

# RESOLUTION NO. 2011-110

Adopted by the Sacramento City Council

February 22, 2011

## FISCAL YEAR 2009/10 COMPREHENSIVE ANNUAL FINANCIAL REPORT

### BACKGROUND

- A. The City's Fiscal Year (FY) 2009/10 Comprehensive Annual Financial Report (CAFR) was prepared to present the City's financial condition and the results of its activities for the fiscal year ended June 30, 2010. The CAFR financial statements were audited, as required by the City Charter, by an independent public accounting firm.
- B. The public accounting firm of Macias, Gini & O'Connell, LLP, audited the City's FY 2009/10 financial statements and rendered its unqualified opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles.
- C. The auditors' Report to the City Council reflects no significant audit adjustments or disagreements with management in connection with this year's audit. The Report to City Council includes one recommendation to better document personnel out of class assignments consistent with the City's Manager's policy and the Local 39 agreement.
- D. The Fiscal Year 2009/10 Midyear Report identified \$2.4 million of operating budget savings needed to balance the budget. The final actual results totaled \$7.2 million, providing an operating budgetary surplus of \$3.8 million, in addition to the \$1.0 million carried over to Fiscal Year 2010/11 for the Fire Department. This report recommends the \$3.8 million in additional resources identified through the FY2009/10 year-end close be added to the General Fund Economic Uncertainty Reserve.

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

- Section 1. The City Council accepts the June 30, 2010 Comprehensive Annual Financial Report, attached hereto as Exhibit A.
- Section 2. The City Council accepts the June 30, 2010 Auditor's Report to City Council, attached hereto as Exhibit B.
- Section 3. The City Council authorizes and directs the City Manager to increase the General Fund Economic Uncertainty Reserve by \$3.8 million, to \$14.3 million, with resources from FY2009/10 year-end results.
- Section 4. Exhibits A and B are part of this resolution.

**Table of Contents:**

Exhibit A Comprehensive Annual Financial Report

Exhibit B Auditor's Report to the City Council

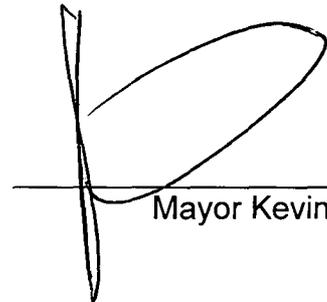
Adopted by the City of Sacramento City Council on February 22, 2011 by the following vote:

Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Pannell, Schenirer, Sheedy, and Mayor Johnson.

Noes: None.

Abstain: None.

Absent: None.



\_\_\_\_\_  
Mayor Kevin Johnson

Attest:



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

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2010  
City of Sacramento, California



**City of Sacramento**

**California**

**Comprehensive Annual  
Financial Report**

**Fiscal Year Ended June 30, 2010**

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

**Leyne Milstein, Director of Finance  
Dennis Kauffman, Accounting Manager**

# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010

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# CITY OF SACRAMENTO, CALIFORNIA

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# CITY OF SACRAMENTO, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010

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# Introductory Section



OFFICE OF THE  
CITY MANAGER

CITY OF SACRAMENTO  
CALIFORNIA

CITY HALL  
915 I STREET, 5<sup>TH</sup> FLOOR  
SACRAMENTO, CA  
95814-2604

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

December 16, 2010

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, 2010 for your review. Article IX of the City Charter, as well as federal and state law, requires that the City issue a report annually on its financial position and activity, and that the report be audited by an independent firm of certified public accountants. Macias, Gini & O'Connell, LLP, a statewide certified public accounting firm, performed the audit for the fiscal year ended June 30, 2010. 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. Sacramento also serves as the seat of Sacramento County government. Sacramento is the seventh largest city in California based on population. The State of California Department of Finance estimates the population on January 1, 2010 at 486,189 for the City and 1,445,327 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 operating under a Council-Manager form of government.

The City provides a full range of municipal services including police, fire, emergency medical response, water, sewer, storm drainage, solid waste, construction and maintenance of streets and parks, community development, recreational and cultural activities, economic development, and administrative services.

This CAFR presents the financial status of the City and its three component units. Component units are separate legal entities included in this report due to significant operational or financial relationships with the City. Two 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. The Sacramento Regional Arts Facilities Financing Authority (SRAFFA) is reported in a separate column in the government-wide financial statements to differentiate its financial position and operational results from those of the City. SRAFFA 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 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. By June 2010, unemployment for the Sacramento metropolitan area and Sacramento County rose to 12.4% and 12.6% respectively. Industries experiencing the most severe slowdowns are: construction, building finishing contractors, retail, and food service. Job losses are expected to continue at a slower pace in the next year, even after the local economic climate begins to stabilize.

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, Sacramento is listed as one of the nation's best cities to live, work, and play.

## BUDGET INITIATIVES AND LONG-TERM FINANCIAL PLANNING

In light of the fiscal constraints noted above, the City will continue to face substantial challenges in returning to a long-term structurally balanced General Fund budget. Addressing this challenge will require difficult decisions relative to which programs and services are funded and at what level. We must also consider new ways of delivering programs and services. The City is also considering several revenue options including: modernizing our business operations tax, adopting a parking tax, adoption of a parcel tax, and expanding the City's community facilities assessment districts citywide as cuts alone will not balance future budgets.

The City's challenge for FY2010/11 and subsequent years is to effectively implement a multi-year plan to close the gap between revenues and expenses in the General Fund, thus achieving a fiscally sustainable budget. The deficit will persist until ongoing corrective actions are taken. As discussed above, permanently closing the gap will require difficult decisions relative to program and service priorities and discipline to ensure that we are implementing long-term solutions to address the City's financial challenges.

## AWARDS AND ACKNOWLEDGMENTS

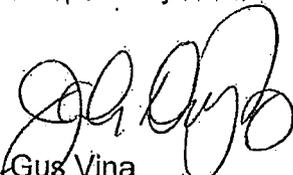
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sacramento for its CAFR for the fiscal year ended June 30, 2009. This marks the 21<sup>st</sup> consecutive year the City has received 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.

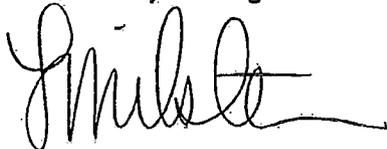
In order to receive this award, the City published an easily readable and efficiently organized CAFR. The report satisfied accounting principles generally accepted in the United States of America and applicable legal requirements. The award is valid for a

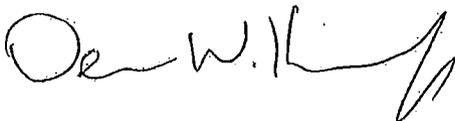
period of one year only. We believe this CAFR also meets the requirements of the program and we will be submitting it to the GFOA to determine its eligibility for the certificate.

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 employee of the Accounting Division have made this presentation possible. We also want to thank the other employees of the Department of Finance as well as those in other City departments who 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,

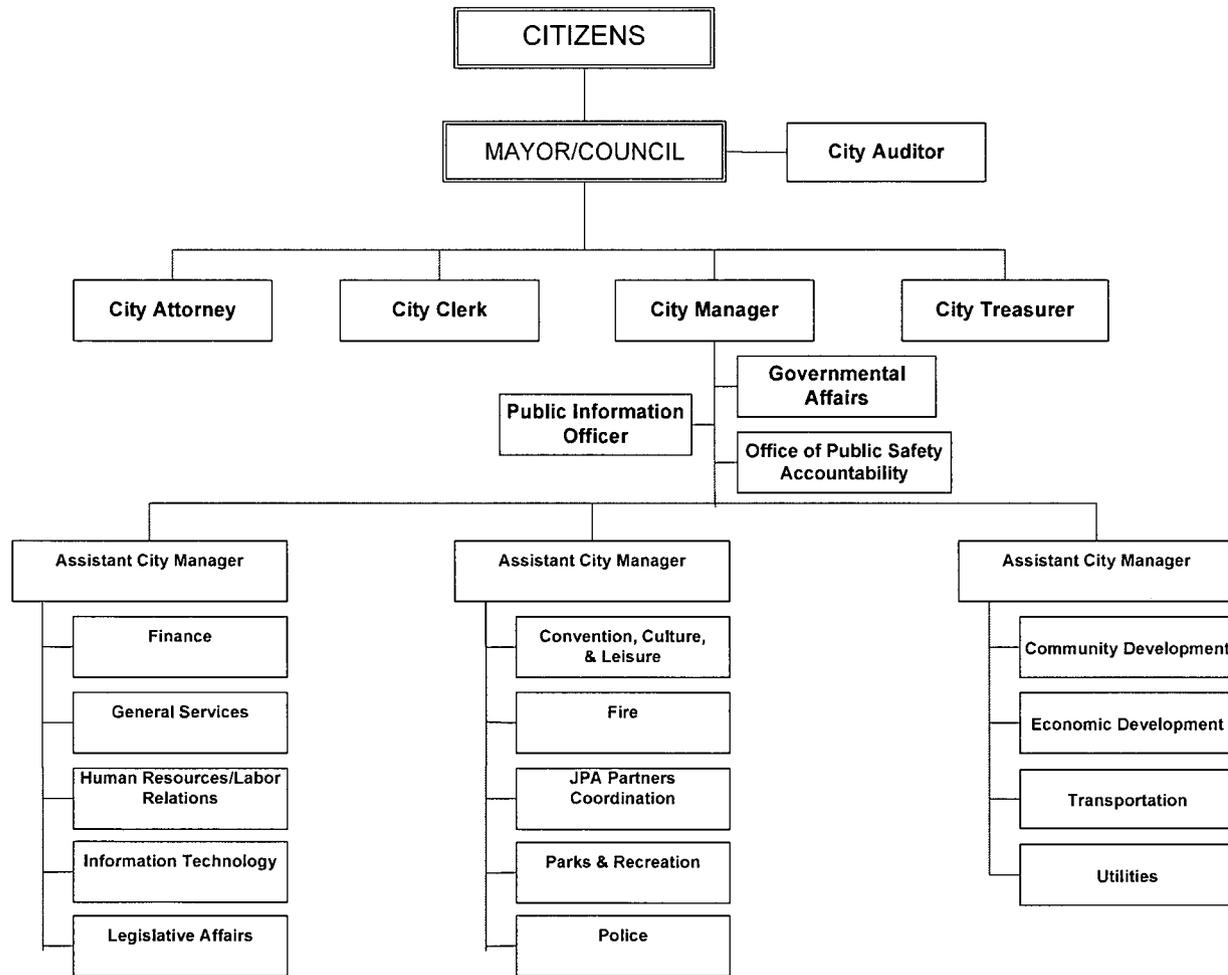
  
For Gus Vina  
Interim City Manager

  
Leyne Milstein  
Director of Finance

  
Dennis W. Kauffman, Jr.  
Accounting Manager

# City of Sacramento Organization Chart

as of June 30, 2010



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# City of Sacramento

## Directory of City Officials

June 30, 2010

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**Kevin Johnson**  
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**  
Councilmember, District 3

**Robbie Waters**  
Vice Mayor, District 7

**Robert King Fong**  
Councilmember, District 4

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

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**Eileen Teichert**  
City Attorney

**Gus Vina**  
Interim City Manager

**Shirley Concolino**  
City Clerk

**Russell Fehr**  
City Treasurer

---

**John Dangberg**  
Assistant City Manager

**Patti Bisharat**  
Interim Assistant City  
Manager

**Cassandra Jennings**  
Assistant City Manager

---

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sacramento  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Evans".

Executive Director

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# Financial Section



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 discretely presented component unit, 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, 2010, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows 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 basic financial statements, effective July 1, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010, 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 Schedules 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.

*Maciel Mini & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
December 16, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This is management's discussion and analysis of the financial performance of the City of Sacramento, California (City) for the fiscal year ended June 30, 2010. 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

- At June 30, 2010, the City was nearing completion of the \$85 million Crocker Art Museum expansion. Funding for the expansion comes from a variety of revenue sources, including the City's Community Reinvestment Capital Improvement Program bonds, Crocker Art Museum Association (CAMA) contributions, and redevelopment agency funds. The expansion tripled the size of the museum and includes a new auditorium and educational center among many other new "state-of-the-art" facilities. The museum was closed during the summer of 2010 in preparation for the grand re-opening on October 10, 2010.
- The General Fund, using the current financial resources basis, reported expenditures in excess of revenues of \$17.0 million in fiscal year 2010, including net other financing sources of \$4.4 million. Fund balance reserves were again used to help close the budgetary gap between ongoing revenue and expenditures. The City will continue to take appropriate actions over the next couple of years to balance revenues and expenditures through the budgetary process.
- The City's total government-wide net assets, excluding the discretely presented component unit, increased \$19.6 million in 2010, an increase of 0.78% over 2009. The net assets of governmental activities decreased \$6.8 million, or 0.39%, and the net assets of business-type activities increased \$26.4 million, or 3.31%.

### 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 other governmental funds, other 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 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 other post employment benefit plans, which are required supplementary information. In addition to these required elements, we have included combining statements and schedules that provide details about our other governmental funds, other 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, community development, 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 unit* — The City includes the Sacramento Regional Arts Facilities Financing Authority in its basic financial statements because, although legally separate, the City is financially accountable for it.

### **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 fund 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, 2010 and 2009  
 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 684	\$ 829	\$ 224	\$ 230	\$ 908	\$ 1,059	-14.26%
Capital assets	1,813	1,751	1,039	1,035	2,852	2,786	2.37%
Total assets	2,497	2,580	1,263	1,265	3,760	3,845	-2.21%
Long-term liabilities	711	679	410	410	1,121	1,089	2.94%
Other liabilities	71	180	30	58	101	238	-57.56%
Total liabilities	782	859	440	468	1,222	1,327	-7.91%
Net assets							
Invested in capital assets, net of related debt	1,412	1,378	691	687	2,103	2,065	1.84%
Restricted	226	259	26	17	252	276	-8.70%
Unrestricted	77	84	106	93	183	177	3.39%
Total net assets	\$ 1,715	\$ 1,721	\$ 823	\$ 797	\$ 2,538	\$ 2,518	0.79%

Current and other assets for governmental activities declined as a result of the use of General Fund reserves and capital improvement bond proceeds.

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. Total net assets of the primary government increased 0.79% this year, up \$20 million from 2009. At June 30, 2010, 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 8.33% primarily due to expenditures of restricted cash for capital improvements. Although total net assets of business-type activities increased \$26.4 million, to \$823.1 million, the City generally can only use the net assets to finance continuing operations of business-type activities.

**City of Sacramento**  
**Changes in Net Assets**  
For the Fiscal Years Ended June 30, 2010 and 2009  
(in thousands)

	Governmental		Business-type		Total		Total Percent Change
	Activities		Activities		Primary Government		
	2010	2009	2010	2009	2010	2009	
<b>Revenues</b>							
<b>Program revenues:</b>							
Charges for services	\$ 115,097	\$ 125,734	\$ 216,789	\$ 204,790	\$ 331,886	\$ 330,524	0.4%
Operating grants & contributions	59,179	53,206	2,381	2,343	61,560	55,549	10.8%
Capital grants & contributions	90,888	119,689	14,148	38,094	105,036	157,783	-33.4%
<b>General revenues:</b>							
Property taxes	123,681	135,806	-	-	123,681	135,806	-8.9%
Utility users tax	58,693	57,775	-	-	58,693	57,775	1.6%
Other taxes	18,591	20,358	14,233	15,852	32,824	36,210	-9.4%
<b>Unrestricted:</b>							
Sales taxes shared state revenue	46,769	48,905	-	-	46,769	48,905	-4.4%
State of California in-lieu sales tax	14,332	15,745	-	-	14,332	15,745	-9.0%
Intergovernmental revenue	4,591	4,224	-	-	4,591	4,224	8.7%
Investment earnings	11,508	14,896	4,964	5,746	16,472	20,642	-20.2%
Miscellaneous	12,743	10,368	-	-	12,743	10,368	22.9%
Gain on disposition of capital assets	-	2,912	17	-	17	2,912	-99.4%
<b>Total revenues</b>	<b>556,072</b>	<b>609,618</b>	<b>252,532</b>	<b>266,825</b>	<b>808,604</b>	<b>876,443</b>	<b>-7.7%</b>
<b>Expenses</b>							
<b>Governmental activities</b>							
General Government	44,278	45,956	-	-	44,278	45,956	-3.7%
Police	152,922	153,874	-	-	152,922	153,874	-0.6%
Fire	109,210	107,119	-	-	109,210	107,119	2.0%
General Services	29,175	28,132	-	-	29,175	28,132	3.7%
Transportation	89,358	95,238	-	-	89,358	95,238	-6.2%
Economic Development	9,815	10,055	-	-	9,815	10,055	-2.4%
Convention, Culture & Leisure	18,064	18,573	-	-	18,064	18,573	-2.7%
Parks & Recreation	51,984	54,209	-	-	51,984	54,209	-4.1%
Code Enforcement	10,984	10,882	-	-	10,984	10,882	0.9%
Community development	18,848	27,036	-	-	18,848	27,036	-30.3%
Neighborhood Services	1,105	1,370	-	-	1,105	1,370	-19.3%
Library	16,827	13,976	-	-	16,827	13,976	20.4%
Interest on long-term debt	29,658	29,284	-	-	29,658	29,284	1.3%
<b>Business-type activities</b>							
Water	-	-	60,902	66,757	60,902	66,757	-8.8%
Sewer	-	-	17,389	20,498	17,389	20,498	-15.2%
Storm Drainage	-	-	37,040	38,483	37,040	38,483	-3.7%
Solid Waste	-	-	47,076	67,911	47,076	67,911	-30.7%
Community Center	-	-	19,563	20,342	19,563	20,342	-3.8%
Parking	-	-	16,390	16,009	16,390	16,009	2.4%
Child Development	-	-	6,797	7,617	6,797	7,617	-10.8%
Marina	-	-	1,625	1,045	1,625	1,045	55.5%
<b>Total expenses</b>	<b>582,228</b>	<b>595,704</b>	<b>206,782</b>	<b>238,662</b>	<b>789,010</b>	<b>834,366</b>	<b>-5.4%</b>
Excess before transfers	(26,156)	13,914	45,750	28,163	19,594	42,077	-53.4%
Special Items - net	-	(929)	-	-	-	(929)	-100.0%
Transfers	19,365	8,348	(19,365)	(8,348)	-	-	-
<b>Change in net assets</b>	<b>(6,791)</b>	<b>21,333</b>	<b>26,385</b>	<b>19,815</b>	<b>19,594</b>	<b>41,148</b>	<b>-52.4%</b>
Net assets, beginning of year	1,721,691	1,700,358	796,741	776,926	2,518,432	2,477,284	1.7%
<b>Net assets, end of year</b>	<b>\$ 1,714,900</b>	<b>\$ 1,721,691</b>	<b>\$ 823,126</b>	<b>\$ 796,741</b>	<b>\$ 2,538,026</b>	<b>\$ 2,518,432</b>	<b>0.8%</b>

Note: Certain amounts in fiscal year 2009 have been reclassified to reflect fiscal year 2010 governmental functions.

## Revenue

Total City revenue of \$808.6 million for the year ended June 30, 2010 is down \$68 million, a 7.7% decline from the previous fiscal year. Revenue decreases occurred in capital grants and contributions, property taxes, other taxes, sales taxes, and investment earnings. Capital grants and contributions revenue is down \$53 million largely due to a drop in Measure A reimbursements resulting from the non-recurring railyard land acquisition in 2009, and a decline in developer infrastructure dedications due to a decrease in general development activity as a result of the economic downturn. The decline in property tax revenue is attributable to reduced assessed values on property tax rolls. The decline in sales tax revenue results from a reduction in retail sales due to the economy. Other taxes are down primarily due to declines in real property transfer tax and transient occupancy tax. The decline in investment earnings results primarily from lower earning rates, 1.9% in 2010 compared with 2.3% in 2009, and declining cash balances resulting from General Fund reserve expenditures and spending of capital improvement bond proceeds.

These revenue declines were partially offset by small increases in charges for services, operating grants and contributions, and other miscellaneous revenue. Charges for services are up primarily due to increased code enforcement housing and dangerous buildings fees. Operating grants and contributions increased \$6 million from the prior year due to public safety grants in 2010. Miscellaneous unrestricted revenue is up due to higher cable television franchise fees.

## Expenses

Total City operating expenses decreased 5.4% for the fiscal year ended June 30, 2010 (before transfers), down \$45 million from the prior year, due to budget reductions. Operating expenses for governmental activities decreased \$13.5 million and operating expenses for business-type activities dropped \$31.9 million in the current year.

## 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 expense to the City's taxpayers for each of the programs.

**City of Sacramento**  
**Net Cost of Governmental Activities**  
 For the Fiscal Years Ended June 30, 2010 and 2009  
 (in millions)

	Total Cost of Services		Total Percent Change	Net (Costs) Benefit of Services		Total Percent Change
	2010	2009		2010	2009	
Police	\$ 153	\$ 154	-0.65%	\$ (128)	\$ (135)	-5.19%
Fire	109	107	1.87%	(84)	(80)	5.00%
Transportation	89	95	-6.32%	-	36	-100.00%
Parks and Recreation	52	54	-3.70%	(13)	(16)	-18.75%
Community Development	19	24	-20.83%	(9)	(6)	50.00%
Other	170	171	-0.58%	(83)	(96)	-16.67%
<b>Total</b>	<b>\$ 592</b>	<b>\$ 605</b>	<b>-2.15%</b>	<b>\$ (317)</b>	<b>\$ (297)</b>	<b>6.73%</b>

The total cost for all governmental activities, including indirect expenses of \$10 million that are allocated to the business type activities, was \$592 million. The City's taxpayers paid for approximately 54% of these costs, or \$317 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 7% compared to 2009.

Police total and net costs of services decreased \$1 million and \$7 million, respectively, mostly due to General Fund budget reductions. Fire total and net costs of services increased \$2 million and \$4 million, respectively, due to labor cost increases. Transportation's net benefit decreased \$36 million because of the decrease in capital grants and contribution revenue due to a decline in Measure A reimbursements and lower infrastructure dedications as indicated above. Parks and Recreation's total and net costs of services decreased primarily due to General Fund expenditure budget reductions. The change in Community Development resulted mainly from General Fund expenditure budget reductions and declining revenue related to the slowdown in real estate development.

### **Business-type Activities**

Total revenue of the City's business-type activities was \$253 million. Expenses of business-type activities were \$207 million, including indirect expenses of \$10 million allocated from governmental activities. Capital grants and contributions in the water, sewer, and storm drainage activities provided \$14.1 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. The decrease in business-type expenses of \$31.9 million primarily results from the City's ongoing cost cutting efforts in fiscal year 2010 and a non-recurring 2009 charge due to a change in the estimated liability for solid waste landfill closure and post-closure costs.

### **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, 2010 of \$317 million, a decrease of \$47 million from the previous fiscal year. The General Fund fund balance decreased by \$17 million, consistent with the City's multi-year budget strategy to close the ongoing budget gap. The General Fund Projects fund balance decreased \$25 million, primarily due to spending of bond proceeds for the City's Community Reinvestment Capital Improvement Program. The City's Capital Grants fund balance deficit improved by \$13 million as a result of collecting more revenue from grantor agencies as reimbursement for current and prior year expenditures, relative to current year expenditures. The Crocker Art Museum fund balance decreased \$22 million due to expenditures for the Crocker Art Museum Expansion project. The Transportation and Development fund balance increased \$16 million due to the final reimbursement for the railyards land purchase. The Financing Plans fund balance decreased \$10 million due to capital spending on parks and other City facilities.

The City's enterprise funds provide the same type of information as the government-wide financial statements but in greater detail. The City's enterprise funds reported combined net assets of \$823 million at June 30, 2010, an increase of \$26 million over 2009. The change in net assets was due to net operating income of \$29 million, net non-operating revenues of \$2 million, capital

contributions of \$18 million, offset by net transfers out of \$23 million. The City's Water, Sewer and Solid Waste enterprise funds implemented Council-approved rate increases and cost-cutting measures, which resulted in increases in net assets totaling \$25 million.

### General Fund Budgetary Highlights

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

- Midyear revenue and appropriation adjustments in response to the City's declining revenues.
- Changes made to appropriations for the use of designations of fund balance.
- Other revenue adjustments and appropriations approved after the original budget is adopted.

After taking into account these adjustments, actual expenditures were \$35 million lower than final budget amounts. Capital outlay expenditures were less than budgeted amounts by \$21 million because of the carryover of prior-year unencumbered project budgets for multi-year projects and unspent current year appropriations. All General Fund departments, except for Police, reported favorable operating expenditure budget variances as a result of holding positions vacant and other discretionary spending constraints.

General Fund revenues were \$1.1 million higher than final budgeted amounts. On a year-to-year basis there were reductions in property tax, sales tax, and other tax revenues attributable to the declining economic climate.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2010, the City had invested \$2.9 billion in a broad range of capital assets, including police and fire equipment, buildings, parks and park improvements, roads, bridges, and water, sewer and storm drainage transmission and distribution systems. The current year capital assets additions of \$195 million were offset by current year depreciation expense of \$125 million and retirements of \$4 million for a net increase in capital assets of \$66 million.

<b>City of Sacramento</b>						
<b>Capital Assets</b>						
As of June 30, 2010 and 2009						
(net of depreciation, in millions)						
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Capital assets not being depreciated						
Land and improvements	\$ 181	\$ 160	\$ 54	\$ 52	\$ 235	\$ 212
Construction in progress	198	227	31	29	229	256
Depreciable capital assets:						
Buildings and improvements	419	370	171	178	590	548
Equipment	32	31	32	31	64	62
Software	3	-	1	-	4	-
Vehicles	38	45	-	-	38	45
Transmission and distribution systems	3	3	751	745	754	748
Road network	710	707	-	-	710	707
Street light network	115	112	-	-	115	112
Park and park improvements	113	96	-	-	113	96
Total	<u>\$ 1,812</u>	<u>\$ 1,751</u>	<u>\$ 1,040</u>	<u>\$ 1,035</u>	<u>\$ 2,852</u>	<u>\$ 2,786</u>

This year's major capital asset additions included:

- The Crocker Art Museum expansion project contributed an additional \$31 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.
- Roadway infrastructure and streetlights in the North Natomas area were dedicated to the City by developers at an estimated fair market value of \$8 million.
- Storm drainage transmission and distribution systems infrastructure financed primarily by the North Natomas Finance Plan development impact fees and developer dedications, with current year additions of approximately \$3.1 million.
- Other capital projects in progress include the Valley Hi - North Laguna Library, George Sim Community Center, Robbie Waters Pocket - Greenhaven Library, Consumnes River Boulevard Extension and Interchange at Interstate 5, West El Camino Bridge Replacement, and the North Natomas Library. 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, 2010 and 2009, total City debt outstanding was \$875 and \$890 million, respectively, a decrease of \$15 million from June 30, 2009 (not including \$14 million of discretely presented component unit long-term debt outstanding).

Governmental outstanding debt decreased a net \$13 million resulting from capital lease additions of \$5 million, offset by principal payments of \$17 million on existing bonds and \$1 million on capital leases. The capital lease addition of \$5 million finances the purchase of new fire trucks. Business-type outstanding debt decreased a net \$2 million resulting from debt additions of \$13 million, offset by principal payments of \$11 million on bonds, \$3 million on notes, and \$1 million on capital leases. New business-type debt additions include \$8 million note payable to the Department of Public Health for the installation of water meters, \$2 million loan from the California Infrastructure and Economic Development Bank for the purchase and construction of a water retention basin, and \$3 million in a capital lease to finance the acquisition of solid waste containers.

**City of Sacramento  
Outstanding Debt**  
As of June 30, 2010 and 2009  
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue and other bonds, net	\$ 497	\$ 514	\$ 302	\$ 313	\$ 799	\$ 827
Notes payable	1	1	56	49	57	50
Capital lease obligations	11	7	8	6	19	13
Total outstanding debt	<u>\$ 509</u>	<u>\$ 522</u>	<u>\$ 366</u>	<u>\$ 368</u>	<u>\$ 875</u>	<u>\$ 890</u>

Following are the City's bond ratings at June 30, 2010 as determined by Moody's Investors Service, Inc. (Moody's) and Standard & Poor's (S & P):

	<u>Moody's</u>	<u>S &amp; P</u>
Insured issues:		
• 1993 Refunded Lease Revenue Bonds, Series A	A1	A
• 1996 Lighting and Landscaping Bonds	Baa1	AA
• 1997 Lease Revenue Bonds	Baa1	A
• 1999 Capital Improvement Revenue Bonds	Caa2	NR
• 2003 Capital Improvement Revenue Bonds	Aa3	A
• 2005 Refunding Revenue Bonds	A1	A
• 2006 Capital Improvement Revenue Bonds, Series A and B	Aa3	A
• 2006 Capital Improvement Revenue Bonds, Series C, D and E	Aa3	A
Uninsured issues:		
• 1993 Refunded Lease Revenue Bonds, Series B	A1	A
• 2002 Refunding Revenue Bonds	A1	AA-

On May 28, 2010, Moody's recalibrated the City's issuer credit rating from Aa3 with a negative outlook to Aa2 with a stable outlook. The City's issuer credit rating of A+ with a stable outlook from S & P remains unchanged from 2009.

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, two of the largest sources of discretionary income. These revenue declines are not limited to the City of Sacramento. The majority of local governments in this region, across the state and nation, as well as the State of California and the federal government, are experiencing similar challenges. As a result, City budget estimates are based on projections that revenues will continue to be significantly lower than in recent years because economic growth is expected to be minimal for several years to come.

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

The General Fund budget appropriations for fiscal year 2011 are \$364 million, a decrease of 5.0 percent compared to the prior year approved budget. General Fund budgeted revenue in the approved fiscal year 2011 budget is \$363 million, \$18 million less than the fiscal year 2010 approved budget. The General Fund gap between ongoing budgeted revenues and expenditures was bridged in fiscal year 2011 with a combination of spending cuts, some fee increases, and use of fund balance reserves. Spending of fund balance reserves is unsustainable and the ongoing budget gap will be addressed over the next couple of fiscal years with a mix of expenditure reductions and revenue increases.

## **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/cafr](http://www.cityofsacramento.org/cafr).

# Government-wide Financial Statements

# City of Sacramento

## Statement of Net Assets

June 30, 2010

(in thousands)

	Primary Government			Sacramento Regional Arts Facilities Financing Authority
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 375,930	\$ 110,641	\$ 486,571	\$ -
Securities lending assets	12,317	5,168	17,485	-
Receivables, net	217,233	78,446	295,679	13,230
Internal balances	11,177	(11,177)	-	-
Inventories	1,465	5,608	7,073	-
Prepaid items	6,183	19	6,202	-
Restricted cash and investments	43,045	31,228	74,273	1,150
Deferred charges	4,641	4,039	8,680	547
Deferred outflow for interest rate swap	12,330	-	12,330	-
Land and other capital assets not being depreciated	378,940	85,059	463,999	-
Other capital assets, net of depreciation	1,433,383	954,457	2,387,840	-
<b>Total assets</b>	<b>2,496,644</b>	<b>1,263,488</b>	<b>3,760,132</b>	<b>14,927</b>
<b>LIABILITIES</b>				
Securities lending obligations	14,951	6,114	21,065	-
Payables	47,752	21,607	69,359	171
Unearned revenue	7,813	2,810	10,623	-
Long-term liabilities:				
Due within one year	60,432	17,845	78,277	370
Due in more than one year	650,796	391,986	1,042,782	14,031
<b>Total liabilities</b>	<b>781,744</b>	<b>440,362</b>	<b>1,222,106</b>	<b>14,572</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,411,767	691,197	2,102,964	-
Restricted for:				
Capital projects	186,619	25,781	212,400	-
Debt service	494	-	494	355
Trust and endowments:				
Expendable	4,690	-	4,690	-
Nonexpendable	1,934	-	1,934	-
Other	32,443	-	32,443	-
Unrestricted	76,953	106,148	183,101	-
<b>Total net assets</b>	<b>\$ 1,714,900</b>	<b>\$ 823,126</b>	<b>\$ 2,538,026</b>	<b>\$ 355</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, 2010  
(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	\$ 52,060	\$ (7,782)	\$ 6,614	\$ 1,970	\$ 828	\$ (34,866)
Police	152,922	-	4,098	21,214	56	(127,554)
Fire	109,210	-	22,711	2,090	191	(84,218)
General services	31,223	(2,048)	9,964	246	380	(18,585)
Transportation	89,358	-	28,857	13,397	47,137	33
Economic development	9,815	-	8,497	564	5,445	4,691
Convention, culture and leisure	18,064	-	9,689	1,158	17,611	10,394
Parks and recreation	51,984	-	10,122	13,789	15,205	(12,868)
Code enforcement	10,984	-	5,627	290	-	(5,067)
Community development	18,848	-	8,752	17	1,100	(8,979)
Neighborhood services	1,105	-	166	-	-	(939)
Library	16,827	-	-	4,444	2,935	(9,448)
Interest on long-term debt	29,658	-	-	-	-	(29,658)
<b>Total governmental activities</b>	<b>592,058</b>	<b>(9,830)</b>	<b>115,097</b>	<b>59,179</b>	<b>90,888</b>	<b>(317,064)</b>
Business-type activities:						
Water	57,972	2,930	70,463	-	9,985	19,546
Sewer	16,550	839	20,284	-	331	3,226
Storm drainage	35,372	1,668	34,082	578	3,824	1,444
Solid waste	44,168	2,908	58,901	810	8	12,643
Community center	18,721	842	7,020	-	-	(12,543)
Parking	15,863	527	18,784	-	-	2,394
Child development	6,797	-	5,473	993	-	(331)
Marina	1,509	116	1,782	-	-	157
<b>Total business-type activities</b>	<b>196,952</b>	<b>9,830</b>	<b>216,789</b>	<b>2,381</b>	<b>14,148</b>	<b>26,536</b>
<b>Total primary government</b>	<b>\$ 789,010</b>	<b>\$ -</b>	<b>\$ 331,886</b>	<b>\$ 61,560</b>	<b>\$ 105,036</b>	<b>\$ (290,528)</b>
<b>Component unit:</b>						
Sacramento Regional Arts Facilities Financing Authority	\$ 715	\$ -	\$ -	\$ -	\$ -	\$ (715)

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, 2010  
(in thousands)

	Primary Government			Sacramento Regional Arts Facilities Financing Authority
	Governmental Activities	Business-type Activities	Total	
Change in net assets:				
Net (expense) revenue	\$ (317,064)	\$ 26,536	\$ (290,528)	\$ (715)
General revenues:				
Taxes:				
Property taxes	123,681	-	123,681	-
Utility user taxes	58,693	-	58,693	-
Other taxes	18,591	14,233	32,824	-
Unrestricted sales taxes shared state revenue	46,769	-	46,769	-
Unrestricted in lieu sales tax	14,332	-	14,332	-
Grants and other intergovernmental revenue not restricted to specific programs	4,591	-	4,591	-
Unrestricted investment earnings	11,508	4,964	16,472	731
Unrestricted miscellaneous	12,743	-	12,743	-
Gain on disposition of capital assets	-	17	17	-
Transfers	19,365	(19,365)	-	-
Total general revenues and transfers	310,273	(151)	310,122	731
Change in net assets	(6,791)	26,385	19,594	16
Net assets, beginning of year	1,721,691	796,741	2,518,432	339
Net assets, end of year	\$ 1,714,900	\$ 823,126	\$ 2,538,026	\$ 355

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, 2010

(in thousands)

	General Fund	General Fund Projects Fund	Capital Grants Fund	Crocker Art Museum Fund	Financing Plans Fund
<b>ASSETS</b>					
Cash and investments held by City	\$ 47,273	\$ 325	\$ -	\$ -	\$ 107,033
Cash and investments held by fiscal agent	-	-	-	-	-
Securities lending assets	2,086	-	-	-	4,737
Receivables, net:					
Taxes	19,589	-	-	-	-
Accounts	11,208	-	365	-	1,285
Loans	3,292	-	-	3,846	-
Intergovernmental	-	-	20,421	-	-
Interest	268	-	-	-	611
Prepaid items	304	-	-	-	-
Restricted assets:					
Cash and investments held by City	-	22,938	27	305	-
Cash and investments held by fiscal agent	-	-	-	-	-
<b>Total assets</b>	<b>\$ 84,020</b>	<b>\$ 23,263</b>	<b>\$ 20,813</b>	<b>\$ 4,151</b>	<b>\$ 113,666</b>

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

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

June 30, 2010  
(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	\$ 2,090	\$ 66,910	\$ 66,837	\$ 290,468
Cash and investments held by fiscal agent	-	-	4,601	4,601
Securities lending assets	-	772	1,539	9,134
Receivables, net:				
Taxes	-	-	-	19,589
Accounts	-	605	2,669	16,132
Loans	68,655	403	9,357	85,553
Intergovernmental	-	4,953	68,135	93,509
Interest	761	100	256	1,996
Prepaid items	-	-	35	339
Restricted assets:				
Cash and investments held by City	-	-	641	23,911
Cash and investments held by fiscal agent	-	-	19,134	19,134
<b>Total assets</b>	<b>\$ 71,506</b>	<b>\$ 73,743</b>	<b>\$ 173,204</b>	<b>\$ 564,366</b>

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

(continued)

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

June 30, 2010  
(in thousands)

	General Fund	General Fund Projects Fund	Capital Grants Fund	Crocker Art Museum Fund	Financing Plans Fund
<b>Liabilities:</b>					
Securities lending obligations	\$ 2,678	\$ 241	\$ -	\$ 281	\$ 5,574
Accounts payable	19,361	1,924	6,884	-	1,102
Due to other funds	-	-	6,698	-	-
Matured bonds and interest payable	-	-	-	-	-
Accrued claims and judgments	-	800	-	-	-
Deposits	158	-	652	-	-
Deferred revenue	6,716	-	18,468	3,846	2,559
Advances from other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>28,913</b>	<b>2,965</b>	<b>32,702</b>	<b>4,127</b>	<b>9,235</b>
<b>Fund balances:</b>					
<b>Reserved:</b>					
For noncurrent assets	514	-	-	-	-
For encumbrances	6,301	4,543	9,855	-	4,601
For debt service	-	494	-	-	-
For prepaid items	304	-	-	-	-
For trust obligations	-	-	-	-	-
For capital projects	-	-	2,210	-	-
<b>Unreserved:</b>					
Designated for economic uncertainty	10,540	-	-	-	-
Designated for capital projects	24,159	9,669	-	-	29,899
Designated for fiscal year 2011 results	3,800	-	-	-	-
Designated for fiscal year 2011 Fire budget	1,000	-	-	-	-
Designated for subsequent years' expenditures	8,489	400	-	-	2,528
Undesignated	-	5,192	(23,954)	24	67,403
<b>Unreserved, reported in:</b>					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>55,107</b>	<b>20,298</b>	<b>(11,889)</b>	<b>24</b>	<b>104,431</b>
<b>Total liabilities and fund balances</b>	<b>\$ 84,020</b>	<b>\$ 23,263</b>	<b>\$ 20,813</b>	<b>\$ 4,151</b>	<b>\$ 113,666</b>

(continued)

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

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

June 30, 2010  
(in thousands)

	1997 Lease Revenue Bond Fund	Transportation and Development Fund	Other Governmental Funds	Total Governmental Funds
<b>Liabilities:</b>				
Securities lending obligations	\$ -	\$ 1,093	\$ 1,778	\$ 11,645
Accounts payable	-	3,098	3,904	36,273
Due to other funds	-	-	1,443	8,141
Matured bonds and interest payable	-	-	3,170	3,170
Accrued claims and judgments	-	1,601	-	2,401
Deposits	-	532	568	1,910
Deferred revenue	69,416	2,491	72,400	175,896
Advances from other funds	-	-	7,490	7,490
<b>Total liabilities</b>	<b>69,416</b>	<b>8,815</b>	<b>90,753</b>	<b>246,926</b>
<b>Fund balances:</b>				
<b>Reserved:</b>				
For noncurrent assets	-	403	746	1,663
For encumbrances	-	7,037	3,964	36,301
For debt service	-	-	19,775	20,269
For prepaid items	-	-	35	339
For trust obligations	-	-	1,934	1,934
For capital projects	-	-	-	2,210
<b>Unreserved:</b>				
Designated for economic uncertainty	-	-	-	10,540
Designated for capital projects	-	30,934	-	94,661
Designated for fiscal year 2011 results	-	-	-	3,800
Designated for fiscal year 2011 Fire budget	-	-	-	1,000
Designated for subsequent years' expenditures	-	9,587	-	21,004
Undesignated	2,090	16,967	-	67,722
<b>Unreserved, reported in:</b>				
Special revenue funds	-	-	36,095	36,095
Debt service funds	-	-	7,957	7,957
Capital projects funds	-	-	9,147	9,147
Permanent funds	-	-	2,798	2,798
<b>Total fund balances (deficit)</b>	<b>2,090</b>	<b>64,928</b>	<b>82,451</b>	<b>317,440</b>
<b>Total liabilities and fund balances</b>	<b>\$ 71,506</b>	<b>\$ 73,743</b>	<b>\$ 173,204</b>	<b>\$ 564,366</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, 2010  
(in thousands)

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<b>Fund balances - total governmental funds</b>		<b>\$ 317,440</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.		168,598
Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.		4,606
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$2,794,523	
Less: accumulated depreciation	<u>(1,024,063)</u>	1,770,460
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		(2,596)
Termination payments liability		(783)
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	(30,405)	
Financing plan fee credits	(59,284)	
Pollution remediation obligations	(1,150)	
Revenue and other bonds payable, net	(489,704)	
Capital lease obligations payable	(10,967)	
Notes payable	(746)	
OPEB liability	<u>(49,944)</u>	(642,200)
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>99,375</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 1,714,900</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, 2010  
(in thousands)

	General Fund	General Fund Projects Fund	Capital Grants Fund	Crocker Art Museum Fund	Financing Plans Fund
<b>Revenues:</b>					
Taxes	\$ 260,320	\$ -	\$ -	\$ -	\$ -
Intergovernmental	15,294	-	52,174	-	-
Charges for services	54,446	-	-	-	-
Fines, forfeits and penalties	11,131	-	-	-	-
Interest, rents, and concessions	(88)	430	15	(124)	3,358
Community service fees	-	-	-	-	3,494
Assessment levies	-	-	-	-	-
Contributions and donations	-	-	1,381	1,449	-
Miscellaneous	142	-	-	-	-
<b>Total revenues</b>	<b>341,245</b>	<b>430</b>	<b>53,570</b>	<b>1,325</b>	<b>6,852</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	24,009	-	-	-	491
Police	129,339	-	-	-	-
Fire	100,886	-	-	-	-
General services	11,751	-	-	-	-
Transportation	7,607	-	-	-	-
Neighborhood services	941	-	-	-	-
Convention, culture and leisure	4,825	365	-	-	-
Economic development	4,044	-	-	-	-
Parks and recreation	16,455	-	-	-	192
Code enforcement	9,833	-	-	-	-
Community development	12,473	-	-	-	-
Library	7,922	-	-	-	-
Utilities	67	-	-	-	-
Nondepartmental	26,330	-	-	-	-
Capital outlay	4,918	22,912	40,190	22,877	27,933
<b>Debt service:</b>					
Principal	918	-	-	-	173
Interest and fiscal charges	271	5	-	-	3,760
<b>Total expenditures</b>	<b>362,589</b>	<b>23,282</b>	<b>40,190</b>	<b>22,877</b>	<b>32,549</b>
Excess (deficiency) of revenues over (under) expenditures	(21,344)	(22,852)	13,380	(21,552)	(25,697)
<b>Other financing sources (uses):</b>					
Transfers in	23,948	-	-	-	-
Transfers out	(24,136)	(2,621)	(206)	-	(2,575)
Issuance of long-term debt	4,551	-	-	-	18,412
<b>Total other financing sources (uses)</b>	<b>4,363</b>	<b>(2,621)</b>	<b>(206)</b>	<b>-</b>	<b>15,837</b>
<b>Net change in fund balances</b>	<b>(16,981)</b>	<b>(25,473)</b>	<b>13,174</b>	<b>(21,552)</b>	<b>(9,860)</b>
Fund balances (deficit), beginning of year	72,088	45,771	(25,063)	21,576	114,291
Fund balances (deficit), end of year	\$ 55,107	\$ 20,298	\$ (11,889)	\$ 24	\$ 104,431

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, 2010  
(in thousands)

	1997 Lease Revenue Bond Fund	Transportation and Development Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ -	\$ 429	\$ -	\$ 260,749
Intergovernmental	-	48,404	58,342	174,214
Charges for services	-	3,084	5,432	62,962
Fines, forfeits and penalties	-	987	-	12,118
Interest, rents, and concessions	42	1,527	5,768	10,928
Community service fees	-	350	4,031	7,875
Assessment levies	-	-	31,970	31,970
Contributions and donations	5,100	-	42	7,972
Miscellaneous	-	-	54	196
Total revenues	<u>5,142</u>	<u>54,781</u>	<u>105,639</u>	<u>568,984</u>
Expenditures:				
Current:				
General government	-	-	2,971	27,471
Police	-	-	17,720	147,059
Fire	-	-	1,544	102,430
General services	-	-	9,274	21,025
Transportation	-	12,453	10,963	31,023
Neighborhood services	-	-	66	1,007
Convention, culture and leisure	-	-	8,006	13,196
Economic development	-	-	5,092	9,136
Parks and recreation	-	-	23,665	40,312
Code enforcement	-	-	446	10,279
Community development	-	3,383	17	15,873
Library	-	-	4,444	12,366
Utilities	-	-	-	67
Nondepartmental	-	-	488	26,818
Capital outlay	-	23,326	13,990	156,146
Debt service:				
Principal	1,215	-	16,271	18,577
Interest and fiscal charges	3,934	299	21,428	29,697
Total expenditures	<u>5,149</u>	<u>39,461</u>	<u>136,385</u>	<u>662,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7)</u>	<u>15,320</u>	<u>(30,746)</u>	<u>(93,498)</u>
Other financing sources (uses):				
Transfers in	-	847	28,826	53,621
Transfers out	-	(246)	(457)	(30,241)
Issuance of long-term debt	-	-	-	22,963
Total other financing sources (uses)	<u>-</u>	<u>601</u>	<u>28,369</u>	<u>46,343</u>
Net change in fund balances	(7)	15,921	(2,377)	(47,155)
Fund balances (deficit), beginning of year	<u>2,097</u>	<u>49,007</u>	<u>84,828</u>	<u>364,595</u>
Fund balances (deficit), end of year	<u>\$ 2,090</u>	<u>\$ 64,928</u>	<u>\$ 82,451</u>	<u>\$ 317,440</u>

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, 2010  
(in thousands)

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**Net change in fund balances - total governmental funds** \$ (47,155)

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	146,009	
Depreciation expense	<u>(81,199)</u>	64,810

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds - infrastructure dedications. 10,170

In the statement of activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, proceeds from sales increase financial resources. (256)

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	(22,963)	
Principal repayments on long-term debt	<u>18,577</u>	(4,386)

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 decrease in revenues - unavailable revenues at the end of the year were less than beginning unavailable revenues by this amount. (26,418)

## 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, 2010

(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	767	
Other post-employment benefits	(15,303)	
Pollution remediation	(146)	
Termination payments	(374)	
Accrued interest	47	
Amortization of issuance costs	(249)	
Amortization of bond discount	(8)	
Amortization of bond premium	1,046	
Amortization of gain/loss on refunding	<u>(799)</u>	
		(15,019)
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.		(4,219)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net expense of the internal service funds is reported with the governmental activities.		<u>15,682</u>
<b>Change in net assets of governmental activities</b>		<u><u>\$ (6,791)</u></u>

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

**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, 2010  
(in thousands)

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts - Budgetary Basis	Final Budget - Positive (Negative)	to GAAP Reconciliation	Amounts - GAAP Basis
<b>Revenues:</b>						
Taxes	\$277,423	\$259,866	\$260,320	\$ 454	\$ -	\$ 260,320
Intergovernmental	14,783	13,026	15,294	2,268	-	15,294
Charges for services	51,542	53,473	54,446	973	-	54,446
Fines, forfeits and penalties	11,049	10,849	11,131	282	-	11,131
Interest, rents, and concessions	2,898	2,765	(88)	(2,853)	-	(88)
Miscellaneous	-	148	142	(6)	-	142
<b>Total revenues</b>	<b>357,695</b>	<b>340,127</b>	<b>341,245</b>	<b>1,118</b>	<b>-</b>	<b>341,245</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Charter offices	12,636	12,575	11,583	992	148	11,731
Finance	5,592	5,345	4,701	644	(224)	4,477
Information technology	5,727	5,324	5,101	223	(68)	5,033
Human resources	2,142	1,985	1,900	85	(7)	1,893
Labor relations	830	875	875	-	-	875
Subtotal - General government	26,927	26,104	24,160	1,944	(151)	24,009
Police	129,802	129,665	129,706	(41)	(367)	129,339
Fire	99,375	104,431	101,081	3,350	(195)	100,886
General services	11,786	12,331	11,664	667	87	11,751
Transportation	9,455	10,080	7,721	2,359	(114)	7,607
Neighborhood services	962	948	948	-	(7)	941
Convention, culture and leisure	4,751	5,004	4,806	198	19	4,825
Economic development	4,560	4,010	3,890	120	154	4,044
Parks and recreation	16,792	17,542	16,493	1,049	(38)	16,455
Code enforcement	10,191	10,190	9,849	341	(16)	9,833
Community development	14,798	14,062	12,516	1,546	(43)	12,473
Library	7,922	7,922	7,922	-	-	7,922
Utilities	67	67	67	-	-	67
Nondepartmental	21,602	29,414	26,827	2,587	(497)	26,330
Capital outlay	27,525	27,639	6,719	20,920	(1,801)	4,918
<b>Debt service:</b>						
Principal	918	918	918	-	-	918
Interest and fiscal charges	271	271	271	-	-	271
<b>Total expenditures</b>	<b>387,704</b>	<b>400,598</b>	<b>365,558</b>	<b>35,040</b>	<b>(2,969)</b>	<b>362,589</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(30,009)</b>	<b>(60,471)</b>	<b>(24,313)</b>	<b>36,158</b>	<b>2,969</b>	<b>(21,344)</b>
<b>Other financing sources (uses):</b>						
Transfers in	23,640	23,640	23,948	308	-	23,948
Transfers out	(26,377)	(24,801)	(24,136)	665	-	(24,136)
Issuance of long-term debt	-	4,551	4,551	-	-	4,551
<b>Total other financing sources (uses)</b>	<b>(2,737)</b>	<b>3,390</b>	<b>4,363</b>	<b>973</b>	<b>-</b>	<b>4,363</b>
<b>Net change in fund balance</b>	<b>\$(32,746)</b>	<b>\$(57,081)</b>	<b>\$(19,950)</b>	<b>\$ 37,131</b>	<b>\$ 2,969</b>	<b>\$(16,981)</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, 2010

(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 16,569	\$ 16,530	\$ 15,616	\$ (914)
Fines, forfeits and penalties	1,320	1,320	987	(333)
Interest, rents, and concessions	498	498	282	(216)
<b>Total revenues</b>	<b>18,387</b>	<b>18,348</b>	<b>16,885</b>	<b>(1,463)</b>
Expenditures:				
Current:				
Transportation	16,393	16,393	12,102	4,291
Capital Outlay	5,727	4,965	2,187	2,778
Debt Service:				
Interest and fiscal charges	-	-	296	(296)
<b>Total expenditures</b>	<b>22,120</b>	<b>21,358</b>	<b>14,585</b>	<b>6,773</b>
<b>Net change in fund balances for budgeted activities</b>	<b>\$ (3,733)</b>	<b>\$ (3,010)</b>	<b>2,004</b>	<b>\$ 5,014</b>
Net change in fund balances for Transportation and Development Special Revenue Fund activities for which annual budgets are not adopted.			13,621	
<b>Net change in fund balance</b>			<b>\$ 15,625</b>	

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

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Assets**  
June 30, 2010  
(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	\$ 22,425	\$ 17,926	\$ 21,504	\$ -
Cash and investments held by fiscal agent	-	-	53	-
Securities lending assets	1,679	851	1,038	-
Receivables, net:				
Taxes	-	-	-	-
Accounts	11,294	9,722	6,788	13,232
Loans	1,112	126	357	44
Intergovernmental	13,263	544	1,482	702
Interest	331	125	185	-
Due from other funds	-	-	-	-
Inventories	5,025	84	499	-
Prepaid items	-	-	-	1
<b>Total current assets</b>	<b>55,129</b>	<b>29,378</b>	<b>31,906</b>	<b>13,979</b>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	13,641	505	1,128	2,399
Cash and investments held by fiscal agent	-	-	751	-
Advances to other funds	-	-	-	-
Loans receivable	9,326	1,293	3,878	-
Intergovernmental	-	-	215	-
Deferred charges	1,977	-	44	293
Capital assets:				
Land	645	1,138	18,968	1,133
Buildings and improvements	37,383	14,906	8,223	31,191
Machinery and equipment	14,555	4,172	15,345	11,060
Vehicles	-	-	-	-
Transmission and distribution system	527,326	134,962	363,560	-
Construction in progress	25,186	2,407	2,324	-
Software	201	297	584	-
Less: accumulated depreciation/amortization	(154,027)	(50,456)	(105,765)	(17,072)
<b>Total noncurrent assets</b>	<b>476,213</b>	<b>109,224</b>	<b>309,255</b>	<b>29,004</b>
<b>Total assets</b>	<b>531,342</b>	<b>138,602</b>	<b>341,161</b>	<b>42,983</b>

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

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

June 30, 2010  
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
<b>ASSETS</b>				
Current assets:				
Cash and investments held by City	\$ 9,903	\$ 35,831	\$ 107,589	\$ 80,708
Cash and investments held by fiscal agent	2,874	125	3,052	153
Securities lending assets	-	1,600	5,168	3,183
Receivables, net:				
Taxes	2,202	-	2,202	-
Accounts	68	1,046	42,150	43
Loans	-	2	1,641	-
Intergovernmental	-	58	16,049	-
Interest	94	221	956	411
Due from other funds	-	-	-	11,555
Inventories	-	-	5,608	1,465
Prepaid items	1	17	19	5,844
<b>Total current assets</b>	<b>15,142</b>	<b>38,900</b>	<b>184,434</b>	<b>103,362</b>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	12	1,373	19,058	-
Cash and investments held by fiscal agent	9,660	1,759	12,170	-
Advances to other funds	-	-	-	15,253
Loans receivable	221	515	15,233	-
Intergovernmental	-	-	215	-
Deferred charges	1,136	589	4,039	35
Capital assets:				
Land	21,739	10,616	54,239	-
Buildings and improvements	111,201	79,982	282,886	6,610
Machinery and equipment	3,643	6,282	55,057	1,434
Vehicles	-	-	-	107,599
Transmission and distribution system	-	-	1,025,848	-
Construction in progress	565	338	30,820	926
Software	-	-	1,082	-
Less: accumulated depreciation/amortization	(48,337)	(34,759)	(410,416)	(74,706)
<b>Total noncurrent assets</b>	<b>99,840</b>	<b>66,695</b>	<b>1,090,231</b>	<b>57,151</b>
<b>Total assets</b>	<b>114,982</b>	<b>105,595</b>	<b>1,274,665</b>	<b>160,513</b>

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

(continued)

**City of Sacramento**  
**Proprietary Funds**  
**Statement of Net Assets**  
June 30, 2010  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
<b>LIABILITIES</b>				
Current liabilities:				
Securities lending obligations	2,040	967	1,169	-
Accounts payable and accrued expenses	6,707	6,730	1,543	1,264
Accrued compensated absences	108	16	71	39
Due to other funds	329	108	221	2,568
Interest payable	670	89	372	181
Liability for landfill closure	-	-	-	895
Deposits	-	-	39	-
Unearned revenue	-	-	71	-
Accrued claims	-	-	-	-
Capital leases payable, current portion	-	-	-	1,146
Revenue and other bonds payable, net, current portion	3,423	-	465	716
Notes payable, current portion	-	672	2,093	-
Utility district payable, current portion	305	-	-	-
<b>Total current liabilities</b>	<b>13,582</b>	<b>8,582</b>	<b>6,044</b>	<b>6,809</b>
Noncurrent liabilities:				
Accrued compensated absences	2,007	575	2,168	1,199
Advances from other funds	329	107	220	246
Water fee credits	1,699	-	-	-
OPEB liability	2,690	1,109	1,255	3,531
Accrued claims and judgments	-	-	-	-
Liability for landfill closure	-	-	-	23,420
Capital leases payable	-	-	-	5,817
Revenue and other bonds payable, net	161,121	-	6,216	23,353
Loans payable	7,551	-	-	-
Notes payable	-	7,424	24,718	-
<b>Total noncurrent liabilities</b>	<b>175,397</b>	<b>9,215</b>	<b>34,577</b>	<b>57,566</b>
<b>Total liabilities</b>	<b>188,979</b>	<b>17,797</b>	<b>40,621</b>	<b>64,375</b>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	277,475	99,330	271,626	1,696
Restricted for:				
Capital projects	24,152	505	-	-
Unrestricted	40,736	20,970	28,914	(23,088)
<b>Total net assets (deficit)</b>	<b>\$ 342,363</b>	<b>\$ 120,805</b>	<b>\$ 300,540</b>	<b>\$ (21,392)</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, 2010  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Community Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b>LIABILITIES</b>				
Current liabilities:				
Securities lending obligations	93	1,845	6,114	3,306
Accounts payable and accrued expenses	1,205	1,519	18,968	3,549
Accrued compensated absences	24	27	285	67
Due to other funds	100	88	3,414	-
Interest payable	751	454	2,517	12
Liability for landfill closure	-	-	895	-
Deposits	-	83	122	-
Unearned revenue	1,067	1,672	2,810	515
Accrued claims	-	-	-	12,957
Capital leases payable, current portion	-	83	1,229	20
Revenue and other bonds payable, net, current portion	5,809	1,700	12,113	296
Notes payable, current portion	-	253	3,018	-
Utility district payable, current portion	-	-	305	-
<b>Total current liabilities</b>	<b>9,049</b>	<b>7,724</b>	<b>51,790</b>	<b>20,722</b>
Noncurrent liabilities:				
Accrued compensated absences	561	551	7,061	1,140
Advances from other funds	6,770	91	7,763	-
Water fee credits	-	-	1,699	-
OPEB liability	300	615	9,500	1,256
Accrued claims and judgments	-	-	-	34,105
Liability for landfill closure	-	-	23,420	-
Capital leases payable	-	1,249	7,066	216
Revenue and other bonds payable, net	64,820	34,441	289,951	3,699
Loans payable	-	-	7,551	-
Notes payable	-	13,596	45,738	-
<b>Total noncurrent liabilities</b>	<b>72,451</b>	<b>50,543</b>	<b>399,749</b>	<b>40,416</b>
<b>Total liabilities</b>	<b>81,500</b>	<b>58,267</b>	<b>451,539</b>	<b>61,138</b>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	27,842	13,228	691,197	37,632
Restricted for:				
Capital projects	1,124	-	25,781	-
Unrestricted	4,516	34,100	106,148	61,743
<b>Total net assets (deficit)</b>	<b>\$ 33,482</b>	<b>\$ 47,328</b>	<b>\$ 823,126</b>	<b>\$ 99,375</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, 2010  
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Drainage Fund	Solid Waste Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ 67,928	\$ 19,426	\$ 33,786	\$ 58,696
Rents and concessions	-	-	-	-
Charge to Regional Sanitation District for operating and maintaining treatment plant	-	837	-	-
Miscellaneous	2,535	21	296	205
Total operating revenues	<u>70,463</u>	<u>20,284</u>	<u>34,082</u>	<u>58,901</u>
Operating expenses:				
Employee services	23,425	7,108	21,102	15,882
Services and supplies	15,232	6,222	3,778	27,739
Depreciation/amortization	14,216	3,853	10,981	1,787
Insurance premiums	-	-	-	-
Claims and judgments	-	-	-	-
Total operating expenses	<u>52,873</u>	<u>17,183</u>	<u>35,861</u>	<u>45,408</u>
Operating income (loss)	<u>17,590</u>	<u>3,101</u>	<u>(1,779)</u>	<u>13,493</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	1,662	615	849	-
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	-	-	578	810
Interest expense	(7,910)	(206)	(1,174)	(1,641)
Amortization of deferred charges	(119)	-	(5)	(27)
Loan forgiveness	-	-	-	-
Gain or (loss) on disposition of capital assets	-	-	-	17
Total nonoperating revenues (expenses)	<u>(6,367)</u>	<u>409</u>	<u>248</u>	<u>(841)</u>
Income (loss) before contributions and transfers	11,223	3,510	(1,531)	12,652
Capital contributions	9,985	3,678	4,696	8
Transfers in	10	31	20	55
Transfers out	(7,825)	(2,100)	(3,715)	(6,349)
Changes in net assets	13,393	5,119	(530)	6,366
Total net assets (deficit), beginning of year	<u>328,970</u>	<u>115,686</u>	<u>301,070</u>	<u>(27,758)</u>
Total net assets (deficit), end of year	<u>\$ 342,363</u>	<u>\$ 120,805</u>	<u>\$ 300,540</u>	<u>\$ (21,392)</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, 2010  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Community Center Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
Operating revenues:				
Charges for services:				
User fees and charges	\$ 2,668	\$ 24,719	\$ 207,223	\$ 66,824
Rents and concessions	4,159	1,211	5,370	-
Charge to Regional Sanitation District for operating and maintaining treatment plant	-	-	837	-
Miscellaneous	193	109	3,359	336
<b>Total operating revenues</b>	<b>7,020</b>	<b>26,039</b>	<b>216,789</b>	<b>67,160</b>
Operating expenses:				
Employee services	6,144	10,593	84,254	12,006
Services and supplies	5,747	8,549	67,267	24,619
Depreciation/amortization	2,614	2,671	36,122	8,198
Insurance premiums	-	-	-	2,246
Claims and judgments	-	-	-	7,250
<b>Total operating expenses</b>	<b>14,505</b>	<b>21,813</b>	<b>187,643</b>	<b>54,319</b>
<b>Operating income (loss)</b>	<b>(7,485)</b>	<b>4,226</b>	<b>29,146</b>	<b>12,841</b>
Nonoperating revenues (expenses):				
Interest and investment revenue	623	1,215	4,964	3,336
Transient occupancy taxes	14,233	-	14,233	-
Revenue from other agencies	-	993	2,381	-
Interest expense	(4,920)	(2,359)	(18,210)	(157)
Amortization of deferred charges	(132)	(25)	(308)	(3)
Loan forgiveness	(6)	-	(6)	-
Gain or (loss) on disposition of capital assets	-	(615)	(598)	(539)
<b>Total nonoperating (expenses) revenues</b>	<b>9,798</b>	<b>(791)</b>	<b>2,456</b>	<b>2,637</b>
<b>Income (loss) before contributions and transfers</b>	<b>2,313</b>	<b>3,435</b>	<b>31,602</b>	<b>15,478</b>
Capital contributions	-	-	18,367	-
Transfers in	-	-	116	438
Transfers out	(1,350)	(2,361)	(23,700)	(234)
<b>Changes in net assets</b>	<b>963</b>	<b>1,074</b>	<b>26,385</b>	<b>15,682</b>
<b>Total net assets (deficit), beginning of year</b>	<b>32,519</b>	<b>46,254</b>	<b>796,741</b>	<b>83,693</b>
<b>Total net assets (deficit), end of year</b>	<b>\$ 33,482</b>	<b>\$ 47,328</b>	<b>\$ 823,126</b>	<b>\$ 99,375</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, 2010

(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	\$ 68,928	\$ 20,254	\$ 34,398	\$ 57,726
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(18,310)	(6,922)	(3,398)	(28,598)
Payments to employees	(23,199)	(7,147)	(21,257)	(15,246)
Claims and judgments paid	-	-	(11)	-
<b>Net cash provided by (used for) operating activities</b>	<b>27,419</b>	<b>6,185</b>	<b>9,732</b>	<b>13,882</b>
<b>Cash flows from noncapital financing activities:</b>				
Transient occupancy taxes	-	-	-	-
Transfers in from other funds	10	31	20	55
Transfers out to other funds	(7,825)	(2,100)	(3,715)	(6,349)
Collections on interfund loans	-	-	-	-
Interfund loan repayments	-	-	-	(5,081)
Interest payments on interfund borrowings	-	-	-	(79)
Intergovernmental revenue received	-	-	835	810
Payments for flood control agency	-	-	(1,635)	-
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(7,815)</b>	<b>(2,069)</b>	<b>(4,495)</b>	<b>(10,644)</b>
<b>Cash flows from capital and related financing activities:</b>				
Interfund loan repayments	(329)	(107)	(221)	(245)
Interest payment on interfund loan repayments	(20)	(6)	(13)	(14)
Acquisition and construction of capital assets	(25,236)	(1,110)	(420)	(2,697)
Proceeds from sale of capital assets	-	-	-	17
Proceeds from issuance of debt	1,324	-	2,598	3,065
Prepayment for capital asset acquisition	-	-	-	-
Principal payments on capital debt	(3,097)	(656)	(2,497)	(1,930)
Interest payments on capital debt	(8,097)	(203)	(1,083)	(1,481)
Transfers in from other funds	-	-	-	-
Capital contributions received	1,805	28	724	8
Loan repayments received	1,597	222	665	-
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(32,053)</b>	<b>(1,832)</b>	<b>(247)</b>	<b>(3,277)</b>
<b>Cash flows from investing activities:</b>				
Collection of interest and investment revenue	1,583	582	841	-
Payments for investments purchased in prior year	(1,323)	(425)	(478)	-
Loans made	(31)	(7)	(9)	(36)
Loan repayments received	25	4	24	45
<b>Net cash provided by (used for) investing activities</b>	<b>254</b>	<b>154</b>	<b>378</b>	<b>9</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(12,195)</b>	<b>2,438</b>	<b>5,368</b>	<b>(30)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>48,261</b>	<b>15,993</b>	<b>18,068</b>	<b>2,429</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 36,066</b>	<b>\$ 18,431</b>	<b>\$ 23,436</b>	<b>\$ 2,399</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets:</b>				
Cash and investments held by City	\$ 22,425	\$ 17,926	\$ 21,504	\$ -
Cash and investments held by fiscal agent	-	-	53	-
Restricted cash and investments held by City	13,641	505	1,128	2,399
Restricted cash and investments held by fiscal agent	-	-	751	-
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 36,066</b>	<b>\$ 18,431</b>	<b>\$ 23,436</b>	<b>\$ 2,399</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, 2010

(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,139	\$ 26,139	\$ 214,584	\$ -
Receipts from interfund services provided	-	-	-	120,922
Payments to suppliers	(5,758)	(8,947)	(71,933)	(83,702)
Payments to employees	(6,203)	(10,630)	(83,682)	(11,566)
Claims and judgments paid	-	-	(11)	(10,426)
Net cash provided by (used for) operating activities	(4,822)	6,562	58,958	15,228
Cash flows from noncapital financing activities:				
Transient occupancy taxes	13,910	-	13,910	-
Transfers in from other funds	-	-	116	14
Transfers out to other funds	(1,350)	(2,361)	(23,700)	(234)
Collections on interfund loans	-	-	-	42,952
Interfund loan repayments	(700)	(89)	(5,870)	-
Interest payments on interfund borrowings	-	(5)	(84)	-
Intergovernmental revenue received	-	993	2,638	-
Payments for flood control agency	-	-	(1,635)	-
Net cash provided by (used for) noncapital financing activities	11,860	(1,462)	(14,625)	42,732
Cash flows from capital and related financing activities:				
Interfund loan repayments	-	-	(902)	-
Interest payment on interfund loan repayments	-	-	(53)	-
Acquisition and construction of capital assets	(240)	(288)	(29,991)	(2,164)
Proceeds from sale of capital assets	-	-	17	336
Proceeds from issuance of debt	-	-	6,987	247
Prepayment for capital asset acquisition	-	-	-	(5,844)
Principal payments on capital debt	(6,294)	(1,537)	(16,011)	(287)
Interest payments on capital debt	(4,033)	(2,199)	(17,096)	(153)
Transfers in from other funds	-	-	-	424
Capital contributions received	-	-	2,565	-
Loan repayments received	-	-	2,484	-
Net cash provided by (used for) capital and related financing activities	(10,567)	(4,024)	(52,000)	(7,441)
Cash flows from investing activities:				
Collection of interest and investment revenue	665	1,114	4,785	2,976
Payments for investments purchased in prior year	(340)	(898)	(3,464)	(443)
Loans made	(185)	(200)	(468)	-
Loan repayments received	10	200	308	-
Net cash provided by (used for) investing activities	150	216	1,161	2,533
Net increase (decrease) in cash and cash equivalents	(3,379)	1,292	(6,506)	53,052
Cash and cash equivalents, beginning of year	25,828	37,796	148,375	27,809
Cash and cash equivalents, end of year	\$ 22,449	\$ 39,088	\$ 141,869	\$ 80,861
Reconciliation of cash and cash equivalents to the Statement of Net Assets:				
Cash and investments held by City	\$ 9,903	\$ 35,831	\$ 107,589	\$ 80,708
Cash and investments held by fiscal agent	2,874	125	3,052	153
Restricted cash and investments held by City	12	1,373	19,058	-
Restricted cash and investments held by fiscal agent	9,660	1,759	12,170	-
Total cash and cash equivalents, end of year	\$ 22,449	\$ 39,088	\$ 141,869	\$ 80,861

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, 2010  
(in thousands)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Storm Drainage Fund</b>	<b>Solid Waste Fund</b>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 17,590	\$ 3,101	\$ (1,779)	\$ 13,493
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	14,216	3,853	10,981	1,787
Changes in assets and liabilities:				
Accounts receivable, net	(1,680)	75	380	(1,068)
Intergovernmental receivables	145	(105)	(72)	(107)
Inventories	(2,612)	5	138	-
Prepaid items	-	-	-	(1)
Deferred charges	-	-	-	-
Accrued claims and judgments	-	-	(11)	-
Accounts payable and accrued expenses	(687)	(1,014)	(266)	(579)
Accrued compensated absences	(61)	(36)	(68)	(106)
OPEB liabilities	813	306	382	1,019
Accrued claims	-	-	-	-
Liability for landfill closure	-	-	-	(556)
Deposits	-	-	39	-
Utility district payable	(305)	-	-	-
Unearned revenue	-	-	8	-
Net cash provided by (used for) operating activities	<u>\$ 27,419</u>	<u>\$ 6,185</u>	<u>\$ 9,732</u>	<u>\$ 13,882</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 1,953	\$ 303	\$ 3,100	\$ -
Transfer of capital assets from governmental funds, net of depreciation	-	3,347	872	-
Amortization of bond premium, discount, and loss on refunding	218	-	(53)	(64)
Amortization of deferred charges	(119)	-	-	(27)
Accrual of interest on interfund advance	-	-	-	-
Acquisition of capital assets on accounts payable	1,848	-	-	-
Disposal of capital assets on accounts receivable	-	-	-	-
Change in securities lending assets	(9,192)	(2,642)	(2,888)	-
Change in securities lending obligations	(9,228)	(2,654)	(2,900)	-
Loan forgiveness	-	-	-	-
Water fee credits inflation adjustment	(13)	-	-	-
Intergovernmental receivable due for compensated absence liability	-	-	215	-
Intergovernmental receivable due for loans payable	6,227	-	-	-
Interest accrual on loans receivable	-	-	-	-

(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, 2010  
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (7,485)	\$ 4,226	\$ 29,146	\$ 12,841
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	2,614	2,671	36,122	8,198
Changes in assets and liabilities:				
Accounts receivable, net	70	(424)	(2,647)	(1)
Intergovernmental receivables	-	108	(31)	-
Inventories	-	-	(2,469)	186
Prepaid items	(1)	(2)	(4)	-
Deferred charges	-	8	8	-
Accrued claims and judgments	(96)	(25)	(132)	-
Accounts payable and accrued expenses	(38)	(549)	(3,133)	(3,351)
Accrued compensated absences	(26)	(48)	(345)	161
OPEB liabilities	91	175	2,786	355
Accrued claims	-	-	-	(3,176)
Liability for landfill closure	-	-	(556)	-
Deposits	-	(32)	7	-
Utility district payable	-	-	(305)	-
Unearned revenue	49	454	511	15
Net cash provided by (used for) operating activities	\$ (4,822)	\$ 6,562	\$ 58,958	\$ 15,228
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ 5,356	\$ -
Transfer of capital assets from governmental funds, net of depreciation	-	-	4,219	-
Amortization of bond premium, discount, and loss on refunding	(842)	(165)	(906)	(10)
Amortization of deferred charges	(132)	(25)	(303)	3
Accrual of interest on interfund advance	(132)	-	(132)	-
Acquisition of capital assets on accounts payable	-	-	1,848	-
Disposal of capital assets on accounts receivable	-	-	-	9
Change in securities lending assets	(2,791)	(5,778)	(23,291)	(458)
Change in securities lending obligations	(2,800)	(5,802)	(23,384)	(467)
Loan forgiveness	(6)	-	(6)	-
Water fee credits inflation adjustment	-	-	(13)	-
Intergovernmental receivable due for compensated absence liability	-	-	215	-
Intergovernmental receivable due for loans payable	-	-	6,227	-
Interest accrual on loans receivable	-	15	15	-

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, 2010  
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Agency Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 27,074	\$ 281,981	\$ 28,675
Cash and investments held by fiscal agent	-	-	19,269
Securities lending assets	29,379	7,855	-
Receivables, net:			
Taxes	-	-	439
Accounts	-	-	33
Interest	1,976	1,389	124
Investments, at fair value:			
U.S. government obligations	23,085	-	-
Corporate bonds	70,474	-	-
Equity securities	89,983	-	-
Exchange traded funds	30,461	-	-
Municipal bonds	31,819	-	-
Mortgage loans	8,054	-	-
Total investments	<u>253,876</u>	<u>-</u>	<u>-</u>
Total assets	<u>312,305</u>	<u>291,225</u>	<u>48,540</u>
<b><u>LIABILITIES</u></b>			
Securities lending obligations	30,055	9,151	\$ -
Accounts payable	14	-	5
Benefits payable	2,486	-	-
Due to bondholders	-	-	48,535
Total liabilities	<u>32,555</u>	<u>9,151</u>	<u>\$ 48,540</u>
<b><u>NET ASSETS</u></b>			
Held in trust for pension benefits and other purposes	<u>\$ 279,750</u>	<u>\$ 282,074</u>	

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

**City of Sacramento**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
For the Fiscal Year Ended June 30, 2010  
(in thousands)

	Pension Trust Fund	Investment Trust Funds
Additions:		
Contributions:		
Employer	\$ 3,431	\$ -
Employees	377	-
Total contributions	<u>3,808</u>	<u>-</u>
Investment income:		
From investment activities:		
Net appreciation in fair value of investments	23,107	2,659
Interest	8,090	6,151
Dividends	3,982	69
Total investment income	<u>35,179</u>	<u>8,879</u>
Investment expenses:		
Banking, interest, and fiscal agent expenses	59	135
Professional services	1,054	-
Total investment expenses	<u>1,113</u>	<u>135</u>
Net income from investing	<u>34,066</u>	<u>8,744</u>
From securities lending activities:		
Net appreciation in fair value of investments	501	144
Securities lending income	271	78
Total securities lending income	<u>772</u>	<u>222</u>
Securities lending expenses:		
Borrower rebates	4	23
Management fees	68	14
Total securities lending expenses	<u>72</u>	<u>37</u>
Net income/loss from securities lending activities	<u>700</u>	<u>185</u>
Total net investment income	<u>34,766</u>	<u>8,929</u>
Deposits	<u>-</u>	<u>187,849</u>
Total additions	<u>38,574</u>	<u>196,778</u>
Deductions:		
Benefits	31,719	-
Withdrawals	-	229,146
Total deductions	<u>31,719</u>	<u>229,146</u>
Change in net assets	6,855	(32,368)
Net assets, beginning of year	<u>272,895</u>	<u>314,442</u>
Net assets, end of year	<u>\$ 279,750</u>	<u>\$ 282,074</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, 2010  
(amounts expressed in thousands)

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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 unit**

The Sacramento Regional Arts Facilities Financing Authority (SRAFFA) is reported in a separate column in the government-wide financial statements to emphasize its legal separation from the City. The SRAFFA is 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.

**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 Governmental Accounting Standards Board (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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**New Pronouncements**

Effective July 1, 2009, the City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 establishes standards for accounting and financial reporting for intangible assets in general, and it provides specific guidance on recognizing internally generated software as an intangible asset. The provisions of this Statement generally are required to be applied retroactively for intangible assets acquired in fiscal years ending after June 30, 1980. However, retroactive reporting is not required for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The City had no material intangible capital assets that required restatement. See the capital asset policies section of this note and Note 4 for more information.

Effective July 1, 2009, the City also implemented GASB 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. Based on the new standard, the City determined its interest rate swap derivative is an effective hedge and recorded its fair value and related deferred outflow on the statement of net assets. The City also restated the prior year liability and deferred outflow, although the restatement had no effect on net assets.

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

In March, 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund types. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The City has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2011.

In June, 2010, the GASB issued Statement no. 59, *Financial Instruments Omnibus*. GASB Statement No. 59 updates existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The provisions of this Statement are effective for the City's fiscal year ending June 30, 2011.

**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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

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.

**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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

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 City's Community Reinvestment Capital Improvement Program (CRCIP) and other General Fund bond funded capital projects.

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

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.

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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

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 and community facilities districts.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the business-type activities 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.

**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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

Annual budgets are adopted for the General Fund, certain activities within the Transportation and Development Fund, the Culture and Leisure Fund, the Parks and Recreation Fund, the Special Districts Fund, the City/County Office of Metropolitan Water Planning (CCOMWP) 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 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 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, 2010. 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 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 the preceding 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 allow 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, 2010  
(amounts expressed in thousands)

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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.

**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 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
Software	Primarily 5 to 20 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, unless a federal funding source is utilized. The City also capitalizes all intangible capital assets, primarily easements and software, except assets costing less than \$100, unless a federal funding source is utilized. All capital assets in excess of \$5 financed by a federal funding source are capitalized. Costs of capital assets sold or retired (and related amounts of accumulated depreciation/amortization) 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 proprietary fund, governmental activities, and business-type activities. 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, 2010  
(amounts expressed in thousands)

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

Major outlays for capital assets 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** - Benefit qualified employees accrue vacation, sick, and holiday benefits. A full time employee may accumulate up to sixty days of vacation. Sick leave 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 calendar 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 CalPERS service credit hours, or receiving a cash payment of one-third of the accumulated sick leave. Employees who leave the City and are not retiring forfeit any remaining sick leave.

Employees receive 14 holidays per calendar year. Employees accrue all or a portion of these 14 days during the year depending on their job classification. Classifications that accrue all 14 days get paid in cash throughout the year whenever their holiday leave balances exceed the 14 day total. All other employees accrue two days of "floating" holiday time throughout the year in conjunction with their remaining twelve holidays. Employees who accrue "floating" holiday time get paid annually in January for any calendar year-end balance greater than eight hours.

All hourly employees have the option of being compensated for their overtime pay with compensatory time off (CTO). Depending on the employee's CTO plan, the employee may accrue a maximum of 80, 120 or 160 hours of CTO. The employee's applicable labor agreement or the City Council's resolution for unrepresented employees determines the maximum accruable number of CTO hours.

All compensated absences are accrued when earned in the government-wide and proprietary 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 the "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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**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.

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

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

**NOTE 2 – CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2010:

	Government-wide Statement of Net Assets		Fiduciary Funds Statement of Net Assets	Total
	Primary Government	Component Units		
Cash and investments	\$ 486,571	\$ -	\$ 610,875	\$ 1,097,446
Securities lending assets	17,485	-	37,234	54,719
Restricted cash and investments	74,273	1,150	-	75,423
<b>Total</b>	<b>\$ 578,329</b>	<b>\$ 1,150</b>	<b>\$ 648,109</b>	<b>\$ 1,227,588</b>

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2009-544, 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 August 18, 2009. 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.

At June 30, 2010, the City sponsored investment pool held investments purchased with cash collateral from securities lending transactions totaling \$475 which were not in compliance with the City's investment policy or the California Government Code. These investments were not in compliance because their maturities were in excess of 92 days.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

During the fiscal year the City purchased two bonds totaling approximately \$10,000 which were not in compliance with the City's Investment Policy. The City's Investment Policy prohibits investments in U.S. Agency obligations with maturities longer than five years and thirty days without prior approval of the City Council. Such approval was not obtained. At June 30, 2010, one bond was held in the City Sponsored Investment Pool and the other bond was held in an individual investment account. These bonds were issued by the Federal National Mortgage Association and mature on September 8, 2015, which is a term in excess of the maximum 5 years allowable under the California Government Code.

SCERS pension trust fund investments are managed pursuant to investment standards adopted by the SCERS Administration, Investment, and Fiscal Management Board. Investment standards adopted by the SCERS Board authorize the City Treasurer to invest in debt securities, equity securities, promissory notes, real estate mortgages or other securities and investments deemed to be prudent by the Board. Other securities and investments cannot exceed 25% of the total assets (cost basis). In addition, promissory notes (cost basis) cannot exceed 25% of the investment portfolio, while real estate mortgages (cost basis) cannot exceed 10% of total assets of SCERS. 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
U.S. Treasury obligations	5 years	None	None	None
U.S. 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 (bank notes and corporate bonds)	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
Joint Powers Authority pool	N/A	None	None	None
County pooled investment	N/A	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None

The table above does not address investments of debt proceeds held by bond trustees 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.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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 trustees) 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, pension and other trust funds, or by bond trustees pursuant to debt agreements.

The City's cash and investments by maturities as of June 30, 2010 are as follows:

Investment Type	No Maturity	Remaining Maturity in Years			Fair Value
		Under 1	1-5	Over 5	
Asset backed securities	\$ -	\$ 576	\$ -	\$ 350	\$ 926
Bank notes	-	4,999	-	-	4,999
Certificates of deposit	-	-	750	-	750
Commercial paper	-	172,703	-	-	172,703
Corporate bonds	-	44,407	181,808	56,037	282,252
Deposits	(6,668)	-	-	-	(6,668)
Equities	94,324	-	-	-	94,324
Exchange traded funds	31,688	-	-	-	31,688
Investment Trust of California (CalTRUST)	-	87,698	-	-	87,698
Local Agency Investment Fund (LAIF)	-	100,000	-	-	100,000
Mortgage loans	-	-	5,204	2,850	8,054
Municipal bonds	-	2,578	66,545	26,541	95,664
Mutual funds	-	11,925	-	-	11,925
Repurchase agreements	-	49,075	-	-	49,075
U.S. agencies	-	132,038	93,683	33,453	259,174
U.S. Treasury bills	-	15,000	-	-	15,000
U.S. Treasury notes	-	1,081	17,793	-	18,874
	<u>\$ 119,344</u>	<u>\$ 622,080</u>	<u>\$ 365,783</u>	<u>\$ 119,231</u>	<u>1,226,438</u>
Component Unit - SRAFFA					
Mutual Funds	\$ -	\$ 66	\$ -	\$ -	66
U.S. Treasury notes	-	-	1,084	-	1,084
	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 1,084</u>	<u>\$ -</u>	<u>1,150</u>
Total Cash and Investments					<u>\$ 1,227,588</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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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:

	<u>Fair Value</u>
Bank of America securities that have a maturity of 11/15/2015 and are callable monthly from 7/15/2010 to 10/15/2015.	\$ 2,004
Federal Home Loan Bank securities that have a maturity of 4/26/2013 and are callable continuously beginning 10/26/2010.	6,026
Federal Home Loan Bank securities that have a maturity of 7/09/2013 and are callable continuously beginning 7/09/2010	7,002
Federal Home Loan Mortgage Company securities that have a maturity of 3/24/2015 and are callable quarterly from 9/24/2010 to 3/24/2015.	5,020
Federal Home Loan Mortgage Company securities that have a maturity of 4/29/2015 and are callable quarterly from 7/29/2010 to 4/29/2015.	10,022
Federal National Mortgage Association securities that have a maturity of 3/15/2013 and are callable quarterly from 9/15/2010 to 3/15/2013.	5,033
Federal National Mortgage Association securities that have a maturity of 4/22/2013 and are callable on 10/22/2010.	7,028
Federal National Mortgage Association securities that have a maturity of 11/14/2013 and are callable quarterly on 11/14/2011.	3,046
Federal National Mortgage Association securities that have a maturity of 5/13/2015 and are callable annually beginning 5/13/2011.	5,036

**City of Sacramento**  
**Notes to the Financial Statements**  
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(amounts expressed in thousands)

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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 National Mortgage Association securities that have a maturity of 5/27/2015 and are callable quarterly from 8/27/2010 to 5/27/2015.	\$ 5,016
Federal National Mortgage Association securities that have a maturity of 9/08/2015 and are callable on 3/08/2011.	4,998
General Electric Capital Corporation securities that have a maturity of 11/15/2011 and are callable semi-annually from 11/15/2010 to 5/15/2011.	8,091
Harvard President and Fellow securities that have a maturity of 10/01/2037 and are callable continuously beginning 4/01/2016.	2,264
Housing Urban Development (HUD) securities that have a maturity of 8/01/2015 and are callable semi-annually from 8/01/2009 to 2/01/2015.	631
Houston Texas Airport Revenue securities that have a maturity of 1/01/2028 and are callable annually from 1/01/2011 to 1/01/2021	5,217
Riverside County Redevelopment Agency Tax Allocation securities that have a maturity date of 10/01/2037 and are callable annually from 10/01/2020 to 10/01/2036.	3,009
Sacramento City Financing Authority securities that have a maturity of 12/01/2016 and are callable on 12/01/2015.	750
Sacramento City Financing Authority securities that have a maturity of 12/01/2020 and are callable annually from 12/01/2015 to 12/01/2019.	3,822
Sacramento City Financing Authority securities that have a maturity of 12/01/2025 and are callable annually from 12/01/2015 to 12/01/2024.	1,456

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

**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, 2010, the City's deposits and investments, and corresponding credit ratings, are as follows:

Investment Type	S & P	Moody's	Fair Value
Asset backed securities	AA	Aa	\$ 301
	AA	Aaa	275
	CCC	Ba	194
	CCC	Caa	156
Bank notes	AA	Aa	4,999
Certificates of deposit	not rated	not rated	750
Commercial paper	A1	P1	172,703
Corporate bonds	A	A	117,071
	A	Aa	7,374
	AA	A	36,048
	AA	Aa	81,184
	AAA	Aaa	12,775
	B	Ba	4,823
	BBB	A	17,773
	BBB	Baa	4,710
	D	WR	494
	not rated	not rated	(6,668)
Deposits	not rated	not rated	(6,668)
Equities (exempt from disclosure)	N/A	N/A	94,324
Exchange traded funds (exempt from disclosure)	N/A	N/A	31,688
Investment Trust of California (CalTRUST)	not rated	not rated	87,698
Local Agency Investment Fund (LAIF)	not rated	not rated	100,000
Mortgage loans	not rated	not rated	8,054
	A	A	79,176
	A	Aa	4,362
	A	Baa	4,110
	A	WR	5,068
	AA	Aa	2,185
	BBB	A	763
Mutual funds	AAA	Aaa	10,019
	not rated	not rated	1,906
Repurchase agreements	AAA	Aaa	49,075
U.S. agencies	AAA	Aaa	251,071
	not rated	not rated	8,103
U.S. Treasury bills (exempt from disclosure)	N/A	N/A	15,000
U.S. Treasury notes (exempt from disclosure)	N/A	N/A	18,874
Total primary government			<u>1,226,438</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

Investment Type	S & P	Moody's	Fair Value
Component Unit - SRAFFA			
Mutual funds	AAA	Aaa	66
U.S. Treasury notes (exempt from disclosure)	N/A	N/A	1,084
Total component units			1,150
Total Cash and Investments			\$ 1,227,588

**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. Fixed income investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) which represent 5% or more of total investments at June 30, 2010:

U.S. agency securities

Federal Home Loan Bank \$ 79,731

Federal National Mortgage Association \$ 129,495

General Electric Corporation

Commercial paper \$ 19,987

Corporate bonds \$ 52,905

Toyota Motor Credit Corporation

Commercial paper \$ 76,917

**Custodial Credit Risk**

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

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 do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

As of June 30, 2010, investments were held by the same broker-dealer (counterparty) that was used by the City to purchase the securities:

\$54,719 Investments purchased with cash collateral from securities lending transactions

**Securities Lending**

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

Cash collateral received as of June 30, 2010, was equal to 102% of the market value of the loaned securities. The custodial bank uses the cash collateral to purchase investments. As of June 30, 2010, the weighted average maturity of the securities on loan was 265 days and the weighted average maturity of the investments purchased with cash collateral was 72 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 City received cash collateral of \$60,272. The following table provides information concerning the fair value of securities lent and investments purchased with the cash collateral as of June 30, 2010:

**Type of Investment Lent**

Equities	\$	17,874
Exchange traded funds		9,297
Corporate bonds		15,281
U.S. agencies		1,271
U.S. Treasury bills		15,000
Total securities lent	<u>\$</u>	<u>58,723</u>

**Type of Investment Purchased with Cash Collateral**

Asset backed securities	\$	926
Bank notes		4,999
Corporate bonds		2,002
Repurchase agreements		46,792
Total securities lending investment	<u>\$</u>	<u>54,719</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. Monthly, the City Treasurer reports investment activity to the Council for review.

# City of Sacramento

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

The fair value of investments is determined monthly. Participants' shares sold and redeemed are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day to day operations but is adjusted to the fair value at year-end. The investments are reported at fair value. The value of the shares is supported by the value of the underlying investments. External participants, including various joint powers agencies, comprise 9.92% 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, 2010:

#### Statement of Net Assets:

Investments at fair value	\$ 655,123
Interest receivables	2,570
Securities lending obligations	<u>(23,607)</u>
Net Assets	<u>\$ 634,086</u>

Equity of internal pool participants	\$ 571,158
Equity of external pool participants	<u>62,928</u>
Total equity	<u>\$ 634,086</u>

#### Statement of Changes in Net Assets:

Net assets at July 1, 2009	\$ 687,126
Net change in investments by pool participants	<u>(53,040)</u>
Net assets at June 30, 2010	<u>\$ 634,086</u>

A summary of the investment classifications as of June 30, 2010 is as follows:

	Fair Value	Adjusted Cost	Interest Rates	Maturity Dates
Asset backed securities	\$ 356	\$ 371	0.40%	11/10-04/11
Bank notes	3,746	3,746	0.56%	07/10
Certificates of deposit	750	750	1.98-2.23%	01/13-02/13
Commercial paper	164,721	164,717	0.21-1.05%	07/10-12/10
Corporate bonds	155,888	147,993	1.50-7.30%	08/10-04/15
Deposits	(7,894)	(7,894)	N/A	N/A
Investment Trust of California (CalTRUST)	66,963	66,963	0.20-1.45%	N/A
Municipal bonds	42,586	41,964	3.75-5.65%	08/13-04/39*
Mutual funds	743	743	0.01%	N/A
Repurchase agreements	18,102	18,102	0.02-0.08%	07/10
State of California Treasurer's Local Agency Investment Fund	50,000	50,000	0.53%	N/A
U.S. government and agency securities	<u>159,162</u>	<u>158,948</u>	0.18-4.37%	07/10-09/15
Total cash and investments in City sponsored investment pool	<u>\$ 655,123</u>	<u>\$ 646,403</u>		

\*The municipal bond with a maturity date of April 1, 2039, has a mandatory put date of April 1, 2013.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**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, 2010, the City's investment in LAIF is \$100 million. The total amount invested by all public agencies in LAIF at that date is \$23.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2010 had a balance of \$69.4 billion. Of that amount, 94.58% is invested in non-derivative financial products, and 5.42% is invested in derivative financial products.

The City is also a voluntary participant in the Investment Trust of California (CalTRUST) which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST, and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2010, the City's investment in CalTRUST is \$87.7 million, of which \$24.1 million was invested in the Money Market Fund, \$47.7 million in the Short-term pool and \$15.9 million in the Medium-term pool. Amounts that may be withdrawn from the Money Market Fund are based upon the fund's assets valued using the amortized cost method. Amounts that may be withdrawn from the Short-term and Medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2010, were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Inter- govern- mental</u>	<u>Interest</u>	<u>Total</u>
<b>Governmental activities</b>						
General Fund	\$ 19,589	\$ 11,208	\$ 3,292	\$ -	\$ 268	\$ 34,357
Capital Grants Fund	-	365	-	20,421	-	20,786
Crocker Art Museum Fund	-	-	3,846	-	-	3,846
Financing Plans Fund	-	1,285	-	-	611	1,896
1997 Lease Revenue Bond Fund	-	-	68,655	-	761	69,416
Transportation and Development Fund	-	605	403	4,953	100	6,061
Other governmental funds	-	2,669	9,357	68,135	256	80,417
Internal service funds	-	43	-	-	411	454
	<u>\$ 19,589</u>	<u>\$ 16,175</u>	<u>\$ 85,553</u>	<u>\$ 93,509</u>	<u>\$ 2,407</u>	<u>\$ 217,233</u>
<b>Amounts not scheduled for collection during the subsequent year</b>						
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,460</u>	<u>\$ 51,563</u>	<u>\$ -</u>	<u>\$134,023</u>
<b>Business-type activities</b>						
Water Fund	\$ -	\$ 11,294	\$ 10,438	\$ 13,263	\$ 331	\$ 35,326
Sewer Fund	-	9,722	1,419	544	125	11,810
Storm Drainage Fund	-	6,788	4,235	1,697	185	12,905
Solid Waste Fund	-	13,232	44	702	-	13,978
Community Center Fund	2,202	68	221	-	94	2,585
Other enterprise funds	-	1,046	517	58	221	1,842
	<u>\$ 2,202</u>	<u>\$ 42,150</u>	<u>\$ 16,874</u>	<u>\$ 16,264</u>	<u>\$ 956</u>	<u>\$ 78,446</u>
<b>Component Unit</b>						
Sacramento Regional Arts Facilities Financing Authority						
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,230</u>

Included in the Accounts Receivable amounts above are allowances for doubtful accounts of \$9.1 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, 2010  
(amounts expressed in thousands)

**NOTE 4 – CAPITAL ASSETS**

**Summary**

The following is a summary of capital assets as of June 30, 2010:

	Governmental Activities	Business- Type Activities	Total
<b>Capital assets not being depreciated/amortized</b>			
Land and land improvements	\$ 181,184	\$ 54,239	\$ 235,423
Easements	221	-	221
Construction in progress	197,535	30,820	228,355
	<u>378,940</u>	<u>85,059</u>	<u>463,999</u>
<b>Depreciable/amortizable capital assets</b>			
Buildings and improvements	591,838	282,886	874,724
Equipment	66,833	55,057	121,890
Software	2,623	1,082	3,705
Vehicles	107,599	-	107,599
Transmission and distribution system	3,622	1,025,848	1,029,470
Roadway network	1,464,849	-	1,464,849
Streetlight network	166,636	-	166,636
Park improvements	128,152	-	128,152
	<u>2,532,152</u>	<u>1,364,873</u>	<u>3,897,025</u>
<b>Less accumulated depreciation/amortization for:</b>			
Buildings and improvements	(172,785)	(111,899)	(284,684)
Equipment	(34,450)	(23,163)	(57,613)
Software	(87)	(44)	(131)
Vehicles	(69,390)	-	(69,390)
Transmission and distribution system	(478)	(275,310)	(275,788)
Roadway network	(754,619)	-	(754,619)
Street light network	(52,085)	-	(52,085)
Park improvements	(14,875)	-	(14,875)
	<u>(1,098,769)</u>	<u>(410,416)</u>	<u>(1,509,185)</u>
Depreciable/amortizable capital assets, net	<u>1,433,383</u>	<u>954,457</u>	<u>2,387,840</u>
Total capital assets, net	<u>\$ 1,812,323</u>	<u>\$ 1,039,516</u>	<u>\$ 2,851,839</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**Governmental Activities**

Governmental capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/(Out)	Ending Balance
<b>Capital assets not being depreciated/amortized</b>					
Land and land improvements	\$ 160,385	\$ 21,286	\$ (2,818)	\$ 2,331	\$ 181,184
Easements	-	168	-	53	221
Construction in progress	226,813	122,479	-	(151,757)	197,535
	<u>387,198</u>	<u>143,933</u>	<u>(2,818)</u>	<u>(149,373)</u>	<u>378,940</u>
<b>Depreciable/amortizable capital assets</b>					
Buildings and improvements	528,370	1,800	-	61,668	591,838
Equipment	68,586	262	(6,297)	4,282	66,833
Software	-	-	-	2,623	2,623
Vehicles	111,914	2,007	(6,322)	-	107,599
Transmission and distribution	3,622	-	-	-	3,622
Roadway network	1,422,395	10,066	(17,128)	49,516	1,464,849
Streetlight network	160,492	275	-	5,869	166,636
Park improvements	106,956	-	-	21,196	128,152
	<u>2,402,335</u>	<u>14,410</u>	<u>(29,747)</u>	<u>145,154</u>	<u>2,532,152</u>
<b>Less accumulated depreciation/amortization for:</b>					
Buildings and improvements	(158,605)	(14,180)	-	-	(172,785)
Equipment	(37,095)	(3,564)	6,209	-	(34,450)
Software	-	(87)	-	-	(87)
Vehicles	(66,959)	(7,981)	5,550	-	(69,390)
Transmission and distribution	(430)	(48)	-	-	(478)
Roadway network	(715,763)	(55,984)	17,128	-	(754,619)
Streetlight network	(48,581)	(3,504)	-	-	(52,085)
Park improvements	(10,826)	(4,049)	-	-	(14,875)
	<u>(1,038,259)</u>	<u>(89,397)</u>	<u>28,887</u>	<u>-</u>	<u>(1,098,769)</u>
Depreciable/amortizable capital assets, net	<u>1,364,076</u>	<u>(74,987)</u>	<u>(860)</u>	<u>145,154</u>	<u>1,433,383</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 1,751,274</u>	<u>\$ 68,946</u>	<u>\$ (3,678)</u>	<u>\$ (4,219)</u>	<u>\$ 1,812,323</u>
<b>Depreciation/amortization expense was charged to functions as follows:</b>					
General government		\$ 4,857			
Police		1,877			
Fire		994			
General services		3,539			
Transportation		59,110			
Economic development		103			
Convention, culture and leisure		2,588			
Parks and recreation		6,731			
Community development		429			
Library		971			
Capital assets held by the City's internal service funds are charged to the functions based on their usage of assets		<u>8,198</u>			
<b>Total governmental activities depreciation/amortization expense</b>		<u>\$ 89,397</u>			

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**Business-type Activities**

Business-type capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/(Out)	Ending Balance
Capital assets not being depreciated/amortized					
Land and land improvements	\$ 52,311	\$ -	\$ -	\$ 1,928	\$ 54,239
Construction in progress	28,775	25,575	(615)	(22,915)	30,820
	<u>81,086</u>	<u>25,575</u>	<u>(615)</u>	<u>(20,987)</u>	<u>85,059</u>
Depreciable/amortizable capital assets					
Buildings and improvements	282,253	-	-	633	282,886
Equipment	50,343	2,746	-	1,968	55,057
Software	-	-	-	1,082	1,082
Transmission and distribution system	995,619	8,705	-	21,524	1,025,848
	<u>1,328,215</u>	<u>11,451</u>	<u>-</u>	<u>25,207</u>	<u>1,364,873</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(104,473)	(7,425)	-	(1)	(111,899)
Equipment	(19,652)	(3,511)	-	-	(23,163)
Software	-	(44)	-	-	(44)
Transmission and distribution system	(250,168)	(25,142)	-	-	(275,310)
	<u>(374,293)</u>	<u>(36,122)</u>	<u>-</u>	<u>(1)</u>	<u>(410,416)</u>
Depreciable/amortizable capital assets, net	<u>953,922</u>	<u>(24,671)</u>	<u>-</u>	<u>25,206</u>	<u>954,457</u>
Business-type activities capital assets, net	<u>\$ 1,035,008</u>	<u>\$ 904</u>	<u>\$ (615)</u>	<u>\$ 4,219</u>	<u>\$ 1,039,516</u>
Depreciation/amortization expense was charged to functions as follows:					
Water	\$ 14,216				
Sewer	3,853				
Storm Drainage	10,981				
Solid Waste	1,787				
Community Center	2,614				
Child Development	77				
Marina	332				
Parking	2,262				
	<u>\$ 36,122</u>				
Total business-type activities depreciation/amortization expense	<u>\$ 36,122</u>				

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

**NOTE 5 – PAYABLES**

Payables as of June 30, 2010, were as follows:

	<u>Vendors</u>	<u>Employees</u>	<u>Interest</u>	<u>Deposits</u>	<u>Accrued Claims and Judgments</u>	<u>Total</u>
Governmental activities						
General Fund	\$ 9,286	\$ 10,858	\$ -	\$ 158	\$ -	\$ 20,302
General Fund Projects Fund	1,924	-	-	-	800	2,724
Capital Grants Fund	6,884	-	-	652	-	7,536
Financing Plans Fund	1,102	-	-	-	-	1,102
Transportation and Development Fund	3,098	-	-	532	1,601	5,231
Other governmental funds	3,744	160	2,824	568	-	7,296
Internal service funds	3,299	250	12	-	-	3,561
Total governmental activities	<u>\$ 29,337</u>	<u>\$ 11,268</u>	<u>\$ 2,836</u>	<u>\$ 1,910</u>	<u>\$ 2,401</u>	<u>\$ 47,752</u>
Business-type activities						
Water Fund	\$ 6,069	\$ 638	\$ 670	\$ -	\$ -	\$ 7,377
Sewer Fund	6,558	172	89	-	-	6,819
Storm Drainage Fund	907	636	372	39	-	1,954
Solid Waste Fund	885	379	181	-	-	1,445
Community Center Fund	1,032	173	751	-	-	1,956
Other enterprise funds	1,184	335	454	83	-	2,056
Total business-type activities	<u>\$ 16,635</u>	<u>\$ 2,333</u>	<u>\$ 2,517</u>	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 21,607</u>
Component unit						
Sacramento Regional Arts Facilities Financing Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171</u>

Included in the amounts due to employees above is \$1 million payable for the City's Voluntary Separation Program (VSP). The City is providing cash benefit payments to 58 employees approved during fiscal year 2010 to separate from the City. The benefit is determined by multiplying the number of years of continuous service by the employee's weekly salary, and is capped at \$50 per employee. The total cost of the VSP program in fiscal year 2010 was \$2.2 million.

**City of Sacramento**  
**Notes to the Financial Statements**  
 For the Fiscal Year Ended June 30, 2010  
 (amounts expressed in thousands)

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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, 2010 is \$124.4 million and \$28.8 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, 2010, were \$2.3 million. Future minimum lease payments required by non-cancellable lease agreements that have initial lease terms in excess of one year are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Payments</u>
2011	\$ 2,127
2012	749
2013	589
2014	346
2015	218
2016-2020	151
2021-2025	77
2026-2030	77
2031-2032	31
	<hr/>
Total future minimum lease payments	<u>\$ 4,365</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

**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.

<b>GOVERNMENTAL ACTIVITIES</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 15,813	\$ -	\$ (972)	\$ 14,841	\$ 1,024
1993 Refunded Revenue Bonds, Series B	26,649	-	(1,666)	24,983	1,748
1996 Lighting and Landscaping Bonds	3,780	-	(390)	3,390	410
1997 Lease Revenue Bonds	69,870	-	(1,215)	68,655	1,300
1999 CFD No. 2 Revenue Bonds, Series A	2,405	-	(85)	2,320	95
1999 Capital Improvement Revenue Bonds	1,385	-	(440)	945	455
2002 Capital Improvement Revenue Bonds	27,010	-	(4,545)	22,465	4,724
2002 Refunding Revenue Bonds	12,079	-	(2,805)	9,274	2,942
2003 Capital Improvement Revenue Bonds	27,655	-	(1,155)	26,500	1,185
2005 Refunding Revenue Bonds	61,241	-	(239)	61,002	603
2006 Capital Improvement Revenue Bonds, Ser. A	90,890	-	(2,650)	88,240	2,765
2006 Capital Improvement Revenue Bonds, Ser. B	53,750	-	(805)	52,945	855
2006 Capital Improvement Revenue Bonds, Ser. C	27,835	-	(525)	27,310	545
2006 Capital Improvement Revenue Bonds, Ser. D	2,430	-	-	2,430	-
2006 Capital Improvement Revenue Bonds, Ser. E	80,954	-	(49)	80,905	50
Subtotal, revenue and other bonds	<u>503,746</u>	<u>-</u>	<u>(17,541)</u>	<u>486,205</u>	<u>18,701</u>
Notes payable:					
1997 State Department of Boating & Waterways	<u>812</u>	<u>-</u>	<u>(66)</u>	<u>746</u>	<u>69</u>
Subtotal, notes payable	<u>\$ 812</u>	<u>\$ -</u>	<u>\$ (66)</u>	<u>\$ 746</u>	<u>\$ 69</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**Activity (Continued)**

<b>GOVERNMENTAL ACTIVITIES (Continued)</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within one year</b>
Capital lease obligations:					
Golf equipment	\$ 41	\$ -	\$ (20)	\$ 21	\$ 21
Fire trucks and equipment #1	4,928	-	(537)	4,391	557
Fire trucks and equipment #2	424	-	(43)	381	44
Fire trucks and equipment #3	-	4,551	-	4,551	371
Liquid nitrate gas (LNG) – refueling trailer	-	247	(10)	237	20
Parking pay and display meters #1	614	-	(114)	500	118
Parking pay and display meters #2	1,347	-	(225)	1,122	234
Subtotal, capital lease obligations	7,354	4,798	(949)	11,203	1,365
Less deferred amounts:					
For issuance discounts	(175)	-	8	(167)	(8)
For issuance premiums	20,415	-	(1,064)	19,351	1,063
Gain/loss on refunding	(9,555)	-	807	(8,748)	(703)
Subtotal deferred amounts	10,685	-	(249)	10,436	352
Subtotal, debt governmental activities	522,597	4,798	(18,805)	508,590	20,487
Other long-term liabilities:					
Accrued claims and judgments	50,238	7,250	(10,426)	47,062	12,957
Compensated absences	32,574	27,436	(28,398)	31,612	2,096
OPEB liability	35,542	25,047	(9,389)	51,200	-
Pollution remediation obligations	1,004	466	(320)	1,150	119
Derivative Instrument – interest rate swap	9,095	3,235	-	12,330	-
Financing plan fee credits:					
North Natomas	35,617	18,360	(168)	53,809	24,264
Jacinto Creek	792	53	-	845	300
Park Development	4,635	-	(5)	4,630	209
Subtotal, other long-term liabilities	169,497	81,847	(48,706)	202,638	39,945
Total, governmental activities	\$ 692,094	\$ 86,645	\$ (67,511)	\$ 711,228	\$ 60,432

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

**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>
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 65,293	\$ -	\$ (4,013)	\$ 61,280	\$ 4,231
1993 Refunded Revenue Bonds, Series B	29,107	-	(1,819)	27,288	1,911
1999 Capital Improvement Revenue Bonds	1,995	-	(635)	1,360	665
2002 Refunding Revenue Bonds	8,451	-	(1,970)	6,481	2,063
2005 Refunding Revenue Bonds	106,259	-	(511)	105,748	1,012
2006 Capital Improvement Revenue Bonds, Ser. E	101,190	-	(2,861)	98,329	2,970
Subtotal, revenue and other bonds	312,295	-	(11,809)	300,486	12,852
Notes payable:					
1985 Marina Phase I	1,660	-	(33)	1,627	34
1985 Marina Phase II	2,510	-	(44)	2,466	46
1985 Marina Phase III	990	-	(81)	909	84
1985 Marina Phase IV	654	-	(47)	607	49
2008 Sacramento Marina South Basin	8,099	-	-	8,099	-
State Water Resources Control Board	1,313	-	(131)	1,182	135
State Water Resources Control Board	24,726	-	(1,823)	22,903	1,864
State Water Resources Control Board	3,237	-	(258)	2,979	265
State Water Resources Control Board	4,050	-	(292)	3,758	299
State Water Resources Control Board	1,684	-	(121)	1,563	124
California Department of Education	180	-	(40)	140	40
California Department of Public Health	-	7,551	-	7,551	-
California Infrastructure and Economic Development Bank (I-Bank)	-	2,598	(75)	2,523	78
Subtotal, notes payable	49,103	10,149	(2,945)	56,307	3,018
Capital lease obligations:					
Refuse Trucks	4,407	-	(389)	4,018	405
Recycle Containers #1	61	-	(61)	-	-
Recycle Containers #2	132	-	(132)	-	-
Recycle Containers #3	238	-	(157)	81	81
Recycle Containers #4	239	-	(158)	81	81
Recycle Containers #5	-	3,065	(281)	2,784	580
Bank of America – Marina South Basin	1,410	-	(79)	1,331	82
Subtotal, capital lease obligations	6,487	3,065	(1,257)	8,295	1,229
Less deferred amounts:					
For issuance discounts	(674)	-	63	(611)	(63)
For issuance premiums	21,621	-	(1,126)	20,495	1,126
Gain/loss on refunding	(20,275)	-	1,969	(18,306)	(1,802)
Subtotal, deferred amounts	672	-	906	1,578	(739)
Subtotal, debt business-type activities	\$ 368,557	\$ 13,214	\$ (15,105)	\$ 366,666	\$ 16,360

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

**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	\$ 7,476	\$ 9,083	\$ (9,213)	\$ 7,346	\$ 285
OPEB liability	6,714	4,461	(1,675)	9,500	-
Utility district payable	610	-	(305)	305	305
Water fee credits	1,686	13	-	1,699	-
Liability for landfill closure	24,871	-	(556)	24,315	895
Subtotal, other long-term liabilities	41,357	13,557	(11,749)	43,165	1,485
Total business-type activities	\$ 409,914	\$ 26,771	\$ (26,854)	\$ 409,831	\$ 17,845
<b>COMPONENT UNIT</b>					
Certificates of Participation					
Sacramento Regional Arts Facilities, 2002 Series COPS	14,880	-	(365)	14,515	375
Less Deferred Amounts:					
For issuance discounts	(119)	-	5	(114)	(5)
Total component unit	14,761	-	(360)	14,401	370
Total, long-term liabilities	\$ 1,116,769	\$ 113,416	\$ (94,725)	\$ 1,135,460	\$ 78,647

The June 30, 2009 beginning balance of the governmental activities North Natomas Finance Plan fee credit liability has been restated to reflect \$4,089 reclassified to other long-term liabilities from its presentation as unearned revenue in the City's fiscal year 2009 financial statements. The beginning balance of the governmental activities long-term liabilities was also restated to include the \$9,095 negative fair value of the interest rate swap required by GASB Statement No. 53.

The following is a list of long-term debt issues outstanding at June 30, 2010, including the amount of original debt issuance, a description of the debt issue, and disclosure of pledged revenue.

**Revenue and Other Bonds**

- \$130,425 1993 Refunded Revenue Bonds, Series A  
Authorized and issued September 1993, due in annual installments of \$2,186 to \$8,875 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 1993 Refunded Revenue Bonds, Series B  
Authorized and issued September 1993, due in annual installments of \$1,634 to \$6,070 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, 2010  
(amounts expressed in thousands)

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

**Revenue and Other Bonds (Continued)**

- \$7,290 1996 Lighting and Landscaping Bonds  
Authorized and issued October 1996, due in annual installments of \$235 to \$565 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 \$4,082. Current year principal and interest paid was \$587 and special assessment revenue in the Citywide Lighting and Landscaping District was \$13,776.
- \$73,725 1997 Lease Revenue Bonds  
Authorized and issued July 1997, due in annual installments of \$1,060 to \$2,665 through July 2027, 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 for which a ten-year interest rate hedge was purchased to mitigate risk of interest rate fluctuations to a fixed rate of 5.607%. The debt service on the bonds is paid from lease revenue from 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 \$111,726 will be paid using 100% of future lease revenue. Current year principal and interest paid was \$5,146 and lease revenue was \$5,100.
- \$2,910 1999 Community Facilities District No. 2 Revenue Bonds, Series A  
Authorized and issued January 1999, due in annual installments of \$35 to \$255 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.
- \$71,180 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 of the bonds were defeased through the issuance of the 2005 Refunding Revenue bonds, and the balance is due in annual installments of \$155 to \$1,185 through December 2011, bearing interest rates of 4.4% to 5.1%.
- \$160,475 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 of the bonds were defeased through the issuance of the 2005 Refunding Revenue bonds, and in December 2006, \$51,285 of the bonds were defeased through the issuance of the 2006 Series E Refunding Revenue bonds. The balance is due in annual installments of \$250 to \$5,310 through December 2017, bearing interest rates of 4.0% to 5.38%.
- \$46,265 2002 Refunding Revenue Bonds  
Authorized and issued October 31, 2002, with principal and interest due in annual installments of \$5,780 to \$5,800 through July 1, 2012, bearing interest at rates of 2.75% to 5.0%. Net proceeds of \$47,988 were utilized for the purpose of establishing an irrevocable escrow to refund \$27,950 principal amount of the City's 1991 Refunding Certificates of Participation (1987 Public Facilities Projects) and \$20,430 principal amount of the City's 1991 Refunding Certificates of Participation (Light Rail Transit Project).

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**Revenue and Other Bonds (Continued)**

- \$68,470 2003 Capital Improvement Revenue Bonds  
Authorized and issued September 30, 2003, with the net proceeds of \$67,841 utilized for financing construction of the 911 Call Center and certain other capital projects within the City of Sacramento. In December 2006, \$35,805 of the bonds were defeased through the issuance of the 2006 Series E Refunding Revenue bonds. The balance was due in annual installments of \$150 to \$3,360 through December 2033, bearing interest rates of 2.25% to 5.0%.
- \$167,860 2005 Refunding Revenue Bonds  
Authorized and issued July 12, 2005, due in annual installments of \$360 to \$15,315 through December 1, 2029, bearing interest rates of 4.0% to 5.0%. Net proceeds of \$187,563 were utilized for the purpose of establishing an irrevocable escrow to refund \$173,440 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 defeased and the liabilities have been removed from the governmental and business-type activities columns of the statement of net assets.
- \$95,900 2006 Capital Improvement Revenue Bonds Series A (Tax Exempt)  
Authorized and issued June 15, 2006, due in annual installments of \$2,060 to \$5,070 through December 1, 2036, bearing interest rates of 3.75% to 5.0%. Net proceeds of \$89,808 are being 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 2006 Capital Improvement Revenue Bonds Series B (Taxable)  
Authorized and issued June 15, 2006, due in annual installments of \$720 to \$3,760 through December 1, 2036, bearing interest rates of 5.4% to 5.80%. Net proceeds of \$50,692 are being utilized for the purpose of financing certain public capital improvements and redevelopment projects including an arts rehearsal building, Pocket Area Library and other capital projects within the City of Sacramento.
- \$28,825 2006 Capital Improvement Revenue Bonds Series C (Tax Exempt)  
Authorized and issued December 12, 2006, due in annual installments of \$245 to \$1,955 through December 1, 2036, bearing interest rates of 4.0% to 5.0%. Net proceeds of \$30,500 were 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 2006 Capital Improvement Revenue Bonds Series D (Taxable)  
Authorized and issued December 12, 2006, due in annual installments of \$475 to \$685 through December 1, 2016, bearing an interest rate of 5.16%. Net proceeds of \$2,400 were 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 2006 Capital Improvement Revenue Bonds Series E (Refunding)  
Authorized and issued December 12, 2006, due in annual installments of \$402 to \$8,570 through December 1, 2033, bearing interest rates of 4.0% to 5.25%. Net proceeds of \$216,661 plus cash of \$13,441 have been utilized for the purpose of establishing an irrevocable escrow to defease \$218,000 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 associated liabilities have been removed from the governmental and business-type activities columns of the statement of net assets.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**Certificates of Participation**

- \$16,580 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 to \$1,063 through September 2032, bearing interest rates of 2.0% to 5.0%. Net proceeds of \$16,428 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 \$24,040 will be paid using 100% of future lease revenue. Current year principal and interest paid was \$1,054 and lease payments received were \$1,054.

**Notes Payable**

- \$2,220 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 to \$82 through August 2030, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$3,229 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 \$27 to \$150 through August 2037, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,829 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 \$50 to \$120 through August 2018, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,117 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 to \$73 through August 2019, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$9,000 2008 Sacramento Marina South Basin  
Authorized February 2005, the City has made loan draws of \$8,099 through June 30, 2010, 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 the August 1 immediately following the final draw in thirty annual payments including interest at 4.5%. As of June 30, 2010, the Department of Boating and Waterways is retaining the final draw amount of \$901 pending the notice of completion.
- \$1,380 1997 State Department of Boating and Waterways Note Payable  
Authorized January 1997, issued May 1999, due in annual installments of \$89 to \$98 through 2018, for the purpose of financing a visitor dock at Old Sacramento.

**City of Sacramento**  
**Notes to the Financial Statements**  
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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Notes Payable (Continued)**

- \$2,619 State Water Resources Control Board Note Payable  
Authorized July 1998, issued September 1998, due in annual installments of \$166 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 \$1,325. Current year principal and interest paid was \$166 and sewer and storm drain fee revenue was \$53,212.
- \$37,016 State Water Resources Control Board Note Payable  
Authorized March 1999, issued beginning July 1999, due in annual installments of \$2,373 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 \$26,038. Current year principal and interest paid was \$2,367 and sewer and storm drain fee revenue was \$53,212.
- \$5,177 State Water Resources Control Board Note Payable  
Authorized March 2001, issued July 2001, due in annual installments of \$342 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 \$3,421. Current year principal and interest paid was \$342 and sewer and storm drain fee revenue was \$53,212.
- \$2,603 State Water Resources Control Board Note Payable  
Authorized June 2001, issued beginning May 2002, due in annual installments of \$149 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 \$250. 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 \$1,815. Current year principal and interest paid was \$165 and sewer and storm drain fee revenue was \$53,212.
- \$5,672 State Water Resources Control Board Note Payable  
Authorized February 2002, issued beginning February 2002, due in annual installments of \$397 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 \$4,368. Current year principal and interest paid was \$397 and sewer and storm drain fee revenue was \$53,212.
- \$400 California Department of Education Note Payable  
To finance the construction of temporary classrooms at Two Rivers School and Sequoia School with maturities of \$40 per year through 2014. The note bears no interest.

**City of Sacramento**  
**Notes to the Financial Statements**  
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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Notes Payable (Continued)**

- \$10,000 California Department of Public Health  
Authorized September 2009, the City has made loan draws of \$7,551 through June 30, 2010, from the California Department of Public Health, for the installation of approximately 13,000 water meters. The note, with a 2.5% interest rate, will be repaid over 20 years with annual principal and interest payments of approximately \$628 beginning after project completion. The City pledged future water enterprise fund revenue to repay the note. The note is payable solely from water enterprise fund revenue through 2032.
- \$3,500 California Infrastructure and Economic Development Bank (I-Bank)  
Authorized in December 2007, the City has made loan draws of \$2,597 through June 30, 2010. Due in annual principal and interest installments from \$187 to \$196 through August of 2032, bearing an interest rate of 3.17%, for the purpose of financing the purchase and construction of the Basin 31 Detention Basin. The City pledged future storm drainage fee revenue to repay the note. The note is payable solely from the storm drainage fee revenue through August of 2032. Total principal and interest remaining to be paid on the note is \$4,337. Current year principal and interest paid was \$183 and storm drainage fee revenue was \$33,786.

**Capital Lease Obligations**

The City has entered into several long-term leases to finance the acquisition of building improvements 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, 2010, future minimum lease payments to be made by the City's General, Solid Waste and Marina Funds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2011	\$ 1,809	\$ 1,543	\$ 3,352
2012	1,788	1,377	3,165
2013	1,789	1,378	3,167
2014	1,788	1,378	3,166
2015	1,517	1,040	2,557
2016 – 2020	4,574	2,667	7,241
2021 – 2025	-	346	346
Total minimum lease payments	13,265	9,729	22,994
Less amounts representing interest	(2,062)	(1,434)	(3,496)
Net present value of minimum lease payments	<u>\$ 11,203</u>	<u>\$ 8,295</u>	<u>\$ 19,498</u>

The following is a schedule of property under capital leases by major classes at June 30, 2010:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Buildings and improvements	\$ -	\$ 1,523	\$ 1,523
Equipment	13,787	8,797	22,584
Less: accumulated depreciation	(1,380)	(2,234)	(3,614)
Total	<u>\$ 12,407</u>	<u>\$ 8,086</u>	<u>\$ 20,493</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Other long-term liabilities**

Accrued claims and judgments – 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 – Estimated amounts due to employees for earned, but unused, compensated absence accounts, including leave balances for vacation, sick, holiday and compensated time off. Compensated absences are generally liquidated by the City's General Fund, internal service funds and enterprise funds.

Other post employment benefits (OPEB) liability – Actuarially determined obligation for retiree medical benefits. The City established its OPEB liability at zero as of June 30, 2007. This liability reflects three years of amortization of the unfunded actuarial liability. See note 9 for more information.

Pollution remediation obligations – Estimated liabilities to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

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 plants.

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 other development impact fee programs. Credits are redeemable from or against future 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.

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

Derivative instrument - interest rate swap – Amount represents the fair value of the interest rate swap associated with the 1997 Lease Revenue bonds. See additional disclosures regarding interest rate swap below.

**Future Debt Service Requirements**

The following tables disclose the annual debt service requirements for the City and the Sacramento Regional Arts Facilities Financing Authority component unit long-term debt outstanding as of June 30, 2010.

**City of Sacramento**  
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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

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

Fiscal Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2011	\$ 18,701	\$ 24,295
2012	19,766	23,407
2013	20,794	22,481
2014	18,448	21,648
2015	20,536	20,715
2016 – 2020	106,739	87,351
2021 – 2025	89,964	62,324
2026 – 2030	96,868	36,991
2031 – 2035	73,374	14,479
2036 – 2037	21,015	1,137
Subtotals	486,205	314,828
Less: Issuance discounts	(167)	-
Plus: Issuance premiums	19,351	-
Less: Net loss on refunding	(8,748)	-
Totals	<u>\$ 496,641</u>	<u>\$ 314,828</u>

Fiscal Year Ending June 30,	Notes Payable	
	Principal	Interest
2011	\$ 69	\$ 34
2012	72	30
2013	75	27
2014	79	24
2015	82	20
2016 – 2019	369	42
Totals	<u>\$ 746</u>	<u>\$ 177</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
2011	\$ 12,852	\$ 14,969	\$ 3,018	\$ 1,120
2012	13,446	14,333	3,616	1,658
2013	15,331	13,614	3,708	1,565
2014	13,837	12,924	3,783	1,470
2015	14,549	12,195	3,860	1,373
2016 – 2020	84,741	48,638	20,399	5,304
2021 – 2025	57,696	29,013	7,758	3,128
2026 – 2030	57,537	15,708	3,941	2,057
2031 – 2035	30,497	2,456	3,126	1,173
2036 – 2040	-	-	2,623	441
2041	-	-	475	21
Subtotals	300,486	163,850	56,307	19,310
Less: Issuance discounts	(611)	-	-	-
Plus: Issuance premiums	20,495	-	-	-
Less: Net loss on refunding	(18,306)	-	-	-
Totals	<u>\$ 302,064</u>	<u>\$ 163,850</u>	<u>\$ 56,307</u>	<u>\$ 19,310</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
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**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,	Certificates of Participation	
	Principal	Interest
2011	\$ 375	\$ 674
2012	395	657
2013	410	643
2014	425	627
2015	440	610
2016 – 2020	2,505	2,749
2021 – 2025	3,115	2,109
2026 – 2030	3,965	1,236
2031 – 2033	2,885	221
Subtotals	14,515	9,526
Less: Issuance discounts	(114)	-
Totals	\$ 14,401	\$ 9,526

**Derivative Instrument - Interest rate swap**

*Objective of the derivative instrument - 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 (the "swap") in connection with its 1997 Lease Revenue (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, 2010, the amount of outstanding Bonds was \$68,655. 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 the 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, 2010 of \$68,655. 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 \$12,330 as of June 30, 2010, as provided by the swap counterparty. 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.

The swap meets the requirements of a hedging derivative instrument and as such, hedge accounting is applied. Under hedge accounting, the fair value of the swap is reported in governmental activities on the statement of net assets as deferred outflow for interest rate swap, an asset, and a corresponding long term liability. See other long term governmental liabilities in this footnote for changes in the swap liability.

**City of Sacramento**  
**Notes to the Financial Statements**  
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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Derivative Instrument - Interest rate swap (Continued)**

*Credit risk.* As of June 30, 2010, 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 "A+" by Fitch Ratings, "A1" by Moody's Investors Service, and "A" by Standard & Poor's as of June 30, 2010. 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 that 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.

*Rollover Risk.* The Authority is exposed to rollover risk on the interest rate swap because the maturity date of the derivative instrument is July, 2017, and the hedged debt matures in July, 2027

*Swap payments and associated debt.* Using rates in effect as of June 30, 2010, 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:

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2011	\$ 1,300	\$ 339	\$ 3,445	\$ 5,084
2012	1,575	332	3,358	5,265
2013	1,775	323	3,281	5,379
2014	1,990	313	3,182	5,485
2015	2,225	302	3,072	5,599
2016	2,475	295	2,998	5,768
2017	2,665	276	2,817	5,758
2018	54,650	65	701	55,416
<b>TOTAL</b>	<b>\$ 68,655</b>	<b>\$ 2,245</b>	<b>\$ 22,854</b>	<b>\$ 93,754</b>

**City of Sacramento**  
**Notes to the Financial Statements**  
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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 liability to be \$679 at June 30, 2010.

**Special Assessment Debt**

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$187 million at June 30, 2010. 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 Facilities Districts Agency Funds.

**Conduit Debt**

Outstanding obligations related to special facility and redevelopment agency revenue bonds total \$336 million at June 30, 2010. 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, 2010, \$327 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 (CalPERS) and the Sacramento City Employees' Retirement System (SCERS). CalPERS is an agent multiple-employer public employee defined benefit pension plan. SCERS is a single-employer defined benefit pension plan.

**CalPERS**

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 CalPERS. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. CalPERS 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 CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, CA 95814. A separate report for the City's plan within CalPERS is not available.

**City of Sacramento**  
**Notes to the Financial Statements**  
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 (amounts expressed in thousands)

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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:

CalPERS - Miscellaneous	7%
CalPERS - 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):

CalPERS - Certain miscellaneous employees	3 - 5%
CalPERS - Safety	9

The City is required to contribute at actuarially determined rates. Rates for the fiscal year ended June 30, 2010 were as follows (percent of annual covered payroll):

CalPERS - Miscellaneous	11.222%
CalPERS - Safety	22.584
SCERS	46.300

**City of Sacramento**  
**Notes to the Financial Statements**  
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**NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)**

**Annual Pension Cost**

CalPERS

For the fiscal year ended June 30, 2010, the City's annual CalPERS pension cost of \$44.6 million was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, 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 CalPERS 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, 2007 are being amortized, using the level percentage of payroll method, over a closed period that depends on the plan's date of entry into CalPERS. The remaining amortization period at June 30, 2007 was 30 years for the safety employees' plan and 26 years for the miscellaneous employees' plan. Subsequent plan amendments are amortized as a level percentage of projected payrolls over a closed 20-year period. Annual gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year.

SCERS

For the fiscal year ended June 30, 2010, the City's annual SCERS pension cost of \$3.4 million was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008 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**

CalPERS – Miscellaneous

<b>Fiscal Year</b>	<b>Annual Pension Cost (APC) (in millions)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2008	\$16.4	100%	\$ -
June 30, 2009	22.9	100	-
June 30, 2010	20.6	100	-

CalPERS – Safety

<b>Fiscal Year</b>	<b>Annual Pension Cost (APC) (in millions)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2008	\$19.8	100%	\$ -
June 30, 2009	18.8	100	-
June 30, 2010	24.0	100	-

**City of Sacramento**  
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**NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)**

**Three-Year Trend Information (Continued)**

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, 2008	\$ 3.5	100%	\$ -
June 30, 2009	3.2	100	-
June 30, 2010	3.4	100	-

**Funded Status**

The funded status of the plans as of the most recent actuarial valuation dates is as follows (in millions):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>(Overfunded) Unfunded AAL (b) – (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>(Overfunded) Unfunded AAL as a % of Covered Payroll ((b)-(a))/(c)</u>
<u>CalPERS – Miscellaneous</u>						
6/30/09	\$ 556	\$ 696	\$ 140	80%	\$ 175	80%
<u>CalPERS – Safety</u>						
6/30/09	946	1,135	189	83	110	172
<u>SCERS</u>						
6/30/10	297	395	98	75	5	1,848

The actuarial assumptions for the most recent CalPERS valuations are the same as those used to determine the annual required contributions for the fiscal year ended June 30, 2010. For SCERS, the only change in calculating the actuarial assumptions was to the mortality tables. The 1997-2007 mortality tables have replaced the 1994 mortality tables used in prior years.

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, 2010, employees contributed \$2,701 and the City contributed \$2,194 to the Plan.

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

**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 11.2 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)	\$ 30,851
Interest on beginning OPEB liability	1,796
Adjustment to the ARC	<u>(3,139)</u>
Annual OPEB cost	29,508
Contributions made	<u>(11,064)</u>
Increase in net OPEB obligation	18,444
Net OPEB obligation - Beginning of year	<u>42,256</u>
Net OPEB obligation - End of year	<u>\$ 60,700</u>
Covered payroll (active plan members)	\$ 275,252
UAAL as a percentage of covered payroll	136.7%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2008, 2009 and 2010 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
6/30/2009	32,605	11,377	35%	42,256
6/30/2010	29,508	11,064	38%	60,700

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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

**Funding Status and Progress**

As of June 30, 2009, the most recent actuarial valuation date of the plan was 0% funded. The actuarial accrued liability was \$376,417 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$376,417. The annual covered payroll was \$275 million and the ratio of the unfunded actuarial accrued liability to the annual covered payroll was 136.7%. 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.

**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, 2009, 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 10% for fiscal year 2009, 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 payrolls on an open basis. The remaining amortization period at June 30, 2009 was 28 years.

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

At June 30, 2010, the government-wide statement of net assets reported restricted net assets of \$226 million in governmental activities. Of these amounts, \$20 million of net assets of governmental activities are restricted by enabling legislation.

The Culture and Leisure Fund, a special revenue fund, had a deficit fund balance of \$4.2 million as of June 30, 2010. The Zoo and Golf programs within the fund have deficit balances of \$21 and \$5.1 million respectively. It is anticipated that these deficits will be funded by future operating surpluses and subsidies.

For the fiscal year ended June 30, 2010, expenditures exceeded appropriations in the Parks and Recreation special revenue fund by \$2.2 million primarily attributable the START fund. This overspending was funded by revenue collected by the START program in excess of budgeted amounts and available fund balance.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

**NOTE 11 – INTERFUND TRANSACTIONS**

**Interfund Transfers**

Interfund 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, 2010:

	<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
<b>Governmental Activities:</b>				
General Fund	Debt service	\$ 392	\$ (23,131)	\$ (22,739)
General Fund	In-lieu transfers	22,948	-	22,948
General Fund	Program support	608	(1,005)	(397)
General Fund Projects Fund	Debt service	-	(2,621)	(2,621)
Capital Grants Fund	Program support	-	(206)	(206)
Financing Plans Fund	Debt service	-	(2,575)	(2,575)
Transportation and Development Fund	Program support	847	(246)	601
Other Governmental Funds	Debt service	27,511	-	27,511
Other Governmental Funds	Program support	1,315	(457)	858
Internal Service Funds	Debt service	424	-	424
Internal Service Funds	Program support	14	(234)	(220)
Adjustment for transfer of capital assets from governmental funds to enterprise funds	Transfer of capital assets	-	(4,219)	(4,219)
Total governmental activities		<u>54,059</u>	<u>(34,694)</u>	<u>19,365</u>
<b>Business-type Activities:</b>				
Water Fund	In-lieu transfers	-	(7,372)	(7,372)
Water Fund	Program support	10	(453)	(443)
Sewer Fund	In-lieu transfers	-	(2,100)	(2,100)
Sewer Fund	Program support	31	-	31
Storm Drainage Fund	In-lieu transfers	-	(3,715)	(3,715)
Storm Drainage Fund	Program support	20	-	20
Solid Waste Fund	In-lieu transfers	-	(6,349)	(6,349)
Solid Waste Fund	Program support	55	-	55
Community Center Fund	In-lieu transfers	-	(1,350)	(1,350)
Other Enterprise Funds	In-lieu transfers	-	(2,061)	(2,061)
Other Enterprise Funds	Program support	-	(300)	(300)
Adjustment for transfer of capital assets from governmental funds to enterprise funds	Transfer of capital assets	4,219	-	4,219
Total business-type activities		<u>4,335</u>	<u>(23,700)</u>	<u>(19,365)</u>
<b>Total government-wide statements</b>		<u>\$ 58,394</u>	<u>\$ (58,394)</u>	<u>\$ -</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

**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, 2010:

	<u>Receivables</u>	<u>Payables</u>	<u>Interfund Balances</u>
Capital Grants Fund	\$ -	\$ (6,698)	\$ (6,698)
Other Governmental Funds	-	(8,933)	(8,933)
Internal Service Funds	26,808	-	26,808
Governmental Activities Total	<u>26,808</u>	<u>(15,631)</u>	<u>11,177</u>
Water Fund	-	(658)	(658)
Sewer Fund	-	(215)	(215)
Storm Drainage Fund	-	(441)	(441)
Solid Waste Fund	-	(2,814)	(2,814)
Community Center Fund	-	(6,870)	(6,870)
Other Enterprise Funds	-	(179)	(179)
Business-type Activities Total	<u>-</u>	<u>(11,177)</u>	<u>(11,177)</u>
Total	<u>\$ 26,808</u>	<u>\$ (26,808)</u>	<u>\$ -</u>

\$26.8 million was loaned by the City's internal service funds to cover short-term operating deficits (approximately \$10.5 million), to assist in development of community resources (approximately \$14.3 million) and for short-term financing of technology (\$2 million).

\$6.7 million was borrowed by the Capital Grants Fund for short term loans.

\$8.9 million was borrowed by various other governmental funds for short term loans (approximately \$1.4 million), and development of community resources (approximately \$7.5 million).

\$6.9 million was borrowed by the Community Center Fund for development of community resources.

\$2.8 million was borrowed by the Solid Waste Fund to cover short-term operating deficits (\$2.3 million) and for short-term financing of technology (\$0.5 million).

An additional \$1.5 million was borrowed by other enterprise funds for short-term financing of technology.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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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 \$30 million in coverage for claims over the City's \$2 million self-insured retention. Excess worker's compensation insurance is purchased through the California State Association of Counties' Excess Insurance Authority and it provides statutory 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 social and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine the present value of the liability. For the fiscal year ended June 30, 2010, the expected rate of return was 4 percent. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There were no changes in insurance coverage during the fiscal year ended June 30, 2010.

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, 2010, the Risk Management Internal Service Fund had net assets of \$50.2 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 (IBNR). 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:

	2010	2009
Accrued claims and judgments, July 1	\$ 50,238	\$ 49,682
Incurred claims and adjustment expenses	7,250	11,181
Claim payments	<u>(10,426)</u>	<u>(10,625)</u>
Accrued claims and judgments, June 30	<u>\$ 47,062</u>	<u>\$ 50,238</u>

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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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. Revenue of the Water Enterprise Fund is pledged to the payment of principal and interest on the California Department of Public Health Notes Payable. See note 7 for more information.

**Construction and Other Commitments**

The City has commitments of \$60.1 million for contracts awarded but not completed as of June 30, 2010. This amount consists of \$19.4 million in Proprietary Funds, \$9.9 million in the Capital Grants Fund, \$7 million in the Transportation and Development Funds, \$6.3 million in the General Fund and \$17.5 million in all other funds. The major contracts outstanding are \$13.4 million for various Water Fund projects, including water meter installation; \$4 million for construction of a bike bridge at West Canal and I-80; and \$4.1 million for construction of a fire station in North Natomas.

**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.

**Closure and Postclosure Care Cost**

The City has several landfill sites which have stopped accepting waste, have been covered, and are closed. State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at these sites after closure. The City is reporting an estimate of \$24.3 million for postclosure costs at June 30, 2010. The estimate is based on current costs and may change due to inflation or deflation, technology, or applicable laws and regulations. The City received approval from state regulators to fund the postclosure costs, along with cost increases due to inflation, with user charges for solid waste disposal.

**Pollution Remediation Obligations**

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The City is responsible for pollution remediation activities at several sites that have soil contaminated with petroleum, hydrocarbons, and/or metals. Regulatory agencies providing oversight of the City's pollution remediation obligations and activities include the State of California Regional Water Quality Control Board, the State of California Department of Toxic Substance Control, and the Sacramento County Department of Environmental Management.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)**

**Pollution Remediation Obligations (Continued)**

The City's estimated obligation was \$1.0 million at June 30, 2009 and \$1.2 million at June 30, 2010. Pollution remediation outlays totaled approximately \$320 for the year ended June 30, 2010. Pollution remediation obligations are measured based on outlays expected to be incurred to settle all estimable remediation efforts. Pollution remediation obligations are measured at the current value of reasonable and supportable assumptions about future events that may affect the eventual settlement of the obligations. Pollution remediation obligations are measured using the expected cash flow technique, which measures the obligation as the sum of probability-weighted amounts in a range of possible cash flows. Estimates are based on all currently available information, as well as the facts and circumstances of each situation, but may change due to price changes, changes in laws or regulations, changes in remediation technologies, or as additional information become available. Estimated recoveries from other parties that are included in the calculation of the City's pollution remediation obligations total \$88.

**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 the Sacramento Housing and Redevelopment Agency, 801 12<sup>th</sup> Street, Sacramento, California, 95814.

**Sacramento Public Library Authority**

The City is a participant with the County of Sacramento and the cities of Citrus Heights, Elk Grove, Galt, Isleton and Rancho Cordova in the Sacramento Public Library Authority (Library), a joint powers agency created to provide library services to the residents of the participating municipalities. The Library is governed by a board made up of five County appointees and various numbers of appointees from each city, depending upon population. As of June 30, 2010, five of fourteen members of the Library board were appointed by the City. The current joint powers agreement was effective beginning July 1, 2007. After June 30, 2010, any party may withdraw from the Authority upon no less than one year's written notice. Upon withdrawal a party shall retain ownership of those capital facilities to which it holds title. The City is committed to fund annual contributions to operate library branches in the City. The City's General Fund contributions for the fiscal year ended June 30, 2010, were \$7.9 million, which were sufficient to fund Library operations for the year. The City also contributed the use of its library facilities to the Library. In order to provide funding for additional services and hours in City libraries, the City also levies and passes through to the Library a parcel tax which totaled \$4.4 million for the fiscal year ended June 30, 2010. Financial statements may be obtained from the Sacramento Public Library Authority, 828 I Street, Sacramento, California, 95814.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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**NOTE 14 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS (Continued)**

**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, 2010, included \$2.4 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, 2010, including \$36.2 million in the Transportation and Development Fund from the Sacramento Transportation Authority, \$3.7 million of cable television revenues in the General Fund from the Sacramento Metropolitan Cable Television Commission, \$1.6 million of revenue in the General Fund from the Sacramento Regional County Solid Waste Authority and \$642 of revenue in the Capital Grants Fund from the Sacramento Regional County Sanitation District

In addition, the City administers customer billing and collections on behalf of the Sacramento Regional County Sanitation District. As of June 30, 2010 the City had a liability due to Sacramento Regional County Sanitation District of \$6.2 million for customer accounts recorded in the Sewer Fund. During the year ended June 30, 2010, the Sewer Fund received financial support of \$837 from the Sacramento Regional County Sanitation District to pay for operating and maintaining the treatment plant.

**NOTE 15 – SALE OF PROPOSITION 1A PROPERTY TAX RECEIVABLE**

Under the provisions of Proposition 1A and as part of the fiscal year 2009-10 budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Sacramento was \$12.2 million.

Authorized with the fiscal year 2009-10 budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities, acting as a conduit for the State of California, simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

**City of Sacramento**  
**Notes to the Financial Statements**  
For the Fiscal Year Ended June 30, 2010  
(amounts expressed in thousands)

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**NOTE 16 – SUBSEQUENT EVENT**

On July 15, 2010, the City issued \$40 million in 2010 Tax and Revenue Anticipation Notes (TRANs), bearing interest at a rate of 2% per annum, maturing on June 30, 2011. The notes were issued to supplement City General Fund cash flows until taxes and other revenues are collected.

# Required Supplementary Information

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

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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%
6/30/08	510	617	107	83	178	60
6/30/09	556	696	140	80	175	80
<u>PERS – City Safety</u>						
6/30/07	853	971	118	88	100	118
6/30/08	908	1,048	140	87	110	127
6/30/09	946	1,135	189	83	110	172
<u>SCERS</u>						
6/30/08	360	392	32	92	9	356
6/30/09	314	398	84	79	6	1,406
6/30/10	297	395	98	75	5	1,848

**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%
6/30/2009	-	376	376	0.00%	275	136.7%

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.

## **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.

**ASSESSMENT DISTRICTS CAPITAL PROJECTS 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, 2010  
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Assessment Districts Capital Projects Fund	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and investments held by City	\$ 46,360	\$ 6,506	\$ 9,220	\$ 4,751	\$ 66,837
Cash and investments held by fiscal agent	51	4,550	-	-	4,601
Securities lending assets	888	-	-	651	1,539
Receivables, net:					
Accounts	2,664	-	5	-	2,669
Loans	2	9,355	-	-	9,357
Intergovernmental	13,807	54,328	-	-	68,135
Interest	108	137	-	11	256
Prepaid items	35	-	-	-	35
Restricted assets:					
Cash and investments held by City	600	41	-	-	641
Cash and investments held by fiscal agent	719	18,415	-	-	19,134
<b>Total assets</b>	<b>\$ 65,234</b>	<b>\$ 93,332</b>	<b>\$ 9,225</b>	<b>\$ 5,413</b>	<b>\$ 173,204</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Securities lending obligations	\$ 1,019	\$ -	\$ 78	\$ 681	\$ 1,778
Accounts payable	3,904	-	-	-	3,904
Due to other funds	1,443	-	-	-	1,443
Matured bonds and interest payable	-	3,170	-	-	3,170
Deposits	568	-	-	-	568
Deferred revenue	9,397	63,003	-	-	72,400
Advances from other funds	7,490	-	-	-	7,490
<b>Total liabilities</b>	<b>23,821</b>	<b>66,173</b>	<b>78</b>	<b>681</b>	<b>90,753</b>
Fund balances:					
Reserved:					
For noncurrent assets	-	746	-	-	746
For encumbrances	3,964	-	-	-	3,964
For debt service	1,319	18,456	-	-	19,775
For prepaid items	35	-	-	-	35
For trust obligations	-	-	-	1,934	1,934
Unreserved:					
Designated for capital projects	12,346	-	3,772	-	16,118
Designated for subsequent years' expenditures	978	876	-	-	1,854
Undesignated	22,771	7,081	5,375	2,798	38,025
<b>Total fund balances</b>	<b>41,413</b>	<b>27,159</b>	<b>9,147</b>	<b>4,732</b>	<b>82,451</b>
<b>Total liabilities and fund balances</b>	<b>\$ 65,234</b>	<b>\$ 93,332</b>	<b>\$ 9,225</b>	<b>\$ 5,413</b>	<b>\$ 173,204</b>

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

For the Fiscal Year Ended June 30, 2010  
(in thousands)

	Other Special Revenue Funds	Other Debt Service Funds	Assessment Districts Capital Projects Fund	Permanent Funds	Total Other Governmental Funds
Revenues:					
Intergovernmental	\$ 51,126	\$ 7,216	\$ -	\$ -	\$ 58,342
Charges for services	5,432	-	-	-	5,432
Interest, rents, and concessions	3,977	1,170	167	454	5,768
Community service fees	4,031	-	-	-	4,031
Assessment levies	29,789	-	2,181	-	31,970
Contributions and donations	42	-	-	-	42
Miscellaneous	54	-	-	-	54
	<u>94,451</u>	<u>8,386</u>	<u>2,348</u>	<u>454</u>	<u>105,639</u>
Total revenues					
Expenditures:					
Current:					
General government	2,899	-	72	-	2,971
Police	17,720	-	-	-	17,720
Fire	1,544	-	-	-	1,544
General services	9,274	-	-	-	9,274
Transportation	10,963	-	-	-	10,963
Neighborhood services	66	-	-	-	66
Convention, culture and leisure	7,940	-	-	66	8,006
Economic development	5,092	-	-	-	5,092
Parks and recreation	23,665	-	-	-	23,665
Code enforcement	446	-	-	-	446
Community development	17	-	-	-	17
Library	4,444	-	-	-	4,444
Nondepartmental	335	-	-	153	488
Capital outlay	4,665	-	9,325	-	13,990
Debt service:					
Principal	859	15,412	-	-	16,271
Interest and fiscal charges	940	20,484	-	4	21,428
	<u>90,869</u>	<u>35,896</u>	<u>9,397</u>	<u>223</u>	<u>136,385</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>3,582</u>	<u>(27,510)</u>	<u>(7,049)</u>	<u>231</u>	<u>(30,746)</u>
Other financing sources (uses):					
Transfers in	1,315	27,511	-	-	28,826
Transfers out	(457)	-	-	-	(457)
	<u>858</u>	<u>27,511</u>	<u>-</u>	<u>-</u>	<u>28,369</u>
Total other financing sources (uses)					
Net change in fund balances	4,440	1	(7,049)	231	(2,377)
Fund balances, beginning of year	<u>36,973</u>	<u>27,158</u>	<u>16,196</u>	<u>4,501</u>	<u>84,828</u>
Fund balances, end of year	<u>\$ 41,413</u>	<u>\$ 27,159</u>	<u>\$ 9,147</u>	<u>\$ 4,732</u>	<u>\$ 82,451</u>

## 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, the Sacramento Sports Commission, 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, Special Events, Land Park, Sutter Park Sites, 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 CCOMWP FUND** is used to account for the revenue and expenditures associated with the City/County Office of Metropolitan Water Planning. The CCOMWP was formed to develop the Water Forum Agreement with objectives to provide a reliable water supply for planned development to the year 2030, and to preserve the region's Lower American River.

**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, 2010

(in thousands)

	Culture and Leisure Fund	Parks and Recreation Fund	Grants Fund	CCOMWP Fund
<b>ASSETS</b>				
Cash and investments held by City	\$ 1,365	\$ 23,141	\$ -	\$ 1,548
Cash and investments held by fiscal agent	51	-	-	-
Securities lending assets	-	888	-	-
Receivables, net:				
Accounts	1,295	235	-	198
Loans	2	-	-	-
Intergovernmental	-	1,160	12,616	-
Interest	6	102	-	-
Prepaid items	-	7	23	5
Restricted assets:				
Cash and investments held by City	-	-	-	-
Cash and investments held by fiscal agent	719	-	-	-
<b>Total assets</b>	<b>\$ 3,438</b>	<b>\$ 25,533</b>	<b>\$ 12,639</b>	<b>\$ 1,751</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Securities lending obligations	\$ -	\$ 1,019	\$ -	\$ -
Accounts payable	77	559	2,331	131
Due to other funds	-	-	1,443	-
Deposits	5	197	366	-
Deferred revenue	44	1,515	7,618	189
Advances from other funds	7,490	-	-	-
<b>Total liabilities</b>	<b>7,616</b>	<b>3,290</b>	<b>11,758</b>	<b>320</b>
Fund balances (deficit):				
Reserved:				
For encumbrances	18	258	3,675	-
For debt service	719	-	-	-
For prepaid items	-	7	23	5
Unreserved:				
Designated for capital projects	-	7,613	-	-
Designated for subsequent years' expenditures	-	393	-	-
Undesignated	(4,915)	13,972	(2,817)	1,426
<b>Total fund balances (deficit)</b>	<b>(4,178)</b>	<b>22,243</b>	<b>881</b>	<b>1,431</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 3,438</b>	<b>\$ 25,533</b>	<b>\$ 12,639</b>	<b>\$ 1,751</b>

**City of Sacramento**  
**Other Special Revenue Funds**  
**Combining Balance Sheet**

June 30, 2010

(in thousands)

	Special Districts Fund	Cal EPA Fund	Total Other Special Revenue Funds
<b>ASSETS</b>			
Cash and investments held by City	\$ 17,612	\$ 2,694	\$ 46,360
Cash and investments held by fiscal agent	-	-	51
Securities lending assets	-	-	888
Receivables, net:			
Accounts	936	-	2,664
Loans	-	-	2
Intergovernmental	-	31	13,807
Interest	-	-	108
Prepaid items	-	-	35
Restricted assets:			
Cash and investments held by City	600	-	600
Cash and investments held by fiscal agent	-	-	719
<b>Total assets</b>	<b>\$ 19,148</b>	<b>\$ 2,725</b>	<b>\$ 65,234</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Securities lending obligations	\$ -	\$ -	\$ 1,019
Accounts payable	806	-	3,904
Due to other funds	-	-	1,443
Deposits	-	-	568
Deferred revenue	-	31	9,397
Advances from other funds	-	-	7,490
<b>Total liabilities</b>	<b>806</b>	<b>31</b>	<b>23,821</b>
Fund balances (deficit):			
Reserved:			
For encumbrances	13	-	3,964
For debt service	600	-	1,319
For prepaid items	-	-	35
Unreserved:			
Designated for capital projects	4,733	-	12,346
Designated for subsequent years' expenditures	585	-	978
Undesignated	12,411	2,694	22,771
<b>Total fund balances (deficit)</b>	<b>18,342</b>	<b>2,694</b>	<b>41,413</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 19,148</b>	<b>\$ 2,725</b>	<b>\$ 65,234</b>

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

For the Fiscal Year Ended June 30, 2010

(in thousands)

	Culture and Leisure Fund	Parks and Recreation Fund	Grants Fund	CCOMWP Fund
<b>Revenues:</b>				
Intergovernmental	\$ 282	\$ 8,836	\$ 32,566	\$ 1,737
Charges for services	5,307	-	125	-
Interest, rents, and concessions	1,836	1,632	150	23
Community service fees	-	4,031	-	-
Assessment levies	-	-	-	-
Contributions and donations	20	22	-	-
Miscellaneous	51	3	-	-
<b>Total revenues</b>	<b>7,496</b>	<b>14,524</b>	<b>32,841</b>	<b>1,760</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	41	1,609
Police	-	-	17,720	-
Fire	-	-	1,544	-
General services	-	-	246	-
Transportation	221	-	-	-
Neighborhood services	-	-	-	-
Convention, culture and leisure	5,639	-	304	-
Economic development	-	-	63	-
Parks and recreation	-	16,117	3,903	-
Code enforcement	-	-	290	-
Community development	-	-	17	-
Library	-	-	-	-
Nondepartmental	335	-	-	-
Capital outlay	14	1,310	2,568	-
<b>Debt service:</b>				
Principal	469	-	-	-
Interest and fiscal charges	739	4	-	-
<b>Total expenditures</b>	<b>7,417</b>	<b>17,431</b>	<b>26,696</b>	<b>1,609</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>79</b>	<b>(2,907)</b>	<b>6,145</b>	<b>151</b>
<b>Other financing sources (uses):</b>				
Transfers in	9	853	-	453
Transfers out	-	(54)	(403)	-
<b>Total other financing sources (uses)</b>	<b>9</b>	<b>799</b>	<b>(403)</b>	<b>453</b>
<b>Net change in fund balances</b>	<b>88</b>	<b>(2,108)</b>	<b>5,742</b>	<b>604</b>
<b>Fund balances (deficit), beginning of year</b>	<b>(4,266)</b>	<b>24,351</b>	<b>(4,861)</b>	<b>827</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ (4,178)</b>	<b>\$ 22,243</b>	<b>\$ 881</b>	<b>\$ 1,431</b>

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

For the Fiscal Year Ended June 30, 2010

(in thousands)

	Special Districts Fund	Cal EPA Fund	Total Other Special Revenue Funds
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 7,705	\$ 51,126
Charges for services	-	-	5,432
Interest, rents, and concessions	283	53	3,977
Community service fees	-	-	4,031
Assessment levies	29,789	-	29,789
Contributions and donations	-	-	42
Miscellaneous	-	-	54
<b>Total revenues</b>	<b>30,072</b>	<b>7,758</b>	<b>94,451</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,249	-	2,899
Police	-	-	17,720
Fire	-	-	1,544
General services	1,477	7,551	9,274
Transportation	10,742	-	10,963
Neighborhood services	66	-	66
Convention, culture and leisure	1,997	-	7,940
Economic development	5,029	-	5,092
Parks and recreation	3,645	-	23,665
Code enforcement	156	-	446
Community development	-	-	17
Library	4,444	-	4,444
Nondepartmental	-	-	335
Capital outlay	773	-	4,665
<b>Debt service:</b>			
Principal	390	-	859
Interest and fiscal charges	197	-	940
<b>Total expenditures</b>	<b>30,165</b>	<b>7,551</b>	<b>90,869</b>
Excess (deficiency) of revenues over (under) expenditures	(93)	207	3,582
<b>Other financing sources (uses):</b>			
Transfers in	-	-	1,315
Transfers out	-	-	(457)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>858</b>
<b>Net change in fund balances</b>	<b>(93)</b>	<b>207</b>	<b>4,440</b>
Fund balances (deficit), beginning of year	18,435	2,487	36,973
Fund balances (deficit), end of year	<u>\$ 18,342</u>	<u>\$ 2,694</u>	<u>\$ 41,413</u>

# 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, 2010

(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 7,823	\$ 7,823	\$ 5,057	\$ (2,766)
Interest, rents and concessions	95	95	1,822	1,727
Donations	45	45	20	(25)
Miscellaneous	40	40	51	11
Total revenues	<u>8,003</u>	<u>8,003</u>	<u>6,950</u>	<u>(1,053)</u>
Expenditures:				
Current:				
Convention, culture and leisure	6,733	6,733	5,595	1,138
Capital Outlay	157	157	14	143
Debt Service:				
Principal	522	522	469	53
Interest and fiscal charges	647	647	739	(92)
Total expenditures	<u>8,059</u>	<u>8,059</u>	<u>6,817</u>	<u>1,242</u>
Excess (deficiency) of revenues over (under) expenditures	(56)	(56)	133	189
Other financing sources (uses):				
Transfers in	-	-	9	9
Net change in fund balance	<u>\$ (56)</u>	<u>\$ (56)</u>	142	<u>\$ 198</u>
Net change in fund balance for Culture and Leisure Special Revenue Fund activities for which annual budgets are not adopted.			<u>(54)</u>	
Net change in fund balance			<u>\$ 88</u>	

# 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, 2010

(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 6,885	\$ 8,236	\$ 8,836	\$ 600
Interest, rents and concessions	839	839	1,105	266
Community service fees	2,633	3,416	3,407	(9)
Donations	-	-	1	1
Miscellaneous	15	15	2	(13)
Total revenues	<u>10,372</u>	<u>12,506</u>	<u>13,351</u>	<u>845</u>
Expenditures:				
Current:				
Parks and recreation	11,292	13,860	16,095	(2,235)
Capital outlay	-	120	120	-
Debt Service				
Interest and fiscal charges	-	-	1	(1)
Total expenditures	<u>11,292</u>	<u>13,980</u>	<u>16,216</u>	<u>(2,236)</u>
Deficiency of revenues under expenditures	<u>(920)</u>	<u>(1,474)</u>	<u>(2,865)</u>	<u>(1,391)</u>
Other financing sources (uses):				
Transfers in	653	653	853	200
Transfers out	-	-	(54)	(54)
Total other financing sources (uses)	<u>653</u>	<u>653</u>	<u>799</u>	<u>146</u>
Net change in fund balance	<u>\$ (267)</u>	<u>\$ (821)</u>	<u>\$ (2,066)</u>	<u>\$ (1,245)</u>
Net change in fund balance for Parks and Recreation Special Revenue Fund activities for which annual budgets are not adopted.			<u>(42)</u>	
Net change in fund balance			<u>\$ (2,108)</u>	

# City of Sacramento

## CCOMWP Special Revenue Fund

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

#### - Budget and Actual

For the Fiscal Year Ended June 30, 2010

(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	\$ 1,288	\$ 1,439	\$ 1,737	298
Interest, rents and concessions	-	-	23	23
Total revenues	<u>1,288</u>	<u>1,439</u>	<u>1,760</u>	<u>321</u>
Expenditures:				
Current:				
General government	<u>2,494</u>	<u>2,645</u>	<u>1,609</u>	<u>1,036</u>
Total expenditures	<u>2,494</u>	<u>2,645</u>	<u>1,609</u>	<u>1,036</u>
Deficiency of revenues under expenditures	(1,206)	(1,206)	151	1,357
Other financing sources				
Operating transfers in	<u>453</u>	<u>453</u>	<u>453</u>	-
Net change in fund balance	<u>\$ (753)</u>	<u>\$ (753)</u>	<u>\$ 604</u>	<u>\$ 1,357</u>

**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, 2010  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Interest, rents, and concessions	\$ -	\$ -	\$ 283	\$ 283
Assessment levies	24,366	24,673	29,789	5,116
Total revenues	24,366	24,673	30,072	5,399
<b>Expenditures:</b>				
Current:				
General government	971	1,127	1,249	(122)
General services	964	1,477	1,477	-
Transportation	10,336	11,100	10,742	358
Neighborhood services	66	65	66	(1)
Convention, culture and leisure	2,105	2,105	1,997	108
Economic development	4,684	5,058	5,029	29
Parks and recreation	3,609	3,625	3,645	(20)
Code enforcement	156	156	156	-
Library	-	-	4,444	(4,444)
Capital outlay	5,120	5,118	773	4,345
Debt Service:				
Principal	390	390	390	-
Interest and fiscal charges	197	197	197	-
Total expenditures	28,598	30,418	30,165	253
Net change in fund balance	\$ (4,232)	\$ (5,745)	\$ (93)	\$ 5,652

**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, 2010  
(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	\$ 7,874	\$ 7,874	\$ 7,705	(169)
Interest, rents, and concessions	-	-	53	53
Total revenues	7,874	7,874	7,758	(116)
Expenditures:				
Current:				
General services	7,874	7,874	7,551	323
Net change in fund balance	\$ -	\$ -	\$ 207	\$ 207

## 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 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.

**THE 2006 SERIES A REVENUE BOND 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.

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

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

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

**THE 2006 SERIES E REVENUE BOND 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, 2010

(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2002 Capital Improvement Revenue Bond Fund	2002 Refunding Revenue Bond Light Rail Projects Fund
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 1,008	\$ 2,185	\$ 266	\$ 1,351
Cash and investments held by fiscal agent	84	230	-	2,383
Receivables, net:				
Loans	-	-	-	-
Intergovernmental	-	-	8,015	-
Interest	10	27	-	30
Restricted assets:				
Cash and investments held by City	-	-	-	-
Cash and investments held by fiscal agent	1,190	3,255	-	1,949
<b>Total assets</b>	<b><u>\$ 2,292</u></b>	<b><u>\$ 5,697</u></b>	<b><u>\$ 8,281</u></b>	<b><u>\$ 5,713</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Matured bonds and interest payable	\$ -	\$ -	\$ -	\$ 2,279
Deferred revenue	2	7	8,015	-
<b>Total liabilities</b>	<b><u>2</u></b>	<b><u>7</u></b>	<b><u>8,015</u></b>	<b><u>2,279</u></b>
Fund balances:				
Reserved:				
For noncurrent assets	-	-	-	-
For debt service	1,190	3,255	-	1,949
Unreserved:				
Designated for subsequent years' expenditures	32	86	111	102
Undesignated	1,068	2,349	155	1,383
<b>Total fund balances</b>	<b><u>2,290</u></b>	<b><u>5,690</u></b>	<b><u>266</u></b>	<b><u>3,434</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,292</u></b>	<b><u>\$ 5,697</u></b>	<b><u>\$ 8,281</u></b>	<b><u>\$ 5,713</u></b>

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**  
 June 30, 2010  
 (in thousands)

	<b>2002 Refunding Revenue Bond Public Facilities Projects Fund</b>	<b>2005 Refunding Revenue Bond Fund</b>	<b>2006 Series A Revenue Bond Fund</b>	<b>2006 Series B Revenue Bond Fund</b>
<b>ASSETS</b>				
Cash and investments held by City	\$ 669	\$ -	\$ 574	\$ 334
Cash and investments held by fiscal agent	931	-	686	236
Receivables, net:				
Loans	-	-	8,609	-
Intergovernmental	-	21,050	8,467	13,861
Interest	13	-	36	21
Restricted assets:				
Cash and investments held by City	-	-	-	-
Cash and investments held by fiscal agent	821	-	6,927	4,002
<b>Total assets</b>	<b>\$ 2,434</b>	<b>\$ 21,050</b>	<b>\$ 25,299</b>	<b>\$ 18,454</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Matured bonds and interest payable	\$ 891	\$ -	\$ -	\$ -
Deferred revenue	-	21,050	17,112	13,882
<b>Total liabilities</b>	<b>891</b>	<b>21,050</b>	<b>17,112</b>	<b>13,882</b>
Fund balances:				
Reserved:				
For noncurrent assets	-	-	-	-
For debt service	821	-	6,927	4,002
Unreserved:				
Designated for subsequent years' expenditures	43	-	318	184
Undesignated	679	-	942	386
<b>Total fund balances</b>	<b>1,543</b>	<b>-</b>	<b>8,187</b>	<b>4,572</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,434</b>	<b>\$ 21,050</b>	<b>\$ 25,299</b>	<b>\$ 18,454</b>

(continued)

**City of Sacramento**  
**Other Debt Service Funds**  
**Combining Balance Sheet**  
 June 30, 2010  
 (in thousands)

	2006 Series D Revenue Bond Fund	2006 Series E Revenue Bond Fund	Other City Debt Fund	Total Other Debt Service Funds
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 5	\$ -	\$ 114	\$ 6,506
Cash and investments held by fiscal agent	-	-	-	4,550
Receivables, net:				
Loans	-	-	746	9,355
Intergovernmental	-	1,990	945	54,328
Interest	-	-	-	137
Restricted assets:				
Cash and investments held by City	-	41	-	41
Cash and investments held by fiscal agent	-	-	271	18,415
<b>Total assets</b>	<b><u>\$ 5</u></b>	<b><u>\$ 2,031</u></b>	<b><u>\$ 2,076</u></b>	<b><u>\$ 93,332</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Matured bonds and interest payable	\$ -	\$ -	\$ -	\$ 3,170
Deferred revenue	-	1,990	945	63,003
Total liabilities	<u>-</u>	<u>1,990</u>	<u>945</u>	<u>66,173</u>
Fund balances:				
Reserved:				
For noncurrent assets	-	-	746	746
For debt service	-	41	271	18,456
Unreserved:				
Designated for subsequent years' expenditures	-	-	-	876
Undesignated	5	-	114	7,081
Total fund balances	<u>5</u>	<u>41</u>	<u>1,131</u>	<u>27,159</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 5</u></b>	<b><u>\$ 2,031</u></b>	<b><u>\$ 2,076</u></b>	<b><u>\$ 93,332</u></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, 2010  
(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2002 Capital Improvement Revenue Bond Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 2,097
Interest, rents, and concessions	85	223	6
Total revenues	<u>85</u>	<u>223</u>	<u>2,103</u>
Expenditures:			
Debt service:			
Principal	575	1,666	4,275
Interest and fiscal charges	489	1,353	937
Total expenditures	<u>1,064</u>	<u>3,019</u>	<u>5,212</u>
Deficiency of revenues under expenditures	(979)	(2,796)	(3,109)
Other financing sources (uses):			
Transfers in	964	2,617	3,114
Net change in fund balances	(15)	(179)	5
Fund balances, beginning of year	<u>2,305</u>	<u>5,869</u>	<u>261</u>
Fund balances, end of year	<u>\$ 2,290</u>	<u>\$ 5,690</u>	<u>\$ 266</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, 2010

(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	\$ -	\$ -	\$ -	\$ 1,085
Interest, rents, and concessions	105	46	-	-
Total revenues	<u>105</u>	<u>46</u>	<u>-</u>	<u>1,085</u>
Expenditures:				
Debt service:				
Principal	2,115	827	1,155	228
Interest and fiscal charges	330	129	1,143	2,868
Total expenditures	<u>2,445</u>	<u>956</u>	<u>2,298</u>	<u>3,096</u>
Deficiency of revenues under expenditures	(2,340)	(910)	(2,298)	(2,011)
Other financing sources (uses):				
Transfers in	<u>2,339</u>	<u>911</u>	<u>2,298</u>	<u>2,011</u>
Net change in fund balances	(1)	1	-	-
Fund balances, beginning of year	<u>3,435</u>	<u>1,542</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,434</u>	<u>\$ 1,543</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, 2010  
(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	\$ 2,357	\$ 1,075	\$ -	\$ -
Interest, rents, and concessions	455	251	-	-
Total revenues	<u>2,812</u>	<u>1,326</u>	<u>-</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	2,650	805	525	-
Interest and fiscal charges	4,215	3,162	1,358	126
Total expenditures	<u>6,865</u>	<u>3,967</u>	<u>1,883</u>	<u>126</u>
Deficiency of revenues under expenditures	(4,053)	(2,641)	(1,883)	(126)
Other financing sources (uses):				
Transfers in	4,258	2,732	1,883	125
Net change in fund balances	205	91	-	(1)
Fund balances, beginning of year	<u>7,982</u>	<u>4,481</u>	<u>-</u>	<u>6</u>
Fund balances, end of year	<u>\$ 8,187</u>	<u>\$ 4,572</u>	<u>\$ -</u>	<u>\$ 5</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, 2010

(in thousands)

	2006 Series E Revenue Bond Fund	Other City Debt Fund	Total Other Debt Service Funds
Revenues:			
Intergovernmental	\$ 104	\$ 498	\$ 7,216
Interest, rents, and concessions	1	(2)	1,170
Total revenues	<u>105</u>	<u>496</u>	<u>8,386</u>
Expenditures:			
Debt service:			
Principal	-	591	15,412
Interest and fiscal charges	4,131	243	20,484
Total expenditures	<u>4,131</u>	<u>834</u>	<u>35,896</u>
Deficiency of revenues under expenditures	(4,026)	(338)	(27,510)
Other financing sources (uses):			
Transfers in	4,026	233	27,511
Net change in fund balances	-	(105)	1
Fund balances, beginning of year	41	1,236	27,158
Fund balances, end of year	<u>\$ 41</u>	<u>\$ 1,131</u>	<u>\$ 27,159</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 a specific area of the Old City Cemetery.

**THE SACRAMENTO HISTORY MUSEUM 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, 2010  
 (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	\$ 642	\$ 1,917	\$ 596	\$ 1,234
Securities lending assets	128	385	138	-
Receivables, net:				
Interest	2	7	2	-
Total assets	<u>\$ 772</u>	<u>\$ 2,309</u>	<u>\$ 736</u>	<u>\$ 1,234</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Securities lending obligations	<u>\$ 135</u>	<u>\$ 405</u>	<u>\$ 141</u>	<u>\$ -</u>
Fund balances:				
Reserved:				
For trust obligations	272	278	25	1,056
Unreserved:				
Undesignated	<u>365</u>	<u>1,626</u>	<u>570</u>	<u>178</u>
Total fund balances	<u>637</u>	<u>1,904</u>	<u>595</u>	<u>1,234</u>
Total liabilities and fund balances	<u>\$ 772</u>	<u>\$ 2,309</u>	<u>\$ 736</u>	<u>\$ 1,234</u>

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

June 30, 2010  
(in thousands)

	Alice Miller Fund	Sacramento History Museum Fund	Total Permanent Funds
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 47	\$ 315	\$ 4,751
Securities lending assets	-	-	651
Receivables, net:			
Interest	-	-	11
Total assets	<u>\$ 47</u>	<u>\$ 315</u>	<u>\$ 5,413</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Securities lending obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 681</u>
Fund balances:			
Reserved:			
For trust obligations	3	300	1,934
Unreserved:			
Undesignated	<u>44</u>	<u>15</u>	<u>2,798</u>
Total fund balances	<u>47</u>	<u>315</u>	<u>4,732</u>
Total liabilities and fund balances	<u>\$ 47</u>	<u>\$ 315</u>	<u>\$ 5,413</u>

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

For the Fiscal Year Ended June 30, 2010  
(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	\$ 90	\$ 270	\$ 61	\$ 26
Total revenues	<u>90</u>	<u>270</u>	<u>61</u>	<u>26</u>
Expenditures:				
Current:				
Convention, culture and leisure	-	-	-	66
Nondepartmental	32	98	23	-
Debt service:				
Interest and fiscal charges	1	2	1	-
Total expenditures	<u>33</u>	<u>100</u>	<u>24</u>	<u>66</u>
Excess (deficiency) of revenues over (under) expenditures	57	170	37	(40)
Fund balances, beginning of year	<u>580</u>	<u>1,734</u>	<u>558</u>	<u>1,274</u>
Fund balances, end of year	<u>\$ 637</u>	<u>\$ 1,904</u>	<u>\$ 595</u>	<u>\$ 1,234</u>

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

For the Fiscal Year Ended June 30, 2010  
(in thousands)

	Alice Miller Fund	Sacramento History Museum Fund	Total Permanent Funds
Revenues:			
Interest, rents, and concessions	\$ 1	\$ 6	\$ 454
Total revenues	<u>1</u>	<u>6</u>	<u>454</u>
Expenditures:			
Current:			
Convention, culture and leisure	-	-	66
Nondepartmental	-	-	153
Debt service:			
Interest and fiscal charges	-	-	4
Total expenditures	<u>-</u>	<u>-</u>	<u>223</u>
Excess (deficiency) of revenues over (under) expenditures	1	6	231
Fund balances, beginning of year	<u>46</u>	<u>309</u>	<u>4,501</u>
Fund balances, end of year	<u>\$ 47</u>	<u>\$ 315</u>	<u>\$ 4,732</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.

**THE PARKING FUND** is used to account for the operation and maintenance of the City's off-street parking facilities throughout the City.

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

June 30, 2010  
(in thousands)

	4th R Fund	Marina Fund	Parking Fund	Total Other Enterprise Funds
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments held by City	\$ 511	\$ 927	\$ 34,393	\$ 35,831
Cash and investments held by fiscal agent	-	-	125	125
Securities lending assets	-	-	1,600	1,600
Receivables, net:				
Accounts	39	24	983	1,046
Loans	-	2	-	2
Intergovernmental	58	-	-	58
Interest	-	-	221	221
Prepaid items	8	-	9	17
Total current assets	<u>616</u>	<u>953</u>	<u>37,331</u>	<u>38,900</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	1,041	31	301	1,373
Cash and investments held by fiscal agent	-	-	1,759	1,759
Loans receivable	-	-	515	515
Deferred charges	198	-	391	589
Capital assets:				
Land	-	3,821	6,795	10,616
Buildings and improvements	1,546	18,266	60,170	79,982
Machinery and equipment	-	184	6,098	6,282
Construction in progress	-	5	333	338
Less: accumulated depreciation/amortization	<u>(485)</u>	<u>(7,293)</u>	<u>(26,981)</u>	<u>(34,759)</u>
Total noncurrent assets	<u>2,300</u>	<u>15,014</u>	<u>49,381</u>	<u>66,695</u>
Total assets	<u>2,916</u>	<u>15,967</u>	<u>86,712</u>	<u>105,595</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Net Assets**  
June 30, 2010  
(in thousands)

	<u>4th R Fund</u>	<u>Marina Fund</u>	<u>Parking Fund</u>	<u>Total Other Enterprise Funds</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Securities lending obligations	\$ -	\$ -	\$ 1,845	\$ 1,845
Accounts payable and accrued expenses	673	30	816	1,519
Accrued compensated absences	13	1	13	27
Due to other funds	-	-	88	88
Interest payable	-	231	223	454
Deposits	-	83	-	83
Unearned revenue	1,088	43	541	1,672
Capital leases payable, current portion	-	83	-	83
Revenue and other bonds payable, net, current portior	-	-	1,700	1,700
Notes payable, current portion	40	213	-	253
	<u>1,814</u>	<u>684</u>	<u>5,226</u>	<u>7,724</u>
Total current liabilities				
Noncurrent liabilities:				
Accrued compensated absences	284	27	240	551
Advances from other funds	-	-	91	91
OPEB liability	67	49	499	615
Capital leases payable	-	1,249	-	1,249
Revenue and other bonds payable, net	-	-	34,441	34,441
Notes payable	100	13,496	-	13,596
	<u>451</u>	<u>14,821</u>	<u>35,271</u>	<u>50,543</u>
Total noncurrent liabilities				
Total liabilities				
	<u>2,265</u>	<u>15,505</u>	<u>40,497</u>	<u>58,267</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	921	(27)	12,334	13,228
Unrestricted	(270)	489	33,881	34,100
	<u>\$ 651</u>	<u>\$ 462</u>	<u>\$ 46,215</u>	<u>\$ 47,328</u>
Total net assets				

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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, 2010  
(in thousands)

	4th R Fund	Marina Fund	Parking Fund	Total Other Enterprise Funds
Operating revenues:				
Charges for services:				
User fees and charges	\$ 5,375	\$ 1,771	17,573	\$ 24,719
Rents and concessions	-	-	1,211	1,211
Miscellaneous	98	11	-	109
Total operating revenues	<u>5,473</u>	<u>1,782</u>	<u>18,784</u>	<u>26,039</u>
Operating expenses:				
Employee services	5,845	432	4,316	10,593
Services and supplies	875	548	7,126	8,549
Depreciation/amortization	77	332	2,262	2,671
Total operating expenses	<u>6,797</u>	<u>1,312</u>	<u>13,704</u>	<u>21,813</u>
Operating income (loss)	<u>(1,324)</u>	<u>470</u>	<u>5,080</u>	<u>4,226</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	6	15	1,194	1,215
Revenue from other agencies	993	-	-	993
Interest expense	-	(313)	(2,046)	(2,359)
Amortization of deferred charges	-	-	(25)	(25)
Gain or (loss) on disposition of capital assets	-	-	(615)	(615)
Total nonoperating revenues (expenses)	<u>999</u>	<u>(298)</u>	<u>(1,492)</u>	<u>(791)</u>
Income (loss) before transfers	(325)	172	3,588	3,435
Transfers out	-	(182)	(2,179)	(2,361)
Changes in net assets	(325)	(10)	1,409	1,074
Total net assets beginning of year	<u>976</u>	<u>472</u>	<u>44,806</u>	<u>46,254</u>
Total net assets, end of year	<u>\$ 651</u>	<u>\$ 462</u>	<u>\$ 46,215</u>	<u>\$ 47,328</u>

**City of Sacramento**  
**Other Enterprise Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2010  
(in thousands)

	4th R Fund	Marina Fund	Parking Fund	Total Other Enterprise Funds
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 5,603	\$ 1,773	\$ 18,763	\$ 26,139
Payments to suppliers	(901)	(554)	(7,492)	(8,947)
Payments to employees	(5,947)	(427)	(4,256)	(10,630)
<b>Net cash provided by (used for) operating activities</b>	<b>(1,245)</b>	<b>792</b>	<b>7,015</b>	<b>6,562</b>
<b>Cash flows from noncapital financing activities:</b>				
Transfers out to other funds	-	(182)	(2,179)	(2,361)
Interfund loan repayments	-	-	(89)	(89)
Interest payments on interfund borrowings	-	-	(5)	(5)
Intergovernmental revenue received	993	-	-	993
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>993</b>	<b>(182)</b>	<b>(2,273)</b>	<b>(1,462)</b>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	-	(120)	(168)	(288)
Principal payments on capital debt	(40)	(283)	(1,214)	(1,537)
Interest payments on capital debt	-	(321)	(1,878)	(2,199)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(40)</b>	<b>(724)</b>	<b>(3,260)</b>	<b>(4,024)</b>
<b>Cash flows from investing activities:</b>				
Collection of interest and investment revenue	6	15	1,093	1,114
Payments for investments purchased in prior year	-	-	(898)	(898)
Loans made	-	-	(200)	(200)
Loan repayments received	-	-	200	200
<b>Net cash provided by investing activities</b>	<b>6</b>	<b>15</b>	<b>195</b>	<b>216</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(286)</b>	<b>(99)</b>	<b>1,677</b>	<b>1,292</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,838</b>	<b>1,057</b>	<b>34,901</b>	<b>37,796</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,552</b>	<b>\$ 958</b>	<b>\$ 36,578</b>	<b>\$ 39,088</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets:</b>				
Cash and investments held by City	\$ 511	\$ 927	\$ 34,393	\$ 35,831
Cash and investments held by fiscal agent	-	-	125	125
Restricted cash and investments held by City	1,041	31	301	1,373
Restricted cash and investments held by fiscal agent	-	-	1,759	1,759
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 1,552</b>	<b>\$ 958</b>	<b>\$ 36,578</b>	<b>\$ 39,088</b>

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

For the Fiscal Year Ended June 30, 2010  
(in thousands)

	4th R Fund	Marina Fund	Parking Fund	Total Other Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,324)	\$ 470	\$ 5,080	\$ 4,226
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	77	332	2,262	2,671
Changes in assets and liabilities:				-
Accounts receivable, net	(38)	(11)	(375)	(424)
Intergovernmental receivables	108	-	-	108
Prepaid items	-	-	(2)	(2)
Deferred charges	8	-	-	8
Accrued claims and judgments	-	-	(25)	(25)
Accounts payable and accrued expenses	(146)	(11)	(392)	(549)
Accrued compensated absences	(15)	(4)	(29)	(48)
OPEB liabilities	19	14	142	175
Deposits	-	(32)	-	(32)
Unearned revenue	66	34	354	454
Net cash provided by (used for) operating activities	<u>\$ (1,245)</u>	<u>\$ 792</u>	<u>\$ 7,015</u>	<u>\$ 6,562</u>
Noncash investing, capital and financing activities:				
Amortization of bond premium, discount, and loss on refunding	\$ -	\$ -	\$ (165)	\$ (165)
Amortization of deferred charges	-	-	(25)	(25)
Change in securities lending assets	-	-	(5,778)	(5,778)
Change in securities lending obligations	-	-	(5,802)	(5,802)
Interest accrual on loans receivable	-	-	15	15

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## **INTERNAL SERVICE FUNDS**

Internal service funds are established to 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 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, 2010  
 (in thousands)

	<b>Fleet Management Fund</b>	<b>Risk Management Fund</b>	<b>Total Internal Service Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments held by City	\$ 8,088	\$ 72,620	\$ 80,708
Cash and investments held by fiscal agent	-	153	153
Securities lending assets	-	3,183	3,183
Receivables, net:			
Accounts	32	11	43
Interest	-	411	411
Due from other funds	-	11,555	11,555
Inventories	1,465	-	1,465
Prepaid items	5,844	-	5,844
	<u>15,429</u>	<u>87,933</u>	<u>103,362</u>
Total current assets			
Noncurrent assets:			
Advances to other funds	-	15,253	15,253
Deferred charges	35	-	35
Capital assets:			
Buildings and improvements	6,610	-	6,610
Machinery and equipment	1,434	-	1,434
Vehicles	107,599	-	107,599
Construction in progress	926	-	926
Less: accumulated depreciation/amortization	(74,706)	-	(74,706)
	<u>41,898</u>	<u>15,253</u>	<u>57,151</u>
Total noncurrent assets			
Total assets	<u>57,327</u>	<u>103,186</u>	<u>160,513</u>

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

June 30, 2010  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Securities lending obligations	-	3,306	3,306
Accounts payable and accrued expenses	2,002	1,547	3,549
Accrued compensated absences	47	20	67
Interest payable	12	-	12
Unearned revenue	-	515	515
Accrued claims	-	12,957	12,957
Capital leases payable, current portion	20	-	20
Revenue and other bonds payable, net, current portion	296	-	296
	<u>2,377</u>	<u>18,345</u>	<u>20,722</u>
Total current liabilities			
Noncurrent liabilities:			
Accrued compensated absences	792	348	1,140
Accrued claims and judgments	-	34,105	34,105
OPEB liability	1,100	156	1,256
Capital leases payable	216	-	216
Revenue and other bonds payable, net	3,699	-	3,699
	<u>5,807</u>	<u>34,609</u>	<u>40,416</u>
Total noncurrent liabilities			
Total liabilities			
	<u>8,184</u>	<u>52,954</u>	<u>61,138</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	37,632	-	37,632
Unrestricted	11,511	50,232	61,743
	<u>\$ 49,143</u>	<u>\$ 50,232</u>	<u>\$ 99,375</u>
Total net assets			

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**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**

For the Fiscal Year Ended June 30, 2010  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 39,303	\$ 27,521	\$ 66,824
Miscellaneous	-	336	336
Total operating revenues	<u>39,303</u>	<u>27,857</u>	<u>67,160</u>
Operating expenses:			
Employee services	8,405	3,601	12,006
Services and supplies	19,142	5,477	24,619
Depreciation	8,198	-	8,198
Insurance premiums	-	2,246	2,246
Claims and judgements	-	7,250	7,250
Total operating expenses	<u>35,745</u>	<u>18,574</u>	<u>54,319</u>
Operating income (loss)	<u>3,558</u>	<u>9,283</u>	<u>12,841</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	45	3,291	3,336
Interest expense	(142)	(15)	(157)
Amortization of deferred charges	(3)	-	(3)
Gain (loss) on disposition of fixed assets	(539)	-	(539)
Total nonoperating revenues (expenses)	<u>(639)</u>	<u>3,276</u>	<u>2,637</u>
Income before transfers	2,919	12,559	15,478
Transfers in	437	1	438
Transfers out	(234)	-	(234)
Changes in net assets	3,122	12,560	15,682
Total net assets, beginning of year	<u>46,021</u>	<u>37,672</u>	<u>83,693</u>
Total net assets, end of year	<u>\$ 49,143</u>	<u>\$ 50,232</u>	<u>\$ 99,375</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2010  
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 39,306	\$ 81,616	\$ 120,922
Payments to suppliers	(18,411)	(65,291)	(83,702)
Payments to employees	(8,075)	(3,491)	(11,566)
Claims and judgments paid	-	(10,426)	(10,426)
Net cash provided by operating activities	<u>12,820</u>	<u>2,408</u>	<u>15,228</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	13	1	14
Transfers out to other funds	(234)	-	(234)
Collections on interfund loans	-	42,952	42,952
Net cash provided by (used for) noncapital financing activities	<u>(221)</u>	<u>42,953</u>	<u>42,732</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,164)	-	(2,164)
Proceeds from sale of capital assets	336	-	336
Proceeds from issuance of debt	247	-	247
Prepayment for capital asset acquisition	(5,844)	-	(5,844)
Principal payments on capital debt	(287)	-	(287)
Interest payments on capital debt	(153)	-	(153)
Transfers in from other funds	424	-	424
Net cash used for capital and related financing activities	<u>(7,441)</u>	<u>-</u>	<u>(7,441)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	45	2,931	2,976
Payments for investments purchased in prior year	-	(443)	(443)
Net cash provided by investing activities	<u>45</u>	<u>2,488</u>	<u>2,533</u>
Net decrease in cash and cash equivalents	5,203	47,849	53,052
Cash and cash equivalents, beginning of year	2,885	24,924	27,809
Cash and cash equivalents, end of year	<u>\$ 8,088</u>	<u>\$ 72,773</u>	<u>\$ 80,861</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:			
Cash and investments held by City	\$ 8,088	\$ 72,620	\$ 80,708
Cash and investments held by fiscal agent	-	153	153
Total cash and cash equivalents, end of year	<u>\$ 8,088</u>	<u>\$ 72,773</u>	<u>\$ 80,861</u>

**City of Sacramento**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2010  
(in thousands)

	<u>Fleet Management Fund</u>	<u>Risk Management Fund</u>	<u>Total Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	\$ 3,558	\$ 9,283	\$ 12,841
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization expense	8,198	-	8,198
Changes in assets and liabilities:			
Accounts receivable, net	3	(4)	(1)
Inventories	186	-	186
Accounts payable and accrued expenses	469	(3,820)	(3,351)
Accrued compensated absences	98	63	161
Accrued claims	-	(3,176)	(3,176)
OPEB liabilities	308	47	355
Unearned revenue	-	15	15
Net cash provided by (used for) operating activities	<u>\$ 12,820</u>	<u>\$ 2,408</u>	<u>\$ 15,228</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium, discount, and loss on refunding	\$ (10)	\$ -	\$ (10)
Amortization of deferred charges	3	-	3
Disposal of capital assets on accounts receivable	9	-	9
Change in securities lending assets	-	(458)	(458)
Change in securities lending obligations	-	(467)	(467)

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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, which are not invested in the City Sponsored Investment Pool.

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

June 30, 2010  
(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	\$ 62,675	\$ 219,306	\$ 281,981
Securities lending assets	1,966	5,889	7,855
Receivables, net:			
Interest	<u>254</u>	<u>1,135</u>	<u>1,389</u>
Total assets	<u>64,895</u>	<u>226,330</u>	<u>291,225</u>
<b><u>LIABILITIES</u></b>			
Securities lending obligations	<u>1,968</u>	<u>7,183</u>	<u>9,151</u>
Total liabilities	<u>1,968</u>	<u>7,183</u>	<u>9,151</u>
<b><u>NET ASSETS</u></b>			
Held in trust	<u>\$ 62,927</u>	<u>\$ 219,147</u>	<u>\$ 282,074</u>

**City of Sacramento**  
**Investment Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
For the Fiscal Year Ended June 30, 2010  
(in thousands)

	Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
Additions:			
From investment activities:			
Net appreciation in fair value of investments	\$ 339	\$ 2,320	\$ 2,659
Interest	1,328	4,823	6,151
Dividends	-	69	69
Total investment earnings	1,667	7,212	8,879
Less investment expenses:			
Banking, interest, and fiscal agent expenses	123	12	135
Net income from investing activities	1,544	7,200	8,744
From securities lending activities:			
Net appreciation in fair value of investments	40	104	144
Interest	19	59	78
Total securities lending income	59	163	222
Securities lending expenses:			
Borrower rebates	6	17	23
Management fees	3	11	14
Total securities lending expenses	9	28	37
Net income from securities lending activities	50	135	185
Net investment income	1,594	7,335	8,929
Deposits	83,963	103,886	187,849
Total additions	85,557	111,221	196,778
Deductions:			
Withdrawals	89,406	139,740	229,146
Change in net assets	(3,849)	(28,519)	(32,368)
Net assets, beginning of year	66,776	247,666	314,442
Net assets, end of year	\$ 62,927	\$ 219,147	\$ 282,074

## **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 FACILITIES DISTRICTS 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, 2010

(in thousands)

	<u>Assessment Districts Fund</u>	<u>Community Facilities Districts Fund</u>	<u>Total Agency Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments held by City	\$ 10,948	\$ 17,727	\$ 28,675
Cash and investments held by fiscal agent	2,295	16,974	19,269
Receivables, net:			
Taxes	-	439	439
Accounts	33	-	33
Interest	24	100	124
Total assets	<u>\$ 13,300</u>	<u>\$ 35,240</u>	<u>\$ 48,540</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	2	3	5
Due to bondholders	<u>\$ 13,298</u>	<u>\$ 35,237</u>	<u>\$ 48,535</u>
Total liabilities	<u>\$ 13,300</u>	<u>\$ 35,240</u>	<u>\$ 48,540</u>

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
 For the Fiscal Year Ended June 30, 2010  
 (in thousands)

**ASSESSMENT DISTRICTS FUND**

	<u>Balance Beginning of Fiscal Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Fiscal Year</u>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 10,685	\$ 2,546	\$ 2,283	\$ 10,948
Cash and investments held by fiscal agent	2,075	220	-	2,295
Receivables, net:				
Taxes	-	-	-	-
Accounts	-	33	-	33
Interest	16	24	16	24
Total assets	<u>\$ 12,776</u>	<u>\$ 2,823</u>	<u>\$ 2,299</u>	<u>\$ 13,300</u>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued expenses	\$ -	\$ 40	\$ 38	\$ 2
Due to bondholders	12,776	2,783	2,261	13,298
Total liabilities	<u>\$ 12,776</u>	<u>\$ 2,823</u>	<u>\$ 2,299</u>	<u>\$ 13,300</u>

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2010  
(in thousands)

**COMMUNITY FACILITIES DISTRICTS FUND**

	<u>Balance Beginning of Fiscal Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Fiscal Year</u>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 17,053	\$ 14,509	\$ 13,835	\$ 17,727
Cash and investments held by fiscal agent	22,222	884	6,132	16,974
Receivables, net:				
Taxes	595	439	595	439
Accounts	-	-	-	-
Interest	160	105	165	100
Total assets	<u>\$ 40,030</u>	<u>\$ 15,937</u>	<u>\$ 20,727</u>	<u>\$ 35,240</u>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued expenses	\$ -	\$ 514	\$ 511	\$ 3
Due to bondholders	40,030	15,423	20,216	35,237
Total liabilities	<u>\$ 40,030</u>	<u>\$ 15,937</u>	<u>\$ 20,727</u>	<u>\$ 35,240</u>

(continued)

**City of Sacramento**  
**Agency Funds**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2010  
(in thousands)

**TOTAL - ALL AGENCY FUNDS**

	<u>Balance Beginning of Fiscal Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Fiscal Year</u>
<b><u>ASSETS</u></b>				
Cash and investments held by City	\$ 27,738	\$ 17,055	\$ 16,118	\$ 28,675
Cash and investments held by fiscal agent	24,297	1,104	6,132	19,269
Receivables, net:				
Taxes	595	439	595	439
Accounts	-	33	-	33
Interest	176	129	181	124
Total assets	<u>\$ 52,806</u>	<u>\$ 18,760</u>	<u>\$ 23,026</u>	<u>\$ 48,540</u>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued expenses	\$ -	\$ 554	\$ 549	\$ 5
Due to bondholders	52,806	18,206	22,477	48,535
Total liabilities	<u>\$ 52,806</u>	<u>\$ 18,760</u>	<u>\$ 23,026</u>	<u>\$ 48,540</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** <sup>(1) (2) (3)</sup>  
**Last Ten Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year				
	2001	2002	2003	2004	2005
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 1,074,793	\$ 959,697	\$ 1,042,608	\$ 1,135,271	\$ 1,223,934
Restricted for:					
Capital projects	79,305	78,236	94,682	110,794	52,773
Debt service	13,022	5,290	9,949	11,508	9,882
Housing and redevelopment	113,091	169,143	184,269	273,473	274,130
Trust and endowments:					
Expendable	-	2,366	4,519	4,962	1,927
Nonexpendable	-	878	1,803	1,927	2,920
Other	17,230	17,186	13,177	21,394	24,801
Unrestricted	(5,487)	5,210	(28,060)	(111,552)	(71,536)
<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>\$ 1,497,399</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 458,699	\$ 681,031	\$ 726,196	\$ 782,620	\$ 839,889
Restricted for:					
Capital projects	-	-	-	-	-
Housing and redevelopment	700	2,916	2,808	3,421	1,776
Other	-	538	438	-	1,038
Unrestricted	93,791	122,708	124,505	113,957	93,751
<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>\$ 936,454</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	\$ 2,063,823
Restricted for:					
Capital projects	79,305	78,236	94,682	110,794	52,773
Debt service	13,022	5,290	9,949	11,508	9,882
Housing and redevelopment	113,791	172,059	187,077	276,894	275,906
Trust and endowments:					
Expendable	-	2,366	4,519	4,962	1,927
Nonexpendable	-	878	1,803	1,927	2,920
Other	17,230	17,724	13,615	21,394	25,839
Unrestricted	88,304	127,918	96,445	2,405	22,215
<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>	<b>\$ 2,455,285</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 fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been reclassified.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Net Assets by Component** <sup>(1) (2) (3)</sup>  
**Last Ten Fiscal Years**

(accrual basis accounting, in thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 1,155,619	\$ 1,296,115	\$ 1,296,978	\$ 1,378,249	\$ 1,411,767
Restricted for:					
Capital projects	149,982	155,596	239,377	221,594	186,619
Debt service	797	509	531	544	494
Housing and redevelopment	-	-	-	-	-
Trust and endowments					
Expendable	5,368	6,513	6,159	4,442	4,690
Nonexpendable	1,927	1,927	1,934	1,934	1,934
Other	28,634	31,649	30,996	30,836	32,443
Unrestricted	155,072	145,750	124,408	84,092	76,953
<b>Total governmental activities net assets</b>	<b>\$ 1,497,399</b>	<b>\$ 1,638,059</b>	<b>\$ 1,700,383</b>	<b>\$ 1,721,691</b>	<b>\$ 1,714,900</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 623,208	\$ 634,966	\$ 656,951	\$ 687,417	\$ 691,197
Restricted for:					
Capital projects	425	425	-	16,866	25,781
Housing and redevelopment	-	-	-	-	-
Other	-	-	-	-	-
Unrestricted	115,223	119,050	119,975	92,458	106,148
<b>Total business-type activities net assets</b>	<b>\$ 738,856</b>	<b>\$ 754,441</b>	<b>\$ 776,926</b>	<b>\$ 796,741</b>	<b>\$ 823,126</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 1,778,827	\$ 1,931,081	\$ 1,953,929	\$ 2,065,666	\$ 2,102,964
Restricted for:					
Capital projects	150,407	156,021	239,377	238,460	212,400
Debt service	797	509	531	544	494
Housing and redevelopment	-	-	-	-	-
Trust and endowments					
Expendable	5,368	6,513	6,159	4,442	4,690
Nonexpendable	1,927	1,927	1,934	1,934	1,934
Other	28,634	31,649	30,996	30,836	32,443
Unrestricted	270,295	264,800	244,383	176,550	183,101
<b>Total primary government net assets</b>	<b>\$ 2,236,255</b>	<b>\$ 2,392,500</b>	<b>\$ 2,477,309</b>	<b>\$ 2,518,432</b>	<b>\$ 2,538,026</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 fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been reclassified.

Source: City of Sacramento Comprehensive Annual Financial Reports

## City of Sacramento

### Changes in Net Assets <sup>(1) (2)</sup>

### Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2001	2002	2003	2004	2005
<b>Expenses <sup>(3)</sup></b>					
<i>Governmental Activities</i>					
General government	\$ 23,839	\$ 27,025	\$ 27,548	\$ 26,739	\$ 28,759
Police	88,513	100,438	106,177	106,676	124,204
Fire	48,846	52,760	55,408	57,799	74,606
Public works	89,704	91,842	93,777	108,413	-
General services	-	-	-	-	21,502
Transportation	-	-	-	-	71,871
Economic development	2,918	3,142	3,688	4,283	-
Convention, culture & leisure	7,323	9,080	11,132	6,823	6,824
Parks and recreation	30,980	36,542	38,435	41,486	44,534
Code enforcement	-	-	-	-	-
Community development	-	-	-	-	-
Neighborhood services	5,346	5,543	5,893	6,883	7,880
Planning and development	9,763	12,681	15,071	18,780	-
Development services	-	-	-	-	67,852
Planning	-	-	-	-	-
Housing and redevelopment	112,463	57,132	72,227	46,774	64,018
Library	7,392	8,386	8,187	8,185	8,505
Nondepartmental	23,336	25,261	28,274	32,473	36,492
Interest on long-term debt	25,133	14,047	17,900	29,306	31,752
<b>Total governmental activities expenses</b>	<b>475,556</b>	<b>443,879</b>	<b>483,717</b>	<b>494,620</b>	<b>588,799</b>
<i>Business type activities</i>					
Water	28,006	30,553	31,312	47,843	51,950
Sewer	11,436	12,453	12,247	12,734	13,447
Storm drainage	21,061	24,128	27,721	27,010	34,988
Solid waste	31,503	36,178	35,058	36,102	39,260
Community center	18,695	19,103	18,281	18,310	19,066
Parking	11,368	12,122	13,092	13,580	14,115
Advanced life support	6,117	7,331	7,265	7,823	-
Golf	5,442	6,618	6,758	6,846	6,719
Child development	3,811	4,284	4,689	4,492	5,092
Marina	1,680	1,759	1,701	1,656	1,684
Housing and redevelopment	5,161	72,941	87,817	123,892	135,282
<b>Total business-type activities</b>	<b>144,280</b>	<b>227,470</b>	<b>245,941</b>	<b>300,288</b>	<b>321,603</b>
<b>Total primary government expenses</b>	<b>\$ 619,836</b>	<b>\$ 671,349</b>	<b>\$ 729,658</b>	<b>\$ 794,908</b>	<b>\$ 910,402</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 <sup>(1) (2)</sup> Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Expenses <sup>(3)</sup></b>					
<i>Governmental Activities</i>					
General government	\$ 38,804	\$ 41,536	\$ 49,841	\$ 45,956	\$ 44,278
Police	134,213	148,586	159,207	153,874	152,922
Fire	87,844	97,044	104,149	107,119	109,210
Public works	-	-	-	-	-
General services	18,853	17,502	27,527	28,132	29,175
Transportation	88,749	89,063	89,016	95,238	89,358
Economic development	8,212	8,538	10,048	10,055	9,815
Convention, culture & leisure	17,825	19,602	21,518	18,573	18,064
Parks and recreation	49,341	55,661	60,930	54,209	51,984
Code enforcement	7,184	9,946	10,154	10,882	10,984
Community development	-	-	-	-	18,848
Neighborhood services	2,560	2,505	1,667	1,370	1,105
Planning and development	-	-	-	-	-
Development services	36,739	27,851	30,247	24,063	-
Planning	-	8,158	6,830	2,973	-
Housing and redevelopment	-	-	-	-	-
Library	9,147	9,433	9,935	13,976	16,827
Nondepartmental	-	-	-	-	-
Interest on long-term debt	22,693	31,067	31,157	29,284	29,658
<b>Total governmental activities expenses</b>	<b>522,164</b>	<b>566,492</b>	<b>612,226</b>	<b>595,704</b>	<b>582,228</b>
<i>Business type activities</i>					
Water	55,896	58,890	63,364	66,757	60,902
Sewer	14,685	17,171	18,330	20,498	17,389
Storm drainage	34,544	36,473	38,570	38,483	37,040
Solid waste	40,329	45,050	48,735	67,911	47,076
Community center	19,333	19,704	20,507	20,342	19,563
Parking	14,056	16,375	17,154	16,009	16,390
Advanced life support	-	-	-	-	-
Golf	-	-	-	-	-
Child development	5,666	5,868	6,604	7,617	6,797
Marina	1,437	1,384	1,257	1,045	1,625
Housing and redevelopment	-	-	-	-	-
<b>Total business-type activities</b>	<b>185,946</b>	<b>200,915</b>	<b>214,521</b>	<b>238,662</b>	<b>206,782</b>
<b>Total primary government expenses</b>	<b>\$ 708,110</b>	<b>\$ 767,407</b>	<b>\$ 826,747</b>	<b>\$ 834,366</b>	<b>\$ 789,010</b>

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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 <sup>(1) (2)</sup> Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2001	2002	2003	2004	2005
<b>Program Revenues</b>					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 4,201	\$ 4,267	\$ 4,613	\$ 4,766	\$ 4,768
Police	3,212	3,190	3,272	3,126	3,456
Fire	4,295	4,438	4,421	5,022	16,854
Public works	31,278	35,330	42,034	39,942	-
General services	-	-	-	-	7,600
Transportation	-	-	-	-	12,097
Economic development	336	1,193	1,843	212	-
Convention, culture & leisure	3,374	3,946	4,391	4,526	1,970
Parks and recreation	3,356	3,771	3,679	4,193	4,794
Code enforcement	-	-	-	-	-
Community development	-	-	-	-	-
Neighborhood services	245	1,514	1,723	2,755	2,714
Planning and development	13,774	14,074	16,924	17,600	-
Development services	-	-	-	-	43,941
Planning	-	-	-	-	-
Housing and redevelopment	7,043	1,182	1,940	1,389	1,311
Nondepartmental	627	-	4,163	376	494
Total charge for services	71,741	72,905	89,003	83,907	99,999
Operating grants and contributions	87,309	67,931	68,199	59,821	77,052
Capital grants and contributions	189,754	126,872	137,307	204,955	147,034
<b>Total governmental activities program revenues</b>	<b>348,804</b>	<b>267,708</b>	<b>294,509</b>	<b>348,683</b>	<b>324,085</b>
<i>Business - type activities</i>					
Charge for services					
Water	36,802	40,097	42,616	45,994	49,009
Sewer	13,098	13,773	14,593	15,304	16,332
Storm drainage	27,636	28,358	29,299	30,086	31,336
Solid waste	30,558	32,620	35,431	38,423	42,241
Community center	5,027	5,649	5,742	5,843	6,391
Parking	13,703	15,883	15,897	16,210	16,422
Advanced life support	9,411	9,386	10,107	11,035	-
Golf	4,956	6,041	6,254	6,329	6,408
Child development	3,559	4,053	4,298	4,361	4,766
Marina	1,440	1,441	1,587	1,711	1,745
Housing and redevelopment	2,665	8,173	10,497	10,899	13,720
Total charge for services	148,855	165,474	176,321	186,195	188,370
Operating grants and contributions	1,067	59,571	71,799	99,582	112,326
Capital grants and contributions	24,156	29,751	21,446	18,592	35,318
<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>336,014</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>\$ 660,099</b>
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (126,752)	\$ (176,171)	\$ (189,208)	\$ (145,937)	\$ 324,085
Business - type activities	29,798	27,326	23,625	4,081	336,014
<b>Total primary government net expenses</b>	<b>\$ (96,954)</b>	<b>\$ (148,845)</b>	<b>\$ (165,583)</b>	<b>\$ (141,856)</b>	<b>\$ 660,099</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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Net Assets <sup>(1) (2)</sup>**  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Program Revenues</b>					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 4,902	\$ 5,333	\$ 5,233	\$ 5,290	\$ 6,614
Police	3,986	3,959	4,203	4,819	4,098
Fire	18,721	17,579	17,936	24,448	22,711
Public works	-	-	-	-	-
General services	9,636	10,327	10,471	10,878	9,964
Transportation	15,058	14,261	19,574	26,391	28,857
Economic development	5,235	5,905	8,143	8,345	8,497
Convention, culture & leisure	8,995	9,759	9,425	11,026	9,689
Parks and recreation	15,907	17,142	13,343	10,187	10,122
Code enforcement	1	2,417	3,800	7,932	5,627
Community development	-	-	-	-	8,752
Neighborhood services	2,969	1,085	123	195	166
Planning and development	-	-	-	-	-
Development services	27,834	25,261	19,867	16,115	-
Planning	-	4	114	108	-
Housing and redevelopment	-	-	-	-	-
Nondepartmental	-	-	-	-	-
Total charge for services	113,244	113,032	112,232	125,734	115,097
Operating grants and contributions	59,348	52,805	51,845	53,206	59,179
Capital grants and contributions	122,010	189,710	141,919	119,689	90,888
Total governmental activities program revenues	294,602	355,547	305,996	298,629	265,164
<i>Business - type activities</i>					
Charge for services					
Water	53,480	58,363	65,411	62,619	70,463
Sewer	17,285	18,609	20,704	19,775	20,284
Storm drainage	31,400	31,981	33,289	32,747	34,082
Solid waste	42,984	46,351	52,434	55,949	58,901
Community center	6,743	7,348	7,556	7,651	7,020
Parking	17,342	18,706	19,626	18,661	18,784
Advanced life support	-	-	-	-	-
Golf	-	-	-	-	-
Child development	5,086	5,377	5,587	5,640	5,473
Marina	1,889	1,827	1,378	1,748	1,782
Housing and redevelopment	-	-	-	-	-
Total charge for services	176,209	188,562	205,985	204,790	216,789
Operating grants and contributions	1,230	1,422	1,824	2,343	2,381
Capital grants and contributions	31,638	14,728	11,661	38,094	14,148
Total business - type activities program revenues	209,077	204,712	219,470	245,227	233,318
Total primary government program revenues	<u>\$ 503,679</u>	<u>\$ 560,259</u>	<u>\$ 525,466</u>	<u>\$ 543,856</u>	<u>\$ 498,482</u>
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (227,562)	\$ (210,945)	\$ (306,230)	\$ (297,075)	\$ (317,064)
Business - type activities	23,131	3,797	4,949	6,565	26,536
Total primary government net expenses	<u>\$ (204,431)</u>	<u>\$ (207,148)</u>	<u>\$ (301,281)</u>	<u>\$ (290,510)</u>	<u>\$ (290,528)</u>

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## City of Sacramento

### Changes in Net Assets <sup>(1) (2)</sup>

### Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2001	2002	2003	2004	2005
<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	\$ 70,456
Redevelopment tax increment	22,537	27,751	29,300	35,314	40,676
Utility user taxes	49,969	48,609	48,675	52,538	53,893
Other taxes	39,420	17,796	20,098	25,984	30,668
Sales taxes shared state revenue	58,590	55,676	57,984	61,822	55,342
In-lieu sales tax	-	-	-	-	15,284
In-lieu motor vehicle tax	-	24,555	25,809	27,179	26,393
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	24,751
Contributions to permanent fund	-	-	-	124	-
Miscellaneous	12,782	14,921	9,545	6,966	10,267
Gain (loss) on disposition of capital assets	(801)	1,865	118	-	3,437
Transfers	(10,290)	(17,027)	(5,393)	(25,546)	(9,800)
<b>Total Governmental activities</b>	<b>262,786</b>	<b>256,010</b>	<b>274,149</b>	<b>270,685</b>	<b>321,367</b>
<i>Business-type activities</i>					
Taxes:					
Other taxes	13,187	13,164	13,567	13,436	14,398
Investment earnings	15,378	11,239	4,163	2,437	4,342
Miscellaneous	1,678	2,051	-	676	1,015
Gain (loss) on disposition of capital assets	(434)	-	6	-	6,891
Transfers	10,290	17,027	5,393	25,546	9,800
<b>Total business-type activities</b>	<b>40,099</b>	<b>43,481</b>	<b>23,129</b>	<b>42,095</b>	<b>36,446</b>
<b>Total primary government</b>	<b>\$ 302,885</b>	<b>\$ 299,491</b>	<b>\$ 297,278</b>	<b>\$ 312,780</b>	<b>\$ 357,813</b>
<b>Change in Net Assets</b>					
Governmental activities	136,034	79,839	84,941	124,748	645,452
Business-type activities	69,897	70,807	46,754	46,176	372,460
<b>Total primary government</b>	<b>\$ 205,931</b>	<b>\$ 150,646</b>	<b>\$ 131,695</b>	<b>\$ 170,924</b>	<b>\$ 1,017,912</b>

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**City of Sacramento**  
**Changes in Net Assets** <sup>(1) (2)</sup>  
**Last Ten Fiscal Years**

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>General Revenues and Other</b>					
<b>Changes in Net Assets</b>					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 112,234	\$ 127,454	\$ 137,782	\$ 135,806	\$ 123,681
Redevelopment tax increment	-	-	-	-	-
Utility user taxes	56,243	55,619	57,561	57,775	58,693
Other taxes	32,002	28,379	23,865	20,358	18,591
Sales taxes shared state revenue	59,118	55,846	54,821	48,905	46,769
In-lieu sales tax	13,956	18,197	16,344	15,745	14,332
In-lieu motor vehicle tax	-	-	-	-	-
Grants and other intergovernmental revenue not restricted to specific programs	-	-	-	4,224	4,591
Investment earnings	21,741	39,867	34,343	14,896	11,508
Contributions to permanent fund	1	1	7	-	-
Miscellaneous	7,516	12,544	12,142	10,368	12,743
Gain (loss) on disposition of capital assets	-	-	-	2,912	-
Special items, net	-	-	18,791	(929)	-
Transfers	8,159	13,698	12,898	8,348	19,365
<b>Total Governmental activities</b>	<b>310,970</b>	<b>351,605</b>	<b>368,554</b>	<b>318,408</b>	<b>310,273</b>
<i>Business-type activities</i>					
Taxes:					
Other taxes	15,419	17,258	17,538	15,852	14,233
Investment earnings	5,231	8,227	6,898	5,746	4,964
Miscellaneous	3	1	353	-	-
Gain (loss) on disposition of capital assets	722	-	5,645	-	17
Transfers	(8,159)	(13,698)	(12,898)	(8,348)	(19,365)
<b>Total business-type activities</b>	<b>13,216</b>	<b>11,788</b>	<b>17,536</b>	<b>13,250</b>	<b>(151)</b>
<b>Total primary government</b>	<b>\$ 324,186</b>	<b>\$ 363,393</b>	<b>\$ 386,090</b>	<b>\$ 331,658</b>	<b>\$ 310,122</b>
<b>Change in Net Assets</b>					
Governmental activities	83,408	140,660	62,324	21,333	(6,791)
Business-type activities	36,347	15,585	22,485	19,815	26,385
<b>Total primary government</b>	<b>\$ 119,755</b>	<b>\$ 156,245</b>	<b>\$ 84,809</b>	<b>\$ 41,148</b>	<b>\$ 19,594</b>

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**City of Sacramento**  
**Fund Balances, Governmental Funds <sup>(1)</sup>**

**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved for:					
Noncurrent assets	\$ 1,373	\$ 1,179	\$ 1,742	\$ 1,200	\$ 1,305
Encumbrances	9,296	13,400	7,864	12,410	10,790
Inventories and prepaids	-	-	-	-	-
Unreserved	<u>84,154</u>	<u>87,489</u>	<u>104,253</u>	<u>109,868</u>	<u>141,331</u>
Total general fund	<u>\$ 94,823</u>	<u>\$ 102,068</u>	<u>\$ 113,859</u>	<u>\$ 123,478</u>	<u>\$ 153,426</u>
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ 50,373	\$ 65,899	\$ 58,669	\$ 68,152	\$ 70,511
Encumbrances	23,541	42,755	97,073	70,611	67,585
Debt service	18,120	17,233	19,489	23,485	24,721
Inventories and prepaids	-	-	-	-	-
Housing/redevelopment	61,401	154	225	1,410	106,624
Trust obligations	878	878	1,803	1,927	1,927
Capital projects	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	71,758	75,150	75,305	76,971	75,224
Capital projects funds	40,411	49,436	141,444	214,811	58,302
Debt service funds	4,035	4,215	4,077	6,558	13,959
Permanent funds	<u>2,764</u>	<u>2,366</u>	<u>2,361</u>	<u>2,706</u>	<u>2,920</u>
Total all other governmental funds	<u>\$ 273,281</u>	<u>\$ 258,086</u>	<u>\$ 400,446</u>	<u>\$ 466,631</u>	<u>\$ 421,773</u>

Note: (1) 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 <sup>(1)</sup>**

**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund					
Reserved for:					
Noncurrent assets	\$ 1,074	\$ 987	\$ 1,604	\$ 969	\$ 514
Encumbrances	14,089	17,070	8,947	5,189	6,301
Inventories and prepaids	-	-	449	316	304
Unreserved	<u>133,573</u>	<u>113,421</u>	<u>87,962</u>	<u>65,614</u>	<u>47,988</u>
Total general fund	<u>\$ 148,736</u>	<u>\$ 131,478</u>	<u>\$ 98,962</u>	<u>\$ 72,088</u>	<u>\$ 55,107</u>
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ 993	\$ 935	\$ 875	\$ 746	\$ 1,149
Encumbrances	32,087	33,855	113,669	78,390	30,000
Debt service	23,138	22,568	22,634	20,517	20,269
Inventories and prepaids	-	-	1,344	35	35
Housing/redevelopment	-	-	-	-	-
Trust obligations	1,927	1,927	1,934	1,934	1,934
Capital projects	-	-	-	-	2,210
Unreserved, reported in:					
Special revenue funds	80,115	34,125	79,289	73,626	93,583
Capital projects funds	192,768	276,582	131,595	104,824	100,308
Debt service funds	7,615	7,651	9,200	9,868	10,047
Permanent funds	<u>3,131</u>	<u>3,855</u>	<u>3,700</u>	<u>2,567</u>	<u>2,798</u>
Total all other governmental funds	<u>\$ 341,774</u>	<u>\$ 381,498</u>	<u>\$ 364,240</u>	<u>\$ 292,507</u>	<u>\$ 262,333</u>

Note: (1) 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 <sup>(1)</sup>**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2001	2002	2003	2004	2005
<b>Revenues</b>					
Taxes	\$ 205,003	\$ 210,652	\$ 224,051	\$ 249,050	\$ 269,695
Intergovernmental	222,488	178,020	179,058	137,234	167,448
Charges for services	36,240	36,698	39,320	45,226	58,836
Fines and penalties	7,736	6,719	6,276	7,223	7,804
Interest, rents, and concessions	27,375	19,616	21,442	13,998	17,278
Community service fees	23,263	22,023	40,508	45,936	40,315
Assessment levies	13,378	15,429	16,112	17,387	18,443
Contributions from property owners	37,238	7,039	11,996	54,936	46,343
Donations	1,414	619	947	215	63
Miscellaneous	14,337	5,952	8,083	3,098	3,670
<b>Total revenues</b>	<b>588,472</b>	<b>502,767</b>	<b>547,793</b>	<b>574,303</b>	<b>629,895</b>
<b>Expenditures</b>					
General Government	19,246	20,655	22,108	24,503	25,886
Police	87,368	99,394	101,707	105,089	121,548
Fire	48,338	52,540	53,555	56,986	73,360
General Services	-	-	-	-	16,325
Transportation	-	-	-	-	22,038
Neighborhood Services	5,346	5,543	5,893	6,883	7,880
Convention, Culture & Leisure	5,279	7,245	7,127	4,829	4,847
Economic Development	2,918	2,339	2,544	2,361	-
Parks and Recreation	29,157	33,961	34,262	37,167	38,898
Code enforcement	-	-	-	-	-
Community Development	-	-	-	-	-
Library	6,915	7,449	7,636	7,636	7,997
Utilities	-	274	274	274	219
Nondepartmental	17,737	20,902	21,805	26,336	32,284
Public Works	44,641	40,709	46,289	48,466	-
Development Services	-	-	-	-	66,785
Planning	-	-	-	-	-
Housing and Redevelopment	82,109	50,829	53,650	47,231	58,399
Planning and Building	9,759	12,676	15,115	17,560	-
<b>Capital Outlay</b>					
City	98,057	88,705	135,657	143,414	127,157
SHRA	36,564	7,747	14,334	12,678	10,229
Subtotal - capital outlay	134,621	96,452	149,991	156,092	137,386
<b>Debt Service</b>					
City					
Principal	15,532	13,379	18,896	26,449	21,260
Interest and fiscal charges	14,675	13,948	18,297	20,163	19,415
Bond issuance costs	-	-	-	-	-
Advance refunding escrow	-	-	4,382	-	-
SHRA					
Principal	9,252	8,460	9,862	11,445	12,978
Interest and fiscal charges	9,572	10,932	13,177	14,782	16,382
Subtotal - debt service	49,031	46,719	64,614	72,839	70,035
<b>Total Expenditures</b>	<b>542,465</b>	<b>497,687</b>	<b>586,570</b>	<b>614,252</b>	<b>683,887</b>
Excess (deficiency) of revenues over (under) expenditures	46,007	5,080	(38,777)	(39,949)	(53,992)
<b>Other Financing Sources (uses)</b>					
Transfers in	45,714	48,003	66,732	90,952	57,544
Transfers out	(56,004)	(64,525)	(57,862)	(114,577)	(53,208)
Operating transfers to component unit	44,359	-	-	-	-
Issuance of long-term debt	114	10,773	197,176	137,436	14,983
Premium on long term debt	-	-	-	-	-
Proceeds from sale of property	-	1,865	5,100	6,427	5,286
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	(21,839)	-	(25,038)	(2,712)	-
Donation of capital assets	-	-	6,820	-	-
Discount on long-term debt	-	-	-	(1,245)	-
Special items, net	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>12,344</b>	<b>(3,884)</b>	<b>192,928</b>	<b>116,281</b>	<b>24,605</b>
<b>Net change in fund balances</b>	<b>\$ 58,351</b>	<b>\$ 1,196</b>	<b>\$ 154,151</b>	<b>\$ 76,332</b>	<b>\$ (29,387)</b>
<b>Debt services as a percentage of noncapital expenditures</b>	<b>12.02%</b>	<b>11.64%</b>	<b>14.80%</b>	<b>15.90%</b>	<b>12.82%</b>

Note: (1) 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.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento**  
**Changes in Fund Balances, Governmental Funds <sup>(1)</sup>**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Revenues</b>					
Taxes	\$ 273,010	\$ 287,254	\$ 286,498	\$ 277,370	\$ 260,749
Intergovernmental	134,905	148,521	137,341	161,418	174,214
Charges for services	64,063	64,902	63,285	70,403	62,962
Fines and penalties	8,065	8,285	9,916	12,213	12,118
Interest, rents, and concessions	18,195	34,398	28,430	15,414	10,928
Community service fees	64,360	40,386	16,831	13,297	7,875
Assessment levies	19,374	21,424	25,894	33,204	31,970
Contributions from property owners	3,942	44,099	31,753	8,132	7,972
Donations	94	-	-	-	-
Miscellaneous	1,463	395	296	212	196
<b>Total revenues</b>	<b>587,471</b>	<b>649,664</b>	<b>600,244</b>	<b>591,663</b>	<b>568,984</b>
<b>Expenditures</b>					
General Government	30,456	31,172	33,778	31,938	27,471
Police	137,391	149,159	148,392	145,148	147,059
Fire	87,648	91,965	94,284	99,613	102,430
General Services	14,925	14,348	23,198	23,396	21,025
Transportation	34,691	37,598	30,235	32,902	31,023
Neighborhood Services	1,917	1,815	1,547	1,363	1,007
Convention, Culture & Leisure	13,060	15,074	16,080	15,116	13,196
Economic Development	5,461	5,882	8,035	9,472	9,136
Parks and Recreation	43,477	47,884	53,499	45,845	40,312
Code enforcement	7,184	9,713	9,595	10,605	10,279
Community Development	-	-	-	-	15,873
Library	8,587	8,868	9,366	13,406	12,366
Utilities	109	109	83	67	67
Nondepartmental	24,811	18,526	27,373	26,028	26,818
Public Works	-	-	-	-	-
Development Services	35,802	32,600	28,261	21,881	-
Planning	-	8,079	5,626	2,709	-
Housing and Redevelopment	-	-	-	-	-
Planning and Building	-	-	-	-	-
<b>Capital Outlay</b>					
City	95,683	193,954	153,507	180,125	156,146
SHRA	-	-	-	-	-
Subtotal - capital outlay	95,683	193,954	153,507	180,125	156,146
<b>Debt Service</b>					
City					
Principal	21,213	17,253	19,529	45,789	18,577
Interest and fiscal charges	21,973	30,216	30,689	30,468	29,697
Bond issuance costs	2,600	1,519	607	-	-
Advance refunding escrow	1,154	213	-	-	-
SHRA					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Subtotal - debt service	46,940	49,201	50,825	76,257	48,274
<b>Total Expenditures</b>	<b>588,142</b>	<b>715,947</b>	<b>693,684</b>	<b>735,871</b>	<b>662,482</b>
Excess (deficiency) of revenues over (under) expenditures	(671)	(66,283)	(93,440)	(144,208)	(93,498)
<b>Other Financing Sources (uses)</b>					
Transfers in	52,864	56,203	58,989	65,076	53,621
Transfers out	(38,609)	(37,441)	(39,780)	(33,695)	(30,241)
Operating transfers to component unit	-	-	-	-	-
Issuance of long-term debt	212,339	147,281	5,666	10,981	22,963
Premium on long term debt	7,447	14,857	-	-	-
Proceeds from sale of property	-	-	-	2,992	-
Payments to participating governments	(25,500)	-	-	-	-
Payments to refunded bond escrow	(63,560)	(92,151)	-	-	-
Donation of capital assets	-	-	-	-	-
Discount on long-term debt	-	-	-	-	-
Special items, net	-	-	18,791	(929)	-
<b>Total other financing sources (uses)</b>	<b>144,981</b>	<b>88,749</b>	<b>43,666</b>	<b>44,425</b>	<b>46,343</b>
<b>Net change in fund balances</b>	<b>\$ 144,310</b>	<b>\$ 22,466</b>	<b>\$ (49,774)</b>	<b>\$ (99,783)</b>	<b>\$ (47,155)</b>
<b>Debt services as a percentage of noncapital expenditures</b>	<b>9.53%</b>	<b>9.43%</b>	<b>9.41%</b>	<b>13.72%</b>	<b>9.35%</b>

Note: (1) 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.

Source: City of Sacramento Comprehensive Annual Financial Reports

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

(modified accrual basis of accounting, in thousands)

<b>Fiscal Year</b>	<b>Property</b>	<b>Tax Increment</b>	<b>Sales &amp; Use</b>	<b>Utility Users</b>	<b>Others</b>	<b>Total</b>
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 <sup>(2)</sup>	112,144 <sup>(1)</sup>	-	72,479	56,243	32,144	273,010
2007	145,376 <sup>(3)</sup>	-	56,441	55,618	29,819	287,254
2008	150,901	-	54,821	57,561	23,215	286,498
2009	151,551	-	48,905	57,775	19,139	277,370
2010	140,013	-	45,670	58,700	16,366	260,749

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 <sup>(1)</sup>				Exemptions	Net Assessed Taxable Value	Total Direct Tax Rate
	Real Property	Personal Property	Public Utility	Total			
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 <sup>(2)</sup>	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 <sup>(3)</sup>	40,851,124	505,519	40,345,605	1.00
2009	40,360,550	1,691,096	11,948	42,063,594	503,159	41,560,435	1.00
2010	37,446,222	1,819,726	11,937	39,277,885	499,878	38,778,007	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 that 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 be 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 from a railroad company to a private developer and the City.

**City of Sacramento**  
**Direct and Overlapping Property Tax Rates <sup>(1)</sup>**  
**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>
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
2009	1.0000	—	—	0.1012	—	1.1012
2010	1.0000	—	—	0.1035	—	1.1035

Note : (1) Data is stated at full value as required under Article XIII-A of the Constitution of the State of California.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento  
Principal Property Taxpayers  
Current Fiscal Year and Nine Years Ago**

(in thousands)

Taxpayer	2010			2001		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Hines VAF II Sacramento	\$ 479,887,616	1	1.23 %			
Teachers Ins. Annuity	168,732,070	2	0.43			
300 Capitol Assoc NF LP	135,252,000	3	0.35			
Arden Fair Assoc	130,092,242	4	0.33	109,785,697	3	0.57
CIM J Street Hotel Sac	129,851,859	5	0.33			
Downtown Plaza LLC	128,746,520	6	0.33	79,753,331	5	0.42
CLPE Promenade LP	125,264,667	7	0.32			
621 Capitol Mall LLC	95,387,437	8	0.24			
M H Realty Partners VI LP	91,153,795	9	0.23			
Sacramento Equities REIT	89,250,000	10	0.23			
400 Capital Mall Venture				130,050,050	1	0.68
Shriners Hospital				126,255,132	2	0.66
980 9th Street				83,831,655	4	0.43
Prentiss Properties Natomas				78,544,354	6	0.41
VV USA City LP				78,285,000	7	0.41
Spieker Properties LP				78,183,998	8	0.40
McClatchy Newspapers				74,517,965	9	0.39
Regency LLC				73,088,897	10	0.38
	<u>1,573,618,206</u>		<u>4.02</u>	<u>912,296,079</u>		<u>4.75</u>
All other taxpayers	<u>37,383,692,151</u>		<u>95.98</u>	<u>18,284,940,921</u>		<u>95.25</u>
Total	<u>\$ 38,957,310,357</u>		<u>100.00 %</u>	<u>\$ 19,197,237,000</u>		<u>100.00 %</u>

Source: County of Sacramento, Office of Auditor/Controller

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**City of Sacramento**  
**Property Tax Levies and Collections** <sup>(1) (2)</sup>  
**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>
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 <sup>(3)</sup>	2,605	145,376
2008	146,828	4,073	150,901
2009	147,780	4,839	152,619
2010	136,313	3,700	140,013

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.

Source: City of Sacramento, Finance Department

**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Ten 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 <sup>(1)(2)</sup>	385,180	96,971	1,765	13,952	1,264
2004 <sup>(3)(4)</sup>	440,550	144,047	820	15,504	2,456
2005	427,590	137,454	324	16,440	2,549
2006 <sup>(5)(6)</sup>	529,598	-	104	993	1,940
2007 <sup>(7)</sup>	548,175	-	-	25,935	8,062
2008	532,354	-	-	25,875	8,806
2009	514,431	-	-	812	7,354
2010	496,641	-	-	746	11,203

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 in the amount of \$55 million.
  - 3) Tax allocation bonds were issued in 2004 by the City's redevelopment agency.
  - 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 2007, 2008, 2009 and 2010

**City of Sacramento**  
**Ratios of Outstanding Debt by Type**  
**Last Ten 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 %	-	\$ 1,997
2002	380,525	20,842	59,729	-	817,648	6	426,013	1,919
2003 <sup>(1)(2)</sup>	389,898	69	63,691	-	952,790	7	433,355	2,199
2004 <sup>(3)(4)</sup>	381,085	43	67,310	-	1,051,815	7	440,976	2,385
2005	397,441	15	74,943	1,146	1,057,902	7	452,959	2,336
2006 <sup>(5)(6)</sup>	353,065	-	49,210	2,279	937,189	6	457,514	2,048
2007 <sup>(7)</sup>	331,024	-	46,540	1,760	961,496	NA	467,343	2,057
2008	322,965	-	49,977	2,710	942,687	NA	475,743	1,982
2009	312,967	-	49,103	6,487	891,154	NA	481,097	1,852
2010	302,064	-	56,307	8,295	875,256	NA	486,189	1,800

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 in the amount of \$55 million.
  - 3) Tax allocation bonds were issued in 2004 by the City's redevelopment agency.
  - 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 2007, 2008, 2009 and 2010

**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>
2001	\$ -	\$ -	\$ -	\$ 19,197,237	0.00%	\$ 418,711	\$ -
2002	-	-	-	20,490,965	0.00%	426,013	-
2003	-	-	-	22,600,736	0.00%	433,355	-
2004	-	-	-	24,599,695	0.00%	440,976	-
2005	-	-	-	27,911,260	0.00%	452,959	-
2006	-	-	-	32,037,151	0.00%	457,514	-
2007	-	-	-	36,674,108	0.00%	467,343	-
2008	-	-	-	40,345,605	0.00%	475,743	-
2009	-	-	-	41,560,435	0.00%	481,097	-
2010	-	-	-	38,778,007	0.00%	486,189	-

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

**City of Sacramento**  
**Direct and Overlapping Governmental Activities Debt <sup>(1)</sup>**  
**As of June 30, 2010**  
(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	\$ 199,815	24.220 %	\$ 48,395
Natomas Unified School District	191,669	87.999	168,667
Sacramento Unified School District	362,183	80.545	291,720
San Juan Unified School District	258,740	3.015	7,801
Twin Rivers Unified School District	29,092	45.387	13,204
Grant Joint Union High School District	162,789	46.777	76,148
North Sacramento School District	33,880	100.000	33,880
Rio Linda Union School District	61,655	16.920	10,432
Robla School District	17,201	59.088	10,164
City of Sacramento Community Facilities Districts	158,230	100.000	158,230
Elk Grove Unified School District Community Facilities District No. 1	154,337	11.599	17,902
Sacramento City Unified School District Community Facilities District No. 1	2,400	100.000	2,400
City of Sacramento 1915 Act Bonds	18,212	100.000	18,212
Sacramento Area Flood Control Agency, A.D. No.2	168,040	64.906	109,068
Sacramento Area Flood Control Agency Operation and Maintenance AD	4,165	40.550	1,689
Subtotal - Overlapping Tax and Assessment debt			967,912
Direct and Overlapping General Fund Debt:			
Sacramento County General Fund Obligations	373,115	29.141	108,730
Sacramento County Pension Obligations	931,453	29.141	271,434
Sacramento County Board of Education Certificates of Participation	10,560	29.141	3,077
Los Rios Community College District Certificates of Participation	6,505	24.220	1,576
Natomas Unified School District Certificates of Participation	63,730	87.999	56,082
Sacramento Unified School District Certificates of Participation	83,105	80.545	66,937
Sacramento Unified School District Pension Obligations	3,630	80.545	2,924
San Juan Unified School District Certificates of Participation	1,973	3.015	59
Grant Joint Union High School District Certificates of Participation	129,825	46.777	60,728
Fulton-El Camino Recreation and Park District Certificates of Participation	525	18.426	97
Subtotal - Lease Obligation Debt			571,644
Total Overlapping Debt			1,539,556
City of Sacramento Direct Debt			486,205
Total Direct and Overlapping Debt			\$ 2,025,761

Notes: (1) 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	Amount set aside for repayment of general obligation debt	Total net debt applicable to limit		
2001	\$ 19,197,237	\$ 2,879,586	\$ -	\$ -	\$ -	\$ 2,879,586	0.00%
2002	20,490,965	3,073,645	-	-	-	3,073,645	0.00%
2003	22,600,736	3,390,110	-	-	-	3,390,110	0.00%
2004	24,599,695	3,689,954	-	-	-	3,689,954	0.00%
2005	27,911,260	4,186,689	-	-	-	4,186,689	0.00%
2006	32,037,151	4,805,573	-	-	-	4,805,573	0.00%
2007	36,674,108	5,501,116	-	-	-	5,501,116	0.00%
2008	40,345,605	6,051,841	-	-	-	6,051,841	0.00%
2009	41,560,435	6,234,065	-	-	-	6,234,065	0.00%
2010	38,778,007	5,816,701	-	-	-	5,816,701	0.00%

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

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

<b>Year</b>	<b>Population (A)</b>	<b>Personal Income (in millions of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Schooling</b>	<b>School Enrollment (B)</b>	<b>Unemployment Rate (C)</b>
2001	1,266,243	\$ 37,225	\$ 29,398	33.1	14.0	236,037	4.2 %
2002	1,301,391	38,650	29,699	33.2	14.1	242,502	5.0
2003	1,330,375	40,627	30,538	33.8	14.3	232,612	5.6
2004	1,351,455	43,229	31,987	33.7	14.2	235,369	5.7
2005	1,369,855	46,375	34,014	33.7	14.2	238,385	5.1
2006	1,385,607	48,313	35,197	34.1	N/A	239,026	4.8
2007	1,406,804	N/A	N/A	N/A	N/A	238,233	5.3
2008	1,424,415	N/A	N/A	N/A	N/A	238,522	7.0
2009	1,433,187	N/A	N/A	N/A	N/A	237,722	11.9
2010	1,445,327	N/A	N/A	N/A	N/A	237,916	12.6

Sources: (A) <http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/2009-10/>

(B) California Department of Education, report on Sacramento County: <http://dq.cde.ca.gov/dataquest/>

(C) California Employment Development Department, report on Sacramento County: <http://www.labormarketinfo.edd.ca.gov/>

**City of Sacramento  
Principal Employers  
Current Fiscal Year and Nine Years Ago <sup>(1)</sup>**

Employer (A)	Employee (A)	Percentage of Total Employment (B) <sup>(2)</sup>
State of California	73,273	11.96 %
Sacramento County	13,304	2.17
University of California, Davis Health System	8,496	1.39
Kaiser Permanente	7,979	1.30
Sutter Health Sacramento Sierra Region	7,314	1.19
Sacramento City Unified School District	6,500	1.06
Elk Grove Unified School District	6,391	1.04
Intel Corporation	6,000	0.98
Mercy/Catholic Healthcare West	5,922	0.97
San Juan Unified School District	5,190	0.85
City of Sacramento	4,556	0.74

Notes:

- (1) Data is not available from nine years ago. 2010 data not available at the time of preparation of this section therefore 2009 data is used.
- (2) Percentage of total employment is calculated based on Sacramento County's total employment force of 612,800 (per Employment Development Department website) in 2009.

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Sources: (A) Sacramento Business Journal, July 17, 2009. List of largest employers in Sacramento County.  
(B) Employment Development Department, State of California.

**City of Sacramento**  
**Full-time Equivalent Employees by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Code Enforcement	-	-	-	-	-	82	94	92	107	90
Community Development	-	-	-	-	-	-	-	-	-	107
Convention, Culture & Leisure	251	262	263	263	204	204	208	213	214	206
Development Services	-	-	-	190	252	259	243	246	222	-
Economic Development	15	17	17	17	-	17	17	24	27	22
Fire	553	571	571	588	609	623	651	651	655	582
General Government	338	376	387	390	393	374	408	419	400	329
General Services	-	-	-	754	457	260	264	287	307	257
Neighborhood Services	70	79	80	243	86	16	16	15	15	9
Nondepartmental	-	1	1	-	-	-	-	-	-	-
Parks and Recreation	722	815	828	677	841	896	930	925	872	680
Planning	-	-	-	-	-	-	38	33	34	-
Planning and Building	115	164	176	-	-	-	-	-	-	-
Police	1,058	1,111	1,111	1,116	1,189	1,207	1,265	1,272	1,271	1,091
Public Works	675	734	749	-	-	-	-	-	-	-
Transportation	-	-	-	-	333	340	350	356	437	424
Utilities	445	480	490	492	497	727	732	741	741	752
<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>	<b>5,300</b>	<b>4,549</b>

Source: City of Sacramento Approved Operating Budgets

**City of Sacramento  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Police</b>										
Adult arrests	20,904	19,088	23,015	23,046	25,623	27,314	24,703	22,783	21,230	20,555
Citizen initiated calls for service with officer responses	N/A	198,652	202,671	269,815	194,969	187,731	181,793	181,873	173,045	176,157
<b>Fire <sup>(1)</sup></b>										
Number of incidents	34,769	36,437	43,018	43,108	63,242	65,714	66,284	70,609	64,525	59,608 <sup>(2)</sup>
Number of structure fires	1,481	2,665	2,751	3,915	835	1,189	500	414	401	359 <sup>(2)</sup>
Number of construction inspection/reviews	2,334	2,792	3,037	4,596	5,181	N/A	N/A	N/A	N/A	2,790
<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	18,732	17,094
Number of animal outplacements	3,203	3,830	3,612	2,852	4,267	4,323	4,352	4,252	4,025	3,300
<b>Transportation</b>										
Number of traffic investigations completed	1,121	970	1,185	1,114	927	922	1,123	1,019	1,028	903
Number of parking citations issued	205,891	204,413	203,364	211,128	199,428	201,196	194,193	233,901	236,103	240,248
<b>Convention, Culture &amp; Leisure</b>										
Number of events	N/A	644	609	591	607	600	664	568	528	453
Event attendance	990,124	1,200,000	1,016,787	981,766	929,425	833,428	849,000	863,759	863,770	779,388
Number of Zoo attendance	N/A	445,000	495,000	480,000	485,000	485,000	529,734	482,072	467,446	481,452
<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	8,695	8,563
Number of students enrolled in 4th R	N/A	2,500	2,500	2,510	2,695	2,885	3,000	3,500	2,675	2,600
Number of lunches served through food programs	N/A	292,700	216,100	210,000	195,000	192,500	160,900	156,916	197,020	120,726 <sup>(3)</sup>
<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	13,182	11,786
Building permit valuation (in million of dollars)	761	713	1,060	1,001	883	817	1,005	862	557	543
<b>Code Enforcement</b>										
Vehicles abated by City	4,639	3,954	4,958	4,814	4,660	3,747	2,572	1,538	898	694
Notice and orders issued on housing and dangerous buildings	311	337	340	278	279	293	445	378	360	305
<b>Water</b>										
Number of accounts	122,553	125,780	129,852	131,745	136,347	151,459	151,459	135,665	137,029	143,398
Amount distributed/pumped (million of gallons)	44,886	45,049	44,165	46,852	44,177	45,180	49,463	N/A	42,726	38,453
<b>Sewer</b>										
Number of accounts	77,171	77,613	77,940	78,177	78,596	78,541	79,620	76,253	76,802	76,385
Amount distributed/pumped (million of gallons)	20,092	17,877	16,454	16,339	18,054	19,185	19,185	N/A	15,889	14,302
<b>Storm Drainage</b>										
Number of accounts	117,940	120,940	123,324	127,216	130,426	128,427	132,376	131,801	132,727	132,556
Amount distributed/pumped (million of gallons)	23,239	31,944	28,420	30,506	41,608	53,444	53,444	N/A	27,936	27,288
<b>Solid Waste</b>										
Residential garbage disposed (in Tons)	N/A	124,371	124,623	129,838	129,499	127,120	128,802	128,060	104,542	112,203
Commercial garbage collected (in Tons)	N/A	16,059	16,207	20,390	23,159	22,469	N/A	24,804	18,937	17,688

Notes: (1) The threshold for investigation of a fire was raised from \$10,000 or \$30,000 in fiscal year 2005.

(2) Due to a system problem in October 2009, only 11 months of data are available.

(3) In FY2010, the decrease in number of lunches served through food programs was due to decrease in number of sites in operation from 112 to 43. The sites were scaled back to better manage the program and reduce waste.

Source: Various City of Sacramento Departments

**City of Sacramento  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

Function/program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Police</b>										
Number of stations <sup>(1)</sup>	2	2	2	2	2	2	2	4	4	4
Number of patrol units <sup>(2)</sup>	241	243	241	239	238	229	210	210	210	242
Number of aircraft	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	3
Number of watercraft	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	2
<b>Fire</b>										
Number of stations	22	22	22	22	23	23	23	23	23	23
Number of fire protection vehicles	123	126	152	150	167	169	170	151	150	160
<b>Transportation</b>										
Miles of streets	2,521	2,780	2,922	2,936	2,960	3,025	3,034	3,045	3,044	3,063
Number of street lights	33,439	35,000	35,896	36,852	38,450	39,277	39,964	40,578	41,131	41,252
Number of City parking spaces <sup>(3)</sup>	8,824	8,519	8,580	8,580	8,488	8,518	8,795	8,798	8,484	8,484
Miles of off-street bikeways	42	61	50	53	58	62	67	76	78	78
<b>Parks and recreation</b>										
Number of parks <sup>(4)</sup>	187	212	197	196	204	205	205	206	208	212
Park acreage <sup>(4)</sup>	3,169	3,296	2,998	3,627	3,122	3,124	3,125	3,126	3,167	3,173
Number of community centers <sup>(5)</sup>	15	16	17	17	17	17	17	16	13	13
Number of swimming pools (including wading pools)	19	20	22	23	23	23	23	23	26	26
<b>Water</b>										
Miles of water mains <sup>(6)</sup>	1,401	1,422	1,434	1,467	1,708	1,873	1,873	1,859	1,720	1,724
<b>Sewers and storm drainage</b>										
Miles of sanitary sewers and storm drainage <sup>(7)</sup>	1,915	2,005	2,054	2,103	2,081	2,081	2,024	1,859	1,693	1,950
<b>Off-street parking</b>										
Number of City garages and open parking lots	13	12	12	12	11	11	12	12	10	10
<b>Golf</b>										
Number of golf courses	7	7	6	6	6	6	6	6	6	6
<b>Marina</b>										
Number of boat harbor slips	554	558	563	563	563	563	547	475 <sup>(8)</sup>	475	475

Note: (1) From FY2008 onwards, police stations refer to stations plus police headquarters.

(2) From FY2010 onwards, patrol units include cars and motorcycles.

(3) From FY2009 onwards, City parking spaces is defined as only those which are City-owned.

(4) The number of parks and total acreage were clarified with the *Parks and Recreation Master Plan Technical Update* in 2009; numbers reported for 2005-2009 were revised in accordance with the aforementioned document and the *Parks and Recreation Master Plan 2005-2010*. Golf course acreage is not included from FY2005 onwards.

(5) Does not include neighborhood centers.

(6) From FY2009 onwards, does not include miles for private mains and mains owned by other agencies.

(7) Non-pipe elements may have been included in years prior to FY2009.

(8) In FY2008, the marina boat slips were made larger thereby decreasing their total number.

Source: Various City of Sacramento Departments and Publications

# City of Sacramento

## Miscellaneous Statistics

### Current Fiscal Year and Nine Years Ago

Date of incorporation	1849	
Date of charter	1921	
Date City became State Capitol	1854	
Form of government	Council/Manager	
	<b>2010</b>	<b>2001</b>
Number of budgeted positions	4,549	3,996
Area in square miles	99	98
Altitude in feet	20	17
City of Sacramento facilities and services:		
<b>Police</b>		
Number of stations	4	2
Number of police personnel sworn / civilian (actual)	705/466	683/394
Number of patrol units	242	241
<b>Fire</b>		
Number of stations	23	22
Number of fire personnel sworn / unsworn	591/41	523/48
Number of fire protection vehicles	160	123
<b>Utilities</b>		
Miles of water mains	1,724	1,401
Annual water production in gallons	38.5 billion	44.9 billion
Miles of sanitary sewers and storm drainage <sup>(1)</sup>	1,950	1,415
<b>Transportation</b>		
Miles of streets	3,063	2,521
Number of street lights	41,252	33,439
Number of City parking lots / spaces	19/10,280	13/8824
Miles of off-street bikeways	78	42
<b>Convention, Culture and Leisure</b>		
Golf courses	6	7
Boat harbor slips <sup>(2)</sup>	475	554
Zoo animals <sup>(3)</sup>	502	400
Fairytale town attendance for year	228,126	165,682
Crocker Art Gallery attendance for year	92,442	107,510
Community Convention Center attendance for year	780,000	990,124
<b>Parks and Recreation</b>		
Parks	212	187
Park acreage <sup>(4)</sup>	3,173	3,169
Camp Sacramento attendance for year	2,901	2,663
Community centers	13	14
Neighborhood centers	8	N/A
Swimming pools	12	19
Baseball fields	49	126
Soccer fields	132	50
Ball courts <sup>(5)</sup>	164	109
<b>Library</b>		
Library branches	28 <sup>(6)</sup>	11
Library books and audiovisual recordings in circulation	1,970,552	757,555

Note: (1) Non-pipe elements may have been included in years prior to FY2009.

(2) In FY2008, the marina boat slips were made larger thereby decreasing their total number.

(3) Zoo animals number is comprised of animals on-site (either owned by zoo or owned by other entity).

(4) The number of parks and total acreage were clarified with the *Parks and Recreation Master Plan Technical Update* in 2009; numbers reported for 2005-2009 were revised in accordance with the aforementioned document and the *Parks and Recreation Master Plan 2005-2010*. Golf course acreage is not included from FY 2005 onwards.

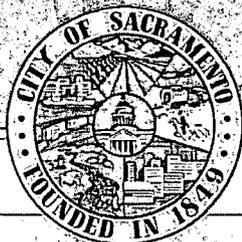
(5) This includes basketball, tennis, and volleyball courts from FY2009 onwards. The number for 2001 were only for tennis courts.

(6) North Natomas Library opened in January 2010.

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 486,189.



[www.cityofsacramento.org](http://www.cityofsacramento.org)

**CITY OF SACRAMENTO**

Report to the City Council

For the Fiscal Year Ended June 30, 2010

**CITY OF SACRAMENTO**  
**Report to the City Council**  
**For the Fiscal Year Ended June 30, 2010**

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Honorable Members of the  
City Council of the City of Sacramento

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sacramento, California (City), as of and for the fiscal year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, and have issued our report thereon dated December 16, 2010.

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control over financial reporting, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, during our audit, we became aware of a matter that represents an opportunity for strengthening internal control summarized in the Management Comment and Recommendation section of this report.

We previously reported on the City's internal control over financial reporting in our report dated December 16, 2010. We did not audit the City's responses to the findings identified in our report, and accordingly, express no opinion on it.

This letter does not affect our report dated December 16, 2010, on the financial statements of the City.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 2, 2010. Professional standards also require that we communicate to you information related to our audit as discussed in required communications section of this report.

We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

*Macie Mini & O'Connell LLP*

Certified Public Accountants

Sacramento, California

December 16, 2010

## CITY OF SACRAMENTO

Report to the City Council  
Required Communications  
For the Fiscal Year Ended June 30, 2010

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. Effective July 1, 2009, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the effect of which has been reported in the Statement of Net Assets. We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Depreciation estimates for capital assets
- Self-funded insurance liabilities
- Actuarial valuations of pension and other postemployment benefit obligations and required contributions
- Landfill postclosure care costs

Depreciation expense is based on management's estimate of the useful lives of the related capital assets. Management's estimate of the City's self-funded insurance liabilities is actuarially determined based on the City's loss history. The actuarial pension data contained in Note 8 to the financial statements and required supplementary information (unaudited) is based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and 27)* and GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The actuarial data for other postemployment benefit obligations contained in Note 9 to the financial statements and required supplementary information is based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Management's estimate of its landfill postclosure care costs is determined using methods and assumptions consistent with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to each opinion unit's financial statements taken as a whole.

## CITY OF SACRAMENTO

Report to the City Council  
Required Communications (Continued)  
For the Fiscal Year Ended June 30, 2010

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 16, 2010.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## CITY OF SACRAMENTO

Report to the City Council  
Status of Prior Year Recommendation  
For the Fiscal Year Ended June 30, 2010

### I. OUT-OF-CLASS WORK ASSIGNMENTS

In accordance with Section 3.12(e) of the City of Sacramento Salary Administration Policy and Section 13.1(a) of the labor agreement with the International Union of Operating Engineers, Stationary Local 39, AFL-CIO, (Local 39 Labor Agreement), out-of-class work assignments are required to be documented in writing. During our testing of employees who earned out-of-class pay during the fiscal year ended June 30, 2010, there was no evidence of written notification of the employee's out-of-class work assignment for 5 of the 8 employee files reviewed.

We recommend the City implement procedures to properly document and communicate out-of-class work assignments in writing as required by the Salary Administration Policy and the Local 39 Labor Agreement.

#### **Management's Response:**

The City agrees with the recommendation and will strengthen procedures performed by departments to comply with the Salary Administration Policy and the Local 39 Labor Agreement. In addition, the Human Resources Department will implement procedures to monitor compliance with the City's Salary Administration Policy and labor bargaining agreements.