

## **RESOLUTION NO. 2008-039**

Adopted by the Sacramento City Council

January 22, 2008

### **FISCAL YEAR 2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

#### **BACKGROUND**

- A. The City's Fiscal Year 2007 Comprehensive Annual Financial Report (CAFR) was prepared to present the City's financial conditions and the results of its activities for the fiscal year ended June 30, 2007. The CAFR financial statements were audited, as required by the City Charter, by an independent public accounting firm.
- B. The public accounting firm of Macias, Gini & O'Connell, LLP audited the City's 2007 fiscal year financial statements and rendered its unqualified opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles.
- C. The auditors have also completed the City's Single Audit for the 2007 fiscal year and have rendered their opinion that the City's Schedule of Expenditures of Federal Awards is fairly stated, in relation to the basic financial statements taken as a whole.
- D. The auditors have completed the Child Development Program Audit for the City's 4<sup>th</sup> R program for the 2007 fiscal year. This audit, required by the California Department of Education, includes the auditor's unqualified opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles. The Child Development Audit includes two findings of noncompliance and recommendations for corrective action. The findings were clerical and mathematical errors identified at one school site.
- E. The Report to Management reflects no audit adjustments or disagreements with management in connection with this year's audit. The Report to Management includes two recommendations for management consideration. The auditors are recommending City management perform a comprehensive risk assessment analysis of the City's internal controls, in response to new audit standards. The second recommendation addresses deficient controls over physical inventory.

- F. The City's Internal Audit Manager participated in the independent audit process by meeting with the auditors during their fieldwork.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City Council accepts the June 30, 2007 Comprehensive Annual Financial Report.
- Section 2. The City Council accepts the June 30, 2007 Single Audit Report.
- Section 3. The City Council accepts the June 30, 2007 Child Development Program Audit Report.
- Section 4. The City Council accepts the June 30, 2007 Report to Management.
- Section 5. The City Council authorizes the consolidation of various General Fund designations of fund balance and the establishment of a \$29.2 million designation of fund balance in the General Fund for the Fiscal Year 2008 balanced budget.
- Section 6. The City Council authorizes the establishment of a \$5.4 million designation of fund balance in the General Fund for high priority capital needs.
- Section 7. The City Council amends the 2008 budget to reflect actual beginning available fund balances.

**Table of Contents:**

- Exhibit A Comprehensive Annual Financial Report
- Exhibit B Single Audit Report
- Exhibit C Child Development Program Audit Report
- Exhibit D Report to Management

Adopted by the City of Sacramento City Council on January 22, 2008 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters.

Noes: None.

Abstain: None.

Absent: Mayor Fargo.

  
\_\_\_\_\_  
Steve Cohn, Vice-Mayor

Attest:

  
\_\_\_\_\_  
Shirley Concolino, City Clerk

**City of Sacramento**

**California**

# **Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2007**

**Prepared by the Department of Finance,  
Accounting Division**

**Russell Fehr, Director of Finance  
Dennis Kauffman, Accounting Manager**

## **General Accounting Staff**

**Sharina Bali  
Doreen Chia  
Gary Clark  
Ana Galdamez  
Linh Huynh  
Clark Johnson**

**Tammy Jones  
Kathleen Kinney  
April Lu  
Rona Mao  
Sean Peters  
Annaly Ramirez**

**Janet Riley  
Rosemary Sierras  
Claire Sinclair  
Kim Wallace  
Lucky Yang**

# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2007

### TABLE OF CONTENTS

#### **INTRODUCTORY SECTION**

PAGE

Letter of Transmittal .....	i
Organization Chart .....	vi
Directory of City Officials .....	vii
GFOA Certificate .....	viii

#### **FINANCIAL SECTION**

Independent Auditor's Report .....	1
Management's Discussion and Analysis (Required Supplementary Information) .....	3

#### **BASIC FINANCIAL STATEMENTS**

Government-wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	18
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds .....	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds .....	26
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) with Budget to GAAP Reconciliation – General Fund .....	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Transportation and Development Special Revenue Fund .....	29
Statement of Net Assets – Proprietary Funds .....	30
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	34
Statement of Cash Flows – Proprietary Funds .....	36
Statement of Fiduciary Net Assets – Fiduciary Funds .....	40
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	41
Combining Statement of Net Assets – Component Units .....	43
Combining Statement of Activities – Component Units .....	44
Notes to the Financial Statements .....	47

# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2007

### TABLE OF CONTENTS, Continued

<i>REQUIRED SUPPLEMENTARY INFORMATION</i>	<i>PAGE</i>
Schedule of Funding Progress – Pension Plans.....	93
 <i>COMBINING FUND FINANCIAL STATEMENTS</i>	
Other Governmental Funds	
Combining Balance Sheet – Other Governmental Funds.....	95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds.....	96
Other Special Revenue Funds:	
Combining Balance Sheet.....	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	100
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Culture and Leisure Special Revenue Fund .....	102
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Parks and Recreation Special Revenue Fund .....	103
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Special Districts Special Revenue Fund .....	104
Other Debt Service Funds:	
Combining Balance Sheet.....	105
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	108
Permanent Funds:	
Combining Balance Sheet.....	114
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	116
Proprietary Funds	
Other Enterprise Funds:	
Combining Statement of Net Assets.....	120
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....	123
Combining Statement of Cash Flows.....	124
Internal Service Funds:	
Combining Statement of Net Assets.....	128
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....	130
Combining Statement of Cash Flows.....	132

# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2007

### TABLE OF CONTENTS, Continued

Fiduciary Funds	PAGE
Investment Trust Funds:	
Combining Statement of Fiduciary Net Assets .....	135
Combining Statement of Changes in Fiduciary Net Assets .....	136
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities .....	137
Combining Statement of Changes in Fiduciary Assets and Liabilities .....	138

### **STATISTICAL SECTION (Unaudited)**

Net Assets by Component - Last Seven Fiscal Years .....	142
Changes in Net Assets - Last Seven Fiscal Years .....	144
Fund Balances, Governmental Funds - Last Ten Fiscal Years .....	150
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years .....	152
Tax Revenues by Source, Governmental Funds - Last Ten Fiscal Years .....	154
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years .....	155
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years .....	156
Principal Property Taxpayers - Current Year and Nine Years Ago .....	157
Property Tax Levies and Collections - Last Ten Fiscal Years .....	158
Ratios of Outstanding Debt by Type - Last Seven Fiscal Years .....	160
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years .....	162
Direct and Overlapping Governmental Activities Debt - as of June 30, 2007 .....	163
Legal Debt Margin - Last Ten Fiscal Years .....	164
Pledged Revenue Coverage - Last Ten Fiscal Years .....	165
Demographic and Economic Statistics - Last Ten Calendar Years .....	166
Principal Employers - Current Year .....	167
Full-time Equivalent Employees by Function/Program - Last Seven Fiscal Years .....	168
Operating Indicators by Function/Program - Last Seven Fiscal Years .....	169
Capital Assets Statistics by Function - Last Seven Fiscal Years .....	170
Miscellaneous Statistics - Current Year and Nine Years Ago .....	171



OFFICE OF THE  
CITY MANAGER

CITY OF SACRAMENTO  
CALIFORNIA

CITY HALL  
915 I STREET  
5TH FLOOR  
SACRAMENTO, CA  
95814-2604

PH 916-808-5704  
FAX 916-808-7618

December 20, 2007

Honorable Mayor, Members of the City Council  
and Citizens of the City of Sacramento, California:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Sacramento (City) for the fiscal year ended June 30, 2007. Sound fiscal policy and practice supports the City's vision that "Sacramento will be the most livable city in America." The City Council's sustainable budget policy coupled with responsible financial management and reporting provides the City with a strong financial foundation.

The City Charter and state law require that the City issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Macias Gini & O'Connell, LLP, a state-wide certified public accounting firm, performed the audit for the fiscal year ended June 30, 2007. Their unqualified ("clean") opinion has been included as the first component of the financial section of this CAFR.

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

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## PROFILE OF THE CITY

The City of Sacramento, established in 1849, is the capital for the state of California and is the center of state government. Sacramento also serves as the seat of Sacramento

County government. It is the seventh largest populated city in California. The State of California, Department of Finance, estimates the population on January 1, 2007 at 467,343 for the City and 1,406,804 for the County of Sacramento. Sacramento encompasses 99 square miles and is located in the northern section of California's Central Valley. Sacramento is a charter city and operates under a Council-Manager form of government.

The City provides a full range of municipal services including police, fire, water, sewer, storm drainage, solid waste, construction and maintenance of parks and streets, planning and development, recreation and cultural activities, and general administration.

This CAFR presents the financial status of the City and its four component units. Component units are separate legal entities included in this report due to significant operational or financial relationships with the City. The following component units are reported on a blended basis as part of the primary government because their boards are composed of all City Council members or they provide services entirely to the City:

Sacramento City Employees' Retirement System (SCERS)  
Sacramento City Financing Authority (SCFA)

SCERS is a single employer closed pension plan for certain City employees and retirees. The SCERS pension plan was closed to new enrollment of employees in 1978. SCFA is an entity created to issue debt to finance City projects.

Discretely presented component units are legally separate from the City. They are reported in a separate column in the government-wide financial statements to differentiate their financial position and results of operations from those of the City. The organizations reported as discretely presented component units include:

Sacramento Hotel Corporation  
Sacramento Regional Arts Facilities Financing Authority

The Sacramento Hotel Corporation provides for the operation of a convention center hotel. The Sacramento Regional Arts Facilities Financing Authority was created for the purpose of financing the expansion of a theater complex.

The Sacramento City Charter requires that the City Manager submit a proposed budget to the City Council at least 60 days prior to the start of each fiscal year. Once approved by City Council, this annual budget serves as the foundation for the City of Sacramento's financial planning and control. Budgetary control is maintained at the department level, by fund. Budgetary control for capital improvement projects is maintained at the individual project level, by fund. Additional budgetary information can be found in Note 1 to the financial statements or at the City of Sacramento's web site, [http://www.cityofsacramento.org/finance/budget/Proposed-budget-FY2007-08/FY07-08\\_Proposed\\_Budget.cfm](http://www.cityofsacramento.org/finance/budget/Proposed-budget-FY2007-08/FY07-08_Proposed_Budget.cfm).

## LOCAL ECONOMY

The Sacramento region has a diverse economy and is now home to many high-tech manufacturers, software development companies, biotechnology and medical research laboratories, food processors and medical equipment manufacturers. The region is also a transportation hub served by air cargo airports, an international airport, a deep water shipping port, two major interstate freeways, freight and passenger rail lines, and an extensive regional commuter bus and light-rail system. These key industries interface with Sacramento's service, hospitality and government employers.

The Sacramento area continues to have a wide range of employment opportunities, with the largest three employment sectors identified as government; professional and business services; and trade, transportation and utilities. Combined, these three sectors added more than 13,000 jobs between July 2006 and July 2007, or a modest 1.4 percent employment growth rate, which was one of the lowest since the summer of 2004. Sacramento County's unemployment rate was 5.3 percent at June 30, 2007, compared with 4.8 percent at June 30, 2006. The regional economy and employment base continues in a long term transition away from a state government and defense industry.

Much like the rest of the nation, Sacramento has been hit hard by the downturn in the housing market. Forbes recently listed Sacramento as the nation's fifth-weakest housing market. The change in the local housing market is having a significant effect on the overall regional economy. Specifically, the City will experience over the next several years deep reductions in growth of property taxes revenue after several years of very high growth rates. There have also been reductions in sales tax and utility users' tax revenues. Despite the challenges faced with the housing market, a recent report lists Sacramento in the top 25 of the nation's best-performing cities, highlighting its ability to create and sustain jobs and provide for job growth for high-tech employees.

## CITY'S STRATEGIC PLAN

The City of Sacramento has recently updated its strategic plan and has identified the following goals and objectives as those with the highest priorities within the strategic plan:

- Public Safety
- Economic Development
- Safe and Affordable Housing
- Sustainability and Livability
- Culture and Entertainment

The budget decision making process revolves around specific actions towards achieving these goals.

## CITY'S SUSTAINABLE BUDGET POLICY

The City of Sacramento has adopted and maintained a fiscal stability philosophy in times when many other jurisdictions are facing serious fiscal problems. The City Council has adopted the following principles to support this philosophy:

- Maintain a fiscally sustainable, balanced budget.
- Use one-time resources strategically.
- Identify return on investment and impacts; fiscal and social benefits.
- Maintain a reserve for economic uncertainties.
- Keep the City Council informed on the fiscal condition of the City.
- Focus on incremental changes to staffing and spending.
- Identify resources for top priorities and initiatives.
- Conduct evaluations for efficiencies and effectiveness.

## MAJOR INITIATIVES

The City Council approved the FY2008 budget, which totals \$964.6 million from all funding sources. This past fiscal year, the Mayor and City Council identified the following high priority budget initiatives:

- Addition of 9-1-1 dispatchers
- Conversion of park maintenance contracts to City staff
- Implementation of a Citywide 3-1-1 program.
- Labor adjustments for police civilian staff, which will help to address recruitment and retention issues

The first three initiatives are programs that will undergo continual evaluation to determine whether the City can continue to fund the expansion given overall budget considerations at that time.

In addition to these budgetary initiatives, the City is focusing on future growth and development, notwithstanding the current weak housing market. The City is planning for extensive infill growth within and adjacent to downtown with the Railyards project and various River District projects.

## AWARDS AND ACKNOWLEDGMENTS

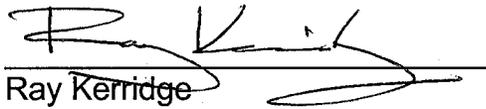
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sacramento for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This marks the 18<sup>th</sup> consecutive year the City has received this award. The Certificate of Achievement is a prestigious national award

recognizing conformance with the highest standards for preparation of state and local government financial reports.

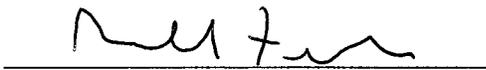
In order to receive this award, the City published an easily readable and efficiently organized CAFR. The report satisfied accounting principles generally accepted in the United States of America and applicable legal requirements. The award is valid for a period of one year only. We believe this CAFR also meets the requirements of the program and we are submitting it to the GFOA to determine its eligibility for the certificate.

The City of Sacramento, the Department of Finance, and the Accounting Division take great pride in the preparation of this report. The professionalism, commitment and effort of each member of the Accounting Division have made this presentation possible. We also want to thank the other members of the Department of Finance as well as those in other City departments who assisted and contributed to the preparation of this report. Finally, we thank the Mayor and City Council for their interest and continuing support in planning and conducting the City's financial operations in a responsible manner, consistent with the City's mission to protect, preserve and enhance the quality of life for present and future generations.

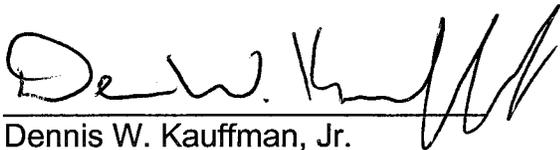
Respectfully submitted,



Ray Kerridge  
City Manager

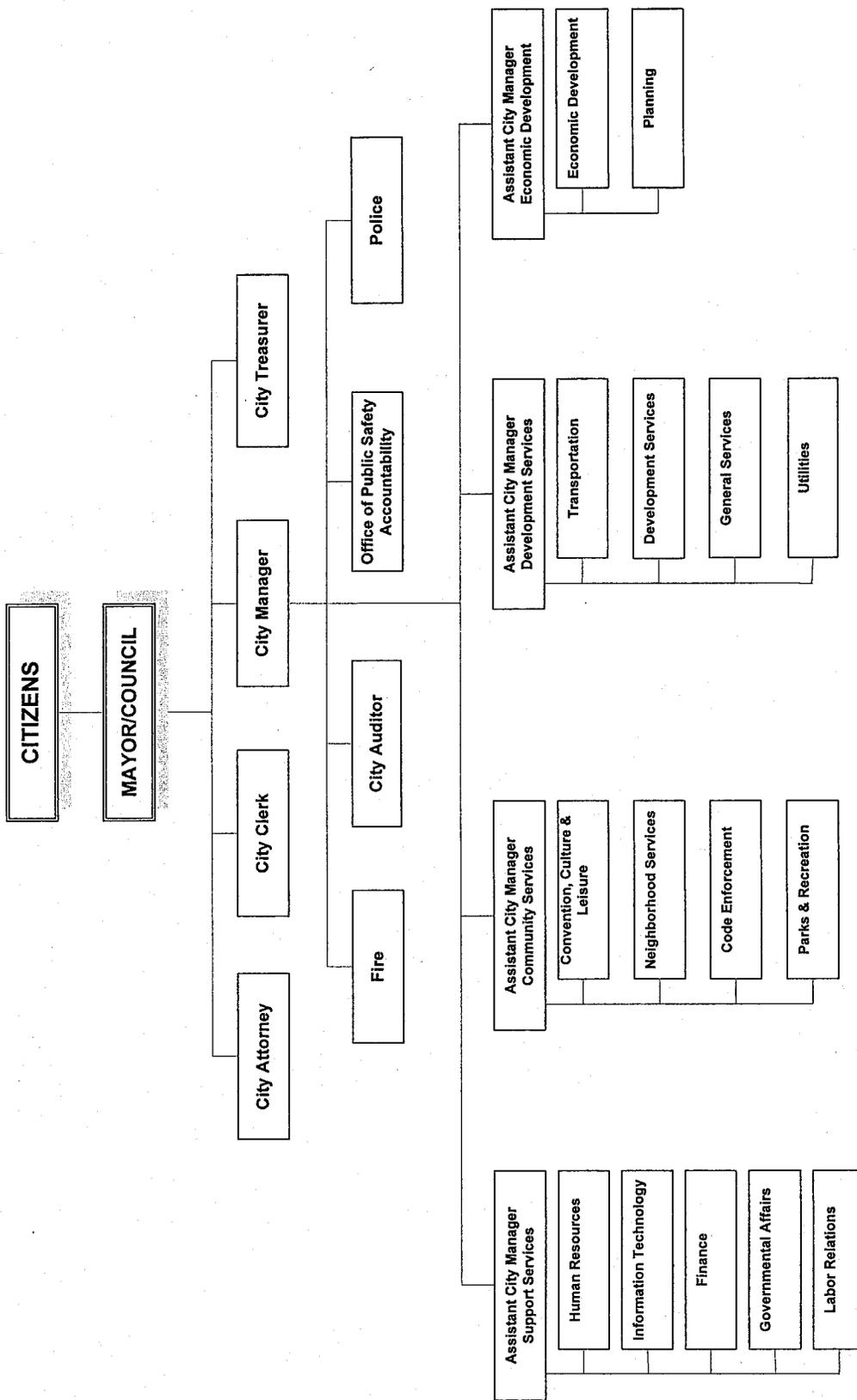


Russell Fehr  
Director of Finance



Dennis W. Kauffman, Jr.  
Accounting Manager

# City of Sacramento Organization Chart



# City of Sacramento

## Directory of City Officials

June 30, 2007

---

**Heather Fargo**  
Mayor

**Raymond L. Tretheway, III**  
Councilmember, District 1

**Lauren Hammond**  
Councilmember, District 5

**Sandy Sheedy**  
Councilmember, District 2

**Kevin McCarty**  
Vice-Mayor, District 6

**Steve Cohn**  
Councilmember, District 3

**Robbie Waters**  
Councilmember, District 7

**Robert King Fong**  
Councilmember, District 4

**Bonnie J. Pannell**  
Councilmember, District 8

---

**Eileen Teichert**  
City Attorney

**Ray Kerridge**  
City Manager

**Shirley Concolino**  
City Clerk

**Thomas Friery**  
City Treasurer

---

**John Dangberg**  
Assistant City Manager

**Marty Hanneman**  
Assistant City Manager

**Cassandra Jennings**  
Assistant City Manager

**Gus Vina**  
Assistant City Manager

---

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sacramento  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



President

Executive Director

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This is management's discussion and analysis of the financial performance of the City of Sacramento (City) for the fiscal year ended June 30, 2007. Please read this in conjunction with the transmittal letter, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

### FINANCIAL HIGHLIGHTS

- In fiscal year 2007, Parcel A, within the downtown Sacramento Railyards, was purchased from Thomas Enterprises with a deposit of \$55 million, which included a \$25 million note payable. Parcel A includes the historic Depot, which is designated to be a key component of the City's future Intermodal Transportation Facility. The final purchase price of Parcel A and the option to purchase Parcel B for the Intermodal project is subject to the federal property acquisition process that is anticipated to be completed in calendar year 2008.
- The City issued \$218 million of 2006 Capital Improvement Revenue Bonds (CIRBS). \$31 million in proceeds were utilized to finance the acquisition and improvements of real property located at 300 Richards Boulevard and \$187 million in proceeds were utilized to refund all or a portion of the 2001, 2002, and 2003 CIRBS which resulted in a reduction of debt service expenses in several city funds.
- The City's total net assets, excluding discretely presented component units, increased over the course of the fiscal year by \$156 million to \$2.4 billion, an increase of 7.0 percent. The net assets of governmental activities increased by \$141 million, or 9.4 percent and the net assets of business-type activities increased by \$15 million, or 2.1 percent.
- The General Fund, using the current financial resources basis, reported expenditures in excess of revenues and other financing sources and uses, of \$17.3 million. Fund balance reserves were drawn down as planned to balance the budget. The use of one-time funding sources is not sustainable. In the budget process, over the next several years, on-going expenditures and on-going revenues must be brought into alignment.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - management's discussion and analysis (this portion), the basic financial statements, required supplementary information, and optional combining statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - ◊ Governmental funds statements tell how general government services such as police, fire and transportation were financed in the short-term as well as what remains for future spending.
  - ◊ Proprietary fund statements offer short-term and long-term financial information about the activities the City operates like businesses, such as utility services.

- ◇ Fiduciary fund statements provide information about the financial relationships—like the closed retirement plan— in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by the Pension Plans' Schedule of Funding Progress, which is required supplementary information. In addition to these required elements, we have included combining statements that provide details about our nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds, each of which is presented in a column in the basic financial statements.

### **Government-wide Financial Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All current year revenues and expenses are reported in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed during the fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.

The government-wide financial statements of the City are divided as follows:

- *Governmental activities* — Most of the City's basic services are included here, such as the police, fire, transportation, development services, parks and recreation, and general government. Taxes and state and federal grants finance most of these activities.
- *Business-type activities* — certain services provided by the City are funded by customer fees. Among these are the City's utility services, convention center, and off-street parking facilities.
- *Component units* — The City includes two other entities in its basic financial statements which, although legally separate, are important because the City is financially accountable for them. These component units are the Sacramento Hotel Corporation and the Sacramento Regional Arts Facilities Financing Authority.

### **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's largest funds, not the City as a whole.

The City has three types of funds:

- *Governmental funds* — Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow the governmental funds statements.

- *Proprietary funds* — Services for which customer fees are intended to finance the costs of operations are generally reported in proprietary funds. Proprietary funds financial statements, like the government-wide statements, provide both long-term and short-term financial information.
  - ◊ Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.
  - ◊ Internal service funds report activities that provide services for the City's other programs and activities, such as the City's Fleet Fund and Risk Management Fund.
  
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for a closed pension plan. It is also responsible for other assets, reported in an investment trust fund, which because of trust agreements, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

**City of Sacramento**  
**Summary of Net Assets**  
 As of June 30, 2007 and 2006  
 (in millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Total Percent Change</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	
Current and other assets	\$ 970	\$ 889	\$ 190	\$ 201	\$ 1,160	\$ 1,090	6.4%
Capital assets	1,551	1,403	1,001	1,001	2,552	2,404	6.2%
Total assets	<u>2,521</u>	<u>2,292</u>	<u>1,191</u>	<u>1,202</u>	<u>3,712</u>	<u>3,494</u>	6.2%
Long-term liabilities	699	651	400	425	1,099	1,076	2.1%
Other liabilities	184	144	37	38	221	182	21.4%
Total liabilities	<u>883</u>	<u>795</u>	<u>437</u>	<u>463</u>	<u>1,320</u>	<u>1,258</u>	4.9%
<b>Net assets</b>							
Invested in capital assets, net	1,296	1,155	635	624	1,931	1,779	8.5%
Restricted	196	187	-	-	196	187	4.8%
Unrestricted	146	155	119	115	265	270	-1.9%
Total net assets	<u>\$ 1,638</u>	<u>\$ 1,497</u>	<u>\$ 754</u>	<u>\$ 739</u>	<u>\$ 2,392</u>	<u>\$ 2,236</u>	7.0%

Net assets represent the difference between the City's resources and its obligations. Over time, net assets may serve as an indication of a government's financial position. Combined net assets of the primary government increased 7.0 percent this year, up from \$2.236 billion at June 30, 2006 to \$2.392 billion at June 30, 2007. At June 30, 2007, the largest portion of the City's total net assets, approximately 81 percent, reflects the investment in capital assets, less related debt outstanding used to acquire the capital assets. These capital assets are used by the City to

provide services to the citizens. Additional capital asset information can be found in the Capital Asset and Debt Administration section of this MD&A. Restricted net assets represent amounts that must be used in accordance with external restrictions, and increased primarily due to net assets restricted for capital improvements. Although the net assets of the business-type activities increased \$15 million to \$754 million, the City generally can only use these net assets to finance the continuing operations of the business-type activities.

**City of Sacramento**  
**Changes in Net Assets**  
For the Fiscal Years Ended June 30, 2007 and 2006  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2007	2006	2007	2006	2007	2006	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 113,032	\$ 113,244	\$ 188,562	\$ 176,209	\$ 301,594	\$ 289,453	4.2%
Operating grants & contrib	52,805	59,348	1,422	1,230	54,227	60,578	-10.5%
Capital grants & contrib	189,710	122,010	14,728	31,638	204,438	153,648	33.1%
General revenues:							
Property taxes	127,454	112,234	-	-	127,454	112,234	13.6%
Utility users tax	55,619	56,243	-	-	55,619	56,243	-1.1%
Other taxes	28,379	32,002	17,258	15,419	45,637	47,421	-3.8%
Sales taxes shared state revenue	55,846	59,118	-	-	55,846	59,118	-5.5%
State of California in-lieu sales tax	18,197	13,956	-	-	18,197	13,956	30.4%
Investment earnings	39,867	21,741	8,227	5,231	48,094	26,972	78.3%
Miscellaneous	12,545	7,517	1	725	12,546	8,242	52.2%
<b>Total revenues</b>	<b>693,454</b>	<b>597,413</b>	<b>230,198</b>	<b>230,452</b>	<b>923,652</b>	<b>827,865</b>	<b>11.6%</b>
<b>Expenses</b>							
Governmental activities							
General government	41,536	38,804	-	-	41,536	38,804	7.0%
Police	148,586	134,213	-	-	148,586	134,213	10.7%
Fire	97,044	87,844	-	-	97,044	87,844	10.5%
General Services	25,930	18,853	-	-	25,930	18,853	37.5%
Transportation	80,635	88,749	-	-	80,635	88,749	-9.1%
Economic Development	8,538	8,212	-	-	8,538	8,212	4.0%
Convention, Culture & Leisure	19,602	17,825	-	-	19,602	17,825	10.0%
Parks & Recreation	55,661	49,341	-	-	55,661	49,341	12.8%
Code Enforcement	9,946	7,184	-	-	9,946	7,184	38.4%
Development Services	27,851	36,739	-	-	27,851	36,739	-24.2%
Planning	8,158	-	-	-	8,158	-	NA
Neighborhood Services	2,505	2,560	-	-	2,505	2,560	-2.1%
Library	9,433	9,147	-	-	9,433	9,147	3.1%
Interest on long-term debt	31,067	22,693	-	-	31,067	22,693	36.9%
Business-type activities							
Water	-	-	58,890	55,896	58,890	55,896	5.4%
Sewer	-	-	17,171	14,685	17,171	14,685	16.9%
Storm Drainage	-	-	36,473	34,544	36,473	34,544	5.6%
Solid Waste	-	-	45,050	40,329	45,050	40,329	11.7%
Community Center	-	-	19,704	19,333	19,704	19,333	1.9%
Parking	-	-	16,375	14,056	16,375	14,056	16.5%
Child Development	-	-	5,868	5,666	5,868	5,666	3.6%
Marina	-	-	1,384	1,437	1,384	1,437	-3.7%
<b>Total expenses</b>	<b>566,492</b>	<b>522,164</b>	<b>200,915</b>	<b>185,946</b>	<b>767,407</b>	<b>708,110</b>	<b>8.4%</b>
Excess before transfers	126,962	75,249	29,283	44,506	156,245	119,755	30.5%
Transfers	13,698	8,159	(13,698)	(8,159)	-	-	
<b>Increase in net assets</b>	<b>\$ 140,660</b>	<b>\$ 83,408</b>	<b>\$ 15,585</b>	<b>\$ 36,347</b>	<b>\$ 156,245</b>	<b>\$ 119,755</b>	<b>30.5%</b>

## Revenue

The City's total revenue was \$924 million for the fiscal year ended June 30, 2007, an increase of 11.6 percent over 2006. Revenue from governmental activities totaled \$694 million and revenue from business-type activities totaled \$230 million in 2007. Revenue increased in 2007 primarily due to increases in Transportation capital grant and contribution revenue. Capital grants revenue, restricted to the construction of capital assets, comprised 22 percent of the total revenue of the City. Taxes provided 25 percent and charges for services and operating grants provided 39 percent of the total City revenue in 2007.

## Expenses

Total City expenses, before transfers, increased \$59 million in 2007, to \$767 million, an increase of 8.4 percent over 2006 primarily attributable to increasing labor costs. Governmental activity expenses, before transfers, totaled \$566 million, an increase of 8.5 percent over the prior year, and represents 74 percent of total City expenses. Business-type expenses totaled \$201 million, an increase of 8.1 percent over the prior year, and represents 26 percent of total City expenses.

## Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs.

**City of Sacramento**  
**Net Cost of Governmental Activities**  
 For the Fiscal Years Ended June 30, 2007 and 2006  
 (in millions)

	Total Cost of Services		Percent Change	Net (Costs) Benefit of Services		Percent Change
	2007	2006		2007	2006	
Police	\$ 149	\$ 134	9.8%	\$ (125)	\$ (109)	14.7%
Fire	97	88	9.3%	(78)	(66)	18.2%
Transportation	81	89	-9.9%	53	(3)	-1866.7%
Parks and Recreation	56	49	12.5%	(9)	10	-190.0%
Development Services	28	37	-32.1%	23	29	-20.7%
Other	156	126	19.2%	(75)	(89)	-15.7%
Total	<u>\$ 567</u>	<u>\$ 523</u>	8.3%	<u>\$ (211)</u>	<u>\$ (228)</u>	-7.5%

The total cost for all governmental activities, including indirect expense allocations, was \$567 million. The City's taxpayers paid for approximately 37 percent of these costs, or \$211 million. Fees, grants and contributions funded the balance of the costs of governmental activities. Net cost of services decreased 7.5% compared to 2006.

Police and Fire net costs of services increased \$28 million mostly due to operating cost increases. Transportation's net costs of services decreased \$56 million mostly due to an increase in capital grants and contribution revenue. Parks and Recreation's net costs of services increased \$19 million primarily due to a reduction in capital grant and contribution revenue. Changes in Development Services resulted mainly from the Planning department reorganization.

## **Business-type Activities**

Total revenue of the City's business-type activities totaled \$230 million. Expenses of business-type activities were \$201 million. Capital grants and contributions in the water, sewer, and storm drainage activities provided \$15 million to finance capital improvements. The costs of capital improvements are reported as capital assets in the statement of net assets, rather than as expenses in the statement of activities. Business-type expenses increased approximately \$15 million primarily due to labor cost increases.

## **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The City uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported combined fund balances at June 30, 2007 of \$513 million, an increase of \$22 million over the previous fiscal year. The General Fund's fund balance decreased by \$17.3 million, consistent with the City's plan to use accumulated reserves to soften the effects of new labor agreements and higher pension costs. The General Fund Projects fund balance increased \$13 million, primarily from 2006 Series C and D revenue bond proceeds. Financing plans fund balance increased \$22 million mostly due to the excess of impact fee revenue over plan expenditures.

The City's proprietary funds provide the same type of information as the government-wide financial statements in greater detail. The City's proprietary funds reported combined net assets of \$754 million at June 30, 2007, an increase of \$15 million over 2006. The change in net assets was primarily due to overall operating income of \$9 million, and net non-operating revenues of \$5 million, in excess of expenses. Capital contributions and transfers provided an increase to net assets of approximately \$1 million.

## **General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City budget with two categories of adjustments:

- Changes made to the appropriations for the use of prior year department carryover, and establish or release designations of fund balance.
- Other revenue adjustments and appropriations approved after the original budget is adopted.

The major changes from the approved budget were the augmentation of expenditure budgets for capital projects and for programming one-time projects funded by debt obligation and fund balance designations, including the purchase of Downtown railyard land and fire apparatus.

After taking into account these adjustments, actual expenditures were \$28.5 million lower than final budget amounts. Capital outlay expenditures were less than the current year budget appropriations by \$17.3 million because of the carryover of prior-year capital budgets for multi-year projects and unspent current year appropriations. All general government departments except Police, Fire, Development Services, and Code Enforcement reported favorable expenditure budget variances. The expenditure overrun in Police was primarily related to labor costs. The

expenditure overrun in the Development Service budget was primarily caused by program support activities.

Revenues were \$5.9 million lower than the final budgeted amount, primarily because of a shortfall in general tax revenues. On a year to year basis there were reductions in the utility user tax, sales tax, and other tax revenues.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2007, the City had invested \$2.6 billion in a broad range of capital assets, including police and fire equipment, buildings, parks and park improvements, roads, bridges, water, sewer and storm drainage transmission and distribution systems. The current year capital assets additions of \$261 million were offset by current year depreciation expense of \$113 million for a net increase in capital assets of \$148 million.

**Capital Assets**  
June 30, 2007 and 2006  
(net of depreciation, in millions)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Capital assets not being depreciated						
Land and improvements	\$ 158	\$ 93	\$ 46	\$ 46	\$ 204	\$ 139
Construction in progress	158	165	43	26	201	191
Depreciable capital assets:						
Buildings and improvements	368	338	183	189	551	527
Equipment	12	11	27	30	39	41
Vehicles	36	38	-	-	36	38
Transmission and distribution systems	3	3	702	710	705	713
Road network	655	618	-	-	655	618
Street light network	102	93	-	-	102	93
Park and park improvements	59	44	-	-	59	44
<b>Total</b>	<b>\$ 1,551</b>	<b>\$ 1,403</b>	<b>\$ 1,001</b>	<b>\$ 1,001</b>	<b>\$ 2,552</b>	<b>\$ 2,404</b>

This year's major capital asset additions included:

- The purchase of land in the Downtown Railyards for the Intermodal Transportation Facility project added about \$55 million to land of governmental activities (see Financial Highlights for more information).
- The purchase of the property located at 300 Richards Boulevard added approximately \$10 million to land and \$13 million to building and improvements of governmental activities (see Financial Highlights for more information). Tenant improvements for the building should be completed in fiscal year 2008.
- The completion of the 911 dispatch and training facility added approximately \$21 million to buildings and improvements of governmental activities.

- Roadway infrastructure projects for the Interstate 5 and Arena Boulevard interchange improvements, the Northgate/Arden Garden improvements, and the West El Camino Boulevard widening added a total of approximately \$30 million to the roadway network.
- Roadway infrastructure and streetlights in the North Natomas area were dedicated to the City by developers at an estimated fair market value of \$32.5 million.
- The Elkhorn 3MG Reservoir project added approximately \$6 million to construction in progress in the Water business-type activity.
- Storm drainage transmission and distribution systems infrastructure was financed mostly by North Natomas community facilities districts and dedications, with current year additions of approximately \$6 million.
- The replacement of the City's accounting and personnel systems, the replacement of the Main Avenue bridge, the improvement of the Richards Boulevard/State Route 160 intersection, overwidth of pavement projects and streetscape improvements of Stockton Boulevard and El Paraiso added approximately \$18.5 million to construction in progress of governmental activities. Several projects were completed in the current fiscal year and transferred from construction in progress to the appropriate capital asset category, as described above.

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

### Long-term Debt

At June 30, 2007 and 2006, the City had \$961 and \$937 million, respectively, in long-term debt outstanding, not including \$116 million of debt for the City's discretely presented component units.

Outstanding debt of governmental activities increased approximately \$49 million primarily due to the issuance of new bonds and notes payable, offset by principal payments on existing debt during the year. Outstanding debt of business-type activities decreased approximately \$25 million primarily due to principal payments on existing debt during the year.

**City of Sacramento  
Outstanding Debt  
June 30, 2007 and 2006  
(in millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenue and other bonds, net	\$ 548	\$ 530	\$ 331	\$ 353	\$ 879	\$ 883
Notes payable	26	1	46	49	72	50
Capital lease obligations	8	2	2	2	10	4
<b>Total outstanding debt</b>	<b>\$ 582</b>	<b>\$ 533</b>	<b>\$ 379</b>	<b>\$ 404</b>	<b>\$ 961</b>	<b>\$ 937</b>

The City continues to maintain excellent credit ratings on all of its debt issues. The following are the ratings at June 30, 2007 as determined by Moody's Investors Service and Standard & Poor's. These ratings have not changed subsequent to year-end.

	<u>Moody's</u>	<u>S &amp; P</u>
Insured issues:		
• 1993 Refunded Lease Revenue Bonds, Series A	Aaa	Aa
• 1995 Gas Tax Revenue Bonds, Series A	Aaa	AAA
• 1996 Lighting and Landscape Bonds	Aaa	AAA
• 1997 Lease Revenue Bonds	Aaa	AAA
• 1999 Capital Improvement Revenue Bonds	Aaa	AAA
• 2002 Capital Improvement Revenue Bonds, Series A	Aaa	AAA
• 2003 Capital Improvement Revenue Bonds	Aaa	AAA
• 2005 Refunding Revenue Bonds	Aaa	AAA
• 2006 Capital Improvement Revenue Bonds, Series A and B	Aaa	AAA
• 2006 Capital Improvement Revenue Bonds, Series C, D and E	Aaa	AAA
Uninsured issues:		
• 1993 Refunded Lease Revenue Bonds, Series B	Aa	A+
• 2002 Refunding Revenue Bonds	A1	AA-

More detailed information about the City's total long-term liabilities is presented in Note 7 to the financial statements.

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

### **Economic Factors**

The City's financial outlook will face a number of challenges over the next several years. The "housing crisis" and significant downturn of the real estate market and its associated industries has resulted in significant impact on tax revenues. While tax revenue growth is declining, expenditures continue to increase. There is a growing gap, in the General Fund, between on-going revenues and expenditures. The decline in revenue growth that the City is experiencing is not limited to the City of Sacramento, as local governments in this region, the State of California and the national economy, are also experiencing similar challenges. However, the sustainable budget policies of the Mayor and City Council continue to provide the framework for balanced and responsible budgets.

The Sacramento Region's competitive position generally continues to remain encouraging for employment and job growth. A recent report lists Sacramento in the top 25 of the nation's best performing cities, highlighting its ability to create and sustain jobs and provide for job growth for high-tech employees.

The City has and continues to invest in significant capital improvements which provide new civic amenities and enhance existing facilities. This public investment helps foster private investment and development, which generates more resources to fund City services. This year's capital improvement program includes some long awaited improvements to neighborhoods and major City corridors and thoroughfares.

### **Next Year's Budget**

The General Fund budget for 2008 appropriates \$431 million, an increase of 8 percent over the prior year. General Fund revenue for 2008 is projected to be \$400 million, an increase of approximately 3.5 percent from 2007. The \$31 million difference between appropriations and estimated revenue is funded with fund balance, both designated and undesignated. Use of fund balance at this level is not sustainable. The funding gap must be addressed in future budgets. The City has taken steps to begin reducing expenditures to help mitigate the impact of further revenue loss, which include implementing hiring controls and closely monitoring and evaluating all expenditures for possible efficiencies to slow the growth of City expenditures.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the money it receives. If you have questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Sacramento Department of Finance, Accounting Division, 915 I Street, Fourth Floor, Sacramento, CA, 95814, or visit the City's web page at [www.cityofsacramento.org](http://www.cityofsacramento.org).

**City of Sacramento**  
**Statement of Net Assets**

June 30, 2007  
(in thousands)

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b><u>ASSETS</u></b>				
Cash and investments	\$ 509,344	\$ 130,085	\$ 639,429	\$ 271
Receivables, net	240,957	52,542	293,499	16,906
Internal Balances	16,079	(16,079)	-	-
Inventories	1,412	2,046	3,458	117
Prepaid items	6,079	13	6,092	405
Restricted cash and investments	191,288	16,484	207,772	29,071
Deferred charges	4,837	4,987	9,824	3,187
Land and other capital assets not being depreciated	315,992	89,474	405,466	4,979
Other capital assets, net of depreciation	1,235,365	911,778	2,147,143	63,675
<b>Total assets</b>	<b>2,521,353</b>	<b>1,191,330</b>	<b>3,712,683</b>	<b>118,611</b>
<b><u>LIABILITIES</u></b>				
Securities lending obligations	104,237	16,401	120,638	-
Payables	52,438	18,823	71,261	8,511
Unearned revenue	27,323	1,984	29,307	4
Long-term liabilities:				
Due within one year	46,222	12,530	58,752	4,280
Due in more than one year	653,074	387,151	1,040,225	112,195
<b>Total liabilities</b>	<b>883,294</b>	<b>436,889</b>	<b>1,320,183</b>	<b>124,990</b>
<b><u>NET ASSETS (DEFICIT)</u></b>				
Invested in capital assets, net of related debt	1,296,115	634,966	1,931,081	(20,617)
Restricted for:				
Capital projects	155,596	425	156,021	-
Debt service	509	-	509	6,075
Trust and endowments:				
Expendable	6,513	-	6,513	-
Nonexpendable	1,927	-	1,927	-
Other	31,649	-	31,649	9,873
Unrestricted	145,750	119,050	264,800	(1,710)
<b>Total net assets (deficit)</b>	<b>\$ 1,638,059</b>	<b>\$ 754,441</b>	<b>\$ 2,392,500</b>	<b>\$ (6,379)</b>

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

# City of Sacramento

## Statement of Activities

For the Fiscal Year Ended June 30, 2007

(in thousands)

Functions/Programs	Program Revenues					
	Operating Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 49,066	\$ (7,530)	\$ 5,333	\$ 34	\$ 1,248	\$ (34,921)
Police	148,586	-	3,959	19,702	-	(124,925)
Fire	97,044	-	17,579	1,764	-	(77,701)
General services	27,480	(1,550)	10,327	1,064	2,249	(12,290)
Transportation	80,635	-	14,261	18,464	100,519	52,609
Economic development	8,538	-	5,905	-	1,574	(1,059)
Convention, culture & leisure	19,602	-	9,759	958	13,359	4,474
Parks and recreation	55,661	-	17,142	10,478	19,404	(8,637)
Code enforcement	9,946	-	2,417	319	-	(7,210)
Development services	27,851	-	25,261	-	25,277	22,687
Planning	8,158	-	4	22	26,080	17,948
Neighborhood services	2,505	-	1,085	-	-	(1,420)
Library	9,433	-	-	-	-	(9,433)
Interest on long-term debt	31,067	-	-	-	-	(31,067)
<b>Total governmental activities</b>	<b>575,572</b>	<b>(9,080)</b>	<b>113,032</b>	<b>52,805</b>	<b>189,710</b>	<b>(210,945)</b>
Business-type activities:						
Water	56,605	2,285	58,363	-	13,262	12,735
Sewer	16,273	898	18,609	-	481	1,919
Storm drainage	34,632	1,841	31,981	-	985	(3,507)
Solid waste	42,276	2,774	46,351	833	-	2,134
Community center	18,985	719	7,348	-	-	(12,356)
Parking	15,929	446	18,706	-	-	2,331
Child development	5,868	-	5,377	589	-	98
Marina	1,267	117	1,827	-	-	443
<b>Total business-type activities</b>	<b>191,835</b>	<b>9,080</b>	<b>188,562</b>	<b>1,422</b>	<b>14,728</b>	<b>3,797</b>
<b>Total primary government</b>	<b>\$ 767,407</b>	<b>\$ -</b>	<b>\$ 301,594</b>	<b>\$ 54,227</b>	<b>\$ 204,438</b>	<b>\$ (207,148)</b>
<b>Component units:</b>						
Sacramento Hotel Corporation	\$ 35,847	\$ -	\$ 36,618	\$ -	\$ -	\$ 771
Sacramento Regional Arts Facilities Financing Authority	745	-	-	-	-	(745)
<b>Total component units</b>	<b>\$ 36,592</b>	<b>\$ -</b>	<b>\$ 36,618</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26</b>

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

## City of Sacramento

### Statement of Activities

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net assets:				
Net (expense) revenue	\$ (210,945)	\$ 3,797	\$ (207,148)	\$ 26
General revenues:				
Taxes:				
Property taxes	127,454	-	127,454	-
Utility user taxes	55,619	-	55,619	-
Other taxes	28,379	17,258	45,637	-
Unrestricted sales taxes shared state revenue	55,846	-	55,846	-
Unrestricted in lieu sales tax	18,197	-	18,197	-
Unrestricted investment earnings	39,867	8,227	48,094	1,859
Contributions to permanent fund	1	-	1	-
Miscellaneous	12,544	1	12,545	-
Transfers	13,698	(13,698)	-	-
Total general revenues and transfers	351,605	11,788	363,393	1,859
Change in net assets	140,660	15,585	156,245	1,885
Net assets (deficit), beginning of year	1,497,399	738,856	2,236,255	(8,264)
Net assets (deficit), end of year	\$ 1,638,059	\$ 754,441	\$ 2,392,500	\$ (6,379)

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**THIS PAGE INTENTIONALLY LEFT BLANK**

# City of Sacramento

## Balance Sheet

### Governmental Funds

June 30, 2007

(in thousands)

	General Fund	General Fund Projects Fund	Capital Grants Fund	Financing Plans Fund
<b>ASSETS</b>				
Cash and investments held by City	\$ 161,602	\$ 1,666	\$ 24	\$ 148,338
Cash and investments held by fiscal agent	-	-	-	-
Receivables, net:				
Taxes	22,958	-	-	-
Accounts	9,398	-	-	20,157
Loans	1,349	-	-	-
Intergovernmental	-	-	29,625	-
Interest	1,193	1,132	-	1,205
Due from other funds	32	-	-	-
Prepaid items	120	-	-	-
Restricted assets:				
Cash and investments held by City	-	169,240	-	1
Cash and investments held by fiscal agent	-	-	-	-
Advances to other funds	400	-	-	-
<b>Total assets</b>	<b>\$ 197,052</b>	<b>\$ 172,038</b>	<b>\$ 29,649</b>	<b>\$ 169,701</b>

# City of Sacramento

## Balance Sheet

### Governmental Funds

June 30, 2007

(in thousands)

	1997 Lease Revenue Bond Fund	Transportation and Development Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments held by City	\$ 1,921	\$ 62,457	\$ 90,297	\$ 466,305
Cash and investments held by fiscal agent	12	-	3,329	3,341
Receivables, net:				
Taxes	-	-	84	23,042
Accounts	-	1,425	2,379	33,359
Loans	70,930	-	935	73,214
Intergovernmental	-	2,656	73,799	106,080
Interest	393	-	446	4,369
Due from other funds	-	-	-	32
Prepaid items	-	-	17	137
Restricted assets:				
Cash and investments held by City	761	-	1,371	171,373
Cash and investments held by fiscal agent	-	-	19,915	19,915
Advances to other funds	-	-	-	400
<b>Total assets</b>	<b>\$ 74,017</b>	<b>\$ 66,538</b>	<b>\$ 192,572</b>	<b>\$ 901,567</b>

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

(continued)

# City of Sacramento

## Balance Sheet

### Governmental Funds

June 30, 2007

(in thousands)

	General Fund	General Fund Projects Fund	Capital Grants Fund	Financing Plans Fund
<b>Liabilities:</b>				
Securities lending obligations	\$ 29,444	\$ 27,974	\$ -	\$ 29,767
Accounts payable	30,753	1,394	2,749	543
Due to other funds	-	-	21,649	-
Matured bonds and interest payable	-	-	-	-
Deposits	103	-	631	-
Deferred revenue	4,805	-	31,234	22,376
Advances from other funds	469	-	-	-
<b>Total liabilities</b>	<b>65,574</b>	<b>29,368</b>	<b>56,263</b>	<b>52,686</b>
<b>Fund balances:</b>				
<b>Reserved:</b>				
For noncurrent assets	987	-	-	-
For encumbrances	17,070	6,660	14,279	3,396
For debt service	-	509	-	-
For trust obligations	-	-	-	-
<b>Unreserved:</b>				
Designated for economic uncertainty	30,000	-	-	-
Designated for capital projects	29,280	129,515	-	15,401
Designated for fiscal year 2008 balanced budget	29,186	-	-	-
Designated for subsequent years' expenditures	17,523	-	-	224
Designated for high priority capital needs	5,432	-	-	-
Undesignated	2,000	5,986	(40,893)	97,994
<b>Unreserved, reported in:</b>				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
<b>Total fund balances</b>	<b>131,478</b>	<b>142,670</b>	<b>(26,614)</b>	<b>117,015</b>
<b>Total liabilities and fund balances</b>	<b>\$ 197,052</b>	<b>\$ 172,038</b>	<b>\$ 29,649</b>	<b>\$ 169,701</b>

(continued)

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

# City of Sacramento

## Balance Sheet

### Governmental Funds

June 30, 2007

(in thousands)

	1997 Lease Revenue Bond Fund	Transportation and Development Fund	Other Governmental Funds	Total Governmental Funds
<b>Liabilities:</b>				
Securities lending obligations	\$ -	\$ -	\$ 6,646	\$ 93,831
Accounts payable	-	3,503	3,183	42,125
Due to other funds	-	8,881	2,139	32,669
Matured bonds and interest payable	-	-	2,989	2,989
Deposits	-	555	651	1,940
Deferred revenue	71,323	1,228	76,313	207,279
Advances from other funds	-	-	7,289	7,758
<b>Total liabilities</b>	<b>71,323</b>	<b>14,167</b>	<b>99,210</b>	<b>388,591</b>
<b>Fund balances:</b>				
<b>Reserved:</b>				
For noncurrent assets	-	-	935	1,922
For encumbrances	-	6,327	3,193	50,925
For debt service	773	-	21,286	22,568
For trust obligations	-	-	1,927	1,927
<b>Unreserved:</b>				
Designated for economic uncertainty	-	-	-	30,000
Designated for capital projects	-	28,553	-	202,749
Designated for fiscal year 2008 balanced budget	-	-	-	29,186
Designated for subsequent years' expenditures	-	9,874	-	27,621
Designated for high priority capital needs	-	-	-	5,432
Undesignated	1,921	7,617	-	74,625
<b>Unreserved, reported in:</b>				
Special revenue funds	-	-	34,125	34,125
Debt service funds	-	-	5,730	5,730
Capital projects funds	-	-	22,311	22,311
Permanent funds	-	-	3,855	3,855
<b>Total fund balances</b>	<b>2,694</b>	<b>52,371</b>	<b>93,362</b>	<b>512,976</b>
<b>Total liabilities and fund balances</b>	<b>\$ 74,017</b>	<b>\$ 66,538</b>	<b>\$ 192,572</b>	<b>\$ 901,567</b>

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

# City of Sacramento

## Reconciliation of the Balance Sheet to the Statement of Net Assets

### Governmental Funds

June 30, 2007

(in thousands)

<b>Fund balances - total governmental funds</b>		<b>\$ 512,976</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.		180,436
Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.		4,792
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	2,387,810	
Less: accumulated depreciation	<u>(876,969)</u>	
		1,510,841
Certain current liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:		
Interest payable		(3,410)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences	(31,600)	
Financing fee plan credits	(26,818)	
Revenue and other bonds payable, net	(540,795)	
Capital lease obligations payable	(8,062)	
Notes payable	<u>(25,935)</u>	
		(633,210)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		<u>65,634</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 1,638,059</u></b>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	General Fund	General Fund Projects Fund	Capital Grants Fund	Financing Plans Fund
<b>Revenues:</b>				
Taxes	\$ 281,865	\$ -	\$ -	\$ -
Intergovernmental	20,863	2,100	25,560	-
Charges for services	50,644	-	-	-
Fines, forfeits and penalties	6,938	-	-	-
Interest, rents, and concessions	7,870	7,930	-	6,899
Community service fees	-	-	-	31,378
Assessment levies	-	-	-	-
Contributions and donations	-	12,500	-	-
Miscellaneous	281	-	5	-
<b>Total revenues</b>	<b>368,461</b>	<b>22,530</b>	<b>25,565</b>	<b>38,277</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	30,451	-	-	-
Police	129,903	-	-	-
Fire	90,321	-	-	-
General services	13,796	-	-	-
Transportation	8,695	-	-	-
Neighborhood services	1,278	-	-	-
Convention, culture and leisure	4,798	1,700	-	-
Economic development	2,384	-	-	-
Parks and recreation	26,660	-	-	128
Code enforcement	9,394	-	-	-
Development services	24,447	-	-	499
Planning	2,906	-	-	-
Library	8,868	-	-	-
Utilities	109	-	-	-
Nondepartmental	17,708	-	-	356
Capital outlay	30,199	34,212	35,932	11,897
<b>Debt service:</b>				
Principal	632	-	-	3,011
Interest and fiscal charges	89	1,286	-	1,575
Bond issuance costs	-	414	-	-
Advance refunding escrow	-	-	-	-
<b>Total expenditures</b>	<b>402,638</b>	<b>37,612</b>	<b>35,932</b>	<b>17,466</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(34,177)</b>	<b>(15,082)</b>	<b>(10,367)</b>	<b>20,811</b>
<b>Other financing sources (uses):</b>				
Transfers in	26,206	-	694	-
Transfers out	(26,058)	(5,683)	-	(2,425)
Issuance of long-term debt	16,771	31,255	-	3,754
Premium on long-term debt	-	2,063	-	-
Payment to refunded bond escrow	-	-	-	-
<b>Total other financing sources</b>	<b>16,919</b>	<b>27,635</b>	<b>694</b>	<b>1,329</b>
<b>Net change in fund balances</b>	<b>(17,258)</b>	<b>12,553</b>	<b>(9,673)</b>	<b>22,140</b>
<b>Fund balances, beginning of year</b>	<b>148,736</b>	<b>130,117</b>	<b>(16,941)</b>	<b>94,875</b>
<b>Fund balances, end of year</b>	<b>\$ 131,478</b>	<b>\$ 142,670</b>	<b>\$ (26,614)</b>	<b>\$ 117,015</b>

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

## City of Sacramento

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Fiscal Year Ended June 30, 2007

(in thousands)

	1997 Lease Revenue Bond Fund	Transportation and Development Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ -	\$ 5,389	\$ -	\$ 287,254
Intergovernmental	-	52,172	47,826	148,521
Charges for services	-	7,789	6,469	64,902
Fines, forfeits and penalties	-	1,347	-	8,285
Interest, rents, and concessions	128	3,185	8,386	34,398
Community service fees	-	784	8,224	40,386
Assessment levies	-	-	21,424	21,424
Contributions and donations	5,314	-	26,285	44,099
Miscellaneous	-	-	109	395
Total revenues	5,442	70,666	118,723	649,664
Expenditures:				
Current:				
General government	-	-	721	31,172
Police	-	-	19,256	149,159
Fire	-	-	1,644	91,965
General services	-	-	8,980	22,776
Transportation	-	15,265	5,210	29,170
Neighborhood services	-	-	537	1,815
Convention, culture and leisure	-	-	8,576	15,074
Economic development	-	-	3,498	5,882
Parks and recreation	-	-	21,096	47,884
Code enforcement	-	-	319	9,713
Development services	-	7,654	-	32,600
Planning	-	-	5,173	8,079
Library	-	-	-	8,868
Utilities	-	-	-	109
Nondepartmental	-	-	462	18,526
Capital outlay	-	66,829	14,885	193,954
Debt service:				
Principal	745	-	12,865	17,253
Interest and fiscal charges	4,854	-	22,412	30,216
Bond issuance costs	-	-	1,105	1,519
Advance refunding escrow	-	-	213	213
Total expenditures	5,599	89,748	126,952	715,947
Excess (deficiency) of revenues over (under) expenditures	(157)	(19,082)	(8,229)	(66,283)
Other financing sources (uses):				
Transfers in	-	1,189	28,114	56,203
Transfers out	-	(2,084)	(1,191)	(37,441)
Issuance of long-term debt	-	15,000	80,501	147,281
Premium on long-term debt	-	-	12,794	14,857
Payment to refunded bond escrow	-	-	(92,151)	(92,151)
Total other financing sources	-	14,105	28,067	88,749
Net change in fund balances	(157)	(4,977)	19,838	22,466
Fund balances, beginning of year	2,851	57,348	73,524	490,510
Fund balances, end of year	\$ 2,694	\$ 52,371	\$ 93,362	\$ 512,976

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

# City of Sacramento

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

### Governmental Funds

For the Fiscal Year Ended June 30, 2007

(in thousands)

**Net change in fund balances - total governmental funds** \$ 22,466

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

Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	190,456	
Depreciation expense	(70,872)	
		119,584

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds - infrastructure dedications. 36,028

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Issuance of long-term debt	(147,281)	
Premium on long-term debt	(14,857)	
Principal repayments on long-term debt	17,253	
Payment to refunded bond escrow	92,151	
Advance refunding escrow	213	
Bond issuance costs	1,519	
		(51,002)

Earned deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in governmental funds. Revenue in the statement of activities is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in revenues - unavailable revenues at the end of the year exceed beginning unavailable revenues by this amount. 3,176

## City of Sacramento

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

#### Governmental Funds

For the Fiscal Year Ended June 30, 2007

(in thousands)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(2,829)	
Accrued interest	(593)	
Amortization of issuance costs	(211)	
Amortization of bond discount	(446)	
Amortization of bond premium	1,205	
Amortization of gain/loss on refunding	<u>(806)</u>	
		(3,680)

Capital assets transferred from governmental activities to business-type activities are reported as transfers in the statement of activities. The transfers are not reported in the governmental funds as the amount did not involve the transfer of financial resources.

(5,288)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net revenue of the internal service funds is reported with the governmental activities.

19,376

**Change in net assets of governmental activities**

\$ 140,660

# City of Sacramento

## Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) with Budget to GAAP Reconciliation

### General Fund

For the Fiscal Year Ended June 30, 2007

(in thousands)

	Budgeted Amounts		Actual	Variance with	Budget to GAAP Reconciliation	Actual
	Original	Final	Amounts - Budgetary Basis	Final Budget - Positive (Negative)		Amounts - GAAP Basis
<b>Revenues:</b>						
Taxes	\$287,372	\$287,372	\$281,865	\$ (5,507)	\$ -	\$ 281,865
Intergovernmental	14,456	19,448	20,863	1,415	-	20,863
Charges for services	50,020	53,723	50,644	(3,079)	-	50,644
Fines, forfeits and penalties	6,659	6,984	6,938	(46)	-	6,938
Interest, rents, and concessions	4,956	5,126	7,870	2,744	-	7,870
Miscellaneous	2,358	1,663	281	(1,382)	-	281
<b>Total revenues</b>	<b>365,821</b>	<b>374,316</b>	<b>368,461</b>	<b>(5,855)</b>	<b>-</b>	<b>368,461</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Charter offices	13,907	15,262	13,454	1,808	(110)	13,344
Administrative services	17,529	18,877	17,165	1,712	(58)	17,107
Subtotal - General government	31,436	34,139	30,619	3,520	(168)	30,451
Police	121,566	125,617	129,230	(3,613)	673	129,903
Fire	88,482	90,219	90,268	(49)	53	90,321
General services	13,139	14,723	14,481	242	(685)	13,796
Transportation	6,898	8,594	8,373	221	322	8,695
Neighborhood services	1,545	1,713	1,278	435	-	1,278
Convention, culture and leisure	5,157	5,393	4,943	450	(145)	4,798
Economic development	2,987	2,967	2,794	173	(410)	2,384
Parks and recreation	27,301	27,535	26,660	875	-	26,660
Code enforcement	8,963	9,187	9,347	(160)	47	9,394
Development services	20,590	21,192	23,975	(2,783)	472	24,447
Planning	4,050	7,739	4,449	3,290	(1,543)	2,906
Library	8,868	8,868	8,868	-	-	8,868
Utilities	109	109	109	-	-	109
Nondepartmental	27,130	31,244	22,705	8,539	(4,997)	17,708
Capital outlay	45,601	58,593	41,334	17,259	(11,135)	30,199
<b>Debt service:</b>						
Principal	819	819	706	113	(74)	632
Interest and fiscal charges	84	84	89	(5)	-	89
<b>Total expenditures</b>	<b>414,725</b>	<b>448,735</b>	<b>420,228</b>	<b>28,507</b>	<b>(17,590)</b>	<b>402,638</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(48,904)</b>	<b>(74,419)</b>	<b>(51,767)</b>	<b>22,652</b>	<b>17,590</b>	<b>(34,177)</b>
<b>Other financing sources (uses):</b>						
Transfers in	19,717	19,737	26,206	6,469	-	26,206
Transfers out	(25,718)	(26,437)	(26,058)	379	-	(26,058)
Issuance of long-term debt	-	16,771	16,771	-	-	16,771
Loan Repayment	-	(5,000)	(5,000)	-	5,000	-
<b>Total other financing sources (uses)</b>	<b>(6,001)</b>	<b>5,071</b>	<b>11,919</b>	<b>6,848</b>	<b>5,000</b>	<b>16,919</b>
<b>Net change in fund balance</b>	<b>\$ (54,905)</b>	<b>\$ (69,348)</b>	<b>\$ (39,848)</b>	<b>\$ 29,500</b>	<b>\$ 22,590</b>	<b>\$ (17,258)</b>

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

# City of Sacramento

## Statement of Revenues, Expenditures and Changes in Fund Balances

### - Budget and Actual

### Transportation and Development Special Revenue Fund

For the Fiscal Year Ended June 30, 2007

(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 18,881	\$ 19,578	\$ 18,497	\$ (1,081)
Charges for services	500	568	825	257
Fines, forfeits and penalties	1,550	1,256	1,347	91
Interest, rents, and concessions	705	705	927	222
Community service fees	1	1	21	20
Miscellaneous	38	38	-	(38)
<b>Total revenues</b>	<b>21,675</b>	<b>22,146</b>	<b>21,617</b>	<b>(529)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Transportation	14,921	14,921	14,923	(2)
Development Services	1,887	1,868	1,325	543
Capital Outlay	15,813	14,748	4,712	10,036
<b>Total expenditures</b>	<b>32,621</b>	<b>31,537</b>	<b>20,960</b>	<b>10,577</b>
Excess (deficiency) of revenues over (under) expenditures	(10,946)	(9,391)	657	10,048
<b>Other financing sources (uses):</b>				
Transfers in	-	-	189	189
Transfers out	(1,532)	(1,532)	(1,532)	-
<b>Total other financing sources (uses)</b>	<b>(1,532)</b>	<b>(1,532)</b>	<b>(1,343)</b>	<b>189</b>
<b>Net change in fund balances for budgeted activities</b>	<b>\$ (12,478)</b>	<b>\$ (10,923)</b>	<b>(686)</b>	<b>\$ 10,237</b>
Net change in fund balances for Transportation and Development Fund activities for which annual budgets are not adopted.			(4,291)	
<b>Net change in fund balance</b>			<b>\$ (4,977)</b>	

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

**City of Sacramento**  
**Statement of Net Assets**  
**Proprietary Funds**

June 30, 2007  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ 51,612	\$ 15,357	\$ 29,158	\$ -
Cash and investments held by fiscal agent	1	-	-	-
Receivables, net:				
Taxes	-	-	-	-
Accounts	12,517	7,372	6,096	9,287
Loans	1,199	107	322	-
Intergovernmental	367	306	182	433
Interest	574	18	301	-
Due from other funds	-	-	266	-
Inventories	1,777	60	209	-
Prepaid items	-	-	-	-
Total current assets	<u>68,047</u>	<u>23,220</u>	<u>36,534</u>	<u>9,720</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	-	-	143	3,086
Cash and investments held by fiscal agent	-	-	765	-
Advances to other funds	-	-	-	-
Loans receivable	3,404	1,629	4,885	-
Deferred charges	2,334	-	57	375
Capital assets:				
Land	645	1,137	10,151	1,133
Buildings and improvements	37,359	14,906	8,224	31,191
Machinery and equipment	10,901	3,550	11,792	7,134
Vehicles	-	-	-	-
Transmission and distribution system	472,413	115,834	317,060	-
Construction in progress	25,878	6,817	7,076	61
Less: accumulated depreciation	<u>(113,341)</u>	<u>(39,507)</u>	<u>(74,008)</u>	<u>(11,344)</u>
Total noncurrent assets	<u>439,593</u>	<u>104,366</u>	<u>286,145</u>	<u>31,636</u>
Total assets	<u>507,640</u>	<u>127,586</u>	<u>322,679</u>	<u>41,356</u>

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

**City of Sacramento**  
**Statement of Net Assets**  
**Proprietary Funds**  
 June 30, 2007  
 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ 10,277	\$ 21,562	\$ 127,966	\$ 39,579
Cash and investments held by fiscal agent	2,118	-	2,119	119
Receivables, net:				
Taxes	2,543	-	2,543	-
Accounts	139	686	36,097	472
Loans	-	-	1,628	-
Intergovernmental	-	-	1,288	-
Interest	117	19	1,029	421
Due from other funds	-	-	266	39,611
Inventories	-	-	2,046	1,412
Prepaid items	1	12	13	5,942
<b>Total current assets</b>	<b>15,195</b>	<b>22,279</b>	<b>174,995</b>	<b>87,556</b>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	100	795	4,124	-
Cash and investments held by fiscal agent	9,804	1,791	12,360	-
Advances to other funds	-	200	200	16,463
Loans receivable	39	-	9,957	-
Deferred charges	1,532	689	4,987	45
Capital assets:				
Land	21,739	11,571	46,376	-
Buildings and improvements	111,201	74,072	276,953	6,456
Machinery and equipment	2,695	3,573	39,645	1,434
Vehicles	-	-	-	97,755
Transmission and distribution system	-	-	905,307	-
Construction in progress	840	2,426	43,098	1,103
Less: accumulated depreciation	(40,464)	(31,463)	(310,127)	(66,232)
<b>Total noncurrent assets</b>	<b>107,486</b>	<b>63,654</b>	<b>1,032,880</b>	<b>57,024</b>
<b>Total assets</b>	<b>122,681</b>	<b>85,933</b>	<b>1,207,875</b>	<b>144,580</b>

**City of Sacramento**  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2007  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
<b>LIABILITIES</b>				
Current liabilities:				
Securities lending obligations	10,515	-	5,886	-
Accounts payable and accrued expenses	4,388	4,850	1,581	2,322
Accrued compensated absences	162	33	101	74
Due to other funds	-	-	-	7,240
Interest payable	697	110	402	108
Liability for landfill closure	-	-	-	760
Deposits	-	-	-	-
Deferred revenue	-	-	1	-
Accrued claims	-	-	-	-
Capital lease payable, current portion	-	-	-	536
Revenue and other bonds payable, net, current portion	2,175	-	295	91
Notes payable, current portion	-	627	1,881	-
<b>Total current liabilities</b>	<b>17,937</b>	<b>5,620</b>	<b>10,147</b>	<b>11,131</b>
Noncurrent liabilities:				
Accrued compensated absences	1,791	579	1,812	1,068
Advances from other funds	-	-	-	-
Accrued claims	-	-	-	-
Liability for landfill closure	-	-	-	12,911
Revenue and other bonds payable, net	171,076	-	7,396	25,381
Capital lease obligations payable	-	-	-	1,224
Notes payable	-	9,394	28,182	-
<b>Total noncurrent liabilities</b>	<b>172,867</b>	<b>9,973</b>	<b>37,390</b>	<b>40,584</b>
<b>Total liabilities</b>	<b>190,804</b>	<b>15,593</b>	<b>47,537</b>	<b>51,715</b>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	259,907	92,606	242,904	3,921
Restricted for:				
Capital projects	-	-	-	-
Unrestricted	56,929	19,387	32,238	(14,280)
<b>Total net assets (deficit)</b>	<b>\$ 316,836</b>	<b>\$ 111,993</b>	<b>\$ 275,142</b>	<b>\$ (10,359)</b>

(continued)

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

**City of Sacramento**  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2007  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Community Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b>LIABILITIES</b>				
Current liabilities:				
Securities lending obligations	-	-	16,401	10,406
Accounts payable and accrued expenses	1,013	1,773	15,927	4,538
Accrued compensated absences	37	33	440	70
Due to other funds	-	-	7,240	-
Interest payable	987	504	2,808	14
Liability for landfill closure	-	-	760	-
Deposits	-	88	88	-
Deferred revenue	1,194	789	1,984	480
Accrued claims	-	-	-	17,949
Capital lease payable, current portion	-	-	536	-
Revenue and other bonds payable, net, current portion	4,847	651	8,059	249
Notes payable, current portion	-	227	2,735	-
<b>Total current liabilities</b>	<b>8,078</b>	<b>4,065</b>	<b>56,978</b>	<b>33,706</b>
Noncurrent liabilities:				
Accrued compensated absences	474	522	6,246	925
Advances from other funds	9,305	-	9,305	-
Accrued claims	-	-	-	39,762
Liability for landfill closure	-	-	12,911	-
Revenue and other bonds payable, net	81,213	37,899	322,965	4,553
Capital lease obligations payable	-	-	1,224	-
Notes payable	-	6,229	43,805	-
<b>Total noncurrent liabilities</b>	<b>90,992</b>	<b>44,650</b>	<b>396,456</b>	<b>45,240</b>
<b>Total liabilities</b>	<b>99,070</b>	<b>48,715</b>	<b>453,434</b>	<b>78,946</b>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	18,868	16,760	634,966	35,700
Restricted for:				
Capital projects	-	425	425	-
Unrestricted	4,743	20,033	119,050	29,934
<b>Total net assets (deficit)</b>	<b>\$ 23,611</b>	<b>\$ 37,218</b>	<b>\$ 754,441</b>	<b>\$ 65,634</b>

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

**City of Sacramento**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
Operating revenues:				
Charges for services:				
User fees and charges	\$ 56,312	\$ 17,584	\$ 31,921	\$ 46,111
Rents and concessions	-	-	-	-
Charge to Regional Sanitation District for operating and maintaining treatment plant	-	1,019	-	-
Miscellaneous	2,051	6	60	240
Total operating revenues	<u>58,363</u>	<u>18,609</u>	<u>31,981</u>	<u>46,351</u>
Operating expenses:				
Employee services	19,547	6,686	18,488	13,795
Services and supplies	17,444	6,633	6,493	27,842
Depreciation	12,819	3,605	9,935	1,959
Insurance premiums	-	-	-	-
Claims expense	-	-	-	-
Total operating expenses	<u>49,810</u>	<u>16,924</u>	<u>34,916</u>	<u>43,596</u>
Operating income (loss)	<u>8,553</u>	<u>1,685</u>	<u>(2,935)</u>	<u>2,755</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	3,608	840	1,759	(66)
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	-	-	-	833
Interest expense	(8,961)	(247)	(1,557)	(1,427)
Amortization of deferred charges	(119)	-	-	(27)
Loss on disposition of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>(5,472)</u>	<u>593</u>	<u>202</u>	<u>(687)</u>
Income (loss) before contributions and transfers	3,081	2,278	(2,733)	2,068
Capital contributions	13,320	598	6,099	-
Transfers in	5	20	15	26
Transfers out	(5,918)	(2,589)	(3,488)	(5,017)
Changes in net assets	10,488	307	(107)	(2,923)
Total net assets (deficit), beginning of year	<u>306,348</u>	<u>111,686</u>	<u>275,249</u>	<u>(7,436)</u>
Total net assets (deficit), end of year	<u>\$ 316,836</u>	<u>\$ 111,993</u>	<u>\$ 275,142</u>	<u>\$ (10,359)</u>

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

**City of Sacramento**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Community Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
Operating revenues:				
Charges for services:				
User fees and charges	\$ 2,318	\$ 24,414	\$ 178,660	\$ 60,072
Rents and concessions	4,863	1,412	6,275	-
Charge to Regional Sanitation District for operating and maintaining treatment plant	-	-	1,019	-
Miscellaneous	167	84	2,608	608
<b>Total operating revenues</b>	<b>7,348</b>	<b>25,910</b>	<b>188,562</b>	<b>60,680</b>
Operating expenses:				
Employee services	5,674	8,830	73,020	9,743
Services and supplies	5,177	9,708	73,297	24,196
Depreciation	2,616	2,452	33,386	8,591
Insurance premiums	-	-	-	1,997
Claims expense	-	-	-	4,813
<b>Total operating expenses</b>	<b>13,467</b>	<b>20,990</b>	<b>179,703</b>	<b>49,340</b>
<b>Operating income (loss)</b>	<b>(6,119)</b>	<b>4,920</b>	<b>8,859</b>	<b>11,340</b>
Nonoperating revenues (expenses):				
Interest and investment revenue	998	1,088	8,227	4,586
Transient occupancy taxes	17,258	-	17,258	-
Revenue from other agencies	-	589	1,422	-
Interest expense	(6,105)	(2,612)	(20,909)	(706)
Amortization of deferred charges	(132)	(25)	(303)	(3)
Loss on disposition of capital assets	-	-	-	(2)
<b>Total nonoperating (expenses) revenues</b>	<b>12,019</b>	<b>(960)</b>	<b>5,695</b>	<b>3,875</b>
<b>Income (loss) before contributions and transfers</b>	<b>5,900</b>	<b>3,960</b>	<b>14,554</b>	<b>15,215</b>
Capital contributions	-	-	20,017	3,937
Transfers in	1,726	2	1,794	466
Transfers out	(1,522)	(2,246)	(20,780)	(242)
<b>Changes in net assets</b>	<b>6,104</b>	<b>1,716</b>	<b>15,585</b>	<b>19,376</b>
<b>Total net assets (deficit), beginning of year</b>	<b>17,507</b>	<b>35,502</b>	<b>738,856</b>	<b>46,258</b>
<b>Total net assets (deficit), end of year</b>	<b>\$ 23,611</b>	<b>\$ 37,218</b>	<b>\$ 754,441</b>	<b>\$ 65,634</b>

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

**City of Sacramento**  
**Statement of Cash Flows**  
**Proprietary Funds**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Drainage Fund	Solid Waste Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 56,063	\$ 17,609	\$ 31,235	\$ 44,237
Payments to suppliers	(16,888)	(5,994)	(6,892)	(28,291)
Payments to employees	(19,555)	(6,698)	(18,409)	(13,744)
Claims paid	-	-	-	-
Net cash provided by (used for) operating activities	19,620	4,917	5,934	2,202
Cash flows from noncapital financing activities:				
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	-	-	-	833
Transfers in from other funds	-	-	-	26
Transfers out to other funds	(5,918)	(2,589)	(3,488)	(5,017)
Proceeds from interfund borrowing	-	-	-	2,880
Collections of interfund borrowing	-	-	9	-
Loans to other funds	-	-	-	-
Interfund loan repayment	-	-	-	-
Intergovernmental revenue received	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(5,918)	(2,589)	(3,479)	(1,278)
Cash flows from capital and related financing activities:				
Proceeds from issuance of debt	188	-	-	-
Payments for costs of issuance	(188)	-	-	-
Acquisition and construction of capital assets	(14,663)	(5,103)	(3,427)	(26)
Payment to refunded bond escrow	(13,228)	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Principal payments on capital debt	(2,720)	(613)	(2,226)	(674)
Interest payments on capital debt	(8,784)	(247)	(1,172)	(1,363)
Transfers in from other funds	5	20	15	-
Capital contributions	4,980	480	-	-
Loan Repayments	75	105	315	-
Net cash used for capital and related financing activities	(34,335)	(5,358)	(6,495)	(2,063)
Cash flows from investing activities:				
Collection of interest	2,666	842	1,282	(66)
Net unrealized investments gains	530	-	200	-
Change in securities lending obligation	(1,684)	-	683	-
Net cash provided by (used for) investing activities	1,512	842	2,165	(66)
Net increase (decrease) in cash and cash equivalents	(19,121)	(2,188)	(1,875)	(1,205)
Cash and cash equivalents, beginning of year	70,734	17,545	31,941	4,291
Cash and cash equivalents, end of year	\$ 51,613	\$ 15,357	\$ 30,066	\$ 3,086
Reconciliation of cash and cash equivalents to the Statement of Net Assets:				
Cash and investments held by City	\$ 51,612	\$ 15,357	\$ 29,158	\$ -
Cash and investments held by fiscal agent	1	-	-	-
Restricted cash and investments held by City	-	-	143	3,086
Restricted cash and investments held by fiscal agent	-	-	765	-
Total cash and cash equivalents, end of year	\$ 51,613	\$ 15,357	\$ 30,066	\$ 3,086

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

**City of Sacramento**  
**Statement of Cash Flows**  
**Proprietary Funds**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,514	\$ 26,016	\$ 182,674	\$ 103,105
Payments to suppliers	(5,152)	(9,669)	(72,886)	(72,449)
Payments to employees	(5,666)	(8,871)	(72,943)	(9,616)
Claims paid	-	-	-	(9,534)
Net cash provided by (used for) operating activities	(3,304)	7,476	36,845	11,506
Cash flows from noncapital financing activities:				
Transient occupancy taxes	16,751	-	16,751	-
Revenue from other agencies	-	-	833	-
Transfers in from other funds	1,726	2	1,754	-
Transfers out to other funds	(1,522)	(2,246)	(20,780)	(242)
Proceeds from interfund borrowing	-	-	2,880	-
Collections of interfund borrowing	-	-	9	-
Loans to other funds	-	-	-	(17,285)
Interfund loan repayment	(403)	-	(403)	-
Intergovernmental revenue received	-	589	589	-
Net cash provided by (used for) noncapital financing activities	16,552	(1,655)	1,633	(17,527)
Cash flows from capital and related financing activities:				
Proceeds from issuance of debt	-	-	188	1
Payments for costs of issuance	-	-	(188)	(1)
Acquisition and construction of capital assets	(595)	(1,237)	(25,051)	(6,517)
Payment to refunded bond escrow	-	-	(13,228)	-
Proceeds from sale of capital assets	-	-	-	265
Principal payments on capital debt	(5,482)	(1,123)	(12,838)	(228)
Interest payments on capital debt	(4,894)	(2,320)	(18,780)	(245)
Transfers in from other funds	-	-	40	466
Capital contributions	-	-	5,460	3,672
Loan Repayments	6	-	501	-
Net cash used for capital and related financing activities	(10,965)	(4,680)	(63,896)	(2,587)
Cash flows from investing activities:				
Collection of interest	968	1,088	6,780	4,001
Net unrealized investments gains	30	-	760	-
Change in securities lending obligation	-	-	(1,001)	3,314
Net cash provided by (used for) investing activities	998	1,088	6,539	7,315
Net increase (decrease) in cash and cash equivalents	3,281	2,229	(18,879)	(1,293)
Cash and cash equivalents, beginning of year	19,018	21,919	165,448	40,991
Cash and cash equivalents, end of year	\$ 22,299	\$ 24,148	\$ 146,569	\$ 39,698
Reconciliation of cash and cash equivalents to the Statement of Net Assets:				
Cash and investments held by City	\$ 10,277	\$ 21,562	\$ 127,966	\$ 39,579
Cash and investments held by fiscal agent	2,118	-	2,119	119
Restricted cash and investments held by City	100	795	4,124	-
Restricted cash and investments held by fiscal agent	9,804	1,791	12,360	-
Total cash and cash equivalents, end of year	\$ 22,299	\$ 24,148	\$ 146,569	\$ 39,698

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

(continued)

**City of Sacramento**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 8,553	\$ 1,685	\$ (2,935)	\$ 2,755
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	12,819	3,605	9,935	1,959
Changes in assets and liabilities:				
Accounts receivable	(2,227)	(953)	(760)	(1,890)
Intergovernmental receivables	(73)	(47)	14	(50)
Inventories	324	15	(16)	-
Prepaid items	-	-	1	-
Accounts payable and accrued expenses	202	602	(369)	235
Accrued compensated absences	22	10	64	128
Accrued claims	-	-	-	-
Liability for landfill closure	-	-	-	(760)
Deposits	-	-	-	-
Deferred revenue	-	-	-	(175)
Net cash provided by (used for) operating activities	<u>\$ 19,620</u>	<u>\$ 4,917</u>	<u>\$ 5,934</u>	<u>\$ 2,202</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 2,665	\$ 118	\$ 6,099	\$ -
Proceeds from issuance of debt	105,728	-	-	-
Premium from issuance of debt	16,833	-	-	-
Payment to refunded bond escrow	(121,245)	-	-	-
Change in deferred charges due to refunding	(316)	-	-	-
Payment for cost of issuance	(1,316)	-	-	-
Amortization of bond premium, discount and loss on refunding	(209)	-	113	64
Amortization of deferred charges	119	-	4	27
Issuance of notes receivable for capital contributions	1,957	-	-	-
Increase in accounts receivable for capital contributions	3,718	-	-	-
Securities Lending interest revenue	484	-	271	-
Securities Lending interest expense	(484)	-	(271)	-

(continued)

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

**City of Sacramento**  
**Statement of Cash Flows**  
**Proprietary Funds**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,119)	\$ 4,920	\$ 8,859	\$ 11,340
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	2,616	2,452	33,386	8,591
Changes in assets and liabilities:				
Accounts receivable	18	(183)	(5,995)	(152)
Intergovernmental receivables	-	-	(156)	-
Inventories	-	-	323	(191)
Prepaid items	-	(112)	(111)	(5,486)
Accounts payable and accrued expenses	14	73	757	1,978
Accrued compensated absences	18	37	279	123
Accrued claims	-	-	-	(4,721)
Liability for landfill closure	-	-	(760)	-
Deposits	-	(25)	(25)	-
Deferred revenue	149	314	288	24
Net cash provided by (used for) operating activities	\$ (3,304)	\$ 7,476	\$ 36,845	\$ 11,506
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ 8,882	\$ 265
Proceeds from issuance of debt	-	-	105,728	532
Premium from issuance of debt	-	-	16,833	84
Payment to refunded bond escrow	-	-	(121,245)	(610)
Change in deferred charges due to refunding	-	-	(316)	(8)
Payment for cost of issuance	-	-	(1,316)	(8)
Amortization of bond premium, discount and loss on refunding	883	300	1,151	(10)
Amortization of deferred charges	132	(25)	257	3
Issuance of notes receivable for capital contributions	-	-	1,957	-
Increase in accounts receivable for capital contributions	-	-	3,718	479
Securities Lending interest revenue	-	-	755	(479)
Securities Lending interest expense	-	-	(755)	-

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

**City of Sacramento**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**

June 30, 2007  
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Agency Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 104,453	\$ 433,147	\$ 22,556
Cash and investments held by fiscal agent	-	-	23,918
Receivables, net:			
Accounts	33	-	-
Investment securities sold	4,127	-	-
Interest	1,919	3,538	98
Total receivables	<u>6,079</u>	<u>3,538</u>	<u>98</u>
Investments, at fair value:			
U.S. government obligations	60,819	-	-
Corporate bonds	58,164	-	-
Equity securities	146,599	-	-
Exchange traded funds	49,379	-	-
Municipal bonds	2,472	-	-
Mortgage loans	30,786	-	-
Total investments	<u>348,219</u>	<u>-</u>	<u>-</u>
Total assets	<u>458,751</u>	<u>436,685</u>	<u>\$ 46,572</u>
<b><u>LIABILITIES</u></b>			
Securities lending obligations	69,436	63,404	-
Accounts payable	496	-	-
Payable for investment securities purchased	10,906	-	-
Due to bondholders	-	-	46,572
Total liabilities	<u>80,838</u>	<u>63,404</u>	<u>\$ 46,572</u>
<b><u>NET ASSETS</u></b>			
Held in trust for pension benefits and other purposes	<u>\$ 377,913</u>	<u>\$ 373,281</u>	

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

**City of Sacramento**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	<u>Pension Trust Fund</u>	<u>Investment Trust Funds</u>
Additions:		
Contributions:		
Employees	\$ 699	\$ -
Investment earnings:		
Net appreciation in fair value of investments	27,674	5,036
Interest	15,328	14,495
Dividends	4,553	76
Total investment earnings	<u>47,555</u>	<u>19,607</u>
Less investment expenses:		
Banking, interest, and fiscal agent expenses	4,338	139
Professional services	1,310	-
Net investment expenses	<u>5,648</u>	<u>139</u>
Net investment income	<u>41,907</u>	<u>19,468</u>
Deposits	-	1,754,912
Total additions	<u>42,606</u>	<u>1,774,380</u>
Deductions:		
Benefits	29,270	-
Withdrawals	334	1,767,945
Total deductions	<u>29,604</u>	<u>1,767,945</u>
Change in net assets	13,002	6,435
Net assets, beginning of year	<u>364,911</u>	<u>366,846</u>
Net assets, end of year	<u>\$ 377,913</u>	<u>\$ 373,281</u>

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Combining Statement of Net Assets**  
**Component Units**  
June 30, 2007  
(in thousands)

	<u>Business-type Activities</u>		<u>Total Component Units</u>
	<u>Sacramento Hotel Corporation</u>	<u>Sacramento Regional Arts Facilities Financing Authority</u>	
<b><u>ASSETS</u></b>			
Cash and investments	\$ 271	\$ -	\$ 271
Receivables, net	2,628	14,278	16,906
Inventories	117	-	117
Prepaid items	405	-	405
Restricted cash and investments	27,945	1,126	29,071
Deferred charges	2,567	620	3,187
Land and other capital assets not being depreciated	4,979	-	4,979
Other capital assets, net of depreciation	63,675	-	63,675
Total assets	<u>102,587</u>	<u>16,024</u>	<u>118,611</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	8,333	178	8,511
Deferred revenue	4	-	4
Noncurrent liabilities:			
Due within one year	3,940	340	4,280
Due in more than one year	97,084	15,111	112,195
Total liabilities	<u>109,361</u>	<u>15,629</u>	<u>124,990</u>
<b><u>NET ASSETS (DEFICIT)</u></b>			
Invested in capital assets, net of related debt	(20,617)	-	(20,617)
Restricted for:			
Debt service	5,680	395	6,075
Other	9,873	-	9,873
Unrestricted	(1,710)	-	(1,710)
Total net assets (deficit)	<u>\$ (6,774)</u>	<u>\$ 395</u>	<u>\$ (6,379)</u>

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

**City of Sacramento**  
**Combining Statement of Activities**  
**Component Units**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Business-type Activities:</b>					
Sacramento Hotel Corporation					
Hotel operations	\$ 35,847	\$ 36,618	\$ -	\$ -	\$ 771
Sacramento Regional Arts Facilities Financing Authority					
Arts facilities financing	745	-	-	-	(745)
Total component units	<u>\$ 36,592</u>	<u>\$ 36,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26</u>

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

**City of Sacramento**  
**Combining Statement of Activities**  
**Component Units**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Sacramento Hotel Corporation	Sacramento Regional Arts Facilities Financing Authority	Total Component Units
Change in net assets:			
Net revenue (expense)	\$ 771	\$ (745)	\$ 26
General revenues:			
Investment earnings	<u>1,094</u>	<u>765</u>	<u>1,859</u>
Change in net assets	1,865	20	1,885
Net assets (deficit), beginning of year	<u>(8,639)</u>	<u>375</u>	<u>(8,264)</u>
Net assets (deficit), end of year	<u>\$ (6,774)</u>	<u>\$ 395</u>	<u>\$ (6,379)</u>

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**DEFINITION OF REPORTING ENTITY**

The City of Sacramento (City) was incorporated in 1849 under the laws of the State of California. Sacramento is a charter city and operates under a City Council – City Manager form of government. The City provides a full range of municipal services including police, fire, water, sewer, storm drainage, solid waste, construction and maintenance of streets, planning and zoning, code enforcement, parks, recreation programs, and cultural activities.

These basic financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Component unit financial statements may be obtained from the City's Department of Finance.

**Blended component units**

Although the following component units are legally separate from the City, they are reported on a blended basis as part of the primary government because their boards are comprised of all City Council members or they provide services exclusively to the City.

Sacramento City Employees' Retirement System (SCERS) - a single employer pension plan sponsored and administered by the City for City employees, except public safety employees, hired before January 29, 1977 and public safety employees who retired with SCERS benefits before December 30, 1989. Under provisions of the City Charter, SCERS is managed by the Administration, Investment and Fiscal Management Board (the Board), consisting of the City Manager, City Director of Finance, City Treasurer and two residents of the City appointed by the City Council. Duties of the Board include the adoption of investment standards for SCERS, the establishment of contribution rates, the administration and investment of funds, the selection of investment advisors, the crediting of interest and any action relating to the fiscal management of SCERS.

Sacramento City Financing Authority (SCFA) - a joint exercise of powers entity created by the City and the Sacramento City Redevelopment Agency for the purpose of acting as a nominal lessor for City financing. The SCFA is administered by a governing board consisting of the members of the City Council.

**Discretely presented component units**

The following component units are reported in a separate column in the government-wide financial statements to emphasize their legal separation from the City.

Sacramento Hotel Corporation (Hotel) – a nonprofit public benefit corporation established to facilitate the financing, development, construction, and operation of a full-service hotel in downtown Sacramento to support business expansion of the City's Convention Center. City Council appoints the board of directors, approves the annual budget, and approves amendments to the articles of incorporation and bylaws. Upon future dissolution, any remaining assets revert to the City. The Hotel is presented as a business-type activity in the component units column of the government-wide statements.

Sacramento Regional Arts Facilities Financing Authority (SRAFFA) - a joint powers agency between the City and County of Sacramento (County) created for the purpose of financing the expansion of the theater complex located on H Street. The authority is governed by a board of five directors whose members are three designees of the City Council and two designees of the County Board of Supervisors. The members of the board serve at the pleasure of their respective legislative bodies and may be removed at will. Upon future dissolution, any remaining assets revert to the City and County of Sacramento in such manner as determined by the board. The SRAFFA is presented as a business-type activity in the component units column of the government-wide statements.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

**New Pronouncements**

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following GASB Statements:

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other post-employment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Application of this statement is effective for the City's fiscal year ending June 30, 2008.

In November 2006, the GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This Statement establishes accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Statement establishes that once any of five specified obligating events occur, a government is required to estimate the components of the expected pollution remediation outlays and determine whether the outlays for those components should be recorded as a liability or, if appropriate, capitalized when goods and services are acquired. Application of this statement is effective for the City's fiscal year ending June 30, 2009.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are allocated to expenses and capital assets of governmental and business-type activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a general rule the effect of interfund activity has been removed from the government-wide financial statements. Internal service fund activity has been eliminated from the statement of activities. The effect of interfund services provided and used between functions, such as the sale of water from the Water Fund to the General Fund, has not been eliminated in the statement of activities. The City's payments in lieu of taxes from its enterprise funds to the General Fund are reported as interfund transfers.

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary trust fund financial statements. Agency funds, included in the fiduciary fund financial statements, are also reported using the accrual basis of accounting, however they are not reported using a measurement focus because only assets and liabilities are presented. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenue, special assessments, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The General Fund Projects Fund accounts for the General Fund capital improvement program and other General Fund community infrastructure projects.

The Capital Grants Fund is used to account for capital improvement program projects that are funded by parties outside of the City.

The Financing Plans Fund is used to account for the construction of public infrastructure funded by fee districts and finance plans. The Financing Plans Fund projects include the North Natomas Financing Plan, the Richards Railyard/Downtown Development District, the Jacinto Creek Planning Area and the City-wide Park Development Impact Fee program.

The 1997 Lease Revenue Bond Fund accounts for the loan receivable, debt service activities and related transactions concerning the acquisition and lease back of Arco Arena.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Transportation and Development Fund accounts for the receipts and disbursements of taxes, fees and fines which are used to construct and maintain streets, bridges, bikeways, traffic safety and community development.

The City reports the following major enterprise funds:

The Water Fund accounts for the operation and maintenance of the City's water treatment and water transmission and distribution systems.

The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

The Storm Drainage Fund accounts for the operation and maintenance of the City's surface drainage system.

The Solid Waste Fund accounts for the collection and disposal of refuse throughout the City and for landfill closure.

The Community Center Fund accounts for the operation and maintenance of the City's Community Center, including the theater and exhibit halls.

Additionally, the City reports the following fund types:

Internal service funds account for the financing of fleet and risk management services to other departments on a cost reimbursement basis.

The Pension Trust Fund accounts for the assets held on behalf of the Sacramento City Employees' Retirement System (SCERS) for pension benefit payments to qualified employees.

Investment trust funds account for the net assets held on behalf of investors, in the City's investment pool and individual accounts, who are not part of the City's financial reporting entity.

Agency funds account for assets held by the City as an agent for bonded assessment districts.

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 City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, including fees, fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Program revenues also include earnings on investments that are legally restricted for a specific program. Internally dedicated resources are reported as general revenues rather than as program revenue. 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 operations. The principal operating revenues of the City's enterprise funds and 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Budgetary Data**

The City Manager submits a proposed budget to the City Council no later than 60 days prior to the commencement of the fiscal year. The City Council holds public hearings, modifies the City Manager's recommendations, and adopts a final budget in June. The budget adoption resolution specifies that budgets will be controlled at the department level (e.g., police, fire, transportation, etc.) by fund.

Annual budgets are adopted for the General Fund, the Transportation and Development Fund, the Culture and Leisure Fund, the Parks and Recreation Fund, the Special Districts Fund, and the Cal EPA Fund. Annual budgets are also adopted for the enterprise and internal service funds, although they are not legally required. Multi-year project budgets are adopted for the General Fund, capital projects funds and the Grants special revenue fund where appropriations remain authorized for each project until closed, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders and executory contracts are treated as expenditures in the year of commitment. Budgets are modified throughout the year when the tax base changes, fees are modified, new revenue sources are identified, or programs are changed. The City Manager is authorized to administratively amend the budget during the year for transactions up to \$100,000 without City Council approval. All other appropriation adjustments during the year require City Council approval. Significant appropriation adjustments were not required during the year ended June 30, 2007. Unencumbered annual budget appropriations lapse at fiscal year-end. Multi-year budget appropriations are automatically carried over into the next fiscal year.

**Financial Statement Elements**

**Investments** - City investments are recorded at fair value, except guaranteed investment contracts and real estate mortgages, which are recorded at cost. The estimated fair value of all investments is the quoted market price. Certain bond covenants require that interest earned on assessment district construction proceeds, which are reported in other governmental funds, be credited to reserve accounts, which are reported in Agency funds. Interest earned on all other cash and investments is credited to the fund which holds the investment.

**Property Taxes** - Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

Property taxes are levied annually by the Sacramento County Assessor on July 1 and become a lien on property on January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan". The State Revenue and Taxation Code allows counties to distribute secured real property, assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and related penalties and interest during a fiscal year will revert to Sacramento County. The Teeter Plan payment, which includes 95% of the outstanding accumulated delinquency, is included in property tax revenue. Under the Teeter Plan code, 5% of the delinquency must remain with the County as a reserve for Teeter Plan funding.

**Receivables and payables** – Property, sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Federal and State grants are considered receivable and accrued as revenue when all eligibility requirements have been met under the accrual basis of accounting in the government-wide statement of net assets. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available.

Long-term loans receivable reported in the governmental fund statements are recorded with offsetting deferred revenue or reservation of fund balance because the resources are not available for appropriation. Long-term loans receivable reported in the proprietary fund statements, as well as long-term loans reported in the government-wide statements, are not offset by deferred revenue. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 to other funds, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds to indicate that they do not constitute resources available for appropriation.

**Inventories and prepaid items** - Inventories in the proprietary funds are stated at the lower of average cost or market and consist of expendable materials and supplies.

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

Inventories and prepaid items, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds to indicate that they do not constitute resources available for appropriation.

**Restricted Assets** - Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net assets and balance sheets because their use is limited by applicable bond covenants. In addition, funds have been restricted for replacement of assets and tenant security deposits.

**Capital Assets** – Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at the lower of actual historical cost or fair market value (as of the date donated for contributed assets) although for certain older assets estimated historical costs are used.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	Primarily 15 to 70 years
Transmission and distribution systems	Primarily 15 to 100 years
Machinery, vehicles and equipment	Primarily 5 to 30 years
Roadway network	Primarily 20 to 70 years
Street light network	Primarily 40 to 50 years
Parks and park improvements	Primarily 30 years

It is the policy of the City to capitalize all land, buildings and improvements, equipment and infrastructure assets, except assets costing less than \$20,000, unless a federal funding source was utilized. All capital assets financed by a federal funding source are capitalized, unless the cost of the asset was less than \$5,000. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

The Crocker Art Museum's collection of works of art, held in trust by the City, has not been reported in these financial statements. The City has elected not to report the collection because it meets the three criteria for waiving capitalization: the collection is held for reasons other than financial gain; the collection is protected, kept unencumbered, cared for, and preserved; and the collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for the collection.

**Compensated Absences** - Employees accrue vacation, sick, holiday and compensatory time off benefits. An employee may accumulate vacation time equal to the amount which can be earned in a two-year period. Sick pay vests and may be accumulated until retirement. An employee with sixty or more days of accumulated sick leave at the end of a calendar year may elect to receive a 25% payment of any unused sick leave earned in the previous year. The amount of sick leave paid is deducted from the employee's total accumulation. Upon retirement, employees with a minimum of 20 years of city service, excluding SCERS employees, have the option of converting their sick leave accumulation into PERS service credit hours, or receiving a cash payment of one-third of the vested accumulated sick leave. Employees who leave the City and are not retiring forfeit any remaining sick leave.

All vacation pay is accrued when earned in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Deferred Revenue** - Deferred revenue in governmental funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

**Long-term Obligations** - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses on debt refunding are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt using the straight-line method. Bonds payable are reported net of bond premium or discount and net of gains and losses on debt refunding. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

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.

**Encumbrances** - Encumbrance accounting is used during the year for budgetary control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather, a reservation of fund balance. The City honors contracts represented by year-end encumbrances and the appropriations carried over provide authority to complete these transactions in future years.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

purpose. Designations of fund balance represent tentative plans by City management for future use of financial resources.

**Fiscal Years** - The fiscal year of the City begins on July 1 and ends on June 30. The fiscal year of the Hotel begins on January 1 and ends on December 31. The December 31, 2006 financial statements of the Hotel are included in this report.

**Statement of Cash Flows** - For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2007 (in thousands):

	Government-wide Statement of Net Assets		Fiduciary Funds Statement of Net Assets	Total
	Primary Government	Component Units		
Cash and investments	\$ 639,429	\$ 271	\$ 932,293	\$ 1,571,993
Restricted cash and investments	207,772	29,071	-	236,843
<b>Total</b>	<b>\$ 847,201</b>	<b>\$ 29,342</b>	<b>\$ 932,293</b>	<b>\$ 1,808,836</b>

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2007-282, has delegated its investment authority to the City Treasurer. The City Treasurer manages the City's investments in accordance with the City's Investment Policy, which was last reaffirmed by the City Council on May 15, 2007. The City's investment policy requires compliance with the California Government Code for investments of public funds. The City's investment policy also provides limits on rate anticipation, arbitrage and other swap investments. As of June 30, 2007, the City was not in compliance with the City's investment policy or with the California Government Code for investments of public funds. The City held a U.S. agency security in the amount of \$13,118,000 with maturity beyond five years. This security was subsequently sold on July 26, 2007.

SCERS pension trust fund investments are managed pursuant to investment standards adopted by the SCERS Administration, Investment and Fiscal Management Board. Investments of other trust funds are managed pursuant to City Council ordinances and authority granted by various boards and commissions.

The table below identifies the investment types that are authorized for public funds of the City by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
Local Agency Bonds	5 years	None	None	None
US Treasury Obligations	5 years	None	None	None
US Agency Securities	5 years	None	None	None
Bankers Acceptance	180 days	40%	30%	None
Commercial Paper	270 days	25%	10%	A1/P1
Negotiable Certificates of Deposit	5 years	40%	None	None
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase and Securities Lending agreements	92 days	20% of base value	None	None
Medium Term Notes	5 years	30%	None	A
Mutual Funds	N/A	20%	10%	None
Money Market Mutual Funds	N/A	20%	10%	None
Collateralized Bank Deposits	5 years	None	None	None
Mortgage Pass-through Securities	5 years	20%	None	AA
Time Deposits	5 years	None	None	None
County Pooled Investment	N/A	None	None	None
Local Agency Investment Fund	N/A	None	None	None

The table above does not address investments of debt proceeds held by bond trustee that are governed by provisions of City debt agreements, or investments held by the SCERS pension trust fund or other trust funds.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Interest Rate Risk**

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. The remaining maturity of the City's investments included in the table below is based on the stated maturity dates of the individual investments. Investments in equities, or in debt securities with remaining maturities longer than five years, are held by the SCERS pension trust fund, other trust funds, or by bond trustees pursuant to debt agreements.

The City's investments by maturities as of June 30, 2007 are as follows (in thousands):

Investment Type	No Maturity	Remaining Maturity in Years			Fair Value
		Under 1	1-5	Over 5	
Asset backed securities	\$ -	\$ 16,260	\$ 20,104	\$ -	\$ 36,364
Bank notes	-	9,055	28,181	-	37,236
Negotiable certificates of deposit	-	173,323	45,588	-	218,911
Commercial paper	-	89,462	-	-	89,462
Corporate bonds	-	62,717	126,992	15,613	205,322
Deposits	652	-	-	-	652
Equities	154,078	-	-	-	154,078
Exchange traded funds	50,255	-	-	-	50,255
Guaranteed investment contracts	-	-	-	15,763	15,763
Local Agency Investment Fund	-	62,740	-	-	62,740
Mortgage loans	-	-	21,979	8,807	30,786
Municipal bonds	-	-	-	2,472	2,472
Mutual funds	-	16,509	-	-	16,509
Repurchase agreement	-	46,819	-	-	46,819
U. S. agencies	-	361,475	168,753	36,473	566,701
U.S. Treasury securities – State and local government series	-	175	5,750	-	5,925
U.S. Treasury bills	-	1,979	-	-	1,979
U.S. Treasury bonds	-	-	-	236	236
U.S. Treasury notes	-	129,274	102,244	5,766	237,284
	<u>\$ 204,985</u>	<u>\$ 969,788</u>	<u>\$ 519,591</u>	<u>\$ 85,130</u>	<u>1,779,494</u>
Component Unit - SRAFFA					
U.S. agencies	\$ -	\$ -	\$ 992	\$ -	992
Money market mutual fund	-	134	-	-	134
	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 992</u>	<u>\$ -</u>	<u>1,126</u>
Component Unit - Hotel					
Guaranteed investment contracts	\$ -	\$ -	\$ -	\$ 9,187	9,187
Deposits	875	-	-	-	875
Money market mutual fund	-	18,154	-	-	18,154
	<u>\$ 875</u>	<u>\$ 18,154</u>	<u>\$ -</u>	<u>\$ 9,187</u>	<u>28,216</u>
Total Cash and Investments					<u>\$ 1,808,836</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

Investments in variable rate securities are investments with terms that provide for the adjustment of interest rates on specified dates (such as the last day of a month or calendar quarter) based on predefined mathematical formulas using benchmark indices (such as CPI or LIBOR). The fair value of such investments can reasonably be expected to be affected at each interest rate reset date.

Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. As a result, the fair value of the callable bonds is highly sensitive to changes in interest rates.

The City's investments, including those held by bond trustees, that are highly sensitive to interest rate fluctuations are as follows (in thousands):

	<u>Fair Value</u>
Bank of America Corporation Sub Internotes securities that have a maturity of 11/15/2015 and are callable monthly from 7/15/2007.	\$1,907
Caterpillar Financial Services Corp securities that have a maturity of 11/15/2015 and are callable semi-annually from 11/15/2007.	1,933
Federal Farm Credit Bank securities that have a maturity of 12/28/2009 and are callable continuously from 12/28/2006.	9,959
Federal Home Loan Bank securities that have a maturity of 11/23/2007 and are callable monthly from 7/23/2007.	4,992
Federal Home Loan Bank securities that have a maturity of 10/16/2009 and are callable on 10/16/2008.	5,964
Federal Home Loan Bank securities that have a maturity of 2/25/2010 and are callable quarterly from 8/25/2007.	4,958
Federal Home Loan Bank securities that have a maturity of 3/1/2012 and are callable quarterly from 9/1/2007.	5,974
Federal Home Loan Bank securities that have a maturity of 5/30/2012 and are callable continuously from 11/30/2007.	9,587
Federal Home Loan Bank securities that have a maturity of 6/30/2010 and are callable quarterly from 9/30/2007.	7,053
Federal Home Loan Bank securities that have a maturity of 5/30/2012 and are callable continuously from 11/30/2007.	3,974
Federal Home Loan Bank securities that have a maturity of 6/11/2010 and are callable on 6/11/2008.	5,200

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

	<u>Fair Value</u>
Federal Home Loan Bank securities that have a maturity of 2/1/2012 and are callable continuously from 8/01/2007.	\$4,977
Federal Home Loan Bank securities that have a maturity of 3/9/2012 and are callable monthly from 7/9/2007.	4,983
Federal Home Loan Bank securities that have a maturity of 5/17/2012 and are callable quarterly from 8/17/2007.	6,978
Federal Home Loan Bank securities that have a maturity of 5/21/2012 and are callable quarterly from 11/21/2007.	2,986
Federal Home Loan Mortgage Company securities that have a maturity of 4/16/2012 and are callable quarterly from 4/16/2008.	22,958
Federal Home Loan Mortgage Company securities that have a maturity of 6/21/2012 and are callable continuously from 9/21/2007.	17,991
Federal Home Loan Mortgage Company securities that have a maturity of 8/24/2010 and are callable on 8/24/2007.	1,980
Federal National Mortgage Association securities that have a maturity of 3/15/2010 and are callable quarterly from 9/15/2007.	9,990
Federal National Mortgage Association securities that have a maturity of 10/20/2011 and are callable continuously.	5,541
Federal National Mortgage Association securities that have a maturity of 6/28/2011 and are callable continuously from 6/28/2007.	1,993
General Electric Capital Corporation securities that have a maturity of 11/15/2011 and are callable semi-annually from 11/15/2008.	7,938
Sacramento City Financing Authority securities that have a maturity of 12/1/2016 and are callable on 12/1/2015.	682
Sacramento City Financing Authority securities that have a maturity of 12/1/2025 and are callable annually from 12/1/2006.	1,789
Toyota Motor Credit Corporation securities that have a maturity of 1/11/2011 and are callable semi-annually from 1/11/2008.	6,923
Toyota Motor Credit Corporation securities that have a maturity of 3/24/2011 and are callable on 3/24/2008.	7,947

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2007, the City's deposits and investments (in thousands), and corresponding credit ratings, are as follows:

Investment Type	S & P	Moody's	Fair Value
Asset backed securities	AAA	Aaa	\$ 36,364
Bank notes	A	A	5,060
	A	Aa	7,063
	A1	P1	9,055
	AA	Aa	9,042
	AAA	Aaa	7,016
Negotiable certificates of deposit	A	Aa	8,022
	A1	P1	182,848
	AA	Aa	28,041
Commercial paper	A1	P1	89,462
Corporate bonds	A	A	27,534
	A	Aa	19,243
	A1	P1	19,171
	AA	Aa	68,028
	AA	Aaa	9,917
	AAA	Aaa	56,799
	B	B	4,568
	BBB	Baa	62
Deposits	not rated	not rated	652
Equities (exempt from disclosure)	N/A	N/A	154,078
Exchange traded funds (exempt from disclosure)	N/A	N/A	50,255
Guaranteed investment contracts	not rated	not rated	15,763
Local Agency Investment Fund (LAIF)	not rated	not rated	62,740
Mortgage loans	not rated	not rated	30,786
Municipal bonds	AAA	Aaa	2,472
Mutual funds	AAA	Aaa	16,200
	not rated	not rated	309
Repurchase agreements	N/A	N/A	46,819
U.S. agencies	AAA	Aaa	551,400
	N/A	N/A	15,301
U.S. Treasury securities - state and local government series (exempt from disclosure)	N/A	N/A	5,925
U.S. Treasury bills (exempt from disclosure)	N/A	N/A	1,979
U.S. Treasury bonds (exempt from disclosure)	N/A	N/A	236
U.S. Treasury notes (exempt from disclosure)	N/A	N/A	237,284
Total primary government			1,779,494
Component Unit - SRAFFA			
U. S. agencies	AAA	Aaa	992

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Investment Type	S & P	Moody's	Fair Value
Money market mutual fund	AAA	Aaa	\$ 34
			1,126
<b>Component Unit - Hotel</b>			
Guaranteed investment contracts	not rated	not rated	9,187
Deposits	not rated	not rated	875
Money market mutual fund	AAA	AAA	18,154
			28,216
Total Cash and Investments			\$ 1,808,836

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total investments at June 30, 2007, were U.S. agency securities issued by (in thousands):

Federal Home Loan Bank	\$225,855
Federal National Mortgage Association	\$145,292
Federal Home Loan Mortgage Corporation	\$165,351

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total investments by reporting unit are as follows (in thousands):

SRAFFA invested \$992 in Federal Home Loan Mortgage Corporation securities.

The Hotel invested \$9,187 in a guaranteed investment contract issued by Westdeutsche Landesbank Girozentrale, that matures on 1/1/2030.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's financial institutions also have insurance through the Federal Depository Insurance Corporation (FDIC). The City's investment policy has no additional provisions for limiting custodial credit risk for deposits. At December 31, 2006, the Hotel had \$775,000 of deposits that were uninsured and uncollateralized and thus subject to custodial credit risk.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy have provisions that limit custodial credit risk for investments. Investments loaned for securities lending are limited to 20% of the City's portfolio. Banker's acceptance securities are limited to 40% of the City's portfolio.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

As of June 30, 2007, investments were held by the same broker-dealer (counterparty) that was used by the City to purchase the securities (in thousands):

\$253,477 Investments purchased with cash collateral from securities lending transactions

**Securities Lending**

The City engages in securities lending transactions, whereby the City has authorized its custodial bank to loan its securities to approved counterparties for collateral (cash or securities) with a simultaneous agreement to return the collateral for the same securities in the future. Such loans are short-term and the City retains the right to sell, without penalty, the original securities in which it has invested. The City's arrangement with the bank requires the bank to indemnify the City for failure of any counterparty to return the securities loaned. The City's investment policy permits securities loans up to 20% of the fair value of the City's portfolio.

Borrowers delivered collateral equal to at least 102% of the market value of the loaned securities. All loans are marked to market daily and if the value of the collateral falls below the minimum margin in aggregate for a borrower, the borrower must either increase the collateral or terminate the loans. There have been no losses as a result of a default. As of June 30, 2007, the weighted average maturity of the securities on loan was 310 days and the weighted average maturity of the investments purchased with cash collateral was 404 days. At year-end, the City has no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City.

The securities loaned were U.S. government securities, corporate bonds, and equities. The types of collateral accepted are cash, U.S. government securities and letters of credit. The City cannot pledge or sell collateral securities without a borrower default.

The City lent securities totaling \$245,788,000 and received cash collateral of \$252,650,000. The fair value of securities purchased with cash collateral as of June 30, 2007 is as follows (in thousands):

<u>Securities Lending Investments</u>	<u>Fair Value</u>
Asset backed securities	\$ 36,364
Bank notes	37,236
Certificates of deposit	69,229
Corporate bonds	66,062
Repurchase agreements	44,586
	<u>\$ 253,477</u>

**City Sponsored Investment Pool**

As part of the City's total cash and investments portfolio, the City Treasurer manages an investment pool, which includes both internal and external investors. The pool is not registered with the Securities and Exchange Commission as an investment company. The City Treasurer is granted authority for managing the pool by City Charter Section 73 and City Council ordinances and resolutions. Quarterly, the City Treasurer reports investment activity and submits the investment policy to the Council for review and approval.

The fair value of investments is determined monthly. Participants' shares sold and redeemed are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day to day operations but is adjusted to the fair value at year-end. The investments are reported at fair value. The value of the shares is supported by the value of the underlying investments. External participants, including various joint powers agencies, comprise 9.52% of pool participation.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The following represents a condensed statement of net assets and changes in net assets for the City Sponsored Investment Pool as of June 30, 2007 (in thousands):

**Statement of Net Assets:**

Net assets held in trust for all pool participants	<u>\$823,066</u>
Equity of internal pool participants	\$744,693
Equity of external pool participants	<u>78,373</u>
Total equity	<u>\$823,066</u>

**Statement of Changes in Net Assets:**

Net assets at July 1, 2006	\$810,823
Net change in investments by pool participants	<u>12,243</u>
Net assets at June 30, 2007	<u>\$823,066</u>

A summary of the investment classifications as of June 30, 2007 is as follows (in thousands):

	<u>Fair Value</u>	<u>Adjusted Cost</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
U.S. government and agency securities	\$ 525,683	\$ 527,667	2.62-6.00%	7/07-8/12
Commercial paper	89,462	89,508	5.13-5.30%	7/07-10/07
Corporate bonds	92,091	92,533	3.16-5.56%	7/07-5/12
Certificates of deposit	158,979	158,824	5.20-5.41%	7/07-1/10
Repurchase agreements	29,809	29,808	3.50-5.32%	7/07
Bank notes	19,593	19,470	5.32-5.43%	12/07-2/10
Asset backed securities	21,612	21,593	5.36-5.43%	7/07-12/08
Local Agency Investment Fund (LAIF)	24,450	24,450	5.25%	N/A
Mutual funds	19	19	4.68%	N/A
Deposits	<u>254</u>	<u>254</u>	N/A	N/A
Total cash and investments in City sponsored investment pool	<u>\$ 961,952</u>	<u>\$ 964,126</u>		

**Participation In External Investment Pools**

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute. The balance available for withdrawal is based on the accounting records maintained by the LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool. As of June 30, 2007, the City's investment in LAIF is \$62,739,914. The total amount invested by all public agencies in LAIF at that date is \$19.7 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2007 had a balance of \$65.8 billion. Of that amount, 96.53% is invested in non-derivative financial products, and 3.47% is invested in derivative financial products.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 3 - RECEIVABLES**

Receivables as of June 30, 2007, were as follows (in thousands):

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Inter- govern- mental</u>	<u>Interest</u>	<u>Total</u>
<b>Governmental activities</b>						
General Fund	\$ 22,958	\$ 9,398	\$ 1,349	\$ -	\$ 1,193	\$ 34,898
General Fund Projects Fund	-	-	-	-	1,132	1,132
Capital Grant Funds	-	-	-	29,625	-	29,625
Financing Plans Fund	-	20,157	-	-	1,205	21,362
1997 Lease Revenue Bond	-	-	70,930	-	393	71,323
Transportation and Development Fund	-	1,425	-	2,656	-	4,081
Other governmental funds	84	2,379	935	73,799	446	77,643
Internal service funds	-	472	-	-	421	893
	<u>\$ 23,042</u>	<u>\$ 33,831</u>	<u>\$ 73,214</u>	<u>\$ 106,080</u>	<u>\$ 4,790</u>	<u>\$ 240,957</u>
<b>Amounts not scheduled for collection during the subsequent year</b>						
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,930</u>	<u>\$ 59,023</u>	<u>\$ -</u>	<u>\$ 129,953</u>
<b>Business-type activities</b>						
Water Fund	\$ -	\$ 12,517	\$ 4,603	\$ 367	\$ 574	\$ 18,061
Sewer Fund	-	7,372	1,736	306	18	9,432
Storm Drainage Fund	-	6,096	5,207	182	301	11,786
Solid Waste Fund	-	9,287	-	433	-	9,720
Community Center Fund	2,543	139	39	-	117	2,838
Other enterprise funds	-	686	-	-	19	705
	<u>\$ 2,543</u>	<u>\$ 36,097</u>	<u>\$ 11,585</u>	<u>\$ 1,288</u>	<u>\$ 1,029</u>	<u>\$ 52,542</u>
<b>Component Units</b>						
Sacramento Hotel Corporation	\$ -	\$ 2,628	\$ -	\$ -	\$ -	\$ 2,628
Sacramento Regional Arts Facilities Financing Authority	-	-	14,278	-	-	14,278
	<u>\$ -</u>	<u>\$ 2,628</u>	<u>\$ 14,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,906</u>

Included in the above amounts are allowances for doubtful accounts of \$3.9 million.

Under the terms of a SRAFFA facility lease agreement, California Music Theater is obligated to make base rental payments in an amount equal to the debt service requirements of the certificates of participation.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 4 - CAPITAL ASSETS**

**Summary**

The following is a summary of capital assets as of June 30, 2007 (in thousands):

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units	Total
<b>Capital assets not being depreciated</b>					
Land and land improvements	\$ 158,382	\$ 46,376	\$ 204,758	\$ 4,954	\$ 209,712
Construction in progress	157,610	43,098	200,708	25	200,733
	<u>315,992</u>	<u>89,474</u>	<u>405,466</u>	<u>4,979</u>	<u>410,445</u>
<b>Depreciable capital assets</b>					
Buildings and improvements	500,492	276,953	777,445	72,133	849,578
Equipment	44,586	39,645	84,231	11,865	96,096
Vehicles	97,755	-	97,755	-	97,755
Transmission and distribution system	3,622	905,307	908,929	-	908,929
Roadway network	1,323,554	-	1,323,554	-	1,323,554
Streetlight network	144,080	-	144,080	-	144,080
Park improvements	64,477	-	64,477	-	64,477
	<u>2,178,566</u>	<u>1,221,905</u>	<u>3,400,471</u>	<u>83,998</u>	<u>3,484,469</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(131,654)	(93,933)	(225,587)	(13,781)	(239,368)
Equipment	(32,837)	(13,216)	(46,053)	(6,542)	(52,595)
Vehicles	(61,541)	-	(61,541)	-	(61,541)
Transmission and distribution system	(334)	(202,978)	(203,312)	-	(203,312)
Roadway network	(669,063)	-	(669,063)	-	(669,063)
Street light network	(42,154)	-	(42,154)	-	(42,154)
Park improvements	(5,618)	-	(5,618)	-	(5,618)
	<u>(943,201)</u>	<u>(310,127)</u>	<u>(1,253,328)</u>	<u>(20,323)</u>	<u>(1,273,651)</u>
Depreciable capital assets, net	<u>1,235,365</u>	<u>911,778</u>	<u>2,147,143</u>	<u>63,675</u>	<u>2,210,818</u>
Total capital assets, net	<u>\$ 1,551,357</u>	<u>\$ 1,001,252</u>	<u>\$ 2,552,609</u>	<u>\$ 68,654</u>	<u>\$ 2,621,263</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**Note 4 - CAPITAL ASSETS (Continued)**

**Governmental Activities:**

Governmental capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and land improvements	\$ 92,594	\$ 65,788	\$ -	\$ 158,382
Construction in progress	165,127	178,303	(185,820)	157,610
	<u>257,721</u>	<u>244,091</u>	<u>(185,820)</u>	<u>315,992</u>
Depreciable capital assets				
Buildings and improvements	456,579	43,913	-	500,492
Equipment	43,071	2,316	(801)	44,586
Vehicles	94,548	6,393	(3,186)	97,755
Transmission and distribution	3,622	-	-	3,622
Roadway network	1,270,682	88,424	(35,552)	1,323,554
Streetlight network	132,167	11,913	-	144,080
Park improvements	47,726	16,751	-	64,477
	<u>2,048,395</u>	<u>169,710</u>	<u>(39,539)</u>	<u>2,178,566</u>
Less accumulated depreciation for:				
Buildings and improvements	(119,080)	(12,574)	-	(131,654)
Equipment	(31,582)	(2,056)	801	(32,837)
Vehicles	(56,114)	(8,393)	2,966	(61,541)
Transmission and distribution	(286)	(48)	-	(334)
Roadway network	(652,961)	(51,653)	35,551	(669,063)
Streetlight network	(39,285)	(2,869)	-	(42,154)
Park improvements	(3,748)	(1,870)	-	(5,618)
	<u>(903,056)</u>	<u>(79,463)</u>	<u>39,318</u>	<u>(943,201)</u>
Depreciable capital assets, net	<u>1,145,339</u>	<u>90,247</u>	<u>(221)</u>	<u>1,235,365</u>
	<u>\$ 1,403,060</u>	<u>\$ 334,338</u>	<u>\$ (186,041)</u>	<u>\$ 1,551,357</u>

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

Governmental activities:

General government	\$ 3,094
Police	1,697
Fire	831
General services	3,471
Transportation	54,559
Economic development	60
Convention, culture & leisure	2,433
Parks and recreation	4,025
Development services	137
Library	565
Internal service fund capital assets charged to functions based on usage	<u>8,591</u>

Total governmental activities depreciation expense \$ 79,463

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

Note 4 - CAPITAL ASSETS (Continued)

**Business-type Activities:**

Business-type capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and land improvements	\$ 46,376	\$ -	\$ -	\$ 46,376
Construction in progress	26,033	31,339	(14,274)	43,098
	<u>72,409</u>	<u>31,339</u>	<u>(14,274)</u>	<u>89,474</u>
Depreciable capital assets				
Buildings and improvements	275,771	1,182	-	276,953
Equipment	39,403	242	-	39,645
Transmission and distribution system	889,863	15,444	-	905,307
	<u>1,205,037</u>	<u>16,868</u>	<u>-</u>	<u>1,221,905</u>
Less accumulated depreciation for:				
Buildings and improvements	(86,519)	(7,414)	-	(93,933)
Equipment	(10,045)	(3,171)	-	(13,216)
Transmission and distribution system	(180,177)	(22,801)	-	(202,978)
	<u>(276,741)</u>	<u>(33,386)</u>	<u>-</u>	<u>(310,127)</u>
Depreciable capital assets, net	<u>928,296</u>	<u>(16,518)</u>	<u>-</u>	<u>911,778</u>
Business-type activities capital assets, net	<u>\$ 1,000,705</u>	<u>\$ 14,821</u>	<u>\$ (14,274)</u>	<u>\$ 1,001,252</u>

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

Business-type activities:	
Water	\$ 12,819
Sewer	3,605
Storm Drainage	9,935
Solid Waste	1,959
Community Center	2,616
Parking	2,270
4th R	66
Marina	116
	<u>33,386</u>
Total business-type activities depreciation expense	<u>\$ 33,386</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**Note 4 - CAPITAL ASSETS (Continued)**

**Component Units**

Component unit capital asset activity for the year end June 30, 2007 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets not being depreciated</b>				
Land and land improvements	\$ 4,954	\$ -	\$ -	\$ 4,954
Construction in progress	-	25	-	25
	<u>4,954</u>	<u>25</u>	<u>-</u>	<u>4,979</u>
<b>Depreciable capital assets</b>				
Buildings and improvements	72,133	-	-	72,133
Equipment	11,865	-	-	11,865
	<u>83,998</u>	<u>-</u>	<u>-</u>	<u>83,998</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(11,345)	(2,436)	-	(13,781)
Equipment	(5,357)	(1,185)	-	(6,542)
	<u>(16,702)</u>	<u>(3,621)</u>	<u>-</u>	<u>(20,323)</u>
Depreciable capital assets, net	<u>67,296</u>	<u>(3,621)</u>	<u>-</u>	<u>63,675</u>
Component unit activities capital assets, net	<u>\$ 72,250</u>	<u>\$ (3,596)</u>	<u>\$ -</u>	<u>\$ 68,654</u>

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

Component Units:

Sacramento Hotel Corporation	\$ 3,621
Total component units depreciation expense	<u>\$ 3,621</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 5 - PAYABLES**

Payables as of June 30, 2007, were as follows (in thousands):

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Interest</u>	<u>Deposits</u>	<u>Total</u>
<b>Governmental activities</b>					
General Fund	\$ 12,785	\$ 17,968	\$ -	\$ 103	\$ 30,856
General Fund Projects Fund	1,394	-	-	-	1,394
Capital Grant Funds	2,749	-	-	631	3,380
Financing Plans Fund	543	-	-	-	543
Transportation and Development Fund	3,503	-	-	555	4,058
Other governmental funds	3,183	-	3,821	651	7,655
Internal service funds	3,945	593	14	-	4,552
<b>Total governmental activities</b>	<b><u>\$ 28,102</u></b>	<b><u>\$ 18,561</u></b>	<b><u>\$ 3,835</u></b>	<b><u>\$ 1,940</u></b>	<b><u>\$ 52,438</u></b>
<b>Business-type activities</b>					
Water Fund	\$ 3,287	\$ 1,101	\$ 697	\$ -	\$ 5,085
Sewer Fund	4,401	449	110	-	4,960
Storm Drainage Fund	606	975	402	-	1,983
Solid Waste Fund	1,523	799	108	-	2,430
Community Center Fund	705	308	987	-	2,000
Other enterprise funds	1,023	750	504	88	2,365
<b>Total business-type activities</b>	<b><u>\$ 11,545</u></b>	<b><u>\$ 4,382</u></b>	<b><u>\$ 2,808</u></b>	<b><u>\$ 88</u></b>	<b><u>\$ 18,823</u></b>
<b>Component units</b>					
Sacramento Hotel Corporation	\$ 5,233	\$ -	\$ 3,088	\$ 12	\$ 8,333
Sacramento Regional Arts Facilities Financing Authority	-	-	178	-	178
<b>Total component units</b>	<b><u>\$ 5,233</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,266</u></b>	<b><u>\$ 12</u></b>	<b><u>\$ 8,511</u></b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 6 - OPERATING LEASES**

**City as Lessor**

The City leases an office building in downtown Sacramento under a cancellable operating lease agreement. The building's original cost is \$153.2 million. The carrying value and accumulated depreciation for the building at June 30, 2007 are \$133.6 million and \$19.6 million, respectively.

**City as Lessee**

The City is obligated under various operating leases for the use of land, buildings, office space and equipment. Lease expenditures, primarily for governmental funds, for the fiscal year ended June 30, 2007 were \$1.6 million. Future minimum lease payments required by noncancellable lease agreements that have initial lease terms in excess of one year are as follows (in thousands):

<u>Fiscal Year Ending June 30,</u>	<u>Balance</u>
2008	\$ 1,574
2009	1,199
2010	274
2011	215
2012	107
2013-2017	<u>103</u>
Total future minimum lease payments	<u>\$ 3,472</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 7 – LONG-TERM LIABILITIES**

**Activity**

The following is a summary of changes in long-term liabilities. Certain long-term liabilities provide financing to both governmental and business-type activities. Balances and activity are reported for the City's fiscal year ended June 30, 2007 and the Hotel component unit's fiscal year ended December 31, 2006 (in thousands):

<b>GOVERNMENTAL ACTIVITIES</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Revenue and other bonds:					
1991 Marks-Roos Revenue Bonds	\$ 1,385	\$ -	\$ (1,385)	\$ -	\$ -
1993 Refunded Revenue Bonds, Series A	18,452	-	(836)	17,616	879
1993 Refunded Revenue Bonds, Series B	31,163	-	(1,429)	29,734	1,503
1995 Gas Tax Revenue Bonds, Series A	4,175	-	(1,310)	2,865	1,390
1996 Lighting and Landscaping Bonds	4,835	-	(335)	4,500	350
1997 Lease Revenue Bonds	71,675	-	(745)	70,930	-
1999 CFD No. 2 Revenue Bonds, Series A	2,625	-	(65)	2,560	75
1999 Capital Improvement Revenue Bonds	1,460	-	-	1,460	-
2001 Capital Improvement Revenue Bonds	2,182	-	(2,182)	-	-
2002 Capital Improvement Revenue Bonds	90,545	-	(55,135)	35,410	4,005
2002 Refunding Revenue Bonds	19,841	-	(2,491)	17,350	2,579
2003 Capital Improvement Revenue Bonds	66,765	-	(36,885)	29,880	1,100
2005 Refunding Revenue Bonds	61,266	-	-	61,266	-
2006 Capital Improvement Revenue Bonds, Ser. A	95,900	-	-	95,900	2,455
2006 Capital Improvement Revenue Bonds, Ser. B	55,235	-	-	55,235	720
2006 Capital Improvement Revenue Bonds, Ser. C	-	28,825	-	28,825	485
2006 Capital Improvement Revenue Bonds, Ser. D	-	2,430	-	2,430	-
2006 Capital Improvement Revenue Bonds, Ser. E	-	81,034	-	81,034	33
<b>Subtotal, revenue and other bonds</b>	<u>527,504</u>	<u>112,289</u>	<u>(102,798)</u>	<u>536,995</u>	<u>15,574</u>
Certificates of participation:					
Other Lease Financing	104	-	(104)	-	-
<b>Subtotal, certificates of participation</b>	<u>104</u>	<u>-</u>	<u>(104)</u>	<u>-</u>	<u>-</u>
Notes payable:					
State Department of Boating & Waterways	993	-	(58)	935	60
Railyards Land Acquisition	-	25,000	-	25,000	-
<b>Subtotal, notes payable</b>	<u>\$ 993</u>	<u>\$ 25,000</u>	<u>\$ (58)</u>	<u>\$ 25,935</u>	<u>\$ 60</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Activity (Continued)**

<b>GOVERNMENTAL ACTIVITIES (Continued)</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within one year</b>
Capital lease obligations:					
Plaza building	\$ 703	\$ -	\$ (221)	\$ 482	\$ 241
IBM equipment	839	-	(272)	567	280
Parking meters	303	-	(139)	164	143
Golf equipment	95	-	(17)	78	18
Fire trucks and equipment	-	5,941	-	5,941	497
Parking pay and display meters	-	830	-	830	106
<b>Subtotal, capital lease obligations</b>	<b>1,940</b>	<b>6,771</b>	<b>(649)</b>	<b>8,062</b>	<b>1,285</b>
Less deferred amounts:					
For issuance discounts	(637)	-	446	(191)	(8)
For issuance premiums	8,806	14,941	(1,205)	22,542	1,064
Gain/loss on refunding	(6,075)	(5,902)	806	(11,171)	(807)
<b>Subtotal deferred amounts</b>	<b>2,094</b>	<b>9,039</b>	<b>47</b>	<b>11,180</b>	<b>249</b>
<b>Subtotal, debt governmental activities</b>	<b>532,635</b>	<b>153,099</b>	<b>(103,562)</b>	<b>582,172</b>	<b>17,168</b>
Other long-term liabilities:					
Accrued claims	62,432	4,813	(9,534)	57,711	17,949
Compensated absences	29,644	26,317	(23,366)	32,595	3,222
Financing plan fee credits:					
North Natomas	23,953	3,754	(2,808)	24,899	7,629
Jacinto Creek	1,427	-	(203)	1,224	254
Park Development	695	-	-	695	-
<b>Subtotal, other long-term liabilities</b>	<b>118,151</b>	<b>34,884</b>	<b>(35,911)</b>	<b>117,124</b>	<b>29,054</b>
<b>Total, governmental activities</b>	<b>\$ 650,786</b>	<b>\$ 187,983</b>	<b>\$ (139,473)</b>	<b>\$ 699,296</b>	<b>\$ 46,222</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Activity (Continued)**

<b>BUSINESS-TYPE ACTIVITIES</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 76,194	\$ -	\$ (3,454)	\$ 72,740	\$ 3,631
1993 Refunded Revenue Bonds, Series B	34,038	-	(1,561)	32,477	1,642
1999 Capital Improvement Revenue Bonds	2,910	-	(155)	2,755	155
2001A Capital Improvement Revenue Bonds	131,492	-	(131,492)	-	-
2002 Refunding Revenue Bonds	13,924	-	(1,759)	12,165	1,816
2005 Refunding Revenue Bonds	106,594	-	-	106,594	-
2006 Capital Improvement Revenue Bonds, Ser. E	-	105,916	-	105,916	1,967
Subtotal, revenue and other bonds	<u>365,152</u>	<u>105,916</u>	<u>(138,421)</u>	<u>332,647</u>	<u>9,211</u>
Notes payable:					
1985 Marina Phase I	1,750	-	(29)	1,721	30
1985 Marina Phase II	2,630	-	(38)	2,592	40
1985 Marina Phase III	1,212	-	(71)	1,141	74
1985 Marina Phase IV	783	-	(41)	742	43
State Water Resources Control Board	1,688	-	(122)	1,566	125
State Water Resources Control Board	29,964	-	(1,708)	28,256	1,745
State Water Resources Control Board	3,972	-	(239)	3,733	245
State Water Resources Control Board	2,029	-	(112)	1,917	115
State Water Resources Control Board	4,882	-	(270)	4,612	277
California Department of Education	300	-	(40)	260	40
Subtotal, notes payable	<u>49,210</u>	<u>-</u>	<u>(2,670)</u>	<u>46,540</u>	<u>2,734</u>
Capital lease obligations:					
Recycle Containers #1	415	-	(114)	301	118
Recycle Containers #2	504	-	(120)	384	124
Recycle Containers #3	680	-	(143)	537	147
Recycle Containers #4	680	-	(142)	538	147
Subtotal, capital lease obligations	<u>2,279</u>	<u>-</u>	<u>(519)</u>	<u>1,760</u>	<u>536</u>
Less deferred amounts:					
For issuance discounts	(2,208)	-	1,410	(798)	(63)
For issuance premiums	8,167	16,833	(1,127)	23,873	1,127
Gain/loss on refunding	(18,046)	(8,865)	2,213	(24,698)	(2,215)
Subtotal, deferred amounts	<u>(12,087)</u>	<u>7,968</u>	<u>2,496</u>	<u>(1,623)</u>	<u>(1,151)</u>
Subtotal, debt business-type activities	<u>404,554</u>	<u>113,884</u>	<u>(139,114)</u>	<u>379,324</u>	<u>11,330</u>
Other long-term liabilities:					
Compensated absences	6,405	6,769	(6,488)	6,686	440
Liability for landfill closure	14,431	-	(760)	13,671	760
Subtotal, other long-term liabilities	<u>20,836</u>	<u>6,769</u>	<u>(7,248)</u>	<u>20,357</u>	<u>1,200</u>
Total business-type activities	<u>\$ 425,390</u>	<u>\$ 20,653</u>	<u>(\$146,362)</u>	<u>\$ 399,681</u>	<u>\$ 12,530</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Activity (Continued)**

<b>COMPONENT UNITS</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One year</b>
1999 Hotel Senior Revenue Bonds, Series A	\$ 92,800	\$ -	\$ (200)	\$ 92,600	\$ 400
1999 Hotel Revenue Bonds, Series B	10,770	-	-	10,770	3,570
Sacramento Regional Arts, Series 2002 COPS	15,920	-	(340)	15,580	345
Subtotal, component units	119,490	-	(540)	118,950	4,315
Less deferred amounts:					
For issuance discounts	(858)	-	35	(823)	(35)
For unaccreted interest	(2,398)	746	-	(1,652)	-
Subtotal, deferred amounts	(3,256)	746	35	(2,475)	(35)
Total component units	116,234	746	(505)	116,475	4,280
Total, long-term liabilities	\$ 1,192,410	\$ 309,382	\$ (286,340)	\$ 1,215,452	\$ 63,033

The following is a list of long-term debt issues outstanding at June 30, 2007, including the amount of original debt issuance and a description of the issue.

**Revenue and Other Bonds**

- \$148,655,000 1991 Marks-Roos Revenue Bonds  
Authorized and issued November 1991, for the purpose of financing the acquisition, construction and installation of facilities and equipment for public safety, golf, community center and other authorized uses. In September 1993, \$116,265,000 of these bonds was refunded through the issuance of the 1993 Revenue Bonds Series A. In November 1994, \$20,735,000 of the remaining bonds was retired. The balance is due in annual installments of \$850,000 to \$1,385,000 through November 2006, bearing interest rates of 6.25% to 6.8%.
- \$130,425,000 1993 Refunded Revenue Bonds, Series A  
Authorized and issued September 1993, due in annual installments of \$2,186,000 to \$8,875,000 through November 2020, bearing interest rates of 4.5% to 5.13%, for the purpose of refunding the 1986 Public Facilities Certificates of Participation and a portion of the 1991 Marks-Roos Revenue Bonds.
- \$95,480,000 1993 Refunded Revenue Bonds, Series B  
Authorized and issued September 1993, due in annual installments of \$1,634,000 to \$6,070,000 through November 2020, bearing interest rates of 4.5% to 5.13%, for the purpose of refunding the 1989 Public Facilities Certificates of Participation.
- \$14,165,000 1995 Gas Tax Revenue Bonds, Series A  
Authorized and issued May 1995, due in annual installments of \$890,000 to \$1,475,000 through December 2008, bearing interest rates of 4.7% to 6.75%, for the purpose of financing the acquisition and construction of the 1995 Street Improvement Project.
- \$7,290,000 1996 Lighting and Landscaping Bonds  
Authorized and issued October 1996, due in annual installments of \$235,000 to \$565,000 through fiscal year 2017, bearing interest rates of 4.5% to 5.50%, for the purpose of financing park and lighting maintenance and capital improvements. The debt service on the bonds is payable from special assessments to be levied and collected from property owners.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Revenue and Other Bonds (Continued)**

- \$73,725,000 1997 Lease Revenue Bonds  
Authorized and issued July 1997, due in annual installments of \$125,000 to \$420,000 through July 2007, at which time there will be a mandatory refunding. The bonds were issued to finance the acquisition and lease back of Arco Arena. The bonds were issued as variable rate bonds and a ten-year interest rate hedge has been purchased to mitigate the risk of interest rate fluctuations to a fixed rate of 6.845%. The debt service on the bonds is funded from lease revenue on Arco Arena.
- \$2,910,000 1999 Community Facilities District No. 2 Revenue Bonds, Series A  
Authorized and issued January 1999, due in annual installments of \$35,000 to \$255,000 through September 2023, bearing interest rates of 4.8% to 6.25%, for the purpose of financing capital improvements of the North Natomas CFD of benefit to City property.
- \$92,800,000 1999 Hotel Senior Revenue Bonds, Series A  
Authorized and issued April 1999, due in annual installments of \$200,000 to \$13,300,000 through January 1, 2030, bearing interest rate of 6.25%, to finance the construction of a convention center hotel.
- \$4,097,827 1999 Hotel Subordinate Revenue Bonds, Series B  
Authorized and issued April 1999, due in annual installments of \$1,770,000 to \$1,800,000 commencing January 1, 2006 through January 1, 2011, with an accretion rate of 11%, to finance the construction of a convention center hotel.
- \$71,180,000 1999 Capital Improvement Revenue Bonds  
Authorized and issued December 1999, for the purpose of financing the construction of a south area corporation yard and to make a loan to the Redevelopment Agency of Sacramento for certain projects within the Del Paso Heights, Oak Park, North Sacramento, and Richard's Boulevard redevelopment areas. In July 2005, \$41,645,000 of the bonds were defeased through the issuance of the 2005 Refunding Revenue bonds, and the balance of \$4,930,000 is due in annual installments of \$155,000 to \$1,185,000 through December 2011, bearing interest rates of 4.4% to 5.1%.
- \$46,265,000 2002 Refunding Revenue Bonds  
Authorized and issued October 31, 2002, with principal and interest due in annual installments of \$5,779,850 to \$5,800,381 through July 1, 2012, bearing interest at rates of 2.75% to 5.0%. Net proceeds of \$47,987,823 were utilized for the purpose of establishing an irrevocable escrow to refund \$27,950,000 principal amount of the City's 1991 Refunding Certificates of Participation (1987 Public Facilities Projects) and \$20,430,000 principal amount of the City's 1991 Refunding Certificates of Participation (Light Rail Transit Project).
- \$160,475,000 2002 Capital Improvement Revenue Bonds  
Authorized and issued July 2, 2002, for the purpose of financing certain capital projects within the City of Sacramento and to make a loan to the Redevelopment Agency of Sacramento for certain redevelopment projects within the City of Sacramento. In July 2005, \$32,935,000 of the bonds were defeased through the issuance of the 2005 Refunding Revenue bonds, and in December 2006, \$51,285,000 of the bonds were defeased through the issuance of the 2006 Series E Refunding Revenue bonds. The balance of \$35,410,000 is due in annual installments of \$250,000 to \$5,310,000 through December 2017, bearing interest rates of 4.0% to 5.38%.
- \$68,470,000 2003 Capital Improvement Revenue Bonds  
Authorized and issued September 30, 2003, with the net proceeds of \$67,840,527 utilized for financing construction of the 911 Call Center and certain other capital projects within the City of Sacramento. In December 2006, \$35,805,000 of the bonds were defeased through the issuance of the 2006 Series E Refunding Revenue bonds. The balance of \$29,880,000 is due in annual installments of \$150,000 to \$3,360,000 through December 2033, bearing interest rates of 2.25% to 5.0%.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Revenue and Other Bonds (Continued)**

- \$167,860,000 2005 Refunding Revenue Bonds  
Authorized and issued July 12, 2005, due in annual installments of \$360,000 to \$15,315,000 through December 1, 2029, bearing interest rates of 4.0% to 5.0%. Net proceeds of \$187,563,390 were utilized for the purpose of establishing an irrevocable escrow to refund \$173,440,000 principal amount of the outstanding 2000 Capital Improvement Revenue Bonds and a portion of the outstanding 1999, 2001 and 2002 Capital Improvement Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental and business-type activities columns of the statement of net assets. The reacquisition price exceeded the net carrying value of the old debt by \$17,545,000. This amount is being netted against the new debt and amortized over the remaining life of the old debt. This advance refunding was undertaken to reduce the total debt service payments by \$13,082,000 and resulted in an economic gain of \$7,696,000.
- \$95,900,000 2006 Capital Improvement Revenue Bonds Series A (Tax Exempt)  
Authorized and issued June 15, 2006, due in annual installments of \$2,060,000 to \$5,070,000 through December 1, 2036, bearing interest rates of 3.75% to 5.0%. Net proceeds of \$89,807,860 will be utilized for the purpose of financing certain public capital improvements and redevelopment projects including the expansion of the Crocker Art Museum, the new Valley Hi–North Laguna Library and other capital projects within the City of Sacramento.
- \$55,235,000 2006 Capital Improvement Revenue Bonds Series B (Taxable)  
Authorized and issued June 15, 2006, due in annual installments of \$720,000 to \$3,760,000 through December 1, 2036, bearing interest rates of 5.4% to 5.80%. Net proceeds of \$50,691,557 will be utilized for the purpose of financing certain public capital improvements and redevelopment projects including an arts rehearsal building, Pocket Area Library and other capital projects within the City of Sacramento.
- \$28,825,000 2006 Capital Improvement Revenue Bonds Series C (Tax Exempt)  
Authorized and issued December 12, 2006, due in annual installments of \$245,000 to \$1,955,000 through December 1, 2036, bearing interest rates of 4.0% to 5.0%. Net proceeds of \$30,500,000 will be utilized for the purpose of financing the acquisition and improvements of the 300 Richards Boulevard land and building in the City of Sacramento.
- \$2,430,000 2006 Capital Improvement Revenue Bonds Series D (Taxable)  
Authorized and issued December 12, 2006, due in annual installments of \$475,000 to \$685,000 through December 1, 2016, bearing an interest rate of 5.16%. Net proceeds of \$2,400,000 will be utilized for the purpose of financing the acquisition and improvements of the 300 Richards Boulevard land and building in the City of Sacramento.
- \$186,950,000 2006 Capital Improvement Revenue Bonds Series E (Refunding)  
Authorized and issued December 12, 2006, due in annual installments of \$402,500 to \$8,570,000 through December 1, 2033, bearing interest rates of 4.0% to 5.25%. Net proceeds of \$216,661,339 plus cash of \$13,441,425 have been utilized for the purpose of establishing an irrevocable escrow to defease \$218,000,000 principal amount of the outstanding 2001 Capital Improvement Revenue Bonds and a portion of the outstanding 2002 and 2003 Capital Improvement Revenue Bonds, and the liability has been removed from the governmental and business-type activities columns of the statement of net assets. The reacquisition price exceeded the net carrying value of the old debt by \$14,766,812 and this amount is being netted against the new debt and amortized over the remaining life of the old debt. This advance refunding was undertaken to reduce the total debt service payments by \$50,086,000 and resulted in an economic gain of \$15,531,000.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Certificates of Participation**

- \$16,580,000 Sacramento Regional Arts Facilities 2002 Series Certificates of Participation  
Authorized and issued in August 2002, due in annual principal and interest installments of \$754,484 to \$1,062,600 through September 2032, bearing interest rates of 2.0% to 5.0%. Net proceeds of \$16,427,972 were utilized for the purpose of financing and refinancing the acquisition, renovation and construction of the H Street Theatre facilities. The debt service on the bonds is funded from lease revenue on the theatre facilities.
- \$12,809,317 Other Lease Financings  
Authorized and issued March 1991 to August 1997, due in annual installments of \$213,000 to \$2,384,000 through August 2007, bearing interest rates of 5.5% to 7.25%, for the purpose of obtaining equipment for street lighting, the Sacramento Zoo, police, radio communication system, fire and other City departments.

**Notes Payable**

- \$2,220,465 1985 Sacramento Marina Note Payable, Phase I  
Authorized July 1985, issued November 1985, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$20,104 to \$82,228 through August 2030, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$3,229,441 1985 Sacramento Marina Note Payable, Phase II  
Authorized July 1985, issued September 1987, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$26,914 to \$149,713 through August 2037, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,828,769 1985 Sacramento Marina Note Payable, Phase III  
Authorized July 1985, issued March 1988, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$49,622 to \$119,643 through August 2018, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,116,859 1985 Sacramento Marina Note Payable, Phase IV  
Authorized July 1985, issued February 1989, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$29,036 to \$73,152 through August 2019, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,380,000 1997 State Department of Boating and Waterways Note Payable  
Authorized January 1997, issued May 1999, due in annual installments of \$88,809 to \$98,168 through 2018, for the purpose of financing a visitor dock at the Old Sacramento Waterfront.
- \$2,619,435 State Water Resources Control Board Note Payable  
Authorized July 1998, issued September 1998, due in annual installments of \$165,652 through March 2018, bearing an interest rate of 2.6%, for the purpose of financing the City's reservoir rehabilitation project.
- \$37,015,548 State Water Resources Control Board Note Payable  
Authorized March 1999, issued beginning July 1999, due in annual installments of \$2,372,652 through November 2020, bearing an interest rate of 2.2%, for the purpose of financing various wastewater projects.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Notes Payable (Continued)**

- \$5,177,477 State Water Resources Control Board Note Payable  
Authorized March 2001, issued July 2001, due in annual installments of \$342,051 through September 2019, bearing an interest rate of 2.6%, for the purpose of financing the construction of underground storage and pumping facilities.
- \$2,603,365 State Water Resources Control Board Note Payable  
Authorized June 2001, issued beginning May 2002, due in annual installments of \$148,569 through May 2021, bearing an interest rate of 2.6%, for the purpose of financing the replacement of sewer lines. In fiscal year 2003 there was an additional draw of \$249,716.
- \$5,672,013 State Water Resources Control Board Note Payable  
Authorized February 2002, issued beginning February 2002, due in annual installments of \$397,125 through February 2021, bearing an interest rate of 2.6%, for the purpose of financing the replacement of sewer lines.
- \$200,000 California Department of Education Note Payable  
To finance the construction of temporary classrooms at Two Rivers School with maturities of \$20,000 per year through 2012. The note bears no interest.
- \$200,000 California Department of Education Note Payable  
To finance the construction of temporary classrooms at Sequoia School with maturities of \$20,000 per year through 2014. The note bears no interest.
- \$25,000,000 Bank of America, N.A. Note Payable  
Issued December 26, 2006, in the face amount of \$25,000,000 to purchase two parcels of land within the Downtown Sacramento Railyards project area. The principal is payable in one installment due December 13, 2008, plus accrued interest at the Bank of America, N.A. prime rate.

**Capital Lease Obligations**

The City has entered into several long-term leases to finance the acquisition of real estate and equipment. The leases qualify as capital leases for accounting purposes as defined under the Financial Accounting Standards Board Statement No. 13, Accounting for Leases, and have been recorded at the present value of the future minimum lease payments. As of June 30, 2007, future minimum lease payments to be made by the City's General and Solid Waste Funds are as follows (in thousands):

Fiscal Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2008	\$ 1,592	\$ 589	\$ 2,181
2009	1,444	589	2,033
2010	880	526	1,406
2011	878	163	1,041
2012	858	-	858
2013 – 2017	3,883	-	3,883
Total minimum lease payments	9,535	1,867	11,402
Less amounts representing interest	(1,473)	(108)	(1,581)
Net present value of minimum lease payments	\$ 8,062	\$ 1,759	\$ 9,821

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Capital Lease Obligations (Continued)**

The following is a schedule of leased property under capital leases by major classes at June 30, 2007 (in thousands):

	Governmental Activities	Business-Type Activities	Total
Land	\$ 335	\$ -	\$ 335
Building	2,270	-	2,270
Equipment	8,877	2,696	1,573
Less: accumulated depreciation	(3,080)	(1,047)	(4,127)
<b>Total</b>	<b>\$ 8,402</b>	<b>\$ 1,649</b>	<b>\$ 10,051</b>

Accrued claims – Estimated liabilities of the City's workers' compensation, auto, and general liability self-insurance programs administered through the Risk Management Internal Service Fund.

Compensated absences – Due to employees for earned but unused compensated absence accounts, including vacation, sick, and compensated time off leave balances. Compensated absences are generally liquidated by the City's General Fund, internal service funds and enterprise funds in each fiscal year.

Liability for landfill closure – Estimated post-closure maintenance and monitoring costs for the City's 28<sup>th</sup> Street landfill site.

Financing plan fee credits – Issued to developers as consideration for infrastructure and other capital improvements constructed on behalf of the City within the scope of the North Natomas, Jacinto Creek and park development financing plans. Credits are redeemable from or against future financing plan impact fees assessed within the geographic boundaries of the plan.

**Future Debt Service Requirements**

The annual debt service requirements for City long-term debt outstanding as of June 30, 2007, and Hotel component unit long-term debt outstanding as of December 31, 2006, are as follows (in thousands):

Annual debt service requirements of governmental activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2008	\$ 15,574	\$ 25,630
2009	17,675	25,899
2010	17,540	25,182
2011	18,704	24,295
2012	19,763	23,407
2013 – 2017	104,634	103,104
2018 – 2022	97,725	76,827
2023 – 2027	95,270	52,552
2028 – 2032	88,548	27,334
2033 – 2037	61,562	7,310
<b>Subtotals</b>	<b>536,995</b>	<b>391,540</b>
Less: Issuance discounts	(191)	-
Plus: Issuance premiums	22,542	-
Less: Net loss on refunding	(11,171)	-
<b>Totals</b>	<b>\$ 548,175</b>	<b>\$ 391,540</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Future Debt Service Requirements (Continued)**

Fiscal Year Ending June 30,	Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2008	\$ 60	\$ 42	\$ 1,285	\$ 307
2009	25,063	3,985	1,194	250
2010	66	37	671	209
2011	69	34	695	183
2012	72	30	702	156
2013 – 2017	412	101	3,515	368
2018 – 2022	193	13	-	-
<b>Totals</b>	<b>\$ 25,935</b>	<b>\$ 4,242</b>	<b>\$ 8,062</b>	<b>\$ 1,473</b>

Annual debt service requirements of business-type activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2008	\$ 9,211	\$ 16,589	\$ 2,734	\$ 1,208
2009	11,140	16,111	2,802	1,141
2010	11,810	15,561	2,870	1,073
2011	12,851	14,969	2,940	1,003
2012	13,447	14,333	3,012	931
2013 – 2017	75,111	60,762	16,068	3,506
2018 – 2022	82,740	39,816	13,255	1,454
2023 – 2027	49,615	23,834	741	579
2028 – 2032	56,032	9,856	924	397
2033 – 2037	10,690	281	1,044	170
2038 – 2042	-	-	150	7
<b>Subtotals</b>	<b>332,647</b>	<b>212,112</b>	<b>46,540</b>	<b>11,469</b>
Less: Issuance discounts	(798)	-	-	-
Plus: Issuance premiums	23,873	-	-	-
Less: Net loss on refunding	(24,698)	-	-	-
<b>Totals</b>	<b>\$ 31,024</b>	<b>\$ 212,112</b>	<b>\$ 46,540</b>	<b>\$ 11,469</b>

Fiscal Year Ending June 30,	Capital Leases	
	Principal	Interest
2008	\$ 536	\$ 53
2009	554	35
2010	509	17
2011	161	3
<b>Totals</b>	<b>\$ 1,760</b>	<b>\$ 108</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Future Debt Service Requirements (Continued)**

Annual debt service requirements of component unit activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2008	\$ 3,970	\$ 5,788	\$ 345	\$ 709
2009	2,300	5,763	355	700
2010	2,500	5,731	365	689
2011	2,800	5,688	375	674
2012	3,000	5,625	395	657
2013 – 2017	8,700	26,825	2,215	3,042
2018 – 2022	19,400	22,825	2,725	2,518
2023 – 2027	26,900	15,800	3,430	1,789
2028 – 2032	33,800	5,944	4,365	819
2033 – 2037	-	-	1,010	25
<b>Subtotals</b>	<b>103,370</b>	<b>99,989</b>	<b>15,580</b>	<b>11,622</b>
Less: Unaccreted interest	(1,652)	-	-	-
Less: Issuance discounts	(694)	-	(129)	-
<b>Totals</b>	<b>\$ 101,024</b>	<b>\$ 99,989</b>	<b>\$ 15,451</b>	<b>\$ 11,622</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Interest rate swap**

*Objective of the interest rate swap.* As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in July 1997, the Sacramento City Financing Authority (the "Authority") entered into an interest rate swap in connection with its \$73,725,000 1997 Lease Revenue Bonds (Arco Arena Acquisition) variable interest rate bonds (the "Bonds"). The intention of the swap was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 6.845% through the end of the swap agreement's term. As of June 30, 2007, the amount of outstanding Bonds was \$70,930,000. The interest and principal payments on the Bonds are insured by a third party bond insurer.

*Terms.* The Bonds mature on July 15, 2027 and are subject to mandatory tender on July 18, 2007. The Bonds carry an interest rate equal to 3-month London Interbank Offered Rate ("LIBOR") plus 0.25% (total rate not to exceed 14%), payable quarterly, until July 18, 2007. The swap agreement terminates on July 18, 2007, and has a notional amount as of June 30, 2007 of \$70,930,000. The notional amount of the swap and the par amount of the Bonds each decline according to the same schedule through 2007. The swap was entered at the same time the Bonds were issued (July 1997). Under the swap, the Authority pays the counterparty a fixed payment of 6.845% and receives a variable payment computed as LIBOR plus 0.25% (total rate not to exceed 14%). The Authority's payments to the counterparty under the swap agreement are insured by the third party bond insurer.

*Fair value.* Because interest rates have declined since the execution of the swap, the swap had a negative fair value of \$207,953 as of June 30, 2007. Because the coupons on the Bonds adjust as LIBOR adjusts, the Bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

*Credit risk.* As of June 30, 2007, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated "AA-" by Fitch Ratings, "Aa3" by Moody's Investors Service, and "AA-" by Standard & Poor's as of June 30, 2007. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard & Poor's, the swap agreement provides the counterparty, the Authority, the bond insurer for the Bonds, and a third-party collateral agent are to execute a collateral agreement establishing the type of collateral, the amount of collateral, the collateral agent, and the terms of the collateral agreement within 30 days of such a downgrade.

*Basis risk.* The swap agreement provides that the payment received by the Authority shall be at LIBOR plus 0.25% (total rate not to exceed 14%), the equivalent of the interest rate on the Bonds. This arrangement mitigates the Authority's exposure to basis risk.

*Termination risk.* The Authority may terminate the swap if the counterparty fails to perform under the terms of the contract. The Authority also may terminate the swap if the counterparty fails to execute a collateral agreement satisfactory to the Authority and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's Investors Service or "A-" by Standard & Poor's. The counterparty may terminate the swap if the Authority fails to perform under the terms of the contract, and the bond insurer fails to perform under the terms of the contract. The counterparty also may terminate the swap upon the occurrence of the following events: 1) the bond insurer falls below "A3" by Moody's Investors Service or "A-" by Standard & Poor's, and; 2) the Authority falls below "Baa3" by Moody's Investors Service or "BBB-" by Standard & Poor's. If the swap is terminated, the variable rate Bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Interest rate swap (Continued)**

*Swap payments and associated debt.* Using rates as of June 30, 2007, debt service requirements of the variable rate Bonds and net swap payments, assuming current interest rates remain the same through the July 2007 termination date of the swap and mandatory tender date on the Bonds, were as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
Fiscal Year Ending June 30, 2008	\$ 70,930	\$ 1,196	\$ 245	\$ 72,371

Beyond the termination date of the swap and mandatory tender date on the bonds in July 2007, the interest rates on the bonds will vary.

**Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the U.S. Department of Treasury at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and determined the estimated liability to be zero at June 30, 2007.

**Special Assessment Debt**

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$197 million at June 30, 2007. The City acts as an agent for the property owners in collecting special assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when appropriate. The City is not liable for repayment of the special district bonds, and accordingly, they are not reflected in the accompanying basic financial statements. Cash held on deposit and corresponding amounts payable for the districts are reported in the Assessment Districts and Community Facility District Act Agency Funds.

**Conduit Debt**

Total obligations outstanding related to special facility and redevelopment agency revenue bonds is \$372 million at June 30, 2007. Special facility revenue bonds were issued to provide administrative and service facilities for four non-profit organizations and for offices leased to the State of California Department of General Services (State). The bonds issued are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received from loan or lease agreements between the City and the non-profit organizations or the State. The redevelopment agency bonds were issued by the Sacramento City Financing Authority to finance redevelopment activities and to refund certain other obligations of the redevelopment agency. The City is not liable for repayment of these bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 8 – EMPLOYEE RETIREMENT PLANS**

**Defined Benefit Plan Descriptions**

The City of Sacramento provides defined benefit retirement benefits through the California Public Employees' Retirement System (PERS) and the Sacramento City Employees' Retirement System (SCERS). PERS is an agent multiple-employer public employee defined benefit pension plan. SCERS is a single-employer defined benefit pension plan.

**PERS**

All full-time and certain part-time City employees hired after January 28, 1977 and City safety employees, regardless of date of hire, are eligible to participate in PERS. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from the PERS Executive Office at 400 Q Street, Sacramento, CA 95814. A separate report for the City's plan within PERS is not available.

**SCERS**

All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS. SCERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

The City reports SCERS as a pension trust fund. SCERS issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing the City of Sacramento Department of Finance, 915 I Street, 4<sup>th</sup> Floor, Sacramento, CA 95814. The following is a summary of significant accounting policies:

**Basis of Accounting** – SCERS' financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments** – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)**

**Funding Policy**

Participants are required to contribute a percentage of their annual covered salary, as follows:

PERS - Miscellaneous	7%
PERS - Safety	9
SCERS - (varies with entry age)	3 – 10

The City makes the following participant contributions on their behalf and for their account (percent of annual covered payroll):

PERS - Certain miscellaneous employees	3%
PERS - Safety	9

The City is required to contribute at actuarially determined rates. Rates for the fiscal year ended June 30, 2007 were as follows (percent of annual covered payroll):

PERS - Miscellaneous	11.216%
PERS - Safety	22.279
SCERS	-

PERS contribution requirements are established and may be amended by PERS. SCERS contribution requirements are established by City Code.

**Annual Pension Cost**

PERS

For the fiscal year ended June 30, 2007, the City's annual PERS pension cost of \$41.2 million was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 14.45%. Both (a) and (b) included an inflation component of 3.0% and an annual production growth of .25%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15 year period. Unfunded actuarial accrued liabilities and excess assets as of June 30, 2005 are being amortized, using the level percentage of payroll method, over a closed period that depends on the plan's date of entry into PERS. The remaining amortization period at June 30, 2005 was 31 years for the safety employees' plan and 26 years for the miscellaneous employees' plan. Subsequent plan amendments are amortized as a level percentage of projected payrolls over a closed 20-year period. Annual gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year.

**City of Sacramento**  
**Notes to the Financial Statements**

For the Fiscal Year Ended June 30, 2007

**NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)**

**Annual Pension Cost (Continued)**

SCERS

The City had no required or actual contributions for the fiscal year ended June 30, 2007. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 6.50% investment rate of return (net of administrative expenses), (b) 3% projected annual salary increases, (c) an inflation component of 3%, and (d) 3.25% per year social security wage base adjustments. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Unfunded liabilities are being amortized over a 15 year rolling period, as a level dollar amount of projected payrolls.

**Three-Year Trend Information**

PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC) (in millions)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$29.1	100%	\$ -
June 30, 2006	38.5	100	-
June 30, 2007	41.2	100	-

SCERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC) (in millions)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ -	100%	\$ -
June 30, 2006	-	100	-
June 30, 2007	-	100	-

**Defined Contribution Plan**

The City also provides defined contribution retirement benefits through the City of Sacramento 401(a) Money Purchase Plan (the Plan). The Plan is administered by the International City Management Association Retirement Corporation. Plan provisions and contribution requirements are established and may be amended by City Council. Unrepresented exempt and certain represented employees may elect to participate. Participating employees of the aforementioned groups are required to contribute 5% and 2%, and the City contributes 4% and 2%, respectively, of covered salary. For the year ended June 30, 2007, employees contributed \$2,593,000 and the City contributed \$2,118,000 to the Plan.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 9 – POST-EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS**

Participants have the choice of enrolling in one of several health plans and one of two dental plans. For City employees, to be eligible for these benefits, the employee must retire with a minimum of ten full years of active service and be 55 or 50 years of age for miscellaneous and safety employees, respectively. Participants with less than twenty years of service are eligible for 50% of the maximum benefit. Those participants with a minimum of twenty years of service are eligible for 100% of the maximum benefit. The post-retirement health care, and dental care benefits are up to \$475 per month per participant, which covers between 17% and 100% of the benefit cost, depending on the choice of plan and number of dependents.

City benefits are defined by labor agreements and resolutions approved by the City Council. Benefit costs are recorded on a pay-as-you-go basis as non-departmental expenditures. For the most recent fiscal year, the City expended approximately \$7.4 million for post-employment health and dental care insurance benefits. The City provided coverage for approximately 2,256 retirees and/or families.

**NOTE 10 – FUND EQUITY AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2007, the government-wide statement of net assets reported restricted net assets of \$196.2 million in governmental activities and \$0.4 million in business type activities. Of these amounts, \$24.9 million of net assets of governmental activities are restricted by enabling legislation.

The Grants Fund, a special revenue fund, had a deficit fund balance of \$2.8 million as of June 30, 2007. The deficit represents grant expenditures unreimbursed by granting agencies within the 60 day period of availability for which corresponding revenues have not been recorded. The deficit will be recovered upon receipt of grantor reimbursements.

The Culture and Leisure Fund, a special reserve fund, had a deficit fund balance of \$4.4 million as of June 30, 2007. The Zoo and Golf programs within the fund have deficit balances of \$99,000 and \$5.2 million respectively. It is anticipated that these deficits will be funded by future operating surpluses and subsidies.

The Marina Fund, an enterprise fund, had accumulated deficit net assets of \$69,000 which will be recovered through future operating income.

For the fiscal year ended June 30, 2007, expenditures exceeded appropriations in the Culture and Leisure special revenue fund by \$498,000 primarily attributable to the Golf program. This overspending was funded by greater than anticipated program revenue.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 11 – INTERFUND TRANSACTIONS**

**Transfers**

Transfers report the nonreciprocal contribution of resources from one fund to another. The following is a summary of transfers for the fiscal year ended June 30, 2007 (in thousands):

	<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
<b>Governmental Activities:</b>				
General Fund	In-lieu transfers	\$ 19,985	\$ -	\$ 19,985
General Fund	Debt service	965	22,516	(21,551)
General Fund	Program support	5,256	3,542	1,714
General Fund Projects	Debt service	-	1,216	(1,216)
General Fund Projects	Program support	-	4,467	(4,467)
Capital Grants Fund	Program support	694	-	694
Financing Plans Fund	Debt Service	-	2,425	(2,425)
Transportation and Development	Debt service	158	1,532	(1,374)
Transportation and Development	Program support	1,031	552	479
Nonmajor governmental funds	Debt service	27,224	1,123	26,101
Nonmajor governmental funds	Program support	890	68	822
Internal service funds	Debt service	466	-	466
Internal service funds	Program support	-	242	(242)
Adjustment for transfer of capital assets from governmental funds to enterprise funds	Transfer of capital assets	-	5,288	(5,288)
<b>Total governmental activities</b>		<u>56,669</u>	<u>42,971</u>	<u>13,698</u>
<b>Business type Activities:</b>				
Water Fund	In-lieu transfers	-	5,918	(5,918)
Water Fund	Program support	5	-	5
Sewer Fund	In-lieu transfers	-	1,895	(1,895)
Sewer Fund	Program support	20	694	(674)
Storm Drainage Fund	In-lieu transfers	-	3,488	(3,488)
Storm Drainage Fund	Program support	15	-	15
Solid Waste Fund	In-lieu transfers	-	5,017	(5,017)
Solid Waste Fund	Program support	26	-	26
Community Center Fund	In-lieu transfers	-	1,522	(1,522)
Community Center Fund	Program support	1,726	-	1,726
Nonmajor enterprise funds	In-lieu transfers	-	2,147	(2,147)
Nonmajor enterprise funds	Program support	2	99	(97)
Adjustment for transfer of capital assets from governmental funds to enterprise funds	Transfer of capital assets	5,288	-	5,288
<b>Total business-type activities</b>		<u>7,082</u>	<u>20,780</u>	<u>(13,698)</u>
<b>Total government-wide statements</b>		<u>\$ 63,751</u>	<u>\$ 63,751</u>	<u>\$ -</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

**NOTE 11 - INTERFUND TRANSACTIONS (Continued)**

**Interfund Balances**

Interfund balances report lending transactions between funds. The following is a summary of interfund balances as of June 30, 2007 (in thousands):

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Balance</u>
<b>Governmental Activities:</b>			
General Fund	\$ 432	\$ 469	\$ (37)
Capital Grants Fund	-	21,649	(21,649)
Transportation and Development	-	8,881	(8,881)
Nonmajor governmental funds	-	9,428	(9,428)
Internal service funds	<u>56,074</u>	<u>-</u>	<u>56,074</u>
<b>Total governmental activities</b>	<u>56,506</u>	<u>40,427</u>	<u>16,079</u>
<b>Business type Activities:</b>			
Storm Drainage Fund	266	-	266
Solid Waste Fund	-	7,240	(7,240)
Community Center Fund	-	9,305	(9,305)
Nonmajor enterprise funds	<u>200</u>	<u>-</u>	<u>200</u>
<b>Total business type activities</b>	<u>466</u>	<u>16,545</u>	<u>(16,079)</u>
<b>Total</b>	<u>\$ 56,972</u>	<u>\$ 56,972</u>	<u>\$ -</u>

\$56.1 million was loaned by the City's internal service funds to cover short-term operating deficits (approximately \$39.6 million) and to assist in development of community resources (approximately \$16.5 million).

\$9.4 million was borrowed by various nonmajor governmental funds for short term loans (approximately \$2.1 million), and development of community resources (approximately \$7.3 million).

\$21.6 million was borrowed by the Capital Grants fund for short term loans.

\$8.9 million was borrowed by the Transportation and Development fund for short term loans.

\$9.3 million was borrowed by the Community Center fund for development of community resources. \$7.2 million was borrowed by the Solid Waste fund to cover a short-term operating deficit.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City self insures and/or carries commercial insurance. Earthquake damage is not included in the property insurance coverage carried by the City.

The Risk Management Internal Service Fund self-insures the first \$2 million of each workers' compensation and general and auto liability claim plus claim costs that exceed commercial insurance coverage. Commercial insurance for general and automobile liability claims provides \$20 million in coverage for claims over the City's \$2 million self-insured retention. Excess worker's compensation insurance is purchased through California State Association of County, Excess Insurance Authority and it provides \$200 million in coverage over the City's \$2 million self insured retention to the program members. Liabilities are estimated based on recommendations from an independent actuarial evaluation. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For the fiscal year ended June 30, 2007, the expected rate of return was 3 percent. Settled claims have not exceeded insurance coverage for each of the past three fiscal years.

All funds of the City participate in the program and make payments to the Risk Management Internal Service Fund based on estimates of the amounts needed to pay operating costs, insurance premiums, and prior and current year claims. At June 30, 2007, the Fund had net assets of \$19.4 million.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, economic and social factors, and trends in damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

Changes in the Risk Management Internal Service Fund's claims liability for the past two fiscal years is summarized as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Accrued claims, July 1	\$ 62,432	\$ 66,971
Incurred claims and adjustment expenses	4,813	8,438
Claim payments	<u>(9,534)</u>	<u>(12,977)</u>
Accrued claims, June 30	<u>\$ 57,711</u>	<u>\$ 62,432</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**Commitment of Enterprise Fund Revenues**

Revenues of the Sewer and Storm Drainage Enterprise Funds are pledged to the payment of principal and interest on the State Water Resources Control Board Notes Payable.

**Construction and Other Commitments**

The City has commitments of \$87.4 million for contracts awarded but not completed as of June 30, 2007. This amount consists of \$17.0 million in the General Fund, \$11.2 million in the special revenue funds, \$27.2 million in the capital projects funds and \$25.4 million in proprietary funds. The major contracts outstanding are for the City's new accounting and personnel system, the Sacramento Marina's South Basin renovation project and the Tower bridge bicycle and pedestrian improvements.

**Contingent Liabilities**

The City participates in a number of federal, state and local grant programs, the principal of which are Community Development Block Grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City does not expect such amounts, if any, to materially affect the financial statements of the City. Receipt of these grant revenues is not assured in the future.

**Litigation**

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that these matters will not have a material adverse effect on the financial condition of the City.

**Closure and Postclosure Care Cost**

State and federal laws and regulations required the City to place a final cover on its 28<sup>th</sup> Street landfill site, after it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site after closure. The \$13.7 million reported as liability for landfill closure at June 30, 2007, represents the City's estimate of these costs for the next eighteen years. The estimate is based on anticipated post closure costs, which are allocated by year using inflation values. Actual costs may be higher due to inflation above the estimated levels, changes in technology, or changes in laws or regulations. The City has received state approval to fund this liability, along with cost increases due to inflation, with future Solid Waste Fund user charges.

**Toxics Mitigation**

The City has identified underground toxic contamination on land owned by the City. Future costs to clean up and monitor the site have been estimated as \$1 million through the year 2023. These costs will be funded with annual appropriations as expenditures are incurred.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2007

---

**NOTE 14 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS**

**Sacramento Housing and Redevelopment Agency**

The City is a participant with the County of Sacramento in the Sacramento Housing and Redevelopment Agency (SHRA). SHRA consists of the housing authorities of the City and County and the redevelopment agencies of the City and County. SHRA is a stand-alone agency, governed by the County Board of Supervisors over County housing and redevelopment activities, and the City Council over City housing and redevelopment activities. Although the City does not have an equity interest in SHRA, it does have an ongoing financial interest. Based upon the approval process for Sacramento Housing Authority and Sacramento Redevelopment Agency activities, the City has the ability to directly influence SHRA to undertake projects for the citizenry of the City. Because the City's primary government does not have an equity interest in SHRA, SHRA's financial information is not included in these financial statements. Separately issued financial statements may be obtained from Sacramento Housing and Redevelopment Agency, 630 I Street, Sacramento, California, 95814.

**Sacramento Public Library Authority**

The City is a participant with the County of Sacramento in the Sacramento Public Library Authority (Library), a joint powers agency created to provide library services to the residents of the City and the County. The Library is governed by a nine-member board made up of five County appointees and four City appointees. It is a component unit of the County. The joint powers agreement dated August 31, 1993 remains in effect unless terminated by mutual agreement of the City and County, or at the end of a fiscal year after a one-year notice is given by either the City or County. Upon termination, the City would receive equipment and resources proportionate to its contribution to the Library. The City and County are committed to fund annual contributions to operate library branches in their respective jurisdictions. City contributions for the fiscal year ended June 30, 2007, were \$8.8 million, which were sufficient to fund Library operations for the year. During the year, the City also contributed the use of its library facilities to the Library. Financial statements for the Library can be obtained from the City's Department of Finance.

**Related Organizations**

The City's officials are responsible for appointing members to the boards of other organizations, but the City's accountability for these organizations do not extend beyond making the appointments. The City Council confirms board appointments made by the Mayor to: the Local Agency Formation Commission, Regional Transit, the Sacramento Area Council of Governments, the Sacramento Area Commerce & Trade Organization, the Sacramento Area Flood Control Agency, the Sacramento Employment and Training Agency, the Sacramento Metropolitan Air Quality Management District, the Sacramento Metropolitan Cable Television Commission, the Sacramento Regional County Sanitation District, the Sacramento Regional County Solid Waste Authority, the Sacramento Regional Fire/EMS Communication Center, the Sacramento Transportation Authority, the Water Advisory Commission, and the Regional Fire and Rescue Training Authority.

The City's financial support to these organizations during the year ended June 30, 2007, included \$650,000 to support handicapped transit service through the Sacramento Area Council of Governments, and \$2,476,000 for operations and facility support to the Sacramento Regional Fire/EMS Communication Center.

The City also received financial support from these related organizations during the year ended June 30, 2007, including \$23,642,000 in the Transportation and Development Fund from the Sacramento Transportation Authority, \$2,028,000 of cable television revenues in the General Fund from the Sacramento Metropolitan Cable Television Commission, and \$821,000 of revenue in the General Fund from the Sacramento Regional County Solid Waste Authority.

In addition, the City administers customer billing and collections on behalf of the Sacramento Regional County Sanitation District. Accounts receivable and an offsetting liability of \$946,000 for customer accounts are recorded in the City's Sewer Enterprise Fund as of June 30, 2007.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Required Supplementary Information**  
**Schedule of Funding Progress (Unaudited)**  
**Pension Plans**  
**(in millions)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	(Overfunded) Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	(Overfunded) Unfunded AAL as a % of Covered Payroll $\{(b)-(a)\}/(c)$
<u>PERS – City Miscellaneous</u>						
6/30/03	\$ 278	\$ 326	\$ 48	85%	\$ 119	40%
6/30/04	304	365	61	83	125	49
6/30/05	349	420	71	83	138	51
<u>PERS – City Safety</u>						
6/30/03	646	725	79	89	76	104
6/30/04	678	772	94	88	79	118
6/30/05	730	823	93	89	84	111
<u>SCERS</u>						
6/30/05	374	370	(4)	101	12	(33)
6/30/06	365	395	30	92	10	300
6/30/07	365	395	30	92	10	300

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Combining Balance Sheet**  
**Other Governmental Funds**

June 30, 2007  
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Assessment District Capital Project Fund	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and investments held by City	\$ 56,303	\$ 5,340	\$ 22,311	\$ 6,343	\$ 90,297
Cash and investments held by fiscal agent	-	3,329	-	-	3,329
Receivables, net:					
Taxes	-	84	-	-	84
Accounts	2,379	-	-	-	2,379
Loans	-	935	-	-	935
Intergovernmental	12,786	61,013	-	-	73,799
Interest	247	190	-	9	446
Prepaid items	17	-	-	-	17
Restricted assets:					
Cash and investments held by City	1,333	38	-	-	1,371
Cash and investments held by fiscal agent	-	19,915	-	-	19,915
<b>Total assets</b>	<b>\$ 73,065</b>	<b>\$ 90,844</b>	<b>\$ 22,311</b>	<b>\$ 6,352</b>	<b>\$ 192,572</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Securities lending obligations	\$ 6,085	\$ -	\$ -	\$ 561	\$ 6,646
Accounts payable	3,174	-	-	9	3,183
Due to other funds	2,139	-	-	-	2,139
Matured bonds and interest payable	-	2,989	-	-	2,989
Deposits	651	-	-	-	651
Deferred revenue	15,076	61,237	-	-	76,313
Advances from other funds	7,289	-	-	-	7,289
<b>Total liabilities</b>	<b>34,414</b>	<b>64,226</b>	<b>-</b>	<b>570</b>	<b>99,210</b>
Fund balances:					
Reserved:					
For noncurrent assets	-	935	-	-	935
For encumbrances	3,193	-	-	-	3,193
For debt service	1,333	19,953	-	-	21,286
For trust obligations	-	-	-	1,927	1,927
Unreserved:					
Designated for capital projects	8,638	-	19,806	-	28,444
Designated for subsequent years' expenditures	1,013	139	-	400	1,552
Undesignated	24,474	5,591	2,505	3,455	36,025
<b>Total fund balances</b>	<b>38,651</b>	<b>26,618</b>	<b>22,311</b>	<b>5,782</b>	<b>93,362</b>
<b>Total liabilities and fund balances</b>	<b>\$ 73,065</b>	<b>\$ 90,844</b>	<b>\$ 22,311</b>	<b>\$ 6,352</b>	<b>\$ 192,572</b>

**City of Sacramento**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Other Governmental Funds**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Assessment District Capital Project Fund	Permanent Funds	Total Other Governmental Funds
<b>Revenues:</b>					
Intergovernmental	\$ 43,267	\$ 4,559	\$ -	\$ -	\$ 47,826
Charges for services	6,469	-	-	-	6,469
Interest, rents, and concessions	5,246	1,397	844	899	8,386
Community service fees	8,224	-	-	-	8,224
Assessment levies	21,424	-	-	-	21,424
Contributions and donations	148	56	26,080	1	26,285
Miscellaneous	109	-	-	-	109
<b>Total revenues</b>	<b>84,887</b>	<b>6,012</b>	<b>26,924</b>	<b>900</b>	<b>118,723</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	707	-	-	14	721
Police	19,256	-	-	-	19,256
Fire	1,644	-	-	-	1,644
General services	8,980	-	-	-	8,980
Transportation	5,210	-	-	-	5,210
Neighborhood services	537	-	-	-	537
Convention, culture and leisure	8,564	-	-	12	8,576
Economic development	3,498	-	-	-	3,498
Parks and recreation	21,096	-	-	-	21,096
Code enforcement	319	-	-	-	319
Planning	161	-	5,012	-	5,173
Nondepartmental	342	-	-	120	462
Capital outlay	8,146	-	6,739	-	14,885
<b>Debt service:</b>					
Principal	738	12,127	-	-	12,865
Interest and fiscal charges	1,167	21,215	-	30	22,412
Bond issuance costs	25	1,080	-	-	1,105
Advance refunding escrow	213	-	-	-	213
<b>Total expenditures</b>	<b>80,603</b>	<b>34,422</b>	<b>11,751</b>	<b>176</b>	<b>126,952</b>
Excess (deficiency) of revenues over (under) expenditures	4,284	(28,410)	15,173	724	(8,229)
<b>Other financing sources (uses):</b>					
Transfers in	890	27,224	-	-	28,114
Transfers out	(68)	(1,123)	-	-	(1,191)
Issuance of long-term debt	1,799	78,702	-	-	80,501
Premium on long-term debt	286	12,508	-	-	12,794
Payment to refunded bond escrow	(2,059)	(90,092)	-	-	(92,151)
<b>Total other financing sources</b>	<b>848</b>	<b>27,219</b>	<b>-</b>	<b>-</b>	<b>28,067</b>
<b>Net change in fund balances</b>	<b>5,132</b>	<b>(1,191)</b>	<b>15,173</b>	<b>724</b>	<b>19,838</b>
Fund balances, beginning of year	33,519	27,809	7,138	5,058	73,524
<b>Fund balances, end of year</b>	<b>\$ 38,651</b>	<b>\$ 26,618</b>	<b>\$ 22,311</b>	<b>\$ 5,782</b>	<b>\$ 93,362</b>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
June 30, 2007  
(in thousands)

	<b>Culture and Leisure Fund</b>	<b>Parks and Recreation Fund</b>	<b>Grants Fund</b>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 1,731	\$ 35,277	\$ 2,785
Receivables, net:			
Accounts	1,335	110	-
Intergovernmental	-	3,618	9,168
Interest	7	240	-
Prepaid items	-	9	8
Restricted assets:			
Cash and investments held by City	733	-	-
<b>Total assets</b>	<b><u>\$ 3,806</u></b>	<b><u>\$ 39,254</u></b>	<b><u>\$ 11,961</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Securities lending obligations	\$ -	\$ 6,085	\$ -
Accounts payable	200	876	1,233
Due to other funds	424	-	1,715
Deposits	5	93	553
Deferred revenue	268	3,559	11,249
Advances from other funds	7,289	-	-
<b>Total liabilities</b>	<b><u>8,186</u></b>	<b><u>10,613</u></b>	<b><u>14,750</u></b>
Fund balances:			
Reserved:			
For encumbrances	98	1,377	1,683
For debt service	733	-	-
Unreserved:			
Designated for capital projects	-	4,380	-
Designated for subsequent years' expenditures	-	427	-
Undesignated	(5,211)	22,457	(4,472)
<b>Total fund balances</b>	<b><u>(4,380)</u></b>	<b><u>28,641</u></b>	<b><u>(2,789)</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 3,806</u></b>	<b><u>\$ 39,254</u></b>	<b><u>\$ 11,961</u></b>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
 June 30, 2007  
 (in thousands)

	Special Districts Fund	Cal EPA Fund	Total Special Revenue Funds
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 14,349	\$ 2,161	\$ 56,303
Receivables, net:			
Accounts	892	42	2,379
Intergovernmental	-	-	12,786
Interest	-	-	247
Prepaid items	-	-	17
Restricted assets:			
Cash and investments held by City	600	-	1,333
Total assets	<u>\$ 15,841</u>	<u>\$ 2,203</u>	<u>\$ 73,065</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Securities lending obligations	\$ -	\$ -	\$ 6,085
Accounts payable	705	160	3,174
Due to other funds	-	-	2,139
Deposits	-	-	651
Deferred revenue	-	-	15,076
Advances from other funds	-	-	7,289
Total liabilities	<u>705</u>	<u>160</u>	<u>34,414</u>
Fund balances:			
Reserved:			
For encumbrances	19	16	3,193
For debt service	600	-	1,333
Unreserved:			
Designated for capital projects	4,258	-	8,638
Designated for subsequent years' expenditures	586	-	1,013
Undesignated	9,673	2,027	24,474
Total fund balances	<u>15,136</u>	<u>2,043</u>	<u>38,651</u>
Total liabilities and fund balances	<u>\$ 15,841</u>	<u>\$ 2,203</u>	<u>\$ 73,065</u>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2007

(in thousands)

	Culture and Leisure Fund	Parks and Recreation Fund	Grants Fund
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 6,904	\$ 28,746
Charges for services	6,469	-	-
Interest, rents, and concessions	2,081	2,365	198
Community service fees	-	8,224	-
Assessment levies	-	-	-
Contributions and donations	45	103	-
Miscellaneous	75	34	-
	<u>8,670</u>	<u>17,630</u>	<u>28,944</u>
<b>Total revenues</b>			
<b>Expenditures:</b>			
<b>Current:</b>			
General government	-	-	10
Police	-	-	19,256
Fire	-	-	1,644
General services	-	-	237
Transportation	196	-	6
Neighborhood services	-	-	171
Convention, culture and leisure	6,359	-	-
Economic development	-	-	-
Parks and recreation	-	10,735	3,544
Code enforcement	-	-	319
Planning	-	-	22
Nondepartmental	-	269	73
Capital outlay	419	4,301	2,532
Principal	403	-	-
Interest and fiscal charges	913	-	-
Bond issuance costs	25	-	-
Advance refunding escrow	213	-	-
	<u>8,528</u>	<u>15,305</u>	<u>27,814</u>
<b>Total expenditures</b>			
Excess (deficiency) of revenues over (under) expenditures	<u>142</u>	<u>2,325</u>	<u>1,130</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	791	99
Transfers out	-	(56)	(12)
Issuance of long-term debt	1,799	-	-
Premium on long-term debt	286	-	-
Payment to refunded bond escrow	(2,059)	-	-
	<u>26</u>	<u>735</u>	<u>87</u>
<b>Total other financing sources (uses)</b>			
Net change in fund balances	168	3,060	1,217
Fund balances, beginning of year	<u>(4,548)</u>	<u>25,581</u>	<u>(4,006)</u>
Fund balances (deficit), end of year	<u>\$ (4,380)</u>	<u>\$ 28,641</u>	<u>\$ (2,789)</u>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2007

(in thousands)

	Special Districts Fund	Cal EPA Fund	Total Other Special Revenue Funds
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 7,617	\$ 43,267
Charges for services	-	-	6,469
Interest, rents, and concessions	482	120	5,246
Community service fees	-	-	8,224
Assessment levies	21,424	-	21,424
Contributions and donations	-	-	148
Miscellaneous	-	-	109
<b>Total revenues</b>	<b>21,906</b>	<b>7,737</b>	<b>84,887</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	697	-	707
Police	-	-	19,256
Fire	-	-	1,644
General services	315	8,428	8,980
Transportation	5,008	-	5,210
Neighborhood services	366	-	537
Convention, culture and leisure	2,205	-	8,564
Economic development	3,498	-	3,498
Parks and recreation	6,817	-	21,096
Code enforcement	-	-	319
Planning	139	-	161
Nondepartmental	-	-	342
Capital outlay	894	-	8,146
Principal	335	-	738
Interest and fiscal charges	254	-	1,167
Bond issuance costs	-	-	25
Advance refunding escrow	-	-	213
<b>Total expenditures</b>	<b>20,528</b>	<b>8,428</b>	<b>80,603</b>
Excess (deficiency) of revenues over (under) expenditures	1,378	(691)	4,284
<b>Other financing sources (uses):</b>			
Transfers in	-	-	890
Transfers out	-	-	(68)
Issuance of long-term debt	-	-	1,799
Premium on long-term debt	-	-	286
Payment to refunded bond escrow	-	-	(2,059)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>848</b>
Net change in fund balances	1,378	(691)	5,132
Fund balances, beginning of year	13,758	2,734	33,519
Fund balances (deficit), end of year	\$ 15,136	\$ 2,043	\$ 38,651

# City of Sacramento

## Schedule of Revenues, Expenditures and Changes in Fund Balances

### - Budget and Actual

#### Culture and Leisure Special Revenue Fund

For the Fiscal Year Ended June 30, 2007

(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 5,760	\$ 5,760	\$ 6,280	\$ 520
Interest, rents and concessions	1,389	1,389	2,049	660
Donations	45	45	45	-
Miscellaneous	67	67	75	8
<b>Total revenues</b>	<b>7,261</b>	<b>7,261</b>	<b>8,449</b>	<b>1,188</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Convention, culture and leisure	5,936	5,960	6,323	(363)
Capital Outlay	653	653	419	234
<b>Debt Service:</b>				
Principal	447	447	403	44
Interest and fiscal charges	780	738	913	(175)
Issuance cost	-	-	25	(25)
Advance Refunding escrow	-	-	213	(213)
<b>Total expenditures</b>	<b>7,816</b>	<b>7,798</b>	<b>8,296</b>	<b>(498)</b>
Excess (deficiency) of revenues over (under) expenditures	(555)	(537)	153	690
<b>Other financing sources (uses):</b>				
Issuance of long term debt	-	-	1,799	1,799
Premium from long term debt	-	-	286	286
Payment to refund bond escrow	-	-	(2,059)	(2,059)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>26</b>
<b>Net change in fund balance</b>	<b>\$ (555)</b>	<b>\$ (537)</b>	<b>179</b>	<b>\$ 716</b>
Net change in fund balance for Culture and Leisure Special Revenue Fund activities for which annual budgets are not adopted.			(11)	
<b>Net change in fund balance</b>			<b>\$ 168</b>	

# City of Sacramento

## Schedule of Revenues, Expenditures and Changes in Fund Balances

### - Budget and Actual

### Parks and Recreation Special Revenue Fund

For the Fiscal Year Ended June 30, 2007

(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 4,781	\$ 4,878	\$ 6,904	\$ 2,026
Interest, rents and concessions	145	707	2,365	1,658
Community service fees	2,866	2,530	8,224	5,694
Donations	-	-	103	103
Miscellaneous	136	166	34	(132)
<b>Total revenues</b>	<b>7,928</b>	<b>8,281</b>	<b>17,630</b>	<b>9,349</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Parks and recreation	9,632	11,136	10,735	401
Nondepartmental	-	-	269	(269)
Capital outlay	7,583	7,583	4,301	3,282
<b>Total expenditures</b>	<b>17,215</b>	<b>18,719</b>	<b>15,305</b>	<b>3,414</b>
Excess (deficiency) of revenues over (under) expenditures	(9,287)	(10,438)	2,325	12,763
<b>Other financing sources (uses):</b>				
Transfers in	691	791	791	-
Transfers out	-	-	(56)	(56)
<b>Total other financing sources (uses)</b>	<b>691</b>	<b>791</b>	<b>735</b>	<b>(56)</b>
<b>Net change in fund balance</b>	<b>\$ (8,596)</b>	<b>\$ (9,647)</b>	<b>\$ 3,060</b>	<b>\$ 12,707</b>

# City of Sacramento

## Schedule of Revenues, Expenditures and Changes in Fund Balances

### - Budget and Actual

#### Special Districts Special Revenue Fund

For the Fiscal Year Ended June 30, 2007

(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Interest, rents, and penalties	\$ 52	\$ 52	\$ 482	\$ 430
Assessment levies	19,397	20,834	21,424	590
<b>Total revenues</b>	<b>19,449</b>	<b>20,886</b>	<b>21,906</b>	<b>1,020</b>
<b>Expenditures:</b>				
Current:				
General government	408	472	697	(225)
General services	1,313	1,058	315	743
Transportation	4,279	5,081	5,008	73
Neighborhood services	434	366	366	-
Convention, culture and leisure	2,105	2,105	2,205	(100)
Economic development	2,835	3,486	3,498	(12)
Parks and recreation	6,467	6,817	6,817	-
Planning	317	260	139	121
Capital outlay	5,329	5,229	894	4,335
Debt Service:				
Principal	335	335	335	-
Interest and fiscal charges	254	254	254	-
<b>Total expenditures</b>	<b>24,076</b>	<b>25,463</b>	<b>20,528</b>	<b>4,935</b>
<b>Net change in fund balance</b>	<b>\$ (4,627)</b>	<b>\$ (4,577)</b>	<b>\$ 1,378</b>	<b>\$ 5,955</b>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**

June 30, 2007

(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	1995 Series A Gas Tax Revenue Bond Fund	2002 Capital Improvement Revenue Bond Fund
<b>ASSETS</b>				
Cash and investments held by City	\$ 977	\$ 2,381	\$ 46	\$ 190
Cash and investments held by fiscal agent	-	-	39	-
Receivables, net:				
Taxes	-	-	84	-
Loans	-	-	-	-
Intergovernmental	-	-	-	12,970
Interest	13	35	-	-
Restricted assets:				
Cash and investments held by City	-	-	-	-
Cash and investments held by fiscal agent	1,212	3,315	1,416	-
<b>Total assets</b>	<b>\$ 2,202</b>	<b>\$ 5,731</b>	<b>\$ 1,585</b>	<b>\$ 13,160</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Matured bonds and interest payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	13	35	84	12,970
<b>Total liabilities</b>	<b>13</b>	<b>35</b>	<b>84</b>	<b>12,970</b>
Fund balances:				
Reserved:				
For noncurrent assets	-	-	-	-
For debt service	1,212	3,315	1,416	-
Unreserved:				
Designated for subsequent years' expenditures	-	-	85	54
Undesignated	977	2,381	-	136
<b>Total fund balances</b>	<b>2,189</b>	<b>5,696</b>	<b>1,501</b>	<b>190</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,202</b>	<b>\$ 5,731</b>	<b>\$ 1,585</b>	<b>\$ 13,160</b>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**

June 30, 2007

(in thousands)

	2002 Refunding Revenue Bond Light Rail Bond Fund	2002 Refunding Revenue Bond Public Facilities Projects Fund	2005 Refunding Revenue Bond Fund	2006 Series A Revenue Bond Fund
<b>ASSETS</b>				
Cash and investments held by City	\$ 998	\$ 510	\$ 3	\$ 129
Cash and investments held by fiscal agent	2,158	848	-	179
Receivables, net:				
Taxes	-	-	-	-
Loans	-	-	-	-
Intergovernmental	-	-	21,115	8,967
Interest	35	15	-	58
Restricted assets:				
Cash and investments held by City	-	-	-	-
Cash and investments held by fiscal agent	1,949	821	-	6,927
<b>Total assets</b>	<b>\$ 5,140</b>	<b>\$ 2,194</b>	<b>\$ 21,118</b>	<b>\$ 16,260</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Matured bonds and interest payable	\$ 2,145	\$ 844	\$ -	\$ -
Deferred revenue	-	-	21,115	9,025
<b>Total liabilities</b>	<b>2,145</b>	<b>844</b>	<b>21,115</b>	<b>9,025</b>
Fund balances:				
Reserved:				
For noncurrent assets	-	-	-	-
For debt service	1,949	821	-	6,927
Unreserved:				
Designated for subsequent years' expenditures	-	-	-	-
Undesignated	1,046	529	3	308
<b>Total fund balances</b>	<b>2,995</b>	<b>1,350</b>	<b>3</b>	<b>7,235</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,140</b>	<b>\$ 2,194</b>	<b>\$ 21,118</b>	<b>\$ 16,260</b>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**

June 30, 2007

(in thousands)

	2006 Series B Revenue Bond Fund	2006 Series E Revenue Bond Fund	Other City Debt Fund	Total Other Debt Service Funds
<b>ASSETS</b>				
Cash and investments held by City	\$ 31	\$ -	\$ 75	\$ 5,340
Cash and investments held by fiscal agent	105	-	-	3,329
Receivables, net:				
Taxes	-	-	-	84
Loans	-	-	935	935
Intergovernmental	14,511	1,990	1,460	61,013
Interest	34	-	-	190
Restricted assets:				
Cash and investments held by City	-	38	-	38
Cash and investments held by fiscal agent	4,002	-	273	19,915
<b>Total assets</b>	<b>\$ 18,683</b>	<b>\$ 2,028</b>	<b>\$ 2,743</b>	<b>\$ 90,844</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Matured bonds and interest payable	\$ -	\$ -	\$ -	\$ 2,989
Deferred revenue	14,545	1,990	1,460	61,237
<b>Total liabilities</b>	<b>14,545</b>	<b>1,990</b>	<b>1,460</b>	<b>64,226</b>
Fund balances:				
Reserved:				
For noncurrent assets	-	-	935	935
For debt service	4,002	38	273	19,953
Unreserved:				
Designated for subsequent years' expenditures	-	-	-	139
Undesignated	136	-	75	5,591
<b>Total fund balances</b>	<b>4,138</b>	<b>38</b>	<b>1,283</b>	<b>26,618</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,683</b>	<b>\$ 2,028</b>	<b>\$ 2,743</b>	<b>\$ 90,844</b>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	1991 Marks-Roos Revenue Bond Fund	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	1995 Series A Gas Tax Revenue Bond Fund
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest, rents, and concessions	69	117	306	73
Contributions and donations	-	-	-	56
Total revenues	69	117	306	129
Expenditures:				
Debt service:				
Principal	1,385	495	1,429	1,310
Interest and fiscal charges	46	572	1,592	226
Bond issuance costs	-	-	-	-
Total expenditures	1,431	1,067	3,021	1,536
(Deficiency) excess of revenues (under) over expenditures	(1,362)	(950)	(2,715)	(1,407)
Other financing sources (uses):				
Transfers in	-	1,067	3,020	1,532
Transfers out	(965)	-	-	(158)
Issuance of long-term debt	-	-	-	-
Premium on long-term debt	-	-	-	-
Payment to refunded bond escrow	-	-	-	-
Total other financing sources (uses)	(965)	1,067	3,020	1,374
Net change in fund balances	(2,327)	117	305	(33)
Fund balances, beginning of year	2,327	2,072	5,391	1,534
Fund balances, end of year	\$ -	\$ 2,189	\$ 5,696	\$ 1,501

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	2002 Capital Improvement Revenue Bond Fund	2002 Refunding Revenue Bond Light Rail Projects Fund	2002 Refunding Revenue Bond Public Facilities Projects Fund	2003 Capital Improvement Revenue Bond Fund
Revenues:				
Intergovernmental	\$ 2,137	\$ -	\$ -	\$ -
Interest, rents, and concessions	5	163	72	-
Contributions and donations	-	-	-	-
<b>Total revenues</b>	<b>2,142</b>	<b>163</b>	<b>72</b>	<b>-</b>
Expenditures:				
Debt service:				
Principal	3,622	1,850	729	1,080
Interest and fiscal charges	2,606	592	231	2,110
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>6,228</b>	<b>2,442</b>	<b>960</b>	<b>3,190</b>
(Deficiency) excess of revenues (under) over expenditures	<b>(4,086)</b>	<b>(2,279)</b>	<b>(888)</b>	<b>(3,190)</b>
Other financing sources (uses):				
Transfers in	4,143	2,441	960	3,193
Transfers out	-	-	-	-
Issuance of long-term debt	-	-	-	-
Premium on long-term debt	-	-	-	-
Payment to refunded bond escrow	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>4,143</b>	<b>2,441</b>	<b>960</b>	<b>3,193</b>
<b>Net change in fund balances</b>	<b>57</b>	<b>162</b>	<b>72</b>	<b>3</b>
Fund balances, beginning of year	133	2,833	1,278	(3)
<b>Fund balances, end of year</b>	<b>\$ 190</b>	<b>\$ 2,995</b>	<b>\$ 1,350</b>	<b>\$ -</b>

(continued)

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	2005 Refunding Revenue Bond Fund	2006 Series A Revenue Bond Fund	2006 Series B Revenue Bond Fund	2006 Series C Revenue Bond Fund
Revenues:				
Intergovernmental	\$ 1,032	\$ 403	\$ 915	\$ -
Interest, rents, and concessions	1	355	178	-
Contributions and donations	-	-	-	-
<b>Total revenues</b>	<b>1,033</b>	<b>758</b>	<b>1,093</b>	<b>-</b>
Expenditures:				
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	2,868	4,294	3,138	660
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>2,868</b>	<b>4,294</b>	<b>3,138</b>	<b>660</b>
(Deficiency) excess of revenues (under) over expenditures	(1,835)	(3,536)	(2,045)	(660)
Other financing sources (uses):				
Transfers in	1,835	3,854	2,187	660
Transfers out	-	-	-	-
Issuance of long-term debt	-	-	-	-
Premium on long-term debt	-	-	-	-
Payment to refunded bond escrow	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,835</b>	<b>3,854</b>	<b>2,187</b>	<b>660</b>
Net change in fund balances	-	318	142	-
Fund balances, beginning of year	3	6,917	3,996	-
Fund balances, end of year	<u>\$ 3</u>	<u>\$ 7,235</u>	<u>\$ 4,138</u>	<u>\$ -</u>

(continued)

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2007

(in thousands)

	2006 Series D Revenue Bond Fund	2006 Series E Revenue Bond Fund	Other City Debt Fund	Total Other Debt Service Funds
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 72	\$ 4,559
Interest, rents, and concessions	-	-	58	1,397
Contributions and donations	-	-	-	56
Total revenues	-	-	130	6,012
Expenditures:				
Debt service:				
Principal	-	-	227	12,127
Interest and fiscal charges	59	1,939	282	21,215
Bond issuance costs	-	1,080	-	1,080
Total expenditures	59	3,019	509	34,422
(Deficiency) excess of revenues (under) over expenditures	(59)	(3,019)	(379)	(28,410)
Other financing sources (uses):				
Transfers in	59	1,939	334	27,224
Transfers out	-	-	-	(1,123)
Issuance of long-term debt	-	78,702	-	78,702
Premium on long-term debt	-	12,508	-	12,508
Payment to refunded bond escrow	-	(90,092)	-	(90,092)
Total other financing sources (uses)	59	3,057	334	27,219
Net change in fund balances	-	38	(45)	(1,191)
Fund balances, beginning of year	-	-	1,328	27,809
Fund balances, end of year	\$ -	\$ 38	\$ 1,283	\$ 26,618

**THIS PAGE INTENTIONALLY LEFT BLANK**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Permanent Funds**  
**Combining Balance Sheet**

June 30, 2007  
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>	<u>Winchester G. &amp; Mary Alice Felt Fund</u>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 952	\$ 2,850	\$ 998	\$ 1,198
Receivables, net:				
Interest	2	6	1	-
Total assets	<u>\$ 954</u>	<u>\$ 2,856</u>	<u>\$ 999</u>	<u>\$ 1,198</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Securities lending obligations	\$ 101	\$ 305	\$ 155	\$ -
Accounts payable	-	-	-	9
Total liabilities	<u>101</u>	<u>305</u>	<u>155</u>	<u>9</u>
Fund balances:				
Reserved:				
For trust obligations	272	278	25	1,049
Unreserved:				
Designated for subsequent years' expenditures	83	248	69	-
Undesignated	498	2,025	750	140
Total fund balances	<u>853</u>	<u>2,551</u>	<u>844</u>	<u>1,189</u>
Total liabilities and fund balances	<u>\$ 954</u>	<u>\$ 2,856</u>	<u>\$ 999</u>	<u>\$ 1,198</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Balance Sheet**  
 June 30, 2007  
 (in thousands)

	<u>Alice Miller Fund</u>	<u>Sacramento Museum of History, Science &amp; Technology Fund</u>	<u>Total Permanent Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 43	\$ 302	\$ 6,343
Receivables, net:			
Interest	-	-	9
Total assets	<u>\$ 43</u>	<u>\$ 302</u>	<u>\$ 6,352</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Securities lending obligations	\$ -	\$ -	\$ 561
Accounts payable	-	-	9
Total liabilities	<u>-</u>	<u>-</u>	<u>570</u>
Fund balances:			
Reserved:			
For trust obligations	3	300	1,927
Unreserved:			
Designated for subsequent years' expenditures	-	-	400
Undesignated	40	2	3,455
Total fund balances	<u>43</u>	<u>302</u>	<u>5,782</u>
Total liabilities and fund balances	<u>\$ 43</u>	<u>\$ 302</u>	<u>\$ 6,352</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2007**  
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>	<u>Winchester G. &amp; Mary Alice Felt Fund</u>
Revenues:				
Interest, rents, and concessions	\$ 167	\$ 500	\$ 164	\$ 53
Contributions and donations	-	1	-	-
Total revenues	<u>167</u>	<u>501</u>	<u>164</u>	<u>53</u>
Expenditures:				
Current:				
General government	-	-	5	9
Convention, culture and leisure	-	-	-	-
Nondepartmental	25	75	20	-
Debt service:				
Interest and fiscal charges	<u>5</u>	<u>17</u>	<u>8</u>	<u>-</u>
Total expenditures	<u>30</u>	<u>92</u>	<u>33</u>	<u>9</u>
Excess of revenues over expenditures	137	409	131	44
Fund balances, beginning of year	<u>716</u>	<u>2,142</u>	<u>713</u>	<u>1,145</u>
Fund balances, end of year	<u>\$ 853</u>	<u>\$ 2,551</u>	<u>\$ 844</u>	<u>\$ 1,189</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**For the Fiscal Year ended June 30, 2007**  
(in thousands)

	Alice Miller Fund	Sacramento Museum of History, Science & Technology Fund	Total Permanent Funds
Revenues:			
Interest, rents, and concessions	\$ 2	\$ 13	\$ 899
Contributions and donations	-	-	1
Total revenues	<u>2</u>	<u>13</u>	<u>900</u>
Expenditures:			
Current:			
General government	-	-	14
Convention, culture and leisure	-	12	12
Nondepartmental	-	-	120
Debt service:			
Interest and fiscal charges	-	-	30
Total expenditures	<u>-</u>	<u>12</u>	<u>176</u>
Excess of revenues over expenditures	2	1	724
Fund balances, beginning of year	<u>41</u>	<u>301</u>	<u>5,058</u>
Fund balances, end of year	<u>\$ 43</u>	<u>\$ 302</u>	<u>\$ 5,782</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Assets**

June 30, 2007  
(in thousands)

	<u>Parking Fund</u>	<u>4th R Fund</u>	<u>Marina Fund</u>	<u>Total Other Enterprise Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ 18,684	\$ 1,880	\$ 998	\$ 21,562
Receivables, net:				
Accounts	675	2	9	686
Interest	19	-	-	19
Prepaid items	-	12	-	12
Total current assets	<u>19,378</u>	<u>1,894</u>	<u>1,007</u>	<u>22,279</u>
Restricted assets:				
Cash and investments held by City	300	495	-	795
Cash and investments held by fiscal agent	1,791	-	-	1,791
Advances to other funds	200	-	-	200
Deferred charges	467	222	-	689
Capital assets:				
Land	7,750	-	3,821	11,571
Buildings and improvements	65,375	1,319	7,378	74,072
Machinery and equipment	3,535	-	38	3,573
Construction in progress	1,517	-	909	2,426
Less: accumulated depreciation	<u>(24,585)</u>	<u>(259)</u>	<u>(6,619)</u>	<u>(31,463)</u>
Total noncurrent assets	<u>56,350</u>	<u>1,777</u>	<u>5,527</u>	<u>63,654</u>
Total assets	<u>75,728</u>	<u>3,671</u>	<u>6,534</u>	<u>85,933</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Assets**

June 30, 2007  
(in thousands)

	<u>Parking Fund</u>	<u>4th R Fund</u>	<u>Marina Fund</u>	<u>Total Other Enterprise Funds</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable and accrued expenses	1,135	610	28	1,773
Accrued compensated absences	21	8	4	33
Interest payable	249	-	255	504
Deposits	-	-	88	88
Deferred revenue	280	495	14	789
Revenue and other bonds payable, net, current portion	651	-	-	651
Notes payable, current portion	-	40	187	227
Total current liabilities	<u>2,336</u>	<u>1,153</u>	<u>576</u>	<u>4,065</u>
Noncurrent liabilities:				
Accrued compensated absences	242	262	18	522
Revenue and other bonds payable, net	37,899	-	-	37,899
Notes payable	-	220	6,009	6,229
Total noncurrent liabilities	<u>38,141</u>	<u>482</u>	<u>6,027</u>	<u>44,650</u>
Total liabilities	<u>40,477</u>	<u>1,635</u>	<u>6,603</u>	<u>48,715</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	16,884	800	(924)	16,760
Restricted for:				
Capital projects	-	425	-	425
Unrestricted	18,367	811	855	20,033
Total net assets	<u>\$ 35,251</u>	<u>\$ 2,036</u>	<u>\$ (69)</u>	<u>\$ 37,218</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Fund Net Assets**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Parking Fund	4th R Fund	Marina Fund	Total Other Enterprise Funds
Operating revenues:				
Charges for services:				
User fees and charges	\$ 17,294	\$ 5,311	\$ 1,809	\$ 24,414
Rents and concessions	1,411	-	1	1,412
Miscellaneous	1	66	17	84
Total operating revenues	<u>18,706</u>	<u>5,377</u>	<u>1,827</u>	<u>25,910</u>
Operating expenses:				
Employee services	3,580	4,948	302	8,830
Services and supplies	8,175	854	679	9,708
Depreciation	2,270	66	116	2,452
Total operating expenses	<u>14,025</u>	<u>5,868</u>	<u>1,097</u>	<u>20,990</u>
Operating income (loss)	<u>4,681</u>	<u>(491)</u>	<u>730</u>	<u>4,920</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	958	82	48	1,088
Revenue from other agencies	-	589	-	589
Interest expense	(2,325)	-	(287)	(2,612)
Amortization of deferred charges	(25)	-	-	(25)
Total nonoperating revenues (expenses)	<u>(1,392)</u>	<u>671</u>	<u>(239)</u>	<u>(960)</u>
Income before transfers	3,289	180	491	3,960
Transfers in	2	-	-	2
Transfers out	(2,073)	-	(173)	(2,246)
Changes in net assets	1,218	180	318	1,716
Total net assets, beginning of year	<u>34,033</u>	<u>1,856</u>	<u>(387)</u>	<u>35,502</u>
Total net assets, end of year	<u>\$ 35,251</u>	<u>\$ 2,036</u>	<u>\$ (69)</u>	<u>\$ 37,218</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Parking Fund	4th R Fund	Marina Fund	Total Other Enterprise Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 18,403	\$ 5,798	\$ 1,815	\$ 26,016
Payments to suppliers	(8,100)	(729)	(840)	(9,669)
Payments to employees	(3,543)	(5,012)	(316)	(8,871)
Net cash provided by operating activities	<u>6,760</u>	<u>57</u>	<u>659</u>	<u>7,476</u>
Cash flows from noncapital financing activities:				
Transfers in from other funds	2	-	-	2
Transfers out to other funds	(2,073)	-	(173)	(2,246)
Intergovernmental revenue received	-	589	-	589
Net cash (used for) provided by noncapital financing activities	<u>(2,071)</u>	<u>589</u>	<u>(173)</u>	<u>(1,655)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(833)	(24)	(380)	(1,237)
Principal payments on capital debt	(904)	(40)	(179)	(1,123)
Interest payments on capital debt	(2,033)	-	(287)	(2,320)
Net cash used for capital and related financing activities	<u>(3,770)</u>	<u>(64)</u>	<u>(846)</u>	<u>(4,680)</u>
Cash flows from investing activities:				
Collection of interest	958	82	48	1,088
Net cash provided by investing activities	<u>958</u>	<u>82</u>	<u>48</u>	<u>1,088</u>
Net increase (decrease) in cash and cash equivalents	1,877	664	(312)	2,229
Cash and cash equivalents, beginning of year	<u>18,898</u>	<u>1,711</u>	<u>1,310</u>	<u>21,919</u>
Cash and cash equivalents, end of year	<u>\$ 20,775</u>	<u>\$ 2,375</u>	<u>\$ 998</u>	<u>\$ 24,148</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:				
Cash and investments held by City	\$ 18,684	\$ 1,880	\$ 998	\$ 21,562
Restricted cash and investments held by City	300	495	-	795
Restricted cash and investments held by fiscal agent	1,791	-	-	1,791
Total cash and cash equivalents, end of year	<u>\$ 20,775</u>	<u>\$ 2,375</u>	<u>\$ 998</u>	<u>\$ 24,148</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Parking Fund	4th R Fund	Marina Fund	Total Other Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 4,681	\$ (491)	\$ 730	\$ 4,920
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	2,270	66	116	2,452
Changes in assets and liabilities:				
Accounts receivable	(389)	190	16	(183)
Prepaid items	-	(112)	-	(112)
Accounts payable and accrued expenses	76	163	(166)	73
Accrued compensated absences	36	10	(9)	37
Deposits	-	-	(25)	(25)
Deferred revenue	86	231	(3)	314
Net cash provided by operating activities	<u>\$ 6,760</u>	<u>\$ 57</u>	<u>\$ 659</u>	<u>\$ 7,476</u>
Noncash investing, capital and financing activities:				
Amortization of bond premium, discount and loss on refunding	\$ 300	\$ -	\$ -	\$ 300
Amortization of deferred charges	(25)	-	-	(25)

**THIS PAGE INTENTIONALLY LEFT BLANK**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Assets**

June 30, 2007  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ 6,170	\$ 33,409	\$ 39,579
Cash and investments held by fiscal agent	-	119	119
Receivables, net:			
Accounts	99	373	472
Interest	-	421	421
Due from other funds	-	39,611	39,611
Inventories	1,412	-	1,412
Prepaid items	5,940	2	5,942
	<u>13,621</u>	<u>73,935</u>	<u>87,556</u>
Total current assets			
Noncurrent assets:			
Advances to other funds	-	16,463	16,463
Deferred charges	45	-	45
Capital assets:			
Buildings and improvements	6,456	-	6,456
Machinery and equipment	1,434	-	1,434
Vehicles	97,755	-	97,755
Construction in progress	1,103	-	1,103
Less: accumulated depreciation	(66,232)	-	(66,232)
	<u>40,561</u>	<u>16,463</u>	<u>57,024</u>
Total noncurrent assets			
Total assets	<u>\$ 54,182</u>	<u>\$ 90,398</u>	<u>\$ 144,580</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
 June 30, 2007  
 (in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Securities lending obligations	\$ -	\$ 10,406	\$ 10,406
Accounts payable and accrued expenses	2,413	2,125	4,538
Accrued compensated absences	44	26	70
Interest payable	14	-	14
Deferred revenue	-	480	480
Accrued claims	-	17,949	17,949
Revenue and other bonds payable, net, current portion	249	-	249
<b>Total current liabilities</b>	<b>2,720</b>	<b>30,986</b>	<b>33,706</b>
Noncurrent liabilities:			
Accrued compensated absences	681	244	925
Accrued claims	-	39,762	39,762
Revenue and other bonds payable, net	4,553	-	4,553
<b>Total noncurrent liabilities</b>	<b>5,234</b>	<b>40,006</b>	<b>45,240</b>
<b>Total liabilities</b>	<b>7,954</b>	<b>70,992</b>	<b>78,946</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	35,700	-	35,700
Unrestricted	10,528	19,406	29,934
<b>Total net assets</b>	<b>\$ 46,228</b>	<b>\$ 19,406</b>	<b>\$ 65,634</b>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 39,486	\$ 20,586	\$ 60,072
Miscellaneous	69	539	608
Total operating revenues	<u>39,555</u>	<u>21,125</u>	<u>60,680</u>
Operating expenses:			
Employee services	6,826	2,917	9,743
Services and supplies	19,611	4,585	24,196
Depreciation	8,591	-	8,591
Insurance premiums	-	1,997	1,997
Claims expense	-	4,813	4,813
Total operating expenses	<u>35,028</u>	<u>14,312</u>	<u>49,340</u>
Operating income	<u>4,527</u>	<u>6,813</u>	<u>11,340</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	-	4,586	4,586
Interest expense	(227)	(479)	(706)
Amortization of deferred charges	(3)	-	(3)
Gain on disposition of fixed assets	(2)	-	(2)
Total nonoperating revenues (expenses)	<u>(232)</u>	<u>4,107</u>	<u>3,875</u>
Income before contributions and transfers	4,295	10,920	15,215
Capital contributions	3,937	-	3,937
Transfers in	466	-	466
Transfers out	(242)	-	(242)
Changes in net assets	8,456	10,920	19,376
Total net assets, beginning of year	<u>37,772</u>	<u>8,486</u>	<u>46,258</u>
Total net assets, end of year	<u>\$ 46,228</u>	<u>\$ 19,406</u>	<u>\$ 65,634</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 39,534	\$ 63,571	\$ 103,105
Payments to suppliers	(24,755)	(47,694)	(72,449)
Payments to employees	(6,724)	(2,892)	(9,616)
Claims paid	-	(9,534)	(9,534)
Net cash provided by operating activities	8,055	3,451	11,506
Cash flows from noncapital financing activities:			
Transfers out to other funds	(242)	-	(242)
Loans to other funds	-	(17,285)	(17,285)
Net cash used for noncapital financing activities	(242)	(17,285)	(17,527)
Cash flows from capital and related financing activities:			
Proceeds from issuance of debt	1	-	1
Payments for costs of issuance	(1)	-	(1)
Acquisition and construction of capital assets	(6,517)	-	(6,517)
Proceeds from sale of capital assets	265	-	265
Principal payments on capital debt	(228)	-	(228)
Interest payments on capital debt	(245)	-	(245)
Transfers in from other funds	466	-	466
Capital contributions	3,672	-	3,672
Net cash used for capital and related financing activities	(2,587)	-	(2,587)
Cash flows from investing activities:			
Collection of interest	4	3,997	4,001
Change in securities lending obligation	-	3,314	3,314
Net cash provided by investing activities	4	7,311	7,315
Net increase (decrease) in cash and cash equivalents	5,230	(6,523)	(1,293)
Cash and cash equivalents, beginning of year	940	40,051	40,991
Cash and cash equivalents, end of year	\$ 6,170	\$ 33,528	\$ 39,698
Reconciliation of cash and cash equivalents to the Statement of Net Assets:			
Cash and investments held by City	\$ 6,170	\$ 33,409	\$ 39,579
Cash and investments held by fiscal agent	-	119	119
Total cash and cash equivalents, end of year	\$ 6,170	\$ 33,528	\$ 39,698

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2007  
(in thousands)

	<u>Fleet Management Fund</u>	<u>Risk Management Fund</u>	<u>Total Internal Service Funds</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 4,527	\$ 6,813	\$ 11,340
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	8,591	-	8,591
Changes in assets and liabilities:			
Accounts receivable	(21)	(131)	(152)
Inventories	(191)	-	(191)
Prepaid items	(5,490)	4	(5,486)
Accounts payable and accrued expenses	541	1,437	1,978
Accrued compensated absences	98	25	123
Accrued claims	-	(4,721)	(4,721)
Deferred revenue	-	24	24
Net cash provided by operating activities	<u>\$ 8,055</u>	<u>\$ 3,451</u>	<u>\$ 11,506</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ 265	\$ -	\$ 265
Proceeds from issuance of debt	533	-	533
Premium from issuance of debt	84	-	84
Payment to refunded bond escrow	(610)	-	(610)
Payment for cost of issuance	(8)	-	(8)
Amortization of bond premium, discount and loss on refunding	(10)	-	(10)
Amortization of deferred charges	3	-	3
Sale of capital assets on accounts receivable	48	-	48
Security lending interest revenues	-	479	479
Security lending interest expenses	-	(479)	(479)

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Investment Trust Funds**  
**Combining Statement of Fiduciary Net Assets**

June 30, 2007  
(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 93,403	\$ 339,744	\$ 433,147
Receivables, net:			
Interest	634	2,904	3,538
Total assets	<u>94,037</u>	<u>342,648</u>	<u>436,685</u>
<b><u>LIABILITIES</u></b>			
Securities lending obligations	<u>15,664</u>	<u>47,740</u>	<u>63,404</u>
<b><u>NET ASSETS</u></b>			
Held in trust	<u>\$ 78,373</u>	<u>\$ 294,908</u>	<u>\$ 373,281</u>

**City of Sacramento**  
**Investment Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
Additions:			
Investment earnings:			
Net appreciation in fair value of investments	\$ 3,580	\$ 1,456	\$ 5,036
Interest	411	14,084	14,495
Dividends	-	76	76
Total investment earnings	3,991	15,616	19,607
Less investment expenses:			
Banking, interest, and fiscal agent expenses	126	13	139
Net investment income	3,865	15,603	19,468
Deposits	786,382	968,530	1,754,912
Total additions	790,247	984,133	1,774,380
Deductions:			
Withdrawals	796,319	971,626	1,767,945
Change in net assets	(6,072)	12,507	6,435
Net assets, beginning of year	84,445	282,401	366,846
Net assets, end of year	<u>\$ 78,373</u>	<u>\$ 294,908</u>	<u>\$ 373,281</u>

# City of Sacramento

## Agency Funds

### Combining Statement of Fiduciary Assets and Liabilities

June 30, 2007

(in thousands)

	<u>Assessment Districts Fund</u>	<u>Community Facility District Act Fund</u>	<u>Total Agency Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 10,055	\$ 12,501	\$ 22,556
Cash and investments held by fiscal agent	2,065	21,853	23,918
Receivables, net:			
Interest	<u>7</u>	<u>91</u>	<u>98</u>
Total assets	<u>\$ 12,127</u>	<u>\$ 34,445</u>	<u>\$ 46,572</u>
<b><u>LIABILITIES</u></b>			
Due to bondholders	<u>\$ 12,127</u>	<u>\$ 34,445</u>	<u>\$ 46,572</u>
Total liabilities	<u>\$ 12,127</u>	<u>\$ 34,445</u>	<u>\$ 46,572</u>

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

**ASSESSMENT DISTRICTS FUND**

	<u>Balance Beginning of Fiscal Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Fiscal Year</u>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 9,974	\$ 3,236	\$ 3,155	\$ 10,055
Cash and investments held by fiscal agent	31,763	574	30,272	2,065
Receivables, net:				
Interest	-	7	-	7
Total assets	<u>\$ 41,737</u>	<u>\$ 3,817</u>	<u>\$ 33,427</u>	<u>\$ 12,127</u>
<b><u>LIABILITIES</u></b>				
Due to bondholders	<u>\$ 41,737</u>	<u>\$ 4,262</u>	<u>\$ 33,872</u>	<u>\$ 12,127</u>
Total liabilities	<u>\$ 41,737</u>	<u>\$ 4,262</u>	<u>\$ 33,872</u>	<u>\$ 12,127</u>

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

**COMMUNITY FACILITY DISTRICT ACT FUND**

	<u>Balance Beginning of Fiscal Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Fiscal Year</u>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 10,807	\$ 13,543	\$ 11,849	\$ 12,501
Cash and investments held by fiscal agent	18,533	4,800	1,480	21,853
Receivables, net:				
Interest	62	84	55	91
Total assets	<u>\$ 29,402</u>	<u>\$ 18,427</u>	<u>\$ 13,384</u>	<u>\$ 34,445</u>
<b><u>LIABILITIES</u></b>				
Due to bondholders	<u>\$ 29,402</u>	<u>\$ 19,632</u>	<u>\$ 14,589</u>	<u>\$ 34,445</u>
Total liabilities	<u>\$ 29,402</u>	<u>\$ 19,632</u>	<u>\$ 14,589</u>	<u>\$ 34,445</u>

(continued)

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2007  
(in thousands)

---

**TOTAL - ALL AGENCY FUNDS**

	<u>Balance Beginning of Fiscal Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Fiscal Year</u>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 20,781	\$ 16,779	\$ 15,004	\$ 22,556
Cash and investments held by fiscal agent	50,296	5,374	31,752	23,918
Receivables, net:				
Interest	62	91	55	98
Total assets	<u>\$ 71,139</u>	<u>\$ 22,244</u>	<u>\$ 46,811</u>	<u>\$ 46,572</u>
<b><u>LIABILITIES</u></b>				
Due to bondholders	\$ 71,139	\$ 23,894	\$ 48,461	\$ 46,572
Total liabilities	<u>\$ 71,139</u>	<u>\$ 23,894</u>	<u>\$ 48,461</u>	<u>\$ 46,572</u>

(continued)

## **Statistical Section**

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### **Financial Trends Information**

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

### **Revenue Capacity Information**

These schedules contain trend information to help the reader understand the City's most significant local revenue source, property taxes.

### **Debt Capacity Information**

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

### **Demographic and Economic Information**

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

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**City of Sacramento**  
**Net Assets by Component (1) (2)**  
**Last Seven Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year			
	2001	2002	2003	2004
<b>Governmental activities</b>				
Invested in capital, net of related debt	\$ 1,074,793	\$ 959,697	\$ 1,042,608	\$ 1,135,271
Restricted for:				
Capital projects	79,305	78,236	94,682	110,794
Debt service	13,022	5,290	9,949	11,508
Housing and redevelopment	113,091	169,143	184,269	273,473
Trust and endowments:				
Expendable	-	2,366	4,519	4,962
Nonexpendable	-	878	1,803	1,927
Other	17,230	17,186	13,177	21,394
Unrestricted	(5,487)	5,210	(28,060)	(111,552)
<b>Total governmental activities net assets</b>	<b>\$ 1,291,954</b>	<b>\$ 1,238,006</b>	<b>\$ 1,322,947</b>	<b>\$ 1,447,777</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 458,699	\$ 681,031	\$ 726,196	\$ 782,620
Restricted for:				
Capital projects	-	-	-	-
Housing and redevelopment	700	2,916	2,808	3,421
Other	-	538	438	-
Unrestricted	93,791	122,708	124,505	113,957
<b>Total business-type activities net assets</b>	<b>\$ 553,190</b>	<b>\$ 807,193</b>	<b>\$ 853,947</b>	<b>\$ 899,998</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 1,533,492	\$ 1,640,728	\$ 1,768,804	\$ 1,917,891
Restricted for:				
Capital projects	79,305	78,236	94,682	110,794
Debt service	13,022	5,290	9,949	11,508
Housing and redevelopment	113,791	172,059	187,077	276,894
Trust and endowments:				
Expendable	-	2,366	4,519	4,962
Nonexpendable	-	878	1,803	1,927
Other	17,230	17,724	13,615	21,394
Unrestricted	88,304	127,918	96,445	2,405
<b>Total primary government net assets</b>	<b>\$ 1,845,144</b>	<b>\$ 2,045,199</b>	<b>\$ 2,176,894</b>	<b>\$ 2,347,775</b>

Notes: (1) The City of Sacramento implemented GASB 34 for the period ended June 30, 2001. Information prior to the implementation is not available.

(2) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

**City of Sacramento**  
**Net Assets by Component (1) (2)**  
**Last Seven Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year		
	2005	2006	2007
<b>Governmental activities</b>			
Invested in capital, net of related debt	\$ 1,223,934	\$ 1,155,619	\$ 1,296,115
Restricted for:			
Capital projects	52,773	149,982	155,596
Debt service	9,882	797	509
Housing and redevelopment	274,130	-	-
Trust and endowments			
Expendable	1,927	5,368	6,513
Nonexpendable	2,920	1,927	1,927
Other	24,801	28,634	31,649
Unrestricted	(71,536)	155,072	145,750
<b>Total governmental activities net assets</b>	<b>\$ 1,518,831</b>	<b>\$ 1,497,399</b>	<b>\$ 1,638,059</b>
<b>Business-type activities</b>			
Invested in capital assets, net of related debt	\$ 839,889	\$ 623,208	\$ 634,966
Restricted for:			
Capital projects	-	425	425
Housing and redevelopment	1,776	-	-
Other	1,038	-	-
Unrestricted	93,751	115,223	119,050
<b>Total business-type activities net assets</b>	<b>\$ 936,454</b>	<b>\$ 738,856</b>	<b>\$ 754,441</b>
<b>Primary government</b>			
Invested in capital assets, net of related debt	\$ 2,063,823	\$ 1,778,827	\$ 1,931,081
Restricted for:			
Capital projects	52,773	150,407	156,021
Debt service	9,882	797	509
Housing and redevelopment	275,906	-	-
Trust and endowments			
Expendable	1,927	5,368	6,513
Nonexpendable	2,920	1,927	1,927
Other	25,839	28,634	31,649
Unrestricted	22,215	270,295	264,800
<b>Total primary government net assets</b>	<b>\$ 2,455,285</b>	<b>\$ 2,236,255</b>	<b>\$ 2,392,500</b>

Notes: (1) The City of Sacramento implemented GASB 34 for the period ended June 30, 2001. Information prior to the implementation is not available.

(2) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

## City of Sacramento Changes in Net Assets (1) (2) Last Seven Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year			
	2001	2002	2003	2004
<b>Expenses (3)</b>				
<i>Governmental Activities</i>				
General government	\$ 23,839	\$ 27,025	\$ 27,548	\$ 26,739
Police	88,513	100,438	106,177	106,676
Fire	48,846	52,760	55,408	57,799
Public works	89,704	91,842	93,777	108,413
General services	-	-	-	-
Transportation	-	-	-	-
Economic development	2,918	3,142	3,688	4,283
Convention, culture & leisure	7,323	9,080	11,132	6,823
Parks and recreation	30,980	36,542	38,435	41,486
Code enforcement	-	-	-	-
Planning and development	9,763	12,681	15,071	18,780
Development services	-	-	-	-
Planning	-	-	-	-
Neighborhood services	5,346	5,543	5,893	6,883
Housing and redevelopment	112,463	57,132	72,227	46,774
Library	7,392	8,386	8,187	8,185
Nondepartmental	23,336	25,261	28,274	32,473
Interest on long-term debt	25,133	14,047	17,900	29,306
<b>Total governmental activities expenses</b>	<b>475,556</b>	<b>443,879</b>	<b>483,717</b>	<b>494,620</b>
<i>Business type activities</i>				
Water	28,006	30,553	31,312	47,843
Sewer	11,436	12,453	12,247	12,734
Storm drainage	21,061	24,128	27,721	27,010
Solid waste	31,503	36,178	35,058	36,102
Community center	18,695	19,103	18,281	18,310
Off-street parking	11,368	12,122	13,092	13,580
Advanced life support	6,117	7,331	7,265	7,823
Golf	5,442	6,618	6,758	6,846
Child development	3,811	4,284	4,689	4,492
Marina	1,680	1,759	1,701	1,656
Housing and redevelopment	5,161	72,941	87,817	123,892
<b>Total business-type activities</b>	<b>144,280</b>	<b>227,470</b>	<b>245,941</b>	<b>300,288</b>
<b>Total primary government expenses</b>	<b>\$ 619,836</b>	<b>\$ 671,349</b>	<b>\$ 729,658</b>	<b>\$ 794,908</b>

- Notes: (1) The City of Sacramento implemented GASB 34 for the period ended June 30, 2001. Information prior to the implementation is not available.  
(2) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.  
(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

**City of Sacramento**  
**Changes in Net Assets (1) (2)**  
**Last Seven Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year		
	2005	2006	2007
<b>Expenses (3)</b>			
<i>Governmental Activities</i>			
General government	\$ 28,759	\$ 38,804	\$ 41,536
Police	124,204	134,213	148,586
Fire	74,606	87,844	97,044
Public works	-	-	-
General services	21,502	18,853	17,502
Transportation	71,871	88,749	89,063
Economic development	-	8,212	8,538
Convention, culture & leisure	6,824	17,825	19,602
Parks and recreation	44,534	49,341	55,661
Code enforcement	-	7,184	9,946
Planning and development	-	-	-
Development services	67,852	36,739	27,851
Planning	-	-	8,158
Neighborhood services	7,880	2,560	2,505
Housing and redevelopment	64,018	-	-
Library	8,505	9,147	9,433
Nondepartmental	36,492	-	-
Interest on long-term debt	31,752	22,693	31,067
<b>Total governmental activities expenses</b>	<b>588,799</b>	<b>522,164</b>	<b>566,492</b>
<i>Business type activities</i>			
Water	51,950	55,896	58,890
Sewer	13,447	14,685	17,171
Storm drainage	34,988	34,544	36,473
Solid waste	39,260	40,329	45,050
Community center	19,066	19,333	19,704
Off-street parking	14,115	14,056	16,375
Advanced life support	-	-	-
Golf	6,719	-	-
Child development	5,092	5,666	5,868
Marina	1,684	1,437	1,384
Housing and redevelopment	135,282	-	-
<b>Total business-type activities</b>	<b>321,603</b>	<b>185,946</b>	<b>200,915</b>
<b>Total primary government expenses</b>	<b>\$ 910,402</b>	<b>\$ 708,110</b>	<b>\$ 767,407</b>

Source: City of Sacramento Comprehensive Annual Financial Reports

## City of Sacramento Changes in Net Assets (1) (2) Last Seven Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year			
	2001	2002	2003	2004
<b>Program Revenues</b>				
<i>Governmental activities</i>				
Charge for services				
General government	\$ 4,201	\$ 4,267	\$ 4,613	\$ 4,766
Police	3,212	3,190	3,272	3,126
Fire	4,295	4,438	4,421	5,022
Public works	31,278	35,330	42,034	39,942
General services	-	-	-	-
Transportation	-	-	-	-
Economic development	336	1,193	1,843	212
Convention, culture & leisure	3,374	3,946	4,391	4,526
Parks and recreation	3,356	3,771	3,679	4,193
Planning and development	13,774	14,074	16,924	17,600
Code enforcement	-	-	-	-
Development services	-	-	-	-
Planning	-	-	-	-
Neighborhood services	245	1,514	1,723	2,755
Housing and redevelopment	7,043	1,182	1,940	1,389
Nondepartmental	627	-	4,163	376
Total charge for services	71,741	72,905	89,003	83,907
Operating grants and contributions	87,309	67,931	68,199	59,821
Capital grants and contributions	189,754	126,872	137,307	204,955
<b>Total governmental activities program revenues</b>	<b>348,804</b>	<b>267,708</b>	<b>294,509</b>	<b>348,683</b>
<i>Business - type activities</i>				
Charge for services				
Water	36,802	40,097	42,616	45,994
Sewer	13,098	13,773	14,593	15,304
Storm drainage	27,636	28,358	29,299	30,086
Solid waste	30,558	32,620	35,431	38,423
Community center	5,027	5,649	5,742	5,843
Off-street parking	13,703	15,883	15,897	16,210
Advanced life support	9,411	9,386	10,107	11,035
Golf	4,956	6,041	6,254	6,329
Child development	3,559	4,053	4,298	4,361
Marina	1,440	1,441	1,587	1,711
Housing and redevelopment	2,665	8,173	10,497	10,899
Total charge for services	148,855	165,474	176,321	186,195
Operating grants and contributions	1,067	59,571	71,799	99,582
Capital grants and contributions	24,156	29,751	21,446	18,592
<b>Total business - type activities program revenues</b>	<b>174,078</b>	<b>254,796</b>	<b>269,566</b>	<b>304,369</b>
<b>Total primary government program revenues</b>	<b>\$ 522,882</b>	<b>\$ 522,504</b>	<b>\$ 564,075</b>	<b>\$ 653,052</b>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (126,752)	\$ (176,171)	\$ (189,208)	\$ (145,937)
Business - type activities	29,798	27,326	23,625	4,081
<b>Total primary government net expenses</b>	<b>\$ (96,954)</b>	<b>\$ (148,845)</b>	<b>\$ (165,583)</b>	<b>\$ (141,856)</b>

Notes: (1) The City of Sacramento implemented GASB 34 for the period ended June 30, 2001. Information prior to the implementation is not available.  
(2) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.  
(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

**City of Sacramento**  
**Changes in Net Assets (1) (2)**  
**Last Seven Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year		
	2005	2006	2007
<b>Program Revenues</b>			
<i>Governmental activities</i>			
Charge for services			
General government	\$ 4,768	\$ 4,902	\$ 5,333
Police	3,456	3,986	3,959
Fire	16,854	18,721	17,579
Public works	-	-	-
General services	7,600	9,636	10,327
Transportation	12,097	15,058	14,261
Economic development	-	5,235	5,905
Convention, culture & leisure	1,970	8,995	9,759
Parks and recreation	4,794	15,907	17,142
Planning and development	-	-	-
Code enforcement	-	1	2,417
Development services	43,941	27,834	25,261
Planning	-	-	4
Neighborhood services	2,714	2,969	1,085
Housing and redevelopment	1,311	-	-
Nondepartmental	494	-	-
Total charge for services	99,999	113,244	113,032
Operating grants and contributions	77,052	59,348	52,805
Capital grants and contributions	147,034	122,010	189,710
<b>Total governmental activities program revenues</b>	<b>324,085</b>	<b>294,602</b>	<b>355,547</b>
<i>Business - type activities</i>			
Charge for services			
Water	49,009	53,480	58,363
Sewer	16,332	17,285	18,609
Storm drainage	31,336	31,400	31,981
Solid waste	42,241	42,984	46,351
Community center	6,391	6,743	7,348
Off-street parking	16,422	17,342	18,706
Advanced life support	-	-	-
Golf	6,408	-	-
Child development	4,766	5,086	5,377
Marina	1,745	1,889	1,827
Housing and redevelopment	13,720	-	-
Total charge for services	188,370	176,209	188,562
Operating grants and contributions	112,326	1,230	1,422
Capital grants and contributions	35,318	31,638	14,728
<b>Total business - type activities program revenues</b>	<b>336,014</b>	<b>209,077</b>	<b>204,712</b>
<b>Total primary government program revenues</b>	<b>\$ 660,099</b>	<b>\$ 503,679</b>	<b>\$ 560,259</b>
<b>Net (Expense) Revenue</b>			
Governmental activities	\$ (264,714)	\$ (227,562)	\$ (210,945)
Business - type activities	14,411	23,131	3,797
<b>Total primary government net expenses</b>	<b>\$ (250,303)</b>	<b>\$ (204,431)</b>	<b>\$ (207,148)</b>

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Net Assets (1) (2)**  
**Last Seven Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year			
	2001	2002	2003	2004
<b>General Revenues and Other</b>				
<b>Changes in Net Assets</b>				
<i>Governmental activities</i>				
Taxes:				
Property taxes	\$ 48,837	\$ 53,146	\$ 57,898	\$ 63,877
Redevelopment tax increment	22,537	27,751	29,300	35,314
Utility user taxes	49,969	48,609	48,675	52,538
Other taxes	39,420	17,796	20,098	25,984
Sales taxes shared state revenue	58,590	55,676	57,984	61,822
In-lieu sales tax	-	-	-	-
In-lieu motor vehicle tax	-	24,555	25,809	27,179
Grants and other intergovernmental revenue not restricted to specific programs	4,391	2,847	3,841	4,137
Investment earnings	37,351	25,871	26,274	18,290
Contributions to permanent fund	-	-	-	124
Miscellaneous	12,782	14,921	9,545	6,966
Gain (loss) on disposition of capital assets	(801)	1,865	118	-
Transfers	(10,290)	(17,027)	(5,393)	(25,546)
<b>Total Governmental activities</b>	<b>262,786</b>	<b>256,010</b>	<b>274,149</b>	<b>270,685</b>
<i>Business-type activities</i>				
Taxes:				
Other taxes	13,187	13,164	13,567	13,436
Investment earnings	15,378	11,239	4,163	2,437
Miscellaneous	1,678	2,051	-	676
Gain (loss) on disposition of capital assets	(434)	-	6	-
Transfers	10,290	17,027	5,393	25,546
<b>Total business-type activities</b>	<b>40,099</b>	<b>43,481</b>	<b>23,129</b>	<b>42,095</b>
<b>Total primary government</b>	<b>\$ 302,885</b>	<b>\$ 299,491</b>	<b>\$ 297,278</b>	<b>\$ 312,780</b>
<b>Change in Net Assets</b>				
Governmental activities	136,034	79,839	84,941	124,748
Business-type activities	69,897	70,807	46,754	46,176
<b>Total primary government</b>	<b>\$ 205,931</b>	<b>\$ 150,646</b>	<b>\$ 131,695</b>	<b>\$ 170,924</b>

- Notes: (1) The City of Sacramento implemented GASB 34 for the period ended June 30, 2001. Information prior to the implementation is not available.  
(2) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.  
(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

**City of Sacramento**  
**Changes in Net Assets (1) (2)**  
**Last Seven Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year		
	2005	2006	2007
<b>General Revenues and Other</b>			
<b>Changes in Net Assets</b>			
<i>Governmental activities</i>			
Taxes:			
Property taxes	\$ 70,456	\$ 112,234	\$ 127,454
Redevelopment tax increment	40,676	-	-
Utility user taxes	53,893	56,243	55,619
Other taxes	30,668	32,002	28,379
Sales taxes shared state revenue	55,342	59,118	55,846
In-lieu sales tax	15,284	13,956	18,197
In-lieu motor vehicle tax	26,393	-	-
Grants and other intergovernmental revenue not restricted to specific programs	-	-	-
Investment earnings	24,751	21,741	39,867
Contributions to permanent fund	-	1	1
Miscellaneous	10,267	7,516	12,544
Gain (loss) on disposition of capital assets	3,437	-	-
Transfers	(9,800)	8,159	13,698
<b>Total Governmental activities</b>	<b>321,367</b>	<b>310,970</b>	<b>351,605</b>
<i>Business-type activities</i>			
Taxes:			
Other taxes	14,398	15,419	17,258
Investment earnings	4,342	5,231	8,227
Miscellaneous	1,015	3	1
Gain (loss) on disposition of capital assets	6,891	722	-
Transfers	9,800	(8,159)	(13,698)
<b>Total business-type activities</b>	<b>36,446</b>	<b>13,216</b>	<b>11,788</b>
<b>Total primary government</b>	<b>\$ 357,813</b>	<b>\$ 324,186</b>	<b>\$ 363,393</b>
<b>Change in Net Assets</b>			
Governmental activities	56,653	83,408	140,660
Business-type activities	50,857	36,347	15,585
<b>Total primary government</b>	<b>\$ 107,510</b>	<b>\$ 119,755</b>	<b>\$ 156,245</b>

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	1998	1999	2000	2001	2002
General Fund					
Reserved for:					
Noncurrent assets	\$ 981	\$ 1,194	\$ 1,958	\$ 1,373	\$ 1,179
Encumbrances	3,240	3,614	8,241	9,296	13,400
Unreserved	40,406	52,237	53,509	84,154	87,489
Total general fund	<u>\$ 44,627</u>	<u>\$ 57,045</u>	<u>\$ 63,708</u>	<u>\$ 94,823</u>	<u>\$ 102,068</u>
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ 37,500	\$ 39,797	\$ 43,603	\$ 50,373	\$ 65,899
Encumbrances	20,191	18,336	18,106	23,541	42,755
Debt service	13,104	57,266	16,700	18,120	17,233
Housing/redevelopment	32,493	5,330	74,665	61,401	154
Trust obligations	-	-	-	878	878
Unreserved, reported in:					
Special revenue funds	39,965	48,949	50,170	71,758	75,150
Capital projects funds	27,469	40,274	45,500	40,411	49,436
Debt service funds	(1,881)	(3,318)	3,383	4,035	4,215
Permanent funds	-	-	-	2,764	2,366
Total all other governmental funds	<u>\$ 168,841</u>	<u>\$ 206,634</u>	<u>\$ 252,127</u>	<u>\$ 273,281</u>	<u>\$ 258,086</u>

Note: The Sacramento Housing and Redevelopment Agency, reported as a blended component until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

**City of Sacramento**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	2003	2004	2005	2006	2007
<b>General Fund</b>					
Reserved for:					
Noncurrent assets	\$ 1,742	\$ 1,200	\$ 1,305	\$ 1,074	\$ 987
Encumbrances	7,864	12,410	10,790	14,089	17,070
Unreserved	104,253	109,868	141,331	133,573	113,421
<b>Total general fund</b>	<b>\$ 113,859</b>	<b>\$ 123,478</b>	<b>\$ 153,426</b>	<b>\$ 148,736</b>	<b>\$ 131,478</b>
<b>All Other Governmental Funds</b>					
Reserved for:					
Noncurrent assets	\$ 58,669	\$ 68,152	\$ 70,511	\$ 993	\$ 935
Encumbrances	97,073	70,611	67,585	32,087	33,855
Debt service	19,489	23,485	24,721	23,138	22,568
Housing/redevelopment	225	1,410	106,624	-	-
Trust obligations	1,803	1,927	1,927	1,927	1,927
Unreserved, reported in:					
Special revenue funds	75,305	76,971	75,224	80,115	34,125
Capital projects funds	141,444	214,811	58,302	192,768	276,582
Debt service funds	4,077	6,558	13,959	7,615	7,651
Permanent funds	2,361	2,706	2,920	3,131	3,855
<b>Total all other governmental funds</b>	<b>\$ 400,446</b>	<b>\$ 466,631</b>	<b>\$ 421,773</b>	<b>\$ 341,774</b>	<b>\$ 381,498</b>

Note: The Sacramento Housing and Redevelopment Agency, reported as a blended component until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

## City of Sacramento Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	1998	1999	2000	2001	2002
<b>Revenues</b>					
Taxes	\$ 164,718	\$ 184,377	\$ 196,889	\$ 205,003	\$ 210,652
Licenses, fees and permits	18,605	10,512	11,152	-	-
Intergovernmental	166,239	199,010	250,029	222,488	178,020
Charges for services	27,731	34,142	35,980	36,240	36,698
Fines and penalties	4,596	5,608	6,435	7,736	6,719
Interest, rents, and concessions	13,585	11,091	14,969	27,375	19,616
Community service fees	7,486	16,493	25,226	23,263	22,023
Assessment levies	9,973	10,378	10,675	13,378	15,429
Contributions from property owners	38,090	27,610	17,044	37,238	7,039
Donations	543	564	484	1,414	619
Miscellaneous	7,407	14,839	28,103	14,337	5,952
<b>Total revenues</b>	<b>458,973</b>	<b>514,624</b>	<b>594,986</b>	<b>588,472</b>	<b>502,767</b>
<b>Expenditures</b>					
General Government	11,127	14,548	15,878	19,246	20,655
Public Safety	130,627	137,428	138,996	-	-
Police	-	-	-	87,368	99,394
Fire	-	-	-	48,338	52,540
Public Works	22,906	24,608	27,837	44,641	40,709
General Services	-	-	-	-	-
Utilities	-	-	-	-	274
Transportation	-	-	-	-	-
Convention, Culture & Leisure	-	-	-	5,279	7,245
Economic Development	-	-	-	2,918	2,339
Parks and Recreation	-	-	-	29,157	33,961
Code enforcement	-	-	-	-	-
Development Services	-	-	-	-	-
Planning	-	-	-	-	-
Neighborhood Services	-	-	-	5,346	5,543
Library	-	-	-	6,915	7,449
Housing and Redevelopment	73,938	71,136	76,893	82,109	50,829
Planning and Building	-	-	-	9,759	12,676
Neighborhood Development	45,265	45,891	59,109	-	-
Nondepartmental	14,075	19,132	15,977	17,737	20,902
Capital Outlay					
City	136,390	111,849	178,336	98,057	88,705
SHRA	27,334	22,121	37,611	36,564	7,747
Subtotal - capital outlay	163,724	133,970	215,947	134,621	96,452
Debt Service					
City					
Principal	13,146	9,102	18,724	15,532	13,379
Interest and fiscal charges	16,583	14,024	13,830	14,675	13,948
Bond issuance costs	-	-	-	-	-
Advance refunding escrow	-	-	-	-	-
SHRA					
Principal	7,308	9,993	11,393	9,252	8,460
Interest and fiscal charges	12,272	13,171	14,140	9,572	10,932
Subtotal - debt service	49,309	46,290	58,087	49,031	46,719
<b>Total Expenditures</b>	<b>510,971</b>	<b>493,003</b>	<b>608,724</b>	<b>542,465</b>	<b>497,687</b>
Excess (deficiency) of revenues over (under) expenditures	(51,998)	21,621	(13,738)	46,007	5,080
<b>Other Financing Sources (uses)</b>					
Transfers in	38,947	42,916	79,394	45,714	48,003
Transfers out	(40,810)	(44,758)	(80,416)	(56,004)	(64,525)
Operating transfers to component unit	-	-	(658)	44,359	-
Issuance of long-term debt	82,170	75,115	75,319	114	10,773
Premium on long term debt	-	-	-	-	-
Proceeds from sale of property	-	-	1,663	-	1,865
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	-	(49,110)	(6,261)	(21,839)	-
Donation of capital assets	-	-	-	-	-
Discount on long-term debt	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>80,307</b>	<b>24,163</b>	<b>69,041</b>	<b>12,344</b>	<b>(3,884)</b>
<b>Net change in fund balances</b>	<b>\$ 28,309</b>	<b>\$ 45,784</b>	<b>\$ 55,303</b>	<b>\$ 58,351</b>	<b>\$ 1,196</b>
Debt services as a percentage of noncapital expenditures	14.20%	12.89%	14.79%	12.02%	11.64%

Note: The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

**City of Sacramento**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Revenues</b>					
Taxes	\$ 224,051	\$ 249,050	\$ 269,695	\$ 273,010	\$ 287,254
Licenses, fees and permits	-	-	-	-	-
Intergovernmental	179,058	137,234	167,448	134,905	148,521
Charges for services	39,320	45,226	58,836	64,063	64,902
Fines and penalties	6,276	7,223	7,804	8,065	8,285
Interest, rents, and concessions	21,442	13,998	17,278	18,195	34,398
Community service fees	40,508	45,936	40,315	64,360	40,386
Assessment levies	16,112	17,387	18,443	19,374	21,424
Contributions from property owners	11,996	54,936	46,343	3,942	44,099
Donations	947	215	63	94	-
Miscellaneous	8,083	3,098	3,670	1,463	395
<b>Total revenues</b>	<b>547,793</b>	<b>574,303</b>	<b>629,895</b>	<b>587,471</b>	<b>649,664</b>
<b>Expenditures</b>					
General Government	22,108	24,503	25,886	30,456	31,172
Public Safety	-	-	-	-	-
Police	101,707	105,089	121,548	137,391	149,159
Fire	53,555	56,986	73,360	87,648	91,965
Public Works	46,289	48,466	-	-	-
General Services	-	-	16,325	14,925	14,348
Utilities	274	274	219	109	109
Transportation	-	-	22,038	34,691	37,598
Convention, Culture & Leisure	7,127	4,829	4,847	13,060	15,074
Economic Development	2,544	2,361	-	5,461	5,882
Parks and Recreation	34,262	37,167	38,898	43,477	47,884
Code enforcement	-	-	-	7,184	9,713
Development Services	-	-	66,785	35,802	32,600
Planning	-	-	-	-	8,079
Neighborhood Services	5,893	6,883	7,880	1,917	1,815
Library	7,636	7,636	7,997	8,587	8,868
Housing and Redevelopment	53,650	47,231	58,399	-	-
Planning and Building	15,115	17,560	-	-	-
Neighborhood Development	-	-	-	-	-
Nondepartmental	21,805	26,336	32,284	24,811	18,526
Capital Outlay					
City	135,657	143,414	127,157	95,683	193,954
SHRA	14,334	12,678	10,229	-	-
Subtotal - capital outlay	149,991	156,092	137,386	95,683	193,954
Debt Service					
City					
Principal	18,896	26,449	21,260	21,213	17,253
Interest and fiscal charges	18,297	20,163	19,415	21,973	30,216
Bond issuance costs	-	-	-	2,600	1,519
Advance refunding escrow	4,382	-	-	1,154	213
SHRA					
Principal	9,862	11,445	12,978	-	-
Interest and fiscal charges	13,177	14,782	16,382	-	-
Subtotal - debt service	64,614	72,839	70,035	46,940	49,201
<b>Total Expenditures</b>	<b>586,570</b>	<b>614,252</b>	<b>683,887</b>	<b>588,142</b>	<b>715,947</b>
Excess (deficiency) of revenues over (under) expenditures	(38,777)	(39,949)	(53,992)	(671)	(66,283)
<b>Other Financing Sources (uses)</b>					
Transfers in	66,732	90,952	57,544	52,864	56,203
Transfers out	(57,862)	(114,577)	(53,208)	(38,609)	(37,441)
Operating transfers to component unit	-	-	-	-	-
Issuance of long-term debt	197,176	137,436	14,983	212,339	147,281
Premium on long term debt	-	-	-	7,447	14,857
Proceeds from sale of property	5,100	6,427	5,286	-	-
Payments to participating governments	-	-	-	(25,500)	-
Payments to refunded bond escrow	(25,038)	(2,712)	-	(63,560)	(92,151)
Donation of capital assets	6,820.00	-	-	-	-
Discount on long-term debt	-	(1,245)	-	-	-
<b>Total other financing sources (uses)</b>	<b>192,928</b>	<b>116,281</b>	<b>24,605</b>	<b>144,981</b>	<b>88,749</b>
<b>Net change in fund balances</b>	<b>\$ 154,151</b>	<b>\$ 76,332</b>	<b>\$ (29,387)</b>	<b>\$ 144,310</b>	<b>\$ 22,466</b>
Debt services as a percentage of noncapital expenditures	14.80%	15.90%	12.82%	9.53%	9.43%

Note: The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

**City of Sacramento  
Tax Revenues by Source, Governmental Funds  
Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

<u>Fiscal Year</u>	<u>Property</u>	<u>Tax Increment</u>	<u>Sales &amp; Use</u>	<u>Utility Users</u>	<u>Others</u>	<u>Total</u>
1998	41,445	18,558	49,711	40,103	14,901	164,718
1999	43,982	20,327	51,332	43,892	24,844	184,377
2000	46,596	19,679	59,482	42,650	28,482	196,889
2001	48,916	22,537	62,588	49,969	20,993	205,003
2002	52,757	27,751	59,515	48,609	22,020	210,652
2003	57,772	29,300	62,018	48,675	26,286	224,051
2004	64,377	35,314	66,234	52,538	30,587	249,050
2005	70,405	40,676	70,627	53,893	34,094	269,695
2006 (2)	112,144 (1)	-	72,479	56,243	32,144	273,010
2007	145,376 (3)	-	56,441	55,618	29,819	287,254

Notes: (1) Property taxes in fiscal year 2006 include approximately \$30 million of in-lieu vehicle license fee revenue reported as intergovernmental revenues in fiscal year 2005.

(2) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(3) In lieu sales tax was reported as intergovernmental revenue in fiscal year 2006. The revenue is reported as property tax in fiscal year 2007.

Sources: 1. City of Sacramento Comprehensive Annual Financial Reports  
2. Finance Department, City of Sacramento

# City of Sacramento

## Assessed Value and Estimated Actual Value of Taxable Property

### Last Ten Fiscal Years

(in thousands)

Fiscal Year End June 30	Gross Assessed Value (1)				Exemptions	Net Assessed Taxable Value	Total Direct Tax Rate
	Real Property	Personal Property	Public Utility	Total			
1998	\$ 15,939,774	\$ 1,227,359	\$ 53,559	\$ 17,220,692	\$ 455,693	\$ 16,764,999	1.00 %
1999	16,539,861	1,247,496	57,831	17,845,188	457,833	17,387,355	1.00
2000	17,289,515	1,246,831	58,000	18,594,346	458,042	18,136,304	1.00
2001	18,369,903	1,231,639	54,668	19,656,210	458,973	19,197,237	1.00
2002	19,718,191	1,171,368	57,292	20,946,851	455,886	20,490,965	1.00
2003	21,855,519	1,157,123	66,428	23,079,070	478,334	22,600,736	1.00
2004	23,859,347	1,168,917	60,909	25,089,173	489,478	24,599,695	1.00
2005	27,010,976	1,343,104	57,800	28,411,880	500,620	27,911,260	1.00
2006	31,112,448	1,374,566	56,950	32,543,964	506,813	32,037,151	1.00
2007	35,687,712	1,441,042	54,611	37,183,365	509,257	36,674,108	1.00

Notes: (1) Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. Therefore, full cash value can be increased to reflect:

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

Estimated actual value of taxable property cannot easily determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes

(2) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

**City of Sacramento**  
**Property Tax Rates Per \$100 of Assessed Value**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

---

<u>Fiscal Year End June 30</u>	<u>Basic County and City School Levy</u>	<u>City of Sacramento</u>	<u>County of Sacramento</u>	<u>Schools</u>	<u>Special Districts</u>	<u>Total</u>
1998	1.0000	0.0019	—	—	0.0121	1.0140
1999	1.0000	0.0015	—	0.0003	0.0116	1.0134
2000	1.0000	0.0015	—	0.0003	0.0116	1.0134
2001	1.0000	0.0018	0.0364	—	0.0101	1.0483
2002	1.0000	—	0.0554	—	0.0077	1.0631
2003	1.0000	—	—	0.0815	0.0082	1.0897
2004	1.0000	—	—	0.1058	0.0070	1.1128
2005	1.0000	—	—	0.0647	0.0067	1.0714
2006	1.0000	—	—	0.1163	0.0055	1.1218
2007	1.0000	—	—	0.0922	—	1.0922

Note : Data is stated at full value as required under Article XIII-A of the Constitution of the State of California. Assessed values exclude property subject to redevelopment tax increments.

**City of Sacramento**  
**Principal Property Taxpayers**  
**For the Fiscal Year Ended June 30, 2007 and Nine Years Ago**

(in thousands)

Taxpayer	2007			1998		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Teachers Ins. Annuity	\$ 159,095	1	0.43 %	\$ -	-	- %
400 Capital Mall Venture	146,285	2	0.40	101,500	2	0.61
Downtown Plaza	136,350	3	0.37	-	-	-
Arden Fair Associates	122,589	4	0.33	106,858	1	0.64
M H Realty Partners VI LP	102,000	5	0.28	-	-	-
VV USA City LP	88,256	6	0.24	-	-	-
RT Sacramento Funding Co.	79,350	7	0.22	-	-	-
Sacramento Hotel Corp.	73,592	8	0.20	-	-	-
Verizon Data Services Inc.	72,081	9	0.20	-	-	-
Valley View Investors LLC	71,400	10	0.19	-	-	-
McClatchy Newspapers	-	-	-	99,039	3	0.59
Packard Bell NEC, Inc	-	-	-	80,931	4	0.48
Prentiss Properties Natomas LP	-	-	-	77,025	5	0.46
Spieker Properties LP	-	-	-	68,430	6	0.41
LPT Associates	-	-	-	67,465	7	0.40
Capitol Regency LLC	-	-	-	63,705	8	0.38
Proctor Gamble MFG	-	-	-	60,542	9	0.36
Property Dev Assoc	-	-	-	60,089	10	0.36
	<u>1,050,998</u>		<u>2.87</u>	<u>785,584</u>		<u>4.69</u>
All other taxpayers	<u>35,623,110</u>		<u>97.13</u>	<u>15,979,415</u>		<u>95.31</u>
Total	<u>\$ 36,674,108</u>		<u>100.00 %</u>	<u>\$ 16,764,999</u>		<u>100.00 %</u>

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento**  
**Property Tax Levies and Collections (1) (2)**  
**Last Ten Fiscal Years**  
(in thousands)

<u>Fiscal Year End June 30</u>	<u>Current Tax Collections</u>	<u>Delinquent Taxes Collected</u>	<u>Total Tax Collections</u>
1998	\$ 41,172	\$ 3	\$ 41,175
1999	43,682	61	43,743
2000	46,202	76	46,278
2001	48,465	44	48,509
2002	52,581	176	52,757
2003	57,067	705	57,772
2004	63,748	629	64,377
2005	70,343	62	70,405
2006	112,052	92	112,144
2007	142,771 (3)	2,605	145,376

Notes: (1) Includes City tax collections only; does not include SHRA, a component unit.

(2) The City cannot provide Property Tax levy information because property tax levies by jurisdiction are not provided by the County of Sacramento.

(3) Property taxes include revenue reported in the prior year as in lieu sales tax.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Seven Fiscal Years**

(in thousands, except Population and Per Capita)

Fiscal Year	Governmental Activities				
	Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases
2001	\$ 208,965	\$ 108,685	\$ 38,384	\$ 19,206	\$ 1,565
2002	203,974	102,872	34,140	14,145	1,421
2003 (1)(2)	385,180	96,971	1,765	13,952	1,264
2004 (3)(4)	440,550	144,047	820	15,504	2,456
2005	427,590	137,454	324	16,440	2,549
2006 (5)(6)	529,598	-	104	993	1,940
2007 (7)	548,175	-	-	25,935	8,062

Notes:

- 1) New revenue bonds of \$160 million and refunding bonds of \$47 million were issued.
  - 2) The decrease in 2003 results from refunding a majority of the certificates of participation with new revenue bonds.
  - 3) Tax allocation bonds were issued in 2004 by the City's redevelopment agency in the amount of \$55 million.
  - 4) \$68 million in revenue bonds were issued in 2004.
  - 5) \$151 million in revenue bonds and \$168 million in refunding revenue bonds were issued in 2006.
  - 6) In 2006, the Sacramento Housing and Redevelopment Agency was eliminated as a blended component unit.
  - 7) In 2007, \$31 million of revenue bonds, \$187 million of refunding bonds and a \$25 million note payable were issued.
- NA) Personal income data was not available in 2005, 2006 and 2007.

**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Seven Fiscal Years**

(in thousands, except Population and Per Capita)

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income	Population	Per Capita
	Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases				
2001	\$ 384,167	\$ 22,115	\$ 53,070	\$ -	\$ 836,157	7 %	418,711	\$ 1,997
2002	380,525	20,842	59,729	-	817,648	6	426,013	1,919
2003 (1)(2)	389,898	69	63,691	-	952,790	7	433,355	2,199
2004 (3)(4)	381,085	43	67,310	-	1,051,815	7	440,976	2,385
2005	397,441	15	74,943	1,146	1,057,902	NA	452,959	2,336
2006 (5)(6)	353,065	-	49,210	2,279	937,189	NA	457,514	2,048
2007 (7)	331,024	-	46,540	1,760	961,496	NA	467,343	2,057

Notes:

- 1) New revenue bonds of \$160 million and refunding bonds of \$47 million were issued.
  - 2) The decrease in 2003 results from refunding a majority of the certificates of participation with new revenue bonds.
  - 3) Tax allocation bonds were issued in 2004 by the City's redevelopment agency in the amount of \$55 million.
  - 4) \$68 million in revenue bonds were issued in 2004.
  - 5) \$151 million in revenue bonds and \$168 million in refunding revenue bonds were issued in 2006.
  - 6) In 2006, the Sacramento Housing and Redevelopment Agency was eliminated as a blended component unit.
  - 7) In 2007, \$31 million of revenue bonds, \$187 million of refunding bonds and a \$25 million note payable were issued.
- NA) Personal income data was not available in 2005, 2006 and 2007.

**City of Sacramento**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

(in thousands, except Population and Per Capita)

<b>Fiscal Year</b>	<b>Total Gross General Obligation Bonds</b>	<b>Amounts Restricted for Principal Repayments</b>	<b>Total Net General Obligation Bonds</b>	<b>Actual Taxable Value of Property</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Population</b>	<b>Net Bonded Debt Per Capita</b>
1998	\$ 875	\$ 91	\$ 784	\$ 16,764,999	0.00 %	392,834	\$ 2.00
1999	600	29	571	17,387,355	0.00	396,163	1.44
2000	310	27	283	18,136,304	0.00	405,963	0.70
2001	-	-	-	19,197,237	-	418,711	-
2002	-	-	-	20,490,965	-	426,013	-
2003	-	-	-	22,600,736	-	433,355	-
2004	-	-	-	24,599,695	-	440,976	-
2005	-	-	-	27,911,260	-	452,959	-
2006	-	-	-	32,037,151	-	457,514	-
2007	-	-	-	36,674,108	-	467,343	-

Source: City of Sacramento Comprehensive Annual Financial Reports and the County of Sacramento.

**City of Sacramento**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2007**

(in thousands)

Governmental Unit	Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
Los Rios Community College District	\$ 157,715	23.969 %	\$ 37,803
Natomas Unified School District	149,911	88.704	132,977
Sacramento Unified School District	327,100	79.239	259,191
San Juan Unified School District	231,485	2.787	6,451
Grant Joint Union High School District	74,611	49.037	36,587
North Sacramento School District	24,870	100.000	24,870
Rio Linda Union School District	65,925	19.994	13,181
Robla School District	18,451	72.637	13,402
City of Sacramento Community Facilities Districts	176,775	100.000	176,775
Elk Grove Unified School District Community Facilities District No. 1	141,865	11.210	15,903
Sacramento City Unified School District Community Facilities District No. 1	3,955	100.000	3,955
City of Sacramento 1915 Act Bonds	24,057	100.000	24,057
Sacramento Area Flood Control Agency, A.D. No.2	87,130	80.553	70,186
Sacramento Area Flood Control Agency Operation and Maintenance AD	4,440	39.745	1,765
Subtotal - Overlapping Tax and Assessment debt			817,103
Direct and Overlapping General Fund Debt:			
Sacramento County General Fund Obligations	350,118	28.381	99,367
Sacramento County Pension Obligations	944,964	28.381	268,190
Sacramento County Board of Education Certificates of Participation	12,260	28.381	3,480
Los Rios Community College District Certificates of Participation	7,055	23.969	1,691
Natomas Unified School District Certificates of Participation	67,530	88.704	59,902
Sacramento Unified School District Certificates of Participation	90,370	79.239	71,608
Sacramento Unified School District Pension Obligations	4,775	79.239	3,784
San Juan Unified School District Certificates of Participation	7,515	2.787	209
Grant Joint Union High School District Certificates of Participation	133,445	49.037	65,437
Arcade Creek and Fulton-El Camino Recreation and Park District Certificates of Participation	1,291	various	237
Subtotal - Lease Obligation Debt			573,905
Total Overlapping Debt			1,391,008
City of Sacramento Direct Debt			536,995
Total Direct and Overlapping Debt			\$ 1,928,003

Notes: Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City of Sacramento. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Data regarding overlapping debt is obtained from California Municipal Statistics, Inc.

**City of Sacramento  
 Legal Debt Margin  
 Last Ten Fiscal Years**  
 (in thousands)

Fiscal Year	Debt Limit		Debt Applicable to Limit			Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
	Net Assessed Value	Debt Limit - 15% of Assessed Value	General Obligation Bonds(1)	Amount set aside for repayment of general obligation debt	Total net debt applicable to limit		
1998	\$ 16,764,999	\$ 2,514,750	\$ 875	\$ 91	\$ 784	\$ 2,513,966	0.03 %
1999	17,387,355	2,608,103	600	29	571	2,607,532	0.02
2000	18,136,304	2,720,446	310	27	283	2,720,163	0.01
2001	19,197,237	2,879,586	-	-	-	2,879,586	-
2002	20,490,965	3,073,645	-	-	-	3,073,645	-
2003	22,600,736	3,390,110	-	-	-	3,390,110	-
2004	24,599,695	3,689,954	-	-	-	3,689,954	-
2005	27,911,260	4,186,689	-	-	-	4,186,689	-
2006	32,037,151	4,805,573	-	-	-	4,805,573	-
2007	36,674,108	5,501,116	-	-	-	5,501,116	-

Note: (1) The City paid off the outstanding balance of its general obligation bonds in 2001.

Sources: (1) City of Sacramento Comprehensive Annual Financial Reports and the County of Sacramento.  
 (2) County of Sacramento, Office of Auditor/Controller.

**City of Sacramento**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
(in thousands)

<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Debt Service Principal and Interest</b>	<b>Coverage</b>
<b>Water Revenue Bonds</b>					
1998	\$ 33,153	\$ 22,833	\$ 10,320	\$ 1,384	7.46
1999	32,346	23,120	9,226	1,379	6.69
2000	36,974	23,677	13,297	1,368	9.72
2001	42,545	21,954	20,591	3,260	6.32
2002	46,374	24,923	21,451	11,995	1.79
2003	42,973	24,961	18,012	13,329	1.35
2004	46,545	30,280	16,265	13,140	1.24
2005	48,564	31,628	16,936	13,140	1.29
2006 (1)	53,422	33,728	19,694	9,575	2.06
2007 (2)	59,920	36,991	22,929	11,505	1.99

Note: (1) Water Revenue Bonds were partially refunded with the 2005 Refunding Revenue Bonds.

Note: (2) Water Revenue Bonds were completely refunded with the 2006 Series E Refunding Revenue Bonds.

**City of Sacramento**  
**Demographic and Economic Statistics (1)**  
**Last Ten Calendar Years**  
(in thousands)

Year	Population (A) (1)	Personal Income (in millions of dollars) (A) (1)	Per Capita Personal Income (A) (1)	Median Age (B) (1)	Education Level in Years of Schooling (B) (1)	School Enrollment (C) (1)	Unemployment Rate % (D) (1)
1998	1,186,608	\$ 30,179	\$ 25,433	NA	NA	222,685	6.00 %
1999	1,206,670	32,019	26,535	NA	NA	227,129	5.50
2000	1,230,264	35,017	28,463	33.6	14.1	232,074	4.20
2001	1,266,243	37,225	29,398	33.1	14.0	236,037	4.20
2002	1,301,391	38,650	29,699	33.2	14.1	242,502	5.00
2003	1,330,375	40,627	30,538	33.8	14.3	232,612	5.60
2004	1,351,455	43,229	31,987	33.7	14.2	235,369	5.70
2005	1,369,855	46,375	34,014	33.7	14.2	238,385	5.10
2006	1,385,607	NA	NA	NA	NA	239,026	4.80
2007	1,406,804	NA	NA	NA	NA	238,233	5.30

Note: (1) County of Sacramento Statistics

Sources: (A) Bureau of Economic Analysis, U.S. Department of Commerce  
(B) U.S. Census Bureau  
(C) California Department of Education  
(D) California Employment Development Department

**City of Sacramento  
Principal Employers (1)  
For the Current Fiscal Year**

Employer (2) (A)	Employees (2) (A)	Percentage of Total Employment (3) (B)
State of California	60,045	9.10 %
Sacramento County	14,488	2.20
University of California, Davis Health System	7,901	1.20
Sutter Health Sacramento Sierra Region	7,140	1.08
Sacramento City Unified School District	7,000	1.06
Kaiser Permanente	6,905	1.05
Los Rios Community College District	6,000	0.91
City of Sacramento	5,230	0.79
AT & T California	4,765	0.72
Wells Fargo & Co.	2,536	0.38
California State University, Sacramento	2,455	0.37
Sacramento Municipal Utility District	1,944	0.29

Notes: (1) Data pertaining to principal employers for nine years ago is not readily available.

(2) Principal employers located within the City limits; however, the number of employees includes employees located in offices throughout the County of Sacramento.

(3) Percentage of total employment is calculated based on Sacramento County's total employment force.

Sources: (A) Sacramento Business Journal, September 21, 2007. List of largest employers in Sacramento County.  
(B) Employment Development Department, State of California.

**City of Sacramento**  
**Full-time Equivalent Employees by Function/Program (1)**  
**Last Seven Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30						
	2001	2002	2003	2004	2005	2006	2007
General Government	338	376	387	390	393	374	408
Police	1,058	1,111	1,111	1,116	1,189	1,207	1,265
Fire	553	571	571	588	609	623	651
Public Works	675	734	749	-	-	-	-
General Services	-	-	-	754	457	260	264
Utilities	445	480	490	492	497	727	732
Transportation	-	-	-	-	333	340	350
Convention, Culture & Leisure	251	262	263	263	204	204	208
Economic Development	15	17	17	17	-	17	17
Parks and Recreation	722	815	828	677	841	896	930
Code Enforcement	-	-	-	-	-	82	94
Development Services	-	-	-	190	252	259	243
Planning	-	-	-	-	-	-	38
Neighborhood Services	70	79	80	243	86	16	16
Planning and Building	115	164	176	-	-	-	-
Nondepartmental	-	1	1	-	-	-	-
<b>Total</b>	<b>4,242</b>	<b>4,609</b>	<b>4,672</b>	<b>4,729</b>	<b>4,860</b>	<b>5,003</b>	<b>5,213</b>

Note: (1) As certain data required by GASB 44 was not readily available prior to 2001, the City of Sacramento elected to report seven years of data in this schedule.

**City of Sacramento**  
**Operating Indicators by Function/Program (1)(2)**  
**Last Seven Fiscal Years**

Function/program	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
<b>Police</b>							
Adult arrests	20,904	19,088	23,015	23,046	25,623	27,314	24,703
Citizen initiated calls for service with officer responses	N/A	198,652	202,671	269,815	194,969	187,731	181,793
<b>Fire</b>							
Number of incidents	34,769	36,437	43,018	43,108	63,242	65,714	66,284
Number of structure fires	1,481	2,665	2,751	3,915	835	1,189	500
Number of construction inspection/reviews	2,334	2,792	3,037	4,596	5,181	N/A	N/A
<b>General Services</b>							
Number of animal licenses issued	8,441	8,739	8,316	8,256	9,446	12,815	14,944
Number of animal outplacements	3,203	3,830	3,612	2,852	4,267	4,323	4,352
<b>Transportation</b>							
Number of traffic investigations completed	1,121	970	1,185	1,114	927	922	1,123
Number of parking citations issued	205,891	204,413	203,364	211,128	199,428	201,196	194,193
<b>Convention, Culture &amp; Leisure</b>							
Number of events	N/A	644	609	591	607	600	664
Event attendance	990,124	1,200,000	1,016,787	981,766	929,425	833,428	849,000
Number of Zoo attendance	N/A	445,000	495,000	480,000	485,000	485,000	529,734
<b>Parks and Recreation</b>							
Number of students enrolled in START	N/A	7,600	7,700	8,000	7,149	7,913	8,845
Number of students enrolled in 4th R	N/A	2,500	2,500	2,510	2,695	2,885	3,000
Number of lunches served through food program	N/A	292,700	216,100	210,000	195,000	192,500	160,900
<b>Development Services</b>							
Number of building permits issued	14,391	14,647	17,389	18,089	17,869	18,261	16,930
Building permit valuation (in million of dollars)	761	713	1,060	1,001	883	817	1,005
<b>Code Enforcement</b>							
Vehicles abated by City	4,639	3,954	4,958	4,814	4,660	3,747	2,572
Notice and orders issued on housing and dangerous buildings	311	337	340	278	279	293	445
<b>Water</b>							
Number of accounts	122,553	125,780	129,852	131,745	136,347	151,459	151,459
Amount distributed/pumped (million of gallons)	44,886	45,049	44,165	46,852	44,177	45,180	49,463
<b>Sewer</b>							
Number of accounts	77,171	77,613	77,940	78,177	78,596	78,541	79,620
Amount distributed/pumped (million of gallons)	20,092	17,877	16,454	16,339	18,054	19,185	19,185
<b>Storm Drainage</b>							
Number of accounts	117,940	120,940	123,324	127,216	130,426	128,427	132,376
Amount distributed/pumped (million of gallons)	23,239	31,944	28,420	30,506	41,608	53,444	53,444
<b>Solid Waste</b>							
Tons of residential garbage disposed	N/A	124,371	124,623	129,838	129,499	127,120	128,802
Tons of commercial garbage collected	N/A	16,059	16,207	20,390	23,159	22,469	N/A

Notes: (1) As certain data required by GASB 44 was not readily available prior to 2001, the City of Sacramento elected to show seven years of data in this schedule.  
(2) The threshold for investigation of a fire was raised from \$10,000 or \$30,000 in fiscal year 2005.

**City of Sacramento  
Capital Asset Statistics by Function/Program (1)  
Last Seven Fiscal Years**

<b>Function/program</b>	<b>Fiscal Year</b>						
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Police</b>							
Number of stations	2	2	2	2	2	2	2
Number of patrol units	241	243	241	239	238	229	210
<b>Fire</b>							
Number of stations	22	22	22	22	23	23	23
Number of fire protection vehicles	123	126	152	150	167	169	170
<b>Transportation</b>							
Miles of streets	2,521	2,780	2,922	2,936	2,960	3,025	3,034
Number of street lights	33,439	35,000	35,896	36,852	38,450	39,277	39,964
Number of City parking spaces	8,824	8,519	8,580	8,580	8,488	8,518	8,795
<b>Parks and recreation</b>							
Number of parks	187	212	197	196	196	209	215
Park acreage	3,169	3,296	2,998	3,627	3,627	3,800	3,980
Miles of off-street bikeways	42	61	50	53	58	62	67
Number of community centers	15	16	17	17	17	17	17
Number of swimming pools (including wading pools)	19	20	22	23	23	23	23
<b>Water</b>							
Miles of water mains	1,401	1,422	1,434	1,467	1,708	1,873	1,873
<b>Sewers and storm drainage</b>							
Miles of sanitary sewers and storm drainage	1,915	2,005	2,054	2,103	2,081	2,081	2,024
<b>Off-street parking</b>							
Number of City garages and open parking lots	13	12	12	12	11	11	12
<b>Golf</b>							
Number of golf courses	7	7	6	6	6	6	6
<b>Marina</b>							
Number of boat harbor slips	554	558	563	563	563	563	547

Note: (1) As certain data required by GASB 44 was not readily available prior to 2001, the City of Sacramento elected to show seven years of data in this schedule.

# City of Sacramento

## Miscellaneous Statistics

For Fiscal Years Ended June 30, 2007 and Nine Years Ago

Date of incorporation	1849	
Date of charter	1921	
Date City became State Capitol	1854	
Form of government	Council/Manager	
	<b>2007</b>	<b>1998</b>
Number of budgeted positions	5,213	4,221
Area in square miles	99	98
Altitude in feet	17	17
City of Sacramento facilities and services:		
<b>Police</b>		
Number of stations	2	3
Number of police personnel sworn / civilian	799/465	640/387
Number of patrol units	210	321
<b>Fire</b>		
Number of stations	23	23
Number of fire personnel sworn / unsworn	587/64	484/32
Number of fire protection vehicles	170	123
<b>Utilities</b>		
Miles of water mains	1,873	1,320
Annual water production in gallons	49 Billion	37.2 Billion
Miles of storm drainage and sanitary sewers	2,124	2,652
<b>Transportation</b>		
Miles of streets	3,034	2,633
Number of street lights	39,964	33,500
Number of City parking lots / spaces	12/8,795	16/9,014
<b>Convention, Culture and Leisure</b>		
Golf courses	6	7
Boat harbor slips	547	553
Zoo animals	547	391
Fairytale town attendance for year	231,366	79,433
Camp Sacramento attendance for year	2,262	2,200
Crocker Art Gallery attendance for year	171,619	124,628
Community Convention Center attendance for year	849,000	877,592
<b>Parks and Recreation</b>		
Parks	215	136
Park acreage	3,980	2,087
Miles of off-street bikeways	67	34.2
Community centers	17	14
Swimming pools	23	13
Baseball fields	101	65
Soccer fields	93	33
Ball courts	59	43
<b>Library</b>		
Library branches	27	9
Library books and audiovisual recordings in circulation	1,857,549	1,761,637

Sources: City of Sacramento, miscellaneous data information systems.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF SACRAMENTO**

Single Audit Reports

For the Fiscal Year Ended June 30, 2007

**CITY OF SACRAMENTO  
SINGLE AUDIT REPORTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

*Table of Contents*

	<i>Page(s)</i>
Schedule of Expenditures of Federal Awards .....	1-3
Notes to Schedule of Expenditures of Federal Awards.....	4-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	6-7
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 .....	8-9
Schedule of Findings and Questioned Costs .....	10-11

**CITY OF SACRAMENTO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>United States Department of Labor:</b>			
Passed Through Sacramento Employment and Training Agency: Workforce Investment Act - Youth Program	17.259	N/A	\$ 114,177
<b>Total United States Department of Labor</b>			<u>114,177</u>
<b>United States Department of Agriculture:</b>			
Passed Through State of California Department of Education			
2005 Snack Program	10.558	34-2883-1K	20,937
2006 Snack Program	10.558	34-2883-1K	35,269
2007 Snack Program	10.558	34-2883-1K	393,881
Subtotal Snack Program			<u>450,087</u>
2006 Year Round Food Program	10.559	34-83400V	437,539
2007 Year Round Food Program	10.559	34-83400V	228,752
Subtotal Year Round Food Program			<u>666,291</u>
<b>Total United States Department of Agriculture</b>			<u>1,116,378</u>
<b>United States Department of Transportation:</b>			
Passed Through State of California Department of Transportation (CALTRANS):			
Highway Planning and Construction	20.205	HP21L-5002(090)	128,450
Highway Planning and Construction	20.205	STLP-5002(5)	2,007,911
Highway Planning and Construction	20.205	CML-5002(055)	557,138
Highway Planning and Construction	20.205	CML-5002(041)	27,988
Highway Planning and Construction	20.205	STPLER-5002(066)	15,510
Highway Planning and Construction	20.205	DA#03-0180	14,463
Highway Planning and Construction	20.205	STPE-5002(110)	466,696
Highway Planning and Construction	20.205	BHLS-5002(111)	8,369
Highway Planning and Construction	20.205	STPL-5002(076)	6,294
Highway Planning and Construction	20.205	STPLER-5002(080)	13,184
Highway Planning and Construction	20.205	RPSTPL-5002(081)	1,462
Highway Planning and Construction	20.205	ITS02-5002(091)	948,539
Highway Planning and Construction	20.205	STPL-5002(107)	155,902
Highway Planning and Construction	20.205	BRLS-5002(054)	2,580,830
Highway Planning and Construction	20.205	STPL-5002(045)	153,618
Highway Planning and Construction	20.205	RPSTPLE-5002(105)	32,787
Highway Planning and Construction	20.205	STPLER-5002(060)	6,663
Highway Planning and Construction	20.205	STPL-5002(044)	875
Highway Planning and Construction	20.205	HPO2L-5002(089)	477,627
Highway Planning and Construction	20.205	STPL-5002(084)	1,962,444
Highway Planning and Construction	20.205	DEM05L-5002(112)	35,980
Highway Planning and Construction	20.205	CML-5002-047	66,104
Highway Planning and Construction	20.205	BRLO-5002(050)	3,105
Highway Planning and Construction	20.205	STPL-5002(103)	270,142
Highway Planning and Construction	20.205	CML-5002(117)	10,990
Highway Planning and Construction	20.205	HP21L-5002(068)	20,744
Highway Planning and Construction	20.205	STPL-5002-067	1,136,005
Highway Planning and Construction	20.205	STPL-5002(069)	1,940
Highway Planning and Construction	20.205	CML-5002(073)	2,727
Highway Planning and Construction	20.205	CML-5002(109)	20
Highway Planning and Construction	20.205	STPL-5002(097)	56,442
Highway Planning and Construction	20.205	RPSTPL-502(088)	92,868
Highway Planning and Construction	20.205	BRLS-5002(098)	458,117
Subtotal Highway Planning and Construction			<u>11,721,934</u>

The accompanying notes are an integral part of this schedule

**CITY OF SACRAMENTO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>United States Department of Transportation (Continued):</b>			
Passed Through State of California Office of Traffic Safety:			
Alcohol & Police Traffic	20.600	AL0567	127,311
OTS ST Racing Task Force 2006	20.600	PT0562	125,409
OTS ST Racing Task Force 2007	20.600	PT0562	280,844
Subtotal State of California Office of Traffic Safety			<u>533,564</u>
<b>Total United States Department of Transportation</b>			<u>12,255,498</u>
<b>United States Department of Justice:</b>			
Direct Programs:			
Solving Cold Case DNA	16.560	2005DNBACK030	64,448
2004 Local Law Enforcement Block Grants	16.592	2004-LB-BX-0815	141,175
Project Safe Neighborhood	16.609	2004-PSN-1011	79,223
Universal Hiring II	16.710	2001ULWX0014	1,852,198
Universal Hiring	16.710	2002ULWX0063	999,804
2003 RCPI Integrity/Public Trust Initiative	16.710	2003-HS-WXK-003	15,265
COPS Interoperable Communications Technology	16.710	2004INWX0004	615,261
COPS in Schools	16.710	2004SHWX0161	418,120
COPS 2006 Secure Our Schools	16.710	2006CKWX0595	7,000
Subtotal Public Safety Partnership and Community Policing Grants (COPS)			<u>3,907,648</u>
G.R.E.A.T. - 2006	16.737	2006-JV-FX-0108	65,143
Justice Assist. Grant - Edward Byrne Memorial	16.738	2005-DJ-BX-0628	50,468
Justice Assist. Grant - Edward Byrne Memorial	16.738	2006-DJ-BX-0238	193,113
Subtotal Justice Assistance Grants			<u>243,581</u>
<b>Total United States Department of Justice</b>			<u>4,501,218</u>
<b>Total United States Environmental Protection Agency:</b>			
Direct Programs:			
U&S STS Iline Storage	66.606	XP98960401-2	45,100
<b>Total United States Environmental Protection Agency</b>			<u>45,100</u>
<b>United States Department of Education:</b>			
Passed through State of California Department of Education:			
21st Century Community Learning Centers	84.287	34-2002-CCLC-009	545,577
<b>Total United States Department of Education</b>			<u>545,577</u>
<b>United States Department of Health and Human Services:</b>			
Passed through State of California Department of Education:			
Child Care and Development Block Grant	93.575	CIMS-6443	342
Child Care and Development Fund Facilities	93.575	CRPM-4079	11
<b>Total United States Department of Health and Human Services</b>			<u>353</u>
<b>Corporation for National and Community Service:</b>			
Direct Programs:			
Americorps	94.006	06AFHY13-F111	313,826
<b>Total Corporation for National and Community Service</b>			<u>313,826</u>

The accompanying notes are an integral part of this schedule

**CITY OF SACRAMENTO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>United States Department of Homeland Security:</b>			
Direct Programs:			
Homeland Security Grant FY04	97.004	N/A	21,924
National Urban Search & Rescue Response System	97.025	N/A	168,086
National Urban Search & Rescue Response System	97.025	EMW-2004-CA-0454	162,544
National Urban Search & Rescue Response System	97.025	EMW-2006-CA-0210	394,838
National Urban Search & Rescue Response System:			
2007 Urban Search and Rescue	97.025	N/A	15,195
Type II Katrina	97.025	EMW-2003-CA-0104	22,621
Hurricane Dennis	97.025	EMW-2003-CA-0104	359
Hurricane Rita	97.025	EMW-2003-CA-0104	1,549
Hurricane Ophelia	97.025	EMW-2003-CA-0104	1,589
Hurricane Wilma	97.025	EMW-2003-CA-0104	284
Hurricane Ernesto	97.025	EMW-2003-CA-0104	48,391
Subtotal National Urban Search & Rescue Response System			815,456
Heavy Rescue Vehicle	97.044	EMW-2005-FG-19057	450,000
Subtotal Direct Programs			1,287,380
Passed through State of California Office of Emergency Services:			
California State Homeland Security Program FY03	97.005	N/A	179
Homeland Security Urban Areas Security Initiative	97.008	067-6400	75,929
Homeland Security Urban Areas Security Initiative	97.008	067-64000	1,402,427
Homeland Security Urban Areas Security Initiative	97.008	067-64000	3,929,393
Homeland Security Urban Areas Security Initiative	97.008	N/A	95,168
Homeland Security Urban Areas Security Initiative	97.008	2005-GE-T5-0015	150,497
Homeland Security Urban Areas Security Initiative	97.008	2006-0071	913,985
Subtotal Homeland Security Urban Areas Security Initiative			6,567,399
Hazardous Materials Emergency Preparedness	97.021	N/A	10,949
Metropolitan Medical Response System	97.071	282-99-0034	104,286
Subtotal Passed through State of California Office of Emergency Services			6,682,813
<b>Total United States Department of Homeland Security</b>			<b>7,970,193</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 26,862,320</b>

The accompanying notes are an integral part of this schedule

**CITY OF SACRAMENTO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the expenditures of all federal awards programs of the City of Sacramento, California (City) for the fiscal year ended June 30, 2007. The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the SEFA.

**NOTE 2 – BASIS OF ACCOUNTING**

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types, and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the City's basic financial statements.

**NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

**NOTE 4 – SCHEDULE OF AREA 4 AGENCY ON AGING EXPENDITURES**

The following represents expenditures of the grant from the Area 4 Agency on Aging for the fiscal year ended June 30, 2007:

Program	Grant Amount	Agreement Number	Expenditures		Total
			Federal	State	
Alzheimer's Day Care Resource Center	\$ 75,010	AL-0607-03	\$ -	\$ 75,010	\$ 75,010

**CITY OF SACRAMENTO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 5 –SCHEDULE OF STATE OF CALIFORNIA OFFICE OF EMERGENCY SERVICE EXPENDITURES**

The following represents expenditures of the grant from the State of California Office of Emergency Service for the fiscal year ended June 30, 2007:

	Grants Award Number	Grant Amount	Federal	Expenditures		Total
				State	Match	
Gang Violence Suppression						
Personnel Service	GV06027901	\$ 106,780	\$ -	\$ 96,391	\$ 9,707	\$ 106,098
Operating Expense		443,220	-	403,609	40,293	443,902
Total		<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 50,000</u>	<u>\$ 550,000</u>

**NOTE 6 –SCHEDULE OF FIRST 5 SACRAMENTO COMMISSION EXPENDITURES**

The following represents expenditures of the grant from the First 5 Sacramento Commission for the fiscal year ended June 30, 2007:

Program	Grant Amount	Agreement Number	Expenditures		Total
			Federal	State	
Cover the Kids	\$ 890,116	05/06-MH 024	\$ -	\$ 599,286	\$ 599,286



**MACIAS GINI & O'CONNELL** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

2175 N. California Boulevard, Suite 645  
Walnut Creek, CA 94596  
925.274.0190

515 S. Figueroa Street, Suite 325  
Los Angeles, CA 90071  
213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

To the Honorable Mayor and  
Members of the City Council  
City of Sacramento, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Sacramento, California (City), as of and for the fiscal year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***Compliance and Other Matters***

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

We noted certain matters that we reported to management of the City in a separate letter dated January 9, 2008

This report is intended solely for the information and use of the City Council, City management, and federal awarding agencies and pass through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

*Macroe Mini & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
December 20, 2007



**MACIAS GINI & O'CONNELL** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

2175 N. California Boulevard, Suite 645  
Walnut Creek, CA 94596  
925.274.0190

515 S. Figueroa Street, Suite 325  
Los Angeles, CA 90071  
213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

To the Honorable Mayor and  
Members of the City Council  
City of Sacramento, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER  
COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

***Compliance***

We have audited the compliance of City of Sacramento, California (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007.

***Internal Control Over Compliance***

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated December 20, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, the City management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Macdon Mceni & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
January 9, 2008 except for  
the Schedule of Expenditures  
of Federal Awards as to which  
the date is December 20, 2007

**CITY OF SACRAMENTO  
SINGLE AUDIT REPORTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Section I – Summary of Auditor’s Results**

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>Program Title</u>	<u>CFDA/Grant Number</u>
Homeland Security Urban Areas Initiative	97.008
Urban Search and Rescue	97.025

Dollar threshold used to distinguish between Type A and Type B programs:	\$805,870
Auditee qualified as low-risk auditee?	Yes

**CITY OF SACRAMENTO  
SINGLE AUDIT REPORTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM**

Independent Auditor's Reports,  
Financial Statements and Supplemental Information

For the Year Ended June 30, 2007

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2007**

*Table of Contents*

	<i>Page(s)</i>
<b>General Information</b> .....	1
<b>Independent Auditor's Report</b> .....	2-3
<b>Financial Statements:</b>	
Statement of Net Assets .....	4
Statement of Revenues, Expenses and Changes in Net Assets .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7-10
<b>Supplemental Information:</b>	
Schedule of Child Attendance – Project Number 34-J401-00-0 (CLTK-6070).....	11
Audited Final Attendance and Fiscal Report – Project Number 34-J401-00-0 (CLTK-6070).....	12-14
Schedule of Child Attendance – Project Number 34-J401-00-0 (CCTR-6282).....	15
Audited Final Attendance and Fiscal Report – Project Number 34-J401-00-0 (CCTR-6282).....	16-18
Audited Final Reserve Account Cash Activity Report – Project Number 34-J401-00-0 .....	19
Audited Final Revenue and Expenditure Report – Project No. 34-J401-00-0 (CRPM-4079) .....	20
Audited Final Revenue and Expenditure Report – Project No. 34-J401-00-0 (CIMS-6443).....	21
Schedule of Renovation and Repair Expenditures .....	22
Schedule of Equipment Expenditures .....	23
Schedule of State DOE Awards .....	24
Combining Schedule of Administrative Costs .....	25
<b>Other Report:</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the <i>Audit Guide for Audits         of Child Development and Nutrition Programs</i> .....	26-27
Schedule of Findings and Recommendations.....	28-29
Status of Prior Year Finding and Recommendation .....	30-31

## GENERAL INFORMATION

Agency: City of Sacramento - Child Development Program

Project Numbers: 34-J401-00-0

Type of Agency: Municipal Government

Address: City Hall  
915 I Street, 4<sup>th</sup> Floor  
Sacramento, CA 95814

Accountant: Dennis Kauffman, Jr., Accounting Division  
City Hall  
915 I Street, 4<sup>th</sup> Floor  
Sacramento, CA 95814

Telephone: (916) 808-5843

Period Covered: July 1, 2006 - June 30, 2007

Number of Days of Agency Operation: 246 days

Scheduled hours of operation each day: 7:00 a.m. Opening  
6:00 p.m. Closing  
Open 11 hours



**MACIAS GINI & O'CONNELL** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

2175 N. California Boulevard, Suite 645  
Walnut Creek, CA 94596  
925.274.0190

515 S. Figueroa Street, Suite 325  
Los Angeles, CA 90071  
213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

Honorable Mayor and  
Council Members  
City of Sacramento  
Sacramento, California

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of net assets of the Child Development Program of the City of Sacramento, California (Program), as of June 30, 2007, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the City of Sacramento's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Audits of Child Development and Nutrition Programs*, issued by the California Department of Education. 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 Program'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 provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Child Development Program and do not purport to, and do not, present fairly the financial position of the City of Sacramento, California as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Child Development Program of the City of Sacramento, California, as of June 30, 2007, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Program has not presented Management's Discussion and Analysis which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2007, on our consideration of the Program'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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on pages 11 to 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Macior Mini & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
December 10, 2007

## FINANCIAL STATEMENTS

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
STATEMENT OF NET ASSETS  
JUNE 30, 2007**

ASSETS

Current assets:

Cash and investments held by City	\$ 1,880,011
Accounts receivable	1,779
Prepaid expenses, current portion	11,523
Total current assets	1,893,313

Noncurrent assets:

Restricted cash	495,283
Prepaid expenses	222,233
Capital assets	
Buildings and improvements	1,318,559
Less: accumulated depreciation	(258,688)
Capital assets, net	1,059,871
Total noncurrent assets	1,777,387
Total assets	\$ 3,670,700

LIABILITIES

Current liabilities:

Accounts payable	\$ 150,640
Wages and employee benefits payable	263,476
Payable to State Department of Education	203,209
Deferred revenue	495,283
Current portion of loans payable	40,000
Total current liabilities	1,152,608

Noncurrent Liabilities:

Accrued compensated absences	262,381
Loans payable	220,000
Total noncurrent liabilities	482,381
Total liabilities	1,634,989

NET ASSETS

Invested in capital assets, net of related debt	799,871
Unrestricted	1,235,840
Total net assets	2,035,711
Total liabilities and net assets	\$ 3,670,700

See accompanying notes to financial statements.

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007**

Operating revenues:

State apportionment	\$ 588,518
Subsidized parent fees	52,684
Unsubsidized parent fees	5,258,567
Miscellaneous	65,918
	5,965,687
Total operating revenues	5,965,687

Operating expenses:

1000 Certificated salaries	7,693
2000 Classified salaries	3,931,127
3000 Employee benefits	1,009,455
4200 Books and supplies	24,020
4300 Instructional supplies	224,190
4710 Food and supplies	184,930
5000 Services and other operating expenses	124,068
5100 Contracts for personal services	19,779
5200 Travel, conferences and other expenses	69,928
5500 Utilities/housekeeping	113,850
5600 Leases	93,714
Depreciation	65,927
	5,868,681
Total operating expenses	5,868,681

Operating income	97,006
------------------	--------

Nonoperating revenues:

Interest revenue	82,226
	82,226

Change in net assets	179,232
----------------------	---------

Net assets, beginning of year	1,856,479
	1,856,479

Net assets, end of year	\$ 2,035,711
	\$ 2,035,711

See accompanying notes to financial statements.

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007**

Cash flows from operating activities:	
Payments from customers and users	\$ 6,387,332
Payments to suppliers	(728,360)
Payments to employees	<u>(5,012,221)</u>
Net cash provided by operating activities	<u>646,751</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(24,386)
Repayment of construction loan	<u>(40,000)</u>
Net cash used for capital and related financing activities	<u>(64,386)</u>
Cash flows from investing activities:	
Interest received	<u>82,226</u>
Net increase in cash and cash equivalents	664,591
Cash and cash equivalents - beginning of year	1,710,703
Cash and cash equivalents - end of year	<u><u>\$ 2,375,294</u></u>
Reconciliation to the statement of net assets:	
Cash and investments held by City	\$ 1,880,011
Restricted cash	<u>495,283</u>
Total cash and cash equivalents	<u><u>\$ 2,375,294</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 97,006</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	65,927
Change in assets and liabilities:	
Accounts receivable	190,357
Prepaid expenses	(112,214)
Accounts payable	71,868
Wages and employee benefits payable	(73,913)
Payable to State Department of Education	166,465
Accrued compensated absences	9,967
Deferred revenue	<u>231,288</u>
Total adjustments	<u>549,745</u>
Net cash provided by operating activities	<u><u>\$ 646,751</u></u>

See accompanying notes to financial statements.

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

General

The City of Sacramento (City) administers the Child Development Program (Program). The Program provides school age childcare services and is funded by grants from the California State Department of Education (State) and parent fees. The Program is accounted for as a proprietary fund of the City. The accompanying financial statements are not intended to present fairly the financial position or changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The accounting records of the Program are maintained on the accrual basis. Revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the accounting period in which the liability is incurred.

The principal operating revenues of the Program are parent fees, state apportionments and miscellaneous revenues. Operating expenses include costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the Program has not elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Cash and Investments and Restricted Cash Held by City

All of the Program's cash and investments are included in the City's investment pool, which is described in the City's Comprehensive Annual Financial Report (CAFR). The City, as a charter city, has adopted its own investment guidelines, which are consistent with the requirements of the California Government Code. The City Council and City Treasurer provide regulatory oversight of the City's investment pool and reaffirm its investment policy on a quarterly basis. The estimated fair value of investments in the pool is the quoted market price. The pool is accounted for on an amortized cost basis during the year. The weighted average maturity of the City's pool is 1.0 years.

The value of the pool shares that may be withdrawn at any time is determined on an amortized cost basis, which is different than the fair value of the Program's position in the pool.

Restricted cash is the amount of center-based reserves held by the Program in accordance with an agreement with the State.

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Prepaid Expenses

Prepaid expenses include payments to Rio Linda Union School District for the use of a child care classroom facility at Regency Park Elementary School. The payments are being amortized over the 30-year life of the right-to-use agreement using the straight line method. Prepaid expenses also includes payments to vendors for rental contracts that reflect costs applicable to future periods

Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$20,000, and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Depreciation of capital assets is provided on the straight-line method over estimated useful lives as follows:

Buildings and leasehold improvements	5 – 30 years
Machinery and equipment	3 – 10 years

Compensated Absences

It is the Program’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unpaid vacation and sick leave at year-end are recorded as an expense and a related liability. The long-term portion of the accrual is recorded as noncurrent.

Deferred Revenue

Deferred revenue represents resources received from the State that the Program has not yet earned.

Statement of Cash Flows

For purposes of the statement of cash flows, the Program considers cash and cash equivalents to include all pooled cash and investments, including restricted assets, as these pooled balances have the general characteristics of a demand deposit account.

**NOTE B – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Buildings and leasehold improvements	\$ 1,294,173	\$ 24,386	\$ --	\$ 1,318,559
Less accumulated depreciation	<u>(192,761)</u>	<u>(65,927)</u>	<u>--</u>	<u>(258,688)</u>
Total capital assets, net	<u>\$ 1,101,412</u>	<u>\$ (41,541)</u>	<u>\$ --</u>	<u>\$ 1,059,871</u>

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE C – COMPENSATED ABSENCES**

Changes in compensated absences during the year ended June 30, 2007 were as follows:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Compensated absences	\$ 258,190	\$ 12,649	\$ 270,839
Less current portion	<u>(5,776)</u>	<u>(2,682)</u>	<u>(8,458)</u>
Long-term portion	<u>\$ 252,414</u>	<u>\$ 9,967</u>	<u>\$ 262,381</u>

The current portion of compensated absences is reported as a component of wages and employee benefits payable.

**NOTE D – LOANS PAYABLE**

There are two loans payable to the California Department of Education in annual installments of \$20,000 for each loan through April 1, 2012 and August 1, 2014. Neither loan bears interest. Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>
2008	\$ 40,000
2009	40,000
2010	40,000
2011	40,000
2012	40,000
2013-2015	<u>60,000</u>
Total requirements	<u>\$ 260,000</u>

The following is a summary of the loans payable transactions for the year ended June 30, 2007:

<u>Balance, July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2007</u>	<u>Amount due within one year</u>
<u>\$ 300,000</u>	<u>\$ --</u>	<u>\$ (40,000)</u>	<u>\$ 260,000</u>	<u>\$ 40,000</u>

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE E – OPERATING LEASES**

As of June 30, 2007, the Program had no non-cancelable leases having remaining terms in excess of one year. Operating lease expense for the year ended June 30, 2007 was \$49,653.

**NOTE F – CONTINGENCIES**

The Program has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management of the Program believes that any required reimbursements will not be material.

**NOTE G – CONTRIBUTORY RETIREMENT PLAN**

The Program's employees are participants of the State of California's Public Employees' Retirement System (PERS). The Program's contribution to PERS for the year was \$53,419. Other information required by Government Accounting Standards Board Statement No. 27, "Accounting for Pensions by State and Local Government Employers," for all City employees is available in the City's CAFR.

**NOTE H – CONTRACT COMMITMENTS**

The Program has entered into a contract with a local school district to reimburse the school district \$425,000 for the construction of a 4<sup>th</sup> R child care facility. The facility has been built and the reimbursement is expected to be made during fiscal year 2007-2008

**NOTE I – INFORMATION REQUIRED BY AUDIT GUIDE FOR AUDITS OF CHILD DEVELOPMENT AND NUTRITION PROGRAMS**

The amount paid for rent of facilities and equipment for the year ended June 30, 2007 was \$93,714.

The amount of payroll taxes for the year ended June 30, 2007 was \$309,504.

The amount paid for administrative costs charged to state grants for the year ended June 30, 2007 was \$475,936.

**SUPPLEMENTAL INFORMATION**

**CITY OF SACRAMENTO**  
**CHILD DEVELOPMENT PROGRAM**  
**EXTENDED DAY CARE - LATCHKEY**  
**SCHEDULE OF CHILD ATTENDANCE**  
**PROJECT NUMBER 34-J401-00-0 (CLTK-6070)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Report Period	Certified Families						Noncertified Families
	Total Days of Operation	Total Days of Enrollment	Total Days of Attendance	Total Adjusted Days of Enrollment	Average Daily Enrollment	Percent of Attendance	Total Adjusted Days of Enrollment
Jul - Sep	63	4,889	4,869	3,672	58	99.59%	31,559
Oct - Dec	59	4,559	4,274	2,621	44	93.75%	17,908
Jan - Mar	61	3,850	3,847	2,108	35	99.92%	25,584
Apr - Jun	63	3,277	3,260	1,968	31	99.48%	22,289
Totals	246	16,575	16,250	10,369	42	98.04%	97,340

**AUDITED FINAL ATTENDANCE AND FISCAL REPORT  
for School Age Community Child Care Services - Days**

Agency Name: City of Sacramento Vendor No. 34-J401

Fiscal Year Endec June 30, 2007 Contract No. CLTK-6070

Independent Auditor's Name: Macias Gini & O'Connell, LLC

SECTION I - CERTIFIED CHILDREN	EDP NO.	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<b>DAYS OF ENROLLMENT</b>						
<i>Kindergarten through Grade 9</i>						
Full-time-plus	112	52		52	1.500	78
Full-time	114	4,140		4,140	1.000	4,140
Three-quarters-time	116	629		629	0.750	472
One-half-time	118	10,961		10,961	0.500	5,481
One-quarter-time	119	793		793	0.250	198
<i>Exceptional Needs</i>						
Full-time-plus	121			0	1.800	0
Full-time	123			0	1.200	0
Three-quarters-time	125			0	0.900	0
One-half-time	127			0	0.600	0
One-quarter-time	129			0	0.300	0
<i>Limited and Non-English Proficient</i>						
Full-time-plus	131			0	1.650	0
Full-time	133			0	1.100	0
Three-quarters-time	135			0	0.825	0
One-half-time	137			0	0.550	0
One-quarter-time	139			0	0.275	0
<i>Children at Risk of Abuse or Neglect</i>						
Full-time-plus	141			0	1.650	0
Full-time	143			0	1.100	0
Three-quarters-time	145			0	0.825	0
One-half-time	147			0	0.550	0
One-quarter-time	149			0	0.275	0
<i>Severely Handicapped</i>						
Full-time-plus	151			0	2.250	0
Full-time	153			0	1.500	0
Three-quarters-time	155			0	1.120	0
One-half-time	157			0	0.750	0
One-quarter-time	159			0	0.375	0
<b>TOTAL DAYS OF ENROLLMENT</b>	190	16,575		16,575		10,369
<b>DAYS OF OPERATION</b>	169	246		246		
<b>DAYS OF ATTENDANCE</b>	179	16,250		16,250		

NO NONCERTIFIED CHILDREN - Check this box and continue to Section III if no noncertified children were enrolled in the program.

COMMENTS - If necessary, attach additional sheet(s) to explain information contained on this page:

**AUDITED FINAL ATTENDANCE AND FISCAL REPORT  
for School Age Community Child Care Services - Days**

Agency Name: City of Sacramento Vendor No. 34-J401

Fiscal Year Endec June 30, 2007 Contract No. CLTK-6070

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified but were served at the same site(s) as certified children.	EDP NO.	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<b>DAYS OF ENROLLMENT</b>						
<i>Kindergarten through Grade 9</i>						
Full-time-plus	112			0	1.500	0
Full-time	114	23,318		23,318	1.000	23,318
Three-quarters-time	116			0	0.750	0
One-half-time	118	148,043		148,043	0.500	74,022
One-quarter-time	119			0	0.250	0
<i>Exceptional Needs</i>						
Full-time-plus	121			0	1.800	0
Full-time	123			0	1.200	0
Three-quarters-time	125			0	0.900	0
One-half-time	127			0	0.600	0
One-quarter-time	129			0	0.300	0
<i>Limited and Non-English Proficient</i>						
Full-time-plus	131			0	1.650	0
Full-time	133			0	1.100	0
Three-quarters-time	135			0	0.825	0
One-half-time	137			0	0.550	0
One-quarter-time	139			0	0.275	0
<i>Children at Risk of Abuse or Neglect</i>						
Full-time-plus	141			0	1.650	0
Full-time	143			0	1.100	0
Three-quarters-time	145			0	0.825	0
One-half-time	147			0	0.550	0
One-quarter-time	149			0	0.275	0
<i>Severely Handicapped</i>						
Full-time-plus	151			0	2.250	0
Full-time	153			0	1.500	0
Three-quarters-time	155			0	1.120	0
One-half-time	157			0	0.750	0
One-quarter-time	159			0	0.375	0
<b>TOTAL DAYS OF ENROLLMENT</b>	190	171,361	0	171,361		97,340

COMMENTS - If necessary, attach additional sheet(s) to explain information contained on this page:

**AUDITED FINAL ATTENDANCE AND FISCAL REPORT  
for School Age Community Child Care Services - Days**

Agency Name: City of Sacramento Vendor No. 34-J401  
 Fiscal Year End: June 30, 2007 Contract No. CLTK-6070

SECTION III - REVENUE	EDP NO.	COLUMN A	COLUMN B	COLUMN C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
CCF/National School Lunch Program	302	\$0	\$0	\$0
Restricted income for operating costs	308			0
Maintenance of Effort	339			0
Other ( <i>specify</i> )	312			0
<b>SUBTOTAL</b>	311	0	0	0
TRANSFER FROM RESERVE FUND	310			0
FAMILY FEES FOR CERTIFIED CHILDREN	329	32,344		32,344
INTEREST EARNED ON CHILD CONTRACT PAYMENTS	349			0
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356	2,518,488		2,518,488
Cal Learn Program	358			0
Other ( <i>specify</i> ): <i>fund raisers and field trip</i>	362	51,056		51,056
<b>TOTAL REVENUE</b>	390	\$2,601,888	\$0	\$2,601,888
<b>SECTION IV - EXPENSES</b>				
REIMBURSABLE EXPENSES				
1000 Certificated Salaries	402	\$0	\$0	\$0
2000 Classified Salaries	404	1,938,363		1,938,363
3000 Employee Benefits	406	479,653		479,653
4000 Books and Supplies	408	134,053		134,053
5000 Services/Other Operating Expenses	412	140,289		140,289
6100/6200 Other Approved Capital Outlay	413	142,386		142,386
6400 New Equipment ( <i>program-related</i> )	414			0
6500 Replace Equipment ( <i>program-related</i> )	416			0
Depreciation or Use Allowance	439			0
Start-Up Expenses ( <i>service level exemption</i> )	449			0
Indirect Costs -- Rate: 0.00%	459			0
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			0
Other nonreimbursable expenses ( <i>specify</i> ):	489			0
<b>TOTAL EXPENSES</b>	490	\$2,834,744	\$0	\$2,834,744
TOTAL ADMINISTRATIVE COST ( <i>in Sec. IV</i> )	690	\$373,807	\$0	\$373,807

**Independent Auditor's Certifications on meeting the requirements of the California Department of Education, Child Development Division:**

Attendance records are being maintained as required (check YES or NO):

- YES  
 NO - Explain any discrepancies.

Attendance data reported in Column C of pages 1 and 2 agree with the original supporting records, such as sign-in/sign-out sheets and daily attendance records (check YES or NO):

- YES  
 NO - Explain any discrepancies.

**COMMENTS:**

Accurate enrollment records are not being maintained as required, and therefore don't support days of enrollment amounts in column A on pages 16 and 17 (see finding 2007-2 in the schedule of findings and recommendations on page 29)

**CITY OF SACRAMENTO**  
**CHILD DEVELOPMENT PROGRAM**  
**GENERAL CENTER CHILD CARE**  
**SCHEDULE OF CHILD ATTENDANCE**  
**PROJECT NUMBER 34-J401-00-0 (CCTR-6282)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Report Period	Certified Families						Noncertified Families
	Total Days of Operation	Total Days of Enrollment	Total Days of Attendance	Total Adjusted Days of Enrollment	Average Daily Enrollment	Percent of Attendance	Total Adjusted Days of Enrollment
Jul - Sep	63	5,237	5,221	4,413	70	99.69%	2,826
Oct - Dec	59	4,493	4,478	2,730	46	99.67%	1,385
Jan - Mar	61	5,846	5,842	3,545	58	99.93%	3,542
Apr - Jun	63	7,256	7,222	4,935	78	99.53%	3,895
Totals	246	22,832	22,763	15,623	64	99.70%	11,648

**AUDITED FINAL ATTENDANCE AND FISCAL REPORT  
for Child Development Programs**

Agency Name: City of Sacramento Vendor No. 34-J401

Fiscal Year Ended: June 30, 2007 Contract No. CCTR-6282

Independent Auditor's Name: Macias Gini & O'Connell, LLP

SECTION I - CERTIFIED CHILDREN	EDP NO.	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<b>DAYS OF ENROLLMENT</b>						
<i>Infants (up to 18 months)</i>						
Full-time-plus	101			-	2.006	-
Full-time	103			-	1.700	-
Three-quarters-time	105			-	1.275	-
One-half-time	107			-	0.935	-
<b>FCCH Infants (up to 18 months)</b>						
Full-time plus	101A			-	1.652	-
Full-time	103A			-	1.400	-
Three-quarters-time	105A			-	1.050	-
One-half-time	107A			-	0.770	-
<b>Toddlers (18 up to 36 months)</b>						
Full-time-plus	101B			-	1.652	-
Full-time	103B			-	1.400	-
Three-quarters-time	105B			-	1.050	-
On-half-time	107B			-	0.770	-
<b>Three Years and Older</b>						
Full-time-plus	111	159		159	1.180	188
Full-time	113	5,307		5,307	1.000	5,307
Three-quarters-time	115	2,883		2,883	0.750	2,162
One-half-time	117	14,180	303	14,483	0.550	7,966
<b>Exceptional Needs</b>						
Full-time-plus	121			-	1.416	-
Full-time	123			-	1.200	-
Three-quarters-time	125			-	0.900	-
One-half-time	127			-	0.660	-
<b>Limited and Non-English Proficient</b>						
Full-time-plus	131			-	1.298	-
Full-time	133			-	1.100	-
Three-quarters-time	135			-	0.825	-
One-half-time	137			-	0.605	-
<b>Children at Risk of Abuse or Neglect</b>						
Full-time-plus	141			-	1.298	-
Full-time	143			-	1.100	-
Three-quarters-time	145			-	0.825	-
One-half-time	147			-	0.605	-
<b>Severely Handicapped</b>						
Full-time-plus	151			-	1.770	-
Full-time	153			-	1.500	-
Three-quarters-time	155			-	1.125	-
One-half-time	157			-	0.825	-
<b>TOTAL DAYS OF ENROLLMENT</b>	190	22,529	303	22,832		15,623
<b>DAYS OF OPERATION</b>	169	246		246		
<b>DAYS OF ATTENDANCE</b>	179	22,763		22,763		

NO NONCERTIFIED CHILDREN - Check this box and continue to Section III if no noncertified children were enrolled in the program.

**AUDITED FINAL ATTENDANCE AND FISCAL REPORT  
for Child Development Programs**

Agency Name: City of Sacramento Vendor No. 34-J401

Fiscal Year Ended: June 30, 2007 Contract No. CCTR-6282  
Commingled Contract No. (If Any) \_\_\_\_\_

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified but were served at the same site(s) as certified children.		EDP NO.	COLUMN A CUMULATIVE FISCAL YEAR PER AGENCY	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<b>DAYS OF ENROLLMENT</b>							
<i>Infants (up to 18 months)</i>							
Full-time-plus	201				-	2.006	-
Full-time	203				-	1.700	-
Three-quarters-time	205				-	1.275	-
One-half-time	207				-	0.935	-
<i>FCCH Infants (up to 18 months)</i>							
Full-time plus	201A				-	1.652	-
Full-time	203A				-	1.400	-
Three-quarters-time	205A				-	1.050	-
One-half-time	207A				-	0.770	-
<i>Toddlers (18 up to 36 months)</i>							
Full-time-plus	201B				-	1.652	-
Full-time	203B				-	1.400	-
Three-quarters-time	205B				-	1.050	-
On-half-time	207B				-	0.770	-
<i>Three Years and Older</i>							
Full-time-plus	211				-	1.180	-
Full-time	213		2,102		2,102	1.000	2,102
Three-quarters-time	215				-	0.750	-
One-half-time	217		17,357		17,357	0.550	9,546
<i>Exceptional Needs</i>							
Full-time-plus	221				-	1.416	-
Full-time	223				-	1.200	-
Three-quarters-time	225				-	0.900	-
One-half-time	227				-	0.660	-
<i>Limited and Non-English Proficient</i>							
Full-time-plus	231				-	1.298	-
Full-time	233				-	1.100	-
Three-quarters-time	235				-	0.825	-
One-half-time	237				-	0.605	-
<i>Children at Risk of Abuse or Neglect</i>							
Full-time-plus	241				-	1.298	-
Full-time	243				-	1.100	-
Three-quarters-time	245				-	0.825	-
One-half-time	247				-	0.605	-
<i>Severely Handicapped</i>							
Full-time-plus	251				-	1.770	-
Full-time	253				-	1.500	-
Three-quarters-time	255				-	1.125	-
One-half-time	257				-	0.825	-
<b>TOTAL DAYS OF ENROLLMENT</b>	290		19,459	-	19,459		11,648

**AUDITED FINAL ATTENDANCE AND FISCAL REPORT  
for Child Development Programs**

Agency Name: City of Sacramento Vendor No. 34-J401

Fiscal Year End: June 30, 2007 Contract No. CCTR-6282  
Commingled Contract No. (If Any) \_\_\_\_\_

SECTION III - REVENUE	EDP NO.	COLUMN A	COLUMN B	COLUMN C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
CCF/National School Lunch Program	302	\$0	\$0	\$0
Restricted income for operating costs	308			0
Maintenance of Effort	339			0
Other (specify):	312			0
<b>SUBTOTAL</b>	310	0	0	0
TRANSFER FROM RESERVE FUND	311			0
FAMILY FEES FOR CERTIFIED CHILDREN				
State General Fund	329	20,340		20,340
Federal Fund	331			0
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS				
State General Fund	349			0
Federal Fund	350			0
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356	278,557		278,557
Cal Learn Program	358			0
Other (specify):	362	0	0	0
<b>TOTAL REVENUE</b>	390	\$298,897	\$0	\$298,897

**SECTION IV - EXPENSES**

REIMBURSABLE EXPENSES				
Direct Payments to Providers (FCCH Only)	401	\$0	\$0	\$0
1000 Certificated Salaries	402	7,693		7,693
2000 Classified Salaries	404	443,795		443,795
3000 Employee Benefits	406	126,265		126,265
4000 Books and Supplies	408	28,024		28,024
5000 Services/Other Operating Expenses	412	31,139		31,139
6100/6200 Other Approved Capital Outlay	413			0
6400 New Equipment (program-related)	414			0
6500 Replace Equipment (program-related)	416			0
Depreciation or Use Allowance	439			0
Start-Up Expenses (service level exemption)	447			0
Start-Up/Close-Down Expenses (migrant)	449			0
Indirect Costs -- Rate %: 0.00%	459			0
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			0
Other nonreimbursable expenses (specify):				
	489			0
<b>TOTAL EXPENSES</b>	490	\$636,916	\$0	\$636,916
<b>TOTAL ADMINISTRATIVE COST</b> (in Sec. IV)		\$102,129	\$0	\$102,129

**Independent Auditor's Certifications on meeting the requirements of the California Department of Education, Child Development Division:**

Attendance records are being maintained as required (check YES or NO):

- YES
- NO - Explain any discrepancies.

Attendance data reported in Column C of pages 1 and 2 agree with the original supporting records, such as sign-in/sign-out sheets and daily attendance records (check YES or NO):

- YES
- NO - Explain any discrepancies.

**COMMENTS:**

Accurate enrollment records are not being maintained as required, and therefore don't support days of enrollment amounts in column A on pages 16 and 17 (see finding 2007-2 in the schedule of findings and recommendations on page 29)

**AUDITED FINAL RESERVE ACCOUNT CASH ACTIVITY REPORT  
CENTER BASED PROGRAMS**

Agency Name: City of Sacramento

Fiscal Year End: June 30, 2007 Vendor No. 34-J401

Federally Insured Bank Name: \_\_\_\_\_

Independent Auditor's Name: Macias Gini & O'Connell, LLP

CENTER BASED RESERVE ACCOUNT	COLUMN A	COLUMN B	COLUMN C
	PER AGENCY'S ACCOUNTING LEDGER	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT
<b>BEGINNING CASH BANK BALANCE - Last Fiscal Year's Ending Cash Bank Balance (Not from CDFS 9530)</b>	\$263,995	\$0	\$263,995
Mid-year revenue receipts for CLTK-5073	11,477		11,477
Mid-year revenue receipts for CCTR-5281	33,442		33,442
Mid-year adjustment for GLTK-4077	49		49
Interest adjustment	(674)		(674)
<b>REVISED BEGINNING BALANCE, PER CDE</b>	308,289		308,289
<b>PLUS CASH DEPOSITED TO RESERVE ACCOUNT FROM CONTRACT(S) - During Fiscal Year Being Audited:</b>			
Contract No. CLTK6070	25,106		25,106
Contract No. CCTR6282	148,909		148,909
Contract No.			0
Total Transferred to Reserve Account	174,015	0	174,015
<b>SUBTOTAL</b>	482,304	0	482,304
<b>PLUS INTEREST DEPOSITED TO RESERVE ACCOUNT - During Fiscal Year Being Audited:</b>	12,305	674	12,979
<b>LESS CASH WITHDRAWN FROM RESERVE ACCOUNT FOR CONTRACT(S) - During Fiscal Year Being Audited:</b>			
Contract No.			0
Total Transferred from Reserve Account	0	0	0
<b>ENDING CASH BANK BALANCE - Fiscal Year Being Audited</b>	\$494,609	\$674	\$495,283

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:  
 1. June interest of \$674 was erroneously omitted from original CDFS 9530 filed in FY06. It was not included in the State's final FY06 audit, so is being reported again for FY07

**AUDITED FINAL REVENUE AND EXPENDITURE REPORT  
for Support Contracts**

Agency Name: City of Sacramento Vendor No. 34-J401

Fiscal Year End: June 30, 2007 Contract No. CRPM-4079

Independent Auditor's Name: Macias Gini & O'Connell, LLP

SECTION I - REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME			
Child Care Food/National School Lunch Program	\$0	\$0	\$0
Cal Learn Program			0
Restricted income for operating costs			0
Maintenance of Effort			0
Other ( <i>specify</i> ):			0
<b>Subtotal Restricted Program Income</b>	0	0	0
FAMILY FEES FOR CERTIFIED CHILDREN			0
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS			0
NON-RESTRICTED INCOME			
Parent fees for noncertified children			0
Other ( <i>specify</i> ):			0
<b>Subtotal Revenue for Current Fiscal Year</b>	0	0	0
<b>Revenue Earned in Prior Years</b>			0
<b>TOTAL REVENUE</b>	\$0	\$0	\$0

**SECTION II - EXPENDITURES**

REIMBURSABLE			
1000 Certificated Salaries	\$0	\$0	\$0
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies	11		11
5000 Services and Other Operating Expenses			0
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment ( <i>program-related</i> )			0
6500 Equipment Replacement ( <i>program-related</i> )			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Indirect Costs -- Rate:			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable capital outlay	0	0	0
Other nonreimbursable expenses ( <i>specify</i> ):			0
<b>Subtotal Expenses for Current Fiscal Year</b>	11	0	11
<b>Expenses Incurred in Prior Years</b>			0
<b>TOTAL EXPENSES</b>	\$11	\$0	\$11
TOTAL ADMINISTRATIVE COST ( <i>included in section II above</i> )			\$0

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

**AUDITED FINAL REVENUE AND EXPENDITURE REPORT  
for Support Contracts**

Agency Name: City of Sacramento Vendor No. 34-J401

Fiscal Year End: June 30, 2007 Contract No. CIMS-6443

Independent Auditor's Name: Macias Gini & O'Connell, LLP

SECTION I - REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME			
Child Care Food/National School Lunch Program	\$0	\$0	\$0
Cal Learn Program			0
Restricted income for operating costs			0
Maintenance of Effort			0
Other ( <i>specify</i> ):			0
<b>Subtotal Restricted Program Income</b>	0	0	0
FAMILY FEES FOR CERTIFIED CHILDREN			0
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS			0
NON-RESTRICTED INCOME			
Parent fees for noncertified children			0
Other ( <i>specify</i> ):			0
<b>Subtotal Revenue for Current Fiscal Year</b>	0	0	0
<b>Revenue Earned in Prior Years</b>			0
<b>TOTAL REVENUE</b>	\$0	\$0	\$0

**SECTION II - EXPENDITURES**

REIMBURSABLE			
1000 Certificated Salaries	\$0	\$0	\$0
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies	342		342
5000 Services and Other Operating Expenses			0
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment ( <i>program-related</i> )			0
6500 Equipment Replacement ( <i>program-related</i> )			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Indirect Costs -- Rate:			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable capital outlay	0	0	0
Other nonreimbursable expenses ( <i>specify</i> ):			0
	0	0	0
<b>Subtotal Expenses for Current Fiscal Year</b>	342	0	342
<b>Expenses Incurred in Prior Years</b>			0
<b>TOTAL EXPENSES</b>	\$342	\$0	\$342
TOTAL ADMINISTRATIVE COST ( <i>included in section II above</i> )			\$0

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2007**

I.	Expenditures under \$10,000 per unit cost	None
II.	Expenditures over \$10,000 unit cost with CDD approval	None
III.	Expenditures over \$10,000 unit cost without CDD approval	None

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
SCHEDULE OF EQUIPMENT EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2007**

I.	Expenditures under \$5,000 unit cost	\$	11
II.	Expenditures over \$5,000 unit cost with CDD approval		None
III.	Expenditures over \$5,000 unit cost without CDD approval		None

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
SCHEDULE OF STATE DOE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Grant #	Grant Description	Grant Award	Grant Expenditures
CLTK-6070	Extended Day Care (Latchkey)	\$ 240,541	\$ 2,834,744
CCTR-6282	General Center Child Care	523,929	636,916
CRPM-4079	Renovation and Repair (Grant runs through May, 2007)	11	11
CIMS-6443	Instructional Materials	342	342
	Total for FY07	<u>\$ 764,823</u>	<u>\$ 3,472,013</u>

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
COMBINING SCHEDULE OF ADMINISTRATIVE COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

Category #	Category Description	CCTR6282	CLTK6070	Total
2000	Classified salaries	\$ 58,391	\$ 213,719	\$ 272,110
3000	Employee benefits	19,084	69,850	88,934
4000	Books and supplies	3,937	14,411	18,348
5000	Services and other operating expenses	20,717	75,827	96,544
	Total for FY07	<u>\$ 102,129</u>	<u>\$ 373,807</u>	<u>\$ 475,936</u>

**OTHER REPORT**



Honorable Mayor and  
Council Members  
City of Sacramento  
Sacramento, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
AND THE *AUDIT GUIDE FOR AUDITS OF CHILD DEVELOPMENT  
AND NUTRITION PROGRAMS***

We have audited the financial statements of the Child Development Program of the City of Sacramento, California (Program), as of and for the year ended June 30, 2007, and have issued our report thereon dated December 10, 2007. Our report includes an explanatory paragraph describing that the financial statements presents only the Child Development Program of the City of Sacramento. 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 and the *Audit Guide for Audits of Child Development and Nutrition Programs*, issued by the California Department of Education.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Program's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Program's financial statements that is more than inconsequential will not be prevented or detected by the Program's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Program's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and recommendations as item 2007-1 and 2007-2.

This report is intended solely for the information and use of the management of the City of Sacramento and the State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Macior Mini & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
December 10, 2007

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Item 2007-1 – Improper Fee Determination**

Condition

Of the 25 family income eligibility worksheets (Form CD 9600) tested, we noted 2 instances in which incorrect fees were calculated based upon the family income and size and the child attendance status.

Criteria

Program requirements specify that rates are to be charged to families based upon family income and size and the child attendance status in accordance with the Child Care and Development Family Fee Schedule as approved by the California Department of Education.

Effects

Agency is incorrectly charging families due to inaccurate calculation of fees.

Cause

The site Coordinator lacked attention to detail when reviewing the Family Fee Schedule, income thresholds and part-time/full-time Daily Fees. Both instances were at the Marion Anderson site and made by the same Site Administrator.

Recommendation

The Program Manager and Accounting Technician should emphasize to site employees the need to determine the correct fees charged to the families. Program administrators should review eligibility determinations, including fee calculations, on a sample basis to improve the internal control structure.

Auditee Response

The Program has purchased a software package tailored for Child Development programs that will eliminate the manual calculations currently utilized and will further enhance the processes and controls over the eligibility determination.

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2007**

**Item 2007-2 – Removal of Students from Enrollment Forms**

Condition

Of the 25 children selected from the attendance records (form CDD-801A), we noted that 5 children were not actively enrolled in the program, however they were not removed from enrollment records.

Criteria

Form CDD-801A provides information on families receiving child care from the program. These reports are used by the California Department of Education for informational purposes and accuracy is expected for statistical and audit requirements of the State.

Effects

Agency is inaccurately maintaining the population of active enrolled students.

Cause

Program administration performs record keeping of active attendees manually which is subject to human error and oversight. Furthermore, program staff responsible for these activities were inexperienced and often part-time employees.

Recommendation

The Program management should update written processes and procedures to ensure proper record keeping of attendance records. The procedures should be performed by qualified staff, include supervisor oversight and approval of completed reports and should provide for adequate training requirement for staff.

Auditee Response

Management is aware of the problem and the program has purchased a software package tailored for Child Development programs that will eliminate the manual process of tracking students currently utilized. The software will enhance the processes and controls over the attendance records. The software package will create the CDD-801a from the same data base as the Annual Attendance and Fiscal report. Furthermore, the new accountant hired has used the software with another Child Development program and will be able to implement and train staff for a quick transition.

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
STATUS OF PRIOR YEAR FINDING AND RECOMMENDATION  
FOR THE YEAR ENDED JUNE 30, 2007**

**Item 2006-1 – Missing Entries on Sign-In/Sign-Out Sheets**

Condition

Of the 25 entries on the Enrollment and Attendance Registers (EAR) tested, we noted 5 in which there were no times or signatures on the corresponding daily sign-in/sign-out sheets.

Criteria

Program requirements for enrollment and attendance reporting specify that “contractors shall use daily sign-in/sign-out sheets as a primary source document for audit and reimbursement purposes.” Furthermore, it states that “one of the following persons shall enter the time of arrival and departure on a sign-in/sign-out sheet and, except as specified below, shall sign the sheet using their full name:

1. The parent or other adult authorized by the parent to drop off/pick up a child; or
2. The staff person designated by the contractor as the person responsible for entering the time of arrival and departure if the child is not dropped off/picked up by a parent or other adult authorized by the parent. First and last initials of the contractor’s authorized representative along with a notation of the time are required to document when a school-age child departs for and returns from school during the day.”

Effects

Agency could be incorrectly charging families due to inaccurate recording of hours. Also, an unauthorized person could be picking up child.

Cause

Employees did not require the parent or other adult authorized by the parent to sign the sign-in/sign-out sheets at the time of drop off/pick up.

Recommendation

The Program Manager and Accounting Technician need to emphasize the requirement that all site employees ensure that the parent or other adult authorized by the parent, using their full name, signs the child in after drop off and out upon pick up. Employees should not accept or release a child unless the parent or other adult authorized by the parent signs their full name on the sign-in/sign-out sheet as required. It is not permissible for any reason for the site staff to log the time in or out and sign the sign-in/sign-out sheet if a child is dropped off or picked up by a parent or other adult authorized by the parent. The staff person that’s been designated by the contractor as the person responsible for entering the time of arrival and departure is permitted to log the time in and out and sign the sign-in/sign-out sheet, but only when the child is not dropped off/picked up by a parent or other adult authorized by the parent.

**CITY OF SACRAMENTO  
CHILD DEVELOPMENT PROGRAM  
SCHEDULE OF FINDING AND RECOMMENDATION (Continued)  
FOR THE YEAR ENDED JUNE 30, 2007**

Auditee Response

Per discussions with the superintendent of the Agency, site staff are often intimidated by busy parents and more training at the sites is required.

Status

There were no exceptions noted from our sampling of transactions during the year ended June 30, 2007, therefore we consider this finding resolved.

**CITY OF SACRAMENTO**

Report to Management

For the Fiscal Year Ended June 30, 2007

**CITY OF SACRAMENTO  
REPORT TO MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

*Table of Contents*

	<i>Page(s)</i>
Transmittal Letter .....	1
Required Communications .....	2-4
Findings and Recommendations.....	5-6



**MACIAS GINI & O'CONNELL** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

2175 N. California Boulevard, Suite 645  
Walnut Creek, CA 94596  
925.274.0190

515 S. Figueroa Street, Suite 325  
Los Angeles, CA 90071  
213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

Honorable Mayor,  
Members of the City Council  
and Management  
Sacramento, California

We have audited the financial statements of the City of Sacramento, California (City) for the year ended June 30, 2007, and have issued our report thereon dated December 20, 2007. Professional standards require that we provide you with information related to our audit. That information is included in the Required Communications section of this report.

In planning and performing our audit of the financial statements of the City, we considered the City's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our current year comments and recommendations.

This letter does not affect our report dated December 20, 2007, on the financial statements of the City.

The accompanying report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement. We have discussed our comments and suggestions with management and would be pleased to discuss them further.

*Macias Gini & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
December 20, 2007

**CITY OF SACRAMENTO  
REPORT TO MANAGEMENT  
REQUIRED COMMUNICATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Professional auditing standards require auditors to communicate with the audit committee (or in the absence, the governing body) on a number of subjects.

**I. The Auditor's Responsibility Under Generally Accepted Auditing Standards and *OMB Circular A-133***

As stated in our engagement letter dated May 31, 2007, our responsibility as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with *OMB Circular A-133*, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

**II. Other Information in Documents Containing Audited Financial Statements**

During the year, the City included its fiscal year 2005 audited financial statements in the Official Statements for the following:

\$28,825,000 Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series C

\$2,430,000 Sacramento City Financing Authority 2006 Taxable Capital Improvement Revenue Bonds, Series D

\$186,950,000 Sacramento City Financing Authority 2006 Refunding Revenue Bonds, Series E

**CITY OF SACRAMENTO  
REPORT TO MANAGEMENT  
REQUIRED COMMUNICATIONS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**II. Other Information in Documents Containing Audited Financial Statements (continued)**

We do not have an obligation to perform any procedures to corroborate other information contained in the Official Statements. We were not associated with and did not have any involvement in the Official Statements. Accordingly, we did not perform any procedures on these documents and provide no assurance as to the other information contained in the Official Statements.

**III. Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2007. We noted no transactions entered into by the City during the fiscal year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**IV. Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are as follows:

- Accrual and disclosure of self insured claims liabilities
- Accrual and disclosure of compensated absences
- Depreciation of capital assets

Self insured claims liabilities are actuarially determined based on the City's loss history. The accrual for compensated absences is based on earned vacation and sick leave. Depreciation is estimated based on the estimated useful lives of the related capital assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

**V. Audit Adjustments**

For the purposes of this report, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we posed, whether recorded or unrecorded by the City, either individually or in aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

**CITY OF SACRAMENTO  
REPORT TO MANAGEMENT  
REQUIRED COMMUNICATIONS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**VI. Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**VII. Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**VIII. Issues Discussed Prior to Our Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**IX. Difficulties in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This letter is intended solely for the information and use of the Honorable Mayor, City Council, management and others within the organization.

**CITY OF SACRAMENTO  
REPORT TO MANAGEMENT  
FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**I. IDENTIFICATION AND EVALUATION OF INTERNAL CONTROLS**

The City has a responsibility for the stewardship and safeguarding of public resources. In order to fulfill this responsibility, the City has implemented internal controls that serve as the first line of defense in safeguarding assets. Additionally, these controls are designed to ensure: (1) effective and efficient operations, (2) reliable financial reporting and (3) compliance with applicable laws and regulations. The Committee on Sponsoring Organizations of the Treadway Commission (COSO) has established a nationally recognized framework for internal control in its *Internal Control – Integrated Framework* and its related *Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting*. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. Risk Assessment and Monitoring are integral parts of internal control and management should periodically evaluate the risks and monitor the changes facing the System. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively. The Auditing Standards Board (ASB) of the American Institute of Certified Public Accountant’s (AICPA) recently adopted a set of eight Statements of Auditing Standards (SAS No. 104 through 111), which, among other things, require auditors to assess an organization’s design of controls and determine whether the controls have been placed in operation for all elements of internal control over financial reporting. If controls do not exist, are poorly designed or not operating effectively, the auditor must evaluate the control deficiency and report the deficiency to management, including whether the control deficiency is a significant deficiency or material weaknesses. These standards are also incorporated in *Government Auditing Standards (July 2007 Revision)* issued by the Comptroller General of the United States. The City should perform a comprehensive risk assessment analysis and document its risk assessment policies and procedures for each fiscal year beginning July 1, 2007. We recommend the City should review the COSO *Internal Control – Integrated Framework* and its related *Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting* and comply with the best practices outlined therein.

**Management Response:**

The City accepts these recommendations and understands its responsibility for the stewardship and safeguarding of public resources. The City will work collaboratively with the independent auditors as they adopt new audit standards during the performance of their audit of the City’s fiscal year ending June 30, 2008.

Together, the Finance Department and City Internal Auditor plan for gradual improvement of the City’s internal controls. However, the process cannot be completed in time for the fiscal year 2008 audit. The examination of internal controls and the correction of any weaknesses which may be indentified will be done on a City risk and priority basis. For example, review and improvement of inventory controls is currently being done.

A comprehensive risk assessment analysis would require diversion of staff and resources from core financial support of City operations such as payroll, payments to vendors, and review of financial transactions on a daily basis. It is clear that additional resources will not be available for the next several years.

**CITY OF SACRAMENTO  
REPORT TO MANAGEMENT  
FINDINGS AND RECOMMENDATIONS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**I. IDENTIFICATION AND EVALUATION OF INTERNAL CONTROLS (CONTINUED)**

The City will establish a working group to meet on at least a quarterly basis to:

- Evaluate internal control risks;
- Prioritize work on internal control improvements;
- Evaluate best practices of other governmental agencies;
- Report to City Management when appropriate.

This working group will consist of the Finance Director, Accounting Manager, Internal Auditor, the City Treasurer, and representatives from other departments when appropriate.

**II. PHYSICAL INVENTORY**

During our audit, we noted that the City does not have a consistent system of taking periodic inventory counts. This is a deficiency in the system of controls and has the potential for allowing abuse, including fraud and other defalcation, to exist and not be detected. Physical counts of inventory should be performed at least quarterly. The results should be reviewed and reconciled to the perpetual system by the department manager. The perpetual inventory listing should be reconciled to the general ledger, with any large discrepancies investigated and explained. Any adjustments should be made and a procedure should be implemented to allow for these adjustments to occur on a monthly basis.

**Management Response:**

The City agrees with the recommendation and is taking steps to improve inventory controls. The City has hired an independent consulting firm to evaluate the current inventory systems and provide recommendations to improve inventory policies and procedures. These recommendations will be presented to all City departments responsible for inventory.