

Fiscal Year Ended  
June 30, 2008

**City of Sacramento, California**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**City of Sacramento**

**California**

**Comprehensive Annual  
Financial Report**

**Fiscal Year Ended June 30, 2008**

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

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# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2008

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# CITY OF SACRAMENTO, CALIFORNIA

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# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# Introductory Section



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

April 21, 2009

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Sacramento (City) for the fiscal year ended June 30, 2008. 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, 2008. 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 has been 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, 2008 at 475,743 for the City and 1,424,415 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 operational results 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/>.

## 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, although activity has significantly slowed. Over the last year, the area experienced a -1.1 percent job growth or the loss of more than 10,000 jobs. Industries experiencing the most severe slowdowns are: leisure and hospitality; educational and health services; and trade, transportation and utilities. Sacramento County's unemployment rate was 8.1 percent at June 30, 2008, compared with 5.3 percent at June 30, 2007. The regional economy and employment base continues in a long term transition away from a state government and defense industry to health care and other private industries.

Much like the rest of the nation, Sacramento has been hit hard by the economic recession and resulting decline in consumer confidence. The rise in unemployment, declining real estate values, reduced property, sales and utility users' tax revenues, and restricted availability to credit has placed fiscal constraints on the City that are expected to last several years. Despite the challenges faced with the economic recession, a recent report lists Sacramento in the top 10 of the nation's best cities to live, work and play, spotlighting its downtown redevelopment, outdoor recreation and ability to attract clean energy companies.

## CITY'S STRATEGIC PLAN

The City of Sacramento's strategic plan identifies 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 FY2008/09 budget, which totals \$965.6 million in revenues from all funding sources. This past fiscal year, the Mayor and City Council implemented the following high priority initiatives:

- Railyards Project: The 244-acre brownfield site located just north of Sacramento's central business district and east of the Sacramento River is recognized as the largest urban infill development project in the region and presents Sacramento with a significant opportunity to accommodate future growth utilizing sustainable and smart growth principles.
- Crocker Art Museum Project: The 125,000-square-foot expansion is scheduled to open in 2010 and will triple the size of the museum along with improving visitor amenities and quadrupling exhibition space.

Other major projects and development include extensive infill growth within and adjacent to downtown Sacramento with 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, 2007. This marks the 19<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.

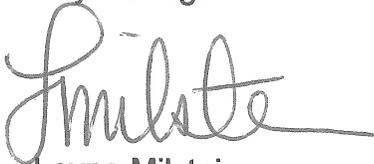
In order to receive this award, the City published an easily readable and efficiently organized CAFR. The report satisfied accounting principles generally accepted in the United States of America and applicable legal requirements. The award is valid for a period of one year only. We believe this CAFR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

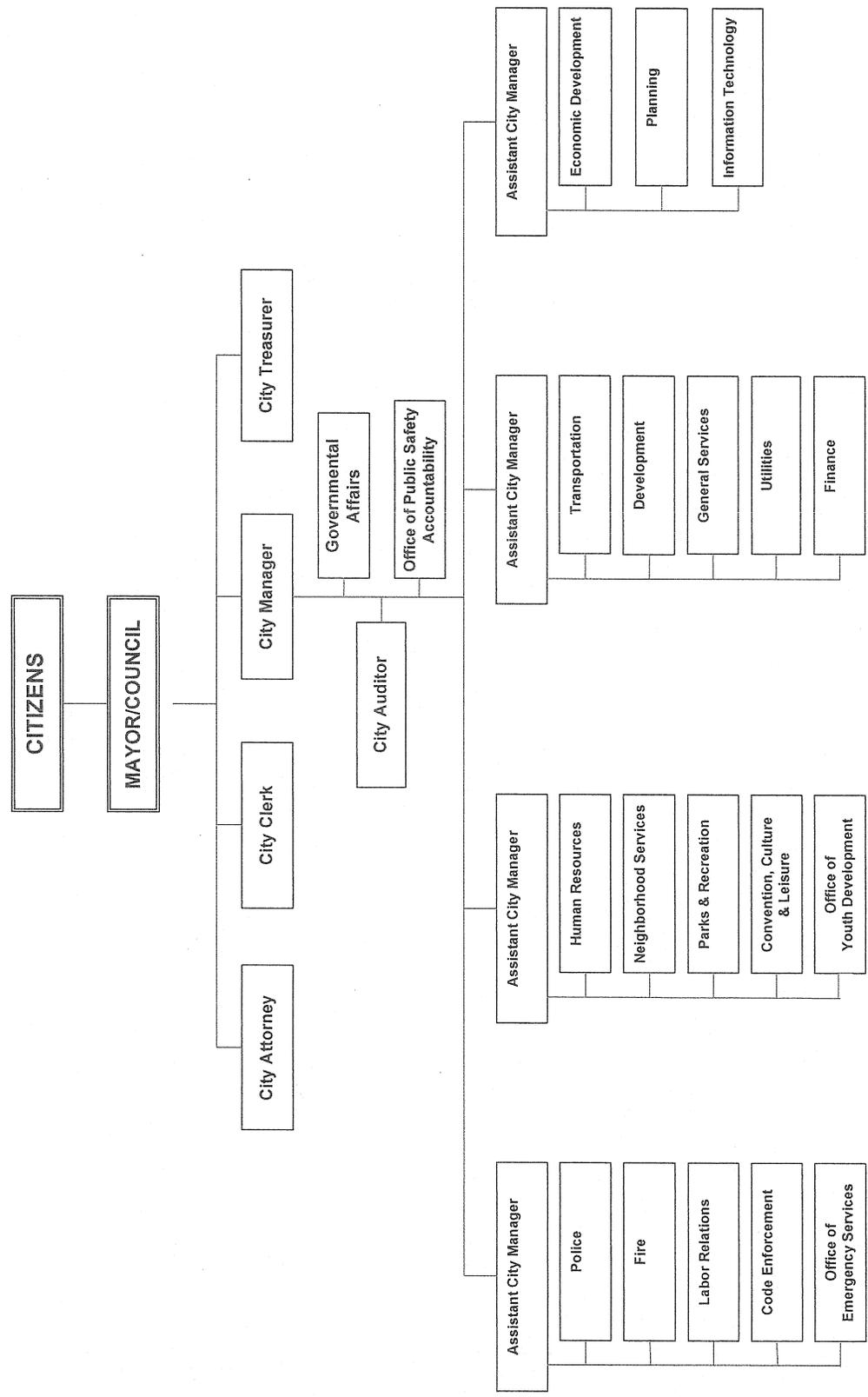


Leyne Milstein  
Director of Finance



Dennis W. Kauffman, Jr.  
Accounting Manager

# City of Sacramento Organization Chart



# City of Sacramento

## Directory of City Officials

June 30, 2008

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**Heather Fargo**  
Mayor

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

**Lauren Hammond**  
Councilmember, District 5

**Sandy Sheedy**  
Councilmember, District 2

**Kevin McCarty**  
Councilmember, District 6

**Steve Cohn**  
Vice Mayor, 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

**Russell Fehr**  
City Treasurer

---

**John Dangberg**  
Assistant City Manager

**Marty Hanneman**  
Assistant City Manager

**Cassandra Jennings**  
Assistant City Manager

**Gus Vina**  
Assistant City Manager

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# 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# Financial Section



**MACIAS GINI & O'CONNELL** LLP  
Certified Public Accountants & Management Consultants

**SACRAMENTO**  
3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sacramento, California (the City), as of and for the fiscal year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 City'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, effective July 1, 2007, the City implemented the provisions of Government Accounting Standards Board (GASB) Statements No. 45, *Accounting and Reporting for Employers for Postemployment Benefits Other Than Pensions* and No. 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2009, on our consideration of the City'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.

The Management's Discussion and Analysis and the Schedule of Funding Progress as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Maciam Gini & O'Connell LLP*

Certified Public Accountants

Sacramento, California

April 21, 2009

## 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, 2008. 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

- The Sacramento Hotel Corporation, a discretely presented component unit of the City, sold the Sheraton Grand Hotel to a team of developers in May 2008. In conjunction with the hotel sale, the City sold an off-street parking garage to the same team of developers. Subsequent to the hotel sale, the Sacramento Hotel Corporation transferred \$28.1 million of its remaining assets to the City. The City augmented its General Fund economic uncertainty reserve and transferred the balance of the proceeds to its redevelopment agency for investment into the downtown redevelopment area. Please refer to Note 15 to the financial statements for more detailed information.
- In July 2007, the City broke ground on the \$85 million Crocker Art Museum expansion. Funding for the expansion comes from a variety of revenue sources, including City bonds, Crocker Art Museum Association contributions, and redevelopment agency funds. The expansion will triple the size of the museum and will include a new auditorium and educational center among many other new "state of the art" facilities. Construction is expected to be completed in the spring of 2010.
- The City's total government-wide net assets, excluding discretely presented component units, increased \$85 million to \$2.5 billion in 2008, an increase of 3.6 percent over 2007. The net assets of governmental activities increased \$62 million, or 3.8 percent, and the net assets of business-type activities increased \$23 million, or 2.9 percent.
- The General Fund, using the current financial resources basis, reported expenditures in excess of revenues, including other financing sources and uses, of \$32.5 million in fiscal year 2008. Fund balance reserves were used to help close the budgetary gap between ongoing revenue and expenditures. The City has and will continue to take appropriate actions over the next couple years to balance revenues and expenditures through the budgetary process.

### 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 fund 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 Schedules of Funding Progress for the City’s pension and OPEB plans, which are 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, investment trust 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, 2008 and 2007  
 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 950	\$ 970	\$ 208	\$ 190	\$ 1,158	\$ 1,160	-0.2%
Capital assets	1,648	1,551	1,020	1,001	2,668	2,552	4.5%
Total assets	<u>2,598</u>	<u>2,521</u>	<u>1,228</u>	<u>1,191</u>	<u>3,826</u>	<u>3,712</u>	3.1%
Long-term liabilities	696	699	402	400	1,098	1,099	-0.1%
Other liabilities	202	184	49	37	251	221	13.6%
Total liabilities	<u>898</u>	<u>883</u>	<u>451</u>	<u>437</u>	<u>1,349</u>	<u>1,320</u>	2.2%
Net assets							
Invested in capital assets, net	1,411	1,296	657	635	2,068	1,931	7.1%
Restricted	165	196	-	-	165	196	-15.8%
Unrestricted	124	146	120	119	244	265	-7.9%
Total net assets	<u>\$ 1,700</u>	<u>\$ 1,638</u>	<u>\$ 777</u>	<u>\$ 754</u>	<u>\$ 2,477</u>	<u>\$ 2,392</u>	3.6%

Net assets represent the difference between the City's resources and obligations. Over time, net assets may serve as an indication of a government's financial position. Combined net assets of the primary government increased 3.6% this year, up \$85 million from 2007. At June 30, 2008, the largest portion of the City's total net assets, approximately 83%, reflects investments in capital assets, less related debt outstanding used to acquire the capital assets. More detailed 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 decreased approximately 16% primarily due to the expenditures of restricted cash for the planned capital improvements. Although total net assets of business-type activities increased \$23 million, to \$777 million, the City generally can only use the 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, 2008 and 2007  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2008	2007	2008	2007	2008	2007	
<b>Revenues</b>							
<b>Program revenues:</b>							
Charges for services	\$ 112,232	\$ 113,032	\$ 205,701	\$ 188,562	\$ 317,933	\$ 301,594	5.4%
Operating grants & contributions	51,845	52,805	1,824	1,422	53,669	54,227	-1.0%
Capital grants & contributions	141,919	189,710	11,945	14,728	153,864	204,438	-24.7%
<b>General revenues:</b>							
Property taxes	137,782	127,454	-	-	137,782	127,454	8.1%
Utility users tax	57,561	55,619	-	-	57,561	55,619	3.5%
Other taxes	23,865	28,379	17,538	17,258	41,403	45,637	-9.3%
<b>Unrestricted:</b>							
Sales taxes shared state revenue	54,821	55,846	-	-	54,821	55,846	-1.8%
State of California in-lieu sales tax	16,344	18,197	-	-	16,344	18,197	-10.2%
Intergovernmental revenue	2,836	-	-	-	2,836	-	N/A
Investment earnings	31,507	39,867	6,898	8,227	38,405	48,094	-20.1%
Miscellaneous	12,149	12,545	353	1	12,502	12,546	-0.4%
<b>Total revenues</b>	<b>642,861</b>	<b>693,454</b>	<b>244,259</b>	<b>230,198</b>	<b>887,120</b>	<b>923,652</b>	<b>-4.0%</b>
<b>Expenses</b>							
<b>Governmental activities</b>							
General Government	49,841	41,536	-	-	49,841	41,536	20.0%
Police	159,207	148,586	-	-	159,207	148,586	7.1%
Fire	104,149	97,044	-	-	104,149	97,044	7.3%
General Services	27,527	25,930	-	-	27,527	25,930	6.2%
Transportation	89,016	80,635	-	-	89,016	80,635	10.4%
Economic Development	10,048	8,538	-	-	10,048	8,538	17.7%
Convention, Culture & Leisure	21,518	19,602	-	-	21,518	19,602	9.8%
Parks & Recreation	60,930	55,661	-	-	60,930	55,661	9.5%
Code Enforcement	10,154	9,946	-	-	10,154	9,946	2.1%
Development Services	30,247	27,851	-	-	30,247	27,851	8.6%
Planning	6,830	8,158	-	-	6,830	8,158	N/A
Neighborhood Services	1,667	2,505	-	-	1,667	2,505	-33.5%
Library	9,935	9,433	-	-	9,935	9,433	5.3%
Interest on long-term debt	31,157	31,067	-	-	31,157	31,067	0.3%
<b>Business-type activities</b>							
Water	-	-	63,364	58,890	63,364	58,890	7.6%
Sewer	-	-	18,330	17,171	18,330	17,171	6.7%
Storm Drainage	-	-	38,570	36,473	38,570	36,473	5.7%
Solid Waste	-	-	48,735	45,050	48,735	45,050	8.2%
Community Center	-	-	20,507	19,704	20,507	19,704	4.1%
Parking	-	-	17,154	16,375	17,154	16,375	4.8%
Child Development	-	-	6,604	5,868	6,604	5,868	12.5%
Marina	-	-	1,257	1,384	1,257	1,384	-9.2%
<b>Total expenses</b>	<b>612,226</b>	<b>566,492</b>	<b>214,521</b>	<b>200,915</b>	<b>826,747</b>	<b>767,407</b>	<b>7.7%</b>
Excess before transfers	30,635	126,962	29,738	29,283	60,373	156,245	-61.4%
Special Items - net	18,791	-	5,645	-	24,436	-	
Transfers	12,898	13,698	(12,898)	(13,698)	-	-	
<b>Increase in net assets</b>	<b>\$ 62,324</b>	<b>\$ 140,660</b>	<b>\$ 22,485</b>	<b>\$ 15,585</b>	<b>\$ 84,809</b>	<b>\$ 156,245</b>	<b>-45.7%</b>

## Revenue

Total City revenue for the year ended June 30, 2008 was \$887 million, down 4.0%, or \$37 million, from the previous fiscal year. Revenue decreased primarily due to a \$50 million decline in capital grants and contributions, partially offset by increased business-type charges for services. The decline in capital grants and contributions is primarily attributable to lower development impact fee revenue and a decrease in infrastructure dedications related to the slow down in real estate development. Additionally, last year there was \$13 million of non-recurring CFD bond proceeds that did not occur in 2008.

## Expenses

Total City expenses for the year ended June 30, 2008, before special items and transfers, was \$827 million, up 7.7%, or \$59 million from the previous year. Expenses were higher in fiscal year 2008 primarily due to expected labor cost increases. The City also made a contribution to its closed pension system for the first time since the early 1990s.

## 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, 2008 and 2007  
 (in millions)

	Total Cost of Services		Percent Change	Net (Costs) Benefit of Services		Percent Change
	2008	2007		2008	2007	
Police	\$ 159	\$ 149	7.1%	\$ (139)	\$ (125)	11.2%
Fire	104	97	7.2%	(84)	(78)	7.7%
Transportation	89	89	0.0%	26	53	-50.9%
Parks and Recreation	61	56	8.9%	(19)	(9)	111.1%
Development Services	30	28	7.1%	(4)	23	-117.4%
Other	178	157	13.2%	(86)	(75)	14.7%
Total	<u>\$ 621</u>	<u>\$ 576</u>	7.8%	<u>\$ (306)</u>	<u>\$ (211)</u>	45.0%

The total cost for all governmental activities, including indirect expense allocations, was \$621 million. The City's taxpayers paid for approximately 49 percent of these costs, or \$306 million. Fees and other charges for services, grants, and contributions funded the balance of the costs of governmental activities. The net cost of services increased 45% compared to 2007.

Police and Fire net costs of services increased \$20 million mostly due to labor cost increases. Transportation's net benefit decreased \$27 million mostly due to a decrease in capital grants and contribution revenue. Parks and Recreation's net costs of services increased \$10 million primarily due to a reduction in capital grant and contribution revenue. The change in Development Services resulted mainly from declining revenue related to the slowdown in real estate development.

## **Business-type Activities**

Total revenue of the City's business-type activities totaled \$244 million. Expenses of business-type activities were \$215 million. Capital grants and contributions in the water, sewer, and storm drainage activities provided \$12 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 \$14 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, 2008 of \$463 million, a decrease of \$50 million from the previous fiscal year. The General Fund's fund balance decreased by \$32.5 million, consistent with the City's plan to use accumulated reserves to soften the effects of five-year labor agreements. The General Fund Projects fund balance decreased \$31.5 million, primarily due to spending on Community Reinvestment Capital Improvement Program projects. The Crocker Art Museum Fund's fund balance increased by \$15 million primarily attributed to contributions received from the Crocker Art Museum Association for the renovation project.

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 \$777 million at June 30, 2008, an increase of \$22 million over 2007. The change in net assets was primarily due to overall operating income of \$13 million, and net non-operating revenues of \$5 million, in excess of expenses. Capital contributions, transfers, and the Parking Fund special items provided an increase to net assets of approximately \$4.7 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 fleet replacement and other 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 related to the receipt of a distribution from the Sacramento Hotel Corporation, after the sale of its Sheraton Grand Hotel, and the associated payment to the City's redevelopment agency.

After taking into account these adjustments, actual expenditures were \$35.7 million lower than final budget amounts. Capital outlay expenditures were less than the current year budget appropriations by \$23.4 million because of the carryover of prior-year capital budgets for multi-year projects and unspent current year appropriations. All General Fund departments, except Police, Fire, and Code Enforcement, reported favorable expenditure budget variances. The expenditure overruns were primarily attributable to unanticipated labor costs.

Revenues were \$15.8 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, 2008, the City had invested \$2.7 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 \$235 million were offset by current year retirements of \$3 million and depreciation expense of \$117 million for a net increase in capital assets of \$115 million.

**Capital Assets**  
June 30, 2008 and 2007  
(net of depreciation, in millions)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Capital assets not being depreciated						
Land and improvements	\$ 158	\$ 158	\$ 45	\$ 46	\$ 203	\$ 204
Construction in progress	198	158	58	43	256	201
Depreciable capital assets:						
Buildings and improvements	376	368	174	183	550	551
Equipment	10	12	27	27	37	39
Vehicles	44	36	-	-	44	36
Transmission and distribution systems	4	3	715	702	719	705
Road network	684	655	-	-	684	655
Streetlight network	111	102	-	-	111	102
Park and park improvements	63	59	-	-	63	59
<b>Total</b>	<b>\$ 1,648</b>	<b>\$ 1,551</b>	<b>\$ 1,019</b>	<b>\$ 1,001</b>	<b>\$ 2,667</b>	<b>\$ 2,552</b>

This year's major capital asset additions included:

- The Crocker Art Museum expansion project contributed \$15 million to construction in progress in governmental funds. The \$85 million expansion will triple the size of the museum and will include a new auditorium and educational center among many other new "state of the art" facilities. Construction is expected to be completed in the spring of 2010.
- Roadway infrastructure and streetlights in the North Natomas area were dedicated to the City by developers at an estimated fair market value of \$24 million.
- Storm drainage transmission and distribution systems infrastructure financed primarily by community facilities districts and developer dedications, with current year additions of approximately \$17.5 million.

The replacement of the City's accounting and personnel systems, tenant improvements at the City's 300 Richards Boulevard office building, College Square infrastructure, Tower Bridge bike/pedestrian improvement project, overwidth of pavement projects, and the Sacramento Marina South Basin replacement project also added approximately \$51.1 million to construction in progress. Several projects were completed in the current fiscal year and transferred from construction in progress to the appropriate capital asset category.

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

### Long-term Debt

At June 30, 2008 and 2007, total City debt outstanding was \$943 and \$961 million, respectively, a decrease of \$18 million from June 30, 2007 (not including \$116 million of discretely presented component unit long-term debt outstanding).

Governmental debt decreased a net \$15 million due to principal payments of \$16 million on existing bonds, offset slightly by a \$1 million net increase in parking meter capital leases. Business-type debt decreased a net \$3 million due to principal payments of \$8 million on existing bonds, offset by a net increase of \$5 million in notes and capital leases payable to finance the Marina South Basin Improvements project .

**City of Sacramento  
Outstanding Debt  
June 30, 2008 and 2007  
(in millions)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue and other bonds, net	\$ 532	\$ 548	\$ 323	\$ 331	\$ 855	\$ 879
Notes payable	26	26	50	46	76	72
Capital lease obligations	9	8	3	2	12	10
<b>Total outstanding debt</b>	<b><u>\$ 567</u></b>	<b><u>\$ 582</u></b>	<b><u>\$ 376</u></b>	<b><u>\$ 379</u></b>	<b><u>\$ 943</u></b>	<b><u>\$ 961</u></b>

The City continues to maintain excellent credit ratings on all of its debt issues. The following are the ratings at June 30, 2008 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	Aa3	AA
• 1995 Gas Tax Revenue Bonds, Series A	Aa3	AA
• 1996 Lighting and Landscape Bonds	A2	AA
• 1997 Lease Revenue Bonds	A2	AA
• 1999 Capital Improvement Revenue Bonds	Aa3	AA
• 2002 Capital Improvement Revenue Bonds, Series A	Aa3	AAA
• 2003 Capital Improvement Revenue Bonds	Aa3	AA
• 2005 Refunding Revenue Bonds	A1	A
• 2006 Capital Improvement Revenue Bonds, Series A and B	Aa3	AA
• 2006 Capital Improvement Revenue Bonds, Series C, D and E	Aa3	AA
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 faces a number of serious challenges in the current fiscal year and in its financial outlook over the next several years. The housing crisis and significant downturn of the real estate market and its associated industries have resulted in significant impacts on the City's property and sales tax revenues, the two largest sources of discretionary revenue. The decline in revenues the City is experiencing is not limited to the City of Sacramento, as many local governments in this region and across the State, the State of California, and the national economy, are also experiencing similar challenges. As a result, revenue estimates are based on the reality that overall revenues will continue to be significantly lower than in recent years and there will be no growth over the next three to four years.

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

The General Fund budget for FY2008/09 appropriates \$424 million, a decrease of 1.6 percent compared to the prior year. General Fund revenue for 2009 in the approved budget is estimated to be \$397 million, flat compared to fiscal year 2008. The budgetary gap in the General Fund between ongoing revenues and expenditures is bridged in FY2008/09 using a combination of spending cuts, increased revenues and reimbursements, and use of the City's Economic Uncertainty reserves. Use of fund balance reserves at this rate is not sustainable, and the funding gap must be addressed in the FY2009/10 budget.

## **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).

# Government-wide Financial Statements

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

June 30, 2008  
(in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 420,104	\$ 126,918	\$ 547,022	\$ 1,211
Securities lending assets	96,374	19,190	115,564	-
Receivables, net	255,201	58,393	313,594	14,901
Internal balances	20,502	(20,502)	-	-
Inventories	3,051	3,202	6,253	98
Prepaid items	478	10	488	376
Restricted cash and investments	149,207	16,439	165,646	33,428
Deferred charges	5,169	4,672	9,841	3,052
Land and other capital assets not being depreciated	356,593	103,766	460,359	4,954
Other capital assets, net of depreciation	1,291,223	915,814	2,207,037	60,163
<b>Total assets</b>	<b>2,597,902</b>	<b>1,227,902</b>	<b>3,825,804</b>	<b>118,183</b>
<b>LIABILITIES</b>				
Securities lending obligations	96,374	19,190	115,564	-
Payables	83,240	27,093	110,333	8,506
Unearned revenue	21,601	2,525	24,126	17
Long-term liabilities:				
Due within one year	66,385	16,852	83,237	6,065
Due in more than one year	629,919	385,316	1,015,235	110,202
<b>Total liabilities</b>	<b>897,519</b>	<b>450,976</b>	<b>1,348,495</b>	<b>124,790</b>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	1,411,436	656,951	2,068,387	(24,397)
Restricted for:				
Capital projects	124,919	-	124,919	-
Debt service	531	-	531	9,575
Trust and endowments:				
Expendable	6,159	-	6,159	-
Nonexpendable	1,934	-	1,934	-
Other	30,996	-	30,996	10,416
Unrestricted	124,408	119,975	244,383	(2,201)
<b>Total net assets (deficit)</b>	<b>\$ 1,700,383</b>	<b>\$ 776,926</b>	<b>\$ 2,477,309</b>	<b>\$ (6,607)</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, 2008

(in thousands)

Functions/Programs	Program Revenues					Net (Expense) Revenue
	Operating Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 56,787	\$ (6,946)	\$ 5,233	\$ -	\$ 138	\$ (44,470)
Police	159,207	-	4,203	16,190	-	(138,814)
Fire	104,149	-	17,936	1,725	-	(84,488)
General services	29,196	(1,669)	10,471	3	156	(16,897)
Transportation	89,016	-	19,574	17,398	78,347	26,303
Economic development	10,048	-	8,143	15	1,677	(213)
Convention, culture & leisure	21,518	-	9,425	935	28,413	17,255
Parks and recreation	60,930	-	13,343	14,652	13,764	(19,171)
Code enforcement	10,154	-	3,800	323	-	(6,031)
Development services	30,247	-	19,867	-	5,987	(4,393)
Planning	6,830	-	114	604	13,426	7,314
Neighborhood services	1,667	-	123	-	-	(1,544)
Library	9,935	-	-	-	11	(9,924)
Interest on long-term debt	31,157	-	-	-	-	(31,157)
Total governmental activities	620,841	(8,615)	112,232	51,845	141,919	(306,230)
Business-type activities:						
Water	60,944	2,420	65,127	-	3,702	5,465
Sewer	17,439	891	20,704	-	1,042	3,416
Storm drainage	36,947	1,623	33,289	410	7,201	2,330
Solid waste	46,427	2,308	52,434	760	-	4,459
Community center	19,743	764	7,556	-	-	(12,951)
Parking	16,669	485	19,626	-	-	2,472
Child development	6,604	-	5,587	654	-	(363)
Marina	1,133	124	1,378	-	-	121
Total business-type activities	205,906	8,615	205,701	1,824	11,945	4,949
Total primary government	\$ 826,747	\$ -	\$ 317,933	\$ 53,669	\$ 153,864	\$ (301,281)
<b>Component units:</b>						
Sacramento Hotel Corporation	\$ 37,589	\$ -	\$ 36,093	\$ -	\$ -	\$ (1,496)
Sacramento Regional Arts Facilities Financing Authority	736	-	-	-	-	(736)
Total component units	\$ 38,325	\$ -	\$ 36,093	\$ -	\$ -	\$ (2,232)

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, 2008

(in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net assets:				
Net (expense) revenue	\$ (306,230)	\$ 4,949	\$ (301,281)	\$ (2,232)
General revenues:				
Taxes:				
Property taxes	137,782	-	137,782	-
Utility user taxes	57,561	-	57,561	-
Other taxes	23,865	17,538	41,403	-
Unrestricted sales taxes shared state revenue	54,821	-	54,821	-
Unrestricted in lieu sales tax	16,344	-	16,344	-
Unrestricted intergovernmental revenue	2,836	-	2,836	-
Unrestricted investment earnings	31,507	6,898	38,405	2,004
Unrestricted miscellaneous	12,149	353	12,502	-
Special item - distribution from component unit	28,088	-	28,088	-
Special item - gain on sale of capital asset	-	19,860	19,860	-
Special item - payment to redevelopment agency	(9,297)	(14,215)	(23,512)	-
Transfers	12,898	(12,898)	-	-
Total general revenues, special items, and transfers	368,554	17,536	386,090	2,004
Change in net assets	62,324	22,485	84,809	(228)
Net assets (deficit), beginning of year	1,638,059	754,441	2,392,500	(6,379)
Net assets (deficit), end of year	\$ 1,700,383	\$ 776,926	\$ 2,477,309	\$ (6,607)

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

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# Fund Financial Statements

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

June 30, 2008  
(in thousands)

	<u>General Fund</u>	<u>General Fund Projects Fund</u>	<u>Capital Grants Fund</u>	<u>Crocker Art Museum Fund</u>	<u>Financing Plans Fund</u>
<b>ASSETS</b>					
Cash and investments held by City	\$ 101,711	\$ 977	\$ -	\$ -	\$ 115,031
Cash and investments held by fiscal agent	-	-	-	-	-
Security lending assets	28,452	23,990	-	7,283	29,225
Receivables, net:					
Taxes	25,160	-	-	-	-
Accounts	9,724	-	707	-	15,384
Loans	1,601	-	-	-	-
Investment securities sold	2,935	2,476	-	752	3,017
Intergovernmental	-	-	34,818	-	-
Interest	942	796	-	241	969
Due from other funds	15	-	-	-	523
Inventories	-	-	-	-	-
Prepaid items	449	-	-	-	-
Restricted assets:					
Cash and investments held by City	-	100,605	25	26,491	8
Cash and investments held by fiscal agent	-	-	-	-	-
Advances to other funds	400	-	-	-	-
Total assets	<u>\$ 171,389</u>	<u>\$ 128,844</u>	<u>\$ 35,550</u>	<u>\$ 34,767</u>	<u>\$ 164,157</u>

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

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

June 30, 2008  
(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	\$ 2,006	\$ 66,747	\$ 94,271	\$ 380,743
Cash and investments held by fiscal agent	21	-	314	335
Security lending assets	-	-	1,343	90,293
Receivables, net:				
Taxes	-	-	42	25,202
Accounts	-	1,860	2,292	29,967
Loans	70,930	-	875	73,406
Investment securities sold	-	-	-	9,180
Intergovernmental	-	8,821	69,474	113,113
Interest	398	-	129	3,475
Due from other funds	-	-	-	538
Inventories	-	-	1,315	1,315
Prepaid items	-	-	29	478
Restricted assets:				
Cash and investments held by City	782	-	1,372	129,283
Cash and investments held by fiscal agent	-	-	19,924	19,924
Advances to other funds	-	-	-	400
<b>Total assets</b>	<b>\$ 74,137</b>	<b>\$ 77,428</b>	<b>\$ 191,380</b>	<b>\$ 877,652</b>

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

(continued)

**City of Sacramento**  
**Governmental Funds**  
**Balance Sheet**  
June 30, 2008  
(in thousands)

	General Fund	General Fund Projects Fund	Capital Grants Fund	Crocker Art Museum Fund	Financing Plans Fund
Liabilities:					
Securities lending obligations	\$ 28,452	\$ 23,990	\$ -	\$ 7,283	\$ 29,225
Accounts payable	37,425	7,179	5,682	-	739
Due to other funds	-	-	23,696	-	-
Matured bonds and interest payable	-	-	-	-	-
Deposits	172	-	631	-	-
Deferred revenue	5,988	-	38,616	-	17,203
Advances from other funds	390	-	-	-	-
<b>Total liabilities</b>	<b>72,427</b>	<b>31,169</b>	<b>68,625</b>	<b>7,283</b>	<b>47,167</b>
Fund balances (deficit):					
Reserved:					
For noncurrent assets	1,604	-	-	-	-
For encumbrances	8,947	42,718	14,219	42,164	1,655
For debt service	-	531	-	-	-
For inventories and prepaids	449	-	-	-	-
For trust obligations	-	-	-	-	-
Unreserved:					
Designated for economic uncertainty	33,100	-	-	-	-
Designated for capital projects	28,942	42,886	-	-	30,359
Designated for SHRA - hotel sale	6,458	-	-	-	-
Designated for Voluntary Separation Program (VSP)	3,912	-	-	-	-
Designated for fiscal year 2009 results	492	-	-	-	-
Designated for subsequent years' expenditures	14,058	-	-	-	-
Undesignated	1,000	11,540	(47,294)	(14,680)	84,976
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>98,962</b>	<b>97,675</b>	<b>(33,075)</b>	<b>27,484</b>	<b>116,990</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 171,389</b>	<b>\$ 128,844</b>	<b>\$ 35,550</b>	<b>\$ 34,767</b>	<b>\$ 164,157</b>

(continued)

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

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

June 30, 2008  
(in thousands)

	1997 Lease Revenue Bond Fund	Transportation and Development Fund	Other Governmental Funds	Total Governmental Funds
<b>Liabilities:</b>				
Securities lending obligations	\$ -	\$ -	\$ 1,343	\$ 90,293
Accounts payable	-	8,150	6,436	65,611
Due to other funds	-	5,757	2,222	31,675
Matured bonds and interest payable	-	-	3,043	3,043
Deposits	-	511	630	1,944
Deferred revenue	71,328	7,001	73,922	214,058
Advances from other funds	-	-	7,436	7,826
<b>Total liabilities</b>	<b>71,328</b>	<b>21,419</b>	<b>95,032</b>	<b>414,450</b>
<b>Fund balances (deficit):</b>				
<b>Reserved:</b>				
For noncurrent assets	-	-	875	2,479
For encumbrances	-	9,144	3,769	122,616
For debt service	803	-	21,300	22,634
For inventories and prepaids	-	-	1,344	1,793
For trust obligations	-	-	1,934	1,934
<b>Unreserved:</b>				
Designated for economic uncertainty	-	-	-	33,100
Designated for capital projects	-	28,664	-	130,851
Designated for SHRA - hotel sale	-	-	-	6,458
Designated for Voluntary Separation Program (VSP)	-	-	-	3,912
Designated for fiscal year 2009 results	-	-	-	492
Designated for subsequent years' expenditures	-	9,180	-	23,238
Undesignated	2,006	9,021	-	46,569
<b>Unreserved, reported in:</b>				
Special revenue funds	-	-	32,424	32,424
Debt service funds	-	-	7,194	7,194
Capital projects funds	-	-	23,808	23,808
Permanent funds	-	-	3,700	3,700
<b>Total fund balances (deficit)</b>	<b>2,809</b>	<b>56,009</b>	<b>96,348</b>	<b>463,202</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 74,137</b>	<b>\$ 77,428</b>	<b>\$ 191,380</b>	<b>\$ 877,652</b>

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

# City of Sacramento

## Governmental Funds

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

June 30, 2008

(in thousands)

<b>Fund balances - total governmental funds</b>		<b>\$ 463,202</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.		192,929
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.		5,127
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	2,517,455	
Less: accumulated depreciation	<u>(917,591)</u>	
		1,599,864
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		(3,851)
Termination payments liability		(3,089)
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	(33,139)	
Financing plan fee credits	(27,719)	
Revenue and other bonds payable, net	(525,110)	
Capital lease obligations payable	(8,806)	
Notes payable	(25,875)	
OPEB liability	<u>(17,204)</u>	
		(637,853)
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>84,054</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 1,700,383</u></b>

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

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**City of Sacramento**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	General Fund	General Fund Projects Fund	Capital Grants Fund	Crocker Art Museum Fund	Financing Plans Fund
<b>Revenues:</b>					
Taxes	\$ 283,822	\$ -	\$ -	\$ -	\$ -
Intergovernmental	16,039	-	35,324	-	-
Charges for services	51,626	-	-	-	-
Fines, forfeits and penalties	8,597	-	-	-	-
Interest, rents, and concessions	3,173	6,597	-	1,187	6,703
Community service fees	-	-	-	-	11,159
Assessment levies	-	-	-	-	-
Contributions and donations	585	-	-	15,028	-
Miscellaneous	246	-	-	-	-
<b>Total revenues</b>	<b>364,088</b>	<b>6,597</b>	<b>35,324</b>	<b>16,215</b>	<b>17,862</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	32,946	-	-	-	-
Police	132,394	-	-	-	-
Fire	92,869	-	-	-	-
General services	14,138	-	-	-	-
Transportation	8,492	-	-	-	-
Neighborhood services	1,398	-	-	-	-
Convention, culture and leisure	6,158	1,275	-	-	-
Economic development	4,186	-	-	-	-
Parks and recreation	29,630	-	-	-	118
Code enforcement	9,272	-	-	-	-
Development services	21,107	-	-	-	385
Planning	2,476	-	-	-	-
Library	9,366	-	-	-	-
Utilities	83	-	-	-	-
Nondepartmental	26,993	-	-	-	258
Capital outlay	16,839	34,595	41,785	-	14,308
<b>Debt service:</b>					
Principal	1,392	-	-	-	2,610
Interest and fiscal charges	344	823	-	248	2,110
Bond issuance costs	-	-	-	-	-
<b>Total expenditures</b>	<b>410,083</b>	<b>36,693</b>	<b>41,785</b>	<b>248</b>	<b>19,789</b>
Excess (deficiency) of revenues over (under) expenditures	(45,995)	(30,096)	(6,461)	15,967	(1,927)
<b>Other financing sources (uses):</b>					
Transfers in	24,814	-	-	-	-
Transfers out	(32,281)	(1,453)	-	(1,013)	(2,525)
Issuance of long-term debt	2,155	-	-	-	3,511
Special item - distribution from component unit	28,088	-	-	-	-
Special item - payment to redevelopment agency	(9,297)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>13,479</b>	<b>(1,453)</b>	<b>-</b>	<b>(1,013)</b>	<b>986</b>
<b>Net change in fund balances</b>	<b>(32,516)</b>	<b>(31,549)</b>	<b>(6,461)</b>	<b>14,954</b>	<b>(941)</b>
Fund balances (deficit), beginning of year	131,478	129,224	(26,614)	12,530	117,931
<b>Fund balances (deficit), end of year</b>	<b>\$ 98,962</b>	<b>\$ 97,675</b>	<b>\$ (33,075)</b>	<b>\$ 27,484</b>	<b>\$ 116,990</b>

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

**City of Sacramento**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
For the Fiscal Year Ended June 30, 2008.  
(in thousands)

	1997 Lease Revenue Bond Fund	Transportation and Development Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ -	\$ 2,676	\$ -	\$ 286,498
Intergovernmental	-	40,246	45,732	137,341
Charges for services	-	5,764	5,895	63,285
Fines, forfeits and penalties	-	1,319	-	9,916
Interest, rents, and concessions	134	3,051	7,585	28,430
Community service fees	-	1,920	3,752	16,831
Assessment levies	-	-	25,894	25,894
Contributions and donations	4,762	-	11,378	31,753
Miscellaneous	-	-	50	296
<b>Total revenues</b>	<b>4,896</b>	<b>54,976</b>	<b>100,286</b>	<b>600,244</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	832	33,778
Police	-	-	15,998	148,392
Fire	-	-	1,415	94,284
General services	-	-	9,060	23,198
Transportation	-	15,793	5,950	30,235
Neighborhood services	-	-	149	1,547
Convention, culture and leisure	-	-	8,647	16,080
Economic development	-	-	3,849	8,035
Parks and recreation	-	-	23,751	53,499
Code enforcement	-	-	323	9,595
Development services	-	6,769	-	28,261
Planning	-	-	3,150	5,626
Library	-	-	-	9,366
Utilities	-	-	-	83
Nondepartmental	-	-	122	27,373
Capital outlay	-	28,411	17,569	153,507
<b>Debt service:</b>				
Principal	-	-	15,527	19,529
Interest and fiscal charges	4,174	-	22,990	30,689
Bond issuance costs	607	-	-	607
<b>Total expenditures</b>	<b>4,781</b>	<b>50,973</b>	<b>129,332</b>	<b>693,684</b>
Excess (deficiency) of revenues over (under) expenditures	115	4,003	(29,046)	(93,440)
<b>Other financing sources (uses):</b>				
Transfers in	-	1,948	32,227	58,989
Transfers out	-	(2,313)	(195)	(39,780)
Issuance of long-term debt	-	-	-	5,666
Special item - distribution from component unit	-	-	-	28,088
Special item - payment to redevelopment agency	-	-	-	(9,297)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(365)</b>	<b>32,032</b>	<b>43,666</b>
<b>Net change in fund balances</b>	<b>115</b>	<b>3,638</b>	<b>2,986</b>	<b>(49,774)</b>
Fund balances (deficit), beginning of year	2,694	52,371	93,362	512,976
Fund balances (deficit), end of year	\$ 2,809	\$ 56,009	\$ 96,348	\$ 463,202

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

**City of Sacramento**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances to the Statement of Activities**  
 For the Fiscal Year Ended June 30, 2008  
 (in thousands)

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**Net change in fund balances - total governmental funds** **\$ (49,774)**

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	144,467	
Depreciation expense	<u>(74,666)</u>	
		69,801

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds - infrastructure dedications.		25,917
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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	(5,666)	
Principal repayments on long-term debt	19,529	
Bond issuance costs	<u>607</u>	
		14,470

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.		12,493
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# City of Sacramento

## Governmental Funds

### Reconciliation of the Statement of Revenues, Expenditures and Changes in

#### Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2008

(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	(1,549)	
Other post employment benefits	(17,204)	
Termination payments	(3,089)	
Accrued interest	(442)	
Amortization of issuance costs	(272)	
Amortization of bond discount	(8)	
Amortization of bond premium	1,063	
Amortization of gain/loss on refunding	(807)	
		(22,308)

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.

(6,695)

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.

18,420

**Change in net assets of governmental activities**

\$ 62,324

# City of Sacramento

## General Fund

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

For the Fiscal Year Ended June 30, 2008

(in thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)	Budget to GAAP Reconciliation	Actual Amounts - GAAP Basis
	Original	Final				
<b>Revenues:</b>						
Taxes	\$295,338	\$293,338	\$283,822	\$ (9,516)	\$ -	\$ 283,822
Intergovernmental	14,956	15,733	16,039	306	-	16,039
Charges for services	54,252	55,720	51,626	(4,094)	-	51,626
Fines, forfeits and penalties	7,476	7,477	8,597	1,120	-	8,597
Interest, rents, and concessions	6,288	6,217	3,173	(3,044)	-	3,173
Contributions and donations	-	580	585	5	-	585
Miscellaneous	683	780	246	(534)	-	246
<b>Total revenues</b>	<b>378,993</b>	<b>379,845</b>	<b>364,088</b>	<b>(15,757)</b>	<b>-</b>	<b>364,088</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Charter offices	14,583	15,156	14,162	994	(65)	14,097
Administrative services	20,040	19,780	18,525	1,255	324	18,849
Subtotal - General government	34,623	34,936	32,687	2,249	259	32,946
Police	129,804	131,257	132,680	(1,423)	(286)	132,394
Fire	91,155	91,511	92,946	(1,435)	(77)	92,869
General services	14,556	14,721	14,109	612	29	14,138
Transportation	8,349	8,767	8,636	131	(144)	8,492
Neighborhood services	1,488	1,479	1,420	59	(22)	1,398
Convention, culture and leisure	6,237	6,407	6,200	207	(42)	6,158
Economic development	5,179	5,201	4,290	911	(104)	4,186
Parks and recreation	30,878	30,396	29,496	900	134	29,630
Code enforcement	9,333	9,242	9,275	(33)	(3)	9,272
Development services	22,289	22,036	21,038	998	69	21,107
Planning	4,122	4,518	2,207	2,311	269	2,476
Library	9,366	9,366	9,366	-	-	9,366
Utilities	84	84	83	1	-	83
Nondepartmental	29,824	34,682	27,977	6,705	(984)	26,993
Capital outlay	31,635	41,503	18,057	23,446	(1,218)	16,839
<b>Debt service:</b>						
Principal	956	1,579	1,471	108	(79)	1,392
Interest and fiscal charges	44	316	349	(33)	(5)	344
<b>Total expenditures</b>	<b>429,922</b>	<b>448,001</b>	<b>412,287</b>	<b>35,714</b>	<b>(2,204)</b>	<b>410,083</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(50,929)</b>	<b>(68,156)</b>	<b>(48,199)</b>	<b>19,957</b>	<b>2,204</b>	<b>(45,995)</b>
<b>Other financing sources (uses):</b>						
Transfers in	21,412	21,372	24,814	3,442	-	24,814
Transfers out	(30,103)	(30,103)	(32,388)	(2,285)	107	(32,281)
Issuance of long-term debt	-	2,155	2,155	-	-	2,155
Special item - distribution from component unit	-	28,088	28,088	-	-	28,088
Special item - payment to redevelopment agency	-	(9,297)	(9,297)	-	-	(9,297)
<b>Total other financing sources (uses)</b>	<b>(8,691)</b>	<b>12,215</b>	<b>13,372</b>	<b>1,157</b>	<b>107</b>	<b>13,479</b>
<b>Net change in fund balance</b>	<b>\$ (59,620)</b>	<b>\$ (55,941)</b>	<b>\$ (34,827)</b>	<b>\$ 21,114</b>	<b>\$ 2,311</b>	<b>\$ (32,516)</b>

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

# City of Sacramento

## Transportation and Development Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 19,698	\$ 19,698	\$ 17,869	\$ (1,829)
Fines, forfeits and penalties	1,270	1,270	1,319	49
Interest, rents, and concessions	811	1,271	899	(372)
Community service fees	2	2	-	(2)
Total revenues	<u>21,781</u>	<u>22,241</u>	<u>20,087</u>	<u>(2,154)</u>
Expenditures:				
Current:				
Transportation	15,339	15,339	15,148	191
Capital Outlay	20,802	34,496	6,874	27,622
Total expenditures	<u>36,141</u>	<u>49,835</u>	<u>22,022</u>	<u>27,813</u>
Excess (deficiency) of revenues over (under) expenditures	(14,360)	(27,594)	(1,935)	25,659
Other financing sources (uses):				
Transfers out	<u>(1,531)</u>	<u>(1,531)</u>	<u>(1,532)</u>	<u>(1)</u>
Net change in fund balances for budgeted activities	<u>\$ (15,891)</u>	<u>\$ (29,125)</u>	(3,467)	<u>\$ 25,658</u>
Net change in fund balances for Transportation and Development Special Revenue Fund activities for which annual budgets are not adopted.			<u>7,105</u>	
Net change in fund balance			<u>\$ 3,638</u>	

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

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

June 30, 2008  
(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	\$ 43,688	\$ 17,706	\$ 19,059	\$ -
Cash and investments held by fiscal agent	-	-	-	-
Security lending assets	11,357	-	-	-
Receivables, net:				
Taxes	-	-	-	-
Accounts	10,637	10,035	7,809	11,617
Loans	743	110	329	-
Investment securities sold	1,172	-	-	-
Intergovernmental	690	457	200	618
Interest	414	17	60	-
Due from other funds	-	-	214	-
Inventories	3,044	88	70	-
Prepaid items	-	-	1	-
	<u>71,745</u>	<u>28,413</u>	<u>27,742</u>	<u>12,235</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	-	-	151	2,800
Cash and investments held by fiscal agent	-	-	765	-
Advances to other funds	-	-	-	-
Loans receivable	2,759	1,519	4,557	-
Deferred charges	2,215	-	53	348
Capital assets:				
Land	645	1,137	10,151	1,133
Buildings and improvements	37,383	14,906	8,223	31,191
Machinery and equipment	12,039	3,439	13,827	7,135
Vehicles	-	-	-	-
Transmission and distribution system	484,857	121,634	334,561	-
Construction in progress	29,630	7,037	7,186	1,327
Less: accumulated depreciation	<u>(126,338)</u>	<u>(42,917)</u>	<u>(84,025)</u>	<u>(13,303)</u>
	<u>443,190</u>	<u>106,755</u>	<u>295,449</u>	<u>30,631</u>
Total noncurrent assets				
	<u>514,935</u>	<u>135,168</u>	<u>323,191</u>	<u>42,866</u>
Total assets				

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Assets**  
June 30, 2008  
(in thousands)

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Community Center Fund	Parking Fund	Other Enterprise Funds		
<b>ASSETS</b>					
Current assets:					
Cash and investments held by City	\$ 16,138	\$ 28,373	\$ 1,811	\$ 126,775	\$ 38,899
Cash and investments held by fiscal agent	143	-	-	143	127
Security lending assets	-	7,833	-	19,190	6,081
Receivables, net:					
Taxes	2,453	-	-	2,453	-
Accounts	138	563	262	41,061	28
Loans	-	-	-	1,182	-
Investment securities sold	-	809	-	1,981	628
Intergovernmental	-	-	-	1,965	-
Interest	113	279	-	883	202
Due from other funds	-	-	-	214	41,630
Inventories	-	-	-	3,202	1,736
Prepaid items	1	-	8	10	-
Total current assets	<u>18,986</u>	<u>37,857</u>	<u>2,081</u>	<u>199,059</u>	<u>89,331</u>
Noncurrent assets:					
Restricted assets:					
Cash and investments held by City	105	283	740	4,079	-
Cash and investments held by fiscal agent	9,804	1,791	-	12,360	-
Advances to other funds	-	200	-	200	17,435
Loans receivable	33	-	-	8,868	-
Deferred charges	1,400	442	214	4,672	42
Capital assets:					
Land	21,739	6,795	3,821	45,421	-
Buildings and improvements	111,201	59,384	8,924	271,212	6,456
Machinery and equipment	2,729	3,492	38	42,699	1,434
Vehicles	-	-	-	-	109,506
Transmission and distribution system	-	-	-	941,052	-
Construction in progress	1,040	3,403	8,722	58,345	1,115
Less: accumulated depreciation	(43,081)	(22,421)	(7,064)	(339,149)	(70,559)
Total noncurrent assets	<u>104,970</u>	<u>53,369</u>	<u>15,395</u>	<u>1,049,759</u>	<u>65,429</u>
Total assets	<u>123,956</u>	<u>91,226</u>	<u>17,476</u>	<u>1,248,818</u>	<u>154,760</u>

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Assets**  
June 30, 2008  
(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><u>LIABILITIES</u></b>				
Current liabilities:				
Securities lending obligations	11,357	-	-	-
Accounts payable and accrued expenses	4,780	8,684	2,849	2,366
Accrued compensated absences	159	25	103	69
Due to other funds	329	107	220	8,962
Interest payable	697	103	378	107
Accrued claims	-	-	-	-
Liability for landfill closure	-	-	-	760
Deposits	-	-	-	-
Unearned revenue	-	-	1	-
Capital lease payable, current portion	-	-	-	554
Revenue and other bonds payable, net, current portion	3,208	-	316	626
Utility district payable	305	-	-	-
Notes payable, current portion	-	641	3,850	-
<b>Total current liabilities</b>	<b>20,835</b>	<b>9,560</b>	<b>7,717</b>	<b>13,444</b>
Noncurrent liabilities:				
Accrued compensated absences	1,959	663	1,910	1,212
Advances from other funds	986	323	662	737
Water fee credits	1,988	-	-	-
OPEB liability	940	408	433	1,275
Accrued claims	-	-	-	-
Liability for landfill closure	-	-	-	12,151
Capital lease obligations payable	-	-	-	670
Revenue and other bonds payable, net	167,868	-	7,080	24,755
Notes payable	-	8,753	26,257	-
Utility district payable	611	-	-	-
<b>Total noncurrent liabilities</b>	<b>174,352</b>	<b>10,147</b>	<b>36,342</b>	<b>40,800</b>
<b>Total liabilities</b>	<b>195,187</b>	<b>19,707</b>	<b>44,059</b>	<b>54,244</b>
<b><u>NET ASSETS (DEFICIT)</u></b>				
Invested in capital assets, net of related debt	266,443	95,739	252,958	3,571
Unrestricted	53,305	19,722	26,174	(14,949)
<b>Total net assets (deficit)</b>	<b>\$ 319,748</b>	<b>\$ 115,461</b>	<b>\$ 279,132</b>	<b>\$ (11,378)</b>

(continued)

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Assets**  
June 30, 2008  
(in thousands)

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Community Center Fund	Parking Fund	Other Enterprise Funds		
<b>LIABILITIES</b>					
Current liabilities:					
Securities lending obligations	-	7,833	-	19,190	6,081
Accounts payable and accrued expenses	1,938	1,551	2,099	24,267	8,380
Accrued compensated absences	34	17	15	422	62
Due to other funds	1,000	89	-	10,707	-
Interest payable	912	241	247	2,685	14
Accrued claims	-	-	-	-	15,122
Liability for landfill closure	-	-	-	760	-
Deposits	-	-	141	141	-
Unearned revenue	1,346	201	977	2,525	472
Capital lease payable, current portion	-	-	76	630	-
Revenue and other bonds payable, net, current portion	5,129	710	-	9,989	270
Utility district payable	-	-	-	305	-
Notes payable, current portion	-	-	255	4,746	-
<b>Total current liabilities</b>	<b>10,359</b>	<b>10,642</b>	<b>3,810</b>	<b>76,367</b>	<b>30,401</b>
Noncurrent liabilities:					
Accrued compensated absences	562	284	312	6,902	1,017
Advances from other funds	7,233	268	-	10,209	-
Water fee credits	-	-	-	1,988	-
OPEB liability	102	177	43	3,378	446
Accrued claims	-	-	-	-	34,560
Liability for landfill closure	-	-	-	12,151	-
Capital lease obligations payable	-	-	1,410	2,080	-
Revenue and other bonds payable, net	76,083	37,190	-	312,976	4,282
Notes payable	-	-	10,220	45,230	-
Utility district payable	-	-	-	611	-
<b>Total noncurrent liabilities</b>	<b>83,980</b>	<b>37,919</b>	<b>11,985</b>	<b>395,525</b>	<b>40,305</b>
<b>Total liabilities</b>	<b>94,339</b>	<b>48,561</b>	<b>15,795</b>	<b>471,892</b>	<b>70,706</b>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt	21,413	14,586	2,241	656,951	43,386
Unrestricted	8,204	28,079	(560)	119,975	40,668
<b>Total net assets (deficit)</b>	<b>\$ 29,617</b>	<b>\$ 42,665</b>	<b>\$ 1,681</b>	<b>\$ 776,926</b>	<b>\$ 84,054</b>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
For the Fiscal Year Ended June 30, 2008  
(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	\$ 62,305	\$ 19,673	\$ 33,215	\$ 52,041
Rents and concessions	-	-	-	-
Charge to Regional Sanitation District for operating and maintaining treatment plant	-	966	-	-
Miscellaneous	2,822	65	74	393
Total operating revenues	<u>65,127</u>	<u>20,704</u>	<u>33,289</u>	<u>52,434</u>
Operating expenses:				
Employee services	21,722	7,644	20,355	16,680
Services and supplies	20,008	6,906	6,780	28,666
Depreciation	12,997	3,555	10,233	1,959
Insurance premiums	-	-	-	-
Claims expense	-	-	-	-
Total operating expenses	<u>54,727</u>	<u>18,105</u>	<u>37,368</u>	<u>47,305</u>
Operating income (loss)	<u>10,400</u>	<u>2,599</u>	<u>(4,079)</u>	<u>5,129</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	2,580	760	1,183	(235)
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	-	353	410	760
Interest expense	(8,518)	(225)	(1,198)	(1,403)
Amortization of deferred charges	(119)	-	(4)	(27)
Gain on disposition of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>(6,057)</u>	<u>888</u>	<u>391</u>	<u>(905)</u>
Income (loss) before contributions and transfers	4,343	3,487	(3,688)	4,224
Capital contributions	5,239	2,099	11,302	-
Special item - gain on sale of capital asset	-	-	-	-
Special item - payment to redevelopment agency	-	-	-	-
Transfers in	-	17	-	5
Transfers out	(6,670)	(2,135)	(3,624)	(5,248)
Changes in net assets	2,912	3,468	3,990	(1,019)
Total net assets (deficit), beginning of year	<u>316,836</u>	<u>111,993</u>	<u>275,142</u>	<u>(10,359)</u>
Total net assets (deficit), end of year	<u>\$ 319,748</u>	<u>\$ 115,461</u>	<u>\$ 279,132</u>	<u>\$ (11,378)</u>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Community Center Fund	Parking Fund	Other Enterprise Funds	Total	
Operating revenues:					
Charges for services:					
User fees and charges	\$ 2,643	\$ 18,425	\$ 6,864	\$ 195,166	\$ 68,485
Rents and concessions	4,755	1,195	-	5,950	-
Charge to Regional Sanitation District for operating and maintaining treatment plant	-	-	-	966	-
Miscellaneous	158	6	101	3,619	401
Total operating revenues	<u>7,556</u>	<u>19,626</u>	<u>6,965</u>	<u>205,701</u>	<u>68,886</u>
Operating expenses:					
Employee services	6,246	4,126	5,888	82,661	11,170
Services and supplies	5,649	7,185	1,479	76,673	27,540
Depreciation	2,617	2,306	188	33,855	8,494
Insurance premiums	-	-	-	-	2,070
Claims expense	-	-	-	-	5,553
Total operating expenses	<u>14,512</u>	<u>13,617</u>	<u>7,555</u>	<u>193,189</u>	<u>54,827</u>
Operating income (loss)	<u>(6,956)</u>	<u>6,009</u>	<u>(590)</u>	<u>12,512</u>	<u>14,059</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	1,217	1,278	115	6,898	4,207
Transient occupancy taxes	17,538	-	-	17,538	-
Revenue from other agencies	-	-	654	2,177	-
Interest expense	(5,863)	(2,544)	(306)	(20,057)	(365)
Amortization of deferred charges	(132)	(25)	-	(307)	(3)
Gain on disposition of capital assets	-	(968)	-	(968)	138
Total nonoperating (expenses) revenues	<u>12,760</u>	<u>(2,259)</u>	<u>463</u>	<u>5,281</u>	<u>3,977</u>
Income (loss) before contributions and transfers	5,804	3,750	(127)	17,793	18,036
Capital contributions	-	-	-	18,640	-
Special item - gain on sale of capital asset	-	19,860	-	19,860	-
Special item - payment to redevelopment agency	-	(14,215)	-	(14,215)	-
Transfers in	1,754	-	-	1,776	407
Transfers out	(1,552)	(1,981)	(159)	(21,369)	(23)
Changes in net assets	6,006	7,414	(286)	22,485	18,420
Total net assets (deficit), beginning of year	<u>23,611</u>	<u>35,251</u>	<u>1,967</u>	<u>754,441</u>	<u>65,634</u>
Total net assets (deficit), end of year	<u>\$ 29,617</u>	<u>\$ 42,665</u>	<u>\$ 1,681</u>	<u>\$ 776,926</u>	<u>\$ 84,054</u>

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

## City of Sacramento

### Proprietary Funds

### Statement of Cash Flows

For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Drainage Fund	Solid Waste Fund
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 62,964	\$ 17,890	\$ 31,558	\$ 49,919
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(20,024)	(3,183)	(5,651)	(29,618)
Payments to employees	(20,287)	(7,077)	(19,545)	(15,030)
Claims paid	-	-	-	-
<b>Net cash provided by (used for) operating activities</b>	<b>22,653</b>	<b>7,630</b>	<b>6,362</b>	<b>5,271</b>
<b>Cash flows from noncapital financing activities:</b>				
Transient occupancy taxes	-	-	-	-
Payment to redevelopment agency	-	-	-	-
Transfers in from other funds	-	17	-	5
Transfers out to other funds	(6,670)	(2,135)	(3,624)	(5,248)
Proceeds from interfund borrowing	-	-	-	1,476
Collections on interfund loans	-	-	52	-
Loans to other funds	-	-	-	-
Interfund loan repayments	-	-	-	-
Intergovernmental revenue received	-	353	410	760
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(6,670)</b>	<b>(1,765)</b>	<b>(3,162)</b>	<b>(3,007)</b>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from issuance of debt	-	-	1,925	-
Proceeds from interfund borrowing	1,315	430	882	983
Acquisition and construction of capital assets	(13,460)	(4,997)	(8,559)	(1,267)
Proceeds from disposition of capital assets	-	-	-	-
Water fee credits issued	407	-	-	-
Principal payments on capital debt	(1,967)	(627)	(2,289)	(692)
Interest payments on capital debt	(8,318)	(232)	(1,109)	(1,339)
Transfers in from other funds	-	-	-	-
Capital contributions received	2,628	1,042	-	-
Loan repayments received	4,821	107	321	-
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(14,574)</b>	<b>(4,277)</b>	<b>(8,829)</b>	<b>(2,315)</b>
<b>Cash flows from investing activities:</b>				
Collection of interest and investment revenue	2,353	761	1,424	(235)
Investments sold with settlement after year end	(1,172)	-	-	-
Loan repayments received	-	-	-	-
<b>Net cash provided by (used for) investing activities</b>	<b>1,181</b>	<b>761</b>	<b>1,424</b>	<b>(235)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,590</b>	<b>2,349</b>	<b>(4,205)</b>	<b>(286)</b>
Cash and cash equivalents, beginning of year, restated	41,098	15,357	24,180	3,086
<b>Cash and cash equivalents, end of year</b>	<b>\$ 43,688</b>	<b>\$ 17,706</b>	<b>\$ 19,975</b>	<b>\$ 2,800</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets:</b>				
Cash and investments held by City	\$ 43,688	\$ 17,706	\$ 19,059	\$ -
Cash and investments held by fiscal agent	-	-	-	-
Restricted cash and investments held by City	-	-	151	2,800
Restricted cash and investments held by fiscal agent	-	-	765	-
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 43,688</b>	<b>\$ 17,706</b>	<b>\$ 19,975</b>	<b>\$ 2,800</b>

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Community Center Fund	Parking Fund	Other Enterprise Funds	Total	
Cash flows from operating activities:					
Receipts from customers and users	\$ 7,709	\$ 19,659	\$ 7,235	\$ 196,934	\$ -
Receipts from interfund services provided	-	-	-	-	117,017
Payments to suppliers	(4,832)	(6,824)	(1,415)	(71,547)	(73,577)
Payments to employees	(5,951)	(3,856)	(5,622)	(77,368)	(10,503)
Claims paid	-	-	-	-	(13,582)
Net cash provided by (used for) operating activities	(3,074)	8,979	198	48,019	19,355
Cash flows from noncapital financing activities:					
Transient occupancy taxes	17,628	-	-	17,628	-
Payment to redevelopment agency	-	(14,215)	-	(14,215)	-
Transfers in from other funds	1,754	-	-	1,776	-
Transfers out to other funds	(1,552)	(1,981)	(159)	(21,369)	(23)
Proceeds from interfund borrowing	-	268	-	1,744	-
Collections on interfund loans	-	-	-	52	-
Loans to other funds	-	-	-	-	(2,991)
Interfund loan repayments	(1,500)	-	-	(1,500)	-
Intergovernmental revenue received	-	-	654	2,177	-
Net cash provided by (used for) noncapital financing activities	16,330	(15,928)	495	(13,707)	(3,014)
Cash flows from capital and related financing activities:					
Proceeds from issuance of debt	-	-	5,749	7,674	-
Proceeds from interfund borrowing	-	89	-	3,699	-
Acquisition and construction of capital assets	(234)	(2,158)	(6,821)	(37,496)	(10,266)
Proceeds from disposition of capital assets	-	21,683	-	21,683	69
Water fee credits issued	-	-	-	407	-
Principal payments on capital debt	(5,731)	(950)	(244)	(12,500)	(239)
Interest payments on capital debt	(4,627)	(1,985)	(314)	(17,924)	(169)
Transfers in from other funds	-	-	-	-	407
Capital contributions received	-	-	-	3,670	-
Loan repayments received	-	-	-	5,249	-
Net cash provided by (used for) capital and related financing activities	(10,592)	16,679	(1,630)	(25,538)	(10,198)
Cash flows from investing activities:					
Collection of interest and investment revenue	1,221	751	115	6,390	4,219
Investments sold with settlement after year end	-	(809)	-	(1,981)	(628)
Loan repayments received	6	-	-	6	-
Net cash provided by (used for) investing activities	1,227	(58)	115	4,415	3,591
Net increase (decrease) in cash and cash equivalents	3,891	9,672	(822)	13,189	9,734
Cash and cash equivalents, beginning of year, restated	22,299	20,775	3,373	130,168	29,292
Cash and cash equivalents, end of year	\$ 26,190	\$ 30,447	\$ 2,551	\$ 143,357	\$ 39,026
Reconciliation of cash and cash equivalents to the Statement of Net Assets:					
Cash and investments held by City	\$ 16,138	\$ 28,373	\$ 1,811	\$ 126,775	\$ 38,899
Cash and investments held by fiscal agent	143	-	-	143	127
Restricted cash and investments held by City	105	283	740	4,079	-
Restricted cash and investments held by fiscal agent	9,804	1,791	-	12,360	-
Total cash and cash equivalents, end of year	\$ 26,190	\$ 30,447	\$ 2,551	\$ 143,357	\$ 39,026

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

(continued)

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Drainage Fund	Solid Waste Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 10,400	\$ 2,599	\$ (4,079)	\$ 5,129
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	12,997	3,555	10,233	1,959
Changes in assets and liabilities:				
Accounts receivable	(1,840)	(2,663)	(1,713)	(2,330)
Intergovernmental receivables	(323)	(151)	(18)	(185)
Inventories	(1,267)	(28)	139	-
Prepaid items	-	-	(1)	-
Deferred charges	-	-	-	-
Accounts payable and accrued expenses	665	3,834	1,268	44
Accrued compensated absences	165	76	100	137
OPEB liabilities	940	408	433	1,275
Accrued claims	-	-	-	-
Liability for landfill closure	-	-	-	(758)
Deposits	-	-	-	-
Utility district payable	916	-	-	-
Unearned revenue	-	-	-	-
Net cash provided by (used for) operating activities	<u>\$ 22,653</u>	<u>\$ 7,630</u>	<u>\$ 6,362</u>	<u>\$ 5,271</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 790	\$ -	\$ 7,201	\$ -
Transfer of capital assets, net of depreciation	1,537	1,057	4,101	-
Amortization of bond premium, discount and loss on refunding	208	-	(113)	(65)
Amortization of deferred charges	(119)	-	(4)	(27)
Acquisition of capital assets on accounts payable	-	-	-	-
Sale of capital assets on accounts receivable	-	-	-	-
Change in prepaid items for capital assets	-	-	-	-
Change in securities lending assets	842	-	(5,886)	-
Change in securities lending obligations	(842)	-	5,886	-
Securities lending interest revenue	387	-	-	-
Securities lending interest expense	(387)	-	-	-
Water infrastructure received	1,571	-	-	-
Water fee credits issued	(1,571)	-	-	-
Water fee credits inflation adjustment	(21)	-	-	-
Water fee credits redeemed	284	-	-	-

(continued)

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Community Center Fund	Parking Fund	Other Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (6,956)	\$ 6,009	\$ (590)	\$ 12,512	\$ 14,059
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	2,617	2,306	188	33,855	8,494
Changes in assets and liabilities:					
Accounts receivable	1	112	(251)	(6,684)	789
Intergovernmental receivables	-	-	-	(677)	-
Inventories	-	-	-	(1,156)	(324)
Prepaid items	-	-	4	3	2
Deferred charges	-	-	8	8	-
Accounts payable and accrued expenses	925	416	241	7,393	3,842
Accrued compensated absences	85	38	34	635	84
OPEB liabilities	102	177	43	3,378	446
Accrued claims	-	-	-	-	(8,029)
Liability for landfill closure	-	-	-	(758)	-
Deposits	-	-	53	53	-
Utility district payable	-	-	-	916	-
Unearned revenue	152	(79)	468	541	(8)
Net cash provided by (used for) operating activities	<u>\$ (3,074)</u>	<u>\$ 8,979</u>	<u>\$ 198</u>	<u>\$ 48,019</u>	<u>\$ 19,355</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets	\$ -	\$ -	\$ -	\$ 7,991	\$ -
Transfer of capital assets, net of depreciation	-	-	-	6,695	-
Amortization of bond premium, discount and loss on refunding	(883)	(300)	-	(1,153)	(10)
Amortization of deferred charges	(132)	(25)	-	(307)	(3)
Acquisition of capital assets on accounts payable	-	-	1,220	1,220	-
Sale of capital assets on accounts receivable	-	-	-	-	392
Change in prepaid items for capital assets	-	-	-	-	(5,940)
Change in securities lending assets	-	7,833	-	2,789	(4,325)
Change in securities lending obligations	-	(7,833)	-	(2,789)	4,325
Securities lending interest revenue	-	267	-	654	207
Securities lending interest expense	-	(267)	-	(654)	(207)
Water infrastructure received	-	-	-	1,571	-
Water fee credits issued	-	-	-	(1,571)	-
Water fee credits inflation adjustment	-	-	-	(21)	-
Water fee credits redeemed	-	-	-	284	-

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

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

June 30, 2008  
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Agency Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 64,708	\$ 353,633	\$ 25,533
Cash and investments held by fiscal agent	-	-	24,865
Security lending assets	97,641	55,366	-
Receivables, net:			
Accounts	23	-	-
Investment securities sold	4,929	-	-
Interest	1,671	4,482	80
Total receivables	<u>6,623</u>	<u>4,482</u>	<u>80</u>
Investments, at fair value:			
U.S. government obligations	61,537	-	-
Corporate bonds	42,851	-	-
Equity securities	141,734	-	-
Exchange traded funds	27,552	-	-
Municipal bonds	2,118	-	-
Mortgage loans	20,033	-	-
Total investments	<u>295,825</u>	<u>-</u>	<u>-</u>
Total assets	<u>464,797</u>	<u>413,481</u>	<u>\$ 50,478</u>
<b><u>LIABILITIES</u></b>			
Securities lending obligations	97,641	55,366	-
Accounts payable	2,299	-	-
Payable for investment securities purchased	9,653	-	-
Due to bondholders	-	-	50,478
Total liabilities	<u>109,593</u>	<u>55,366</u>	<u>\$ 50,478</u>
<b><u>NET ASSETS</u></b>			
Held in trust for pension benefits and other purposes	<u>\$ 355,204</u>	<u>\$ 358,115</u>	

**City of Sacramento**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	<u>Pension Trust Fund</u>	<u>Investment Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 3,534	\$ -
Employees	596	-
Total contributions	<u>4,130</u>	<u>-</u>
Investment earnings:		
Net appreciation in fair value of investments	(10,603)	599
Interest	13,587	15,936
Dividends	4,902	79
Total investment earnings	<u>7,886</u>	<u>16,614</u>
Less investment expenses:		
Banking, interest, and fiscal agent expenses	3,505	119
Professional services	1,323	-
Net investment expenses	<u>4,828</u>	<u>119</u>
Net investment income	<u>3,058</u>	<u>16,495</u>
Deposits	<u>-</u>	<u>2,123,262</u>
Total additions	<u>7,188</u>	<u>2,139,757</u>
Deductions:		
Benefits	29,696	-
Refunds of contributions	201	-
Withdrawals	-	2,154,923
Total deductions	<u>29,897</u>	<u>2,154,923</u>
Change in net assets	(22,709)	(15,166)
Net assets, beginning of year	<u>377,913</u>	<u>373,281</u>
Net assets, end of year	<u>\$ 355,204</u>	<u>\$ 358,115</u>

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

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**City of Sacramento**  
**Component Units**  
**Combining Statement of Net Assets**  
June 30, 2008  
(in thousands)

	Sacramento Hotel Corporation	Sacramento Regional Arts Facilities Financing Authority	Total Component Units
<b><u>ASSETS</u></b>			
Cash and investments	\$ 1,211	\$ -	\$ 1,211
Receivables, net	968	13,933	14,901
Inventories	98	-	98
Prepaid items	376	-	376
Restricted cash and investments	32,361	1,067	33,428
Deferred charges	2,456	596	3,052
Land and other capital assets not being depreciated	4,954	-	4,954
Other capital assets, net of depreciation	60,163	-	60,163
	<u>102,587</u>	<u>15,596</u>	<u>118,183</u>
Total assets			
<b><u>LIABILITIES</u></b>			
Accounts payable	8,330	176	8,506
Deferred revenue	17	-	17
Noncurrent liabilities:			
Due within one year	5,715	350	6,065
Due in more than one year	95,441	14,761	110,202
	<u>109,503</u>	<u>15,287</u>	<u>124,790</u>
Total liabilities			
<b><u>NET ASSETS (DEFICIT)</u></b>			
Invested in capital assets, net of related debt	(24,397)	-	(24,397)
Restricted for:			
Debt service	9,266	309	9,575
Other	10,416	-	10,416
Unrestricted	(2,201)	-	(2,201)
	<u>(6,916)</u>	<u>309</u>	<u>(6,607)</u>
Total net assets (deficit)	<u>\$ (6,916)</u>	<u>\$ 309</u>	<u>\$ (6,607)</u>

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

**City of Sacramento**  
**Component Units**  
**Combining Statement of Activities**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Sacramento Hotel Corporation Hotel operations	\$ 37,589	\$ 36,093	\$ -	\$ -	\$ (1,496)
Sacramento Regional Arts Facilities Financing Authority Arts facilities financing	736	-	-	-	(736)
Total component units	<u>\$ 38,325</u>	<u>\$ 36,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,232)</u>

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

**City of Sacramento**  
**Component Units**  
**Combining Statement of Activities**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Sacramento Hotel Corporation	Sacramento Regional Arts Facilities Financing Authority	Total Component Units
Change in net assets:			
Net revenue (expense)	\$ (1,496)	\$ (736)	\$ (2,232)
General revenues:			
Investment earnings	<u>1,354</u>	<u>650</u>	<u>2,004</u>
Change in net assets	(142)	(86)	(228)
Net assets (deficit), beginning of year	<u>(6,774)</u>	<u>395</u>	<u>(6,379)</u>
Net assets (deficit), end of year	<u>\$ (6,916)</u>	<u>\$ 309</u>	<u>\$ (6,607)</u>

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

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# Notes to the Financial Statements

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**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, 2008

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**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**

Effective July 1, 2007 the City implemented the following accounting and financial reporting standards:

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.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures - an amendment of GASB Statements 25 and 27*, which more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances information disclosed in the notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. This Statement amends Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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

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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 establishes standards for accounting and financial reporting for intangible assets. This Statement requires that an intangible asset be recognized in the Statement of Net Assets only if it is identifiable. Additionally, this Statement establishes a specific-conditions approach to recognizing intangible assets that are internally generated. This Statement also provides guidance on recognizing internally generated software as an intangible asset. This Statement also establishes guidance specific to intangible assets related to amortization. This Statement provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. The provisions of this Statement generally are required to be applied retroactively for intangible assets acquired in fiscal years ending after June 30, 1980. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 establishes standards for accounting and financial reporting for Derivative Instruments. This Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive are reported at fair value. Much of this Statement describes the methods of evaluating effectiveness. The disclosures required by Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, have been incorporated into this Statement. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2010.

**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.

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.

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

**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 Crocker Art Museum Fund is used to account for contributions from the Crocker Art Museum Association (CAMA) and related expenditures for the museum expansion project. Other funding sources for the museum expansion project are accounted for within the General Fund Projects Fund and the Capital Grants Fund. Actual project costs to date and outstanding encumbrances were allocated based on the estimated project costs. Final project costs will be allocated pursuant to the City's agreement with CAMA.

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/Railyards/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.

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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

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.

The Parking Fund accounts for the operation and maintenance of the City's parking garages.

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.

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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**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, 2008. 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.

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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

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 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.

**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 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**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, 2007 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.

The beginning balances of cash and cash equivalents in the statements of cash flows of the Water, Storm Drainage, and Risk Management funds have been restated to remove the securities lending assets of \$10,515,000, \$5,886,000 and \$10,406,000, respectively. The securities lending assets are reported separately on the statement of net assets.

**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, 2008

**NOTE 2 - CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2008 (in thousands):

	Government-wide Statement of Net Assets		Fiduciary Funds Statement of Net Assets	Total
	Primary Government	Component Units		
Cash and investments	\$ 547,022	\$ 1,211	\$ 764,564	\$ 1,312,797
Restricted cash and investments	165,646	33,428	-	199,074
Securities lending assets	115,564	-	153,007	268,571
<b>Total</b>	<b>\$ 828,232</b>	<b>\$ 34,639</b>	<b>\$ 917,571</b>	<b>\$ 1,780,442</b>

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2008-284, 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 13, 2008. 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.

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	30%	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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**Note 2 – CASH AND INVESTMENTS (Continued)**

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

**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. The City's investment policy limits interest rate risk by requiring compliance with the California Government Code for investments of public funds, as described in detail above. 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

**Note 2 – CASH AND INVESTMENTS (Continued)**

The City's cash and investments by maturities as of June 30, 2008 are as follows (in thousands):

Investment Type	No Maturity	Remaining Maturity in Years			Fair Value
		Under 1	1-5	Over 5	
Asset backed securities	\$ -	\$ 12,182	\$ 7,008	\$ -	\$ 19,190
Bank notes	-	14,042	25,056	-	39,098
Certificates of deposit	-	75,585	29,032	-	104,617
Commercial paper	-	115,021	-	-	115,021
Corporate bonds	-	128,922	240,242	27,902	397,066
Deposits	(1,381)	-	-	-	(1,381)
Equities	149,139	-	-	-	149,139
Exchange traded funds	28,077	-	-	-	28,077
Guaranteed investment contracts	-	-	-	15,763	15,763
Local Agency Investment Fund (LAIF)	-	65,550	-	-	65,550
Mortgage loans	-	11,460	5,486	3,087	20,033
Municipal bonds	-	-	-	2,118	2,118
Mutual funds	-	25,909	-	-	25,909
Repurchase agreement	-	82,384	-	-	82,384
U.S. agencies	-	180,907	172,325	61,882	415,114
U.S. Treasury securities – State & local government series	-	179	5,574	-	5,753
U.S. Treasury bills	-	62,518	-	-	62,518
U.S. Treasury bonds	-	-	-	255	255
U.S. Treasury notes	-	142,106	57,473	-	199,579
	<u>\$ 175,835</u>	<u>\$ 916,765</u>	<u>\$ 542,196</u>	<u>\$ 111,007</u>	<u>1,745,803</u>
Component Unit - SRAFFA					
Money market mutual fund	\$ -	\$ 1,067	\$ -	\$ -	1,067
	<u>\$ -</u>	<u>\$ 1,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,067</u>
Component Unit - Hotel					
Guaranteed investment contracts	\$ -	\$ -	\$ -	\$ 9,187	9,187
Deposits	1,786	-	-	-	1,786
Money market mutual fund	-	22,599	-	-	22,599
	<u>\$ 1,786</u>	<u>\$ 22,599</u>	<u>\$ -</u>	<u>\$ 9,187</u>	<u>33,572</u>
Total Cash and Investments					<u>\$ 1,780,442</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**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>
Federal Farm Credit Bank securities that have a maturity of 4/22/2013 and are callable continuously from 7/22/2008.	\$14,826
Federal Farm Credit Bank securities that have a maturity of 7/30/2010 and are callable on 7/30/2008.	4,108
Federal Home Loan Bank securities that have a maturity of 8/25/2009 and are callable on 8/25/2008.	2,396
Federal Home Loan Bank securities that have a maturity of 10/16/2009 and are callable on 10/16/2008.	6,036
Federal Home Loan Bank securities that have a maturity of 2/04/2011 and are callable continuously from 8/04/2008.	15,009
Federal Home Loan Bank securities that have a maturity of 2/25/2011 and are callable quarterly from 02/25/2009 to 11/25/2010.	7,941
Federal Home Loan Bank securities that have a maturity of 1/25/2013 and are callable continuously from 4/25/2008.	10,004
Federal Home Loan Bank securities that have a maturity of 2/01/2013 and are callable quarterly from 5/01/2008 to 11/01/2012.	9,846
Federal Home Loan Bank securities that have a maturity of 2/19/2013 and are callable continuously from 8/19/2008.	5,987
Federal Home Loan Bank securities that have a maturity of 4/29/2013 and are callable quarterly from 4/29/2009 to 1/29/2013.	9,990
Federal Home Loan Bank securities that have a maturity of 10/17/2022 and are callable quarterly from 10/17/2008 to 7/17/2022.	6,948
Federal Home Loan Mortgage Company securities that have a maturity of 1/30/2012 and are callable quarterly from 7/30/2008 to 10/30/2011.	4,928

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**Note 2 – CASH AND INVESTMENTS (Continued)**

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations (Continued)**

	<u>Fair Value</u>
Federal Home Loan Mortgage Company securities that have a maturity of 2/12/2013 and are callable quarterly from 5/12/2008 to 11/12/2012.	7,992
Federal Home Loan Mortgage Company securities that have a maturity of 2/13/2013 and are callable quarterly from 8/13/2008 to 11/13/2012.	3,087
Federal Home Loan Mortgage Company securities that have a maturity of 4/16/2013 and are callable quarterly from 10/16/2008 to 1/16/2013.	7,427
Federal Home Loan Mortgage Company securities that have a maturity of 5/20/2013 and are callable quarterly from 11/20/2008 to 2/20/2013.	4,994
Federal National Mortgage Association securities that have a maturity of 1/07/2011 and are callable on 1/07/2009.	13,081
Federal National Mortgage Association securities that have a maturity of 11/05/2012 and are callable quarterly from 11/05/2008 to 8/05/2012.	6,349
Federal National Mortgage Association securities that have a maturity of 1/28/2013 and are callable on 7/28/2008.	4,984
Federal National Mortgage Association securities that have a maturity of 12/19/2012 and are callable on 12/19/2008.	5,007
Federal National Mortgage Association securities that have a maturity of 6/26/2023 and are callable continuously from 9/26/2008.	10,019
Sacramento City Financing Authority securities that have a maturity of 12/1/2016 and are callable on 12/1/2015.	691
Toyota Motor Credit Corporation securities that have a maturity of 5/07/2010 and are callable quarterly from 5/07/2009 to 2/07/2010.	7,992

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

**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. The City's investment policy limits credit risk by requiring compliance with the California Government Code for investments of public funds, as described in detail above. At June 30, 2008, 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	Aa	\$ 1,526
	AAA	Aaa	17,664
Bank notes	A	Aa	5,030
	A1	P1	14,042
	AA	Aa	13,019
	AAA	Aaa	7,007
Certificates of deposit	A	AAA	19,992
	A1	P1	40,630
	AA	AA	17,964
	AA	Aa	26,031
Commercial paper	A1	P1	115,021
Corporate bonds	A	A	25,292
	A	A1	40,916
	A	AA	12,080
	A	Aa	2,003
	A	BAA	10,796
	A1	P1	18,013
	A2	P2	2,010
	AA	AA	55,654
	AA	Aa	77,103
	AA	A1	7,088
	AAA	Aaa	49,544
	AAA	AAA	90,619
	BBB	BAA	2,993
	CCC	B	2,955
Deposits	not rated	not rated	(1,381)
Equities (exempt from disclosure)	N/A	N/A	149,139
Exchange traded funds (exempt from disclosure)	N/A	N/A	28,077
Guaranteed investment contracts	not rated	not rated	15,763
Local Agency Investment Fund (LAIF)	not rated	not rated	65,550
Mortgage loans	not rated	not rated	20,033
Municipal bonds	AA	BAA	2,118
Mutual funds	AAA	Aaa	25,645
	not rated	not rated	264
Repurchase agreements	N/A	N/A	82,384
U.S. agencies	AAA	AAA	378,565
	AAA	Aaa	13,834
	N/A	N/A	22,715

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

**Note 2 – CASH AND INVESTMENTS (Continued)**

**Credit Risk (Continued)**

Investment Type	S & P	Moody's	Fair Value
U.S. Treasury securities - state and local government series (exempt from disclosure)	N/A	N/A	5,753
U.S. Treasury bills (exempt from disclosure)	N/A	N/A	62,518
U.S. Treasury bonds (exempt from disclosure)	N/A	N/A	255
U.S. Treasury notes (exempt from disclosure)	N/A	N/A	199,579
Total primary government			1,745,803
Component Unit - SRAFFA Money market mutual fund	AAA	Aaa	1,067
Component Unit - Hotel Guaranteed investment contracts	not rated	not rated	9,187
Deposits	not rated	not rated	1,786
Money market mutual fund	AAA	AAA	22,599
Total component units			34,639
Total Cash and Investments			\$ 1,780,442

**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, 2008 (in thousands):

U.S. agency securities

Federal Home Loan Bank	\$ 228,352
Federal National Mortgage Association	\$ 90,170

General Electric Capital Corporation

Commercial paper	\$ 41,768
Corporate bonds	\$ 62,150

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):

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**Note 2 – CASH AND INVESTMENTS (Continued)**

**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 thru 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, 2007, the Hotel had \$1,732,000 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.

As of June 30, 2008, investments were held by the same broker-dealer (counterparty) that was used by the City to purchase the securities (in thousands):

\$268,571	Investments purchased with cash collateral from securities lending transactions
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**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 cash 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, 2008, the weighted average maturity of the securities on loan was 347 days and the weighted average maturity of the investments purchased with cash collateral was 284 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**Note 2 – CASH AND INVESTMENTS (Continued)**

**Securities Lending (Continued)**

The City lent securities totaling \$262,051,000 and received cash collateral of \$268,162,000. The cash collateral received was then invested as follows as of June 30, 2008 (in thousands):

<u>Securities Lending Investments</u>	<u>Fair Value</u>
Asset backed securities	\$ 19,190
Bank notes	39,098
Certificates of deposit	42,061
Commercial paper	4,995
Corporate bonds	80,171
Mutual funds	3,006
Repurchase agreements	80,050
	<u>\$ 268,571</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 8.25% of pool participation.

The following represents a condensed statement of net assets and changes in net assets for the City Sponsored Investment Pool as of June 30, 2008 (in thousands):

**Statement of Net Assets:**

Net assets held in trust for all pool participants	<u>\$ 851,571</u>
Equity of internal pool participants	\$ 781,342
Equity of external pool participants	70,229
Total equity	<u>\$ 851,571</u>

**Statement of Changes in Net Assets:**

Net assets at July 1, 2007	\$ 823,066
Net change in investments by pool participants	28,505
Net assets at June 30, 2008	<u>\$ 851,571</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**Note 2 – CASH AND INVESTMENTS (Continued)**

**City Sponsored Investment Pool (Continued)**

A summary of the investment classifications as of June 30, 2008 is as follows (in thousands):

	Fair Value	Adjusted Cost	Interest Rates	Maturity Dates
U.S. government and agency securities	\$ 433,236	\$ 433,709	1.67-5.12%	8/08-5/13
Commercial paper	108,781	108,844	2.00-3.00%	7/08-11/08
Corporate bonds	247,805	247,717	2.44-6.87%	7/08-5/13
Certificates of deposit	68,852	68,801	2.45-4.25%	7/08-1/10
Repurchase agreements	44,574	44,571	0.14-2.7%	7/08
Bank notes	24,747	24,654	2.47-3.18%	7/08-1/10
Asset backed securities	10,749	10,741	2.52-2.92%	7/08-1/10
State of California Treasurer's Local Agency Investment Fund	40,000	40,000	2.57%	7/08-6/09
Mutual funds	19	19	0.36%	7/08
Deposits	(2,015)	(2,015)	N/A	N/A
<b>Total cash and investments in City sponsored investment pool</b>	<b>\$ 976,748</b>	<b>\$ 977,041</b>		

**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, 2008, the City's investment in LAIF is \$65.6 million. The total amount invested by all public agencies in LAIF at that date is \$25.1 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2008 had a balance of \$70 billion. Of that amount, 85.28% is invested in non-derivative financial products, and 14.72% is invested in derivative financial products.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

**NOTE 3 - RECEIVABLES**

Receivables as of June 30, 2008, were as follows (in thousands):

	Taxes	Accounts	Loans	Investment Securities Sold	Inter- govern- mental	Interest	Total
<b>Governmental activities</b>							
General Fund	\$ 25,160	\$ 9,724	\$ 1,601	\$ 2,935	\$ -	\$ 942	\$ 40,362
General Fund Projects Fund	-	-	-	2,476	-	796	3,272
Capital Grant Fund	-	707	-	-	34,818	-	35,525
Crocker Art Museum Fund	-	-	-	752	-	241	993
Financing Plans Fund	-	15,384	-	3,017	-	969	19,370
1997 Lease Revenue Bond Fund	-	-	70,930	-	-	398	71,328
<b>Transportation and</b>							
Development Fund	-	1,860	-	-	8,821	-	10,681
Other governmental funds	42	2,292	875	-	69,474	129	72,812
Internal service funds	-	28	-	628	-	202	858
	<u>\$ 25,202</u>	<u>\$ 29,995</u>	<u>\$ 73,406</u>	<u>\$ 9,808</u>	<u>\$ 113,113</u>	<u>\$ 3,677</u>	<u>\$ 255,201</u>
<b>Amounts not scheduled for collection during the subsequent year</b>							
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,930</u>	<u>\$ -</u>	<u>\$ 56,953</u>	<u>-</u>	<u>\$ 127,883</u>
<b>Business-type activities</b>							
Water Fund	\$ -	\$ 10,637	\$ 3,502	\$ 1,172	\$ 690	\$ 414	\$ 16,415
Sewer Fund	-	10,035	1,629	-	457	17	12,138
Storm Drainage Fund	-	7,809	4,886	-	200	60	12,955
Solid Waste Fund	-	11,617	-	-	618	-	12,235
Community Center Fund	2,453	138	33	-	-	113	2,737
Parking Fund	-	563	-	809	-	279	1,651
Other enterprise funds	-	262	-	-	-	-	262
	<u>\$ 2,453</u>	<u>\$ 41,061</u>	<u>\$ 10,050</u>	<u>\$ 1,981</u>	<u>\$ 1,965</u>	<u>\$ 883</u>	<u>\$ 58,393</u>
<b>Component Units</b>							
Sacramento Hotel Corporation	\$ -	\$ 968	\$ -	\$ -	\$ -	\$ -	\$ 968
Sacramento Regional Arts Facilities Financing Authority	-	-	13,933	-	-	-	13,933
	<u>\$ -</u>	<u>\$ 968</u>	<u>\$ 13,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,901</u>

Included in the Accounts Receivable amounts above are allowances for doubtful accounts of \$6.5 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, 2008

**NOTE 4 - CAPITAL ASSETS**

**Summary**

The following is a summary of capital assets as of June 30, 2008 (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	\$ 45,421	\$ 203,803	\$ 4,954	\$ 208,756
Construction in progress	198,211	58,345	256,556	-	256,557
	<u>356,593</u>	<u>103,766</u>	<u>460,359</u>	<u>4,954</u>	<u>465,313</u>
<b>Depreciable capital assets</b>					
Buildings and improvements	521,257	271,212	792,469	72,133	864,602
Equipment	44,360	42,699	87,059	11,828	98,887
Vehicles	109,506	-	109,506	-	109,506
Transmission and distribution system	3,622	941,052	944,674	-	944,674
Roadway network	1,374,229	-	1,374,229	-	1,374,229
Streetlight network	155,902	-	155,902	-	155,902
Park improvements	70,497	-	70,497	-	70,497
	<u>2,279,373</u>	<u>1,254,963</u>	<u>3,534,336</u>	<u>83,961</u>	<u>3,618,297</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(145,038)	(96,960)	(241,998)	(16,217)	(258,215)
Equipment	(34,103)	(16,065)	(50,168)	(7,581)	(57,749)
Vehicles	(65,641)	-	(65,641)	-	(65,641)
Transmission and distribution system	(382)	(226,124)	(226,506)	-	(226,506)
Roadway network	(689,839)	-	(689,839)	-	(689,839)
Street light network	(45,279)	-	(45,279)	-	(45,279)
Park improvements	(7,868)	-	(7,868)	-	(7,868)
	<u>(988,150)</u>	<u>(339,149)</u>	<u>(1,327,299)</u>	<u>(23,798)</u>	<u>(1,351,097)</u>
Depreciable capital assets, net	<u>1,291,223</u>	<u>915,814</u>	<u>2,207,037</u>	<u>60,163</u>	<u>2,267,200</u>
Total capital assets, net	<u>\$ 1,647,816</u>	<u>\$ 1,019,580</u>	<u>\$ 2,667,396</u>	<u>\$ 65,117</u>	<u>\$ 2,732,513</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Governmental Activities**

Governmental capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated					
Land and land improvements	\$ 158,382	\$ -	\$ -	\$ -	\$ 158,382
Construction in progress	157,610	141,783	-	(101,182)	198,211
	<u>315,992</u>	<u>141,783</u>	<u>-</u>	<u>(101,182)</u>	<u>356,593</u>
Depreciable capital assets					
Buildings and improvements	500,492	-	-	20,765	521,257
Equipment	44,586	716	(942)	-	44,360
Vehicles	97,755	16,195	(4,444)	-	109,506
Transmission and distribution	3,622	-	-	-	3,622
Roadway network	1,323,554	24,469	(33,102)	59,308	1,374,229
Streetlight network	144,080	3,428	-	8,394	155,902
Park improvements	64,477	-	-	6,020	70,497
	<u>2,178,566</u>	<u>44,808</u>	<u>(38,488)</u>	<u>94,487</u>	<u>2,279,373</u>
Less accumulated depreciation for:					
Buildings and improvements	(131,654)	(13,384)	-	-	(145,038)
Equipment	(32,837)	(2,208)	942	-	(34,103)
Vehicles	(61,541)	(8,267)	4,167	-	(65,641)
Transmission and distribution	(334)	(48)	-	-	(382)
Roadway network	(669,063)	(53,878)	33,102	-	(689,839)
Streetlight network	(42,154)	(3,125)	-	-	(45,279)
Park improvements	(5,618)	(2,250)	-	-	(7,868)
	<u>(943,201)</u>	<u>(83,160)</u>	<u>38,211</u>	<u>-</u>	<u>(988,150)</u>
Depreciable capital assets, net	<u>1,235,365</u>	<u>(38,352)</u>	<u>(277)</u>	<u>94,487</u>	<u>1,291,223</u>
	<u>\$ 1,551,357</u>	<u>\$ 103,431</u>	<u>\$ (277)</u>	<u>\$ (6,695)</u>	<u>\$ 1,647,816</u>

Governmental activities:

General government	\$ 3,448
Police	1,866
Fire	964
General services	3,514
Transportation	57,295
Economic development	100
Convention, culture & leisure	2,491
Parks and recreation	4,147
Development services	272
Library	569
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>8,494</u>

Total governmental activities depreciation expense \$ 83,160

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Business-type Activities**

Business-type capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated					
Land and land improvements	\$ 46,376	\$ -	\$ (1,227)	\$ 272	\$ 45,421
Construction in progress	43,098	39,578	-	(24,331)	58,345
	<u>89,474</u>	<u>39,578</u>	<u>(1,227)</u>	<u>(24,059)</u>	<u>103,766</u>
Depreciable capital assets					
Buildings and improvements	276,953	227	(5,992)	24	271,212
Equipment	39,645	202	(403)	3,255	42,699
Transmission and distribution system	905,307	8,272	(2)	27,475	941,052
	<u>1,221,905</u>	<u>8,701</u>	<u>(6,397)</u>	<u>30,754</u>	<u>1,254,963</u>
Less accumulated depreciation for:					
Buildings and improvements	(93,933)	(7,455)	4,428	-	(96,960)
Equipment	(13,216)	(3,252)	403	-	(16,065)
Transmission and distribution system	(202,978)	(23,148)	2	-	(226,124)
	<u>(310,127)</u>	<u>(33,855)</u>	<u>4,833</u>	<u>-</u>	<u>(339,149)</u>
Depreciable capital assets, net	<u>911,778</u>	<u>(25,154)</u>	<u>(1,564)</u>	<u>30,754</u>	<u>915,814</u>
Business-type activities capital assets, net	<u>\$ 1,001,252</u>	<u>\$ 14,424</u>	<u>\$ (2,791)</u>	<u>\$ 6,695</u>	<u>\$ 1,019,580</u>

Depreciation expense was charged to functions as follows

Business-type activities:

Water	\$ 12,997
Sewer	3,555
Storm Drainage	10,233
Solid Waste	1,959
Community Center	2,617
Parking	2,306
Child Development	72
Marina	116

Total business-type activities depreciation expense

\$ 33,855

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

Note 4 - CAPITAL ASSETS (Continued)

**Component Units**

Component unit capital asset activity for the year ended December 31, 2007 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and land improvements	\$ 4,954	\$ -	\$ -	\$ 4,954
Construction in progress	25	-	(25)	-
	<u>4,979</u>	<u>-</u>	<u>(25)</u>	<u>4,954</u>
Depreciable capital assets				
Buildings and improvements	72,133	-	-	72,133
Equipment	11,865	191	(228)	11,828
	<u>83,998</u>	<u>191</u>	<u>(228)</u>	<u>83,961</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,781)	(2,436)	-	(16,217)
Equipment	(6,542)	(1,176)	137	(7,581)
	<u>(20,323)</u>	<u>(3,612)</u>	<u>137</u>	<u>(23,798)</u>
Depreciable capital assets, net	<u>63,675</u>	<u>(3,421)</u>	<u>(91)</u>	<u>60,163</u>
Component unit activities capital assets, net	<u>\$ 68,654</u>	<u>\$ (3,421)</u>	<u>\$ (116)</u>	<u>\$ 65,117</u>

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

Component Units:

Sacramento Hotel Corporation	<u>\$ 3,612</u>
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**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

**NOTE 5 - PAYABLES**

Payables as of June 30, 2008, were as follows (in thousands):

	<u>Vendors</u>	<u>Employees</u>	<u>Interest</u>	<u>Deposits</u>	<u>Total</u>
<b>Governmental activities</b>					
General Fund	\$ 14,448	\$ 26,066	\$ -	\$ 172	\$ 40,686
General Fund Projects Fund	7,179	-	-	-	7,179
Capital Grant Funds	5,682	-	-	631	6,313
Financing Plans Fund	739	-	-	-	739
Transportation and Development Fund	8,150	-	-	511	8,661
Other governmental funds	6,436	-	4,202	630	11,268
Internal service funds	7,631	749	14	-	8,394
<b>Total governmental activities</b>	<u>\$ 50,265</u>	<u>\$ 26,815</u>	<u>\$ 4,216</u>	<u>\$ 1,944</u>	<u>\$ 83,240</u>
<b>Business-type activities</b>					
Water Fund	\$ 3,401	\$ 1,379	\$ 697	\$ -	\$ 5,477
Sewer Fund	8,204	480	103	-	8,787
Storm Drainage Fund	1,610	1,239	378	-	3,227
Solid Waste Fund	1,380	986	107	-	2,473
Community Center Fund	1,530	408	912	-	2,850
Parking Fund	1,290	261	241	-	1,792
Other enterprise funds	1,636	463	247	141	2,487
<b>Total business-type activities</b>	<u>\$ 19,051</u>	<u>\$ 5,216</u>	<u>\$ 2,685</u>	<u>\$ 141</u>	<u>\$ 27,093</u>
<b>Component units</b>					
Sacramento Hotel Corporation	\$ 5,095	\$ -	\$ 3,221	\$ 14	\$ 8,330
Sacramento Regional Arts Facilities Financing Authority	-	-	176	-	176
<b>Total component units</b>	<u>\$ 5,095</u>	<u>\$ -</u>	<u>\$ 3,397</u>	<u>\$ 14</u>	<u>\$ 8,506</u>

Included in the amounts due to employees above is \$3.4 million payable for the City's Voluntary Separation Program (VSP). The City is providing cash benefit payments to 108 employees approved during fiscal year 2008 to separate from the City by December 31, 2008. The benefit is determined by multiplying the number of years of continuous service by the employee's weekly salary, and is capped at \$50,000 per employee. The total cost of the VSP program in fiscal year 2008 was \$3.7 million.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**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, 2008 are \$130.5 million and \$22.7 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, 2008 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>
2009	\$ 1,404
2010	396
2011	300
2012	178
2013	109
2014-2018	<u>87</u>
Total future minimum lease payments	<u>\$ 2,474</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**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, 2008 and the Hotel component unit's year ended December 31, 2007 (in thousands):

<b>GOVERNMENTAL ACTIVITIES</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within one year</b>
<b>Revenue and other bonds:</b>					
1993 Refunded Revenue Bonds, Series A	\$ 17,616	\$ -	\$ (879)	\$ 16,737	\$ 924
1993 Refunded Revenue Bonds, Series B	29,734	-	(1,503)	28,231	1,582
1995 Gas Tax Revenue Bonds, Series A	2,865	-	(1,390)	1,475	1,475
1996 Lighting and Landscaping Bonds	4,500	-	(350)	4,150	370
1997 Lease Revenue Bonds	70,930	-	-	70,930	1,060
1999 CFD No. 2 Revenue Bonds, Series A	2,560	-	(75)	2,485	80
1999 Capital Improvement Revenue Bonds	1,460	-	-	1,460	75
2002 Capital Improvement Revenue Bonds	35,410	-	(4,005)	31,405	4,395
2002 Refunding Revenue Bonds	17,350	-	(2,579)	14,771	2,692
2003 Capital Improvement Revenue Bonds	29,880	-	(1,100)	28,780	1,125
2005 Refunding Revenue Bonds	61,266	-	-	61,266	25
2006 Capital Improvement Revenue Bonds, Ser. A	95,900	-	(2,455)	93,445	2,555
2006 Capital Improvement Revenue Bonds, Ser. B	55,235	-	(720)	54,515	765
2006 Capital Improvement Revenue Bonds, Ser. C	28,825	-	(485)	28,340	505
2006 Capital Improvement Revenue Bonds, Ser. D	2,430	-	-	2,430	-
2006 Capital Improvement Revenue Bonds, Ser. E	81,034	-	(33)	81,001	47
<b>Subtotal, revenue and other bonds</b>	<b>536,995</b>	<b>-</b>	<b>(15,574)</b>	<b>521,421</b>	<b>17,675</b>
<b>Notes payable:</b>					
1997 State Department of Boating & Waterways	935	-	(60)	875	63
Bank of America, N.A. - Railyards Land Acquisition	25,000	-	-	25,000	25,000
<b>Subtotal, notes payable</b>	<b>\$ 25,935</b>	<b>\$ -</b>	<b>\$ (60)</b>	<b>\$ 25,875</b>	<b>\$ 25,063</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Activity (Continued)**

<b>GOVERNMENTAL ACTIVITIES (Continued)</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
<b>Capital lease obligations:</b>					
Plaza building	\$ 482	\$ -	\$ (241)	\$ 241	\$ 240
IBM equipment	567	-	(280)	287	287
Parking meters	164	-	(143)	21	21
Golf equipment	78	-	(18)	60	19
Fire trucks and equipment #1	5,941	-	(497)	5,444	516
Fire trucks and equipment #2	-	485	(20)	465	41
Parking pay and display meters #1	830	-	(106)	724	110
Parking pay and display meters #2	-	1,670	(106)	1,564	217
	<u>8,062</u>	<u>2,155</u>	<u>(1,411)</u>	<u>8,806</u>	<u>1,451</u>
<b>Subtotal, capital lease obligations</b>					
<b>Less deferred amounts:</b>					
For issuance discounts	(191)	-	8	(183)	(8)
For issuance premiums	22,542	-	(1,063)	21,479	1,063
Gain/loss on refunding	(11,171)	-	808	(10,363)	(808)
	<u>11,180</u>	<u>-</u>	<u>(247)</u>	<u>10,933</u>	<u>247</u>
<b>Subtotal deferred amounts</b>					
<b>Subtotal, debt governmental activities</b>					
	<u>582,172</u>	<u>2,155</u>	<u>(17,292)</u>	<u>567,035</u>	<u>44,436</u>
<b>Other long-term liabilities:</b>					
Accrued claims	57,711	5,553	(13,582)	49,682	15,121
Compensated absences	32,595	32,820	(31,197)	34,218	2,719
OPEB Liability	-	26,460	(8,810)	17,650	-
<b>Financing plan fee credits:</b>					
North Natomas	24,899	3,047	(1,651)	26,295	3,694
Jacinto Creek	1,224	464	(900)	788	395
Park Development	695	-	(59)	636	20
	<u>117,124</u>	<u>68,344</u>	<u>(56,199)</u>	<u>129,269</u>	<u>21,949</u>
<b>Subtotal, other long-term liabilities</b>					
<b>Total, governmental activities</b>					
	<u>\$ 699,296</u>	<u>\$ 70,499</u>	<u>\$ (73,491)</u>	<u>\$ 696,304</u>	<u>\$ 66,385</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Activity (Continued)**

<b>BUSINESS-TYPE ACTIVITIES</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within one year</b>
<b>Revenue and other bonds:</b>					
1993 Refunded Revenue Bonds, Series A	\$ 72,740	\$ -	\$ (3,631)	\$ 69,109	\$ 3,816
1993 Refunded Revenue Bonds, Series B	32,477	-	(1,642)	30,835	1,729
1999 Capital Improvement Revenue Bonds	2,755	-	(155)	2,600	605
2002 Refunding Revenue Bonds	12,165	-	(1,816)	10,349	1,898
2005 Refunding Revenue Bonds	106,594	-	-	106,594	335
2006 Capital Improvement Revenue Bonds, Ser. E	105,916	-	(1,968)	103,948	2,758
<b>Subtotal, revenue and other bonds</b>	<b>332,647</b>	<b>-</b>	<b>(9,212)</b>	<b>323,435</b>	<b>11,141</b>
<b>Notes payable:</b>					
1985 Marina Phase I	1,721	-	(30)	1,691	31
1985 Marina Phase II	2,592	-	(40)	2,552	42
1985 Marina Phase III	1,141	-	(74)	1,067	77
1985 Marina Phase IV	742	-	(43)	699	45
2008 Sacramento Marina South Basin	-	4,225	-	4,225	-
State Water Resources Control Board	1,566	-	(125)	1,441	128
State Water Resources Control Board	28,256	-	(1,745)	26,511	1,784
State Water Resources Control Board	3,733	-	(245)	3,488	252
State Water Resources Control Board	1,917	-	(115)	1,802	118
State Water Resources Control Board	4,612	-	(277)	4,335	284
California Department of Education	260	-	(20)	240	60
Redevelopment Agency Loan – Basin 31	-	1,925	-	1,925	1,925
<b>Subtotal, notes payable</b>	<b>46,540</b>	<b>6,150</b>	<b>(2,714)</b>	<b>49,976</b>	<b>4,746</b>
<b>Capital lease obligations:</b>					
Recycle Containers #1	301	-	(118)	183	122
Recycle Containers #2	384	-	(124)	260	128
Recycle Containers #3	537	-	(147)	390	152
Recycle Containers #4	538	-	(147)	391	152
Bank of America – Marina South Basin	-	1,523	(37)	1,486	76
<b>Subtotal, capital lease obligations</b>	<b>1,760</b>	<b>1,523</b>	<b>(573)</b>	<b>2,710</b>	<b>630</b>
<b>Less deferred amounts:</b>					
For issuance discounts	(798)	-	62	(736)	(62)
For issuance premiums	23,873	-	(1,126)	22,747	1,126
Gain/loss on refunding	(24,698)	-	2,217	(22,481)	(2,216)
<b>Subtotal, deferred amounts</b>	<b>(1,623)</b>	<b>-</b>	<b>1,153</b>	<b>(470)</b>	<b>(1,152)</b>
<b>Subtotal, debt business-type activities</b>	<b>\$ 379,324</b>	<b>\$ 7,673</b>	<b>\$ (11,346)</b>	<b>\$ 375,651</b>	<b>\$ 15,365</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Activity (Continued)**

<b>BUSINESS-TYPE ACTIVITIES</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within one year</b>
Other long-term liabilities:					
Compensated absences	\$ 6,686	\$ 6,487	\$ (5,849)	\$ 7,324	\$ 422
OPEB liability	-	5,065	(1,687)	3,378	-
Utility district payable	-	916	-	916	305
Water fee credits	273	1,999	(284)	1,988	-
Liability for landfill closure	13,671	-	(760)	12,911	760
Subtotal, other long-term liabilities	20,630	14,741	(8,580)	26,517	1,487
Total business-type activities	\$ 399,954	\$ 22,140	\$ (19,926)	\$ 402,168	\$ 16,852
<b>COMPONENT UNITS</b>					
Revenue bonds					
1999 Hotel Senior Revenue Bonds, Series A	\$ 92,600	\$ -	\$ (400)	\$ 92,200	\$ 500
1999 Hotel Subordinate Revenue Bonds, Series B	10,770	-	(125)	10,645	5,245
Subtotal, revenue bonds	103,370	-	(525)	102,845	5,745
Certificates of Participation					
Sacramento Regional Arts, Series 2002 COPS	\$ 15,580	\$ -	\$ (345)	\$ 15,235	\$ 355
Subtotal, certificates of participation	15,580	-	(345)	15,235	355
Less Deferred Amounts					
Discounts	\$ (823)	\$ -	\$ 35	\$ (788)	\$ (35)
Unaccreted Interest	(1,652)	627	-	(1,025)	-
Subtotal, component unit deferred amounts	(2,475)	627	35	(1,813)	(35)
Total component units	116,475	627	(835)	116,267	6,065
Total, long-term liabilities	\$ 1,215,725	\$ 93,266	\$ (94,252)	\$ 1,214,739	\$ 89,305

The June 30, 2007 beginning balance of the business-type water fee credit liability was reclassified to other long-term liabilities from its presentation as accounts payable in the City's fiscal year 2007 financial statements.

The following is a list of long-term debt issues outstanding at June 30, 2008, including the amount of original debt issuance, a description of the debt issue, and disclosure of pledged revenue.

**Revenue and Other Bonds**

- \$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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Revenue and Other Bonds (Continued)**

- \$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. The City pledged future gas tax revenues to repay the bonds. The bonds are payable solely from gas tax revenue through December, 2008. Total principal and interest remaining to be paid on the bonds is \$1,524,000. For the current year, principal and interest paid was \$1,531,000 and gas tax revenue was \$8,415,000.
- \$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. The City pledged future Citywide lighting and landscaping special assessment revenues to repay the bonds. The bonds are payable solely from special assessment revenue through September, 2016. Total principal and interest remaining to be paid on the bonds is \$5,256,000. For the current year, principal and interest paid was \$586,000 and special assessment revenue in the Citywide Lighting and Landscaping District was \$12,529,000.
- \$73,725,000 1997 Lease Revenue Bonds  
Authorized and issued July 1997, due in annual installments of \$1,060,000 to \$2,665,000 through July 2017, 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 5.607%. The debt service on the bonds is funded from lease revenue on Arco Arena. The City pledged future lease revenues to repay the bonds. The bonds are payable solely from lease revenue through July, 2027. Total remaining principal and interest of \$121,853,000 will be paid using 100% of future lease revenue. For the current year, principal and interest paid was \$4,174,000 and lease revenue was \$4,800,000.
- \$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. These bonds were defeased subsequent to the Sacramento Hotel Corporation's December 31, 2007 fiscal year-end.
- \$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. These bonds were defeased subsequent to the Sacramento Hotel Corporation's December 31, 2007 fiscal year-end.
- \$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%.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Revenue and Other Bonds (Continued)**

- \$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%.
- \$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).
- \$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%.
- \$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.
- \$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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Revenue and Other Bonds (Continued)**

- \$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.

**Certificates of Participation**

- \$16,580,000 Sacramento Regional Arts Facilities 2002 Series Certificates of Participation (COPs)  
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 City pledged future lease revenues to repay the COPs. The COPs are payable solely from lease revenue through September, 2032. Total remaining principal and interest of \$26,148,000 will be paid using 100% of future lease revenue. For the current year, principal and interest paid was \$1,054,000 and lease payments received were \$933,000.

**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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Notes Payable (Continued)**

- \$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.
- \$9,000,000 2008 Sacramento Marina South Basin  
Authorized February 2005, the City has made loan draws of \$4,225,669 through June 30, 2008, from the California Department of Boating and Waterways, for the purpose of constructing the South Basin Improvements at the Sacramento Marina. Repayment of principal and interest will begin on August 1 immediately following the final draw in thirty annual payments including interest at 4.5%. Construction of the South Basin Improvements will be complete by the Summer of 2009.
- \$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 Old Sacramento.
- \$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. The City pledged future sewer and storm drainage fee revenue to repay the note. The note is payable solely from the sewer and storm drainage fee revenue through March, 2018. Total principal and interest remaining to be paid on the note is \$1,656,526. For the current year, principal and interest paid was \$165,652 and sewer and storm drain fee revenue was \$52,888,000.
- \$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. The City pledged future sewer and storm drainage fee revenue to repay the note. The note is payable solely from the sewer and storm drainage fee revenue through November, 2020. Total principal and interest remaining to be paid on the note is \$30,772,160. For the current year, principal and interest paid was \$2,367,000 and sewer and storm drain fee revenue was \$52,888,000.
- \$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. The City pledged future sewer and storm drainage fee revenue to repay the note. The note is payable solely from the sewer and storm drainage fee revenue through September, 2019. Total principal and interest remaining to be paid on the note is \$4,105,000. For the current year, principal and interest paid was \$342,000 and sewer and storm drain fee revenue was \$52,888,000.
- \$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. The City pledged future sewer and storm drainage fee revenue to repay the note. The note is payable solely from the sewer and storm drainage fee revenue through May, 2021. Total principal and interest remaining to be paid on the note is \$2,145,000. For the current year, principal and interest paid was \$165,000 and sewer and storm drain fee revenue was \$52,888,000.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Notes Payable (Continued)**

- \$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. The City pledged future sewer and storm drainage fee revenue to repay the note. The note is payable solely from the sewer and storm drainage fee revenue through February, 2021. Total principal and interest remaining to be paid on the note is \$5,163,000. For the current year, principal and interest paid was \$397,000 and sewer and storm drain fee revenue was \$52,888,000.
- \$400,000 California Department of Education Note Payable  
To finance the construction of temporary classrooms at Two Rivers School and Sequoia School with maturities of \$40,000 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 prime rate.
- \$1,925,000 Redevelopment Agency Loan Payable – Basin 31  
This loan from the Sacramento Housing and Redevelopment Agency provides interim financing for the acquisition of two parcels of land for construction of the 65<sup>th</sup> Street and Broadway Detention Basin. Repayment of \$1,925,000 is to be made no later than July 2009 and bears no interest.

**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, 2008, future minimum lease payments to be made by the City's General, Solid Waste and Marina Funds are as follows (in thousands):

Fiscal Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2009	\$ 1,776	\$ 728	\$ 2,504
2010	1,212	665	1,877
2011	1,210	303	1,513
2012	1,191	139	1,330
2013	1,190	139	1,329
2014 – 2018	3,703	692	4,395
2019 – 2023	-	624	624
Total minimum lease payments	10,282	3,290	13,572
Less amounts representing interest	(1,476)	(580)	(2,056)
Net present value of minimum lease payments	<u>\$ 8,806</u>	<u>\$ 2,710</u>	<u>\$ 11,516</u>

The following is a schedule of property under capital leases by major classes at June 30, 2008 (in thousands):

	Governmental Activities	Business-Type Activities	Total
Land	\$ 335	\$ -	\$ 335
Building	2,270	1,523	3,793
Equipment	11,032	2,696	13,728
Less: accumulated depreciation	(3,765)	(1,587)	(5,352)
Total	<u>\$ 9,872</u>	<u>\$ 2,632</u>	<u>\$ 12,504</u>

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

For the Fiscal Year Ended June 30, 2008

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

**Other long-term liabilities**

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 leave balances for vacation, sick, and compensated time off. 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.

Other post employment benefits (OPEB) Liability – The City established its OPEB liability at zero as of the beginning of the initial year of implementation of GASB 45. This liability reflects the first year of amortization of the unfunded actuarial liability. See note 9 for more information.

Utility district payable – An amount due to the Sacramento Municipal Utility District for charges due to malfunctioning meters at one of the City’s water treatment plans.

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.

Water fee credits – Issued to developers as consideration for infrastructure constructed on behalf of the City. Credits are redeemable from or against future water development impact fees.

**Future Debt Service Requirements**

The annual debt service requirements for City long-term debt outstanding as of June 30, 2008, and Hotel component unit long-term debt outstanding as of December 31, 2007, 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
2009	\$ 17,675	\$ 25,899
2010	17,540	25,182
2011	18,704	24,295
2012	19,763	23,407
2013	20,794	22,481
2014 – 2018	106,153	98,023
2019 – 2023	92,864	71,922
2024 – 2028	100,389	47,303
2029 – 2033	83,752	22,892
2034 – 2037	43,787	4,507
Subtotals	521,421	365,911
Less: Issuance discounts	(183)	-
Plus: Issuance premiums	21,479	-
Less: Net loss on refunding	(10,363)	-
Totals	<u>\$ 532,354</u>	<u>\$ 365,911</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Future Debt Service Requirements (Continued)**

Fiscal Year Ending June 30,	Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2009	\$ 25,063	\$ 3,985	\$ 1,451	\$ 325
2010	66	37	939	273
2011	69	34	973	237
2012	72	30	991	200
2013	75	27	1,029	161
2014 – 2018	431	82	3,423	280
2019 – 2023	99	4	-	-
Totals	<u>\$ 25,875</u>	<u>\$ 4,199</u>	<u>\$ 8,806</u>	<u>\$ 1,476</u>

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
2009	\$ 11,141	\$ 16,111	\$ 4,747	\$ 1,141
2010	11,810	15,561	2,939	1,263
2011	12,851	14,969	3,012	1,190
2012	13,447	14,333	3,088	1,115
2013	15,331	13,614	3,165	1,037
2014 – 2018	76,708	56,894	16,880	3,951
2019 – 2023	74,773	35,820	10,508	1,859
2024 – 2028	52,131	21,264	1,476	1,141
2029 – 2033	55,243	6,956	1,840	778
2034 – 2038	-	-	2,073	330
2039 – 2043	-	-	249	11
Subtotals	323,435	195,522	49,977	13,816
Less: Issuance discounts	(736)	-	-	-
Plus: Issuance premiums	22,747	-	-	-
Less: Net loss on refunding	(22,481)	-	-	-
Totals	<u>\$ 322,965</u>	<u>\$ 195,522</u>	<u>\$ 49,977</u>	<u>\$ 13,816</u>

Fiscal Year Ending June 30,	Capital Leases	
	Principal	Interest
2009	\$ 630	\$ 98
2010	588	77
2011	244	59
2012	86	53
2013	90	49
2014 – 2018	510	182
2019 – 2023	562	62
Totals	<u>\$ 2,710</u>	<u>\$ 580</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

**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
2009	\$ 5,745	\$ 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	1,300	5,550	410	643
2014 – 2018	10,400	26,281	2,305	2,951
2019 – 2023	21,200	21,613	2,845	2,391
2024 – 2028	28,500	14,119	3,600	1,614
2029 – 2032	27,400	3,831	4,585	596
Subtotals	102,845	94,201	15,235	10,915
Less: Unaccreted interest	(1,025)	-	-	-
Less: Issuance discounts	(664)	-	(124)	-
Totals	\$ 101,156	\$ 94,201	\$ 15,111	\$ 10,915

**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 2007, 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 5.607% through the end of the swap agreement's term. As of June 30, 2008, 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 remarketing on July 19, 2017. 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 19, 2017. The swap agreement terminates on July 19, 2017, and has a notional amount as of June 30, 2008 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 2017. The swap was entered at the same time the Bonds were remarketed (July 2007). Under the swap, the Authority pays the counterparty a fixed payment of 5.607% 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 \$4,193,987 as of June 30, 2008. 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Interest rate swap (Continued)**

*Credit risk.* As of June 30, 2008, 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, 2008. 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.

*Swap payments and associated debt.* Using rates as of June 30, 2008, debt service requirements of the variable rate Bonds and net swap payments, assuming current interest rates remain the same through the July 2017 termination date of the swap and tender date on the Bonds, were as follows (in thousands):

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2009	\$ 1,060	\$ 2,095	\$ 2,641	\$ 5,796
2010	1,215	2,059	2,608	5,882
2011	1,300	2,020	2,498	5,818
2012	1,575	1,978	2,448	6,001
2013	1,775	1,920	2,411	6,106
2014	1,990	1,860	2,349	6,199
2015	2,225	1,793	2,279	6,297
2016	2,475	1,724	2,193	6,392
2017	57,315	1,639	2,057	61,011
<b>TOTAL</b>	<b>\$ 70,930</b>	<b>\$ 17,088</b>	<b>\$ 21,484</b>	<b>\$ 109,502</b>

Beyond the termination date of the swap and mandatory tender date on the bonds in July 2017, the interest rates on the bonds will vary.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**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, 2008.

**Special Assessment Debt**

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$188 million at June 30, 2008. 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**

Outstanding obligations related to special facility and redevelopment agency revenue bonds total \$361 million at June 30, 2008. 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.

**Prior year Defeasance of Debt**

In prior years, the City defeased certain revenue and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2008, \$409 million of such bonds outstanding are considered defeased.

**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.

**City of Sacramento**  
**Notes to the Financial Statements**  
 For the Fiscal Year Ended June 30, 2008

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

**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, except mortgage loans which are recorded at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**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, 2008 were as follows (percent of annual covered payroll):

PERS - Miscellaneous	11.632%
PERS - Safety	23.395
SCERS	1.000

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

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Annual Pension Cost**

PERS

For the fiscal year ended June 30, 2008, the City's annual PERS pension cost of \$36.2 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, 2006 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, 2006 was 30 years for the safety employees' plan and 27 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.

SCERS

For the fiscal year ended June 30, 2008, the City's annual SCERS pension cost of \$3.5 million was equal to the City's required and actual contributions. 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, 2006	\$38.5	100%	\$ -
June 30, 2007	41.2	100	-
June 30, 2008	36.2	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, 2006	\$ -	100%	\$ -
June 30, 2007	-	100	-
June 30, 2008	3.5	100	-

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Funded Status**

The funded status of the plans as of the most recent actuarial valuation dates is as follows (dollars 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>						
6/30/07	\$ 457	\$ 549	\$ 92	83%	\$ 173	53%
<u>PERS – City Safety</u>						
6/30/07	853	971	118	88	100	118
<u>SCERS</u>						
6/30/08	360	392	32	92	9	356

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of assets are increasing or decreasing over time relative to AALs for benefits.

**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, 2008, employees contributed \$2,719,000 and the City contributed \$2,220,000 to the Plan.

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

**Plan Description**

The City provides contributions for post-employment medical and dental benefits to employees who retire directly from the City and their dependents through a single-employer defined benefit OPEB plan (the plan). Participants have the choice of enrolling in one of several health plans and one of two dental plans. To be eligible for the City paid 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 employer contributions range from \$365 and \$542 per month per participant, which covers between 16% and 100% of the benefit cost, depending on the choice of plan and number of dependents. The post employment health and dental care contributions are defined by labor agreements and resolutions approved by the City Council. The City does not issue a separate stand-alone financial report for its OPEB plan.

**Funding Policy**

The City is currently funding the OPEB plan on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The current ARC rate is 11.8 percent of annual covered payroll. The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and the changes in the City's net OPEB obligation.

Annual required contribution (ARC)	\$ 31,525
Interest on beginning net pension assets	-
Adjustment to the annual required contribution	-
Annual OPEB cost	<u>31,525</u>
Contributions made	<u>(10,497)</u>
Increase in net OPEB obligation	21,028
Net OPEB obligation - Beginning of year	<u>-</u>
Net OPEB obligation - End of year	<u><u>\$ 21,028</u></u>
Covered payroll (active plan members)	266,317
UAAL as a percentage of covered payroll	142.83%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2008 were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$31,525	\$10,497	33%	\$21,028

**Funding Status and Progress**

As of June 30, 2007, the most recent actuarial valuation date of the plan was 0% funded. The actuarial accrued liability was \$380,373,000 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$380,373,000. The annual covered payroll was \$266 million and the ratio of the unfunded actuarially accrued liability to the annual covered payroll was 142.9%. The Schedule of Funding Progress is presented as RSI following the notes to the financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into future. Examples of these estimates and assumptions include future employment trends, mortality and the health care cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. Because this is the first valuation under GASB 45, there is no historical information provided in the Schedule of Funding Progress. The schedule will, in subsequent fiscal year, present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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

**Actuarial Methods and Assumptions**

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

In the June 30, 2007, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions utilized a 4.25% discount rate and a medical trend rate of 11% for fiscal year 2007-2008, reduced by decrements of 0.7% each year to an ultimate rate of 4.5%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 30 years.

**Additional Disclosure**

The City implemented GASB Statement 45 prospectively for the fiscal year ended June 30, 2008.

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

The beginning fund balances of the General Fund Projects Fund, the Financing Plans Fund, and the Crocker Art Museum Fund have been reclassified to remove the Willowcreek Fee District balance of \$916,000 and the Crocker Art Museum donations balance of \$12,530,000 out of the General Fund Projects Fund. The Willowcreek Fee District was reclassified into the Financing Plans Fund. The Crocker Art Museum donations were reclassified to the Crocker Art Museum Fund.

At June 30, 2008, the government-wide statement of net assets reported restricted net assets of \$164.5 million in governmental activities. Of these amounts, \$21.0 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 \$4.6 million as of June 30, 2008. 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 \$4.3 million as of June 30, 2008. The Zoo and Golf programs within the fund have deficit balances of \$53,000 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 \$68,000 which will be recovered through future operating income.

For the fiscal year ended June 30, 2008, expenditures exceeded appropriations in the Parks and Recreation special revenue fund by \$1.4 million primarily attributable to the START 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, 2008

**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, 2008 (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	\$ 21,368	\$ -	\$ 21,368
General Fund	Debt service	2,475	27,888	(25,413)
General Fund	Program support	971	4,393	(3,422)
General Fund Capital Projects	Debt service	-	1,453	(1,453)
Crocker Art Museum Expansion	Debt Service	-	1,013	(1,013)
Financing Plans	Debt Service	-	2,525	(2,525)
Transportation and Development	Debt service	-	1,531	(1,531)
Transportation and Development	Program support	1,948	782	1,166
Nonmajor governmental funds	Debt service	31,536	9	31,527
Nonmajor governmental funds	Program support	691	186	505
Internal service funds	Debt service	407	-	407
Internal service funds	Program support	-	23	(23)
Adjustment for transfer of capital assets from governmental funds to enterprise funds	Transfer of capital assets	-	6,695	(6,695)
<b>Total governmental activities</b>		<u>59,396</u>	<u>46,498</u>	<u>12,898</u>
<b>Business type Activities:</b>				
Water Fund	In-lieu transfers	-	6,670	(6,670)
Sewer Fund	In-lieu transfers	-	2,135	(2,135)
Sewer Fund	Program support	17	-	17
Storm Drainage Fund	In-lieu transfers	-	3,624	(3,624)
Solid Waste Fund	In-lieu transfers	-	5,248	(5,248)
Solid Waste Fund	Program support	5	-	5
Community Center Fund	In-lieu transfers	-	1,552	(1,552)
Community Center Fund	Program support	1,754	-	1,754
Parking Fund	In-lieu transfers	-	1,981	(1,981)
Nonmajor enterprise funds	In-lieu transfers	-	159	(159)
Adjustment for transfer of capital assets from governmental funds to enterprise funds	Transfer of capital assets	6,695	-	6,695
<b>Total business-type activities</b>		<u>8,471</u>	<u>21,369</u>	<u>(12,898)</u>
<b>Total government-wide statements</b>		<u>\$ 67,867</u>	<u>\$ 67,867</u>	<u>\$ -</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

**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, 2008 (in thousands):

	Receivables	Payables	Interfund Balances
General Fund	\$ 415	\$ (390)	\$ 25
Capital Grants Fund	-	(23,696)	(23,696)
Financing Plans Fund	523	-	523
Transportation and Development Fund	-	(5,757)	(5,757)
Nonmajor governmental funds	-	(9,658)	(9,658)
Internal service funds	59,065	-	59,065
Governmental Activities Total	<u>\$ 60,003</u>	<u>\$ (39,501)</u>	<u>\$ 20,502</u>
Water Fund	-	(1,315)	(1,315)
Sewer Fund	-	(430)	(430)
Storm Drainage Fund	214	(882)	(668)
Solid Waste Fund	-	(9,699)	(9,699)
Community Center Fund	-	(8,233)	(8,233)
Parking Fund	200	(357)	(157)
Business Type Activities Total	<u>\$ 414</u>	<u>\$ (20,916)</u>	<u>\$ (20,502)</u>
Total	<u>\$ 60,417</u>	<u>\$ (60,417)</u>	<u>\$ -</u>

\$59.1 million was loaned by the City's internal service funds to cover short-term operating deficits (approximately \$39.6 million), to assist in development of community resources (approximately \$15.5 million) and for short-term financing of technology (\$4.0 million).

\$9.7 million was borrowed by various nonmajor governmental funds for short term loans (approximately \$2.0 million), and development of community resources (approximately \$7.7 million). Of this amount, approximately \$7.4 million is not expected to be repaid within one year.

\$23.7 million was borrowed by the Capital Grants Fund for short term loans.

\$5.2 million was borrowed by the Transportation and Development Fund for short term loans.

\$7.6 million was borrowed by the Community Center Fund for development of community resources and is not expected to be repaid within one year.

\$8.7 million was borrowed by the Solid Waste Fund to cover an operating deficit and is not expected to be repaid within one year.

\$4.0 million was borrowed by various enterprise Funds for short-term financing of technology and is not expected to be repaid within one year.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to workers' compensation, 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 \$25 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 Counties Excess Insurance Authority and it provides \$300 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, 2008, 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, 2008, the Fund had net assets of \$36.4 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 are summarized as follows (in thousands):

	2008	2007
Accrued claims, July 1	\$ 57,711	\$ 62,432
Incurred claims and adjustment expenses	5,553	4,813
Claim payments	(13,582)	(9,534)
Accrued claims, June 30	<u>\$ 49,682</u>	<u>\$ 57,711</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**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. See note 7 for more information.

**Construction and Other Commitments**

The City has commitments of \$136.8 million for contracts awarded but not completed as of June 30, 2008. This amount consists of \$8.9 million in the General Fund, \$12.9 million in the special revenue funds, \$100.8 million in the capital projects funds and \$14.2 million in proprietary funds. The major contracts outstanding are for the Crocker Art Museum expansion, the George Sim Community Center expansion, and construction of the Valley Hi – North Laguna Library.

**Contingent Liabilities**

The City participates in a number of federal, state and local grant programs, the principal of which is the Highway Planning and Construction program. 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.

**Real Estate Purchase**

In fiscal year 2007, the City purchased Parcel A, within the downtown Sacramento Railyards, from S. Thomas Enterprises of Sacramento, LLC with a deposit of \$55 million, which included a \$25 million note payable to Bank of America. The note was repaid in December 2008. 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 an 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 2009.

**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 \$12.9 million reported as liability for landfill closure at June 30, 2008, represents the City's estimate of these costs for the next seventeen 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 \$1.9 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, 2008

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**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, 2008, were \$9.4 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, 2008, included \$650,000 to support handicapped transit service through the Sacramento Area Council of Governments, and \$2.5 million 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, 2008, including \$15.1 million in the Transportation and Development Fund from the Sacramento Transportation Authority, \$2.4 million of cable television revenues in the General Fund from the Sacramento Metropolitan Cable Television Commission, and \$2.3 million 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. As of June 30, 2008 the City had a liability due to Sacramento Regional County Sanitation District of \$6.3 million for customer accounts recorded in the City's Sewer Enterprise Fund.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2008

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**NOTE 15 -SPECIAL ITEMS / SUBSEQUENT EVENTS (SACRAMENTO HOTEL CORPORATION)**

The City sold its Lot E Garage in conjunction with the Sacramento Hotel Corporation's May 2008 sale of the Sheraton Grand Hotel. The City's Parking Fund recognized a \$19.9 million gain on the sale of the Lot E Garage.

As a result of the sale of the hotel, the Sacramento Hotel Corporation defeased all of its 1999 Revenue Bonds, Series A and Series B, and distributed \$28.1 million of its remaining assets to the City. The City added \$12 million of the distribution to its General Fund designation for economic uncertainties in fiscal year 2008.

The City paid \$23.5 million to the Sacramento Housing and Redevelopment Agency in fiscal year 2008 under the terms of the sales agreement for reinvestment into projects in the downtown redevelopment area. Of this amount, the City paid \$9.3 million from the Sacramento Hotel Corporation distribution and \$14.2 million from the sale of the Lot E Garage.

The City transferred an additional \$6.5 million of the Sacramento Hotel Corporation distribution to the Sacramento Housing and Redevelopment Agency in fiscal year 2009.

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# Required Supplementary Information

**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>						
6/30/05	\$ 349	\$ 420	\$ 71	83%	\$ 138	51%
6/30/06	398	487	89	82	153	58
6/30/07	457	549	92	83	173	53
<u>PERS – City Safety</u>						
6/30/05	730	823	93	89	84	111
6/30/06	787	908	121	87	92	131
6/30/07	853	971	118	88	100	118
<u>SCERS</u>						
6/30/06	365	395	30	92	10	292
6/30/07	365	395	30	92	10	313
6/30/08	360	392	32	92	9	356

**City of Sacramento**  
**Required Supplementary Information**  
**Schedule of Funding Progress (Unaudited)**  
**Other Post Employment Benefits**  
**(in millions)**

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Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2007	\$ -	\$ 380	\$ 380	0.00%	\$ 266	142.9%

Notes to the Required Supplementary Information

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.
2. Because this is the first valuation under GASB 45, there is no historical information provided. In the future, information from the three most recent valuations will be presented.

## OTHER GOVERNMENTAL FUNDS

Other governmental funds are nonmajor funds reported in the other governmental funds column of the governmental funds financial statements and include:

**OTHER SPECIAL REVENUE FUNDS** are used to account for assets, liabilities, revenues and expenditures related to activities supported by specific taxes or other designated revenue sources. These funds are generally required by statute, charter or ordinance to finance specific government functions. The individual funds are listed in the other special revenue funds section of the CAFR.

**OTHER DEBT SERVICE FUNDS** are used to account for the accumulation of resources and payments of long-term debt principal and interest for the governmental funds. The individual funds are listed in the other debt service funds section of the CAFR.

**THE ASSESSMENT DISTRICT CAPITAL PROJECT FUND** is used to account for the proceeds of special assessment bond issues which are used in the construction of street lighting, curbs, gutters, sidewalks and drainage infrastructure.

**PERMANENT FUNDS** are used to account for resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The individual funds are listed in the permanent funds section of the CAFR.

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

June 30, 2008  
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Assessment District Capital Projects Fund	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and investments held by City	\$ 54,803	\$ 9,869	\$ 23,974	\$ 5,625	\$ 94,271
Cash and investments held by fiscal agent	-	314	-	-	314
Security lending assets	320	-	-	1,023	1,343
Receivables, net:					
Taxes	-	42	-	-	42
Accounts	2,292	-	-	-	2,292
Loans	-	875	-	-	875
Intergovernmental	10,370	59,104	-	-	69,474
Interest	11	108	-	10	129
Inventories	1,315	-	-	-	1,315
Prepaid items	29	-	-	-	29
Restricted assets:					
Cash and investments held by City	1,332	40	-	-	1,372
Cash and investments held by fiscal agent	-	19,924	-	-	19,924
<b>Total assets</b>	<b>\$ 70,472</b>	<b>\$ 90,276</b>	<b>\$ 23,974</b>	<b>\$ 6,658</b>	<b>\$ 191,380</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Securities lending obligations	\$ 320	\$ -	\$ -	\$ 1,023	\$ 1,343
Accounts payable	6,266	3	166	1	6,436
Due to other funds	2,222	-	-	-	2,222
Matured bonds and interest payable	-	3,043	-	-	3,043
Deposits	630	-	-	-	630
Deferred revenue	14,729	59,193	-	-	73,922
Advances from other funds	7,436	-	-	-	7,436
<b>Total liabilities</b>	<b>31,603</b>	<b>62,239</b>	<b>166</b>	<b>1,024</b>	<b>95,032</b>
Fund balances:					
Reserved:					
For noncurrent assets	-	875	-	-	875
For encumbrances	3,769	-	-	-	3,769
For debt service	1,332	19,968	-	-	21,300
For inventories and prepaids	1,344	-	-	-	1,344
For trust obligations	-	-	-	1,934	1,934
Unreserved:					
Designated for capital projects	13,830	-	17,758	-	31,588
Designated for subsequent years' expenditures	773	288	-	202	1,263
Undesignated	17,821	6,906	6,050	3,498	34,275
<b>Total fund balances</b>	<b>38,869</b>	<b>28,037</b>	<b>23,808</b>	<b>5,634</b>	<b>96,348</b>
<b>Total liabilities and fund balances</b>	<b>\$ 70,472</b>	<b>\$ 90,276</b>	<b>\$ 23,974</b>	<b>\$ 6,658</b>	<b>\$ 191,380</b>

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

For the Fiscal Year Ended June 30, 2008  
(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	\$ 40,894	\$ 4,838	\$ -	\$ -	\$ 45,732
Charges for services	5,895	-	-	-	5,895
Interest, rents, and concessions	5,024	1,572	965	24	7,585
Community service fees	3,752	-	-	-	3,752
Assessment levies	23,646	-	2,248	-	25,894
Contributions and donations	148	45	11,178	7	11,378
Miscellaneous	41	9	-	-	50
<b>Total revenues</b>	<b>79,400</b>	<b>6,464</b>	<b>14,391</b>	<b>31</b>	<b>100,286</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	823	-	-	9	832
Police	15,998	-	-	-	15,998
Fire	1,415	-	-	-	1,415
General services	9,060	-	-	-	9,060
Transportation	5,950	-	-	-	5,950
Neighborhood services	149	-	-	-	149
Convention, culture and leisure	8,634	-	-	13	8,647
Economic development	3,849	-	-	-	3,849
Parks and recreation	23,751	-	-	-	23,751
Code enforcement	323	-	-	-	323
Planning	848	-	2,302	-	3,150
Nondepartmental	-	-	-	122	122
Capital outlay	6,977	-	10,592	-	17,569
<b>Debt service:</b>					
Principal	761	14,766	-	-	15,527
Interest and fiscal charges	1,149	21,806	-	35	22,990
<b>Total expenditures</b>	<b>79,687</b>	<b>36,572</b>	<b>12,894</b>	<b>179</b>	<b>129,332</b>
Excess (deficiency) of revenues over (under) expenditures	(287)	(30,108)	1,497	(148)	(29,046)
<b>Other financing sources (uses):</b>					
Transfers in	691	31,536	-	-	32,227
Transfers out	(186)	(9)	-	-	(195)
<b>Total other financing sources</b>	<b>505</b>	<b>31,527</b>	<b>-</b>	<b>-</b>	<b>32,032</b>
<b>Net change in fund balances</b>	<b>218</b>	<b>1,419</b>	<b>1,497</b>	<b>(148)</b>	<b>2,986</b>
Fund balances, beginning of year	38,651	26,618	22,311	5,782	93,362
<b>Fund balances, end of year</b>	<b>\$ 38,869</b>	<b>\$ 28,037</b>	<b>\$ 23,808</b>	<b>\$ 5,634</b>	<b>\$ 96,348</b>

## OTHER SPECIAL REVENUE FUNDS

Special revenue funds are used to account for assets, liabilities, revenues and expenditures related to activities supported by specific taxes or other designated revenue sources. These funds are generally required by statute, charter or ordinance to finance specific government functions. The following special revenue funds have been classified as nonmajor funds:

**THE CULTURE AND LEISURE FUND** is used to account for a variety of cultural arts and leisure activities. Programs in the Culture and Leisure Fund include the Sacramento Zoo, Fairytale Town, Art in Public Places, Old Sacramento Market, H Street Theatre, Golf and the Crocker Master Trust.

**THE PARKS AND RECREATION FUND** is used to account for a variety of parks programs and recreation activities. Programs in the Parks and Recreation Fund include START, Quimby, Special Recreation, Land Park, Sutter Parks, the Special Program Donations and the Ethel MacLeod Hart Trust.

**THE GRANTS FUND** is used to account for federal, state and other agency grants received for various specific purposes.

**THE SPECIAL DISTRICTS FUND** is used to account for a variety of programs that provide maintenance, infrastructure, facilities and administration for specific areas of the City. The Special Districts Fund includes the Downtown Sacramento Management District Program, the Landscaping and Lighting Districts Program, the Maintenance Benefit Area Program, the Assessment District Maintenance Program, several Business Improvement Districts and the Special District Administration Program.

**THE CAL EPA FUND** is used to account for the expenditures associated with the maintenance of the Joe Serna, Jr. California EPA Headquarters Building.

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**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
 June 30, 2008  
 (in thousands)

	Culture and Leisure Fund	Parks and Recreation Fund	Grants Fund
<b>ASSETS</b>			
Cash and investments held by City	\$ 2,010	\$ 31,632	\$ 2,930
Security lending assets	-	320	-
Receivables, net:			
Accounts	1,226	154	-
Intergovernmental	-	1,389	8,981
Interest	8	3	-
Inventories	-	1,315	-
Prepaid items	-	10	19
Restricted assets:			
Cash and investments held by City	732	-	-
Total assets	<u>\$ 3,976</u>	<u>\$ 34,823</u>	<u>\$ 11,930</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Securities lending obligations	\$ -	\$ 320	\$ -
Accounts payable	236	3,533	1,343
Due to other funds	195	-	2,021
Deposits	5	154	471
Deferred revenue	400	1,661	12,668
Advances from other funds	7,436	-	-
Total liabilities	<u>8,272</u>	<u>5,668</u>	<u>16,503</u>
Fund balances (deficit):			
Reserved:			
For encumbrances	107	2,334	1,274
For debt service	732	-	-
For inventories and prepaids	-	1,325	19
Unreserved:			
Designated for capital projects	-	9,824	-
Designated for subsequent years' expenditures	-	186	-
Undesignated	(5,135)	15,486	(5,866)
Total fund balances (deficit)	<u>(4,296)</u>	<u>29,155</u>	<u>(4,573)</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,976</u>	<u>\$ 34,823</u>	<u>\$ 11,930</u>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**  
June 30, 2008  
(in thousands)

	Special Districts Fund	Cal EPA Fund	Total Other Special Revenue Funds
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 15,989	\$ 2,242	\$ 54,803
Security lending assets	-	-	320
Receivables, net:			
Accounts	872	40	2,292
Intergovernmental	-	-	10,370
Interest	-	-	11
Inventories	-	-	1,315
Prepaid items	-	-	29
Restricted assets:			
Cash and investments held by City	600	-	1,332
Total assets	<u>\$ 17,461</u>	<u>\$ 2,282</u>	<u>\$ 70,472</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Securities lending obligations	\$ -	\$ -	\$ 320
Accounts payable	1,154	-	6,266
Due to other funds	6	-	2,222
Deposits	-	-	630
Deferred revenue	-	-	14,729
Advances from other funds	-	-	7,436
Total liabilities	<u>1,160</u>	<u>-</u>	<u>31,603</u>
Fund balances (deficit):			
Reserved:			
For encumbrances	54	-	3,769
For debt service	600	-	1,332
For inventories and prepaids	-	-	1,344
Unreserved:			
Designated for capital projects	4,006	-	13,830
Designated for subsequent years' expenditures	587	-	773
Undesignated	11,054	2,282	17,821
Total fund balances (deficit)	<u>16,301</u>	<u>2,282</u>	<u>38,869</u>
Total liabilities and fund balances (deficit)	<u>\$ 17,461</u>	<u>\$ 2,282</u>	<u>\$ 70,472</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, 2008

(in thousands)

	Culture and Leisure Fund	Parks and Recreation Fund	Grants Fund
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 10,932	\$ 22,098
Charges for services	5,895	-	-
Interest, rents, and concessions	2,089	2,131	183
Community service fees	-	3,752	-
Assessment levies	-	-	-
Contributions and donations	85	63	-
Miscellaneous	27	14	-
	<u>8,096</u>	<u>16,892</u>	<u>22,281</u>
<b>Total revenues</b>			
<b>Expenditures:</b>			
<b>Current:</b>			
General government	-	-	-
Police	-	-	15,998
Fire	-	-	1,415
General services	-	-	-
Transportation	176	-	-
Neighborhood services	-	-	-
Convention, culture and leisure	6,318	-	122
Economic development	-	-	15
Parks and recreation	-	12,745	4,239
Code enforcement	-	-	323
Planning	-	-	604
Capital outlay	194	4,268	1,219
<b>Debt service:</b>			
Principal	411	-	-
Interest and fiscal charges	913	-	-
	<u>8,012</u>	<u>17,013</u>	<u>23,935</u>
<b>Total expenditures</b>			
Excess (deficiency) of revenues over (under) expenditures	<u>84</u>	<u>(121)</u>	<u>(1,654)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	691	-
Transfers out	-	(56)	(130)
	<u>-</u>	<u>635</u>	<u>(130)</u>
<b>Total other financing sources (uses)</b>			
Net change in fund balances	84	514	(1,784)
Fund balances (deficit), beginning of year	<u>(4,380)</u>	<u>28,641</u>	<u>(2,789)</u>
Fund balances (deficit), end of year	<u>\$ (4,296)</u>	<u>\$ 29,155</u>	<u>\$ (4,573)</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, 2008  
(in thousands)

	Special Districts Fund	Cal EPA Fund	Total Other Special Revenue Funds
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 7,864	\$ 40,894
Charges for services	-	-	5,895
Interest, rents, and concessions	528	93	5,024
Community service fees	-	-	3,752
Assessment levies	23,646	-	23,646
Contributions and donations	-	-	148
Miscellaneous	-	-	41
<b>Total revenues</b>	<b>24,174</b>	<b>7,957</b>	<b>79,400</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	823	-	823
Police	-	-	15,998
Fire	-	-	1,415
General services	1,342	7,718	9,060
Transportation	5,774	-	5,950
Neighborhood services	149	-	149
Convention, culture and leisure	2,194	-	8,634
Economic development	3,834	-	3,849
Parks and recreation	6,767	-	23,751
Code enforcement	-	-	323
Planning	244	-	848
Capital outlay	1,296	-	6,977
<b>Debt service:</b>			
Principal	350	-	761
Interest and fiscal charges	236	-	1,149
<b>Total expenditures</b>	<b>23,009</b>	<b>7,718</b>	<b>79,687</b>
Excess (deficiency) of revenues over (under) expenditures	1,165	239	(287)
<b>Other financing sources (uses):</b>			
Transfers in	-	-	691
Transfers out	-	-	(186)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>505</b>
<b>Net change in fund balances</b>	<b>1,165</b>	<b>239</b>	<b>218</b>
<b>Fund balances (deficit), beginning of year</b>	<b>15,136</b>	<b>2,043</b>	<b>38,651</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 16,301</b>	<b>\$ 2,282</b>	<b>\$ 38,869</b>

# City of Sacramento

## Culture and Leisure Special Revenue Fund

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

#### - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 7,144	\$ 7,144	\$ 5,726	\$ (1,418)
Interest, rents and concessions	197	197	2,059	1,862
Community service fees	-	-	-	-
Donations	45	45	85	40
Miscellaneous	62	62	27	(35)
Total revenues	7,448	7,448	7,897	449
Expenditures:				
Current:				
Convention, culture and leisure	6,363	6,425	6,264	161
Capital Outlay	315	315	194	121
Debt Service:				
Principal	457	457	411	46
Interest and fiscal charges	698	698	913	(215)
Total expenditures	7,833	7,895	7,782	113
Excess (deficiency) of revenues over (under) expenditures	(385)	(447)	115	562
Other financing sources (uses):				
Other financing sources	467	467	-	(467)
Total other financing sources (uses)	467	467	-	(467)
Net change in fund balance	\$ 82	\$ 20	115	\$ 95
Net change in fund balance for Culture and Leisure Special Revenue Fund activities for which annual budgets are not adopted.			(31)	
Net change in fund balance			\$ 84	

**City of Sacramento**  
**Parks and Recreation Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**- Budget and Actual**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 7,230	\$ 8,022	\$ 10,932	\$ 2,910
Interest, rents and concessions	145	1,130	2,131	1,001
Community service fees	3,004	4,088	3,752	(336)
Donations	-	-	63	63
Miscellaneous	112	112	14	(98)
<b>Total revenues</b>	<b>10,491</b>	<b>13,352</b>	<b>16,892</b>	<b>3,540</b>
Expenditures:				
Current:				
Parks and recreation	10,661	11,459	12,745	(1,286)
Capital outlay	9,033	4,122	4,268	(146)
<b>Total expenditures</b>	<b>19,694</b>	<b>15,581</b>	<b>17,013</b>	<b>(1,432)</b>
Excess (deficiency) of revenues over (under) expenditures	(9,203)	(2,229)	(121)	2,108
Other financing sources (uses):				
Transfers in	688	691	691	-
Transfers out	-	-	(56)	(56)
<b>Total other financing sources (uses)</b>	<b>688</b>	<b>691</b>	<b>635</b>	<b>(56)</b>
<b>Net change in fund balance</b>	<b>\$ (8,515)</b>	<b>\$ (1,538)</b>	<b>\$ 514</b>	<b>\$ 2,052</b>

**City of Sacramento**  
**Special Districts Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**- Budget and Actual**

For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Interest, rents, and penalties	\$ 33	\$ 33	\$ 528	\$ 495
Assessment levies	21,347	22,723	23,646	923
Total revenues	21,380	22,756	24,174	1,418
Expenditures:				
Current:				
General government	486	492	823	(331)
General services	994	1,342	1,342	-
Transportation	5,548	5,819	5,774	45
Neighborhood services	325	275	149	126
Convention, culture and leisure	2,105	2,105	2,194	(89)
Economic development	3,486	4,470	3,834	636
Parks and recreation	6,665	6,667	6,767	(100)
Planning	266	311	244	67
Capital outlay	5,279	5,232	1,296	3,936
Debt Service:				
Principal	350	350	350	-
Interest and fiscal charges	236	236	236	-
Total expenditures	25,740	27,299	23,009	4,290
Net change in fund balance	\$ (4,360)	\$ (4,543)	\$ 1,165	\$ 5,708

# City of Sacramento

## Cal EPA Special Revenue Fund

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

#### - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 7,874	\$ 7,874	\$ 7,864	(10)
Interest	-	-	93	93
Total revenues	<u>7,874</u>	<u>7,874</u>	<u>7,957</u>	<u>83</u>
Expenditures:				
Current:				
General services	<u>7,874</u>	<u>7,874</u>	<u>7,718</u>	<u>156</u>
Total expenditures	<u>7,874</u>	<u>7,874</u>	<u>7,718</u>	<u>156</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ 239</u>

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## OTHER DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources and payments of long-term debt principal and interest for the governmental funds. The following debt service funds have been classified as nonmajor funds:

**THE 1993 SERIES A REVENUE BOND FUND** is used to account for refunded debt service activities related to the City of Sacramento's 1986 COP issue, for the debt service activity related to the partial refunding of the City of Sacramento's 1991 Marks-Roos Revenue Bond issuance, and to pay costs of issuance of the bonds.

**THE 1993 SERIES B REVENUE BOND FUND** is used to account for refunded debt service activities related to the City of Sacramento's 1989 COP issuance and to pay costs of issuance of the bonds.

**THE 1995 SERIES A GAS TAX REVENUE BOND FUND** is used to account for debt service activities related to financing the acquisition and construction of street improvements in the City.

**THE 2002 CAPITAL IMPROVEMENT REVENUE BOND FUND** is used to account for debt service activities related to financing various capital improvements and redevelopment projects including the new Civic Center, I-5 Arena Interchange and certain fire trucks and fire stations. These bonds were partially refunded with the 2005 Refunding Revenue Bonds, and with the 2006 Series E Refunding Revenue Bonds.

**THE 2002 REFUNDING REVENUE BOND LIGHT RAIL PROJECTS FUND** is used to account for refunded debt service activities related to the City of Sacramento's 1991 Refunded Certificates of Participation (Light Rail Transit Projects).

**THE 2002 REFUNDING REVENUE BOND PUBLIC FACILITIES PROJECTS FUND** is used to account for refunded debt service activities related to the City of Sacramento's 1991 Refunded Certificates of Participation (1987 Public Facilities Projects).

**THE 2003 CAPITAL IMPROVEMENT REVENUE BOND FUND** is used to account for debt service activities related to financing the acquisition and construction of the 911 Dispatch and Training Facility, a regional park, a corporation yard, a library, fire stations and other municipal projects. These bonds were partially refunded by the 2006 Series E Refunding Revenue Bonds.

**THE 2005 REFUNDING REVENUE BOND FUND** is used to account for refunded debt service related to refinancing all of the 2000 Capital Improvement Revenue Bonds and a portion of the 1999, 2001 and 2002 Capital Improvement Revenue Bonds, and to pay the costs of issuance.

## **OTHER DEBT SERVICE FUNDS (continued)**

**THE 2006 CAPITAL IMPROVEMENT REVENUE BOND SERIES A (TAX EXEMPT) FUND** is used to account for debt service activities related to financing the expansion of the Crocker Art Museum and other public capital improvements and redevelopment projects.

**THE 2006 CAPITAL IMPROVEMENT REVENUE BOND SERIES B (TAXABLE) FUND** is used to account for debt service activities related to financing an arts rehearsal facility and other public capital improvements and redevelopment projects.

**THE 2006 CAPITAL IMPROVEMENT REVENUE BOND SERIES C (TAX EXEMPT) FUND** is used to account for debt service activities related to financing the City's new Richards Boulevard building and improvements.

**THE 2006 CAPITAL IMPROVEMENT REVENUE BOND SERIES D (TAXABLE)** is used to account for debt service activities related to financing the City's new Richards Boulevard building and improvements.

**THE 2006 CAPITAL IMPROVEMENT REVENUE BOND SERIES E (REFUNDING) FUND** is used to account for refunding debt service related to refinancing all of the 2001 Capital Improvement Revenue Bonds and a portion of the 2002 and 2003 Capital Improvement Revenue Bonds, and to pay the costs of issuance.

**THE OTHER CITY DEBT FUND** is used to account for debt service activities related to financing equipment for street lighting and other programs of the City.

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

June 30, 2008

(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><u>ASSETS</u></b>				
Cash and investments held by City	\$ 1,096	\$ 2,695	\$ 92	\$ 258
Cash and investments held by fiscal agent	-	-	86	-
Receivables, net:				
Taxes	-	-	42	-
Loans	-	-	-	-
Intergovernmental	-	-	-	11,425
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><u>\$ 2,321</u></b>	<b><u>\$ 6,045</u></b>	<b><u>\$ 1,636</u></b>	<b><u>\$ 11,683</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 3
Matured bonds and interest payable	-	-	-	-
Deferred revenue	13	35	42	11,425
<b>Total liabilities</b>	<b><u>13</u></b>	<b><u>35</u></b>	<b><u>42</u></b>	<b><u>11,428</u></b>
Fund balances:				
Reserved:				
For noncurrent assets	-	-	-	-
For debt service	1,212	3,315	1,416	-
Unreserved:				
Designated for subsequent years' expenditures	-	-	178	110
Undesignated	1,096	2,695	-	145
<b>Total fund balances</b>	<b><u>2,308</u></b>	<b><u>6,010</u></b>	<b><u>1,594</u></b>	<b><u>255</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,321</u></b>	<b><u>\$ 6,045</u></b>	<b><u>\$ 1,636</u></b>	<b><u>\$ 11,683</u></b>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**  
 June 30, 2008  
 (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	\$ 3,311	\$ 1,430	\$ -	\$ 629
Cash and investments held by fiscal agent	150	60	-	9
Receivables, net:				
Taxes	-	-	-	-
Loans	-	-	-	-
Intergovernmental	-	-	21,115	8,807
Interest	32	14	-	5
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>\$ 5,442</b>	<b>\$ 2,325</b>	<b>\$ 21,115</b>	<b>\$ 16,377</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Matured bonds and interest payable	2,183	860	-	-
Deferred revenue	-	-	21,115	8,807
<b>Total liabilities</b>	<b>2,183</b>	<b>860</b>	<b>21,115</b>	<b>8,807</b>
Fund balances:				
Reserved:				
For noncurrent assets	-	-	-	-
For debt service	1,949	821	-	6,927
Unreserved:				
Designated for subsequent years' expenditures	-	-	-	-
Undesignated	1,310	644	-	643
<b>Total fund balances</b>	<b>3,259</b>	<b>1,465</b>	<b>-</b>	<b>7,570</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,442</b>	<b>\$ 2,325</b>	<b>\$ 21,115</b>	<b>\$ 16,377</b>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**  
June 30, 2008  
(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	\$ 260	\$ -	\$ 98	\$ 9,869
Cash and investments held by fiscal agent	5	-	4	314
Receivables, net:				
Taxes	-	-	-	42
Loans	-	-	875	875
Intergovernmental	14,307	1,990	1,460	59,104
Interest	9	-	-	108
Restricted assets:				
Cash and investments held by City	-	40	-	40
Cash and investments held by fiscal agent	4,002	-	282	19,924
<b>Total assets</b>	<b>\$ 18,583</b>	<b>\$ 2,030</b>	<b>\$ 2,719</b>	<b>\$ 90,276</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 3
Matured bonds and interest payable	-	-	-	3,043
Deferred revenue	14,306	1,990	1,460	59,193
<b>Total liabilities</b>	<b>14,306</b>	<b>1,990</b>	<b>1,460</b>	<b>62,239</b>
Fund balances:				
Reserved:				
For noncurrent assets	-	-	875	875
For debt service	4,002	40	286	19,968
Unreserved:				
Designated for subsequent years' expenditures	-	-	-	288
Undesignated	275	-	98	6,906
<b>Total fund balances</b>	<b>4,277</b>	<b>40</b>	<b>1,259</b>	<b>28,037</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,583</b>	<b>\$ 2,030</b>	<b>\$ 2,719</b>	<b>\$ 90,276</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, 2008  
(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
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 2,086
Interest, rents, and concessions	120	314	50	9
Contributions and donations	-	-	45	-
Miscellaneous	-	-	-	-
Total revenues	<u>120</u>	<u>314</u>	<u>95</u>	<u>2,095</u>
Expenditures:				
Debt service:				
Principal	520	1,503	1,390	3,766
Interest and fiscal charges	<u>547</u>	<u>1,516</u>	<u>143</u>	<u>1,232</u>
Total expenditures	<u>1,067</u>	<u>3,019</u>	<u>1,533</u>	<u>4,998</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(947)</u>	<u>(2,705)</u>	<u>(1,438)</u>	<u>(2,903)</u>
Other financing sources (uses):				
Transfers in	1,066	3,019	1,531	2,968
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,066</u>	<u>3,019</u>	<u>1,531</u>	<u>2,968</u>
Net change in fund balances	119	314	93	65
Fund balances, beginning of year	<u>2,189</u>	<u>5,696</u>	<u>1,501</u>	<u>190</u>
Fund balances, end of year	<u>\$ 2,308</u>	<u>\$ 6,010</u>	<u>\$ 1,594</u>	<u>\$ 255</u>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	2002 Refunding Revenue Bond Light Rail Projects Fund	2002 Refunding Revenue Bond Public Facilities Projects Fund	2003 Capital Improvement Revenue Bond Fund	2005 Refunding Revenue Bond Fund
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,032
Interest, rents, and concessions	265	116	-	-
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>265</b>	<b>116</b>	<b>-</b>	<b>1,032</b>
Expenditures:				
Debt service:				
Principal	1,930	762	1,100	-
Interest and fiscal charges	507	198	1,200	2,872
<b>Total expenditures</b>	<b>2,437</b>	<b>960</b>	<b>2,300</b>	<b>2,872</b>
(Deficiency) excess of revenues (under) over expenditures	(2,172)	(844)	(2,300)	(1,840)
Other financing sources (uses):				
Transfers in	2,436	959	2,300	1,837
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,436</b>	<b>959</b>	<b>2,300</b>	<b>1,837</b>
Net change in fund balances	264	115	-	(3)
Fund balances, beginning of year	2,995	1,350	-	3
Fund balances, end of year	\$ 3,259	\$ 1,465	\$ -	\$ -

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, 2008

(in thousands)

	2006 Series A Revenue Bond Fund	2006 Series B Revenue Bond Fund	2006 Series C Revenue Bond Fund	2006 Series D Revenue Bond Fund
Revenues:				
Intergovernmental	\$ 561	\$ 1,035	\$ -	\$ -
Interest, rents, and concessions	389	229	-	-
Contributions and donations	-	-	-	-
Miscellaneous	-	9	-	-
Total revenues	<u>950</u>	<u>1,273</u>	<u>-</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	2,455	720	485	-
Interest and fiscal charges	4,419	3,246	1,398	126
Total expenditures	<u>6,874</u>	<u>3,966</u>	<u>1,883</u>	<u>126</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(5,924)</u>	<u>(2,693)</u>	<u>(1,883)</u>	<u>(126)</u>
Other financing sources (uses):				
Transfers in	6,259	2,841	1,883	126
Transfers out	-	(9)	-	-
Total other financing sources (uses)	<u>6,259</u>	<u>2,832</u>	<u>1,883</u>	<u>126</u>
Net change in fund balances	335	139	-	-
Fund balances, beginning of year	<u>7,235</u>	<u>4,138</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 7,570</u>	<u>\$ 4,277</u>	<u>\$ -</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, 2008

(in thousands)

	2006 Series E Revenue Bond Fund	Other City Debt Fund	Total Other Debt Service Funds
Revenues:			
Intergovernmental	\$ 52	\$ 72	\$ 4,838
Interest, rents, and concessions	2	78	1,572
Contributions and donations	-	-	45
Miscellaneous	-	-	9
Total revenues	<u>54</u>	<u>150</u>	<u>6,464</u>
Expenditures:			
Debt service:			
Principal	-	135	14,766
Interest and fiscal charges	4,130	272	21,806
Total expenditures	<u>4,130</u>	<u>407</u>	<u>36,572</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(4,076)</u>	<u>(257)</u>	<u>(30,108)</u>
Other financing sources (uses):			
Transfers in	4,078	233	31,536
Transfers out	-	-	(9)
Total other financing sources (uses)	<u>4,078</u>	<u>233</u>	<u>31,527</u>
Net change in fund balances	2	(24)	1,419
Fund balances, beginning of year	<u>38</u>	<u>1,283</u>	<u>26,618</u>
Fund balances, end of year	<u>\$ 40</u>	<u>\$ 1,259</u>	<u>\$ 28,037</u>

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## PERMANENT FUNDS

Permanent funds are used to account for resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The resources must be spent as provided in legal trust agreements and related state laws. The following permanent funds have been classified as nonmajor funds:

**THE ANN LAND FUND** is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

**THE BERTHA HENSCHEL FUND** is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

**THE GEORGE CLARK SCHOLARSHIP FUND** is used to account for an endowment established by George Clark, Mayor of Sacramento in 1900. The investment income is available to provide college scholarships for Sacramento high school seniors.

**THE WINCHESTER G. AND MARY ALICE FELT FUND** is used to account for an endowment established by Mary Alice Felt. The investment income is available to the Sacramento Archives and Museum Collection Center for expenses related to collection, development and preservation.

**THE ALICE MILLER FUND** is used to account for gifts to the City. The investment income is available to care for the City cemeteries.

**THE SACRAMENTO MUSEUM OF HISTORY, SCIENCE, AND TECHNOLOGY FUND** is used to account for gifts to the Museum. The investment income is available to help pay the operating expenses of the Museum.

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**City of Sacramento**  
**Permanent Funds**  
**Combining Balance Sheet**  
 June 30, 2008  
 (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	\$ 819	\$ 2,449	\$ 767	\$ 1,243
Security lending assets	224	671	128	-
Receivables, net:				
Interest	<u>2</u>	<u>6</u>	<u>2</u>	<u>-</u>
Total assets	<u>\$ 1,045</u>	<u>\$ 3,126</u>	<u>\$ 897</u>	<u>\$ 1,243</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Securities lending obligations	\$ 224	\$ 671	\$ 128	\$ -
Accounts payable	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>224</u>	<u>672</u>	<u>128</u>	<u>-</u>
Fund balances:				
Reserved:				
For trust obligations	272	278	25	1,056
Unreserved:				
Designated for subsequent years' expenditures	50	152	-	-
Undesignated	<u>499</u>	<u>2,024</u>	<u>744</u>	<u>187</u>
Total fund balances	<u>821</u>	<u>2,454</u>	<u>769</u>	<u>1,243</u>
Total liabilities and fund balances	<u>\$ 1,045</u>	<u>\$ 3,126</u>	<u>\$ 897</u>	<u>\$ 1,243</u>

**City of Sacramento**  
**Permanent Funds**  
**Combining Balance Sheet**  
 June 30, 2008  
 (in thousands)

	Alice Miller Fund	Sacramento Museum of History, Science & Technology Fund	Total Permanent Funds
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 45	\$ 302	\$ 5,625
Security lending assets	-	-	1,023
Receivables, net:			
Interest	-	-	10
Total assets	<u>\$ 45</u>	<u>\$ 302</u>	<u>\$ 6,658</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Securities lending obligations	\$ -	\$ -	\$ 1,023
Accounts payable	-	-	1
Total liabilities	<u>-</u>	<u>-</u>	<u>1,024</u>
Fund balances:			
Reserved:			
For trust obligations	3	300	1,934
Unreserved:			
Designated for subsequent years' expenditures	-	-	202
Undesignated	42	2	3,498
Total fund balances	<u>45</u>	<u>302</u>	<u>5,634</u>
Total liabilities and fund balances	<u>\$ 45</u>	<u>\$ 302</u>	<u>\$ 6,658</u>

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

For the Fiscal Year Ended June 30, 2008  
(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	\$ 1	\$ 2	\$ (47)	\$ 53
Contributions and donations	-	1	-	6
Total revenues	<u>1</u>	<u>3</u>	<u>(47)</u>	<u>59</u>
Expenditures:				
Current:				
General government	-	-	4	5
Convention, culture and leisure	-	-	-	-
Nondepartmental	25	77	20	-
Debt service:				
Interest and fiscal charges	<u>8</u>	<u>23</u>	<u>4</u>	<u>-</u>
Total expenditures	<u>33</u>	<u>100</u>	<u>28</u>	<u>5</u>
Excess (deficiency) of revenues over (under) expenditures	(32)	(97)	(75)	54
Fund balances, beginning of year	<u>853</u>	<u>2,551</u>	<u>844</u>	<u>1,189</u>
Fund balances, end of year	<u>\$ 821</u>	<u>\$ 2,454</u>	<u>\$ 769</u>	<u>\$ 1,243</u>

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

For the Fiscal Year ended June 30, 2008  
(in thousands)

	Alice Miller Fund	Sacramento Museum of History, Science & Technology Fund	Total Permanent Funds
Revenues:			
Interest, rents, and concessions	\$ 2	\$ 13	\$ 24
Contributions and donations	-	-	7
Total revenues	<u>2</u>	<u>13</u>	<u>31</u>
Expenditures:			
Current:			
General government	-	-	9
Convention, culture and leisure	-	13	13
Nondepartmental	-	-	122
Debt service:			
Interest and fiscal charges	-	-	35
Total expenditures	<u>-</u>	<u>13</u>	<u>179</u>
Excess (deficiency) of revenues over (under) expenditures	2	-	(148)
Fund balances, beginning of year	<u>43</u>	<u>302</u>	<u>5,782</u>
Fund balances, end of year	<u>\$ 45</u>	<u>\$ 302</u>	<u>\$ 5,634</u>

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## OTHER ENTERPRISE FUNDS

Enterprise funds are used to account for self-supporting City programs that provide services on a user-fee basis to the general public. The following enterprise funds have been classified as nonmajor funds:

**THE 4<sup>th</sup> R FUND** is used to account for a program that provides school age child care services at various locations throughout the City.

**THE MARINA FUND** is used to account for the operation and maintenance of the City's Marina located on the Sacramento River at Miller Park.

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

June 30, 2008  
(in thousands)

	4th R Fund	Marina Fund	Total Other Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ 1,635	\$ 176	\$ 1,811
Receivables, net:			
Accounts	252	10	262
Prepaid items	8	-	8
Total current assets	<u>1,895</u>	<u>186</u>	<u>2,081</u>
Restricted assets:			
Cash and investments held by City	732	8	740
Deferred charges	214	-	214
Capital assets:			
Land	-	3,821	3,821
Buildings and improvements	1,546	7,378	8,924
Machinery and equipment	-	38	38
Construction in progress	-	8,722	8,722
Less: accumulated depreciation	<u>(330)</u>	<u>(6,734)</u>	<u>(7,064)</u>
Total noncurrent assets	<u>2,162</u>	<u>13,233</u>	<u>15,395</u>
Total assets	<u>4,057</u>	<u>13,419</u>	<u>17,476</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Assets**  
 June 30, 2008  
 (in thousands)

	4th R Fund	Marina Fund	Total Other Enterprise Funds
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable and accrued expenses	788	1,311	2,099
Accrued compensated absences	9	6	15
Interest payable	-	247	247
Deposits	-	141	141
Unearned revenue	957	20	977
Capital lease payable, current portion	-	76	76
Notes payable, current portion	60	195	255
Total current liabilities	1,814	1,996	3,810
Noncurrent liabilities:			
Accrued compensated absences	289	23	312
OPEB liability	25	18	43
Capital lease obligations payable	-	1,410	1,410
Notes payable	180	10,040	10,220
Total noncurrent liabilities	494	11,491	11,985
Total liabilities	2,308	13,487	15,795
<b><u>NET ASSETS (DEFICIT)</u></b>			
Invested in capital assets, net of related debt	976	1,265	2,241
Unrestricted	773	(1,333)	(560)
Total net assets (deficit)	\$ 1,749	\$ (68)	\$ 1,681

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**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Fund Net Assets**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	4th R Fund	Marina Fund	Total Other Enterprise Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 5,497	\$ 1,367	\$ 6,864
Miscellaneous	90	11	101
Total operating revenues	<u>5,587</u>	<u>1,378</u>	<u>6,965</u>
Operating expenses:			
Employee services	5,463	425	5,888
Services and supplies	1,069	410	1,479
Depreciation	72	116	188
Total operating expenses	<u>6,604</u>	<u>951</u>	<u>7,555</u>
Operating income (loss)	<u>(1,017)</u>	<u>427</u>	<u>(590)</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	76	39	115
Revenue from other agencies	654	-	654
Interest expense	-	(306)	(306)
Total nonoperating revenues (expenses)	<u>730</u>	<u>(267)</u>	<u>463</u>
Income (loss) before transfers	(287)	160	(127)
Transfers out	-	(159)	(159)
Changes in net assets	(287)	1	(286)
Total net assets (deficit), beginning of year	<u>2,036</u>	<u>(69)</u>	<u>1,967</u>
Total net assets (deficit), end of year	<u>\$ 1,749</u>	<u>\$ (68)</u>	<u>\$ 1,681</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	4th R Fund	Marina Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 5,799	\$ 1,436	\$ 7,235
Payments to suppliers	(1,061)	(354)	(1,415)
Payments to employees	(5,229)	(393)	(5,622)
Net cash provided by (used for) operating activities	(491)	689	198
Cash flows from noncapital financing activities:			
Transfers out to other funds	-	(159)	(159)
Intergovernmental revenue received	654	-	654
Net cash (used for) provided by noncapital financing activities	654	(159)	495
Cash flows from capital and related financing activities:			
Proceeds from issuance of debt	-	5,749	5,749
Acquisition and construction of capital assets	(227)	(6,594)	(6,821)
Principal payments on capital debt	(20)	(224)	(244)
Interest payments on capital debt	-	(314)	(314)
Net cash used for capital and related financing activities	(247)	(1,383)	(1,630)
Cash flows from investing activities:			
Collection of interest and investment revenue	76	39	115
Net cash provided by investing activities	76	39	115
Net increase (decrease) in cash and cash equivalents	(8)	(814)	(822)
Cash and cash equivalents, beginning of year	2,375	998	3,373
Cash and cash equivalents, end of year	<u>\$ 2,367</u>	<u>\$ 184</u>	<u>\$ 2,551</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:			
Cash and investments held by City	\$ 1,635	\$ 176	\$ 1,811
Restricted cash and investments held by City	732	8	740
Total cash and cash equivalents, end of year	<u>\$ 2,367</u>	<u>\$ 184</u>	<u>\$ 2,551</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	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)	\$ (1,017)	\$ 427	\$ (590)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	72	116	188
Changes in assets and liabilities:			
Accounts receivable	(250)	(1)	(251)
Prepaid items	4	-	4
Deferred charges	8	-	8
Accounts payable and accrued expenses	178	63	241
Accrued compensated absences	27	7	34
OPEB liabilities	25	18	43
Deposits	-	53	53
Unearned revenue	462	6	468
Net cash provided by (used for) operating activities	<u>\$ (491)</u>	<u>\$ 689</u>	<u>\$ 198</u>
Noncash investing, capital and financing activities:			
Acquisition of capital assets on accounts payable	\$ -	\$ 1,220	\$ 1,220

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## INTERNAL SERVICE FUNDS

Internal service funds are established to finance and account for goods or services provided by one department within the City to other departments on a cost reimbursement basis. The following are internal service funds:

**THE FLEET MANAGEMENT FUND** is used to account for the operation, maintenance and replacement of the City's fleet of vehicles that serve the transportation needs of all City departments and divisions.

**THE RISK MANAGEMENT FUND** is used to finance and account for the City's risk management and insurance programs.

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

June 30, 2008  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ 6,926	\$ 31,973	\$ 38,899
Cash and investments held by fiscal agent	-	127	127
Security lending assets	-	6,081	6,081
Receivables, net:			
Accounts	21	7	28
Investment securities sold	-	628	628
Interest	-	202	202
Due from other funds	-	41,630	41,630
Inventories	1,736	-	1,736
	<u>8,683</u>	<u>80,648</u>	<u>89,331</u>
Total current assets			
Noncurrent assets:			
Advances to other funds	-	17,435	17,435
Deferred charges	42	-	42
Capital assets:			
Buildings and improvements	6,456	-	6,456
Machinery and equipment	1,434	-	1,434
Vehicles	109,506	-	109,506
Construction in progress	1,115	-	1,115
Less: accumulated depreciation	(70,559)	-	(70,559)
	<u>47,994</u>	<u>17,435</u>	<u>65,429</u>
Total noncurrent assets			
Total assets	<u>56,677</u>	<u>98,083</u>	<u>154,760</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
June 30, 2008  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Securities lending obligations	-	6,081	6,081
Accounts payable and accrued expenses	3,295	5,085	8,380
Accrued compensated absences	43	19	62
Interest payable	14	-	14
Accrued claims	-	15,122	15,122
Unearned revenue	-	472	472
Revenue and other bonds payable, net, current portion	270	-	270
	<u>3,622</u>	<u>26,779</u>	<u>30,401</u>
Total current liabilities			
Noncurrent liabilities:			
Accrued compensated absences	744	273	1,017
Accrued claims	-	34,560	34,560
OPEB liability	393	53	446
Revenue and other bonds payable, net	4,282	-	4,282
	<u>5,419</u>	<u>34,886</u>	<u>40,305</u>
Total noncurrent liabilities			
	<u>9,041</u>	<u>61,665</u>	<u>70,706</u>
Total liabilities			
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	43,386	-	43,386
Unrestricted	4,250	36,418	40,668
	<u>47,636</u>	<u>36,418</u>	<u>84,054</u>
Total net assets			
	<u>\$ 47,636</u>	<u>\$ 36,418</u>	<u>\$ 84,054</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 39,942	\$ 28,543	\$ 68,485
Miscellaneous	2	399	401
Total operating revenues	<u>39,944</u>	<u>28,942</u>	<u>68,886</u>
Operating expenses:			
Employee services	7,736	3,434	11,170
Services and supplies	22,700	4,840	27,540
Depreciation	8,494	-	8,494
Insurance premiums	-	2,070	2,070
Claims expense	-	5,553	5,553
Total operating expenses	<u>38,930</u>	<u>15,897</u>	<u>54,827</u>
Operating income	<u>1,014</u>	<u>13,045</u>	<u>14,059</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	33	4,174	4,207
Interest expense	(158)	(207)	(365)
Amortization of deferred charges	(3)	-	(3)
Gain on disposition of capital assets	138	-	138
Total nonoperating revenues (expenses)	<u>10</u>	<u>3,967</u>	<u>3,977</u>
Income before transfers	1,024	17,012	18,036
Transfers in	407	-	407
Transfers out	(23)	-	(23)
Changes in net assets	1,408	17,012	18,420
Total net assets, beginning of year	<u>46,228</u>	<u>19,406</u>	<u>65,634</u>
Total net assets, end of year	<u>\$ 47,636</u>	<u>\$ 36,418</u>	<u>\$ 84,054</u>

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**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 39,976	\$ 77,041	\$ 117,017
Payments to suppliers	(21,888)	(51,689)	(73,577)
Payments to employees	(7,144)	(3,359)	(10,503)
Claims paid	-	(13,582)	(13,582)
Net cash provided by operating activities	<u>10,944</u>	<u>8,411</u>	<u>19,355</u>
Cash flows from noncapital financing activities:			
Transfers out to other funds	(23)	-	(23)
Loans to other funds	-	(2,991)	(2,991)
Net cash used for noncapital financing activities	<u>(23)</u>	<u>(2,991)</u>	<u>(3,014)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(10,266)	-	(10,266)
Proceeds from disposition of capital assets	69	-	69
Principal payments on capital debt	(239)	-	(239)
Interest payments on capital debt	(169)	-	(169)
Transfers in from other funds	407	-	407
Net cash used for capital and related financing activities	<u>(10,198)</u>	<u>-</u>	<u>(10,198)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	33	4,186	4,219
Investments sold with settlement after year end	-	(628)	(628)
Net cash provided by investing activities	<u>33</u>	<u>3,558</u>	<u>3,591</u>
Net increase in cash and cash equivalents	756	8,978	9,734
Cash and cash equivalents, beginning of year	6,170	23,122	29,292
Cash and cash equivalents, end of year	<u>\$ 6,926</u>	<u>\$ 32,100</u>	<u>\$ 39,026</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:			
Cash and investments held by City	\$ 6,926	\$ 31,973	\$ 38,899
Cash and investments held by fiscal agent	-	127	127
Total cash and cash equivalents, end of year	<u>\$ 6,926</u>	<u>\$ 32,100</u>	<u>\$ 39,026</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

	<u>Fleet Management Fund</u>	<u>Risk Management Fund</u>	<u>Total Internal Service Funds</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,014	\$ 13,045	\$ 14,059
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	8,494	-	8,494
Changes in assets and liabilities:			
Accounts receivable	423	366	789
Inventories	(324)	-	(324)
Prepaid items	-	2	2
Accounts payable and accrued expenses	882	2,960	3,842
Accrued compensated absences	62	22	84
Accrued claims	-	(8,029)	(8,029)
OPEB liabilities	393	53	446
Unearned revenue	-	(8)	(8)
Net cash provided by (used for) operating activities	<u>\$ 10,944</u>	<u>\$ 8,411</u>	<u>\$ 19,355</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium, discount and loss on refunding	\$ (10)	\$ -	\$ (10)
Amortization of deferred charges	(3)	-	(3)
Sale of capital assets on accounts receivable	392	-	392
Change in prepaid items for capital assets	(5,940)	-	(5,940)
Change in securities lending assets	-	(4,325)	(4,325)
Change in securities lending obligations	-	4,325	4,325
Security lending interest revenues	-	207	207
Security lending interest expenses	-	(207)	(207)

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## INVESTMENT TRUST FUNDS

Investment trust funds account for assets and related liabilities of legally separate entities for which the City provides investment services.

**Investment Pool** is used to account for assets and liabilities held for external participants in the City Sponsored Investment Pool.

**Individual Investment Accounts** are used to account for assets and liabilities held for entities external to the City.

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

June 30, 2008  
(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 68,367	\$ 285,266	\$ 353,633
Security lending assets	13,654	41,712	55,366
Receivables, net:			
Interest	1,862	2,620	4,482
Total assets	<u>83,883</u>	<u>329,598</u>	<u>413,481</u>
<b><u>LIABILITIES</u></b>			
Securities lending obligations	<u>13,654</u>	<u>41,712</u>	<u>55,366</u>
<b><u>NET ASSETS</u></b>			
Held in trust	<u>\$ 70,229</u>	<u>\$ 287,886</u>	<u>\$ 358,115</u>

# City of Sacramento

## Investment Trust Funds

### Combining Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2008  
(in thousands)

	Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
Additions:			
Investment earnings:			
Net appreciation in fair value of investments	\$ 173	\$ 426	\$ 599
Interest	2,886	13,050	15,936
Dividends	-	79	79
Total investment earnings	3,059	13,555	16,614
Less investment expenses:			
Banking, interest, and fiscal agent expenses	104	15	119
Net investment income	2,955	13,540	16,495
Deposits	676,794	1,446,468	2,123,262
Total additions	679,749	1,460,008	2,139,757
Deductions:			
Withdrawals	687,893	1,467,030	2,154,923
Change in net assets	(8,144)	(7,022)	(15,166)
Net assets, beginning of year	78,373	294,908	373,281
Net assets, end of year	\$ 70,229	\$ 287,886	\$ 358,115

## AGENCY FUNDS

Agency funds account for assets held for other organizations, governments or private individuals and include:

**THE ASSESSMENT DISTRICTS FUND** is used to account for monies collected from parcel assessments to service debt issued for improvements in 1911 and 1915 Act districts in the City.

**THE COMMUNITY FACILITY DISTRICT ACT FUND** is used to account for monies collected from special tax assessments to service debt issued for improvements and to pay other costs of Mello-Roos districts in the City.

# City of Sacramento

## Agency Funds

### Combining Statement of Fiduciary Assets and Liabilities

June 30, 2008

(in thousands)

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	Assessment Districts Fund	Community Facility District Act Fund	Total Agency Funds
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 10,442	\$ 15,091	\$ 25,533
Cash and investments held by fiscal agent	2,130	22,735	24,865
Receivables, net:			
Interest	-	80	80
Total assets	<u>\$ 12,572</u>	<u>\$ 37,906</u>	<u>\$ 50,478</u>
<b><u>LIABILITIES</u></b>			
Due to bondholders	<u>\$ 12,572</u>	<u>\$ 37,906</u>	<u>\$ 50,478</u>
Total liabilities	<u>\$ 12,572</u>	<u>\$ 37,906</u>	<u>\$ 50,478</u>

**City of Sacramento****Agency Funds****Combining Statement of Changes in Fiduciary Assets and Liabilities**

For the Fiscal Year Ended June 30, 2008

(in thousands)

**ASSESSMENT DISTRICTS FUND**

	Balance Beginning of Fiscal Year	Additions	Deletions	Balance End of Fiscal Year
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 10,055	\$ 5,238	\$ 4,851	\$ 10,442
Cash and investments held by fiscal agent	2,065	68	3	2,130
Receivables, net:				
Interest	7	-	7	-
Total assets	<u>\$ 12,127</u>	<u>\$ 5,306</u>	<u>\$ 4,861</u>	<u>\$ 12,572</u>
<b><u>LIABILITIES</u></b>				
Due to bondholders	<u>\$ 12,127</u>	<u>\$ 5,299</u>	<u>\$ 4,854</u>	<u>\$ 12,572</u>
Total liabilities	<u>\$ 12,127</u>	<u>\$ 5,299</u>	<u>\$ 4,854</u>	<u>\$ 12,572</u>

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

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**COMMUNITY FACILITY DISTRICT ACT FUND**

	Balance Beginning of Fiscal Year	Additions	Deletions	Balance End of Fiscal Year
<b>ASSETS</b>				
Cash and investments held by City	\$ 12,501	\$ 19,638	\$ 17,048	\$ 15,091
Cash and investments held by fiscal agent	21,853	2,794	1,912	22,735
Receivables, net:				
Interest	91	73	84	80
Total assets	<u>\$ 34,445</u>	<u>\$ 22,505</u>	<u>\$ 19,044</u>	<u>\$ 37,906</u>
<b>LIABILITIES</b>				
Due to bondholders	\$ 34,445	\$ 22,421	\$ 18,960	\$ 37,906
Total liabilities	<u>\$ 34,445</u>	<u>\$ 22,421</u>	<u>\$ 18,960</u>	<u>\$ 37,906</u>

(continued)

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2008  
(in thousands)

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**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	\$ 22,556	\$ 24,876	\$ 21,899	\$ 25,533
Cash and investments held by fiscal agent	23,918	2,862	1,915	24,865
Receivables, net:				
Interest	98	73	91	80
Total assets	<u>\$ 46,572</u>	<u>\$ 27,811</u>	<u>\$ 23,905</u>	<u>\$ 50,478</u>
<b><u>LIABILITIES</u></b>				
Due to bondholders	\$ 46,572	\$ 27,720	\$ 23,814	\$ 50,478
Total liabilities	<u>\$ 46,572</u>	<u>\$ 27,720</u>	<u>\$ 23,814</u>	<u>\$ 50,478</u>

(continued)

# Statistical Section

## **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 Eight Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year			
	2001	2002	2003	2004
<b>Governmental activities</b>				
Invested in capital assets, 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 Eight Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year			
	2005	2006	2007	2008
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 1,223,934	\$ 1,155,619	\$ 1,296,115	1,411,436
Restricted for:				
Capital projects	52,773	149,982	155,596	124,919
Debt service	9,882	797	509	531
Housing and redevelopment	274,130	-	-	
Trust and endowments				
Expendable	1,927	5,368	6,513	6,159
Nonexpendable	2,920	1,927	1,927	1,934
Other	24,801	28,634	31,649	30,996
Unrestricted	(71,536)	155,072	145,750	124,408
<b>Total governmental activities net assets</b>	<b>\$ 1,518,831</b>	<b>\$ 1,497,399</b>	<b>\$ 1,638,059</b>	<b>\$ 1,700,383</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 839,889	\$ 623,208	\$ 634,966	\$ 656,951
Restricted for:				
Capital projects	-	425	425	-
Housing and redevelopment	1,776	-	-	-
Other	1,038	-	-	-
Unrestricted	93,751	115,223	119,050	119,975
<b>Total business-type activities net assets</b>	<b>\$ 936,454</b>	<b>\$ 738,856</b>	<b>\$ 754,441</b>	<b>\$ 776,926</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 2,063,823	\$ 1,778,827	\$ 1,931,081	\$ 2,068,387
Restricted for:				
Capital projects	52,773	150,407	156,021	124,919
Debt service	9,882	797	509	531
Housing and redevelopment	275,906	-	-	-
Trust and endowments				
Expendable	1,927	5,368	6,513	6,159
Nonexpendable	2,920	1,927	1,927	1,934
Other	25,839	28,634	31,649	30,996
Unrestricted	22,215	270,295	264,800	244,383
<b>Total primary government net assets</b>	<b>\$ 2,455,285</b>	<b>\$ 2,236,255</b>	<b>\$ 2,392,500</b>	<b>\$ 2,477,309</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 Eight 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
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 Eight Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year			
	2005	2006	2007	2008
<b>Expenses (3)</b>				
<i>Governmental Activities</i>				
General government	\$ 28,759	\$ 38,804	\$ 41,536	49,841
Police	124,204	134,213	148,586	159,207
Fire	74,606	87,844	97,044	104,149
Public works	-	-	-	-
General services	21,502	18,853	17,502	27,527
Transportation	71,871	88,749	89,063	89,016
Economic development	-	8,212	8,538	10,048
Convention, culture & leisure	6,824	17,825	19,602	21,518
Parks and recreation	44,534	49,341	55,661	60,930
Code enforcement	-	7,184	9,946	10,154
Planning and development	-	-	-	-
Development services	67,852	36,739	27,851	30,247
Planning	-	-	8,158	6,830
Neighborhood services	7,880	2,560	2,505	1,667
Housing and redevelopment	64,018	-	-	-
Library	8,505	9,147	9,433	9,935
Nondepartmental	36,492	-	-	-
Interest on long-term debt	31,752	22,693	31,067	31,157
<b>Total governmental activities expenses</b>	<b>588,799</b>	<b>522,164</b>	<b>566,492</b>	<b>612,226</b>
<i>Business type activities</i>				
Water	51,950	55,896	58,890	63,364
Sewer	13,447	14,685	17,171	18,330
Storm drainage	34,988	34,544	36,473	38,570
Solid waste	39,260	40,329	45,050	48,735
Community center	19,066	19,333	19,704	20,507
Parking	14,115	14,056	16,375	17,154
Advanced life support	-	-	-	-
Golf	6,719	-	-	-
Child development	5,092	5,666	5,868	6,604
Marina	1,684	1,437	1,384	1,257
Housing and redevelopment	135,282	-	-	-
<b>Total business-type activities</b>	<b>321,603</b>	<b>185,946</b>	<b>200,915</b>	<b>214,521</b>
<b>Total primary government expenses</b>	<b>\$ 910,402</b>	<b>\$ 708,110</b>	<b>\$ 767,407</b>	<b>\$ 826,747</b>

Source: City of Sacramento Comprehensive Annual Financial Reports

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

(accrual basis of accounting, in thousands)

	Fiscal Year			
	2005	2006	2007	2008
<b>Program Revenues</b>				
<i>Governmental activities</i>				
Charge for services				
General government	\$ 4,768	\$ 4,902	\$ 5,333	\$ 5,233
Police	3,456	3,986	3,959	4,203
Fire	16,854	18,721	17,579	17,936
Public works	-	-	-	-
General services	7,600	9,636	10,327	10,471
Transportation	12,097	15,058	14,261	19,574
Economic development	-	5,235	5,905	8,143
Convention, culture & leisure	1,970	8,995	9,759	9,425
Parks and recreation	4,794	15,907	17,142	13,343
Planning and development	-	-	-	-
Code enforcement	-	1	2,417	3,800
Development services	43,941	27,834	25,261	19,867
Planning	-	-	4	114
Neighborhood services	2,714	2,969	1,085	123
Housing and redevelopment	1,311	-	-	-
Nondepartmental	494	-	-	-
Total charge for services	99,999	113,244	113,032	112,232
Operating grants and contributions	77,052	59,348	52,805	51,845
Capital grants and contributions	147,034	122,010	189,710	141,919
Total governmental activities program revenues	<u>324,085</u>	<u>294,602</u>	<u>355,547</u>	<u>305,996</u>
<i>Business - type activities</i>				
Charge for services				
Water	49,009	53,480	58,363	65,411
Sewer	16,332	17,285	18,609	20,704
Storm drainage	31,336	31,400	31,981	33,289
Solid waste	42,241	42,984	46,351	52,434
Community center	6,391	6,743	7,348	7,556
Parking	16,422	17,342	18,706	19,626
Advanced life support	-	-	-	-
Golf	6,408	-	-	-
Child development	4,766	5,086	5,377	5,587
Marina	1,745	1,889	1,827	1,378
Housing and redevelopment	13,720	-	-	-
Total charge for services	188,370	176,209	188,562	205,985
Operating grants and contributions	112,326	1,230	1,422	1,824
Capital grants and contributions	35,318	31,638	14,728	11,661
Total business - type activities program revenues	<u>336,014</u>	<u>209,077</u>	<u>204,712</u>	<u>219,470</u>
Total primary government program revenues	<u>\$ 660,099</u>	<u>\$ 503,679</u>	<u>\$ 560,259</u>	<u>\$ 525,466</u>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (264,714)	\$ (227,562)	\$ (210,945)	\$ (306,230)
Business - type activities	14,411	23,131	3,797	4,949
Total primary government net expenses	<u>\$ (250,303)</u>	<u>\$ (204,431)</u>	<u>\$ (207,148)</u>	<u>\$ (301,281)</u>

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

**City of Sacramento**  
**Changes in Net Assets (1) (2)**  
**Last Eight 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>	<u>262,786</u>	<u>256,010</u>	<u>274,149</u>	<u>270,685</u>
<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>	<u>40,099</u>	<u>43,481</u>	<u>23,129</u>	<u>42,095</u>
<b>Total primary government</b>	<u>\$ 302,885</u>	<u>\$ 299,491</u>	<u>\$ 297,278</u>	<u>\$ 312,780</u>
<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>	<u>\$ 205,931</u>	<u>\$ 150,646</u>	<u>\$ 131,695</u>	<u>\$ 170,924</u>

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

(accrual basis of accounting, in thousands)

	Fiscal Year			
	2005	2006	2007	2008
<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	137,782
Redevelopment tax increment	40,676	-	-	-
Utility user taxes	53,893	56,243	55,619	57,561
Other taxes	30,668	32,002	28,379	23,865
Sales taxes shared state revenue	55,342	59,118	55,846	54,821
In-lieu sales tax	15,284	13,956	18,197	16,344
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	34,343
Contributions to permanent fund	-	1	1	7
Miscellaneous	10,267	7,516	12,544	12,142
Gain (loss) on disposition of capital assets	3,437	-	-	-
Special items, net	-	-	-	18,791
Transfers	(9,800)	8,159	13,698	12,898
<b>Total Governmental activities</b>	<b>321,367</b>	<b>310,970</b>	<b>351,605</b>	<b>368,554</b>
<i>Business-type activities</i>				
Taxes:				
Other taxes	14,398	15,419	17,258	17,538
Investment earnings	4,342	5,231	8,227	6,898
Miscellaneous	1,015	3	1	353
Gain (loss) on disposition of capital assets	6,891	722	-	5,645
Transfers	9,800	(8,159)	(13,698)	(12,898)
<b>Total business-type activities</b>	<b>36,446</b>	<b>13,216</b>	<b>11,788</b>	<b>17,536</b>
<b>Total primary government</b>	<b>\$ 357,813</b>	<b>\$ 324,186</b>	<b>\$ 363,393</b>	<b>\$ 386,090</b>
<b>Change in Net Assets</b>				
Governmental activities	56,653	83,408	140,660	62,324
Business-type activities	50,857	36,347	15,585	22,485
<b>Total primary government</b>	<b>\$ 107,510</b>	<b>\$ 119,755</b>	<b>\$ 156,245</b>	<b>\$ 84,809</b>

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

(modified accrual basis of accounting, in thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Fund					
Reserved for:					
Noncurrent assets	\$ 1,194	\$ 1,958	\$ 1,373	\$ 1,179	\$ 1,742
Encumbrances	3,614	8,241	9,296	13,400	7,864
Inventories and prepaids					
Unreserved	<u>52,237</u>	<u>53,509</u>	<u>84,154</u>	<u>87,489</u>	<u>104,253</u>
Total general fund	<u>\$ 57,045</u>	<u>\$ 63,708</u>	<u>\$ 94,823</u>	<u>\$ 102,068</u>	<u>\$ 113,859</u>
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ 39,797	\$ 43,603	\$ 50,373	\$ 65,899	\$ 58,669
Encumbrances	18,336	18,106	23,541	42,755	97,073
Debt service	57,266	16,700	18,120	17,233	19,489
Inventories and prepaids					
Housing/redevelopment	5,330	74,665	61,401	154	225
Trust obligations	-	-	878	878	1,803
Unreserved, reported in:					
Special revenue funds	48,949	50,170	71,758	75,150	75,305
Capital projects funds	40,274	45,500	40,411	49,436	141,444
Debt service funds	(3,318)	3,383	4,035	4,215	4,077
Permanent funds	-	-	2,764	2,366	2,361
Total all other governmental funds	<u>\$ 206,634</u>	<u>\$ 252,127</u>	<u>\$ 273,281</u>	<u>\$ 258,086</u>	<u>\$ 400,446</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)

	2004	2005	2006	2007	2008
<b>General Fund</b>					
Reserved for:					
Noncurrent assets	\$ 1,200	\$ 1,305	\$ 1,074	\$ 987	\$ 1,604
Encumbrances	12,410	10,790	14,089	17,070	8,947
Inventories and prepaids					449
Unreserved	109,868	141,331	133,573	113,421	87,962
<b>Total general fund</b>	<b>\$ 123,478</b>	<b>\$ 153,426</b>	<b>\$ 148,736</b>	<b>\$ 131,478</b>	<b>\$ 98,962</b>
<b>All Other Governmental Funds</b>					
Reserved for:					
Noncurrent assets	\$ 68,152	\$ 70,511	\$ 993	\$ 935	\$ 875
Encumbrances	70,611	67,585	32,087	33,855	113,669
Debt service	23,485	24,721	23,138	22,568	22,634
Inventories and prepaids					1,344
Housing/redevelopment	1,410	106,624	-	-	-
Trust obligations	1,927	1,927	1,927	1,927	1,934
Unreserved, reported in:					
Special revenue funds	76,971	75,224	80,115	34,125	79,289
Capital projects funds	214,811	58,302	192,768	276,582	131,595
Debt service funds	6,558	13,959	7,615	7,651	9,200
Permanent funds	2,706	2,920	3,131	3,855	3,700
<b>Total all other governmental funds</b>	<b>\$ 466,631</b>	<b>\$ 421,773</b>	<b>\$ 341,774</b>	<b>\$ 381,498</b>	<b>\$ 364,240</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				
	1999	2000	2001	2002	2003
<b>Revenues</b>					
Taxes	\$ 184,377	\$ 196,889	\$ 205,003	\$ 210,652	\$ 224,051
Licenses, fees and permits	10,512	11,152	-	-	-
Intergovernmental	199,010	250,029	222,488	178,020	179,058
Charges for services	34,142	35,980	36,240	36,698	39,320
Fines and penalties	5,608	6,435	7,736	6,719	6,276
Interest, rents, and concessions	11,091	14,969	27,375	19,616	21,442
Community service fees	16,493	25,226	23,263	22,023	40,508
Assessment levies	10,378	10,675	13,378	15,429	16,112
Contributions from property owners	27,610	17,044	37,238	7,039	11,996
Donations	564	484	1,414	619	947
Miscellaneous	14,839	26,103	14,337	5,952	8,083
<b>Total revenues</b>	<b>514,624</b>	<b>594,986</b>	<b>588,472</b>	<b>502,767</b>	<b>547,793</b>
<b>Expenditures</b>					
General Government	14,548	15,878	19,246	20,655	22,108
Public Safety	137,428	138,996	-	-	-
Police	-	-	87,368	99,394	101,707
Fire	-	-	48,338	52,540	53,555
Public Works	24,608	27,837	44,641	40,709	46,289
General Services	-	-	-	-	-
Utilities	-	-	-	274	274
Transportation	-	-	-	-	-
Convention, Culture & Leisure	-	-	5,279	7,245	7,127
Economic Development	-	-	2,918	2,339	2,544
Parks and Recreation	-	-	29,157	33,961	34,262
Code enforcement	-	-	-	-	-
Development Services	-	-	-	-	-
Planning	-	-	-	-	-
Neighborhood Services	-	-	5,346	5,543	5,893
Library	-	-	6,915	7,449	7,636
Housing and Redevelopment	71,136	76,893	82,109	50,829	53,650
Planning and Building	-	-	9,759	12,676	15,115
Neighborhood Development	45,891	59,109	-	-	-
Nondepartmental	19,132	15,977	17,737	20,902	21,805
Capital Outlay					
City	111,849	178,336	98,057	88,705	135,657
SHRA	22,121	37,611	36,564	7,747	14,334
Subtotal - capital outlay	133,970	215,947	134,621	96,452	149,991
Debt Service					
City					
Principal	9,102	18,724	15,532	13,379	18,896
Interest and fiscal charges	14,024	13,830	14,675	13,948	18,297
Bond issuance costs	-	-	-	-	-
Advance refunding escrow	-	-	-	-	4,382
SHRA					
Principal	9,993	11,393	9,252	8,460	9,862
Interest and fiscal charges	13,171	14,140	9,572	10,932	13,177
Subtotal - debt service	46,290	58,087	49,031	46,719	64,614
<b>Total Expenditures</b>	<b>493,003</b>	<b>608,724</b>	<b>542,465</b>	<b>497,687</b>	<b>586,570</b>
Excess (deficiency) of revenues over (under) expenditures	21,621	(13,738)	46,007	5,080	(38,777)
<b>Other Financing Sources (uses)</b>					
Transfers in	42,916	79,394	45,714	48,003	66,732
Transfers out	(44,758)	(80,416)	(56,004)	(64,525)	(57,862)
Operating transfers to component unit	-	(658)	44,359	-	-
Issuance of long-term debt	75,115	75,319	114	10,773	197,176
Premium on long term debt	-	-	-	-	-
Proceeds from sale of property	-	1,663	-	1,865	5,100
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	(49,110)	(6,261)	(21,839)	-	(25,038)
Donation of capital assets	-	-	-	-	6,820.00
Discount on long-term debt	-	-	-	-	-
Special items, net	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>24,163</b>	<b>69,041</b>	<b>12,344</b>	<b>(3,884)</b>	<b>192,928</b>
<b>Net change in fund balances</b>	<b>\$ 45,784</b>	<b>\$ 55,303</b>	<b>\$ 58,351</b>	<b>\$ 1,196</b>	<b>\$ 154,151</b>
Debt services as a percentage of noncapital expenditures	12.89%	14.79%	12.02%	11.64%	14.80%

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				
	2004	2005	2006	2007	2008
<b>Revenues</b>					
Taxes	\$ 249,050	\$ 269,695	\$ 273,010	\$ 287,254	\$ 286,498
Licenses, fees and permits	-	-	-	-	-
Intergovernmental	137,234	167,448	134,905	148,521	137,341
Charges for services	45,226	58,836	64,063	64,902	63,285
Fines and penalties	7,223	7,804	8,065	8,285	9,916
Interest, rents, and concessions	13,998	17,278	18,195	34,398	28,430
Community service fees	45,936	40,315	64,360	40,386	16,831
Assessment levies	17,387	18,443	19,374	21,424	25,894
Contributions from property owners	54,936	46,343	3,942	44,099	31,753
Donations	215	63	94	-	-
Miscellaneous	3,098	3,670	1,463	395	296
<b>Total revenues</b>	<b>574,303</b>	<b>629,895</b>	<b>587,471</b>	<b>649,664</b>	<b>600,244</b>
<b>Expenditures</b>					
General Government	24,503	25,886	30,456	31,172	33,778
Public Safety	-	-	-	-	-
Police	105,089	121,548	137,391	149,159	148,392
Fire	56,986	73,360	87,648	91,965	94,284
Public Works	48,466	-	-	-	-
General Services	-	16,325	14,925	14,348	23,198
Utilities	274	219	109	109	83
Transportation	-	22,038	34,691	37,598	30,235
Convention, Culture & Leisure	4,829	4,847	13,060	15,074	16,080
Economic Development	2,361	-	5,461	5,882	8,035
Parks and Recreation	37,167	38,898	43,477	47,884	53,499
Code enforcement	-	-	7,184	9,713	9,595
Development Services	-	66,785	35,802	32,600	28,261
Planning	-	-	-	8,079	5,626
Neighborhood Services	6,883	7,880	1,917	1,815	1,547
Library	7,636	7,997	8,587	8,868	9,366
Housing and Redevelopment	47,231	58,399	-	-	-
Planning and Building	17,560	-	-	-	-
Neighborhood Development	-	-	-	-	-
Nondepartmental	26,336	32,284	24,811	18,526	27,373
Capital Outlay					
City	143,414	127,157	95,683	193,954	153,507
SHRA	12,678	10,229	-	-	-
Subtotal - capital outlay	156,092	137,386	95,683	193,954	153,507
Debt Service					
City					
Principal	26,449	21,260	21,213	17,253	19,529
Interest and fiscal charges	20,163	19,415	21,973	30,216	30,689
Bond issuance costs	-	-	2,600	1,519	607
Advance refunding escrow	-	-	1,154	213	-
SHRA					
Principal	11,445	12,978	-	-	-
Interest and fiscal charges	14,782	16,382	-	-	-
Subtotal - debt service	72,839	70,035	46,940	49,201	50,825
<b>Total Expenditures</b>	<b>614,252</b>	<b>683,887</b>	<b>588,142</b>	<b>715,947</b>	<b>693,684</b>
Excess (deficiency) of revenues over (under) expenditures	(39,949)	(53,992)	(671)	(66,283)	(93,440)
<b>Other Financing Sources (uses)</b>					
Transfers in	90,952	57,544	52,864	56,203	58,989
Transfers out	(114,577)	(53,208)	(38,609)	(37,441)	(39,780)
Operating transfers to component unit	-	-	-	-	-
Issuance of long-term debt	137,436	14,983	212,339	147,281	5,666
Premium on long term debt	-	-	7,447	14,857	-
Proceeds from sale of property	6,427	5,286	-	-	-
Payments to participating governments	-	-	(25,500)	-	-
Payments to refunded bond escrow	(2,712)	-	(63,560)	(92,151)	-
Donation of capital assets	-	-	-	-	-
Discount on long-term debt	(1,245)	-	-	-	-
Special items, net	-	-	-	-	18,791
<b>Total other financing sources (uses)</b>	<b>116,281</b>	<b>24,605</b>	<b>144,981</b>	<b>88,749</b>	<b>43,666</b>
<b>Net change in fund balances</b>	<b>\$ 76,332</b>	<b>\$ (29,387)</b>	<b>\$ 144,310</b>	<b>\$ 22,466</b>	<b>\$ (49,774)</b>
Debt services as a percentage of noncapital expenditures	15.90%	12.82%	9.53%	9.43%	9.41%

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>
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
2008	150,901	-	54,821	57,561	23,215	286,498

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.

This revenue is reported as property tax in fiscal year 2007 and subsequent fiscal years.

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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			
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
2008	39,286,839	1,548,914	15,371 (3)	40,851,124	505,519	40,345,605	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 Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(3) The decrease in public utility assessed value is primarily due to the transfer of the downtown railyards to a private developer and the City.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento**  
**Direct and Overlapping Property Tax Rates**  
**Per \$100 of Assessed Value**  
**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>
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
2008	1.0000	—	—	0.0956	—	1.0956

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, 2008 and Nine Years Ago**

(in thousands)

Taxpayer	2008			1999		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Teachers Ins. Annuity	\$ 162,180	1	0.40 %	\$ -	-	- %
400 Capital Mall Venture	149,202	2	0.37	103,589	3	0.60
Downtown Plaza	138,987	3	0.34	70,387	10	0.40
Arden Fair Associates	126,223	4	0.31	105,522	2	0.61
CLPF Promenade LP	108,658	5	0.27	-	-	-
M H Realty Partners VI LP	104,040	6	0.26	-	-	-
300 Capitol Assoc NF LP	89,999	7	0.22	-	-	-
RT Sacramento Funding Co.	80,937	8	0.20	-	-	-
Pardee Homes	77,889	9	0.19	-	-	-
Valley View Investors LLC	77,386	10	0.19	-	-	-
Sutter Community Hospitals	-	-	-	154,453	1	0.89
Spieker Properties LP	-	-	-	98,472	4	0.57
McClatchy Newspapers	-	-	-	98,199	5	0.56
Shriners Hospital	-	-	-	92,635	6	0.53
Packard Bell Electronics, Inc.	-	-	-	85,972	7	0.49
980 9th Street	-	-	-	82,249	8	0.47
Prentiss Properties Natomas	-	-	-	78,673	9	0.45
	<u>1,115,501</u>		<u>2.75</u>	<u>970,151</u>		<u>5.57</u>
All other taxpayers	<u>39,230,104</u>		<u>97.25</u>	<u>15,794,848</u>		<u>94.43</u>
Total	<u>\$ 40,345,605</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>
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
2008	146,828	4,073	150,901

Notes: (1) Includes City tax collections only; does not include SHRA, a component unit until fiscal year 2005.

(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 in 2007 and subsequent years include revenue reported in 2006 as in lieu sales tax.

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**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Eight 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
2008	532,354	-	-	25,875	8,806

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, 2007 and 2008.

**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Eight 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
2008	322,965	-	49,976	2,710	942,686	NA	475,743	1,982

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, 2007 and 2008.

**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>
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	-
2008	-	-	-	40,345,605	-	475,743	-

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, 2008**  
(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	\$ 153,605	25.1 %	\$ 38,581
Natomas Unified School District	200,964	89.5	179,829
Sacramento Unified School District	383,033	80.9	309,912
San Juan Unified School District	286,184	2.7	7,856
Grant Joint Union High School District	166,664	48.4	80,645
North Sacramento School District	35,770	100.0	35,770
Rio Linda Union School District	63,640	20.0	12,745
Robla School District	18,086	68.9	12,460
City of Sacramento Community Facilities Districts	185,455	100.0	185,455
Elk Grove Unified School District Community Facilities District No. 1	136,154	11.3	15,429
Sacramento City Unified School District Community Facilities District No. 1	3,465	100.0	3,465
City of Sacramento 1915 Act Bonds	21,877	100.0	21,877
Sacramento Area Flood Control Agency, A.D. No.2	87,130	80.5	70,168
Sacramento Area Flood Control Agency Operation and Maintenance AD	4,305	39.7	1,711
Subtotal - Overlapping Tax and Assessment debt			<u>975,904</u>
Direct and Overlapping General Fund Debt:			
Sacramento County General Fund Obligations	375,620	29.6	111,304
Sacramento County Pension Obligations	960,925	29.6	284,741
Sacramento County Board of Education Certificates of Participation	11,715	29.6	3,471
Los Rios Community College District Certificates of Participation	6,880	25.1	1,728
Natomas Unified School District Certificates of Participation	66,295	89.5	59,323
Sacramento Unified School District Certificates of Participation	88,055	80.9	71,245
Sacramento Unified School District Pension Obligations	4,415	80.9	3,572
San Juan Unified School District Certificates of Participation	5,425	2.7	149
Grant Joint Union High School District Certificates of Participation	275,650	48.4	133,382
Arcade Creek and Fulton-El Camino Recreation and Park District Certificates of Participation	1,046	various	184
Subtotal - Lease Obligation Debt			<u>669,099</u>
Total Overlapping Debt			<u>1,645,002</u>
City of Sacramento Direct Debt			<u>521,421</u>
Total Direct and Overlapping Debt			<u>\$ 2,166,423</u>

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		
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	-
2008	40,345,605	6,051,841	-	-	-	6,051,841	-

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

<b>Year</b>	<b>Population (A) (1)</b>	<b>Personal Income (in millions of dollars) (A) (1)</b>	<b>Per Capita Personal Income (A) (1)</b>	<b>Median Age (B) (1)</b>	<b>Education Level in Years of Schooling (B) (1)</b>	<b>School Enrollment (C) (1)</b>	<b>Unemployment Rate % (D) (1)</b>
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	48,313	35,197	34.1	NA	239,026	4.80
2007	1,406,804	NA	NA	NA	NA	238,233	5.30
2008	1,424,415	NA	NA	NA	NA	238,522	7.00

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	73,872	11.30 %
Sacramento County	14,513	2.22
University of California, Davis Health System	7,927	1.21
Sutter Health Sacramento Sierra Region	7,140	1.09
Sacramento City Unified School District	7,000	1.07
Kaiser Permanente	6,260	0.96
Intel Corporation	6,000	0.92
Los Rios Community College District	6,000	0.92
Elk Grove Unified School District	5,813	0.89
Mercy/Catholic Healthcare West	5,647	0.86
San Juan Unified School District	4,999	0.76
City of Sacramento	4,940	0.76

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 26, 2008. 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 Eight Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30							
	2001	2002	2003	2004	2005	2006	2007	2008
General Government	338	376	387	390	393	374	408	419
Police	1,058	1,111	1,111	1,116	1,189	1,207	1,265	1,272
Fire	553	571	571	588	609	623	651	651
Public Works	675	734	749	-	-	-	-	-
General Services	-	-	-	754	457	260	264	287
Utilities	445	480	490	492	497	727	732	741
Transportation	-	-	-	-	333	340	350	356
Convention, Culture & Leisure	251	262	263	263	204	204	208	213
Economic Development	15	17	17	17	-	17	17	24
Parks and Recreation	722	815	828	677	841	896	930	925
Code Enforcement	-	-	-	-	-	82	94	92
Development Services	-	-	-	190	252	259	243	246
Planning	-	-	-	-	-	-	38	33
Neighborhood Services	70	79	80	243	86	16	16	15
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>	<b>5,273</b>

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

Source: City of Sacramento Approved Operating Budgets

**City of Sacramento**  
**Operating Indicators by Function/Program (1)(2)**  
**Last Eight 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>2008</b>
<b>Police</b>								
Adult arrests	20,904	19,088	23,015	23,046	25,623	27,314	24,703	22,783
Citizen initiated calls for service with officer responses	N/A	198,652	202,671	269,815	194,969	187,731	181,793	315,149
<b>Fire</b>								
Number of incidents	34,769	36,437	43,018	43,108	63,242	65,714	66,284	70,609
Number of structure fires	1,481	2,665	2,751	3,915	835	1,189	500	414
Number of construction inspection/reviews	2,334	2,792	3,037	4,596	5,181	N/A	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	18,812
Number of animal outplacements	3,203	3,830	3,612	2,852	4,267	4,323	4,352	4,252
<b>Transportation</b>								
Number of traffic investigations completed	1,121	970	1,185	1,114	927	922	1,123	1,019
Number of parking citations issued	205,891	204,413	203,364	211,128	199,428	201,196	194,193	233,901
<b>Convention, Culture &amp; Leisure</b>								
Number of events	N/A	644	609	591	607	600	664	568
Event attendance	990,124	1,200,000	1,016,787	981,766	929,425	833,428	849,000	863,759
Number of Zoo attendance	N/A	445,000	495,000	480,000	485,000	485,000	529,734	482,072
<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	8,364
Number of students enrolled in 4th R	N/A	2,500	2,500	2,510	2,695	2,885	3,000	3,500
Number of lunches served through food program	N/A	292,700	216,100	210,000	195,000	192,500	160,900	156,916
<b>Development Services</b>								
Number of building permits issued	14,391	14,647	17,389	18,089	17,869	18,261	16,930	14,349
Building permit valuation (in million of dollars)	761	713	1,060	1,001	883	817	1,005	862
<b>Code Enforcement</b>								
Vehicles abated by City	4,639	3,954	4,958	4,814	4,660	3,747	2,572	1,538
Notice and orders issued on housing and dangerous buildings	311	337	340	278	279	293	445	378
<b>Water</b>								
Number of accounts	122,553	125,780	129,852	131,745	136,347	151,459	151,459	135,665
Amount distributed/pumped (million of gallons)	44,886	45,049	44,165	46,852	44,177	45,180	49,463	N/A
<b>Sewer</b>								
Number of accounts	77,171	77,613	77,940	78,177	78,596	78,541	79,620	76,253
Amount distributed/pumped (million of gallons)	20,092	17,877	16,454	16,339	18,054	19,185	19,185	N/A
<b>Storm Drainage</b>								
Number of accounts	117,940	120,940	123,324	127,216	130,426	128,427	132,376	131,801
Amount distributed/pumped (million of gallons)	23,239	31,944	28,420	30,506	41,608	53,444	53,444	N/A
<b>Solid Waste</b>								
Tons of residential garbage disposed	N/A	124,371	124,623	129,838	129,499	127,120	128,802	128,060
Tons of commercial garbage collected	N/A	16,059	16,207	20,390	23,159	22,469	N/A	24,804

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 Eight 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>2008</b>
<b>Police</b>								
Number of stations	2	2	2	2	2	2	2	4
Number of patrol units	241	243	241	239	238	229	210	210
<b>Fire</b>								
Number of stations	22	22	22	22	23	23	23	23
Number of fire protection vehicles	123	126	152	150	167	169	170	151
<b>Transportation</b>								
Miles of streets	2,521	2,780	2,922	2,936	2,960	3,025	3,034	3,045
Number of street lights	33,439	35,000	35,896	36,852	38,450	39,277	39,964	40,578
Number of City parking spaces	8,824	8,519	8,580	8,580	8,488	8,518	8,795	8,798
<b>Parks and recreation</b>								
Number of parks	187	212	197	196	196	209	215	240
Park acreage	3,169	3,296	2,998	3,627	3,627	3,800	3,980	3,160
Miles of off-street bikeways	42	61	50	53	58	62	67	76
Number of community centers	15	16	17	17	17	17	17	16
Number of swimming pools (including wading pools)	19	20	22	23	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	1,859
<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	1,859
<b>Off-street parking</b>								
Number of City garages and open parking lots	13	12	12	12	11	11	12	12
<b>Golf</b>								
Number of golf courses	7	7	6	6	6	6	6	6
<b>Marina</b>								
Number of boat harbor slips	554	558	563	563	563	563	547	475

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.

Source: Various City of Sacramento Departments

# City of Sacramento

## Miscellaneous Statistics

For Fiscal Years Ended June 30, 2008 and Nine Years Ago

Date of incorporation	1849	
Date of charter	1921	
Date City became State Capitol	1854	
Form of government	Council/Manager	
	<b>2008</b>	<b>1999</b>
Number of budgeted positions	5,273	3,669
Area in square miles	99	98
Altitude in feet	17	17
City of Sacramento facilities and services:		
<b>Police</b>		
Number of stations	4	3
Number of police personnel sworn / civilian	804/465	643/392
Number of patrol units	210	254
<b>Fire</b>		
Number of stations	23	23
Number of fire personnel sworn / unsworn	587/42	468/30
Number of fire protection vehicles	151	112
<b>Utilities</b>		
Miles of water mains	1,859	1,360
Annual water production in gallons	N/A	41.3 Billion
Miles of storm drainage and sanitary sewers	1,842	2,652
<b>Transportation</b>		
Miles of streets	3,045	2,633
Number of street lights	40,406	33,500
Number of City parking lots / spaces	12/8,798	14/8,001
<b>Convention, Culture and Leisure</b>		
Golf courses	6	7
Boat harbor slips	475	553
Zoo animals	521	415
Fairytale town attendance for year	230,548	77,786
Camp Sacramento attendance for year	2,521	2,200
Crocker Art Gallery attendance for year	103,383	136,351
Community Convention Center attendance for year	863,759	998,361
<b>Parks and Recreation</b>		
Parks	240	167
Park acreage	3,160	3,311
Miles of off-street bikeways	76	34.2
Community centers	16	18
Swimming pools	23	13
Baseball fields	105	64
Soccer fields	129	52
Ball courts	161	41
<b>Library</b>		
Library branches	N/A	9
Library books and audiovisual recordings in circulation	N/A	1,396,694

Sources: City of Sacramento, miscellaneous data information systems.

# City of Sacramento Facts

- The City of Sacramento was founded in 1849 and is the oldest incorporated city in California.
- In 1920, city voters adopted a Charter (municipal constitution) and a City Council/City Manager form of government.
- The City is divided into eight districts.
- Elected members of the City Council serve a four-year term.
- The Mayor is elected by all voters in the City. In 2002, voters approved a measure for the Mayor to serve full-time. All other Councilmembers are elected by district and serve part-time.
- The Mayor and other Councilmembers have an equal vote in all matters.
- The City of Sacramento currently encompasses approximately 99 square miles.
- The current estimated population is 475,743.

