



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

**JULIE VALVERDE**  
**DIRECTOR OF FINANCE**

**COUNTY OF SACRAMENTO**  
**STATE OF CALIFORNIA**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Photo Credit:** Gracie Lunceford, Accounting Manager,  
Department of Finance, Municipal Accounting Services

*"This picture was taken during a field trip with my daughter's 6<sup>th</sup> grade class to the Effie Yeaw Nature Center Pond and River on November 13, 2009. We learned that this site is not only a beautiful and calm place for us to enjoy, but is amazingly the home to countless varieties of nature's smaller life forms." ~Gracie*

**Cover Design:** Chris Baker, Geographic Information Systems Analyst II  
Department of Community Development, Planning and Environmental Review

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**FISCAL YEAR 2012**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**COUNTY OF SACRAMENTO**  
**STATE OF CALIFORNIA**

*Julie Valverde, Director of Finance*

**For The Fiscal Year Ended June 30, 2012**

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**COUNTY OF SACRAMENTO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

*Table of Contents*

<i>TABLE OF CONTENTS</i> .....	i
 <i>INTRODUCTORY SECTION</i>	
Letter of Transmittal .....	vii
Certificate of Achievement for Excellence in Financial Reporting .....	xvi
Organizational Chart .....	xvii
List of Public Officials .....	xviii
Acknowledgement .....	xix
 <i>FINANCIAL SECTION</i>	
Independent Auditors’ Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information) .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	20
Statement of Activities .....	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	23

**COUNTY OF SACRAMENTO  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	26
Statement of Revenues and Expenditures – Budget and Actual – General Fund .....	28
Statement of Net Assets – Proprietary Funds .....	30
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	32
Statement of Cash Flows – Proprietary Funds.....	34
Statement of Fiduciary Net Assets – Fiduciary Funds.....	36
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	37
Notes to Basic Financial Statements .....	39
 Required Supplementary Information (Unaudited):	
Sacramento County Employees’ Retirement System - Schedule of Funding Progress .....	115
Other Post Employment Benefit (OPEB) Plan – Schedule of Funding Progress .....	116

**COUNTY OF SACRAMENTO  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Combining and Individual Fund Statements and Schedules:

Non-major Governmental Funds:

Combining Balance Sheet .....	117
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	118

Special Revenue Funds:

Combining Balance Sheet .....	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	125

Individual Funds:

Schedules of Revenues and Expenditures – Budget and Actual .....	128
--	-----

Debt Service Funds:

Combining Balance Sheet .....	146
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	148

Individual Funds:

Schedules of Revenues and Expenditures – Budget and Actual .....	150
--	-----

Capital Project Funds:

Combining Balance Sheet .....	164
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	167

Individual Funds:

Schedules of Revenues and Expenditures – Budget and Actual .....	170
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Non-major Enterprise Funds:

Combining Statement of Net Assets .....	186
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	187
Combining Statement of Cash Flows.....	188

Internal Service Funds:

Combining Statement of Net Assets .....	192
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	193
Combining Statement of Cash Flows.....	194

**COUNTY OF SACRAMENTO  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Agency Funds:

Combining Balance Sheet .....	198
Combining Statement of Changes in Assets and Liabilities .....	199

Trust Funds:

Combining Statement of Fiduciary Net Assets .....	204
Combining Statement of Changes in Fiduciary Net Assets .....	205

*STATISTICAL SECTION*

Net Assets by Component .....	208
Changes in Net Assets .....	209
Fund Balances of Governmental Funds .....	212
Changes in Fund Balances of Governmental Funds .....	214
General Governmental Tax Revenues by Source .....	216
Assessed Value and Estimated Actual Value of Taxable Property .....	217
Average Property Tax Rates - All Direct and Overlapping Governments .....	218
Principal Property Taxpayers .....	219
County Wide 1% - Secured and Unitary Property Tax Levies and Collections .....	220
Ratios of Outstanding Debt by Type .....	221
Legal Debt Margin Information .....	222

**COUNTY OF SACRAMENTO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Pledged-Revenue Coverage .....	223
Demographic and Economic Statistics.....	224
Principal Employers .....	225
Full-time Equivalent County Government Employees by Function.....	226
Operating Indicators by Function.....	228
Capital Asset Statistics by Function.....	230



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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## INTRODUCTORY SECTION

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**Internal Services**

**Department of Finance**

**Auditor-Controller Division**

Ben Lamera,  
Assistant Auditor-Controller



**County of Sacramento**

Bradley J. Hudson, County Executive  
David Villanueva, Chief Deputy County Executive  
Julie Valverde, Director of Finance

December 28, 2012

To the Citizens of Sacramento County  
Sacramento, California

Dear Citizens:

The Comprehensive Annual Financial Report (CAFR) of the County of Sacramento (County) for the fiscal year ended June 30, 2012, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and present fairly the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the County, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a copy of the 2010-11 Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association of the United States and Canada, the County's organizational chart, and a list of public officials. The financial section includes the independent auditor's report on the basic financial statements, the Management's Discussion and Analysis (MD&A) of the County's overall changes in financial position, the audited basic financial statements, note disclosures, and combining and non-major fund financial statements to provide readers with a comprehensive understanding of the County's financial activities of the past fiscal year. This letter is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A, which is unaudited, can be found on pages 3 through 18 of this report. The statistical section, also unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

**PROFILE OF SACRAMENTO COUNTY**

Sacramento County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, the City of Sacramento, is the seat of government for the State of California and also serves as the county seat. Sacramento became the State Capital in 1854.

The County encompasses approximately 994 square miles in the middle of the 400-mile long Central Valley, which is California's prime agricultural region. The County is bordered by Contra Costa and San Joaquin Counties on the south, Amador and El Dorado Counties on the east, Placer and Sutter Counties on the north, and Yolo and Solano Counties on the west. The County extends from the low delta lands between the Sacramento and San Joaquin Rivers north to about ten miles beyond the State Capitol and east to the foothills of the Sierra Nevada Mountains. The southernmost portion of Sacramento County has direct access to the San Francisco Bay.

The geographic boundaries of the County include seven incorporated cities, Sacramento, Folsom, Galt, Isleton, Citrus Heights, Elk Grove and Rancho Cordova. Each of these cities contributes a rich and unique dimension to the Sacramento County region.

The County has a charter form of government. It is governed by a five-member Board of Supervisors, who are elected on a non-partisan basis to serve four-year terms. Each is elected from one of the five supervisorial districts of the County. Supervisors from District 1, District 2, and District 5 are elected in gubernatorial election years (2010, 2014, etc.), while supervisors from District 3 and District 4 are elected in presidential election years (2012, 2016, etc.). District boundaries are adjusted after every federal census to equalize district population.

Other elected officials include the Assessor, District Attorney and Sheriff. A County Executive appointed by the Board of Supervisors runs the day-to-day business of the County.

The County provides a full range of services including public protection, construction and maintenance of all public facilities, waste management, water, parks maintenance and operations, health and human services, human assistance, planning, tax collection, elections, airports and many others. Supporting the delivery of County-wide services are several Departments and Agencies. The financial reporting entity of the County includes all the funds of the primary government (i.e., Sacramento County as legally defined), as well as all of its component units, if applicable. Component units are legally separate entities for which the primary government is financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, certain districts and agencies accounted for in the Special Revenue, Debt Service, Capital Projects, Proprietary and Trust and Agency Fund Types are reported as part of the primary government.

### **ECONOMIC CONDITION AND OUTLOOK**

Counties in the State of California (the "State") are closely linked to the financial condition of the State, and on behalf of the State are responsible for delivering health and welfare services. The State is facing its own fiscal stress, and the County of Sacramento (the "County"), in addition to dealing with significant revenue declines, increasing expense pressures and other local issues, faces the impact of adverse State budget action, as State and federal revenues make up approximately 65% of the County's General Fund budgeted revenues. However, the County has not been backfilling with County General Fund revenues the reductions in State and federal funding for specific programs, but has instead continued to reduce those programs in proportion to the funding received, and plans to continue to do so if there are additional State and federal funding reductions.

The County has been and continues to experience financial stress due to the impacts of the general economic downturn, including a significant decline in County property values and a relatively high unemployment rate.

In past years, assessed valuation in the County grew. However, starting in fiscal year 2009-10 assessed valuations decreased by 7.05%, and continued to decrease in successive fiscal years as follows: Fiscal Year 2010-11 decreased 0.92%; Fiscal Year 2011-12 decreased 3.07%, and is estimated by the County Assessor's Office to decrease in Fiscal Year 2012-13 by 2.66%.

The County is the major component of the Sacramento Metropolitan Statistical Area (SMSA) which includes Sacramento, El Dorado, Placer and Yolo Counties. Three major job categories comprised 71% of the SMSA work force during 2011: services (34%), government (25%), and wholesale/retail trade (12%), based on seasonally unadjusted December 2011 statistics. The SMSA unemployment rate (not seasonally adjusted) as of August 2012 was at 10.3%, compared to the Statewide average of 10.4%; a decrease from the December 2011 SMSA rate (not seasonally adjusted) of 10.9%.

### **LONG-TERM FINANCIAL PLANNING & RELEVANT FINANCIAL POLICIES**

#### **Fund Balance and Reinvestment policy**

In June 2011, the County approved the Fund Balance and Reinvestment Policy, which incorporated the previous Reserve and Reinvestment policy. The Fund Balance and Reinvestment Policy establishes the procedures for reporting, within the annual financial statements, unrestricted fund balance (comprised of Committed, Assigned, and Unassigned categories) within the County's governmental funds: General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The policy addresses the repayment of the interfund loans, and also addresses reinvestment in reserves and high priority programs when general purpose revenues improve. It is a long-range strategy to best utilize County resources to provide the best public service in a fiscally sustainable fashion.

#### **Five-Year Capital Improvement Plan**

In accordance with County Ordinance 21.15, approved by the Board of Supervisors on March 15, 1979, the County Executive is responsible for the preparation of a long-range Capital Improvement Plan (CIP) and submitting the CIP to the Board of Supervisors for review and adoption. As part of the procedure, the Department of General Services, as directed by the Board, submits the recommended Five-Year CIP to the Policy Planning Commission for their review and recommendations as to the consistency of the projects with the adopted County's General Plan. The Department of General Services is responsible for planning and financing construction of new County facilities, except those constructed through the Airport System and Refuse Enterprise funds. Funding for the construction activities comes from a variety of sources including charges to departments for space assigned in County facilities, direct charges for work done for enterprise funds and various special districts, and charges for work done in leased facilities under terms of the agreements. Funding from facility construction grants and proceeds from County bond issuances are also used by Department of General Services to finance specific projects. The projects funded by the Capital Construction fund for each fiscal year are included in the County's Approved Budget.

### **MAJOR INITIATIVES**

Sacramento County is undertaking several major initiatives notwithstanding significant fiscal limitations:

#### **Economic Development**

##### **Shop Local/Buy Local**

Launch a new Economic Development and Marketing program called "Shop Local, Buy Local" campaign to encourage residents to keep their sales tax dollars in the region, along with a redesigned website for Economic Development and Marketing.

#### **Communication**

##### **3-1-1 System**

Implement a 3-1-1 one-stop phone system to connect citizens with County services.

#### **Legislation**

Implement a more efficient management system for federal legislation, including the adoption of Federal Legislative Policies and Priorities.

**Customer Service**

Provide customer service training, “Quality Service Starts With You”, for County employees.

**Quality of Life**

**Neighborhoods**

Implement a Neighborhood Livability Initiative in targeted neighborhoods that will address issues such as maintenance of vacant and neglected buildings, abatement of public nuisances and roadway conditions.

**Water**

Continue efforts to represent Sacramento County interests in the Delta.

**Health**

Implement Low Income Health Program through executing contracts, enrolling patients and commencing services.

**DEPARTMENT FOCUS**

Each year, we select activities or functions of the County to highlight particular successes or accomplishments. This year, we have selected the following activities:

**Airports**

**GFOA Certificate of Achievement**

Government Finance Officers Association (GFOA) of the United States and Canada awarded the Airport System a Certificate of Achievement for Excellence in Financial Reporting for the 23rd consecutive year.

**Completion of the “The Big Build”**

The construction of both elements of “The Big Build” (Central Terminal Building and Airside Concourse) was completed ahead of schedule and under budget. They became operational on October 6, 2011.

Sacramento International Airport’s Terminal B received five regional/national awards for construction and engineering excellence, including the California Transportation Foundation’s Aviation Project of the Year award, the 2012 American Council of Engineering Companies Golden State Award, the Partnered Project of the Year from the International Partnering Institute, the 2012 Northern California Chapter - Construction Management Association of America Project Achievement Award and the 2012 American Society of Civil Engineers – Sacramento Section Project of the Year Award.

**Interceptor Extension**

The Airport sewer collection system connection to the Sacramento Area Sewer District (SASD) interceptor became operational in late September 2011, at which time use of the waste water treatment (“oxidation”) ponds ended.

**Wildlife Hazard Assessment**

The comprehensive 12-month Wildlife Hazard Assessment (WHA), completed in August 2010, was approved by the Federal Aviation Administration (FAA) on March 6, 2012.

**Sacramento County General Plan Update 2030-Airport Section**

After more than a five-year effort, in November 2011 the County approved a substantial update to the County General Plan. The County Airport System successfully wrote an “Airport Section” for inclusion in the Land Use Element of the new General Plan. This new section describes potential land uses near airports and provides guidance for decisions by the County Planning Commission and Board of Supervisors that are protective of airports.

**Regional Air Quality Efforts**

- Scheduled public bus service is continued to be offered to and from International Airport.
- Continued to increase the number of alternatively fueled vehicles, thus maintaining a fleet with one of the highest percentages of clean air vehicles in the County.

**California Capital Air Show**

In September 2011, Mather Airport was the site of the sixth annual California Capital Air Show, featuring military demonstrations, aerobatic performers, and static displays of military, cargo, and general aviation aircraft.

**Department of Child Support Systems (DCSS)****SmartPay Program and Arrears Estimator**

In October 2011, Sacramento County Department of Child Support Services implemented the SmartPay Program and Arrears Estimator which educates child support obligors on the benefits of principal reduction and taking advantage of arrears payments being first applied to principal rather than interest. This educational outreach program, which had direct costs of approximately \$1,900, has assisted the Department in collecting more than \$77,000 in additional arrears payments through May 2012. The department received a California State Association of Counties (CSAC) Merit Award for the program.

**Department of Human Assistance (DHA)****Work Participation Rate Improvement**

Using specialized case managers who work closely with clients in the Work Participation Rate (WPR), our WPR Workers’ diligent work resulted in a 44% WPR for the month of June 2012; a 30 point increase from 14% the prior year to 44% in June 2012.

**Subsidized Employment Program**

DHA partnered with Sacramento Employment & Training Agency (SETA) to develop a Subsidized Employment program that would provide CalWORKs recipients more employment opportunities. During the course of the Fiscal Year, 280 recipients entered the Subsidized Employment program, with 192 completing the program to date. Of those who have completed, 99% have obtained unsubsidized employment with an average wage of \$10.00/hr.

**Telephone Interviews**

DHA implemented telephone interviews as allowed by law for various programs, including CalFresh applications, CalFresh renewals, and CalWORKs renewals. Clients now have the option of coming into our offices for a face-to-face interview or do the application or redetermination over the phone. Residents can now also apply on-line through Benefits CalWIN (BCW) for CalWORKs, CalFresh, and Medi-Cal.

**Awards**

In 2012, DHA was awarded Achievement Awards by the National Association of Counties (NACO) for its participation in the Child Care Program, Medi-Cal/CalFresh Service Center, and the Time Management System.

The Department was also recognized with a “Bright Idea” award by the Harvard Kennedy School ASH Center for Democratic Governance and Innovation for the Case Update Tracking and Eligibility (CUTE) System. Expansions of the CUTE System now include fraud referrals and referrals for the State fingerprint System.

### **Department of Revenue Recovery (DRR)**

#### **Cost to Collection Ratio**

DRR generated \$1.8M more in net revenue than budgeted (\$30M collected vs \$28.2M budgeted) at a net cost to collection ratio of 11% (compared to 12% budgeted) as a result of staff and automation efficiencies.

### **Environmental Management Department (EMD)**

#### **Website for Mobile Devices**

EMD launched a food inspection website specially designed for mobile devices. When accessed from a smartphone (iPhone, Droid, Windows, etc.), the website, <http://m.ffi.saccounty.net/>, shows the user’s current location and nearby retail food facilities marked on the map. The color of the marker indicates the most recent food inspection placard result (Green, Yellow or Red), matching the placard posted at facility and inspection date, along with links to view the full inspection report and inspection history. The public health message is immediately available to the consumer.

#### **Cross-Connection Control Program**

EMD’s cross-connection control program ensures facilities are surveyed, backflow devices are installed and maintained, and certified testers are used to field test backflow devices each year. With over 14,000 devices being monitored, compliance recordkeeping is a time intensive process. To help reduce paper and staff time, EMD recently developed an online web portal that allows testers to submit compliance data electronically. Since going live on September 4, 2012, almost 40% of field test report data is being entered on the portal.

To ensure the portal roll out was successful, outreach meetings and trainings were held with water agency representatives and backflow testers during development. Comments received during these sessions included compliments on the simple design, 24/7 access to data, and reduced data entry lag time.

EMD also simplified the backflow device reminder notice process for facility operators. In the past, backflow device owners and operators received an individual reminder letter for each of their devices and in some cases, devices had different due dates for testing based on their installation date. EMD now issues one annual reminder letter that consolidates and summarizes their devices due for testing. This streamlining effort reduced the amount of paper reminder letters from 1,142 down to 317 for the month of September, resulting in decreased staff processing time and a 72% reduction of notices.

### **Probation Department**

#### **Prison Visitation Program**

Public Safety Realignment became effective October 1, 2011. Assembly Bill 109 made changes to sentencing laws and to the way prison inmates are supervised after their release from prison. As part of realignment, Probation is now responsible for supervision of some prison inmates formally supervised by State Parole. In May of 2012, the Probation Department implemented the Prison Visitation Program. Probation officers contact realignment offenders at prison prior to offender release and review reporting instructions, and answer questions and clarify information about offender living arrangements. To date, the offenders contacted as part of the program have a 100% reporting rate to the Probation Office for their initial visit.

#### **Effective Practices Report**

In June 2012, the Probation Department produced its first ever Effective Practices Report (EPR) to highlight its use of evidence based practices. This report is broken into six (6) categories to show the system-wide implementation and ongoing use of practices based on research. Various intermediate and outcome measures for all evidence based interventions and strategies are included to show the full range of outcomes possible. EPR gives a detailed picture



of the status of the Department's skill training, evidence based interventions, programs with evidence based components, and units. This includes a historical look at training, ongoing efforts to increase staff skills, intermediate review of intervention and program measures, and long range recidivism outcomes. Each section of the EPR contains a description of the practice being used, the context within which the practice was being initiated or used, the accompanying data, an analysis of what the data means, and recommendations for the Department. The long-term goal of the report will be to identify strategies and programs that are effective in reducing offender recidivism, thereby, enhancing public safety.

### **FINANCIAL INFORMATION**

County management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) choices between these two concepts often require estimates and judgments by management.

The County's accounting records for governmental funds are maintained on the modified accrual basis of accounting. This essentially involves the recording of revenues when they become measurable and available and the recording of expenditures when the goods and services are received and the related liability incurred. Accounting records for the County's Proprietary Funds and Agency and Trust Funds are maintained on the accrual basis of accounting.

**Single Audit** - As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management and the Department of Finance's Auditor-Controller Division's internal audit staff. The Fiscal Year 2011-12 Single Audit will be issued under separate cover and will be available by contacting the Department of Finance, Auditor-Controller Division, after March 31, 2013.

**Budgeting Controls** - In addition to accounting controls, the County maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Supervisors.

The County prepares and adopts a budget for each fiscal year in accordance with the provisions of Sections 29000 through 29144 of the Government Code and other statutory provisions. All County departments are required to submit their annual budget requests for the ensuing year. The County Executive Office reviews each request and a budget is presented to the Board of Supervisors. This budget reflects, as nearly as possible, the estimated revenues and expenditures for the upcoming year.

The budget is made available for public inspection through a public notice. On the dates stated in the notice, the Board of Supervisors conducts public hearings on the budget and at the conclusion of the hearings makes a final determination thereon. The budget, which includes the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, is adopted no later than August 30. The Board may, by resolution, extend on a permanent basis or for a limited time, the date from August 30 to October 2. Because the final budget must be balanced, any shortfalls in revenue require an equal reduction in anticipated expenditures.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the object level of all budgetary units except for capital assets, which are controlled on the sub-object level. The expenditure portion of the budget is enacted into law through the passage of an appropriation resolution. This resolution constitutes maximum spending authorization for the fiscal year. It cannot be exceeded except by amendment of the budget by the Board of Supervisors. During 2011-12, amendments were made to the final adopted budget. The budget data reflected in this comprehensive annual financial report includes the effect of all approved budget amendments. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control and cash planning.

**Cash Management**

Cash temporarily idle during the year was invested in money market mutual funds, negotiable certificates of deposit, time certificates, commercial paper, municipal notes, and U.S. Treasury and Agency investments. The average yield on investments during 2011-12 was 0.3901 percent. The yield for a one-year Constant Maturity U.S. Treasury Note during the same period was 0.15 percent.

The County Pooled Investment Fund Policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All collateral on deposits was held either by the County, its agents, or a financial institution's trust department in the County's name.

**Risk Management**

The County self-insures for property damage, liability, workers' compensation, unemployment and dental insurance claims. Self-insurance transactions are accounted for in Internal Service Funds. It is the County's policy to fund current self-insurance liabilities for Governmental Funds by making provisions in the budget of the succeeding year. Proprietary fund premium charges are expensed in the year incurred.

**OTHER INFORMATION**

**Independent Audit** - Section 25250 of the Government Code requires an annual audit by independent certified public accountants. The firm of Vavrinek, Trine, Day & Co., LLP was selected by the County to meet this requirement. The independent auditors' report on the basic financial statements is included in the financial section of this report.

**Awards** - The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the County for its comprehensive annual financial reports for each of the last twenty three fiscal years. 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 be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate of Achievement.

**Acknowledgments** - The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance, and the cooperation and assistance of all County departments. We would like to commend the Board of Supervisors for its interest, support, and leadership in planning and conducting the financial operations of the County in a responsive and progressive manner.

Respectfully submitted,



Julie Valverde  
Director of Finance

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Sacramento  
California

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

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

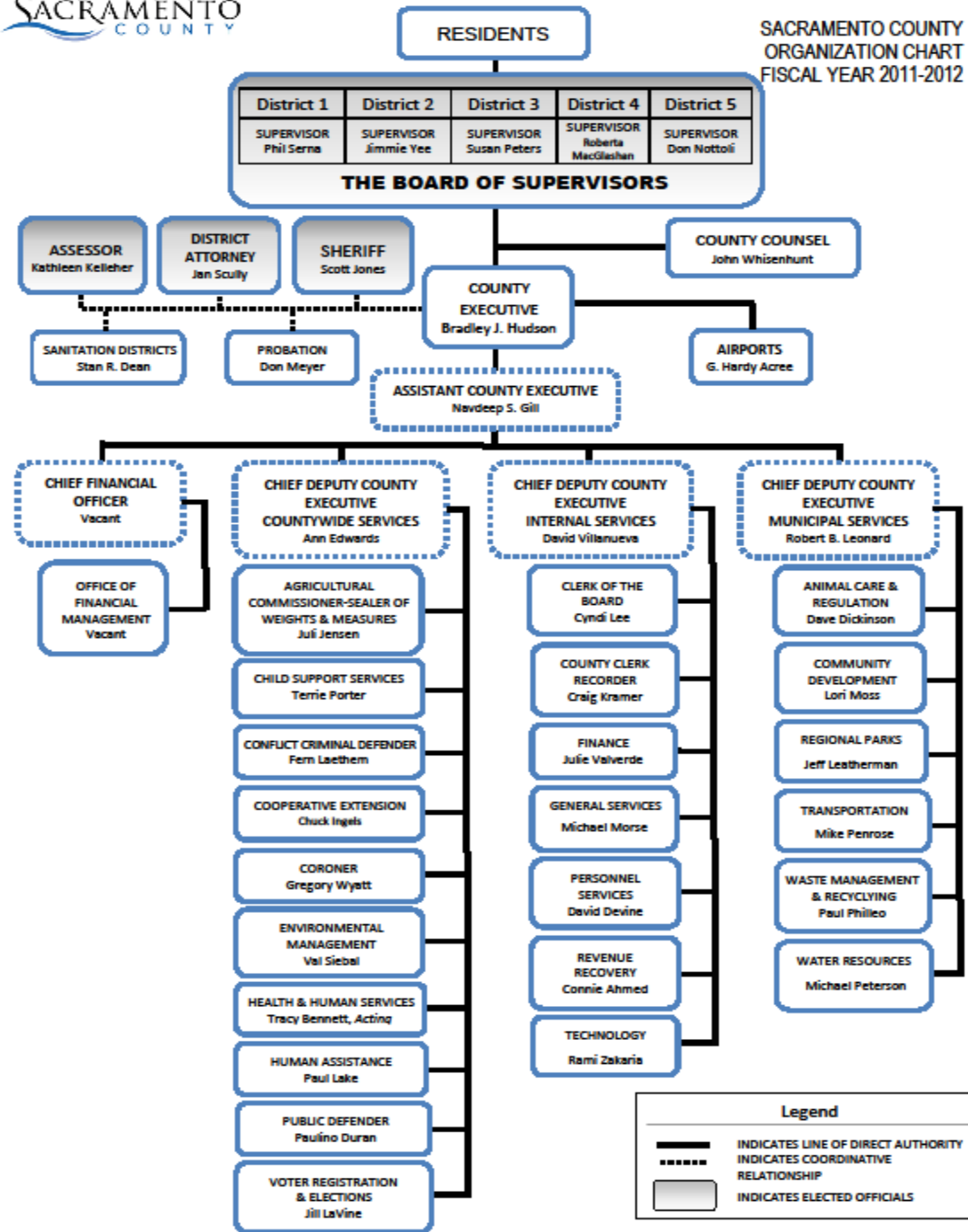


*Christopher P. Morille*

President

*Jeffrey R. Emmer*

Executive Director



**COUNTY OF SACRAMENTO  
LIST OF PUBLIC OFFICIALS  
JUNE 30, 2012**

Board of Supervisors:

ELECTED:

Phil Serna  
Jimmie Yee  
Susan Peters  
Roberta MacGlashan  
Don Nottoli

District 1  
District 2  
District 3  
District 4  
District 5

Department Heads:

Kathleen Kelleher  
Jan Scully  
Scott Jones

Assessor  
District Attorney  
Sheriff

APPOINTED:

Bradley J. Hudson  
Navdeep Gill  
David Villanueva  
Julie Valverde

County Executive  
Chief Operations Officer  
Chief Deputy County Executive  
Director of Finance

**THE COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE  
COUNTY OF SACRAMENTO**

For the Fiscal Year Ended June 30, 2012

**ACKNOWLEDGEMENT**

**Prepared by the County of Sacramento  
Department of Finance**

**Ben Lamera, Assistant Auditor-Controller  
Karen Gee, Senior Accounting Manager  
Carlos Valencia, Senior Accounting Manager  
Treddis Campbell, Accounting Manager  
Linda MacLeod, Accounting Manager  
Diana Lee, Senior Accountant  
Paula Burris, Administrative Services Officer III**

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FINANCIAL  
SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Supervisors  
County of Sacramento, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Sacramento, California (the County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sacramento, California, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 20 to the financial statements, the County is experiencing significant financial stress in numerous areas as evidenced by the General Fund Unassigned Fund Balance deficit of \$3.4 million at June 30, 2012.

As described in Note 25 to the financial statements, Assembly Bill X1 26 was upheld and declared constitutional by the California Supreme Court on December 29, 2011. As part of the decision, the Supreme Court established the date of dissolution for redevelopment agencies to be February 1, 2012. The redevelopment agencies in California including the Sacramento Housing and Redevelopment Agency (the Agency), a joint-powers agency between the City of Sacramento and County of Sacramento, was terminated and successor agencies were appointed to wind down the affairs of the former redevelopment agencies in accordance with the provisions of Assembly Bill X1 26. The County of Sacramento has elected to be appointed as the Redevelopment Successor Agency for purposes of winding down the redevelopment affairs of the Agency attributable to County redevelopment project areas. As a result, the net assets associated with County redevelopment projects were transferred to the County and recorded in a private purpose trust fund on February 1, 2012. The County appointed the Agency to be the Housing Successor Agency and retained certain assets associated with the housing functions.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provision 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 18 and the schedules of funding progress on pages 115 and 116 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Vavrinik, Trine, Day & Co. LLP*

Sacramento, California  
December 28, 2012

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## FINANCIAL SECTION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Sacramento's (County) comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the 2011-12 fiscal year by \$2,764,691 (net assets), of this amount, \$570,383 is restricted for specific purposes (restricted net assets), and \$2,280,810 is invested in capital assets, net of related debt. The County's total net assets increased by \$115,008.
- As of June 30, 2012, the County governmental funds reported combined fund balances of \$665,983 for an increase of \$88,554, in comparison with the prior year. Amounts available for spending include restricted less the negative unassigned fund balances, which totaled \$630,655, or 94.7 percent of the ending fund balance. Of this amount, \$636,050 is restricted by law or externally imposed requirements. Total fund balance for the General Fund increased \$69,318 to \$205,205, which equates to 11.4 percent of total General Fund expenditures for the year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was a negative \$3,382 or negative .19 percent of total general fund expenditures. This amount is budgeted as a decrease to General Fund programs in the next fiscal year.
- The County's investment in capital assets increased by \$83,322 or 2 percent in comparison with June 30, 2011 balances.
- The County's total long-term obligations had a net decrease of \$36,317 in comparison with June 30, 2011 balances. This net decrease was comprised of a gross decrease of \$403,926 and a gross increase of \$367,609. The decrease resulted primarily from scheduled principal retirements of revenue bonds, certificates of participation, Teeter notes, and refunding of pension obligation bonds. The increase resulted primarily from the issuance Taxable Pension Obligation Refunding Bonds Series 2011 A & B, an increase in derivative instrument liability related to interest rate swap for Taxable Pension Obligation Bonds and Water Agency Revenue Bonds, and restatement of accreted interest that had previously been paid or defeased.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to basic financial statements.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture. The business-type activities of the County include the Airport System, Solid Waste, Water Agency, Parking Enterprise and the County Transit.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. Examples are County Service Area Number One, First Five Commission, Water Agency, Sunrise, Carmichael and Mission Oaks Recreation and Park Districts. The Tobacco Securitization Authority of Northern California (Authority) is a public entity created by a Joint Exercise of Powers Agreement (Agreement) effective as of July 15, 2001 between the County and San Diego County. The Authority is a public entity legally separate and apart from the County, and is considered a blended component unit of the County due to the operational relationship between the Authority and the County. The debts and liabilities of the Authority belong solely to it, and neither the Counties of Sacramento or San Diego are any way responsible for those liabilities. The Sacramento County Public Financing Authority is a public entity created by a Joint Exercise of Powers Agreement effective as of November 2003 between Sacramento County and the Sacramento Housing and Redevelopment Agency. The Authority is a public entity legally separate and apart from the County, and is considered a blended component unit of the County due to the operational relationship between the Authority and the County. The debts and liabilities of the Authority belong solely to it, and neither the County nor the Agency are in any way responsible for those liabilities.

The government-wide financial statements can be found on pages 20-22 of this report.

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

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 45 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental funds financial statements can be found on pages 23-25 of this report.

**Proprietary funds** are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Airport System, Solid Waste, Water Agency, Parking Enterprise, and the County Transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its liability/property self-insurance; telecommunication and information technology support; worker's compensation self-insurance; self-insurance for unemployment claims (Self-Insurance – Other); regional communications; special services provided by the Public Works Agency; and centralized services provided by the Department of General Services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Airport System, Solid Waste and Water Agency operations are considered to be major funds of the County. The County's seven internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The proprietary funds financial statements can be found on pages 30-35 of this report.

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

The fiduciary fund financial statements can be found on pages 36-37 of this report.

Fiduciary funds report the Agency Funds, Treasurer's Pool, Non-pooled Investments, and Private-Purpose Trust Funds.

**Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 39-114 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds, enterprise and internal service funds, and can be found on pages 117-205 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$2,764,691 at the close of the most recent fiscal year.

### Statement of Net Assets For the Year Ended June 30, 2012 (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Other assets	\$ 2,311,429	2,268,752	644,429	699,826	2,955,858	2,968,578
Capital assets	1,799,400	1,825,018	2,329,151	2,220,211	4,128,551	4,045,229
Total assets	<u>\$ 4,110,829</u>	<u>4,093,770</u>	<u>2,973,580</u>	<u>2,920,037</u>	<u>7,084,409</u>	<u>7,013,807</u>
Other liabilities	\$ 591,602	777,588	208,010	158,982	799,612	936,570
Long-term debt obligations	1,983,242	1,822,906	1,536,864	1,604,648	3,520,106	3,427,554
Total liabilities	<u>2,574,844</u>	<u>2,600,494</u>	<u>1,744,874</u>	<u>1,763,630</u>	<u>4,319,718</u>	<u>4,364,124</u>
Net assets:						
Invested in capital assets, net of related debt	1,407,750	1,378,390	873,060	790,799	2,280,810	2,169,189
Restricted net assets	429,831	390,498	140,552	182,288	570,383	572,786
Unrestricted net assets	<u>(301,596)</u>	<u>(275,612)</u>	<u>215,094</u>	<u>183,320</u>	<u>(86,502)</u>	<u>(92,292)</u>
Net assets, as restated	<u>1,535,985</u>	<u>1,493,276</u>	<u>1,228,706</u>	<u>1,156,407</u>	<u>2,764,691</u>	<u>2,649,683</u>
Liabilities and net assets	<u>\$ 4,110,829</u>	<u>4,093,770</u>	<u>2,973,580</u>	<u>2,920,037</u>	<u>7,084,409</u>	<u>7,013,807</u>

The largest portion of the County's net assets totaling \$2,280,810 (83 percent) reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), net of depreciation and less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the County's net assets totaling \$570,383 (21 percent) is restricted and represents resources that are subject to external restrictions on how they may be used.

The remaining balance of total net assets, negative \$86,502 is unrestricted and will result in a reduction to the County's ongoing services to citizens. Unrestricted net assets increased by \$5,790 from the prior year. The increase in unrestricted net assets is a result of reclassifying restricted net assets to unrestricted.



The major restrictions on net assets are for bond reserves (10%), landfill closure (2%) debt service (38%) capital projects (6%), passenger facility charges (3%), health programs (34%) and transportation (7%). The County's restricted net assets decreased by \$2,403 from the prior year restricted net asset amount of \$572,786. The decrease in restricted net assets is due primarily to combined decreases in requirements for debt service (\$41 million), capital projects (\$4 million), passenger facility charges (\$9 million), and increases in health programs (\$42 million), transportation (\$7 million) and bond reserves (\$2 million).

The County's total net assets increased by \$115,008 during the current fiscal year, which results in an increase of 4% of total net assets from prior year. The increase takes into consideration the reversal of the extraordinary items related to the AB 99 obligation of \$48,448 for First 5 Commission, recognition of Litigation Settlements of \$30,730 for Water Agency Enterprise fund, and restatement of accreted interest from the prior year total net asset amount of \$2,561,793 to restated amount of \$2,649,683. At the end of the current fiscal year the County reported an increase of 5% in net assets invested in capital assets, net of related debt. The increase in net assets invested in capital assets, net of related debt of \$111,621 represents capital purchases net of depreciation plus the retirement of related long-term debt. The County's restricted net assets decreased by .4% while unrestricted net assets increased by 6%. During the 2011-12 fiscal year, the County as a whole, reported positive balances in two out of the three categories of net assets. Governmental activities reported a negative balance in unrestricted net assets of \$301,596 which is primarily due to the recognition of debt associated with the Pension Obligation Bond Refunding Series 2011 A & B.

**Governmental activities.** Governmental activities increased the County's net assets by \$42,709.

The table on the next page indicates the changes in net assets for governmental and business-type activities.

Statement of Activities  
For the Year Ended June 30, 2012  
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 328,616	319,317	278,739	247,844	607,355	567,161
Operating grants and contributions	1,153,418	1,168,916	25,855	21,764	1,179,273	1,190,680
Capital grants and contributions	22,257	24,658	15,872	16,133	38,129	40,791
General revenues:						
Taxes:						
Property	379,289	383,651			379,289	383,651
Sales / use	63,774	59,614	356	554	64,130	60,168
Transient	3,383	3,483			3,383	3,483
Unrestricted investment earnings (loss)	(648)	1,250	2,701	1,018	2,053	2,268
Grants and contributions not restricted to specific programs	237,046	230,748			237,046	230,748
Pledged tobacco settlement proceeds	12,609	12,365			12,609	12,365
Miscellaneous	90,168	120,593			90,168	120,593
Total revenues	<u>2,289,912</u>	<u>2,324,595</u>	<u>323,523</u>	<u>287,313</u>	<u>2,613,435</u>	<u>2,611,908</u>
Expenses:						
General government	171,667	191,427			171,667	191,427
Public assistance	611,073	674,543			611,073	674,543
Public protection	630,142	673,751			630,142	673,751
Health and sanitation	555,490	528,449			555,490	528,449
Public ways and facilities	111,965	122,752			111,965	122,752
Recreation and culture	88,913	35,990			88,913	35,990
Education	1,858	3,578			1,858	3,578
Interest and fiscal charges	124,537	52,529			124,537	52,529
Airport			167,303	128,941	167,303	128,941
Solid Waste			63,131	59,433	63,131	59,433
Water Agency			47,799	28,174	47,799	28,174
Parking Enterprise			2,037	1,914	2,037	1,914
County Transit			2,040	1,597	2,040	1,597
Total expenses	<u>2,295,645</u>	<u>2,283,019</u>	<u>282,310</u>	<u>220,059</u>	<u>2,577,955</u>	<u>2,503,078</u>
Change in net assets before transfers and special items	(5,733)	41,576	41,213	67,254	35,480	108,830
Transfers	(6)	4,972	6	(4,972)		
Special Item, Abatement of regulatory fees			350	1,200	350	1,200
Extraordinary item, AB 99 obligation	48,448	(48,448)			48,448	(48,448)
Extraordinary item, Litigation Settlements			30,730		30,730	
Change in net assets	<u>42,709</u>	<u>(1,900)</u>	<u>72,299</u>	<u>63,482</u>	<u>115,008</u>	<u>61,582</u>
Net assets, beginning of year, as restated	<u>1,493,276</u>	<u>1,495,176</u>	<u>1,156,407</u>	<u>1,092,925</u>	<u>2,649,683</u>	<u>2,588,101</u>
Net assets, end of year	<u>\$ 1,535,985</u>	<u>1,493,276</u>	<u>1,228,706</u>	<u>1,156,407</u>	<u>2,764,691</u>	<u>2,649,683</u>

Total revenues for the County's governmental activities decreased by \$34,683 from the prior year. This decrease is primarily due to decreased revenue for operating grants and contributions as a result of economic conditions resulting in reduced federal and state funding. Also, the decrease in miscellaneous revenue is primarily due to change in reporting of Sheriff court security revenue (\$25 million) that is currently reflected in operating grants. The change was a result of the State's realignment of services approved during the State budget process (AB 109).

Total expenses for governmental activities were \$2,295,645, an increase of \$12,626 or .5% from the prior year. This increase was primarily a result of prior period restatement for accreted interest which restated prior year expenses from \$2,370,909 to \$2,283,019.

**Business-type activities.** Business-type activities increased the County's net assets by \$72,299. The increase is primarily related to increased activity for Airport and Water Agency. See page 13 for additional comments on changes to net assets.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

**Governmental funds.** The general government functions are contained in the general, special revenue, debt service, and capital projects funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *total fund balance less nonspendable* portion is a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2012, the County's governmental funds reported combined fund balances of \$665,983, an increase of \$88,554 in comparison with the prior year's total ending fund balance of \$577,429. The components of total fund balance are as follows (for more information, see Note 19 – Fund Balances):

- *Nonspendable fund balance*, \$35,328, are amounts that are not spendable in form or are legally or contractually required to be maintained intact, and are made up of (1) inventory of \$1,377, (2) long term receivables/advances of \$21,685, and (3) legally required Teeter Tax program loss reserves of \$9,736 and Teeter Tax delinquencies of \$2,530.
- *Restricted fund balance*, \$636,050, consists of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations or enabling legislation. Examples of restrictions on funds are those for legislated amounts restricted for (1) health and sanitation of \$266,208, (2) capital outlay of \$70,384, (3) debt service of \$121,162, (4) public ways and facilities of \$50,674, (5) economic development of \$33,879, (6) public protection of \$44,156, and (7) Stormwater Utility \$20,438.
- *Unassigned fund balance* (\$5,395), primarily represents the residual classification for the County's governmental funds.

Approximately 94.7 percent, or \$630,655, of the total fund balances is considered spendable. With the approval of the Board of Supervisors, County management can earmark a portion of a fund balance to a particular function, project or activity, and can also earmark it for purposes beyond the current year, within the constraints applied to the various categories of fund balance. With the exception of the nonspendable portion, \$636,050 is available for appropriation for restricted purposes leaving a negative unassigned fund balance of \$5,395 to be budgeted as decreases to governmental programs in the next fiscal year.

The increase of \$88,554 in the governmental funds combined fund balances was primarily attributable to a favorable court decision resulting in the reversal of a prior year accrual for an extraordinary AB 99 obligation of \$48,488 for First 5 Commission, and budgeted reduction in expenditures in governmental programs to offset prior year deficit fund balance of \$30,875. The program reductions occurred primarily in the area of public assistance.

The General Fund is the chief operating fund of the County. The General Fund's total fund balance increased by 51 percent, or \$69,318, to \$205,205 at June 30, 2012. The nonspendable portion of fund balance was \$14,967 and the spendable portion was \$190,238 an increase of \$69,786 from the prior year

spendable balance of \$120,452. This increase is a result of budgeted reduction to expenditures in governmental programs to offset the prior year deficit fund balance \$31 million and recognition of \$41 million in restricted revenue for mental health services.

As a measure of the general fund’s liquidity, it may be useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance equates to 11.4 percent of total General Fund expenditures while spendable fund balance equates to 10.6 percent of total General Fund expenditures. Of the General Fund spendable fund balance, \$193,620, or 94 percent is restricted.

**Other governmental funds:** As compared with the prior year, the total fund balances of the remaining governmental funds increased 4.4 percent, or \$19,236, to \$460,778 with the following significant changes:

- The Special Revenue funds increased by \$46,576 from \$241,277 to \$287,853 primarily due to a reversal of an accrual for an extraordinary item in the amount of \$48,448, a result of court decision regarding Assembly Bill 99 state mandated payment, from First 5 Sacramento Commission.
- The Capital Projects funds decreased by \$21,624 from \$73,387 to \$51,763 primarily due to increased expenditures funded by bond proceeds for McClellan CFD of \$10 million, Tobacco Litigation Settlement of \$4 million, and Accumulated Capital Outlay of \$4 million.

Revenues for total governmental funds totaled \$2,231,564 in fiscal year 2011-12 which represents a decrease of 3.1 percent from fiscal year 2010-11.

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

**Revenues Classified by Source**  
**Governmental Funds**  
(amounts expressed in thousands)

Revenues by Source	FY 2012		FY 2011		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 446,446	20.01%	452,478	19.64%	(6,032)	(1.33%)
Use of money and property	13,033	0.58%	12,057	0.52%	976	8.09%
Licenses and permits	39,183	1.76%	40,187	1.74%	(1,004)	(2.50%)
Intergovernmental	1,408,860	63.13%	1,432,358	62.17%	(23,498)	(1.64%)
Charges for sales and services	177,714	7.96%	184,038	7.99%	(6,324)	(3.44%)
Fines, forfeitures and penalties	43,551	1.95%	49,756	2.16%	(6,205)	(12.47%)
Pledged tobacco settlement proceeds	12,609	0.57%	12,365	0.54%	244	1.97%
Miscellaneous	90,168	4.04%	120,593	5.24%	(30,425)	(25.23%)
<b>Total</b>	<b>\$ 2,231,564</b>	<b>100.00%</b>	<b>2,303,832</b>	<b>100.00%</b>	<b>(72,268)</b>	<b>(3.14%)</b>

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

- Taxes decreased due to continued decrease in property tax revenue during 2011-12 which is directly related to the decline in property value.
- Intergovernmental revenue decreased due to the combination of an increase of \$25 million due to change in reporting for Sheriff Court Security services as a result of State's realignment of services approved during the State Budget process (AB109), decrease of approximately \$22 million in health and social service program costs that resulted in reduced federal and state reimbursement revenues, and decrease of \$30 million for Economic Development due to prior year recognition of restricted revenue, a result of the implementation of GASB 54.
- Charges for sales and services decreased primarily due to consolidation of Department of Environmental Review and Assessment and Department of Planning and Community Development, into Department of Community and Development, in an effort to streamline County services. This resulted in \$4 million less in charges for services.
- Fines, forfeitures and penalties decreased primarily due to less delinquencies related to Teeter.
- Miscellaneous revenue decreased due to change in reporting for Sheriff Court Security services as a result of AB109 State's realignment of services approved during State budget process.

Expenditures for governmental functions totaled \$2,262,359 in fiscal year 2011-12, which represents a decrease of 4.3 percent from fiscal year 2010-11.

The following table presents expenditures by function compared to prior year amounts.

Expenditures by Function  
Governmental Funds  
(amounts expressed in thousands)

Expenditures by Function	FY 2012		FY 2011		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Current:						
General government	\$ 133,720	5.91%	151,978	6.43%	(18,258)	(12.01%)
Public assistance	597,066	26.39%	666,033	28.18%	(68,967)	(10.35%)
Public protection	633,761	28.01%	633,933	26.82%	(172)	(0.03%)
Health and sanitation	535,088	23.65%	513,468	21.73%	21,620	4.21%
Public ways and facilities	85,118	3.76%	102,705	4.35%	(17,587)	(17.12%)
Recreation and culture	33,881	1.50%	33,896	1.43%	(15)	(0.04%)
Education	1,179	0.05%	2,988	0.13%	(1,809)	(60.54%)
Capital outlay	53,059	2.35%	47,840	2.02%	5,219	10.91%
Debt service:						
Principal	70,736	3.13%	85,295	3.61%	(14,559)	(17.07%)
Interest and fiscal charges	114,172	5.05%	125,166	5.30%	(10,994)	(8.78%)
Bond issuance costs	4,579	0.20%			4,579	100.00%
Total	<u>\$ 2,262,359</u>	<u>100.00%</u>	<u>2,363,302</u>	<u>100.00%</u>	<u>(100,943)</u>	<u>(4.27%)</u>

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

General Government: Decrease is primarily due to prior year payoff of a loan to Sacramento Housing and Redevelopment Agency (\$2.9 million), prior year appropriations for expenditures of Tobacco Litigation Settlement funds for Mental Health and Primary Health services (\$4 million) that did not occur in current year, and decreased costs for project expenditures for Mather Field and McClellan Park reuse programs as a result of less grant funding in the Economic Development fund (\$10 million).

Public Assistance: The reduction of \$69 million is primarily related to State reduction in health and social services program costs for CALWORKS, Mental Health and Foster Care Administration Funding.

Health and Sanitation: Increase is due to additional \$8 million in IHSS provider payments due to an increase in federal funding for IHSS clients that require more expensive levels of care. The additional \$13 million increase was due to mental and public health services that were offset by increases in reimbursement from federal and state funding.

Public Ways and Facilities: The decrease of \$17.6 million dollars is primarily due to decreased costs on projects for Roadway Fee District (\$8 million) and Transportation Sales Tax (\$7 million). Fluctuations in costs are due to multiyear life cycle of projects, external factors affecting construction, and the timing between project completion and receipt of revenue.

Education: Decrease is due to less capital maintenance and related costs at Sacramento County owned Library branches. Reduced funding in this area was a result of economic conditions.

Capital Outlay: Increase costs are primarily due to an increase for facility projects in the Accumulated Capital Outlay fund.

Bond Principal: Decrease is due to \$14 million reduction on amount owed for teeter notes.

Interest and fiscal charges and Bond issuance costs: Changes are due to issuance of Pension Obligation Bond Refunding Series 2011A & B.

Other financing sources and uses are presented below to illustrate changes from the prior year:

	FY 2012	FY 2011	Increase/(Decrease)	
			Amount	Percent
Transfers in	\$ 206,201	173,174	33,027	19.07%
Transfers out	(171,550)	(158,246)	(13,304)	8.41%
Issuance of debt	295,026	46,012	249,014	541.19%
Capital leases obligations		29	(29)	(100.00%)
Discounts on debt issued	(467)		(467)	100.00%
Swap termination payment	(76,549)		(76,549)	100.00%
Payment to refunded bonds escrow agent	(181,760)		(181,760)	100.00%
Total other financing sources (uses)	\$ 70,901	60,969	9,932	16.29%

- Transfers in/out: Increase for transfers in are primarily due to consolidation of Water Resources from Public Works Internal Service Fund to Special Revenue Stormwater Utility District (\$16 million). The additional increase for transfers out is due to transfer of interest earnings from debt service funds and capital project funds available to general fund for discretionary use (\$10 million).
- Swap termination payment, and Payment to refunded bond escrow agent: Changes are due to issuance of Pension Obligation Bond Refunding Series 2011A & B and associated costs for termination of interest rate swap agreements.

**Proprietary funds.** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the unrestricted net assets for the Airport System were \$83,040, Solid Waste \$46,339, Water Agency \$58,016, and Parking Enterprise \$1,731. The internal service funds that are used to account for certain governmental activities had unrestricted net assets of negative \$39,235.

The Airport System's total net assets increased by \$11,447 during fiscal year ended June 30, 2012 primarily due to a combination of operating income of \$6,612, net non-operating loss of (\$7,118) and capital contribution of \$14,393.

The Solid Waste's total net assets increased by \$6,622 during fiscal year ended June 30, 2012. This increase was due to a combination of operating income of \$7,219, net non-operating income of \$1,207, a special item gain of \$350 offset with a net transfer out of \$2,154.

The Water Agency's total net assets increased by \$53,142 during fiscal year ended June 30, 2012. This increase was due primarily to a combination of operating income of \$28,292 which is a result of an increase in water rates; net non-operating loss of (\$11,984) which is a result of increase in interest expense due to completed projects; a litigation settlement of \$30,730; and capital contribution of \$1,479.

The table below shows actual revenues, expenses and results of operations for the current fiscal year:

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
(amounts expressed in thousands)

	Major Funds			Non-Major Funds		Totals	Internal Service Funds
	Airport System	Solid Waste	Water Agency	Parking Enterprise	County Transit		
Operating revenues	\$ 143,749	65,649	56,491	3,051	146	269,086	325,173
Operating expenses	(137,137)	(58,430)	(28,199)	(1,867)	(2,009)	(227,642)	(321,359)
Operating income (loss)	6,612	7,219	28,292	1,184	(1,863)	41,444	3,814
Non-operating revenues, net	(7,118)	1,207	(11,984)	(79)	1,355	(16,619)	1,748
Income before capital contributions and transfers	(506)	8,426	16,308	1,105	(508)	24,825	5,562
Transfers in (out)	(2,440)	(2,154)	4,625	(25)		6	(34,657)
Capital contributions	14,393		1,479			15,872	
Special Item, Abatement of regulatory fees		350				350	
Extraordinary item, Litigation Settlements			30,730			30,730	
Changes in net assets	\$ 11,447	6,622	53,142	1,080	(508)	71,783	(29,095)

The income before capital contributions and transfers of enterprise funds of \$24,825 resulted primarily from net increases for Solid Waste of \$8,426 and Water Agency of \$16,308.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the Original Budget and the Final Budget resulted in a \$73.1 million increase in appropriations in Fiscal Year 2011-12, and are briefly summarized as follows:

**General Government:** The budget for General Government increased by \$1.7 million mainly due to legislative and administrative functions increasing by \$3.8 million, partially offset by decreases totaling \$2.1 million in finance, counsel, human resources, elections and other general government functions.

**Public Assistance:** The budget for Public Assistance increased \$8.9 million mainly due to a delay in transitioning the Homeless Programs to a non-County entity.

**Public Protection:** The budget for Public Protection increased by \$47 million mainly due to State Public Safety Realignment revenues and various grant awards.

**Health and Sanitation:** The budget for Health and Sanitation increased by \$15.5 million mainly due to an increase in In-Home Support Services provider payments.

Actual revenues for the General Fund were \$69.1 million less than the final budgetary estimates. The under-collection of revenues was mainly due to reduced health and social service program costs that resulted in reduced federal and State reimbursement revenues. Also, reduced demand for public services resulted in reduced revenue collection from charges for sales and services. The original budget for revenues increased at final budget by \$64.9 million primarily due to County departments not originally budgeting for state and federal grants and program costs due to uncertainty at the time the original budget was approved.

Actual expenditures were \$202.4 million less than budgetary estimates. Expenditures less than budget were mainly due to reduced health and social service program costs, resulting in reduced offsetting federal and State revenues. Also, detention and corrections costs, and expenditures for projects funded from the Fixed Asset Acquisition Fund, were less than anticipated, and there were salary and benefit savings in multiple areas due to vacant positions.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounted to \$4,128,551, net of accumulated depreciation. This investment in capital assets includes land and easements, computer software and other intangibles, water facility rights, infrastructure, structures and improvements, equipment, and construction in progress. The total increase in the County's investment in capital assets for the current period was 2 percent.

Capital assets, net of accumulated depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Schedule of Capital Assets  
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2012	2011	2012	2011	2012	2011	Percent of Change
Non depreciable:							
Land	\$ 123,029	120,857	87,187	87,179	210,216	208,036	1.05%
Construction in progress	39,612	94,508	136,728	1,397,359	176,340	1,491,867	(88.18%)
Easement-Perm	2,972	1,769	25	25	2,997	1,794	67.06%
Other Intangible		433	1,904	1,904	1,904	2,337	(18.53%)
Water facility rights			195,177	24,592	195,177	24,592	693.66%
Depreciable:							
Buildings and improvements	492,970	454,350	1,775,372	568,818	2,268,342	1,023,168	121.70%
Infrastructure	1,091,296	1,097,211	111,551	114,143	1,202,847	1,211,354	(0.70%)
Equipment	37,163	41,761	20,201	25,172	57,364	66,933	(14.30%)
Computer Software	12,358	14,129	13		12,371	14,129	(12.44%)
Water facility rights			993	1,019	993	1,019	(2.55%)
Total	<u>\$ 1,799,400</u>	<u>1,825,018</u>	<u>2,329,151</u>	<u>2,220,211</u>	<u>4,128,551</u>	<u>4,045,229</u>	<u>2.06%</u>

The following provides an explanation of significant changes in capital assets (amounts expressed in millions):

- Land: Increase is due to Fair Oaks Road Project (\$2).
- Buildings and improvements: Increase is due to Airports Terminal Modernization Program APRON (\$41), Facility and others (\$909), Waste (\$1.6), Water Storm Utilities (\$292), and AUCP capitalized Juvenile Hall Expansion (\$51), and Antelope Community (\$12).
- Non-Depreciable Water facility rights: Increase is due to Water Agency Project (\$170.6)
- Infrastructure: Decrease is due to Water Agency (\$6.6), and Road Fund projects (\$1.6).
- Construction in progress: The net decrease is due to combination of increases for the Airport Terminal Modernization Program wide costs (\$102), Waste (\$5.2), Water Project (\$27.9), and Governmental project (\$2.4); and decreases in Airport capitalized to Buildings/structures (\$909), Water Agency capitalized to Structure (\$467), and capitalized Juvenile Hall Expansion (\$51), and Sunrise Parks and Recreation capitalized Antelope Community (\$12) to Buildings.
- Equipment: Decrease is due to General Services (\$2.3), Governmental funds (\$1.1), Waste Management (\$4.3).
- Computer Software: Decrease is due to depreciation associated with Governmental funds (\$1.7)

Additional information on the County's capital assets can be found in Note 6 on pages 62-64.

**Debt Administration**

At June 30, 2012, the County's governmental activities had long-term obligations, totaling \$2.041 billion. Of this amount \$306.5 million are Certificates of Participation, \$246 million are Revenue bonds for cash settlement of the tobacco settlement agreement, and \$92 million are revenue bonds issued by the Public Financing Authority to finance redevelopment projects in designated redevelopment project areas in the City and County of Sacramento.

Other significant long-term obligations include \$51 million in loan agreements to fund the alternative method of distributing property taxes (Teeter Plan), and \$977 million in bonds issued to eliminate the unfunded pension obligation existing between the County and the Sacramento County Employees' Retirement System, and \$290 million associated accreted interest for Pension Obligation Bonds. The remaining represents various other debt obligations. In addition, compensated absences amounted to \$101 million and capital lease obligations were \$8 million.

Proprietary Funds had long-term obligations of approximately \$1.571 billion. This includes \$1.125 billion of Airport System revenue bonds and other Airport System debt, \$19 million of Solid Waste Enterprise certificates of participation and other Solid Waste debt, and Sacramento County Water Agency revenue bonds, reimbursement agreements and usage fee totaling \$509 million.

For the year ended June 30, 2012 the County's total long-term obligations had a net decrease of \$36,317. The net decrease resulted primarily from a decrease from scheduled principal retirements of revenue bonds and certificates of participation (\$49 million), a decrease on deferred amounts due to refundings (\$28 million), a decrease in borrowing payable as a result of termination of swap agreement (\$16 million), combined with an increase in pension obligation bonds and associated accreted interest (\$57 million).

Long term debt for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Schedule of Long Term Debt  
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Increase/(Decrease)	
	2012	2011	2012	2011	2012	2011	Amount	Percent
<b>Governmental activities:</b>								
Compensated absences	\$ 101,221	100,210	6,683	6,896	107,904	107,106	798	0.75%
Certificates of participation	306,535	323,510	19,085	21,180	325,620	344,690	(19,070)	(5.53%)
Teeter notes	50,897	50,961			50,897	50,961	(64)	(0.13%)
Pension obligation bonds	976,999	916,168			976,999	916,168	60,831	6.64%
Accreted Interest	289,835	294,029			289,835	294,029	(4,194)	(1.43%)
Revenue bonds	338,607	340,957	1,194,285	1,210,285	1,532,892	1,551,242	(18,350)	(1.18%)
Accreted Interest	14,965	12,644			14,965	12,644	2,321	18.36%
OPEB Liability	16,388	13,978	1,170	998	17,558	14,976	2,582	17.24%
Other long-term debt	2,435	6,105		54	2,435	6,159	(3,724)	(60.46%)
Capital lease obligations	7,824	8,711			7,824	8,711	(887)	(10.18%)
Borrowing payable		16,378				16,378	(16,378)	(100.00%)
Deferred amounts								
For issuance premiums	2,569	2,676	17,402	18,118	19,971	20,794	(823)	(3.96%)
For issuance discounts	(4,511)	(4,655)	(6,869)	(7,116)	(11,380)	(11,771)	391	(3.32%)
On refundings	(62,549)	(33,075)	(18,532)	(20,622)	(81,081)	(53,697)	(27,384)	51.00%
PFC and subordinate revenue bonds			339,880	351,745	339,880	351,745	(11,865)	(3.37%)
Reimbursement agreements			2,431	2,428	2,431	2,428	3	0.12%
Usage fee - City			7,027	7,027	7,027	7,027		0.00%
Water rights - SMUD assignment			7,232	7,728	7,232	7,728	(496)	(6.42%)
SMUD transformer			1,809	1,817	1,809	1,817	(8)	(0.44%)
	<u>\$ 2,041,215</u>	<u>2,048,597</u>	<u>1,571,603</u>	<u>1,600,538</u>	<u>3,612,818</u>	<u>3,649,135</u>	<u>(36,317)</u>	<u>(1.00%)</u>

Additional information regarding the County's long-term debt can be found in Note 9 on pages 71 – 86.

### **Economic Factors and Next Year's Budget and Rates**

- Four major sources of revenue generated from the performance of the economy are:
  - Property tax revenues decreased by \$13.7 million in the Fiscal Year 2012-13 budget, a 4.1 percent decrease. This projection is based on the Assessor's experience with the assessed property value roll and appeals to those values by homeowners.
  - Sales tax revenues increased by \$5.2 million in the Fiscal Year 2012-13 budget, an 8.3 percent increase. This projected revenue is based on actual Fiscal Year 2011-12 collections and available actual collections in the budget year.
  - Proposition 172 revenue increased by \$1.8 million in the Fiscal Year 2012-13 budget, a 2.1 percent increase. This revenue is based on State wide average actual collections in Fiscal Year 2011-12.
  - State Intergovernmental revenues increased by \$40.1 million in the Fiscal Year 2012-13 budget, a 5.2% percent increase. The increase is attributable to a number of increases and decreases in State programs administered by the County that are essentially pass-through payments to program recipients, as well as an increase in public safety realignment revenues.
- The Fiscal Year 2012-13 budget included increased salaries from cost of living increases of between 2.0-3.7 percent for approximately 25 percent of the County's approximately 11,500 full-time equivalent positions, and only in certain bargaining units. No other employees received increases.
- The Fiscal Year 2012-13 General Fund budget included a combination of increases and reductions that resulted in a net \$57.2 million increase in budgeted uses. There were 169 vacant General Fund positions deleted, and only one employee layoff.
- An unaudited General Fund balance/carryover of \$18.2 million was included in the budget. Of this amount, approximately \$9.7 million was a year-end net carryover improvement in departmental operations, with the remainder in General Purpose Financing and other sources.

### **Request for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, 700 H Street, Room 3650, Sacramento, CA 95814.

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## FINANCIAL SECTION

### BASIC FINANCIAL STATEMENTS

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**COUNTY OF SACRAMENTO  
GOVERNMENT-WIDE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012  
(amounts expressed in thousands)**

Page 1 of 2

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and investments	\$ 721,892	235,067	956,959
Restricted cash and investments		66,334	66,334
Receivables, net of allowance for uncollectibles:			
Billed	30,261	26,883	57,144
Intergovernmental	213,330	6,717	220,047
Internal balances	(20,381)	20,381	
Prepaid expenses	33	6,625	6,658
Inventories	3,224	496	3,720
Total current assets	<u>948,359</u>	<u>362,503</u>	<u>1,310,862</u>
Noncurrent assets:			
Restricted assets		177,505	177,505
Loan receivable from Successor Agency	71,045		71,045
Long-term receivables	104,895		104,895
Deferred charges	25,425	21,281	46,706
Deferred outflow of resources	152,270	83,140	235,410
Pension asset	1,009,435		1,009,435
Capital assets:			
Land and other nondepreciable assets	165,613	421,020	586,633
Buildings & improvements, infrastructure, equipment and intangibles, net	1,633,787	1,908,131	3,541,918
Total capital assets	<u>1,799,400</u>	<u>2,329,151</u>	<u>4,128,551</u>
Total noncurrent assets	<u>3,162,470</u>	<u>2,611,077</u>	<u>5,773,547</u>
Total assets	<u>\$ 4,110,829</u>	<u>2,973,580</u>	<u>7,084,409</u>

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

**COUNTY OF SACRAMENTO  
GOVERNMENT-WIDE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012  
(amounts expressed in thousands)**

Page 2 of 2

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities:			
Current liabilities:			
Warrants payable	\$ 16,378	1,506	17,884
Accrued liabilities	109,507	22,151	131,658
Intergovernmental payable	38,833	3,544	42,377
Accrued interest payable	15,538		15,538
Payable to external parties		15	15
Current portion of insurance claims payable	35,350		35,350
Current portion of long-term debt obligations	57,973	34,739	92,712
Current liabilities payable from restricted assets		41,461	41,461
Unearned revenue	5,256	3,102	8,358
Total current liabilities	<u>278,835</u>	<u>106,518</u>	<u>385,353</u>
Noncurrent liabilities:			
Insurance claims payable	161,990		161,990
Long-term debt obligations	1,983,242	1,536,864	3,520,106
Derivative instrument liability	152,270	83,140	235,410
Long-term advances from other funds	(1,591)	1,591	
Landfill closure and postclosure care		16,761	16,761
Other long-term liabilities	98		98
Total noncurrent liabilities	<u>2,296,009</u>	<u>1,638,356</u>	<u>3,934,365</u>
Total liabilities	<u>2,574,844</u>	<u>1,744,874</u>	<u>4,319,718</u>
Net assets:			
Invested in capital assets, net of related debt	1,407,750	873,060	2,280,810
Restricted for:			
Bond reserves		54,393	54,393
Landfill closure		8,793	8,793
Kiefer Wetlands Preserve		879	879
Debt service	159,984	53,738	213,722
Capital projects	30,965		30,965
Passenger facility charges		16,991	16,991
Future construction		2,622	2,622
Endowments:			
Expendable		69	69
Nonexpendable		2,027	2,027
Health programs	194,425		194,425
Transportation	38,670	1,040	39,710
Lighting and landscape maintenance	2,781		2,781
Community facilities	2,974		2,974
Fish and game	32		32
Unrestricted	(301,596)	215,094	(86,502)
Total net assets	<u>1,535,985</u>	<u>1,228,706</u>	<u>2,764,691</u>
Total liabilities and net assets	<u>\$ 4,110,829</u>	<u>2,973,580</u>	<u>7,084,409</u>

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



**COUNTY OF SACRAMENTO  
GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 171,667	116,246	1,071	(3)	(54,353)		(54,353)
Public assistance	611,073	11,744	552,495	5	(46,829)		(46,829)
Public protection	630,142	118,963	84,644	2,268	(424,267)		(424,267)
Health and sanitation	555,490	40,380	476,380	2,176	(36,554)		(36,554)
Public ways and facilities	111,965	27,227	38,805	17,755	(28,178)		(28,178)
Recreation and culture	88,913	13,181	13	53	(75,666)		(75,666)
Education	1,858	875	10	3	(970)		(970)
Interest and fiscal charges	124,537				(124,537)		(124,537)
Total governmental activities	<u>2,295,645</u>	<u>328,616</u>	<u>1,153,418</u>	<u>22,257</u>	<u>(791,354)</u>		<u>(791,354)</u>
Business-type activities:							
Airport	167,303	146,328	19,660	14,393		13,078	13,078
Solid Waste	63,131	71,101	533			8,503	8,503
Water Agency	47,799	57,989	4,667	1,479		16,336	16,336
Parking Enterprise	2,037	3,143				1,106	1,106
County Transit	2,040	178	995			(867)	(867)
Total business-type activities	<u>282,310</u>	<u>278,739</u>	<u>25,855</u>	<u>15,872</u>		<u>38,156</u>	<u>38,156</u>
Total primary government	<u>\$ 2,577,955</u>	<u>607,355</u>	<u>1,179,273</u>	<u>38,129</u>	<u>(791,354)</u>	<u>38,156</u>	<u>(753,198)</u>
General revenues:							
Taxes:							
Property					379,289		379,289
Sales / use					63,774	356	64,130
Transient occupancy					3,383		3,383
Unrestricted investment earnings (loss)					(648)	2,701	2,053
Grants and contributions not restricted to specific programs					237,046		237,046
Pledged tobacco settlement proceeds					12,609		12,609
Miscellaneous					90,168		90,168
Transfers					(6)	6	
Special Item, Abatement of regulatory fees						350	350
Extraordinary item, AB 99 obligation					48,448		48,448
Extraordinary item, Litigation Settlements						30,730	30,730
Total general revenues, special/extraordinary item, and transfers					<u>834,063</u>	<u>34,143</u>	<u>868,206</u>
Changes in net assets					42,709	72,299	115,008
Net assets, beginning of year, as restated					1,493,276	1,156,407	2,649,683
Net assets, end of year					<u>\$ 1,535,985</u>	<u>1,228,706</u>	<u>2,764,691</u>

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

**COUNTY OF SACRAMENTO  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2012  
(amounts expressed in thousands)**

	General	Nonmajor Governmental Funds	Total
<b>Assets:</b>			
Cash and investments	\$ 207,478	402,485	609,963
<b>Receivables:</b>			
Billed	13,581	10,134	23,715
Intergovernmental	201,525	7,222	208,747
Due from other funds	7,859	9,549	17,408
Inventories	1,378		1,378
Long-term advances to other funds		37,010	37,010
Loan receivable from Successor Agency		71,045	71,045
Long-term receivables	42,085	62,587	104,672
Deferred charges		30	30
<b>Total assets</b>	<b>\$ 473,906</b>	<b>600,062</b>	<b>1,073,968</b>
<b>Liabilities and fund balances:</b>			
<b>Liabilities:</b>			
Warrants payable	\$ 8,466	1,258	9,724
Accrued liabilities	80,684	15,453	96,137
Intergovernmental payable	27,830	10,918	38,748
Due to other funds	33,878	11,995	45,873
Deferred revenues	42,090	99,562	141,652
Long-term advances from other funds	75,753		75,753
Other long-term liabilities		98	98
<b>Total liabilities</b>	<b>268,701</b>	<b>139,284</b>	<b>407,985</b>
<b>Fund balances:</b>			
Nonspendable	14,967	20,361	35,328
Restricted	193,620	442,430	636,050
Unassigned	(3,382)	(2,013)	(5,395)
<b>Total fund balances</b>	<b>205,205</b>	<b>460,778</b>	<b>665,983</b>
<b>Total liabilities and fund balances</b>	<b>\$ 473,906</b>	<b>600,062</b>	<b>1,073,968</b>

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

**COUNTY OF SACRAMENTO**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**  
**(amounts expressed in thousands)**

Fund balances - total governmental funds	\$	665,983
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,768,118
Pension asset of the governmental activities is not a financial resource and, therefore, is not reported in the funds.		1,009,435
Bond issuance costs of the governmental activities are not financial resources and, therefore are not reported in the funds.		25,395
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(2,191,661)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		292,636
Internal service funds are used by management to charge the costs of certain activities, related to public works, general services, self-insurance, regional communications, and department of technology to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement net assets.		(33,921)
Net assets of governmental activities	<u>\$</u>	<u>1,535,985</u>

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

**COUNTY OF SACRAMENTO  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	General	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	\$ 410,322	36,124	446,446
Use of money and property	4,914	8,119	13,033
Licenses and permits	8,403	30,780	39,183
Intergovernmental	1,312,373	96,487	1,408,860
Charges for sales and services	118,740	58,974	177,714
Fines, forfeitures and penalties	24,211	19,340	43,551
Pledged tobacco settlement proceeds		12,609	12,609
Miscellaneous	44,960	45,208	90,168
Total revenues	<u>1,923,923</u>	<u>307,641</u>	<u>2,231,564</u>
Expenditures:			
Current:			
General government	81,044	52,676	133,720
Public assistance	597,066		597,066
Public protection	621,718	12,043	633,761
Health and sanitation	484,086	51,002	535,088
Public ways and facilities		85,118	85,118
Recreation and culture	17,637	16,244	33,881
Education	298	881	1,179
Capital outlay		53,059	53,059
Debt service:			
Principal		70,736	70,736
Bond issuance costs		4,579	4,579
Interest and fiscal charges		114,172	114,172
Total expenditures	<u>1,801,849</u>	<u>460,510</u>	<u>2,262,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>122,074</u>	<u>(152,869)</u>	<u>(30,795)</u>
Other financing sources (uses):			
Transfers in	39,380	166,821	206,201
Transfers out	(92,136)	(79,414)	(171,550)
Issuance of debt		295,026	295,026
Discounts on debt issued		(467)	(467)
Swap termination payment		(76,549)	(76,549)
Payment to refunded bonds escrow agent		(181,760)	(181,760)
Total other financing sources (uses)	<u>(52,756)</u>	<u>123,657</u>	<u>70,901</u>
Net change in fund balance before extraordinary item	<u>69,318</u>	<u>(29,212)</u>	<u>40,106</u>
Extraordinary and special items:			
AB 99 obligation		48,448	48,448
Net change in fund balances	<u>69,318</u>	<u>19,236</u>	<u>88,554</u>
Fund balances - beginning	135,887	441,542	577,429
Fund balances - ending	<u>\$ 205,205</u>	<u>460,778</u>	<u>665,983</u>

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

**COUNTY OF SACRAMENTO  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

Net change in fund balances - total governmental funds	\$	88,554
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(21,942)
Governmental funds report the effect of the pension asset when first paid, whereas the amount is deferred and amortized in the statement of activities. This is the amortization during the year.		(13,617)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		18,546
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.		(3,059)
Some revenues will not be collected up to twelve months after the year end, and therefore are not considered "available" and are deferred in the governmental funds. Deferred revenues decreased by this amount during the year.		3,837
The net revenues of certain activities of internal service funds is reported with governmental activities.		(29,610)
Change in net assets of governmental activities	<u>\$</u>	<u>42,709</u>

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

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**COUNTY OF SACRAMENTO  
GENERAL FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

Page 1 of 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 422,389	415,635	410,322	(5,313)
Use of money and property	4,881	4,968	4,914	(54)
Licenses and permits	9,833	10,012	8,403	(1,609)
Intergovernmental	1,279,101	1,370,969	1,312,373	(58,596)
Charges for sales and services	134,591	135,528	118,740	(16,788)
Fines, forfeitures and penalties	23,865	29,059	24,211	(4,848)
Miscellaneous	53,532	26,898	44,960	18,062
<b>Total revenues</b>	<u>1,928,192</u>	<u>1,993,069</u>	<u>1,923,923</u>	<u>(69,146)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Legislative and administrative	54,323	58,167	13,776	44,391
Finance	35,797	33,874	32,709	1,165
Counsel	5,205	5,160	4,896	264
Human resources	12,745	12,682	11,682	1,000
Elections	9,784	9,756	6,978	2,778
Other	12,720	12,682	11,003	1,679
<b>Total general government</b>	<u>130,574</u>	<u>132,321</u>	<u>81,044</u>	<u>51,277</u>
<b>Public assistance:</b>				
Administration	241,564	253,884	236,630	17,254
Aid programs	348,882	345,442	329,702	15,740
Other	32,305	32,339	30,734	1,605
<b>Total public assistance</b>	<u>622,751</u>	<u>631,665</u>	<u>597,066</u>	<u>34,599</u>

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

**COUNTY OF SACRAMENTO  
GENERAL FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

Page 2 of 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Public protection:				
Judicial	131,152	142,329	137,175	5,154
Police protection	240,952	253,490	250,110	3,380
Detention and correction	214,479	232,854	204,480	28,374
Protection and inspection	4,177	4,178	3,765	413
Other	27,845	32,777	26,188	6,589
	<u>618,605</u>	<u>665,628</u>	<u>621,718</u>	<u>43,910</u>
Total public protection				
Health and sanitation	537,187	552,646	484,086	68,560
Recreation and culture	21,725	21,664	17,637	4,027
Education	327	325	298	27
Total expenditures	<u>1,931,169</u>	<u>2,004,249</u>	<u>1,801,849</u>	<u>202,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,977)</u>	<u>(11,180)</u>	<u>122,074</u>	<u>133,254</u>
Other financing sources (uses):				
Transfers in	39,379	39,379	39,380	1
Transfers out	(92,137)	(92,137)	(92,136)	1
Total other financing sources (uses)	<u>(52,758)</u>	<u>(52,758)</u>	<u>(52,756)</u>	<u>2</u>
Net change in fund balance before extraordinary item	<u>\$ (55,735)</u>	<u>(63,938)</u>	<u>69,318</u>	<u>133,256</u>

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



**COUNTY OF SACRAMENTO  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2012  
 (amounts expressed in thousands)**

Page 1 of 2

	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds
	Airport System	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	
Assets:						
Current assets:						
Cash and investments	\$ 111,830	60,796	59,551	2,890	235,067	111,929
Restricted cash and investments	64,231		2,103		66,334	
Receivables, net of allowance for uncollectibles:						
Billed	8,460	9,817	8,594	12	26,883	6,546
Intergovernmental	5,136	472	1	1,108	6,717	4,583
Due from other funds	23	77	131	27	258	45,723
Prepaid expenses	6,625				6,625	33
Inventories	496				496	1,846
Total current assets	<u>196,801</u>	<u>71,162</u>	<u>70,380</u>	<u>4,037</u>	<u>342,380</u>	<u>170,660</u>
Noncurrent assets:						
Restricted assets	141,126	9,672	26,707		177,505	
Long-term advances to other funds						44,156
Long-term receivables						223
Deferred charges	17,595	476	3,210		21,281	
Deferred outflow of resources			83,140		83,140	
Capital assets:						
Land and other nondepreciable assets	123,600	38,057	258,064	1,299	421,020	
Buildings & improvements, infrastructure, equipment and intangibles, net	1,277,536	78,611	549,468	2,516	1,908,131	31,282
Total capital assets	<u>1,401,136</u>	<u>116,668</u>	<u>807,532</u>	<u>3,815</u>	<u>2,329,151</u>	<u>31,282</u>
Total noncurrent assets	<u>1,559,857</u>	<u>126,816</u>	<u>920,589</u>	<u>3,815</u>	<u>2,611,077</u>	<u>75,661</u>
Total assets	<u>\$ 1,756,658</u>	<u>197,978</u>	<u>990,969</u>	<u>7,852</u>	<u>2,953,457</u>	<u>246,321</u>

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

**COUNTY OF SACRAMENTO  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2012  
 (amounts expressed in thousands)**

Page 2 of 2

	Business-type Activities - Enterprise Funds				Total	Governmental Activities-Internal Service Funds
	Airport System	Solid Waste	Water Agency	Nonmajor Enterprise Funds		
Liabilities:						
Current liabilities:						
Warrants payable	\$ 1,126	209	159	12	1,506	6,654
Accrued liabilities	12,474	3,871	5,435	371	22,151	13,370
Intergovernmental payable	863	66	2,604	11	3,544	85
Due to other funds	3,064	2,129	655	12	5,860	11,671
Current portion of insurance claims payable						35,350
Current portion of long-term debt obligations	21,285	1,515	11,284	655	34,739	662
Current liabilities payable from restricted assets	41,461				41,461	
Unearned revenue	2,971	131			3,102	3,970
Total current liabilities	<u>83,244</u>	<u>7,921</u>	<u>20,137</u>	<u>1,061</u>	<u>112,363</u>	<u>71,762</u>
Noncurrent liabilities:						
Insurance claims payable						161,990
Long-term debt obligations	1,104,294	18,174	414,132	263	1,536,863	16,699
Derivative instrument liability			83,140		83,140	
Long-term advances from other funds		1,486		105	1,591	3,822
Landfill closure and postclosure care		16,761			16,761	
Total noncurrent liabilities	<u>1,104,294</u>	<u>36,421</u>	<u>497,272</u>	<u>368</u>	<u>1,638,355</u>	<u>182,511</u>
Total liabilities	<u>1,187,538</u>	<u>44,342</u>	<u>517,409</u>	<u>1,429</u>	<u>1,750,718</u>	<u>254,273</u>
Net assets:						
Invested in capital assets, net of related debt	385,766	97,625	386,733	2,936	873,060	31,282
Restricted for:						
Bond reserves	28,679		25,714		54,393	
Landfill closure		8,793			8,793	
Kiefer Wetlands Preserve		879			879	
Debt service	52,548		993	197	53,738	
Passenger facility charges	16,991				16,991	
Transportation				1,040	1,040	
Future construction			2,103	519	2,622	
Endowments:						
Expendable	69				69	
Nonexpendable	2,027				2,027	
Unrestricted	<u>83,040</u>	<u>46,339</u>	<u>58,016</u>	<u>1,731</u>	<u>189,126</u>	<u>(39,235)</u>
Total net assets	<u>569,120</u>	<u>153,636</u>	<u>473,559</u>	<u>6,423</u>	<u>1,202,738</u>	<u>(7,953)</u>
Total liabilities and net assets	<u>\$ 1,756,658</u>	<u>197,978</u>	<u>990,968</u>	<u>7,852</u>		<u>246,320</u>
Adjustment to reflect internal service fund activities related to enterprise funds					25,968	
Net assets of business-type activities					<u>\$ 1,228,706</u>	

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

**COUNTY OF SACRAMENTO  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES  
 IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

	Business-type Activities - Enterprise Funds				Total	Governmental Activities-Internal Service Funds
	Airport System	Solid Waste	Water Agency	Nonmajor Enterprise Funds		
Operating revenues:						
Charges for sales and services	\$ 143,369	65,008	55,145	3,140	266,662	313,721
Other	380	641	1,346	57	2,424	11,452
Total operating revenues	<u>143,749</u>	<u>65,649</u>	<u>56,491</u>	<u>3,197</u>	<u>269,086</u>	<u>325,173</u>
Operating expenses:						
Salaries and benefits	34,642	24,040	8,341	477	67,500	124,896
Services and supplies	58,008	26,619	8,590	1,140	94,357	129,448
Cost of sales and services	629				629	4,283
Depreciation and Amortization	43,847	6,994	9,606	470	60,917	9,281
Self-insurance						52,406
Landfill closure costs		661			661	
Other	11	116	1,662	1,789	3,578	1,045
Total operating expenses	<u>137,137</u>	<u>58,430</u>	<u>28,199</u>	<u>3,876</u>	<u>227,642</u>	<u>321,359</u>
Operating income (loss)	<u>6,612</u>	<u>7,219</u>	<u>28,292</u>	<u>(679)</u>	<u>41,444</u>	<u>3,814</u>
Nonoperating revenues (expenses):						
Use of money and property	914	254	1,524	9	2,701	58
Intergovernmental	1,638	533	4,667	995	7,833	1,358
Passenger facility charges	18,022				18,022	
Sales / use tax				356	356	
Interest expense	(26,906)	(1,056)	(18,175)	(84)	(46,221)	(468)
Other	(786)	1,476			690	800
Total nonoperating revenues (expenses)	<u>(7,118)</u>	<u>1,207</u>	<u>(11,984)</u>	<u>1,276</u>	<u>(16,619)</u>	<u>1,748</u>
Income before capital contributions and transfers	<u>(506)</u>	<u>8,426</u>	<u>16,308</u>	<u>597</u>	<u>24,825</u>	<u>5,562</u>
Transfers in			5,446	727	6,173	316
Transfers out	(2,440)	(2,154)	(821)	(752)	(6,167)	(34,973)
Capital contributions	14,393		1,479		15,872	
Changes in net assets before extraordinary and special items	<u>11,447</u>	<u>6,272</u>	<u>22,412</u>	<u>572</u>	<u>40,703</u>	<u>(29,095)</u>
Extraordinary and special items:						
Special Item, Abatement of regulatory fees		350			350	
Extraordinary item, Litigation Settlements			30,730		30,730	
Net assets, beginning of year	<u>557,673</u>	<u>147,014</u>	<u>420,417</u>	<u>5,851</u>		<u>21,142</u>
Net assets, end of year	<u>\$ 569,120</u>	<u>153,636</u>	<u>473,559</u>	<u>6,423</u>		<u>(7,953)</u>
Adjustment to reflect internal service fund activities related to enterprise funds.					516	
Change in net assets of business-type activities					<u>\$ 72,299</u>	

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

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**COUNTY OF SACRAMENTO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

Page 1 of 2

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Airport System	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users	\$ 144,299	58,503	50,868	3,147	256,817	58,234
Receipts from interfund services provided		(4,205)			(4,205)	280,121
Receipts for other operating activities	65	7,171	1,346		8,582	
Payments to suppliers	(54,397)	(23,115)	(12,220)	(2,834)	(92,566)	(168,204)
Payments to employees	(34,850)	(24,047)	(8,209)	(472)	(67,578)	(127,973)
Payments for other operating activities				(18)	(18)	(833)
Payments for interfund services used				122	122	(30,614)
Net cash provided by (used for) operating activities	<u>55,117</u>	<u>14,307</u>	<u>31,785</u>	<u>(55)</u>	<u>101,154</u>	<u>10,731</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Receipt on advance from other funds						16,065
Payment on advance from other funds						1,378
Transfers from other funds			5,446	727	6,173	316
Transfers to other funds	(2,440)	(2,154)	(821)	(752)	(6,167)	(34,973)
Payment on advance to other funds				(98)	(98)	
Interest paid on advances from other funds						(468)
Intergovernmental revenue	1,799	2,272		1,109	5,180	1,358
Net Proceeds from lawsuit settlement			35,000		35,000	
Other non-operating revenue						2,489
Net cash provided by (used for) noncapital financing activities	<u>(641)</u>	<u>118</u>	<u>39,625</u>	<u>986</u>	<u>40,088</u>	<u>(13,835)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Bond issuance costs						
Passenger facility charges	17,974				17,974	
Capital contributions	14,324				14,324	
Acquisition and construction of capital assets	(129,783)	(5,706)	(18,828)	(25)	(154,342)	(7,805)
Principal paid on long-term obligations	(20,260)	(1,626)	(8,109)	(630)	(30,625)	
Interest paid on long-term obligations	(59,788)	(854)	(18,228)	(84)	(78,954)	
Proceeds from the sale of capital assets	59	179			238	511
Net cash used for capital and related financing activities	<u>(177,474)</u>	<u>(8,007)</u>	<u>(45,165)</u>	<u>(739)</u>	<u>(231,385)</u>	<u>(7,294)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of investments	(1,038)				(1,038)	
Proceeds from sales and maturities of investments	111,242		882		112,124	
Interest received on cash and investments	2,217	253	1,527	11	4,008	58
Net cash provided by (used for) investing activities	<u>112,421</u>	<u>253</u>	<u>2,409</u>	<u>11</u>	<u>115,094</u>	<u>58</u>
Net increase (decrease) in cash and cash equivalents	(10,577)	6,671	28,654	203	24,951	(10,340)
Cash and cash equivalents, beginning of year	294,496	63,797	37,776	2,687	398,756	122,269
Cash and cash equivalents, end of year	<u>\$ 283,919</u>	<u>70,468</u>	<u>66,430</u>	<u>2,890</u>	<u>423,707</u>	<u>111,929</u>

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

**COUNTY OF SACRAMENTO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

Page 2 of 2

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Airport System	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>						
Cash and investments	\$ 111,830	60,796	59,551	2,890	235,067	111,929
Restricted cash and investments	64,231		2,103		66,334	
Restricted noncurrent assets (net of accrued interest)	141,126	9,672	26,707		177,505	
Less: Long-term investments included in restricted assets	(33,268)		(21,931)		(55,199)	
Cash and cash equivalents	<u>\$ 283,919</u>	<u>70,468</u>	<u>66,430</u>	<u>2,890</u>	<u>423,707</u>	<u>111,929</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 6,612	7,219	28,292	(679)	41,444	3,814
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and Amortization	43,847	6,994	9,606	470	60,917	9,281
Provision for uncollectible accounts	208				208	
Impact fee credits applied			(3,648)		(3,648)	
Other nonoperating revenue	64	(406)			(342)	4,176
Other nonoperating expense						(2,426)
Changes in assets and liabilities:						
Receivables:						
Billed	(287)	259	(564)	8	(584)	(2,385)
Intergovernmental		140			140	(610)
Deposits with others	8				8	
Due from other funds		32	(65)	117	84	2,969
Prepaid expenses	(206)				(206)	
Inventories	(277)				(277)	(164)
Long-term receivables						29
Warrants payable	(1,216)	(355)		7	(1,564)	4,951
Accrued liabilities	6,061	1,374	(2,199)	12	5,248	(2,068)
Intergovernmental payable						(1,590)
Due to other funds		(1,406)	321	4	(1,081)	(9,612)
Deferred revenues	629				629	(469)
Landfill closure and postclosure care		420			420	
Compensated absences	(375)	(24)	18	4	(377)	217
Other post employment benefits	87	60	24	2	173	387
Insurance claims payable	(38)				(38)	4,231
Total adjustments	<u>48,505</u>	<u>7,088</u>	<u>3,493</u>	<u>624</u>	<u>59,710</u>	<u>6,917</u>
Net cash provided by (used for) operating activities	<u>\$ 55,117</u>	<u>14,307</u>	<u>31,785</u>	<u>(55)</u>	<u>101,154</u>	<u>10,731</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>						
Contributed assets	831		1,479		2,310	
Amortization of bonds premium			350		350	
Retired assets - Net book value	153				153	
Special Item, Abatement of regulatory fees		350			350	
Capital assets purchases included in accrued liabilities	14,807				14,807	

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

**COUNTY OF SACRAMENTO  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012  
(amounts expressed in thousands)**

	Agency	Investment Trust	Redevelopment Obligation Retirement Fund - Successor Agency
Assets:			
Cash and investments	\$ 191,121	1,725,378	39,566
Receivables, net of allowance for uncollectibles:			
Billed	982		
Interest	1,354		
Intergovernmental	3,118		2,287
Due from other funds	15		
Prepaid expenses	60		
Land and other nondepreciable assets			4,667
Buildings & improvements, infrastructure, equipment and intangibles, net			521
Total assets	\$ 196,650	1,725,378	47,041
Liabilities:			
Warrants payable	\$ 11,482		6
Accrued liabilities	9,105		3,594
Intergovernmental payable	176,063		1,375
Other long-term liabilities			7,765
Loan due to County Public Financing Authority			71,045
Total liabilities	\$ 196,650		83,785
Net assets (deficit) held in trust		\$ 1,725,378	(36,744)

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

**COUNTY OF SACRAMENTO  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

	<u>Investment Trust</u>	<u>Redevelopment Obligation Retirement Fund - Successor Agency</u>
Additions:		
Property Taxes	\$	3,505
Contributions on pooled investments	8,169,730	
Use of money and property	59,660	75
Miscellaneous		8
	<hr/>	<hr/>
Total additions	8,229,390	3,588
Deductions:		
Distributions from pooled investments	8,374,807	
Services and supplies		1,453
Debt service:		
Interest expense		2,131
	<hr/>	<hr/>
Total deductions	8,374,807	3,584
Net increase (decrease) in net assets	(145,417)	4
Extraordinary item - Dissolution of Redevelopment Agency		(36,748)
Net assets held in trust, beginning of year	<hr/> 1,870,795	<hr/>
Net assets (deficit) held in trust, end of year	<hr/> \$ 1,725,378	<hr/> (36,744)

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



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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## FINANCIAL SECTION

### NOTES TO BASIC FINANCIAL STATEMENTS

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**COUNTY OF SACRAMENTO  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the County of Sacramento (County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The County's significant accounting policies are described below.

**Scope of Financial Reporting Entity**

The County reporting entity includes all significant organizations, departments, and agencies over which the County is considered to be financially accountable. The County is a political subdivision of the State of California, and as such can exercise the powers specified by the Constitution and laws of the State of California. The County operates under a charter and is governed by a five-member Board of Supervisors. In addition, as required by GAAP, the financial statements present the financial position of the County and its component units (entities for which the County is considered to be financially responsible).

Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. All of the blended components have June 30 year-ends.

The special districts and agencies listed below are fiscally dependent on the County, and the County Board of Supervisors is their governing board, or their governing boards are made up substantially of the Board of Supervisors. In addition, financial actions such as setting rates, adopting the annual budget, and determining the legal liability for the general obligation debt, if any, of most of the component units remain with the County.

**Blended Component Units:**

<p>Lighting and Landscape Maintenance District Special Revenue Fund:          County Service Area Number One          Sacramento County Landscape Maintenance District</p> <p>Park Districts and Park Service Areas Special Revenue Fund:          Del Norte Oaks Park Maintenance District          Mission Oaks Recreation and Park District          Carmichael Recreation and Park District          Sunrise Recreation and Park District          County Service Area Number Four</p>	<p>Special Revenue Fund Other:          Natomas Fire District          County Service Area Number Ten          Water Agency Special Revenue Fund          First Five Commission          In-Home Support Services Authority</p> <p>Enterprise Fund:          Water Agency Water Supply</p>
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The Tobacco Securitization Authority (Authority) of Northern California is a public entity legally separate and apart from the County, and is considered a blended component unit of the County. The Authority was created by a Joint Powers Agreement effective July 15, 2001 between the County and the County of San Diego. The Authority was created for the purpose of empowering the Authority to finance the payments received by the County from the nation-wide Tobacco Settlement Agreement (Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of all Bonds secured by those Payments or the lending of money based thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such payments of the County. The debts and liabilities of the Authority belong solely to it, and neither the Counties of Sacramento or San Diego are in any way responsible for those liabilities. The Authority meets the criteria set forth in generally accepted accounting principles as a blended component unit of the County because the Authority is providing services solely to the County and is accounted for in debt service and special revenue funds.

The Sacramento County Public Financing Authority (PFA) is a public entity created by a Joint Exercise of Powers Agreement effective as of November 2003 between Sacramento County and the Sacramento Housing and Redevelopment Agency (Agency). The PFA is a public entity legally separate and apart from the County, and is considered a blended component unit of the County. The County Board of Supervisors sits as the Board of Directors of the PFA. The PFA was created for the purpose

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**(amounts expressed in thousands)**

of obtaining financing for various designated redevelopment and housing projects in the greater Sacramento area. The debts and liabilities of the PFA belong solely to it, and neither the County nor the Agency is any way responsible for those liabilities.

The PFA established an agreement with the Agency in which the Agency would pay back to the PFA those debt proceeds advanced to them. On December 29, 2011, the California Supreme Court upheld California Assembly Bill X1 26 (ABX1 26) that provides for the dissolution of all redevelopment agencies. On January 24, 2012, the County Board of Supervisors elected to become the Successor Agency for the former County redevelopment agency in accordance with the ABX1 26 as part of County resolution number 2012-0051. As such, the Agency obligations with the PFA were transferred to the County Redevelopment Successor Agency Private Purpose Trust Fund.

The County has created the Public Facilities Financing Corporation (Corporation) for the purpose of facilitating the financing of public projects within the County. The Board of Supervisors appoints the governing board of the Corporation and is responsible for the fiscal and administrative activities of the entity. For financial reporting purposes, capitalized leases between the County and the Corporation have been eliminated and the financial data of the entity has been included within the County's reporting entity and is accounted for in a debt service fund.

**Excluded from the Reporting Entity:** The Sacramento County Employees' Retirement System is excluded from the reporting entity, as it is fiscally independent of the County and is governed by a separate Board of Directors and not by the County Board of Supervisors.

The reporting entity excludes certain separate legal entities. Some of these entities may have "Sacramento" in their title or are required to keep their cash and investments with the County Treasurer or receive property tax apportionments from the County. Examples are school districts, community college districts, cities, joint powers agencies, and a variety of special-purpose independent districts for cemeteries, fire, recreation and parks, and reclamation. These entities are autonomous organizations with their own governmental powers and constituencies. The Board of Supervisors does not appoint a voting majority of their boards. Accordingly, they are not included in the accompanying basic financial statements.

Certain assets, principally cash and investments, of these separate legal entities held by the County in a custodial capacity are included in the investment trust funds.

**Joint Power Authorities or Jointly Governed Organizations**

The County of Sacramento is a member of several Joint Powers Agencies (JPA) and/or jointly managed agencies. These are:

**AGENCY**

Sacramento Area Council of Governments  
 Sacramento Employment and Training Agency  
 Sacramento Area Flood Control Agency  
 Sacramento Metropolitan Cable Television Commission  
 Sacramento Housing and Redevelopment Agency  
 Sacramento Transportation Agency  
 Local Agency Formation Commission  
 Sacramento/Placerville Transportation  
 Sacramento Metropolitan Air Quality District  
 Solid Waste Authority  
 Library Joint Powers Authority

**PURPOSE**

Regional planning (primarily transportation)  
 Coordination of Federal and State funding for job programs  
 Regional flood control issues  
 Administration of the franchising and licensing of cable TV services  
 Housing/redevelopment projects  
 Administration of County-wide transportation projects  
 Formation of districts and cities within the County  
 Acquisition of rail lines for a transportation corridor  
 Monitor and enforce air quality  
 Regulate commercial waste collection franchises and regional programs  
 Library operations

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Joint Powers Agencies (JPA) continued:

<u>AGENCY</u>	<u>PURPOSE</u>
Sacramento County Regional Sanitation District	Waste water conveyance, treatment and disposal
Sacramento Area Sewer District	Sewer Service
Southeast Connector JPA	Planning and development of the Elk Grove-Rancho Cordova-El Dorado Connector Project
River City Regional Stadium Financing Authority	Finance the acquisition and construction of River Cats Stadium
Sacramento Regional Arts Facilities Financing Authority	Finance acquisition, construction, improvement, renovation and equipping of certain theatre facilities located in the City of Sacramento
Sacramento Central Groundwater Authority	Regulate and manage groundwater within the Central Basin of Sacramento County

The Sacramento County Director of Finance acts as the Auditor-Controller and as the Treasurer and depository for all the above agencies except for the Sacramento Housing and Redevelopment Agency. Funding, if any, for each of these agencies from the County is based on annual appropriations. The County has no continuing financial liability and does not expect any financial burden from its participation in any of these agencies. Separate financial statements of the JPAs can be obtained by contacting the individual agencies or the County Department of Finance, Auditor-Controller Division. The above agencies do not meet the criteria under GASB 14 necessary to be considered a component unit.

**Joint Ventures**

The Sacramento County Water Enterprise Fund entered into a joint venture in 2002 with the East Bay Municipal Utility District establishing the Freeport Regional Water Authority (FRWA). The purpose of this partnership is to construct a joint regional surface water supply project on the Sacramento River near the community of Freeport and adjacent to the City of Sacramento. The Sacramento County Water Enterprise Fund has no equity interest in the FRWA. Copies of the FRWA's financial statements may be obtained from the FRWA Authority Treasurer, MS #801, P.O. Box 24055, Oakland, CA 94623-1055.

**Government-Wide and Fund Financial Statements Presentation**

**Government-wide Financial Statements:**

The Statement of Net Assets and the Statement of Activities display information about the primary government, the County and its component units. These statements include financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the County's business-type activities and each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements:**

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category: governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds,

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

each displayed in a separate column. All remaining governmental (special revenue, capital projects and debt service) and proprietary funds (Parking Enterprise and County Transit) are separately aggregated and reported as non-major funds.

**The County reports the following major governmental fund:**

The General fund is used to account for all financial resources except those legally required or designated by the Board to be accounted for in another fund.

**The County reports the following major enterprise funds:**

The Airport System fund is used to account for the facilities of the Airport System, including the International, Executive, Franklin Field, and Mather Airfield.

The Solid Waste fund is used to account for the costs of the Solid Waste collection business, including the Solid Waste disposal site and transfer stations.

The Water Agency Fund is used to account for the construction of major water supply treatment, transmission and distribution as well as the retail service provider of water to the unincorporated area.

**The County also reports the following fund types:**

Internal service funds are used to account for the financing of goods, services, or facilities provided by one department to other departments of the County, or to other governmental units, on a cost-reimbursement basis. Internal service funds include Public Works, General Services, Self-Insurance funds covering general liability and property damage, workers' compensation, dental and unemployment, Regional Communication for emergency communications services, and Office of Communications and Information Technology.

Investment trust funds account for the assets of legally separate entities that deposit cash with the County treasury. These entities include school districts, other independent special districts governed by local boards, regional boards and authorities, and pass through for property tax collections for cities. These funds represent assets, primarily cash and investments, held by the County in trust for these participants.

Agency funds account for the assets held by the County as an agent for various individuals, private organizations and other governmental agencies. These include Law Enforcement, Unapportioned Tax Collection, and other.

The private-purpose trust fund is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Sacramento County Redevelopment Successor Agency (Successor Agency). The fund was established effective February 1, 2012.

**Measurement Focus and Basis of Accounting**

The government-wide, proprietary and investment trust fund financial statements are reported using economic resources measurement focus and accrual basis accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property and sales taxes, grants, entitlements and donations. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes (other than property taxes), interest, certain state and federal grants, and charges for services are accrued when

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

their receipt occurs within three hundred sixty five days of the end of the accounting period so as to be both measurable and available. Licenses, permits, fines, forfeitures and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 County's enterprise funds are charges to customers for services including: water, solid waste, airline fees and charges, parking fees and public transit fees. The principal operating revenues for the County's internal services funds are charges for customer services including: fleet operations, purchasing, printing services, central stores, mail services, building maintenance, surplus property disposal, telecommunications, water resources, special district formation, water quality, highways and bridges, real estate, surveyor, information and permits, self insurance for: liability and property damages, workers' compensation claims and unemployment claims, emergency communication functions, telecommunication and data processing, and capital projects and real property services. Operating expenses for enterprise funds and internal services funds include cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When restricted assets become available, for their restricted purpose, they are used first, and then unrestricted assets are used as they are needed.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows the County considers all short-term highly liquid investments (including restricted assets) to be cash equivalents. Investments held in the County Treasurer's Pool are available on demand to individual entities, thus they are considered highly liquid and cash equivalents for purposes of the statements of cash flows.

**Property Taxes**

The County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions within Sacramento County including the cities, school districts, and various special districts. Property taxes are payable in equal installments, November 1 and February 1. They become delinquent after December

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

10 and April 10, respectively. The assessment date for fiscal year 2011-12 is July 1 and the lien date is January 1 (unsecured property taxes are paid in one installment August 31). The tax collections are recorded in the Unapportioned Tax Collection Agency fund prior to apportionment.

Beginning in fiscal year 1993-94, the County Board of Supervisors adopted a resolution authorizing the “Alternative Method of Property Tax Apportionment” (Teeter Plan), under which the County converted to an accrual method of apportioning secured property taxes. Under the Teeter Plan, the County purchases the annual delinquent secured property taxes from the local taxing entities and selected special assessment districts in Sacramento County. The financing of the purchase of the delinquent secured property taxes under the Teeter Plan has been accomplished by five-year legal, secured medium-term note obligations of the County which have been purchased by the Treasurer’s Pool. The terms of the notes include a variable interest rate, adjusted on a quarterly basis, equal to the rate of interest on the U.S. Treasury Note for the number of years corresponding to the remaining term of each note.

For financial reporting purposes, a debt service fund was created to account for the proceeds, subsequent purchase of delinquent taxes of the taxing entities, and the accumulation of financial resources to be used to repay the notes. Collections on the delinquent secured taxes including interest and penalties purchased from the various taxing entities will be the primary funding source. The delinquent secured taxes are recorded as a long-term receivable in the debt service fund.

A description of the debt related to the Teeter Plan can be found in Note 9.

**Intergovernmental Revenues**

The federal government and State of California reimburse the County for costs incurred on certain capital asset construction projects under capital grant agreements. Amounts claimed under such grants are credited to intergovernmental revenues if the project is being administered by a capital projects fund or to capital contributions revenue if administered by a proprietary fund. Additionally, the County receives reimbursement from the federal government and State of California for other programs, such as public assistance, administered by the County. These reimbursements are recorded in the fund administering the program as intergovernmental revenues with the related program costs included in expenditures.

The respective grant agreements generally require the County to maintain accounting records and substantiating evidence sufficient to determine if all costs incurred and claimed are proper and that the County is in substantial compliance with other terms of the grant agreements. These records are subject to audit by the appropriate government agency. Any amounts disallowed will reduce future claims or be directly recovered from the County.

**Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either due to/from other funds or advances to/from other funds. Any remaining 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 statements, are offset by deferred revenue or nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.



**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**Inventories**

Inventory for governmental funds consist of pharmacy supplies and jail inventory which consists of clothing for inmates and supplies for jails and jail staff. Inventories are valued at cost, using the first-in/first-out method. Inventories of proprietary funds are recorded at the lower of cost computed by the weighted average method or market value.

**Restricted Assets**

Certain proceeds of proprietary fund obligations, as well as certain other resources set aside for obligation repayment and future construction or acquisition of assets, are classified as restricted assets on the statement of net assets. These amounts are restricted as their use is limited by applicable bond covenants or other external requirements.

**Capital Assets**

Capital assets, which include land, easement, structures and improvements, infrastructure, machinery and equipment, computer software, water facility rights, and other intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5 and an estimated useful life in excess of four years except for computer software, computer and peripheral equipment which have an estimated useful life of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The County has not reported infrastructure acquired prior to 1980. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures of the General, special revenue, and capital projects funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital lease is included in depreciation and amortization. Structures and improvements, infrastructure, equipment and intangible assets of the primary government, are depreciated using the straight line method over the following estimated used lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	4 to 50
Infrastructure	20 to 50
Equipment	3 to 25
Computer Software	3 to 10
Water Facility Rights	40 to 50

**Compensated Absences**

County employees are granted vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time-off in lieu of overtime compensation and/or for working on holidays.

Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to future years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. The County does not pay accumulated sick leave to employees who terminate prior to retirement. It is the policy of the County to pay certain employees a portion of their sick leave at retirement. The amount of the liability has been accrued in accordance with GASB Statement 16, *Accounting for Compensated Absences*.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

The County accrues for compensated absences in the government-wide and proprietary fund statement for which they are liable to make payment. The liquidation of compensated absences occurs in the fund where the employee resides when the hours are used or upon retirement or termination from the County.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term 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 debt issued and premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the County’s highest level of decision-making authority (resolution by the Board of Supervisors), and that remains binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the County’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making (Resolution by Board of Supervisors), or by a body or an official designated by the Board of Supervisors for that purpose. This is also the classification for residual funds in the County’s special revenue funds, and Capital Projects, and Debt Service.
- Unassigned fund balance – the residual classification for the County’s General Fund that includes amounts not contained in the other classification. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted or committed to those purposes.

**Fund Balance Policy**

The Board of Supervisors approved the Fund Balance policy on June 9, 2011. When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the County’s policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the County’s policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

Only the Board has the authority to assign unassigned fund balance amounts where the County’s intent is for those amounts to be used for specific purposes.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Each year when preparing the budget for the next fiscal year, the Board of Supervisors will on an annual basis, determine any growth in total General Fund discretionary revenue over the current fiscal year. The growth will be used first to fund any increases that result from:

- Any memoranda of understanding (MOU's) between the County and its labor organizations; and
- All legal obligations.

Any remaining discretionary revenue growth will be appropriated as follows:

- First, up to \$10 million to repay the Interfund Loans until fully repaid; and
- Second, 50% to the General reserve, and 50% reinvested in high priority services as determined by the Board of Supervisors.

In the event that total General Fund discretionary revenue exceeds \$566 million, any remaining discretionary revenue growth available after satisfying MOU a legal obligations and repayment of the Interfund Loans will be appropriated as follows:

Item	Amount	Maximum
Unassigned General Reserve	5%	10% of discretionary revenues
Innovation Investment Revolving Fund	5%	5% of discretionary revenues
Management Audits	5%	Based on need
High Priority Services	Balance	No maximum

The Board of Supervisors, as the highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, (resolution). These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use through the same type of formal action taken to establish the commitment. Board action to commit fund balance needs to occur within the fiscal reporting period; but the amount, if any, which will be subject to the constraint, may be determined at a subsequent period.

**Net Assets/Fund Balance**

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

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Liability/Property, Workers Compensation and Unemployment ISF Deficit Net Assets**

As of June 30, 2012 the Liability/Property and Workers Compensation ISF have deficit net assets of (\$16,910) and (\$97,025), respectively. These deficits in net assets represent the county's unfunded actuarial determined liability for the liability/property and workers compensation. The County is collecting additional amounts from the departments to eliminate the unfunded liability.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Total fund balances of the County’s governmental funds of \$665,983 differs from net assets of governmental activities of \$1,535,985, primarily from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets. The effect of the differences is illustrated below:

Balance Sheet/Statement of Net Assets

Page 1 of 2

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Governmental Activities Statement of Net Assets
Assets:					
Current assets:					
Cash and investments	\$ 609,963		111,929		721,892
Receivables, net of allowance for uncollectibles:					
Billed	23,715		6,546		30,261
Intergovernmental	208,747		4,583		213,330
Due from other funds	17,408		19,755	(57,544)	(20,381)
Prepaid expenses			33		33
Inventories	1,378		1,846		3,224
	<u>861,211</u>		<u>144,692</u>	<u>(57,544)</u>	<u>948,359</u>
Total current assets					
Noncurrent assets:					
Long-term receivables	104,672		223		104,895
Deferred charges	30	25,395			25,425
Deferred outflow of resources		152,270			152,270
Long-term advances to other funds	37,010		44,156	(81,166)	
Loan receivable from Successor Agency	71,045				71,045
Pension asset		1,009,435			1,009,435
Capital assets:					
Land and other nondepreciable assets		165,613			165,613
Buildings & improvements, infrastructure, equipment and intangibles, net		1,602,505	31,282		1,633,787
Total capital assets		<u>1,768,118</u>	<u>31,282</u>		<u>1,799,400</u>
Total noncurrent assets	<u>212,757</u>	<u>2,955,218</u>	<u>75,661</u>	<u>(81,166)</u>	<u>3,162,470</u>
Total assets	<u>\$ 1,073,968</u>	<u>2,955,218</u>	<u>220,353</u>	<u>(138,710)</u>	<u>4,110,829</u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 2 of 2

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Governmental Activities Statement of Net Assets
Liabilities:					
Current liabilities:					
Warrants payable	\$ 9,724		6,654		16,378
Accrued liabilities	96,137		13,370		109,507
Intergovernmental payable	38,748		85		38,833
Accrued interest payable		15,538			15,538
Due to other funds/payable to external parties	45,873		11,671	(57,544)	
Current portion of insurance claims payable			35,350		35,350
Current portion of long-term debt obligations		57,311	662		57,973
Deferred / unearned revenue	141,652	(140,366)	3,970		5,256
<b>Total current liabilities</b>	<b>332,134</b>	<b>(67,517)</b>	<b>71,762</b>	<b>(57,544)</b>	<b>278,835</b>
Noncurrent liabilities:					
Insurance claims payable			161,990		161,990
Long-term debt obligations		1,966,542	16,700		1,983,242
Derivative instrument liability		152,270			152,270
Long-term advances from other funds	75,753		3,822	(81,166)	(1,591)
Other long-term liabilities	98				98
<b>Total noncurrent liabilities</b>	<b>75,851</b>	<b>2,118,812</b>	<b>182,512</b>	<b>(81,166)</b>	<b>2,296,009</b>
<b>Total liabilities</b>	<b>407,985</b>	<b>2,051,295</b>	<b>254,274</b>	<b>(138,710)</b>	<b>2,574,844</b>
Fund balance/net assets:					
Nonspendable	35,328			(35,328)	
Restricted	636,050			(636,050)	
Unassigned	(5,395)			5,395	
Invested in capital assets, net of related debt		1,376,468	31,282		1,407,750
Restricted for:					
Debt service		(251,013)		410,997	159,984
Capital projects				30,965	30,965
Fire protection		16,828		(16,828)	
Health programs				194,425	194,425
Transportation				38,670	38,670
Lighting and landscape maintenance				2,781	2,781
Community facilities				2,974	2,974
Fish and game				32	32
Unrestricted		(238,360)	(65,203)	1,967	(301,596)
<b>Total fund balance / net assets</b>	<b>665,983</b>	<b>903,923</b>	<b>(33,921)</b>		<b>1,535,985</b>
<b>Total liabilities and fund balance / net assets</b>	<b>\$ 1,073,968</b>	<b>2,955,218</b>	<b>220,353</b>	<b>(138,710)</b>	<b>4,110,829</b>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

(a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

(1) When capital assets (land, infrastructure, building, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

Cost of capital assets	\$ 4,272,220
Accumulated depreciation	<u>(2,504,102)</u>
	<u>1,768,118</u>

Pension asset of the governmental activities is not a financial resource and, therefore, is not reported in the funds.

1,009,435

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.

25,395

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences	(86,953)
Other post employment benefits (OPEB)	(13,295)
Bonds, loans, capital leases, other payables and accreted interest	(1,923,605)
Derivative instrument liability	(152,270)
Accrued interest payable	<u>(15,538)</u>
	<u>(2,191,661)</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for certain period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred outflow of resources	152,270
Deferred revenue	<u>140,366</u>
Total	<u>\$ 903,923</u>

(2) Internal service funds are used by management to charge the costs of certain activities, related to public works, general services, self-insurance, regional communications and department of technology to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

\$ (33,921)

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

The net change in fund balances for governmental funds of \$88,554, differs from the change in net assets for governmental activities of \$42,709 reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below:

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

	Total Governmental Funds	Capital- Related Items (3)	Long-term Revenues, Expenses (4)	Internal Service Funds (5)	Reclassifications and Eliminations	Statement of Activities
Revenues:						
Taxes:						
Property	\$ 379,289					379,289
Sales / use	63,774					63,774
Transient occupancy	3,383					3,383
Use of money and property	13,033		(13,739)	58		(648)
Licenses and permits	39,183				(39,183)	
Intergovernmental	1,408,860		(1,191)	1,358	(1,409,027)	
Charges for sales and services	177,714		(1,361)	66,834	85,429	328,616
Operating grants and contributions			6,389		1,147,029	1,153,418
Capital grants and contributions					22,257	22,257
Grants and contributions not restricted to specific programs					237,046	237,046
Fines, forfeitures and penalties	43,551				(43,551)	
Pledged tobacco settlement proceeds	12,609					12,609
Miscellaneous	90,168					90,168
Total revenues	<u>2,231,564</u>		<u>(9,902)</u>	<u>68,250</u>		<u>2,289,912</u>
Expenditures/expenses						
Current:						
General government	133,720	27,154	2,606	8,187		171,667
Public assistance	597,066	2,460	2,043	9,504		611,073
Public protection	633,761	(32,323)	6,245	22,459		630,142
Health and sanitation	535,088	8,416	2,659	9,327		555,490
Public ways and facilities	85,118	14,309	(543)	13,081		111,965
Recreation and culture	33,881	54,475	79	478		88,913
Education	1,179	510	2	167		1,858
Capital outlay	53,059	(53,059)				
Debt service:						
Principal	70,736		(70,736)			
Bond issuance costs	4,579		(4,579)			
Interest and fiscal charges	114,172		10,365			124,537
Total expenditures/expenses	<u>2,262,359</u>	<u>21,942</u>	<u>(51,859)</u>	<u>63,203</u>		<u>2,295,645</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,795)</u>	<u>(21,942)</u>	<u>41,957</u>	<u>5,047</u>		<u>(5,733)</u>
Other financing sources (uses):						
Transfers in	206,201			316		206,517
Transfers out	(171,550)			(34,973)		(206,523)
Discounts on debt issued	(467)		467			
Swap termination payment	(76,549)		76,549			
Payment to refunded bonds escrow agent	(181,760)		181,760			
Issuance of debt	295,026		(295,026)			
Total other financing sources (uses)	<u>70,901</u>		<u>(36,250)</u>	<u>(34,657)</u>		<u>(6)</u>
Net change in fund balances/net assets before extraordinary item	<u>40,106</u>	<u>(21,942)</u>	<u>5,707</u>	<u>(29,610)</u>		<u>(5,739)</u>
Extraordinary item - AB 99 obligation	48,448					48,448
Net change in fund balances/net assets	<u>88,554</u>	<u>(21,942)</u>	<u>5,707</u>	<u>(29,610)</u>		<u>42,709</u>
Fund balances/net assets - beginning, as restated	577,429	1,790,060	(869,902)	(4,311)		1,493,276
Fund balances/net assets - ending	<u>\$ 665,983</u>	<u>1,768,118</u>	<u>(864,195)</u>	<u>(33,921)</u>		<u>1,535,985</u>



**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

(3) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources depreciation expense charged for the year. Donated assets result in an increase in net assets.

Capital expenditures	\$ 72,167
Depreciation expense	(91,320)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-in, disposals, etc.)	(2,789)
	\$ (21,942)

(4) Governmental funds report the effect of pension assets when first paid, whereas the amount is deferred and amortized in the statement of activities. This is the amount amortized during the year.

\$ (13,617)

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities. Amortization of bond issue costs for the year is \$1,537.

3,043

Repayment of bond principal is reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets. The County's bonded debt was reduced because principal payments were made to bond holders and to escrow agent for refunded bonds:

Certificate of participation	16,975
Teeter notes	36,762
Tobacco revenue bonds	620
Pension Obligation Bonds	14,649
Public Financing Authority revenue bonds	1,730
Capital leases obligations	887
Refunded Pension Obligation Bonds	181,760
Swap Termination Payment Rolled into Debt	51,920
Other long-term debt	4,759
	\$ 310,062

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Proceeds were received from:

Teeter notes	\$ (36,698)
Pension Obligation Bonds (POB)	(257,240)
Discounts on POB	467
Other long-term debt	<u>(1,088)</u>
	<u>(294,559)</u>
 Subtotal	 <u>18,546</u>

Interest expense in the statement of activities differs from the amount reported in governmental funds because accreted interest was calculated for bonds and notes payable, and additional interest expense was recognized on the amortization of bond discounts and premiums, including the swap premium, which are expended within the funds statements. (10,366)

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;

Change in value of investment derivative, interest rate swap	10,890
Change in compensated absences	(1,527)
Change in other post employment benefits (OPEB)	<u>(2,056)</u>
	<u>(3,059)</u>

Some revenues will not be collected for several months after the year ends, and therefore are not considered "available" and are deferred in the governmental funds. Deferred revenues decreased by this amount during the year. 3,837

Total	<u>\$ 5,707</u>
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(5) Internal service funds are used by management to charge the costs of certain activities, related to public works, general services, self-insurance, regional communications and department of technology to individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. \$ (29,610)

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 3 – BUDGETARY PRINCIPLES**

As required by the laws of the State of California, the County prepares and legally adopts a final balanced operating budget on or before August 30 of each fiscal year. The Board may, by resolution, extend on a permanent basis or for a limited period, the date from August 30 to October 2. The final budget for fiscal year 2011-12 was adopted on September 27, 2011. Until the adoption of a final balanced budget, operations were governed by the proposed budget approved by the Board of Supervisors on June 9, 2011. Public hearings were conducted on the proposed final budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements.

Operating budgets are adopted for the General Fund, special revenue funds, debt service funds, and capital projects funds on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the budget unit and object level, which classifies expenditures by organizational unit, and by type of goods purchased and services obtained. The statement/schedules of revenues and expenditures - budget and actual presents revenues at the source level and expenditures at the function level.

It is not feasible to compare budget to actual data at the object level in this report. Therefore, this information is contained in a separate report prepared by the Department of Finance, Auditor-Controller Division, titled "Countywide Expenditure Status Report." Significant amendments, appropriation transfers between departments or funds, and transfers from contingencies must be approved by the Board of Supervisors. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board of Supervisors.

During fiscal year 2011-12, the original adopted budget was amended by the Board of Supervisors. The final budget data contained in the financial statements reflects the effect of all approved budget amendments. During fiscal year 2011-12, the appropriation limit for the fiscal year 2011-12 budget year was reviewed and determined to be calculated in accordance with Article XIIB of the California Constitution.

Encumbrances, which are commitments related to the future purchase of goods or services, are recorded in the General, special revenue, debt service, and capital projects funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as restricted, committed or assigned fund balance.

**NOTE 4 – CASH, INVESTMENTS, AND RESTRICTED ASSETS**

All investments are reported on the statement of net assets/balance sheet, at fair value, except for the investment agreement(s) which are carried at cost. The cash and investment pool (Treasurer's Pool) is available for use by all funds. The portion of this pool applicable to each fund type is displayed on the statements of net assets/balance sheets as "cash and investments." The share of each fund in the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned quarterly and at the end of the fiscal year based on the relationship of its average daily cash balance to the total of the pooled cash and investments. The apportionment due to the internal service funds and certain agency funds accrues to the benefit of the General fund. The County, acting in a fiduciary capacity, invests bond proceeds in accordance with long-term obligation covenants. The Treasurer's investment pool and funds managed in a fiduciary capacity, are subject to oversight by the Treasury Oversight Committee. The value of pool shares that may be withdrawn is determined on an amortized cost basis, which differs from fair value. The County has not provided or obtained any legally binding guarantees during the fiscal year to support the value of pool shares. The County does not permit any voluntary participation in the Treasurer's Pool.

A separately issued report of County Treasurer's Internal and External Pools is available at <http://www.finance.saccounty.net/Treasury/Rpts.asp> .

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Cash, investments, and restricted assets as shown on the basic financial statements at June 30, 2012, are as follows:

Government-wide statement of net assets:	
Cash and investments	\$ 956,959
Restricted assets, included in current assets	66,334
Restricted assets, included in noncurrent assets	177,505
Fiduciary funds statement of net assets:	
Agency	191,121
Private Purpose Trust	39,566
Investment Trust	1,725,378
Total cash, investments, and restricted assets including interest receivable	3,156,863
Less interest receivable included in restricted assets	<u>(5,543)</u>
Total cash, investments, and restricted assets	<u><u>\$3,151,320</u></u>

**Investments Authorized by Debt Agreement**

Cash and investments held by fiscal agents are restricted as to its use. It includes funds for the construction/acquisition of plant and equipment and funds designated by debt agreements as reserve funds and for servicing debt during the construction/acquisition of plant and equipment. At June 30, 2012, all cash held by fiscal agents was covered by federal depository insurance or by collateral held by the County's financial institutions in the County's name.

**Investments Authorized by Government Code and County Investment Policy**

Investments by the County Treasurer are invested in accordance with Government Code Section 53600 et. seq. and 16429.1 and County Investment Policy. This Code requires that the investments be made with the prudent investor standard, that is, when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the trustee (Treasurer and staff) will act with care, skill, prudence, and diligence under the circumstances then prevailing.

The Government Code also requires that when following the investing actions cited above, that the primary objective of the trustee be to safeguard the principal, secondarily meet the liquidity needs of depositors, and then achieve a return on the funds under the trustee's control. Further, the intent of the Government Code is to minimize risk of loss on County held investments from:

- a. Interest rate risk
- b. Credit risk
- c. Custodial credit risk
- d. Concentration of credit risk

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Specific restrictions of investment are noted below:

Government Code Section 53601 and the County Investment Policy lists the investments in which the Treasurer may purchase. These include bonds issued by the County; United States Treasury notes, bonds, bills or certificates of indebtedness; registered state warrants, treasury notes, or bonds of the State of California; registered treasury notes or bonds of any of the other 49 states in addition to California; bonds, notes, warrants or other forms of indebtedness of any local agency within California; obligations issued by banks for cooperatives, federal land banks, federal home loan banks, the Federal Home Loan Bank Board or other instruments of, or issued by, a federal agency or United States, government sponsored enterprise; bankers acceptances (not over 180 days maturity, not to exceed 40% of the total portfolio); commercial paper of “prime quality” (the highest ranking provided by either Moody’s investor services or Standard and Poor’s Corporation) and these investments are further restricted as to capacity and credit rating of the company and are restricted as to a percentage of the whole portfolio and the dollar-weighted average maturity is also restricted; negotiable certificates of deposit issued by approved banks, not to exceed 30% of the total portfolio; repurchase and reverse repurchase agreements are permitted investments but are subject to stringent rules regarding term, value and timing, all put in place to minimize risk of loss; medium term notes, carry a maturity of no more than five years and rated “A” or better by a nationally recognized rating service, not to exceed 30% of the portfolio; shares of beneficial interest issued by a diversified management company subject certain limitations; notes, bonds and other obligations that are at all times secured by a valid first priority security interest in securities of the types listed in Government Code Section 53651; mortgage pass-through securities and other mortgage and consumer receivable backed bonds, not to exceed maturity of five years, subject to the credit rating of the issuer and not to exceed 20% of the portfolio; shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized previously.

In addition to the restrictions and guidelines cited in the Government Code, the County Board of Supervisors annually adopts an “Annual Investment Policy for the Pooled Investment Fund” (The Policy). The Policy is prepared by the Department of Finance and is based on criteria cited in the Government Code. The Policy adds further specificity to investments permitted, reducing concentration within most permitted investment types and reducing concentration of investments with any broker, dealer or issuer.

The County was in full compliance with its own more restrictive policy, and therefore was also in compliance with the above cited Government Code sections. Accordingly, the County believes it is not at measurable risk as to the four risk areas cited above.

**Interest Rate Risk** – This is the risk that changes in interest rates will adversely affect the fair value of an investment. Under the County’s Investment Policy the dollar-weighted average maturity on all securities shall be equal to or less than three years. As of June 30, 2012, of the County’s \$2.9 billion in investments held by the Treasurer and fiscal agents, over 68.3% of the investments have a maturity of six months or less. The weighted average days to maturity for the entire portfolio was 259 days. In addition, 88.7% of the portfolio matures within 2 years. See table on page 59.

**Credit Risk** – This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The County is permitted to hold investments of issuers with a short term rating of superior capacity and a minimum long term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers’ rating must be A-1 and P-1, and the long-term rating must be A and A2, respectively by Standard & Poor’s and Moody’s rating agencies. In addition, the County is permitted to invest in the State’s Local Agency Investment Fund, collateralized certificates of deposits and notes issued by the County that are not-rated. See table on page 59.

**Custodial Credit Risk** – This is the risk that in the event a financial institution or counterparty fails, the County would not be able to recover the value of its deposits and investments. As of June 30, 2012, one hundred percent (100%) of the County’s investments in deposits are held in the County’s name and are not exposed to custodial credit risk.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. As of June 30, 2012, approximately 66.2% of total investments at year-end are in U.S. Government and Agency securities. There is no limitation on amounts invested in these types of issues: 8.209% of the portfolio is invested in commercial paper or guaranteed investment contracts. As of June 30, 2012, more than 5% of the portfolio in any one single issuer, is invested as shown below:

Issuer / Investment Type	Reported Amount
Federal Home Loan Banks/FHLB Discount notes	\$ 552,210
Federal National Mortgage Association/FNMA Discount notes	536,119
Federal Home Loan Mortgage Corporation/FHLMC Discount notes	685,979

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

The following schedule indicates the credit and interest rate risk at June 30, 2012. For purposes of this schedule, NR is defined as not rated. The credit ratings listed are for Moody's Investor Services and Standard and Poor's, respectively. Guaranteed investment contracts are subject to the credit rating disclosure requirements but are normally unrated.

	Credit Rating	Maturity					Fair Value
		Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Over 5 Years	
Imprest cash							\$ 230
Cash in banks							6,974
In custody of Treasurer:							
Cash and cash deposits:							
Cash on hand							12
Cash in banks							243,449
Total cash and cash deposits							243,461
Investments held by Treasurer:							
Treasury Bills	N/A	68,318					68,318
Federal Farm Credit Bonds	Aaa/AAA	10,000		10,031	31,169		51,200
Federal Home Loan Banks	Aaa/AAA		20,091	30,562	103,203		153,856
Federal National Mortgage Association	Aaa/AAA		35,222	25,206	236,136		296,564
Federal National Mortgage Association Discount Notes	P-1/A-1+	178,210	61,345				239,555
FHLB Discount Notes	P-1/A-1+	329,561	68,793				398,354
FHLMC Discount Notes	P-1/A-1+	194,843	24,979				219,822
Federal Home Loan Mortgage Corporation	Aaa/AAA	78,578	75,164	81,288	231,127		466,157
Commercial paper	P-1/A-1+	67,993	78,982				146,975
Negotiable certificates of deposit	P-1/A-1+	62,001	445,107	20,100			527,208
Other assets held by Treasurer (primarily Teeter Plan notes)	NR		2,320		48,877		51,197
Local Agency Investment Fund	NR	80,000					80,000
Money Market Mutual funds	AAAm	79,960					79,960
Guaranteed investment contracts	NR				40,856	50,233	91,089
Total investments held by Treasurer		1,149,464	812,003	167,187	691,368	50,233	2,870,255
Total in custody of Treasurer							3,113,716
Investments held by fiscal agents:							
Money Market Mutual funds	Aaa/AAA	7,735					7,735
Money Market Mutual funds	Aaa/AAAAmG	22,665					22,665
Total investments held by fiscal agents		30,400					30,400
Total investments		\$ 1,179,864	812,003	167,187	691,368	50,233	
Total cash and investments							\$ 3,151,320

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**Investment in State Investment Pool**

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the County's investment in this pool is reported at amounts based upon the County's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The following are condensed statements of net assets and changes in net assets for the Treasurer's Pool and Non-Pooled Funds at June 30, 2012:

Statement of net assets	Treasurer's Pool	Non-Pooled Funds	Total
Net assets held for pool participants	\$ 2,544,950	568,766	3,113,716
Equity of internal pool participants	\$ 1,112,385	275,953	1,388,338
Equity of external pool participants	1,432,565	292,813	1,725,378
Total equity	\$ 2,544,950	568,766	3,113,716
Statement of changes in net assets			
Net assets at July 1, 2011	\$ 2,555,392	776,009	3,331,401
Net changes in investments by pool participants	(10,442)	(207,243)	(217,685)
Net assets at June 30, 2012	\$ 2,544,950	568,766	3,113,716

A summary of the investments held by the Treasurer's and Non-Pooled Funds at June 30, 2012 are as follows:

	Fair Value	Cost	Interest Rate Range (%)	Maturity Range
Government securities	\$ 1,893,826	1,890,230	.04-8.2	7/12-5/17
Commercial paper	146,975	146,978	.12-.14	7/12-8/12
Negotiable certificates of deposit	527,208	527,200	.14-.28	7/12-4/13
Other assets held by Treasurer (primarily Teeter Plan notes)	51,197	51,198	.93-1.08	8/12-8/16
Local Agency Investment Fund	80,000	80,000	0.36	N/A
Money Market Mutual Funds	79,960	79,960	.01-.09	N/A
Guaranteed investment contracts	91,089	91,090	3.12-6.88	2/14-5/39
Total investments held by Treasurer	\$ 2,870,255	2,866,656		



**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 5 - LONG-TERM RECEIVABLES**

Governmental funds report deferred revenues in connection with receivables for revenues not expected to be collected within one year. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received as of year-end, but have not met the eligibility requirements.

At June 30, 2012, the various components of long-term receivables were as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Long-term receivables/Loan receivable from Successor Agency</u>			
Deferred revenues	\$ 40,761	82,734	123,495
Fund balances: Nonspendable	1,324		1,324
Fund balances: Restricted		50,898	50,898
	<u>42,085</u>	<u>133,632</u>	<u>175,717</u>
<u>Long-term advances to other funds</u>			
Deferred revenues		16,828	16,828
Fund balances: Nonspendable		20,182	20,182
Total advances to other funds	<u>\$</u>	<u>37,010</u>	<u>37,010</u>

Deferred revenue and unearned revenue reported were as follows:

Deferred Revenue and unearned revenue reported as follows:

	Unavailable	Unearned	Total
Governmental Activities:			
General Fund	\$ 40,804	1,286	42,090
Nonmajor Funds	99,562		99,562
Total Governmental Funds	<u>140,366</u>	<u>1,286</u>	<u>141,652</u>
Reconciling items:			
Unavailable	(140,366)		(140,366)
Internal Service Funds		3,970	3,970
Total Governmental Activities - unearned revenue	<u>\$</u>	<u>5,256</u>	<u>5,256</u>
Business-type activities - unearned revenue			
Airport System		2,971	2,971
Solid waste		131	131
Total Business-type activities		<u>3,102</u>	<u>3,102</u>
Total Government-Wide		<u>\$ 8,358</u>	<u>8,358</u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 120,857	3,960	(1,788)	123,029
Permanent Easement	1,769	1,238	(35)	2,972
Construction in progress	94,508	10,100	(64,996)	39,612
Intangible Assets Under Project	433	216	(649)	
Total capital assets, not being depreciated	<u>217,567</u>	<u>15,514</u>	<u>(67,468)</u>	<u>165,613</u>
Capital assets, being depreciated:				
Buildings and improvements	812,437	65,664		878,101
Infrastructure	3,079,810	51,627		3,131,437
Equipment	249,341	11,876	(9,285)	251,932
Intangible - Computer Software	39,316	1,716		41,032
Total capital assets, being depreciated	<u>4,180,904</u>	<u>130,883</u>	<u>(9,285)</u>	<u>4,302,502</u>
Less accumulated depreciation for:				
Buildings and improvements	(358,087)	(27,044)		(385,131)
Infrastructure	(1,982,599)	(57,530)	(12)	(2,040,141)
Equipment	(207,580)	(12,541)	5,352	(214,769)
Intangible - Computer Software	(25,187)	(3,487)		(28,674)
Total accumulated depreciation	<u>(2,573,453)</u>	<u>(100,602)</u>	<u>5,340</u>	<u>(2,668,715)</u>
Total capital assets, being depreciated, net	<u>1,607,451</u>	<u>30,281</u>	<u>(3,945)</u>	<u>1,633,787</u>
Total governmental activities	<u>\$ 1,825,018</u>	<u>45,795</u>	<u>(71,413)</u>	<u>1,799,400</u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 87,179	8		87,187
Permanent Easement	25			25
Construction in progress	1,397,359	135,174	(1,395,805)	136,728
Water facility rights	24,592	170,585		195,177
Other Intangible Assets	1,904			1,904
Total capital assets, not being depreciated	<u>1,511,059</u>	<u>305,767</u>	<u>(1,395,805)</u>	<u>421,021</u>
Capital assets, being depreciated:				
Buildings and improvements	942,235	1,257,852	(52,375)	2,147,712
Water facility rights	1,273			1,273
Infrastructure	135,528	555		136,083
Equipment	81,233	1,548	(3,199)	79,582
Computer Software		14		14
Total capital assets, being depreciated	<u>1,160,269</u>	<u>1,259,969</u>	<u>(55,574)</u>	<u>2,364,664</u>
Less accumulated depreciation for:				
Buildings and improvements	(373,417)	(51,006)	52,083	(372,340)
Water facility rights	(254)	(26)		(280)
Infrastructure	(21,385)	(3,147)		(24,532)
Equipment	(56,061)	(6,617)	3,297	(59,381)
Computer Software		(1)		(1)
Total accumulated depreciation	<u>(451,117)</u>	<u>(60,797)</u>	<u>55,380</u>	<u>(456,534)</u>
Total capital assets, being depreciated, net	<u>709,152</u>	<u>1,199,172</u>	<u>(194)</u>	<u>1,908,130</u>
Total business-type activities	<u>\$ 2,220,211</u>	<u>1,504,939</u>	<u>(1,395,999)</u>	<u>2,329,151</u>

Interest costs relating to the acquisition or construction of capital assets are capitalized as a component of the cost of capital assets. The total capitalized interest relating to projects completed or in progress during the fiscal year ended June 30, 2012 was \$32,673 for the Airport System and \$823 for the Water Agency.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Depreciation expense and amortization was charged to functions/programs of the primary government as follows:

	Depreciation Expense
<b>Governmental activities:</b>	
General government	\$ 15,523
Public assistance	1,448
Public protection	20,288
Health and sanitation	3,311
Public ways and facilities	46,495
Recreation and culture	3,747
Education	509
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	9,281
Total depreciation expense - governmental activities	\$ 100,602
<b>Business-type activities:</b>	
Airport System	\$ 43,847
Solid Waste	6,994
Parking Enterprise	299
Water Agency	9,486
County Transit	171
Total depreciation expense - business-type activities	60,797
Non-Capital related amortization:	
Water Agency	120
	\$ 60,917

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 7 - INTERFUND TRANSACTIONS**

The following summarizes interfund receivables and payables, advances to / from other funds, and transfers as of and for the year ended June 30, 2012:

Due From / To Other Funds at June 30, 2012, are as follows:

Receivable Fund	Payable Fund	Amount	Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 1,700	Nonmajor enterprise	General	14
	Airport System	1,125		Internal service	13
	Solid Waste	3			27
	Water Agency	1			
	Internal service	5,030			
		7,859			
Nonmajor governmental	General	468	Internal service	General	33,329
	Nonmajor governmental	8,657		Nonmajor governmental	1,565
	Airport System	78		Airport System	1,831
	Water Agency	283		Solid Waste	2,118
	Internal service	63		Water Agency	367
		9,549	Nonmajor enterprise	12	
			Internal service	6,501	
					45,723
Airport System	General	13			
	Internal service	10			
		23			
Solid Waste	General	39	Fiduciary	Airport System	4
	Internal service	38		Solid Waste	7
		77		Water Agency	4
					15
Water Agency	General	15			
	Nonmajor governmental	73			
	Airport System	26			
	Solid Waste	1			
	Internal service	16			
		131		Total	\$ 63,404

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

*Amounts due the General Fund are related to:* 1) Principal and interest due from Public Facilities Fixed Asset Financing Program (non-major governmental); 2) To fund community services activities pending reimbursement from federal, state and local government; 3) Sheriff security and Department of Environmental Review and Assessment services provided to the Airports; and 4) Reimbursement due from Liability/Property Internal Service Fund for the final quarter of the fiscal year ending June 30, 2012.

*Amounts due the non-major governmental funds are a result of:* 1) Transactions to repay the Public Facilities Fixed Asset Financing Program for year end purchases; 2) Teeter excess, net penalty and interest revenue remaining after debt service interest costs are paid.

*Amounts due the internal service funds are a result of:* 1) Self-insurance funds owed costs of premiums for property insurance, workers' compensation claims, and unemployment insurance from funds; 2) General Services work requests for mailings, technical services, building design, and water quality work; 3) Services provided by Public Works-MIS unit to other internal service funds; 4) General Service facility management site work for other internal service fund departments; 5) Self-insurance fund owed overpayment of premiums for property insurance to Airports.

Advances To/From Other Funds at June 30, 2012 are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental	General	\$ 31,597
	Internal service	3,822
	Nonmajor Enterprise	105
	Solid Waste	1,486
	Subtotal	37,010
Internal service	General	44,156
	Total	\$ 81,166

Amounts advanced from non-major governmental funds are related to the Fixed Asset Financing program, \$12,901 in the general fund, \$3,822 in the internal service funds, \$105 in the non-major enterprise fund, and \$1,486 related to purchase of land to be repaid over ten years (Solid Waste). Amounts advanced from internal service funds, \$44,156 and \$18,696 from non-major governmental funds, related to General Fund advances. The advances to the General Fund were for operations. As per the Fund Balance policy, each year when preparing the budget for the next fiscal year, the Board of Supervisors will on an annual basis, determine any growth in total General Fund discretionary revenue over the current fiscal year. The growth will be used first to fund any increases that result from any memoranda of understanding (MOU's) between the County and its labor organizations and all legal obligations. Any remaining discretionary revenue growth will be appropriated first, up to \$10 million to repay the interfund loans until fully repaid.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Transfers Out / In Other Funds for the year ended June 30, 2012 are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	
General	Nonmajor governmental	\$ 91,918	Transfer to cover debt service payments
General	Internal Services	218	Internal service fund reorganization
Nonmajor governmental	General	38,339	Transfers to cover debt service payments and Teeter Property tax
Nonmajor governmental	Nonmajor governmental	40,977	Transfer to cover debt service payments and capital project
Nonmajor governmental	Internal Services	98	Water Agency and Internal service fund reorganization
Internal service	General	207	Transfer to cover debt service payments
Internal service	Nonmajor governmental	29,320	Transfer to cover debt service payments
Internal service	Enterprise - Water Agency	5,446	Internal service fund to Water Agency reorganization
Enterprise - Solid Waste	General	834	Transfer to cover debt service payments
Nonmajor enterprise	Nonmajor enterprise	727	Transfer to cover debt service payments
Enterprise - Water Agency	Nonmajor Governmental	821	Transfer to cover Pension Obligation Bonds debt service payments
Enterprise - Airport System		2,440	
Enterprise - Solid Waste		1,320	
Nonmajor enterprise		25	
		<u>\$ 212,690</u>	

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 8 - LEASES**

**Capital leases:**

The County has entered into certain capital lease agreements under which the related asset will become the property of the County when all terms of the lease agreements are met.

As of June 30, 2012, the future minimum lease payments under capital leases are as follows:

Year ending June 30	Governmental Activities
2013	\$ 1,273
2014	1,202
2015	1,202
2016	1,036
2017	940
2018-2022	3,854
2023-2027	109
Total minimum lease payments	9,616
Less amount representing interest	(1,792)
Net Present value of minimum lease payments	\$ 7,824

The following is a schedule of capital assets under capital leases by major classes at June 30, 2012:

Capital Assets under Capital Leases	
Asset:	Governmental Activities
Land	\$ 673
Buildings and improvements	13,454
Equipment	337
Computer Software	1,232
Total	15,696
Less: Accumulated depreciation	
Buildings and improvements	(4,677)
Equipment	(247)
Computer Software	(554)
	(5,478)
Net Capital Assets under lease	\$ 10,218



**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Operating Leases:

The County also leases buildings and equipment under operating leases, some of which contain escalation clauses. Future minimum non-cancelable operating lease payments for governmental and proprietary fund types as of June 30, 2012, are as follows:

<u>Year Ending June 30</u>	Operating Leases Commitment	
	Governmental	Business - Type
2013	\$ 31,111	2,109
2014	30,125	1,563
2015	29,017	1,480
2016	26,446	1,271
2017	24,336	1,302
2018 - 2022	69,449	1,439
2023 - 2027	15,318	
2028 - 2032	421	
	\$ 226,223	9,164

Operating leases may be terminated without substantial penalty if the Board of Supervisors determines that funds are not available for appropriation in the County budget.

Total rental payments for operating leases recorded for the year ended June 30, 2012 were \$34,674.

**Lease Income and Receivables**

The Airport System Enterprise Fund derives a substantial portion of its revenues from charges to air carriers and concessionaires. Substantially all of the assets classified under capital assets in the Airport System Enterprise Fund are for the purpose of rental or related use.

The Airport System as lessor, leases land, buildings and terminal space to air carriers and concessionaires on a fixed fee as well as a contingent basis. All leases of the Airport System are treated as operating leases for accounting purposes. Most of the leases provide for an annual review and re-determination of the rental amounts.

In fiscal year 2012, the Airport System received approximately \$5,895 for contingent rental payments in excess of stated minimums.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

The following is a schedule of future minimum rentals receivable on non-cancelable operating leases as of June 30, 2012.

Airport System Operating Leases Receivable

Year Ending June 30	Future Minimum Business Type Activities
2013	\$ 16,086
2014	14,737
2015	6,863
2016	4,506
2017	4,095
2018 - 2022	14,011
2023 - 2027	3,607
2028 - 2032	2,628
2033 - 2037	900
2038 - 2040	736
Total future minimum rentals receivable	\$ 68,169

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 9 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligation transactions for the year ended June 30, 2012:

	Balance June 30, 2011 (Restated)	Additions	Retirements	Balance June 30, 2012	Amounts Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 100,210	82,316	(81,305)	101,221	6,609
Certificates of participation	323,510		(16,975)	306,535	17,830
Teeter notes	50,961	36,698	(36,762)	50,897	17,732
Pension obligation bonds	916,168	257,240	(196,409)	976,999	17,366
Accreted Interest	294,029	23,187	(27,381)	289,835	
Revenue bonds	340,957		(2,350)	338,607	2,750
Accreted Interest	12,644			14,965	
OPEB Liability	13,978	2,321		16,388	
Other long-term debt	6,105	2,410	(4,758)	2,435	1,473
Capital lease obligations	8,711	1,088	(887)	7,824	842
Borrowing payable	16,378		(16,378)		
Deferred amounts					
For issuance premiums	2,676		(107)	2,569	107
For issuance discounts	(4,655)		144	(4,511)	(143)
On refundings	(33,075)	(43,142)	13,668	(62,549)	(6,593)
Total governmental activities - long-term obligations	<u>\$ 2,048,597</u>	<u>362,118</u>	<u>(369,500)</u>	<u>2,041,215</u>	<u>57,973</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 6,896		(5,429)	6,683	487
Revenue bonds	1,210,285	5,216	(16,000)	1,194,285	19,305
PFC and subordinate revenue bonds	351,745		(11,865)	339,880	11,375
Certificates of participation	21,180		(2,095)	19,085	2,175
Reimbursement agreements	2,428		(100)	2,431	421
Usage fee - City of Sacramento	7,027	103		7,027	1,935
OPEB Liability	998			1,170	
Water rights - Smud assignment	7,728	172	(496)	7,232	654
SMUD transformer	1,817		(8)	1,809	8
Other long term liabilities	54		(54)		
Deferred amounts					
For issuance premiums	18,118		(716)	17,402	716
For issuance discounts	(7,116)		247	(6,869)	(247)
On Refunding	(20,622)		2,090	(18,532)	(2,090)
Total business-type activities - long-term obligations	<u>\$ 1,600,538</u>	<u>5,491</u>	<u>(34,426)</u>	<u>1,571,603</u>	<u>34,739</u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities reported in these funds are included with governmental activities. At year-end, \$14,268 of the internal services funds compensated absences balance and \$3,092 in OPEB liability balance are included in governmental activities. Also for the governmental activities, claims and judgments (if applicable) and compensated absences are liquidated by the General Fund Internal Service Funds.

Individual issues of bonds, notes and certificates of participation outstanding at June 30, 2012 are as follows:

Governmental Activities:

Certificates of participation:

	Amount Outstanding at <u>June 30, 2012</u>
County of Sacramento 2003 Certificates of Participation (2003 Public Facilities Projects – ADA Improvements to the Boys Ranch, Mather Golf Course and Thornton Youth Center) issued April 24, 2003. Principal payments are due June 1, 2013 through the year 2034, escalating from \$355 to \$4,145, with interest rates ranging from 2.0 percent to 5.0 percent.	\$ 12,780
County of Sacramento 2003 Certificates of Participation (Juvenile Courthouse Project) issued June 19, 2003. Principal payments are due December 1, 2012, through the year 2034, escalating from \$805 to \$2,160, with interest rates ranging from 2.0 percent to 5.0 percent.	31,065
County of Sacramento 1997 Refunding Certificates of Participation (1994 Public Facilities Project – Coroner/Crime Lab and Data Center) issued January 1, 1998, to defease \$89,500 of outstanding debt for the County of Sacramento Certificates of Participation (1994 Public Facilities Project). Principal payments are due October 1, 2012, through the year 2027, escalating from \$3,020 to \$6,170, with interest rates ranging from 4.3 percent to 5.0 percent. Lump-sum payments of \$17,495 and \$50,295 are due October 1, 2017, and October 1, 2027, respectively.	70,810

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

	<u>Amount Outstanding at June 30, 2012</u>
<p>County of Sacramento Certificates of Participation (1997 Public Facilities Project) issued February 1, 1997, for the acquisition and construction of a dormitory jail and other improvements at the Rio Consumnes Correctional Center and Bank of America building, purchase / renovation and defeasance of \$36,355 of outstanding debt: \$2,265 for California Counties Lease Financing Program Certificates of Participation and \$34,090 of outstanding debt for County of Sacramento Certificates of Participation (1990 Public Facilities Project). On May 11, 2006 a partial advance refunding was done from the 2006 Certificates of Participation, in the amount of \$14,550, to release the Bank of America building from this lease. Principal payments are due February 1, 2013, through the year 2019, escalating from \$2,595 to \$2,870 with interest ranging from 4.875 percent to 5.375 percent.</p>	8,185
<p>County of Sacramento Certificates of Participation (2006 Public Facilities Project) issued on May 11, 2006, \$40,860 of refunding bonds for the cost of acquisition, construction of a new fleet maintenance facility, acquiring and improving the County's voter registration and elections / sheriff station house facility, partially refunded and defeased \$14,550 of outstanding debt for the County of Sacramento's 1997 Certificates of Participation (1997 Public Facilities Project). The County issued \$27,690 in Serial Certificates with interest ranging from 4.0 percent to 5.0 percent, \$5,785 of 5 percent Term Certificates due February 1, 2031 and \$7,385 of 5 percent Term Certificates due February 1, 2036. Principal payments are due February 1, 2013, through the year 2036, ranging from \$1,625 to \$2,095.</p>	32,265
<p>County of Sacramento 2007 Certificates of Participation (Animal Care Facility/Youth Detention Facility – 120 bed expansion) issued July 25, 2007. Principal payments are due October 1, 2012 through the year 2037, escalating from \$860 to \$2,935, with interest rates ranging from 4.0 percent to 5.0 percent.</p>	43,870
<p>County of Sacramento 2010 Certificates of Participation issued on March 3, 2010. The County is issuing the 2010 bonds to refund and defease \$30,494 of outstanding debt for 2003 Refunding Certificates of Participation, Mail Jail Detention Facility; \$5,459 for 1999 Refunding Certificates of Participation – Cherry Island Golf Course; \$67,055 for 1997 Refunding Certificates of Participation (1994 Public Facilities Project), to pay costs of issuance, debt service reserve of \$12,532 and to pay the Swap termination fee of \$10,180 on the 1990 Swap agreement. Principal payments on the 2010 bonds are due commencing on February 1, 2013 through February 1, 2030, payments ranging from \$3,235 to \$9,975 and interest rates ranging from 3.0 percent to 5.50 percent.</p>	<u>107,560</u>
<p>Total certificates of participation</p>	306,535
<p>Add: Issuance premium</p>	2,569
<p>Less: deferred amount on refunding</p>	<u>(1,085)</u>
<p></p>	<u><u>\$ 308,019</u></u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Teeter notes:	Amount Outstanding at <u>June 30, 2012</u>
<p>County of Sacramento, 2007 Teeter Loan Agreement Note, dated November 27, 2007, to purchase the delinquent secured property taxes receivable as of June 30, 2007. Annual payments of principal and interest are due August 1 of each year and ending in 2012. The amount of principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2012. Interest payments will be at a variable rate that averaged 0.949 percent in fiscal year 2011-12 and was 0.930 percent at June 30, 2012.</p>	\$ 2,320
<p>County of Sacramento, 2008 Teeter Loan Agreement Note, dated December 9, 2008, to purchase the delinquent secured property taxes receivable as of June 30, 2008. Annual payments of principal and interest are due August 1 of each year and ending in 2013. The amount of principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2013. Interest payments will be at a variable rate that averaged 0.445 percent in fiscal year 2011-12 and was 0.407 percent at June 30, 2012.</p>	5,494
<p>County of Sacramento, 2009 Teeter Loan Agreement Note, dated December 1, 2009, to purchase the delinquent property taxes receivable as of June 30, 2009. Annual payments of principal and interest are due August 1 of each year and ending in 2014. The amount of principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2014. Interest payments will be at a variable rate that averaged 0.445 percent in fiscal year 2011-12 and was 0.407 percent at June 30, 2012.</p>	9,823
<p>County of Sacramento, 2010 Teeter Loan Agreement Note, dated November 30, 2010, to purchase the delinquent property taxes receivable as of June 30, 2010. Annual payments of principal and interest are due August 1<sup>st</sup> of each year and ending in 2015. The amount of principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2015. Interest payments will be at a variable rate that averaged 0.445 percent in fiscal year 2011-12 and was 0.407 percent at June 30, 2012.</p>	12,916
<p>County of Sacramento, 2011 Teeter Loan Agreement Note, dated November 4, 2011, to purchase the delinquent property taxes as of June 30, 2011 at \$36,698. Annual payments of principal and interest are due August 1<sup>st</sup> of each year and ending in 2016. The amount of the principal each year shall be the full amount of the County's share of the principal of delinquent tax collections received in the prior year. The unpaid principal shall be due and payable on August 1, 2016. Interest payments will be at a variable rate that averaged 0.431 percent in the fiscal year 2011-12 and was 0.407 percent at June 30, 2012.</p>	<u>20,344</u>
Total Teeter notes	\$ <u>50,897</u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

	Amount Outstanding at <u>June 30, 2012</u>
Pension obligation bonds:	
<p>County of Sacramento Pension Obligation Bonds issued July 22, 1995, \$538,060 of Series 1995 Taxable Pension Funding Bonds to fund the accrued actuarial liability of the County to the Retirement System. The issue is composed of \$404,060 of Series 1995A Fixed Rate Bonds, \$67,000 of Series 1995B Variable Rate Bonds, and \$67,000 of Series 1995C Variable Rate Bonds. Principal payments on the fixed rate bonds are due commencing June 30, 2013, through June 30, 2022, escalating from \$11,066 to \$45,379. Principal payments on the variable rate bonds are due commencing July 1, 2019, through July 1, 2022, with equal payments of \$33,500. Rates on the fixed rate bonds range from 6.19 percent to 7.68 percent. The variable rate bonds had an initial rate of 6.1 percent through July 1, 1998. On September 22, 2011 the County of Sacramento did a partial advance refunding to defease \$134,000 of the 1995 B &amp; C Pension Funding variable rate bonds, terminated the swap agreement associated with those bonds with a termination fee of \$51,920 and paid the cost of issuance \$2,913.</p>	\$ 205,301
<p>County of Sacramento Pension Obligation Bonds issued July 15, 2003, \$152,321 of Series 2003A &amp; B Taxable Pension Funding Bonds. The net proceeds, \$149,630 established an irrevocable escrow fund to defease to maturity a portion of the Series 1995 Taxable Pension Funding Bonds, from August 15, 2003 through August 15, 2008. The issue is composed of \$54,879 of Series 2003A, Capital Appreciation Bonds, \$97,441 of Series 2003B Convertible Capital Appreciation Bonds to provide budgetary relief (over three to seven years at the time of bonds were issued) due to pension benefit enhancements and losses incurred by the pension system. Final principal payment on the Series 2003A bonds was made on August 15, 2008, in the amount of \$26,500. Principal payments on the Series 2003B bonds are due commencing August 15, 2022, for \$69,014, and August 15, 2023, for \$28,426. The rate on Series 2003B bonds is 5.73 percent.</p>	97,441
<p>County of Sacramento Pension Obligation Bonds issued July 24, 2004, \$426,131 of Series 2004 C-1, C-2 &amp; C3 Taxable Pension Funding Bonds. The issue is composed of \$324,582 of Series C-1, \$39,147 of Series C-2 and \$62,402 of Series C-3 Convertible Auction Rate Securities. The bonds are issued to fund the accrued actuarial liability of the County to the Retirement System. The initial variable rate on issue C-1 was 3.42 percent through July 10, 2006, the initial variable rate on issue C-2 was 4.61 percent through July 10, 2009, and the initial variable rate on issue C-3 was 5.63 percent through July 10, 2014. Principal payments on the Series C-3 bonds are due on July 10, 2032 and July 10, 2033 in the amount of \$30,269 and \$32,132. On March 28, 2008 a partial advance refunding and defeasance in the amount of \$350,037 from 2004 Pension Funding Bonds (C-1) was done and on June 12, 2009 a partial advance refunding and defeasance (C-2) in the amount of \$49,225.</p>	62,402

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Amount  
Outstanding at  
June 30, 2012

County of Sacramento Pension Obligation Bonds issued March 28, 2008, \$359,165 of Series 2008 Taxable Pension Refunding Bonds. The County issued the Series 2008 Bonds to refund and defease \$350,037 the fully accreted outstanding amount of its Taxable Pension Funding Bonds, Series 2004 C-1 and to pay the costs of issuance of the Series 2008 Bonds. Principal payments on the Series 2008 bonds are due June 30, 2013 through June 30, 2031, escalating from \$4,600 to \$48,585. The County entered into a swap agreement effective July 10, 2006, on the 2004 refunded series C-1 fixing the interest rate to 5.901%, which remains in effect for the 2008 Taxable Pension refunding bonds. See Note 10, Derivatives – Interest rate swaps.

\$ 354,615

County of Sacramento Taxable Pension obligation Bonds, Series 2011A issued on September 22, 2011. The County issued the 2011 bonds to refund \$134,000 outstanding principal amount of its Taxable Pension Funding Bonds, Series 1995B & C, to pay costs associated with the termination of interest rate swaps relating to the refunded bonds \$51,920, and to pay cost of issuance of the Series 2011A Bonds, \$2,912. The economic loss of the refunding (difference between the present value of the debt service payments on the refunded debt and the new debt) of \$15,659. Principal payments on the 2011 bonds are due commencing on August 1, 2012 through August 1, 2023, payments ranging from \$730 to \$58,260 and interest rates ranging from 2.83 percent to 6.42 percent. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$35,600. The difference will be amortized over the remaining life of the refunded debt. As a result of the refunding, these bonds are considered to be defeased and the liability has been removed from the statement of net assets.

183,365

County of Sacramento Taxable Pension obligation Bonds, Series 2011B issued on October 6, 2011. The County issued the 2011B bonds to refund \$47,760 outstanding principal amount of its Taxable Pension Funding Bonds, Series 2009, to pay costs associated with the termination of interest rate swaps relating to the refunded bonds of \$24,629, and to pay cost of issuance of the Series 2011B Bonds, \$1,665. The economic loss of the refunding (difference between the present value of the debt service payments on the refunded debt and the new debt) is \$33,627. The 2011B bonds are due on June 30, 2025 in full, \$73,875 at an interest rate of 6.625 percent. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$7,645. As a result of the refunding, these bonds are considered to be defeased and the liability has been removed from the statement of net assets.

73,875

The total accreted interest balance at June 30, 2012, on the 1995, 2003 and 2004 Pension Obligation Bonds is \$289,835.

Total pension obligation bonds	976,999
Plus: Accreted interest	289,835
Less: deferred amount on refunding	<u>(49,077)</u>
	<u>\$ 1,217,757</u>



**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Amount  
Outstanding at  
June 30, 2012

Revenue Bonds:

On December 1, 2005, the Tobacco Securitization Authority issued \$255,486 of refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$176,080 of bonds and to provide additional funds to be used by the County on selected projects. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The Series 2005 bonds are payable solely from pledged Tobacco Settlement Revenues and interest earnings on amounts on deposit. The Authority issued \$219,685 for the Series 2005A-1 Senior Current Interest Bonds. The first Series A-1 Term Bonds are for \$45,825 with an interest rate of 4.75%, final early (Turbo) redemption date of June 1, 2015, with a due date of June 1, 2023. The second Series A-1 Term Bonds are for \$87,290 with an interest rate of 5.375%, final Turbo redemption date of June 1, 2024, with a due date of June 1, 2038. The third Series A-1 Term Bonds are for \$86,570 with an interest rate of 5.5%, final Turbo redemption date of June 1, 2028, with a due date of June 1, 2045. The Authority issued \$12,468 for the Series 2005A-2 Senior Convertible Bonds with an interest rate of 5.4%, final Turbo redemption date of June 1, 2017, with a due date of June 1, 2027. The Authority issued \$11,674 for the Series 2005B First Subordinate Capital Appreciation Bonds with an interest rate of 5.9%, final Turbo redemption date of June 1, 2030, with a due date of June 1, 2045. The Authority issued \$11,658 for the Series 2005C Second Subordinate Capital Appreciation Bonds with an interest rate of 6.7%, final Turbo redemption date of June 1, 2033, with a due date of June 1, 2045.

\$ 246,521

The Sacramento County Financing Authority issued three series of Revenue Bonds issued December 23, 2003 for the purpose of allowing the Authority to finance four redevelopment projects in designated redevelopment project areas in the City and County of Sacramento. The net proceeds were then in turn loaned to the County and City. The sources of repayment of the bonds are tax increment and/or housing set-aside tax increment revenues, depending upon the project. Incremental taxes were projected to produce 128 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$80,180, payable through December 2033. For the current year, principal and interest paid and total incremental tax revenues were \$1,185 and \$2,206 respectively. Series A - \$33,696 Mather/McClellan and Del Paso Heights project areas improvements. The series includes \$13,490 in serial bonds, maturing from December 2004 - 2022, with interest rates ranging from 2.0% to 5.0%. In addition, \$8,165 in term bonds were issued with a stated rate of 5.125% maturing in December 2028. Another term bond of \$9,065 was issued with a stated interest rate of 4.75% which matures in December 2033. Finally, \$2,526 in capital appreciation bonds were issued with a stated interest rate ranging from 5.18% to 5.58% that mature from December 2020-2030. Series B - \$8,345 Mather/McClellan Housing Project. The issue consists of four term bonds ranging in value from \$670 to \$4,450. The bonds mature from 2008 through 2033. Stated interest rates range from 3.82%-6.26%. Series C - \$12,880 North Sacramento Project, North Sacramento Housing Project, Alkali Flat Project and Alkali Flat Housing Project. This issue contains serial bonds, totaling \$8,665 maturing from December 2004 to 2021. Interest rates range from 2.5% to 5.3%. It also has two term bonds (\$1,635 and 2,580) maturing in December 2028 and 2033, respectively. Both term bonds have a stated interest rate of 5.0%.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Amount  
Outstanding at  
June 30, 2012

Sacramento County Financing Authority issued two series of Tax Allocation Revenue bonds on March 5, 2008 for the purpose of loaning the proceeds to the Agency. The loan proceeds will finance redevelopment activities, including low and moderate income housing in the designated redevelopment project area in the County of Sacramento. The source of repayment of the bonds is tax increment and/or housing set-aside tax increment revenues, depending upon the project. The 2008 loans are issued on parity to the outstanding 2003A and 2003B loans. The loans are sized to satisfy the coverage and cash flow requirements of the project area wrapping around parity debt. Payment of debt service on the Bonds is insured by Assured Guaranty. Tax increment revenues were projected to produce 128 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$91,327, payable through December 2038. For the current year, principal and interest paid and total incremental tax revenues were \$545 and \$2,449, respectively. Series A - \$24,765 Mather/McClellan (Tax Exempt) Redevelopment Area improvements. The bonds were structured with one serial maturity in 2028 and three term bonds. The \$950 2028 serial was priced with a 4.50% coupon to yield 4.66%. The \$4,930 2032 term bond was priced with a 4.625% coupon to yield 4.80%. The \$18,885 2038 term bond was split into two to appeal to different investor tastes: \$5,000 was priced with a 5.0% coupon to yield 4.76%; the balance \$13,885 was priced with a 4.625% coupon to yield 4.85%. Series B - \$23,780 Mather/McClellan (Taxable) Redevelopment Area and Housing Project. The bonds were structured with serial maturities in 2008 through 2014 and three term bonds – all sold as par bonds with coupon equal to yield. Yields on the \$4,500 serials ranged from 3.33% in 2008 to 4.52% in 2014. The \$2,815 2018 term bonds were priced to yield 5.317%; the \$9,795 2028 term bonds were priced to yield 6.227%; and the \$6,670 term bonds were priced to yield 6.577%.

Redevelopment agencies were dissolved as of January 31, 2012. See Note 25 – Successor Agency Trust for Assets of Former Redevelopment Agency.

Principal payments on both Series are due December 1<sup>st</sup> through final maturity in 2038. Interest payments are due on June 1<sup>st</sup> and December 1<sup>st</sup>. All of the Bonds Series are optionally callable at par on December 1, 2013, except for the 2003 Series A Capital Appreciation Bonds, which are non-callable. The tax-exempt Series 2008A Bonds are callable at par beginning on December 1, 2018. The taxable Series 2008B Bonds are subject to optional redemption on any date, with a “make-whole premium” determined at the time of optional redemption on the bases of the value of debt service otherwise due on the redeemed bonds discounted at the comparable Treasury yield plus 12.5 basis points.

	<u>92,086</u>
Total revenue bonds	338,607
Plus: Accreted interest	14,965
Less: deferred amount for issuance discount	(4,511)
Less: deferred amount for refunding	(12,387)
	<u>\$ 336,674</u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

	Amount Outstanding at <u>June 30, 2012</u>
Other long-term debt:	
Sacramento County Water Agency reimbursement agreements with interest at net County Treasury Pool Rate to be paid on unpaid balance after County acceptance of project completion, unless paid within 60 days of acceptance and maturities ranging from 30 days to 5 years to be repaid from drainage permit revenues in the Water Agencies Special Revenue Fund.	\$ 1,400
California Energy Commission loan in the amount of \$1,088, at 3.0 percent interest for energy efficiency projects at Rio Consumnes Correctional Center. Principal payments ranging from \$18 to \$56 are due December 22 and June 22 of each year ending December 2024.	<u>1,035</u>
Total other long term debt	<u><u>\$ 2,435</u></u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Long-term debt obligation maturities of governmental activities are summarized below. The amounts representing interest for variable rate obligations have been based on the debt's interest rate at June 30, 2012.

Year ending June 30	Certificates of Participation		Teeter Note		Pension Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 17,830	14,823	17,732	297	17,366	87,578
2014	18,730	14,097	15,413	145	18,884	90,318
2015	19,755	13,249	12,666	78	16,374	98,115
2016	16,245	12,278	5,086	22	13,876	101,281
2017	17,145	11,508			16,042	105,005
2018 - 2022	70,835	45,605			318,815	308,284
2023 - 2027	65,525	29,513			346,951	149,828
2028 - 2032	48,505	13,433			166,290	41,772
2033 - 2037	29,030	4,005			62,401	2,998
2038 - 2042	2,935	70				
	<u>\$ 306,535</u>	<u>158,581</u>	<u>50,897</u>	<u>542</u>	<u>976,999</u>	<u>985,179</u>

Year ending June 30	Revenue Bonds		Other	
	Principal	Interest	Principal	Interest
2013	\$ 2,750	16,327	1,473	
2014	4,175	16,135	962	
2015	4,385	15,943		
2016	4,410	15,735		
2017	4,550	15,522		
2018 - 2022	34,813	73,349		
2023 - 2027	36,728	66,416		
2028 - 2032	54,744	52,941		
2033 - 2037	62,465	38,612		
2038 - 2042	64,640	21,334		
2043 - 2047	64,947	254,641		
	<u>\$ 338,607</u>	<u>586,955</u>	<u>2,435</u>	

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

	Amount Outstanding at <u>June 30, 2012</u>
Business-type Activities: Revenue, Passenger Facility Charges (PFC) and Subordinated Revenue Bonds:	
On June 12, 2003, Sacramento County Water Financing Authority issued \$23,850 of 2003 serial 2003 series and \$26,945 of term series 2003 Revenue bonds. The interest rates on the serial bonds range from 2.0 percent to 5.0 percent, the term series bonds interest rate are 4.75 percent and 5.0 percent. The maturity dates on the serial bonds range from June 1, 2005 to June 1, 2023; the maturity on the term bonds range from June 1, 2028 and June 1, 2034.	\$ 1,145
On May 9, 2007, Sacramento County Water Financing Authority issued \$184,500 of serial 2007A (Fixed Rate) series and \$228,920 of term series 2007B (Index Rate) Revenue Bonds. The interest rates on the 2007A bonds range from 3.75% to 5.0%. The variable interest rates on the 2007B bonds range from 0.86279% - 0.88279% at June 30, 2012. Proceeds from this debt issue were used to finance or reimburse the costs of acquisition and construction of certain additions, betterments, and improvements to the Agency's Water System and to advance refund the majority of the 2003 revenue bonds securities which were deposited in an irrevocable trust with an escrow agent to provide for a portion of future debt service payments on \$41,740 of the 2003 revenue bonds. As a result of the refunding, these bonds are considered to be defeased and the liability for the bonds has been removed from long-term debt. The defeased 2003 revenue bonds outstanding at June 30, 2012 was \$41,740.	394,725
On May 1, 2008, The County issued \$496,195 of Airport System Senior Revenue Bonds, Series A, B and C, and \$89,430 of Airport System Subordinate and PFC Revenue Refunding Bonds, Series D and E. Series 2008A fully refunded Series 1992B Bonds, Series 1998A Bonds and advance refunded Series 2002A Bonds. Series 2008A also provided \$56.5 million to finance a portion of the costs of Terminal Modernization Program at the Sacramento International Airport. Series 2008B refunded 45.4% of the Series 2006A Bonds and provided \$266.5 million to finance a portion of the costs of Terminal Modernization Program at Sacramento International Airport. Series 2008C advance refunded Series 2002B Bonds. Series 2008D fully refunded Series 1998B Bonds. Series 2008E refunded 54.6% of the Series 2006A Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$15,225. This amount was being netted against the new debt and amortized over the remaining life of the refunded debt, which was shorter than the life of the new debt issued. This current and advance refunding was undertaken in part to adopt a new Bond Indenture that was approved by the County of Sacramento Board of Supervisors. This refunding and advance refunding reduced the total debt service payments over the next 25 years by \$38,284, and resulted in an economic gain of \$24,908. The Series A, B and C Bonds are payable from, and secured by, future Net Revenues of the Airport System. Series D and E Bonds are payable from, and secured by, a pledge of the net proceeds of the PFC imposed by the Airport System. The bonds are additionally payable from, and secured by, the Net Revenues of the Airport System subordinate and junior to the lien of the Series 2008 A, B and C bonds, and any additional parity revenue bonds that may be issued in the future.	

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Amount  
Outstanding at  
June 30, 2012

On July 28, 2009, the Airport System issued additional bonds in the amount of \$480,050 to continue the financing of the Terminal Modernization Program, Airport System Senior Revenue Bonds Series 2009A \$31,115, and Series 2009B \$170,685; Subordinate and PFC/Grant revenue Bonds Series 2009C \$112,860, and Series 2009D \$165,390. The Airport System issued the Series 2009 Senior Bonds as Senior Obligations pursuant to the Master Indenture approved on May 1, 2008, and Third Supplemental Indenture, approved on July 1, 2009. The Series 2009 Senior Bonds are to be secured by the Trust Estate and payable from Net Revenues on parity with the Series 2008 Senior Bonds. The Airport System issued the Series 2009 Subordinate Bonds as Subordinate Obligations under the Master Indenture and the Fourth Supplemental Indenture approved on July 1, 2009. The Series 2009 Subordinate Bonds are secured by the Trust Estate and payable from Net Revenues on parity with the 2008 Subordinate Bonds. Principal and interest on the 2009C Bonds and Series 2009D Bonds are additionally payable from and secured by available PFC Revenues which consist of a portion of the Passenger Facility Charges approved by the Federal Aviation Administration and imposed and collected with respect to International Airport, and by Available Grant Revenues which consist of a portion of the Letter of Intent grant awards approved by the FAA on March 6, 2009. On August 25, 2010, the County issued additional Airport System Senior Revenue Bonds in the amount of \$128,300 to complete the financing of the Terminal Modernization Program. The Series 2010 Senior Bonds were issued pursuant to the Master Indenture approved on May 1, 2008, as supplemented and amended by a Fifth Supplemental Indenture or Trust, dated as of August 1, 2010. The Series 2010 Senior Bonds are to be secured by the Trust Estate and payable from Net Revenues on parity with the Series 2009 and 2008 Senior Bonds. The bonds are issued under the terms of supplemental indentures adopted by the Board and are subject to call and redemption at the option of the Airport System prior to their respective maturity dates.

1,138,295

Total Revenue Bonds	1,194,285
PFC & Subordinated Bonds	339,880
Add: Issuance premiums	17,051
Less: Issuance discounts	(6,869)
Less: deferred amount on refunding	<u>(17,354)</u>
	<u><u>1,526,993</u></u>
	\$

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Amount  
Outstanding at  
June 30, 2012

Certificates of Participation (COP):

On July 19, 2005, Sacramento County Department of Waste Management & Recycling (Solid Waste Enterprise Fund) issued the 2005 Refunding Revenue Certificates of Participation totaling \$27,580, with interest rates ranging from 3.0 percent to 5.0 percent. Proceeds from this were used to (i) establish irrevocable escrow funds to refund in full the \$15,865 of County of Sacramento Certificates of Participation 1997 Public Facilities Project (Solid Waste Facilities); \$8,800 of County of Sacramento Certificates of Participation 1998 Public Facilities Project (Gas to Energy Facilities); and \$4,795 of County of Sacramento Certificates of Participation 2002 Public Facilities Project (Solid Waste Facilities); (ii) pay the costs of the bond insurance premium and (iii) purchase a Reserve Fund Surety Bond in the amount of the reserve fund requirement. As a result, the County of Sacramento Certificates of Participation 1997 Public Facilities Project, the County of Sacramento Certificates of Participation 1998 Public Facilities Project and the County of Sacramento Certificates of Participation 2002 Public Facilities Project are considered to be defeased and the liability for those Certificates of Participation have been removed from the Fund's financial statements. At June 30, 2012, \$3,235 of the 1997 bonds were legally defeased and remain outstanding.

\$ 18,190

County of Sacramento, 2010 Refunding Certificates of Participation were issued on March 3, 2010. The County issued the bonds to refund and defease \$2,095 of outstanding debt for County of Sacramento 1999 Refunding Certificates of Participation, Parking Enterprise. Principal payments are due February 1, 2012 through year 2014, escalating from \$620 to \$665 with a final principal payment of \$230 due February 1, 2014 with an interest rate of 5.0 percent. The refunded bonds have a zero balance, are considered to be defeased, and have been removed from the statement of net assets.

	895
Total certificates of participation	19,085
Less: amounts for refunding	(1,178)
Add: amounts for issuance premium	351
	18,258
	\$

Reimbursement agreements:

Sacramento County Water Agency Enterprise fund enters into various reimbursement agreements with developers for construction of water supply facilities within the Water Agency's jurisdiction. Impact fees are established within the zone to pay for the construction of new water supply facilities. A reimbursement agreement is established when the amount of impact fees applied to the water supply facilities exceed the amount of the fees due to the contractors for performing the service of construction for the water supply facilities. Total reimbursement agreements.

\$ 2,431

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Amount  
Outstanding at  
June 30, 2012

Usage fee – City of Sacramento:

Sacramento County Water Agency Enterprise fund has agreed to pay the City of Sacramento for use of Sacramento River water treatment plant facilities for diverting, treating and conveying surface water. The final payment occurred during fiscal year 2008-09. In the initial agreement with the City of Sacramento, a provision existed which allowed the Water Agency to acquire additional wheeling capacity. During fiscal year 2009, the Agency exercised that option and purchased additional capacity. The Water agency agreed to pay the City in ten annual installments and amount that included payment of principal and interest at a rate equal to the City’s pool rate of return. The principal, based on the present value of the Agency’s share of the facilities at the time of the agreement was \$9,569. Annual principal and interest payment are \$1,145 with the final payment occurring during the 2018 fiscal year.

\$ 7,027

Water rights – SMUD assignment:

Sacramento County Water Agency Enterprise fund has entered into an agreement with Sacramento Municipal Utilities District (SMUD) which provides for the assignment of thirty thousand acre feet of SMUD’s CVP water supply to the Water Agency. Under this contract the Water Agency has agreed to pay the United States certain costs that are allocated to the assigned contract amount. Under the terms of the agreement, the Water Agency will pay the balance over ten years with final payment due October 2021.

\$ 7,232

SMUD Transformer:

Sacramento County Water Agency Enterprise fund has entered into an agreement with Sacramento Municipal Utilities District (SMUD) for the use of a second back-up power transformer for the Vineyard Surface Water Treatment Plant. Its purpose is to provide power if both electricity and the primary back-up transformer fail. This agreement requires an initial deposit, 48 equal monthly payments, and a balloon payment in 2014. While ownership of the transformer will remain with SMUD, the Water Agency is purchasing the right to use this asset indefinitely. Total cost of the transformer is \$1,904 and will be paid off in 2014.

\$ 1,809



**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Long-term debt obligation maturities of business-type activities are summarized below. The amounts representing interest for variable rate obligations have been based on the debt's interest rate at June 30, 2012.

Year ending June 30	Revenue Bonds and PFC Revenue Bonds		COP		Usage Fee City of Sacramento	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 30,680	76,738	2,175	762	1,935	354
2014	32,110	75,348	1,790	684	972	173
2015	30,890	73,954	1,620	621	1,005	140
2016	36,470	72,459	1,680	559	1,039	106
2017	29,815	70,959	9,625	1,571	1,074	71
2018 - 2022	171,180	332,102	2,195	45	1,002	34
2023 - 2027	218,010	284,290				
2028 - 2032	278,945	221,959				
2033 - 2037	347,105	142,824				
2038 - 2042	358,960	46,537				
	<u>\$ 1,534,165</u>	<u>1,397,170</u>	<u>19,085</u>	<u>4,242</u>	<u>7,027</u>	<u>878</u>
	SMUD Transformer		SMUD Water Rights			
Year ending June 30	Principal	Interest	Principal	Interest		
2013	\$ 8	118	654	390		
2014	9	118	673	357		
2015	1,792	19	694	322		
2016			716	286		
2017			740	248		
2018 - 2022			3,755	618		
	<u>\$ 1,809</u>	<u>255</u>	<u>7,232</u>	<u>2,221</u>		

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

The various debt indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. The County was in compliance with all such significant financial limitations and restrictions for fiscal year ending June 30, 2012.

**Conduit Debt**

**River City Regional Stadium Financing Authority; Taxable Lease Revenue Bonds, Series 1999**

The County of Sacramento is a member of the River City Regional Stadium Financing Authority. In 1999, the Authority issued taxable lease revenue bonds in the amount of \$39,990, to finance the site acquisition and construction of a privately owned and operated baseball stadium and related improvements, known as Raley Field. If ticket receipt revenues are insufficient to pay the annual lease obligations, the County has agreed to pay 66% of these annual obligations.

As of June 30, 2012, the principal amount of bonds outstanding was \$33,525, they mature in 2029, and 66% of the average annual lease obligation amount is \$2,351. Ticket receipts have been sufficient since the bonds were issued in 1999 to meet all lease obligations, and the County does not anticipate that this will change, as current ticket receipts are projected to be sufficient to continue to meet the lease obligations. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Sacramento Regional Arts Facilities Financing Authority; Series 2002 Certificates of Participation**

The County of Sacramento is a member of the Sacramento Regional Arts Facilities Financing Authority. In 2002, the Authority issued certificates of participation in the amount of \$16,580, to finance the acquisition, construction, improvement, renovation and equipping of certain theatre facilities located in the City of Sacramento. If ticket receipt revenues are insufficient to pay the annual lease obligations, the County has agreed to pay 50% of these annual obligations.

As of June 30, 2012, the principal amount of certificates of participation outstanding (COPs) was \$13,745, they mature in 2032, and 50% of the average annual lease obligation amount is \$522. Ticket receipts have been sufficient since the certificates of participation were issued in 2002 to meet all lease obligations, and the County does not anticipate that this will change, as current ticket receipts are projected to be sufficient to continue to meet the lease obligations. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At June 30, 2012 the County's debt limit for general obligation bonds and legal debt margin was \$1,524,023.

**NOTE 10 – DERIVATIVES - INTEREST RATE SWAP**

All three of the County's interest rate swap are considered to be cash flow hedging derivative instruments (i.e. effective). The County used the consistent critical terms method to evaluate hedge effectiveness for the \$99,955 and \$128,965 Water Agency Revenue bonds, Series 2007B. and the regression analysis method for the \$343,700 Taxable Pension Bonds, 2008 C-1 swap. Using these methods, as described in more detail below, these three County swaps are classified as effective hedging derivative instruments. On September 22, 2011 and October 6, 2011 the county terminated two swaps, Taxable Pension Funding Bonds, Series 1995 B&C and Series 2009. The termination fee for these swaps were \$51,920 and \$24,629, respectively.

The fair values of the interest rate swaps are 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 swaps.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the June 30, 2012 financial statements are as follows debit(credit).

	<u>Notional Amount</u>	<u>Changes in Fair Value</u>		<u>Fair Value - as of June 30, 2012</u>	
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>2012</u>
<b>Governmental Activities:</b>					
<b><u>Cash Flow Hedges:</u></b>					
<b>Series 2004 C-1 / 2008 C-1</b>					
Pay-fixed interest rate swap	\$343,700	Deferred outflow	(64,888)	Debt	(152,270)
		Total Governmental Activities	<u>\$ (64,888)</u>		
<b>Business type Activities:</b>					
<b><u>Cash Flow Hedges:</u></b>					
<b>Series 2007 B Swap Ins B</b>					
Pay-fixed interest rate swap	\$128,965	Deferred outflow	\$ (22,902)	Debt	\$ (43,155)
<b>Series 2007 B Swap Inst. B</b>					
Pay-fixed interest rate swap	\$99,955	Deferred outflow	(22,589)	Debt	(39,985)
		Total Business Type activities	<u>\$ (45,491)</u>		<u>\$ (83,140)</u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**Objective and Terms of Hedging Derivative Instruments:**

The following table displays the objective and terms of the County's hedging derivative instruments outstanding at June 30, 2012 along with the credit rating of the associated counterparty:

**Governmental Activities:**

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 2004 C-1 / 2008 C-1 Pay-fixed interest rate swap	Hedge of changes in cash flows on 2008 C-1 bonds	\$354,615	7/10/2006	7/10/2030	County pays 5.901% fixed; receives USD LIBOR (BBA) adjusted monthly: 0.24075%	A2/A/A+ Moody's/S&P/Fitch

**Business type Activities:**

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 2007 B Swap Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2007 Series B bonds	\$128,965	5/9/2007	6/1/2034	SCWA Pays Fixed 4.193%; receives 67% of USD-LIBOR-BBA plus 55 bps	A+ S&P Aa3-Moody's
Series 2007 B Swap Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2007 Series B bonds	\$99,955	5/9/2007	6/1/2039	SCWA Pays Fixed 4.221%; receives 67% of USD-LIBOR-BBA plus 57 bps	A+ S&P Aa3- Moody's

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**Taxable Pension Funding Bonds Refunding 2008 C-1 Swap**

**Credit Risk:**

The County is not exposed to credit risk resulting from a failure of the counterparty to perform because the swap has a negative fair value. However, should interest rates change and the fair value of the swap become positive, the County would be exposed to the credit risk of the counterparty in the amount of the derivative's fair value. The swap counterparty was rated "Baa2" by Moody's Investors Services, "A-" by Standard & Poor's and "A" by Fitch as of June 30, 2012.

**Interest Rate Risk:**

The Agency is exposed to interest rate risk on its interest rate swaps. On its pay-fixed receive-variable interest rate swap, as the LIBOR index decreases, the Agency's net payment on the swap increases.

**Basis Risk:**

The basis risk is the difference between the rate paid on the variable-rate bonds and the floating amount received from the interest rate swap of the 1-Month LIBOR. Since the refunded bonds variable-rate payments were fixed to the 1-Month LIBOR as well, and both reset on the same day of the month, the basis risk became fixed. The basis risk for the 2026 Term bonds is 1.30% and for the 2030 Term bonds is 1.45%.

**Termination Risk:**

The County or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. If the swap is terminated, other than by the counterparty exercising its option under the agreement, and at the time of termination, the swap has a negative fair value, the County would be liable to the counterparty for a payment equal to the swap's fair value.

**Water Agency Revenue Bonds, Series 2007B Swaps:**

**Credit Risk:**

The Sacramento County Water Agency (Agency) Enterprise Fund is not exposed to credit risk resulting from a failure of the counterparty to perform because of the swaps' negative fair value. If the swaps had positive fair value greater than \$10 million, the Sacramento County Water Agency would be exposed to credit risk from the counterparty. The swap counterparty was rated "Aa3" by Moody's Investors Services and "A+" by Standard & Poor's as of June 30, 2012.

**Interest Rate Risk:**

The Agency is exposed to interest rate risk on its interest rate swaps. On its pay-fixed receive-variable interest rate swap, as the LIBOR index decreases, the Agency's net payment on the swap increases.

**Basis Risk:**

The swaps are not exposed to basis risk since there is no difference between the rates paid on the variable-rate bonds and the floating amounts received from the interest rate swaps.

**Termination Risk:**

The Sacramento County Water Agency or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic interest rate. If the swaps are terminated, other than by the counterparty exercising its option under the agreement, and at the time of termination, the swaps are in a liability position, the Sacramento County Water Agency would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**Derivative Instrument Payments and Hedged Debt:**

Using the rates as of June 30, 2012, debt service requirements of governmental activities and business type activities for the variable rate debt and the net receipts/payments on associated hedging derivative instruments are presented below:

Governmental Activities:

Year ending June 30	<u>2004 C-1 / 2008 C-1 Pension Refunding Bonds</u>		Rate Swaps, Net	Net Cash Flows
	Principal	Interest		
2013	\$ 4,600	6,200	20,330	31,130
2014	4,600	6,121	20,069	30,790
2015	2,175	6,041	19,809	28,025
2016	2,400	6,004	19,686	28,090
2017	4,775	5,962	19,550	30,287
2018-2022	52,400	27,936	91,597	171,933
2023-2027	117,375	21,408	70,193	208,976
2028-2032	166,290	7,979	33,243	207,512
	<u>\$ 354,615</u>	<u>87,651</u>	<u>294,477</u>	<u>736,743</u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Business-Type Activities:

Sacramento County Water Agency Enterprise Fund  
Series 2007 B Revenue Bonds

Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Net Cash Flows
2013	\$	1,995	7,685	9,680
2014		1,995	7,605	9,600
2015		1,995	7,605	9,600
2016		1,995	7,632	9,627
2017		1,995	7,632	9,627
2018-2022		9,976	38,157	48,133
2023-2027	10,350	9,804	37,497	57,651
2028-2032	78,195	8,405	32,101	118,701
2033-2037	97,900	4,445	16,852	119,197
2038-2039	42,475	566	2,141	45,182
	<u>\$ 228,920</u>	<u>43,171</u>	<u>164,907</u>	<u>436,998</u>

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 11 - SPECIAL ASSESSMENT DEBT AND RELATED ACTIVITIES**

At June 30, 2012, special assessment improvement bonds outstanding for all assessment districts totaled \$182,272. Since the County is not obligated in any manner for special assessment bonds, the debt is not recorded in these financial statements. However, construction of special assessment projects and the related debt obligation proceeds are accounted for in the Capital Projects Funds. Since the County acts as an agent for the property owners in collecting assessments and forwarding such funds to the bondholders, this activity is reported in the Agency Funds.

The Laguna Stonelake Community Facilities District No. 1 (District) has been authorized to issue \$20,000 of Special Tax Bonds. On October 14, 1999 the District issued \$13,025. On May 12, 2005 the District issued the \$11,525 series 2005 Special Tax Refunding Bonds with interest rates ranging from 2.75% to 4.50%, the proceeds of which were used to defease the outstanding 1999 Bonds with an average interest rate of 6.30%. The 2005 refunding bonds constitute the entire bonded indebtedness of the District. The defeased 1999 bonds in original aggregate principal amount of \$13,025 are the only bonds that have been issued under such authorization. At June 30, 2012, \$6,975 of authorized bonds remains un-issued. The outstanding balance at June 30, 2012 was \$8,800.

The McClellan Park Community Facilities District No. 2004-1 (District) has been authorized to issue \$90,000 of Special Tax Bonds. On September 28, 2004 the District issued \$10,250 Series 2004 Special Tax Bonds with interest rates ranging from 3.00% to 6.25%. On December 8, 2011 the District issued \$10,395 Series 2011 Special Tax Bonds with interest rates ranging from 2.25 percent to 6.00 percent. The Series 2004 and the Series 2011 bonds, a total of \$20,645, constitute the entire bonded indebtedness as of June 30, 2012. At June 30, 2012, \$69,355 of authorized bonds remains un-issued. The outstanding balance at June 30, 2012 for the Series 2004 bonds was \$9,965 and for the Series 2011 bonds was \$10,395.

The Laguna Creek Ranch/Elliott Ranch Community Facilities District No. 1 (District) has been authorized to issue a total of \$63,500 of Special Tax Bonds for both Improvement Areas No. 1 and No. 2 by Board of Supervisors Resolution No. 90-1497 dated August 28, 1990 with \$37,500 being the authorized bonded indebtedness for Improvement Area No. 1 and \$26,000 being the authorized bonded indebtedness for Improvement Area No. 2. On August 13, 1997 the District issued \$21,415 of 1997 Refunding Bonds for Improvement Area No.2, the proceeds of which were used to defease the outstanding 1990 Bonds. On December 30, 1997 the District issued \$31,980 of 1997 Refunding Bonds for Improvement Area No. 1, the proceeds of which were used to defease the outstanding 1990 Bonds. The defeased 1990 bonds in original aggregate principal amount of \$34,000 for Improvement Area No. 1 and \$24,155 for Improvement Area No 2 are the only bonds that have been issued under such authorization. On January 27, 2011, the District issued \$12,830 of 2011 Refunding Bonds for improvement Area No. 2, the proceeds of which were used to defease the outstanding 1997 Refunding Bonds. On March 3, 2011, the District issued \$17,075 of 2011 Refunding Bonds for Improvement Area no. 1, the proceeds of which were used to defease the outstanding 1997 Refunding Bonds. The 2011 Refunding Bonds constitute the entire bonded indebtedness of the District. At June 30, 2012, \$3,500 of authorized Improvement Area No. 1 bonds and \$1,845 of authorized Improvement Area No. 2 bonds remain un-issued. Interest rates for District No. 1 range from 2.0% to 5.0%, and District No. 2 ranges from 1.5% to 5.25%. The outstanding balance was at June 30, 2012, for Improvement Area No. 1 was \$16,210 and for Improvement Area No. 2 was \$12,330.

The Metro Air Park Community Facilities District No. 1998-1 (District) has been authorized to issue \$7,250 of Special Tax Bonds. On December 30, 1998 the District issued \$5,310 of Special Tax Bonds with an interest rate of 7.00%. These bonds constitute the entire bonded indebtedness as of June 30, 2012. At June 30, 2012, \$1,940 of authorized bonds remains un-issued. The outstanding balance at June 30, 2012 was \$3,440.

The Metro Air Park Community Facilities District 2000-1 (District) has been authorized to issue \$200,000 of Special Tax Bonds. On April 8, 2004 the District issued \$63,460 Series 2004A Special Tax Bonds with an interest rate of 7.00%. On December 14, 2007 the District issued \$40,200 Series 2007B Special Tax Bonds with an interest rate of 7.00%. The Series 2004A & the Series 2007B bonds, a total of \$103,660, constitute the entire bonded indebtedness as of June 30, 2012. At June 30, 2012, \$96,340 of authorized bonds remains un-issued. The outstanding balance at June 30, 2012 for the 2004A bonds was \$58,265 and for the 2007B bonds was \$40,200.



**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

The County of Sacramento Community Facilities District No. 2005-2 (North Vineyard Station No. 1) (District) has been authorized to issue \$30,000 of Special Tax Bonds. On September 6, 2007 the District issued \$14,415 of Special Tax Bonds with interest rates ranging from 4.40% to 6.00%. These bonds constitute the entire bonded indebtedness. At June 30, 2012, \$15,585 of authorized bonds remains un-issued. The outstanding balance at June 30, 2012 was \$14,345.

The Park Meadows Community Facilities District No. 1 (District) has been authorized to issue \$1,200 of Special Tax Bonds. On June 28, 2000 the District issued Current Interest Bonds in the amount of \$230 at the interest rate of 7.75%, and Convertible Capital Appreciation Bonds in the original principal amount of \$892 at the interest rate of 8.25%. These bonds constitute the entire bonded indebtedness. As of June 30, 2012, \$78 of authorized bonds remain unissued. The outstanding balance at June 30, 2012 was \$772.

Sunrise Recreation and Park District (District) issued \$7,435 of Certificates of Participation bonds on July 12, 2007 for a portion of the District's cost of recreation and park construction at or near the Antelope Community Park. The interest rate ranges from 3.95% to 4.50%. The outstanding balance at June 30, 2012 was \$6,885.

The following accounts for debt activity for a variety of special assessment districts where money has been borrowed under the 1911/1915 Improvement Bond Act:

1915 Act Bonds for Bradshaw / U.S. 50 Corridor A.D. issued August 10, 1995 for \$2,301 with an interest rate ranges from 5.875% to 7.20%. The outstanding balance at June 30, 2012 was \$665.

**NOTE 12 – PLEDGED REVENUES**

The County has pledged a portion of delinquent property tax revenues to re-pay \$50,897 in Teeter notes in accordance with the alternative method of distribution of property tax levies and assessments. The notes were issued on November 27, 2007, December 9, 2008, December 1, 2009, November 30, 2010, and November 4, 2011. The notes are due and payable to the County of Sacramento-Pooled Investment Fund and are payable solely from the collection of delinquent property taxes. Total principal of \$50,897 and interest of \$542 remain on the notes and are payable through August 1, 2015. For the current year, net revenues pledged were equal to the total principal and interest paid of \$36,762 and \$300, respectively.

The County has pledged certain future revenues, net of specified operating expenses, to repay \$496,195 in Airport System Senior Revenue Bonds issued in May 2008, and \$201,800 in Airport System Senior Revenue Bonds issued in July 2009, and \$128,300 in Airport System Senior Revenue Bonds issued in August 2010. Proceeds from the 2008 Senior Revenue Bond refunded Series 1992B, Series 1998A, Series 2002A, and 45.4% of Series 2006A as well as provided \$323 million in financing for the Terminal Modernization Program. The bonds are payable solely from Net Revenues of the Airport System and are payable through 2041. The total principal and interest remaining to be paid on senior bonds is \$1,570,859. Principal and interest paid for the current year was \$49,182, including \$16,032 from capitalized interest, and the total Net Revenues were \$50,414.

The County has pledged Passenger Facility Charges (PFC) to repay \$89,430 in Airport System Subordinate and PFC Revenue Refunding Bonds issued in May 2008 and \$278,250 in Airport System Subordinate and PFC/Grant Revenue Bonds issued in July 2009. Proceeds from the 2008 bond series refunded Series 1996C, Series 1998B and 54.6% of Series 2006A. Proceeds from 2009 Subordinate and PFC/Grant Revenue Bonds provided \$251 million to continue the financing of the Terminal Modernization Program. The 2008 Subordinate and PFC Bonds are payable through 2026 and the 2009 Subordinate and PFC/Grant Revenue Bonds are payable through 2041. Total principal and interest remaining to be paid on the subordinate bonds is \$681,910. Principal and interest paid for the current year was \$30,866, the PFC revenue was \$18,022 and the Available Grant Revenues, \$8,171.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

The table below identifies the Available PFC and Available Grant Revenues pledged for the payment of debt service on the Series 2008D, 2008E, 2009C and 2009D bonds:

<u>Fiscal Year Ending June 30</u>	<u>Passenger Facility Charges</u>	<u>Grant Revenues</u>
2013	\$ 21,940	8,220
2014	21,940	8,271
2015	21,943	8,329
2016	21,945	
	\$ 87,768	24,820

**NOTE 13 - COMMITMENTS**

The County has entered into several agreements related to the construction of capital projects, the expansion of the International Airport and other activities.

**Governmental Funds** – The County’s governmental funds has entered into contracts for the construction of certain projects totaling \$39,612 at June 30, 2012.

**Airport System** – The Airport System had approximately \$25,409 in outstanding construction contract commitments at June 30, 2012.

**Solid Waste Enterprise Fund** – Solid Waste entered into equipment and construction agreements totaling \$6,263 at June 30, 2012.

**Water Agency Enterprise Fund** – The Water Agency has entered into contracts for the construction of certain projects totaling \$3,905 at June 30, 2012.

**NOTE 14 - CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations that place specific requirements on the Solid Waste Fund regarding closure and postclosure maintenance and monitoring functions for the Fund’s landfills. These functions are required for 30 years after closure of the landfill sites. Although closure and postclosure care costs will be paid only near or after the date that a site is closed, the Fund recognizes these costs (as described below) as operating expenses each year.

Solid Waste operates one active landfill (Kiefer) and maintains postclosure care for two closed landfills (Elk Grove and Grand Island).

Management of the fund has deemed the capacity of the Kiefer Landfill will be the basis of recognizing its closure and postclosure care costs. Kiefer Landfill closure and postclosure care liabilities at June 30, 2012 were \$14,218. The Fund will recognize costs of \$31,811 as the remaining capacity in the Kiefer Landfill is used in future years. At June 30, 2012, the capacity of the Kiefer Landfill used to date was 31% and the estimated remaining landfill life is 61 years. As required by applicable laws, \$8,792 is considered restricted at June 30, 2012, with the remaining balance recorded considered designated. The Board of Supervisors has approved pledges of revenues to provide financial assurance for the postclosure maintenance costs of the Kiefer Landfill. Management expects that any increase to future closure and postclosure costs (due to changes in technology or applicable laws or regulations, for example), will be paid from charges to future users.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

A portion of the property on which the Elk Grove Landfill is located (22.1 acres) was deeded to the County in 1936. In 1969, an additional 14.9 acres was added by eminent domain condemnation proceedings. The property was used as a municipal solid waste facility until 1978 and in 1979, it was officially closed. A final cover was placed on the landfill in 1993.

The Grand Island Landfill is a closed 10.4 acre disposal site that was leased to and operated by the County from 1971 to 1979. It is owned by the U.S. Army Corps of Engineers. A final cover was placed on the landfill in 1998.

Sections of Title 27 of the California Code of Regulations, Chapter 6, Subchapter 2, Article 2, require the operator of a disposal facility to demonstrate financial responsibility to the California Department of Resources Recycling and Recovery (CalRecycle) for maintenance. The Elk Grove and Grand Island Landfills are exempt from these regulations because these sites were not operated after January 1, 1988.

Title 27 also specifies that at sites where CalRecycle does not require a fund, the Regional Water Quality Control Board (RWQCB) shall require the establishment of an irrevocable fund (or to provide other means) pursuant to CalRecycle promulgated sections, to ensure maintenance. The RWQCB required the County to provide evidence of financial responsibility for initiating and completing corrective action for all known and reasonably foreseeable releases for the Elk Grove and Grand Island Landfills in 1999 and 2004, respectively.

The State law provides that the County can choose any alternative financial assurance mechanism acceptable to CalRecycle for the Elk Grove and Grand Island Landfills. The County has chosen the pledge of revenue approach because it best fits the local conditions present in Sacramento County. The Board of Supervisors has approved pledges of revenues to provide financial assurance for the postclosure maintenance costs of the Elk Grove and Grand Island Landfills.

The Fund reported Elk Grove Landfill postclosure care liabilities at June 30, 2012 as \$2,381.

The Elk Grove landfill is 100% full and the postclosure 30-year liability period runs through June 2024. At June 30, 2012, the reported liabilities represent costs for the remaining 12 years. The portion of the postclosure costs expected to be paid during the next year is \$216.

The Fund reported Grand Island Landfill postclosure care liabilities at June 30, 2012 of \$403. The landfill is 100% full and the postclosure 30-year liability period runs through June 2029. At June 30, 2012, the reported liabilities represent postclosure costs for the remaining 17 years. The portion of the postclosure costs expected to be paid during the next year is \$25.

Future closure and postclosure costs are based on what it would cost to perform all closure and postclosure care in 2012. Actual costs may be different due to inflation, changes in technology, changes in permitted capacity and/or changes in regulations.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Changes in accrued landfill closure and postclosure care liability for the fiscal year ended June 30, 2012 were as follows:

	July 1, 2011			June 30, 2012	Due within
	Beginning	Additions	Deletions	Ending	one year
Kiefer	\$ 13,619	599		14,218	
Elk Grove	2,544	53	(216)	2,381	216
Grand Island	419	9	(25)	403	25
	<u>\$ 16,582</u>	<u>661</u>	<u>(241)</u>	<u>17,002</u>	<u>241</u>

**NOTE 15 - RETIREMENT PLAN**

All County full-time and part-time employees participate in the Sacramento County Employees' Retirement System ("SCERS" or the "System"), a multiple-employer, cost-sharing, public employee retirement system. For purposes of County financial statements, SCERS is considered a sole employer plan because the County's contributions substantially make up the total contributions of the plan. Membership in the System primarily consists of employees of the County. The System provides retirement, disability, and death benefits based on the employee's years of service, age and average final compensation. Employees vest after 5 years of service and may receive retirement benefits at age 50. A summary of System membership at June 30, 2012, is available on the System's web site at <http://www.scers.org>. The System's Comprehensive Annual Financial Report, including a separate audit of the financial statements for the fiscal year ended June 30, 2012, is available on the System's web site <http://www.scers.org> or can be obtained by contacting the County's Department of Finance.

**Funding Policy**

Contributions to the plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The System's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Members of the System are required to contribute between 1.85% and 14.12% of their annual covered salary. The County is obligated by state law to make all required contributions to the plan, ranging from 15.60% to 43.54% of covered payroll. The required contributions include current service cost and amortization of any unfunded prior service cost over a 25-year declining amortization period with 23 years remaining as of June 30, 2012. Employer contribution rates are determined using the entry age normal cost method based on a level percentage of payroll. The System also uses this actuarial method to amortize the unfunded liability, if applicable.

Contributions for the year ending June 30, 2012, totaled \$213,260. Included in this total are employer contributions of \$162,003 and member contributions of \$51,257. All contributions were made in accordance with actuarially determined contribution requirements based on the actuarial valuation performed at June 30, 2010.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Annual Pension Cost, Actuarial Methods and Assumptions, and Net Pension Asset

The County's annual pension cost and required and actual contributions were determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.50 % annual general inflation, (b) 7.75% investment rate of return (net of administrative expenses), and (c) projected salary increases of 5.14% to 11.55% for miscellaneous; 3.75% to 9.76% for safety (includes inflation at 3.5%, plus real-across-the board salary increase of 0.25% plus merit and longevity increases). The actuarial value of SCERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven-year period (smoothed fair value). The UAAL established as a result of the Early Retirement Incentive Program for LEMA members is amortized over a 10-year period beginning June 30, 2010. The remaining UAAL is being recognized over a declining 23-year period. The County's annual pension cost and pension assets for the year ended June 30, 2012, were as follows:

Annual required contribution	\$ 162,003
Interest on beginning net pension asset	(78,066)
Adjustment to the annual required contribution	<u>91,683</u>
Annual pension cost	175,620
Annual contributions made	<u>162,003</u>
Decrease in net pension asset	(13,617)
Net pension asset, beginning of year	<u>1,023,052</u>
Net pension asset, end of year	<u>\$ 1,009,435</u>

Three-year trend information:

Fiscal Year Ended	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Asset
6/30/10	\$155,295	\$150,610	97%	\$1,031,950
6/30/11	\$174,406	\$165,508	95%	\$1,023,052
6/30/12	\$175,620	\$162,003	92%	\$1,009,435

Funding Status and Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 83.3 percent funded. The actuarial accrued liability for benefits was \$7,838,223, and the actuarial value of assets was \$6,529,895 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,308,328. The covered payroll (annual payroll of active employees covered by the plan) was \$778,445 and the ratio of the UAAL to the covered payroll was 168.1 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 16 – POST EMPLOYMENT HEALTH CARE BENEFITS**

Plan Description The plan is a single-employer plan and it does not issue a publicly available report. The County provides medical insurance and dental insurance, and subsidy/offset payments as authorized by the Board of Supervisors on an annual basis. The Board of Supervisors must approve the benefit annually or it is terminated.

All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County, or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year (continuous coverage).

The Public Employment Relations Board (PERB) ruled on complaints filed by several Representative Employee Organizations (REOs) challenging the County's elimination of the subsidy for County retirees approved by the Board of Supervisors June 5, 2007, and effective January 1, 2008. On June 30, 2009, the PERB decision ordered the County to 1) cease and desist from implementing the subsidy elimination; 2) rescind the changes in eligibility; and 3) make whole the affected parties. On March 11, 2010, the 3<sup>rd</sup> District Court of Appeals declined the County's request to review the PERB decision.

Annuitants who retired on or before May 31, 2007, as well as those Recognized Employee Organizations (REOs) who filed suit are eligible for the monthly medical premium subsidy. If the annuitant met the eligibility criteria to receive a subsidy absent a retirement date of June 1, 2007, or later, the retiree will only receive a subsidy if retired from one of the REOs who filed the complaint with PERB, and the Sacramento County Deputy Sheriff's Association. Annuitants who retired after May 31, 2007, and were not in an REO that filed suit are not eligible for this subsidy.

The amount of any medical subsidy/offset payments made available to eligible annuitants shall be calculated based upon the annuitant's Sacramento County Employees Retirement System (SCERS) service credit. For calendar year 2012, the Board of Supervisors approved a monthly subsidy of \$40 to each subsidy-eligible retiree receiving a benefit from the Sacramento County Retirement System of less than \$2,000.

Neither SCERS nor the County guarantees that a subsidy/offset payment will be made available to annuitants for the purchase of County-sponsored medical and/or dental insurance. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership.

The amount of the subsidy/offset payment, if any, payable on account of enrollment in a County sponsored retiree medical and/or dental insurance plan shall be established within the sole discretion of the Board of Supervisors. Annuitants who retired on or prior to May 31, 2007, as well as those REOs who filed suit and are receiving a monthly medical premium are eligible for a medical premium subsidy according to the schedule on the following page:

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Service at Retirement	Amount of Subsidy/Offset for Employees Retired On or Before May 31, 2007 (Calendar Year)		Amount of Subsidy/Offset for Employees Retired After May 31, 2007 and Were Covered by PERB Agreement (Calendar Year)	
	2011	2012	2011	2012
Less than 10 years	\$40.32	\$40 if SCERS	\$122	\$122
10-14 years	50.40	monthly benefit is	152	152
15-19 years	60.48	less than \$2,000	182	182
20-24 years	70.56	per month,	212	212
25 or more years	80.64	otherwise \$0	244	244
 *Dental if eligible for medical subsidy	 \$0	 \$0	 \$25	 \$25

\*The actual premium rate for the retiree dental plan is approved by the Board of Supervisors in conjunction with the approval of all the retiree health plans on an annual basis.

Approximately one thousand six hundred fifty employees meet the eligibility requirement and receive the insurance subsidy as of June 30, 2012.

Funding Policy

The County currently pays for post-employment health care benefits 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 County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC) amount as actuarially determined. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount, if any, actually contributed to the plan, and changes in the County's net OPEB obligation.

Annual required contribution	\$ 10,346
Interest on net pension obligation	599
Adjustment to the annual required contribution	<u>(655)</u>
Annual OPEB cost	10,290
Annual contributions made	<u>(7,708)</u>
Increase in OPEB obligation	2,582
Net OPEB obligation, beginning of year	<u>14,976</u>
Net OPEB obligation, end of year	<u>\$ 17,558</u>
 Covered payroll (active plan members)	 \$ 778,445
UAAL as a percentage of covered payroll	12.9%

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Trend Information

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is 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>
6/30/10	\$14,831	\$14,231	96%	\$ 6,340
6/30/11	14,813	6,177	42%	14,976
6/30/12	10,290	7,708	75%	17,558

Funding Status and Progress

As of June 30, 2011, the most recent actuarial valuation date the plan was 0% funded. The actuarial accrued liability was \$100,416 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$100,416. The covered payroll (annual employees covered by the plan), was \$880,766 and the ratio at UAAL to covered payroll was 11.4 percent. 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 the future, examples include assumptions made about future employment, mortality and the healthcare cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial report, the actuarial cost method is used for valuation is entry age normal cost method which determines normal cost as a level percent of payroll. The actuarial assumptions utilized a 4.0% discount rate, inflation rate of 3.0%, and actual premiums for fiscal year 2010-11 and 2011-12, and a medical trend of 9% beginning in 2013 reduced by decrements of 0.5 % each year to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of pay. The remaining amortization period at June 30, 2012, was 26 years.



**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 17 - SELF-INSURANCE**

The County self-insures for property damage, general liability, workers' compensation, and unemployment insurance claims. Self-insurance programs are accounted for in internal service funds, and interfund premium charges are treated as interfund services. Interfund premiums are based primarily upon the insured funds' claims experience and are adjusted for any excess or deficit net assets within the self-insurance funds. At June 30, 2012, governmental and proprietary funds owed premium charges to the Liability/Property, Workers' Compensation, and Unemployment Insurance funds. It is the County's policy to fund the governmental funds' liability for premium charges by making provisions in budgets of succeeding years. The self-insurance internal service funds recognize revenue and the owing funds expense/expenditure when the owing funds are charged by the self-insurance internal service funds.

The Liability/Property and the Workers' Compensation Self-Insurance funds' estimated claim liabilities are actuarially based and include claims incurred but not reported. The estimated liabilities include provisions for allocated claims adjustment expenses, including administrative, attorney, and other associated expenses. Proceeds received for salvage and subrogation are recognized as revenue in the year of receipt, and therefore are not included in the estimated liabilities.

During the past three fiscal years no instances or settlements exceeded insurance coverage. Effective March 31, 2012, flood coverage limits were reduced to \$1,400,000 from \$2,234,000.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Reconciliation of Claims Liabilities

	Liability/Property		Worker's Compensation		Unemployment		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Unpaid claims and claim adjustment expenses at beginning of the fiscal year								
Current portion	\$ 9,897	8,047	28,400	28,963	1,060	1,243	39,357	38,253
Noncurrent	18,848	18,662	134,904	130,846			153,752	149,508
Total beginning balance, July 1	28,745	26,709	163,304	159,809	1,060	1,243	193,109	187,761
Incurred claims and claim adjustment expenses:								
Provision for insured events for current year	5,917	5,182	23,488	24,787	3,372	7,295	32,777	37,264
Increase (decrease) in provision for insured events of prior fiscal years	11,702	14,530	1,464	3,660			13,166	18,190
Total incurred claims and claim adjustment expenses	\$ 17,619	19,712	24,952	28,447	3,372	7,295	45,943	55,454
Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	\$ 413	341	2,203	2,809	2,913	6,235	5,529	9,385
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	14,269	17,335	20,854	22,143	1,060	1,243	36,183	40,721
Total payments	14,682	17,676	23,057	24,952	3,973	7,478	41,712	50,106
Total unpaid claims and claim adjustment expenses at end of the fiscal year, June 30	\$ 31,682	28,745	165,199	163,304	459	1,060	197,340	193,109
Current portion of unpaid claims and claim adjustments	\$ 9,268	9,897	25,623	28,400	459	1,060	35,350	39,357
Non current portion of unpaid claims and claim adjustments	22,414	18,848	139,576	134,904			161,990	153,752
Total current and non current unpaid claims and claim adjustment expenses at end of the fiscal year.	\$ 31,682	28,745	165,199	163,304	459	1,060	197,340	193,109

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Coverage for specific perils required under the terms of certain debt issues and County policies obtained from outside carriers is as follows:

Coverage	Amount	Deductible Provision	
Airport Liability & Hanger keepers	\$ 500,000 *	\$10	Each occurrence
Property Program:			
Property Insurance (All Risk)	2,322,000 *	50	Each occurrence
Flood	1,400,000 *	2% / 100 minimum	Per Building / Each occurrence
Earthquake (EQ)	25,000 *	5% / 100 minimum	Per building / Each occurrence
Sheriff Vehicle Physical Damage	21,001 *	20	Each occurrence
Boiler/Machinery	100,000	5 (25 at Water Treatment Plant locations)	Each occurrence
Crime:			
Faithful Performance	10,000	25	Each occurrence
Employee Dishonesty	10,000	25	Each occurrence
Forgery/Money/Computer Fraud	10,000	25	Each occurrence
Sheriff's Helicopters/Airplanes			
Liability	25,000	None	Not applicable
Hull (Physical Damage)	8,669	Various	Helicopters - 1.5% of Aircraft Value/Minimum 7.5 Airplanes - Nil Deductible
Fiduciary Retirement Liability	10,000	50	Each claim
General Liability (Excess)	25,000	2,000	Self-insured retention
Pollution Liability	10,000	500	Each occurrence
Workers' Compensation (Excess)	Statutory*	3,000	Self-insured retention
Employers' Liability	5,000*	3,000	Self-insured retention

\*Airport Liability and Hangerkeepers - Coverage is subject to Terrorism exclusion. The County has not purchased the buy-back coverage due to the expense and limited coverage. Property – County property is covered for Terrorism Coverage subject to a \$200,000 occurrence and annual aggregate limit. Effective 3/31/08 EQ is capped at \$25 million. Effective 3/31/12 All Risk total is at \$2.322 billion (total of Towers I, II, IV and V primary and excess on an actual at risk and tower-capped basis). Effective 3/31/12 Flood total is at \$1.400 billion (total of Towers I, II, IV and V primary and excess on an actual at risk and tower-capped basis). Effective 7/1/08 Workers' Compensation (Excess) limit is statutory rather than a dollar limit. Effective 7/1/08 Employers' Liability (Excess) limit is at \$5 million.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 18 – RESTRICTED NET ASSETS**

Restricted Net Assets are net assets subject to constraints either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provision or enabling legislation. Restricted net assets as of June 30, 2012, are as follows:

	Governmental Activities	Business- type Activities	Total
Bond reserves		54,393	54,393
Landfill closure		8,793	8,793
Kiefer Wetlands Preserve		879	879
Debt service	\$ 159,984	53,738	213,722
Capital projects	30,965		30,965
Passenger facility charges		16,991	16,991
Health programs	194,425		194,425
Transportation	38,670	1,040	39,710
Lighting and landscape maintenance	2,781		2,781
Community facilities	2,974		2,974
Fish and game	32		32
Future construction		2,622	2,622
Endowments:			
Expendable		69	69
Nonexpendable		2,027	2,027
Total	<u>\$ 429,831</u>	<u>140,552</u>	<u>570,383</u>

Net assets restricted by enabling legislation are comprised of \$16,991 (FAA approved passenger facility charges), \$2,781 (lighting and landscape maintenance) and \$2,974 (community facilities) in the Statement of Net Assets at June 30, 2012.

Restricted Net Assets include:

- *Landfill closure* – accounts for the accumulation of resources necessary to finance closure care costs in the future.
- *Kiefer Wetlands Preserves* – established to eventually provide the funding for the preservation of vernal pools at the Kiefer landfill.
- *Debt service* – to finance and account for the payment of interest and principal on bonds or other long-term borrowing in accordance with bond indentures.
- *Capital projects* – accounts for financial resources to be used in the acquisition or construction of major capital facilities in accordance with bond indentures.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

- *Passenger facilities charges* – accounts for fees collected from airline passengers which are required to be used to finance airport projects.
- *Endowments* – to be used to support the Airport System public art in perpetuity.
- *Health programs* – health programs are comprised of the following:
  - *First Five Commission* – accounts for funds received from State Proposition 10 which are used to support healthy development of children prenatal to age five.
  - *Water Agencies* – accounts for funds received from drainage fees and assessments used to protect the community from flood hazards.
  - *Stormwater Utilities* – used to account for funds received from Stormwater Utility fees, ad valorem tax proceeds, interest income and other various revenues to provide storm drainage, flood control, flood preparation and stormwater quality management services.
  - *Tobacco* – accounts for the revenues and expenditures associated with the tobacco litigation settlement to be used for the operation of health, youth, and tobacco prevention programs.
  - *Tobacco Securitization Authority* – reports the activities related to the County securitizing its portion of the nation-wide Tobacco Settlement Agreement.
  - *In-Home Support Services* – accounts for revenue and expenditures of the In-Home Support Services Program.
- *Transportation* – accounts for funds received from developer fees and transportation sales tax used to finance construction, improvements and maintenance of the County road system.
- *Lighting and landscape maintenance* – accounts for funds received from special assessments used to maintain landscaped corridors, medians and natural open space.
- *Community facilities* – accounts for service charges collected from direct levies on property tax bills for various community facilities districts.
- *Fish and game* – used to account for fines collected for violations of the fish and game code and deposited to the Fish and Game Propagation Program to support activities related to fish and game, including education.
- *Future construction* – used to account for funds that are restricted for future construction projects related to the County Transit and Water Agency.
- *Bond Reserves* – used to account for funds that are restricted due to being held to meet bond reserve requirements for the Airport System and Water Agency.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 19 - FUND BALANCES**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned. (see Note 1 for a description of these categories). A detailed schedule of fund balances as of June 30, 2012, is as follows:

	Major	Non Major Governmental Funds			Total
	General Fund	Special Revenue	Debt Service	Capital Project	
<b><u>Nonspendable:</u></b>					
Inventory	\$ 1,377				1,377
Long-term receivables/advances	1,324	16,069		4,292	21,685
Teeter Plan delinquencies	2,530				2,530
Teeter Plan tax loss	9,736				9,736
Total nonspendable:	14,967	16,069		4,292	35,328
<b><u>Restricted for:</u></b>					
Public protection	29,442	14,714			44,156
Health and sanitation	133,311	132,897			266,208
Public ways and facilities		44,008		6,666	50,674
Recreation and culture	3,301	8,812			12,113
Education		386			386
Capital outlay	27,566			42,818	70,384
Economic development		33,879			33,879
Lighting and landscape		3,433			3,433
Stormwater utility		20,438			20,438
Tobacco settlement		13,217			13,217
Debt service			121,162		121,162
Total restricted	193,620	271,784	121,162	49,484	636,050
<b><u>Unassigned</u></b>	(3,382)			(2,013)	(5,395)
<b><u>Total</u></b>	\$ 205,205	287,853	121,162	51,763	665,983

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 20 – CONTINGENCIES**

The County is a defendant in various lawsuits related to self-insurance programs and for other claims, including construction, property tax assessments, and claims arising from audits of federal and state funded programs. Anticipated costs related to such claims and litigation are accrued in the Self-Insurance funds where appropriate. Although the final outcome of these matters cannot be predicted, the County believes that these accruals are adequate to provide for its estimated future obligations in these matters, and that any amounts in excess of such accruals will not be significant to the County.

**Financial Stress**

The County has been and continues to experience financial stress due to the impacts of the general economic downturn, including a significant decline in property values and an unemployment rate in the four-county area as of September 2012 of 9.7%. As a result, County revenues have declined. The County has responded by making significant permanent program and staffing reductions, as well as having used one-time resources to close a portion of its budget gaps. Decreases in County General Fund discretionary revenues have begun stabilizing, and expenditure increases have also been stabilizing (mainly salaries and benefits) due to new and/or extended labor agreements.

**Housing Market**

The housing market slump and related negative impact of economic conditions has continued through Calendar Year (CY) 2011, but began to show some improvements in CY 2012. Home foreclosures are on track to decrease by 37 percent in 2012, as compared to 2011, and Notices of Default are on track to decrease by 17 percent in 2012, as compared to 2011. At the current rate of foreclosures and notices of default, CY 2012 is estimated to show a decline of approximately 56 percent since the peak in 2008. In addition, the single-family home median resale price began to increase in CY 2012. These prices peaked in 2005, and since then declined approximately 53 percent, with their lowest level of \$157,000 in December 2011. Since that time, single-family home resale prices in 2012 began increasing and were at \$176,500 in August 2012.

Pursuant to Proposition 8, the County Assessor began reducing the assessed value of properties in Fiscal Year 2007-08 and continued this type of reduction through Fiscal Year 2012-13. Overall secured/unsecured property assessed valuation peaked in Fiscal Year 2008-09 at approximately \$137 billion, and since that time has decreased to an estimated \$117 billion. The reduction in assessed valuation translates into a reduction in County property tax revenues, which are budgeted to decrease by approximately \$13.7 million in Fiscal Year 2012-13 as compared to the previous year.

Assessed valuations are based on values as of January 1<sup>st</sup> for the following fiscal year's property tax bills and resulting County revenues. If the housing market continues to improve through CY 2012, Fiscal Year 2013-14 property tax revenues may also begin to grow incrementally.

**Labor Market**

The local labor market in the region's four-county area has an impact on the general economic condition of the County. Total employment in the area, which is a somewhat better measure than the unemployment rate (unemployment rate does not take into account those who have dropped out of the job market), peaked in December 2007 at approximately 1,003,400 jobs, decreasing to a low of approximately 903,200 jobs in December 2010. Since that time employment began increasing to 914,900 in December 2011, and continued to increase through CY 2012 to 940,500 in September 2012. The four-county area unemployment also hit a high of 12.4% in December 2010, and has since come down to 9.7% as of September 2012.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**Regents of the University of California v. Hunt, et al.**

On November 19, 2009, the Regents of the University of California filed an action against the County on behalf of University of California, Davis Health System (UCD), for breach of contract and for a Peremptory Writ of Mandate.

The Petition's causes of action for breach of contract are brought under the following two theories: (1) that UCD had an implied contract with the County – UCD claims that the alleged contract with UCD was manifested by the conduct of the County in its execution of the County's contract with Benefit and Risk Management Services (BRMS); and (2) that UCD is a "third party beneficiary" of the County's contract with BRMS. Pursuant to these theories, UCD alleges the County must pay for hospital care rendered to County Medically Indigent Program (CMISP) patients that were referred to the UCD hospital.

The Petition seeks damages, including attorneys' fees, in excess of \$125,000. Department of Health and Human Services (DHHS) staff indicated to County Counsel on November 9, 2009, that the County liability for non-payments of claims to UCD may total up to \$80,000 but may decrease as DHHS has not completed its reconciliation process. The County expects the remaining causes of action contained in the Regent's Petition to set for trial in one to two years.

**NOTE 21 – FUTURE GASB PRONOUNCEMENTS**

In December 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, for financial statements for periods beginning after December 15, 2011. The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for service concession arrangements (SCAs) for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements.

GASB Statement No. 60 alleviates the confusion that arises when determining what guidance should be applied in complex circumstances that are not specifically addressed by existing standards; contributes to the assessment of interperiod equity by reporting up-front payments or the present value of installment payments primarily as deferred inflows of resources, reflecting the acquisition of resources that are applicable to a future reporting period; includes provisions that result in a faithful representation of a governmental operator's rights under SCAs by reporting rights to access SCA facilities as intangible assets; and improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs. The County has not determined the effect, if any, on the financial statements.

In December 2010, the GASB issued Statement no. 61, *The Financial Reporting Entity: Omnibus*, effective for financial statements for periods beginning after June 15, 2012. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic. Lastly, the requirements for reporting equity interests in component units help ensure that primary government financial statements do not understate their financial position and provide for more consistent and understandable display of those equity interests. The County has not determined the effect, if any, on the financial statements.



**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

In December 2010, the GASB issued Statement no. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for financial statements for the periods beginning after December 15, 2011. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. The County has not determined the effect, if any, on the financial statements.

In December 2011, the GASB issued Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

GASB Statement no. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The County has not determined the effect, if any, on the financial statements.

In March 2012, the GASB issued Statement no. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement 65 amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4, *Elements of Financial Statements*. GASB Statement 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The County has not determined the effect, if any, on the financial statements.

In March 2012, the GASB issued Statement no. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, effective for financial statements beginning after December 15, 2012. The objective of the Statement is to improve accounting and financial reporting for a governmental financial reporting

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement 66 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. GASB Statement 66 also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The County has not determined the effect, if any, on the financial statements.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, effective for financial statements for fiscal years beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. GASB Statement 67 replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The County has not determined the effect, if any, on the financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The County has not determined the effect, if any, on the financial statements.

**NOTE 22 – RESTATEMENT**

During the fiscal year ended June 30, 2012, the County discovered the Governmental Activities accreted interest balance included certain amounts for accreted interest that had previously been paid or defeased by the County. As a result, the County reduced the accreted interest liability and increased net assets of Governmental Activities by \$87,890 as of June 30, 2011.

Governmental Activities

Beginning net assets	\$	1,405,386
Adjustment		87,890
Net assets as restated	\$	1,493,276

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**NOTE 23 - EXTRAORDINARY AND SPECIAL ITEMS**

**Special Item, Solid Waste Enterprise Fund, Abatement of Regulatory Fees**

The Sacramento County Air Quality Management District, responsible for collecting section 185 fees of the Federal Clean Air Act, held a meeting on April 10, 2009 to discuss the history and the methodology of calculating these fees as well as the ability the Environmental Protection Agency (EPA) has to potentially collect the fees plus interest and penalties. At that time the Solid Waste Fund felt that there was a high probability that these fees would ultimately be assessed and therefore began accruing the obligation as a liability at June 30, 2009.

On May 10, 2011, the EPA made the announcement that the Sacramento region has attained an air quality standard it previously failed to meet. As a result, the EPA will defer sanctions citing that the region exceeded the standard for three days in 2008 as a result of wildfires, considered “exceptional events.” In addition, for a number of years the air district, local businesses and government agencies have implemented policies to improve the region’s air quality.

Given the history that has surrounded these fees, and that future litigation, although unlikely, may reinstate the fees. The Solid Waste Fund has taken the position of reversing all fees applied to June 30, 2008 and prior considering those fees to have exceeded the standard Federal three year statute of limitations. The Solid Waste Fund has assigned a probability factor of fifty percent to the remaining fees through June 30, 2010, however at June 30, 2012, the Solid Waste Fund removed the entire remaining obligation from accounts payable and accrued expenses.

The Solid Waste Fund reported obligations \$350 related to section 185 fees in accounts payable and accrued expenses at June 30, 2011. The abatement of these obligations are presented as a special item in the amount of \$350 for fiscal year end June 30, 2012.

**Extraordinary Item, Special Revenue Fund, First Five Commission, AB 99 obligations**

California Assembly Bill 99 (AB 99), adopted as part of the fiscal year 2011-12 State Budget Act, was ruled unconstitutional by the Superior Court of the State of California, County of Fresno in November 2011. As a result the First Five Commission reversed the \$48,448 liability and extraordinary item posted in the fiscal year 2010-11 financial statements and recognized the reversal of the liability in the statement of activities and the statement of revenues, expenditures and changes in net asset - governmental funds.

**Extraordinary Item, Water Agencies, Litigation Settlement**

During fiscal year 2011-12, the Water Agency Fund received a settlement of a lawsuit in the amount of \$30,730 resulting from defendants’ contamination of certain water wells rendering the unusable. As of June 30, 2012, the judgment was satisfied with no amounts due from the Water Agency Fund. The effected assets are fully depreciated with a net book value of \$0.

**Extraordinary Item, Dissolution of Redevelopment Agency**

On June 29, 2011, the Governor signed California Assembly Bill X1 26 (ABX1 26) as a part of the State’s adopted budget for FY 2011-12. The Bill calls for the elimination of all California redevelopment agencies. ABX1 26 provides that effective October 1, 2011, all redevelopment agencies would be dissolved and a successor entity established for the liquidation of assets and the retirement of outstanding obligations.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

On December 29, 2011, the California Supreme Court upheld ABX1 26 that provides for the dissolution of all redevelopment agencies. ABX1 26 provides that upon dissolution of a redevelopment agency, either the County or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. The timeline to dissolve redevelopment agencies was revised to January 31, 2012. On January 24, 2012, the County Board of Supervisors elected to become the Successor Agency for the former County Redevelopment Agency (RDA) in accordance with the ABX1 26 as part of County resolution number 2012-0051. As such, a net asset deficit of \$ \$36,744 was recorded to the Successor Agency Private Purpose Trust Fund for the assets and liabilities transferred from the dissolved County redevelopment agency. See Note 25-Successor Agency Trust for Assets of Former Redevelopment Agency for more detail.

**NOTE 24 - SUBSEQUENT EVENTS**

**Changes in Personnel Expenditures**

The Fiscal Year 2012-13 Adopted Budget includes increases in General Fund salaries and benefits expenditures of approximately \$63.2 million, as compared to Fiscal Year 2011-12 salaries and benefits expenditures results. This increase is partly a result of salary savings obtained in Fiscal Year 2011-12 as a result of purposely holding open vacant positions, as well as Fiscal Year 2012-13 increases due to cost of living and equity increases obligated by labor contracts and increases in retirement and group insurance costs.

**Fiscal Year 2012-13 General Fund Budget**

The County’s Fiscal Year 2012-13 Adopted Budget reflects a General Fund appropriation increase from Fiscal Year 2011-12 Adopted Budget of approximately \$53.5 million. This increase is mainly a result of an increase in Intergovernmental Revenues for specific programs, including Public Safety Realignment (AB109) revenues. As part of the solution to funding issues for Fiscal Year 2012-13, the County plans to use approximately \$21.8 million in one-time funding sources for the Fiscal Year 2012-13 budget.

**Fiscal Year 2013-14 General Fund Budget Outlook**

The County has identified a preliminary Fiscal Year 2013-14 budget challenge of approximately \$33.0 to \$44.9 million, depending on whether or not carryover from Fiscal Year 2012-13 of \$11.9 million (average amount of last four fiscal years) can be made available for Fiscal Year 2013-14. This budget challenge is a combination of using \$21.8 million in one-time funding sources in Fiscal Year 2012-13 that are no longer available and \$23.1 million increases/decreases in both expenditures and revenues.

The County will address the Fiscal Year 2013-14 budget during hearings to be held in June 2013. The County Executive Office currently expects that it will recommend expenditure reductions, and is anticipating some incremental revenue increases, to address the projected budget challenge.

The County’s financial condition may be further adversely affected if the regional housing market and employment levels decline further, instead of beginning to improve incrementally as currently anticipated, which would impact property taxes and other revenues dependent on economic growth. There can be no assurances that the County’s financial stress will not increase due to potential continuing declines in County revenues, increases in County costs, actions by the State (including reductions or deferrals in State funds payable to the County) or other reasons.

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

**Dry Period Financing**

Article 16, Section 6, of the State Constitution, permits dry period financing. It states that the County Treasurer (Director of Finance) may make temporary transfers of funds as necessary to meet the obligation incurred by district and political subdivisions whose funds are "...in custody and are paid out solely through the treasurer's office."

In 1980, the Board of Supervisors adopted a resolution (80-1434) to permit entities that collected the 1% ad valorem tax to obtain temporary cash transfers. Later, constitutional changes and associated County resolutions expanded this to include "all anticipated revenues". In accordance with the State Constitution, borrowing is permitted until the last Monday in April of each fiscal year in amounts that do not exceed 85% of all anticipated revenues.

As such, in fiscal year 2012-13 the County General Fund may utilize up to 85% of its anticipated (estimated) revenues during the 'dry period' to meet any obligation incurred. The money is essentially loaned by the Treasurer's County Investment Pool (Treasury Pool), and accordingly, any funds loaned and interest costs incurred must be repaid by the General Fund. Dry period financing in the months of July through September was based on General Fund \$1.967 billion in estimated revenues approved in the County's Fiscal Year 2012-13 Preliminary Budget. The County's Final Fiscal Year 2012-13 Budget was approved in September 2012 and the dry period financing amount was adjusted to reflect the final General Fund estimated revenues of \$1.972 billion. In addition, on a monthly basis, as revenue is received the dry period financing amount is decreased accordingly.

**Internal Revenue Tax Liability**

On September 12, 2012, the County was notified by the Internal Revenue Service (IRS) that the Offer In Compromise (OIC) submitted to the IRS on January 3, 2012 to settle the outstanding liability resulting from irregularities with the payment of federal taxes by the County's third party vendor, Ingentra, was accepted. The terms of the OIC were that the County would pay the IRS \$500 over a period of 48 months. Payments have been made while the IRS was evaluating the offer. Through November 2012, the County has paid \$146, with a remaining balance of \$354. Payment amounts are \$10 per month.

**NOTE 25 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

On June 29, 2011, the Governor signed California Assembly Bill X1 26 (ABX1 26) as a part of the State's adopted budget for FY 2011-12. The Bill calls for the elimination of all California redevelopment agencies. The Sacramento Housing and Redevelopment Agency (SHRA) is a joint powers authority that administers both the redevelopment projects of the City of Sacramento and the redevelopment projects of the County of Sacramento. ABX1 26 provides that effective October 1, 2011, all redevelopment agencies would be dissolved and a successor entity established for the liquidation of assets and the retirement of outstanding obligations.

The bill further indicates that unencumbered funds held by a redevelopment agency will be remitted by the successor entity to the County Auditor-Controller for redistribution to local taxing entities. After fiscal year 2011-12, available monies, after the payment of existing redevelopment obligations, would be distributed to schools, counties, cities and non-enterprise special districts for general uses. In addition, the bill prohibits the redevelopment agency from entering into any contracts, incurring any obligations or making any commitments to any entity after the effective date of the legislation

On December 29, 2011, the California Supreme Court upheld ABX1 26 that provides for the dissolution of all redevelopment agencies. ABX1 26 provides that upon dissolution of a redevelopment agency, either the County or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. The timeline to dissolve redevelopment agencies was revised to January 31, 2012. On

**COUNTY OF SACRAMENTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

January 24, 2012, the County Board of Supervisors elected to become the Successor Agency for the former County Redevelopment Agency (RDA) in accordance with the ABX1 26 as part of County resolution number 2012-0051.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California could not enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, and remaining assets could only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

ABX1 26 directs the State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by ABX1 26.

In accordance with the timeline set forth in ABX1 26 (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. The remaining assets, liabilities, and activities of the dissolved RDA, are reported in the Successor Agency Private Purpose Trust Fund - Redevelopment Obligation Retirement Fund (RORF), in the financial statements of the County.

The transfer of the assets and liabilities of the former RDA occurred as of February 1, 2012 (effectively the same date as January 31, 2012) to the County fiduciary funds and are reported in the private-purpose trust fund financial statements as an extraordinary loss (see Note 23-Extraordinary and Special Items). Included in the transfer of liabilities is an agreement between the Public Financing Authority (PFA) and SHRA in which SHRA would pay back to the PFA those debt proceeds. As per ABX1 26, SHRA's obligation of \$71,045 to the PFA was transferred as a liability to the County Successor Agency Private Purpose Trust Fund.

On June 28, 2012, California Assembly Bill 1484 (AB 1484) was passed, and on July 12, 2012, as per AB1484, the residual balance of \$1,086 from the County Successor Agency Private Purpose Trust Fund was distributed to appropriate taxing entities. In addition, AB 1484 requires the Successor Agency to have "Due Diligence Reviews" (DDR) conducted by a licensed accountant on the Low and Moderate Housing Funds and Other Funds transferred to the Successor Agency Private Purpose Trust Fund. These DDRs are currently in progress and the outcome is unknown at this time.

**Schedule of funding progress for SCERS**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Annual Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
6/30/10	\$ 6,216,994	\$ 7,090,497	\$ 873,503	87.7%	\$ 912,644	95.7%
6/30/11	6,420,824	7,382,897	962,073	87.0%	880,766	109.2%
6/30/12	6,529,895	7,838,223	1,308,328	83.3%	778,445	168.1%

Source: Sacramento County Employees' Retirement System Comprehensive Annual Financial Report (CAFR) as of and for the year ended June 30, 2012.

Notes to the Required Supplementary Information

1. This information is intended to help users assess the SCERS funding status ongoing basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.

**Other Post Employment Benefits (OPEB) – Schedule of Funding Progress**

<u>Valuation Date</u>	<u>Actuarial Valuation of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage Of Covered Payroll</u>
6/30/07	\$ 0	\$245,592	\$245,592	0.0%	\$810,248	30.3%
6/30/09	0	144,804	144,804	0.0%	869,898	16.6%
6/30/11	0	100,416	100,416	0.0%	880,766	11.4%

Source: Segal Group, Inc., “County of Sacramento Actuarial Valuation and Review of Other Post Employment Benefits (OPEB) as of June 30, 2009 and June 30, 2007.” Bartel Associates, LLC, “Sacramento County Retiree Healthcare Plan, June 20, 2011 GASB 45 Actuarial Valuation Final Results”

Notes to the Required Supplementary Information

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.
2. The information presented relates solely to the County and not to SCERS as a whole.
3. June 30, 2011 is the most current actuarial valuation. The three most recent valuations are presented.



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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## NONMAJOR GOVERNMENTAL FUNDS SECTION

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**COUNTY OF SACRAMENTO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012  
(amounts expressed in thousands)**

	Special Revenue	Debt Service	Capital Projects	Total
<b>Assets:</b>				
Cash and investments	\$ 279,352	71,354	51,779	402,485
<b>Receivables:</b>				
Billed	9,923		211	10,134
Intergovernmental	6,540		682	7,222
Due from other funds	9,464		85	9,549
Long-term advances to other funds	32,718		4,292	37,010
Loan receivable from Successor Agency		71,045		71,045
Long-term receivables		62,587		62,587
Deferred charges			30	30
<b>Total assets</b>	<b><u>\$ 337,997</u></b>	<b><u>204,986</u></b>	<b><u>57,079</u></b>	<b><u>600,062</u></b>
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Warrants payable	\$ 881		377	1,258
Accrued liabilities	14,118	1,090	245	15,453
Intergovernmental payable	6,494		4,424	10,918
Due to other funds	11,725		270	11,995
Deferred revenues	16,828	82,734		99,562
Other long-term liabilities	98			98
<b>Total liabilities</b>	<b><u>50,144</u></b>	<b><u>83,824</u></b>	<b><u>5,316</u></b>	<b><u>139,284</u></b>
<b>Fund balances:</b>				
Nonspendable	16,069		4,292	20,361
Restricted	271,784	121,162	49,484	442,430
Unassigned			(2,013)	(2,013)
<b>Total fund balances</b>	<b><u>287,853</u></b>	<b><u>121,162</u></b>	<b><u>51,763</u></b>	<b><u>460,778</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 337,997</u></b>	<b><u>204,986</u></b>	<b><u>57,079</u></b>	<b><u>600,062</u></b>

**COUNTY OF SACRAMENTO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:				
Taxes	\$ 36,124			36,124
Use of money and property	7,236	785	98	8,119
Licenses and permits	30,780			30,780
Intergovernmental	79,187	15,083	2,217	96,487
Charges for sales and services	57,543		1,431	58,974
Fines, forfeitures and penalties	67	15,449	3,824	19,340
Pledged tobacco settlement proceeds	12,609			12,609
Miscellaneous	17,980		27,228	45,208
Total revenues	<u>241,526</u>	<u>31,317</u>	<u>34,798</u>	<u>307,641</u>
Expenditures:				
Current:				
General government	52,676			52,676
Public protection	12,043			12,043
Health and sanitation	51,002			51,002
Public ways and facilities	84,587		531	85,118
Recreation and culture	16,244			16,244
Education	881			881
Capital outlay	9,882		43,177	53,059
Debt service:				
Principal		70,736		70,736
Bond issuance costs		4,579		4,579
Interest and fiscal charges		114,172		114,172
Total expenditures	<u>227,315</u>	<u>189,487</u>	<u>43,708</u>	<u>460,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,211</u>	<u>(158,170)</u>	<u>(8,910)</u>	<u>(152,869)</u>
Other financing sources (uses):				
Transfers in	22,402	140,440	3,979	166,821
Transfers out	(38,485)	(23,148)	(17,781)	(79,414)
Issuance of debt		293,938	1,088	295,026
Discounts on debt issued		(467)		(467)
Swap termination payment		(76,549)		(76,549)
Payment to refunded bonds escrow agent		(181,760)		(181,760)
Total other financing sources (uses)	<u>(16,083)</u>	<u>152,454</u>	<u>(12,714)</u>	<u>123,657</u>
Net change in fund balance before extraordinary item	<u>(1,872)</u>	<u>(5,716)</u>	<u>(21,624)</u>	<u>(29,212)</u>
Extraordinary item, AB 99 obligation	48,448			48,448
Net change in fund balances	<u>46,576</u>	<u>(5,716)</u>	<u>(21,624)</u>	<u>19,236</u>
Fund balances - beginning	241,277	126,878	73,387	441,542
Fund balances - ending	<u>\$ 287,853</u>	<u>121,162</u>	<u>51,763</u>	<u>460,778</u>

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## NONMAJOR GOVERNMENTAL FUNDS SECTION

### SPECIAL REVENUE FUNDS

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## **SPECIAL REVENUE FUNDS**

**Road** - Accounts for Sacramento County road activities in the unincorporated area, including design, construction, and maintenance of roads, traffic signals, other right-of-way, safety-related road improvement projects, and the Radar/Speed Control Program funded from federal, state, and local taxes, fees and assessments.

**First 5 Commission** - As a blended component unit of the County accounts for funds received from the State from Proposition 10.

**Sacramento Public Library Authority** - Accounts for County's share of revenue and operating funds to sixteen library branches providing all library services and to the Library JPA for funding construction and maintenance of the county facilities primarily from property taxes.

**Transportation Sales Tax** - Accounts for the public road improvements in the unincorporated area of the County that are funded from the Measure A Transportation Sales Tax.

**Building Inspection** - Accounts for building inspection and code enforcement services to the unincorporated area of the County and is subject to Proposition 218 requirements. Proposition 218 prohibits property related fees from exceeding costs of services provided and the fees from the revenues shall not be used for any purpose other than that for which the fee was imposed.

**Public Facilities Fixed Asset Financing Program** - Provides funds for payment of debt service to the 1990 COP which establish the Fixed Asset Financing Program and other costs of the program in accordance with the requirements of the financing documents.

**Lighting and Landscape Maintenance Districts** - As blended component units of the County was formed to provide all street and highway safety lighting services in the unincorporated area of the County (lighting) and to account for revenues and expenditures for the maintenance of the landscaped corridors in medians and natural open spaces in the unincorporated areas funded by service charges through direct levy subject to Proposition 218 requirements.

**Park Districts and Park Service Areas** - As a blended component unit of the County accounts for the operation of three Board of Supervisors-governed park districts, and for administrative and program assistance provided by the Department of Parks and Recreation to County service area four.

**Water Agencies** - As a blended component unit of the County consists of various zones created to provide specialized services within specific geographic areas and is subject to Proposition 218 requirements. Proposition 218 prohibits property-related fees from exceeding costs of service provided.

**Stormwater Utility** - Accounts for revenues and expenditures relating to collection and discharge of stormwater runoff in the region subject to Proposition 218 requirements. Proposition 218 prohibits property-related fees from exceeding cost of service provided and revenues from the fee shall not be used for any purpose other than that for which the fee was imposed.

**Tobacco** - Accounts for revenues and expenditures associated with the tobacco litigation settlement to be used for the operation of health, youth, and tobacco prevention programs.

**Economic Development** - Primary programs revolve around the reuse programs and the Business Environmental Resource Center (BERC) program. The Mather field and McClellan Park reuse programs are self funded with state/federal grants and proceeds generated from sale or lease of former military base assets. The department also engages in more general economic development and job creation programs.

**Roadway Fee District** - Provides financing for public road improvements within several geographical districts in response to land use decisions, population growth and anticipated future development. Development fees provide the funding for the improvements and are charged when commercial and residential building permits are approved.

**Tobacco Securitization Authority** - As a blended component unit of the County reports the activities related to the County securitizing its portion of the nationwide Tobacco Settlement Agreement.

**Environmental Management** - Accounts for revenues and expenditures for public health and environmental regulatory services of water, food, and hazardous materials funded through permits, license, registration, fees and penalties.

**Other** - Accounts for miscellaneous Special Revenue Funds of the County.

**Fish and Game Fund** - Used to account for fines and forfeitures received under Section 13003 of the State of California Fish and Game Code and for other revenues and expenditures for the propagation and conservation of fish and game. The Recreation and Park Commission makes annual recommendations to the Board of Supervisors regarding expenditures within this fund.

**In Home Support Services Authority** - Established via Sacramento County Code 2.97 in accord with the state mandate established in WIC 12301.6 which requires assistance to recipients in finding in-home supportive services personnel through the establishment of a registry, investigation of potential personnel, establishes a referral system, provides training for providers and recipients and performs any other functions related to the delivery of in-home supportive services, funded by State Realignment and Federal reimbursements.

**Mather Landscape Maintenance CFD** - Provides landscape maintenance services for public landscape corridors within the district, funded by direct levy service charges

**Mather PFFP** - Used to provide portions of the major public infrastructure roadway facilities for the Mather area, funded by development impact fees.

**Gold River Landscape CFD** - Provides landscape maintenance services for public landscape corridors within the district, funded by direct levy service charges.

**Natomas Fire District** - Funds the provision of fire protection services in the Natomas area from property taxes.

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**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 1 of 3

	Road	First 5 Commission	Library	Transportation Sales Tax	Building Inspection	Public Facilities Fixed Asset Financing Program
<b>Assets:</b>						
Cash and investments	\$ 27,458	83,740	417	2,580	5,422	64
Receivables, net of allowance for uncollectibles:						
Billed	1,901	3,166		731	159	
Intergovernmental	3,114			1,059		
Due from other funds	5,525	1		3,034	12	249
Long-term advances to other funds						16,828
<b>Total assets</b>	<b>\$ 37,998</b>	<b>86,907</b>	<b>417</b>	<b>7,404</b>	<b>5,593</b>	<b>17,141</b>
<b>Liabilities and fund balances:</b>						
<b>Liabilities:</b>						
Warrants payable	\$ 49	21		73	42	49
Accrued liabilities	1,626	6,763		752		
Intergovernmental payable				3,900	1,316	
Due to other funds	273	235	30	59	233	264
Deferred revenues						16,828
Other long-term liabilities						
<b>Total liabilities</b>	<b>1,948</b>	<b>7,019</b>	<b>30</b>	<b>4,784</b>	<b>1,591</b>	<b>17,141</b>
<b>Fund balances:</b>						
Nonspendable						
Restricted	36,050	79,888	387	2,620	4,002	
<b>Total fund balances</b>	<b>36,050</b>	<b>79,888</b>	<b>387</b>	<b>2,620</b>	<b>4,002</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 37,998</b>	<b>86,907</b>	<b>417</b>	<b>7,404</b>	<b>5,593</b>	<b>17,141</b>



**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 2 of 3

	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility	Tobacco
<b>Assets:</b>					
Cash and investments	\$ 3,125	9,955	49,623	19,351	13,449
Receivables, net of allowance for uncollectibles:					
Billed		432	38	2,653	
Intergovernmental					
Due from other funds	1			381	
Long-term advances to other funds				14,404	
<b>Total assets</b>	<b>\$ 3,126</b>	<b>10,387</b>	<b>49,661</b>	<b>36,789</b>	<b>13,449</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Warrants payable	\$ 243	178	4	70	
Accrued liabilities	98	761	1,038	947	
Intergovernmental payable		396	38	232	
Due to other funds	4	272	81	600	232
Deferred revenues					
Other long-term liabilities				98	
<b>Total liabilities</b>	<b>345</b>	<b>1,607</b>	<b>1,161</b>	<b>1,947</b>	<b>232</b>
<b>Fund balances:</b>					
Nonspendable				14,404	
Restricted	2,781	8,780	48,500	20,438	13,217
<b>Total fund balances</b>	<b>2,781</b>	<b>8,780</b>	<b>48,500</b>	<b>34,842</b>	<b>13,217</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,126</b>	<b>10,387</b>	<b>49,661</b>	<b>36,789</b>	<b>13,449</b>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 3 of 3

	Economic Development	Roadway Fee District	Tobacco Securitization Authority	Environmental Management	Other	Total
<b>Assets:</b>						
Cash and investments	\$ 34,734	10,937	926	12,608	4,963	279,352
Receivables, net of allowance for uncollectibles:						
Billed	179	590			74	9,923
Intergovernmental				2,367		6,540
Due from other funds	82			63	116	9,464
Long-term advances to other funds	1,486					32,718
Total assets	<u>\$ 36,481</u>	<u>11,527</u>	<u>926</u>	<u>15,038</u>	<u>5,153</u>	<u>337,997</u>
<b>Liabilities and fund balances:</b>						
<b>Liabilities:</b>						
Warrants payable	\$ 80	16		43	13	881
Accrued liabilities	685	12	17	517	902	14,118
Intergovernmental payable				26	586	6,494
Due to other funds	172	8,540		325	405	11,725
Deferred revenues						16,828
Other long-term liabilities						98
Total liabilities	<u>937</u>	<u>8,568</u>	<u>17</u>	<u>911</u>	<u>1,906</u>	<u>50,144</u>
<b>Fund balances:</b>						
Nonspendable	1,665					16,069
Restricted	33,879	2,959	909	14,127	3,247	271,784
Total fund balances	<u>35,544</u>	<u>2,959</u>	<u>909</u>	<u>14,127</u>	<u>3,247</u>	<u>287,853</u>
Total liabilities and fund balances	<u>\$ 36,481</u>	<u>11,527</u>	<u>926</u>	<u>15,038</u>	<u>5,153</u>	<u>337,997</u>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 1 of 3

	Road	First 5 Commission	Library	Transportation Sales Tax	Building Inspection	Public Facilities Fixed Asset Financing Program
<b>Revenues:</b>						
Taxes	\$ 1,066			20,669		
Use of money and property	387	341	3	15	21	
Licenses and permits	1,328				11,704	
Intergovernmental	50,979	17,670	851	5,456		
Charges for sales and services	339			5	228	17,258
Fines, forfeitures and penalties					46	
Pledged tobacco settlement proceeds						
Miscellaneous	1,405			55	9	
Total revenues	<u>55,504</u>	<u>18,011</u>	<u>854</u>	<u>26,200</u>	<u>12,008</u>	<u>17,258</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government						
Public protection					10,148	
Health and sanitation		26,519				
Public ways and facilities	49,358			24,755		
Recreation and culture						
Education			881			
Capital outlay						9,882
Total expenditures	<u>49,358</u>	<u>26,519</u>	<u>881</u>	<u>24,755</u>	<u>10,148</u>	<u>9,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,146</u>	<u>(8,508)</u>	<u>(27)</u>	<u>1,445</u>	<u>1,860</u>	<u>7,376</u>
<b>Other financing sources (uses):</b>						
Transfers in						
Transfers out		(148)				(7,697)
Total other financing sources (uses)		<u>(148)</u>				<u>(7,697)</u>
Net change in fund balance before extraordinary item	6,146	(8,656)	(27)	1,445	1,860	(321)
Extraordinary Item - AB 99 obligation		48,448				
Net change in fund balances	6,146	39,792	(27)	1,445	1,860	(321)
Fund balances - beginning	29,904	40,096	414	1,175	2,142	321
Fund balances - ending	<u>\$ 36,050</u>	<u>79,888</u>	<u>387</u>	<u>2,620</u>	<u>4,002</u>	<u></u>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 2 of 3

	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility	Tobacco
<b>Revenues:</b>					
Taxes	\$ 297	6,973		5,337	
Use of money and property	10	1,493	374	45	435
Licenses and permits			1,357		
Intergovernmental	5	637		318	
Charges for sales and services	2,877	4,834	2,283	27,018	
Fines, forfeitures and penalties					
Pledged tobacco settlement proceeds					
Miscellaneous	760	1,147	330	1,560	
<b>Total revenues</b>	<u>3,949</u>	<u>15,084</u>	<u>4,344</u>	<u>34,278</u>	<u>435</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	3,991			34,666	1,650
Public protection					
Health and sanitation			5,741		
Public ways and facilities					
Recreation and culture		16,225			
Education					
Capital outlay					
<b>Total expenditures</b>	<u>3,991</u>	<u>16,225</u>	<u>5,741</u>	<u>34,666</u>	<u>1,650</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(42)</u>	<u>(1,141)</u>	<u>(1,397)</u>	<u>(388)</u>	<u>(1,215)</u>
<b>Other financing sources (uses):</b>					
Transfers in				16,569	5,833
Transfers out				(897)	(13,701)
<b>Total other financing sources (uses)</b>				<u>15,672</u>	<u>(7,868)</u>
<b>Net change in fund balance before extraordinary item</b>	(42)	(1,141)	(1,397)	15,284	(9,083)
<b>Extraordinary Item - AB 99 obligation</b>					
<b>Net change in fund balances</b>	(42)	(1,141)	(1,397)	15,284	(9,083)
Fund balances - beginning	2,823	9,921	49,897	19,558	22,300
<b>Fund balances - ending</b>	<u>\$ 2,781</u>	<u>8,780</u>	<u>48,500</u>	<u>34,842</u>	<u>13,217</u>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 3 of 3

	Economic Development	Roadway Fee District	Tobacco Securitization Authority	Environmental Management	Other	Total
Revenues:						
Taxes	\$				1,782	36,124
Use of money and property	3,925	41	1	36	109	7,236
Licenses and permits		1,968		14,423		30,780
Intergovernmental	2,011			19	1,241	79,187
Charges for sales and services	2,009			544	148	57,543
Fines, forfeitures and penalties					21	67
Pledged tobacco settlement proceeds			12,609			12,609
Miscellaneous	5,099	571		7,044		17,980
Total revenues	<u>13,044</u>	<u>2,580</u>	<u>12,610</u>	<u>22,066</u>	<u>3,301</u>	<u>241,526</u>
Expenditures:						
Current:						
General government	12,260				109	52,676
Public protection					1,895	12,043
Health and sanitation			162	17,141	1,439	51,002
Public ways and facilities		10,403			71	84,587
Recreation and culture					19	16,244
Education						881
Capital outlay						9,882
Total expenditures	<u>12,260</u>	<u>10,403</u>	<u>162</u>	<u>17,141</u>	<u>3,533</u>	<u>227,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>784</u>	<u>(7,823)</u>	<u>12,448</u>	<u>4,925</u>	<u>(232)</u>	<u>14,211</u>
Other financing sources (uses):						
Transfers in						22,402
Transfers out	(2,613)		(12,609)	(820)		(38,485)
Total other financing sources (uses)	<u>(2,613)</u>		<u>(12,609)</u>	<u>(820)</u>		<u>(16,083)</u>
Net change in fund balance before extraordinary item	(1,829)	(7,823)	(161)	4,105	(232)	(1,872)
Extraordinary Item - AB 99 obligation						48,448
Net change in fund balances	<u>(1,829)</u>	<u>(7,823)</u>	<u>(161)</u>	<u>4,105</u>	<u>(232)</u>	<u>46,576</u>
Fund balances - beginning	<u>37,373</u>	<u>10,782</u>	<u>1,070</u>	<u>10,022</u>	<u>3,479</u>	<u>241,277</u>
Fund balances - ending	<u>\$ 35,544</u>	<u>2,959</u>	<u>909</u>	<u>14,127</u>	<u>3,247</u>	<u>287,853</u>

**COUNTY OF SACRAMENTO  
ROAD SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	\$ 701	682	1,066	384
Use of money and property	480	420	387	(33)
Licenses and permits	1,475	1,473	1,328	(145)
Intergovernmental	84,446	95,492	50,979	(44,513)
Charges for sales and services	104	104	339	235
Miscellaneous	2,866	5,876	1,405	(4,471)
Total revenues	<u>90,072</u>	<u>104,047</u>	<u>55,504</u>	<u>(48,543)</u>
Expenditures:				
Current:				
Public ways and facilities	<u>121,320</u>	<u>129,497</u>	<u>49,358</u>	<u>80,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,248)</u>	<u>(25,450)</u>	<u>6,146</u>	<u>31,596</u>
Net change in fund balances	<u>\$ (31,248)</u>	<u>(25,450)</u>	<u>6,146</u>	<u>31,596</u>

**COUNTY OF SACRAMENTO  
 FIRST 5 COMMISSION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$ 753	550	341	(209)
Intergovernmental	17,094	16,894	17,670	776
Total revenues	<u>17,847</u>	<u>17,444</u>	<u>18,011</u>	<u>567</u>
Expenditures:				
Current:				
Health and sanitation	<u>39,895</u>	<u>39,962</u>	<u>26,519</u>	<u>13,443</u>
Deficiency of revenues under expenditures	(22,048)	(22,518)	(8,508)	14,010
Transfers out	<u>(148)</u>	<u>(148)</u>	<u>(148)</u>	
Net change in fund balance before Extraordinary and special items:	(22,196)	(22,666)	(8,656)	14,010
AB 99 obligation			<u>48,448</u>	<u>48,448</u>
Net change in fund balances	<u>\$ (22,196)</u>	<u>(22,666)</u>	<u>39,792</u>	<u>62,458</u>

**COUNTY OF SACRAMENTO  
LIBRARY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Taxes	\$			
Use of money and property	5	5	3	(2)
Intergovernmental	<u>851</u>	<u>851</u>	<u>851</u>	
Total revenues	<u>856</u>	<u>856</u>	<u>854</u>	<u>(2)</u>
Expenditures:				
Current:				
Education	<u>921</u>	<u>1,069</u>	<u>881</u>	<u>188</u>
Deficiency of revenues under expenditures	<u>(65)</u>	<u>(213)</u>	<u>(27)</u>	<u>186</u>
Net change in fund balances	<u>\$ (65)</u>	<u>(213)</u>	<u>(27)</u>	<u>186</u>



**COUNTY OF SACRAMENTO**  
**TRANSPORTATION SALES TAX SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	\$ 22,578	34,222	20,669	(13,553)
Use of money and property	50	91	15	(76)
Intergovernmental	35,652	43,426	5,456	(37,970)
Charges for sales and services			5	5
Miscellaneous	112	322	55	(267)
	<u>58,392</u>	<u>78,061</u>	<u>26,200</u>	<u>(51,861)</u>
Total revenues				
Expenditures:				
Current:				
Public ways and facilities	63,555	78,018	24,755	53,263
	<u>(5,163)</u>	<u>43</u>	<u>1,445</u>	<u>1,402</u>
Excess (deficiency) of revenues over (under) expenditures				
Net change in fund balances	<u>\$ (5,163)</u>	<u>43</u>	<u>1,445</u>	<u>1,402</u>

**COUNTY OF SACRAMENTO  
BUILDING INSPECTION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$ 12	12	21	9
Licenses and permits	9,632	9,632	11,704	2,072
Charges for sales and services	59	59	228	169
Fines, forfeitures and penalties			46	46
Miscellaneous			9	9
	<u>9,703</u>	<u>9,703</u>	<u>12,008</u>	<u>2,305</u>
Total revenues				
Expenditures:				
Current:				
Public protection:				
Protection and inspection	<u>10,920</u>	<u>11,605</u>	<u>10,148</u>	<u>1,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,217)</u>	<u>(1,902)</u>	<u>1,860</u>	<u>3,762</u>
Net change in fund balances	<u>\$ (1,217)</u>	<u>(1,902)</u>	<u>1,860</u>	<u>3,762</u>

**COUNTY OF SACRAMENTO**  
**PUBLIC FACILITIES FIXED ASSET FINANCING PROGRAM SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Charges for sales and services	\$ 17,009	17,009	17,258	249
Miscellaneous	<u>37,516</u>	<u>37,516</u>		<u>(37,516)</u>
Total revenues	<u>54,525</u>	<u>54,525</u>	<u>17,258</u>	<u>(37,267)</u>
Expenditures:				
Capital outlay	<u>46,848</u>	<u>47,149</u>	<u>9,882</u>	<u>37,267</u>
Excess of revenues over expenditures	<u>7,677</u>	<u>7,376</u>	<u>7,376</u>	
Other financing uses:				
Transfers out	<u>(7,697)</u>	<u>(7,697)</u>	<u>(7,697)</u>	
Total other financing uses	<u>(7,697)</u>	<u>(7,697)</u>	<u>(7,697)</u>	
Net change in fund balances	<u>\$ (20)</u>	<u>(321)</u>	<u>(321)</u>	

**COUNTY OF SACRAMENTO**  
**LIGHTING AND LANDSCAPE MAINTENANCE DISTRICTS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	\$ 323	323	297	(26)
Use of money and property	32	32	10	(22)
Intergovernmental	4	4	5	1
Charges for sales and services	2,800	2,856	2,877	21
Miscellaneous	699	799	760	(39)
Total revenues	<u>3,858</u>	<u>4,014</u>	<u>3,949</u>	<u>(65)</u>
Expenditures:				
General government	<u>4,211</u>	<u>4,739</u>	<u>3,991</u>	<u>748</u>
Deficiency of revenues under expenditures	<u>(353)</u>	<u>(725)</u>	<u>(42)</u>	<u>683</u>
Net change in fund balances	<u>\$ (353)</u>	<u>(725)</u>	<u>(42)</u>	<u>683</u>

**COUNTY OF SACRAMENTO**  
**PARK DISTRICTS AND PARK SERVICE AREAS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	\$ 7,150	7,033	6,973	(60)
Use of money and property	1,158	1,468	1,493	25
Intergovernmental	214	566	637	71
Charges for sales and services	5,240	5,260	4,834	(426)
Miscellaneous	1,012	1,180	1,147	(33)
Total revenues	<u>14,774</u>	<u>15,507</u>	<u>15,084</u>	<u>(423)</u>
Expenditures:				
Current:				
Recreation and culture	<u>18,241</u>	<u>19,880</u>	<u>16,225</u>	<u>3,655</u>
Deficiency of revenues under expenditures	<u>(3,467)</u>	<u>(4,373)</u>	<u>(1,141)</u>	<u>3,232</u>
Net change in fund balances	<u>\$ (3,467)</u>	<u>(4,373)</u>	<u>(1,141)</u>	<u>3,232</u>

**COUNTY OF SACRAMENTO  
WATER AGENCIES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$ 178	1,784	374	(1,410)
Licenses and permits	790	665	1,357	692
Charges for sales and services	4,720	5,805	2,283	(3,522)
Miscellaneous	150	884	330	(554)
Total revenues	<u>5,838</u>	<u>9,138</u>	<u>4,344</u>	<u>(4,794)</u>
Expenditures:				
Current:				
Health and sanitation	<u>13,241</u>	<u>16,697</u>	<u>5,741</u>	<u>10,956</u>
Deficiency of revenues under expenditures	<u>(7,403)</u>	<u>(7,559)</u>	<u>(1,397)</u>	<u>6,162</u>
Net change in fund balances	<u>\$ (7,403)</u>	<u>(7,559)</u>	<u>(1,397)</u>	<u>6,162</u>

**COUNTY OF SACRAMENTO  
STORMWATER UTILITY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	\$ 5,369	5,369	5,337	(32)
Use of money and property	96	96	45	(51)
Intergovernmental	3,106	3,106	318	(2,788)
Charges for sales and services	27,878	26,980	27,018	38
Miscellaneous	884	884	1,560	676
Total revenues	<u>37,333</u>	<u>36,435</u>	<u>34,278</u>	<u>(2,157)</u>
Expenditures:				
Current:				
General government	<u>62,551</u>	<u>66,026</u>	<u>34,666</u>	<u>31,360</u>
Deficiency of revenues under expenditures	<u>(25,218)</u>	<u>(29,591)</u>	<u>(388)</u>	<u>29,203</u>
Other financing uses:				
Transfers in	16,569	16,569	16,569	
Transfers out	<u>(897)</u>	<u>(897)</u>	<u>(897)</u>	
Total other financing sources (uses)	<u>15,672</u>	<u>15,672</u>	<u>15,672</u>	
Net change in fund balances	<u>\$ (9,546)</u>	<u>(13,919)</u>	<u>15,284</u>	<u>29,203</u>

**COUNTY OF SACRAMENTO  
 TOBACCO SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$ 427	427	435	8
Total revenues	<u>427</u>	<u>427</u>	<u>435</u>	<u>8</u>
Expenditures:				
Current:				
General government				
Finance	1,592	3,580	1,650	1,930
Deficiency of revenues under expenditures	(1,165)	(3,153)	(1,215)	1,938
Other financing sources (uses):				
Transfers in	5,833	5,833	5,833	
Transfers out	(13,701)	(13,701)	(13,701)	
Total other financing sources (uses)	<u>(7,868)</u>	<u>(7,868)</u>	<u>(7,868)</u>	
Net change in fund balances	<u>\$ (9,033)</u>	<u>(11,021)</u>	<u>(9,083)</u>	<u>1,938</u>



**COUNTY OF SACRAMENTO  
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 3,286	3,532	3,925	393
Licenses and permits	34	34		(34)
Intergovernmental	14,165	15,870	2,011	(13,859)
Charges for sales and services	1,400	1,410	2,009	599
Miscellaneous	5,911	6,409	5,099	(1,310)
Total revenues	<u>24,796</u>	<u>27,255</u>	<u>13,044</u>	<u>(14,211)</u>
Expenditures:				
Current:				
General government	<u>33,053</u>	<u>34,983</u>	<u>12,260</u>	<u>22,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,257)</u>	<u>(7,728)</u>	<u>784</u>	<u>8,512</u>
Other financing sources (uses):				
Transfers in				
Transfers out	<u>(2,613)</u>	<u>(2,613)</u>	<u>(2,613)</u>	
Total other financing sources (uses)	<u>(2,613)</u>	<u>(2,613)</u>	<u>(2,613)</u>	
Net change in fund balances	<u>\$ (10,870)</u>	<u>(10,341)</u>	<u>(1,829)</u>	<u>8,512</u>

**COUNTY OF SACRAMENTO  
ROADWAY FEE DISTRICT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$ 26	51	41	(10)
Licenses and permits	861	1,273	1,968	695
Miscellaneous	<u>5,733</u>	<u>5,781</u>	<u>571</u>	<u>(5,210)</u>
Total revenues	<u>6,620</u>	<u>7,105</u>	<u>2,580</u>	<u>(4,525)</u>
Expenditures:				
Current:				
Public ways and facilities	<u>14,007</u>	<u>17,741</u>	<u>10,403</u>	<u>7,338</u>
Deficiency of revenues under expenditures	<u>(7,387)</u>	<u>(10,636)</u>	<u>(7,823)</u>	<u>2,813</u>
Net change in fund balances	<u>\$ (7,387)</u>	<u>(10,636)</u>	<u>(7,823)</u>	<u>2,813</u>

**COUNTY OF SACRAMENTO**  
**TOBACCO SECURITIZATION AUTHORITY SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$ 1	1	1	
Pledged tobacco settlement proceeds	<u>12,609</u>	<u>12,609</u>	<u>12,609</u>	
Total revenues	<u>12,610</u>	<u>12,610</u>	<u>12,610</u>	
Expenditures:				
Current:				
Health and sanitation	<u>162</u>	<u>162</u>	<u>162</u>	
Excess of revenues over expenditures	12,448	12,448	12,448	
Other financing uses:				
Transfers out	<u>(12,609)</u>	<u>(12,609)</u>	<u>(12,609)</u>	
Net change in fund balances	<u>\$ (161)</u>	<u>(161)</u>	<u>(161)</u>	

**COUNTY OF SACRAMENTO  
ENVIRONMENTAL MANAGEMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$		36	36
Licenses and permits	13,872	13,872	14,423	551
Intergovernmental	455	455	19	(436)
Charges for sales and services	965	965	544	(421)
Miscellaneous	<u>2,587</u>	<u>2,587</u>	<u>7,044</u>	<u>4,457</u>
Total revenues	<u>17,879</u>	<u>17,879</u>	<u>22,066</u>	<u>4,187</u>
Expenditures:				
Current:				
Health and sanitation	<u>19,287</u>	<u>19,270</u>	<u>17,141</u>	<u>2,129</u>
Excess (deficiency) of revenues over (under) expenditures	(1,408)	(1,391)	4,925	6,316
Other financing uses:				
Transfers out	<u>(820)</u>	<u>(820)</u>	<u>(820)</u>	
Total other financing uses	<u>(820)</u>	<u>(820)</u>	<u>(820)</u>	
Net change in fund balances	<u>\$ (2,228)</u>	<u>(2,211)</u>	<u>4,105</u>	<u>6,316</u>

**COUNTY OF SACRAMENTO  
OTHER SPECIAL REVENUE FUNDS  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	\$ 2,115	2,115	1,782	(333)
Use of money and property	131	131	109	(22)
Intergovernmental	1,540	1,518	1,241	(277)
Charges for sales and services	748	748	148	(600)
Fines, forfeitures and penalties	15	15	21	6
Miscellaneous	6	6		(6)
Total revenues	<u>4,555</u>	<u>4,533</u>	<u>3,301</u>	<u>(1,232)</u>
Expenditures:				
Current:				
General government	451	494	109	385
Public protection	4,050	4,080	1,895	2,185
Health and sanitation	1,750	1,728	1,439	289
Public ways and facilities	1,812	1,759	71	1,688
Recreation and culture	15	24	19	5
Total expenditures	<u>8,078</u>	<u>8,085</u>	<u>3,533</u>	<u>4,552</u>
Deficiency of revenues under expenditures	<u>(3,523)</u>	<u>(3,552)</u>	<u>(232)</u>	<u>3,320</u>
Net change in fund balances	<u>\$ (3,523)</u>	<u>(3,552)</u>	<u>(232)</u>	<u>3,320</u>

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## NONMAJOR GOVERNMENTAL FUNDS SECTION

### DEBT SERVICE FUNDS

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## DEBT SERVICE FUNDS

**Public Facilities Financing Program** - Services the debt associated with the Public Facilities Financing Corporation's Juvenile Courthouse, 1997, 2003, 2006, 2007 and 2010 Public Facilities Financing funds.

**Pension Obligation Bonds** - Services the debt related to Pension Obligation Bonds issued to pay off the unfunded pension liability the County owed the Sacramento County Employees' Retirement System.

**Teeter Plan** - Services the debt associated with the County purchases of delinquent recurrent property taxes receivables under the Alternative Method of Tax Apportionment, the "Teeter Plan."

**Tobacco Securitization Authority** - Established in 2001-02 fiscal year to service debt associated with the securitization of tobacco settlement agreement payments.

**Sacramento County Public Financing Authority** - Established in 2003-04 fiscal year to service debt associated with housing and redevelopment projects throughout Sacramento County.



**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 1 of 2

	Public Facilities Financing Corporation						
	Juvenile Courtthouse	1997 Public Facilities Refunding	1997 Public Facilities	2003 Public Facilities	2006 Public Facilities	2007 Public Facilities	2010 COP Refunding
<b>Assets:</b>							
Cash and investments	\$ 2,277	7,289	3,371	1,025	3,196	3,307	11,565
Loan receivable from Successor Agency							
Long-term receivables							
Total assets	<u>2,277</u>	<u>7,289</u>	<u>3,371</u>	<u>1,025</u>	<u>3,196</u>	<u>3,307</u>	<u>11,565</u>
<b>Liabilities and fund balances:</b>							
<b>Liabilities:</b>							
Accrued liabilities				2	2		
Deferred revenues							
Total liabilities				<u>2</u>	<u>2</u>		
<b>Fund balances:</b>							
Restricted	2,277	7,289	3,371	1,023	3,194	3,307	11,565
Total fund balances	<u>2,277</u>	<u>7,289</u>	<u>3,371</u>	<u>1,023</u>	<u>3,194</u>	<u>3,307</u>	<u>11,565</u>
Total liabilities and fund balances	<u>\$ 2,277</u>	<u>7,289</u>	<u>3,371</u>	<u>1,025</u>	<u>3,196</u>	<u>3,307</u>	<u>11,565</u>

**COUNTY OF SACRAMENTO  
NON-MAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012  
(amounts expressed in thousands)**

Page 2 of 2

	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority	Sacramento County Public Financing Authority	Total
<b>Assets:</b>					
Cash and investments	\$ 4,211	5,639	21,739	7,735	71,354
Loan receivable from Successor Agency				71,045	71,045
Long-term receivables		50,898		11,689	62,587
<b>Total assets</b>	<b>4,211</b>	<b>56,537</b>	<b>21,739</b>	<b>90,469</b>	<b>204,986</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accrued liabilities	1,086				1,090
Deferred revenues				82,734	82,734
<b>Total liabilities</b>	<b>1,086</b>			<b>82,734</b>	<b>83,824</b>
<b>Fund balances:</b>					
Restricted	3,125	56,537	21,739	7,735	121,162
<b>Total fund balances</b>	<b>3,125</b>	<b>56,537</b>	<b>21,739</b>	<b>7,735</b>	<b>121,162</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,211</b>	<b>56,537</b>	<b>21,739</b>	<b>90,469</b>	<b>204,986</b>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 1 of 2

	Public Facilities Financing Corporation						
	Juvenile Courtthouse	1997 Public Facilities Refunding	1997 Public Facilities	2003 Public Facilities	2006 Public Facilities	2007 Public Facilities	2010 COP Refunding
<b>Revenues:</b>							
Use of money and property	\$ 7	375	215	4	14	2	38
Intergovernmental							
Fines, forfeitures and penalties							
Total revenues	<u>7</u>	<u>375</u>	<u>215</u>	<u>4</u>	<u>14</u>	<u>2</u>	<u>38</u>
<b>Expenditures:</b>							
<b>Debt service:</b>							
Principal	785	2,875	2,475	345	1,565	830	8,100
Bond issuance costs							
Interest and fiscal charges	1,443	3,455	655	632	1,583	2,197	5,732
Total expenditures	<u>2,228</u>	<u>6,330</u>	<u>3,130</u>	<u>977</u>	<u>3,148</u>	<u>3,027</u>	<u>13,832</u>
Deficiency of revenues under expenditures	<u>(2,221)</u>	<u>(5,955)</u>	<u>(2,915)</u>	<u>(973)</u>	<u>(3,134)</u>	<u>(3,025)</u>	<u>(13,794)</u>
<b>Other financing sources (uses):</b>							
Transfers in	2,237	6,338	3,049	985	3,144	3,023	13,884
Transfers out		(742)	(300)		(2,300)		(100)
Issuance of debt							
Discounts on debt issued							
Swap termination payment							
Payment to refunded bonds escrow agent							
Total other financing sources (uses)	<u>2,237</u>	<u>5,596</u>	<u>2,749</u>	<u>985</u>	<u>844</u>	<u>3,023</u>	<u>13,784</u>
Net change in fund balances	16	(359)	(166)	12	(2,290)	(2)	(10)
Fund balances - beginning	2,261	7,648	3,537	1,011	5,484	3,309	11,575
Fund balances - ending	<u>\$ 2,277</u>	<u>7,289</u>	<u>3,371</u>	<u>1,023</u>	<u>3,194</u>	<u>3,307</u>	<u>11,565</u>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 2 of 2

	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority	Sacramento County Public Financing Authority	Total
<b>Revenues:</b>					
Use of money and property	\$ 125	3	2		785
Intergovernmental	8,707			6,376	15,083
Fines, forfeitures and penalties		15,449			15,449
<b>Total revenues</b>	<b>8,832</b>	<b>15,452</b>	<b>2</b>	<b>6,376</b>	<b>31,317</b>
<b>Expenditures:</b>					
<b>Debt service:</b>					
Principal	14,649	36,762	620	1,730	70,736
Bond issuance costs	4,579				4,579
Interest and fiscal charges	81,516	300	12,004	4,655	114,172
<b>Total expenditures</b>	<b>100,744</b>	<b>37,062</b>	<b>12,624</b>	<b>6,385</b>	<b>189,487</b>
Deficiency of revenues under expenditures	(91,912)	(21,610)	(12,622)	(9)	(158,170)
<b>Other financing sources (uses):</b>					
Transfers in	95,171		12,609		140,440
Transfers out	(4,800)	(14,906)			(23,148)
Issuance of debt	257,240	36,698			293,938
Discounts on debt issued	(467)				(467)
Swap termination payment	(76,549)				(76,549)
Payment to refunded bonds escrow agent	(181,760)				(181,760)
<b>Total other financing sources (uses)</b>	<b>88,835</b>	<b>21,792</b>	<b>12,609</b>		<b>152,454</b>
Net change in fund balances	(3,077)	182	(13)	(9)	(5,716)
Fund balances - beginning	6,202	56,355	21,752	7,744	126,878
Fund balances - ending	\$ 3,125	56,537	21,739	7,735	121,162

**COUNTY OF SACRAMENTO  
PUBLIC FACILITIES FINANCING CORPORATION  
JUVENILE COURTHOUSE DEBT SERVICE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$		7	7
Expenditures:				
Debt service:				
Principal	785	785	785	
Interest and fiscal charges	1,482	1,496	1,443	53
Total expenditures	<u>2,267</u>	<u>2,281</u>	<u>2,228</u>	<u>53</u>
Deficiency of revenues under expenditures	(2,267)	(2,281)	(2,221)	60
Other financing sources:				
Transfers in	<u>2,237</u>	<u>2,237</u>	<u>2,237</u>	
Net change in fund balances	<u>\$ (30)</u>	<u>(44)</u>	<u>16</u>	<u>60</u>

**COUNTY OF SACRAMENTO  
PUBLIC FACILITIES FINANCING CORPORATION  
1997 PUBLIC FACILITIES REFUNDING DEBT SERVICE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$		375	375
Expenditures:				
Debt service:				
Principal	2,875	2,875	2,875	
Interest and fiscal charges	3,116	3,499	3,455	44
Total expenditures	<u>5,991</u>	<u>6,374</u>	<u>6,330</u>	<u>44</u>
Deficiency of revenues under expenditures	(5,991)	(6,374)	(5,955)	419
Other financing sources:				
Transfers in	6,338	6,338	6,338	
Transfers out	<u>(742)</u>	<u>(742)</u>	<u>(742)</u>	
Net change in fund balances	<u>\$ (395)</u>	<u>(778)</u>	<u>(359)</u>	<u>419</u>

**COUNTY OF SACRAMENTO  
PUBLIC FACILITIES FINANCING CORPORATION  
1997 PUBLIC FACILITIES DEBT SERVICE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$		215	215
Expenditures:				
Debt service:				
Principal	2,475	2,475	2,475	
Interest and fiscal charges	557	781	655	126
Total expenditures	<u>3,032</u>	<u>3,256</u>	<u>3,130</u>	<u>126</u>
Deficiency of revenues under expenditures	(3,032)	(3,256)	(2,915)	341
Other financing sources:				
Transfers in	3,049	3,049	3,049	
Transfers out	<u>(300)</u>	<u>(300)</u>	<u>(300)</u>	
Net change in fund balances	<u>\$ (283)</u>	<u>(507)</u>	<u>(166)</u>	<u>341</u>

**COUNTY OF SACRAMENTO  
PUBLIC FACILITIES FINANCING CORPORATION  
2003 PUBLIC FACILITIES DEBT SERVICE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$		4	4
Expenditures:				
Debt service:				
Principal	345	345	345	
Interest and fiscal charges	671	685	632	53
Total expenditures	<u>1,016</u>	<u>1,030</u>	<u>977</u>	<u>53</u>
Deficiency of revenues under expenditures	(1,016)	(1,030)	(973)	57
Other financing sources:				
Transfers in	<u>985</u>	<u>985</u>	<u>985</u>	
Net change in fund balances	<u>\$ (31)</u>	<u>(45)</u>	<u>12</u>	<u>57</u>



**COUNTY OF SACRAMENTO  
PUBLIC FACILITIES FINANCING CORPORATION  
2006 PUBLIC FACILITIES DEBT SERVICE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$		14	14
Expenditures:				
Debt service:				
Principal	1,565	1,565	1,565	
Interest and fiscal charges	2,953	1,904	1,583	321
Total expenditures	4,518	3,469	3,148	321
Deficiency of revenues under expenditures	(4,518)	(3,469)	(3,134)	335
Other financing sources:				
Transfers in	3,144	3,144	3,144	
Transfers out	(2,300)	(2,300)	(2,300)	
Net change in fund balances	\$ (3,674)	(2,625)	(2,290)	335

**COUNTY OF SACRAMENTO  
PUBLIC FACILITIES FINANCING CORPORATION  
2007 PUBLIC FACILITIES DEBT SERVICE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$		2	2
Expenditures:				
Debt service:				
Principal	830	830	830	
Interest and fiscal charges	3,136	2,496	2,197	299
Total expenditures	3,966	3,326	3,027	299
Deficiency of revenues under expenditures	(3,966)	(3,326)	(3,025)	301
Other financing sources (uses):				
Transfers in	3,023	3,023	3,023	
Transfers out				
Total other financing sources (uses)	3,023	3,023	3,023	
Net change in fund balances	\$ (943)	(303)	(2)	301

**COUNTY OF SACRAMENTO  
PUBLIC FACILITIES FINANCING CORPORATION  
2010 COP REFUNDING  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$	11	38	27
Total revenues		11	38	27
Expenditures:				
Principal	8,100	8,100	8,100	
Interest and fiscal charges	5,797	5,956	5,732	224
Total expenditures	13,897	14,056	13,832	224
Deficiency of revenues under expenditures	(13,897)	(14,045)	(13,794)	251
Other financing sources (uses):				
Transfers in	13,884	13,884	13,884	
Transfers out	(100)	(100)	(100)	
Total other financing sources (uses)	13,784	13,784	13,784	
Net change in fund balances	\$ (113)	(261)	(10)	251

**COUNTY OF SACRAMENTO  
PENSION OBLIGATION BONDS DEBT SERVICE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$		125	125
Intergovernmental	8,707	8,707	8,707	
Total revenues	<u>8,707</u>	<u>8,707</u>	<u>8,832</u>	<u>125</u>
Expenditures:				
Debt service:				
Principal	14,649	14,649	14,649	
Bond issuance costs		4,579	4,579	
Interest and fiscal charges	84,651	84,549	81,516	3,033
Total expenditures	<u>99,300</u>	<u>103,777</u>	<u>100,744</u>	<u>3,033</u>
Deficiency of revenues under expenditures	<u>(90,593)</u>	<u>(95,070)</u>	<u>(91,912)</u>	<u>3,158</u>
Other financing sources (uses):				
Transfers in	95,171	95,171	95,171	
Transfers out	(4,800)	(4,800)	(4,800)	
Issuance of debt		257,240	257,240	
Discounts on debt issued		(467)	(467)	
Swap termination payment	(76,549)	(76,549)	(76,549)	
Payment to refunded bonds escrow agent	76,549	(181,760)	(181,760)	
Total other financing sources (uses)	<u>90,371</u>	<u>88,835</u>	<u>88,835</u>	
Net change in fund balances	<u>\$ (222)</u>	<u>(6,235)</u>	<u>(3,077)</u>	<u>3,158</u>

**COUNTY OF SACRAMENTO  
TEETER PLAN DEBT SERVICE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$		3	3
Fines, forfeitures and penalties	455	455	15,449	14,994
Miscellaneous	<u>62,839</u>	<u>56,095</u>	<u></u>	<u>(56,095)</u>
Total revenues	<u>63,294</u>	<u>56,550</u>	<u>15,452</u>	<u>(41,098)</u>
Expenditures:				
Debt service:				
Principal	54,325	46,022	36,762	9,260
Interest and fiscal charges	51	1,016	300	716
Total expenditures	<u>54,376</u>	<u>47,038</u>	<u>37,062</u>	<u>9,976</u>
Deficiency of revenues under expenditures	<u>8,918</u>	<u>9,512</u>	<u>(21,610)</u>	<u>(31,122)</u>
Other financing sources (uses):				
Transfers out	(14,906)	(14,906)	(14,906)	
Issuance of debt	<u>36,698</u>	<u>36,698</u>	<u>36,698</u>	
Total other financing sources (uses)	<u>21,792</u>	<u>21,792</u>	<u>21,792</u>	
Net change in fund balances	<u>\$ 30,710</u>	<u>31,304</u>	<u>182</u>	<u>(31,122)</u>

**COUNTY OF SACRAMENTO  
 TOBACCO SECURITIZATION AUTHORITY DEBT SERVICE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 2	2	2	
Expenditures:				
Debt service:				
Principal	620	620	620	
Interest and fiscal charges	12,004	12,004	12,004	
Total expenditures	12,624	12,624	12,624	
Deficiency of revenues under expenditures	(12,622)	(12,622)	(12,622)	
Other financing sources:				
Transfers in	12,609	12,609	12,609	
Net change in fund balances	<u>\$ (13)</u>	<u>(13)</u>	<u>(13)</u>	

**COUNTY OF SACRAMENTO**  
**SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Intergovernmental	\$ 6,376	6,376	6,376	
Total revenues	<u>6,376</u>	<u>6,376</u>	<u>6,376</u>	
Expenditures:				
Debt service:				
Principal	1,730	1,730	1,730	
Interest and fiscal charges	4,655	4,655	4,655	
Total expenditures	<u>6,385</u>	<u>6,385</u>	<u>6,385</u>	
Deficiency of revenues under expenditures	<u>(9)</u>	<u>(9)</u>	<u>(9)</u>	
Net change in fund balances	<u>\$ (9)</u>	<u>(9)</u>	<u>(9)</u>	

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## NONMAJOR GOVERNMENTAL FUNDS SECTION

### CAPITAL PROJECT FUNDS

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## CAPITAL PROJECTS FUNDS

**Improvement Bond Act of 1911** - Accounts for construction activity in various special assessment districts where monies have been received under the 1911 Improvement Bond Act from special assessment district property owners.

**Improvement Bond Act of 1915** - Accounts for construction activity in various special assessment districts where monies have been received from special assessment district property owners under the 1915 Improvement Bond Act.

**Metro Air Park Community Facilities District** - Accounts for construction activity in the Metro Air Park Community Facilities District.

**Laguna Stonelake Community Facilities District** - Accounts for construction activity in the Laguna Stonelake Community Facilities District.

**Park Meadows Community Facilities District** - Accounts for construction activity in the Park Meadows Community Facilities District.

**Laguna Community Facilities District** - Accounts for construction activity in the Laguna Community Facilities District.

**Laguna Creek Ranch/Elliott Ranch Community Facilities District Number One and Two** - Accounts for construction activity in the Laguna Creek Ranch/Elliott Ranch Community Facilities District.

**Accumulated Capital Outlay** - Accounts for general capital outlay expenditures of the County.

**Community Fee Districts** - Established by property owners to account for construction of public projects financed by various developer fees and other miscellaneous revenues.

**1997 Public Facilities** - Accounts for construction of an additional dormitory-style jail at the Rio Cosumnes Correctional Center, and acquisition of the Bank of America building in downtown Sacramento.

**2007 Public Facilities** - Accounts for construction of the Animal Care Facility and Youth Detention Facility expansion.

**Tobacco Litigation Settlement** - Accounts for construction projects from the Tobacco Litigation Settlement Securitization proceeds including the Juvenile Court Facility and the Primary Care Clinic.

**McClellan Community Facilities District** - Accounts for infrastructure construction activity in the McClellan Community Facilities District.

**Sacramento County Landscape Maintenance Community Facilities District** - Accounts for landscape maintenance activity of the Sacramento County Landscape Maintenance Community Facilities District.

**Metro Air Park Service Tax** - Accounts for landscape maintenance activity within the Metro Air Park Community Facilities District.

**North Vineyard SSP CFD** - Accounts for public road improvements in the North Vineyard area of the County that are funded by development impact fees.

**County Parks CFD - No. 2006-1** - Accounts for construction and maintenance of parks, trails, and open space in the Southeast County area.

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 1 of 3

	Assessment Districts		Mello-Roos Community Facilities Act of 1982				
	Improvement Bond Act of 1911	Improvement Bond Act of 1915	Metro Air Park CFD	Laguna Stonelake CFD	Park Meadows CFD	Laguna Community Facilities District	Laguna Creek Ranch/Elliott Ranch Community Facilities District No. One and Two
<b>Assets:</b>							
Cash and investments	\$ 217	1,572	7,149	102	70	1,229	5,411
Receivables, net of allowance for uncollectibles:							
Billed					17		
Intergovernmental							
Due from other funds							
Long-term advances to other funds		2,300					
Deferred charges							30
Total assets	<u>\$ 217</u>	<u>3,872</u>	<u>7,149</u>	<u>102</u>	<u>87</u>	<u>1,229</u>	<u>5,441</u>
<b>Liabilities and fund balances:</b>							
<b>Liabilities:</b>							
Warrants payable	\$		1				
Accrued liabilities							
Intergovernmental payable	32	3,584					1
Due to other funds		1	7	1			3
Total liabilities	<u>32</u>	<u>3,585</u>	<u>8</u>	<u>1</u>			<u>4</u>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
Nonspendable		2,300					
Restricted	185		7,141	101	87	1,229	5,437
Unassigned		(2,013)					
Total fund balances	<u>185</u>	<u>287</u>	<u>7,141</u>	<u>101</u>	<u>87</u>	<u>1,229</u>	<u>5,437</u>
Total liabilities and fund balances	<u>\$ 217</u>	<u>3,872</u>	<u>7,149</u>	<u>102</u>	<u>87</u>	<u>1,229</u>	<u>5,441</u>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 2 of 3

	<u>Public Facilities Financing</u>					
	Accumulated Capital Outlay	Community Fee Districts	1997 Public Facilities	2007 Public Facilities	Tobacco Litigation Settlement	McClellan CFD
<b>Assets:</b>						
Cash and investments	\$ 6,450	11,740	549	889	13,268	147
Receivables, net of allowance for uncollectibles:						
Billed		194				
Intergovernmental	682					
Due from other funds	85					
Long-term advances to other funds		1,992				
Deferred charges						
<b>Total assets</b>	<u>\$ 7,217</u>	<u>13,926</u>	<u>549</u>	<u>889</u>	<u>13,268</u>	<u>147</u>
<b>Liabilities and fund balances:</b>						
<b>Liabilities:</b>						
Warrants payable	\$ 374					
Accrued liabilities	242					
Intergovernmental payable	260	463				
Due to other funds	249	9				
<b>Total liabilities</b>	<u>1,125</u>	<u>472</u>				
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Nonspendable		1,992				
Restricted	6,092	11,462	549	889	13,268	147
Unassigned						
<b>Total fund balances</b>	<u>6,092</u>	<u>13,454</u>	<u>549</u>	<u>889</u>	<u>13,268</u>	<u>147</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,217</u>	<u>13,926</u>	<u>549</u>	<u>889</u>	<u>13,268</u>	<u>147</u>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 3 of 3

	Sacramento County Landscape Maintenance CFD	Metro Air Park Service Tax	North Vineyard SSP CFD	County Parks CFD - No. 2006-1	Total
<b>Assets:</b>					
Cash and investments	\$ 652	645	1,603	86	51,779
Receivables, net of allowance for uncollectibles:					
Billed					211
Intergovernmental					682
Due from other funds					85
Long-term advances to other funds					4,292
Deferred charges					30
<b>Total assets</b>	<b>\$ 652</b>	<b>645</b>	<b>1,603</b>	<b>86</b>	<b>57,079</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Warrants payable	\$ 2				377
Accrued liabilities	3				245
Intergovernmental payable				84	4,424
Due to other funds					270
<b>Total liabilities</b>	<b>5</b>			<b>84</b>	<b>5,316</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Nonspendable					4,292
Restricted	647	645	1,603	2	49,484
Unassigned					(2,013)
<b>Total fund balances</b>	<b>647</b>	<b>645</b>	<b>1,603</b>	<b>2</b>	<b>51,763</b>
<b>Total liabilities and fund balances</b>	<b>\$ 652</b>	<b>645</b>	<b>1,603</b>	<b>86</b>	<b>57,079</b>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 1 of 3

	Assessment Districts		Mello-Roos Community Facilities Act of 1982				
	Improvement Bond Act of 1911	Improvement Bond Act of 1915	Metro Air Park CFD	Laguna Stonelake CFD	Park Meadows CFD	Laguna Community Facilities District	Laguna Creek Ranch/Elliott Ranch Community Facilities District No. One and Two
Revenues:							
Use of money and property	\$ 1	2	2			5	
Intergovernmental							
Charges for sales and services							
Fines, forfeitures and penalties							
Miscellaneous		161	93	160	70		231
Total revenues	<u>1</u>	<u>163</u>	<u>95</u>	<u>160</u>	<u>70</u>	<u>5</u>	<u>231</u>
Expenditures:							
Public ways and facilities						37	494
Capital outlay		202	2,916	155	94		
Total expenditures		<u>202</u>	<u>2,916</u>	<u>155</u>	<u>94</u>	<u>37</u>	<u>494</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1</u>	<u>(39)</u>	<u>(2,821)</u>	<u>5</u>	<u>(24)</u>	<u>(32)</u>	<u>(263)</u>
Other financing sources (uses):							
Transfers in							
Transfers out							
Issuance of debt							
Total other financing sources (uses)							
Net change in fund balances	<u>1</u>	<u>(39)</u>	<u>(2,821)</u>	<u>5</u>	<u>(24)</u>	<u>(32)</u>	<u>(263)</u>
Fund balances - beginning	184	326	9,962	96	111	1,261	5,700
Fund balances - ending	<u>\$ 185</u>	<u>287</u>	<u>7,141</u>	<u>101</u>	<u>87</u>	<u>1,229</u>	<u>5,437</u>

**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 2 of 3

	<u>Public Facilities Financing</u>					
	Accumulated Capital Outlay	Community Fee Districts	1997 Public Facilities	2007 Public Facilities	Tobacco Litigation Settlement	McClellan CFD
<b>Revenues:</b>						
Use of money and property	\$ 22	41	3	11	5	
Intergovernmental	2,076	141				
Charges for sales and services		1,147				
Fines, forfeitures and penalties	3,824					
Miscellaneous	17,411					9,008
Total revenues	<u>23,333</u>	<u>1,329</u>	<u>3</u>	<u>11</u>	<u>5</u>	<u>9,008</u>
<b>Expenditures:</b>						
Public ways and facilities						
Capital outlay	19,172	1,089	8	829	8,438	10,015
Total expenditures	<u>19,172</u>	<u>1,089</u>	<u>8</u>	<u>829</u>	<u>8,438</u>	<u>10,015</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,161</u>	<u>240</u>	<u>(5)</u>	<u>(818)</u>	<u>(8,433)</u>	<u>(1,007)</u>
<b>Other financing sources (uses):</b>						
Transfers in	3,979					
Transfers out	(14,791)			(2,990)		
Issuance of debt	1,088					
Total other financing sources (uses)	<u>(9,724)</u>			<u>(2,990)</u>		
Net change in fund balances	(5,563)	240	(5)	(3,808)	(8,433)	(1,007)
Fund balances - beginning	11,655	13,214	554	4,697	21,701	1,154
Fund balances - ending	<u>\$ 6,092</u>	<u>13,454</u>	<u>549</u>	<u>889</u>	<u>13,268</u>	<u>147</u>



**COUNTY OF SACRAMENTO**  
**NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 3 of 3

	Sacramento County Landscape Maintenance CFD	Metro Air Park Service Tax	North Vineyard SSP CFD	County Parks CFD - No. 2006-1	Total
<b>Revenues:</b>					
Use of money and property	\$ 2	2	2		98
Intergovernmental					2,217
Charges for sales and services	191	93			1,431
Fines, forfeitures and penalties					3,824
Miscellaneous			94		27,228
Total revenues	<u>193</u>	<u>95</u>	<u>96</u>		<u>34,798</u>
<b>Expenditures:</b>					
Public ways and facilities					531
Capital outlay	90	94	75		43,177
Total expenditures	<u>90</u>	<u>94</u>	<u>75</u>		<u>43,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>103</u>	<u>1</u>	<u>21</u>		<u>(8,910)</u>
<b>Other financing sources (uses):</b>					
Transfers in					3,979
Transfers out					(17,781)
Issuance of debt					1,088
Total other financing sources (uses)					<u>(12,714)</u>
Net change in fund balances	103	1	21		(21,624)
Fund balances - beginning	544	644	1,582	2	73,387
Fund balances - ending	<u>\$ 647</u>	<u>645</u>	<u>1,603</u>	<u>2</u>	<u>51,763</u>

**COUNTY OF SACRAMENTO  
ASSESSMENT DISTRICTS - IMPROVEMENT  
BOND ACT OF 1915 CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 4	4	2	(2)
Miscellaneous		1,302	161	(1,141)
Total revenues	<u>4</u>	<u>1,306</u>	<u>163</u>	<u>(1,143)</u>
Expenditures:				
Capital outlay	<u>1,593</u>	<u>1,589</u>	<u>202</u>	<u>1,387</u>
Net change in fund balances	<u>\$ (1,589)</u>	<u>(283)</u>	<u>(39)</u>	<u>244</u>

**COUNTY OF SACRAMENTO  
MELLO-ROOS COMMUNITY FACILITIES ACT 1982  
METRO AIR PARK COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 12	12	2	(10)
Miscellaneous	1,866	1,866	93	(1,773)
Total revenues	<u>1,878</u>	<u>1,878</u>	<u>95</u>	<u>(1,783)</u>
Expenditures:				
Capital outlay	<u>11,756</u>	<u>11,839</u>	<u>2,916</u>	<u>8,923</u>
Net change in fund balances	<u>\$ (9,878)</u>	<u>(9,961)</u>	<u>(2,821)</u>	<u>7,140</u>

**COUNTY OF SACRAMENTO  
MELLO-ROOS COMMUNITY FACILITIES ACT 1982  
LAGUNA STONELAKE COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 2	2		(2)
Miscellaneous	130	130	160	30
Total revenues	<u>132</u>	<u>132</u>	<u>160</u>	<u>28</u>
Expenditures:				
Capital outlay	<u>234</u>	<u>229</u>	<u>155</u>	<u>74</u>
Net change in fund balances	<u>\$ (102)</u>	<u>(97)</u>	<u>5</u>	<u>102</u>

**COUNTY OF SACRAMENTO  
MELLO-ROOS COMMUNITY FACILITIES ACT 1982  
PARK MEADOWS COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 2	2		(2)
Miscellaneous	60	60	70	10
Total revenues	<u>62</u>	<u>62</u>	<u>70</u>	<u>8</u>
Expenditures:				
Capital outlay	<u>169</u>	<u>174</u>	<u>94</u>	<u>80</u>
Net change in fund balances	<u>\$ (107)</u>	<u>(112)</u>	<u>(24)</u>	<u>88</u>

**COUNTY OF SACRAMENTO**  
**MELLO-ROOS COMMUNITY FACILITIES ACT 1982**  
**LAGUNA COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$ 10	10	5	(5)
Total revenues	<u>10</u>	<u>10</u>	<u>5</u>	<u>(5)</u>
Expenditures:				
Public ways and facilities	<u>1,270</u>	<u>1,271</u>	<u>37</u>	<u>1,234</u>
Net change in fund balances	<u>\$ (1,260)</u>	<u>(1,261)</u>	<u>(32)</u>	<u>1,229</u>

**COUNTY OF SACRAMENTO  
MELLO-ROOS COMMUNITY FACILITIES ACT 1982  
LAGUNA CREEK RANCH/ELLIOTT RANCH COMMUNITY FACILITIES  
DISTRICT NUMBER ONE AND TWO CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 35	35		(35)
Miscellaneous	485	485	231	(254)
Total revenues	<u>520</u>	<u>520</u>	<u>231</u>	<u>(289)</u>
Expenditures:				
Public ways and facilities	<u>2,315</u>	<u>3,095</u>	<u>494</u>	<u>2,601</u>
Net change in fund balances	<u>\$ (1,795)</u>	<u>(2,575)</u>	<u>(263)</u>	<u>2,312</u>

**COUNTY OF SACRAMENTO  
ACCUMULATED CAPITAL OUTLAY CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$ 75	75	22	(53)
Intergovernmental	1,286	1,948	2,076	128
Charges for sales and services				
Fines, forfeitures and penalties	3,600	8,509	3,824	(4,685)
Miscellaneous	24,558	33,052	17,411	(15,641)
Total revenues	<u>29,519</u>	<u>43,584</u>	<u>23,333</u>	<u>(20,251)</u>
Expenditures:				
Capital outlay	<u>27,497</u>	<u>40,240</u>	<u>19,172</u>	<u>21,068</u>
Excess of revenues over expenditures	<u>2,022</u>	<u>3,344</u>	<u>4,161</u>	<u>817</u>
Other financing sources (uses):				
Transfers in	3,980	3,980	3,979	(1)
Transfers out	(13,518)	(14,791)	(14,791)	
Issuance of debt	1,088	1,088	1,088	
Total other financing sources (uses)	<u>(8,450)</u>	<u>(9,723)</u>	<u>(9,724)</u>	<u>(1)</u>
Net change in fund balances	<u>\$ (6,428)</u>	<u>(6,379)</u>	<u>(5,563)</u>	<u>816</u>



**COUNTY OF SACRAMENTO  
COMMUNITY FEE DISTRICTS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 42	42	41	(1)
Intergovernmental			141	141
Charges for sales and services	<u>179</u>	<u>261</u>	<u>1,147</u>	<u>886</u>
Total revenues	<u>221</u>	<u>303</u>	<u>1,329</u>	<u>1,026</u>
Expenditures:				
Capital outlay	<u>12,716</u>	<u>12,496</u>	<u>1,089</u>	<u>11,407</u>
Net change in fund balances	<u>\$ (12,495)</u>	<u>(12,193)</u>	<u>240</u>	<u>12,433</u>

**COUNTY OF SACRAMENTO**  
**1997 PUBLIC FACILITIES FINANCING CORPORATION CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$		3	3
Total revenues			<u>3</u>	<u>3</u>
Expenditures:				
Capital outlay	<u>344</u>	<u>554</u>	<u>8</u>	<u>546</u>
Net change in fund balances	<u>\$ (344)</u>	<u>(554)</u>	<u>(5)</u>	<u>549</u>

**COUNTY OF SACRAMENTO**  
**2007 PUBLIC FACILITIES FINANCING CORPORATION CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$		11	11
Total revenues			11	11
Expenditures:				
Capital outlay	(745)	1,909	829	1,080
Excess (deficiency) of revenues over (under) expenditures	745	(1,909)	(818)	1,091
Other financing sources:				
Transfers out	(2,990)	(2,990)	(2,990)	
Net change in fund balances	\$ (2,245)	(4,899)	(3,808)	1,091

**COUNTY OF SACRAMENTO  
 TOBACCO LITIGATION SETTLEMENT CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$		5	5
Expenditures:				
Capital outlay	10,532	21,701	8,438	13,263
Net change in fund balances	\$ (10,532)	(21,701)	(8,433)	13,268

**COUNTY OF SACRAMENTO  
MCCLELLAN CFD CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Miscellaneous	\$ 10,360	10,360	9,008	(1,352)
Total revenues	<u>10,360</u>	<u>10,360</u>	<u>9,008</u>	<u>(1,352)</u>
Expenditures:				
Capital outlay	<u>11,490</u>	<u>11,514</u>	<u>10,015</u>	<u>1,499</u>
Net change in fund balances	<u>\$ (1,130)</u>	<u>(1,154)</u>	<u>(1,007)</u>	<u>147</u>

**COUNTY OF SACRAMENTO**  
**SACRAMENTO COUNTY LANDSCAPE MAINTENANCE CFD CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 2	2	2	
Charges for sales and services	190	190	191	1
Total revenues	<u>192</u>	<u>192</u>	<u>193</u>	<u>1</u>
Expenditures:				
Capital outlay	<u>223</u>	<u>251</u>	<u>90</u>	<u>161</u>
Net change in fund balances	<u>\$ (31)</u>	<u>(59)</u>	<u>103</u>	<u>162</u>

**COUNTY OF SACRAMENTO  
METRO AIR PARK SERVICE TAX CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 2	2	2	
Charges for sales and services	110	110	93	(17)
Total revenues	<u>112</u>	<u>112</u>	<u>95</u>	<u>(17)</u>
Expenditures:				
Capital outlay	<u>753</u>	<u>757</u>	<u>94</u>	<u>663</u>
Net change in fund balances	<u>\$ (641)</u>	<u>(645)</u>	<u>1</u>	<u>646</u>

**COUNTY OF SACRAMENTO  
NORTH VINEYARD SSP CFD CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	\$ 1	1	2	1
Miscellaneous	<u>94</u>	<u>95</u>	<u>94</u>	<u>(1)</u>
Total revenues	<u>95</u>	<u>96</u>	<u>96</u>	
Expenditures:				
Capital outlay	<u>1,681</u>	<u>1,678</u>	<u>75</u>	<u>1,603</u>
Net change in fund balances	<u>\$ (1,586)</u>	<u>(1,582)</u>	<u>21</u>	<u>1,603</u>



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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## NONMAJOR ENTERPRISE FUNDS SECTION

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## NON-MAJOR ENTERPRISE FUNDS

*Parking Enterprise* - Accounts for all downtown parking facilities that generate revenues from user fees from both the public and County employees.

*County Transit* - Accounts for the operations of the South County Transit program.

**COUNTY OF SACRAMENTO  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2012  
(amounts expressed in thousands)**

	Parking Enterprise	County Transit	Total
Assets:			
Current assets:			
Cash and investments	\$ 2,328	562	2,890
Receivables, net of allowance for uncollectibles:			
Billed		12	12
Intergovernmental	1	1,107	1,108
Due from other funds	27		27
Total current assets	<u>2,356</u>	<u>1,681</u>	<u>4,037</u>
Noncurrent assets:			
Capital assets:			
Land and other nondepreciable assets	1,299		1,299
Buildings & improvements, infrastructure, equipment and intangibles, net	2,293	223	2,516
Total capital assets	<u>3,592</u>	<u>223</u>	<u>3,815</u>
Total noncurrent assets	<u>3,592</u>	<u>223</u>	<u>3,815</u>
Total assets	<u>\$ 5,948</u>	<u>1,904</u>	<u>7,852</u>
Liabilities:			
Current liabilities:			
Warrants payable	\$ 5	7	12
Accrued liabilities	256	115	371
Intergovernmental payable	11		11
Due to other funds	12		12
Current portion of long-term debt obligations	655		655
Total current liabilities	<u>939</u>	<u>122</u>	<u>1,061</u>
Noncurrent liabilities:			
Long-term debt obligations	263		263
Long-term advances from other funds	105		105
Total noncurrent liabilities	<u>368</u>		<u>368</u>
Total liabilities	<u>1,307</u>	<u>122</u>	<u>1,429</u>
Net assets:			
Invested in capital assets, net of related debt	2,713	223	2,936
Restricted for:			
Debt service	197		197
Transportation		1,040	1,040
Future construction		519	519
Unrestricted	1,731		1,731
Total net assets	<u>4,641</u>	<u>1,782</u>	<u>6,423</u>
Total liabilities and net assets	<u>\$ 5,948</u>	<u>1,904</u>	<u>7,852</u>

**COUNTY OF SACRAMENTO  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	Parking Enterprise	County Transit	Total
Operating revenues:			
Charges for sales and services	\$ 2,994	146	3,140
Other	57		57
Total operating revenues	<u>3,051</u>	<u>146</u>	<u>3,197</u>
Operating expenses:			
Salaries and benefits	477		477
Services and supplies	1,016	124	1,140
Depreciation and Amortization	299	171	470
Other	75	1,714	1,789
Total operating expenses	<u>1,867</u>	<u>2,009</u>	<u>3,876</u>
Operating income (loss)	<u>1,184</u>	<u>(1,863)</u>	<u>(679)</u>
Nonoperating revenues (expenses):			
Use of money and property	5	4	9
Intergovernmental		995	995
Sales / use tax		356	356
Interest expense	(84)		(84)
Total nonoperating revenues	<u>(79)</u>	<u>1,355</u>	<u>1,276</u>
Income before transfers	1,105	(508)	597
Transfers in	727		727
Transfers out	(752)		(752)
Changes in net assets	1,080	(508)	572
Net assets, beginning of year	3,561	2,290	5,851
Net assets, end of year	<u>\$ 4,641</u>	<u>1,782</u>	<u>6,423</u>

**COUNTY OF SACRAMENTO  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

Page 1 of 2

	Parking Enterprise	County Transit	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 2,993	154	3,147
Payments to suppliers	(917)	(1,917)	(2,834)
Payments to employees	(472)		(472)
Payments for interfund services used	122		122
Payments for other operating activities	(18)		(18)
Net cash provided by (used for) operating activities	<u>1,708</u>	<u>(1,763)</u>	<u>(55)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Intergovernmental revenue		1,109	1,109
Payment on advance to other funds	(98)		(98)
Transfers from other funds	727		727
Transfers to other funds	(752)		(752)
Net cash provided by (used for) noncapital financing activities	<u>(123)</u>	<u>1,109</u>	<u>986</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(25)		(25)
Principal paid on long-term obligations	(630)		(630)
Interest paid on long-term obligations	(84)		(84)
Net cash provided by (used for) capital and related financing activities	<u>(739)</u>		<u>(739)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received on cash and investments	<u>8</u>	<u>3</u>	<u>11</u>
Net cash provided by investing activities	<u>8</u>	<u>3</u>	<u>11</u>
Net increase in cash and cash equivalents	854	(651)	203
Cash and cash equivalents, beginning of year	1,474	1,213	2,687
Cash and cash equivalents, end of year	<u>\$ 2,328</u>	<u>562</u>	<u>2,890</u>

**COUNTY OF SACRAMENTO  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

Page 2 of 2

	<u>Parking Enterprise</u>	<u>County Transit</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	<u>\$ 1,184</u>	<u>(1,863)</u>	<u>(679)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and Amortization	299	171	470
Changes in assets and liabilities:			
Receivables:			
Billed		8	8
Due from other funds	117		117
Warrants payable		7	7
Accrued liabilities	98	(86)	12
Due to other funds	4		4
Compensated absences	4		4
Other post employment benefits	<u>2</u>		<u>2</u>
Total adjustments	<u>524</u>	<u>100</u>	<u>624</u>
Net cash provided by (used for) operating activities	<u>\$ 1,708</u>	<u>(1,763)</u>	<u>(55)</u>

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## INTERNAL SERVICE FUNDS

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## INTERNAL SERVICE FUNDS

**Public Works** - Accounts for special services provided by the Department of Public Works to other County departments and special districts. These services include Water; Special District Formation; Highways and Bridges; Surveyor, Information and Permits; Technical Services.

**General Services** - Created to centralize many of the activities providing services to County departments. These activities include Automobile Fleet Operations; Purchasing; Printing; Mail; Central Stores; Surplus Property Disposal; Building Maintenance & Operations; Real Estate; and Construction Equipment.

**Liability/Property Self-insurance** - Accounts for the County's program of self-insurance for liability/property perils.

**Workers' Compensation Self-insurance** - Accounts for the County's self-insurance of all workers' compensation claims.

**Other Self-Insurance** - Accounts for the County's self-insurance of all dental and unemployment claims.

**Regional Communications** - Accounts for the operations of the County's emergency communications function.

**Department of Technology** - Accounts for central telecommunication and data processing support to County departments.

**COUNTY OF SACRAMENTO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2012  
(amounts expressed in thousands)**

	Self Insurance							
	Public Works	General Services	Liability/ Property	Worker's Compensation	Other	Regional Communications	Department of Technology	Total
Assets:								
Current assets:								
Cash and investments	\$ 36,408	53,984	2,524	75		7,906	11,032	111,929
Receivables, net of allowance for uncollectibles:								
Billed	6,512	34						6,546
Intergovernmental	1,182	6	1,627	1,563	198		7	4,583
Due from other funds	1,099	884	13,170	23,679	4,950		1,941	45,723
Prepaid expenses			33					33
Inventories		1,846						1,846
Total current assets	45,201	56,754	17,354	25,317	5,148	7,906	12,980	170,660
Noncurrent assets:								
Long-term advances to other funds	272			43,884				44,156
Long-term receivables	38			185				223
Capital assets:								
Buildings & improvements, infrastructure, equipment and intangibles, net	157	18,180		10		10,679	2,256	31,282
Total capital assets	157	18,180		10		10,679	2,256	31,282
Total noncurrent assets	467	18,180		44,079		10,679	2,256	75,661
Total assets	\$ 45,668	74,934	17,354	69,396	5,148	18,585	15,236	246,321
Liabilities and fund balances:								
Current liabilities:								
Warrants payable	\$ 150	4,062	492	520		1,067	363	6,654
Accrued liabilities	3,061	6,999	1,999	32		154	1,125	13,370
Intergovernmental payable	12	1	19		43		10	85
Due to other funds	4,715	1,766	72	485	4,316	4	313	11,671
Current portion of insurance claims payable			9,268	25,623	459			35,350
Deferred revenues	38			185		3,593	154	3,970
Total current liabilities	8,237	13,076	11,850	26,845	4,818	4,818	2,118	71,762
Noncurrent liabilities:								
Insurance claims payable			22,414	139,576				161,990
Long-term debt obligations	9,141	3,634				74	3,851	16,700
Long-term advances from other funds		3,822						3,822
Total noncurrent liabilities	9,141	7,456	22,414	139,576		74	3,851	182,512
Total liabilities	17,378	20,532	34,264	166,421	4,818	4,892	5,969	254,274
Net assets:								
Invested in capital assets, net of related debt	157	18,180		10		10,679	2,256	31,282
Unrestricted	28,133	36,222	(16,910)	(97,035)	330	3,014	7,011	(39,235)
Total net assets	28,290	54,402	(16,910)	(97,025)	330	13,693	9,267	(7,953)
Total liabilities and net assets	\$ 45,668	74,934	17,354	69,396	5,148	18,585	15,236	246,321

**COUNTY OF SACRAMENTO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	Public Works	General Services	Self Insurance			Regional Communications	Department of Technology	Total
			Liability/ Property	Worker's Compensation	Other			
Operating revenues:								
Charges for sales and services	\$ 86,939	127,694	15,480	27,607	4,030	3,720	48,251	313,721
Other	8,420	150	1,380	172		1,229	101	11,452
Total operating revenues	<u>95,359</u>	<u>127,844</u>	<u>16,860</u>	<u>27,779</u>	<u>4,030</u>	<u>4,949</u>	<u>48,352</u>	<u>325,173</u>
Operating expenses:								
Salaries and benefits	60,704	37,551				1,048	25,593	124,896
Services and supplies	35,974	76,315			139	1,468	15,552	129,448
Cost of sales and services		4,283						4,283
Depreciation and amortization	103	6,147		1		2,171	859	9,281
Self-insurance			22,004	27,176	3,226			52,406
Other		833	31	174	7			1,045
Total operating expenses	<u>96,781</u>	<u>125,129</u>	<u>22,035</u>	<u>27,351</u>	<u>3,372</u>	<u>4,687</u>	<u>42,004</u>	<u>321,359</u>
Operating income (loss)	<u>(1,422)</u>	<u>2,715</u>	<u>(5,175)</u>	<u>428</u>	<u>658</u>	<u>262</u>	<u>6,348</u>	<u>3,814</u>
Nonoperating revenues (expenses):								
Use of money and property						58		58
Intergovernmental	1,358							1,358
Interest expense		(468)						(468)
Other	1,919	(1,588)	1			(9)	477	800
Total nonoperating revenues (expenses)	<u>3,277</u>	<u>(2,056)</u>	<u>1</u>			<u>49</u>	<u>477</u>	<u>1,748</u>
Income before transfers	1,855	659	(5,174)	428	658	311	6,825	5,562
Transfers in	316							316
Transfers out	(26,296)	(3,269)				(64)	(5,344)	(34,973)
Changes in net assets	(24,125)	(2,610)	(5,174)	428	658	247	1,481	(29,095)
Net assets, beginning of year	52,415	57,012	(11,736)	(97,453)	(328)	13,446	7,786	21,142
Net assets, end of year	<u>\$ 28,290</u>	<u>54,402</u>	<u>(16,910)</u>	<u>(97,025)</u>	<u>330</u>	<u>13,693</u>	<u>9,267</u>	<u>(7,953)</u>

**COUNTY OF SACRAMENTO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

Page 1 of 2

	Public Works	General Services	Self Insurance			Regional Communications	Department of Technology	Total
			Liability/ Property	Worker's Compensation	Other			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Receipts from customers and users	\$ 5,887	134	1,380			4,583	46,250	58,234
Receipts from interfund services provided	87,541	148,012	15,346	25,292	3,930			280,121
Payments to suppliers	(37,898)	(78,414)	(15,396)	(21,746)	(3,784)	315	(11,281)	(168,204)
Payments to employees	(61,674)	(36,974)	(593)	(2,965)	(124)	(1,027)	(24,616)	(127,973)
Payments for other operating activities		(833)						(833)
Payments for interfund services used	(1,407)	(22,150)	(1,274)	(570)	(22)	(699)	(4,492)	(30,614)
Net cash provided by (used for) operating activities	<u>(7,551)</u>	<u>9,775</u>	<u>(537)</u>	<u>11</u>		<u>3,172</u>	<u>5,861</u>	<u>10,731</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>								
Receipt on advance from other funds	14,403	1,662						16,065
Payment on advance from other funds	5,136	(3,758)						1,378
Transfers from other funds	316							316
Transfers to other funds	(26,296)	(3,269)				(64)	(5,344)	(34,973)
Interest paid on advances from other funds		(468)						(468)
Intergovernmental revenue	1,358							1,358
Other non-operating revenue	2,020					(9)	478	2,489
Net cash provided by (used for) noncapital financing activities	<u>(3,063)</u>	<u>(5,833)</u>				<u>(73)</u>	<u>(4,866)</u>	<u>(13,835)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Acquisition and construction of capital assets		(3,760)		(11)		(2,546)	(1,488)	(7,805)
Proceeds from the sale of capital assets		511						511
Net cash used for capital and related financing activities		<u>(3,249)</u>		<u>(11)</u>		<u>(2,546)</u>	<u>(1,488)</u>	<u>(7,294)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Interest received on cash and investments						58		58
Net increase (decrease) in cash and cash equivalents	(10,614)	693	(537)			611	(493)	(10,340)
Cash and cash equivalents, beginning of year	47,022	53,291	3,061	75		7,295	11,525	122,269
Cash and cash equivalents, end of year	<u>\$ 36,408</u>	<u>53,984</u>	<u>2,524</u>	<u>75</u>		<u>7,906</u>	<u>11,032</u>	<u>111,929</u>

**COUNTY OF SACRAMENTO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

Page 2 of 2

	Public Works	General Services	Self Insurance			Regional Communications	Department of Technology	Total
			Liability/ Property	Worker's Compensation	Other			
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES								
Operating income (loss)	\$ (1,422)	2,715	(5,175)	428	658	262	6,348	3,814
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:								
Depreciation and amortization	103	6,147		1		2,171	859	9,281
Other nonoperating revenue		4,176						4,176
Other nonoperating expense		(2,426)						(2,426)
Changes in assets and liabilities:								
Receivables:								
Billed	(2,369)	(16)						(2,385)
Intergovernmental	(164)	(1)	(395)	(28)	(19)		(3)	(610)
Due from other funds	602	(548)	246	1,301	3,079	3	(1,714)	2,969
Inventories		(164)						(164)
Long-term receivables	(26)			55				29
Warrants payable	(2)	3,396	210	178		1,016	153	4,951
Accrued liabilities	(283)	(2,792)	1,624	(5)		85	(697)	(2,068)
Intergovernmental payable	(1,638)	(5)			43		10	(1,590)
Due to other funds	(1,345)	(1,284)	36	(3,759)	(3,160)	(17)	(83)	(9,612)
Deferred revenues	(36)		(20)	(55)		(369)	11	(469)
Compensated absences	(1,134)	454				19	878	217
Other post employment benefits	163	123				2	99	387
Insurance claims payable			2,937	1,895	(601)			4,231
Total adjustments	(6,129)	7,060	4,638	(417)	(658)	2,910	(487)	6,917
Net cash provided by (used for) operating activities	\$ (7,551)	9,775	(537)	11		3,172	5,861	10,731

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## AGENCY FUNDS

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## **AGENCY FUNDS**

**Law Enforcement** - Accounts for law enforcement revenues collected pending disbursement, reimbursement, or apportionment to the appropriate County law enforcement department or other local police agency.

**Unapportioned Tax Collection** - Accounts for property taxes received but not yet apportioned by the County.

**Other** - Accounts for other agency funds where the County holds money in a custodial capacity.



**COUNTY OF SACRAMENTO  
 AGENCY FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2012  
 (amounts expressed in thousands)**

	<u>Law Enforcement</u>	<u>Unapportioned Tax Collection</u>	<u>Other</u>	<u>Total</u>
Assets:				
Cash and investments	\$ 67,260	26,331	97,530	191,121
Receivables, net of allowance for uncollectibles:				
Billed	191		791	982
Interest			1,354	1,354
Intergovernmental		2,656	462	3,118
Due from other funds	8		7	15
Prepaid expenses			60	60
Total assets	<u>\$ 67,459</u>	<u>28,987</u>	<u>100,204</u>	<u>196,650</u>
Liabilities:				
Warrants payable	\$ 261	6,613	4,608	11,482
Accrued liabilities	3,988	56	5,061	9,105
Intergovernmental payable	63,210	22,318	90,535	176,063
Total liabilities	<u>\$ 67,459</u>	<u>28,987</u>	<u>100,204</u>	<u>196,650</u>

**COUNTY OF SACRAMENTO  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

Page 1 of 3

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
Law Enforcement				
Assets:				
Cash and investments	\$ 40,624	26,636		67,260
Receivables, net of allowance for uncollectibles:				
Billed	1,718		1,527	191
Due from other funds	10		2	8
Total assets	<u>\$ 42,352</u>	<u>26,636</u>	<u>1,529</u>	<u>67,459</u>
Liabilities:				
Warrants payable	\$ 2,976		2,715	261
Accrued liabilities	77	3,911		3,988
Intergovernmental payable	39,299	23,911		63,210
Total liabilities	<u>\$ 42,352</u>	<u>27,822</u>	<u>2,715</u>	<u>67,459</u>
	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
Unapportioned Tax Collection				
Assets:				
Cash and investments	\$ 26,701		370	26,331
Receivables, net of allowance for uncollectibles:				
Billed	3,932		3,932	
Intergovernmental	421	2,235		2,656
Due from other funds	125		125	
Total assets	<u>\$ 31,179</u>	<u>2,235</u>	<u>4,427</u>	<u>28,987</u>
Liabilities:				
Warrants payable	\$ 6,563	50		6,613
Accrued liabilities	710		654	56
Intergovernmental payable	23,906		1,588	22,318
Total liabilities	<u>\$ 31,179</u>	<u>50</u>	<u>2,242</u>	<u>28,987</u>

**COUNTY OF SACRAMENTO  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (amounts expressed in thousands)**

Page 2 of 3

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Other Agency				
Assets:				
Cash and investments	\$ 130,896		33,366	97,530
Receivables, net of allowance for uncollectibles:				
Billed	949		158	791
Interest	328	1,026		1,354
Intergovernmental	78	384		462
Due from other funds	52		45	7
Prepaid expenses	22	38		60
Total assets	<u>\$ 132,325</u>	<u>1,448</u>	<u>33,569</u>	<u>100,204</u>
Liabilities:				
Warrants payable	\$ 2,422	2,186		4,608
Accrued liabilities	5,083		22	5,061
Intergovernmental payable	124,820		34,285	90,535
Total liabilities	<u>\$ 132,325</u>	<u>2,186</u>	<u>34,307</u>	<u>100,204</u>

**COUNTY OF SACRAMENTO**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(amounts expressed in thousands)**

Page 3 of 3

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Totals				
Assets:				
Cash and investments	\$ 198,221	26,636	33,736	191,121
Receivables, net of allowance for uncollectibles:				
Billed	6,599		5,617	982
Interest	328	1,026		1,354
Intergovernmental	499	2,619		3,118
Due from other funds	187		172	15
Prepaid expenses	22	38		60
Total assets	<u>\$ 205,856</u>	<u>30,319</u>	<u>39,525</u>	<u>196,650</u>
Liabilities:				
Warrants payable	\$ 11,961	2,236	2,715	11,482
Accrued liabilities	5,870	3,911	676	9,105
Intergovernmental payable	188,025	23,911	35,873	176,063
Total liabilities	<u>\$ 205,856</u>	<u>30,058</u>	<u>39,264</u>	<u>196,650</u>

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## TRUST FUNDS

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## TRUST FUNDS

### **INVESTMENT**

**Treasurer's Pool** - Accounts for assets held for external investment pool participants.

**Non-Pooled Investments** - Accounts for separate investment pools and maintains accounts for assets of various long-term obligations.

### **PRIVATE PURPOSE**

**Redevelopment Obligation Trust Fund (RORF)** – Accounts for the assets, liabilities, and activities of the County of Sacramento Redevelopment Successor Agency (Successor Agency).

**COUNTY OF SACRAMENTO  
TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Investment Trust</u>			Redevelopment Obligation Retirement Fund - Successor Agency
	<u>Treasurer's Pool</u>	<u>Non-Pooled Investments</u>	<u>Total</u>	<u>Agency</u>
Assets:				
Cash and investments	\$ 1,432,565	292,813	1,725,378	39,566
Intergovernmental				2,287
Land and other nondepreciable assets				4,667
Buildings & improvements, infrastructure, equipment and intangibles, net				521
Total assets	<u>1,432,565</u>	<u>292,813</u>	<u>1,725,378</u>	<u>47,041</u>
Liabilities:				
Warrants payable				6
Accrued liabilities				3,594
Intergovernmental payable				1,375
Loan due to County Public Financing Authority				71,045
Other long-term liabilities				7,765
Total liabilities				<u>83,785</u>
Net assets (deficit) held in trust	<u>\$ 1,432,565</u>	<u>292,813</u>	<u>1,725,378</u>	<u>(36,744)</u>



**COUNTY OF SACRAMENTO  
TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012  
(amounts expressed in thousands)**

	<u>Investment Trust</u>			Redevelopment Obligation Retirement Fund - Successor Agency
	<u>Treasurer's Pool</u>	<u>Non-Pooled Investments</u>	<u>Total</u>	
Additions:				
Property taxes	\$			3,505
Contributions on pooled investments	4,953,216	3,216,514	8,169,730	
Use of money and property	27,757	31,903	59,660	75
Miscellaneous				8
Total additions	<u>4,980,973</u>	<u>3,248,417</u>	<u>8,229,390</u>	<u>3,588</u>
Deductions:				
Distributions from pooled investments	5,029,898	3,344,909	8,374,807	
Services and supplies				1,453
Debt service:				
Interest expense				2,131
Total deductions	<u>5,029,898</u>	<u>3,344,909</u>	<u>8,374,807</u>	<u>3,584</u>
Changes in net assets before extraordinary item	<u>(48,925)</u>	<u>(96,492)</u>	<u>(145,417)</u>	<u>4</u>
Extraordinary item - Dissolution of Redevelopment Agency				(36,748)
Net assets (deficit) held in trust	<u>1,481,490</u>	<u>389,305</u>	<u>1,870,795</u>	
Net assets held in trust, end of year	<u>\$ 1,432,565</u>	<u>292,813</u>	<u>1,725,378</u>	<u>(36,744)</u>

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



**STATISTICAL  
SECTION**

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## STATISTICAL SECTION

This part of the Sacramento County'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 government's overall financial health.

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

**Revenue Capacity** - These schedules contain information to help the reader assess the County's most significant local revenue source, property and sales tax.

**Debt Capacity** - These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the county'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 County's financial activities take place and to help make comparisons over time and with other governments.

**Operating Information** - These schedules contain information about the County's operation and resources to help the reader understand how the county's financial information relates to the services the County provides and the activities it performs.

**Sources** - Unless otherwise noted; the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

**COUNTY OF SACRAMENTO  
NET ASSETS BY COMPONENT  
FISCAL YEARS 2002-03 THROUGH 2011-12  
(amounts expressed in thousands)**

	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 798,416	938,655	962,902	1,304,641	1,335,121	1,296,783	1,428,639	1,374,306	1,378,390	1,407,750
Restricted	516,881	515,322	522,755	408,290	425,187	507,138	478,468	437,559	390,498	429,831
Unrestricted	23,216	(143,379)	(110,031)	13,152	(44,775)	(105,778)	(387,629)	(316,689) *	(363,502)	(301,596)
Total governmental activities net assets	<u>\$ 1,338,513</u>	<u>1,310,598</u>	<u>1,375,626</u>	<u>1,726,083</u>	<u>1,715,533</u>	<u>1,698,143</u>	<u>1,519,478</u>	<u>1,495,176</u>	<u>1,405,386</u>	<u>1,535,985</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 990,082	328,285	415,890	461,723	512,575	514,042	577,905	719,665	790,799	873,060
Restricted	114,904	85,685	96,802	115,208	138,764	214,334	218,839	216,266	182,288	140,552
Unrestricted	490,131	233,611	251,377	258,055	264,560	274,165	239,805	156,994 *	183,320	215,094
Total business-type activities net assets	<u>\$ 1,595,117</u>	<u>647,581</u>	<u>764,069</u>	<u>834,986</u>	<u>915,899</u>	<u>1,002,541</u>	<u>1,036,549</u>	<u>1,092,925</u>	<u>1,156,407</u>	<u>1,228,706</u>
Primary government										
Invested in capital assets, net of related debt	1,788,498	1,266,940	1,378,792	1,766,364	1,847,696	1,810,825	2,006,544	2,093,971	2,169,189	2,280,810
Restricted	631,785	601,007	619,557	523,498	563,951	721,472	697,307	653,825	572,786	570,383
Unrestricted	513,347	90,232	141,346	271,207	219,785	168,387	(147,824)	(159,695) *	(180,182)	(86,502)
Total primary government net assets	<u>\$ 2,933,630</u>	<u>1,958,179</u>	<u>2,139,695</u>	<u>2,561,069</u>	<u>2,631,432</u>	<u>2,700,684</u>	<u>2,556,027</u>	<u>2,588,101</u>	<u>2,561,793</u>	<u>2,764,691</u>

\* Restated 2009-10

Note: 1) As of the year ended June 30, 2004, the Sacramento Area Sewer District and Sacramento County Regional Sanitation District are no longer component units of the County of Sacramento.

2) Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted and unrestricted. Net assets are considered restricted when a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

**COUNTY OF SACRAMENTO  
CHANGE IN NET ASSETS  
FISCAL YEARS 2002-03 THROUGH 2011-12  
(amounts expressed in thousands)**

Page 1 of 3

	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 110,633	173,913	191,798	208,862	217,194	201,712	185,963	177,963	191,427	171,667
Public assistance	708,491	684,036	707,374	731,099	736,120	681,682	704,416	668,368	674,543	611,073
Public protection	599,659	588,881	610,098	617,770	727,876	705,953	744,072	650,198	673,751	630,142
Health and sanitation	393,575	466,430	386,881	467,682	537,677	671,812	724,666	595,816	528,449	555,490
Public ways and facilities	66,861	63,478	120,551	160,495	139,424	199,748	123,999	115,073	122,752	111,965
Recreation and culture	31,878	26,481	44,951	32,678	37,522	42,246	41,194	37,139	35,990	88,913
Education	26,951	27,944	13,033	13,156	14,806	22,621	24,161	21,053	3,578	1,858
Interest and fiscal charges	64,724	84,493	87,191	96,182	108,249	151,148	138,824	141,529	140,419	124,537
Total governmental activities	<u>2,002,772</u>	<u>2,115,656</u>	<u>2,161,877</u>	<u>2,327,924</u>	<u>2,518,868</u>	<u>2,676,922</u>	<u>2,687,295</u>	<u>2,407,139</u>	<u>2,370,909</u>	<u>2,295,645</u>
Business-type activities:										
Airport	88,445	101,219	99,249	104,486	113,018	125,793	131,888	130,724	128,941	167,303
Regional Sanitation District	105,620									
Solid Waste	68,111	82,216	65,805	62,395	61,106	60,149	66,991	62,567	59,433	63,131
Sanitation District Number One	42,333									
Water Agency	14,188	20,326	33,649	37,313	40,200	45,992	29,277	24,575	28,174	47,799
Parking Enterprise	3,188	2,767	2,929	2,606	2,630	2,904	12,459	3,247	1,914	2,037
County Transit	756	9,210	1,688	1,888	2,179	1,954	1,955	1,677	1,597	2,040
Total business-type activities	<u>322,641</u>	<u>215,738</u>	<u>203,320</u>	<u>208,688</u>	<u>219,133</u>	<u>236,792</u>	<u>242,570</u>	<u>222,790</u>	<u>220,059</u>	<u>282,310</u>
Total primary government	<u>\$ 2,325,413</u>	<u>2,331,394</u>	<u>2,365,197</u>	<u>2,536,612</u>	<u>2,738,001</u>	<u>2,913,714</u>	<u>2,929,865</u>	<u>2,629,929</u>	<u>2,590,968</u>	<u>2,577,955</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 94,355	139,026	135,191	142,140	134,274	90,743	89,134	100,877	112,818	116,246
Public assistance	3,944	9,016	6,583	4,705	10,621	11,340	9,156	8,464	8,858	11,744
Public protection	83,624	99,670	114,352	140,842	145,372	126,058	122,229	110,244	122,315	118,963
Health and sanitation	36,200	52,132	17,883	25,471	41,289	43,888	51,561	38,692	28,783	40,380
Public ways and facilities	19,752	37,552	64,759	81,903	82,266	76,590	53,711	31,912	31,660	27,227
Recreation and culture	10,431	11,749	14,783	13,373	14,694	15,065	17,312	12,735	14,435	13,181
Education	4	1,147	144	72	256	273	298	177	448	875
Operating grants and contrib.	980,076	998,332	1,099,378	1,096,348	1,104,969	1,223,424	1,177,843	1,128,887	1,168,916	1,153,418
Capital grants and contrib.	23,892	98,317	37,506	31,523	41,993	95,231	34,808	38,434	24,658	22,257
Total governmental activities	<u>\$ 1,252,278</u>	<u>1,446,941</u>	<u>1,490,579</u>	<u>1,536,377</u>	<u>1,575,734</u>	<u>1,682,612</u>	<u>1,556,052</u>	<u>1,470,422</u>	<u>1,512,891</u>	<u>1,504,291</u>

As of the year ended June 30, 2004, the Sacramento Area Sewer District and Sacramento County Regional Sanitation District are no longer component units of the County of Sacramento.

**COUNTY OF SACRAMENTO  
CHANGE IN NET ASSETS  
FISCAL YEARS 2002-03 THROUGH 2011-12  
(amounts expressed in thousands)**

Page 2 of 3

	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Business-type activities:										
Charges for services:										
Airport	\$ 75,936	87,885	97,753	104,566	107,997	115,050	123,192	132,727	121,516	146,328
Regional Sanitation District	146,688									
Solid Waste	69,716	84,983	71,384	66,877	64,676	65,302	67,018	65,907	67,970	71,101
Sanitation District Number One	43,517									
Water Agency	38,009	46,874	*50,707	60,283	54,894	47,800	43,954	46,847	54,999	57,989
Parking Enterprise	2,350	2,588	2,676	2,921	3,047	3,265	4,989	3,185	3,195	3,143
County Transit	337	8,589	227	257	556	204	183	158	164	178
Operating grants and contrib.	18,112	18,498	27,435	26,246	29,451	29,540	25,031	22,943	21,764	25,855
Capital grants and contrib.	40,247	26,153	38,838	16,272	21,895	28,635	12,290	10,211	16,133	15,872
Total business-type activities	<u>434,912</u>	<u>275,570</u>	<u>289,020</u>	<u>277,422</u>	<u>282,516</u>	<u>289,796</u>	<u>276,657</u>	<u>281,978</u>	<u>285,741</u>	<u>320,466</u>
Total primary government	<u>\$ 1,687,190</u>	<u>1,722,511</u>	<u>1,779,599</u>	<u>1,813,799</u>	<u>1,858,250</u>	<u>1,972,408</u>	<u>1,832,709</u>	<u>1,752,400</u>	<u>1,798,632</u>	<u>1,824,757</u>
Net (expense)/revenue										
Governmental activities	\$ (750,494)	(668,715)	(671,298)	(791,547)	(943,134)	(994,310)	(1,131,243)	(936,717)	(858,018)	(791,354)
Business-type activities	112,271	59,832	85,700	68,734	63,383	53,004	34,087	59,188	65,682	38,156
Total primary government net expense	<u>\$ (638,223)</u>	<u>(608,883)</u>	<u>(585,598)</u>	<u>(722,813)</u>	<u>(879,751)</u>	<u>(941,306)</u>	<u>(1,097,156)</u>	<u>(877,529)</u>	<u>(792,336)</u>	<u>(753,198)</u>
<b>General Revenues and Other Changes in</b>										
<b>Net Assets</b>										
Governmental activities:										
Taxes:										
Property	\$ 262,647	278,254	356,956	415,320	447,032	474,947	475,629	437,634	383,651	379,289
Sales/Use	83,275	106,649	52,717	79,862	80,267	82,472	69,225	58,357	59,614	63,774
Transient occupancy	7,891	5,928	6,087	6,623	6,823	6,964	5,311	4,467	3,483	3,383
Unrestricted investment earnings	47,065	32,187	42,032	67,522	75,053	72,706	49,804	15,016	1,250	(648)
Grants and contrib. not restricted to specific programs	293,767	262,321	184,671	224,467	199,811	230,103	215,915	197,855	230,748	237,046
Pledged tobacco settlement proceeds		13,388	12,880	12,082	12,795	6,716	14,862	12,393	12,365	12,609
Miscellaneous	93,239	102,038	102,281	85,701	109,194	92,127	105,545	105,003	120,593	90,168
Transfers			(7,782)	(638)	1,609	1,988	7,514	8,502	4,972	(6)
Extraordinary item - AB 99 obligation									(48,448)	48,448
Total general revenues and transfers	<u>\$ 787,884</u>	<u>800,765</u>	<u>749,842</u>	<u>890,939</u>	<u>932,584</u>	<u>968,023</u>	<u>943,805</u>	<u>839,227</u>	<u>768,228</u>	<u>834,063</u>

**COUNTY OF SACRAMENTO  
CHANGE IN NET ASSETS  
FISCAL YEARS 2002-03 THROUGH 2011-12  
(amounts expressed in thousands)**

Page 3 of 3

	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Business-type activities:										
Property tax	\$ 5,381									
Sales/Use tax	576	556	683	614	951	573	483	573	554	356
Unrestricted investment earnings	18,859	5,180	8,257	13,215	18,188	31,890	6,778	2,617	1,018	2,701
Grants and contrib. not restricted to specific progr	2,850	3,000								
Miscellaneous	2,064									
Transfers			7,782	638	(1,609)	(1,988)	(7,514)	(6,002)	(4,972)	6
Special item - Abatement of regulatory fees									1,200	350
Extraordinary - Litigation Settlements										30,730
Total general revenues and transfers	<u>29,730</u>	<u>8,736</u>	<u>16,722</u>	<u>14,467</u>	<u>17,530</u>	<u>30,475</u>	<u>(253)</u>	<u>(2,812)</u>	<u>(2,200)</u>	<u>34,143</u>
Total primary government	<u>\$ 817,614</u>	<u>809,501</u>	<u>766,564</u>	<u>905,406</u>	<u>950,114</u>	<u>998,498</u>	<u>943,552</u>	<u>836,415</u>	<u>766,028</u>	<u>868,206</u>
Change in Net Assets										
Governmental activities	\$ 37,390	132,050	78,544	99,392	(10,550)	(26,287)	(187,438)	(97,490)	(89,790)	42,709
Business-type activities	142,001	68,568	102,422	83,201	80,913	83,479	33,834	56,376	63,482	72,299
Total primary government	<u>\$ 179,391</u>	<u>200,618</u>	<u>180,966</u>	<u>182,593</u>	<u>70,363</u>	<u>57,192</u>	<u>(153,604)</u>	<u>(41,114)</u>	<u>(26,308)</u>	<u>115,008</u>



**COUNTY OF SACRAMENTO  
FUND BALANCES OF GOVERNMENTAL FUNDS  
FISCAL YEARS 2002-03 THROUGH 2011-12  
(amounts expressed in thousands)**

	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General fund										
Reserved	\$ 41,199	43,108	41,725	47,478	48,850	59,322	60,921	135,835 *		
Unreserved	114,666	96,064	160,227	205,520	149,845	97,711	(41,533)	(49,289) *		
Nonspendable									15,435	14,967
Restricted									151,287	193,620
Unassigned									(30,835)	(3,382)
Total general fund	<u>\$ 155,865</u>	<u>139,172</u>	<u>201,952</u>	<u>252,998</u>	<u>198,695</u>	<u>157,033</u>	<u>19,388</u>	<u>86,546</u>	<u>135,887</u>	<u>205,205</u>
All other governmental funds										
Reserved	\$ 453,180	394,234	280,763	308,644	330,439	379,897	352,822	277,547 *		
Unreserved, reported in:										
Special revenue funds	244,638	265,170	271,060	277,814	250,264	265,854	219,591	259,518 *		
Capital projects funds	(41,212)	(22,306)	(32,955)	(2,507)	4,104	3,428	(5,627)	767		
Special revenue funds										
Nonspendable									1,836	16,069
Restricted									239,441	
Assigned										271,784
Unassigned										
Debt Service funds										
Nonspendable										
Restricted									126,878	121,162
Capital projects funds										
Nonspendable									4,292	4,292
Restricted									71,069	49,484
Unassigned									(1,974)	(2,013)
Total all other governmental funds	<u>\$ 656,606</u>	<u>637,098</u>	<u>518,868</u>	<u>583,951</u>	<u>584,807</u>	<u>649,179</u>	<u>566,786</u>	<u>537,832</u>	<u>441,542</u>	<u>460,778</u>

\* 2009-10 Restated due to prior period adjustment and reclassification in governmental funds.

Note: In fiscal year 2010-11, the county implemented GASB 54; accordingly, fund balance is now categorized as above, and the change was implemented prospectively.

Intentionally Blank

**COUNTY OF SACRAMENTO**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**FISCAL YEARS 2002-03 THROUGH 2011-12**  
**(amounts expressed in thousands)**

Page 1 of 2

	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>Revenues</b>										
Taxes	\$ 353,813	363,967	442,560	501,805	534,122	564,383	550,165	503,091	452,478	446,446
Use of money and property	46,880	31,854	41,993	66,851	74,172	72,908	49,108	14,753	12,057	13,033
Licenses and permits	49,686	50,416	51,029	50,125	46,035	49,259	41,762	37,285	40,187	39,183
Intergovernmental	1,298,846	1,274,924	1,294,614	1,370,473	1,374,776	1,431,493	1,419,783	1,366,831	1,432,358	1,408,860
Charges for services	153,983	189,526	149,159	181,786	181,628	179,710	197,378	182,714	184,038	177,714
Fines, forfeitures, and penalties	33,853	44,531	41,729	41,014	46,177	52,853	33,427	34,716	49,756	43,551
Contributions and donations		59,845	13,225			62,050				
Pledged tobacco settlement proceeds		13,388	9,276	12,138	12,705	13,525	14,862	12,393	12,365	12,609
Miscellaneous	112,639	102,210	102,077	85,701	109,194	101,025	105,545	105,003	120,593	90,168
Total revenues	<u>2,049,700</u>	<u>2,130,661</u>	<u>2,145,662</u>	<u>2,309,893</u>	<u>2,378,809</u>	<u>2,527,206</u>	<u>2,412,030</u>	<u>2,256,786</u>	<u>2,303,832</u>	<u>2,231,564</u>
<b>Expenditures</b>										
General government	85,265	132,386	157,852	177,477	177,952	175,593	171,945	143,739	151,978	133,720
Public assistance	701,080	673,037	786,505	730,185	731,883	673,098	689,891	653,640	666,033	597,066
Public protection	583,457	560,442	850,786	627,594	687,371	666,706	683,099	597,467	633,933	633,761
Health and sanitation	379,561	436,181	432,221	417,330	501,490	644,595	681,774	559,019	513,468	535,088
Public ways and facilities	82,695	99,212	80,330	96,068	102,617	108,974	102,254	115,672	102,705	85,118
Recreation and culture	37,211	33,830	36,652	36,133	41,972	49,871	42,185	34,693	33,896	33,881
Education	26,283	26,554	15,572	17,051	20,082	22,416	23,013	20,229	2,988	1,179
Capital outlay	94,519	164,198	93,384	110,519	100,052	128,542	109,098	77,061	47,840	53,059
Debt service:										
Principal	37,301	28,245	113,618	41,053	53,880	83,964	129,232	81,356	85,295	70,736
Bond issuance cost	2,400	4,678	6,131	4,043		9,949	335	1,217		4,579
Advanced refunding escrow	5,584			15,659						
Interest and fiscal charges	47,608	52,088	54,684	51,336	72,229	87,098	89,150	109,087	125,166	114,172
Total expenditures	<u>2,082,964</u>	<u>2,210,851</u>	<u>2,627,735</u>	<u>2,324,448</u>	<u>2,489,528</u>	<u>2,650,806</u>	<u>2,721,976</u>	<u>2,393,180</u>	<u>2,363,302</u>	<u>2,262,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (33,264)</u>	<u>\$ (80,190)</u>	<u>\$ (482,073)</u>	<u>\$ (14,555)</u>	<u>\$ (110,719)</u>	<u>\$ (123,600)</u>	<u>\$ (309,946)</u>	<u>\$ (136,394)</u>	<u>\$ (59,470)</u>	<u>\$ (30,795)</u>

**COUNTY OF SACRAMENTO**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**FISCAL YEARS 2002-03 THROUGH 2011-12**  
**(amounts expressed in thousands)**

Page 2 of 2

	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>Other financing sources (uses)</b>										
Transfers in	\$ 80,108	98,175	84,294	194,272	116,773	184,870	174,740	180,332	173,174	206,201
Transfers out	(80,108)	(98,175)	(89,451)	(188,214)	(103,130)	(171,783)	(156,475)	(155,924)	(158,246)	(171,550)
Capital leases obligations	10,390			837	4,105	8,413			29	
Long-term obligations	67,446	70,901	444,677							
Issuance of debt				47,500	39,524	160,241	80,006	64,470	46,012	295,026
Payments to participating governments		(48,653)				(43,855)				
Tobacco settlement proceeds										
Refunding certificates issued	43,790	152,321								
Refunding of debt issued				270,036		359,165	49,760	123,950		
Premium on bonds issued	4,130									
Premium on debt issued				338		1,440		1,770		
Discount on bonds issued		(206)								
Discount on debt issued				(4,680)		(2,144)				(467)
Purchase of delinquent property tax										
Swap, termination payment							(23,019)	(10,180)		(76,549)
Swap, premium short term							2,950			
Swap, premium long term							20,069			
Payments to refunded bond escrow age	(45,308)	(149,630)		(182,672)		(350,037)	(49,225)	(103,008)		(181,760)
Total other financing sources (uses)	<u>80,448</u>	<u>24,733</u>	<u>439,520</u>	<u>137,417</u>	<u>57,272</u>	<u>146,310</u>	<u>98,806</u>	<u>101,410</u>	<u>60,969</u>	<u>70,901</u>
Extraordinary Item										
AB 99 obligation									(48,448)	48,448
Net change in fund balances	<u>\$ 47,184</u>	<u>(55,457)</u>	<u>(42,553)</u>	<u>122,862</u>	<u>(53,447)</u>	<u>22,710</u>	<u>(211,140)</u>	<u>(34,984)</u>	<u>(46,949)</u>	<u>88,554</u>
Debt service as a percentage of noncapital expenditures*	4.31%	4.04%	6.70%	4.24%	5.39%	6.86%	8.45%	8.38%	9.22%	8.44%

**COUNTY OF SACRAMENTO**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**FISCAL YEARS 2002-03 THROUGH 2011-12**  
**(full accrual basis)**  
**(amounts expressed in thousands)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales/Use Tax</u>	<u>Transient Tax</u>	<u>Total</u>
2002-03	\$ 262,647	\$ 83,275	\$ 7,891	\$ 353,813
2003-04	278,254	106,649	5,928	390,831
2004-05	356,956	52,717	6,087	415,760
2005-06	415,320	79,862	6,623	501,805
2006-07	447,032	80,267	6,823	534,122
2007-08	474,947	82,472	6,964	564,383
2008-09	475,629	69,225	5,311	550,165
2009-10	437,634	58,357	4,467	500,458
2010-11	383,651	59,614	3,483	446,748
2011-12	379,289	63,774	3,383	446,446

**COUNTY OF SACRAMENTO**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**FISCAL YEARS 2002-03 THROUGH 2011-12**  
**(amounts expressed in thousands)**

Fiscal Year	Secured (1)	Unsecured (2)	Unitary (3)	Exemptions - Welfare-Other (4)	Total Taxable Assessed Value	Total Direct Tax Rate (5)
2002-03	\$ 74,042,245	\$ 4,025,888	\$ 2,050,186	\$ (2,402,913)	\$ 77,715,406	1.000%
2003-04	81,527,736	4,167,021	1,658,892	(2,789,971)	84,563,678	1.000%
2004-05	91,856,798	4,192,998	1,530,186	(2,888,011)	94,691,971	1.000%
2005-06	105,593,291	4,479,276	1,542,700	(3,313,984)	108,301,283	1.000%
2006-07	121,280,525	4,805,476	1,538,907	(3,498,437)	124,126,471	1.000%
2007-08	132,394,422	5,297,882	1,658,758	(4,009,995)	135,341,067	1.000%
2008-09	135,778,966	5,892,766	1,608,908	(4,593,170)	138,687,470	1.000%
2009-10	126,690,744	5,920,172	1,530,903	(5,202,526)	128,939,293	1.000%
2010-11	124,053,914	5,553,385	1,465,920	(5,056,921)	126,016,298	1.000%
2011-12	120,462,252	5,496,501	1,458,358	(5,495,233)	121,921,878	1.000%

- (1) Secured property is generally real property which includes land, improvements, structures, crops, vines, and mobile homes.
- (2) Unsecured property is generally personal property which includes boats, aircrafts, fixtures, equipments, leasehold improvements, and possessory interests.
- (3) Unitary properties are railroads, utilities properties which are assessed by the State Board of Equalization.
- (4) Exemptions as provided by the State Constitution provides property tax relieves to Welfare, Church, and Non-Profit Organizations.
- (5) Proposition 13 limits the General Direct Property tax rate to 1% of the net assessed values.

Source: Equalized Rolls Valuation reports

**COUNTY OF SACRAMENTO  
 AVERAGE PROPERTY TAX RATES - ALL  
 DIRECT AND OVERLAPPING GOVERNMENTS  
 FISCAL YEARS 2002-03 THROUGH 2011-12  
 (rate per \$100 of assessed value)**

Fiscal Year	Basic Tax Rate Countywide (A)	Overlapping General Obligation Bonds Rates			Total County Average Tax Rate
		Cities (B)	Special District (C)	Schools (D)	
2002-03	1.000	0.0091	0.0091	0.0550	1.0732
2003-04	1.000	0.0074	0.0087	0.0485	1.0645
2004-05	1.000	0.0057	0.0081	0.0466	1.0603
2005-06	1.000	0.0048	0.0055	0.0411	1.0514
2006-07	1.000	0.0046	N/A	0.0447	1.0493
2007-08	1.000	0.0041	N/A	0.0322	1.0363
2008-09	1.000	0.0043	N/A	0.0380	1.0423
2009-10	1.000	0.0042	N/A	0.0390	1.0432
2010-11	1.000	0.0041	N/A	0.0374	1.0415
2011-12	1.000	0.0047	N/A	0.1269	1.1316

- (A) In June 1978 California voter approved Proposition 13, which restricted property taxes to a County-wide rate of 1% per \$100 of assessed value plus voter approved indebtedness. The distribution of County-wide basic tax rate of 1% is based on the County's AB 8 Apportionment factors.
- (B) Rate represents a weighted average of six incorporated cities (after inclusion of the City of Elk Grove which incorporated in 2000-2001) within the County for the fiscal years ending 2000-2001 through 2002-2003. Rate represents a weighted average of seven incorporated cities (after inclusion of the City of Rancho Cordova which incorporated in 2003-2004) within the County for the fiscal years ending 2003-2004 and thereafter.
- (C) Rate represents a weighted average of the various special districts with general obligation bond rates.
- (D) Rate represents a weighted average of the various school districts with general obligation bond rates.

Source: County's internal financial documents

**COUNTY OF SACRAMENTO  
PRINCIPAL PROPERTY TAXPAYERS  
JUNE 30, 2012 AND JUNE 30, 2003  
(amounts expressed in thousands)**

<u><b>Taxpayer (a)</b></u>	<u><b>JUNE 30, 2012</b></u>				<u><b>JUNE 30, 2003</b></u>			
			Percentage of				Percentage of	
	Tax Levy (b)	Rank	Total Tax Levy	%	Tax Levy (b)	Rank	Total Tax Levy	%
AT & T Communications (a)	\$ 6,668	1	0.59	%				
Hines Interests LP	5,975	2	0.53					
Intel Corporation	5,937	3	0.53		\$ 6,235	2	0.98	%
Pacific Gas and Electric	5,705	4	0.51		2,708	4	0.42	
Oates Marvin, Et Al.	4,841	5	0.43					
Walmart, Sam's Club, Et Al	3,958	6	0.35					
Donahue Schriber Realty Group	2,969	7	0.26		1,686	8	0.26	
Aerojet General Corp	2,897	8	0.26		2,702	5	0.34	
Rosetta Resources CA LLC	2,672	9	0.24					
Surewest	2,659	10	0.24					
Elliot Homes, Inc.					4,585	3	0.72	
SBC Communications (a)					6,272	1	0.98	
Spieker Properties					2,181	6	0.34	
Qwest Communications Corp.					1,695	7	0.27	
Alleghany Properties, Inc.					1,492	9	0.23	
Calpine Natural Gas Co.					1,424	10	0.22	

Note: (a) SBC Communications merged with AT&T in November of 2005.

(b) Note the change in column header from prior year's "taxable assessed value" to Tax Levy.

Source: Sacramento County Department of Finance



**COUNTY OF SACRAMENTO  
COUNTY WIDE 1% - SECURED AND UNITARY  
PROPERTY TAX LEVIES AND COLLECTIONS  
FISCAL YEARS 2002-03 THROUGH 2011-12  
(amounts expressed in thousands)**

Fiscal Year	(1) Taxes Levied	(2) Collections Within the Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2002-03	\$ 722,729	710,458	98.3	12,271	722,729	100
2003-04	802,626	791,023	98.55	11,603	802,626	100
2004-05	899,246	886,226	98.55	13,020	899,246	100
2005-06	1,033,339	1,009,552	97.70	23,787	1,033,339	100
2006-07	1,191,030	1,146,704	96.28	44,326	1,191,030	100
2007-08	1,284,322	1,224,126	95.31	60,196	1,284,322	100
2008-09	1,294,025	1,245,112	96.22	48,913	1,294,025	100
2009-10	1,190,013	1,156,791	97.21	33,222	1,190,013	100
2010-11	1,165,904	1,139,699	97.75	26,205	1,165,904	100
2011-12	1,127,451	1,108,086	98.28	19,365	1,127,451	100

(1) County wide 1% - Secured and Unitary Tax Rolls - Adjusted levy amount as of June 30

Levied Amounts for the County General Fund, School districts, Cities, and Special districts.

(2) Collection amounts for the fiscal year as of June 30 for the County wide 1% portion of the Secured and Unitary Taxes.

Source: County's internal financial documents

**COUNTY OF SACRAMENTO  
RATIOS OF OUTSTANDING DEBT BY TYPE  
FISCAL YEARS 2002-03 THROUGH 2011-12  
(amounts expressed in thousands, except per capita amount)**

Fiscal Year	Governmental Activities						Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation	Teeter Notes	Pension Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt	Revenue Bonds	PFC and Subordinate Revenue Bonds	Certificates of Participation	Other Debt			
2002-03	\$ 410,090	\$ 14,974	\$ 504,700		\$ 13,310	\$ 2,435	\$ 929,250	\$ 54,470	\$ 39,330	\$	\$ 1,968,559	4.88%	\$ 1,481
2003-04	402,465	15,019	528,591	235,961	13,115	2,105	275,015	53,260	36,565		1,562,096	3.67%	1,158
2004-05	309,115	15,024	954,722	230,109	12,976	3,275	268,955	51,985	34,255		1,880,416	4.15%	1,382
2005-06	322,605	20,647	954,722	307,690	3,122	3,875	260,370	50,645	30,510	1,995	1,956,181	4.11%	1,428
2006-07	308,760	32,302	944,964	308,915	6,895	3,965	624,855	49,235	28,735	1,705	2,310,331	4.61%	1,673
2007-08	340,480	51,335	960,926	356,428	13,933	3,615	914,925	89,430	26,900	653	2,758,625	5.25%	1,979
2008-09	325,175	49,800	944,638	345,142	11,186	5,090	910,455	87,940	25,005	10,615	2,715,046	5.02%	1,927
2009-10	340,285	56,419	931,453	342,722	9,972	7,178	1,097,430	363,330	23,205	10,316	3,182,310	6.08%	2,259
2010-11	323,510	50,961	916,168	340,957	8,711	6,105	1,210,285	351,745	21,180	9,455	3,239,077	6.04%	2,278
2011-12	306,535	50,897	976,999	289,835	2,435	16,388	6,683	1,194,285	339,880	21,516	3,205,453	N/A	N/A

Note: 1) The County of Sacramento has not had any General Obligation Bonds since 2002

2) See the "Demographic and Economic Statistics" table for population figures.

N/A = Not available

**COUNTY OF SACRAMENTO  
LEGAL DEBT MARGIN INFORMATION  
FISCAL YEARS 2002-03 THROUGH 2011-12  
(amounts expressed in thousands)**

	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Assessed Value of Property	\$77,715,406	84,563,678	94,691,971	108,301,283	124,126,471	135,341,067	138,687,470	128,939,293	126,016,298	121,921,878
Debt Limit, 1.25% of Assessed Value (Statutory Limitation)	971,443	1,057,046	1,183,650	1,353,766	1,551,581	1,691,763	1,733,593	1,611,741	1,575,204	1,524,023
Amount of Debt Applicable to Limit: General Obligation Bonds Less: Resources Restricted to Paying Principal										
Total net debt applicable to limit										
Legal debt margin	<u>\$ 971,446</u>	<u>1,035,388</u>	<u>1,163,625</u>	<u>1,353,766</u>	<u>1,551,581</u>	<u>1,691,763</u>	<u>1,733,593</u>	<u>1,611,741</u>	<u>1,575,204</u>	<u>1,524,023</u>
Total net debt applicable to the limit as a percentage of the limit	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: 1) Article XIII A of the California State Constitution and Senate Bill 1656, Statutes of 1978, provided for changing assessed value from 25 percent of full cash value to full cash value. Hence, the 5 percent limitation on general obligation bond indebtedness imposed by Section 29909 of the Government Code became 1.25 percent of assessed value.

2) The legal debt margin is the County's available borrowing authority under State finance statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

Source: County's internal documents and financial statements

**COUNTY OF SACRAMENTO  
PLEDGED-REVENUE COVERAGE  
FISCAL YEARS 2002-03 THROUGH 2011-12  
(amounts expressed in thousands)**

Fiscal Year	Airport Revenue Bond Coverage						Parking Authority Revenue Bond Coverage		
	Gross Revenue (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service Requirements (c)		Coverage	Gross Revenue	Less: Operating Expenses (b)	Net Available Revenue
		Principal	Interest						
2002-03	\$ 89,255	63,338	25,917	4,470	14,164	1.39	\$ 2,346	1,267	1,079
2003-04	90,324	66,843	23,481	4,845	14,367	1.22	2,388	1,897	491
2004-05	104,769	67,525	37,245	6,425	14,082	1.82	2,452	2,228	224
2005-06	111,467	72,669	38,798	6,705	11,882	2.09	2,630	2,021	609
2006-07	116,610	78,637	37,973	7,660	11,801	1.95	2,864	2,085	779
2007-08	118,940	87,770	31,170	4,705	11,516	1.92	3,041	2,331	710
2008-09	134,667	84,890	49,777	4,970	18,203	2.15	2,990	9,753	(6,763)
2009-10	132,007	83,385	48,622	10,710	17,106	1.75	3,062	2,604	458
2010-11	128,180	83,884	44,296	19,740	15,474	1.26	3,148	1,444	1,704
2011-12	146,057	95,729	50,328	20,260	26,906	1.07	3,051	1,867	1,184

Fiscal Year	Water Agency (d)					
	Operating Revenue	Less: Operating Expenses (b)	Net Available Revenue	Debt Service Requirements (c)		Coverage
		Principal	Interest			
2003-04	\$ 46,873	13,724	33,149		2,118	16
2004-05	50,707	12,957	37,750	910	2,184	12.20
2005-06	45,037	15,881	29,156	925	2,166	9.43
2006-07	39,661	17,457	22,204	945	1,195	10.38
2007-08	42,778	17,451	25,327	965	3,263	5.99
2008-09	41,836	18,142	23,694	990	9,434	2.27
2009-10	45,435	16,505	28,930	6,975	17,393	1.19
2010-11	53,789	17,436	36,353	7,290	17,133	1.49
2011-12	56,491	19,415	37,076	7,605	16,801	1.52

Note: Solid Waste Enterprise Fund does not have Revenue bonds

(a) Per bond resolution, Revenues include all Airport System revenues exclude certain interest earnings and restricted revenues.

(b) Total operating expenses exclusive of depreciation and amortization

(c) Includes principal and interest of Revenue bonds only. Does not include General obligation bonds or Certificates of participation.

(d) Water Agency Revenue bonds were issued June 12, 2003

Source: County's internal financial documents

**COUNTY OF SACRAMENTO  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 FISCAL YEARS 2002-03 THROUGH 2011-12  
 (amounts expressed in thousands except per capita amount)**

Fiscal Year	Population 1/	Personal Income	Per Capita Personal Income 1/	School Enrollment	Unemployment Rate (%)
2002-03	1,301	\$40,305,530	30,979	233	5.7
2003-04	1,329	42,564,972	32,039	235	5.9
2004-05	1,349	45,282,367	33,569	238	5.6
2005-06	1,361	47,563,421	34,952	239	5.0
2006-07	1,370	50,165,916	36,629	238	4.8
2007-08	1,381	52,572,684	38,064	238	5.4
2008-09	1,394	54,078,812	38,782	238	7.2
2009-10	1,409	52,377,247	37,184	238	11.3
2010-11	1,422	53,612,730	37,700	237	12.7
2011-12	**N/A	**N/A	**N/A	237	12.1

1/ Bureau of Economic Analysis revised population and per capita personal income to reflect Census Bureau midyear population estimates available as of April 2012.

\*\* Not Available until April 2013.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; California Department of Education, K-12 Public School Enrollment for Sacramento County; and California State Employment Development Department.

**COUNTY OF SACRAMENTO  
PRIVATE SECTOR PRINCIPAL EMPLOYERS  
JUNE 30, 2012 AND JUNE 30, 2003**

<b>Employer</b>	<b>June 30, 2012</b>			<b>June 30, 2003</b>		
	<b>Employees (b)</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees (c)</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Kaiser Permanente	9,932	1	1.67%	7,480	4	1.23%
Sutter / California Health Services	9,609	2	1.62%	8,250	2	1.35%
CHW / Mercy Health Care	7,107	3	1.20%	6,709	6	1.10%
Intel Corporation	6,147	4	1.03%	7,000	5	1.15%
Hewlett-Packard	3,500	5	0.59%	4,000	8	0.66%
Wells Fargo & Co.	2,986	6	0.50%			
Health Net of California	2,440	7	0.41%			
Cache Creek Casino Resort	2,376	8	0.40%			
Pacific Gas and Electric Co.	2,060	9	0.35%			
Thunder Valley Casino Resort	2,025	10	0.34%			
Bank of America				3,500	9	0.57%
Raley's Inc. / Bel Air				7,746	3	1.27%
SBC Communications(a)				5,753	7	0.94%
UC Davis Medical Center				9,000	1	1.48%
Wal-Mart				3,220	10	0.53%
<b>Total</b>	<b>48,182</b>		<b>8.11%</b>	<b>62,658</b>		<b>10.28%</b>

Note: (a) SBC Communications merged with AT&T in November of 2005.

(b) Source: Sacramento Business Journal Annual Book of Lists

(c) Source: Sacramento Area Commerce and Trade Organization

**COUNTY OF SACRAMENTO  
 FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION  
 FISCAL YEARS 2002-03 THROUGH 2011-12**

Full-time Equivalent Employees as of June 30

<b>Function</b>	<b><u>2002-03</u></b>	<b><u>2003-04</u></b>	<b><u>2004-05</u></b>	<b><u>2005-06</u></b>	<b><u>2006-07</u></b>	<b><u>2007-08</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>
General Government	1,857	823	729	901	924	1,004	954	907	945	916
Public Assistance	2,067	1,903	2,552	3,059	3,115	2,648	2,487	2,339	2,210	2,156
Public Protection	4,657	4,115	4,204	5,011	5,161	4,543	4,292	3,683	3,548	3,574
Health & Sanitation	2,816	2,594	1,334	1,729	1,760	3,150	3,063	2,661	2,089	2,018
Recreation and Culture	257	196	155	212	214	212	181	162	129	120
Education	4	4	5	2	3	3	3	2	3	2
<b>Total</b>	<b><u>11,658</u></b>	<b><u>9,635</u></b>	<b><u>8,979</u></b>	<b><u>10,914</u></b>	<b><u>11,177</u></b>	<b><u>11,560</u></b>	<b><u>10,980</u></b>	<b><u>9,754</u></b>	<b><u>8,924</u></b>	<b><u>8,786</u></b>

Note: 1) County Employees by function/program is only available for the last seven fiscal years due to the change in the County's functions as a result of the implementation of GASB 44.

Source: County of Sacramento Department Records

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**COUNTY OF SACRAMENTO  
OPERATING INDICATORS BY FUNCTION  
FISCAL YEARS 2002-03 THROUGH 2011-12**

Page 1 of 2

Function	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Government										
Assessor:										
Number of Parcels Assessed	451,693	465,104	468,547	467,629	495,090	507,471	510,494	506,063	503,108	502,709
Gross Total Amount of Secured Roll****	74,042,245	81,527,736	91,856,798	105,593,291	120,869,403	132,409,139	134,737,596	125,707,295	123,216,166	119,315,245
Gross Total Amount of Unsecured Roll****	4,025,888	4,167,021	4,192,998	4,479,276	4,805,562	5,297,882	5,892,766	5,920,223	5,553,385	5,496,500
Clerk recorders:										
Number of recorded documents	692,854	713,726	688,483	607,272	488,272	402,951	395,528	377,728	385,599	396,098
Public Assistance										
Human assistance total caseload	90,461	96,484	103,295	100,585	117,576	122,804	135,044	156,811	158,439	177,402
Percent served of children in poverty	91.00%	90.00%	90.00%	92.40%	95.00%	95.00%	95.00%	96.20%	97.90%	91.02%
Senior nutrition, meals served	529,441	473,232	473,232	441,772	592,904	624,290	616,127	478,197	N/A	N/A
Housing Services provided	8,647	13,400	13,400	12,211	12,032	13,011	12,708	12,794	12,299	9,369
Employee Non-Exempt Recipients CalWORKs	62%	61%	56%	50%	33%	29%	31%	30%	29%	21%
Public Protection										
DA:										
Filed Felonies	11,010	11,570	11,571	11,371	11,837	11,179	10,374	8,589	8,897	8,496
Filed misdemeanors	22,450	21,703	20,306	20,397	21,197	21,347	19,781	17,353	16,399	13,888
Filed Probation Violations								^1,355	1,864	1,042
Probation:										
Cases supervised	11,312	10,148	11,350	12,379	12,755	12,101	14,826	15,988	14,810	***24,989
Institutional care for minors (days)	163,689	181,776	178,423	191,884	194,339	180,399	165,451	*114,764	*82,004	*65,194
Juvenile referrals processed	11,556	13,107	12,126	13,240	12,041	11,128	12,383	11,816	10,188	8,769
Prepared adult sentencing reports	4,748	4,860	8,452	9,052	9,420	9,110	8,955	9,658	**6,308	7,249
Public Defender:										
Felony Unit Jury Trials	88	105	125	143	160	168	136	139	135	130
Sheriff:										
Emergency calls for service:										
Priority 0	54	57	55	60	58	48	149	66	0	0
Priority 1	33,754	39,815	41,179	44,996	34,177	30,841	7,851	3,698	3,535	3,891
Emergency response time (minutes):										
Priority 0	13	10	10	9	9.3	6.5	12.5	14.0	0.0	0.0
Priority 1	14	15	14	15	15.61	9.2	10.6	10.8	9.7	14.1
Processed and booked adult offenders	25,084	25,199	26,568	23,477	22,493	24,364	21,483	20,242	19,064	20,601
Physical arrests	28,265	28,707	29,197	26,029	20,745	26,209	23,181	23,237	21,903	25,414
Total miles patrolled by Sheriffs	871.5	871.5	871.5	871.5	*** 813.3	813.3	813.3	813.3	813.3	813.3

\* 2001-02 includes Youth Detention Facility only. 2002-07 includes the Sacramento County Boys Ranch (SCBR) and Warren E. Thornton Youth Center (WETYC). WETYC and SCBR closed as of July 1, 2009 and July 1, 2010, respectively.

\*\* Presentence Investigation Report Waivers likely accounts for the reduction in number of prepared Adult Court reports. ^ Revised

\*\*\* May 31, 2011 revised total miles patrolled for Fiscal years 2006-07 forward due to loss of contracts with Citrus Heights and Elk Grove.

\*\*\*\* Amounts expressed in thousands

Source: County of Sacramento Department Records

**COUNTY OF SACRAMENTO  
OPERATING INDICATORS BY FUNCTION  
FISCAL YEARS 2002-03 THROUGH 2011-12**

Page 2 of 2

Function	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Health and sanitation										
Patient Treatments at Public Health Clinics	160,350	153,351	146,223	153,297	153,407	163,847	145,203	96,184	76,004	80,568
training										
programs in compliance (by inspection)	100%	100%	100%	100%	100%	100%	100%	100%	100%	*
Public ways and facilities										
Number of Traffic Signs Reset and Replaced	8,873	11,117	11,274	10,690	10,230	13,321	14,433	14,146	16,147	16,751
Square Feet of Graffiti Removed or Abated	252,613	271,383	257,733	269,242	233,641	304,370	349,312	341,749	201,315	76,132
Recreation and culture										
Number of Visitors/Participants at Effie Yeaw Nature Center	72,759	62,289	68,804	78,822	88,449	85,882	87,440	84,449	*	*
Number of Individuals Who Use Parks Golf Services	208,940	203,104	192,735	190,317	190,827	196,470	188,357	181,550	174,000	170,076
Education										
Library:										
Total Circulation***									8,021,448	7,648,145
Print Materials Loaned	4,765,549	4,646,283	4,708,765	4,525,031	4,580,021	4,841,670	5,505,198	6,338,259	***	***
Audio Visual Media Loaned	316,115	402,631	495,444	670,296	777,078	1,036,647	1,861,290	1,391,325	***	***
Library cards issued	64,733	63,596	59,848	58,068	62,767	80,562	85,308	80,429	74,224	79,348
Total Library Cards in Use	544,693	550,595	509,934	485,411	465,187	506,440	561,070	637,160	635,895	791,497
Library Visits	2,621,931	2,697,487	2,975,128	2,761,395	2,907,427	3,049,098	2,866,175	4,362,116	4,391,093	4,053,689
Airport										
Number of Commercial Airlines	14	15	15	15	16	16	15	14	11	11
Number of Flights	53,290	56,940	56,940	61,685	67,525	63,875	53,324	52,504	49,425	49,856
Number of Enplaned Passengers	4,314,273	4,563,607	4,986,171	5,150,229	5,307,289	5,294,737	4,603,182	4,445,991	4,377,315	4,372,226
Solid Waste										
Percent of Diversion/Recycled Waste	52%	61%	58%	58%	58%	62%	64%	70%	71%	71%
Tons Disposed	624,035	789,265	718,464	706,134	678,776	667,899	559,865	471,488	513,649	558,875
Water Agency										
Water Supply:										
Number of Water Connections	34,700	36,890	41,450	45,261	46,558	47,760	48,438	49,069	49,580	50,666
Water Delivered (acre feet)	30,140	27,877	31,105	34,422	41,764	39,867	40,605	39,428	38,781	42,594
Storm Water Utilities										
Drainage:										
Mainline and Lateral Pipes Cleaned (miles)	227	60	137	101	97.78	121.4	67.3	60.3	56.7	72.2
Parking Enterprise										
Daily Public Parking (count)	372,978	353,173	362,480	371,292	385,869	383,052	284,359	168,490	145,429	145,429
Monthly Parking Passes issued to County Employees (count)	15,512	15,642	16,001	16,440	16,740	17,491	20,484	20,484	17,736	17,736
Outside Agency Usage	8,186	8,984	10,399	9,923	7,496	7,509	9,398	11,251	12,350	12,350

\* Beginning FY 2010-11, EYNC is no longer operated by the County, therefore this information is not available. \*\*\*Books loaned and audio visual media loaned statistics are combined in FY 10-11.

Source: County of Sacramento Department Records

**COUNTY OF SACRAMENTO  
CAPITAL ASSET STATISTICS BY FUNCTION  
FISCAL YEARS 2002-03 THROUGH 2011-12**

Page 1 of 2

Function	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Public Protection										
Sheriff:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Aircrafts										
Operational	5	4	4	3	4	5	4	5	4	5
Non-Operational	2	1	1	2	1	0	1	0	1	0
Fixed Wing										
Sheriff	2	2	2	2	2	2	2	1	1	1
CAL-MMET	2	2	2	2	2	2	2	2	2	2
Community service centers	12	12	14	14	10	10	10	10	5	5
Jail and detention facilities	2	2	2	2	2	2	2	2	2	2
Patrol Units	470	474	491	391	348	362	370	305	315	315
Stations	7	7	7	7	5	5	5	3	3	3
Health and Sanitation										
Clinics	2	3	3	3	3	3	3	3	1	1
Mental Health Treatment										
Clinics	1	1	1	1	1	1	1	1	1	1
Public ways and facilities										
Centerline miles of roads maintained	2,308	2,340	2,171	2,171	2,203	2,203	2,209	2,208	2,208	2,208
Traffic signals	486	415	415	415	422	432	450	450	449	451
Recreation and culture										
Number of Golf Courses	4	4	4	4	4	4	4	4	4	4
Number of Developed Parks	38	38	38	38	38	38	38	38	38	38
Developed Parks acreage	12,500	14,500	15,000	15,000	15,000	15,000	15,150	15,150	15,150	15,150
Education										
Number of Libraries	9	9	9	9	9	9	9	11	11	11

Note: 1) Building includes those that are capitalized but excludes real property that is leased.

Source: County of Sacramento Department Records

**COUNTY OF SACRAMENTO  
CAPITAL ASSET STATISTICS BY FUNCTION  
FISCAL YEARS 2002-03 THROUGH 2011-12**

Page 2 of 2

Function	Fiscal Year									
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Airport										
Airports	4	4	4	4	4	4	4	4	4	4
Licensed Vehicles:										
Cars and Light Trucks	116	120	108	112	120	148	149	148	147	151
Busses	47	55	47	44	35	41	47	33	33	32
Solid Waste										
Number of Collection Trucks	193	172	190	179	148	130	152	149	139	100
Number of Landfills	3	3	3	3	3	3	3	3	3	3
Water Agency										
Water Supply:										
Water Mains (miles)	503	566	631	651	659	718	743	753	761	766
Storage Capacity (thousands of gallons)	20,400	20,400	27,900	31,400	34,400	39,400	39,400	39,400	39,400	39,400
Drainage:										
Drainage Inlets	41,082	42,263	43,513	44,631	47,281	47,335	47,717	47,717	44,356	44,555
Drainage Manholes	23,114	23,780	24,483	25,226	26,219	26,336	26,699	26,699	25,147	25,378
Drainage Pipes (miles)	1,273	1,323	1,376	1,379	1,421	1,446	1,443	1,443	1,342	1,345
Parking Enterprise										
Structures	2	2	2	2	2	2	2	2	2	2

Note: 1) Building includes those that are capitalized but excludes real property that is leased.

Source: County of Sacramento Department Records

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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
For The Fiscal Year Ended June 30, 2012**

