY 2013 budget used short-term solutions to bridge 15% of the gap and ongoing expenditure reductions to cover the remaining 85%.
- ❖ The County's unemployment rate dropped to 7.3% in November 2012 (preliminary), lower than the state rate of 9.6% and slightly below the national rate of 7.4%.
- ❖ Economic indicators show some signs of local economic improvement from the recent economic downturn
 - Local housing market indicators rose. Home sales grew 3.2 % year-over-year to 291 homes sold (data as of September 2012). Also as of September 2012, the median price for all homes grew 18.1%, to \$385,000 from \$326,000 in September 2011.
 - The number of building permits issued were up slightly (1%) but remain around the lowest number issued in the last 10 years
 - Property transfer taxes for unincorporated areas came in 31% higher than the preceding year reflecting an increase in the value and number of real estate transactions
 - County assessed property tax valuations decreased slightly from \$42,037,910 to \$41,340,431, a decline of 1.7%.
 - Transit Occupancy tax (bed tax) collections continued an upward trend in FY 2012, increasing 1.7% over FY 2011, however the increase was smaller than the 13.6% experienced FY 2011 over FY 2010.
- ❖ The Board of Supervisors adopted the 2012-2013 budget in June 2012, with a \$57.2 million fund balance in the general fund, of which \$31.8 million was appropriated to finance the current year's expenditures including contingencies, \$8 million was placed in general reserves, and \$5.7 million was earmarked for designations. The total General Fund budget for 2011-2012 is \$398 million, a 4% increase from the previous year. The County budget also includes community-wide results and indicators as well as department goals and performance measures that gauge how departments are meeting the needs of the community.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the County Auditor-Controller, San Luis Obispo County Government Center, Room D220, San Luis Obispo, California 93408. This report is also available online at www.slocounty.ca.gov.

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**



COUNTY OF SAN LUIS OBISPO
Statement of Net Assets
June 30, 2012 (in thousands)

	Primary Government			Component Unit First 5
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 300,252	\$ 49,991	\$ 350,243	\$ 8,116
Accounts receivable, net	19	1,838	1,857	--
Property taxes receivable	21,747	--	21,747	--
Other receivables	969	119,745	120,714	--
Due from other governments	27,086	27	27,113	331
Deposits with others	--	171	171	4
Internal balances	2,821	(2,821)	--	--
Inventories	576	--	576	--
Prepaid items	321	33	354	3
Loans receivable	28	33	61	--
Total Current Assets	<u>353,819</u>	<u>169,017</u>	<u>522,836</u>	<u>8,454</u>
Noncurrent Assets:				
Restricted cash with fiscal agent	2,538	13,251	15,789	--
Net pension asset	133,214	--	133,214	--
Prepaid bond issuance costs	1,918	2,883	4,801	--
OPEB asset	1,830	--	1,830	--
Capital Assets:				
Nondepreciable	858,120	96,306	954,426	--
Depreciable, net	267,033	319,007	586,040	--
Total Noncurrent Assets	<u>1,264,653</u>	<u>431,447</u>	<u>1,696,100</u>	<u>--</u>
Total Assets	<u>1,618,472</u>	<u>600,464</u>	<u>2,218,936</u>	<u>8,454</u>
LIABILITIES				
Current Liabilities:				
Salaries and benefits payable	4,693	47	4,740	--
Accounts payable	10,451	8,103	18,554	405
Deposits from others	2,509	3,127	5,636	25
Unearned revenue	5,277	117,142	122,419	--
Accrued interest	1,877	3,600	5,477	--
Other current liabilities	567	--	567	--
Bonds and notes payable	4,770	5,620	10,390	--
Compensated absences	17,132	169	17,301	--
Landfill closure/postclosure costs	342	--	342	--
Self insurance payable	3,520	--	3,520	--
Total Current Liabilities	<u>51,138</u>	<u>137,808</u>	<u>188,946</u>	<u>430</u>
Long Term Liabilities:				
Bonds and notes payable	142,451	275,646	418,097	--
Compensated absences	8,596	128	8,724	--
Landfill closure/postclosure costs	3,736	--	3,736	--
Self insurance payable	15,735	--	15,735	--
Total Long-term Liabilities	<u>170,518</u>	<u>275,774</u>	<u>446,292</u>	<u>--</u>
Total Liabilities	<u>221,656</u>	<u>413,582</u>	<u>635,238</u>	<u>430</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,099,885	153,801	1,253,686	--
Restricted for:				
General government	797	--	797	--
Public protection	3,229	--	3,229	--
Health and sanitation	88	--	88	--
Public assistance	4	--	4	--
Public ways and facilities	17,265	--	17,265	--
Recreation and culture	292	--	292	--
Education	136	--	136	--
Debt service	9,666	--	9,666	--
Unrestricted	265,454	33,081	298,535	8,024
Total Net Assets	<u>\$ 1,396,816</u>	<u>\$ 186,882</u>	<u>\$ 1,583,698</u>	<u>\$ 8,024</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN LUIS OBISPO
Statement of Activities
For the Year Ended June 30, 2012 (in thousands)

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 35,231	\$ 17,545	\$ 628	\$ 843
Public protection	136,219	15,679	45,646	--
Public ways and facilities	27,120	5,069	11,813	12,930
Health and sanitation	65,799	6,014	44,741	--
Public assistance	96,435	2,366	85,505	--
Education	10,000	2,545	175	--
Recreation and cultural services	7,344	3,952	18	247
Interest on long-term debt	6,620	--	--	--
Total Governmental Activities	384,768	53,170	188,526	14,020
Business-Type Activities:				
Airport	5,422	3,719	372	138
Golf	2,863	2,690	5	--
State Water Contract	6,761	6,609	10	--
Nacimiento Water Contract	11,901	13,893	28	--
Lopez Dam	5,752	6,440	15	--
General Flood Control	1,816	1,252	--	--
Transit	8	--	--	--
County Service Areas	3,836	3,186	3	64
Los Osos Wastewater	6,672	--	35	9,127
Total Business-Type Activities:	45,031	37,789	468	9,329
Total primary government	\$ 429,799	\$ 90,959	\$ 188,994	\$ 23,349
Component Unit				
First Five San Luis Obispo	\$ 1,584	\$ --	\$ 1,950	\$ --

General Revenues:
Taxes:
Property taxes
Sales and use taxes
Transient occupancy taxes
Transfer tax
Other taxes
Grants not restricted to specific programs
Interest earnings not restricted to specific programs
Other revenues
Transfers
Extraordinary item - Transfer from State of California per AB99
Total General Revenues, Transfers and Extraordinary Item

Change in Net Assets

Net assets - beginning of year

Net assets - end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	First 5 San Luis Obispo
\$ (16,215)	\$ --	\$ (16,215)	
(74,894)	--	(74,894)	
2,692	--	2,692	
(15,044)	--	(15,044)	
(8,564)	--	(8,564)	
(7,280)	--	(7,280)	
(3,127)	--	(3,127)	
(6,620)	--	(6,620)	
<u>(129,052)</u>	<u>--</u>	<u>(129,052)</u>	
--	(1,193)	(1,193)	
--	(168)	(168)	
--	(142)	(142)	
--	2,020	2,020	
--	703	703	
--	(564)	(564)	
--	(8)	(8)	
--	(583)	(583)	
--	2,490	2,490	
<u>--</u>	<u>2,555</u>	<u>2,555</u>	
<u>(129,052)</u>	<u>2,555</u>	<u>(126,497)</u>	
<u>--</u>	<u>--</u>	<u>--</u>	<u>\$ 366</u>
140,288	3,799	144,087	--
7,370	--	7,370	--
6,642	--	6,642	--
1,864	--	1,864	--
454	28	482	--
3,978	--	3,978	--
1,202	755	1,957	37
--	31	31	2
8,048	(8,048)	--	--
--	--	--	3,771
<u>169,846</u>	<u>(3,435)</u>	<u>166,411</u>	<u>3,810</u>
40,794	(880)	39,914	4,176
<u>1,356,022</u>	<u>187,762</u>	<u>1,543,784</u>	<u>3,848</u>
<u>\$ 1,396,816</u>	<u>\$ 186,882</u>	<u>\$ 1,583,698</u>	<u>\$ 8,024</u>

The accompanying notes are an integral part of these financial statements.



**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**



COUNTY OF SAN LUIS OBISPO
Balance Sheet
Governmental Funds
June 30, 2012 (in thousands)

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 175,637	\$ 23,146	\$ 56,831	\$ 255,614
Restricted cash with fiscal agent	--	--	2,538	2,538
Accounts receivable, net	3	--	--	3
Accrued property taxes receivable	21,747	--	--	21,747
Other receivables	953	--	16	969
Due from other governments	22,848	431	3,807	27,086
Inventories	96	--	--	96
Prepaid items	309	--	12	321
Loans receivable	--	--	28	28
Advances to other funds	2,771	--	350	3,121
Other assets	--	--	4,770	4,770
Total Assets	<u>\$ 224,364</u>	<u>\$ 23,577</u>	<u>\$ 68,352</u>	<u>\$ 316,293</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Salaries and benefits payable	\$ 4,061	\$ --	\$ 217	\$ 4,278
Accounts payable	7,996	290	1,379	9,665
Deposits from others	1,253	--	688	1,941
Unearned revenue	4,517	606	154	5,277
Deferred revenue	24,941	6	54	25,001
Other current liabilities	567	--	4,770	5,337
Advances from other funds	--	--	2,443	2,443
Total Liabilities	<u>43,335</u>	<u>902</u>	<u>9,705</u>	<u>53,942</u>
Fund Balances:				
Nonspendable	3,176	--	390	3,566
Restricted	6,682	--	19,788	26,470
Committed	68,880	22,675	38,469	130,024
Unassigned	102,291	--	--	102,291
Total Fund Balances	<u>181,029</u>	<u>22,675</u>	<u>58,647</u>	<u>262,351</u>
Total Liabilities and Fund Balances	<u>\$ 224,364</u>	<u>\$ 23,577</u>	<u>\$ 68,352</u>	<u>\$ 316,293</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN LUIS OBISPO
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2012 (in thousands)

Fund Balance - total governmental funds (page 45)	\$	262,351
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,115,119
Accrued property tax and grant revenues are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		25,001
The pension assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds.		133,214
The other post employment benefit (OPEB) asset is not available to pay for current-period expenditures and, therefore, is deferred in the funds.		1,830
Cost of issuance on pension obligation bonds recognized as current expenditures in the governmental funds are deferred in the statement of net assets.		1,918
Internal service funds are used by the County to charge the cost of vehicle fleet management, centralized reprographic services, comprehensive public works services, and operations of the County's workers' compensation, protected self-insurance, unemployment, and dental insurance programs to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.		31,731
Adjustments for Internal Service Funds are necessary to "close" those funds by charging additional amount to participating business-type activities to completely cover the Internal Service Funds' cost for the year.		2,143
Interest on long-term debt is recognized as it accrues, regardless of when it is due.		(1,877)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds as follows:		
Certificates of participation		(119,429)
Bonds and notes payable		(27,792)
Compensated absences		(23,315)
Landfill closure/postclosure costs		(4,078)
		(174,614)
Net assets of governmental activities (page 39)	\$	<u>1,396,816</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN LUIS OBISPO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012 (in thousands)

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 150,797	\$ --	\$ 10,123	\$ 160,920
Licenses, permits, and franchises	7,863	--	--	7,863
Fines, forfeits and penalties	5,458	469	823	6,750
Revenue from use of money and property	1,792	112	369	2,273
Aid from governmental agencies	173,670	241	32,461	206,372
Charges for current services	31,837	223	13,478	45,538
Other revenues	5,793	--	2,658	8,451
Total revenues	<u>377,210</u>	<u>1,045</u>	<u>59,912</u>	<u>438,167</u>
<u>Expenditures:</u>				
Current:				
General government	45,850	--	--	45,850
Public protection	135,982	--	2,597	138,579
Public ways and facilities	1,975	--	38,363	40,338
Health and sanitation	63,380	--	4,450	67,830
Public assistance	91,235	--	5,950	97,185
Education	431	--	9,542	9,973
Recreation and cultural services	--	--	6,998	6,998
Debt service:				
Principal payments	--	--	4,435	4,435
Interest and fiscal charges	--	--	6,289	6,289
Capital outlay	--	5,540	--	5,540
Total expenditures	<u>338,853</u>	<u>5,540</u>	<u>78,624</u>	<u>423,017</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>38,357</u>	<u>(4,495)</u>	<u>(18,712)</u>	<u>15,150</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	1,283	4,163	30,369	35,815
Transfers out	<u>(19,178)</u>	<u>(95)</u>	<u>(7,865)</u>	<u>(27,138)</u>
Total Other Financing Sources (Uses)	<u>(17,895)</u>	<u>4,068</u>	<u>22,504</u>	<u>8,677</u>
Net Change in Fund Balances	20,462	(427)	3,792	23,827
Fund Balances - Beginning	<u>160,567</u>	<u>23,102</u>	<u>54,855</u>	<u>238,524</u>
Fund Balances - Ending	<u>\$ 181,029</u>	<u>\$ 22,675</u>	<u>\$ 58,647</u>	<u>\$ 262,351</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN LUIS OBISPO
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2012 (in thousands)

Net Change in fund balance - total governmental funds (page 47)	\$	23,827
Amounts reported for governmental activities in the statement of activities are different because:		
Property tax and intergovernmental revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(4,150)
Governmental funds report capital outlay as expenditures. These expenditures have no effect on net assets.		
Capital outlay expenditures that have no effect on net assets are reported in the following functional categories:		
Capital outlay	\$ 5,560	
General government	1,167	
Public protection	1,675	
Public ways	21,528	
Health and sanitation	433	
Public assistance	57	
Education	9	
Recreation and cultural services	<u>12</u>	30,441
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.		(16,651)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(221)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.		
Debt principal payments		4,185
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 the governmental funds as follows:		
Change in compensated absences		(429)
Change in accrued interest payable		51
Change in landfill closure/postclosure costs		(722)
Change in OPEB		(165)
Amortization of bond discounts and issuance costs		(132)
Amortization of prepaid pension contributions		3,242
Internal service funds are used by the County to charge the cost of vehicle fleet management, centralized reprographic services, comprehensive public works services, and operations of the County's workers' compensation, protected self-insurance, unemployment, and dental insurance programs to individual funds. The net revenue or expenditure effect of internal service funds is reported with governmental activities.		1,740
Adjustment necessary to close internal service funds activities. This is the current year excess of revenues over expenses allocable to business-type activities		<u>(222)</u>
Change in net assets of governmental activities (page 41)	\$	<u>40,794</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN LUIS OBISPO
Statement of Fund Net Assets
Proprietary Funds
June 30, 2012 (in thousands)

	Business-type Activities - Enterprise Funds						Governmental	
	Airport	Nacimiento Water Contract	State Water Project	Lopez Flood Control	Los Osos Wastewater	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets								
Current Assets:								
Cash and investments	\$ 1,938	\$ 16,417	\$ 11,105	\$ 8,793	\$ 6,298	\$ 5,440	\$ 49,991	\$ 44,638
Accounts receivable, net	--	--	1,648	--	--	190	1,838	16
Other receivables	--	--	--	--	119,745	--	119,745	--
Due from other governments	23	--	--	--	--	4	27	--
Deposits with others	--	148	--	--	10	13	171	--
Inventories	--	--	--	--	--	--	--	480
Prepaid items	5	--	--	28	--	--	33	--
Loans receivable	--	--	--	--	--	33	33	--
Total Current Assets	1,966	16,565	12,753	8,821	126,053	5,680	171,838	45,134
Noncurrent assets:								
Advances to other funds	--	--	--	--	--	763	763	--
Restricted cash with fiscal agent	--	13,251	--	--	--	--	13,251	--
Prepaid bond issuance costs	--	2,122	--	510	251	--	2,883	--
Capital assets:								
Nondepreciable:								
Land	23,224	3,110	--	2,096	2,470	1,585	32,485	--
Construction in progress	522	278	--	683	16,014	1,805	19,302	--
Water rights	--	--	42,551	--	--	--	42,551	--
Other property	--	--	--	1,968	--	--	1,968	--
Depreciable:								
Infrastructure, net	831	159,293	122	25,612	--	384	186,242	--
Structures and improvements, net	59,117	9,921	7,185	36,285	--	18,606	131,114	193
Equipment, net	769	--	11	37	--	332	1,149	9,841
Other property, net	--	--	--	--	--	502	502	--
Total Noncurrent Assets	84,463	187,975	49,869	67,191	18,735	23,977	432,210	10,034
Total Assets	86,429	204,540	62,622	76,012	144,788	29,657	604,048	55,168
Liabilities:								
Current Liabilities:								
Salaries and benefits payable	26	--	--	--	--	21	47	415
Accounts payable	40	2,298	4,854	34	727	150	8,103	786
Interest payable	41	3,222	--	69	164	104	3,600	--
Self insurance payable	--	--	--	--	--	--	--	3,520
Deposits from others	36	39	2,848	63	--	141	3,127	568
Unearned revenue	65	2,756	1,699	1,928	110,656	38	117,142	--
Accrued vacation and sick leave - current	85	--	--	--	--	84	169	1,569
Notes and bond payable - current	251	3,090	--	1,814	10	455	5,620	--
Total Current Liabilities	544	11,405	9,401	3,908	111,557	993	137,808	6,858
Noncurrent Liabilities:								
Self insurance payable	--	--	--	--	--	--	--	15,735
Advances from other funds	839	--	--	--	--	602	1,441	--
Accrued vacation and sick leave	70	--	--	--	--	58	128	844
Notes and bonds payable	3,407	196,523	--	44,841	21,642	9,233	275,646	--
Total Noncurrent Liabilities	4,316	196,523	--	44,841	21,642	9,893	277,215	16,579
Total Liabilities	4,860	207,928	9,401	48,749	133,199	10,886	415,023	23,437
Net Assets								
Invested in capital assets, net of related debt	80,805	(13,760)	49,869	20,026	3,120	13,741	153,801	10,034
Unrestricted	764	10,372	3,352	7,237	8,469	5,030	35,224	21,697
Total Net Assets	\$ 81,569	\$ (3,388)	\$ 53,221	\$ 27,263	\$ 11,589	\$ 18,771	189,025	\$ 31,731
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (page 41)							(2,143)	
Net assets of business-type activities							<u>\$ 186,882</u>	

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN LUIS OBISPO
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2012 (in thousands)

	Business-type Activities - Enterprise Funds						Governmental	
	Airport	Nacimiento Water Contract	State Water Project	Lopez Flood Control	Los Osos Wastewater	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues:								
Charges for current services	\$ 3,719	\$ 13,893	\$ 6,609	\$ 6,440	\$ --	\$ 7,128	\$ 37,789	\$ 43,446
Total Operating Revenues	<u>3,719</u>	<u>13,893</u>	<u>6,609</u>	<u>6,440</u>	<u>--</u>	<u>7,128</u>	<u>37,789</u>	<u>43,446</u>
Operating Expenses:								
Salaries and benefits	1,331	--	--	--	--	1,171	2,502	20,968
Services and supplies	1,731	559	6,548	3,154	39	6,002	18,033	13,074
Other charges	23	3	--	2	--	--	28	--
Insurance benefit payments	--	--	--	--	--	--	--	5,251
Depreciation	2,143	2,122	200	1,288	--	800	6,553	1,810
Countywide cost allocation	45	(4)	35	28	--	134	238	534
Total Operating Expenses	<u>5,273</u>	<u>2,680</u>	<u>6,783</u>	<u>4,472</u>	<u>39</u>	<u>8,107</u>	<u>27,354</u>	<u>41,637</u>
Operating Income (Loss)	<u>(1,554)</u>	<u>11,213</u>	<u>(174)</u>	<u>1,968</u>	<u>(39)</u>	<u>(979)</u>	<u>10,435</u>	<u>1,809</u>
Nonoperating Revenues (Expenses):								
Property taxes	3	1,114	1,154	1,128	39	389	3,827	--
Interest income	5	612	53	39	19	27	755	203
Interest expense	(177)	(9,282)	(13)	(1,301)	(379)	(432)	(11,584)	--
Aid from governmental agencies	372	28	10	15	35	8	468	333
Other nonoperating revenue (expenses)	(41)	16	57	(11)	(6,288)	(146)	(6,413)	153
Total Nonoperating Revenues (Expenses)	<u>162</u>	<u>(7,512)</u>	<u>1,261</u>	<u>(130)</u>	<u>(6,574)</u>	<u>(154)</u>	<u>(12,947)</u>	<u>689</u>
Income (Loss) Before Contributions and Transfers	(1,392)	3,701	1,087	1,838	(6,613)	(1,133)	(2,512)	2,498
Capital contributions	138	--	--	--	9,127	64	9,329	--
Transfers in	352	--	--	--	--	596	948	--
Transfers out	(45)	(8,778)	--	--	--	(44)	(8,867)	(758)
Changes in net assets	<u>(947)</u>	<u>(5,077)</u>	<u>1,087</u>	<u>1,838</u>	<u>2,514</u>	<u>(517)</u>	<u>(1,102)</u>	<u>1,740</u>
Net Assets - Beginning	<u>82,516</u>	<u>1,689</u>	<u>52,134</u>	<u>25,425</u>	<u>9,075</u>	<u>19,288</u>		<u>29,991</u>
Net Assets - Ending	<u>\$ 81,569</u>	<u>\$ (3,388)</u>	<u>\$ 53,221</u>	<u>\$ 27,263</u>	<u>\$ 11,589</u>	<u>\$ 18,771</u>		<u>\$ 31,731</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							<u>222</u>	
Change in net assets of business-type activities (page 41)							<u>\$ (880)</u>	

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN LUIS OBISPO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012 (in thousands)

	Business-type Activities - Enterprise Funds							Governmental
		Nacimiento	State Water	Lopez	Los Osos	Nonmajor	Total	Activities
	Airport	Water Contract	Project	Flood Control	Wastewater	Enterprise Funds	Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:								
Receipts from customers and third parties	\$ 3,753	\$ 13,887	\$ 7,049	\$ 7,604	\$ --	\$ 7,030	\$ 39,323	\$ --
Receipts from interfund billings	--	--	--	--	--	--	--	48,482
Payments for goods and services	(1,820)	(2,214)	(6,486)	(3,161)	(147)	(6,181)	(20,009)	(18,227)
Payments to employees for service	(1,359)	--	--	--	--	(1,210)	(2,569)	(21,791)
Payments for insurance benefits	--	--	--	--	--	--	--	(4,654)
Payments for premiums	--	--	--	--	--	--	--	(1,823)
Net Cash Provided (Used) by Operating Activities	<u>574</u>	<u>11,673</u>	<u>563</u>	<u>4,443</u>	<u>(147)</u>	<u>(361)</u>	<u>16,745</u>	<u>1,987</u>
Cash Flows from Noncapital Financing Activities:								
Property tax proceeds	3	1,114	1,154	1,128	39	389	3,827	--
Grants and subsidies from other gov't agencies	401	28	222	15	35	113	814	333
Contributions and payments to other agencies	--	--	--	--	--	(738)	(738)	--
Advances from other funds	273	--	--	--	--	--	273	--
Advances to other funds	--	--	--	--	--	(81)	(81)	--
Transfers from other funds	352	--	--	--	--	596	948	--
Transfers to other funds	(45)	(8,778)	--	--	--	(44)	(8,867)	(757)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>984</u>	<u>(7,636)</u>	<u>1,376</u>	<u>1,143</u>	<u>74</u>	<u>235</u>	<u>(3,824)</u>	<u>(424)</u>
Cash Flows from Capital and Related Financing Activities:								
Purchases and construction of capital assets	(922)	(4,063)	(1,643)	(414)	(4,158)	(146)	(11,346)	(2,435)
Proceeds from issuance of long-term debt	--	--	--	--	15,364	--	15,364	--
Bond issuance costs for capital related financing	--	--	--	--	--	--	--	--
Proceeds from sale of capital assets	--	--	--	(10)	--	--	(10)	315
Proceeds from capital grants	138	--	--	--	--	64	202	--
Special assessment proceeds	--	--	--	--	1,295	--	1,295	--
Principal paid on capital debt	(240)	(2,955)	--	(2,108)	(8,677)	(423)	(14,403)	--
Interest paid on capital debt	(361)	(9,728)	(13)	(1,331)	(220)	(431)	(12,084)	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,385)</u>	<u>(16,746)</u>	<u>(1,656)</u>	<u>(3,863)</u>	<u>3,604</u>	<u>(936)</u>	<u>(20,982)</u>	<u>(2,120)</u>
Cash Flows from Investing Activities:								
Interest received	5	877	53	39	19	27	1,020	203
Net Cash Provided (Used) by Investing Activities	<u>5</u>	<u>877</u>	<u>53</u>	<u>39</u>	<u>19</u>	<u>27</u>	<u>1,020</u>	<u>203</u>
Net Increase (Decrease) in Cash and Cash Equivalents	178	(11,832)	336	1,762	3,550	(1,035)	(7,041)	(354)
Cash and Cash Equivalents - Beginning of Year	1,760	41,500	10,769	7,031	2,748	6,475	70,283	44,992
Cash and Cash Equivalents - End of Year	<u>\$ 1,938</u>	<u>\$ 29,668</u>	<u>\$ 11,105</u>	<u>\$ 8,793</u>	<u>\$ 6,298</u>	<u>\$ 5,440</u>	<u>\$ 63,242</u>	<u>\$ 44,638</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating income (loss)	\$ (1,554)	\$ 11,213	\$ (174)	\$ 1,968	\$ (39)	\$ (979)	\$ 10,435	\$ 1,809
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:								
Depreciation expense	2,143	2,122	200	1,288	--	800	6,553	1,810
Change in Assets and Liabilities:								
Receivables, net	--	6	995	--	--	(7)	994	10
Prepays and other assets	--	--	--	--	--	--	--	--
Inventory	--	--	--	--	--	--	--	11
Accounts payable	22	(1,654)	97	24	(108)	(43)	(1,662)	(305)
Salaries and benefits payable	--	--	--	--	--	(48)	(48)	(731)
Deferred revenue	33	(14)	(555)	1,163	--	--	627	--
Accrued vacation and sick leave	--	--	--	--	--	(84)	(84)	(44)
Self-insurance liability	--	--	--	--	--	--	--	(518)
Other accrued liabilities	(70)	--	--	--	--	--	(70)	(55)
Total Adjustments	<u>2,128</u>	<u>460</u>	<u>737</u>	<u>2,475</u>	<u>(108)</u>	<u>618</u>	<u>6,310</u>	<u>178</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 574</u>	<u>\$ 11,673</u>	<u>\$ 563</u>	<u>\$ 4,443</u>	<u>\$ (147)</u>	<u>\$ (361)</u>	<u>\$ 16,745</u>	<u>\$ 1,987</u>
Noncash Investing, Capital, and Financing Activities:								
Contributions of capital assets	\$ 35	\$ --	\$ --	\$ --	\$ 2,470	\$ --	\$ 2,505	\$ 39
Change in special assessment receivable	\$ --	\$ --	\$ --	\$ --	\$ 119,745	\$ --	\$ 119,745	\$ --
Debt and accrued interest assumed from CSD	\$ --	\$ --	\$ --	\$ --	\$ (6,414)	\$ --	\$ (6,414)	\$ 39
Unamortized issuance costs and discounts/premiums	\$ --	\$ (140)	\$ --	\$ (79)	\$ --	\$ --	\$ (219)	\$ 39

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN LUIS OBISPO
Statement of Fiduciary Net Assets
Agency and Investment Trust Funds
June 30, 2012 (in thousands)
San Luis Obispo Pension Trust Fund
December 31, 2011 (in thousands)

	Agency Funds 06/30/12	Investment Trust Fund 06/30/12	San Luis Obispo County Pension Trust 12/31/2011
<u>Assets</u>			
Cash and cash equivalents	\$ 41,955	\$ 185,097	\$ 30,286
Notes receivable	--	--	786
Contributions receivable	--	--	1,067
Accrued interest receivable	--	--	1,601
Accounts receivable	--	--	3
Securities sold	--	--	10,929
Prepaid benefits	--	--	165
Investments pension trust:			
Bonds and notes, at fair value	--	--	205,462
International fixed income	--	--	76,577
Collateralized mortgage obligations, at fair value	--	--	12,330
Domestic equities	--	--	293,629
International equities	--	--	183,911
Alternative investments	--	--	54,515
Real estate, at fair value	--	--	66,708
Capital assets-net of accumulated depreciation	--	--	1,222
Total Assets	<u>41,955</u>	<u>185,097</u>	<u>939,191</u>
<u>Liabilities</u>			
Agency obligations	41,955	--	--
Securities purchased	--	--	31,934
Accrued liabilities	--	--	907
Total Liabilities	<u>41,955</u>	<u>--</u>	<u>32,841</u>
<u>Net Assets</u>			
Assets held in trust for pool participants	--	185,097	--
Assets held in trust for pension benefits	<u>--</u>	<u>--</u>	<u>906,350</u>
Total Net Assets	<u>\$ --</u>	<u>\$ 185,097</u>	<u>\$ 906,350</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAN LUIS OBISPO
Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Year Ended June 30, 2012 (in thousands)
San Luis Obispo Pension Trust Fund
For the Year Ended December 31, 2011 (in thousands)

	<u>Investment Trust Fund 06/30/12</u>	<u>San Luis Obispo County Pension Trust 12/31/11</u>
<u>Additions</u>		
Contributions:		
Employer contributions	\$ 744,534	\$ 30,436
Member contributions	--	25,262
Total Contributions	<u>744,534</u>	<u>55,698</u>
Investment Earnings:		
Realized gains and losses	--	6,493
Interest	985	7,719
Dividends	--	12,280
Real estate management trust income	--	(71)
Rental Real Estate:		
Real estate operating income (expense)	--	1,489
Investment expenses	--	(3,797)
Total Investment Earnings	<u>985</u>	<u>24,113</u>
Total Additions	<u>745,519</u>	<u>79,811</u>
<u>Deductions</u>		
Benefits:		
Monthly benefit payments	--	50,415
Termination refunds	--	1,659
Death benefits	--	430
Total benefits	<u>--</u>	<u>52,504</u>
Administrative expenses	--	1,910
Total Administrative Expenses	<u>--</u>	<u>1,910</u>
Distributions from investment pool	<u>798,366</u>	<u>--</u>
Total deductions	<u>798,366</u>	<u>54,414</u>
Change in Net Assets	(52,847)	25,397
Net Assets - Beginning	<u>237,944</u>	<u>880,953</u>
Net Assets - Ending	<u>\$ 185,097</u>	<u>\$ 906,350</u>

The accompanying notes are an integral part of these financial statements.



NOTES TO THE BASIC FINANCIAL STATEMENTS



COUNTY OF SAN LUIS OBISPO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The County of San Luis Obispo (the County) was established by an act of the Legislature on February 18, 1850 as one of California's original 27 Counties. The County is a political subdivision of the State of California and may exercise the powers specified by the Constitution and laws of the State. The County exercises its powers through an elected five member Board of Supervisors. The County provides various services on a countywide basis including public protection, public ways and facilities, health and sanitation, public assistance, education, recreational and cultural services.

The County reporting entity includes all significant organizations, departments, and agencies over which the County is considered financially accountable. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. The accompanying financial statements present the financial position of the County and those County-related entities that meet the criteria for component units established by the Governmental Accounting Standards Board (GASB) Statement 14.

Blended Component Units

These component units are so intertwined with the County that they are, in substance, the same as the County and, therefore, are blended and reported as if they were part of the County. Each of the following entities' governing bodies are substantively the same as the governing body of the County, are fiscally accountable to the County, and have a significant relationship with the County, and therefore are included in its government-wide, governmental fund and proprietary fund financial statements:

San Luis Obispo County Area Transit District – The District provides Dial-A-Ride, taxi subsidies, trolley and other modes of public transportation in a specified area within the County of San Luis Obispo.

County Service Areas – County Service Areas have been established for the purpose of providing specific services to distinct geographical areas within the County. These services include drainage and sewer collections facilities maintenance, street lighting energy charges, centralized septic services, wastewater disposal and treatment, and fire and emergency medical services in various unincorporated areas of the county.

Flood Control and Water Conservation Districts – Flood control and water conservation districts have been established for the purpose of providing specific flood and conservation services to distinct geographical areas within the county. These services include weather and hydrological data collections services, delivery, water treatment, and water distribution services, and the construction of the Lopez Dam Seismic Remediation project.

San Luis Obispo County Financing Authority – The Authority was created to assist in the financing, construction, and equipping of public facilities for one or both of the Authority's members.

San Luis Obispo County Public Facilities Corporation – The PFC is a nonprofit public benefit corporation organized to assist public agencies within the County of San Luis Obispo with the acquisition and construction of various public facilities.

Separate financial statements or additional financial information for each of the component units may be obtained from the Auditor-Controller at 1055 Monterey, Room D220, San Luis Obispo, CA 93408.

Also included in the accompanying financial statements as investment trust funds are the assets of numerous self-governed schools, special districts, and regional boards and authorities for which the County Treasurer acts as custodian of those assets. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments and the related fiduciary responsibility of the County for disbursement of these assets. Activities of these entities are administered by separate boards and are independent of the County Board of Supervisors. The County Auditor-Controller makes disbursements upon the

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

request of the entity's officers. The County Board of Supervisors has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, nor to appropriate surplus funds available in these entities. Seven cities and numerous self-governed special districts provide services to the residents of the county. The operations of these entities have been excluded from the basic financial statements as each entity conducts its own day-to-day operations and answers to its own governing board.

Discretely Presented Component Unit

First 5 San Luis Obispo County – First 5 was created in 1998 with the passage of Proposition 10, the California Children and Families First Act. First 5's mission is to allocate funds from the California Children and Families Trust Fund and advocate for quality programs and services, supporting children prenatal to age 5, to ensure that every child is healthy and ready to learn in school. First 5 is governed by a nine-member commission that includes public officials and community leaders from the fields of early childhood education, health care, and family support. The County can influence the day-to-day operations and financial decisions of First 5 as the County Board of Supervisors appoints all commission members. First 5 is reported as a discretely presented component unit because its governing body is not the substantively the same as the County's governing body, and it does not provide services entirely or exclusively to the County.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The Government-wide financial statements consist of the statement of net assets and the statement of activities that report information about the County and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for good or services.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Internal activities and indirect expenses are consolidated in the statement of activities. Examples of expenses that have been eliminated include the allocation of indirect costs under the County-wide Cost Allocation Plan and internal payments for services provided between departments.

Amounts reported as *program revenues* include 1) fees, fines and charges to customers or applicants for goods or services offered by the programs, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program, and 3) capital grants and contributions restricted to particular programs. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County enterprise funds (Airport, Nacimiento Water Contract, State Water Project, Lopez Flood Control Project, Los Osos Wastewater, and nonmajor enterprise) and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Financial Statements

The fund financial statements report detailed information about the County's funds, including fiduciary funds and blended component units. Separate statements are provided for each fund category – Governmental, Proprietary, and Fiduciary even though the latter are excluded from the Government-wide financial statements. The emphasis of the Governmental and Proprietary Fund financial statements is on major individual funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

The County reports the following Major Governmental Funds:

- The General Fund is the County's primary operating fund. The General Fund is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education, and recreational and cultural services.
- The Capital Projects Fund is used to account for the financial resources restricted for the acquisition or construction of specific projects, or items other than those financed by proprietary funds.

The County reports the following Major Proprietary Funds:

- The Airport Fund accounts for the maintenance, operations, and development of the County owned commercial service airports in San Luis Obispo and Oceano.
- The Nacimiento Water Contract Fund accounts for the activities and delivery of water associated with the Nacimiento water supply reservoir and the contract with Monterey County.
- The State Water Contract Fund accounts for revenues, expenses and net assets relating to the countywide taxpayers' obligations associated with the State Water Project, which provides for the delivery of state water into the County.
- The Lopez Dam Flood Control Fund accounts for the maintenance, water treatment and water distribution services of the Lopez Dam Flood Control Zone 3, which provides water to south San Luis Obispo County, and the activities of the Lopez Dam Seismic Remediation Project.
- The Los Osos Wastewater Fund accounts for the construction, operation and maintenance of the wastewater treatment plant serving the community of Los Osos.
- Additionally, the County reports on Internal Service Funds. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other governments on a cost-reimbursement basis. Internal Service Funds account for the activities of equipment maintenance services, centralized printing services, and self-insurance programs such as workers' compensation, long-term disability, employee benefits, and personal injury and property damage.

The County reports the following Fiduciary Funds:

- The Pension Trust Fund accumulates contributions from the County, its employees, and earnings from the fund's investments. Disbursements are made from the fund for retirement, disability and death benefits (based on a defined benefit formula) and administrative expenses. This fund includes all assets of the San Luis Obispo County Pension Trust as of December 31, 2011.
- The Investment Trust Funds account for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand. The County reports on 97 different Investment Trust Funds.
- The Agency Funds account for the resources held by the County in a custodial capacity on behalf of other agencies. The County reports on 134 different Agency Funds. These include accounts for temporary holding of funds for the tax assessment areas created under the 1915 Improvement Act, temporary clearing funds, and other temporary holding funds not classified in other agency categories.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The Government-wide, Proprietary, and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except that Agency Fund financial statements have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property, sales, and transient occupancy taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from sales and occupancy taxes are recognized when the underlying transactions take place. Revenues from grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they become both measurable and available. The County considers all revenues in governmental funds 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 County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the current fiscal period. It is the County's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle, and payments are generally received within 90 days. Property taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized as expenditures only to the extent that payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

The County eliminates the effect of interfund activity from the Government-wide financial statements by consolidating internal activities and indirect expenses in the statement of activities.

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

D. ASSETS, LIABILITIES, AND FUND EQUITY

Deposits and Investments

As required by Government Code Section 27130, a treasury oversight committee serves the County. The committee consists of a representative appointed by the Board of Supervisors, the Auditor-Controller, Superintendent of Schools, a representative from the County's school districts and community college, and one member from the public at large. The committee meets annually and is subject to the California open meeting statutes.

Cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value at June 30, 2012. The fair value of pooled investments is determined annually and is based on current market prices.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

The County pool is not registered with the Securities and Exchange Commission as an investment company and does not issue separate investment reports. The County has not provided or obtained any legally binding guarantees to support the value of the shares. Participants may withdraw up to the amortized cost of their respective shares as displayed on the combined balance sheet. The share of the Treasurer's pool related to involuntary participants is 99.9 percent.

Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in the County Treasury cash and investments pool, the earnings from which are allocated quarterly to each fund based on average daily cash balances.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No uncollectible allowance is recorded for enterprise special district receivables, which are primarily for water service billings. These receivables are written off in the year they become uncollectible.

Property Tax

The County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County, including school, cities, and special districts. Property taxes, for which the lien date is January 1, are payable in two equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. Property taxes receivable are recognized when levied. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent on August 31. The County is permitted by Article XIII-A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100.00 of full cash value. The bills are payable in equal installments, November 1st and February 1st and become delinquent on December 10th and April 10th, respectively. Property taxes are accounted for in the Unapportioned Property Tax and Interest Fund, an Agency Fund, until apportionment and disbursement to the taxing jurisdictions. Property tax receivables are recognized when the taxes are levied.

Beginning in fiscal year 1993/1994, the County of San Luis Obispo adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" provided for in Revenue and Taxation Code Sections 4701-4717, which is commonly known as the "Teeter Plan". The Teeter Plan has no impact on tax rates or collection procedures. It merely changes the way the collections of delinquent taxes and penalties are distributed among the taxing agencies. Those agencies participating in the Teeter Plan receive 100% of the secured property taxes billed each year without regard to delinquencies. The General Fund covers the delinquent amount to all agencies and, in return, receives the delinquent taxes, penalties and interest when collected. As a result of the Teeter Plan, secured property taxes receivable are recorded in the General Fund only, and there is no allowance for uncollectible amounts. Penalties and interest are deposited into the Tax Loss Reserve Fund. Once the Tax Loss Reserve Fund balance exceeds 25% of the secured delinquent roll, the excess may be credited to the General Fund.

The Teeter Plan was amended beginning fiscal year 2001/2002 by removing unitary tax payments (including PG&E), so that all agencies in the County will share in any delinquency that may occur.

Unsecured property is not part of the Teeter Plan. Unsecured property taxes receivable are accrued to taxing agencies, net of the uncollectible amount which is estimated based on prior year collections.

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Inventories and Prepaid Items

Inventories held by the General Fund, Public Works, Reprographics and the Garage Internal Service Funds are carried at cost (first-in, first-out). The Internal Service Funds' inventories are controlled by perpetual inventory systems, and are adjusted as appropriate to reflect year-end physical inventory counts. Governmental Funds (other than the General Fund) record inventory as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Government-wide and Fund financial statements.

Capital Assets

Capital assets, which include land, structures and improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the Government-wide financial statements. Capital assets are defined as assets with an initial individual cost greater than the capitalization threshold for the specified type of asset and an estimated useful life beyond a single fiscal period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 1980, are reported at estimated historical cost using deflated replacement costs.

Normal maintenance and repairs are not capitalized, but are charged to operations when incurred. Betterments or major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Capital outlays are recorded as expenditures in the General, Special Revenue, and Capital Projects Funds and as capital assets in the Government-wide financial statements to the extent the County's capitalization thresholds are met. Interest incurred, during construction phase, on financing capital assets of business-type activities is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization. Facilities and improvements, infrastructure, and machinery and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the estimated useful lives.

The capitalization thresholds and estimated useful lives of specific asset types are as follows:

<u>Asset Type</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	No threshold	-----
Infrastructure	\$100,000	20 to 100 years
Structures & Improvements	\$25,000	15 to 50 years
Equipment	\$5,000	2 to 15 years
Capital Lease	By asset type	Lease term or useful life

Compensated Absences

The County's policy is to permit employees to accumulate earned but unused vacation and sick leave benefits. Each year-end, a liability is accrued for the balance of unpaid compensatory time off, sick leave, and vacation earned.

Accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, all payments of these accumulated benefits will be funded from appropriations in the year in which they are to be paid; therefore the total liability is recorded as long-term. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee designations and retirements.

Long-term Obligations

In the Government-wide financial statements, and in proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor the constraints on the specific purposes for which amounts in the funds can be spent. The fund balance classifications used are nonspendable, restricted, committed, assigned and unassigned (see Note 11 for a description of these categories).

In circumstances when an expenditure is made for a purpose for which amounts are available from multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

E. 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.

DETAIL NOTES ON ALL FUNDS

2. CASH AND CASH EQUIVALENTS

Cash in Treasury

Investments made by the Treasurer are regulated by the California Government Code and by the County's Investment Policy (IP). The objectives of the policy in order of priority are safety and preservation of capital, liquidity sufficient to meet scheduled cashflow needs, and then yield, subject to safety and liquidity, while maintaining compliance with federal, state, and local laws and regulations.

The San Luis Obispo County Investment Pool is rated by Fitch Ratings, one of the Nationally Recognized Statistical Rating Organizations. Fitch has consistently rated the County Pool with their highest rating since FY 1994/95. The County Pool's "AAA" rating reflects the "pool's lowest vulnerability to losses as a result of defaults in its portfolio and is based on the actual and prospective average credit quality of the pool's investments." The County Pool's "V1" volatility rating reflects the pool's low market risk and capacity to return stable principal value to meet anticipated cash flow requirements, even in adverse interest rate environments. Effective February 10, 2010, Fitch eliminated the V1+ rating from its Fund Volatility Rating scale and revised its highest rating to V1. On March 18, 2010, the County Pool's volatility rating was revised from "V1+" to "V1," to reflect the new highest rating. On March 17, 2011 and March 14, 2012, Fitch confirmed the County Pool's "AAA/V1" rating.

The County Treasury Oversight Committee (CTOC) was created by the Board of Supervisors' Resolution and is formed by five members. The CTOC monitors and reviews quarterly, the management of public funds maintained in the investment pool in accordance with the California Government Code. The CTOC and the Board of Supervisors review and approve the IP annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the CTOC and the investment pool participants every quarter. The report covers the type of investments in the pool, maturity dates, par value, actual costs and fair value. California Government Code directs the CTOC to cause an annual IP compliance audit. A list of providers for the annual compliance audit is specified in the Board Resolution which created the CTOC. These providers are: County Auditor in conjunction with or in addition to work directed by California Government Code; independent certified public accountants (CPAs) selected to review the County's Comprehensive Annual Financial Report; and independent CPAs as deemed appropriate. The County Auditor-Controller's Office has been selected

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

to perform an Annual Investment Program Compliance Audit since the inception of the CTOC. The result of this audit has been presented to the Board of Supervisors on a yearly basis.

Under parameters established by the California Government Code, the County may purchase: obligations issued by the United States Treasury; obligations, participations, or other instruments of or issued by a federal agency or a United States government-sponsored enterprise; obligations of state and local agencies of this state and any of the other 49 states; bankers' acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term corporate notes; as well as other investments established by the California Government Code. The California Government Code prohibits investments in derivatives which include inverse floaters, range notes, or mortgage-derived, interest strips and any security that could result in zero interest accrual if held to maturity. While securities lending and reverse repurchase agreements are considered permitted investments per California Government Code, the County IP prohibits these types of investments.

The County maintains a combined pool with cash and investments which provide cash flow for the funding needs of the County and local agencies required by law to keep funds in the Treasury.

The combined pool's investments have a carrying value that uses the amortized cost method and includes accrued interest. This pool, which is available to all funds, has deposits and investments with a weighted-average maturity of less than one year. Interest is apportioned to the separate funds based on the individual fund's average daily balance.

Investments were authorized by the California Government Code and the County Treasurer's IP: Securities were held in a customer-segregated safekeeping account during the fiscal year. Repurchase agreements were collateralized 102% with government and agency securities in accordance with multi-party agreements on file with the Treasurer. A Cash Statement and Asset List is requested monthly from the appropriate institutions and verified against records maintained in the Treasury.

Governmental Accounting Standards Board (GASB) Statement No. 31 requires governmental external investment pools to report certain investments at fair value in the financial statements and report the change in the fair value of investments in the year in which the change occurred. In compliance with these requirements, the fair value of the County's combined pool is determined annually and is based on current market prices received from the securities custodian, and the California State Local Agency Investment Fund (LAIF), except for instruments which are carried at amortized cost plus accrued interest. The County Treasury has provided a fair value dollar factor of 1.001828095402 in the Quarterly Report of Investments as of June 30, 2012, which can be used for financial reporting by the pool participants. The fair value of the investments is the pool participant's amount invested balance multiplied by the fair value dollar factor.

The County's combined pool has invested in LAIF. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Market valuation is conducted quarterly. LAIF provided a fair value dollar factor of 1.001219643 for its portfolio as of June 30, 2012. The fair value of the investments in LAIF is the pool participant's amount invested balance multiplied by the fair value dollar factor. As of June 30, 2012, 3.47% of the LAIF pool includes structured notes and asset-backed securities. The Local Investment Advisory Board, which consists of five members as designated by statute, provides oversight for LAIF.

As of June 30, 2012, the County's combined pool includes funds deposited in collateralized Public Investment Money Market Accounts (PIMMAs), Certificates of Deposit placed through the Certificate of Deposit Account Registry Service (CDARS), and a Federally Insured Cash Account (FICA). PIMMAs are interest-bearing active bank accounts and by California Government Code (GC) §53631 et seq., are considered depository accounts, not investments. PIMMAs are fully liquid and collateralized by eligible securities per GC 53651 et seq. Deposits placed through CDARS as authorized by California GC §53635.8, are distributed into individual Certificates of Deposit (CD) of less than \$250,000 each that are fully FDIC insured, and placed through a network participating bank that uses the CD Account Registry Service, a private entity that assists in the placement of the individual CDs. FICA is similar to CDARS where a single large deposit is placed into individual deposits of less than \$250,000 with network banks. As a result, full FDIC insurance is maintained. Unlike CDARS, FICAs are not term deposits, and the full balance is available at any time on demand. Even though PIMMAs and FICAs are not investments by code, they are included in the County's combined pool and are treated internally as investments for tracking, management, and reporting purposes.

The table below identifies the investment types that are authorized for the County by the California Government Code. The County's combined pool is further restricted by both the County IP and the Treasurer's written

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

policies and procedures to reduce exposure to investment risks. As of June 30, 2012, the table represents the County's IP or where more restrictive, the Treasurer's written policies and procedures, that address interest risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bonds issued by a Local Agency	1 year	5%	Requires written approval of County Treasurer for each investment.
U.S. Treasury Notes	3 years	100%	N/A
U.S. Treasury Bonds	3 years	100%	N/A
U.S. Treasury Bills	Maximum issued	100%	N/A
Cash Management Bills	Maximum issued	100%	N/A
Registered State Warrants	1 year	10%	Authorized by County Treasurer beginning 7/14/09
Treasury Notes or Bonds of this state	Not authorized in FY 2011-12		
Registered Treasury Notes or Bonds of any of the other 49 United States	Not authorized in FY 2011-12		
Bonds, Notes, Warrants, other evidences of indebtedness of any local agency within this state	1 year	5%	No more than 10% of issuer debt and assets. Requires written approval of County Treasurer for each investment.
U.S. Government Agencies:			
Federal National Mortgage Assoc.	Not authorized in FY 2011-12		
Federal Home Loan Mortgage Corp.	Not authorized in FY 2011-12		
Federal Home Loan Bank	3 years	20%	N/A
Farm Credit Bank	3 years	20%	N/A
Bankers' Acceptances-Domestic	30 days	10%	4%
Bankers' Acceptances-Foreign	Not authorized in FY 2011-12		
Commercial Paper	30 days	10%	2%
Collateralized Certificates of Deposit	1 year	15%	5%
Negotiable Certificates of Deposit	Not authorized in FY 2011-12		
CDARS	1 year	15%	1%
Tri-Party Repurchase Agreements	30 days	15% of all repos	N/A
Bi-Party Repurchase Agreements	Not authorized in FY 2011-12		
Reverse Repurchase Agreements	Not authorized in the County's IP		
Securities Lending Agreements	Not authorized in the County's IP		
Medium-Term Notes	Not authorized in FY 2011-12		
Money Market Mutual Funds	Not authorized in FY 2011-12		
Pledged Funds held by a trustee or fiscal agent	Per specific statutory provisions or in accordance with the ordinance, resolution, indenture, or agreement of a local agency providing for the issuance.		
Notes, Bonds, or other obligations that are at all times secured by a valid first priority security interest	Not authorized in FY 2011-12		
Mortgage Pass-Through Securities	Not authorized in FY 2011-12		
Local Agency Investment Fund	N/A	15%	N/A

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Interest Rate Risk

In accordance with its investment policy, the County manages its exposure to declines in fair values by structuring the portfolio so that securities mature to meet cash flow requirements for ongoing operations and thereby avoiding the need to sell securities on the open market prior to maturity.

Custodial Credit Risk

The County minimizes this type of credit risk by pre-qualifying the custodial financial institution, and requiring the custodian to hold securities in the County Treasurer's name.

Credit Risk

The County minimizes its exposure to credit risk by pre-qualifying the financial institutions limiting investments to the safest types of securities, diversifying the portfolio, and setting limits per issuer.

Concentration of Credit Risk

At June 30, 2012, the County did not have investments in commercial paper, corporate bonds, medium term notes, or money market mutual funds. Investments in obligations of the U.S. government, U.S. government agencies or government-sponsored enterprises are exempt from limitations set by GASB.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County's Investment Pool's fair value at June 30, 2012.

<u>Investment Type</u>	<u>S&P</u>	<u>Moody's</u>	<u>% of Portfolio*</u>
U.S Treasuries	AA+	Aaa	54.52%
U.S. Government Agencies	AA+	Aaa	2.59%
CDARS	Not Rated	Not Rated	21.42%
Local Agency Investment Fund	Not Rated	Not Rated	21.47%
Total			<u>100%</u>

*Bank Deposit accounts such as PIMMAs and FICA are tracked, managed, and reported as part of the County's combined pool and are included in portfolio percentage limit calculations. CDARS and LAIF are both at 9% of the County's combined pool inclusive of the PIMMAs and FICA and therefore are within the limits authorized in the Treasurer's Investment Policy.

GASB Statement No. 40 requires that investments in single issuers exceeding 5% of the County's pooled investments be disclosed as concentrations of credit risk. As of the year ended June 30, 2012 no investments exceed the 5% disclosure threshold.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

At June 30, 2012, the County had the following investments and interest-bearing deposits (in thousands):

Instrument	Maturity Dates	Interest Rate %	Weighted Average Maturity Years	Carrying Amount	Fair Value	Par Value
CDARS	11/01/12-5/09/13	0.449%	0.55	50,000	50,000	50,000
U.S. Treasuries	7/31/12-4/15/14	0.469%-1.659%	0.89	126,307	127,265	126,000
U.S. Government Agencies	12/27/13	1.057%	1.49	5,984	6,048	6,000
Local Agency Fund	On Demand		-	50,044	50,105	50,000
Total Investments in County Treasury			0.55	<u>\$232,335</u>	<u>\$223,418</u>	<u>\$232,000</u>
Deposits in Financial Institutions				359,754	359,754	359,754
Cash on Hand				<u>78</u>	<u>78</u>	<u>78</u>
Total Cash held in Treasury				592,167	593,250	591,832
Deposits in Transit				1,513	1,513	1,513
Outstanding Warrants				<u>(10,163)</u>	<u>(10,163)</u>	<u>(10,163)</u>
Total				583,517	584,600	583,182
Imprest Cash				395	395	395
Non-pool Cash Deposits				<u>1,499</u>	<u>1,499</u>	<u>1,499</u>
Other Cash Deposits				1,894	1,894	1,894
Total cash and cash equivalents				<u>\$ 585,411</u>	<u>\$ 586,494</u>	<u>\$ 585,076</u>
<u>Restricted Cash with Fiscal Agent</u>				<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Par Value</u>
U.S. Government & Federal Agencies				<u>\$ 15,789</u>	<u>\$ 15,789</u>	<u>\$ 15,789</u>
Total				<u>15,789</u>	<u>15,789</u>	<u>15,789</u>
Total restricted and unrestricted cash and cash equivalents				<u>\$ 601,200</u>	<u>\$ 602,283</u>	<u>\$ 600,865</u>
<u>Total Cash and Investments Summary</u>				<u>Carrying Amount</u>		
Total Governmental Activities				\$ 302,790		
Total Business-type Activities				63,242		
Total Fiduciary Funds				227,052		
Total Component Unit				<u>8,116</u>		
Total Cash and Investments				<u>\$ 601,200</u>		

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2012 (in thousands):

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Statement of Net Assets:</u>		
Net assets held for pool participants	\$ 585,411	\$ 586,494
Equity of internal pool participants	\$ 400,314	\$ 401,397
Equity of external pool participants (voluntary and involuntary)	185,097	185,097
Total Equity	<u>\$ 585,411</u>	<u>\$ 586,494</u>
<u>Statement of Changes in Net Assets:</u>		
Revenue	\$ 3,758	\$ 3,758
Investment Costs	(903)	(903)
Net Deposits	(37,166)	(37,166)
Change in fair value	-	(840)
Net change in pool	(34,311)	(35,151)
Net Assets at July 1, 2011	619,722	621,645
Net Assets at June 30, 2012	<u>\$ 585,411</u>	<u>\$ 586,494</u>

Restricted Cash with Fiscal Agent

Cash and investments at June 30, 2012 that are restricted by legal or contractual requirements are comprised of the following (in thousands):

<u>Various Governmental Funds</u>	<u>Amount</u>
Required lease reserves for long term debt	\$ 13,706
Restricted interest on lease reserves	2,083
Total Restricted Cash	<u>\$ 15,789</u>

Cash Deposits outside of the Treasury Pool

At fiscal year end, the carrying amount of the County's other cash deposits was \$1,405,350 and the combined financial institutions' balance was \$1,499,234. The difference of \$93,885 between the County's deposit balance and the financial institutions' balance results from transactions in transit, and outstanding warrants and bond coupons. The entire bank balance of \$1,499,234 was covered by federal depository insurance or by collateral held by County's agent in the County's name.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

3. RECEIVABLES

Accounts receivable at year end of the County's major individual funds and nonmajor and Internal Service Funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows (in thousands):

	Governmental Activities	Business Type Activities			Governmental Activities
	General Fund	State Water Project	Nacimiento Water Contract	Nonmajor Enterprise Funds	Internal Service Funds
Accounts Receivable	\$ 3	\$ 1,648	\$ 1,506	\$ 190	\$ 16
Allowance for Doubtful Accounts	-	-	(1,506)	-	-
Net Accounts Receivable	\$ 3	\$ 1,648	\$ -	\$ 190	\$ 16

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2012, is as follows (in thousands):

Governmental Activities	Balance July 1, 2011	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2012
Capital assets, not being depreciated:					
Land	\$ 791,590	\$ 16	\$ (296)	\$ 100	\$ 791,410
Construction in progress	47,147	26,094	(236)	(6,295)	66,710
Total capital assets, not being depreciated	838,737	26,110	(532)	(6,195)	858,120
Capital assets, being depreciated:					
Structures and improvements	172,891	161	(332)	798	173,518
Equipment	69,686	4,759	(3,219)	1,145	72,371
Infrastructure	278,525	2,082	-	4,534	285,141
Other property	340	-	-	-	340
Total capital assets, being depreciated	521,442	7,002	(3,551)	6,477	531,370
Less accumulated depreciation for:					
Structures and improvements	(62,476)	(4,143)	301	(153)	(66,471)
Equipment	(38,134)	(5,311)	2,974	-	(40,471)
Infrastructure	(148,379)	(9,005)	-	-	(157,384)
Other property	(8)	(3)	-	-	(11)
Total accumulated depreciation	(248,997)	(18,462)	3,275	(153)	(264,337)
Total capital assets being depreciated, net	272,445	(11,460)	(276)	6,324	267,033
Governmental activities capital assets, net	\$ 1,111,182	\$ 14,650	\$ (808)	\$ 129	\$ 1,125,153

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

<u>Business-type Activities</u>	Balance July 1, 2011	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2012
Capital assets, not being depreciated:					
Land	\$ 29,745	\$ 2,823	\$ -	\$ (83)	\$ 32,485
Construction in progress	14,165	7,865	(85)	(2,643)	19,302
Water Rights	40,962	1,589	-	-	42,551
Other Property	1,968	-	-	-	1,968
Total capital assets, not being depreciated	86,840	12,277	(85)	(2,726)	96,306
Capital assets, being depreciated:					
Infrastructure	184,377	3,525	-	2,072	189,974
Structures and improvements	167,954	151	(600)	338	167,843
Equipment	2,735	349	(12)	34	3,106
Other Property	554	-	-	-	554
Total capital assets, being depreciated	355,620	4,025	(612)	2,444	361,477
Less accumulated depreciation for:					
Infrastructure	(954)	(2,780)	-	-	(3,734)
Structures and improvements	(33,791)	(3,612)	522	153	(36,728)
Equipment	(1,811)	(157)	12	-	(1,956)
Other Property	(50)	(2)	-	-	(52)
Total accumulated depreciation	(36,606)	(6,551)	534	153	(42,470)
Total capital assets being depreciated, net	319,014	(2,526)	(78)	2,597	319,007
Business-type activities capital assets, net	\$ 405,854	\$ 9,751	\$ (163)	\$ (129)	\$ 415,313

Depreciation expense

Depreciation expense was charged to functions as follows (in thousands):

<u>Governmental Activities</u>	<u>Amount</u>
General Government	\$ 4,168
Public Protection	2,453
Public Ways and Facilities	8,883
Health and Sanitation	133
Public Assistance	258
Education	195
Recreational and Cultural Services	560
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	1,810
Total Depreciation Expense-Governmental Activities	\$ 18,460
<u>Business-type Activities</u>	<u>Amount</u>
Airport	\$ 2,143
Nacimiento	2,122
State Water Project	200
Lopez Flood Control	1,288
Nonmajor Enterprise	800
Total Depreciation Expense-Business-type Activities	\$ 6,553

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

5. CONSTRUCTION IN PROGRESS AND RELATED COMMITMENTS

Construction in Progress accounts reflect the amount within governmental and business-type funds for construction projects which are not yet complete.

The following is a schedule of major projects included in Construction in Progress as of June 30, 2012 (in thousands):

Governmental Activities

<u>Project</u>	<u>Expended to June 30, 2012</u>	<u>Committed Funds</u>
Sheriff Women's Jail Expansion	\$ 2,118	\$ 1,804
Behavioral Health Electronic Health Record System	-	428
Creston Fire Station	3,770	-
Roads Infrastructure	57,773	15,286
North County Public Service Center	64	3,202
SLO Probation Juvenile Hall Expansion	615	1,149

Business-Type Activities

<u>Project</u>	<u>Expended to June 30, 2012</u>	<u>Committed Funds</u>
SLO Airport Facilities Infrastructure	\$ 522	\$ 1,253
Los Osos Wastewater Project	14,635	11,212

6. LEASES

County as Lessor

The County's General Fund and Enterprise Funds receive revenue from various properties leased to others under agreements classified as operating leases in accordance with Financial Accounting Standards Board (FASB) Statement 13. The leases cover periods ranging generally from 1 to 40 years. The General Fund leases portions of the former County General Hospital and North County healthcare facilities. The original cost of these facilities was \$10,787. As of June 30, 2012 they had a carrying value of \$8,797 net of accumulated depreciation of \$1,990. The Airport leases portions of airport land to various operators. The cost and carrying value of the original Airport land area is \$2,011.

The following is a schedule of minimum future rentals to be received under these non-cancelable operating leases at June 30, 2012 (in thousands):

<u>Year Ending June 30</u>	<u>General Fund</u>	<u>Airport</u>
2013	\$ 541	\$ 286
2014	541	285
2015	449	285
2016	401	261
2017	393	254
Later Years	2,067	7,032
Total	<u>\$ 4,392</u>	<u>\$ 8,403</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Minimum future rentals do not include contingent rentals, which are received as stipulated in the lease contracts. These contingent rental payments are based on the monthly revenues of the concessionaire operating on the premises. Contingent rentals amounted to \$1,780,734 for the fiscal year ended June 30, 2012.

County as Lessee

Operating Leases: The County has commitments under long-term real property operating lease agreements for facilities used in operations. These leases do not meet any of the four criteria for capitalization set by FASB 13. The County is the lessee under operating leases for real property used to house certain County functions.

In addition to real property leases, the County has also entered into operating leases for equipment, of which most are data processing and office equipment leases. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Commitments under the operating lease agreements for equipment, as described above, are not material.

Rental payments for fiscal year ended June 30, 2012 totaled \$2,879,808. The following rental costs represent future minimum payments under leases that have remaining non-cancelable terms in excess of one year as of June 30, 2012 for the next five years and for each five-year period thereafter (in thousands):

Year Ending June 30	Minimum Lease Payments
2013	\$ 1,958
2014	1,828
2015	1,667
2016	1,549
2017	1,394
2018-2022	4,547
2023-2027	1,464
2028-2032	1,274
Total	<u>\$ 15,681</u>

7. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has self-insurance programs for liability, workers' compensation, unemployment insurance and dental coverage. There were five liability and one workers' compensation claim settlements that have exceeded insurance coverage during the past three fiscal years. Insurance coverage for liability and workers' compensation above the County's self-insured retention (SIR) is provided through the California State Association of Counties (CSAC) Excess Insurance Authority. The County is a member of CSAC Excess Insurance Authority, a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The authority is solvent. Self-insurance and authority limits are as follows:

<u>Type of Coverage</u>	<u>Self-Insurance</u>	<u>Authority</u>
Liability	\$ 250,000 per occurrence	\$ 25,000,000
Workers' Compensation	\$ 250,000 per occurrence	Statutory
Unemployment	\$ 699,412 maximum	----
Dental	None-Funded by Employees	----

Annual actuarial valuations are obtained for the Workers' Compensation and the General Liability Funds. These valuations provide the basis for premiums charged to insured departments. The County's SIR amounts are paid directly, without the use of purchased annuity contracts. Financial information on CSAC Excess Insurance Authority is available on request from the Office of Risk Management, County of San Luis Obispo.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

The estimated claims liability for the Protected Self Insurance Fund and Workers' Compensation Self Insurance Fund have been recorded at a discounted 85% confidence level.

Changes in the balances of claims liabilities for the self funded insurance program including: the Protected Self Insurance Fund, Worker's Compensation Fund, Unemployment Insurance Fund, and Dental Insurance Fund for fiscal years 2010-2011 and 2011-2012, were as follows (in thousands):

	<u>Beginning of the fiscal year liability</u>	<u>Current year claims, changes & estimates</u>	<u>Claim payments</u>	<u>Balance at fiscal year end</u>
2010-11	\$ 22,587	\$ 2,975	\$ 5,789	\$ 19,773
2011-12	\$ 19,773	\$ 4,065	\$ 4,583	\$ 19,255

8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at June 30, 2012 was (in thousands):

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	763
	General Fund	<u>1,680</u>
		<u>2,443</u>
Nonmajor Enterprise Funds	General Fund	252
	Nonmajor Governmental Funds	<u>350</u>
		<u>602</u>
Airport	General Fund	839
	Total	<u>\$ 3,884</u>

Advances from Nonmajor Enterprise Funds to Nonmajor Governmental Funds of \$763 represents reserve funds of the Golf Enterprise fund held by the Public Financing Corporation Debt Service Fund (\$549) and the obligation of the Parks Special Revenue Fund to the Lopez Park Enterprise fund for future debt service (\$214).

Advances from the General Fund to Nonmajor Governmental Funds of \$1,680 represent internal loans issued to the County Service Areas Special Districts Special Revenue Fund (\$306), the Flood Control Districts (\$44) and the Library Special Revenue Fund (\$1,330).

Advances from the General Fund to Nonmajor Enterprise Funds of \$252 represent internal loans issued to County Service Area 18 (\$172) and County Service Area 7 (\$80).

Advances from Nonmajor Governmental Funds of \$350 represent internal loans issued to the County Service Areas Enterprise Fund from the County Service Areas Special Districts Special Revenue Fund

The Airport owes the General Fund \$839 for an internal loan for various projects.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

9. TRANSFERS

A reconciliation of transfers is detailed below (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	Amount
General Fund	Nonmajor Governmental Funds	\$ 17,931
	Capital Projects Fund	895
	Airport	<u>352</u>
		<u>19,178</u>
Nonmajor Governmental Funds	General Fund	1,148
	Capital Projects Fund	3,268
	Nonmajor Governmental Funds	2,899
	Nonmajor Enterprise Funds	<u>550</u>
		<u>7,865</u>
Airport	Nonmajor Governmental Funds	43
	General Fund	<u>2</u>
		<u>45</u>
Capital Projects Fund	General Fund	95
Nacimiento Water Contract	Nonmajor Governmental Funds	8,778
Nonmajor Enterprise Funds	General Fund	2
	Nonmajor Governmental Funds	<u>42</u>
		<u>44</u>
Internal Service Funds	General Fund	36
	Nonmajor Governmental Funds	676
	Nonmajor Enterprise Funds	<u>46</u>
		<u>758</u>
Total Transfers		<u>\$ 36,763</u>

General Fund transfers to Nonmajor Governmental Funds included contributions to the following Special Revenue Funds: Roads (\$5,828), Library (\$516), Community Development (\$310), County Medical Services Program (\$1,784) and Parks (\$3,278). The General Fund also transferred \$6,215 to the Pension Obligation Bond Debt Service Fund to finance debt service payments, \$895 to the Capital Projects Fund and \$352 to the Airport.

Nonmajor Governmental Fund transfers include contributions of Public Facilities Fees revenue from the Public Facilities Fees Special Revenue Fund to the General Fund (\$498), the Capital Projects Fund (\$3,268), Parks (\$8) and the Library Fund (\$142) to fund capital and maintenance projects. The Parks Special Revenue Fund made transfers to the General Fund to fund maintenance projects (\$186), and transferred funds to the Pension Obligation Bond Debt Service Fund (\$99) and the Lopez Park Enterprise Fund (\$6) for debt service. The Roads Fund transferred \$4 to Flood Control Zone 18 for maintenance projects and \$12 to the General Fund for the Oceano Revitalization Plan. The Road Impact Fee Special Revenue Fund transferred Impact Fees of \$449 to the

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

General Fund for certificate of participation payments and \$1,639 to the Roads Fund for capital and maintenance projects. The Library Fund (\$172), The County Medical Services Program Fund (\$29) and the Driving Under the Influence Fund (\$27) made transfers to the Pension Obligation Bond Debt Service Fund to finance debt service payments.

Other Nonmajor Governmental Fund transfers include transfers from the California Health Care Indigent Program to the County Medical Services Program (\$779) to combine the funds; a transfer of \$3 to the General Fund for interest payments and transfers between various County Service Areas (\$544).

The Airport Enterprise fund transferred \$43 to the Pension Obligation Bond fund for debt service and \$2 to the General Fund for interest on internal loans.

The Capital Projects Fund transferred \$95 to the General Fund primarily for waste management projects.

The Nacimiento Water Contract Fund transferred \$8,778 to the Flood Control Zone for various projects.

Transfers from Nonmajor Enterprise funds included transfers from the Golf Enterprise Fund for debt service to the Pension Obligation Bond Debt Service Fund (\$33), as well as transfers from County Service Area Enterprise Fund to the General Fund (\$2) for interest on internal loans; and transfers between various County Services Areas (\$9).

The Fleet Internal Service Fund transferred \$36 to the General Fund for fixed assets sales, and the Worker's Compensation Internal Service Fund transferred \$46 to the Golf Enterprise Fund for a modular office. Internal Service Fund transfers to nonmajor governmental funds represent contributions to the Pension Obligation Bond Debt Service Fund for debt service by the Public Works (\$632), Reprographics (\$6), and Garage (\$38) funds.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

10. BONDED INDEBTEDNESS AND LONG TERM DEBT

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012 (in thousands) is as follows:

<u>Governmental Activities</u>	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Due within one year
Bonds and notes payable:					
Certificates of participation	\$ 28,820	\$ -	\$ 925	\$ 27,895	\$ 965
Unamortized discount on COP	(107)	-	(4)	(103)	-
Pension Obligation Bonds	122,689	-	3,260	119,429	3,805
Total Bonds and notes payable	151,402	-	4,181	147,221	4,770
Other liabilities:					
Compensated absences	25,342	15,613	15,227	25,728	17,132
Landfill post-closure costs	3,356	1,029	307	4,078	342
Self insurance	19,773	4,065	4,583	19,255	3,520
Total other liabilities	48,471	20,707	20,117	49,061	20,994
Total Governmental Activities	\$ 199,873	\$ 20,707	\$ 24,298	\$ 196,282	\$ 25,764
<u>Business-Type Activities</u>					
Bonds and notes payable:					
Certificates of participation	\$ 19,897	\$ -	\$ 837	\$ 19,060	\$ 673
State notes	31,024	6,288	1,428	35,884	1,485
Revenue bonds	196,444	-	2,961	193,483	3,097
Unamortized premium on Revenue Bonds	6,371	-	213	6,158	-
General obligation bonds	10,760	-	515	10,245	355
Unamortized premium on General obligation bonds	1,128	-	56	1,072	-
Bond Anticipation Notes	8,677	-	8,677	-	-
Assessment bonds	-	15,364	-	15,364	10
Total bonds and notes payable	274,301	21,652	14,687	281,266	5,620
Other liabilities:					
Compensated absences	276	159	138	297	169
Total other liabilities	276	159	138	297	169
Total Business-Type Activities	\$ 274,577	\$ 21,811	\$ 14,825	\$ 281,563	\$ 5,789

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Annual debt service requirements for governmental activities as of June 30, 2012 are summarized as follows:

Governmental Activities					
Year Ended June 30,	Certificates of Participation		Pension Obligation Bonds		
	Principal	Interest	Principal	Interest	
2013	\$ 965	\$ 1,281	\$ 3,805	\$ 4,499	
2014	1,000	1,243	4,390	4,335	
2015	1,040	1,202	5,030	4,140	
2016	1,090	1,155	5,715	3,911	
2017	1,140	1,102	6,460	3,644	
2018-2022	6,580	4,626	64,186	28,821	
2023-2027	8,350	2,853	17,588	40,067	
2028-2032	4,050	1,208	12,255	39,485	
2033-2037	3,250	523	-	-	
2038-2042	430	20	-	-	
Total	\$ 27,895	\$ 15,213	\$ 119,429	\$ 128,902	

Business-Type Activities						
Year Ended June 30,	Certificates of Participation		State Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 673	\$ 896	\$ 1,485	\$ 837	\$ 3,097	\$ 9,602
2014	694	875	1,523	799	3,217	9,472
2015	720	849	1,569	753	3,357	9,337
2016	750	818	1,774	834	3,503	9,191
2017	786	784	1,827	782	3,665	9,026
2018-2022	4,505	3,329	9,821	3,078	21,370	42,062
2023-2027	5,796	2,040	8,922	1,678	27,580	35,842
2028-2032	4,102	609	5,839	609	35,585	27,814
2033-2037	230	202	1,152	280	45,970	17,443
2038-2042	285	146	1,272	160	46,139	4,578
2043-2047	355	76	700	33	-	-
2048-2052	164	7	-	-	-	-
Total	\$ 19,060	\$ 10,631	\$ 35,884	\$ 9,843	\$ 193,483	\$ 174,367

Business-Type Activities (continued)					
Year Ended June 30,	General Obligation Bonds		Assessment Bonds		
	Principal	Interest	Principal	Interest	
2013	\$ 355	\$ 483	\$ 10	\$ 327	
2014	360	474	1,208	406	
2015	375	461	1,244	372	
2016	395	445	1,271	337	
2017	410	429	1,307	302	
2018-2022	2,320	1,858	7,111	942	
2023-2027	2,995	1,186	3,213	92	
2028-2032	3,035	314	-	-	
Total	\$ 10,245	\$ 5,650	\$ 15,364	\$ 2,778	

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Long-term liabilities at June 30, 2012 consisted of the following:

	Date of Issue	Maturity	Interest Rates	Semi Annual Installments	Original Issue Amount	Outstanding at 6/30/2012
Governmental Activities						
Certificates of Participation						
<u>2002 Series A</u>	12/17/2002	2028	3.0% - 5.0%	\$1,484 - \$1,489	\$21,690	\$16,400
Partially used to finance a portion of the new government center. Debt service is provided by semi-annual payments funded by general County revenues.						
<u>2007 Series A</u>	2/8/2007	2037	4% - 4.25%	\$304 - \$308	5,090	4,695
Used to finance the construction of the Paso Robles Courthouse building. Debt service is provided by court fines specifically designated and restricted for new construction or major renovation of court facilities.						
<u>2008 Series A</u>	1/23/2008	2038	4% - 4.625%	\$440 - \$451	7,325	6,800
Used to finance improvements to the Vineyard Drive Interchange. Debt service is provided by development fees.						
Pension Obligation Bonds						
Used to refund the Unfunded Actuarial Accrued Liability (UAAL) due to the Pension Trust as of July 2, 2003 as determined by an outside actuary. Debt service payments are expected to be funded by County payroll benefits.						
<u>2003 Series A Standard Bonds</u>	7/2/2003	2018	1.68% - 4.54%	\$2,164 - \$7,594	47,995	32,665
<u>2003 Series C Capital Appreciation Bonds</u>	7/2/2003	2031	5.27% - 5.73%	zero - \$15,000	44,199	44,199
<u>2009 Series A Term Bonds</u>	8/19/2009	2019	7.45%	\$3,171	42,565	42,565
					<u>\$168,864</u>	<u>\$147,324</u>

	Date of Issue	Maturity	Interest Rates	Semi Annual Installments	Original Issue Amount	Outstanding at 6/30/2012
Business-Type Activities						
Certificates of Participation						
<u>2002 Series A</u>	12/17/2002	2028	3.0% - 5.0%	\$545 - \$550	\$8,005	\$6,050
Partially used to establish an escrow to defease the 1995 A COP, which was used to finance the Dairy Creek Golf Course. Debt service is provided by semi-annual lease payments from the Dairy Creek Golf Course.						
<u>USDA 2009</u>	4/30/2009	2049	4.375%	\$6 - \$86	1,631	1,590
Used to finance a water system improvement project in County Service Area 23. Debt service is provided by water sales revenues.						
<u>2011 Refunding – Lopez Dam Remediation</u>	5/12/2011	2030	2.0% - 5.5%	\$928 - \$934	11,990	11,420
Used to refund the 2000 A COP issue. The original COP was used to improve and retrofit the Lopez Dam. Debt service is provided by semi-annual lease payments made by the Flood Control District for the use of the retrofitted facilities.						
					<u>\$21,626</u>	<u>\$19,060</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

	Date of Issue	Maturity	Interest Rates	Semi Annual Installments	Original Issue Amount	Outstanding at 6/30/2012
<u>Business-Type Activities</u>						
<u>(continued)</u>						
State Notes						
The County has borrowed from the State of California Department of Water Resources and the California Department of Transportation to finance the construction of water systems in unincorporated areas and to construct hangars at the San Luis Obispo airport. State loans are repaid with water service revenue and hangar rental revenue.						
Cayucos Water Treatment Facility	1998	2023	3.0315%	\$174	\$3,011	\$1,613
Santa Margarita Water System	1999	2018	3.41%	\$36	513	192
Lopez Recreation Area	2004	2024	2.5132%	\$21	325	214
Lopez Water Treatment Plant Upgrade	2006	2028	2.60%	\$1,672	25,945	23,918
Airport Hangars	2006	2025	4.6124%	\$334	4,734	2,829
Airport Hangars	2007	2025	4.6557%	\$86	1,000	829
Los Osos Waste Water Project	2012	2044	2.0%	\$1,431	6,289	6,289
					<u>\$41,817</u>	<u>\$35,884</u>

Revenue Bonds

1976 Water Bond-County

Service Area 16

Used to improve the Shandon Water System. Debt service is provided primarily by water sales revenues.

4/1/1976	2016	5.00%	\$7 - \$9	\$135	\$28
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2007 Nacimiento Pipeline

Project Series A

9/26/2007	2040	3.75% - 5.0%	\$7,658 - \$10,048	157,845	155,415
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2007 Nacimiento Pipeline

Project Series B

Used to build the Nacimiento Water Delivery Project. Debt service is provided by water sales revenues of participating cities and districts payable under water delivery contracts.

9/26/2007	2040	5.196% - 5.571%	\$2,132 - \$2,646	38,565	38,040
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<u>\$196,545</u>	<u>\$193,483</u>
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General Obligation Bonds

2011 Refunding – Lopez Dam

Remediation

Used to refund the 2000 A GO issue. The original GO Bonds were used to improve and retrofit the Lopez Dam. Debt service is provided by applicable property taxes.

5/12/2011	2030	2.0% - 5.5%	\$833 - \$840	\$10,760	\$10,245
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Bond Anticipation Notes

Interim funding for the Los Osos Waste Water Project. Repaid with the Assessment Bonds Issued by the USDA.

6/15/2011	2012	Variable based on LIBOR	\$13,757	\$13,648	\$-
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Assessment Bonds

Issued to the USDA to finance the construction of the Los Osos Waste Water Project. Debt service will be provided by amounts levied against property owners who benefit from the project.

2012	2025	2.75%	\$1,609 - \$1,613	\$15,364	\$15,364
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NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Public Facilities Corporation

The San Luis Obispo County Public Facilities Corporation (PFC) was incorporated on 9/7/1994. The PFC is a nonprofit public benefit corporation organized to assist public agencies within the County of San Luis Obispo with the acquisition and construction of various public facilities.

Financing Authority

The San Luis Obispo County Financing Authority was formed on 8/22/2000 as a joint exercise of powers authority between the County and the Flood Control District, which administers Lopez Dam. The Authority was created to assist in the financing, construction, and equipping of public facilities for one or both of the members.

Description of Long-Term Lease Arrangements

The County formed the Public Facilities Corporation and the Financing Authority for the purpose of issuing debt. On behalf of the County, these two entities issued all currently outstanding certificates of participation and the Lopez Dam remediation general obligation bond. Therefore, the County makes semi-annual lease payments in lieu of debt service to these entities from a variety of sources including State and Federal revenues, penalty assessments, golf course fees, water contract payments, and property taxes. For lease payment details, see above schedules for specific type of debt.

Description of Special Assessment Bonds

Special assessment debt has been issued to provide funds for the construction of streets, utility and water delivery systems. These bonds will be repaid from amounts levied against the property owners benefited by this construction.

The County acts in an agent capacity for the assessment districts. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the County must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment principal outstanding at June 30, 2012 totals \$2,662 with interest rates from 3.5% to 6.85%.

Accrued Vacation and Sick Leave Pay and Compensatory Time Off

County employees have accumulated unpaid vested benefits for compensatory time off, sick leave and vacation earned of \$26,025 at June 30, 2012. The accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, all payments of these accumulated benefits will be funded from appropriations in the year in which they are to be paid.

Legal debt margin

State statutes limit the amount of general obligation debt a governmental entity may issue to 1.25% of its net assessed valuation. The current debt limitation for the County is \$516,755 with a margin of \$505,510.

Rebatable Arbitrage Earnings

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service. During the current year, the County performed calculations of excess investment earnings and at June 30, 2012 had an arbitrage liability of \$803.

Subsequent Event

On July 17, 2012, all the outstanding principal and interest due on the Certificates of Participation 2002 Series A were paid. Funding was provided by the issuance of the SLO County Financing Authority Lease Revenue Refunding Bonds 2012 Series A.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

11. NET ASSETS/FUND BALANCES

The government-wide and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Net assets invested in capital assets, net of related debt at June 30, 2012 are as follows (in thousands):

	<u>Amount</u>
Governmental activities	\$ 1,099,885
Business-type activities	<u>153,801</u>
Total	<u>\$ 1,253,686</u>

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Included in total restricted net assets at June 30, 2012 are net assets restricted by enabling legislation of \$17,243.

Restricted net assets at June 30, 2012 for governmental activities are as follows (in thousands):

	<u>Amount</u>
RESTRICTED FOR:	
<u>General Government</u>	
Commitments for Board of Supervisors related professional services	\$ 5
Commitments for Administrative Office related professional services	30
Commitments for Information Technology related equipment and professional services	35
Commitments for Human Resources related professional services	2
Commitments for Auditor-Controller related professional services	22
Commitments for Clerk-Recorder related equipment	3
Commitments for County Counsel related professional services	148
Commitments for building maintenance projects	8
Commitments for architectural services related professional services	2
Commitments for capital projects	97
Claims, contracts and other restrictions	445
<u>Public Protection</u>	
Commitments for Flood Control related engineering services	1,075
Commitments for Emergency Services related professional services	12
Commitments for Planning related professional services	352
Commitments for Waste Management related professional services	32
Commitments for Sheriff-Coroner related equipment and professional services	27
Commitments for Probation related professional services	142
Commitments for fire protection equipment	175
Commitments for capital projects	1,414
<u>Health and Sanitation</u>	
Commitments for Public Health related professional services	16
Commitments for capital projects	72
<u>Public Assistance</u>	
Commitments for Social Services related supplies	4
<u>Public Ways and Facilities</u>	
Commitments for Public Works related professional services	22
Road maintenance and construction	8,237
Public facilities fees restricted for public facilities	9,006

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

<u>Education</u>	
Commitments for capital projects	136
 <u>Recreation and Culture</u>	
Commitments for capital projects	262
Commitments for parks open space project	19
Claims, contracts and other restrictions	11
 <u>Debt Service</u>	
Total Restricted Net Assets	<u>9,666</u>
	<u>\$ 31,477</u>

Unrestricted Net Assets – This category represents net assets of the County, not restricted for any project or other purpose.

Unrestricted net assets at June 30, 2012 are as follows (in thousands):

	<u>Amount</u>
Governmental activities	\$ 265,454
Business-type activities	<u>33,081</u>
Total	<u>\$ 298,535</u>

In the fund financial statements, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor the constraints imposed on the use of resources reported in the funds. In circumstances when an expenditure is made for a purpose for which amounts are available from multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

As prescribed by GASB statement 54, the following classifications are used to identify the components of fund balance:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) 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, for example: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource provider.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by formal action of the County’s highest level of decision-making authority. As prescribed by the State of California County Budget Act, fund balance commitments are established, modified or rescinded by four-fifths vote of the Board of Supervisors at regular or special meetings. The general reserve, however, is only established, cancelled, increased or decreased at the time of adopting the budget except in cases of legally declared emergency.
- *Assigned Fund Balance* – comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The County Board of Supervisors does not delegate the authority to assign fund balance amounts for specific purposes.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available from multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Fund balances for all the major and Nonmajor governmental funds as of June 30, 2012 are distributed as follows:

	General Fund	Capital Projects Fund	Nonmajor Gov'tl Funds	Total
<u>Nonspendable:</u>				
Inventories	\$ 96	\$ -	\$ -	\$ 96
Prepaid Items	309	-	12	321
Loans receivables	-	-	28	28
Advances to other funds	2,771	-	350	3,121
Subtotal	3,176	-	390	3,566
<u>Restricted for:</u>				
Tax loss reserves	6,682	-	-	6,682
Public ways and facilities	-	-	17,243	17,243
Public protection	-	-	7	7
Debt Service	-	-	2,538	2,538
Subtotal	6,682	-	19,788	26,470
<u>Committed to:</u>				
General government	9,625	-	-	9,625
Public protection	1,957	-	15,770	17,727
Public assistance	56	-	1,543	1,599
Public ways and facilities	130	-	9,470	9,600
Health and sanitation	16	-	66	82
Education	-	-	2,099	2,099
Recreation	-	-	2,393	2,393
General reserve	8,000	-	-	8,000
Fire equipment	991	-	-	991
Internal financing	4,187	-	-	4,187
Solar plant mitigation	487	-	-	487
Automation projects	11,550	-	-	11,550
Building replacement	12,512	-	-	12,512
Organizational development	2,009	-	-	2,009
Tax reduction reserve	15,549	-	-	15,549
Lease financing	1,811	-	-	1,811
Capital Projects	-	22,675	-	22,675
Debt service	-	-	7,128	7,128
Subtotal	68,880	22,675	38,469	130,024
<u>Unassigned</u>	102,291	-	-	102,291
Total	\$ 181,029	\$ 22,675	\$ 58,647	\$ 262,351

12. LAPSING ENCUMBRANCES

The County allows some encumbrances to lapse at year-end and then automatically reappropriates them as part of the subsequent year's budget.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

The following is a summary of lapsing encumbrances at June 30, 2012 to be reappropriated during the next fiscal year (in thousands):

Function	Total Encumbrances
General Government	\$ 1,080
Health & Sanitation	1,381
Public Protection	1,768
Public Assistance	517
Public Ways and Facilities	12,587
Education	6
Recreation	353
Total Lapsing Encumbrances	<u>\$ 17,692</u>

13. OTHER COMMITMENTS

In 1965, the County began payments in accordance with a contract with the State of California for a water supply from the State Water Project. Estimated future principal payments for the State Water Contract will total \$30,012,525 over the next 23 years. The estimated amounts vary by year. For example, the principal amount due in 2012 is \$794,414 while \$1,998,852 is due in 2035. In 1992 the County entered Water Supply Contracts, of like terms, with various sub-contractors which presently provide resources to cover approximately 85% of the capital costs.

14. CONTINGENT LIABILITIES

The County is subject to various lawsuits, inverse condemnation cases, personnel actions, disputes over tax assessments, and other actions incidental to the ordinary course of County operations. In the opinion of the County Counsel, the total potential claims against the County not covered by insurance resulting from litigation would not materially affect the financial statements of the County at June 30, 2012.

15. DEFERRED REVENUE

Deferred revenue on the governmental fund balance sheet represents amounts that are deferred because they have been received as of year end, but not yet earned. Governmental Funds also defer amounts in connection with receivables that are not considered to be available to liquidate balances of the current period. Broad categories of deferred revenues are as follows at June 30, 2012 (in thousands):

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Governmental funds:

	General Fund	Capital Projects	Nonmajor Gov'tl Funds
Roads developer contributions	\$ -	\$ -	\$ 147
Parks endowment	-	-	7
Governmental aid advanced for capital projects	-	606	-
Other deferred revenues	4,517	-	-
Total Unearned	4,517	606	154
Teeter Tax Revenues	18,764	-	-
Accrued revenues collected after availability period	6,177	6	54
Total Unavailable	24,941	6	54
Total Deferred Revenue	\$ 29,458	\$ 612	\$ 208

16. OTHER REVENUES

Other revenues are generally one-time payments or items not related to program activities. Broad categories of other revenues are as follows at June 30, 2012 (in thousands):

Governmental funds:

	General Fund	Nonmajor Gov't Funds
Reimbursements	\$ 901	\$ 266
Surplus sales, publications & rebates	1,925	-
Nuisance abatement	33	-
Returned check fees and card fees	11	-
Seminar, conferences and workshop fees	123	-
Contributions non-governmental	142	1,076
Grants non-governmental	229	55
Tobacco settlement	1,701	695
Other settlements	329	-
Other miscellaneous revenues	399	566
Total Governmental Funds	\$ 5,793	\$ 2,658

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Business-type funds:

	Airport	Nacimiento Water Contract	State Water Contract	Nonmajor Enterprise Funds	Internal Service Funds
Other Reimbursements	\$ -	\$ 3	\$ 55	\$ 1	\$ 49
Returned check fees and card fees	6	-	-	-	-
Settlements, damages, insurance	-	-	-	-	1,038
Surplus sales and rebates	-	-	-	-	93
Contributed Capital	-	-	-	-	-
Misc. non-operating sources	23	13	5	9	13
Total Business-type funds	\$ 29	\$ 16	\$ 60	\$ 10	\$ 1,193

17. DEFINED BENEFIT PENSION PLAN

Plan Description

The County of San Luis Obispo (the "County") contributes to the San Luis Obispo County Employees Retirement Plan (the "Plan"), which is an independent single-employer, contributory defined benefit pension plan for employees of the County of San Luis Obispo, employees of the Superior Court in San Luis Obispo County, employees of the San Luis Obispo Local Agency Formation Commission, employees of the San Luis Obispo Air Pollution Control District and employees of the San Luis Obispo County Pension Trust. The Plan exists, operates and is constituted under the authority of Section 53215 of Section 17 of Article XVI of the California Constitution and the Government Code Article 1.5 (Pension Trusts), of Chapter 2 (Officers and Employees), of Part 1 (Powers and Duties Common to Cities, Counties and Other Agencies), of Division 2 (Cities, Counties and Other Agencies), of Title 5 (Local Agencies) of the California Government Code.

Pursuant to the foregoing California Government Code provisions, the County of San Luis Obispo Board of Supervisors established the San Luis Obispo County Pension Trust (the "Trust") by the adoption of Chapter 2.56 of the San Luis Obispo County Code. Following the adoption of Chapter 2.56 of the County Code, the Board of Supervisors adopted the By-Laws of the Pension Trust. The San Luis Obispo County Employees Retirement Plan is part of those By-Laws. The County of San Luis Obispo Board of Supervisors may amend the Plan's provisions.

Participation in the Plan is mandatory for all regular employees. The Trust and the Plan are both administered by the San Luis Obispo County Pension Trust Board of Trustees (the "Trustees"). Separate stand-alone financial statements were issued for the Plan and are available at the County of San Luis Obispo Auditor-Controller's office.

Benefit Provisions

Plan, participants, upon attaining the normal retirement age of 55 for Safety employees and Probation Officers and 60 for Miscellaneous employees, are entitled to annual retirement benefits as defined in the Plan document. The applicable retirement formula, minimum retirement age, compensation base, post retirement cost of living adjustment, cost of living adjustment carry over, and final compensation maximum may differ depending upon the Plan provisions in effect at the member's date of hire, the member's classification, and the member's bargaining unit. The Plan permits early retirement for all employees at age 50 with 5 or more years of service credit. Participants receive their accumulated plan benefits as a life annuity payable monthly upon retirement. In the event of total and permanent disability, participants, upon satisfaction of membership service requirements

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

and other applicable provisions of the Plan, receive disability benefits as defined in the Plan document. The Plan provides for an Annual Cost of Living Adjustment (COLA) based on the Consumer Price Index. The Plan also provides death benefits.

Summary of Significant Accounting Policies

Basis of Accounting – The Plan's consolidated financial statements include the accounts of the Plan and its wholly owned subsidiary, Fiduciary Properties Incorporated, and are prepared on the accrual basis of accounting. Contributions from the County and the County's employees are recognized as revenue when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investment income is recognized as earned by the Plan.

Investments in corporate notes, bonds, collateralized mortgage obligations, alternative investments, equities, futures, real estate investment funds, equity real estate holdings, and other short-term cash investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price or at year-end closing prices as quoted by an independent securities valuation company. Investments that do not have an established market are reported at estimated fair value. The Plan uses the calendar year for financial reporting purposes.

The County's contributions to the Plan are recognized when due. The County's contributions are due at the end of each pay period.

The Plan has elected to present the financial statements in accordance with Statement No. 25 of the Governmental Accounting Standards Board (GASB).

There are no investments in loans or investments in leases with parties related to the pension plan.

Concentrations – As of December 31, 2011, the Plan held no investments of a single issuer comprising 5% or more of net assets.

Funding Policy – The Trustees establish and may amend the funding policy. Participants were required to contribute to the Plan for the 2011 calendar year at rates ranging from 4.89% to 23.98% of includable compensation as defined in the Plan document, depending upon the collective bargaining agreement under which the participant is covered. Such contributions, together with the County's appropriations, are currently invested in corporate notes, bonds, collateralized mortgage obligations, alternative investments, equities, futures, real estate investment funds, equity real estate holdings, and other short-term cash investments. The participants' accumulated contributions may be withdrawn at any time should the participant leave the employment of the County prior to retirement.

The Trustees established the pension plan contribution rate requirement with the advice of their retained actuary. There were no legal or contractual maximum contribution rates in effect during 2011. Periodic employer contributions to the Plan were determined on an actuarial basis using the Entry Age Normal cost method. This method is one of the actuarial methods authorized under GASB 27.

In 2003 the County issued a Pension Obligation Bond. The Entry Age Normal cost method permitted the selection of either a 30-year or 40-year amortization period for such bonds. The Trustees chose a closed amortization period of 30-years. As a result of the issuance of the Pension Obligation Bond by the County, the scheduled increases in required contributions previously adopted by the Board of Trustees were rescinded and, based upon the advice of the plan actuary, the rates charged to the County were established at a range of 15.09% to 27.78% of payroll. Specific appropriation rates were adopted for each benefit group at various times during 2011 as negotiations for changes to the Retirement Allowance formula were concluded and implemented.

Total contributions and appropriations to the Plan in 2011 amounted to \$55,698,302. Of this total, \$30,435,940 were regular Employer appropriations. Employee contributions amounted to \$25,262,362. The Employee contributions include Employee Additional Voluntary Contributions of \$90,345 and County Additional for Employee Contributions of \$15,097. The contributed amounts were actuarially determined as described above and were based on an actuarial valuation report as of December 31, 2010.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Annual Pension Cost and Net Pension Asset

The County's annual pension cost and prepaid pension asset, computed in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2012, (based on an actuarial valuation report as of December 31, 2011) were as follows (in thousands):

	<u>Amount</u>
Annual Required Contribution (ARC)	\$ 30,052
Interest on beginning net pension asset	(9,423)
Adjustment to the ARC	<u>6,566</u>
Annual Pension Cost (APC)	27,195
Employer contributions made	<u>30,437</u>
Increase (decrease) in net pension asset	3,242
Net pension asset / (obligation), beginning of year	<u>129,972</u>
Net pension asset / (obligation), end of year	\$ <u><u>133,214</u></u>

The annual pension cost and net pension asset were based on an actuarial valuation report as of December 31, 2011. The actuarial values of assets were determined on a market related blend basis, with each years' gains and losses smoothed over a five year period for all years except 2008. The loss in 2008 was smoothed over a ten year period.

The net assets held in trust for pension benefits are allocated among various reserves. For the year ended December 31, 2011, these reserves were generally credited with interest at the rate of 7.25%. In addition, any additional employee or employer contributions, as well as interest credited to these additional contributions, earned interest at the rate of 2.80%. Any interest or dividends earned in excess of the amount required to be credited to the various reserves is accumulated in the contingency reserve account.

Three-Year Trend Information

Year Ended	Annual Pension		Percentage of APC	Net Pension
<u>June 30</u>	<u>Cost (APC)</u>	<u>Contribution</u>	<u>Contributed</u>	<u>Asset</u>
2010*	\$28,538	\$31,427	110%	\$125,155
2011*	\$27,331	\$32,148	118%	\$129,972
2012*	\$27,195	\$30,436	112%	\$133,214

*Based on an actuarial valuation report as of January 1

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

Funded Status

The Plan's funded status based upon the most recent actuarial valuation performed by Gabriel, Roeder Smith and Company dated January 1, 2012 is as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) Funding Excess)	Funded Ratio (a/b)	Annual Covered Payroll	(Funding Excess) UAAL as a Percentage of Covered Payroll (b-a)/c
Jan 1	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
2012	\$1,057,922	\$1,378,549	\$320,627	76.7%	\$161,055	199.1%

Disclosure of Information about Actuarial Methods and Assumptions

The Schedule of Funding Progress included as Required Supplementary Information immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of cost sharing between the employers and plan members to that point. The projection of benefits for financial reporting does not explicitly incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and the future plan members to that point in time.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Latest Actuarial Valuation Methods and Assumptions

Contributions were made in accordance with actuarially determined requirements. A variety of significant actuarial assumptions are used to determine the contributions required. These assumptions are summarized below:

Valuation Date:	December 31, 2011 (January 1, 2012)
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years declining, Closed Method
Remaining Amortization Period	28 years
Asset Valuation Method	Market Related Blend, Five-year smoothing for all years except 2008, which was smoothed over 10 years
Actuarial Assumptions:	
Investment Rate of Return	7.25% effective annual interest rate
Inflation Rate Assumption	2.75% per year
Base Annual Rate of Compensation Increase	3.25% (including inflation)
Payroll Growth Rate	3.75% per year
Cost-of-Living Adjustments	2.75%

Amortization of Unfunded Actuarial Liabilities is done as a level percent of payroll over 28 years (30 years was used in the previous valuation) for funding computation.

The Schedule of Funding progress included 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 relative to the actuarial accrued liability for benefits over time.

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

18. LANDFILL POSTCLOSURE CARE COSTS

The Los Osos Landfill is a closed facility under the responsibility of the County. State and federal laws and regulations require the County of San Luis Obispo to perform various maintenance and monitoring activities at the site. By agreement with the land owner, the County assumed responsibility for all closure and postclosure costs when the facility stopped accepting waste. As of this date, the landfill closure is complete and only postclosure costs remain.

The remaining estimated liability for landfill postclosure cost as of June 30, 2012 is \$4,077,874 (in 2012 dollars). Of this \$3,075,252 is for the Maintenance Cost and \$1,002,622 is the Corrective Action Cost. The cost estimates were provided by a licensed professional geologist in the Post Closure Maintenance Plan dated May 8, 2012 and the Engineers Estimate of Corrective Action for a Foreseeable Release dated March 23, 2011. Both reports are required to be updated every five years. However, the actual cost of postclosure care may be higher (or lower) due to inflation, changes in technology, or changes in landfill laws and regulations. Therefore, the cost estimate will be reviewed and adjusted as needed for changes in these factors.

19. POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Benefits

The County administers a single-employer defined postemployment benefit (OPEB) plan. Employees retiring from the County with at least 50 years of age and 5 years of service may continue to purchase healthcare coverage, if they select one of the plans offered under the County's contract with the state's California Public Employee Retirement System (CalPERS.) The County assists eligible retirees by paying a portion of their premiums for medical care.

In April 2010 the County established an irrevocable trust with the California Employer's Retiree Benefit Trust (CERBT) to prefund the future cost of retiree health insurance benefits. The CERBT's administrator, CalPERS, issues a publicly available financial report consisting of financial statements and required supplementary information for the CERBT in aggregate. The report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811. CalPERS does not provide a separate, audited GAAP-basis postemployment benefit plan report for the County's discrete information.

Funding Policy

The CalPERS contract requires that the County contribute certain minimum amounts for each retiree's health insurance. If the County selected another provider for health insurance coverage these minimum amounts might not apply. However, the County has been using CalPERS for medical coverage since 1990, and currently has not expressed intent to change providers. The amounts the County actually contributes depend on bargaining unit and for calendar year 2011 ranged from \$108 to \$139 per month. The subsidy is adjusted annually to reflect changes in the medical component of the Consumer Price Index.

Annual OPEB Cost and Net OPEB Asset

The County's annual Other Post Employment Benefits (OPEB) cost is equal to the (a) annual required contribution (ARC) less (b) one year's interest on the beginning balance of the net OPEB asset plus/minus (c) any 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 thirty year open period. The ARC of \$1,439 for the fiscal year ended June 30, 2012 includes the normal cost for current active employees of \$705 and a component for amortization of the total unfunded actuarial accrued liability (UAAL) of \$734. The following table shows the components of the Net OPEB Asset as of June 30, 2012:

Annual required contribution (ARC)	\$1,439
Interest on prior year net OPEB asset	(152)
Adjustment to ARC	576
Annual OPEB Cost	1,863
Contributions made	1,698
Increase (decrease) in net OPEB obligation	165
Net OPEB obligation (asset) – beginning of year	(1,995)
Net OPEB obligation (asset) – end of year	(\$1,830)

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB Obligation (Asset) for the fiscal year ended 2012 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions	Percent of OPEB Cost Contributed	Net OPEB Obligation (Asset)
2010	\$2,098	\$7,364	351%	(\$1,893)
2011	\$1,645	\$1,747	106%	(\$1,995)
2012	\$1,863	\$1,698	91%	(\$1,830)

Funded Status and Funding Progress

The funded status of the OPEB plan as of June 30, 2012 (based on the County's June 30, 2012 actuarial valuation) is as follows:

Actuarially accrued liability	\$21,185
Actuarial value of plan assets	<u>(8,775)</u>
Unfunded actuarially accrued liability	<u>\$12,410</u>
Funded ratio (actuarial value of plan assets/AAL)	41.42%
Covered payroll (active plan members)	\$152,893
UAAL as a percentage of covered payroll	8.12%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the County's June 30, 2012 actuarial valuation the Entry Age Normal, Level Percent of Pay actuarial cost method was used. The actuarial assumptions included a 7.61% investment rate of return, an inflation rate of 3.25% per year, and assumed future medical inflation of 5% graded down to 4% beginning 2014. The OPEB plan's unfunded actuarial liability is being amortized by level percent of payroll contributions over 28 years.

The Schedule of Funding progress included 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 relative to the actuarial accrued liability for benefits over time.

20. SPECIAL ITEM

First 5 of San Luis Obispo County, a discretely presented component unit of the County, reported an extraordinary item regarding California Assembly Bill 99 (AB99). On March 24, 2011 AB99 was enacted. AB99 required the transfer of \$950 million from the combined balances of all the county Children and Families Trust Funds to the State of California Children and Families Health and Human Services Fund. Since First 5 San Luis Obispo County anticipated that a \$3,770,689 transfer would be required by June 30, 2012, a due-to other governmental agency accrual liability was recorded at June 30, 2011.

During the current fiscal year, several county Commissions were successful in filing a lawsuit against the State of California claiming that AB99 was unconstitutional. This determination resulted in a reversal to the prior year due-to liability adjustment.



REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress – Defined Benefit Retirement Plan
- Schedule of Funding Progress – Other Post Employment Benefits Plan (OPEB)
- Budgetary Comparison Schedule – General Fund
- Notes to required supplementary information

**COUNTY OF SAN LUIS OBISPO
REQUIRED SUPPLEMENTARY INFORMATION**

**SAN LUIS OBISPO COUNTY PENSION TRUST
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012 (in thousands)**

Actuarial Valuation Jan 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Funding Excess) AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	(Funding Excess) AAL as a Percentage of Covered Payroll ((b-a)/c)
2010	\$937,279*	\$1,216,153	\$278,874	77.1%	\$160,444	173.8%
2011	\$1,000,169	\$1,282,058	\$281,889	78.0%	\$161,783	174.2%
2012	\$1,057,922	\$1,378,549	\$320,627	76.7%	\$161,055	199.1%

*Amount restated

Separate stand-alone financial statements were issued for the Pension Plan and are available at the County of San Luis Obispo Auditor-Controller's office located at the County Government Center Room D220, San Luis Obispo, CA 93408.

**OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012 (in thousands)**

Actuarial Valuation Dec 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2007	\$0	\$28,517	\$28,517	0%	\$154,252	18.5%
2009	\$6,324	\$19,718	\$13,394	32.1%	\$154,282	8.9%
2011*	\$8,775	\$21,185	\$12,410	41.42%	\$152,893	8.1%

* Valuation Date 6/30/2011

Source: Gabriel Roeder Smith & Company "San Luis Obispo County Retiree Health Care Plan Actuarial Valuation Report". The 2009 actuarial value of assets represent fiscal year 2009/10 CERBT contributions of \$6.3 million.

COUNTY OF SAN LUIS OBISPO
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 135,258	\$ 135,550	\$ 150,796	\$ 15,246
Licenses, permits, and franchises	7,833	7,833	7,863	30
Fines, forfeits, and penalties	4,179	4,842	5,060	218
Use of money and property	621	621	766	145
Aid from other governmental agencies	172,305	187,882	173,670	(14,212)
Charges for services	34,853	33,066	30,930	(2,136)
Other revenue	3,600	8,178	5,793	(2,385)
Total Revenues	<u>358,649</u>	<u>377,972</u>	<u>374,878</u>	<u>(3,094)</u>
Expenditures:				
Current:				
General government	44,324	51,178	41,973	9,205
Public protection	137,465	147,211	135,982	11,229
Public ways and facilities	2,224	4,681	1,975	2,706
Health and sanitation	66,569	70,235	63,380	6,855
Public assistance	96,764	98,580	91,235	7,345
Education	468	468	431	37
Contingencies	14,558	13,718	--	13,718
Total Expenditures	<u>362,372</u>	<u>386,071</u>	<u>334,976</u>	<u>51,095</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,723)</u>	<u>(8,099)</u>	<u>39,902</u>	<u>48,001</u>
Other Financing Sources (Uses):				
Transfers in	2,097	2,401	(10,964)	(13,365)
Transfers (out)	(20,951)	(27,111)	(16,559)	10,552
Total Other Financing Sources (Uses)	<u>(18,854)</u>	<u>(24,710)</u>	<u>(27,523)</u>	<u>(2,813)</u>
Net change in fund balances	(22,577)	(32,809)	12,379	45,188
Fund balances, beginning	<u>123,102</u>	<u>123,102</u>	<u>123,102</u>	<u>--</u>
Fund balances, ending	<u>\$ 100,525</u>	<u>\$ 90,293</u>	<u>\$ 135,481</u>	<u>\$ 45,188</u>

Continued

COUNTY OF SAN LUIS OBISPO
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

Explanation of Differences between Budgetary Outflows and GAAP Expenditures:

Actual amounts (budgetary basis) "Total Revenues" from the Budgetary Comparison Schedule	\$ 374,878
Revenues for funds not meeting the special revenue fund definition which are presented with the General Fund for financial reporting purposes	2,332
Total Revenues as reported in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 377,210</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "Total Expenditures" from the Budgetary Comparison Schedule	\$ 334,976
Expenditures for funds not meeting the special revenue fund definition which are presented with the General Fund for financial reporting purposes	3,877
Total Expenditures as reported in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 338,853</u>

Other financing sources/(uses) of resources

Actual amounts (budgetary basis) "Total Other Financing Sources (Uses)" from the Budgetary Comparison Schedule	\$ (27,523)
Other financing sources (uses) for funds not meeting the special revenue fund definition which are presented with the General Fund for financial reporting purposes	9,628
Total Other Financing Sources (Uses) as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ (17,895)</u>

COUNTY OF SAN LUIS OBISPO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

1. BUDGETARY BASIS OF ACCOUNTING

A. BUDGETARY ACCOUNTING

In accordance with the provisions of Sections 29000 through 29144 inclusive of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final budget on or before August 30th for each fiscal year. The County operation, commencing July 1st, is governed by the proposed budget, adopted by the Board of Supervisors, in June of the prior year unless the final budget is adopted before June 30.

After the budget is approved, the appropriations can be added to, subtracted from, or changed only by Board resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Board. During the fiscal year ended June 30, 2011, the Board of Supervisors approved all necessary supplemental appropriations. Generally, the effects of the supplemental appropriations are to increase the budget for cost of living adjustments and new programs and grants financed by other governmental agencies.

An operating budget is adopted each fiscal year for Governmental Funds on a basis consistent with generally accepted accounting principles. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year end are completed or purchase commitments satisfied. Such year end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year end.

All Governmental, Enterprise, and Internal Service Funds that are under the control of the Board of Supervisors, have legally adopted annual budgets except for the Public Facilities Corporation debt service fund. Although the Enterprise and Internal Service Funds have adopted budgets, there is no appropriation of expenditures and these budgets only serve as spending plans for the year.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the department/budget unit and object level except for capital assets, which are controlled at the sub-object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, other charges, capital assets, and contingencies. Sub-object levels of expenditures for capital assets are land, structures and improvements, and equipment.

BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATION

During the current fiscal year, no governmental funds had excess expenditures over the related appropriations at the legal level of budgetary control.



OTHER SUPPLEMENTARY INFORMATION



**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**



NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS:

Debt service funds are used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

San Luis Obispo County Public Facilities Corporation (PFC)

The PFC is a non-profit public benefit corporation organized to assist public agencies within the County of San Luis Obispo with the acquisition and construction of various public facilities.

Pension Obligation Bonds

The Pension Obligation Bonds debt service fund is used to account for the accumulation of monies for payment of taxable pension obligation bonds. These bonds were issued to fund the County's unfunded actuarial accrued liability (UAAL).

SPECIAL REVENUE FUNDS:

Special revenue funds are used to account for revenues that are restricted by law or administrative actions to expenditures for specified purpose. Nonmajor special revenue funds used by the County are listed below:

California Health Care Indigent Program

Accounts for revenues received from the State of California used to provide health care for the indigent population of the County.

Community Development Program

Accounts for pass through grants from Housing and Urban Development (HUD) entitlements to be distributed to the County and other local agencies.

County Medical Services Program (CMSP)

Accounts for resources used to provide for the County Medical Services program which provides medical care for indigents pursuant to the County's obligation under Welfare and Institution Code Section 17000 et seq.

Emergency Medical Services

Accounts for payments to physicians, hospitals, and other providers of emergency medical care from revenues imposed and collected by the courts.

Driving Under the Influence Programs

Accounts for resources collected from persons convicted of driving under the influence to provide education and rehabilitation programs.

Fish & Game

Accounts for funds generated by fines levied as a result of Fish and Game violations.

Road Impact Fees

Accounts for resources collected from developers to add, maintain, and improve roads in specific areas where the fees were allocated.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Library

Accounts for resources used to provide library services throughout the county.

Parks

Accounts for resources used to provide parks and recreational services countywide.

Public Facilities Fees

Accounts for resources collected from the building permit process to build public facilities such as fire and law enforcement stations, library and general government structures.

Roads

Accounts for resources used to maintain the county road system.

Wildlife & Grazing

Accounts for resources used to provide for range improvements and the control of predators.

SPECIAL REVENUE SPECIAL DISTRICT FUNDS:

Flood Control Districts

Accounts for resources used to provide control and conservation of flood and storm waters, which are mutually exclusive of Enterprise Flood Control District funds.

Lighting Districts

Accounts for resources used to provide street lighting in unincorporated areas of the county.

County Service Areas

Accounts for resources used to provide for water and sewer services which are mutually exclusive of Enterprise Fund County Service Areas.

COUNTY OF SAN LUIS OBISPO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012 (in thousands)

	Debt Service Funds	Special Revenue Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,661	\$ 49,170	\$ 56,831
Other receivables	16	--	16
Restricted cash with fiscal agent	2,538	--	2,538
Due from other governments	--	3,807	3,807
Prepaid expenses	--	12	12
Loans receivable	--	28	28
Advances to other funds	--	350	350
Other assets	4,770	--	4,770
Total Assets	<u>\$ 14,985</u>	<u>\$ 53,367</u>	<u>\$ 68,352</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Salaries and benefits payable	\$ --	\$ 217	\$ 217
Accounts payable	--	1,379	1,379
Deposits from others	--	688	688
Unearned revenue	--	154	154
Deferred revenue	--	54	54
Other current liabilities	4,770	--	4,770
Advances from other funds	549	1,894	2,443
Total Liabilities	5,319	4,386	9,705
Fund Balances:			
Nonspendable	--	390	390
Restricted	2,538	17,250	19,788
Committed	7,128	31,341	38,469
Total Fund Balances	9,666	48,981	58,647
Total Liabilities and Fund Balances	<u>\$ 14,985</u>	<u>\$ 53,367</u>	<u>\$ 68,352</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012 (in thousands)

	Debt Service Funds	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Revenues:</u>			
Taxes	\$ --	\$ 10,123	\$ 10,123
Fines, forfeits and penalties	--	823	823
Use of money and property	67	302	369
Aid from other governmental agencies	--	32,461	32,461
Charges for current services	2,788	10,690	13,478
Other revenues	491	2,167	2,658
Total revenues	<u>3,346</u>	<u>56,566</u>	<u>59,912</u>
 <u>Expenditures:</u>			
Current:			
Public protection	--	2,597	2,597
Public ways and facilities	--	38,363	38,363
Health and sanitation	--	4,450	4,450
Public assistance	--	5,950	5,950
Education	--	9,542	9,542
Recreation and cultural services	--	6,998	6,998
Debt service:			
Principal payments	4,435	--	4,435
Interest and fiscal charges	6,289	--	6,289
Total expenditures	<u>10,724</u>	<u>67,900</u>	<u>78,624</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(7,378)</u>	 <u>(11,334)</u>	 <u>(18,712)</u>
 <u>Other financing sources (uses):</u>			
Transfers in	7,292	23,077	30,369
Transfers out	--	(7,865)	(7,865)
Total other financing sources and (uses)	<u>7,292</u>	<u>15,212</u>	<u>22,504</u>
 Net changes in fund balances	 (86)	 3,878	 3,792
 Fund balances - beginning	 <u>9,752</u>	 <u>45,103</u>	 <u>54,855</u>
 Fund balances - ending	 <u>\$ 9,666</u>	 <u>\$ 48,981</u>	 <u>\$ 58,647</u>

COUNTY OF SAN LUIS OBISPO
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2012 (in thousands)

	Debt Service Public Facilities Corporation	Debt Service Pension Obligation Bonds	Total Nonmajor Debt Service Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 903	\$ 6,758	\$ 7,661
Other receivables	16	--	16
Restricted cash with fiscal agent	2,523	15	2,538
Other assets	965	3,805	4,770
Total Assets	\$ 4,407	\$ 10,578	\$ 14,985
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Other current liabilities	965	3,805	4,770
Advances from other funds	549	--	549
Total Liabilities	1,514	3,805	5,319
Fund Balances:			
Restricted	2,523	15	2,538
Committed	370	6,758	7,128
Total Fund Balances	2,893	6,773	9,666
Total Liabilities and Fund Balances	\$ 4,407	\$ 10,578	\$ 14,985

COUNTY OF SAN LUIS OBISPO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2012 (in thousands)

	Debt Service Public Facilities Corporation	Debt Service Pension Obligation Bonds	Total Nonmajor Debt Service Funds
<u>Revenues:</u>			
Use of money and property	\$ 50	\$ 17	\$ 67
Charges for current services	2,788	--	2,788
Other revenues	--	491	491
Total revenues	<u>2,838</u>	<u>508</u>	<u>3,346</u>
<u>Expenditures:</u>			
Debt service:			
Principal payments	1,175	3,260	4,435
Interest and fiscal charges	1,618	4,671	6,289
Total expenditures	<u>2,793</u>	<u>7,931</u>	<u>10,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45</u>	<u>(7,423)</u>	<u>(7,378)</u>
<u>Other financing sources (uses):</u>			
Transfers in	--	7,292	7,292
Total other financing sources and (uses)	<u>--</u>	<u>7,292</u>	<u>7,292</u>
Net changes in fund balances	45	(131)	(86)
Fund balances - beginning	<u>2,848</u>	<u>6,904</u>	<u>9,752</u>
Fund balances - ending	<u>\$ 2,893</u>	<u>\$ 6,773</u>	<u>\$ 9,666</u>

COUNTY OF SAN LUIS OBISPO
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012 (in thousands)

	<u>CA Health Indigent Prog</u>	<u>Community Development</u>	<u>CMSP</u>	<u>Emergency Med Services</u>	<u>Driving Under the Influence Pgms</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ --	\$ 201	\$ 1,064	\$ 359	\$ 722
Due from other governments	--	--	--	225	--
Prepays	--	--	--	--	1
Loans receivable	--	--	--	--	--
Advances to other funds	--	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ --</u>	<u>\$ 201</u>	<u>\$ 1,064</u>	<u>\$ 584</u>	<u>\$ 723</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	--	63	86	--	6
Salaries and benefits payable	--	--	19	--	18
Deposits from others	--	73	--	--	--
Unearned revenue	--	--	--	--	--
Deferred revenue	--	--	--	--	--
Advances from other funds	--	--	--	--	--
Total Liabilities	<u> </u>	<u>136</u>	<u>105</u>	<u> </u>	<u>24</u>
Fund Balances:					
Nonspendable	--	--	--	--	1
Restricted	--	--	--	--	--
Committed	--	65	959	584	698
	<u> </u>	<u>65</u>	<u>959</u>	<u>584</u>	<u>699</u>
Total Fund Balances	<u> </u>	<u>65</u>	<u>959</u>	<u>584</u>	<u>699</u>
Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 201</u>	<u>\$ 1,064</u>	<u>\$ 584</u>	<u>\$ 723</u>

continued

COUNTY OF SAN LUIS OBISPO
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2012 (in thousands)

	Fish and Game	Road Impact Fees	Library	Parks	Public Facilities Fees
ASSETS					
Cash and cash equivalents	\$ 177	\$ 8,237	\$ 2,869	\$ 2,921	\$ 9,016
Due from other governments	--	--	--	--	--
Prepays	--	--	10	--	--
Loans receivable	--	--	--	--	--
Advances to other funds	--	--	--	--	--
	<u>177</u>	<u>8,237</u>	<u>2,879</u>	<u>2,921</u>	<u>9,016</u>
Total Assets	<u>\$ 177</u>	<u>\$ 8,237</u>	<u>\$ 2,879</u>	<u>\$ 2,921</u>	<u>\$ 9,016</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	2	--	29	76	--
Salaries and benefits payable	--	--	108	72	--
Deposits from others	--	--	--	160	10
Unearned revenue	--	--	--	7	--
Deferred revenue	--	--	--	--	--
Advances from other funds	--	--	1,330	214	--
Total Liabilities	<u>2</u>	<u>--</u>	<u>1,467</u>	<u>529</u>	<u>10</u>
Fund Balances:					
Nonspendable	--	--	10	--	--
Restricted	--	8,237	--	--	9,006
Committed	175	--	1,402	2,392	--
	<u>175</u>	<u>8,237</u>	<u>1,412</u>	<u>2,392</u>	<u>9,006</u>
Total Fund Balances	<u>175</u>	<u>8,237</u>	<u>1,412</u>	<u>2,392</u>	<u>9,006</u>
Total Liabilities and Fund Balances	<u>\$ 177</u>	<u>\$ 8,237</u>	<u>\$ 2,879</u>	<u>\$ 2,921</u>	<u>\$ 9,016</u>

continued

COUNTY OF SAN LUIS OBISPO
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2012 (in thousands)

ASSETS	<u>Roads</u>	<u>Wildlife Grazing</u>	<u>Special Districts</u>	<u>Total Nonmajor Special Revenue Funds</u>
Cash and cash equivalents	\$ 6,834	\$ 12	\$ 16,758	\$ 49,170
Due from other governments	3,582	--	--	3,807
Prepays	1	--	--	12
Loans receivable	--	--	28	28
Advances to other funds	--	--	350	350
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 10,417</u>	<u>\$ 12</u>	<u>\$ 17,136</u>	<u>\$ 53,367</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	937	--	180	1,379
Salaries and benefits payable	--	--	--	217
Deposits from others	444	--	1	688
Unearned revenue	147	--	--	154
Deferred revenue	54	--	--	54
Advances from other funds	--	--	350	1,894
Total Liabilities	<u>1,582</u>	<u>--</u>	<u>531</u>	<u>4,386</u>
Fund Balances:				
Nonspendable	1	--	378	390
Restricted	--	7	--	17,250
Committed	8,834	5	16,227	31,341
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>8,835</u>	<u>12</u>	<u>16,605</u>	<u>48,981</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 10,417</u>	<u>\$ 12</u>	<u>\$ 17,136</u>	<u>\$ 53,367</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012 (in thousands)

	CA Health Indigent Prog	Community Development	CMSP	Emergency Med Services	Driving Under the Influence Pgms
<u>Revenues:</u>					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Fines, forfeits and penalties	--	--	--	800	--
Use of money and property	--	1	4	1	3
Aid from other governmental agencies	--	4,119	2,667	--	--
Charges for current services	--	50	16	--	1,473
Other revenues	--	--	735	--	--
Total revenues	<u>--</u>	<u>4,170</u>	<u>3,422</u>	<u>801</u>	<u>1,476</u>
<u>Expenditures:</u>					
Current:					
Public protection	--	--	--	--	--
Public ways and facilities	--	--	--	--	--
Health and sanitation	--	4,450	--	--	--
Public assistance	--	--	5,158	792	--
Education	--	--	--	--	1,354
Recreation and cultural services	--	--	--	--	--
Total expenditures	<u>--</u>	<u>4,450</u>	<u>5,158</u>	<u>792</u>	<u>1,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>(280)</u>	<u>(1,736)</u>	<u>9</u>	<u>122</u>
<u>Other financing sources (uses):</u>					
Transfers in	--	310	2,564	--	--
Transfers out	<u>(779)</u>	<u>--</u>	<u>(29)</u>	<u>--</u>	<u>(27)</u>
Total other financing sources (uses)	<u>(779)</u>	<u>310</u>	<u>2,535</u>	<u>--</u>	<u>(27)</u>
Net changes in fund balances	(779)	30	799	9	95
Fund Balances - beginning	<u>779</u>	<u>35</u>	<u>160</u>	<u>575</u>	<u>604</u>
Fund Balances - ending	<u>\$ --</u>	<u>\$ 65</u>	<u>\$ 959</u>	<u>\$ 584</u>	<u>\$ 699</u>

continued

COUNTY OF SAN LUIS OBISPO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended June 30, 2012 (in thousands)

	Fish and Game	Road Impact Fees	Library	Parks	Public Facilities Fees
<u>Revenues:</u>					
Taxes	\$ --	\$ --	\$ 6,746	\$ --	\$ --
Fines, forfeits and penalties	23	--	--	--	--
Use of money and property	--	44	9	118	52
Aid from other governmental agencies	--	--	169	174	--
Charges for current services	--	2,644	356	3,935	1,241
Other revenues	--	--	775	76	--
Total revenues	<u>23</u>	<u>2,688</u>	<u>8,055</u>	<u>4,303</u>	<u>1,293</u>
<u>Expenditures:</u>					
Current:					
Public protection	12	--	--	--	--
Public ways and facilities	--	237	--	--	--
Health and sanitation	--	--	--	--	--
Public assistance	--	--	--	--	--
Education	--	--	8,188	--	--
Recreation and cultural services	--	--	--	6,998	--
Total expenditures	<u>12</u>	<u>237</u>	<u>8,188</u>	<u>6,998</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11</u>	<u>2,451</u>	<u>(133)</u>	<u>(2,695)</u>	<u>1,293</u>
<u>Other financing sources (uses):</u>					
Transfers in	--	--	658	3,287	--
Transfers out	--	(2,086)	(172)	(291)	(3,918)
Total other financing sources (uses)	<u>--</u>	<u>(2,086)</u>	<u>486</u>	<u>2,996</u>	<u>(3,918)</u>
Net changes in fund balances	11	365	353	301	(2,625)
Fund Balances - beginning	<u>164</u>	<u>7,872</u>	<u>1,059</u>	<u>2,091</u>	<u>11,631</u>
Fund Balances - ending	<u>\$ 175</u>	<u>\$ 8,237</u>	<u>\$ 1,412</u>	<u>\$ 2,392</u>	<u>\$ 9,006</u>

continued

COUNTY OF SAN LUIS OBISPO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended June 30, 2012 (in thousands)

	Roads	Wildlife Grazing	Special Districts	Total Nonmajor Special Revenue Funds
<u>Revenues:</u>				
Taxes	\$ 1,443	\$ --	\$ 1,934	\$ 10,123
Fines, forfeits and penalties	--	--	--	823
Use of money and property	29	--	41	302
Aid from other governmental agencies	25,261	6	65	32,461
Charges for current services	479	--	496	10,690
Other revenues	580	--	1	2,167
Total revenues	<u>27,792</u>	<u>6</u>	<u>2,537</u>	<u>56,566</u>
<u>Expenditures:</u>				
Current:				
Public protection	--	--	2,585	2,597
Public ways and facilities	37,826	--	300	38,363
Health and sanitation	--	--	--	4,450
Public assistance	--	--	--	5,950
Education	--	--	--	9,542
Recreation and cultural services	--	--	--	6,998
Total expenditures	<u>37,826</u>	<u>--</u>	<u>2,885</u>	<u>67,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,034)</u>	<u>6</u>	<u>(348)</u>	<u>(11,334)</u>
<u>Other financing sources (uses):</u>				
Transfers in	7,468	--	8,790	23,077
Transfers out	(17)	--	(546)	(7,865)
Total other financing sources (uses)	<u>7,451</u>	<u>--</u>	<u>8,244</u>	<u>15,212</u>
Net changes in fund balances	(2,583)	6	7,896	3,878
Fund Balances - beginning	11,418	6	8,709	45,103
Fund Balances - ending	<u>\$ 8,835</u>	<u>\$ 12</u>	<u>\$ 16,605</u>	<u>\$ 48,981</u>

COUNTY OF SAN LUIS OBISPO
Combining Balance Sheet
Nonmajor Special Revenue Funds - Special Districts
June 30, 2012 (in thousands)

	Flood Control Districts	Lighting Districts	County Service Areas	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 15,235	\$ 468	\$ 1,055	\$ 16,758
Loans receivable	--	3	25	28
Advances to other funds	--	--	350	350
	<u>\$ 15,235</u>	<u>\$ 471</u>	<u>\$ 1,430</u>	<u>\$ 17,136</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	65	--	115	180
Deposits from others	1	--	--	1
Advances from other funds	44	--	306	350
Total Liabilities	<u>110</u>	<u>--</u>	<u>421</u>	<u>531</u>
Fund Balances:				
Nonspendable	--	3	375	378
Committed	15,125	468	634	16,227
	<u>15,125</u>	<u>471</u>	<u>1,009</u>	<u>16,605</u>
	<u>15,125</u>	<u>471</u>	<u>1,430</u>	<u>17,136</u>
	<u>\$ 15,235</u>	<u>\$ 471</u>	<u>\$ 1,430</u>	<u>\$ 17,136</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds - Special Districts
For the Year Ended June 30, 2012 (in thousands)

	Flood Control Districts	Lighting Districts	County Service Areas	Total
<u>Revenues:</u>				
Taxes	\$ 1,519	\$ 31	\$ 384	\$ 1,934
Use of money and property	32	2	7	41
Aid from other governmental agencies	63	--	2	65
Charges for current services	490	2	4	496
Other revenue	1	--	--	1
Total revenues	<u>2,105</u>	<u>35</u>	<u>397</u>	<u>2,537</u>
<u>Expenditures:</u>				
Current:				
Public protection	2,548	37	--	2,585
Public ways and facilities	--	--	300	300
Total expenditures	<u>2,548</u>	<u>37</u>	<u>300</u>	<u>2,885</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(443)</u>	<u>(2)</u>	<u>97</u>	<u>(348)</u>
<u>Other financing sources (uses):</u>				
Transfers in	8,781	--	9	8,790
Transfers out	(1)	--	(545)	(546)
Total other financing sources (uses)	<u>8,780</u>	<u>--</u>	<u>(536)</u>	<u>8,244</u>
Net changes in fund balances	8,337	(2)	(439)	7,896
Fund Balances - beginning	<u>6,788</u>	<u>473</u>	<u>1,448</u>	<u>8,709</u>
Fund Balances - ending	<u>\$ 15,125</u>	<u>\$ 471</u>	<u>\$ 1,009</u>	<u>\$ 16,605</u>

**BUDGETARY COMPARISON SCHEDULES
CAPITAL PROJECTS FUND
PUBLIC FINANCING CORPORATION
PENSION OBLIGATION BOND FUND
NONMAJOR GOVERNMENTAL FUNDS**



COUNTY OF SAN LUIS OBISPO
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeits, and penalties	\$ --	\$ 181	\$ 469	\$ 288
Revenue from use of money and property	--	--	112	112
Aid from other governmental agencies	--	2,564	241	(2,323)
Charges for services	--	390	223	(167)
Total Revenues	<u>--</u>	<u>3,135</u>	<u>1,045</u>	<u>(2,090)</u>
Expenditures:				
Capital Outlay	<u>294</u>	<u>20,904</u>	<u>5,540</u>	<u>15,364</u>
Total Expenditures	<u>294</u>	<u>20,904</u>	<u>5,540</u>	<u>15,364</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(294)</u>	<u>(17,769)</u>	<u>(4,495)</u>	<u>13,274</u>
Other Financing Sources (Uses):				
Transfers in	384	8,686	4,163	(4,523)
Transfers out	<u>(65)</u>	<u>(125)</u>	<u>(95)</u>	<u>30</u>
Total Other Financing Sources (Uses)	<u>319</u>	<u>8,561</u>	<u>4,068</u>	<u>(4,493)</u>
Net change in fund balances	25	(9,208)	(427)	8,781
Fund balances, beginning	<u>23,102</u>	<u>23,102</u>	<u>23,102</u>	<u>--</u>
Fund balances, ending	<u>\$ 23,127</u>	<u>\$ 13,894</u>	<u>\$ 22,675</u>	<u>\$ 8,781</u>

COUNTY OF SAN LUIS OBISPO
Public Facilities Corporation
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from use of money and property	\$ --	\$ --	\$ 50	\$ 50
Charges for current services	--	--	2,788	2,788
Total Revenues	<u>--</u>	<u>--</u>	<u>2,838</u>	<u>2,838</u>
Expenditures:				
Debt Service:				
Principal	--	--	1,175	(1,175)
Interest and fiscal charges	--	--	1,618	(1,618)
Total Expenditures	<u>--</u>	<u>--</u>	<u>2,793</u>	<u>(2,793)</u>
Net change in fund balances	--	--	45	45
Fund balances, beginning	<u>2,848</u>	<u>2,848</u>	<u>2,848</u>	<u>--</u>
Fund balances, ending	<u><u>\$ 2,848</u></u>	<u><u>\$ 2,848</u></u>	<u><u>\$ 2,893</u></u>	<u><u>\$ 45</u></u>

COUNTY OF SAN LUIS OBISPO
Pension Obligation Bonds
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from use of money and property	\$ 12	\$ 12	\$ 17	\$ 5
Other revenue	8,062	8,062	491	(7,571)
Total Revenues	<u>8,074</u>	<u>8,074</u>	<u>508</u>	<u>(7,566)</u>
Expenditures:				
Debt Service:				
Principal payments	4,023	4,023	3,260	763
Interest and fiscal charges	3,970	3,970	4,671	(701)
Total Expenditures	<u>7,993</u>	<u>7,993</u>	<u>7,931</u>	<u>62</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>81</u>	<u>81</u>	<u>(7,423)</u>	<u>(7,504)</u>
Other Financing Sources (Uses):				
Transfers in	--	--	7,292	7,292
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>7,292</u>	<u>7,292</u>
Net change in fund balances	81	81	(131)	(212)
Fund balances, beginning	<u>6,904</u>	<u>6,904</u>	<u>6,904</u>	<u>--</u>
Fund balances, ending	<u>\$ 6,985</u>	<u>\$ 6,985</u>	<u>\$ 6,773</u>	<u>\$ (212)</u>

COUNTY OF SAN LUIS OBISPO
California Health Care Indigent Program Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses):				
Transfers out	--	(779)	(779)	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>(779)</u>	<u>(779)</u>	<u>--</u>
Net change in fund balances	--	(779)	(779)	--
Fund balances, beginning	<u>779</u>	<u>779</u>	<u>779</u>	<u>--</u>
Fund balances, ending	<u>\$ 779</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

COUNTY OF SAN LUIS OBISPO
Community Development Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ --	\$ --	\$ 1	\$ 1
Aid from other governmental agencies	4,158	10,119	4,119	(6,000)
Other revenue	<u>--</u>	<u>50</u>	<u>50</u>	<u>--</u>
Total Revenues	<u>4,158</u>	<u>10,169</u>	<u>4,170</u>	<u>(5,999)</u>
Expenditures:				
Current:				
Health and sanitation				
Other charges	<u>4,468</u>	<u>10,479</u>	<u>4,450</u>	<u>6,029</u>
Total Expenditures	<u>4,468</u>	<u>10,479</u>	<u>4,450</u>	<u>6,029</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(310)</u>	<u>(310)</u>	<u>(280)</u>	<u>30</u>
Other Financing Sources (Uses):				
Transfers in	<u>310</u>	<u>310</u>	<u>310</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>310</u>	<u>310</u>	<u>310</u>	<u>--</u>
Net change in fund balances	--	--	30	30
Fund balances, beginning	<u>35</u>	<u>35</u>	<u>35</u>	<u>--</u>
Fund balances, ending	<u>\$ 35</u>	<u>\$ 35</u>	<u>\$ 65</u>	<u>\$ 30</u>

COUNTY OF SAN LUIS OBISPO
County Medical Services Program (CMSP) Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ 4	\$ 4	\$ 4	\$ --
Aid from governmental agencies	2,640	2,640	2,667	27
Charges for current services	16	16	16	--
Other revenues	699	739	735	(4)
Total Revenues	<u>3,359</u>	<u>3,399</u>	<u>3,422</u>	<u>23</u>
Expenditures:				
Current:				
Public assistance				
Salaries wages benefits	976	946	917	29
Services and supplies	4,198	5,221	4,241	980
Total Expenditures	<u>5,174</u>	<u>6,167</u>	<u>5,158</u>	<u>1,009</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,815)</u>	<u>(2,768)</u>	<u>(1,736)</u>	<u>1,032</u>
Other Financing Sources (Uses):				
Transfers in	1,727	2,607	2,564	(43)
Transfers out	--	--	(29)	(29)
Total Other Financing Sources (Uses)	<u>1,727</u>	<u>2,607</u>	<u>2,535</u>	<u>(72)</u>
Net change in fund balances	(88)	(161)	799	960
Fund balances, beginning	<u>160</u>	<u>160</u>	<u>160</u>	<u>--</u>
Fund balances, ending	<u>\$ 72</u>	<u>\$ (1)</u>	<u>\$ 959</u>	<u>\$ 960</u>

COUNTY OF SAN LUIS OBISPO
Driving Under the Influence Programs Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ 4	\$ 4	\$ 3	\$ (1)
Charges for current services	1,409	1,409	1,473	64
Total Revenues	<u>1,413</u>	<u>1,413</u>	<u>1,476</u>	<u>63</u>
Expenditures:				
Current:				
Education				
Salaries wages benefits	1,007	972	912	60
Service and supplies	417	452	442	10
Contingencies	50	50	--	50
Total Expenditures	<u>1,474</u>	<u>1,474</u>	<u>1,354</u>	<u>120</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(61)</u>	<u>(61)</u>	<u>122</u>	<u>(57)</u>
Other Financing Sources (Uses):				
Transfers out	--	--	(27)	(27)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(27)</u>	<u>(27)</u>
Net change in fund balances	(61)	(61)	95	156
Fund balances, beginning	<u>604</u>	<u>604</u>	<u>604</u>	<u>--</u>
Fund balances, ending	<u>\$ 543</u>	<u>\$ 543</u>	<u>\$ 699</u>	<u>\$ 156</u>

COUNTY OF SAN LUIS OBISPO
Emergency Medical Services Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeits, and penalties	\$ 820	\$ 820	\$ 800	\$ (20)
Use of money and property	--	--	1	1
Total Revenues	<u>820</u>	<u>820</u>	<u>801</u>	<u>(19)</u>
Expenditures:				
Current:				
Public assistance				
Services and supplies	<u>820</u>	<u>1,166</u>	<u>792</u>	<u>374</u>
Total Expenditures	<u>820</u>	<u>1,166</u>	<u>792</u>	<u>374</u>
Net change in fund balances	--	(346)	9	355
Fund balances, beginning	<u>575</u>	<u>575</u>	<u>575</u>	<u>--</u>
Fund balances, ending	<u>\$ 575</u>	<u>\$ 229</u>	<u>\$ 584</u>	<u>\$ 355</u>

COUNTY OF SAN LUIS OBISPO
Fish and Game Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeits, and penalties	\$ 20	\$ 20	\$ 23	\$ 3
Total Revenues	<u>20</u>	<u>20</u>	<u>23</u>	<u>3</u>
Expenditures:				
Current:				
Public protection				
Services and supplies	<u>28</u>	<u>28</u>	<u>12</u>	<u>16</u>
Total Expenditures	<u>28</u>	<u>28</u>	<u>12</u>	<u>16</u>
Net change in fund balances	(8)	(8)	11	19
Fund balances, beginning	<u>164</u>	<u>164</u>	<u>164</u>	<u>--</u>
Fund balances, ending	<u>\$ 156</u>	<u>\$ 156</u>	<u>\$ 175</u>	<u>\$ 19</u>

COUNTY OF SAN LUIS OBISPO
Road Impact Fees Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ 25	\$ 25	\$ 44	\$ 19
Charges for current services	2,410	2,410	2,644	234
Total Revenues	<u>2,435</u>	<u>2,435</u>	<u>2,688</u>	<u>253</u>
Expenditures:				
Current:				
Public ways and facilities				
Other charges	--	237	237	--
Total Expenditures	<u>--</u>	<u>237</u>	<u>237</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,435</u>	<u>2,198</u>	<u>2,451</u>	<u>253</u>
Other Financing Sources (Uses):				
Transfers out	<u>(944)</u>	<u>(4,978)</u>	<u>(2,086)</u>	<u>2,892</u>
Total Other Financing Sources (Uses)	<u>(944)</u>	<u>(4,978)</u>	<u>(2,086)</u>	<u>2,892</u>
Net change in fund balances	1,491	(2,780)	365	3,145
Fund balances, beginning	<u>7,872</u>	<u>7,872</u>	<u>7,872</u>	<u>--</u>
Fund balances, ending	<u>\$ 9,363</u>	<u>\$ 5,092</u>	<u>\$ 8,237</u>	<u>\$ 3,145</u>

COUNTY OF SAN LUIS OBISPO
Library Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 6,748	\$ 6,748	\$ 6,746	\$ (2)
Use of money and property	6	6	9	3
Aid from other governmental agencies	187	227	169	(58)
Charges for services	301	301	356	55
Other revenue	15	174	775	601
Total Revenues	<u>7,257</u>	<u>7,456</u>	<u>8,055</u>	<u>599</u>
Expenditures:				
Current:				
Education				
Salaries and benefits	5,856	5,856	5,453	403
Other charges	2,633	3,316	2,735	581
Total Expenditures	<u>8,489</u>	<u>9,172</u>	<u>8,188</u>	<u>984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,232)</u>	<u>(1,716)</u>	<u>(133)</u>	<u>1,583</u>
Other Financing Sources (Uses):				
Transfers in	516	658	658	--
Transfers out	--	--	(172)	(172)
Total Other Financing Sources (Uses)	<u>516</u>	<u>658</u>	<u>486</u>	<u>(172)</u>
Net change in fund balances	(716)	(1,058)	353	1,411
Fund balances, beginning	<u>1,059</u>	<u>1,059</u>	<u>1,059</u>	<u>--</u>
Fund balances, ending	<u>\$ 343</u>	<u>\$ 1</u>	<u>\$ 1,412</u>	<u>\$ 1,411</u>

COUNTY OF SAN LUIS OBISPO
Parks Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits and franchises	\$ 50	\$ 50	\$ --	\$ (50)
Use of money and property	94	94	118	24
Aid from other governmental agencies	5	27	174	147
Charges for services	3,903	3,881	3,935	54
Other revenue	139	179	76	(103)
Total Revenues	<u>4,191</u>	<u>4,231</u>	<u>4,303</u>	<u>72</u>
Expenditures:				
Current:				
Recreational and cultural services				
Salaries wages benefits	3,894	3,886	3,579	307
Other charges	3,267	3,925	3,419	506
Contingencies	397	397	--	397
Total Expenditures	<u>7,558</u>	<u>8,208</u>	<u>6,998</u>	<u>1,210</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,367)</u>	<u>(3,977)</u>	<u>(2,695)</u>	<u>1,282</u>
Other Financing Sources (Uses):				
Transfers in	3,278	3,618	3,287	(331)
Transfers out	(21)	(32)	(291)	(259)
Total Other Financing Sources (Uses)	<u>3,257</u>	<u>3,586</u>	<u>2,996</u>	<u>(590)</u>
Net change in fund balances	(110)	(391)	301	692
Fund balances, beginning	<u>2,091</u>	<u>2,091</u>	<u>2,091</u>	<u>--</u>
Fund balances, ending	<u>\$ 1,981</u>	<u>\$ 1,700</u>	<u>\$ 2,392</u>	<u>\$ 692</u>

COUNTY OF SAN LUIS OBISPO
Public Facilities Fees Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ --	\$ --	\$ 52	\$ 52
Charges for current services	<u>1,020</u>	<u>1,020</u>	<u>1,241</u>	<u>221</u>
Total Revenues	<u>1,020</u>	<u>1,020</u>	<u>1,293</u>	<u>273</u>
Other Financing Sources (Uses):				
Transfers out	<u>(500)</u>	<u>(7,772)</u>	<u>(3,918)</u>	<u>3,854</u>
Total Other Financing Sources (Uses)	<u>(500)</u>	<u>(7,772)</u>	<u>(3,918)</u>	<u>3,854</u>
Net change in fund balances	520	(6,752)	(2,625)	4,127
Fund balances, beginning	<u>11,631</u>	<u>11,631</u>	<u>11,631</u>	<u>--</u>
Fund balances, ending	<u>\$ 12,151</u>	<u>\$ 4,879</u>	<u>\$ 9,006</u>	<u>\$ 4,127</u>

COUNTY OF SAN LUIS OBISPO
Roads Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 1,450	\$ 1,450	\$ 1,443	\$ (7)
Use of money and property	60	60	29	(31)
Aid from other governmental agencies	13,677	37,609	25,261	(12,348)
Charges for services	392	691	479	(212)
Other revenue	--	763	580	(183)
Total Revenues	<u>15,579</u>	<u>40,573</u>	<u>27,792</u>	<u>(12,781)</u>
Expenditures:				
Current:				
Public ways and facilities				
Other charges	21,398	62,699	37,826	24,873
Total Expenditures	<u>21,398</u>	<u>62,699</u>	<u>37,826</u>	<u>24,873</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,819)</u>	<u>(22,126)</u>	<u>(10,034)</u>	<u>12,092</u>
Other Financing Sources (Uses):				
Transfers in	6,319	14,138	7,468	(6,670)
Transfers out	(4)	(17)	(17)	--
Total Other Financing Sources (Uses)	<u>6,315</u>	<u>14,121</u>	<u>7,451</u>	<u>(6,670)</u>
Net change in fund balances	496	(8,005)	(2,583)	5,422
Fund balances, beginning	<u>11,418</u>	<u>11,418</u>	<u>11,418</u>	<u>--</u>
Fund balances, ending	<u>\$ 11,914</u>	<u>\$ 3,413</u>	<u>\$ 8,835</u>	<u>\$ 5,422</u>

COUNTY OF SAN LUIS OBISPO
Wildlife Grazing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Aid from governmental agencies	4	4	6	2
Total Revenues	<u>4</u>	<u>4</u>	<u>6</u>	<u>2</u>
Expenditures:				
Current:				
Public protection				
Services and supplies	4	4	--	4
Total Expenditures	<u>4</u>	<u>4</u>	<u>--</u>	<u>4</u>
Net change in fund balances	--	--	6	6
Fund balances, beginning	<u>6</u>	<u>6</u>	<u>6</u>	<u>--</u>
Fund balances, ending	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 12</u>	<u>\$ 6</u>

COUNTY OF SAN LUIS OBISPO
Flood Control Districts Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,528	\$ 1,528	\$ 1,519	\$ (9)
Use of money and property	16	16	32	16
Aid from other governmental agencies	13	13	63	50
Charges for services	418	418	490	72
Other revenue	17	17	1	(16)
Total Revenues	<u>1,992</u>	<u>1,992</u>	<u>2,105</u>	<u>113</u>
Expenditures:				
Current:				
Public protection				
Services and supplies	<u>2,355</u>	<u>4,836</u>	<u>2,548</u>	<u>2,288</u>
Total Expenditures	<u>2,355</u>	<u>4,836</u>	<u>2,548</u>	<u>2,288</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(363)</u>	<u>(2,844)</u>	<u>(443)</u>	<u>2,401</u>
Other Financing Sources (Uses):				
Transfers in	9,214	9,214	8,781	(433)
Transfers out	<u>(225)</u>	<u>(225)</u>	<u>(1)</u>	<u>224</u>
Total Other Financing Sources (Uses)	<u>8,989</u>	<u>8,989</u>	<u>8,780</u>	<u>(209)</u>
Net change in fund balances	8,626	6,145	8,337	2,192
Fund balances, beginning	<u>6,788</u>	<u>6,788</u>	<u>6,788</u>	<u>--</u>
Fund balances, ending	<u>\$ 15,414</u>	<u>\$ 12,933</u>	<u>\$ 15,125</u>	<u>\$ 2,192</u>

COUNTY OF SAN LUIS OBISPO
Lighting Control Districts Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 33	\$ 33	\$ 31	\$ (2)
Use of money and property	2	2	2	--
Charges for services	--	--	2	2
Total Revenues	<u>35</u>	<u>35</u>	<u>35</u>	<u>--</u>
Expenditures:				
Current:				
Public protection				
Services and supplies	<u>107</u>	<u>107</u>	<u>37</u>	<u>70</u>
Total Expenditures	<u>107</u>	<u>107</u>	<u>37</u>	<u>70</u>
Net change in fund balances	(72)	(72)	(2)	70
Fund balances, beginning	<u>473</u>	<u>473</u>	<u>473</u>	<u>--</u>
Fund balances, ending	<u>\$ 401</u>	<u>\$ 401</u>	<u>\$ 471</u>	<u>\$ 70</u>

COUNTY OF SAN LUIS OBISPO
County Service Area Districts Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual Comparison
For the Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 376	\$ 376	\$ 384	\$ 8
Use of money and property	6	6	7	1
Aid from other governmental agencies	2	2	2	--
Charges for services	21	21	4	(17)
Total Revenues	<u>405</u>	<u>405</u>	<u>397</u>	<u>(8)</u>
Expenditures:				
Current:				
Public ways and facilities				
Services and supplies	243	370	300	70
Total Expenditures	<u>243</u>	<u>370</u>	<u>300</u>	<u>70</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>162</u>	<u>35</u>	<u>97</u>	<u>62</u>
Other Financing Sources (Uses):				
Transfers in	1,141	1,141	9	(1,132)
Transfers out	(706)	(706)	(545)	161
Total Other Financing Sources (Uses)	<u>435</u>	<u>435</u>	<u>(536)</u>	<u>(971)</u>
Net change in fund balances	597	470	(439)	(909)
Fund balances, beginning	<u>1,448</u>	<u>1,448</u>	<u>1,448</u>	<u>--</u>
Fund balances, ending	<u>\$ 2,045</u>	<u>\$ 1,918</u>	<u>\$ 1,009</u>	<u>\$ (909)</u>

**COMBINING FINANCIAL STATEMENTS
NONMAJOR ENTERPRISE FUNDS**



NONMAJOR ENTERPRISE FUNDS

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 to the general public on a continuing basis be financed primarily through user charges; or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Transit District

Accounts for resources used to provide transit services to various areas of the county.

General Flood Control Zone

Accounts for resources used to provide control and conservation of flood and storm waters, which are mutually exclusive of Special Revenue Funds.

Golf

Accounts for the operations and maintenance of County-owned golf courses located in Atascadero, Morro Bay, and San Luis Obispo.

Lopez Park

Accounts for the accumulation of resources for the repayment of State loans related to the Lopez Lake recreational area.

County Service Areas

Accounts for resources used to provide for a variety of services such as street lighting, drainage, sewer and road maintenance, which are mutually exclusive of the Special Revenue Funds County Service Areas.

COUNTY OF SAN LUIS OBISPO
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012 (in thousands)

	Transit	General Flood Control Zone	Golf	Lopez Park	County Service Areas	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ --	\$ 1,261	\$ 837	\$ 22	\$ 3,320	\$ 5,440
Accounts receivable, net	--	--	14	--	176	190
Due from other governments	--	--	--	--	4	4
Loans receivable	--	--	--	--	33	33
Deposits with others	--	--	--	--	13	13
Total Current Assets	--	1,261	851	22	3,546	5,680
Noncurrent assets:						
Advances to other funds	--	--	549	214	--	763
Capital Assets						
Nondepreciable:						
Land	--	--	1,333	--	252	1,585
Construction in progress	--	--	70	--	1,735	1,805
Depreciable:						
Infrastructure, net	--	--	--	--	384	384
Structures & improvements, net	--	--	9,924	--	8,682	18,606
Equipment, net	--	--	164	--	168	332
Other property, net	--	--	--	--	502	502
Total Noncurrent Assets	--	--	12,040	214	11,723	23,977
Total Assets	--	1,261	12,891	236	15,269	29,657
LIABILITIES						
Current Liabilities:						
Accounts payable	--	82	32	--	36	150
Salaries and benefits payable	--	--	21	--	--	21
Deposits from others	--	--	--	--	141	141
Accrued interest	--	--	74	--	30	104
Deferred revenue	--	--	--	--	38	38
Accrued vacation and sick leave - current	--	--	84	--	--	84
Notes and bonds payable - current	--	--	260	16	179	455
Total Current Liabilities	--	82	471	16	424	993
Noncurrent Liabilities:						
Advances from other funds	--	--	--	--	602	602
Accrued vacation and sick leave - noncurrent	--	--	58	--	--	58
Notes and bonds payable - noncurrent	--	--	5,790	199	3,244	9,233
Total Noncurrent Liabilities	--	--	5,848	199	3,846	9,893
Total Liabilities	--	82	6,319	215	4,270	10,886
NET ASSETS						
Invested in capital assets, net of related debt	--	--	5,441	--	8,300	13,741
Unrestricted	--	1,179	1,131	21	2,699	5,030
Total Net Assets	\$ --	\$ 1,179	\$ 6,572	\$ 21	\$ 10,999	\$ 18,771

COUNTY OF SAN LUIS OBISPO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012 (in thousands)

	Transit	General Flood Control Zone	Golf	Lopez Park	County Service Areas	Total
Operating Revenues:						
Charges for current services	\$ --	\$ 1,252	\$ 2,690	\$ --	\$ 3,186	\$ 7,128
Total operating revenues	<u>--</u>	<u>1,252</u>	<u>2,690</u>	<u>--</u>	<u>3,186</u>	<u>7,128</u>
Operating expenses:						
Salaries and benefits	--	--	1,171	--	--	1,171
Services and supplies	132	1,810	785	--	3,275	6,002
Depreciation	5	--	379	--	416	800
Countywide cost allocation	--	6	91	--	37	134
Total operating expenses	<u>137</u>	<u>1,816</u>	<u>2,426</u>	<u>--</u>	<u>3,728</u>	<u>8,107</u>
Operating income (loss)	<u>(137)</u>	<u>(564)</u>	<u>264</u>	<u>--</u>	<u>(542)</u>	<u>(979)</u>
Nonoperating revenues (expenses):						
Property taxes	--	--	--	--	389	389
Interest income	--	8	4	--	15	27
Interest expense	--	--	(296)	(8)	(128)	(432)
Aid from governmental agencies	--	--	5	--	3	8
Other nonoperating revenue (expense)	--	--	(156)	--	10	(146)
Total nonoperating revenues (expenses)	<u>--</u>	<u>8</u>	<u>(443)</u>	<u>(8)</u>	<u>289</u>	<u>(154)</u>
Income (loss) before contributions and transfers	(137)	(556)	(179)	(8)	(253)	(1,133)
Capital contributions	--	--	--	--	64	64
Transfers in	--	--	46	6	544	596
Transfers out	--	--	(33)	--	(11)	(44)
Change in net assets	(137)	(556)	(166)	(2)	344	(517)
Net assets - beginning	<u>137</u>	<u>1,735</u>	<u>6,738</u>	<u>23</u>	<u>10,655</u>	<u>19,288</u>
Net assets - ending	<u>\$ --</u>	<u>\$ 1,179</u>	<u>\$ 6,572</u>	<u>\$ 21</u>	<u>\$ 10,999</u>	<u>\$ 18,771</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012 (in thousands)

	Transit	General Flood Control Zone	Golf	Lopez Park
Cash Flows from Operating Activities:				
Receipts from customers	\$ --	\$ 1,252	\$ 2,705	\$ --
Payments to employees for service	--	--	(1,210)	--
Payments for goods and services	(132)	(1,751)	(881)	--
Net Cash Provided (Used) by Operating Activities	<u>(132)</u>	<u>(499)</u>	<u>614</u>	<u>--</u>
Cash Flows from Noncapital Financing Activities:				
Property tax proceeds	--	--	--	--
Grants and subsidies from other gov't agencies	--	--	--	--
Contributions and payments to other agencies	(582)	--	(156)	--
Advances to other funds	--	--	5	--
Transfers from other funds	--	--	46	6
Transfers to other funds	--	--	(33)	--
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(582)</u>	<u>--</u>	<u>(138)</u>	<u>6</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases and construction of capital assets	--	--	(45)	--
Proceeds from capital grants	--	--	--	--
Principal paid on capital debt	--	--	(250)	--
Interest paid on capital debt	--	--	(296)	(6)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>(591)</u>	<u>(6)</u>
Cash Flows from Investing Activities:				
Interest received	--	8	4	--
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>8</u>	<u>4</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(714)	(491)	(111)	--
Cash and Cash Equivalents - Beginning of Year	714	1,752	948	22
Cash and Cash Equivalents - End of Year	<u>\$ --</u>	<u>\$ 1,261</u>	<u>\$ 837</u>	<u>\$ 22</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (137)	\$ (564)	\$ 264	\$ --
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation expense	5	--	379	--
Change in Assets and Liabilities:				
Receivables, net	--	--	17	--
Accounts payable	--	65	(5)	--
Salaries and benefits payable	--	--	(48)	--
Accrued vacation and sick leave	--	--	7	--
Total Adjustments	<u>5</u>	<u>65</u>	<u>350</u>	<u>--</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (132)</u>	<u>\$ (499)</u>	<u>\$ 614</u>	<u>\$ --</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets to governmental fund	<u>\$ (130)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012 (in thousands)

	<u>County Service Areas</u>	<u>Total</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 3,073	\$ 7,030
Payments to employees	--	(1,210)
Payments for goods and services	<u>(3,417)</u>	<u>(6,181)</u>
Net Cash Provided (Used) by Operating Activities	<u>(344)</u>	<u>(361)</u>
Cash Flows from Noncapital Financing Activities:		
Property tax proceeds	389	389
Grants and subsidies from other gov't agencies	113	113
Contributions and payments to other agencies	--	(738)
Advances to other funds	(86)	(81)
Transfers from other funds	544	596
Transfers to other funds	<u>(11)</u>	<u>(44)</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>949</u>	<u>235</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases and construction of capital assets	(101)	(146)
Proceeds from capital grants	64	64
Principal paid on capital debt	(173)	(423)
Interest paid on capital debt	<u>(129)</u>	<u>(431)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(339)</u>	<u>(936)</u>
Cash Flows from Investing Activities:		
Interest received	<u>15</u>	<u>27</u>
Net Cash Provided (Used) by Investing Activities	<u>15</u>	<u>27</u>
Net Increase (Decrease) in Cash and Cash Equivalents	281	(1,035)
Cash and Cash Equivalents - Beginning of Year	<u>3,039</u>	<u>6,475</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,320</u>	<u>\$ 5,440</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	<u>\$ (542)</u>	<u>\$ (979)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	416	800
Change in Assets and Liabilities:		
Receivables, net	(24)	(7)
Accounts payable	(103)	(43)
Salaries and benefits payable	--	(48)
Accrued vacation and sick leave	<u>(91)</u>	<u>(84)</u>
Total Adjustments	<u>198</u>	<u>618</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (344)</u>	<u>\$ (361)</u>
Noncash Investing, Capital, and Financing Activities:		
Contributions of capital assets to governmental fund	<u>\$ --</u>	<u>\$ (130)</u>



**COMBINING FINANCIAL STATEMENTS
INTERNAL SERVICE FUNDS**



INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS:

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments on a cost-reimbursement basis. Internal Service Funds used at the County are listed below:

Reprographics

Accounts for resources used to provide centralized reprographic services to various County departments and other governmental agencies.

Garage

Accounts for resources used to provide a vehicle fleet of cars, trucks, and police vehicles for use by various County departments at the lowest possible maintenance and operating costs.

Public Works

Accounts for resources used to provide comprehensive engineering services in the form of manpower, equipment and contractual services and supplies to all departments, agencies, and private citizens as requested or required by state law or local ordinance.

Insurance Funds

Account for the operations of the County's Workers' Compensation, Protected Self-Insurance, Unemployment, Dental Insurance, and Other Post-Employment Benefits (OPEB) programs.

COUNTY OF SAN LUIS OBISPO
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012 (in thousands)

	Reprographics	Garage	Public Works	Combined Insurance (5 funds)	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 115	\$ 3,389	\$ 14,214	\$ 26,920	\$ 44,638
Accounts receivable	--	--	16	--	16
Inventory	2	15	463	--	480
Total Current Assets	<u>117</u>	<u>3,404</u>	<u>14,693</u>	<u>26,920</u>	<u>45,134</u>
Noncurrent assets:					
Capital Assets:					
Structures & improvements, net	--	124	69	--	193
Equipment, net	14	3,817	6,010	--	9,841
Total Noncurrent Assets	<u>14</u>	<u>3,941</u>	<u>6,079</u>	<u>--</u>	<u>10,034</u>
Total Assets	<u>131</u>	<u>7,345</u>	<u>20,772</u>	<u>26,920</u>	<u>55,168</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	8	167	133	478	786
Salaries and benefits payable	3	23	389	--	415
Self insurance liability	--	--	--	3,520	3,520
Deposits from others	--	--	568	--	568
Accrued vacation and sick leave - current	15	66	1,488	--	1,569
Total Current Liabilities	<u>26</u>	<u>256</u>	<u>2,578</u>	<u>3,998</u>	<u>6,858</u>
Noncurrent Liabilities:					
Self insurance liability	--	--	--	15,735	15,735
Accrued vacation and sick leave	10	39	795	--	844
Total Noncurrent Liabilities	<u>10</u>	<u>39</u>	<u>795</u>	<u>15,735</u>	<u>16,579</u>
Total Liabilities	<u>36</u>	<u>295</u>	<u>3,373</u>	<u>19,733</u>	<u>23,437</u>
NET ASSETS					
Invested in capital assets	14	3,941	6,079	--	10,034
Unrestricted	81	3,109	11,320	7,187	21,697
Total Net Assets	<u>\$ 95</u>	<u>\$ 7,050</u>	<u>\$ 17,399</u>	<u>\$ 7,187</u>	<u>\$ 31,731</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012 (in thousands)

	Reprographics	Garage	Public Works	Combined Insurance (5 funds)	Total
<u>Operating Revenues:</u>					
Charges for current services	\$ 481	\$ 5,565	\$ 28,692	\$ 8,708	\$ 43,446
Total Operating Revenues	<u>481</u>	<u>5,565</u>	<u>28,692</u>	<u>8,708</u>	<u>43,446</u>
<u>Operating Expenses:</u>					
Salaries and benefits	182	1,209	19,577	--	20,968
Services and supplies	294	2,679	6,461	3,640	13,074
Insurance benefit payments	--	--	--	5,251	5,251
Depreciation	4	1,152	654	--	1,810
Countywide cost allocation	--	129	42	363	534
Total Operating Expenses	<u>480</u>	<u>5,169</u>	<u>26,734</u>	<u>9,254</u>	<u>41,637</u>
Operating Income (Loss)	<u>1</u>	<u>396</u>	<u>1,958</u>	<u>(546)</u>	<u>1,809</u>
<u>Nonoperating Revenues (Expenses):</u>					
Interest income	--	14	56	133	203
Aid from governmental agencies	--	--	--	333	333
Other revenue (expense)	(40)	142	51	--	153
Total Nonoperating Revenues (Expenses)	<u>(40)</u>	<u>156</u>	<u>107</u>	<u>466</u>	<u>689</u>
Income (Loss) Before Capital Contributions and Transfers	(39)	552	2,065	(80)	2,498
Transfers out	<u>(6)</u>	<u>(74)</u>	<u>(632)</u>	<u>(46)</u>	<u>(758)</u>
Change in Net Assets	(45)	478	1,433	(126)	1,740
Net assets - beginning	<u>140</u>	<u>6,572</u>	<u>15,966</u>	<u>7,313</u>	<u>29,991</u>
Net assets - ending	<u>\$ 95</u>	<u>\$ 7,050</u>	<u>\$ 17,399</u>	<u>\$ 7,187</u>	<u>\$ 31,731</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012 (in thousands)

	Reprographics	Garage	Public Works	Combined Insurance (5 funds)	Total
Cash Flows from Operating Activities:					
Receipts from interfund billings	\$ 484	\$ 5,565	\$ 33,725	\$ 8,708	\$ 48,482
Payments for goods and services	(297)	(2,827)	(11,759)	(3,344)	(18,227)
Payments to employees for service	(192)	(1,239)	(20,360)	--	(21,791)
Payments for insurance benefits	--	--	--	(4,654)	(4,654)
Payments for premiums	--	--	--	(1,823)	(1,823)
Net Cash Provided (Used) by Operating Activities	<u>(5)</u>	<u>1,499</u>	<u>1,606</u>	<u>(1,113)</u>	<u>1,987</u>
Cash Flows from Noncapital Financing Activities:					
Grants and subsidies from other gov't agencies	--	--	--	333	333
Transfers from other funds	--	--	--	--	--
Transfers to other funds	(6)	(74)	(631)	(46)	(757)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(6)</u>	<u>(74)</u>	<u>(631)</u>	<u>287</u>	<u>(424)</u>
Cash Flows from Capital and Related Financing Activities:					
Purchases and construction of capital assets	--	(1,489)	(946)	--	(2,435)
Proceeds from sale of capital assets	8	286	21	--	315
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>8</u>	<u>(1,203)</u>	<u>(925)</u>	<u>--</u>	<u>(2,120)</u>
Cash Flows from Investing Activities:					
Interest received	--	14	56	133	203
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>14</u>	<u>56</u>	<u>133</u>	<u>203</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3)	236	106	(693)	(354)
Cash and Cash Equivalents - Beginning of Year	<u>118</u>	<u>3,153</u>	<u>14,108</u>	<u>27,613</u>	<u>44,992</u>
Cash and Cash Equivalents - End of Year	<u>\$ 115</u>	<u>\$ 3,389</u>	<u>\$ 14,214</u>	<u>\$ 26,920</u>	<u>\$ 44,638</u>
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating income (loss)	<u>\$ 1</u>	<u>\$ 396</u>	<u>\$ 1,958</u>	<u>\$ (546)</u>	<u>\$ 1,809</u>
Adjustments to Reconcile Operating Income to					
Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	4	1,152	654	--	1,810
Change in Assets and Liabilities:					
Receivables, net	3	--	7	--	10
Inventory	--	(1)	12	--	11
Accounts payable	(3)	(19)	(234)	(49)	(305)
Salaries and benefits payable	(6)	(39)	(686)	--	(731)
Accrued vacation and sick leave	(4)	10	(50)	--	(44)
Self-insurance liability	--	--	--	(518)	(518)
Other accrued liabilities	--	--	(55)	--	(55)
Total Adjustments	<u>(6)</u>	<u>1,103</u>	<u>(352)</u>	<u>(567)</u>	<u>178</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (5)</u>	<u>\$ 1,499</u>	<u>\$ 1,606</u>	<u>\$ (1,113)</u>	<u>\$ 1,987</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Net Assets
Internal Service Funds - Insurance
June 30, 2012 (in thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>Protected</u> <u>Self-Insurance</u>	<u>Unemployment</u> <u>Insurance</u>	<u>Dental</u> <u>Insurance</u>	<u>OPEB</u>	<u>Total</u>
<u>ASSETS</u>						
Current Assets:						
Cash and cash equivalents	\$ 18,099	\$ 7,712	\$ 699	\$ 345	\$ 65	\$ 26,920
Total Current Assets	<u>18,099</u>	<u>7,712</u>	<u>699</u>	<u>345</u>	<u>65</u>	<u>26,920</u>
<u>LIABILITIES</u>						
Current Liabilities:						
Accounts payable	386	61	--	31	--	478
Self insurance payable	<u>2,418</u>	<u>1,102</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,520</u>
Total Current Liabilities	<u>2,804</u>	<u>1,163</u>	<u>--</u>	<u>31</u>	<u>--</u>	<u>3,998</u>
Noncurrent Liabilities:						
Self insurance liability	<u>13,279</u>	<u>2,456</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,735</u>
Total Noncurrent Liabilities	<u>13,279</u>	<u>2,456</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,735</u>
Total Liabilities	<u>16,083</u>	<u>3,619</u>	<u>--</u>	<u>31</u>	<u>--</u>	<u>19,733</u>
Net Assets						
Unrestricted	<u>2,016</u>	<u>4,093</u>	<u>699</u>	<u>314</u>	<u>65</u>	<u>7,187</u>
Total Net Assets	<u>\$ 2,016</u>	<u>\$ 4,093</u>	<u>\$ 699</u>	<u>\$ 314</u>	<u>\$ 65</u>	<u>\$ 7,187</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Internal Service Funds - Insurance
For the Year Ended June 30, 2012 (in thousands)

	Workers' Compensation	Protected Self-Insurance	Unemployment Insurance	Dental Insurance	OPEB	Total
<u>Operating Revenues:</u>						
Charges for current services	\$ 2,314	\$ 3,219	\$ 185	\$ 1,532	\$ 1,458	\$ 8,708
Total Operating Revenues	<u>2,314</u>	<u>3,219</u>	<u>185</u>	<u>1,532</u>	<u>1,458</u>	<u>8,708</u>
<u>Operating Expenses:</u>						
Services and supplies	2,532	916	17	147	28	3,640
Insurance benefit payments	1,689	193	304	1,367	1,698	5,251
Countywide cost allocation	156	207	--	--	--	363
Total Operating Expenses	<u>4,377</u>	<u>1,316</u>	<u>321</u>	<u>1,514</u>	<u>1,726</u>	<u>9,254</u>
Operating Income (Loss)	<u>(2,063)</u>	<u>1,903</u>	<u>(136)</u>	<u>18</u>	<u>(268)</u>	<u>(546)</u>
<u>Nonoperating Revenues (Expenses):</u>						
Interest income	90	37	4	2	--	133
Aid from governmental agencies	--	--	--	--	333	333
Total Nonoperating Revenues (Expenses)	<u>90</u>	<u>37</u>	<u>4</u>	<u>2</u>	<u>333</u>	<u>466</u>
Income (Loss) Before Transfers	(1,973)	1,940	(132)	20	65	(80)
Transfers out	<u>(46)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(46)</u>
Change in net assets	(2,019)	1,940	(132)	20	65	(126)
Net assets - beginning	<u>4,035</u>	<u>2,153</u>	<u>831</u>	<u>294</u>	<u>--</u>	<u>7,313</u>
Net assets - ending	<u>\$ 2,016</u>	<u>\$ 4,093</u>	<u>\$ 699</u>	<u>\$ 314</u>	<u>\$ 65</u>	<u>\$ 7,187</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Cash Flows
Internal Service Funds - Insurance
For the Year Ended June 30, 2012 (in thousands)

	Workers' Compensation	Protected Self-Insurance	Unemployment Insurance	Dental Insurance	OPEB	Total
Cash Flows from Operating Activities:						
Receipts from interfund billings	\$ 2,314	\$ 3,219	\$ 185	\$ 1,532	\$ 1,458	\$ 8,708
Payments for goods and services	(2,029)	(1,122)	(17)	(147)	(29)	(3,344)
Payments for insurance benefits	(1,394)	(828)	(304)	(1,401)	(727)	(4,654)
Payments for premiums	(659)	(194)	--	--	(970)	(1,823)
Net Cash Provided (Used) by Operating Activities	<u>(1,768)</u>	<u>1,075</u>	<u>(136)</u>	<u>(16)</u>	<u>(268)</u>	<u>(1,113)</u>
Cash Flows from Noncapital Financing Activities:						
Transfers to other funds	(46)	--	--	--	--	(46)
Grants and subsidies from other gov't agencies	--	--	--	--	333	333
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(46)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>333</u>	<u>287</u>
Cash Flows from Investing Activities:						
Interest received	90	37	4	2	--	133
Net Cash Provided (Used) by Investing Activities	<u>90</u>	<u>37</u>	<u>4</u>	<u>2</u>	<u>--</u>	<u>133</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,724)	1,112	(132)	(14)	65	(693)
Cash and Cash Equivalents - Beginning of Year	19,823	6,600	831	359	--	27,613
Cash and Cash Equivalents - End of Year	<u>\$ 18,099</u>	<u>\$ 7,712</u>	<u>\$ 699</u>	<u>\$ 345</u>	<u>\$ 65</u>	<u>\$ 26,920</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	(2,063)	1,903	(136)	18	(268)	(546)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Change in Assets and Liabilities:						
Accounts payable	8	(23)	--	(34)	--	(49)
Self-insurance liability	287	(805)	--	--	--	(518)
Total Adjustments	<u>295</u>	<u>(828)</u>	<u>--</u>	<u>(34)</u>	<u>--</u>	<u>(567)</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (1,768)</u>	<u>\$ 1,075</u>	<u>\$ (136)</u>	<u>\$ (16)</u>	<u>\$ (268)</u>	<u>\$ (1,113)</u>



**COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS**



FIDUCIARY FUNDS

AGENCY FUNDS:

These funds account for assets held by the County as an agent for various local governments. The County has the following types of Agency Funds:

1915 Act

Accounts for temporary holding of funds for tax assessment areas created under the 1915 Improvement Act.

Clearing Funds

Serve as a temporary holding fund for subsequent disposition to an outside agency or taxing authority.

Other Funds

Account for temporary holding of funds that are not specifically classified in other agency categories.

INVESTMENT TRUST FUNDS

These funds are used by the County to account for the assets of legally separate entities who deposit cash with the County Treasurer. These include school and community college districts, other special districts governed by local boards, regional boards and authorities, courts and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand. The County combines Investment Trust Funds into four reporting types because of their similar nature: School Districts (40 funds), Special Districts (32 funds), Courts (6 funds), and Other Local Boards (19 funds).

COUNTY OF SAN LUIS OBISPO
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2012 (in thousands)

	Clearing Funds (87 Funds)	1915 Act Service Funds (17 Funds)	Other Agency Funds (30 Funds)	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 17,094	\$ 2,164	\$ 22,697	\$ 41,955
Total Assets	17,094	2,164	22,697	41,955
<u>LIABILITIES</u>				
Assets held as agency for others	17,094	2,164	22,697	41,955
Total Liabilities	\$ 17,094	\$ 2,164	\$ 22,697	\$ 41,955

COUNTY OF SAN LUIS OBISPO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012 (in thousands)

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
<u>Clearing and Revolving Funds (87 funds)</u>				
Assets:				
Cash and cash equivalents	3,707	\$ 925,155	\$ 911,768	\$ 17,094
Total Assets	<u>3,707</u>	<u>925,155</u>	<u>911,768</u>	<u>17,094</u>
Liabilities:				
Assets held as agency for others	3,707	925,155	911,768	17,094
Total Liabilities	<u>\$ 3,707</u>	<u>\$ 925,155</u>	<u>\$ 911,768</u>	<u>\$ 17,094</u>
<u>1915 Act Service Funds (17 funds)</u>				
Assets:				
Cash and cash equivalents	\$ 2,143	\$ 5,631	\$ 5,610	\$ 2,164
Total Assets	<u>2,143</u>	<u>5,631</u>	<u>5,610</u>	<u>2,164</u>
Liabilities:				
Assets held as agency for others	2,143	5,631	5,610	2,164
Total Liabilities	<u>\$ 2,143</u>	<u>\$ 5,631</u>	<u>\$ 5,610</u>	<u>\$ 2,164</u>
<u>Other Agency Funds (30 funds)</u>				
Assets:				
Cash and cash equivalents	\$ 23,993	\$ 199,938	\$ 201,234	\$ 22,697
Total Assets	<u>23,993</u>	<u>199,938</u>	<u>201,234</u>	<u>22,697</u>
Liabilities:				
Assets held as agency for others	23,993	199,938	201,234	22,697
Total Liabilities	<u>\$ 23,993</u>	<u>\$ 199,938</u>	<u>\$ 201,234</u>	<u>\$ 22,697</u>
<u>Total All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 29,843	\$ 1,130,724	\$ 1,118,612	\$ 41,955
Total Assets	<u>29,843</u>	<u>1,130,724</u>	<u>1,118,612</u>	<u>41,955</u>
Liabilities:				
Assets held as agency for others	29,843	1,130,724	1,118,612	41,955
Total Liabilities	<u>\$ 29,843</u>	<u>\$ 1,130,724</u>	<u>\$ 1,118,612</u>	<u>\$ 41,955</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2012 (in thousands)

	School Districts (40 Funds)	Special Districts (32 Funds)	Courts (6 Funds)	Other Local Boards (19 Funds)	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 149,253	\$ 10,542	\$ 2,240	\$ 23,062	\$ 185,097
Total Assets	<u>149,253</u>	<u>10,542</u>	<u>2,240</u>	<u>23,062</u>	<u>185,097</u>
<u>NET ASSETS</u>					
Assets held in trust for pool participants	149,253	10,542	2,240	23,062	185,097
Total Net Assets	<u>\$ 149,253</u>	<u>\$ 10,542</u>	<u>\$ 2,240</u>	<u>\$ 23,062</u>	<u>\$ 185,097</u>

COUNTY OF SAN LUIS OBISPO
Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Year Ended June 30, 2012 (in thousands)

	School Districts (40 Funds)	Special Districts (32 Funds)	Courts (6 Funds)	Other Local Boards (19 Funds)	Total
<u>Additions</u>					
Contributions to pooled investments	\$ 677,723	\$ 7,156	\$ 21,759	\$ 37,896	\$ 744,534
Interest	870	49	--	66	985
Total Additions	<u>678,593</u>	<u>7,205</u>	<u>21,759</u>	<u>37,962</u>	<u>745,519</u>
<u>Deductions</u>					
Distributions from investment pool	<u>740,417</u>	<u>7,163</u>	<u>21,073</u>	<u>29,713</u>	<u>798,366</u>
Total Deductions	<u>740,417</u>	<u>7,163</u>	<u>21,073</u>	<u>29,713</u>	<u>798,366</u>
Change in Net Assets	(61,824)	42	686	8,249	(52,847)
Net Assets - Beginning	<u>211,077</u>	<u>10,500</u>	<u>1,554</u>	<u>14,813</u>	<u>237,944</u>
Net Assets - Ending	<u>\$ 149,253</u>	<u>\$ 10,542</u>	<u>\$ 2,240</u>	<u>\$ 23,062</u>	<u>\$ 185,097</u>



**GENERAL FUND
DETAIL BUDGETARY COMPARISON SCHEDULES**



COUNTY OF SAN LUIS OBISPO
General Fund
Detail Schedule of Expenditures
Budget to Actual Comparison (in thousands)
For the Year Ended June 30, 2012

Description	Original Budget	Adjusted Budget	Actual	Variance with Final Budget
<u>General Government - Expenditures</u>				
<u>Legislative and Administrative</u>				
Administrative Office:				
Salaries wages benefits	\$ 1,613	\$ 1,613	\$ 1,415	\$ 198
Services and supplies	203	228	148	80
Expenditure transfers and reimbursements	(85)	(85)	(85)	--
Total	1,731	1,756	1,478	278
Board of Supervisors:				
Salaries wages benefits	1,438	1,438	1,358	80
Services and supplies	254	259	215	44
Expenditure transfers and reimbursements	(36)	(36)	(36)	--
Total	1,656	1,661	1,537	124
Clerk/Recorder:				
Salaries wages benefits	2,006	2,006	1,933	73
Services and supplies	1,017	1,052	876	176
Capital outlay	160	160	19	141
Total	3,183	3,218	2,828	390
Total Legislative and Administrative	6,570	6,635	5,843	792
<u>Finance</u>				
Assessor:				
Salaries wages benefits	7,774	7,774	7,051	723
Services and supplies	726	901	707	194
Capital outlay	8	8	8	--
Expenditure transfers and reimbursements	--	--	(1)	1
Total	8,508	8,683	7,765	918
Auditor-Controller:				
Salaries wages benefits	4,417	4,417	4,095	322
Services and supplies	198	461	224	237
Capital outlay	--	579	404	175
Expenditure transfers and reimbursements	(9)	(9)	(18)	9
Total	4,606	5,448	4,705	743
Treasurer-Tax Collector-Public Administrator:				
Salaries wages benefits	2,619	2,619	2,440	179
Services and supplies	274	300	288	12
Capital outlay	--	80	75	5
Expenditure transfers and reimbursements	--	--	(1)	1
Total	2,893	2,999	2,802	197
Total Finance	16,007	17,130	15,272	1,858
<u>Counsel</u>				
County Counsel:				
Salaries wages benefits	3,276	3,188	3,079	109
Services and supplies	190	723	463	260
Expenditure transfers and reimbursements	--	--	(3)	3
Total Counsel	3,466	3,911	3,539	372

continued

COUNTY OF SAN LUIS OBISPO
General Fund
Detail Schedule of Expenditures
Budget to Actual Comparison (in thousands)
For the Year Ended June 30, 2012

Description	Original Budget	Adjusted Budget	Actual	Variance with Final Budget
General Government - Expenditures (continued)				
<u>Personnel</u>				
Personnel:				
Salaries wages benefits	\$ 1,828	\$ 1,828	\$ 1,707	\$ 121
Services and supplies	512	598	336	262
Total Personnel	<u>2,340</u>	<u>2,426</u>	<u>2,043</u>	<u>383</u>
<u>Property Management</u>				
General Services:				
Salaries wages benefits	8,188	8,067	7,478	589
Services and supplies	4,339	4,455	4,431	24
Other charges	91	91	76	15
Capital outlay	9	78	13	65
Expenditure transfers and reimbursement	(2,045)	(2,045)	(2,063)	18
Total	<u>10,582</u>	<u>10,646</u>	<u>9,935</u>	<u>711</u>
Maintenance Projects:				
Services and supplies	1,713	6,767	2,661	4,106
Expenditure transfers and reimbursement	(257)	(470)	(313)	(157)
Total	<u>1,456</u>	<u>6,297</u>	<u>2,348</u>	<u>3,949</u>
Total Property Management	<u>12,038</u>	<u>16,943</u>	<u>12,283</u>	<u>4,660</u>
<u>Other General</u>				
Information Technology:				
Salaries wages benefits	9,842	9,842	9,194	648
Services and supplies	3,248	3,317	3,149	168
Capital outlay	82	184	146	38
Expenditure transfers and reimbursement	(2,748)	(2,748)	(2,766)	18
Total	<u>10,424</u>	<u>10,595</u>	<u>9,723</u>	<u>872</u>
Risk Management:				
Salaries wages benefits	782	782	682	100
Services and supplies	873	873	796	77
Expenditure transfers and reimbursement	(68)	(68)	(68)	--
Total	<u>1,587</u>	<u>1,587</u>	<u>1,410</u>	<u>177</u>
Non-Department Financing Uses:				
Other charges	--	--	9	(9)
Expenditure transfers and reimbursement	(10,035)	(10,035)	(10,084)	49
Total	<u>(10,035)</u>	<u>(10,035)</u>	<u>(10,075)</u>	<u>40</u>
Contributions to Other Agencies:				
Services and supplies	1,927	1,986	1,935	51
Total	<u>1,927</u>	<u>1,986</u>	<u>1,935</u>	<u>51</u>
Total Other General	<u>3,903</u>	<u>4,133</u>	<u>2,993</u>	<u>1,140</u>
Total General Government	<u>44,324</u>	<u>51,178</u>	<u>41,973</u>	<u>9,205</u>

continued

COUNTY OF SAN LUIS OBISPO
General Fund
Detail Schedule of Expenditures
Budget to Actual Comparison (in thousands)
For the Year Ended June 30, 2012

Description	Original Budget	Adjusted Budget	Actual	Variance with Final Budget
<u>Public Protection - Expenditures</u>				
<u>Judicial</u>				
Court Operations Fund:				
Services and supplies	\$ 155	\$ 155	\$ 126	\$ 29
Other charges	2,336	2,336	2,284	52
Total	<u>2,491</u>	<u>2,491</u>	<u>2,410</u>	<u>81</u>
District Attorney:				
Salaries wages benefits	13,113	13,178	12,218	960
Services and supplies	1,404	1,404	1,246	158
Expenditure transfers and reimbursement	(251)	(251)	(245)	(6)
Total	<u>14,266</u>	<u>14,331</u>	<u>13,219</u>	<u>1,112</u>
Family Support:				
Salaries wages benefits	3,692	3,705	3,588	117
Services and supplies	1,074	1,061	1,032	29
Total	<u>4,766</u>	<u>4,766</u>	<u>4,620</u>	<u>146</u>
Grand Jury:				
Salaries wages benefits	39	39	37	2
Services and supplies	99	99	83	16
Total	<u>138</u>	<u>138</u>	<u>120</u>	<u>18</u>
Public Defender:				
Services and supplies	5,436	5,975	5,931	44
Total	<u>5,436</u>	<u>5,975</u>	<u>5,931</u>	<u>44</u>
Total Judicial	<u>27,097</u>	<u>27,701</u>	<u>26,300</u>	<u>1,401</u>
<u>Police Protection</u>				
Sheriff-Coroner:				
Salaries wages benefits	47,998	48,185	47,049	1,136
Services and supplies	7,784	9,580	9,187	393
Other charges	--	614	371	243
Capital outlay	--	1,701	597	1,104
Expenditure transfers and reimbursement	(191)	(191)	(178)	(13)
Total Police Protection	<u>55,591</u>	<u>59,889</u>	<u>57,026</u>	<u>2,863</u>
<u>Detention and Correction</u>				
Probation Department:				
Salaries wages benefits	14,457	14,645	13,251	1,394
Services and supplies	3,634	3,817	3,313	504
Other charges	--	75	63	12
Capital outlay	--	108	--	108
Expenditure transfers and reimbursement	(251)	(281)	(282)	1
Total Detention and Correction	<u>17,840</u>	<u>18,364</u>	<u>16,345</u>	<u>2,019</u>
<u>Fire Protection</u>				
County Fire:				
Services and supplies	15,641	16,535	15,519	1,016
Capital outlay	55	565	404	161
Other charges	--	7	4	3
Total Fire Protection	<u>15,696</u>	<u>17,107</u>	<u>15,927</u>	<u>1,180</u>

continued

COUNTY OF SAN LUIS OBISPO
General Fund
Detail Schedule of Expenditures
Budget to Actual Comparison (in thousands)
For the Year Ended June 30, 2012

Description	Original Budget	Adjusted Budget	Actual	Variance with Final Budget
<u>Public Protection - Expenditures</u> (continued)				
<u>Protective Inspection</u>				
Agricultural Commissioner:				
Salaries wages benefits	\$ 4,725	\$ 4,705	\$ 4,224	\$ 481
Services and supplies	694	715	696	19
Total Protective Inspection	<u>5,419</u>	<u>5,420</u>	<u>4,920</u>	<u>500</u>
<u>Other Protection</u>				
Animal Services:				
Salaries wages benefits	1,499	1,488	1,387	101
Services and supplies	882	900	882	18
Capital outlay	26	27	27	--
Total	<u>2,407</u>	<u>2,415</u>	<u>2,296</u>	<u>119</u>
Emergency Services:				
Salaries wages benefits	747	747	644	103
Services and supplies	419	669	529	140
Other charges	415	415	187	228
Capital outlay	--	296	197	99
Expenditure transfers and reimbursement	--	--	(28)	28
Total	<u>1,581</u>	<u>2,127</u>	<u>1,529</u>	<u>598</u>
Planning Department:				
Salaries wages benefits	9,893	9,714	9,335	379
Services and supplies	1,201	3,609	1,473	2,136
Other charges	19	32	32	--
Capital outlay	11	--	--	--
Expenditure transfers and reimbursement	(6)	(3)	(2)	(1)
Total	<u>11,118</u>	<u>13,352</u>	<u>10,838</u>	<u>2,514</u>
Waste Management:				
Services and supplies	716	788	753	35
Capital outlay	--	48	48	--
Total	<u>716</u>	<u>836</u>	<u>801</u>	<u>35</u>
Total Other Protection	<u>15,822</u>	<u>18,730</u>	<u>15,464</u>	<u>3,266</u>
Total Public Protection	<u>137,465</u>	<u>147,211</u>	<u>135,982</u>	<u>11,229</u>
<u>Public Ways and Facilities - Expenditures</u>				
<u>Public Works:</u>				
Services and supplies	2,224	2,701	1,975	726
Capital outlay	--	1,980	--	1,980
Total	<u>2,224</u>	<u>4,681</u>	<u>1,975</u>	<u>2,706</u>
Total Public Ways and facilities	<u>2,224</u>	<u>4,681</u>	<u>1,975</u>	<u>2,706</u>

continued

COUNTY OF SAN LUIS OBISPO
General Fund
Detail Schedule of Expenditures
Budget to Actual Comparison (in thousands)
For the Year Ended June 30, 2012

Description	Original Budget	Adjusted Budget	Actual	Variance with Final Budget
<u>Health and Sanitation - Expenditures</u>				
<u>Health</u>				
Public Health:				
Salaries wages benefits	16,184	16,184	15,154	1,030
Services and supplies	4,699	4,944	4,852	92
Other charges	1,410	2,210	921	1,289
Capital outlay	--	96	25	71
Expenditure transfers and reimbursement	(1,127)	(1,127)	(863)	(264)
Total	<u>21,166</u>	<u>22,307</u>	<u>20,089</u>	<u>2,218</u>
Behavioral Health:				
Salaries wages benefits	23,259	23,419	21,903	1,516
Services and supplies	23,811	26,137	23,067	3,070
Other charges	38	77	--	77
Expenditure transfers and reimbursement	(1,705)	(1,705)	(1,679)	(26)
Total	<u>45,403</u>	<u>47,928</u>	<u>43,291</u>	<u>4,637</u>
Total Health	<u>66,569</u>	<u>70,235</u>	<u>63,380</u>	<u>6,855</u>
Total Health and Sanitation	<u>66,569</u>	<u>70,235</u>	<u>63,380</u>	<u>6,855</u>

continued

COUNTY OF SAN LUIS OBISPO
General Fund
Detail Schedule of Expenditures
Budget to Actual Comparison (in thousands)
For the Year Ended June 30, 2012

Description	Original Budget	Adjusted Budget	Actual	Variance with Final Budget
<u>Public Assistance - Expenditures</u>				
<u>Administration</u>				
Department of Social Services:				
Salaries wages benefits	\$ 37,060	\$ 36,541	\$ 33,821	\$ 2,720
Services and supplies	14,952	15,483	15,177	306
Other charges	6,554	7,854	6,862	992
Capital outlay	73	60	57	3
Expenditure transfers and reimbursement	(88)	(88)	(76)	(12)
Total Administration	<u>58,551</u>	<u>59,850</u>	<u>55,841</u>	<u>4,009</u>
<u>Aid Programs</u>				
Aid Foster Care Non-Fed:				
Services and supplies	44	44	9	35
Other charges	18,078	18,078	17,414	664
Total	<u>18,122</u>	<u>18,122</u>	<u>17,423</u>	<u>699</u>
Calworks Assistance:				
Other charges	14,545	14,545	12,279	2,266
Total	<u>14,545</u>	<u>14,545</u>	<u>12,279</u>	<u>2,266</u>
Total Aid Programs	<u>32,667</u>	<u>32,667</u>	<u>29,702</u>	<u>2,965</u>
<u>Medical Services</u>				
Medical Assistance Program:				
Services and supplies	2,200	2,540	2,540	--
Total Medical Services	<u>2,200</u>	<u>2,540</u>	<u>2,540</u>	<u>--</u>
<u>General Relief</u>				
General Relief:				
Other charges	1,173	1,173	957	216
Total General Relief	<u>1,173</u>	<u>1,173</u>	<u>957</u>	<u>216</u>
<u>Veterans Service</u>				
Veterans Service:				
Salaries wages benefits	361	309	300	9
Services and supplies	38	89	37	52
Total Veterans Service	<u>399</u>	<u>398</u>	<u>337</u>	<u>61</u>
<u>Other Assistance</u>				
Law Enforcement Med Care:				
Salaries wages benefits	1,590	1,571	1,530	41
Services and supplies	683	880	822	58
Expenditure transfers and reimbursement	(499)	(499)	(494)	(5)
Total Other Assistance	<u>1,774</u>	<u>1,952</u>	<u>1,858</u>	<u>94</u>
Total Public Assistance	<u>96,764</u>	<u>98,580</u>	<u>91,235</u>	<u>7,345</u>

continued

COUNTY OF SAN LUIS OBISPO
General Fund
Detail Schedule of Expenditures
Budget to Actual Comparison (in thousands)
For the Year Ended June 30, 2012

Description	Original Budget	Adjusted Budget	Actual	Variance with Final Budget
<u>Education - Expenditures</u>				
<u>Agricultural Education</u>				
Farm Advisor:				
Salaries wages benefits	\$ 367	\$ 358	\$ 327	\$ 31
Services and supplies	101	101	95	6
Capital outlay	--	9	9	--
Total Agricultural Education	<u>468</u>	<u>468</u>	<u>431</u>	<u>37</u>
Total Education	<u>468</u>	<u>468</u>	<u>431</u>	<u>37</u>
Total General Fund - Expenditures (Before Contingencies)	<u>347,814</u>	<u>372,353</u>	<u>334,976</u>	<u>37,377</u>
<u>Contingencies</u>				
<u>Appropriation for Contingencies</u>				
Contingencies - General Fund:				
Appropriation for contingency	14,558	13,718	--	13,718
Total	<u>14,558</u>	<u>13,718</u>	<u>--</u>	<u>13,718</u>
Total Appropriation for Contingency	<u>14,558</u>	<u>13,718</u>	<u>--</u>	<u>13,718</u>
Total Contingency	<u>14,558</u>	<u>13,718</u>	<u>--</u>	<u>13,718</u>
Total General Fund Expenditures	<u>\$ 362,372</u>	<u>\$ 386,071</u>	<u>\$ 334,976</u>	<u>\$ 51,095</u>

Explanation of Differences between Budgetary Outflows and GAAP
Expenditures

Uses/outflows of resources

Actual amounts (budgetary basis) from the
Budget to Actual Comparison Schedule

\$ 334,976

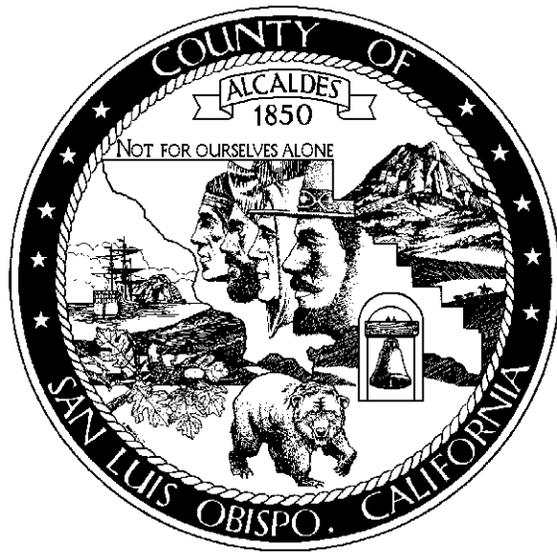
Differences - budget to GAAP:

Expenditures by funds no longer meeting the special revenue
fund classification which are presented with the General
Fund for financial reporting purposes

3,877

Total expenditures as reported on the Statement of
Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds

\$ 338,853



STATISTICAL SECTION



COUNTY OF SAN LUIS OBISPO

Statistical Section

This part of the County of San Luis Obispo's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and required supplementary information.

	<u>Page</u>
Financial Trends Information	
These schedules contain trend information that may assist the reader in assessing the County's current financial performance by placing it in historical perspective	179
Revenue Capacity Information	
These schedules contain information that may assist the reader in assessing the viability of the County's two most significant local revenue sources; property taxes and sales taxes	184
Debt Capacity Information	
These schedules present information that may assist the reader in analyzing the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.....	189
Demographic & Economic Information	
These schedules offer economic and demographic indicators that are commonly used for financial analysis and that can enhance a reader's understanding of the County's present and ongoing financial status	191
Operating Information	
These schedules contain service and infrastructure indicators about how the information in the County's financial statements relates to the services the County provides and the activities it performs.....	194



County of San Luis Obispo
Net Assets by Component
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Governmental Activities										
Invested in Capital Assets, net of related debt	\$ 951,989	\$ 956,773	\$ 981,543	\$ 996,381	\$ 1,012,458	\$ 1,047,361	\$ 1,063,955	\$ 1,071,844	\$ 1,084,978	\$ 1,099,885
Restricted	66,890	66,474	48,141	40,178	50,061	52,566	41,188	36,385	36,258	31,477
Unrestricted	116,055	109,032	130,632	169,766	190,107	173,396	192,271	206,786	234,786	265,454
Total governmental activities net assets	\$ 1,134,934	\$ 1,132,279	\$ 1,160,316	\$ 1,206,325	\$ 1,252,626	\$ 1,273,323	\$ 1,297,414	\$ 1,315,015	\$ 1,356,022	\$ 1,396,816
Business-type activities										
Invested in Capital Assets, net of related debt	\$ 101,138	\$ 109,785	\$ 114,785	\$ 122,534	\$ 146,021	\$ 155,907	\$ 167,188	\$ 160,627	\$ 149,097	\$ 153,801
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	21,586	17,146	12,867	19,178	16,511	16,202	12,266	18,117	38,665	33,081
Total business net assets	\$ 122,724	\$ 126,931	\$ 127,652	\$ 141,712	\$ 162,532	\$ 172,109	\$ 179,454	\$ 178,744	\$ 187,762	\$ 186,882
Total Primary Government										
Invested in Capital Assets, net of related debt	\$ 1,053,127	\$ 1,066,558	\$ 1,096,328	\$ 1,118,915	\$ 1,158,479	\$ 1,203,268	\$ 1,231,143	\$ 1,232,471	\$ 1,234,075	\$ 1,253,686
Restricted	66,890	66,474	48,141	40,178	50,061	52,566	41,188	36,385	36,258	31,477
Unrestricted	137,641	126,178	143,499	188,944	206,618	189,598	204,537	224,903	273,451	298,535
Total primary government net assets	\$ 1,257,658	\$ 1,259,210	\$ 1,287,968	\$ 1,348,037	\$ 1,415,158	\$ 1,445,432	\$ 1,476,868	\$ 1,493,759	\$ 1,543,784	\$ 1,583,698

Notes:
Source - Statement of Net Assets

County of San Luis Obispo
Changes in Net Assets
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Expenses										
Governmental Activities										
General government	\$ 31,990	\$ 34,862	\$ 29,565	\$ 39,872	\$ 50,819	\$ 46,971	\$ 41,658	\$ 36,561	\$ 35,344	\$ 35,231
Public protection	98,816	104,594	106,402	100,234	120,165	135,987	136,755	134,768	132,413	136,219
Public ways and facilities	23,328	23,147	23,647	32,858	22,256	24,503	24,713	24,927	27,365	27,120
Health and sanitation	48,961	50,240	52,540	53,113	55,173	66,382	66,542	68,199	66,657	65,799
Public assistance	78,524	82,461	83,209	84,451	84,045	93,472	97,803	96,645	98,841	96,435
Education	7,323	7,969	7,459	7,786	8,626	9,966	10,967	10,390	10,057	10,000
Recreation and cultural services	5,003	5,762	4,238	4,244	6,106	6,024	7,561	8,708	7,363	7,344
Interest on long term debt	2,797	4,379	4,173	7,184	5,163	5,771	5,433	6,356	6,787	6,620
Total Governmental Activities Expenses	296,742	313,414	311,233	329,742	352,353	389,076	391,432	386,554	384,827	384,768
Business-type Activities Expenses										
Airport	3,046	3,116	3,628	3,703	4,021	7,809	4,559	5,204	7,732	5,422
Golf	1,613	3,132	2,905	2,867	3,301	3,033	3,249	2,974	2,690	2,863
Hospital	28,170	17,987	2,149	-	-	-	-	-	-	-
State Water contract	5,384	5,045	5,451	5,102	4,792	5,179	5,661	5,630	6,705	6,761
Nacimiento Water contract	484	456	497	580	559	20,021	10,144	10,613	11,844	11,901
Lopez Dam	3,790	3,449	5,418	5,237	5,807	7,945	6,189	5,813	6,499	5,752
General Flood Control Zone	506	718	526	726	681	689	712	831	928	1,816
Transit	632	841	933	745	714	1,071	987	1,143	1,105	8
County Service Areas	2,613	4,583	2,692	2,907	3,465	3,419	3,434	3,744	3,877	3,836
Los Osos Wastewater	-	-	-	-	-	-	-	-	5	6,672
Total Business-type Activities Expenses	46,238	39,327	24,199	21,867	23,340	49,166	34,935	35,952	41,385	45,031
Total Primary Government Expenses	\$ 342,980	\$ 352,741	\$ 335,432	\$ 351,609	\$ 375,693	\$ 438,242	\$ 426,367	\$ 422,506	\$ 426,212	\$ 429,799
Program Revenues										
Governmental Activities										
Fees, Fines, Charges for Services										
General government	\$ 23,236	\$ 25,112	\$ 29,911	\$ 22,293	\$ 18,743	\$ 13,299	\$ 17,729	\$ 12,878	\$ 13,971	\$ 17,545
Public protection	7,139	7,012	7,642	11,776	21,061	20,380	23,285	21,072	20,843	15,679
Public ways and facilities	6,179	6,767	6,607	9,730	7,236	7,580	4,190	3,234	11,549	5,069
Health and sanitation	8,754	6,766	8,555	8,831	6,505	6,583	6,863	7,026	7,453	6,014
Public assistance	2,455	2,279	2,680	2,438	2,798	2,864	2,784	925	2,399	2,366
Education	1,567	1,515	1,853	1,460	1,759	1,891	1,922	2,304	2,037	2,545
Recreation and cultural services	3,189	2,598	1,110	1,370	1,246	2,183	3,931	3,822	3,714	3,952
Operating Grants and Contributions										
General Government	1,604	3,616	2,404	1,442	1,454	446	751	377	1,120	628
Public Protection	30,141	33,188	33,888	39,054	41,429	40,924	38,080	40,034	37,244	45,646
Public ways and facilities	8,927	8,364	9,099	11,459	8,712	8,975	10,406	10,679	9,446	11,813
Health and sanitation	36,907	38,518	37,474	39,611	44,135	46,267	49,149	57,784	48,567	44,741
Public assistance	63,543	67,088	67,559	73,863	75,391	79,190	83,175	81,525	86,479	85,505
Education	541	420	250	250	299	262	260	259	289	175
Recreation and cultural services	53	-	1,029	158	167	185	178	177	357	18
Capital Grants and Contributions										
General government	-	-	311	-	291	264	384	449	279	843
Public protection	150	1,054	935	208	1,799	319	82	-	-	-
Public ways and facilities	2,959	6,028	4,091	6,253	6,008	15,130	5,966	10,259	7,411	12,930
Health and sanitation	-	-	177	-	-	34	-	-	-	-
Public assistance	-	-	80	-	-	-	-	-	-	-
Recreation and cultural services	-	682	403	805	171	979	423	173	81	247
Total Governmental Activities	197,344	211,007	216,058	231,001	239,204	247,755	249,558	252,977	253,239	255,716

Source: Statement of Activities

(continued)

County of San Luis Obispo
Changes in Net Assets
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Business-type Activities										
Fees, Fines, Charges for Services										
Airport	2,913	4,846	4,206	3,864	3,919	4,585	3,734	3,541	3,888	3,719
Golf	2,823	2,928	2,719	2,895	3,016	3,058	2,879	2,653	2,590	2,690
Hospital	15,824	6,993	-	-	-	-	-	-	-	-
State Water Contract	5,845	5,084	5,506	5,098	4,458	5,309	5,767	6,513	6,453	6,609
Nacimiento Water Contract	44	36	31	5,509	6,893	3,018	284	355	7,968	13,893
Lopez Dam	4,106	3,006	4,383	4,717	5,987	6,453	5,494	6,164	6,359	6,440
General Flood Control Zone	492	557	550	562	575	600	637	661	1,870	1,252
Transit	56	74	74	57	52	55	63	-	-	-
County Service Areas	2,240	3,812	2,323	2,604	2,860	2,869	2,658	2,784	3,090	3,186
Operating Grants and Contributions										
Airport	175	391	11	279	281	820	144	182	180	372
Golf	-	-	75	-	-	-	-	-	-	5
Hospital	-	-	-	-	-	-	-	-	-	-
State Water Contract	8	8	8	8	8	8	8	8	10	10
Nacimiento Water Contract	16	17	20	23	25	28	31	31	30	28
Lopez Dam	112	10	14	-	-	-	15	15	15	15
Transit	633	887	950	1,190	-	-	-	1,172	1,097	-
General Flood Control Zone	-	-	-	-	543	624	962	-	-	-
County Service Areas	3	3	3	222	155	2	4	4	3	3
Los Osos Wastewater	-	-	-	-	-	-	-	-	-	35
Capital Grants and Contributions										
Airport	2,493	1,002	3,188	3,792	9,509	19,201	6,750	4,310	2,074	138
County Service Areas	-	124	-	-	-	165	275	339	288	64
Los Osos Wastewater	-	-	-	-	-	-	-	-	9,357	9,127
Total Business-type Activities Revenues	37,783	29,778	24,061	30,820	38,281	46,795	29,705	28,732	45,272	47,586
Total Primary Government Revenues	\$ 235,127	\$ 240,785	\$ 240,119	\$ 261,821	\$ 277,485	\$ 294,550	\$ 279,263	\$ 281,709	\$ 298,511	\$ 303,302
Net (Expense)/Revenues										
Governmental Activities	\$ (99,398)	\$ (102,407)	\$ (95,175)	\$ (98,741)	\$ (113,149)	\$ (141,321)	\$ (141,874)	\$ (133,577)	\$ (131,588)	\$ (129,052)
Business-Type Activities	(8,455)	(9,549)	(138)	8,953	14,941	(2,371)	(5,230)	(7,220)	3,887	2,555
Total Primary Government net expense	\$ (107,853)	\$ (111,956)	\$ (95,313)	\$ (89,788)	\$ (98,208)	\$ (143,692)	\$ (147,104)	\$ (140,797)	\$ (127,701)	\$ (126,497)
General Revenue and Other Changes in Net Assets										
Governmental Activities										
Property Taxes	\$ 70,022	\$ 75,559	\$ 98,025	\$ 114,076	\$ 128,867	\$ 133,292	\$ 141,195	\$ 132,723	\$ 139,214	\$ 140,288
Other Taxes	12,739	15,422	14,333	15,823	15,798	15,881	14,389	13,358	14,393	16,330
Interest and investment income	5,026	3,221	4,420	7,176	11,025	9,790	4,646	1,690	986	1,202
Unrestricted Grants	19,839	15,681	4,609	9,559	4,079	4,019	4,890	3,972	3,520	3,978
Other revenues	-	83	331	-	-	-	-	-	172	-
Transfers	(7,718)	(10,214)	1,494	(1,884)	(319)	(964)	845	(565)	150	8,048
Total Governmental Actives	99,908	99,752	123,212	144,750	159,450	162,018	165,965	151,178	158,435	169,846
Business-type Activities										
Property Taxes	2,823	3,073	1,765	2,051	3,359	3,402	3,678	3,654	3,841	3,799
Other Taxes	4	-	-	-	-	-	27	28	28	28
Interest and investment income	872	318	406	1,085	1,897	7,290	6,190	1,900	965	755
Other revenues	16	151	182	86	304	292	572	363	447	31
Transfers	7,718	10,214	(1,494)	1,884	319	964	(845)	565	(150)	(8,048)
Total Business-type Activities	11,433	13,756	859	5,106	5,879	11,948	9,622	6,510	5,131	(3,435)
Total Primary Government	\$ 111,341	\$ 113,508	\$ 124,071	\$ 149,856	\$ 165,329	\$ 173,966	\$ 175,587	\$ 157,688	\$ 163,566	\$ 166,411
Change in Net Assets										
Governmental Activities	\$ 510	\$ (2,655)	\$ 28,037	\$ 46,009	\$ 46,301	\$ 20,697	\$ 24,091	\$ 17,601	\$ 26,847	\$ 40,794
Business-Type Activities	2,978	4,207	721	14,059	20,820	9,577	4,392	(710)	9,018	(880)
Total Primary Government	\$ 3,488	\$ 1,552	\$ 28,758	\$ 60,068	\$ 67,121	\$ 30,274	\$ 28,483	\$ 16,891	\$ 35,865	\$ 39,914

County of San Luis Obispo
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund								
Reserved	\$ 21,772	\$ 19,194	\$ 18,255	\$ 5,246	\$ 2,538	\$ 31,853	\$ 40,561	\$ 49,543
Unreserved	70,147	59,105	76,200	99,343	102,030	64,886	63,626	66,559
Total General Fund	<u>\$ 91,919</u>	<u>\$ 78,299</u>	<u>\$ 94,455</u>	<u>\$ 104,589</u>	<u>\$ 104,568</u>	<u>\$ 96,739</u>	<u>\$ 104,187</u>	<u>\$ 116,102</u>
All Other Governmental Funds								
Reserved	\$ 64,454	\$ 73,309	\$ 41,727	\$ 9,039	\$ 30,278	\$ 50,422	\$ 42,697	\$ 39,243
Unreserved, reported in:								
Special Revenue Funds	38,779	32,263	42,828	80,293	70,630	60,384	51,703	55,513
Capital Project Funds	17,117	13,793	19,877	27,245	31,638	21,233	23,248	20,859
Debt Service Funds	-	-	-	-	-	-	-	-
Total all other Governmental Funds	<u>\$ 120,350</u>	<u>\$ 119,365</u>	<u>\$ 104,432</u>	<u>\$ 116,577</u>	<u>\$ 132,546</u>	<u>\$ 132,039</u>	<u>\$ 117,648</u>	<u>\$ 115,615</u>

	<u>2011</u>	<u>2012</u>
General Fund		
Nonspendable	\$ 3,333	\$ 3,176
Restricted	7,113	6,682
Committed	62,380	68,880
Assigned	-	-
Unassigned	87,741	102,291
Total General Fund	<u>\$ 160,567</u>	<u>\$ 181,029</u>
All Other Governmental Funds		
Nonspendable	\$ 352	\$ 390
Restricted	22,065	19,788
Committed	55,446	61,144
Assigned	94	-
Unassigned	-	-
Total all other Governmental Funds	<u>\$ 77,957</u>	<u>\$ 81,322</u>

Note: In 2011, the County began implementation of GASB Statement 54, which changed the classifications of the fund balance. Fund balance information in years prior to 2011 is presented according to the previous guidelines.

Source: Balance Sheet - Governmental Funds

County of San Luis Obispo
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

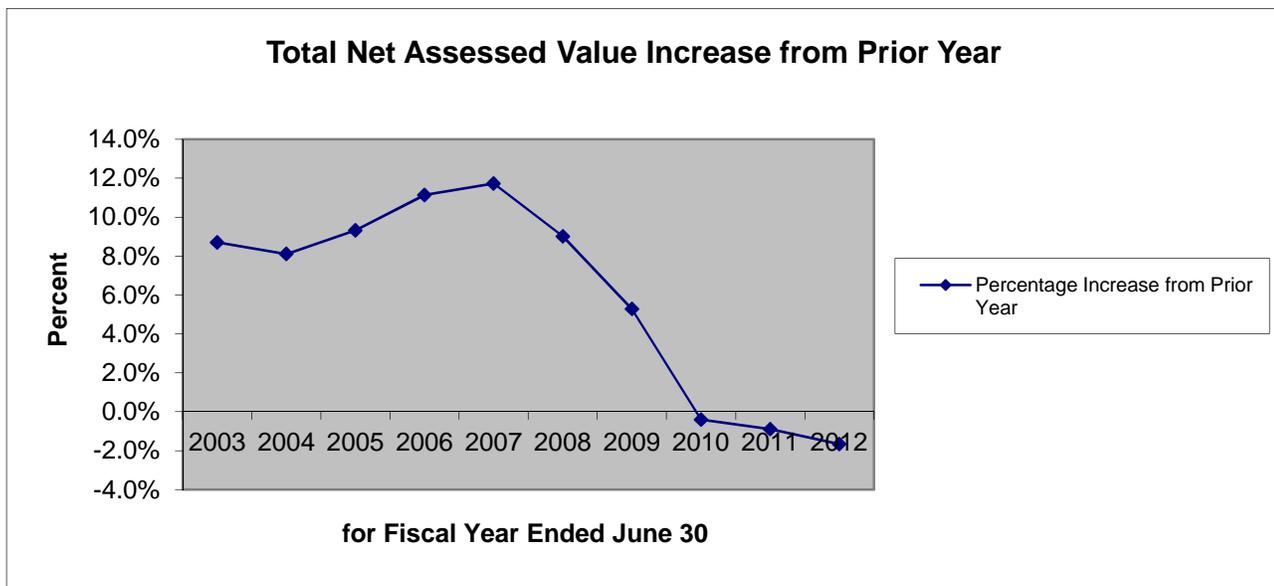
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
Taxes	\$ 83,404	\$ 90,553	\$ 112,565	\$ 128,586	\$ 141,934	\$ 144,596	\$ 154,155	\$ 153,910	\$ 155,419	\$ 160,920
Licenses, permits, and franchises	8,700	8,674	13,637	10,744	9,404	9,117	8,006	6,906	7,413	7,863
Fines, forfeits, and penalties	5,988	7,901	6,105	3,544	6,262	6,224	6,973	6,078	7,993	6,750
Revenues from use of money and property	4,839	2,973	4,063	6,637	9,789	8,452	4,122	1,644	1,242	2,273
Aid from governmental agencies	164,625	172,425	160,452	182,750	184,142	196,994	188,794	199,771	194,625	206,372
Charges for current services	48,957	54,300	54,769	55,547	55,083	50,592	54,208	47,065	56,486	45,538
Other revenues	4,319	4,608	4,712	7,146	6,750	3,122	6,856	5,358	6,531	8,451
Total revenues	320,832	341,434	356,303	394,954	413,364	419,097	423,114	420,732	429,709	438,167
Expenditures										
Current:										
General government	39,896	49,491	49,074	53,691	55,375	51,733	51,461	45,162	50,321	45,850
Public protection	95,815	101,203	107,355	116,791	126,043	134,058	140,746	136,857	135,636	138,579
Public ways and facilities	20,741	29,718	24,096	25,749	38,981	44,814	42,139	31,093	37,261	40,338
Health and sanitation	47,822	49,542	52,894	55,464	57,590	66,180	67,267	68,442	68,472	67,830
Public assistance	77,449	81,616	82,673	87,020	87,182	92,682	98,170	96,248	100,202	97,185
Education	6,972	7,606	7,802	7,891	8,755	9,698	11,016	13,020	10,191	9,973
Recreational and cultural services	4,853	5,645	5,092	4,159	8,005	9,911	8,654	8,313	7,187	6,998
Debt service:										
Principal payments	1,305	1,815	1,895	4,970	6,560	2,601	3,264	3,790	4,595	4,435
Interest and fiscal charges	2,959	5,105	6,226	5,774	6,401	5,593	5,181	5,954	6,464	6,289
Debt issuance costs	-	2,173	-	-	-	-	-	550	-	-
Capital outlay	15,147	14,490	18,673	9,551	10,241	13,333	2,849	1,965	3,399	5,540
Total expenditures	312,959	348,404	355,780	371,060	405,133	430,603	430,747	411,394	423,728	423,017
Excess (deficiency) of revenues over expenditures	7,873	(6,970)	523	23,894	8,231	(11,506)	(7,633)	9,338	5,981	15,150
Other Financing Sources										
Proceeds of long term debt	21,982	137,194	-	-	5,090	7,325	-	-	-	-
Payment to San Luis Pension Trust	-	(135,000)	-	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	42,565	-	-
Payment to refunded escrow agent	-	-	-	-	-	-	-	(42,000)	-	-
Discount on certificates of participation issued	-	-	-	-	-	(119)	-	-	-	-
Transfers in	36,960	29,420	19,792	31,910	42,996	42,324	43,523	33,044	34,421	35,815
Transfers out	(46,454)	(39,248)	(19,093)	(33,525)	(42,817)	(42,751)	(42,833)	(33,065)	(33,595)	(27,138)
Total other financing sources and uses	12,488	(7,634)	699	(1,615)	5,269	6,779	690	544	826	8,677
Net change in fund balances	\$ 20,361	\$ (14,604)	\$ 1,222	\$ 22,279	\$ 13,500	\$ (4,727)	\$ (6,943)	\$ 9,882	\$ 6,807	\$ 23,827
Debt Service as a percentage of non-capital expenditures	1.47%	2.19%	2.55%	3.12%	3.50%	2.13%	2.13%	2.51%	2.80%	2.73%

Source: Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental
Funds

County of San Luis Obispo
Assessed Valuation*
Last Ten Fiscal Years (in thousands)
(UNAUDITED)

Fiscal Year	Secured	Unsecured	Exemptions	Net Assessed Valuations	Percentage Increase from Prior Year	Tax Rate
2003	25,044,192	874,639	(632,857)	25,285,975	8.7%	1.0023
2004	27,134,968	859,295	(658,326)	27,335,938	8.1%	1.0023
2005	29,677,821	836,182	(627,898)	29,886,105	9.3%	1.0023
2006	32,984,334	933,185	(701,193)	33,216,326	11.1%	1.0022
2007	36,890,449	1,000,873	(781,070)	37,110,252	11.7%	1.0021
2008	40,252,987	1,035,443	(835,356)	40,453,074	9.0%	1.0020
2009	42,348,044	1,132,435	(891,949)	42,588,530	5.3%	1.0020
2010	42,185,284	1,148,662	(914,309)	42,419,637	-0.4%	1.0020
2011	41,846,720	1,118,384	(927,194)	42,037,910	-0.9%	1.0029
2012	41,223,923	1,081,597	(965,089)	41,340,431	-1.7%	1.0030

Source: County Property Tax Information Booklet



*Due to Article XIII A, added to the California Constitution by Proposition 13 in 1978, the County does not track the estimated actual value of all county properties. Proposition 13 fixed the base for valuation of real property at the full cash value which appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased to reflect: (1) annual inflation up to two percent; (2) current market value at time of ownership change; and (3) market value for new construction. As a result, similar properties can have substantially different assessed values based on the date of purchase.

County of San Luis Obispo
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(per \$100 of assessed values)
(UNAUDITED)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
County Direct Rates										
General	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
State Water Project	0.00230	0.00230	0.00223	0.00222	0.00221	0.00220	0.00220	0.00220	0.00290	0.00300
Total Direct Rate	1.00230	1.00230	1.00223	1.00222	1.00221	1.00220	1.00220	1.00220	1.00290	1.00300
Cities, Schools, and Special Districts Combined Rates										
Arroyo Grande	0.0329	0.0403	0.0593	0.0423	0.0392	0.0422	0.0464	0.0464	0.0470	0.0477
Atascadero	0.0975	0.0975	0.0975	0.0975	0.0975	0.0975	0.0975	0.0975	0.0975	0.0442
Grover Beach	0.0329	0.0273	0.0463	0.0313	0.0295	0.0333	0.0382	0.0382	0.0389	0.0396
Morro Bay	0.0081	0.0082	0.0081	0.0231	0.0231	0.0492	0.0492	0.0492	0.0499	0.0501
Paso Robles	0.1775	0.1775	0.1775	0.1082	0.0952	0.0997	0.0948	0.0988	0.0389	0.0816
Pismo Beach	0.0329	0.0273	0.0463	0.0335	0.0295	0.0333	0.0382	0.0382	0.0389	0.0396
San Luis Obispo	-	-	-	-	-	-	-	-	-	-

Note: Rates shown represent the most common rates encountered for the tax rate areas within these cities.

Source: County Property Tax Information Booklet

**County of San Luis Obispo
Principal Property Taxpayers
Current Year and Ten Years Ago
(in Thousands)
(UNAUDITED)**

Taxpayer	Industry	Fiscal Year 2012			Fiscal Year 2003		
		Assessed Value	Rank	Percentage of Total County Assessed Value	Assessed Value	Rank	Percentage of Total County Assessed Value
Pacific Gas & Electric Co.	Utility	2,543,033	1	6.15%	\$ 2,163,485	1	7.88%
TOSCO Corp	Petroleum & Gas	138,970	2	0.34%	176,951	2	0.64%
Plains Exploration & Prod Co	Petroleum & Gas	91,305	3	0.22%	-	-	-
Beringer Wine Estates Company	Winery	89,882	4	0.22%	58,283	5	0.21%
Pacific Bell Telephone	Communications	81,038	5	0.20%	-	-	-
CSHV Mustang Village LLC	Apartments	75,358	6	0.18%	-	-	-
Southern California Gas Co	Utility	63,738	7	0.15%	48,942	6	0.18%
Martin Hotel Mgmt Co LLC	Hotel	61,074	8	0.15%	-	-	-
Sierra Vista Hospital	Hospital	56,615	9	0.14%	45,450	7	0.17%
Twin Cities Com Hospital	Hospital	53,788	10	0.13%	-	-	-
Duke Energy Morro Bay, LLC	Utility	-	-	-	110,431	3	0.40%
SBC California	Utility	-	-	-	92,297	4	0.34%
Charter Communications	Communications	-	-	-	42,564	8	0.16%
ESJ Centers LLC ETAL	Real Estate	-	-	-	37,070	9	0.14%
Vons Companies	Grocery Store	-	-	-	32,432	10	0.12%
Total		\$ 3,254,802		7.89%	\$ 2,807,905		10.24%
Total County Assessed Value		\$ 41,340,431			\$ 25,285,975		

Source: County Property Tax System

County of San Luis Obispo
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

Fiscal Year	Total Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Delinquent Amount	% of Levy Delinquent
		Collected Amount	% of Original Levy			
2003	243,985	240,502	98.57%	N/A	3,483	1.43%
2004	265,009	261,422	98.65%	N/A	3,587	1.35%
2005	290,692	286,937	98.71%	N/A	3,755	1.29%
2006	324,547	319,214	98.36%	N/A	5,333	1.64%
2007	362,429	354,117	97.71%	N/A	8,312	2.29%
2008	394,779	380,943	96.50%	N/A	13,836	3.50%
2009	416,262	400,120	96.12%	N/A	16,142	3.88%
2010	412,698	398,951	96.67%	N/A	13,747	3.33%
2011	408,623	397,830	97.36%	N/A	10,793	2.64%
2012	403,472	396,238	98.21%	N/A	7,234	1.79%

Note:

Amounts do not include Tax collections for Bonds or Special Assessments

Source: County Property Tax Booklet

County of San Luis Obispo
Special Assessment Billings and Collections
(UNAUDITED)

<u>Year ended June 30,</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collected</u>
2011	-	3,177
2012	3,664	3,836

Note: The billings and collections shown are for those Special Assessment Bonds for which the County has established redemption funds for the purpose of facilitating bond payment in the case of delinquent accounts. 2011 was the first year of special assessment billings and collections

Source: County Property Tax System

County of San Luis Obispo
Ratios of Total Debt Outstanding
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Certificates of Participation	\$27,601	\$26,487	\$25,323	\$23,107	\$27,125	\$33,319	\$31,920	\$30,420	\$28,820	\$27,895
Less deferred amounts:										
For issuance discounts:	-	-	-	-	-	(119)	(115)	(111)	(107)	(103)
Pension Obligation Bonds	-	137,194	137,194	135,199	130,504	129,034	127,169	125,444	122,689	119,429
Total bonds and notes payable	\$27,601	\$163,681	\$162,517	\$158,306	\$157,629	\$162,234	\$158,974	\$155,753	\$151,402	\$147,221
Less resources restricted for principal repayment	(2,464)	(5,241)	(6,888)	(10,018)	(13,505)	(15,297)	(10,929)	(10,665)	(9,752)	(9,666)
Net total bonds and notes payable	\$25,137	\$158,440	\$155,629	\$148,288	\$144,124	\$146,937	\$148,045	\$145,088	\$141,650	\$137,555
Business Type										
Certificates of Participation	23,539	23,068	22,577	22,069	21,535	20,985	20,848	20,657	19,897	19,060
Pension Obligation Bonds										
State Note	3,003	3,211	3,077	15,126	26,144	31,824	32,283	32,418	31,024	35,884
Revenue Bonds	705	71	66	61	56	196,461	196,456	196,450	196,444	193,483
Add deferred amounts:										
For issuance premiums:	-	-	-	-	-	6,371	6,371	6,371	6,371	6,158
General Obligation Bonds	12,980	12,750	12,510	12,260	12,000	11,730	11,450	11,155	10,760	10,245
Add deferred amounts:										
For issuance premiums:	-	-	-	-	-	-	-	-	1,128	1,072
Bond Anticipation Notes	-	-	-	-	-	-	-	-	8,677	-
Assessment Bonds	-	-	-	-	-	-	-	-	-	15,364
Total bonds and notes payable	40,227	39,100	38,230	49,516	59,735	267,371	267,408	267,051	274,301	281,266
Net total bonds and notes payable	\$40,227	\$39,100	\$38,230	\$49,516	\$59,735	\$267,371	\$267,408	\$267,051	\$274,301	\$281,266
Total Outstanding Debt less restricted resources	\$65,364	\$197,540	\$193,859	\$197,804	\$203,859	\$414,308	\$415,453	\$412,139	\$415,951	\$418,821
Percentage of Personal Income	0.88%	2.48%	2.30%	N/A						
Percentage of Assessed Value of Taxable Property*	0.28%	0.74%	0.66%	0.60%	0.55%	1.02%	0.98%	0.97%	0.99%	1.01%
Net outstanding debt Per Capita	\$264.64	\$785.36	\$769.95	\$789.47	\$ 769.57	\$ 1,538.25	\$ 1,536.27	\$ 1,508.39	\$ 1,535.07	\$ 1,542.72

Note:

1. See the Demographic Statistics Schedule for detail information on personal income and population.

2. Source - Notes to the Financial Statements, Note 10

* Due to Article XIII-A, added to the California Constitution by Proposition 13 in 1978, the County does not track the estimated actual value of all county properties; therefore, the ratio of net outstanding debt to the estimated actual value of taxable property is unable to be determined; however, the ratio of net outstanding debt to the assessed value of taxable property is determinable and presented in the table.

**County of San Luis Obispo
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value of Property (a) (b)	\$ 25,285,975	\$ 27,335,938	\$ 29,886,105	\$ 33,216,326	\$ 37,110,252	\$ 40,453,074	\$ 42,588,529	\$ 42,419,637	\$ 42,037,909	\$ 41,340,430
Debt Limit, 1.25% of Assessed Value	316,075	341,699	373,576	415,204	463,878	505,663	532,357	530,245	525,474	516,755
<u>Amount of Debt Applicable to Limit</u>										
General Obligation Bonds (c)	12,980	12,750	12,510	12,260	12,000	11,730	11,450	11,155	11,888	11,317
Less: Resources Restricted to Paying Principal	-	-	-	-	-	-	-	-	-	-
Total Debt Applicable	12,980	12,750	12,510	12,260	12,000	11,730	11,450	11,155	11,888	11,317
Legal Debt Margin	<u>\$ 303,095</u>	<u>\$ 328,949</u>	<u>\$ 361,066</u>	<u>\$ 402,944</u>	<u>\$ 451,878</u>	<u>\$ 493,933</u>	<u>\$ 520,907</u>	<u>\$ 519,090</u>	<u>\$ 513,586</u>	<u>\$ 505,438</u>
Total Debt Applicable as a Percentage of the Debt Limit	4.11%	3.73%	3.35%	2.95%	2.59%	2.32%	2.15%	2.10%	2.26%	2.19%

Source:

(a) Property Assessed Value BOE report (years 2000-2008)

(b) Countywide Assessed Values & Exemptions 2009 and ongoing years

(c) Footnote 10 Bonded Indebtedness and Long-Term Debt

Assessed value calculation (in thousands)

Locally Assessed-Secured

San Luis Obispo Countywide	\$38,377,562
Pipeline Right-of-Way (Unitary)	5,906
Aircraft	55,648
Total Local Assessed	38,439,116

State Assessed

Local Utility	69,733
Unitary	2,831,582
Total State Assessed	2,901,315

Combined Assessed Values

Sub-Total Combined Assessed Values	41,284,783
Aircraft	55,648
Total Combined Assessed Values	<u>\$41,340,431</u>

County of San Luis Obispo
Demographic and Economic Statistics
Last Ten Fiscal Years
(UNAUDITED)

Calendar Year	Population (1,a,c)	Personal Income	Per Capita Income (2,a,d)	Median Age (4,c)	School Enrollment (3,b,e)	Unemployment
		(in thousands) (2,a,d)				Rate (2,a)
2003	256,300	7,693,662*	30,248*	39.10	45,578	3.5
2004	258,200	8,334,258 *	32,524*	38.20	45,539	3.4
2005	260,727	8,727,001*	33,855*	39.40	45,268	4.2
2006	263,242	9,488,605	36,544	39.20	44,537	4.1
2007	264,900	9,977,057	38,144	37.30	44,610	4.6
2008	269,337	10,709,753	40,204	37.30	44,441	5.7
2009	270,429	10,237,494	38,179	39.30	44,874	9.0
2010	273,231	10,532,649	38,994	39.40	44,351	10.0
2011	270,966	N/A	N/A	40.30	44,104	9.9
2012	271,483	N/A	N/A	N/A	43,022	8.5

Sources:

1. State Department of Finance
2. Employment Development Department, Research Division, Los Angeles
3. San Luis Obispo County Schools & Cuesta College
4. U.S. Census Bureau

Notes:

N/A = not available

* = restated

- a. Data for Calendar Years
- b. Data includes kindergarten through grade 12 and Cuesta College
- c. These figures are projections based on the 2000 census
- d. Prior years were revised per the US Department of Commerce
- e. Data for School Year ending in the stated calendar year.

**County of San Luis Obispo
Principal Employers
Current Year and Ten Years Ago
(UNAUDITED)**

Employer	2012			2003		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
County of San Luis Obispo	2,601	1	2.01%	2,630	1	2.02%
Cal Poly State University, SLO	2,426	2	1.87%	2,570	2	1.97%
Atascadero State Hospital	2,200	3	1.70%	2,006	3	1.54%
California Men's Colony	1,768	4	1.36%	1,660	4	1.27%
Pacific Gas and Electric Company	1,719	5	1.33%	1,540	5	1.18%
Tenet Healthcare	1,409	6	1.09%	0		-
Lucia Mar Unified School District	1,100	7	0.85%	1,015	7	0.78%
King Ventures	850	8	0.66%			
Paso Robles Public Schools	831	9	0.64%	918	8	0.70%
San Luis Coastal Unified School District	828	10	0.64%	820	10	0.63%
Cal Poly Foundation	-	-	-	1,261	6	0.97%
Sierra Vista Regional Medical Center	-	-	-	850	9	0.65%
Total Employment Labor Force			129,700			130,500

Source:

1. SLO Chamber of Commerce
2. State of California Employment Development Department

County of San Luis Obispo
Full Time Equivalent County Government Employees by Function
Last Ten Fiscal Years
(UNAUDITED)

Function/Program	Full Time Equivalent Employees per Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	465.25	481.25	480.25	479.75	482.00	495.50	485.25	451.00	442.75	437.50
Public Protection	857.00	862.50	850.50	856.00	885.25	891.75	879.50	799.75	783.25	808.25
Public Ways and Facilities	191.50	194.50	184.00	185.00	185.25	191.25	199.25	202.25	194.25	193.75
Health and Sanitation	531.00	507.25	419.25	413.25	394.50	423.75	421.00	424.75	424.00	430.50
Public Assistance	464.50	464.50	439.00	438.75	443.75	453.25	437.25	426.75	424.75	425.75
Education	73.00	74.00	73.00	74.00	84.00	87.50	87.50	78.50	78.50	77.50
Recreation and Cultural Services	53.00	55.50	56.50	55.00	59.00	58.00	58.00	56.00	56.00	52.00
Total	2,635.25	2,639.50	2,502.50	2,501.75	2,533.75	2,601.00	2,567.75	2,439.00	2,403.50	2,425.25

Source: County Budget Report

Notes:

Position allocation figures are calculated at the time of budget preparation for the following year.
 Figures include limited-term but do not include part-time or contract positions.

County of San Luis Obispo
Operating Indicators by Function
Last Ten Fiscal Years
(UNAUDITED)

Function / Department	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Recreation and Cultural Services										
Parks										
<i>Day Use Passes</i>	71,874	64,679	53,906	62,951	66,899	65,895	47,156	47,011	51,519	57,135
<i>Annual Passes</i>	1,822	1,478	1,436	1,496	1,416	1,598	3,547	2,220	1,992	2,357
<i>Daily Boat Launches</i>	28,951	26,552	21,085	22,481	19,737	14,085	16,864	15,802	15,602	16,133
<i>Annual Boat Passes</i>	960	842	795	804	793	847	752	627	618	633
Public Protection										
Planning and Building										
<i>Total Permits Issued</i>	3,618	3,856	3,747	3,548	2,897	2,634	2,261	2,067	2,073	2,086
<i>Number of New Affordable Housing</i>	0	141	267	184	63	218	105	82	80	39
Sheriff										
<i>Jail bookings (a)</i>	14,182	15,016	14,240	14,927	18,718	18,321	14,158	13,025	12,682	12,966
<i>Average daily population (a)</i>	433	460	506	534	553	567	540	551	558	679
Health and Sanitation										
Mental Health										
<i>Total number of patient days in State Hospitals</i>	410	571	986	522	447	603	365	364	n/a	n/a
<i>Day Treatment Days provided to youth in out-of-county group home facilities</i>	n/a	n/a	n/a	n/a	n/a	2,067	2,692	2,212	2,937	1,501
Public Health										
<i>Number of Children enrolled in the Healthy Families Program</i>	3,833	3,824	4,331	4,436	4,752	5,098	5,450	5,709	n/a	n/a
<i>Percentage of the State allocated caseload enrolled in the Women, Infants & Children(WIC) Program</i>	n/a	n/a	n/a	n/a	n/a	100	98	97	100	99
<i>Percentage of live born infants whose mothers received prenatal care in the first trimester.</i>	n/a	n/a	n/a	n/a	82.7	76.0	78.0	78.0	78.5	81.7
Public Assistance										
Social Services										
<i>Rate per 1,000 children entering out-of-home care for the first time (State Rate is 2.8)</i>	3.8	3.3	2.9	3.8	2.9	n/a	n/a	n/a	n/a	n/a
<i>Percentage of child abuse/neglect referrals where a response is required within 10 days that were timely</i>	n/a	n/a	n/a	n/a	77.1	69.8	88.7	94.1	96.8	97.3
Education										
Library										
<i>Annual number of items circulated per capita</i>	7.2	7.1	5.8	6.0	7.0	7.5	9.2	9.4	10.0	10.1
<i>Annual Expenditure per capita for total Library budget</i>	\$ 24.30	\$ 24.03	\$ 27.37	\$ 28.34	\$ 31.07	\$ 33.75	\$ 38.43	\$ 35.35	\$ 35.35	\$ 35.25
Public Ways and Facilities										
Roads										
<i>Pavement Condition Rating for all county roads (70 = "good")</i>	64	64	58	70	69	65	62	65	60	58
Airport										
Airport										
<i>Takeoffs and Landings (a)</i>	119,613	115,066	101,849	n/a	92,096	96,172	95,419	88,161	80,556	80,158
<i>Passenger Enplanements</i>	152,607	154,726	173,370	182,177	177,176	182,285	132,748	125,152	139,909	134,244

Note: (a) Data collected per calendar year
Source: County Budget Performance Indicators

**County of San Luis Obispo
Capital Asset Statistics by Function
Last Ten Fiscal Years
(UNAUDITED)**

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Recreation and Cultural Services										
County golf courses	3	3	3	3	3	3	3	3	3	3
Park acreage	11,946	11,946	12,026	12,056	12,056	13,402	13,422	13,422	13,572	13,424
Public Protection										
Correction facility capacities (a)	689	689	693	693	684	693	693	693	689	637
Public Ways and Facilities										
Miles of county roads	1,312	1,315	1,317	1,321	1,321	1,334	1,336	1,329	1,332	1,333
Airport										
Number of runways	2	2	2	2	2	2	2	2	2	2

Note:

Majority of County assets are in buildings and equipment, which are under the Functional area of General Government
(a) Amount is all holdings actual totals, including Main Jail, Women's Jail, West Housing, West Dorm, Honor Farm, and Weekender Barracks

Source: County management