$183,365,000
COUNTY OF SACRAMENTO
TAXABLE PENSION OBLIGATION BONDS, SERIES 2011A

SUPPLEMENT DATED SEPTEMBER 30, 2011
to the
OFFICIAL STATEMENT DATED SEPTEMBER 22, 2011,
AS SUPPLEMENTED SEPTEMBER 27, 2011

This Supplement dated September 30, 2011 (the "Supplement") supplements the Official Statement dated September 22, 2011, as supplemented September 27, 2011 (the "Official Statement"), relating to the County of Sacramento $183,365,000 Taxable Pension Obligation Bonds, Series 2011A ("Series 2011A Bonds"). This Supplement to the Official Statement incorporates the Official Statement except as described herein. Capitalized terms used in this Supplement without definition have the respective meanings set forth in the Official Statement.

The Official Statement is supplemented as follows:

1. On page A-23 of the Official Statement, the last two paragraphs of the section titled "Additional Financial Risk" are deleted, and replaced in their entirety with the following two paragraphs:

> "On September 28, 2011, the County was notified that the Superior Court made certain rulings in the UCD litigation, in response to a variety of pre-trial motions made by the County and UCD. These rulings included rulings that (1) UCD has standing to seek reimbursement for costs; (2) UCD's complaint for cost recovery was not barred for failure to file a timely claim under the Government Tort Claims Act; (3) UCD is a third party beneficiary under the BRMS contract; and (4) the County's establishment of Medi-Cal rates for reimbursement may be appropriate depending upon establishment of a correct factual record that the County did not abuse its discretion in the establishment of the rates.
>
> A trial date has not yet been set, and the County believes it is unlikely that the trial will occur prior to 2012. The legal determinations in this ruling, as well as previous rulings, are subject to appeal upon conclusion of the trial, depending upon its outcome. The County believes that any appeal of the trial court decision could take as long as 2-3 years to resolve."

COUNTY OF SACRAMENTO, CALIFORNIA

$183,365,000
COUNTY OF SACRAMENTO
TAXABLE PENSION OBLIGATION BONDS, SERIES 2011A

SUPPLEMENT DATED SEPTEMBER 27, 2011
to the
OFFICIAL STATEMENT DATED SEPTEMBER 22, 2011

This Supplement dated September 27, 2011 (the “Supplement”) supplements the Official Statement dated September 22, 2011 (the “Official Statement”), relating to the County of Sacramento $183,365,000 Taxable Pension Obligation Bonds, Series 2011A (“Series 2011A Bonds”). This Supplement to the Official Statement incorporates the Official Statement except as described herein. Capitalized terms used in this Supplement without definition have the respective meanings set forth in the Official Statement.

The Official Statement is supplemented as follows:

1. The section in the Official Statement titled “BOND INSURANCE” is deleted in its entirety and replaced with the following, which has been provided by AGM:

BOND INSURANCE

Bond Insurance Policy for Insured Bonds

Concurrently with the issuance of the Series 2011A Bonds, AGM will issue the Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (“Holdings”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM’s financial strength is rated “AA+” (CreditWatch negative) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On September 27, 2011, S&P published a Research Update in which it placed AGM's "AA+" (negative outlook) financial strength rating on CreditWatch negative, meaning that S&P may downgrade AGM's financial strength rating in the near future. According to S&P, the CreditWatch placement is due to significant concentration risk in AGM's insured portfolio that is not consistent with S&P's new bond insurance rating criteria. However, based on discussions with AGM management, S&P further reported that AGM intends to take action to mitigate these concentration risks, and that it is likely such actions, if taken, would support financial strength ratings in the "AA" category. S&P noted that it expects to resolve this CreditWatch placement no later than November 30, 2011. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On August 25, 2011, S&P published *Bond Insurance Rating Methodology and Assumptions*, a criteria article that follows S&P's *Request for Comment: Bond Insurance Criteria*, published January 24, 2011. The criteria described in the article update and supersede S&P's previous criteria for rating bond insurers. S&P noted that the impact of new bond insurance rating criteria could result in financial strength ratings on investment-grade bond insurers (such as AGM) being lowered by one or more rating categories. The article states that the criteria are effective immediately and that S&P expects any rating changes as a result of the new methodology and assumptions would occur after its review of third quarter 2011 financial statements, but no later than November 30, 2011. However, as noted above, a rating agency may place a company's financial strength rating on credit watch for a downgrade at any time. For the complete text of S&P's comments, both publications are available at www.standardandpoors.com.

AGM and its affiliates are currently reviewing S&P's revised bond insurance rating criteria. The final criteria contain a number of changes from the proposals submitted in January 2011 for comment from market participants, including a new Largest Obligors Test that was not included in the January 2011 *Request for Comment*. This test appears to have the effect of significantly reducing AGM and its affiliates' allowed single risk limits and limiting their financial strength rating level.

On August 8, 2011, S&P published a Research Update in which it affirmed the "AA+" financial strength rating of AGM. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that S&P or Moody's may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, which was filed by AGL with the SEC on August 9, 2011.

Capitalization of AGM

At June 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,050,613,849 and its total net unearned premium reserve was approximately $2,254,726,646, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (which was filed by AGL with the SEC on August 9, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2011A Bonds or the advisability of investing in the Series 2011A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

2. The first paragraph of the section of the Official Statement titled "RATINGS" is deleted in its entirety and replaced with the following paragraph:

"Moody's Investors Service, Standard & Poor's Ratings Group and Fitch have rated the Series 2011A Bonds which are not Insured Bonds "A3," "BBB+," and "A-," respectively. Moody's and Standard & Poor's Ratings Group are expected to rate the Insured Bonds "Aa3" (negative outlook) and "AA+" (CreditWatch Negative), respectively, with the understanding that, upon the issuance of the Insured Bonds, the Policy will be issued by AGM. Moody's and Standard & Poor's Ratings Group have assigned underlying ratings on the Insured Bonds of "A3" and "BBB+" respectively. On September 27, 2011, Standard & Poor's Ratings Group placed AGM on "CreditWatch Negative."

COUNTY OF SACRAMENTO, CALIFORNIA

NEW ISSUE — BOOK-ENTRY ONLY **RATINGS:** See "RATINGS" herein
Taxable (Federal)
Tax-Exempt (State of California)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds. See "TAX MATTERS" herein.

COUNTY OF SACRAMENTO
TAXABLE PENSION OBLIGATION BONDS, SERIES 2011A
$183,365,000

Dated: Date of Delivery **Due: August 1, as shown on the inside cover**

The County of Sacramento (the "County") is issuing its $183,365,000 Taxable Pension Obligation Bonds, Series 2011A (the the "Series 2011A Bonds") pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3, Division 2, Title 5 of the Government Code of the State of California. The Series 2011A Bonds are being issued pursuant to a Trust Agreement, dated as of September 1, 2011 (the "Trust Agreement"), between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series 2011A Bonds are being issued to (i) refund $67,000,000 outstanding principal amount of its Taxable Pension Funding Bonds, Series 1995B, and $67,000,000 outstanding principal amount of its Taxable Pension Funding Bonds, Series 1995C, (collectively, the "Prior Bonds"); (ii) pay certain costs associated with the termination of an interest rate swap relating to the Prior Bonds; and (iii) pay the costs of issuance of the Series 2011A Bonds. See "PLAN OF REFUNDING."

The County is obligated to satisfy its obligations under the Series 2011A Bonds from any money lawfully available in any fund in the County treasury. The Series 2011A Bonds are not limited as to payment to any special source of funds of the County. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011A BONDS."

Interest on the Series 2011A Bonds is payable semiannually on February 1 and August 1 of each year, commencing on February 1, 2012. The Series 2011A Bonds will be issued in book entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2011A Bonds. Individual purchases of the Series 2011A Bonds will be made in book entry form only. Purchasers of the Series 2011A Bonds will not receive certificates representing their ownership interests in the Series 2011A Bonds purchased. The Series 2011A Bonds will be executed and delivered in the principal amount of $5,000 and any integral multiple thereof. Principal and interest payments with respect to the Series 2011A Bonds are payable directly to DTC by The Bank of New York Mellon Trust Company, N.A., as Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2011A Bonds. See APPENDIX C – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2011A Bonds are subject to optional redemption prior to maturity as described herein. See "THE SERIES 2011A BONDS —Redemption."

THE OBLIGATIONS OF THE COUNTY UNDER THE SERIES 2011A BONDS, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE COUNTY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTER CLAIM. THE SERIES 2011A BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2011A BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS ON THE SERIES 2011A BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The scheduled payment of principal of and interest on the Series 2011A Bonds maturing on August 1, 2020, August 1, 2021 and August 1, 2023 (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "BOND INSURANCE" and APPENDIX G - FORM OF MUNICIPAL BOND INSURANCE POLICY FOR INSURED BONDS."

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Series 2011A Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, and certain other conditions. Public Financial Management Inc. is serving as financial advisor to the County in connection with the issuance of the Series 2011A Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, and for the County by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Disclosure Counsel, and by the County Counsel. It is anticipated that the Series 2011A Bonds will be available for delivery through the DTC book-entry system in New York, New York on or about September 28, 2011.

J.P. MORGAN **MORGAN STANLEY**

Dated: September 22, 2011

MATURITY SCHEDULE

$183,365,000 Series 2011A Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2012	$ 730,000	2.83%	2.83%	100.000%	786056AU5
2013	2,420,000	3.70	3.70	100.000	786056AV3
2014	2,530,000	4.19	4.19	100.000	786056AW1
2018	32,530,000	5.60	5.73	99.264	786056AX9
2019	30,160,000	5.85	5.97	99.247	786056AY7
2020*	29,505,000	5.97	5.97	100.000	786056AZ4
2021*	27,230,000	6.12	6.12	100.000	786056BC4
2023*	58,260,000	6.42	6.42	100.000	786056BB6

*Insured Bonds.

COUNTY OF SACRAMENTO, CALIFORNIA

COUNTY OF SACRAMENTO BOARD OF SUPERVISORS

BOARD OF SUPERVISORS

Roberta MacGlashan	Chair, District 4
Phil Serna	Supervisor, District 1
Jimmie Yee	Supervisor, District 2
Susan Peters	Supervisor, District 3
Don Nottoli	Supervisor, District 5

County Officials

Bradley J. Hudson	County Executive
Robert A. Ryan, Jr.	County Counsel
Navdeep S. Gill	Chief Operations Officer
Julie Valverde	Director of Finance

SPECIAL SERVICES

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP

DISCLOSURE COUNSEL
Stradling Yocca Carlson & Rauth, a Professional Corporation

FINANCIAL ADVISOR
Public Financial Management Inc.

TRUSTEE
The Bank of New York Mellon Trust Company, N.A.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2011A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is submitted with respect to the sale of the Series 2011A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2011A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2011A BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER AND YIELDS HIGHER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

$183,365,000
COUNTY OF SACRAMENTO
TAXABLE PENSION OBLIGATION BONDS, SERIES 2011A

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Series 2011A Bonds to potential investors is made only by means of the entire Official Statement. Terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement.

Purpose

The purpose of this Official Statement, which includes the cover page and appendices is to set forth certain information concerning the issuance and sale by the County of Sacramento (the "County") of its $183,365,000 Taxable Pension Obligation Bonds, Series 2011A (the "Series 2011A Bonds"). The Series 2011A Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "State"). The Series 2011A Bonds are being issued pursuant to a Trust Agreement, dated as of September 1, 2011 (the "Trust Agreement"), between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series 2011A Bonds will be issued in fully registered form and will be issued in denominations of $5,000 or any integral multiple thereof.

The County is issuing the Series 2011A Bonds to (i) refund $67,000,000 outstanding principal amount of its Taxable Pension Funding Bonds, Series 1995B and $67,000,000 outstanding principal amount of its Taxable Pension Funding Bonds, Series 1995C (collectively, the "Prior Bonds"); (ii) pay certain costs associated with the termination of an interest rate swap relating to the Prior Bonds; and (iii) pay the costs of issuance of the Series 2011A Bonds. See "PLAN OF REFUNDING" and "SOURCES AND USES OF FUNDS."

Pursuant to Section 31584 of the County Employees Retirement Law of 1937, as amended (the "Retirement Law"), the County Board of Supervisors (the "Board of Supervisors") is obligated to appropriate and make payments to the Sacramento County Employees' Retirement System ("SCERS") arising as a result of retirement benefits accruing to members of SCERS. The County's statutory obligation includes, among others, the requirement to amortize the unfunded accrued actuarial liability ("UAAL") with respect to such retirement benefits. The Series 2011A Bonds are being issued to refinance bonds issued to refinance a portion of the County's prior UAAL to SCERS.

Validation

The Series 2011A Bonds and any Additional Bonds (as defined in the Trust Agreement), and certain other matters, including the Trust Agreement, were validated by a judgment of the Superior Court of the State of California rendered on August 11, 2011. The time period for the filing of appeals with respect to the judgment expired on September 12, 2011. No appeals were filed and therefore, the judgment is final and unappealable. See "VALIDATION."

Security and Sources of Payment for the Series 2011A Bonds

The Series 2011A Bonds are secured under the terms of the Trust Agreement as described herein. The obligations of the County under the Series 2011A Bonds, including the obligation to make all payments of interest on and principal of the Series 2011A Bonds when due, are exempt from the debt limitations of the California Constitution, and the County is obligated to satisfy its obligations under the Series 2011A Bonds from any money lawfully available in any fund in the County treasury. The payment of the interest on and principal of the Series 2011A Bonds is not limited to any special source of funds of the County. The assets of SCERS are not available for payment of the Series 2011A Bonds and the Series 2011A Bonds do not constitute an obligation of SCERS. The Trust Agreement provides that the County is obligated to deposit in the Debt Service Fund maintained in the treasury of the County not later than July 31 of each Fiscal Year the amount of the County's debt service obligations on Bonds (as defined in the Trust Agreement) payable during such Fiscal Year and July of the following Fiscal Year, and on the third (3rd) Business Day immediately prior to each payment date for such Bonds to withdraw from the Debt Service Fund and deposit with the Trustee in immediately available funds on such date the amount of debt service becoming due on such Bonds on such payment date, which amount is to be deposited by the Trustee in the Bond Fund to be held in trust by the Trustee. No assurance can be given as to the amount and source of funds available in the County treasury for such transfer at any particular time.

THE OBLIGATIONS OF THE COUNTY UNDER THE SERIES 2011A BONDS, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE COUNTY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTER CLAIM. THE SERIES 2011A BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2011A BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS ON THE SERIES 2011A BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Bond Insurance for Insured Bonds

Concurrently with the issuance of the Series 2011A Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2011A Bonds maturing on August 1, 2020, August 1, 2021 and August 1, 2023 (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement. See "BOND INSURANCE" and APPENDIX G – "FORM OF MUNICIPAL BOND INSURANCE POLICY FOR INSURED BONDS."

Additional Bonds and Other Obligations

The County may from time to time issue Additional Bonds (as defined in the Trust Agreement) for the purposes permitted by the Trust Agreement (including, but not limited to, the defeasance, retirement or refunding of all or any portion of the County's then-outstanding pension obligation bonds and the payment of costs (including swap termination payments) associated with any such defeasance, retirement or refunding), which such Additional Bonds may be issued on a parity with the Series 2011A Bonds without the consent of any Holder. See APPENDIX D – "SUMMARY OF THE TRUST AGREEMENT – Additional Bonds." The County may also issue pension obligation bonds pursuant to separate indentures or trust agreements, payable from the County's General Fund on a parity with the Series 2011A Bonds and any Additional Bonds. The County has issued, and may issue in the future, other obligations payable from the County General Fund. See APPENDIX A — "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA" for information concerning currently outstanding obligations payable from the General Fund.

Risk Factors

An investment in the Series 2011A Bonds involves certain risks. Investors must read this entire Official Statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2011A Bonds.

The County

The County was incorporated in 1850 and encompasses approximately 994 square miles in the middle of the 400-mile-long Central Valley. The County's largest city, the City of Sacramento, is the seat of government for the State and also serves as the County seat. The County has a charter form of government. It is governed by a five-member Board of Supervisors of the County elected to serve staggered four-year terms. A County Executive appointed by the Board of Supervisors conducts the day-to-day business of the County. See APPENDIX A — "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA."

Book-Entry Only System

The Series 2011A Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2011A Bonds. Ownership interests in the Series 2011A Bonds may be purchased in book-entry form only. See APPENDIX C — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Summaries Not Definitive

Brief descriptions of the Series 2011A Bonds, the County, SCERS and the Trust Agreement are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Series 2011A Bonds and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the Series 2011A Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the offices of the County at 700 H Street, Suite 7650, Sacramento, California 95814 and will be available upon request and payment of duplication costs from the Trustee.

Continuing Disclosure

The County has agreed to provide, or cause to be provided, in accordance with Securities Exchange Commission Rule 15c2-12(b)(5), certain annual financial information and operating data, including the audited financial statements of the County. See "CONTINUING DISCLOSURE" and APPENDIX F — "FORM OF DISCLOSURE CERTIFICATE." The County has not failed to comply in the last five years in any material respect with any previous undertakings with regard to the Rule to provide annual reports or required notices of certain events.

PLAN OF REFUNDING

The Series 2011A Bonds are being issued by the County to: (i) refund $67,000,000 outstanding principal amount of its Taxable Pension Funding Bonds, Series 1995B (the "Series 1995B Bonds"), $67,000,000 outstanding principal amount of its Taxable Pension Funding Bonds, Series 1995C (the "Series 1995C Bonds," and together with the Series 1995B Bonds, the "Prior Bonds"); (ii) pay certain costs associated with the termination of an interest rate swap relating to the Prior Bonds; and (iii) pay the costs of issuance of the Series 2011A Bonds. See "SOURCES AND USES OF FUNDS."

The Prior Bonds consist of the following:

$67,000,000 Taxable Pension Funding Bonds, Series 1995B

Maturity Date (July 1)	Par Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP No.†
2020	$67,000,000	Variable	11/1/2011	100%	786106GT5

$67,000,000 Taxable Pension Funding Bonds, Series 1995C

Maturity Date (July 1)	Par Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP No.†
2022	$67,000,000	Variable	11/1/2011	100%	786106GU2

A portion of the proceeds of the sale of the Series 2011A Bonds (the "Cash Deposit") will be deposited with the trustee for the Prior Bonds (the "Prior Bonds Trustee") in an amount sufficient to redeem the Prior Bonds on the respective redemption dates set forth above at the respective redemption prices set forth above. Until the redemption of the Prior Bonds, the Prior Bonds will remain outstanding under the legal documents pursuant to which the Prior Bonds were issued (the "Prior Bonds Issuing Documents"). Until redemption of the Prior Bonds, the proceeds of the Series 2011A Bonds on deposit with the Prior Bonds Trustee may be invested in accordance with the Prior Bonds Issuing Documents. All securities, investments and moneys held by the Prior Bonds Trustee will solely be available to pay the redemption price of and unpaid accrued interest on the Prior Bonds, as provided in the Prior Bonds Issuing Documents, and will not be available to pay debt service on the Series 2011A Bonds.

† CUSIP numbers are provided for reference only. The County and the Underwriters do not assume any responsibility for the accuracy of such numbers.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2011A Bonds are set forth below:

Sources of Funds		
	Par Amount of Bonds	$183,365,000
Less:	Original Issue Discount	-466,525.60
Plus:	Other Available Moneys	5,934,804.01
	Total Sources	$188,833,278.41
Uses of Funds		
	Refunding of Prior Bonds	$134,000,000.00
	Swap Termination Payment	51,920,000.00
	Costs of Issuance (1)	2,913,278.41
	Total Uses	$188,833,278.41

(1) Includes Underwriters' discount, legal fees, premium for the Policy, fees of the Financial Advisor, the Trustee, rating agencies, printing costs and other miscellaneous expenses.

THE SERIES 2011A BONDS

General

The Series 2011A Bonds will be dated the date of delivery, and will mature on the dates set forth on the inside cover. The Series 2011A Bonds will be issued as fully registered bonds in denominations of five thousand dollars ($5,000) or any integral multiple of five thousand dollars ($5,000). The Series 2011A Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2011A Bonds. While the Series 2011A Bonds are held in the book-entry system of DTC, all payments of principal and interest on the Series 2011A Bonds will be made to Cede & Co., as registered owner of the Series 2011A Bonds. See APPENDIX C—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Series 2011A Bonds is payable on February 1, 2012 and semiannually thereafter on February 1 and August 1 of each year, at the rates set forth on the inside cover page based on a 360-day year of twelve 30-day months.

Redemption

Make-Whole Optional Redemption. The Series 2011A Bonds shall be subject to redemption prior to their stated maturities, at the option of the County, on any date from any source of available funds, as a whole or in part, at a redemption price equal to the principal amount thereof called for redemption plus the Make-Whole Premium, if any, plus accrued interest to the date fixed for redemption.

For purpose of the Make-Whole Optional Redemption, the following definitions apply:

"Make-Whole Premium" means, with respect to any Series 2011A Bond to be redeemed, an amount calculated by a Designated Banking Institution equal to the positive difference, if any, between:

(1) the sum of the present values, calculated as of the date fixed for redemption of:

(a) each interest payment that, but for the redemption, would have been payable on the Series 2011A Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such Series 2011A Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such Series 2011A Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such Series 2011A Bond to the date fixed for redemption; plus

(b) the principal amount that, but for such redemption, would have been payable on the maturity date of the Series 2011A Bond or portion thereof being redeemed; minus

(2) the principal amount of the Series 2011A Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (1) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Comparable Treasury Yield, plus 50 basis points.

"Comparable Treasury Issue" means, with respect to the Series 2011A Bonds, the United States Treasury security selected by the Designated Banking Institution as having a maturity comparable to the remaining term to maturity of the Series 2011A Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2011A Bond being redeemed.

"Comparable Treasury Price" means, with respect to the Series 2011A Bonds and any date on which a Series 2011A Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Designated Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Designated Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Designated Banking Institution, at 2:00 p.m. New York City time on a business day at least two business days but no more than 45 calendar days preceding the applicable date fixed for redemption.

"Comparable Treasury Yield" means, with respect to the Series 2011A Bonds, the yield appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Designated Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2011A Bond being redeemed. The Comparable Treasury Yield will be determined at least two business days but no more than 45 calendar days preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2011A Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2011A Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2011A Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price as of the date fixed for redemption.

"Designated Banking Institution" means, with respect to the Series 2011A Bonds, an investment banking institution of national standing which is a primary United States government securities dealer in the City of New York designated by the County (which may be one of the underwriters of the Series 2011A Bonds).

"Reference Treasury Dealer" means, with respect to the Series 2011A Bonds, a primary United States Government securities dealer in the United States appointed by the County and reasonably acceptable to the Designated Banking Institution (which may be one of the underwriters of the Series 2011A Bonds).

Selection of Series 2011A Bonds for Redemption. If less than all of the Series 2011A Bonds are to be redeemed at any one time, the principal of all Series 2011A Bonds shall be subject to redemption on a pro-rata basis. If the Series 2011A Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2011A Bonds shall be effected by the Trustee among Holders on a pro-rata basis subject to minimum authorized denominations. If the Series 2011A Bonds are registered in book-entry only form, and so long as DTC or a successor securities depository is the sole Holder of the Series 2011A Bonds, if less than all of the Series 2011A Bonds of a maturity are called for prior redemption, the particular Series 2011A Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the Series 2011A Bonds are held in book-entry form, the selection for redemption of such Series 2011A Bonds shall be made in accordance with the operational arrangements of DTC then in effect, which operational arrangements currently provide for adjustment of the principal by a factor provided pursuant to such operational arrangements. If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Series 2011A Bonds shall be selected for redemption by lot in accordance with DTC procedures. Redemption allocations made by DTC, direct or indirect participants in DTC, or such other intermediaries that may exist between the County and the beneficial owners are to be made on a "Pro Rata Pass Through Distribution of Principal" basis as described above.

Notice of Redemption. Notice of redemption of any Series 2011A Bonds shall be mailed by first-class mail by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the respective Holders of the Series 2011A Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. Each notice of redemption shall state the date of such notice, the redemption price, if any, thereof the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities to be redeemed, and, if less than all of any maturity is to be redeemed, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2011A Bonds so called for redemption the redemption price, if any, thereof and in the case of a Series 2011A Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2011A Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure by the Trustee to give notice to any Holder or failure of any Holder to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

With respect to any notice of optional redemption of Series 2011A Bonds, unless, upon the giving of such notice, such Series 2011A Bonds shall be deemed to have been paid within the meaning of Article IX hereof, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and redemption price, if any, and accrued interest on, such Series 2011A Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the County shall not be required to redeem such Series 2011A Bonds. The County may also instruct the Trustee to provide conditional notice of optional redemption, which may be conditioned on the occurrence of any other event if such notice states that if such event does not occur said notice shall be of no force and effect and the County shall not be required to redeem such Series 2011A Bonds. In the event that such notice of optional redemption contains such a condition and such amounts are not so received or such event does not occur, the optional redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received or such event did not occur and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given. Such failure to optionally redeem such Series 2011A Bonds shall not constitute an event of default.

Any notice of optional redemption may be rescinded by written notice given to the Trustee by the County at any time up to and including the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given pursuant to the Trust Agreement.

Effect of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2011A Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Series 2011A Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Series 2011A Bonds shall cease to accrue, and the Holders of such Series 2011A Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011A BONDS

General

The obligations of the County under the Series 2011A Bonds, including the obligation to make all payments of interest on and principal of the Series 2011A Bonds when due, are exempt from the debt limitations of the California Constitution, and the County is obligated to satisfy its obligations under the Series 2011A Bonds from any money lawfully available in any fund in the County treasury. The payment of the interest on and principal of the Series 2011A Bonds is not limited to any special source of funds of the County. The assets of SCERS are not available for payment of the Series 2011A Bonds and the Series 2011A Bonds do not constitute an obligation of SCERS.

The Trust Agreement provides that the County is obligated to deposit in the Debt Service Fund maintained in the treasury of the County not later than July 31 of each Fiscal Year the amount of the County's debt service obligations on Bonds (as defined in the Trust Agreement) payable during such Fiscal Year and July of the following Fiscal Year. On the third (3^{rd}) Business Day immediately prior to each payment date for the Bonds, the Director of Finance is obligated to withdraw from the Debt Service Fund and deposit with the Trustee in immediately available funds the amount of debt service becoming due on such Bonds on such payment date. Notwithstanding the foregoing, in the event the amounts deposited by the County in the Debt Service Fund as described above are insufficient for the purpose of paying the Bonds on each payment date for the Bonds, the County is obligated to deposit or cause to be deposited with the Trustee the amount due on the Bonds on such payment dates from any money lawfully available in any fund in the County treasury.

THE OBLIGATIONS OF THE COUNTY UNDER THE SERIES 2011A BONDS, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE COUNTY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTER CLAIM. THE SERIES 2011A BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2011A BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS ON THE SERIES 2011A BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Bond Insurance for Insured Bonds

Concurrently with the issuance of the Series 2011A Bonds, AGM will issue the Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement. See "BOND INSURANCE" and APPENDIX G – "FORM OF MUNICIPAL BOND INSURANCE POLICY FOR INSURED BONDS."

AGM, as insurer of the Insured Bonds, has a number of rights with respect to the Insured Bonds. For example, AGM shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds are entitled to take pursuant to the Trust Agreement pertaining to (1) defaults and remedies and (ii) the duties and obligations of the Trustee. In addition, the Insured Bonds shall not be accelerated without the consent of AGM.

Debt Service Schedule

The following table sets forth the annual debt service schedule for the Series 2011A Bonds.

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2012	-	$3,748,241.35	$3,748,241.35
2013	$730,000.00	10,960,133.00	11,690,133.00
2014	2,420,000.00	10,905,033.50	13,325,033.50
2015	2,530,000.00	10,807,260.00	13,337,260.00
2016	-	10,754,256.50	10,754,256.50
2017	-	10,754,256.50	10,754,256.50
2018	-	10,754,256.50	10,754,256.50
2019	32,530,000.00	9,843,416.50	42,373,416.50
2020	30,160,000.00	8,050,396.50	38,210,396.50
2021	29,505,000.00	6,287,492.25	35,792,492.25
2022	27,230,000.00	4,573,530.00	31,803,530.00
2023	-	3,740,292.00	3,740,292.00
2024	58,260,000.00	1,870,146.00	60,130,146.00
Totals	$183,365,000.00	$103,048,710.60	$286,413,710.60

ADDITIONAL BONDS AND OTHER OBLIGATIONS

The County may from time to time issue Additional Bonds (as defined in the Trust Agreement) for the purposes permitted by the Trust Agreement (including, but not limited to, the defeasance, retirement or refunding of all or any portion of the County's then-outstanding pension obligation bonds and the payment of costs (including swap termination payments) associated with any such defeasance, retirement or refunding), which such Additional Bonds may be issued on a parity with the Series 2011A Bonds without the consent of any Holder. See APPENDIX D – "SUMMARY OF THE TRUST AGREEMENT – Additional Bonds." The County may also issue pension obligation bonds pursuant to separate indentures or trust agreements, payable from the County's General Fund on a parity with the Series 2011A Bonds and any Additional Bonds. The County has issued, and may issue in the future, other obligations payable from the County General Fund. See APPENDIX A — "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA" for information concerning currently outstanding obligations payable from the General Fund.

BOND INSURANCE

Bond Insurance Policy for Insured Bonds

Concurrently with the issuance of the Series 2011A Bonds, AGM will issue the Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA+" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 25, 2011, S&P published *Bond Insurance Rating Methodology and Assumptions*, a criteria article that follows S&P's *Request for Comment: Bond Insurance Criteria*, published January 24, 2011. The criteria described in the article update and supersede S&P's previous criteria for rating bond insurers. S&P noted that the impact of new bond insurance rating criteria could result in financial strength ratings on investment-grade bond insurers (such as AGM) being lowered by one or more rating categories. The article states that the criteria are effective immediately and that S&P expects any rating changes as a result of the new methodology and assumptions would occur after its review of third quarter 2011 financial statements, but no later than November 30, 2011. However, as noted above, a rating agency may place a company's financial strength rating on credit watch for a downgrade at any time. For the complete text of S&P's comments, both publications are available at www.standardandpoors.com.

AGM and its affiliates are currently reviewing S&P's revised bond insurance rating criteria. The final criteria contain a number of changes from the proposals submitted in January 2011 for comment from market participants, including a new Largest Obligors Test that was not included in the January 2011 *Request for Comment*. This test appears to have the effect of significantly reducing AGM and its affiliates' allowed single risk limits and limiting their financial strength rating level.

On August 8, 2011, S&P published a Research Update in which it affirmed the "AA+" financial strength rating of AGM. At the same time, S&P revised the rating outlook on AGM to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that S&P or Moody's may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, which was filed by AGL with the SEC on August 9, 2011.

Capitalization of AGM

At June 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,050,613,849 and its total net unearned premium reserve was approximately $2,254,726,646, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (which was filed by AGL with the SEC on August 9, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2011A Bonds or the advisability of investing in the Series 2011A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

THE COUNTY

The County was incorporated in 1850 and encompasses approximately 994 square miles in the middle of the 400-mile-long Central Valley. The County's largest city, the City of Sacramento, is the seat of government for the State and the County.

The County has a charter form of government. It is governed by a five-member Board of Supervisors elected to serve staggered four-year terms. A County Executive appointed by the Board of Supervisors conducts the day-to-day business of the County. See APPENDIX A — "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA."

COUNTY FINANCIAL INFORMATION

Financial, economic and demographic information regarding the County of Sacramento is contained in APPENDIX A—"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA" and APPENDIX B—"THE COUNTY OF SACRAMENTO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010" hereto. Each contains important information concerning the County and should be read in its entirety.

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 County property values and a current unemployment rate of 12.5%. As a result, the County has had to address budget gaps over the last several years that ranged from a high of $187 million in Fiscal Year 2009-10 to a low of $90.4 million in Fiscal Year 2011-12. The County has addressed these challenges by making significant permanent program and staffing reductions, as well as having used one-time resources to close a portion of its budget gaps. The County began reducing its workforce in Fiscal Year 2007-08, and as of Fiscal Year 2011-12 had reduced the workforce by approximately 3,300 funded positions, or approximately 22% of the previous full-time equivalent positions, to its current level of 11,250 employees. The County has also reduced the amount and percentage of one-time resources used to close budget gaps over the last several years, with the Fiscal Year 2011-12 budget gap of $90.4 million closed using 21% ($19.3 million) in one-time resources and 79% ($71.1 million) with ongoing solutions. Decreases in County General Fund discretionary revenues have begun stabilizing, as evidenced by the table below. Expenditure increases have also been stabilizing (mainly salaries and benefits) due to new and/or extended labor agreements.

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, 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 any 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.

In addition, the County has always met its obligations under all of its General Fund-supported certificates of participation and pension obligation bonds to set aside outside of the General Fund, by July 31 of each fiscal year, the total amount of debt service that will come due in that fiscal year and the following July of the subsequent fiscal year. See APPENDIX A – "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA" for additional information.

General Purpose (Discretionary) Revenues. The County's current revenue challenges are, in large part, a reflection of a downturn in the economy, generally attributable to the slumping housing market and increasing unemployment, which has reduced property taxes and sales tax-based revenues, the main sources of discretionary County revenues. Approximately 65% of the County General Fund's revenues that are funding its $1.9 billion County Executive Officer Recommended General Fund Budget for Fiscal Year 2011-12 are from federal and state revenue sources dedicated to special purposes for specific programs. Other General Fund revenue sources totaling approximately $205 million are also dedicated to specific programs, leaving approximately $460 million in General Fund revenues available for discretionary uses in Fiscal Year 2011-12. The table below shows the history of the County's General Fund general purpose, or discretionary, revenues, starting from its high point in Fiscal Year 2007-08, and illustrating how the discretionary revenues fell beginning in Fiscal Year 2008-09 through Fiscal Year 2010-11, and then began increasing slightly in Fiscal Year 2011-12 by 0.67%.

General Fund General Purpose (Discretionary) Revenues
Fiscal Years 2007-08 to 2011-12

Description	2007-08 (Actual)	2008-09 (Actual)	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Budget)
Property Tax (incl. in lieu of VLF) (1)	$388,600,632	$394,397,435	$350,847,689	$334,658,942	$334,961,522
Sales Tax (incl. "triple-flip")	80,689,472	68,839,817	57,978,759	58,995,161	62,356,020
Utility User Tax	15,395,949	16,891,373	16,017,827	16,996,428	16,050,000
Fines and Penalties	15,321,323	13,994,079	13,250,512	14,236,685	16,587,836
Revenue Neutrality Payments	15,090,504	17,433,504	16,780,067	16,163,028	16,197,429
Franchise Fees	3,917,284	3,996,053	5,166,069	5,195,612	5,074,500
Other Revenues	8,507,792	11,160,446	11,503,042	10,535,742	8,609,054
Total:	**$527,522,956**	**$526,712,707**	**$471,543,965**	**$456,781,598**	**$459,836,361**
Increase/(Decrease)		$(810,249)	$(55,168,742)	$(14,762,367)	$3,054,763
% Increase/(Decrease)		-0.15%	-10.47%	-3.13%	0.67%

(1) Fiscal Year 2011-12 Property Taxes are budgeted to increase slightly, with the reduction in assessed valuation applicable to Current Secured and Unsecured Property Taxes offset by increase in other Property Tax categories (delinquency collection, supplemental, transfer tax)

Housing Declines. In Sacramento County the median home sale price for existing single family homes are approximately 50% lower than their peak in 2006, according to DataQuick Information Systems. Median home sales prices had basically leveled off, as illustrated by $177,000 in December 2008 to $178,000 in December 2009, and then saw a decrease again in 2010 to $169,000. The most recent information from DataQuick Information Systems shows a further decrease in the median home sale price in Sacramento County to $160,000 in June 2011. According to the Sacramento Association of Realtors, approximately 65% of the existing single family homes sold in June 2011 were distressed sales (i.e., foreclosures or short sales), which is basically unchanged on a percentage basis from June 2010, and a contributor to resale prices remaining low.

Proposition 8 generally provides for reductions in assessed valuations of properties to reflect current market values. Proposition 8 value reductions are temporary, and once a property receives a Proposition 8 reduction its value must be reviewed each year to determine whether the fair market value remains less than its Proposition 13 base year value (typically the acquisition value) plus inflationary adjustments. The lower of these two values is the value used for property tax purposes. Pursuant to Proposition 8, the County Assessor reduced the assessed value of 57,862 properties in Fiscal Year 2007-08, 90,199 properties in Fiscal Year 2008-09, 176,524 properties in Fiscal Year 2009-10 and 161,637 in Fiscal Year 2010-11. For the Fiscal Year 2011-12 tax roll the Assessor reviewed and reduced the assessed values of approximately 189,700 residential properties.

Cost Increases. In addition to declining revenues, the County has also faced certain increasing expenditures. These increasing expenditures have been mainly related to contracted salaries and benefits, increasing debt service payments on pension obligation bonds ("POB"), and increased indigent and social services-related costs due to the current economic downturn. For example, POB annual debt service has increased incrementally each year from $21 million in Fiscal Year 2005-06, to its current Fiscal Year 2011-12 level of $104 million, of which approximately 75% is paid from General Fund funds and 25% paid from County enterprise and other funds. One of the County's main objectives with respect to the refunding of the Prior Bonds is to stabilize annual POB debt service payment obligations.

The County has also experienced significant increases in recent years in the amount that it is required to contribute annually to the Sacramento County Employees' Retirement System ("SCERS"). The required County contribution was approximately $119 million in Fiscal Year 2005-06, and is expected to be approximately $169 million in Fiscal Year 2011-12. These increases are due to a variety of factors, including enhancements to the retirement benefits of employees adopted by the County. SCERS has suffered significant investment losses (approximately $1.2 billion of which have not been recognized, due to the "smoothing" methodology utilized by SCERS), which can be expected to result in increases in County required contributions in future fiscal years. The level of future required contributions depends on a variety of other factors, including future SCERS investment portfolio performance, and additional potential changes in retirement benefits. There can be no assurances that the required annual County contribution to SCERS will not continue to increase, or that such increases will not materially adversely affect the financial condition of the County. See APPENDIX A – "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA – SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM (SCERS)" for further discussion of pension benefits.

County Actions. The County began reducing its workforce in Fiscal Year 2007-08, and since that time has eliminated approximately 3,300 funded positions, or approximately 22% of the previous full-time equivalent positions, with the largest number of reductions (2,550) within General Fund departments. Of the 3,300 positions eliminated, approximately 1,375 resulted in employee layoffs, with the remainder being the elimination of vacant positions, most of which were purposely held vacant in anticipation of budget reductions. In addition, the County has eliminated hundreds of full-time equivalent contract and temporary workers.

Fiscal year expenditures have been exceeding revenues available over the last several years, and to preserve the provision of service levels to the County's residents, the County chose to utilize one-time resources, including Interfund Transfers, to balance its budget for the last several years. (Interfunfd Transfers must be repaid by the General Fund.) During Fiscal Year 2008-09 the County General Fund was supported, in part, by $48.5 million in Interfund Transfers from non-General Fund departments; in Fiscal Year 2009-10 another $11.2 million in Interfund Transfers supported the General Fund; and in Fiscal Year 2010-11 an additional $18 million in Interfund Transfers supported the General Fund; for total Interfund Transfers of $77.6 million. During Fiscal Year 2010-11 $3.0 million of this amount was repaid by the General Fund, and the Board has approved that in Fiscal Year 2011-12 another $3.5 million will be repaid, leaving a balance of $71.1 million. The County originally anticipated repayment of the Interfund Transfers on a regular schedule, over five years, beginning in Fiscal Year 2010-11. Instead, the Board adopted a policy in June 2011 that the General Fund will return the outstanding Interfund Transfer amount as general purpose revenues improve, in an amount up to $10 million annually, but only after meeting its obligations under memoranda of understanding between the County and its labor organizations and all legal obligations. See "COUNTY FINANCIAL INFORMATION-County General Fund; Fund Balances" herein.

The County has continued to decrease the amount and percentage of the use of one-time resources to close its General Fund budget gaps over the last four years, as illustrated in the below table.

Fiscal Year	Budget Gap Identified at CEO Recommended Budget Hearings	One-Time Resources Used(1)	% One-Time Used to Close Gap	Approved Budget Total Sources (2)	% One-Time Used in Approved Budget as Funding Source
2008-09	$123.7 million	$103 million	83%	$2.18 billion	4.7%
2009-10	$187.0 million	$80.2 million	43%	$1.99 billion	4.0%
2010-11	$181.1 million	$30.0 million	17%	$1.95 billion	1.5%
2011-12	$90.4 million	$19.3 million	21%	$1.90 billion	1.0%

(1) Includes Interfund Transfers
(2) Fiscal Year 2011-12 Budget Total in Approved CEO Recommended Budget from June 2011; other years are Adopted Budgets from September

The County's financial condition, in Fiscal Year 2011-12, may be further adversely affected by a continuing slowdown in the regional housing market and unemployment levels, and the impact thereof on property taxes and sales taxes. 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 or federal government (including reductions or deferrals in State or federal funds payable to the County) or other reasons. On a preliminary basis, the County is projecting a Fiscal Year 2012-13 budget gap of approximately $43.8 million.

Cash Flow and Fund Balances. The County's General Fund year-end fund balance levels declined over the last several years, mainly due to financial stresses related to increasing costs combined with decreasing ongoing revenue streams, as well as the impact of Interfund Transfers into the General Fund. As reflected in the County's Comprehensive Annual Financial Reports (CAFR), Fiscal Year 2006-07 year-end fund balance was $199 million; Fiscal Year 2007-08 was $148 million (as restated), Fiscal Year 2008-09 was $19.4 million and Fiscal Year 2009-10 was $21.7 million.

The County General Fund started Fiscal Year 2010-11 with a cash balance of approximately $29.7 million and ended Fiscal Year 2010-11 with a General Fund cash balance of approximately $135.3 million, and is projected to end Fiscal Year 2011-12 with a cash balance of approximately $117.1 million. The County utilizes "dry period" financing (and cash support from other funds under the control of the Board of Supervisors is available if it becomes necessary) as the most appropriate tool to manage the General Fund's cash flow needs. The County has used the dry period financing for the last three fiscal years, and plans to continue to do so in Fiscal Year 2011-12, to provide sufficient cash resources for payment of the County's General Fund obligations. For a discussion of the County's cash flow (including dry period financing) and fund balances, see APPENDIX A – "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA – COUNTY FINANCIAL INFORMATION - County General Fund; Cash Flows" and "County General Funds; Fund Balances."

UCD Litigation. On November 19, 2009, the Regents of the University of California on behalf of its University of California, Davis Health System ("UCD") filed a legal action against the County for breach of contract and other grounds relating to the provision of certain health care services to indigent adults, incarcerated adults and juveniles and psychiatric inpatient care. UCD seeks damages, including attorneys' fees in excess of $125 million. See APPENDIX A – "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA - CERTAIN FACTORS AFFECTING REVENUES AND EXPENDITURES – County Financial Information – Additional Financial Risk" for further information relating to this litigation.

Other Information. For a discussion of the County's financial condition, the housing slowdown in the County, and certain measures to address its current financial situation under consideration by the County, see APPENDIX A – "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA."

For a discussion of interest rate swaps, letters of credit, and other financial arrangements entered into by the County in connection with certain of its outstanding obligations, including termination and non-renewal risks related thereto, see APPENDIX A – "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA – COUNTY DEBT SUMMARY - Variable Rate Debt, Interest Rate Swaps and Letters of Credit Risks." A portion of the proceeds of the Series 2011A Bonds will be used to pay the cost of terminating certain interest rate swaps with respect to the Prior Bonds.

State Financial Stress

The State is also facing significant financial stress, which may result in future reductions or deferrals in amounts payable to the County. On June 28, 2011, the State Legislature passed, and on June 30, 2011 the Governor signed, the State budget for Fiscal Year 2011-12. The adopted State budget assumes that revenues will be an additional $4 billion higher than previous projections, and contains a "trigger" mechanism pursuant to which certain expenditure reductions will be made without further legislative action in the event that the newly projected revenues are not expected to be realized (as determined by the State Director of Finance).

The exact dollar amount of the potential "trigger cuts" for the County is not known; however, historically, when the State reduces funding for specific State programs that are administered by the County, the County makes commensurate reductions in these programs in order to assure that the County maintains a structurally balanced budget, and anticipates this will again be the case in Fiscal Year 2011-12.

The Adopted State Budget also includes major realignment of state and local program duties, and shifts $5.9 billion to counties to implement increased program obligations. To enable counties to manage their increased fiscal responsibilities, the State budget gives the counties increased authority over the realigned programs, including some authority to adjust certain program levels to align with State funding levels. Programs being shifted include fire and emergency response activities, responsibility for lower-level offenders and parole violators, foster care and child welfare services, court security and substance abuse programs. The impacts to the County as a result of the Adopted State Budget were incorporated into the County's Fiscal Year 2011-12 Adopted Budget.

During recent fiscal years, as a result of significant cash and budgetary pressures, the State deferred certain payments owed to vendors and local governments (including the County) or issued state warrants which could not immediately be cashed. Although the State ultimately made the required payments, the State continues to face financial stress, and there can be no assurances that such financial stress will not result in further deferrals of amounts owed to the County, or reductions in amounts that the County receives from the State. In addition, the State's financial condition has resulted in furloughs of State employees, and may result in additional furloughs and/or layoffs. Since many State employees reside in the Sacramento region, such furloughs and layoffs could negatively effect the regional economy, further exacerbating the County's financial stress.

LIMITATIONS ON TAX REVENUES

There are a number of constitutional and statutory provisions which generally place various limitations on the ability of the County to raise taxes and other revenues. See APPENDIX A – "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA."

RISK FACTORS

The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Series 2011A Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Series 2011A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such *risks. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

County Financial Stress

The County is experiencing financial stress. See "COUNTY FINANCIAL STRESS" and APPENDIX A – "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA."

Flood

Flooding caused by river overflow or heavy rainfall could cause possible damage to a significant number of residences and businesses in the County. Normally, water is contained within the rivers, creeks, canals, and adjacent levee systems. During the severe winter storms in the Sacramento area in 1986, 1997 and 2006, the American and Sacramento levee systems carried a record volume of water due to heavy rainfall of long duration. Although these storms caused some flooding in certain areas, the major levee systems that protect properties in the Sacramento area from disaster withstood the record water flows.

However, beginning in June 2006, the United States Army Corps of Engineers (the "Corps") stated that, primarily because of underseepage, levees in the Natomas Basin area of the County (which contains a large number of homes and commercial establishments, as well as the Sacramento International Airport) were no longer certifiable for a 100 year flood event (i.e., a flood event that has a 1% chance of occurrence in any year). In January 2008, the Corps concluded that the Natomas basin levee system did not meet FEMA's 3% annual flood event certification requirements for a restoration zone designation. As a result, FEMA could no longer support accreditation of the Natomas levees and new Flood Insurance Rate Maps became effective on December 8, 2008 which effectively halted new development in the basin and triggered mandatory flood insurance obligations in the Natomas basin.

There can be no assurances that flooding in the County would not cause significant economic disruption, result in significant costs payable from the County General Fund or otherwise materially adversely affect the ability of the County to pay debt service with respect to the Series 2011A Bonds. See APPENDIX A—"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA -- ECONOMIC AND DEMOGRAPHIC INFORMATION – Flood Protection."

Possible Recognition of Taxable Gain or Loss upon Defeasance of the Series 2011A Bonds

Defeasance of any Series 2011A Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2011A Bond.

VALIDATION

On April 27, 2011, the County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Sacramento seeking judicial validation of the Series 2011A Bonds and all Additional Bonds and certain other matters, including the Trust Agreement. On August 11, 2011, the court entered a judgment to the effect, among other things, that the Series 2011A Bonds and all Additional Bonds were valid, legal and binding obligations of the County. The Trust Agreement was also the subject of the judgment. The time period for the filing of appeals with respect to the judgment expired on September 12, 2011 and no appeals were filed and therefore the judgment is final and unappealable. In issuing its opinion as to the validity of the Series 2011A Bonds, Bond Counsel has relied upon the entry of the foregoing judgment.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County ("Bond Counsel"), interest on the Series 2011A Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2011A Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of Series 2011A Bonds that acquire their Series 2011A Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2011A Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2011A Bonds pursuant to this offering for the issue price that is applicable to such Series 2011A Bonds (i.e., the price at which a substantial amount of the Series 2011A Bonds are sold to the public) and who will hold their Series 2011A Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2011A Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2011A Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2011A

Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2011A Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2011A Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

The Series 2011A Bonds are not expected to be treated as issued with original issue discount for U.S. federal income tax purposes because the stated redemption price at maturity of such Series 2011A Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the Series 2011A Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2011A Bonds.

Disposition of the Series 2011A Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State) or other disposition of a Series 2011A Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2011A Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2011A Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Series 2011A Bond (generally, the purchase price paid by the U.S. Holder for the Series 2011A Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series 2011A Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Series 2011A Bond to a Non-U.S. Holder, other than a bank which acquires such Series 2011A Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2011A Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Series 2011A Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the County) or other disposition of a Series 2011A Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the County) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2011A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2011A Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the Series 2011A Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the County) or other disposition of a Series 2011A Bond, to certain noncorporate holders of Series 2011A Bonds that are U.S. persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Series 2011A Bonds to a holder that is not a U.S. person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2011A Bond or a financial institution holding the Series 2011A Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a U.S. person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2011A Bonds that are not U.S. persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Series 2011A Bond to the seller of the Series 2011A Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2011A Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a Series 2011A Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230. Investors are urged to obtain independent tax advice based upon their particular circumstances. The tax discussion above was not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. The discussion was written to support the promotion or marketing of the Series 2011A Bonds.

ERISA CONSIDERATIONS

Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the Internal Revenue Code (the "Code"), prohibit employee benefit plans ("Plans") subject to ERISA or Section 4975 of the Code from engaging in certain transactions involving "plan assets" with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code (collectively, "Parties in Interest") with respect to the Plan. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA. Under ERISA, any person who exercises any authority or control respecting the management or disposition of the assets of a Plan is considered to be a fiduciary of such Plan (subject to certain exceptions not relevant here). A violation of these "prohibited transaction" rules may generate excise tax and other liabilities under ERISA and the Code for fiduciaries and Parties in Interest.

The Underwriters, as a result of their own activities or because of the activities of an affiliate, may be considered Parties in Interest, with respect to certain plans. Prohibited transactions may arise under Section 406 of ERISA and Section 4975 of the Code if Series 2011A Bonds are acquired by a Plan with respect to which the Underwriters or any of their affiliates are Parties in Interest. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Series 2011A Bond and the circumstances under which such decision is made. Included among these exemptions are those transactions regarding securities purchased during the existence of an underwriting, investments by insurance company pooled separate accounts, investments by insurance company general accounts, investments by bank collective investment funds, transactions effected by "qualified professional asset managers," and transactions affected by certain "in-house asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. In order to ensure that no prohibited transaction under ERISA or Section 4975 of the Code will take place in connection with the acquisition of a Series 2011A Bond by or on behalf of a Plan, each prospective purchaser of a Series 2011A Bond that is a Plan or is acquiring on behalf of a Plan will be required to represent that either (i) no prohibited transactions under ERISA or Section 4975 of the Code will occur in connection with the acquisition of such Series 2011A Bond or (ii) the acquisition of such Series 2011A Bond is subject to a statutory or administrative exemption.

Any Plan fiduciary who proposes to cause a Plan to purchase Series 2011A Bonds should (i) consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable and (ii) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the Series 2011A Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio.

CERTAIN LEGAL MATTERS

The validity of the Series 2011A Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, and for the County by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, and by the County Counsel.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate with respect to the Series 2011A Bonds (the "Disclosure Certificate"), the County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board, through it Electronic Municipal Market Access System ("EMMA") certain annual financial information and operating data, including its audited financial statements, and an update of certain information contained in APPENDIX A — "CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA". In addition, in the Disclosure Certificate, the County has agreed to provide, or cause to be provided, to the MSRB notice of certain events as set forth in the Disclosure Certificate. The County has not failed to comply in the last five years in any material respect with any previous undertakings to provide annual reports or notices of material events.

The County may amend or terminate the Disclosure Certificate, or waive any provision thereof, without the consent of the Owners of the respective bonds, as set forth in the Disclosure Certificate. See APPENDIX F — "FORM OF DISCLOSURE CERTIFICATE."

FINANCIAL STATEMENTS

The County's financial statements for the Fiscal Year ended June 30, 2010, included in Appendix B hereto, have been audited by Vavrinek, Trine, Day & Co., LLP, independent auditors, as stated in their report appearing in Appendix B hereto. Vavrinek, Trine, Day & Co., LLP has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP with respect to any event subsequent to its report dated December 20, 2010.

LITIGATION

To the best knowledge of the County there is no action, suit or proceeding known to be pending or threatened restraining or enjoining the execution or delivery of the Series 2011A Bonds or the Trust Agreement or any other document relating to the Series 2011A Bonds, or in any way contesting or affecting the validity of the foregoing.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's self-insurance reserve. In the opinion of the County Counsel, such suits and claims as are presently pending will not have a material adverse affect on the ability of the County to make debt service payments on the Series 2011A Bonds.

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Group and Fitch have rated the Series 2011A Bonds which are not Insured Bonds "A3," "BBB+," and "A-," respectively. Moody's and Standard & Poor's Ratings Group are expected to rate the Insured Bonds "Aa3" (negative outlook) and "AA+" (negative outlook), respectively, with the understanding that, upon the issuance of the Insured Bonds, the Policy will be issued by AGM. Moody's and Standard & Poor's Ratings Group have assigned underlying ratings on the Insured Bonds of "A3" and "BBB+" respectively;

Certain information was supplied by the County to such rating agencies to be considered in evaluating the Series 2011A Bonds. The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings and any ratings on any of the County's outstanding obligations may be obtained only from such rating agencies as follows: Moody's Investors Service, 99 Church Street, New York, New York 10017; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; and Fitch, One State Street Plaza, New York, New York 10004. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2011A Bonds.

UNDERWRITING

The Series 2011A Bonds are being purchased by J.P. Morgan Securities LLC, as representative of itself and Morgan Stanley & Co. LLC (together, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase such Series 2011A Bonds at a purchase price of $182,002,478.40 (representing the $183,365,000.00 aggregate principal amount of the Series 2011A Bonds less $466,525.60 of original issue discount less $895,996.00 of Underwriters' discount).

The Purchase Contract relating to the Series 2011A Bonds (the "Purchase Contract") provides that the Underwriters will purchase all of the Series 2011A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2011A Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriters.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2011A Bonds, has provided the following paragraph for inclusion in the Official Statement:

JPMS has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2011A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011A Bonds that such firm sells.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2011A Bonds, has provided the following paragraph for inclusion in the Official Statement:

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2011A Bonds.

FINANCIAL ADVISOR

Public Financial Management Inc. is employed as Financial Advisor to the County in connection with the issuance of the Series 2011A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2011A Bonds is contingent upon the issuance and delivery of the Series 2011A Bonds. The Financial Advisor to the County has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2011A Bonds.

The execution and delivery of this Official Statement has been duly authorized by the County.

COUNTY OF SACRAMENTO

By: /s/Navdeep S. Gill
Chief Operations Officer

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APPENDIX A

CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA

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APPENDIX A

CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA

Page

THE COUNTY

Economic State of the County

The County of Sacramento (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 current unemployment rate of 12.3%. As a result, the County has had to address budget gaps over the last several years that ranged from a high of $187 million in FY 2009-10 to a low of $90.4 million in FY 2011-12. The County has addressed these challenges by making significant permanent program and staffing reductions, as well as having used one-time resources to close a portion of its budget gaps. The County began reducing its workforce in FY 2007-08, and as of FY 2011-12 had reduced the workforce by approximately 3,300 funded positions, or approximately 22% of the previous full-time equivalent positions, to its current level of 11,250 employees. The County has also reduced the amount and percentage of one-time resources used to close budget gaps over the last several years, with the FY 2011-12 budget gap of $90.4 million closed using 21% ($19.3 million) in one-time resources and 79% ($71.1 million) with ongoing solutions. Decreases in County General Fund discretionary revenues have begun stabilizing, as evidenced by the table included in the "COUNTY FINANCIAL INFORMATION-General Fund Budget" section. Expenditure increases have also been stabilizing (mainly salaries and benefits) due to new and/or extended labor agreements.

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, 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 any 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.

In addition, the County has always met its obligation under all of its General Fund-supported certificates of participation and pension obligation bonds to set aside outside of the General Fund, by July 31 of each fiscal year, the total amount of debt service that will come due in that fiscal year and the following July of the subsequent fiscal year. See "COUNTY FINANCIAL INFORMATION" and "ECONOMIC AND DEMOGRAPHIC INFORMATION-Taxable Transactions Activity and Housing Market" herein.

General

The 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 of the State and also serves as the County seat. The County is the major component of the Sacramento Metropolitan Statistical Area (SMSA) which includes Sacramento, El Dorado, Placer and Yolo Counties.

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 to the south, Amador and El Dorado Counties to the east, Placer and Sutter Counties to the north, and Yolo and Solano Counties to 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 the County has direct access to the San Francisco Bay.

The County is a long-established center of commerce for the surrounding area. Trade and services, federal, state and local governments are important economic sectors. Visitors are attracted to the County by the State Capitol and other historical attractions such as Sutter's Fort, as well as natural amenities. The County's location at the intersection of four major highways brings additional visitors destined for the San Francisco Bay Area, the Gold Country, the Central Valley and the Sierra Nevada Mountains.

Chief among the County's outdoor recreational opportunities is the 23-mile American River Parkway which welcomes more than 5 million visitors annually to this unique wildlife and recreation area, offering opportunities for fishing, boating and rafting, picnic sites, golfing, and guided natural and historic tours. The Jedediah Smith Memorial Trail, a 32-mile long trail for bicyclists, hikers and equestrians, parallels the American River and winds southwest from the City of Folsom to Downtown Sacramento. This trail was recognized as a national trail in 1974, and named the nation's No. 1 bike path for 2006.

The Sacramento area is home to the NBA Sacramento Kings professional basketball team. The franchise plays their home games at Power Balance Pavilion (formerly Arco Arena), a venue which also hosts numerous concerts and entertainment events throughout the year. However, the NBA has given Sacramento until March 2012 to develop a financing plan for a new arena, or face the possibility of the team being allowed to move to another city. The Sacramento RiverCats, the Oakland A's triple-A affiliate and reigning minor league attendance champions, play their home games at Raley Field in West Sacramento, located across the river from Downtown Sacramento. The Mountain Lions team of the new, professional United Football League commenced its inaugural season in Sacramento in September 2010. In addition to Sacramento's professional sports franchises, the Sacramento Sports Commission, a joint city-county advisory board, has been responsible for bringing a number of high profile sporting events to Sacramento, including the following: NCAA Men's and Women's Basketball Tournaments; NCAA Division I Track and Field Championships; U.S. Gymnastics Championships; U.S. Olympic Team Trials for Track and Field; NCAA Division I Women's Volleyball Championship; Pan Pacific Masters Games; AVP Volleyball Open; and, the Amgen Bicycle Tour of California. Other major events included for the first time the 2010 U.S. Masters Outdoor Track and Field Championship and the 2011 World Masters Athletics Track and Field Championship.

Cultural attractions in the City of Sacramento include the Crocker Art Museum, the longest continuously operating art museum in the West, founded in 1855, and it remains the leading art institution for the California Capital Region and Central Valley. The California State Railroad Museum located in Old Sacramento features 21 restored locomotives and cars, some dating back to 1862, illustrating railway's historic significance to the region in connecting California to the rest of the nation. Sacramento Community Center Theatre, the Music Circus at Wells Fargo Pavilion, Sacramento Ballet, Sacramento Opera, Sacramento Philharmonic Orchestra and numerous other performing arts venues and local art galleries add to the cultural community of Sacramento.

County Government

The County has a charter form of government. It is governed by a five-member Board of Supervisors elected on a non-partisan basis to serve staggered four-year terms. Other elected officials are the Assessor, District Attorney and Sheriff. A County Executive appointed by the Board of Supervisors is responsible for the day-to-day business of the County.

Services

The County is legally responsible to provide health and welfare, criminal justice and municipal services (including law enforcement), as well as other services to County residents. The County also provides many non-mandated services. Major services provided, and their respective funding models, include the following:

Airport System; self-supporting enterprise fund. The County Airport System provides for the planning, development and operation of public air transportation facilities serving Sacramento County and adjoining areas. The Airport System consists of Sacramento International Airport, which as of July 2011 had 13 passenger airlines and 2 all-cargo airlines, serving approximately 4.5 million enplaned passengers annually, Executive Airport and Franklin Field for general aviation and Mather Airport for air cargo and general aviation. In 2008, the Sacramento International Airport began construction of a Terminal Modernization Program to address future capacity needs through at least 2020, which will include a new 19-gate Concourse B (netting seven additional gates) and a new landside Terminal B. The new facilities are expected to be open and operational on October 6, 2011.

Animal Care and Regulation; mainly General Fund; some user fees. The Animal Care and Regulation Department operates the County Animal Shelter, issues dog and cat licenses, and offers spayed and neutered dogs and cats for adoption. The Department also picks up stray, injured or dead animals and provides low-cost rabies vaccinations.

Criminal Justice; General Fund. The Sheriff provides law enforcement services to the unincorporated area of the County. In addition to general prosecution, the District Attorney provides consumer fraud prosecution, and operates a crime lab which locates and analyzes evidence from crime scenes. The County also operates various correctional facilities, and the County Probation Department supervises adult and juvenile offenders granted probation and operates and maintains the Juvenile Hall and several other juvenile facilities and programs. The State has assumed responsibility for court facilities, and the County has transferred all court facilities to the State.

Health and Welfare; mainly State and federal-supported; some discretionary General Fund. Under State law, the County is required to administer federal and state health and welfare programs, and to satisfy a portion of their costs with local revenues such as sales and property taxes. Health services are dispensed through health centers and neighborhood clinics. Under State law, counties have the responsibility to provide a variety of health programs. In addition, the County provides public health, immunization and environmental services. These services are located in both County facilities and a network of private providers under contract. However, the County does not own or operate a County hospital. The County contracts with Mercy, Sutter and San Joaquin hospitals for indigent medical care. The County General Fund is the sole support for payments under these agreements, and during FY 2008-09 experienced higher than anticipated costs, payment of which has not yet been resolved. On November 19, 2009, the Regents of the University of California on behalf of its University of California, Davis Health System ("UCD") filed a legal action against the County for breach of contract and for a Peremptory Writ of Mandate seeking reimbursement for the provision of health care to portions of the County's indigent population. This action is more fully discussed under the heading "COUNTY FINANCIAL INFORMATION-Additional Financial Risk" herein.

Property Tax System; General Fund and service fees from other local agencies. The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes and distribution of taxes to cities, community redevelopment agencies, special districts, local school districts, and the County itself.

Regional Parks; General Fund. The County Regional Parks Department operates and maintains approximately 11,000 acres of parks, including the American River Parkway, Dry Creek Parkway, Mather Regional Park, Effie Yeaw Nature Center and other historic and natural sites, as well as managing a golf program that includes four regional golf facilities.

Transportation; Gasoline tax, Development Fees, State and federal funds. The County Transportation Department provides planning, design, construction and ongoing maintenance for all street improvements located in the unincorporated area of the County, including lighting, landscaping and signals.

Waste Management and Recycling; self-supporting enterprise fund. The County Waste Management and Recycling Department is responsible for maintaining a waste management system for residents and businesses in the unincorporated areas. Services include garbage and recycling collection services for single-family and duplex homes, and operation of the Kiefer Landfill in the eastern portion of the County and the North Area Recovery Station in North Highlands.

Water Supply and Drainage; self-supporting enterprise fund, stormwater utility fees and development impact fees. The County Water Resources Department provides services within the unincorporated areas of the County, as well as the cities of Citrus Heights and Rancho Cordova. Services include drainage and water supply planning, capital construction and maintenance; rain and creek level information; regulation and permits; administering the County's flood insurance program; and, stormwater management.

Services Provided by Other Public Entities. Within the County, some services are provided by non-County government entities, with members of the elected Board of Supervisors participating in the governing bodies, including the following: Library services are provided by the Sacramento Library Authority; sewer treatment and collection services are provided by the Sacramento Regional County Sanitation District and Sacramento Area Sewer District, respectively; and, transit services are provided by Sacramento Regional Transit District which operates bus and light rail systems.

County Employees

The following is a summary of County permanent positions for FY 2004-05 through FY 2011-12.

County of Sacramento Full-Time Equivalent Positions
FY 2004-05 to FY 2011-12

FY Final Budget	Full-Time Equivalent (FTE) Permanent Positions
2004-05	14,285.2
2005-06	14,471.8
2006-07	14,585.9
2007-08	14,513.0
2008-09	14,271.4
2009-10	12,571.9
2010-11	11,513.4
2011-12	11,250.3

Source: County Approved Budgets; FY 2011-12 from County Recommended Budget

The County has twenty-nine recognized bargaining units, representing approximately 98% of the County workforce. Five of the County's recognized bargaining units (representing 2,555) have agreements that are in place through June 2014, twenty-one bargaining units (representing 7,402) have agreements that are in place through June 2013, one bargaining unit (representing 477) has an agreement in place through June 2012 and two are new bargaining units (representing 634) that were recognized July 1, 2011, and are in negotiations.

The majority of the labor agreements include no cost of living increases for the next two years (through June 2013), with the exception of the Sheriff and Probation Department agreements approved in July 2009 and August 2010. In addition, all of the agreements now in place permit implementation of a new retirement tier for newly-hired employees that will decrease County costs in future years (estimated to be implemented in November 2011), and most have provisions for no County assistance in payment of retiree health and dental insurance premiums.

The County began reducing its workforce in FY 2007-08, and since that time has eliminated approximately 3,300 funded positions, or approximately 22% of the previous full-time equivalent positions, with the largest number of reductions (2,550) within General Fund departments. Of the 3,300 positions eliminated, approximately 1,375 resulted in employee layoffs, with the remainder being the elimination of vacant positions, most of which were purposely held vacant in anticipation of budget reductions. In addition, the County has eliminated hundreds of full-time equivalent contract and temporary workers. See "COUNTY FINANCIAL INFORMATION-FY 2011-12 Budget" herein.

Retirement Plan

The County's defined benefit pension plan, Sacramento County Employees' Retirement System (SCERS), covers substantially all of its employees. The plan provides death, disability and service retirement benefits based on specified percentages of final average salary and, in addition, provides most members annual cost-of-living adjustments after retirement.

This Appendix A includes a general description of SCERS, the pension benefits available to County employees, the funding status of SCERS, required County annual contributions to SCERS and other information relating to SCERS and the County's obligation to SCERS. See "SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM" herein.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Development Incentive Program

The attraction of employers, capital investment and high value jobs, as well as the expansion and retention of existing businesses, is important to the prosperity and quality of life within the County. The County's economic development incentive program offers a mix of the following, applied on a case-by-case basis: 1) rebate of unsecured property taxes for a fixed number of years; 2) rebate of utility user taxes in excess of a set base amount; 3) rebate of sales tax in excess of a set base amount; 4) fee deferrals; 5) sewer credits; 6) exempt financing through industrial development bonds and other programs; 7) facilitated permit processing; 8) tax increment financing; and 9) other applicable incentives as appropriate. The County has three State-designated Enterprise Zones and two LAMBRA (Local Agency Military Base Recovery Areas), which provide significant incentives for businesses within their respective boundaries. These benefits include loss carryovers, accelerated depreciation of equipment, sales tax rebates on qualified equipment purchases, preference on state contracts and hiring tax credits.

Incentives are designed to avoid negative impact on existing revenue, in that the criteria apply to new or expanding operations and are available to offset significant private investment directly related to a long-term commitment to the area. The success of the overall incentive program is measured by the private capital investment for qualified projects, the direct creation of jobs, the generation of utility, property and sales taxes, and the attraction of support businesses, as well as indirect benefits to the economy from increased employment and investment. The County Economic Development Division is primarily responsible for developing and implementing this program.

Economic Development Accomplishments

Over the last ten years, the former McClellan Air Force Base has been redeveloped into McClellan Business Park, which contains approximately 10 million square feet of leasable building space, 70 percent of which currently has been leased. More than 14,500 employees representing 275 diverse private and public tenants work at McClellan Business Park, predominantly in manufacturing industries. Extensive infrastructure improvements designed to support future growth and redevelopment are moving forward, including the installation of a new sanitary sewer system, roadway projects and a more efficient stormwater drainage system. Redevelopment in McClellan Business Park is guided by a Reuse Plan created with extensive public input and Air Force participation. McClellan Business Park is the result of a public/private partnership involving the County, McClellan Business Park (the master developer), the U.S. Air Force, environmental regulators, an involved local community and supportive elected officials. At build-out, projected for 2020, 34,000 employees are anticipated to be working at McClellan Business Park.

The former Mather Air Force Base, now known as Mather Field, also continues to be redeveloped. The site now includes Mather Commerce Center (a business center for office uses) and Mather Airport (the air cargo hub of the region whose tenants include United Parcel Service). Other uses include the Governor's Office of Emergency Services Headquarters, the Sacramento Veterans Medical Center, the Mather Sports Center and the Mather Community Campus (a residential transitional housing site providing training, employment and housing for homeless individuals and families). In addition, the former base now includes a private residential development called Independence at Mather with approximately 1,300 new homes, and Mather Regional Park with an 18-hole golf course. At the time the base closure was announced in 1988 there were approximately 1,000 civilian employees working at Mather Air Force Base. Mather Field now has an estimated 50 tenants with approximately 4,500 employees, and public and private sector growth is expected to continue. In addition, the County has entered into an agreement to sell approximately 630 acres of developable land to Mather South LLC to develop a mixed use development. Entitlements are in the development process and are expected to take approximately three years.

Siemens Transportation Systems, Inc., (STS) a subsidiary of German industrial conglomerate Siemens AG is responsible for manufacturing 33% of all light rail cars operating in North America, and over the past three years has garnered 60% of North America's new business. STS is investing approximately $41 million to expand its manufacturing facility in the County, which is expected to be certified LEED Silver (meets Leadership in Energy and Environmental Standards for high energy efficiency). In addition, the company is planning a second round of expansion activity to support existing contracts and target new opportunities in high-speed rail that is anticipated to ultimately result in 350 or more new jobs. STS has also acquired 20 additional acres north of the expansion site to accommodate expected production demands worldwide. In 2011 Siemens secured three new contracts including a significant Amtrak contract to construct new cars for the US Northeast corridor routes.

Tesco Controls, Inc., a manufacturer of electronic signal control devices, has invested in a new headquarters and manufacturing facility in the County to support its growing business, with a new 12 acre facility supporting over 250 manufacturing and engineering employees in 2010, that will also accommodate future growth in Tesco's electrical utility panels manufacturing operation for traffic and water controls.

The County has three Property and Business Improvement Districts (PBIDs) located within the unincorporated area within four defined commercial corridors. Within each PBID property owners vote to impose an assessment on property, the proceeds of which are used to provide services that benefit the district. Chief among these services are marketing and public relations efforts, road and transit improvements, undergrounding of utilities, increased security, zoning code education, district clean-up and landscaped road medians. These improve the business environment and result in increased employment and revenue generation for the County. Working in partnership, the PBIDs and the County have used the over $7 million assessed in the last ten years to leverage approximately $25 million in infrastructure improvements, which have spurred over $130 million in private sector investment.

In the past year the news related to automobile sales has improved. The County has seen the addition of one new dealership, and there are two significant expansions underway that are expected to be completed in October of 2011. There are also two dealerships that have submitted building permit packages with construction expected to be completed in 2012. Auto sales continue to improve on a year-over-year comparison, but are still below historical averages.

The County is participating with a regional collaborative effort, Metro Pulse, to assist existing businesses succeed and grow. This effort is being coordinated by the Sacramento Metro Chamber of Commerce, and strategic partners include the counties of Sacramento, El Dorado, Placer and Yolo, and the cities of Sacramento, Folsom, Rancho Cordova, Roseville, West Sacramento and Lincoln, as well as the Los Rios Community College District, the Sacramento Municipal Utility District and the Sacramento Employment and Training Agency.

The Sacramento Training and Response Team (START), a consortium of more than 20 regional economic development, business, labor and government organizations, as well as employment and training specialists, was established over ten years ago to assist companies in recruiting and hiring qualified employees. START has been a major part of the region's efforts in attracting companies, and is the first and only one of its kind in the State. The Sacramento Employment and Training Agency is the coordinating agency of the START program, and has received a majority of the $10 million dollars in federal stimulus funds it expected during the last two years to develop the County's workforce.

Current Economic Development Activity

The County continues to take proactive measures to attract, maintain and expand business in the unincorporated area. Notable accomplishments include the designation of an expanded Enterprise Zone with jurisdictional partners City of Rancho Cordova and City of Sacramento. The zone provides economic and financial incentives for companies to locate and expand in the unincorporated area. The County's focus on sustainable businesses resulted in the attraction of Zeta Communities, a builder of modular, zero energy homes which began production in 2010, and has recently added 40 new manufacturing jobs onsite and is employing over 100 individuals.

The County continues to attract light manufacturing companies including US Foods and N Solar. US Foods is expected to begin construction in spring of 2012 of a 500,000 square foot facility that will ultimately provide over 450 jobs when complete. N Solar's facility is under construction and it is expected to take possession of its new manufacturing facility in the first quarter of 2012, with the first phases employing approximately 130 people.

Raging Wire is expanding its data center, doubling its capacity and creating a 400,000 square foot campus with over $55 million invested to meet continuing demand from their corporate clients. The expansion is anticipated to add 25 new employees to the company in 2011.

The County is actively recruiting businesses that are in the final stage of site selection. These include multiple manufacturing and distribution companies in final lease negotiations for over 575,000 square feet of new and existing space that is anticipated to add significant investment and employment.

Population

Sacramento County currently has seven incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento, with 33% of the County's population living in the City of Sacramento.

Sacramento County Breakdown of Population/Percent Increase

Area	1970	1980	1990	2000	2010	2011
Cities:						
Citrus Heights	---	---	---	85,071	83,267	83,618
Elk Grove	---	---	---	---	152,925	154,954
Folsom	5,810	11,003	29,802	51,884	72,201	72,439
Galt	3,200	5,514	8,889	19,472	23,641	23,767
Isleton	909	914	833	828	804	808
Rancho Cordova	---	---	---	---	64,413	65,502
Sacramento	257,105	275,741	369,365	407,018	466,279	469,566
Unincorporated Area:	367,349	409,209	632,330	659,226	553,529	558,601
Total:	634,373	783,381	1,041,219	1,223,499	1,417,059	1,429,255
% Increase over prior period:		**23.49%**	**32.84%**	**17.50%**	**15.82%**	**<1.00%**
State Population:	19,935,134	23,782,000	29,828,496	34,095,209	37,223,900	37,510,766
% Increase over prior period:		**19.30%**	**25.42%**	**14.30%**	**9.17%**	**<1.00%**

Sources: U.S. Census Bureau; 2011 from California Department of Finance.

Industry and Employment

Three major job categories comprised 71% of the Sacramento Metropolitan Statistical Area (SMSA) work force during 2010: services (33%), government (26%), and wholesale/retail trade (12%), based on seasonally unadjusted December 2010 statistics, as summarized in the following table. The SMSA unemployment rate (not seasonally adjusted) as of July 2011 was at 12.5%, compared to the Statewide average of 12.4%; a slight decrease from the July 2010 SMSA rate (not seasonally adjusted) of 12.7%.

Sacramento Metropolitan Statistical Area Labor Market Survey
Calendar Years 2006 to 2010
(Amounts Expressed in Thousands)

Industry	2006	2007	2008	2009	2010
Mining	0.7	0.8	0.8	0.5	0.5
Construction	67.1	64.3	57.3	38.1	33.4
Manufacturing-Nondurable goods	12.9	12.0	11.9	11.6	11.3
Manufacturing-Durable goods	28.9	27.5	26.0	21.7	21.9
Transportation, Warehousing & Public Utilities	26.3	26.4	26.5	23.4	23.3
Information	20.4	20.2	19.1	18.1	16.7
Wholesale Trade	28.4	28.1	27.4	23.2	22.4
Retail Trade	105.2	103.8	97.8	89.2	87.7
Finance, Insurance, Real Estate	86.6	85.5	81.3	72.4	80.9
Services	332.6	338.7	337.7	305.3	298.2
Government	232.7	237.6	238.9	235.1	235.6
Agriculture	6.9	7.3	8.3	8.4	7.5
Other	53.6	51.2	56.6	67.6	63.8
Total:	**1,002.3**	**1,003.4**	**989.6**	**914.6**	**903.2**

Source: California State Employment Development Department; not seasonally adjusted; as of each end-December.

Major Employers

Major private sector employers in the Sacramento Metropolitan Statistical Area, their type of business and their number of full-time equivalent (FTE) employees in 2010, and major public sector employers in the County of Sacramento only, are detailed in the following two tables.

Major Private Sector Employers 2010

Company	Type of Business	No. of FTE Employees
Wells Fargo	Financial Services	11,898
Kaiser Permanente	Health Care	9,932
Sutter Health	Health Care	9,609
Mercy/Catholic Healthcare West	Health Care	7,107
Intel Corporation	Semiconductor Manufacturer	6,147
Hewlett-Packard	Computer Hardware Manufacturer	3,500
Health Net Inc.	Health Care	2,440
Cache Creek Casino Resort	Leisure & Hospitality	2,376
Pacific Gas & Electric	Natural Gas and Electric Utility	2,060
Thunder Valley Casino Resort	Leisure & Hospitality	2,025

Source: Sacramento Business Journal; as of December 2010.

Major Public Sector Employers-Sacramento County Only 2010

Company	Number of FTE Positions
State of California	73,243
Sacramento County	11,260
UC Davis Health System	8,500
Elk Grove Unified School District	6,391
Sacramento Municipal Utility District	5,057
San Juan Unified School District	4,900
Sacramento City Unified School District	4,500
Los Rios Community College District	4,450
City of Sacramento	4,374
California State University Sacramento	2,386
Folsom Cordova Unified School District	1,850

Source: Sacramento Business Journal Annual 2010 Book of Lists; as of July 2010.

Taxable Transactions Activity

Commercial activity contributes to the County's unincorporated area economy. Since 2005 total taxable sales have declined approximately 23%. The County is projecting for budget purposes for FY 2011-12 that sales tax revenues will increase by approximately 5.7% over FY 2010-11 actual revenues, mainly due to the County sharing in an increase in a Statewide sales tax pool commonly known as "triple-flip" payments from the State. In addition, the County receives sales tax-based revenues from a share of Statewide pools in the form of Proposition 172 half-cent sales tax dedicated to public protection activities, and Realignment revenues dedicated to social services programs. See "COUNTY FINANCIAL INFORMATION" herein.

SACRAMENTO COUNTY UNINCORPORATED AREA
Total Taxable Transactions Calendar Year 2004 through 2010
(Amounts Expressed in Thousands)

Category	2004	2005	2006	2007	2008
Apparel Stores	$160,128	$180,560	$185,423	$179,919	$164,575
General Merchandise Stores	578,989	607,700	630,673	609,932	617,280
Specialty Stores	907,190	1,025,843	1,022,243	1,054,431	883,809
Food Stores	339,642	351,710	361,808	373,952	368,161
Packaged Liquor Stores	47,175	48,465	47,924	48,014	47,953
Eating and Drinking Places	512,004	529,593	535,006	541,218	531,328
Home Furnishings, Appliances	324,171	310,709	253,430	215,511	170,718
Building Materials, Farm Implements	871,644	912,591	827,099	724,757	601,881
Service Stations	511,858	600,454	612,478	629,289	702,841
Automobile, Boat, Motorcycle, Plane Dealers and Parts Outlets	1,271,681	1,179,871	1,098,224	978,595	724,091
Total Retail Outlets:	**$5,524,482**	**$5,747,496**	**$5,574,308**	**$5,355,614**	**$4,812,637**
Business & Personal Services	146,100	146,495	141,485	141,968	128,435
All Other Outlets	1,172,110	1,313,343	1,423,891	1,251,543	1,471,656
Total All Outlets:	**$6,842,692**	**$7,207,334**	**$7,139,684**	**$6,749,129**	**$6,412,728**

Source: MuniServices LLC.

Data source changed in 2009 to The HdL Companies, changing the Category grouping as follows:

Category	2009	2010
Autos and Transportation	$942,614	$925,472
Building and Construction	742,477	667,999
Business and Industry	666,587	721,310
Food and Drugs	365,855	361,728
Fuel and Service Stations	720,859	807,266
General Consumer Goods	1,363,374	1,273,287
Restaurants and Hotels	519,606	510,538
Transfers/Adj/Other	2,134	(334)
Total:	**$5,323,506**	**$5,267,266**

Source: The HdL Companies

Construction Activity

The value of building permits issued in the County totaled $708,909,000 in 2010, a decrease of 6% from the prior year. The value of nonresidential building permits remained fairly constant from 2005 through 2007, spiking in 2008 with an almost 50% increase from 2007 levels, before falling in 2009 and 2010 by 60% from the 2008 level. The value of residential permits from 2005 to 2010 reflects a 81% decrease from the height of the housing market. The numbers of permits for new dwelling units issued each year from 2005 through 2010 reflect corresponding decreases.

SACRAMENTO COUNTY
Building Permit Valuations
Calendar Year 2005 through 2010
(Amounts Expressed in Thousands)

	2005	2006	2007	2008	2009	2010
Valuation:						
Residential	$2,050,782	$1,172,892	$961,888	$681,318	$396,103	$382,892
Nonresidential	527,308	592,330	600,632	897,092	356,605	356,017
Total:	**$2,578,090**	**$1,765,222**	**$1,562,520**	**$1,578,410**	**$752,708**	**$708,909**
New Dwelling Units:						
Single Family	7,168	3,677	2,764	1,692	754	630
Multiple Family	757	1,017	146	18	8	50
Total:	**7,925**	**4,694**	**2,910**	**1,710**	**762**	**680**

Source: Sacramento County Assessor's Office.

Housing Market

Until the recent economic downturn, particularly acute in the slowdown of the Sacramento area's housing market, the Assessor's Secured and Unsecured Tax Roll had been growing. Across the nation and the State, areas of more recent high growth in both value and numbers of new homes have experienced the highest rates of housing market-related stresses, and Sacramento is one of these areas. Historical growth rates of assessed values are reflected in the table below.

Historical Growth/(Decline)
in Assessed Valuation
FY 2004-05 to 2011-12

FY	Assessed Valuation Percent Change (Secured/Unsecured)
2004-05	+12.01%
2005-06	+14.72%
2006-07	+14.95%
2007-08	+9.57%
2008-09	+1.29%
2009-10	(7.05%)
2010-11	(0.92%)
2011-12 (est.)	(3.07%)

Source: County Assessor's Office

The estimated assessed valuation for FY 2011-12 reflects an estimated 3.07% decrease, equating to an estimated $6.9 million decrease from the prior year in the secured and unsecured portion of property tax revenues for the County's General Fund. At the time the FY 2011-12 Recommended Budget was approved by the Board of Supervisors in June 2011, property tax revenues were projected to be flat as compared to the prior year; however, since that time the County Assessor has projected an estimated 3.07% decrease in assessed valuation. Any change in property tax revenues, including this $6.9 million decrease and any offsetting increases in other property tax categories, will be addressed during FY 2011-12 Approved Budget hearings in September 2011. See "COUNTY FINANCIAL INFORMATION-Property Taxes" herein.

In Sacramento County the median home sale price for existing single family homes are approximately 50% lower than their peak in 2006, according to DataQuick Information Systems. Median home sales prices had basically leveled off, as illustrated by $177,000 in December 2008 to $178,000 in December 2009, and then saw a decrease again in 2010 to $169,000. The most recent information from DataQuick Information Systems shows a further decrease in the median home sale price in Sacramento County to $160,000 in June 2011. According to the Sacramento Association of Realtors, approximately 65% of the existing single family homes sold in June 2011 were distressed sales (i.e., foreclosures or short sales), which is basically unchanged on a percentage basis from June 2010, and a contributor to resale prices remaining low.

Proposition 8 generally provides for reductions in assessed valuations of properties to reflect current market values. Prop 8 value reductions are temporary, and once a property receives a Prop 8 reduction its value must be reviewed each year to determine whether the fair market value remains less than its Prop 13 base year value (typically the acquisition value) plus inflationary adjustments. The lower of these two values is the value used for property tax purposes. Pursuant to Proposition 8, the County Assessor reduced the assessed value of 57,862 properties in FY 2007-08, 90,199 properties in FY 2008-09, 176,524 properties in FY 2009-10 and 161,637 in FY 2010-11. For the FY 2011-12 tax roll the Assessor reviewed and reduced the assessed values of approximately 189,700 properties.

Notices of Default filings typically indicate that homeowners have missed mortgage payment(s), but do not necessarily result in a home foreclosure, as a default may be cured prior to actual foreclosure. The table below shows the history of Notices of Default and actual foreclosures over the last five years. More recent information shows Notices of Default for 2011 Quarter 2 at 3,397, a 16.1% decrease from 2010 Quarter 2; while foreclosures for 2011 Quarter 2 were 3,160, a 2.2% decrease from 2010 Quarter 2.

Summary of Default Notices and Foreclosures
Calendar Year 2006 through 2010

Calendar Year	Notices of Default	Increase/(Decrease) from Prior Year	Foreclosures	Increase/(Decrease) from Prior Year
2006	5,366		1,324	
2007	19,368	+260%	7,733	+484%
2008	25,836	+34%	17,772	+130%
2009	24,952	(3%)	12,587	(29%)
2010	17,941	(28%)	11,629	(8%)

Source: DataQuick Information Systems

Flood Protection

Flooding caused by river overflow or heavy rainfall could cause damage to a significant number of residences and businesses in the County. Normally, water is contained within the rivers, creeks, canals and adjacent levee systems, as well as Folsom Dam. During severe winter storms in the Sacramento area in 1986, 1997 and 2006, the American and Sacramento Rivers levee systems carried record volumes of water due to heavy rainfall of long duration. Although these storms caused some flooding in certain localized areas, mainly due to stresses on street drainage systems and local creeks, the major levee systems that protect properties in the Sacramento area from disaster withstood the record water flows.

However, in June 2006, the United States Army Corps of Engineers (the "Corps") stated that, primarily because of underseepage, levees in the Natomas Basin area of the County (which contains a large number of homes and commercial establishments, as well as the Sacramento International Airport) were no longer certifiable for a 100 year flood event (i.e., a flood event that has a 1% chance of occurrence in any year). In December 2006, the Federal Emergency Management Agency ("FEMA") notified the City of Sacramento and the County that it planned to revise the existing Flood Insurance Rate Map resulting in the entire Natomas Basin being placed within a regulatory Special Flood Hazard Area (an area where National Flood Insurance Program floodplain management regulations must be enforced and where mandatory purchase of flood insurance applies).

In October 2007, the County, the City of Sacramento and the Sacramento Area Flood Control Agency (SAFCA) requested that FEMA clarify whether the Natomas basin levee system might qualify as a previously accredited system that is in the process of being restored thus entitling the land use authorities to greater flexibility in managing new development in the area. In response, FEMA sought advice from the Corps. In January 2008, the Corps completed a preliminary analysis and concluded that the Natomas basin levee system did not meet FEMA's 3% annual flood event certification requirements for such a restoration zone designation. As a result, FEMA could no longer support accreditation of the Natomas levees and new Flood Insurance Rate Maps became effective on December 8, 2008 which effectively halted new development in the basin and triggered mandatory flood insurance obligations in the Natomas basin.

Federal, state and local agencies have established goals and developed plans to restore 100-year protection in Natomas and ultimately provide 200-year protection throughout the County. SAFCA, a joint powers agency of the City of Sacramento, County of Sacramento, the Sacramento County Water Agency, County of Sutter, the Sutter County Water Agency, American River Flood Control District and Reclamation District 1000, is the local agency that works with local communities and agencies to implement the plans. SAFCA's mission is to provide the region with at least a 100-year level of protection as quickly as possible, while seeking a 200-year or greater level of protection over time. Achieving 200-year flood protection throughout the Sacramento region is estimated to cost in excess of $2.5 billion in levee and Folsom Dam improvements, with federal, state and local (SAFCA) cost sharing. Local support for these efforts is demonstrated by property owner approval in April 2007 of an increased SAFCA assessment, approved by an 81.8% affirmative vote and an increase in the assessment paid by property owners in the Natomas basin in 2011 by an 83% affirmative vote.

SAFCA, with the California Department of Water Resources and the Corps, embarked upon the Natomas Levee Improvement Program as well as other major improvements to the Folsom Dam. The goal of the flood control project for the Natomas Basin is to provide a minimum of 200-year protection to the Basin. This goal is consistent with the State Plan of Flood Control which also states the 200-year flood protection is required for urban areas. As flood control improvements are advanced around the basin, the regulatory flood zone designation will be updated to reflect improvements to the levee system.

In a separate action, FEMA has been undertaking the Map Modernization program which intends to create digital, contiguous, up-to-date Flood Insurance Rate Maps which will seamlessly map the floodplain (for insurance purposes) across all jurisdictions within the County. As a requirement of this program, FEMA requested every levee maintaining agency within the County to demonstrate that any existing levees which currently are shown on FEMA maps to provide 100-year protection, but for which FEMA did not have recent information supporting the certification, be recertified by the responsible agencies. The inability to provide adequate information to recertify the levee would result in the areas behind these levees being mapped back into the 100-year floodplain. This affects primarily areas of the Delta in southern Sacramento County and some small areas in the existing urbanized County. FEMA made draft maps public July 2011, with final maps expected to become effective May 2012.

Transportation

The County's location and transportation network have contributed to the County's economic growth. The County is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. Highway 50 carries traffic from Sacramento to the Lake Tahoe Area. Interstate 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. California State Highway 99 parallels Interstate 5 through central California and passes through Sacramento.

Transcontinental and intrastate freight rail service is provided by the Union Pacific Railroad. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and Sacramento Regional Transit. Regional Transit also operates an approximately 37-mile light rail system.

The Port of Sacramento provides direct ocean freight service to all major United States and world ports, shipping approximately 870,000 tons of cargo annually. It is a deep-water ship channel, located 79 nautical miles northeast of San Francisco. The three major rail links serving Sacramento connect with the Port, and Interstate 80 and Interstate 5 are immediately adjacent to the Port.

The County Airport System provides for the planning, development and operation of public air transportation facilities serving Sacramento County and adjoining areas. The Airport System consists of Sacramento International Airport, which as of July 2011 had 13 passenger airlines and 2 all-cargo airlines, serving approximately 4.5 million enplaned passengers annually, Executive Airport and Franklin Field for general aviation and Mather Airport for air cargo and general aviation. In 2008, the Sacramento International Airport began construction of a Terminal Modernization Program to address future capacity needs through at least 2020, which will include a new 19-gate Concourse B (netting seven additional gates) and a new landside Terminal B. The new facilities are expected to be operational in October 2011.

Sacramento County voters passed a ballot measure in November of 1988 providing for collection of an additional 1/2 cent sales tax to be used exclusively for transportation and air quality projects. Ballot language specified formula distribution: (1) for the cities and unincorporated area of the County; (2) for projects to reduce air pollution; and (3) for mass transit improvements. The original expiration date for the additional 1/2 cent sales tax was 2009, but in 2004 the County voters approved, by 75.29%, extending this 1/2 cent sales tax for an additional 30 years to 2039.

Agriculture

According to the annual Sacramento County Crop & Livestock Report published by the County Agricultural Commissioner, the total Sacramento County crop production for 2009 was $348,581,000, representing a 3% reduction from 2008 values, and is the second year in a row of modest reductions, down $9.7 million from the previous year and $16.3 million from the record highs in 2007. The top two crop production values in the County during 2009 were wine grapes and milk production. The County continues to lead the state in Bartlett Pear production.

Education

The Sacramento region benefits from a network of over 700 public and private elementary to high schools educating approximately 400,000 students. Sacramento County alone has numerous public school districts with approximately 385 schools serving an estimated 240,000 students within the K-12 level.

The Los Rios Community College District serves the majority of Sacramento County, as well as portions of El Dorado, Placer, Yolo and Solano Counties, with four main campuses enrolling over 85,000 students. The four campuses are: American River College, Sacramento City College, Cosumnes River College, and Folsom Lake College. Sierra College also serves the area with an enrollment of approximately 21,000, as well as Yuba College with an enrollment of approximately 11,000. Schools offering vocational education include Carrington College, Anthem College, Heald College, ITT Technical Institute, and WyoTech.

In the Sacramento area roughly 29% of the adult population has a Bachelor’s degree or higher, compared to 27% nationwide and 29% Statewide. Higher education is available from a variety of institutions throughout the area. Primary among these institutions are the University of California, Davis (UCD), and California State University, Sacramento (CSUS).

UCD offers four colleges, six professional schools, more than 100 academic majors and 90 graduate programs, serving 32,000 students. UCD Health System is one of five health systems within the University of California, and is an integrated, academic health system consisting of the UCD School of Medicine, the 577-bed, acute-care hospital and clinical services of UCD Medical Center, and the 800-

member physician group known as UCD Medical Group. The UCD Health System also includes a National Cancer Institute-designated cancer center, a comprehensive children's hospital and a Level I trauma center. UCD currently ranks sixth among U.S. universities based on contributions to society (Washington Monthly) and tenth in research spending among public universities nationwide (National Research Council). It is one of sixty-three North American universities admitted into the prestigious Association of American Universities, and U.S. News & World Report ranks UCD as ninth among public universities nationwide. CSUS enrolls 29,000 undergraduate and graduate students, and graduates approximately 6,000 students each year. The university has an annual economic impact on the region of nearly $930 million and 16,000 jobs. CSUS has one of the largest cooperative education programs in California, placing students in paid positions where they receive academic credit. Hundreds of other students serve internships in business and government, and a third of CSUS students work as volunteers, many through a service learning project in class, gaining valuable work experience while helping their community. CSUS also has a number of programs that serve the community including the Center for Small Business, the Office of Water Progams, the Center for Collaborative Policy, the Institute for Social Research and the Community Engagement Center.

The region also has a number of branches of private colleges headquartered outside the Sacramento region, including National University, University of San Francisco, University of Southern California and Drexel University Center for Graduate Studies. Two major law schools are the University of the Pacific McGeorge School of Law, recognized as a leader in the field of law education, and the UC Davis School of Law. A recent new additions to the region is Drexel University.

COUNTY FINANCIAL INFORMATION

Budgeting Procedures

The County is required by State law to adopt a final balanced budget by October 2nd of each year. For FY 2011-12 the County held budget hearings and approved a CEO Recommended Budget in June 2011, which is required to authorize the County Auditor to pay claims and issue warrants until an Adopted Budget is adopted. Adopted Budget hearings are scheduled for September 2011, and it is expected that an Adopted Budget will be approved by October 2, 2011, with related hearings and actions to implement operating expenditure reductions.

The County routinely monitors whether or not budget projections are remaining in line with actual revenues and expenditures to ensure that the budget remains in balance throughout the fiscal year. Mid-Year budget hearings were not required for FY 2010-11 to address issues of imbalance between budgeted revenues and expenditures and year-end anticipated revenues and expenditures.

General Fund Budget

The County's current revenue challenges are, in large part, a reflection of a downturn in the economy, generally attributable to the slumping housing market and increasing unemployment, which has reduced property taxes and sales tax-based revenues, the main sources of discretionary County revenues. Approximately 65% of the County General Fund's revenues that are funding its $1.9 billion CEO Recommended General Fund Budget for FY 2011-12 are from federal and state revenue sources dedicated to special purposes for specific programs. Other General Fund revenue sources totaling approximately $205 million are also dedicated to specific programs, leaving approximately $460 million in General Fund revenues available for discretionary uses in FY 2011-12. The table below shows the history of the County's General Fund general purpose, or discretionary, revenues, starting from its high point in FY 2007-08, and illustrating how the discretionary revenues fell beginning in FY 2008-09 through FY 2010-11, and then began increasing slightly in FY 2011-12 by 0.67%.

General Fund General Purpose (Discretionary) Revenues
FYs 2007-08 to 2011-12

Description	2007-08 Actuals	2008-09 Actuals	2009-10 Actuals	2010-11 Actuals	2011-12 Budget
Property Tax (incl. in lieu of VLF) (1)	$388,600,632	$394,397,435	$350,847,689	$334,658,942	$334,961,522
Sales Tax (incl. "triple-flip")	80,689,472	68,839,817	57,978,759	58,995,161	62,356,020
Utility User Tax	15,395,949	16,891,373	16,017,827	16,996,428	16,050,000
Fines and Penalties	15,321,323	13,994,079	13,250,512	14,236,685	16,587,836
Revenue Neutrality Payments	15,090,504	17,433,504	16,780,067	16,163,028	16,197,429
Franchise Fees	3,917,284	3,996,053	5,166,069	5,195,612	5,074,500
Other Revenues	8,507,792	11,160,446	11,503,042	10,535,742	8,609,054
Total:	**$527,522,956**	**$526,712,707**	**$471,543,965**	**$456,781,598**	**$459,836,361**
Increase/(Decrease)		(810,249)	(55,168,742)	(14,762,367)	3,054,763
% Increase/(Decrease)		-0.15%	-10.47%	-3.13%	0.67%

(1) FY 2011-12 Property Taxes are budgeted to increase slightly, with the 3.07% reduction in assessed valuation applicable to Current Secured and Unsecured Property Taxes offset by increase in other Property Tax categories (delinquency collection, supplemental, transfer tax)

The expenditure challenges that the County has faced over the last several years have been mainly related to contracted salaries and benefits, increasing debt service payments on Pension Obligation Bonds (POB), and increased indigent and social services-related costs due to the current economic downturn. For example, POB annual debt service has increased incrementally each year from $21 million in FY 2005-

06, to its current FY 2011-12 level of $104 million, of which approximately 75% is paid from General Fund funds and 25% paid from County enterprise and other funds. One of the main objectives of this POB refunding transaction is to make future annual POB debt service payment obligations more level. The County has not budgeted for automatic “across-the-board” increases in program costs such as services and supplies, but has been including salaries and benefits cost increases already agreed to in negotiated bargaining agreements.

As in previous years, the County has not been backfilling with County General Fund revenues any 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.

In addition, the County has always met its obligation under all of its General Fund-supported certificates of participation and pension obligation bonds to set aside outside of the General Fund, by July 31 of each fiscal year, the total amount of debt service that will come due in that fiscal year and the following July of the subsequent fiscal year.

The County has continued to decrease the amount and percentage of the use of one-time resources to close its General Fund budget gaps over the last four years, as illustrated in the below table.

Fiscal Year	Budget Gap Identified at CEO Recommended Budget Hearings	One-Time Resources Used (including Interfund Transfers)	% One-Time Used to Close Gap	Approved Budget Total Sources (1)	% One-Time Used in Approved Budget as Funding Source
2008-09	$123.7M	$103M	83%	$2.18B	4.7%
2009-10	$187.0M	$80.2M	43%	$1.99B	4.0%
2010-11	$181.1M	$30.0M	17%	$1.95B	1.5%
2011-12	$90.4M	$19.3M	21%	$1.90B	1.0%

(1) FY 2011-12 Budget Total in Approved CEO Recommended Budget from June 2011; other years are Adopted Budgets from September

FY 2011-12 CEO Recommended Budget Hearings

The County Executive identified a FY 2011-12 budget gap of $90.4 million, consisting of the following items: $30 million in one-time resources used in FY 2010-11; $20 million in salaries and benefits costs consisting of previously agreed upon labor expenditure increases and increases in retirement and group insurance rates; $19.4 million in department reductions mainly attributable to a planned repayment of $15.5 million by departments for previous years’ Interfund transfers to the General Fund; and, $21 million in State funding mainly for social services programs.

The Board addressed the gap and approved a balanced FY 2011-12 CEO Recommended Budget in June 2011 by taking the following actions:

- $39.9 million in expenditure reductions/cost increase avoidance through program reductions in virtually all General Fund departments
- $21 million in CalWorks program reductions as a direct result of $21 million in reduced State funding for these programs

- $19.3 million use of one-time resources consisting of interest earnings on various debt service funds and the redirection of funds formerly reserved for capital projects but legally available to support operating costs
- $10.2 million deferral of General Fund repayment of previous years' Interfund transfers

The County's FY 2011-11 CEO Recommended Budget for the General Fund reflects an appropriation reduction from FY 2010-11 Adopted Budget of approximately $68.4 million. The difference between the above-stated $90.4 million gap and the budget-to-budget appropriation reduction of $68.4 million represents in large part an avoidance of projected costs through program reductions. These program reductions included the elimination of approximately 263 permanent full-time equivalent positions, with the largest portion (186) within General Fund departments, resulting in approximately 168 employee layoffs.

FY 2011-12 Adopted Budget Hearings

As in previous years, the County's Adopted Budget hearings are held in September, at which time the County Executive recommends any adjustments required by State budget actions, and any adjustments required as a result of final FY 2010-11 fund balance. The County also continues to monitor and analyze local economic conditions and adjusts revenue projections, if necessary, during the September hearings. The County has identified the following changes and the CEO is recommending the following solutions to the following funding issues for the FY 2011-12 Adopted Budget hearings:

General Fund Discretionary Revenue Changes:	**Amount ($ millions)**
Property tax revenue decrease per 3.07% AV decrease FY 2011-12:	$(6.9)
VLF revenue increase "true up" received from State for previous year:	2.5
Teeter interest and penalties revenue increase:	1.0
Net carryover improvement in various other discretionary GF revenues:	1.0
Teeter reserve requirement decrease:	0.4
Sub-total discretionary GF revenue changes:	***$(2.0)***
Offset by General Fund Department-Specific Changes:	
Reduction in use allowance charged internally to public safety departments:	$7.6
Sheriff improved carryover and increased grants and fees:	6.0
Probation Dept. Prop 678 State revenue (adult probationers):	5.7
District Attorney settlement revenues:	5.2
Reduction in CEO Recommended Interfund Transfer payment:	3.5
General Services Internal Services Fund rebate of over-collections:	3.0
DHA carryover improved, increased State CalWorks funding, decreased State Child Care funds :	2.2
Other net carryover improvements in various GF departments:	1.9
NET GENERAL FUND INCREASE FY 2011-12 ADOPTED BUDGET:	**$33.1**

FY 2012-13 Preliminary Budget Gap Estimate

A very preliminary estimate of the upcoming FY 2012-13 budget gap is $43.8 million, consisting of the $19.3 million in one-time sources used in FY 2011-12, a $5.6 million increase in pension obligation bond debt service (as budgeted prior to proposed refunding), and an already agreed to salary and benefit increases of approximately $21.9 million beginning July 2012, partially offset by $3.0 million of other net planned decreases. This preliminary estimate assumes no material change in General Fund revenues, and that other expenditure, fund balance carryover and net Teeter reserve release are as currently projected.

County Workforce Reductions

The County began reducing its workforce in FY 2007-08, and since that time has eliminated approximately 3,300 funded positions, or approximately 22% of the previous full-time equivalent positions, with the largest number of reductions (2,550) within General Fund departments. Of the 3,300 positions eliminated, approximately 1,375 resulted in employee layoffs, with the remainder being the elimination of vacant positions, most of which were purposely held vacant in anticipation of budget reductions. In addition, the County has eliminated hundreds of full-time equivalent contract and temporary workers.

Interfund Transfers to the General Fund

During FY 2008-09 the County General Fund was supported, in part, by $48.5 million in Interfund Transfers from non-General Fund departments; in FY 2009-10 another $11.2 million in Interfund Transfers supported the General Fund; and in FY 2010-11 an additional $18 million in Interfund Transfers supported the General Fund; for a total Interfund Transfers of $77.6 million. During FY 2010-11 $3.0 million of this amount was repaid by the General Fund, and the Board has approved that in FY 2011-12 another $3.5 million will be repaid, leaving a balance of $71.1 million. The County originally anticipated repayment of the Interfund Transfers on a regular schedule, over five years, beginning in FY 2010-11. Instead, the Board adopted a policy in June 2011 that the General Fund will return the outstanding Interfund Transfer amount as general purpose revenues improve, in an amount up to $10 million annually, but only after meeting its obligations under memorandas of understanding between the County and its labor organizations and all legal obligations. See "COUNTY FINANCIAL INFORMATION-County General Fund; Fund Balances" herein.

Additional Financial Risk

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

The Petition contains several causes of action which involve breach of contract and declaratory relief. In regard to the declaratory relief action, UCD requests the Court issue a writ of mandate to compel the County to comply with the mandates of California Welfare and Institutions Code sections 10000, 17000, and 17001, its own County Medically Indigent Services Program (CMISP) standards, and other applicable law. UCD alleges that the County must provide free medical care to all indigents by accepting, processing, approving, and paying all previously denied, pending and future CMISP eligibility applications from, and claims for emergency services rendered to, residents who meet County CMISP eligibility criteria regardless of the identity of the specific hospital where they received or will receive emergency services and/or the existence of lack of contract between the County and that hospital.

Section 17000 of the California Welfare and Institutions Code requires the County to provide medical care to medically indigent adults who do not qualify for the categorical Medi-Cal program but have no resources to pay for necessary medical care. In addition, the County is required to provide medical services to juveniles and adults incarcerated in County detention facilities. The CMISP is administered by the Department of Health and Human Services (DHHS) Primary Health Services Division. Medical services to incarcerated juveniles and adults are provided through the Correctional Health Services Division of the Sheriff's Department.

The County contracts with local hospitals (Mercy, Sutter and San Joaquin) for outpatient specialists to provide access to a wide range of non-primary care specialty medical services and diagnostics. These include outpatient emergency, specialty diagnostic and surgery, and hospital inpatient services that are not available from County-operated medical facilities to serve the County's target populations.

Until recently, most emergency room and inpatient services were provided through the County's contract with UCD. In June 2008, DHHS sought and obtained approval from the Board of Supervisors of an agreement with Benefit & Risk Management Services (BRMS) for medical services claims processing and Preferred Provider Organization (PPO) Network Access for medical care purchased by the County for its eligible population. The BRMS agreement replaced the previous County agreement with UCD which provided inpatient and outpatient last resort services.

The agreement with BRMS was for a term from July 1, 2008 through June 30, 2011. Under the agreement, BRMS would provide third party administrator services and access to medical services for medically indigent adults, incarcerated adults and juveniles and psychiatric inpatients ("target population"). Pursuant to the terms of the contract, BRMS was required to provide timely access to a commercial PPO network offering a wide range of credentialed providers, non-primary care specialty medical services and diagnostics, including outpatient emergency, specialty diagnostic and surgery, and hospital inpatient services that are not available from County-operated medical facilities. The contract also required BRMS to process medical claims that the County authorized for services performed by the PPO network providers and assist in collection of health care utilization and cost data to support the County's management of health care service purchasing and reporting.

The Board of Supervisors approved a maximum total contract payment to BRMS of $36,646,138 for FY 2008-09, $38,785,922 for FY 2009-10, and $41,885,303 for FY 2010-11 (total contract price of $117,317,363). The contract with BRMS did not establish a rate schedule for any particular medical service.

In early 2009, DHHS staff discovered that utilization and actual rates charged under the BRMS contract were higher than anticipated. Higher utilization and higher than anticipated billing rates resulted in increased costs. Because of insufficient resources to fund the BRMS contract, that contract was terminated by DHHS on September 1, 2009 and CMISP patients were directed to use Sutter, Mercy and County clinics when seeking medical care.

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 BRMS; (2) that UCD is a "third party beneficiary" of the County's contract with BRMS; and (3) that the County was required to pay for all emergency room services for CMISP-eligible patients regardless of the existence or non-existence of a contractual relationship with the hospital providing such emergency services. Pursuant to these theories, UCD alleges the County must pay for hospital care rendered to CMISP patients that were referred to UCD hospital during the BRMS contract period and for those receiving emergency room services thereafter.

The Petition seeks damages, including attorneys' fees, in excess of $125,000,000.

On July 12, 2010, the Superior Court issued a ruling that (i) the County must include emergency medical services within the scope of services available to indigent persons in the County under the CMISP regardless of whether the services are provided by hospital emergency rooms under contract with the County and (ii) the County must accept and process certain referrals tendered previously and prospectively by recipients of emergency medical services at UCD and other hospitals for determination of eligibility under the CMISP. The Superior Court also held that UCD was not entitled to payment for services until the County rescinded its policy of excluding emergency services at non-contracted emergency rooms, processed referrals for authorizations of services provided by UCD, and authorized such services. The Court stated: "At that point, payment for authorized services at the reasonable value of the services after termination of the BRMS contract would become the subject of negotiations between the County and UCD and, pursuit of any available legal remedies."

The County sought a stay of enforcement pending final resolution of all proceedings between the parties. The request was denied. The County subsequently established the MediCal rate as the reimbursement rate for non-contract providers of CMISP services.

Resolution of certain legal issues are currently pending before the trial court, including whether (1) UCD has standing to seek reimbursement for costs; (2) UCD's complaint for cost recovery is barred in whole or in part for failure to file a timely claim under the Government Tort Claims Act; (3) UCD is a third party beneficiary under the BRMS contract; and (4) assuming the court's ruling is correct requiring the County to pay for emergency care provided at non-contract hospitals, is the County's current Medi-Cal rate appropriate.

It is unlikely that trial will be scheduled before 2012. Any appeal of the trial court decision could take as long as 2-3 years to resolve.

General Fund Budget History

The following table is a summary of the County General Fund's FY 2011-12 CEO Recommended Budget approved by the Board of Supervisors in June 2011, as well as 2010-11 Adopted Budget, FY 2009-10 Adopted Budget and FY 2008-09 Revised Mid-Year Budget for comparison purposes.

COUNTY OF SACRAMENTO – General Fund
Fiscal Years 2008-09 to 2011-12
(Amounts Expressed in Thousands)

	FY 2008-09 Revised Mid-Year Budget	FY 2009-10 Adopted Budget	FY 2010-11 Adopted Budget	FY 2011-12 CEO Recommended Budget (June 2011)
APPROPRIATIONS				
Reserve Increase/(Decrease)	$ 5,147	$ 656	$ 324	$ 567
General Government	96,676	85,888	65,968	56,085
Public Protection	732,752	646,137	659,515	642,753
Public Ways and Facilities	66	67	133	180
Health and Sanitation	668,247	584,925	559,876	557,030
Public Assistance	682,386	665,498	672,650	634,314
Education, Cultural and Recreation	10,764	8,497	8,677	8,172
Contingencies	0	1,700	2,005	1,633
Total Appropriations:	**$ 2,196,038**	**$ 1,993,368**	**$ 1,969,148**	**$ 1,900,734**
AVAILABLE FUNDS				
Beginning Appropriated Fund Balance/Carryover	$ 23,357	$ 11,646	$ 8,138	$ 4,711
Interfund Transfers	44,768	11,200	18,000	0
Equity Transfer In	18,184	1,808	187	176
Other Funding Sources	41	0	0	0
Reserve Cancellation	37,386	11,487	4,604	535
Taxes	484,099	432,189	413,711	417,389
Licenses and Permits	11,848	11,216	11,257	9,333
Fines, Forfeitures and Penalties	22,192	22,753	27,616	23,865
Use of Money and Property	20,109	3,004	747	364
Aid from Other Government Agencies	1,338,754	1,287,431	1,297,074	1,266,380
Charges for Current Services	125,373	123,072	122,191	118,136
Other Revenues	69,927	77,562	65,623	59,845
Total Available Funds:	**$ 2,196,038**	**$ 1,993,368**	**$ 1,969,148**	**$ 1,900,734**

Source: Sacramento County Office of Budget & Debt Management; Fund 001A only (subset of following table).

Generally Accepted Accounting Principles (GAAP) Basis

The County's accounting policies conform to Generally Accepted Accounting Principles (GAAP) for governmental entities for its audited statements. The County's Governmental Fund types and Fiduciary Fund types use the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred except for principal and accrued interest on general long-term debt which is recognized when due. The following exceptions apply: (1) certain fines and forfeitures are recorded when received as they are not susceptible to accrual; and (2) vacation and sick leave benefits are recorded as they are paid. Proprietary Fund types use the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred.

Independently audited financial reports are prepared annually in conformity with GAAP for governmental entities. The County's audited Comprehensive Annual Financial Report (CAFR) is generally available about seven months after the June 30 close of each fiscal year. From FY 1996-97 through FY 2006-07, the County's independent auditor had been Macias, Gini & O'Connell LLP. Beginning with the FY 2007-08 audit, the independent auditor is Vavrinek, Trine, Day & Co., LLP. The Government Finance Officers Association (GFOA) has awarded Sacramento County the "Certificate of Achievement for Excellence in Financial Reporting" for its CAFRs for Fiscal Years 1988-89 through 2009-10.

Summary Financial Statements

COUNTY OF SACRAMENTO
Total General Fund Revenues, Expenditures and
Changes in Fund Balance 2005-06 through 2009-10
(Amounts Expressed in Thousands)

FISCAL YEAR:	2005-06	2006-07	2007-08	2008-09	2009-10
Beginning Fund Balance	$ 201,952	$ 252,998	$ 198,695	$ 148,135	$ 19,388
Revenues					
Taxes (1)	434,118	467,489	483,731	469,111	424,834
Licenses And Permits	10,937	10,639	11,930	10,744	11,249
Fines, forfeitures and penalties	21,252	19,898	20,856	18,976	19,739
Use of money/property	30,424	35,278	35,707	21,393	1,205
Intergovernmental	1,264,262	1,266,568	1,310,063	1,282,840	1,227,949
Charges for sales and services	83,796	92,091	101,389	117,685	114,497
Miscellaneous	55,449	80,500	56,118	66,911	61,673
Total Revenues:	$1,900,238	$1,972,463	$2,019,794	$1,987,660	$1,861,146
Transfers in (2)	23,407	11,798	28,025	37,594	38,637
Total Revenues, Proceeds, Transfers:	$1,923,645	$1,984,261	$2,047,819	$2,025,254	$1,899,783
Expenditures					
General government	$ 119,314	$ 134,476	$ 117,248	$ 100,962	$83,291
Public protection	596,408	657,200	648,651	668,038	585,213
Health and sanitation	400,570	463,986	600,938	637,795	508,619
Public assistance	701,978	704,964	640,319	653,127	622,425
Public ways and facilities	83	83	67	67	0
Education	377	385	393	386	324
Recreation and cultural	9,753	10,558	11,134	11,077	9,651
Capital Lease Obligations	0	0	(308)	0	0
Total Expenditures:	$1,828,483	$1,971,652	$2,018,442	$2,071,452	$1,809,523
Transfers out (3)	44,116	66,912	71,039	82,549	87,953
Total Expenditures and Transfers:	$1,872,599	$2,038,564	$2,089,481	$2,154,001	$1,897,476
Net change in fund balance	$ 51,046	$ (54,303)	$ (41,662)	$ (128,747)	$ 2,307
Ending Fund Balance (4)	$ 252,998	$ 198,695	$ 148,135	$ 19,388	$21,695

Source: Sacramento County Department of Finance; Sacramento County Comprehensive Annual Financial Reports; includes Fund 001A and other general government activities.

See "Appendix B-The County of Sacramento Audited Financial Statements For The FY Ended June 30, 2010" herein for additional FY 2009-10 detail, and historical Comprehensive Annual Financial Reports (CAFRs) may be obtained at www.saccounty.net.

(1) Taxes include property, sales and other taxes.
(2) Transfers In consist mainly of Teeter-related revenues and Transient Occupancy Taxes.
(3) Transfers Out consist mainly of debt service payments by General Fund departments and community programs.
(4) FY 2007-08 Ending Fund Balance Restated from $157,033 to $148,135 due to revenue accrued in error.

Expenditure Categories

The County General Fund expends its resources on a variety of programs, within the several major categories. The approximate percentages of the County's General Fund expenditures are as follows:

General Fund Expenditure Categories
FY 2007-08 to 2011-12

Estimated Expenditure Categories	FY 2007-08 Audited Financial Statement	FY 2008-09 Audited Financial Statement	FY 2009-10 Audited Financial Statement	FY 2010-11 Adopted Budget	FY 2011-12 Recommended Budget
General Government	6%	5%	4%	3%	3%
Public Assistance	32%	32%	34%	34%	33%
Public Protection	32%	32%	32%	34%	34%
Health and Sanitation	30%	31%	28%	28%	29%
Public Ways and Facilities	< 1%	< 1%	< 1%	<1%	<1%
Recreation and Culture	< 1%	< 1%	< 1%	< 1%	< 1%
Education	< 1%	< 1%	< 1%	< 1%	< 1%
Total:	100%	100%	100.0%	100.0%	100.0%

Source: Sacramento County Office of Budget and Debt Management.

The above expenditure categories consist mainly of the following County departments/programs:

General Government: Assessor, Board of Supervisors, County Counsel, County Executive, Finance, Labor Relations, Neighborhood Services, Office of Communication & Information Technology, Personnel, Revenue Recovery and Voters Registration

Public Assistance: Human Assistance administration and aid payments, Child Support Services

Public Protection: Animal Care, Clerk-Recorder, Conflict Criminal Defender, Coroner, Courts, District Attorney, Planning, Probation, Public Defender, Sheriff

Health and Sanitation: Correctional Health, Health and Human Services, Behavioral Health, In Home Support Services

Sources of Revenues

The County General Fund derives its revenues from a variety of sources including ad valorem property taxes, sales and use taxes, licenses, permits and franchises issued by the County, use of County property and money, aid from other governmental agencies, charges for services provided by the County and other miscellaneous revenues. The approximate percentages of the County's General Fund estimated total revenues are as follows:

General Fund Revenue Sources
FY 2007-08 to 2011-12

Estimated Revenue Categories	FY 2007-08 Audited Financial Statement	FY 2008-09 Audited Financial Statement	FY 2009-10 Audited Financial Statement	FY 2010-11 Adopted Budget	FY 2011-12 Recommended Budget
Property Taxes	19%	20%	20%	17%	18%
Sales Tax	4%	3%	3%	3%	3%
Utility User Tax	1%	<1%	<1%	1%	1%
Licenses and Permits	1%	<1%	<1%	1%	<1%
Fines, Forfeitures and Penalties	1%	< 1%	1%	1%	1%
Use of Money and Property	2%	1%	<1%	1%	<1%
Aid from Other Govt Agencies	65%	65%	66%	67%	67%
Charges for Sales and Services	5%	6%	6%	6%	6%
Other Revenue	2%	3%	3%	3%	3%
Total:	100%	100%	100.0%	100.0%	100.0%

Source: Sacramento County Office of Budget and Debt Management.

Property Taxes

Assessed Valuation. See "—ECONOMIC AND DEMOGRAPHIC INFORMATION – HOUSING MARKET" herein. The County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, community redevelopment agencies, special districts and local school districts within the County. California law exempts $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

The Assessor's Roll lien date for FY 2010-11 roll was January 1, 2010. In past years, assessed valuation in the County grew. However, in FY 2009-10 assessed valuations decreased by 7.05%, and again decreased in FY 2010-11 by 0.92%, due to changes in the housing market. The County Assessor's Office is estimating that FY 2011-12 assessed valuation will decrease another 3.07%, translating into a property tax revenue decrease for the County General Fund of approximately $6.9 million for the secured and unsecured portion of the County's property tax revenues. The following table reflects the FY 2008-09, 2009-10 and 2010-11 actual assessed valuations in the County. A seven-year history of actual assessed valuation, and FY 2011-12 estimated, is also provided below.

Assessed Valuations
FY 2008-09 to 2010-11
(Amounts Expressed in Thousands)

	Net Assessed Valuation	Reimbursed Exemptions	Total Assessed Valuation*
2010-11 (actual)			
Local Secured	$117,701,281	$1,698,866	$119,400,147
Utility—Nonunitary	24,101	0	24,101
Utility—Unitary	1,488,079	0	1,488,079
Unsecured	5,314,280	167	5,314,447
Total:	$124,527,741	$1,699,033	$126,226,774
2009-10 (actual)			
Local Secured	$118,429,195	$1,709,582	$120,138,777
Utility—Nonunitary	18,450	0	18,450
Utility—Unitary	1,547,402	0	1,547,402
Unsecured	5,700,393	186	5,700,579
Total:	$125,695,440	$1,709,768	$127,405,208
2008-09 (actual)			
Local Secured	$128,034,925	$1,718,098	$129,753,023
Utility—Nonunitary	17,217	0	17,217
Utility—Unitary	1,624,214	0	1,624,214
Unsecured	5,679,313	223	5,679,536
Total:	$135,355,669	$1,718,321	$137,073,990

Source: Sacramento County Department of Finance.
* Net assessed valuation plus state-reimbursed exemptions. Includes property taxes on incremental assessed valuations which are allocated for redevelopment projects, net of property tax shifts to schools.

History of Assessed Valuations
FY 2004-05 to 2011-12
(Amounts Expressed in Thousands)

Fiscal Year	Total Assessed Valuation*	Secured/Unsecured Roll Growth
2004-05	94,690,205	12.01
2005-06	108,299,482	14.72
2006-07	124,130,188	14.95
2007-08	135,331,985	9.57
2008-09	137,073,990	1.29
2009-10	127,405,208	(7.05)
2010-11	126,226,774	(0.92)
2011-12 (est.)	122,351,612	(3.07)

Source: Sacramento County Department of Finance
* Net assessed valuation plus state-reimbursed exemptions. Includes property taxes on incremental assessed valuations which are allocated for redevelopment projects, net of property tax shifts to schools.

Major Factors Impacting Assessed Valuations

The following are the major factors currently impacting the County's assessed valuations, particularly the Secured Tax Roll for residential housing:

Appeals: The Assessor's Office handled approximately 9,300 appeals in FY 2008-09, approximately 8,000 for FY 2009-10, and has received and is handling approximately 6,000 appeals for the FY 2010-11 tax roll.

Proposition 8-driven Property Value Reductions: Proposition 8 generally provides for reductions in assessed valuations of properties to reflect current market values. Prop 8 value reductions are temporary, and once a property receives a Prop 8 reduction its value must be reviewed each year to determine whether the fair market value remains less than its Prop 13 base year value (typically the acquisition value) plus inflationary adjustments. The lower of these two values is the value used for property tax purposes. Pursuant to Proposition 8, the Assessor's Office reduced the assessed value of 57,862 properties in FY 2007-08, 90,199 properties in FY 2008-09, 176,524 properties in FY 2009-10 and 161,637 in FY 2010-11. For the FY 2011-12 tax roll the Assessor reviewed and reduced the assessed values of approximately 187,000 residential and 2,700 commercial and apartment properties.

Median Home Prices: The median price for sales of existing homes in Sacramento County had leveled off from December 2008 ($177,000) to December 2009 ($178,000), then decreased again as of December 2010 ($169,000). As of June 2011, the median sale price for existing homes had decreased further to $160,000.

New Home Construction: Building permits for new single-family residential homes have decreased each year from the 2004 high of 9,365 at the peak of the market to its 2010 level of 680.

Notices of Default: Notices of Default, which typically indicate that homeowners have missed mortgage payment(s), but do not necessarily result in a foreclosure, began increasing in 2007 (19,368) and again in 2008 (25,836), before decreasing in 2009 (24,952) and decreasing again in 2010 (17,941).

Foreclosures: Defined as properties on which the lender has foreclosed and the property was not sold to a new owner at auction, began increasing in 2007 (7,733) and again in 2008 (17,772), before decreasing in

2009 (12,587) and decreasing again in 2010 (11,629), with the 2010 amount representing approximately 3% of the single-family home parcels assessed.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real property and personal property located in the County as of the preceding January 1. Real property that changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing state-assessed property and real property which is of value sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll".

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent, if unpaid, on August 31. A 10.0% penalty attaches to delinquent unsecured taxes. The County has four methods of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the Clerk of the Court specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a judgment against the taxpayer and a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Property taxes on the secured roll are payable in two installments, on November 1 and February 1 of each fiscal year, and if unpaid, become delinquent after 5:00 p.m. on December 10 and April 10, respectively. A penalty of 10.0% attaches immediately to each delinquent installment and a $10.00 cost to the second installment. Property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the penalty of 1.5% per month to the time of redemption, together with the defaulted taxes, delinquent penalties, costs and a redemption fee. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to auction sale by the County Director of Finance. See "ECONOMIC AND DEMOGRAPHIC INFORMATION-Housing Market" herein for information regarding Notices of Default, foreclosures and Proposition 8 valuation reductions.

In 1993, the Board of Supervisors adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the State Revenue and Taxation Code. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. During the fiscal year, actual collections of current-year taxes are apportioned to each fund/agency pursuant to their pro-rata share of the total property tax roll. At the conclusion of the fiscal year, the Auditor reconciles actual collections versus the total taxes and assessments due each fund/agency. The County subsequently arranges an internally funded Teeter Plan financing to purchase the outstanding delinquencies to fund the remaining apportionment due each fund/agency. Approximately 2.02% of the County's Treasury Pool assets are invested in the County's Teeter Plan note program, which has a final maturity of five years. The Teeter Plan Loans are loans between the County and the County's Pooled Investment Fund for a maximum of five years. The interest rate charged is variable and reset quarterly. There are no pre-payment penalties, thereby providing the County with the flexibility to opt-in at a later date into an alternative form of Teeter Plan financing. This financing transaction is usually completed in August each year. The subsequent collections of delinquent taxes and penalties/interest are used as the source of repayment for the Teeter Plan financing. The County realizes the ongoing benefit from the Teeter Plan from the net penalties/interest collected in excess of the interest owed on the Teeter Plan financing. See "COUNTY DEBT SUMMARY" herein for details on annual loan amounts.

Pursuant to State law, the County is required in connection with its Teeter Plan to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1.0% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25.0% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund is fully funded, in accordance with the County's election to be governed by the second alternative, at $11.26 million for FY 2011-12. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund. Shown in the following table are the countywide secured roll tax levies, and corresponding current levy delinquencies and total collections, since 2004-05.

Countywide Secured Tax Levies, Delinquencies and Collections (excludes levies for bond debt service and special assessments)
2004-05 through 2010-11
(Amounts Expressed in Thousands)

Fiscal Year	Secured Tax Levies [1]	Current Levy Delinquent June 30	Percent Current Levy Delinquent June 30	Total Collections June 30 [2]	Total Collection Current Levy
2004-05	$ 899,246	$13,020	1.45%	$ 886,226	98.55%
2005-06	1,033,339	23,787	2.30	1,009,552	97.70
2006-07	1,173,704	44,601	3.80	1,129,103	96.20
2007-08	1,266,825	60,194	4.75	1,206,631	95.25
2008-09	1,277,763	48,906	3.83	1,228,857	96.17
2009-10	1,174,519	33,222	2.83	1,141,297	97.17
2010-11	1,151,004	26,205	2.28	1,124,799	97.72

Source: Sacramento County Department of Finance.
(1) Excludes levies for bond debt service and special assessments.
(2) Includes prior years' redemption, penalties and interest.

Largest Secured Taxpayers

The ten largest secured taxpayers in the County, as shown on the 2010-11 secured tax roll, and the amounts of their property tax payments for all taxing jurisdictions within the County are listed in the following table. These taxpayers are expected to pay a total of $41,538,451 in property taxes or approximately 2.7% of the County's estimated $1,502,132,267 secured roll tax levy, including levies for bond debt service and special assessments.

Largest Secured Taxpayers (includes levies for bond debt service and special assessments)
2010-11

Taxpayer	Amount
AT&T Communications	$ 6,018,751
Hines	6,012,921
Pacific Gas & Electric Co.	5,402,676
Intel Corporation	5,343,073
Oates, Marvin Et Al	5,037,160
Donahue Schriber Realty Group	3,553,034
Surewest	2,709,847
Elliott Homes	2,628,935
Rosetta Resources CA LLC	2,617,048
Aerojet General Corp.	2,215,006
Total:	**$41,538,451**

Source: Sacramento County Department of Finance.

Sales Tax-Based Revenues

The State collects a tax on retail transactions within unincorporated areas of the County and rebates 0.75% thereof to the County. The County also receives sales tax from countywide and statewide pools. One half-cent of the statewide rate is required to be allocated for local public safety purposes pursuant to Proposition 172 and another half-cent is required to be allocated to a Realignment Pool, consisting of a share of statewide sales taxes and vehicle license fee revenues that the County uses for human services programs. Of these sources of sales tax-based revenues, only the local sales taxes are discretionary in nature; Proposition 172 and realignment revenues are dedicated to specific programs.

Local sales tax revenues for FY 2010-11 were budgeted to decline approximately 1% from the FY 2009-10 budget, or approximately $500,000. Instead, actual sales tax revenues for FY 2010-11 came in approximately $290,000 more than was budgeted. The FY 2010-11 actual sales tax revenues of $58,995,162 reflect an increase of approximately $1 million (1.75%) from the FY 2009-10 actual revenues. The County is budgeting for FY 2011-12 an increase in sales tax revenue of approximately 5.7%, or $3,360,858 more than was actually received in FY 2010-11, mainly due to an increase from the sales tax to be received from the State in lieu of a portion of property taxes retained by the State (commonly referred to as "triple-flip" revenues).

Proposition 172 sales tax revenue, a statewide pool dedicated to local public safety purposes, for FY 2009-10 declined 5.7% from the previous fiscal year to $82.8 million. The County anticipated and budgeted FY 2010-11 revenues to return to FY 2008-09 levels of $89 million; however, actual FY 2010-11 revenues came in $3.4 million lower than budgeted, and the public safety departments absorbed the shortfall within their respective departments' budgets. Based on statewide sales tax trends that are showing increases, the County is budgeting for FY 2011-12 that these revenues will increase by approximately 3.4% from actual FY 2010-11 revenues to $88.5 million. Even though the state has budgeted for a decline in statewide sales tax revenue of 30%, this decline is mainly due to expiration of a temporary statewide sales tax, and a redirection of sales tax revenue attributable to 1.0625% of the statewide sales tax from the state general fund to the local revenue fund for realignment purposes, both of which do not impact the Proposition 172 statewide pool dedicated to local public safety purposes. In addition, the State Board of Equalization announced in early September that its estimate of statewide taxable sales for the second quarter of calendar year 2011 shows a 9% increase compared to the same period in 2010.

Realignment Pool revenue sources are a combination of statewide sales tax and vehicle license fee revenues. Realignment Pool revenues for FY 2010-11 were projected and budgeted to remain flat from the FY 2009-10 budgeted revenue of $173.8million. The State publishes its actual base allocation to the County in December each year for the current fiscal year, after the County's Adopted Budget hearings are concluded. Based on the information published in December 2010, a further decline of $8.0 million was anticipated for FY 2010-11; however, due to anticipated increases in statewide sales taxes and projected VLF amounts (the components of the Realignment Pool) the County did not revise its budget mid-year. The actual Realignment revenues for FY 2010-11 came in at $171.8 million, or $2.1 million under the budgeted amount, with the decrease being absorbed by County Departments during the fiscal year. The County is estimating for budget purposes that FY 2011-12 Realignment Pool revenues will be $165.8 million, and any revenues received over that amount will be used to offset approximately $15.9 million in Realignment Pool revenues accrued in FY 2007-08 and FY 2008-09 but not received as expected.

In addition, the Transportation Sales Tax Fund provides for public road improvements in the unincorporated area of Sacramento County using funds primarily from the Measure A Transportation Sales Tax initiative approved by the voters in November 2004. These revenues of approximately $49.2 million in FY 2009-10 are dedicated to public road improvements and are not available for County General Fund uses.

Other Taxes

The County collects a 2.5% Utility User Tax. These revenues are discretionary in nature, and are used by the County to provide funding for police patrols, public health and welfare, parks and other essential services. Utility User Tax revenues for FY 2010-11 were budgeted to decline approximately $0.2 million from the FY 2009-10 actual revenues. Instead, actual revenues for FY 2010-11 came in approximately $1.2 million more than was budgeted. The FY 2010-11 actual revenues of $17.0 million reflect an increase of approximately $1.0 million (6.1%) from the FY 2009-10 actual revenues. The County is budgeting $16.1 million in Utility User Tax revenues for FY 2011-12.

The County collects a 12% Transient Occupancy Tax (TOT). These revenues are discretionary in nature, and are used by the County for both community arts, cultural and recreational organizations, as well as for essential County services. TOT revenue collections have declined over the last several years from $5.3 million in FY 2008-09, to $4.5 million in FY 2009-10, then to $3.5 million in FY 2010-11, which was approximately $0.25 million more than was budgeted in FY 2010-11. The County is estimating that FY 2011-12 TOT revenue collections will remain basically flat at $3.5 million. TOT revenue declines are mainly attributable to reductions in average daily room rates and occupancy, as well as a recent annexation of a small unincorporated area by the City of Rancho Cordova and the closing and demolition of a hotel located at Sacramento International Airport as part of the airport expansion project.

Both the Utility Users Tax and TOT taxes could be subject to reduction or repeal by initiative under Proposition 218. See "CONSTITUTIONAL PROTECTIONS/LIMITATIONS-Proposition 218" herein.

Other Revenue Sources

In 2001 the Tobacco Securitization Authority of Northern California issued the Tobacco Settlement Asset-Backed Bonds, Series 2001, thereby securitizing the County's Tobacco Settlement revenue stream. The proceeds were used to finance capital projects, and to establish an endowment fund to pay the costs of certain health-related programs. These 2001 Bonds were refunded in 2005. Currently there is approximately $18.9 million remaining in the Tobacco Endowment Fund that will continue to be used through FY 2013-14 to fund health-related programs, including partially in FY 2011-12.

2011 Public Safety Realignment Revenues

The Adopted State Budget includes major realignment of state and local program duties, and shifts $6.3 billion to counties to implement increased program obligations. To enable counties to manage their increased fiscal responsibilities, the State budget gives the counties increased authority over the 2011 realigned programs, including adjusting program levels to align with State funding levels. Programs being shifted include responsibility for lower-level offenders and parole violators, foster care and child welfare services, community mental health, adult protective services, court security and substance abuse programs. Funding in the amount of $14.7 million for FY 2011-12 has been identified for the criminal justice component. However, County is currently analyzing information received from the State to determine funding allocations for the other realigned programs. Once that analysis is done, County staff will request that the Board of Supervisors adjust budgets and program service levels as necessary.

Intergovernmental Revenues

Approximately 38% of the total estimated revenues of the County's FY 2011-12 General Fund Budget consists of payments from the State. The federal government is expected to provide approximately 27% of the County's General Fund revenues. The majority of both State and federal revenues support human assistance aid payments and other human services programs including social services, public health, and mental health programs. The financial condition of the State and federal government, statewide and national economic conditions, and local caseloads have an impact on these revenues. The County has not been backfilling with County General Fund revenues any 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.

Redevelopment Agency

The adopted State Budget for FY 2011-12, as signed by the Governor on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. The purpose of the redevelopment bills was to dissolve redevelopment agencies and to provide for a voluntary alternative redevelopment program (VARP). VARP exempts redevelopment agencies from dissolution if the County Board of Supervisors enacts an ordinance before November 1, 2011, to comply with the new legislation and makes certain required payments. On August 10, 2011, the County of Sacramento and the Redevelopment Agency of the County of Sacramento approved ordinances and entered into agreements through which the VARP payments will be made to the County Auditor. The FY 2011-12 estimated payment is $3.5 million, with the annual payment for FY 2012-13 and beyond is estimated at $839,000. Sufficient Redevelopment Agency funds are available to make the estimated payments and still continue to fund ongoing projects, but will curtail the Redevelopment Agency's ability to undertake new projects. The ordinances approved limit the County's commitment to make these payments to net tax increment funds and other funds or assets that the Redevelopment Agency transfers to the County for this purpose. The County's general fund is not pledged to make these payments. In addition, the ordinances further reserve all rights to challenge the validity of the legislation and it also reserves the right of the Board of

Supervisors to repeal the ordinance at any time in the future, at the County's sole discretion. Cities and redevelopment agencies sued the State to block AB1X 26 and AB1X 27 as unconstitutional. On August 11, 2011, the California Supreme Court agreed to review the matter, asking for legal briefs in September and indicating it would to decide the matter by January 15, 2012, when the first payment would be due. Also on August 11, the Court temporarily blocked most of the requirements of AB1X 26 and 27 until the case is resolved, allowing the redevelopment agencies to continue operating, but not allowing them to incur new debt, purchase property or enter into new contracts until the case is decided.

Incorporations and Annexations

State law requires that city incorporations be revenue neutral; i.e., to have no significant negative fiscal impact on the County. Three municipal incorporations have occurred within the County that are subject to this requirement. The County's three revenue neutrality agreements are described below. Under the current revenue neutrality agreements, payments are required for twenty-five years from the date of incorporation.

On November 5, 1996, voters approved the incorporation of the City of Citrus Heights, the first new city within the County in 52 years. The incorporation became effective January 1, 1997, and removed approximately 88,000 people from the unincorporated territory of the County. The City of Citrus Heights is responsible for making revenue neutrality payments to the County equal to 100% of its property tax revenues pursuant to a Court-ordered settlement of litigation filed by the city following its formation challenging the revenue neutrality obligation. Payments vary from year to year based on actual property tax revenues. Payments were $5,108,864 for FY 2006-07, $4,966,763 for FY 2007-08, $4,963,084 for FY 2008-09, $4,133,341 for FY 2009-10 and $3,925,793 for FY 2010-11. Estimated payment for FY 2011-12 is $3,929,044.

On July 1, 2001, the City of Elk Grove was incorporated. The revenue neutrality obligation of the City of Elk Grove is a significant share of the city property taxes. Payments vary from year to year based on actual property tax revenues. Payments were $7,657,666 for FY 2006-07, $7,832,130 for FY 2007-08, $7,410,989 for FY 2008-09, $6,186,499 for FY 2009-10 and $5,522,620 for FY 2010-11. Estimated payment for FY 2011-12 is $5,519,978.

On July 1, 2003 the City of Rancho Cordova became incorporated, and is also responsible for making revenue neutrality payments to the County. The revenue neutrality obligation of the City of Rancho Cordova is a share of the city property taxes. The city disputed the revenue neutrality agreement approved by its voters at the time of the incorporation and sued the County during 2006 in an attempt to renegotiate the amount. A court-approved settlement reduced the revenue neutrality payments from a specific share of property taxes to a fixed schedule adjusted by a 2% inflation factor. The net fiscal impact on the County is approximately $1.5 million less of revenues annually than originally anticipated and it is not expected to vary from year to year because it is not based upon actual property tax receipts. Payments were $5,554,492 for FY 2006-07, $5,796,888 for FY 2007-08, $6,029,814 for FY 2008-09, $6,460,226 for FY 2009-10 and $6,714,615 for FY 2010-11. Estimated payment for FY 2011-12 is $6,923,884.

Residents of other portions of the County's Unincorporated Area have been discussing potential incorporation. An incorporation petition for the community of Arden Arcade was processed by the Local Area Formation Commission (LAFCo), the property tax sharing terms and conditions for the proposed Arden Arcade incorporation were approved by the Board of Supervisors on May 18, 2010, and the incorporation was on the ballot in November 2010. However, the results of the election did not approve this incorporation.

Landowners are also interested in annexation to cities. State law requires that property tax exchange agreements be in place between the annexing city and the County before the LAFCo may consider an annexation proposal. Currently, the County is engaged in negotiations with the cities of Sacramento and Folsom for property tax sharing agreements regarding annexations by each of those cities in the northwest and eastern portions of the County respectively.

Over time, additional incorporations of cities within the County, or annexation of portions of the County's Unincorporated Area, could have an adverse effect on the County's financial condition.

Insurance

The County self-insures for most property damage, general liability, workers' compensation, unemployment and dental insurance claims. The property, liability and workers' compensation funds' estimated claim liabilities are actuarially based and include claims incurred but not yet reported. The estimated liabilities also include provisions for claims adjustment expenses, including administrative, attorney and other associated expenses.

The County also purchases insurance coverage from outside carriers for specific perils under the terms of certain debt issues and County policies. These insurance coverages include: Airport liability and hanger keepers; property insurance (flood, earthquake, Sheriff vehicle physical damage, boiler/machinery); Crime (faithful performance, employee dishonesty, forgery/money/computer fraud); Sheriff's helicopters/airplanes (liability, hull-physical damage); fiduciary retirement liability; general liability (excess); pollution liability; workers' compensation (excess); and employers' liability. See "Appendix B-County of Sacramento Audited Financial Statements-Notes to the Basic Financial Statements-Note 18-Self-Insurance" herein for further detail information on liabilities and coverages.

County General Fund Cash Flows

For FY 2011-12, as in the two previous fiscal years, the County has decided it would not be necessary to issue short-term notes for General Fund cash needs, and will continue to utilize "dry period" financing, as described below, and other available funds as the most appropriate tool to manage the County's cash flow needs.

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, these temporary cash transfers are 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 FY 2011-12 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 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 by early April of the fiscal year before any other obligations of the County. The County has been meeting this requirement. On a monthly basis, as revenue is received the dry period financing amount utilized is decreased accordingly. At the beginning of each new fiscal year, dry period financing becomes available again, with the amount available based on the estimated budgeted revenues for that new fiscal year.

In addition to dry period financing, at any time during the fiscal year, the Director of Finance is authorized to transfer money among funds controlled by the Board of Supervisors to meet General Fund cash flow requirements. The schedules below include examples of funds under the control of the Board of Supervisors with projected cash balances at the beginning of FY 2011-12 greater than $25 million, and may be used to support General Fund cash flow needs in FY 2011-12. See "Investment of County Funds; County Pool" herein. Because this is simply a cash flow accounting mechanism, all funds are "made whole" by the end of the fiscal year.

The County uses the modified accrual method for both expenditures and revenues, for both budgetary and financial reporting purposes. To the extent that cash outflows exceed cash inflows at any given point in time, the result is a point-in-time cash deficit. Cash flow deficits are not an indication of a budget that is out of balance, and the County's budget is balanced, as is legally required.

The County General Fund started FY 2010-11 with a cash balance of approximately $29.7 million, and ended FY 2010-11 with a General Fund cash balance of approximately $135.3 million, and is projected to end FY 2011-12 with a cash balance of approximately $117.1 million.

Below are schedules that illustrate the projected amount of dry period financing available, and projected cash support from other funds available, for FY 2011-12, as well as the actual cash flow results for FY 2010-11. It is projected that in the months of May and June 2012 the General Fund will not require cash support through transfers from other funds under the control of the Board of Supervisors, and the actual results for FY 2010-11 reflect that the General Fund did not require cash support through transfers from other funds either. The improvement in the May balance is primarily due to the April 10th property tax payments posted and distributed in May of each year. The actual amount available to be borrowed at any given time will depend on a variety of factors, including the actual revenues and expenditures attributable to such funds over the course of the fiscal year, and any prior borrowings from such funds.

General Fund Actual Cash Flows/Dry Period Financing FY 2010-11 ($000s)

($000s)	General Fund Cash Balance	Dry Period Financing Available	Cash Support from Other Funds Available and Used [(1)]	Remaining Cash Available to General Fund
Beginning Cash Bal.	$ 29,745	$ -	$ -	$
July 2010 [(2)]	(305,289)	1,651,072	0	1,345,783
Aug 2010	(328,537)	1,651,072	0	1,322,535
Sept 2010	(302,474)	1,603,613	0	1,301,139
Oct 2010	(348,032)	1,528,304	0	1,180,272
Nov 2010	(340,659)	1,528,304	0	1,187,645
Dec 2010	(332,144)	1,354,506	0	1,022,362
Jan 2011	(90,539)	1,281 900	0	1,191 361
Feb 2011	(88,378)	1,004 054	0	915,676
Mar 2011	(130,767)	904,643	0	773,876
Apr 2011	(139,965)	836,386	0	696,421
May 2011	16,373	0	0	16,373
June 2011	$ 135,339	$ 0	$ 0	$ 135,339

[(1)] Cash support for the General Fund deficits, if needed, will be provided by County funds under the control of the Board of Supervisors. See below for additional information.
[(2)] July 2010 ending cash balance includes $137,265 COP/POB annual debt service set aside outside of the General Fund by each July 30, as required by existing County bond covenants.

Supporting Cash Funds Available-Actual FY 2010-11 ($000s)

Month-ending	**Economic Development**	**Roadway Fee Districts**	**Water Agency**	**PW ISF Operations**	**General Services**	**Total**
July 2010	$24,959	$27,662	$50,413	$47,381	$33,342	$183,757
Aug 2010	44,885	27,728	50,887	45,216	35,235	203,951
Sept 2010	44,543	27,778	50,504	44,184	47,004	214,013
Oct 2010	41,964	25,759	50,085	53,357	45,061	216,226
Nov 2010	43,709	23,168	50,800	53,604	44,512	215,793
Dec 2010	43,427	22,092	50,490	53,435	44,237	213,681
Jan 2011	43,436	20,749	50,775	55,050	43,129	213,139
Feb 2011	43,482	18,456	50,695	53,865	42,864	209,362
Mar 2011	42,650	18,493	50,378	51,517	54,763	217,801
Apr 2011	43,234	18,520	50,979	50,199	53,284	216,216
May 2011	43,282	18,575	50,951	50,370	53,221	216,399
June 2011	39,095	17,345	51,580	47,114	53,291	208,425

General Fund Projected Cash Flows/Dry Period Financing FY 2011-12 ($000s)

($000s)	General Fund Cash Balance	Dry Period Financing Available	Cash Support from Other Funds Available and Used [1]	Remaining Cash Available to General Fund
Beginning Cash Bal.	$135,339	$ ------------	$---	$------------
July 2011 [2]	(193,103)	1,620,985	0	1,427,882
Aug 2011	(278,863)	1,620,528	0	1,341,665
Sept 2011	(287,723)	1,435,153	0	1,147,430
Oct 2011	(319,085)	1,342,377	0	1,023,292
Nov 2011	(322,279)	1,249,594	0	927,315
Dec 2011	(321,559)	1,183,207	0	861,648
Jan 2012	(61,001)	1,046,099	0	985,098
Feb 2012	(65,562)	730 741	0	665,179
Mar 2012	(112,094)	605 884	0	493,790
Apr 2012	(116,715)	518,561	0	401,846
May 2012	33,238	0	0	33,238
June 2012	$ 117,091	$0	$ 0	$ 117,091

[1] Cash support for the General Fund deficits, if needed, will be provided by County funds under the control of the Board of Supervisors. See below for additional information.
[2] July 2011 ending cash balance includes $137,316 COP/POB annual debt service set aside outside of the General Fund by each July 30, as required by existing County bond covenants.

Supporting Cash Funds Available-Projected FY 2011-12 ($000s) (1)

Month-ending	Economic Development	Roadway Fee Districts	Water Agency	PW ISF Operations	General Services	Total
July 2011	$25,773	$27,239	$50,674	$31,507	$28,585	$163,778
Aug 2011	48,176	27,942	51,233	42,669	36,037	206,057
Sept 2011	44,503	28,512	51,281	45,978	49,603	219,877
Oct 2011	41,271	25,203	50,054	63,406	45,674	225,608
Nov 2011	43,698	23,812	50,782	57,923	43,738	218,953
Dec 2011	42,930	21,900	50,353	54,495	44,511	214,189
Jan 2012	43,317	20,835	55,152	54,860	47,285	221,449
Feb 2012	43,545	17,995	50,389	54,071	44,459	210,459
Mar 2012	42,833	18,140	48,061	47,803	55,058	211,895
Apr 2012	43,244	18,716	49,666	50,028	51,668	213,322
May 2012	43,859	18,188	53,303	51,304	52,826	219,480
June 2012	37,846	17,173	49,750	48,919	52,138	205,826

(1) There can be no assurance that funds will be available in the amounts, or at the times, set forth in these projections.

County General Fund; Fund Balances

The County's General Fund year-end fund balance levels declined over the last several years, mainly due to financial stresses related to increasing costs combined with decreasing ongoing revenue streams, as well as the impact of Interfund Transfers into the General Fund, as described below. As reflected in the County's Comprehensive Annual Financial Reports (CAFR), FY 2006-07 year-end fund balance was $199 million; FY 2007-08 was $148 million (as restated), FY 2008-09 was $19.4 million and FY 2009-10 was $21.7 million. The year-end fund balance total is a combination of a reserved and an unreserved amount, which segregates portions of fund balance that are legally set aside for specific purposes ("reserved") from portions of fund balance that are available for as-yet-undetermined purposes ("unreserved"). See "Appendix B" herein for Governmental Funds Balance Sheet-General Fund

The $21.7 million year-end fund balance for FY 2009-10 is a combination of a $74.9 million reserved amount and a -$53.2 million negative unreserved amount. The $74.9 million is legally reserved for encumbrances ($25.0 million), capital asset acquisitions ($27.2 million) and a combination of other purposes ($22.7 million), and is offset by a negative year-end unreserved fund balance of -$53.2 million.

The unreserved fund balance for FY 2009-10 in the negative by a net -$53.2 million is result of various positive and negative amounts. The major negative amounts are related to financial reporting requirements to classify, as Advances to General Fund-Loans, the Interfund Transfers to the General Fund used to resolve operating shortfalls in FY 2008-09 ($48.4 million) and in FY 2009-10 ($11.2 million). In addition, the County reclassified State Mental Health funding ($20.5 million) originally recorded as Current Accounts Receivable to Long Term/Deferred Revenue, because the County would not be receiving this amount before June 30, 2010, and reclassified State Realignment funding ($16 million) originally recorded as Current Accounts Receivable to Long Term/Deferred Revenue, and then eliminated it entirely because the County is no longer anticipating this revenue. The County did receive the $20.5 million in Mental Health funds in FY 2010-11.

The County is projecting that the General Fund unreserved fund balance will continue in the negative at the end of FY 2010-11 by approximately -$44.8 million, due to an additional $18 million Interfund Transfer in FY 2010-11 to resolve operating shortfalls, offset in part by receipt of the above-mentioned $20.5 million in State Mental Health Funds, $2.9 million repayment of a loan by the Sacramento Housing and Redevelopment Agency and an initial $3 million return by the General Fund for prior years' use of Interfund Transfers.

As the General Fund returns the funds it received as Interfund Transfers, such returns will positively impact the County's unreserved fund balance. Originally, the Board of Supervisors approved a policy providing for repayment of the Interfund Transfers over a five-year period. In June 2011 the Board of Supervisors replaced that policy with one calling for reinvesting in reserves and high priority programs when general purpose revenues improve, as well as requires the repayment of Interfund Transfers used to balance prior year budgets, as follows:.

> *In preparing the budget for the next fiscal year, any growth in total General Fund discretionary revenue over the current fiscal year will be used first to fund any increases that result from any memoranda of understanding (MOU) between the County and its labor organizations and all legal obligations. After this, any remaining discretionary revenue growth will be appropriated as follows: first, up to $10 million to repay Interfund Transfers 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 and legal obligations and repayment of Interfund Transfers will be appropriated as follows:*

Item	*Amount*	*Maximum*
Undesignated 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*

Unreserved Fund Balance for the General Fund is estimated to be approximately negative -$44.8 million at the end of FY 2010-11. The FY 2011-12 Budget includes $3.5 million in repayment of Interfund Transfers, which is expected to change the Unreserved Fund Balance to approximately negative -41.3 million. Due to already-agreed-to labor cost increases of $21.9 million in FY 2012-13, it is not expected that there will be funds available for repayment of Interfund Transfers, and therefore the General Fund Unreserved Fund Balance is likely to remain at approximately negative -$41.3 million. Assuming General Fund discretionary revenues are not anticipated to increase more than the County's labor agreement and other legal obligations through FY 2013-14, and if the above policy is not revised, it will likely be FY 2015-16 before repayment of the Interfund Transfers begins at $10 million annually, and several years after that before the General Fund Unreserved Fund Balance returns to a positive balance.

Investment of County Funds; County Pool

State law requires that all monies of the County, most monies of school districts, and certain special districts located within the County be held by the Treasurer (Director of Finance). Pursuant to the County Charter and subject to annual review and renewal by the Board of Supervisors, the Director of Finance is authorized to invest and reinvest the funds. The County's General Fund, among other funds, is invested in the Sacramento County Pooled Investment Fund (the "County Pool"), which is managed by the Director of Finance. The County Pool is governed by the Sacramento County Annual Investment Policy for the Pooled Investment Fund (the "Investment Policy") as authorized by Sections 53601 et seq. and 53635 et seq. of the California Government Code which the Director of Finance annually recommends to the Board of Supervisors. The Board of Supervisors reviews and approves the Investment Policy at a public meeting. This Investment Policy defines investible funds, authorized instruments, credit quality required, maximum maturities and concentrations, collateral requirements, and provides the approved credit standards, investment objectives and specific constraints of the portfolios managed. The Investment Policy also authorizes the establishment and periodic review of investment guidelines, which provide specific guidance to the portfolio managers. These investment guidelines are fully consistent with and subordinate to the Investment Policy.

Authorized investments are required to match the general categories established by Sections 53601 et seq., 53635 et seq., and 16429.1 et seq. of the California Government Code, including the specific categories of financial futures and financial options contracts established by California Government Code Section 53601.1.

As of June 30, 2011, the County Pool was invested in a diversified portfolio of high-quality securities, including but not limited to U.S. Treasury notes and bills, U.S. agency securities, commercial paper, negotiable certificates of deposit, money market funds, and time deposits. Additionally, up to $50 million of the assets of the County Pool may be invested in the Local Agency Investment Fund (LAIF), the California State investment pool. LAIF is a diversified investment pool, with an average maturity of approximately 90 days, offering participants daily liquidity. Approximately 2.02% of pool assets are invested in the County's Teeter Plan note program, which has a final maturity of five years. There are five Teeter Plan loan agreements totaling $51 million, with the last note maturing on August 1, 2015. In addition, the County Pool has entered an Interfund Loan Agreement with the County in the amount of $500,000, and the County has loaned that same amount to the River Delta Fire District. The balance of the Interfund Loan agreement for the River Delta Fire District is $350,000 with a maturity of June 27, 2013.

The Investment Policy currently provides the following: (1) the maximum maturity of any investment will be five years and the dollar weighted average maturity of all securities will be equal to or less than three years; (2) no more than 80% of the portfolio may be invested in issues other than U.S. Treasuries and Government Agencies, and no more than 10% of the portfolio, except U.S. Treasuries and Government Agencies, may be invested in the securities of a single issuer including its related entities; (3) repurchase agreements are authorized in a maximum maturity not exceeding one year; (4) reverse repurchase agreements are authorized in connection with securities owned and fully paid for by the local agency for a minimum of 30 days prior to sale and in a maximum maturity of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security, and the proceeds of a reverse repurchase agreement may not be invested beyond the expiration of the agreement; and (5) repurchase agreements must be collateralized with either (a) U.S. Treasuries and Government Agencies with a market value of 102% for collateral maturing between one day to five years, marked to market daily or (b) money market instruments which are on the approved list for the County and which meet the qualifications of the Investment Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted. For the purpose of investing the daily excess bank balance, the collateral provided by the County's depository bank must be worth between 110% and 150% of the value of the deposits, depending on the security type (U.S. Treasuries, Government Agencies, Municipal Bonds or Mortgage-Backed Securities, etc.).

Investments within the County Pool are reviewed monthly by an internal Investment Review Group, which consists of the Director of Finance and his designees. The Investment Review Group reviews the investments to ensure compliance with California Government Code and the Investment Policy. Additionally, a separate internal Investment Group, consisting of the Director of Finance and his designees, reviews the strategies and investment guidelines in relation to the changing financial markets and maintains certain approved lists under the Investment Policy. In both the cases of the Investment Review Group and the Investment Group, the role of the designees is advisory except where specifically authorized by the Director of Finance. Each quarter, a ten-member Treasury Oversight Committee monitors the investment activities by reviewing the portfolio reports. These reports validate the compliance of all investment activities to the established investment parameters and monitoring guidelines.

The Investment Policy may be changed at any time at the discretion of the Board of Supervisors (subject to the State law provisions relating to authorized investments) and as the California Government Code is amended. There can be no assurance, therefore, that State law and/or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy, or that the objectives of the County with respect to investments will not change.

The following table reflects certain limited information with respect to the County Pool for the quarter ending on June 30, 2011. As described above, a wide range of investments is authorized under State law. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on the date indicated, the County Pool necessarily would have received the values specified.

SACRAMENTO COUNTY INVESTMENT POOL
Quarter Ending on June 30, 2011

Average Daily Balance	$2,661,232,380
Period-End Balance	$2,527,236,792
Yield	0.480%
Weighted Average Maturity	190 Days
Duration in Years	0.514 Years
Historical Cost	$2,520,225,248
Market Value	$2,527,299,059
Percent of Market to Cost	100.28%

Source: Sacramento County Department of Finance.

Other Post-Employment Benefits (OPEB)

Since 1980, the County has voluntarily provided retired County employees, and their dependents and beneficiaries, with health insurance offset payment benefits intended to assist them with the cost of the purchase of health insurance (the "Health Insurance Subsidy"). The level of benefits provided by the County is set by an annual determination of the Board of Supervisors. In 2003, the County adopted a formal Retiree Health Insurance Policy to govern eligibility for, and access to, the health insurance plans and the level of Health Insurance Subsidy payments (if any) that are offered by the County to its retirees. That policy has subsequently been amended on several occasions and continues to govern participation in the County's Retiree Health Insurance Program (the "Program"), which is a program that provides access to group medical and dental insurance and provides authorization for any Health Insurance Subsidy payments to retirees. The Health Insurance Subsidy payments are subject to annual determination and appropriation by the County's Board of Supervisors. If the County elects to continue to provide funding for the Program, it may modify its policy to change eligibility requirements, level of benefits provided or other features of the Program, subject to the litigation and labor agreements described below. Such changes could result in increases or decreases of County expenditures and/or liability for the Program. All Program criteria will continue to be reconsidered by the Board of Supervisors annually each calendar year

On June 5, 2007, the Board of Supervisors approved continued funding of the retiree health insurance subsidy program through December 31, 2008, but only for those retirees who had already retired by May 31, 2007. The Board of Supervisors later adopted a resolution continuing the same level and eligibility for subsidy through December 2009. This action was intended to cap the number of retirees eligible for the health insurance subsidy. However, several of the County's labor organizations filed unfair labor practice charges, alleging that the County was obligated to meet and confer prior to changing the eligibility requirements. In a proposed decision released in 2008, an administrative law judge (ALJ) for the Public Employment Relations Board (PERB) ruled in the unions' favor. The County appealed that decision to the full PERB Board which confirmed the ALJ's decision. A writ challenging PERB's determination was filed with the Court of Appeal, and the Court of Appeal summarily denied the writ on March 11, 2010. The County was required to restore the retiree health insurance subsidy for many of the retirees who retired after May 31, 2007. To comply with the PERB rulings, the County is paying a subsidy to employees covered by the decisions, as well as the Sacramento County Deputy Sheriffs' Association which filed suit on this issue, who are otherwise eligible for the subsidy. Additionally, a special open enrollment period was provided to post-June 1, 2007 retirees from this group to establish eligibility. A lawsuit has been filed on behalf of the Sacramento County Retirees' Association over the failure to provide "back" benefits and ongoing subsidies to others than retirees from employee organizations deemed covered by the PERB decisions, and is expected to be heard in federal court in December 2011. The majority of the County's labor agreements, with the exception of those involved in the PERB decision described above, now contain provisions for no County assistance in payment of retiree health and dental insurance premiums. Those labor organizations involved in the PERB decision, with the exception of two organizations, now have language in the labor agreements that eliminate the retiree health insurance subsidy effective June 30, 2013.

The cost to the County General Fund for the retiree health insurance program was $9,678,144 in FY 2006-07, $10,779,488 in FY 2007-08, $9,572,414 in FY 2008-09, $6,753,539 in FY 2009-10 and $2,578,960 in FY 2010-11. The cost to the County General Fund is budgeted to decrease again in FY 2011-12 to $1,561,504. Effective January 1, 2012, the amount of retiree health and dental insurance subsidy for those still eligible ranges from $147 per month (less than 10 years of service) to $269 per month (25+ years of service). In addition, those retirees receiving $2,000 month or less in retirement benefits are eligible for a $40 per month subsidy.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits. GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitment related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its net OPEB obligation on its balance sheet at zero as of the beginning of the initial year of implementation. GASB 45 also established disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. These disclosure requirements became effective for the County's Fiscal Year ended June 30, 2008, and have been reflected in the County's Comprehensive Annual Financial Report (CAFR) from that year forward.

The initial valuation as of June 30, 2007, was based on an actuarial study contracted by the County and performed by the Segal Group, Inc., and is reported in the County's FY 2007-08 CAFR at $245,592,000. As of FY 2007-08, the Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL) are the same amount, $245,592,000; therefore, the Funded Ratio is 0.0%. Retirees and beneficiaries under the age of 65 are currently paying the same medical premium rate as active employees; therefore, an implicit cost subsidy of $77.4 million has been included in the OPEB AAL.

Segal also performed the actuarial study as of June 30, 2009, which is reported in the County's FY 2009-10 CAFR at $144,804,000. Again, the AAL and UAAL are the same amount; therefore, the funded ratio continues to be 0.0%. Retirees and beneficiaries under the age of 65 are currently paying the same medical premium rate as active employees; therefore, an implicit cost subsidy of $88.5 million has been included in the OPEB AAL. The County plans on continuing to fund the liability on a pay-as-you-go basis, and anticipates that the liability will continue to decrease as the retiree health subsidy is decreasing.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM (SCERS)

The Sacramento County Employees' Retirement System ("SCERS" or the "System") is the administrator of a multiple-employer, cost-sharing public employee retirement system which operates under the County Employees Retirement Law of 1937. SCERS was created by resolution of the Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of Sacramento County and participating special districts. SCERS is governed by a Board of Retirement which consists of nine members (plus two alternates) of whom four are appointed by the County's Board of Supervisors, four are elected by the members of the System, and the County Director of Finance is an ex-officio member. The Board of Retirement has sole and exclusive fiduciary responsibility for the investment of the System's assets, and is responsible for establishing investment objectives, strategies and policies. SCERS prepares and issues its own separate audited financial statements as it is fiscally independent of the County, and an actuarial consultant prepares actuarial valuation reports, both of which are used to establish County contribution rates. The financial statements and actuarial valuations, as well as additional information concerning the System (including actuarial assumptions and investment allocations) can be obtained at www.scers.org.

The County has issued a total initial principal amount of $964,191,327 of pension obligation bonds to fund a portion of the UAAL of the System. The 2011A refunding transaction, and other previous refunding transactions, has changed the County's Pension Obligation Bond debt profile, but will not result in any additional contribution to SCERS. See "COUNTY DEBT SUMMARY – Pension Obligation Bonds" herein for a discussion of these pension obligation bonds. **SCERS is not obligated in any manner for payment of debt service of the County's Pension Obligation Bonds and the assets of the System are not available for such payment.** However, SCERS is obligated to reimburse the County for the portion of the County's Pension Obligation Bond costs allocated to SCERS based on the salaries of SCERS employees.

The Governmental Accounting Standards Board (GASB) released on July 8, 2011, its exposure draft of proposed changes in pension accounting and financial reporting standards for state and local governments (GASB 25 & 27), and if implemented, these changes will impact the County. The major changes would be: 1) unfunded pension liabilities would appear on the County's balance sheet (they currently are included as Notes to the financial statements); 2) full pension costs would show as expenses regardless of actual contribution levels; 3) lower actuarial discount rates for most plans would increase liabilities and pension expenses; and, 4) shorter amortization periods for unfunded liabilities would increase pension expenses. Following public comments on the exposure draft in 2011, new standards will likely be adopted in final form in 2012 and take effect in fiscal years beginning mid-2013 for most employers.

At June 30, 2010, participating local government employers consisted of the County of Sacramento; Superior Court of California, County of Sacramento ("Superior Court"); and 11 special districts. County employees represent approximately 89% of the total SCERS membership, and of this 89%, approximately 75% of the County's pension costs are funded by the County General Fund.

At June 30, 2010 and 2009 SCERS' membership (including County, the Superior Court and special districts) consisted of:

	2009	2010
RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS:		
Miscellaneous – Service	4,996	5,301
Miscellaneous – Beneficiary	930	943
Disability Miscellaneous – Ordinary	302	300
Disability Miscellaneous – Duty	166	163
Safety – Service	1,084	1,133
Safety – Beneficiary	256	268
Disability Safety – Ordinary	29	29
Disability Safety – Duty	205	209
Total:	7,968	8,346
TERMINATED EMPLOYEES ENTITLED TO BENEFITS BUT NOT YET RECEIVING THEM:	2,818	2,740
CURRENT MEMBERS:	**2009**	**2010**
Vested:		
Miscellaneous Tier 1	444	362
Miscellaneous Tier 2	109	101
Miscellaneous Tier 3	7,765	7,878
Safety Tier 1	593	548
Safety Tier 2	1,228	1,293
Subtotal:	10,139	10,182
Nonvested:		
Miscellaneous Tier 1	2	1
Miscellaneous Tier 3	4,134	2,970
Safety Tier 1	0	0
Safety Tier 2	521	187
Subtotal:	4,657	3,158
Total:	**14,796**	**13,340**

Source: SCERS' Comprehensive Annual Financial Report for the years ended June 30, 2010 and 2009.

Pension Benefits

The System's benefits for County employees are established by the Board of Supervisors from among an array of possible benefits pursuant to the provisions of the County Employees Retirement Law of 1937 and provide for retirement, death, and disability benefits. All permanent full-time and part-time employees of the County, Superior Court or member districts are eligible to participate in the System. Upon receiving five years of service, participants have earned the right to receive a retirement benefit, subject to certain restrictions if retirement is prior to attaining age 50 or if less than 10 years service has been achieved.

Effective June 29, 2003, enhanced retirement benefits became applicable for all SCERS service credits earned prospectively. Under the enhanced benefit formulas, retirement benefits under each tier are as follows:

Safety Tier 1. Members covered under Safety Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 3.0% of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4.0% annually. Final-average salary is the member's average salary for the highest 12 consecutive months of credited service.

Safety Tier 2. Members covered under Safety Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 3.0% of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2.0% annually. Final-average salary is the member's average salary for the highest 36 consecutive months of credited service.

Miscellaneous Tier 1. Members covered under Miscellaneous Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, which is equal to 1.474% of their final-average salary for each year of credited service. It includes a cost-of-living adjustment of up to 4.0% annually. Final-average salary is the member's average salary for the highest 12 consecutive months of credited service.

Miscellaneous Tier 2. Members covered under Miscellaneous Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.474% of their final-average salary for each year of credited service. There is no cost-of-living adjustment. Final-average salary is the member's average salary for the highest 36 consecutive months of credited service.

Miscellaneous Tier 3. Members covered under Miscellaneous Tier 3 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.474% of their final-average salary for each year of credited service. It includes a cost-of-living adjustment of up to 2.0% annually. Final-average salary is the member's average salary for the highest 36 consecutive months of credited service.

Contribution Rates and Funding Status

The retirement benefits of Miscellaneous Tier 1, 2, and 3 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.611% of final-average salary for each year of credited service at age 62.

The Board of Supervisors applied the new formulas for all SCERS members, including member districts, prospectively from June 29, 2003 and retroactively to County employees' service credits which precede that date. In accordance with applicable retirement law, each SCERS member district's governing body determined whether or not to apply the new formulas retroactively for service credits earned prior to June 29, 2003 and to make the public service credit purchase provisions applicable to its employees. The enhancements created a significant unfunded liability and also resulted in significant increases in future County contribution rates.

The County Board of Supervisors authorizes the County's contributions to SCERS based on actuarial studies. The following table shows the percentage of salary which the County was responsible for contributing to SCERS from FY 2002-03 through FY 2011-12 to satisfy its retirement funding obligations. The significant increase in FY 2003-04 was primarily the result of the implementation of enhanced retirement benefits. The amount payable by the County in future fiscal years will depend on a variety of factors. See "Pension Benefits" and "Impact of Investments" herein.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES
COUNTY

	Miscellaneous			Safety	
Fiscal Year Ended June 30,	**Tier 1 Percent**	**Tier 2 Percent**	**Tier 3 Percent**	**Tier 1 Percent**	**Tier2 Percent**
2003*	6.86	3.41	5.26	16.04	11.96
2004*	15.84	11.47	13.85	31.69	26.31
2005	13.49	9.16	11.32	24.39	20.24
2006	15.29	11.49	13.94	33.23	28.57
2007	16.10	13.14	15.88	35.18	30.84
2008	15.89	12.95	15.73	36.01	31.67
2009	15.04	12.58	15.43	34.71	30.61
2010	15.46	13.07	15.88	33.65	29.53
2011	18.15	15.75	18.60	38.95	34.66
2012	18.11	15.63	18.49	36.91	32.88

Source: SCERS Comprehensive Annual Financial Report for fiscal years ended June 30, 2010 and 2009, and SCERS Actuarial Valuation Reports.

* Rates were adjusted to reflect the proceeds from Sacramento County's Pension Obligation Bonds that were received on July 1, 2004.

Note: SCERS Actuarial Valuation Reports are prepared subsequent to a fiscal year-end and determine rates which pertain to the following fiscal year. For example, the Actuarial Valuation as of June 30, 2010 presented current rates for the 2010-11 Fiscal Year and was used to determine rates for the 2011-12 Fiscal Year.

A seven-year schedule of the funding progress of SCERS (for the County, Superior Court and special districts combined) is presented in the table below, including funding from the County's Pension Obligation Bonds.

SCHEDULE OF FUNDING PROGRESS
(Amounts Expressed in Thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Market Value of Assets	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded/ (Over funded) AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded/ (Over funded) AAL as a Percentage of Covered Payroll [(b-a)/c]
2004	$4,379,514	$4,182,539	$4,694,009	$314,495	93.3%	$714,069	44.0%
2005	4,530,583	4,576,444	4,860,882	330,299	93.2	722,015	45.7
2006	4,848,953	5,090,929	5,214,915	365,962	93.0	782,572	46.8
2007	5,406,461	5,975,862	5,788,336	381,875	93.4	832,484	45.9
2008	5,930,758	5,736,329	6,363,355	432,597	93.2	902,971	47.9
2009	5,730,215	4,407,858	6,661,993	931,778	86.0	968,130	96.2
2010	6,216,994	4,980,962	7,145,726	928,732	87.0	912,728	101.8

Source: SCERS Comprehensive Annual Financial Report for the fiscal years ended June 30, 2010 and 2009; SCERS Actuarial Reports.

In accordance with SCERS policy, the funding status is measured using actuarial value of assets. As of June 30, 2010, the market value of assets is 80% of the actuarial value. Thus, on a market value basis, the funding status would be approximately 70%.

Impact of Investments

SCERS net assets held in trust for pension benefits as of June 30, 2010 totaled $4.981 billion (market value), an increase of $573.1 million, or 13%, from the $4.408 billion in net assets as of June 30, 2009. Improved investment returns were the primary contributor to the total increase in net assets for the year ended June 30, 2010. Additions to net assets included employee and employer contributions ($219.6 million) and net investment gains ($617.5 million). Deductions from net assets included benefits paid to members and their beneficiaries ($253.1 million), the payment of contribution refunds to terminated employees ($4.9 million) and the cost of administering the System ($5.9 million).

The actuarial value of assets is the market value of assets plus (or minus) net deferred investment gains (or losses). As of June 30, 2010 and 2009, total actuarial value of assets was $6.217 billion and $5.730 billion, respectively. Pursuant to SCERS' policy, gains and losses incurred prior to July 1, 2008 are recognized (smoothed) over a five-year period. Gains and losses incurred on or after July 1, 2008 are recognized over a seven-year period. As of June 30, 2010, the deferred investment loss totaled $1.236 billion, which represented the difference between the actuarial value and the market value of the assets. Unless offset by future investment gains or other favorable experience, the recognition of the $1.236 billion over the next six years is expected to have a significant decrease in the System's funded ratio and a significant increase in the aggregate employer contribution rate. The following table shows unrecognized gains/losses as of June 30, 2010.

DEFERRED INVESTMENT GAINS/(LOSSES) AS OF JUNE 30, 2010
(Amounts Expressed in Thousands)

12-month Period Ended	Investment Gains/(Losses)	Deferred Factor	Deferred Investment Gains/(Losses)
6/30/2006	$164,138,597	0%	$0
6/30/2007	486,410,932	20%	97,382,186
6/30/2008	(709,125,838)	40%	(283,650,335)
6/30/2009	(1,781,751,740)	71.4%	(1,272,679,815)
6/30/2010	260,184,755	85.7%	223,015,504
		Total:	**($1,236,032,460)**

Source: SCERS Actuarial Valuation Report

During the first three quarters of FY 2010-11, the SCERS total plan performance increased significantly by 21.2%, due to favorable investment experience. These gains will be recognized (smoothed) over a seven-year period during the next actuarial valuation. County employees represent approximately 89% of the total SCERS membership, and of this 89%, approximately 75% of the County's pension costs are funded by the County General Fund.

County Contributions

Contributions to the plan are made pursuant to Section 31584 of the County Employees Returement 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. Each employer of the System is obligated by state law to make all required contributions to the plan. The required contributions include current service cost and amortization of any unfunded prior service cost over a declining 25-year amortization period, with 25 years remaining as of June 30, 2010. Future contribution requirements may change significantly depending on a variety of factors, including changes to the actuarial assumptions, changes in statutory provisions, investment performance and actuarial experience.

The following table shows the annual required contribution and actual County employer contributions to SCERS for Fiscal Years 2002-03 through 2009-10 and estimated County contributions for Fiscal Years 2010-11 and 2011-12.

SCHEDULE OF COUNTY EMPLOYER CONTRIBUTIONS [1]
(Amounts Expressed in Thousands)

Year Ended June 30	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2003	$40,818	$40,818	100%
2004	112,736	112,736	100
2005 [2]	93,571	515,372	551
2006 [2]	147,630	127,109	86
2007	145,432	145,432	100
2008	148,163	148,163	100
2009	160,406	160,406	100
2010	150,610	150,610	100
2011 [3]	172,787	not yet available	not yet available
2012 [3]	169,043	not yet available	not yet available

Sources: Sacramento County Comprehensive Annual Financial Reports.
(1) Amounts and percentages do not include debt service on pension obligation bonds.
(2) 2005 amount and percentage contributed reflects $420 million in proceeds from 2004 Pension Obligation Bonds, and 2006 amount and percentage reflect a two-year phase-in of a contribution rate increase.
(3) Estimate, based on amount pre-paid to SCERS

STATE OF CALIFORNIA FINANCIAL INFORMATION

The following information concerning the State's budget has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the state budget is regularly available at various state-maintained Web sites. Text of the state budget may be found at the State Department of Finance Web site, www.govbud.dof.ca.gov under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past state budgets, may be found at the Web site of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective state agency maintaining each Web site and not by the County, and the County can take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2010-11

Following a three-month legislative impasse, the 2010-11 Budget Act (the "2010-11 Budget") was signed into law by the Governor on October 8, 2010. On October 12, 2010, the Legislative Analyst Office ("LAO") released its summary of the major features of the 2010-11 Budget (the "LAO Budget Summary"). The following information is adapted from LAO Budget Summary.

Absent corrective measures, the 2010-11 Budget projected a fiscal year 2010-11 ending deficit of approximately $17.9 billion. To address this gap, the 2010-11 Budget relied on $7.8 billion of expenditure and cost reductions, $5.4 billion of federal funding measures, $3.3 billion of revenue measures, and $2.7 billion of loans, transfers and one-time fund shifts.

With the implementation of these measures, the 2010-11 Budget assumed, for fiscal year 2009-10, year-end revenues of $81.6 billion and expenditures of $86.3 billion. The 2010-11 Budget also assumed the State ended FY 2009-10 with a budget deficit of $6.3 billion. For FY 2010-11, the 2010-11 Budget projected total revenues of $89.4 billion (an increase of 8.4% from the prior year) and authorized total expenditures of $86.5 billion (an increase of 0.2% from the prior year). The State was also projected to end FY 2010-11 with a $1.3 billion surplus. The LAO noted that well over two-thirds of the measures included in the 2010-11 Budget were of a one-time nature. As a result, the State is expected to continue facing structural deficit problems in future fiscal years.

In November 2010, the LAO released a subsequent report in which it indicated that it believe the State was facing a budget deficit in excess of $6 billion for FY 2010-11, and in excess of $19 billion for FY 2011-12.

During the State's budgetary impasse, various State vendors went unpaid and the State's annual revenue anticipation warrant ("RANs") borrowing was delayed. Without the proceeds of from such RANs, the 2010-11 Budget projected that the State will have difficulty meeting all its financial obligations without the use of registered warrants (also known as IOUs). Therefore, the 2010-11 Budget included provisions authorizing the State Controller to delay the payment of school district and community college district apportionments, as well as various other State payments, in October 2010 by several days. Such deferrals were in addition to existing deferrals of State apportionments.

Governor's Proposed 2011-12 Budget

Governor Brown released his proposed budget for FY 2011-12 (the "Governor's Proposed 2011-12 Budget") on January 10, 2011. The proposed budget projected a budget gap of $25.4 billion in 2011-12, consisting of a 2010-11 shortfall of $8.2 billion and a 2011-12 shortfall of $17.2 billion. The Governor's Proposed 2011-12 Budget provides for $26.4 billion in cuts, taxes and other budget actions, and includes a $1 billion reserve.

The Governor's Proposed 2011-12 Budget included $12.5 billion in reduced expenditures. Substantial spending reductions included a $1.7 billion reduction to Medi-Cal; a $1.5 billion reduction to CalWORKs; and a $0.75 billion reduction to the Department of Developmental Services. Other major non-tax proposals in the Governor's Proposed 2011-12 Budget included $1.8 billion of borrowing from special funds; $1.7 billion of property tax shifts in connection with the ending of redevelopment agencies; use of $1.0 billion from Proposition 10 funds; and use of $0.9 billion from Proposition 63 funds. Major revenue proposals in the Governor's Proposed 2011-12 Budget generally consisted of extension on existing revenues which would otherwise expire June 30, 2011.

The Governor's Proposed 2011-12 Budget included a major realignment of state and local program duties. The Governor's Proposed 2011-12 Budget proposes $6.3 billion in taxes, and shifts $5.9 billion to counties to implement increased program obligations. To enable counties to manage their increased fiscal responsibilities, the State budget gives the counties increased authority over the 2011 realigned programs, including adjusting program levels to align with State funding levels. Programs being shifted include responsibility for lower-level offenders and parole violators, foster care and child welfare services, community mental health, adult protective services, court security and substance abuse programs. The Governor's Proposed 2011-12 Budget proposed the phasing out of state authorization for two economic development programs: redevelopment and enterprise zones.

The Governor's Proposed 2011-12 Budget assumed that all necessary statutory changes to implement budget solutions would be adopted by the Legislature and signed by the Governor by March. This would have allowed the necessary ballot measures to be placed before the voters at a statewide special election to be called for June 2011. While, as described below, the Legislature enacted a significant portion of the spending reductions in the Governor's Proposed 2011-12 Budget, it did not enact legislation necessary to provide for the June election.

May Revision to the 2011-12 Proposed State Budget

On May 16, 2011, Governor Brown released the May Revision to the Governor's Proposed 2011-2012 Budget (the "May Revision").

The May Revision estimated that $25.4 billion budget gap included in the Governor's Proposed 2011-2011 Budget had been reduced by approximately $13.4 billion. This reduction resulted from expenditure and revenue measures implemented by a series of budget bills adopted in February and March of 2011, as well as the receipt of higher-than anticipated projected tax revenues totaling approximately $6.3 billion. Taken together with other minor revenue adjustments, the May Revision projected a revised budget deficit of $9.6 billion.

To address this budget gap, the May Revision proposed measures totaling $10.8 billion for both fiscal years 2010-11 and 2011-12. These measures were in addition to, or modify, those set out by the Proposed Budget. Assuming the implementation of these measures, the May Revision assumed, for FY 2010-11, year-end revenues of $88.8 billion and expenditures of $91.6 billion. The May Revision projected that the State would end the 2010-11 fiscal year with a deficit of $2.8 billion. For FY 2011-12, the May Revision projected total revenues of $90.8 billion and expenditures of $88.8 billion, and projects the State will end the 2011-12 fiscal year with a surplus of $1.2 billion.

The May Revision retained several key features included in the Governor's Proposed Budget, including the Governor's proposal to eliminate redevelopment agencies, the extension of sales and use taxes, vehicle license fees and dependent exemption credits for an additional five years (all of these extensions remain subject to voter approval), and an amended version of the Governor's plan to shift the delivery of certain health and safety services from state agencies to local governments.

The May Revision also described other long term obligations of the State in the tens of billions of dollars, including obligations pursuant to Proposition 98, the Unemployment Insurance Fund debt service with respect to authorized general obligation debt expected to be issued, and budgetary borrowing, including deferred payments to schools and community colleges, outstanding economic recovery bonds, unpaid costs to local governments, schools and community colleges for state mandates, underfunding of Proposition 98, and borrowing from local government pursuant to Proposition 1A. The May Revision also noted that unfunded liabilities in the state's retirement system are more than $100 billion for pensions and retiree health, and retirement systems for University of California employees and teachers have accumulated tens of billions of additional liabilities.

On June 15, 2011, the State Legislature passed a budget bill that included additional spending cuts, higher fees and inter-fund borrowing. On June 16, 2011, the Governor vetoed the budget and returned it for the Legislature's reconsideration.

2011-12 Adopted State Budget

On June 28, 2011, the State Legislature passed, and on June 30, 2011 the Governor signed, the State budget for FY 2011-12. The adopted State budget assumes that revenues will be an additional $4 billion higher than projected in the May Revision, and contains a "trigger" mechanism pursuant to which certain expenditure reductions will be made without further legislative action in the event that the newly projected revenues are not expected to be realized (as determined by the State Director of Finance). The adopted budget does not contain the tax extensions proposed in the May Revision.

As described above in connection with the adopted State Budget for FY 2011-12, the legislation was enacted providing for significant changes to the current funding mechanism for redevelopment agencies. In addition, the adopted State Budget for FY 2011-12 would change the allocation of certain property tax VLF funds for local public safety.

Potential Impacts to the County from 2011-12 Adopted State Budget

The impacts to the County as a result of the Adopted State Budget approved by the Legislature and signed by the Governor were incorporated into the County's FY 2011-12 Adopted CEO Recommended Budget, primarily a $21 million decrease in State CalWorks funding, and the County will not need to adjust its FY 2011-12 Adopted Budget for additional State impacts. The Adopted State Budget also includes major realignment of state and local program duties, and shifts $5.9 billion to counties to implement increased program obligations. To enable counties to manage their increased fiscal responsibilities, the State budget gives the counties increased authority over the realigned programs, including adjusting program levels to align with State funding levels. Programs being shifted include fire and emergency response activities, responsibility for lower-level offenders and parole violators, foster care and child welfare services, court security and substance abuse programs.

The Adopted State Budget also includes a so-called "trigger cuts" mechanism, by which the State can enact mid-year budget reductions should State revenues not achieve anticipated targets. By December 15, 2011, the State Director of Finance will determine whether revenues meet the forecast. If State revenues do not meet the forecast, the "trigger cuts" will be implemented, and for the County would impact the following programs: 1) 20% reduction in authorized hours for In-Home Supportive Services recipients; 2) Anti-fraud grants for the IHSS program; 3) District Attorney vertical prosecution grants; and 4) placement of juveniles in the Department of Juvenile Justice for which the County would be charged by the State.

The exact dollar amount of the potential "trigger cuts" for the County is not known; however, historically, when the State reduces funding for specific State programs that are administered by the County, the County makes commensurate reductions in these programs in order to assure that the County maintains a structurally balanced budget, and anticipates this will again be the case in FY 2011-12.

Future State Budgets

The State will likely continue to encounter budgetary problems in this and future fiscal years, and it is not clear what measures will be taken by the State to balance its budget, as required by law. In addition, the

County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on County finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. There can be no assurances that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the County. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control.

Potential Impact of State of California Financial Condition on the County

The County derives a substantial portion of its annual revenues from the State. For FY 2011-12, it is anticipated that approximately 38% of the County's total general fund revenues will be provided by the State (including funds provided by the State for specific state and federal programs). There can be no assurances that, as a result of the current State financial stress, it will not significantly reduce or delay revenues to local governments (including the County) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. (In fiscal years 2008-09 and 2009-10, the State either deferred payments or issued IOU's which could not immediately be cashed.) No prediction can be made by the County as to what measures the State will adopt to respond to the current or potential future financial difficulties. The County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the County's finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. There can be no assurances that State actions to respond to State financial difficulties will not adversely affect the financial condition of the County.

CONSTITUTIONAL PROTECTIONS/LIMITATIONS

Proposition 1A--Protection of Local Government Revenues

Proposition 1A, approved by the voters in November 2004 and generally effective in FY 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in FY 2008-09, the State may shift to schools and community colleges up to 8.0% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee (VLF) rate currently in effect (0.65% of vehicle value) the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend state mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable County revenues. The magnitude of such increase and stability is unknown and depends on future actions by the State. However, Proposition 1A could also result in decreased resources being available for state programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing state taxes, decreasing spending on other state programs or other action, some of which could be adverse to the County.

In connection with its budget for FY 2009-10, the State exercised its borrowing authority under Proposition 1A of 2004 to borrow from local agencies (including the County) 8% of their FY 2009-10 property tax revenues. However, the Amended 2009 Budget Act provided for the ability of local agencies to securitize the State's obligation to repay the amount borrowed. As a result, the County received the full amount of the property tax revenues in a timely manner, and the County was held harmless by a statewide borrowing, for which the State (not the County) is obligated to repay in three years. Proposition 1A provides that the state may not borrow from local property tax revenues for more than two fiscal years within a period of ten fiscal years, and only if previous borrowings have been repaid.

Article XIIIA

Article XIIIA of the California Constitution limits the amount of ad valorem taxes on real property to 1.0% of "full cash value" as determined by the County Assessor. Article XIIIA defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the FY 1975-76 tax roll under "full cash value", or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment period." The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2.0% per year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA exempts from the 1.0% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and allows local governments and school districts to raise their property tax rates above the constitutionally mandated 1.0% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. For school district general obligation debt and associated tax rate increases the voter approval threshold is 55.0%. Article XIIIA requires a vote of two-thirds of the qualified electorate to impose special taxes, the imposition of any additional ad valorem, sales or transaction tax on real property. In addition, Article XIIIA requires the approval of two-thirds of all members of the State Legislature to change any state laws resulting in increased tax revenues.

Article XIIIB

Article XIIIB of the California Constitution (the "Gann Limit" provision) limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the FY 1978-79 and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies, so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity. In June of 1990, the voters passed Proposition 111 which revised the provisions for calculating the appropriation limitations. As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts. The appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Appropriations subject to Article XIIIB generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain state subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified out lay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

The Board of Supervisors approved publication of the annual appropriation limit for the FY 2010-11 in the amount of $1,733,315,623. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, revenue from the sale of property and taxes received from the state and federal governments that are tied to special programs. Based on the 2010-11 Adopted Final Budget, the funds subject to limitation (total General Operating Budget minus non-proceeds of taxes, debt service, and carry over) are $333,612,111, which is below the Gann Limit.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Following is a comparison of the County's appropriation limit and appropriation subject to limitation for the Fiscal Years 2004-05 through 2010-11:

Appropriation Limit History

Fiscal Year	Appropriation Limit	Appropriation Subject to Limit	Margin
2004-05	1,314,858,092	317,934,325	996,923,767
2005-06	1,437,719,589	393,718,756	1,044,000,833
2006-07	1,524,247,420	397,063,468	1,127,183,952
2007-08	1,630,295,501	409,499,797	1,220,795,704
2008-09	1,733,049,717	391,196,747	1,341,852,970
2009-10	1,758,616,880	371,296,728	1,387,320,152
2010-11	1,733,315,623	333,612,111	1,399,703,512

Source: Sacramento County Final Budgets published for respective years

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1.0% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1.0% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property. For school district general obligation debt and associated tax rate increases the voter approval threshold is 55.0%.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities, such as the County, be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by two thirds of the voters voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIIIA of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988. Proposition 62 further provided that if any jurisdiction imposed any tax proposition, the amount of property tax revenue allocated to that jurisdiction shall be reduced by one dollar for each dollar of revenue attributable to such tax for each year the tax has been allocated.

In September 1995, the California Supreme Court invalidated a one-half cent sales tax imposed in 1986 by 54.0% of Santa Clara County's voters to fund local transportation projects (Santa Clara County Local Transportation Authority v. Guardino). The Court determined that the tax was a "special tax", one whose proceeds are dedicated to a special purpose (in this case, transportation). Consequently, the California Constitution required a two-thirds voter approval. The Court relied in part upon the provisions of Proposition 62, even though the California Appellate Courts had previously ruled Proposition 62 unconstitutional in most respects.

The Board of Supervisors placed two measures on the November 5, 2002 ballot, Measure G asking for continuation of the 2.5% utility tax and Measure H asking for continuation of the 2.0% increase in the

Transient Occupancy Tax. The voters of the County approved both measures, continuing the revenue stream from these taxes.

Proposition 218

On November 5, 1996, the voters of the State of California approved Proposition 218, known as the "Right to Vote on Taxes Act". Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges.

Proposition 218 (Article XIIIC) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which the County imposed, extended, or increased, without voter approval, after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The County has not imposed any new taxes or increased any such taxes after December 31, 1994. (The County has extended the utility tax, as described above.) The voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes and may affect the ability of the County to continue to impose the utility tax, and no assurance can be given that the County will be able to raise such taxes in the future to meet increased expenditure requirements.

Proposition 218 (Article XIIIC) also expressly extends the initiative power to matters of local taxes, assessments, fees and charges. This means that the voters of the County could, by future initiative, reduce or repeal existing local taxes, assessments, fees and charges. The initiative power granted under Proposition 218, by its terms, applies to all local fees and charges and is not necessarily limited to those that are property-related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, such as the Transient Occupancy Tax (TOT) and the Utility Tax which support the County's General Fund. Both of these taxes, and other local taxes, assessments, fees and charges could be subject to reduction or repeal by initiative under Proposition 218. See "County Financial Information" herein.

Proposition 218 (Article XIIID) also added several new requirements making it generally more difficult for local agencies to levy and increase assessments for municipal services and programs such as landscape and lighting in specific areas. The County is unable to predict whether it will be able to continue to collect assessment revenues for these programs under Proposition 218. If such assessment revenues cannot be collected, the County presently intends to curtail such services rather than use amounts in the General Fund to support them.

In addition, Proposition 218 (Article XIIID) adds several provisions affecting property related fees and charges. All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The County operates a solid waste management system, which is funded by solid waste revenues deposited in the County Refuse Enterprise Fund. A significant portion of the revenues of the solid waste system consist of solid waste collection and disposal charges imposed by the County on a majority of the waste generators in the unincorporated area of the County.

In addition to the Refuse Enterprise Fund, the County has several enterprise funds which are self-supporting. Also, several bodies corporate and politic of the State of California which are legally distinct and separate from the County operate in an area generally coterminous with the County, including but not limited to the Sacramento Regional County Sanitation District. These funds and special districts are supported by fees and charges for services, including providing solid waste collection and disposal service and sewer and wastewater services.

On July 24, 2006, the California Supreme Court ruled in Bighorn-Desert View Water Agency v. Virjil (Kelly) (the "Bighorn Decision") that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIIID and are also fees or charges within the meaning of Section 3 of Article XIIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIIC. In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the provisions of Proposition 218, the County may have to decide whether to support any deficiencies in these enterprise funds with monies from the General Fund or to curtail service, or both. In the case of an operating deficiency within a special district within the County, the County may likewise elect to support any deficiencies with monies from the General Fund or, in the case of special districts operated by the County official as ex officio directors of such district, elect to curtail service, or both. The County is unable to predict whether the courts will interpret any of the County's service charges to be property-related fees or charges under Proposition 218.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expands the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not believe it is currently charging any fees which will have to be reduced or eliminated as a result of Proposition 26.

COUNTY DEBT SUMMARY

The County has not defaulted on the payment of principal or interest on any of its indebtedness. All outstanding principal and interest amounts in this section are as of July 1, 2011.

General Obligation Debt

Since July 1, 1996, the County of Sacramento has had no outstanding direct general obligation bonded indebtedness.

Short-Term Cash-Flow Borrowings

Since August 7, 2009, the County of Sacramento has had no outstanding short-term cash borrowings.

Debt Service Set Aside

The County is obligated under all of its General Fund-supported certificates of participation and pension obligation bonds to set aside outside of the General Fund, by July 31 of each fiscal year, the total amount of debt service that will come due in that fiscal year. The County has always met this set aside requirement and will continue to do so.

Lease Obligations

The County may enter into long-term lease obligations without first obtaining voter approval, as long as these agreements meet certain requirements under State law. The County has entered into various agreements under which the County makes annual payments from the County's General Fund, and other non-General Fund sources, to occupy public buildings or use equipment necessary for County operations. Although the County General Fund is legally responsible for 100% of these rental payments, approximately 40% of these rental payments are expected to be funded from other non-General Fund sources, based on the benefiting entity of each lease, as detailed in the table below. All long-term lease obligations listed below are in fixed rate mode.

These lease agreements have been primarily with a nonprofit corporation established by the County for this purpose, the Sacramento County Public Facilities Financing Corporation, with the exception of two with joint powers authorities; one called the Sacramento Regional Arts Facilities Financing Authority, and one called the River City Regional Stadium Financing Authority. Under these agreements, the County covenants to appropriate sufficient funds and make rental payments in sufficient amounts to pay debt service on the Certificates of Participation. Under the two joint powers authorities lease obligations, the County has agreed to pay a portion of debt service, but does not currently anticipate the need to do so as current ticket receipts are projected to be sufficient to meet the obligations.

LEASE OBLIGATIONS

As of July 1, 2011

Series	Project(s)	Amount Issued	Principal Amount Outstanding	Final Maturity	County Liability
1997 Certificates of Participation; dated 01/01/97	Rio Cosumnes Correctional Center; Bank of America Building	$58,020,000	$10,660,000	2015	100%
1997 Refunding Certificates of Participation (1994 Public Facilities Project); dated 01/01/98	Coroner/Crime Lab and Data Center	88,360,000	73,685,000	2027	100%
2003 Certificates of Participation; dated 05/07/03	Boys Ranch; Mather Golf Course; Thornton Youth Center	15,230,000	13,125,000	2034	100%
2003 Certificates of Participation; dated 06/19/03	Juvenile Courthouse	36,150,000	31,850,000	2034	100%
2006 Certificates of Participation; dated 05/11/06	Fleet Maintenance Facility; Voters Registration Facility	40,860,000	33,830,000	2036	100%
2007 Certificates of Participation; dated 08/16/07	Animal Care Facility; Youth Detention Facility Expansion	46,260,000	44,700,000	2038	100%
1999 River City Regional Stadium Financing Authority, Taxable Lease Revenue Bonds	River Cats Stadium	39,990,000	33,640,000	2029	66% (if ticket receipts insufficient)
2002 Sacramento Regional Arts Facilities Financing Authority Certificates of Participation	Theatre Facilities	16,580,000	13,775,000	2032	50% (if ticket receipts insufficient)
2010 Refunding Certificates of Participation; dated 03/12/10	Main Detention Facility; Parking Garage; Cherry Island Golf Course	126,105,000	117,195,000	2030	100%

Pension Obligation Bonds

The County of Sacramento has issued several series of taxable pension obligation bonds to fund its accrued actuarial liability of the Sacramento County Employees Retirement System, pursuant to the County Employees Retirement Law of 1937. Debt service payments are payable from any moneys lawfully available in any fund in the County treasury; however, approximately 25% of the annual debt service is reimbursed to the County General Fund from various County non-General Fund sources, based on shares of actual paid payroll.

A portion of the 1995 Pension Obligation Bonds (the Series 1995B and 1995C bonds are in weekly-reset variable rate mode secured by a letter of credit that expires January 2013, and are synthetically fixed with a swap agreement. The 2008 Refunding Series are floating rate notes synthetically fixed with a swap agreement. The 2009 Refunding Series are floating rate notes synthetically fixed with a swap agreement. The issuance of the Series 2011A Bonds will result in the refunding of the 1995B and 1995C Series with fixed rate bonds and the termination of the associated swap agreement. The County intends to refund the 2009 Refunding Series with fixed rate bonds and terminate the associated swap agreement prior to their maturity in July 2014. See "COUNTY DEBT SUMMARY-Variable Rate Debt-Interest Rate Swaps" herein. Also see "Plan of Refunding" in the Official Statement.

The 2004C-3 Series is structured as convertible auction rate securities, and are accreting interest up to their conversion date of July 10, 2014. On their conversion date, they are structured to convert to 28-day mode auction rate securities. Due to the multiple and continuing auction failures in the market, with the probable risk that auctions will continue to fail and put the County at risk of being obligated to pay the maximum interest rate of 17% on these bonds, the County intends to refund or otherwise restructure the Series 2004C-3 Series before their conversion date of July 10, 2014.

POB OBLIGATIONS

All values as of July 1, 2011, except for the Series 2011A Bonds, which are of as the date of issuance of the Series 2011A Bonds (and reflect the refunding of the Series 1995B and Series 1995C Bonds)

Series	Purpose	Amount Issued	Principal Amount Outstanding	Final Maturity	Anticipated General Fund Payment Percent
County of Sacramento Taxable Pension Obligation Bonds, Series 1995A (1) (3)	Fund pension system	$404,060,208	$438,909,107	2022	75%
County of Sacramento Taxable Pension Obligation Bonds, Series 1995B,C (2)	Fund pension system-refunded with Series 2011A	134,000,000	0		75%
County of Sacramento Taxable Pension Obligation Bonds, Series 2003B (3)	Partially refund Series 1995A	97,441,330	133,410,000	2024	75%
County of Sacramento Taxable Pension Obligation Bonds, Series 2004C-3 (3) (4) (5)	Fund pension system	62,401,528	92,027,297	2033	75%
County of Sacramento Taxable Pension Funding Bonds, Refunding Series 2008	Refund Series 2004C-1	359,165,000	356,065,000	2030	75%
County of Sacramento Taxable Pension Funding Bonds, Refunding Series 2009 (6)	Refund Series 2004C-2	49,760,000	48,760,000	2014	75%
County of Sacramento Taxable Pension Bonds, Series 2011A (2)	Refund Series 1995B,C	183,365,000	183,365,000	2023	75%

(1) Series 1995A amount outstanding reflects partial refund/defease of $128,430,000 with Series 2003.
(2) County refunded Series 1995B&C variable rate to fixed rate bonds with the Series 2011A and terminated the swap. See "Plan of Refunding".
(3) Series 1995A,2003B and 2004C-3 amounts outstanding reflect accreted value of capital appreciation bonds as of 07/01/2011.
(4) Series 2004 amount outstanding reflects refunding of $346,800,000 with Series 2008 and refunding $49,225,000 with Series 2009.
(5) County intends to refund/restructure Series 2004C-3 prior to their conversion to auction rate securities on 7/10/2014.
(6) County intends to refund Refunding Series 2009 to fixed rate bonds and terminate swap prior to their maturity.

Revenue Obligations

The County and another related authority and corporation have issued revenue bonds for various capital projects, including the Sacramento County Airport System, the Sacramento County Water Agency and the County Solid Waste System. Annual debt service payments for these revenue obligations issued is payable from those respective enterprise funds, not from the County General Fund, and are subject to revenue coverage covenants under the authorizing documents.

REVENUE BOND OBLIGATIONS

As of July 1, 2011

Series	Amount Issued	Principal Amount Outstanding	Final Maturity
County of Sacramento Airport System Senior Revenue Bonds Series 2008A (Non-AMT)	$169,575,000	$160,600,000	2041
County of Sacramento Airport System Senior Revenue Bonds Series 2008B (AMT)	314,340,000	309,660,000	2039
County of Sacramento Airport System Senior Revenue Bonds Taxable Series 2008C	12,280,000	6,450,000	2012
County of Sacramento Airport System Subordinate and PFC Revenue Refunding Bonds Series 2008D (Non-AMT)	46,390,000	43,740,000	2026
County of Sacramento Airport System Subordinate and PFC Revenue Refunding Bonds Series 2008E (AMT)	43,040,000	37,460,000	2024
County of Sacramento Airport System Senior Revenue Bonds Series 2009A	31,115,000	31,115,000	2041
County of Sacramento Airport System Senior Revenue Bonds Series 2009B	170,685,000	170,685,000	2039
County of Sacramento Airport System Subordinate and PFC/Grant Revenue Bonds Series 2009C	112,860,000	112,860,000	2041
County of Sacramento Airport System Subordinate and PFC/Grant Revenue Bonds Series 2009D	165,390,000	157,685,000	2035
County of Sacramento Airport System Senior Revenue Bonds Series 2010	128,300,000	128,300,000	2040
Sacramento County Water Financing Authority, Revenue Bonds, Series 2003	50,795,000	2,245,000	2013
Solid Waste Enterprise Fund; 2005 Refunding Revenue Certificates of Participation	27,580,000	19,645,000	2021
Sacramento County Water Financing Authority, Revenue Bonds, Series 2007A	184,500,000	172,310,000	2028
Sacramento County Water Financing Authority, Revenue Bonds, Series 2007B	228,920,000	228,920,000	2039

Community Facilities District and Assessment District Bonds

The County issues long-term debt to finance infrastructure needs for developing areas. These Community Facilities District Mello-Roos bonds and Special Assessment District bonds are payable solely from special taxes assessed on benefiting properties, subject to accelerated judicial foreclosure in the event of non-payment of special taxes, and the County is not financially liable for debt service payments.

CFD/AD OBLIGATIONS

As of July 1, 2011

Series	Amount Issued	Principal Amount Outstanding	Final Maturity
County of Sacramento Limited Obligation Improvement Bonds, Bradshaw Road/US 50 Corridor, 1995	$2,300,518	$895,000	2015
County of Sacramento Laguna Creek Ranch/Elliott Ranch CFD No. 1, Project Area No. 2, Special Tax Refunding Bonds, 2011	12,830,000	12,830,000	2021
County of Sacramento Laguna Creek Ranch/Elliott Ranch CFD No. 1, Project Area No. 1, Special Tax Refunding Bonds, 2011	17,075,000	17,075,000	2020
County of Sacramento Metro Air Park CFD No. 1998-1 Special Tax Bonds [(1)]	5,310,000	3,675,000	2022
County of Sacramento Park Meadows CFD No. 2000-1 Special Tax Bonds Series 2000 [(1)]	1,122,000	798,882	2030
County of Sacramento McClellan Park CFD No. 2004-1 Special Tax Bonds, Series 2004	10,250,000	10,040,000	2034
County of Sacramento Metro Air Park CFD No. 2000-1 Special Tax Bonds Series 2004A [(1)]	63,460,000	59,285,000	2034
County of Sacramento Laguna Stonelake CFD No. 1, 2005 Special Tax Refunding Bonds	11,525,000	9,290,000	2025
County of Sacramento CFD No. 2005-2, North Vineyard Station No. 1, Special Tax Bonds, Series 2007A	14,415,000	14,385,000	2037
County of Sacramento Metro Air Park CFD No. 2000-1 Special Tax Bonds Series 2007B [(1)]	40,200,000	40,200,000	2034

[(1)] Private placements

Other County General Fund Obligations

Outstanding loans between the County General Fund and the County Treasury Pool are detailed below. The River Delta Fire District Loan was made to this entity from the County's Pooled Investment Fund, and is backed by the County General Fund. The Teeter Plan Loans are also loans between the County and the County's Pooled Investment Fund for a maximum of five years. The interest rate charged is variable and reset quarterly. There are no pre-payment penalties, thereby providing the County with the flexibility to opt-in at a later date into an alternative form of Teeter Plan financing.

OTHER GENERAL FUND OBLIGATIONS

As of July 1, 2011

Description	Original Loan Amount	Principal Amount Outstanding	Final Maturity
River Delta Fire District	$ 500,000	$ 350,000	06/27/2013
Sacramento County (Teeter Plan)	39,524,410	1,137,741	08/01/2011
Sacramento County (Teeter Plan)	65,436,290	3,653,783	08/01/2012
Sacramento County (Teeter Plan)	80,005,581	8,390,542	08/01/2013
Sacramento County (Teeter Plan)	64,470,279	15,199,853	08/01/2014
Sacramento County (Teeter Plan)	46,011,798	22,579,953	08/01/2015

County of Sacramento Aggregate Debt Service
Current Outstanding Debt-Certificates of Participation Only

As of July 1, 2011

Per. End. June 30	Series 1997 Refunding COPs	Series 1997 COPs	Series 2003 Pub Fac Proj COPs	Series 2003 Juv Court COPs	Series 2006 Pub Fac Proj COPs	Series 2007 Animal Care/YDF 120 Bed Exp COPS	Series 2010 Refunding COPs	County's Portion of Series 1999 Lease Revenue Bonds (1)	County's Portion of Series 2002 Regional Arts COPs (2)	FY Total
2012	$6,317,900	$3,028,962	$965,095	$2,216,813	$3,123,743	$3,002,913	$14,570,700	$2,376,329	$526,113	$36,128,568
2013	6,315,525	3,025,212	961,295	2,211,956	3,121,143	2,999,113	14,728,700	2,375,099	526,266	36,264,309
2014	6,319,619	3,020,462	962,095	2,214,263	3,121,143	3,004,288	14,424,450	2,373,716	525,856	35,965,892
2015	6,320,125	3,024,262	962,295	2,214,513	3,123,542	3,002,913	14,356,500	2,371,920	524,839	35,900,909
2016	6,318,150		956,895	2,216,375	3,119,543	2,999,288	12,912,825	2,368,184	525,724	31,416,984
2017	6,318,338		960,700	2,214,675	3,124,663	2,998,613	13,035,675	2,365,352	525,969	31,543,985
2018	6,320,213		958,270	2,216,475	3,117,850	3,001,113	13,186,075	2,364,062	525,554	31,689,612
2019	6,318,419		959,780	2,211,775	3,127,850	3,001,038	9,340,775	2,360,578	524,459	27,844,674
2020	6,317,600		959,980	2,215,075	1,708,575	3,002,788	9,157,675	2,357,828	525,108	26,244,629
2021	6,317,281		958,830	2,215,700	1,703,925	3,001,538	5,659,950	2,352,074	522,479	22,731,777
2022	6,316,988		966,780	2,213,575	1,707,925	2,997,288	5,257,625	2,349,444	523,916	22,333,541
2023	6,316,244		957,860	2,213,575	1,705,125	3,004,663	5,260,875	2,345,929	521,988	22,326,259
2024	6,319,456		958,250	2,215,450	1,705,750	2,998,538	5,258,125	2,340,991	521,500	22,318,060
2025	6,316,150		960,250	2,214,281	1,708,660	3,003,788	5,260,175	2,337,289	522,313	22,322,906
2026	6,315,850		960,750	2,215,419	1,704,500	3,000,163	5,257,825	2,334,014	522,250	22,310,771
2027	6,317,844		959,750	2,214,006	1,703,500	2,997,663	5,259,262	2,327,158	521,313	22,300,496
2028	6,316,538		957,250	2,214,938	1,706,250	3,000,913	5,262,475	2,322,579	519,500	22,300,443
2029			963,250	2,213,106	1,706,250	2,999,663	5,261,600	2,316,000	519,250	15,979,119
2030			957,250	2,212,000	1,703,500	2,998,788	5,261,063	2,309,811	518,000	15,960,412
2031			959,750	2,215,750	1,708,000	2,998,038			518,188	8,399,726
2032			955,250	2,215,000	1,704,250	3,002,038			517,250	8,393,788
2033			959,000	2,214,625	1,707,500	3,000,538			517,625	8,399,288
2034			955,500	2,214,375	1,707,250	3,003,288				7,880,413
2035				2,214,000	1,703,500	3,000,038				6,917,538
2036					1,706,250	3,005,413				4,711,663
2037						2,999,163				2,999,163
2038						3,004,706				3,004,706
Total	**$107,402,240**	**$12,098,898**	**$22,076,125**	**$53,147,720**	**$53,980,187**	**$81,028,294**	**$168,712,350**	**$44,648,357**	**$11,495,460**	**$554,589,631**

(1) County required to pay only 66.667% of total lease payments, and **only** if ticket receipts insufficient.
(2) County required to pay only 50.0% of total lease payments, and **only** if ticket receipts insufficient.

County of Sacramento Aggregate Debt Service
Current Outstanding Debt-Pension Obligation Bonds and Certificates of Participation

All values as of July 1, 2011, except for the Series 2011A Bonds, which are of as the date of issuance of the Series 2011A Bonds (and reflect the refunding of the Series 1995B and Series 1995C Bonds)

Per. End. June 30	Series 1995A POBs	Series 2003 POBs	Series 2004 C-3 POBs (1)	Series 2008 Refunding POBs (2)	Series 2009 Refunding POBs (3)	Series 2011A Refunding POBs (4)	FY POBs Total	FY COPs Total	FY POBs & COPs Combined
2012	$52,777,312	$7,644,393	0	$27,231,643	$4,108,862	$3,748,241	$95,510,451	$36,128,568	$131,639,019
2013	55,552,312	7,644,393	0	30,053,232	4,085,805	11,690,133	109,025,875	36,264,309	145,290,184
2014	58,447,312	7,644,393	0	29,721,156	4,049,241	13,325,034	113,187,136	35,965,892	149,153,028
2015	61,472,312	7,644,393	$3,757,502	27,124,589	47,800,293	13,337,260	161,136,349	35,900,909	197,037,258
2016	64,637,312	7,644,393	7,515,004	27,192,422		10,754,257	117,743,388	31,416,984	149,160,372
2017	67,942,312	7,644,393	7,515,004	29,222,224		10,754,257	123,078,190	31,543,985	154,622,175
2018	71,397,312	7,644,393	7,515,004	31,188,695		10,754,257	128,499,661	31,689,612	160,189,273
2019	41,506,816	7,644,393	7,515,004	30,898,766		42,373,416	129,938,395	27,844,674	157,783,069
2020	47,356,920	7,644,393	7,515,004	33,312,489		38,210,396	134,039,202	26,244,629	160,283,831
2021	53,371,768	7,644,393	7,515,004	33,813,999		35,792,492	138,137,656	22,731,777	160,869,433
2022	59,573,008	7,644,393	7,515,004	35,700,648		31,803,530	142,236,583	22,333,541	164,570,124
2023		99,427,255	7,515,004	36,533,905		3,740,292	147,216,456	22,326,259	169,542,715
2024		40,035,058	7,515,004	38,281,039		60,130,146	145,961,247	22,318,060	168,279,307
2025			7,515,004	39,239,366			46,754,370	22,322,906	69,077,276
2026			7,515,004	41,211,936			48,726,940	22,310,771	71,037,711
2027			7,515,004	43,011,983			50,526,987	22,300,496	72,827,483
2028			7,515,004	44,238,161			51,753,165	22,300,443	74,053,608
2029			7,515,004	46,212,341			53,727,345	15,979,119	69,706,464
2030			7,515,004	47,915,587			55,430,591	15,960,412	71,391,003
2031			7,515,004	48,879,209			56,394,213	8,399,726	64,793,939
2032			7,515,004				7,515,004	8,393,788	15,908,792
2033			58,492,348				58,492,348	8,399,288	66,891,636
2034			57,984,846				57,984,846	7,880,413	65,865,259
2035								6,917,538	6,917,538
2036								4,711,663	4,711,663
2037								2,999,163	2,999,163
2038								3,004,706	3,004,706
Total	**$634,034,696**	**$223,550,636**	**$247,989,764**	**$720,983,390**	**$60,044,201**	**$286,413,711**	**$2,173,016,398**	**$554,589,631**	**$2,727,606,029**

(1) Assumed all-in total rate of 6.904% on Series 2004C-3; will restructure before conversion to auction rate securities July 2014; See "COUNTY DEBT SUMMARY-Pension Obligation Bonds" previously described herein.

(2) Assumed swap rate of 5.901% + 1.30% for the 2026 Term Bond; 5.901% + 1.45% for $166,950,000 of the 2030 Term Bond; 6.354% (average 1-month LIBOR + 1.45%) for $12,365,000 of the 2030 Term Bond.

(3) Assumed total all-in rate of 6.863% (swap fixed rate of 5.802% + 2.75% variable bonds minus 1.689% received on swap)). County intends to refund Refunding Series 2009 to fixed rate bonds and terminate the associated swap before their maturity date of July 2014.

(4) County issued its Refunding Series 2011A POBs as fixed rate bonds and terminated the associated swap in the transaction that refunded the Series 1995B&C POBs. See "Plan of Refunding" in Official Statement

Direct and Overlapping Bonded Debt – As of July 1, 2011

The following presents a statement of the direct and overlapping bonded debt secured in whole or in part from property tax assessments in Sacramento County as of July 1, 2011.

2010-11 Assessed Valuation:	$124,550,357,381	(includes unitary valuation)
Redevelopment Incremental Valuation:	7,395,895,701	
Adjusted Assessed Valuation:	$117,154,461,680	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/11	
Los Rios Community College District	79.420%	$ 256,455,122	
Center Joint Unified School District	88.596	36,121,885	
Folsom-Cordova Unified School District School Facilities I.D. No. 1, 2, 3 & 4	100.	183,750,163	
Natomas Unified School District	100.	186,282,156	
Sacramento Unified School District	100.	331,142,966	
San Juan Unified School District	100.	314,697,791	
Twin Rivers Unified School District (former elementary school district bonds)	100.	92,937,417	
Twin Rivers Unified School District (former high school district bonds)	99.337	188,563,613	
Robla School District	100.	16,746,128	
Other School Districts	Various	66,057,805	
City of Folsom	100.	14,900,000	
Dry Creek Joint School District Community Facilities District No. 1	100.	16,629,690	
City of Elk Grove Community Facilities Districts	100.	164,970,000	
Elk Grove Unified School District Community Facilities District No. 1	100.	149,041,480	
Sacramento Unified School District Community Facilities District No. 1	100.	1,830,000	
City of Folsom Community Facilities Districts	100.	130,055,000	
City of Galt and Galt Schools Community Facilities Districts	95.535-100.	18,508,542	
City of Sacramento Community Facilities Districts	100.	166,280,000	
Rancho Cordova and Rancho Murrieta Community Facilities District	100.	75,795,000	
Sacramento County Community Facilities Districts	100.	167,578,882	
Southgate Recreation and Park Benefit Assessment District	100.	610,000	
1915 Act Bonds (Estimated)	100.	217,091,404	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$2,796,045,044	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Sacramento County General Fund Obligations	**100. %**	**$ 355,019,478**	(1)
Sacramento County Pension Obligations	**100.**	**916,167,653**	
Sacramento County Office of Education Certificates of Participation	100.	9,950,000	
Twin Rivers Unified School District Certificates of Participation	99.337	128,964,260	
Folsom-Cordova Unified School District Certificates of Participation	100.	29,155,000	
Natomas Unified School District Certificates of Participation	100.	62,395,000	
Sacramento Unified School District Certificates of Participation and Pension Obligations	100.	83,665,000	
San Juan Unified School District Certificates of Participation	100.	1,732,857	
Other School District Certificates of Participation	Various	7,668,567	
City of Elk Grove General Fund Obligations	100.	25,180,000	
City of Folsom Certificates of Participation	100.	12,730,000	
City of Galt Certificates of Participation	100.	2,145,000	
City of Rancho Cordova Certificates of Participation	100.	24,100,000	
City of Sacramento General Fund Obligations	100.	753,980,000	
Recreation and Park District Certificates of Participation	100.	8,080,000	
Sacramento Metropolitan Fire Protection District Pension Obligations	100.	64,388,975	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,485,321,790	
Less: **Sacramento County supported obligations**		**7,070,000**	
City of Sacramento supported obligations		465,563,380	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,012,688,410	
GROSS COMBINED TOTAL DEBT		$5,281,366,834	(2)
NET COMBINED TOTAL DEBT		$4,808,733,454	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 2.24%

Ratios to Adjusted Assessed Valuation:
Gross Combined Direct Debt ($1,271,187,131) 1.09%
Net Combined Direct Debt ($1,264,117,131) 1.08%
Gross Combined Total Debt 4.51%
Net Combined Total Debt 4.10%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0
SOURCE: California Municipal Statistics, Inc.

Interest Rate Swaps

In December 2004, the County's Board of Supervisors adopted a Master Swap Policy which governs the use of swaps by the County. The Master Swap Policy includes possible objectives to be achieved by entering into an interest rate swap pursuant to Section 5922(a) of the California Government Code. It also states that the County's Chief Operations Officer and the County's Director of Finance will recommend the use of swap agreements in a manner consistent with this Master Swap Policy. Additionally, the Master Swap Policy requires that swap counterparties must, at the time of execution of the swap agreement, be rated at least "Aa3" or "AA-" (or equivalent) by any two of the rating agencies, or have a "AAA" rating if the counterparty is a subsidiary entity, when the swap agreement is executed, and such swap counterparty must also satisfy the requirements for a Qualified Counterparty as set forth in governing bond documents. Further, the Master Swap Policy requires that the County's total exposure to any one counterparty is limited to certain dollar amounts that are based on that counterparty's creditworthiness as well as the relative level of risk associated with each existing swap transaction. The Master Swap Policy requirements can be waived by the Board of Supervisors for a transaction if they deem it is in the best interest of the County.

The County's interest rate swap transactions entail risk to the County. Actual interest rates may vary from assumptions made at the time the swap transaction was executed, and the County may not realize the expected financial benefits from the swap transaction. In addition, the potential future exposure to the County relating to the difference in payments between the amount the County receives in connection with any swap transaction and pays pursuant to that transaction, termination payments or any non-scheduled payments cannot be predicted. The respective counterparties may terminate any of the swaps upon the occurrence of certain termination events or events of default, which may include failure of either the County or the counterparty to maintain credit ratings at specified levels. The County may terminate any of the swaps at any time. If either the counterparty or the County terminates any swap, the County may be required to make a termination payment to the counterparty (even if such termination is due to an event affecting the counterparty, including the counterparty's failure to maintain credit ratings at specified levels), and there is no assurance that such payment by the County would not have a material adverse impact on its financial position. The County may enter into additional interest rate swaps in the future. The estimated amount of such termination payments are set forth in the Table below in the row titled "Valuation". The valuation of the swaps is volatile, and will vary based on a variety of factors, including current interest rates. There can be no assurances that termination amounts potentially payable by the County will not significantly increase.

Following the issuance of the County's Pension Obligation Bonds Refunding Series 2011A and termination of the associated swap, the County will have two outstanding interest rate swaps which are obligations of the General Fund, as described below. See also the following table titled "VARIABLE RATE DEBT/INTEREST RATE SWAPS" below, and "Variable Rate Debt, Interest Rate Swaps and Letters of Credit Risks." The County intends to terminate the 2004C-2 Swap, and pay the then-applicable termination fee (if any), in conjunction with its intention to refund to fixed rate bonds the Series 2009 Refunding POBs prior to their maturity date of July 2014.

(1) The County entered into a swap for its County of Sacramento Taxable Pension Funding Bonds, Series 2004C-1 (the "2004C-1 Swap") with Merrill Lynch. Under the 2004C-1 Swap, the County pays the counterparty a fixed payment of 5.901% and receives a variable payment computed as 100% of the one-month LIBOR. The 2004C-1 Bonds were refunded in 2008 (the 2008 Taxable Pension Refunding Bonds), and the variable rate payments are based on 100% of the one-month LIBOR plus a spread of 1.30% for the 2026 Term Bond and 1.45% for the 2030 Term Bond. This 2004C-1 Swap remained outstanding after the Series 2004C-1 Bonds were defeased through the issuance of Refunding Series 2008 Bonds. The swap does not extend and cover $12,365,000 2030 Term Bond.

(2) The County entered into a forward-starting swap agreement with Morgan Stanley, Inc., with an effective date of July 10, 2009, in connection with the Series 2004C-2 variable rate portion of the 2004 Taxable Pension Funding Bonds (the 2004C-2 Swap). The County pays a fixed rate of 5.802% to Morgan Stanley, and Morgan Stanley pays a variable rate of the 5-year USD/ISDA SWAP rate minus 50 basis points to the County.

Variable Rate Debt, Interest Rate Swaps and Letters of Credit Risks

As set forth in the following table, the swap agreements, variable rate debt and related letter of credit which the County has entered into provide for termination in certain circumstances, including failure of the County to maintain credit ratings at specified levels. In the event that one or more of the swap agreements are terminated, and the then current market value of the related swap is negative (as is currently the case), the County would be required to immediately pay to the counterparty the termination value. The County's ratings as of the date of this Official Statement currently are as follows:

County Issuer Rating: “A2” (Moody’s)/“A-” (S&P)/”A” (Fitch)

County POB Rating: “A3” (Moody’s)/“BBB+” (S&P)/ “A-” (Fitch)

County COP Rating: “Baa1” (Moody’s)/“BBB+” (S&P)/“A-” (Fitch)

All three ratings agencies have assigned a “stable outlook”.

Explanation of the significance of such ratings may be obtained only from the respective organizations at Moody’s Investors Service, 7 World Trade Center, New York, New York 10007, Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041, and Fitch Ratings, One State Street Plaza, New York, New York 10004. While the County currently maintains ratings at or above each of the thresholds specified in the respective swap agreements, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of either such rating agency circumstances so warrant.

Further downgrades would result in increases in costs, and could result in termination of the swap and letter of credit agreements. The County is not required to post collateral pursuant to any of the swap agreements.

The issuance of the Series 2011A Bonds will result in the refunding of the Series 1995B and Series 1995C Series with fixed rate bonds and the termination of the associated swap agreement, which will eliminate the need for a letter of credit with respect to the Series 1995B and Series 1995C Bonds and reduces the risk associated with termination of the related swap agreement. See “Plan of Refunding” in the Official Statement.

VARIABLE RATE DEBT/INTEREST RATE SWAPS

Issue	2008 Refunding POBs (2004C-1)	2009 Refunding POBs (2004C-2) (1)	2004C-3 POBs
Type of Underlying Obligation	Floating Rate Notes 1-mo LIBOR+130 BPS \$179,450,000; 1-mo LIBOR+145 BPS \$179,315,000	Floating Rate Notes 1-mo LIBOR with floor of 0.75% + 200 BPS	Convertible Auction Rate Securities (will restructure before conversion date of 7/10/14)
Bond Amount Outstanding as of July 1, 2011	\$356,065,000	\$48,760,000	\$108,850,000 (fully accreted value)
LOC Bank/Insurer	FSA	N/A	MBIA
Swap Counterparty	Merrill Lynch	Morgan Stanley	None
Swap Notional \$	\$346,800,000	\$49,225,000	N/A
Payment Terms	County pays 5.901%; Counterparty pays 100% 1-mo LIBOR	County pays 5.802%; Counterparty pays 5 year USD-ISDA Swap minus 50 BPS	N/A
Est. Valuation (09/08/11) (includes accrued interest)	Negative \$139,780,000	Negative \$21,360,000	N/A
County Credit Rating Risk (thresholds for termination events for swap agreements and letters of credit)	County must maintain two of three minimum ratings set forth below with respect to at least one issue of POBs or COPs: rated at or above Baa1 (Moody's), BBB+ (S&P)or BBB+ (Fitch)	County must maintain two of three minimum ratings set forth below with respect to at least one issue of POBs or COPs: rated at or above Baa1 (Moody's), BBB+ (S&P)or BBB+ (Fitch)	N/A

(1) County intends to refund Refunding Series 2009 with fixed rate bonds and terminate the associated swap prior to their maturity date of July 2014.

APPENDIX B

THE COUNTY OF SACRAMENTO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULIE VALVERDE
DIRECTOR OF FINANCE

COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FISCAL YEAR 2010
COMPREHENSIVE ANNUAL FINANCIAL REPORT

COUNTY OF SACRAMENTO
STATE OF CALIFORNIA

Julie Valverde, Director of Finance

For The Fiscal Year Ended June 30, 2010

COUNTY OF SACRAMENTO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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Combining and Individual Fund Statements and Schedules:

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION

Internal Services Agency

Department of Finance

Auditor-Controller Division
Ben Lamera,
Assistant Auditor-Controller

County of Sacramento

Steven C. Szalay, Interim County Executive
Julie Valverde, Interim Agency Administrator
Julie Valverde, Department Director

December 27, 2010

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, 2010, 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, 2010, 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 2008-09 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 can be found on pages 3 through 17 of this report. The statistical section, which is 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 (2006, 2010, etc.), while supervisors from District 3 and District 4 are elected in presidential election years (2004, 2008, 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 and recreational activities, 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

The County's largest city, the City of Sacramento, is the seat of government of the State and also serves as the County seat. The County is the major component of the Sacramento Metropolitan Statistical Area (SMSA) which includes Sacramento, El Dorado, Placer and Yolo Counties.

The County is currently experiencing financial stress due to the impacts of the general economic downturn. 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, 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 66% of the County's General Fund budgeted revenues.

In the SMSA, as of the end of calendar year 2009, three major job categories comprised 71% of the workforce: services (33%), government (26%) and wholesale trade (12%). Total employment in 2009 had decreased by approximately 7.5% from 2008 levels, and the unemployment rate as of June 2010 was 12.4%, as compared to 11.4% in June 2009.

The housing market slowdown and related negative impact of economic conditions has continued through 2009 to date. Total assessed value in the County increased by approximately 1% in Fiscal Year 2008-09, and then declined by approximately 7.1% in Fiscal Year 2009-10, compared to Fiscal Year 2008-09. The County Assessor's Office projects that assessed values for Fiscal Year 2010-11 will decrease from Fiscal Year 2009-10 levels by approximately 2%, translating into a property tax revenue decrease for the County General Fund of approximately $10.9 million between Fiscal Year 2009-10 and Fiscal Year 2010-11. Revenues of the County from or related to sales taxes declined in Fiscal Year 2009-10 by approximately 14% from Fiscal Year 2008-09 levels. Based on recent trends, the County is anticipating a 1% growth in local sales tax revenues for Fiscal Year 2010-11.

MAJOR INITIATIVES

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

Department of Human Assistance

Integrated Time Management System

Sacramento County Department of Human Assistance (DHA) completed development of an integrated time management system that streamlined payroll processes, improved financial reporting, and helped reduce County costs by over $1 million annually. DHA's new time management system consolidated over 60 small stand-alone applications into a single web-based application that interfaced directly with the County's central payroll system. The new system also integrated the time study and timesheet processes, thereby enabling staff to simultaneously submit information for both processes. In addition, the new system automated all staff movement and position control functions, which previously were processed manually. Most significantly, the new time management system provides management and financial reports that identify in real-time how staff time studying to various programs. DHA now has a far richer source of data to determine spending patterns and, as a result, can better position itself to leverage more State / Federal funds.

Facility Consolidation

In efforts to reduce operating costs with minimal impact on client services, DHA developed and implemented a facility consolidation plan. In collaboration with the County Real Estate Division (RED), the County Facility Planning & Management Division (FPM), and County Counsel, DHA's General Services Division (GSD) closed three small bureaus just before Fiscal Year 2009-10 and redirected clients to other larger facilities that provided a greater complement of services onsite. In Fiscal Year 2009-10, DHA eliminated an additional 9 leases in facilities that did not provide direct client services. In the process, DHA redesigned its existing facilities to accommodate 464 staff from DHA facilities the department was vacating. By the end of Fiscal Year 2009-10, DHA eliminated 12 facilities and 172,325 square feet of leased space, resulting in $3.2 million in annual lease payment savings with minimal impact on client services.

Medi-Cal Service Center

On June 24, 2010 DHA formally opened a Medi-Cal Service Center designed to serve the needs of all Medi-Cal continuing clients countywide. The planning process for the Service Center took into consideration the need to provide more effective, efficient service to clients, and to save County costs. Service delivery at the Service Center is telephone based, interactive, and consolidates Medi-Cal continuing staff from 9 bureaus into a single location, the Arena Bureau at 2101 Arena Blvd. Using the call center approach is a more efficient use of staff and equipment. Rather than assigning separate caseloads to individual staff, the entire Medi-Cal caseload for the County is combined and the processing of cases is broken into *tasks* and distributed among the entire Medi-Cal continuing staff. A new computer-based system allows supervisors to manage the workflow in a manner that enables staff to handle the Medi-Cal continuing workload of 69,210 cases providing efficient, timely and up-to-date services to clients in need of assistance. With this system, clients are not required to travel to a DHA office and can have their needs met via telephone or mail. The Medi-Cal Service Center reduces the need for private interviewing space, requires fewer public parking spots and provides for more efficient use of interior office space, all of which reduce the County's overall cost for leased space.

CMISP Service Delivery Redesign

In order to save County General Fund dollars, and to provide better health coverage assistance for applicants of the County Medically Indigent Services Program (CMISP), the application process for this program was changed to a *Medi-Cal first* model. Clients are now asked to complete a Medi-Cal application when applying for CMISP. As a part of this change, applying for CMISP is now a mail-in process which mirrors the Medi-Cal application process. A prospective client's eligibility determination is made for Medi-Cal prior to consideration for CMISP. This practice achieves a dual purpose in that it enables DHA to track applications for CMISP in the CalWIN system, and it more accurately allocates staff time studies to the federally funded Medi-Cal program as a primary program and to CMISP, paid for by County General funds, as a secondary program. In this way, DHA is able to capture a truer picture of caseload size, maintain statistics in the CalWIN system, and provide a General Fund cost savings. The impact on clients has been minimal. Clients are no longer required to appear for a face-to-face interview which has eased overcrowding and long wait times at the CMISP office. Approximately 22,000 clients are active on CMISP each month, with nearly 41,000 persons eligible to receive benefits during the span of a year.

CalWORKs Welfare to Work Service Delivery Model and Specialized Caseload

In April and May 2010, DHA began an innovative approach to customer service. DHA split the CalWORKs program into two separate and distinct functions, CalWORKs intake and continuing and Welfare to Work (WTW) intake and continuing. In this new service delivery model the CalWORKs intake and continuing worker is only responsible for determining eligibility for CalWORKs cash aid, Medi-Cal and Food Stamps. In the prior service delivery model the CalWORKs worker would have done both the CalWORKs eligibility and worked with the client to create a WTW plan. As a result very few WTW plans were being created at intake for CalWORKs/WTW mandatory participants. Under the new model, the WTW intake worker meets with the client after their CalWORKs interview. This WTW interview is focused on working with the client to create a WTW plan. For continuing, separating the caseload allows more time for our continuing WTW workers to follow-up on the WTW plans created during the client's WTW intake interview, accurately assess the employment needs of their clients, and improve our County's Work Participation Rate. A WTW plan spells out what activities the client must participate in to continue receiving CalWORKs benefits. The primary goal of the WTW program is moving families from dependency on welfare to becoming self sufficient. The clients WTW activities may include but are not limited to vocational training, subsidized employment, unsubsidized employment and higher education.

The splitting of the two functions resulted in a more efficient use of staff time and an increase in the number of WTW plans.

Senior Nutrition Services Program

The Senior Nutrition Services Program (SNS) has been part of DHA since 1994. Widely recognized as an integral part of the County senior services safety net, SNS, also known as Meals on Wheels, was transitioned to a community based provider in July 2010. The transition of SNS to a community provider was in response to insufficient local funds, and the desire of DHA and the community to sustain meal services for Sacramento area seniors. DHA worked with the Area 4 Agency on Aging (A4AA), the federal funder, to transition the nutrition program to the Asian Community Center (ACC), selected as the new provider in an A4AA competitive bid process. ACC began managing the "Meals on Wheels by ACC" program on July 1, 2010.

Mather Community Campus

In April 2010, DHA transferred the Mather Community Campus (MCC) Transitional Housing and Employment Services Program from DHA to Volunteers Of America (VOA), a community based program. Volunteers of America has been involved at the Mather Community Campus since the inception of the campus in 1995. Established as a collaborative with VOA and other partners, DHA administered and managed the MCC program until April of 2010, when diminishing General Fund prohibited DHA from continuing in its HUD grantee management role. The transfer of the Mather Community Campus saves DHA $1.1 million in General Fund with no disruption in client services.

Department of Health and Human Services

Public Health

In 2009 a new influenza virus was discovered, never seen before, and the World Health Organization declared a pandemic. The Department of Health and Human Services (DHHS) mounted an initial response in the spring of 2009 that included surveillance for the disease, testing for the virus in the Sacramento Public Health Laboratory, and distributing antiviral medications and N95 respirators to community hospitals and providers. Once a vaccine became available in late October of 2009, DHHS held 35 mass vaccination clinics where over 42,000 residents were vaccinated against H1N1. In addition, DHHS coordinated the distribution of vaccine to over 300 providers, continued to distribute N95 respirators from the national stockpile, and continued to work with the community on disease surveillance and education. This massive effort included the help of over 500 volunteers, and was mounted by dedicated County employees in the face of severe and ongoing budget cuts to the department.

Child Protective Services

In an effort to eliminate excessive handoffs, reduce duplication and respond more efficiently to the needs of families, the Child Protective Services Division (CPS) has embarked on a reorganization effort that includes the following components: Emergency Response workers carrying cases through the first court hearing or Detention hearing; one primary worker per child/family for the life of the case; four regions serving the four major school districts; and combined teams of social workers. The first phase of the reorganization involved combining Dependent Intake with Emergency Response and extending the role of the Emergency Response worker through the Detention hearing. This initial phase was put into practice on March 24, 2010. CPS is now actively planning for the roll out of the next phase which includes one worker per child/family, regionalization and combined teams. CPS is planning to put phase II into practice in March 2011.

Waste Management and Recycling Department

Kiefer Landfill Module 2 Leachate Recirculation System

The lined units of Kiefer Landfill include collection systems at the base of the landfill for removing water that seeps through the waste (leachate). Operating permits require that collected leachate either be discharged to a wastewater treatment facility or recirculated within the same landfill unit from which it was collected. Traditionally, leachate has been transported to the Sacramento Regional Wastewater Treatment Plant. In 2009 a leachate recirculation system was installed that allows the Department of Waste Management and Recycling to return leachate to the landfill. Through avoided transportation and disposal fees this has resulted in annual savings of over $300,000. Additionally, the reintroduction of leachate enhances the degradation and stabilization of the organic waste within the landfill.

Department of General Services / Facilities Planning & Management Division

Space Utilization Review:

Over the past 13 months, Facilities Planning and Management has been conducting a broad scope review of the County's Space Utilization Inventory, which included approximately 93 County-owned and 108 leased facilities. A number of these facilities were physically inspected and the results revealed there was about sixteen percent (16%) vacant space, or 151,265 square feet (SF) of the 952,557 SF inspected. Just in these facilities, staff counted 464 vacant workstations (35,382 SF), 61 vacant offices (9,609 SF), and 106,274 SF of vacant/unused space.

Subsequent space relocations from excess leased space into County owned space, as well as consolidations of county programs, resulted in a net reduction of 126,288 square feet of leased space and an annual cost savings of about $2,065,300. Facility Planning and Management continues to review and orchestrate other consolidation moves that will result in additional annual cost savings of about $817,000.

Environmental Management Department

On June 17, 2009, the Environmental Compliance Division in the Environmental Management Department (EMD) began implementing a new multi-family recycling ordinance for the Sacramento Regional Solid Waste Authority (SWA). The SWA is a joint powers authority that provides commercial waste management services in the City of Sacramento and the unincorporated area of Sacramento County.

The Environmental Compliance Division has been partnering with the SWA since a business recycling ordinance was passed in 2007. This new ordinance (SWA Ordinance No. 20 Title IV) requires all multi-family complexes with five or more units and single family residential properties managed by an association or other organization to divert 30% recycling materials from their garbage.

EMD and SWA staff formed an industry working group with representatives from the rental housing community, the waste management industry, and the recycling industry in order to assist multi-family complexes in setting up recycling programs. Inspections of multi-family properties will be conducted by EMD staff with outreach and education being the primary focus. EMD staff will continue to work with multi-family property managers, the Rental Housing Association and members of the commercial solid waste hauling industry in efforts to provide continuous outreach to the multi-family community. With the adoption of the multi-family recycling ordinance, apartment complexes are now participating in recycling programs similar to single family homes and will further assist in attaining countywide solid waste diversion mandates.

In October 2009, EMD's Environmental Health Division began a pilot program to begin using computer tablets to complete inspection reports at retail food facilities. The use of computer tablets provides for a report that is easy to read and eliminates the need for inspectors to handwrite inspection reports in the field and follow-up with data entry upon return to the office. The documents are automatically imaged and stored. By late October 2009, all Environmental Health Division field staff were fully trained and equipped with computer tablets and this method was successfully implemented within the Division's Retail Food Protection Program. Over 99% of retail food inspections were completed by June 2010. In June of 2010, the Environmental Health Division also began using the computer tablets in the Recreational Health program to complete inspections of over 2200 public pools and spas in the County. The same efficiencies have been recognized in this program and over 98% of the public pools and spas in Sacramento County have been completed. The Division has now begun e-mailing pool inspection reports reducing paper costs and print time. Savings will be factored into next year's fee costs. In September 2010, the use of computer tablets for storm water inspections within the Retail Food Protection program has begun.

In October 2009, Assembly Bill 1020 was passed which requires public pools and spas in California to have approved anti-entrapment drain covers installed to prevent drowning. This California law was modeled after federal legislation (Virginia Graeme-Baker Pool and Safety Act 2007) and allows for local enforcement agencies to now require the installation of anti-entrapment drain covers. To educate and notify permitted public pool and spa facility operators, letters were mailed to over 2200 operators in March 2010. From May-July 2010, the Environmental Health Division staff also presented ten educational workshops for Certified Pool Operators, public pool owners/managers, and inspectors. Compliance verification with the new AB 1020 legislation has become part of the recreational health/pool inspection program.

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

On July 28, 2009 the Sacramento County Airport System closed $480,050,000 in tax exempt revenue bonds to finance a significant portion of the Big Build Project (Terminal Modernization Program).

In fall 2009, the Airport Properties Division entered into four new cellular agreements expected to generate $145,000 in additional annual revenues.

During Fiscal Year 2009-10 Sacramento International Airport announced new nonstop service to Maui and Spokane.

Senate Bill 481 was signed in to law in October 2009. The bill made California State law consistent with Federal Depredation Permits that regulate the management of wildlife on airports.

During Fiscal Year 2009-10 the Aircraft Rescue Firefighting Division improved its organizational effectiveness and efficiency and achieved an annual cost reduction of $411,000 by "right staffing" the Mather operation.

Sacramento County Airport System signed and accepted the latest Big Build Letter Of Intent grant for $8.6 million in Spring 2010.

Department of Water Resources/Sacramento County Water Agency (SCWA)

During Fiscal Year 2009-2010, the Freeport Regional Water Authority (FRWA) completed all of its major construction milestones, as the keystone project, Freeport Regional Water Intake Facility, nears final project acceptance. The Ribbon Cutting Ceremony was held on April 2011.

The Freeport Regional Water Project (FRWP) is a model of regional cooperation between the SCWA and the East Bay Municipal Utility District (EBMUD) of Oakland to supply surface water to customers in the central Sacramento County and the East Bay Area. The joint-powers authority project represents the end to a decades-long dispute between Sacramento area water interest and EBMUD; however, recognizing some common ground in the surface water supply needs for both regions, SCWA and EBMUD agreed on a solution using water delivery from the Sacramento River.

The FRWP includes an intake/pumping plant that is capable of delivering up to 185 million gallons of water per day (mgd). SCWA will receive up to 85 mgd via the pipeline that begins at the FRWP intake facilities on the Sacramento River and extends east to SCWA's new Vineyard Surface Water Treatment Plant currently under construction. The additional surface water supply is a key element in SCWA furthering its groundwater stabilization goals through the conjunctive use of both surface water and groundwater. EBMUD will receive up to 100 mgd from the FRWP as a supplemental water supply for use during dry years, estimated to be 3 out of every 10 years.

The estimated cost of all project elements is $1 billion.

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 Investment 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 2009-10 Single Audit will be issued under separate cover and will be available by contacting the Department of Finance, Auditor-Controller Division, after March 31, 2011.

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 2009-10, 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. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent-year expenditures.

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 2009-10 was 0.9978 percent. The yield for a one-year Constant Maturity U.S. Treasury Note during the same period was 0.39 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 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

Julie Valverde
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

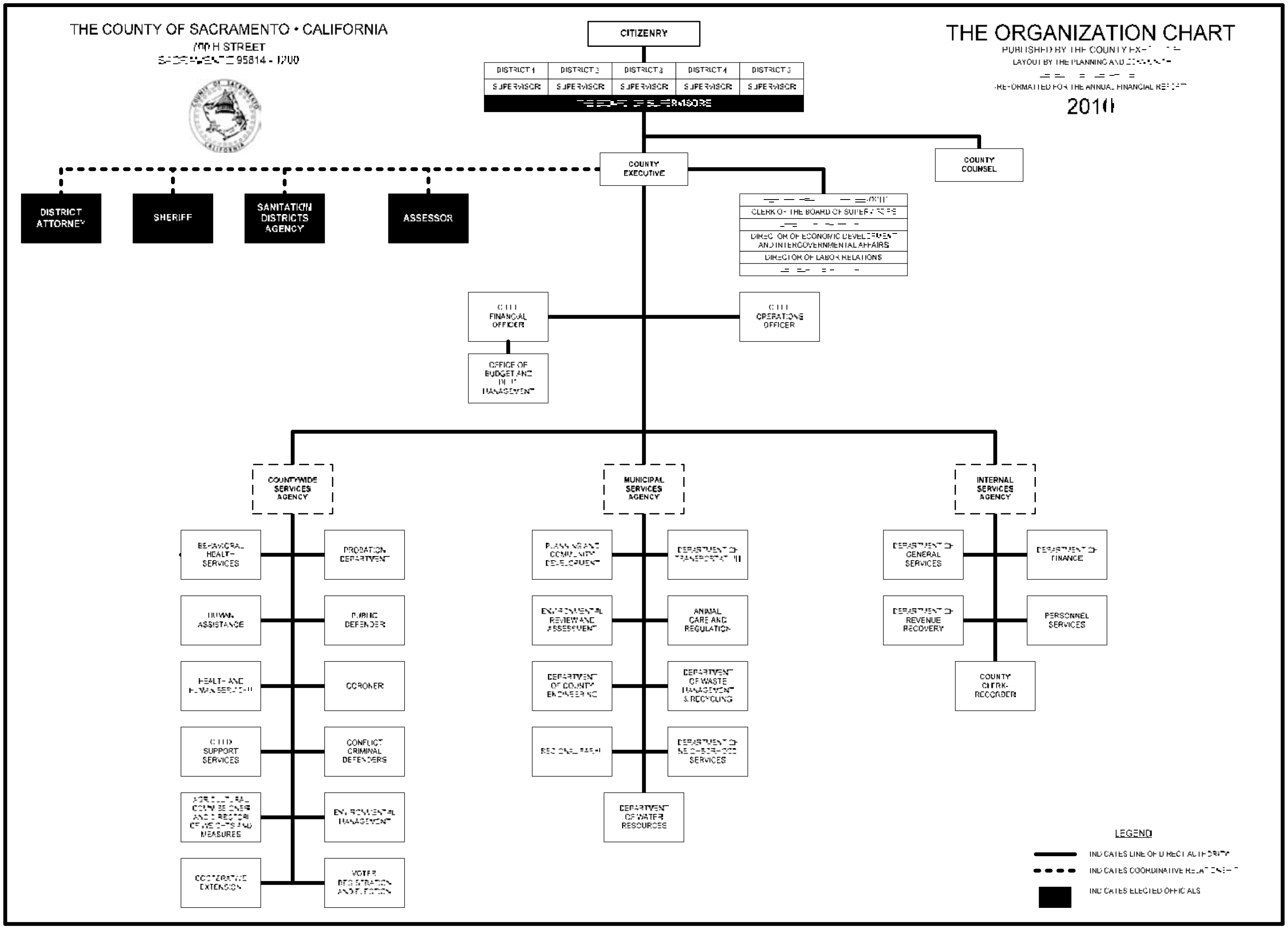
County of Sacramento California

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

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

President

Executive Director



THE COUNTY OF SACRAMENTO • CALIFORNIA
THE ORGANIZATION CHART
2010
CITIZENRY
SUPERVISOR
COUNTY EXECUTIVE
COUNTY COUNSEL
DISTRICT ATTORNEY
SHERIFF
SANITATION DISTRICTS AGENCY
ASSESSOR
DIRECTOR OF LABOR RELATIONS
FINANCIAL OFFICER
OPERATIONS OFFICER
OFFICE OF BUDGET AND MANAGEMENT
COUNTYWIDE SERVICES AGENCY
MUNICIPAL SERVICES AGENCY
INTERNAL SERVICES AGENCY
PROBATION DEPARTMENT
HUMAN ASSISTANCE
PUBLIC DEFENDER
CORONER
SUPPORT SERVICES
CONFLICT CRIMINAL DEFENDERS
COOPERATIVE EXTENSION
PLANNING AND COMMUNITY DEVELOPMENT
ANIMAL CARE AND REGULATION
DEPARTMENT OF COUNTY ENGINEERING
DEPARTMENT OF WASTE MANAGEMENT & RECYCLING
DEPARTMENT OF NEIGHBORHOOD SERVICES
DEPARTMENT OF WATER RESOURCES
DEPARTMENT OF GENERAL SERVICES
DEPARTMENT OF FINANCE
DEPARTMENT OF REVENUE RECOVERY
PERSONNEL SERVICES
COUNTY CLERK-RECORDER
LEGEND

COUNTY OF SACRAMENTO
LIST OF PUBLIC OFFICIALS
JUNE 30, 2010

ELECTED:

Board of Supervisors:

Roger Dickinson	District 1
Jimmie Yee	District 2
Susan Peters	District 3
Roberta MacGlashan	District 4
Don Nottoli	District 5

Department Heads:

Kenneth Stieger	Assessor
Jan Scully	District Attorney
John McGinness	Sheriff

APPOINTED:

Steven C. Szalay	Interim County Executive
Navdeep Gill	Chief Operations Officer
Mark Norris	Agency Administrator, Internal Services Agency
Julie Valverde	Director of Finance

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
COUNTY OF SACRAMENTO

For the fiscal year ended June 30, 2010

ACKNOWLEDGEMENT

Prepared by the County of Sacramento
Department of Finance

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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, 2010, 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 above 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, 2010, and the respective changes in financial position, and cash flows, where applicable, 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 22 to the financial statements, the County is experiencing significant financial stress as evidenced by the General Fund Unreserved Fund Balance deficit of $53.2 million at June 30, 2010.

As described in Note 1 to the financial statements, the County has adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in 2010.

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In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 20, 2010, 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.

The management's discussion and analysis on pages 3 through 17 and the schedule of funding progress on pages 115 and 116 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic 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 basic financial statements. The combining and individual fund financial statements and schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory 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 it.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 20, 2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. 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 2009-10 fiscal year by $2,514,913 (net assets), of this amount, $653,825 is restricted for specific purposes (restricted net assets), and $2,093,971 is invested in capital assets, net of related debt. The County's total net assets decreased by $41,114.
- As of June 30, 2010, the County governmental funds reported combined fund balances of $551,190 for a decrease of $34,984, in comparison with the prior year. Approximately 38.3 percent of the combined fund balances, $210,996 is available to meet the County's current and future needs (unreserved fund balance).
- At the end of the fiscal year, unreserved fund balance for the General Fund was a negative $53,212 or negative 2.9 percent of total general fund expenditures. This entire amount is budgeted as a decrease to general fund programs in the next fiscal year.
- The County's investment in capital assets increased by $479,629 or 15 percent in comparison with July 1, 2009 balances.
- The County's total long-term obligations had a net increase of $661,325 in comparison with July 1, 2009 balances. This net increase was comprised of a gross increase of $965,623 and a gross decrease of $304,298. The decrease resulted primarily from scheduled principal retirements of revenue bonds, certificates of participation, Teeter notes, pension obligation bonds, and related principal retirement and partial refunding of three certificates of participation bonds. The increase resulted primarily from implementation of GASB 53 with recognition of a derivative instrument liability, the issuance of one new Teeter note, one new governmental refunding certificate of participation, new Airport revenue bonds, and an accrual for compensated absences.

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, 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 50 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, 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; Facility Planning, Architecture and Real Estate; 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, Solid Waste and Water Agency operations are considered to be major funds of the County. The County's eight 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.

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 39-113 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 117-211 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 $2,514,913 at the close of the most recent fiscal year.

Statement of Net Assets
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Other assets	$ 2,335,880	2,708,288	950,883	814,455	3,286,763	3,522,743
Capital assets	1,849,661	1,821,601	1,828,348	1,376,779	3,678,009	3,198,380
Total assets	$ 4,185,541	4,529,889	2,779,231	2,191,234	6,964,772	6,721,123
Other liabilities	$ 1,139,754	1,413,611	246,029	140,828	1,385,783	1,554,439
Long-term debt obligations	1,623,799	1,596,800	1,440,277	1,013,857	3,064,076	2,610,657
Total liabilities	2,763,553	3,010,411	1,686,306	1,154,685	4,449,859	4,165,096
Net assets:						
Invested in capital assets, net of related debt	1,374,306	1,428,639	719,665	577,905	2,093,971	2,006,544
Restricted net assets	437,559	478,468	216,266	218,839	653,825	697,307
Unrestricted net assets	(389,877)	(387,629)	156,994	239,805	(232,883)	(147,824)
Net assets, as restated	1,421,988	1,519,478	1,092,925	1,036,549	2,514,913	2,556,027
Liabilities and net assets	$ 4,185,541	4,529,889	2,779,231	2,191,234	6,964,772	6,721,123

The largest portion of the County's net assets of $2,093,971 (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 are 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 of $653,825 (26 percent) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of total net assets, negative $232,883 is unrestricted and will result in a reduction to the County's ongoing obligations to citizens. Unrestricted net assets decreased by $85,059 from the prior year. The decrease in unrestricted net assets is a result of reclassifying unrestricted net assets to restricted from governmental fund balances that have declined over the last several years due to financial stresses related to increasing costs combined with decreasing ongoing revenue streams.

The major restrictions on net assets are for bond reserves (8%), landfill closure (1%) debt service (39%) capital projects (7%), passenger facility charges (7%), health programs (31%) and transportation (5%). The County's restricted net assets decreased by $43,482 from the prior year restricted net asset amount of $697,307. The decrease in restricted net assets is due to a combination of increases in requirements for debt service and decreases in requirements for capital projects, passenger facility, health programs and transportation charges.

The County's net assets decreased by $41,114 during the current fiscal year, which results in a decrease of 1.6% of total net assets from prior year. The decrease takes into consideration a $8,773 restatement of prior year net assets to governmental activities. 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 $87,427 represents capital purchases net of depreciation plus the retirement of related long-term debt. The County's restricted net assets decreased by 6% while unrestricted net assets increased by 58%. During the 2009-10 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 $389,877 which is primarily due to recognition of long term debt from a declining fund balance, a result of the economic recession.

Governmental activities. Governmental activities decreased the County's net assets by $97,490.

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, 2010
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 303,101	343,401	248,824	239,336	551,925	582,737
Operating grants and contributions	1,128,887	1,177,843	22,943	25,031	1,151,830	1,202,874
Capital grants and contributions	38,434	34,808	10,211	12,290	48,645	47,098
General revenues:						
Taxes:						
Property	437,634	475,629			437,634	475,629
Sales / use	58,357	69,225	573	483	58,930	69,708
Transient	4,467	5,311			4,467	5,311
Unrestricted investment earnings	15,016	49,804	2,617	6,778	17,633	56,582
Grants and contributions not restricted to specific programs	197,855	215,915			197,855	215,915
Pledged tobacco settlement proceeds	12,393	14,862			12,393	14,862
Miscellaneous	105,003	105,545			105,003	105,545
Total revenues	2,301,147	2,492,343	285,168	283,918	2,586,315	2,776,261
Expenses:						
General government	177,963	185,963			177,963	185,963
Public assistance	668,368	704,416			668,368	704,416
Public protection	650,198	744,072			650,198	744,072
Health and sanitation	595,816	724,666			595,816	724,666
Public ways and facilities	115,073	123,999			115,073	123,999
Recreation and culture	37,139	41,194			37,139	41,194
Education	21,053	24,161			21,053	24,161
Interest and fiscal charges	141,529	138,824			141,529	138,824
Airport			130,724	131,888	130,724	131,888
Solid Waste			62,567	66,991	62,567	66,991
Water Agency			24,575	29,277	24,575	29,277
Parking Enterprise			3,247	12,459	3,247	12,459
County Transit			1,677	1,955	1,677	1,955
Total expenses	2,407,139	2,687,295	222,790	242,570	2,629,929	2,929,865
Change in net assets before transfers	(105,992)	(194,952)	62,378	41,348	(43,614)	(153,604)
Transfers	8,502	7,514	(6,002)	(7,514)	2,500	
Change in net assets	(97,490)	(187,438)	56,376	33,834	(41,114)	(153,604)
Net assets, beginning of year, as restated	1,519,478	1,698,143	1,036,549	1,002,715	2,556,027	2,700,858
Net assets, end of year	$ 1,421,988	1,510,705	1,092,925	1,036,549	2,514,913	2,547,254

Total revenues for the County's governmental activities decreased by $191,196 from the prior year. This decrease is primarily due to reduced internal service charge allocations to County Departments and an overall reduction in intergovernmental revenue for program costs.

Total expenses for governmental activities were $2,407,139, a decrease of $280,156 or less than 10.4% from the prior year. As a service delivery entity the County's major cost component is salaries and benefits, which accounted for approximately 49.8 % of total County expenses. The average full time equivalent (FTE) employee count for the County (including business-type activities) decreased from 14,124 in the prior year to 12,388 as of June 30, 2010. Total salaries and benefits expense decreased by $116,111 or 8.8% from the prior year. The total decrease in expenses is attributable to a decrease in salary and benefit costs, due to a combination of reduction in personnel due to layoffs and a reduction in work hours for some personnel.

Business-type activities. Business-type activities increased the County's net assets by $56,376. 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2010, the County's governmental funds reported combined fund balances of $551,190 a decrease of $34,984 in comparison with the prior year. Approximately 38.3 percent of the combined fund balances, $210,996 constitutes *unreserved fund balance,* which is available to meet the County's current and future needs. The remainder of fund balance is *reserved* to indicate that it is *not* available for new spending because it has been committed: 1) to pay debt service ($75,321); 2) to reflect amounts set aside for future construction ($80,974); 3) to acquire capital assets ($27,206); 4) to reflect assets that are unavailable and do not represent available resources ($85,457); 5) to liquidate contractual commitments of the period ($71,236).

The decrease of $34,984 in the governmental funds combined fund balances was attributable to the economic recession. The County experienced a sharp drop in property tax, exacerbated by the devaluation of homes, loss of sales tax revenue, no opportunity to restructure debt, inability to use one-time funds and interfund transfers, and the State of California's lack of carry through on obligations to pay counties for their cost of doing business.

The General Fund is the chief operating fund of the County. At June 30, 2010, unreserved fund balance of the general fund was a negative $53,212 while total fund balance reached $21,695. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents a negative 2.9 percent of total fund expenditures, while total fund balance represents 1.2 percent of that same amount.

Revenues for governmental functions totaled $2,256,786 in fiscal year 2009-10, which represents a decrease of 6.4% from fiscal year 2008-09.

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)

	FY 2010		FY 2009		Increase/(Decrease)	
Revenues by Source	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	$ 503,091	22.29%	550,165	22.81%	(47,074)	(8.56%)
Use of money and property	14,753	0.65%	49,108	2.04%	(34,355)	(69.96%)
Licenses and permits	37,285	1.65%	41,762	1.73%	(4,477)	(10.72%)
Intergovernmental	1,366,831	60.57%	1,419,783	58.86%	(52,952)	(3.73%)
Charges for sales and services	182,714	8.10%	197,378	8.18%	(14,664)	(7.43%)
Fines, forfeitures and penalties	34,716	1.54%	33,427	1.39%	1,289	3.86%
Pledged tobacco settlement proceeds	12,393	0.55%	14,862	0.62%	(2,469)	(16.61%)
Miscellaneous	105,003	4.65%	105,545	4.37%	(542)	(0.51%)
Total	$ 2,256,786	100.00%	2,412,030	100.00%	(155,244)	(6.44%)

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

- Taxes decreased due to continued decrease in property and sales tax revenue during 2009-10 due to the economic conditions.
- Use of money and property decreased is due to a lower pooled interest rate during 2009-10. Lower federal fund rates resulted from high unemployment rates and joblessness due to the economic recession. This directly impacted the County's Pooled Investment Fund.
- Intergovernmental decreased in 2009-10 primarily due to a reduction in Federal and State reimbursement for health program costs.
- Charges for sales and services decreased during 2009-10 due to the economic conditions that resulted in reduced demand for public services.

Expenditures for governmental functions totaled $2,393,180 in fiscal year 2009-10, which represents a decrease of 12.1% from fiscal year 2008-09.

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

Expenditures by Function
Governmental Funds
(amounts expressed in thousands)

	FY 2010		FY 2009		Increase/(Decrease)	
Expenditures by Function	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Current:						
General government	$ 143,739	6.01%	171,945	6.32%	(28,206)	(16.40%)
Public assistance	653,640	27.30%	689,891	25.34%	(36,251)	(5.25%)
Public protection	597,467	24.97%	683,099	25.10%	(85,632)	(12.54%)
Health and sanitation	559,019	23.36%	681,774	25.05%	(122,755)	(18.01%)
Public ways and facilities	115,672	4.83%	102,254	3.76%	13,418	13.12%
Recreation and culture	34,693	1.45%	42,185	1.55%	(7,492)	(17.76%)
Education	20,229	0.85%	23,013	0.84%	(2,784)	(12.10%)
Capital outlay	77,061	3.22%	109,098	4.01%	(32,037)	(29.37%)
Debt service:						
Principal	81,356	3.40%	129,232	4.75%	(47,876)	(37.05%)
Interest and fiscal charges	109,087	4.56%	89,150	3.27%	19,937	22.36%
Bond issuance costs	1,217	0.05%	335	0.01%	882	263.28%
Total	$ 2,393,180	100.00%	2,721,976	100.00%	(328,796)	(12.08%)

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

General Government: Decrease is primarily due to budget reductions resulting in layoffs, decrease in county provided services, and service contract cancellations. Overall impact was a decrease in general fund expenditures of $18 million and $12 million decrease in construction costs related to Economic Development.

Public Assistance: Decrease is primarily due to the elimination in upwards of 173 FTE resulting in program reductions in Disability Case Management and General Assistance.

Public Protection: Decrease is primarily due to budget reductions resulting in layoffs and decreased services related to District Attorney ($6 million), Sheriff ($46 million), Probation ($18 million), Planning ($4 million), Building Inspections ($4 million) and Animal Care ($1 million).

Health and Sanitation: Decrease is primarily due to budget reductions resulting in layoffs and program reductions for Primary Health Clinics, Mental Health Services, In-Home Supportive Services provider payments, Child Protective Services and other numerous Public Health Programs.

Capital Outlay: Decrease construction costs is primarily attributed to prior year completion the Animal Care and Youth Detention Facility ($28 million).

Bond principal- decrease is due to refunding of Main Jail ($4 million), Fixed Asset financing ($4 million) and decreased pension ($13 million) and teeter ($24 million).

Interest and fiscal charges – Increase primarily due to $27 million increase debt service for Pension Obligation Bonds.

Bond issuance costs – Increase is due to new 2010 COP refunding.

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

	FY 2010	FY 2009	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Transfers in	$ 180,332	174,740	5,592	3.20%
Transfers out	(155,924)	(156,475)	551	(0.35%)
Issuance of debt	64,470	80,006	(15,536)	(19.42%)
Refunding debt issued	123,950	49,760	74,190	149.10%
Premiums on debt issued	1,770		1,770	100.00%
Swap termination payment	(10,180)	(23,019)	12,839	(55.78%)
Swap premium, short term		2,950	(2,950)	(100.00%)
Swap premium, long term		20,069	(20,069)	(100.00%)
Payment to refunded bonds escrow agent	(103,008)	(49,225)	(53,783)	109.26%
Total other financing sources (uses)	$ 101,410	98,806	2,604	2.64%

- Transfers in/out– Increase transfers in primarily due to increase transfers for Pension Obligation Bond Debt Service and increased transfers for debt service reimbursement from Departments.
- Issuance of debt – Decrease is due primarily to $15 million less in loan agreements to fund the alternative method of distributing property taxes (Teeter Plan).
- Refunding debt issued and Payment to refund bond escrow – Increase is due to new issuance of debt for 2010 Certificate of Participation Refunding.
- Premium on debt issued – Premium due to issuance of debt for 2010 Certificate of Participation Refunding.
- Swap – FY 2009-10 costs were related to termination of 1990 Certificate of Participation SWAP related to the issuance of the 2010 Refunding Certificate of Participation. Prior year SWAP was due to the County entering into a replacement swap and swap option with Deutsche Bank AG due to Lehmen's filing bankruptcy.

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 were $48,381, Solid Waste $32,146, Water Agency $51,275, and Parking Enterprise $494. The internal service funds that are used to account for certain governmental activities had unrestricted net assets of $733.

The Airport System's total net assets increased by $31,592 during fiscal year ended June 30, 2010 primarily due to a combination of increases in airfield charges, building rents, and ground leases offset by decreases in services and supplies and salaries and benefits resulting in an combination operating gain of $26,257, non-operating income of $4,828, offset with a transfer out of $2,026 and capital contribution of $7,361.

Solid Waste's total net assets increased by $3,162 during fiscal year ended June 30, 2010. This increase was attributable to a combination of an operating gain of $6,067, non operating income of $1,140 partially offset with a transfer out of $4,045.

The Water Agency's total net assets increased by $26,336 during fiscal year ended June 30, 2010. This increase was primarily attributable to the Agency's normal operations, contributions and operating income for the year.

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			Internal
			Water	Parking	County		Service
	Airport	Solid Waste	Agency	Enterprise	Transit	Totals	Funds
Operating revenues	$ 129,717	62,128	45,436	3,062	134	240,477	347,058
Operating expenses	(108,288)	(56,061)	(23,520)	(2,906)	(1,672)	(192,447)	(387,139)
Operating income (loss)	21,429	6,067	21,916	156	(1,538)	48,030	(40,081)
Non-operating revenues, net	4,828	1,140	1,479	625	1,646	9,718	3,494
Income before capital contributions and transfers	26,257	7,207	23,395	781	108	57,748	(36,587)
Transfers in (out)	(2,026)	(4,045)	91	(22)		(6,002)	(15,906)
Capital contributions	7,361		2,850			10,211	
Changes in net assets	$ 31,592	3,162	26,336	759	108	61,957	(52,493)

The income before capital contributions and transfers of enterprise funds of $57,748 resulted primarily from net increases for Airports of $26,257, Solid Waste of $7,207, Water Agency of $23,395 and a net increase for other non-major enterprise funds of $889.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the Original Budget and the Final Budget resulted in a $33.2 million decrease in appropriations and are briefly summarized as follows:

General Government: The budget for General Government decreased by $11.0 million. Budgets for central finance functions decreased by $8.7 million during the fiscal year as a result of economic conditions and lower interest expense due to reduced Tax Revenue Anticipation Notes. Additionally, the Finance, County Counsel and Neighborhood Services departments were decreased due to reduced local revenues resulting from economic conditions.

Public Assistance: The budget for Public Assistance decreased $7.3 million due to reduced local revenues resulting from economic conditions.

Public Protection: The budget for Public Protection increased by $0.5 million. The District Attorney's budget was increased by $3.2 million. The Emergency Operations' budget increased by $4.7 million due to federal grant awards. Due to local economic conditions, the Sheriff's Department budget decreased by $1.9 million, the Probation Department budget was reduced by $2.9 million and the Planning Department was reduced by $0.8 million. Additionally the budgets of other public protection programs were reduced by an aggregate of $1.8 million, including the Public Defender, Conflict Criminal Defender, the Coroner, Court costs and Animal Care.

Health and Sanitation: The budget for Health and Sanitation decreased by $14.6 million. The Department of Health and Human Services budget decreased by $15.0 million due to reduced state and federal revenues and economic conditions. Correctional Health budget deceased by $1.3 million due to reduced local revenues resulting from economic conditions. The budget for the newly formed Department of Behavioral Services increased by $5.1 million due to delayed receipt of federal revenues. In-Home Supportive Services provider payment budget decreased by $2.5 million and the County Medically Indigent Service Program medical treatment budget decreased by $0.5 million due to workload issues and enhanced federal revenues.

Actual revenues were $136.7 million less than budgetary estimates. The under-collection of revenues was due to local economic conditions. Reduced health program costs 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.

Actual expenditures were $219.7 million less than budgetary estimates, primarily due to the accumulation of vacant positions in anticipation of reductions in the next fiscal year and reduced caseloads. Also the expenditures in Interagency Procurement (Fund 030) for actual project costs were $63.5 million less than had been originally budgeted through the Fixed Asset Acquisition Fund. Caseload costs for health, behavioral health, human assistance and in-home supportive services were also less than budgeted.

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, 2010, amounted to $3,678,009 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 15 percent.

Capital assets 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)
	2010	2009	2010	2009	2010	2009	Percent of Change
Land	$ 116,787	$ 113,113	86,993	84,439	203,780	197,552	3.15%
Easement-Perm	989		13		1,002		100.00%
Other Intangible			1,904		1,904		100.00%
Buildings and improvements	418,103	354,406	555,034	561,526	973,137	915,932	6.25%
Water facility rights			21,908	20,335	21,908	20,335	7.74%
Infrastructure	1,104,265	1,088,608	91,858	88,000	1,196,123	1,176,608	1.66%
Equipment*	50,552	51,896	29,690	29,970	80,242	81,866	(1.98%)
Computer Software *	17,082	15,014			17,082	15,014	13.77%
Construction in progress	141,883	198,564	1,040,948	592,509	1,182,831	791,073	49.52%
Total	$ 1,849,661	1,821,601	1,828,348	1,376,779	3,678,009	3,198,380	15.00%

*2009 balances have been adjusted for GASB 51; computer software increased by $15,014 and equipment decreased by $6,241, for a net restatement of $8,773.

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

- Land - Increase is due to Waste Management ($2.5) and Road Fund ($3.1).
- Structures and Improvements - Increase is due to Airports SMF TMP Crossfield Taxiway ($8.6), Thornton Youth Center ($42.6), Juvenile Hall Phase I Expansion ($7.3), and new Animal Care Facility ($23.3).
- Infrastructure - Increase in Water Utilities ($3.8) and Road Fund projects ($22.5).
- Construction in progress- Increase due to Airport terminal modernization program wide costs ($333), Water Project ($115.5), Pipeline Segment 4 ($7.0), and Governmental projects for Juvenile Hall expansion ($16).

Additional information on the County's capital assets can be found in Note 6 on pages 61-62.

Debt Administration

At June 30, 2010 the County's governmental activities had long-term obligations, totaling $1.942 billion. Of this amount $340 million are Certificates of Participation, $247 million are Revenue bonds for cash settlement of the tobacco settlement agreement, and $95 million are revenue bonds to finance redevelopment projects in designated redevelopment project areas in the City and County of Sacramento. In addition, compensated absences of the County amounted to $103 million and capital lease obligations of $10 million.

Other significant long-term obligations include $56 million in loan agreements to fund the alternative method of distributing property taxes (Teeter Plan), and $931 million in bonds issued to eliminate the unfunded pension obligation existing between the County and the Sacramento County Employees' Retirement System, and $156 million for derivative instrument liability, which represents the negative fair value of the County's interest rate swap derivative instruments. The remaining represents various other debt obligations.

Proprietary Funds had long-term obligations of approximately $1.55 billion. This includes $2 million of refunding certificates of participation for the construction of parking garages, $1.030 billion of Airport System revenue bonds and other Airport debt, $24 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 $496 million.

For the year ended June 30, 2010, the County's total long-term obligations had a net increase of $661,325. The increase is primarily the result of issuance of Airport revenue, PFC and Subordinated Bonds to continue financing the Terminal Modernization Program ($480 million) and implementation of GASB 53 with a recognition of a derivative instrument liability ($203 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)	
	2010	2009	2010	2009	2010	2009	Amount	Percent
Governmental activities:								
Compensated absences	$ 103,702	106,099	6,561	6,265	110,263	112,364	(2,101)	(1.87%)
Certificates of participation	340,285	325,175	23,205	25,005	363,490	350,180	13,310	3.80%
Teeter notes	56,419	49,800			56,419	49,800	6,619	13.29%
Pension obligation bonds	931,453	944,638			931,453	944,638	(13,185)	(1.40%)
Revenue bonds	342,722	344,462	1,097,430	910,455	1,440,152	1,254,917	185,235	14.76%
Accreted Interest	10,462	8,410			10,462	8,410	2,052	24.40%
OPEB Liablility	5,900	5,334	440	406	6,340	5,740	600	10.45%
Other long-term debt	7,178	5,090	156		7,334	5,090	2,244	44.09%
Capital lease obligations	9,972	11,186			9,972	11,186	(1,214)	(10.85%)
Derivative instrument liability	155,999		47,437		203,436		203,436	100.00%
Borrowing payable	17,753	26,234			17,753	26,234	(8,481)	(32.33%)
Deferred amounts								
For issuance premiums	2,782	4,167	15,792	16,407	18,574	20,574	(2,000)	(9.72%)
For issuance discounts	(4,798)	(4,944)	(7,363)	(2,789)	(12,161)	(7,733)	(4,428)	57.26%
On refundings	(36,894)	(37,322)	(22,712)	(25,360)	(59,606)	(62,682)	3,076	(4.91%)
PFC and subordinate revenue bonds			363,330	87,940	363,330	87,940	275,390	313.16%
Reimbursement agreements			2,413	1,865	2,413	1,865	548	29.38%
Usage fee - City			7,903	8,750	7,903	8,750	(847)	(9.68%)
Water rights - SMUD assignment			4,000	4,000	4,000	4,000		0.00%
SMUD transformer			1,904		1,904		1,904	100.00%
Estimated arbitrage taxes payable				1,329		1,329	(1,329)	(100.00%)
Escrow retentions			10,038	9,542	10,038	9,542	496	5.20%
Total	$ 1,942,935	1,788,329	1,550,534	1,043,815	3,493,469	2,832,144	661,325	23.35%

Additional information regarding the County’s long-term debt can be found in Note 10 on pages 69 – 83.

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 $8.4 million in the Fiscal Year 2010-11 budget, a 3.8 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 $2.7 million in the Fiscal Year 2010-11 budget, a 4.8 percent increase. This projected revenue is based on actual Fiscal Year 2009-10 collections and available actual collections in the budget year.
  - Proposition 172 revenue increased by $10.0 million in the Fiscal Year 2010-11 budget, a 12.6 percent increase. This projected revenue is based on State wide average actual collections in Fiscal year 2009-10, especially the last six months (January through June).
  - Realignment revenue decreased by $1.8 million in the Fiscal Year 2010-11 budget, a 1.0 percent decrease. This revenue source includes a sales tax component as well as a portion of vehicle license fees. Both sources are expected to decrease slightly in the budget year.

- The Fiscal Year 2010-11 budget includes an increase in salaries of 2.0 percent for employees represented by employee organizations. Unrepresented employees received no salary increase.
- The Fiscal Year 2010-11 General Fund budget included reductions of $139.0 million. Positions were reduced by approximately 760, resulting in 390 employee layoffs.
- An unaudited General Fund balance/carryover of $8.1 million was included in the budget. Of this amount, the General Purpose Financing net improvement was approximately $11.5 million. The remainder was year-end net carryover decrements in departmental operations.

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, 2010
(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and investments	$ 726,159	188,830	914,989
Restricted cash and investments		93,586	93,586
Receivables, net of allowance for uncollectibles:			
Billed	38,158	23,148	61,306
Interest	5		5
Intergovernmental	185,626	19,443	205,069
Internal balances	(21,572)	21,572	
Prepaid expenses		12,918	12,918
Inventories	2,788	218	3,006
Total current assets	931,164	359,715	1,290,879
Noncurrent assets:			
Restricted assets		521,741	521,741
Long-term receivables	189,902		189,902
Deferred charges	26,865	21,990	48,855
Deferred outflow of resources	155,999	47,437	203,436
Pension asset	1,031,950		1,031,950
Capital assets:			
Land and other nondepreciable assets	259,659	1,150,722	1,410,381
Facilities, infrastructure, equipment and intangibles, net of depreciation and amortization	1,590,002	677,626	2,267,628
Total capital assets	1,849,661	1,828,348	3,678,009
Total noncurrent assets	3,254,377	2,419,516	5,673,893
Total assets	$ 4,185,541	2,779,231	6,964,772

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, 2010
(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities:			
Current liabilities:			
Warrants payable	$ 17,788	24,015	41,803
Accrued liabilities	111,244	18,724	129,968
Intergovernmental payable	98,234	2,240	100,474
Current portion of accrued interest payable	30,276		30,276
Payable to external parties	2,068	76	2,144
Current portion of insurance claims payable	38,253		38,253
Current portion of long-term debt obligations	61,972	12,854	74,826
Current liabilities payable from restricted assets		91,483	91,483
Unearned revenue	25,953	689	26,642
Total current liabilities	385,788	150,081	535,869
Noncurrent liabilities:			
Insurance claims payable	149,508		149,508
Accreted interest	350,924		350,924
Long-term debt obligations	1,623,799	1,440,277	3,064,076
Compensated absences	94,013	5,387	99,400
Derivative instrument liability	155,999	47,437	203,436
Other post employment benefits	5,901	416	6,317
Long-term advances from other funds	(2,379)	2,379	
Landfill closure and postclosure care		16,187	16,187
Other long-term liabilities		24,142	24,142
Total noncurrent liabilities	2,377,765	1,536,225	3,913,990
Total liabilities	2,763,553	1,686,306	4,449,859
Net assets:			
Invested in capital assets, net of related debt	1,374,306	719,665	2,093,971
Restricted for:			
Bond reserves		51,742	51,742
Landfill closure		8,433	8,433
Kiefer Wetlands Preserve		871	871
Debt service	153,654	104,162	257,816
Capital projects	47,281		47,281
Passenger facility charges		45,353	45,353
Future construction		2,406	2,406
Endowments:			
Expendable		59	59
Nonexpendable		2,027	2,027
Fire protection	1,201		1,201
Health programs	200,815		200,815
Transportation	28,912	1,213	30,125
Lighting and landscape maintenance	3,109		3,109
Community facilities	2,572		2,572
Fish and game	15		15
Unrestricted	(389,877)	156,994	(232,883)
Total net assets	1,421,988	1,092,925	2,514,913
Total liabilities and net assets	$ 4,185,541	2,779,231	6,964,772

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, 2010
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 177,963	100,877	1,238	131	(75,717)		(75,717)
Public assistance	668,368	8,464	586,734		(73,170)		(73,170)
Public protection	650,198	110,244	52,028	2,281	(485,645)		(485,645)
Health and sanitation	595,816	38,692	446,848	5,966	(104,310)		(104,310)
Public ways and facilities	115,073	31,912	42,039	29,672	(11,450)		(11,450)
Recreation and culture	37,139	12,735		384	(24,020)		(24,020)
Education	21,053	177			(20,876)		(20,876)
Interest and fiscal charges	141,529				(141,529)		(141,529)
Total governmental activities	2,407,139	303,101	1,128,887	38,434	(936,717)		(936,717)
Business-type activities:							
Airport	130,724	132,727	20,573	7,361		29,937	29,937
Solid Waste	62,567	65,907	161			3,501	3,501
Water Agency	24,575	46,847	429	2,850		25,551	25,551
Parking Enterprise	3,247	3,185	730			668	668
County Transit	1,677	158	1,050			(469)	(469)
Total business-type activities	222,790	248,824	22,943	10,211		59,188	59,188
Total primary government	$ 2,629,929	551,925	1,151,830	48,645	(936,717)	59,188	(877,529)
General revenues:							
Taxes:							
Property					437,634		437,634
Sales / use					58,357	573	58,930
Transient occupancy					4,467		4,467
Unrestricted investment earnings					15,016	2,617	17,633
Grants and contributions not restricted to specific programs					197,855		197,855
Pledged tobacco settlement proceeds					12,393		12,393
Miscellaneous					105,003		105,003
Transfers					8,502	(6,002)	2,500
Total general revenues and transfers					839,227	(2,812)	836,415
Changes in net assets					(97,490)	56,376	(41,114)
Net assets, beginning of year, as restated					1,519,478	1,036,549	2,556,027
Net assets, end of year					$ 1,421,988	1,092,925	2,514,913

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

COUNTY OF SACRAMENTO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010
(amounts expressed in thousands)

	General	Nonmajor Governmental Funds	Total
Assets:			
Cash and investments	$ 60,637	512,630	573,267
Receivables:			
Billed	20,309	13,274	33,583
Interest		5	5
Intergovernmental	170,551	12,687	183,238
Due from other funds	12,370	5,495	17,865
Inventories	909		909
Long-term advances to other funds		26,083	26,083
Long-term receivables	46,920	142,606	189,526
Total assets	$ 311,696	712,780	1,024,476
Liabilities and fund balances:			
Liabilities:			
Warrants payable	$ 9,993	1,750	11,743
Accrued liabilities	59,647	32,508	92,155
Intergovernmental payable	65,213	29,660	94,873
Due to other funds	22,978	13,437	36,415
Deferred revenues	72,088	105,930	178,018
Long-term advances from other funds	60,082		60,082
Total liabilities	290,001	183,285	473,286
Fund balances:			
Reserved for:			
Encumbrances	25,005	46,231	71,236
Capital asset acquisitions	27,206		27,206
Assets not available	22,696	62,761	85,457
Debt service		75,321	75,321
Future construction		80,974	80,974
Unreserved, reported in:			
Designated			
Special revenue funds		183,595	183,595
Undesignated			
General Fund	(53,212)		(53,212)
Special revenue funds		79,846	79,846
Capital project funds		767	767
Total fund balances	21,695	529,495	551,190
Total liabilities and fund balances	$ 311,696	712,780	1,024,476

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, 2010
(amounts expressed in thousands)

Fund balances - total governmental funds	$	551,190
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.		1,809,249
Pension asset of the governmental activities is not a financial resource and, therefore, is not reported in the funds.		1,031,950
Bond issuance costs of the governmental activities are not financial resources and, therefore are not reported in the funds.		23,593
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(2,149,551)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		156,491
Internal service funds are used by management to charge the costs of certain activities, related to public works, general services, self-insurance, regional communications, office of communications and information technology, and facility planning architecture and real estate to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.		(934)
Net assets of governmental activities	$	1,421,988

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, 2010
(amounts expressed in thousands)

	General	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	$ 424,834	78,257	503,091
Use of money and property	1,205	13,548	14,753
Licenses and permits	11,249	26,036	37,285
Intergovernmental	1,227,949	138,882	1,366,831
Charges for sales and services	114,497	68,217	182,714
Fines, forfeitures and penalties	19,739	14,977	34,716
Pledged tobacco settlement proceeds		12,393	12,393
Miscellaneous	61,673	43,330	105,003
Total revenues	1,861,146	395,640	2,256,786
Expenditures:			
Current:			
General government	83,291	60,448	143,739
Public assistance	622,425	31,215	653,640
Public protection	585,213	12,254	597,467
Health and sanitation	508,619	50,400	559,019
Public ways and facilities		115,672	115,672
Recreation and culture	9,651	25,042	34,693
Education	324	19,905	20,229
Capital outlay		77,061	77,061
Debt service:			
Principal		81,356	81,356
Bond issuance costs		1,217	1,217
Interest and fiscal charges		109,087	109,087
Total expenditures	1,809,523	583,657	2,393,180
Excess (deficiency) of revenues over (under) expenditures	51,623	(188,017)	(136,394)
Other financing sources (uses):			
Transfers in	38,637	141,695	180,332
Transfers out	(87,953)	(67,971)	(155,924)
Issuance of debt		64,470	64,470
Refunding debt issued		123,950	123,950
Premiums on debt issued		1,770	1,770
Swap termination payment		(10,180)	(10,180)
Payment to refunded bonds escrow agent		(103,008)	(103,008)
Total other financing sources (uses)	(49,316)	150,726	101,410
Net change in fund balances	2,307	(37,291)	(34,984)
Fund balances - beginning	19,388	566,786	586,174
Fund balances - ending	$ 21,695	529,495	551,190

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, 2010
(amounts expressed in thousands)

Net change in fund balances - total governmental funds	$	(34,984)
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 and donated assets exceeded depreciation in the current period.		27,190
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.		(4,685)
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.		3,518
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.		(30,680)
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.		(10,937)
The net revenues of certain activities of internal service funds is reported with governmental activities.		(46,912)
Change in net assets of governmental activities	$	(97,490)

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, 2010
(amounts expressed in thousands)

		Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:					
Taxes	$	441,072	422,435	424,834	2,399
Use of money and property		13,798	3,323	1,205	(2,118)
Licenses and permits		11,335	11,104	11,249	145
Intergovernmental		1,323,606	1,316,834	1,227,949	(88,885)
Charges for sales and services		146,125	144,693	114,497	(30,196)
Fines, forfeitures and penalties		22,086	19,771	19,739	(32)
Miscellaneous		67,922	79,681	61,673	(18,008)
Total revenues		2,025,944	1,997,841	1,861,146	(136,695)
Expenditures:					
Current:					
General government:					
Legislative and administrative		73,000	71,924	8,352	63,572
Finance		57,038	48,293	36,212	12,081
Counsel		5,383	4,864	4,084	780
Human resources		13,927	14,008	13,412	596
Elections		10,002	9,656	6,385	3,271
Other		16,962	16,675	14,846	1,829
Total general government		176,312	165,420	83,291	82,129
Public assistance:					
Administration		251,117	240,038	217,361	22,677
Aid programs		384,349	388,122	374,168	13,954
Other		31,730	31,761	30,896	865
Total public assistance		667,196	659,921	622,425	37,496

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Public protection:				
Judicial	162,544	165,172	159,014	6,158
Police protection	177,262	175,095	175,072	23
Detention and correction	219,290	216,456	211,388	5,068
Protection and inspection	4,425	4,349	3,945	404
Other	44,273	47,183	35,794	11,389
Total public protection	607,794	608,255	585,213	23,042
Health and sanitation	599,984	585,390	508,619	76,771
Public ways and facilities	67	66		66
Recreation and culture	10,715	9,851	9,651	200
Education	370	328	324	4
Total expenditures	2,062,438	2,029,231	1,809,523	219,708
Excess (deficiency) of revenues over (under) expenditures	(36,494)	(31,390)	51,623	83,013
Other financing sources (uses):				
Transfers in	38,266	38,266	38,637	371
Transfers out	(87,953)	(87,953)	(87,953)	
Total other financing sources (uses)	(49,687)	(49,687)	(49,316)	371
Net change in fund balance	$ (86,181)	(81,077)	2,307	83,384

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, 2010
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airport	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Assets:						
Current assets:						
Cash and investments	$ 97,101	44,067	46,573	1,089	188,830	152,892
Restricted cash and investments	91,483		2,103		93,586	
Receivables, net of allowance for uncollectibles:						
Billed	8,228	9,601	5,280	39	23,148	4,575
Intergovernmental	17,615	379	159	1,290	19,443	2,388
Due from other funds	74	98	589	60	821	28,251
Prepaid expenses	12,918				12,918	
Inventories	218				218	1,879
Total current assets	227,637	54,145	54,704	2,478	338,964	189,985
Noncurrent assets:						
Restricted assets	427,778	9,304	84,659		521,741	
Long-term advances to other funds						47,060
Long-term receivables						376
Deferred charges	17,969	571	3,450		21,990	3,272
Deferred outflow of resources			47,437		47,437	
Capital assets:						
Land and other nondepreciable assets	647,335	34,962	467,116	1,309	1,150,722	28
Facilities, infrastructure, equipment and intangibles, net of depreciation and amortization	349,780	85,932	238,536	3,378	677,626	40,384
Total capital assets	997,115	120,894	705,652	4,687	1,828,348	40,412
Total noncurrent assets	1,442,862	130,769	841,198	4,687	2,419,516	91,120
Total assets	$ 1,670,499	184,914	895,902	7,165	2,758,480	281,105

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, 2010
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airport	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Liabilities:						
Current liabilities:						
Warrants payable	$ 23,554	212	195	54	24,015	6,045
Accrued liabilities	7,206	3,077	8,269	172	18,724	19,089
Intergovernmental payable	651	75	1,514		2,240	3,361
Due to other funds	2,743	1,068	161	51	4,023	8,643
Current portion of insurance claims payable						38,253
Current portion of long-term debt obligations		1,524	10,710	620	12,854	
Current liabilities payable from restricted assets	91,483				91,483	
Unearned revenue	689				689	4,426
Total current liabilities	126,326	5,956	20,849	897	154,028	79,817
Noncurrent liabilities:						
Insurance claims payable						149,508
Long-term debt obligations	1,006,795	18,517	413,466	1,499	1,440,277	
Compensated absences	3,464	1,715	181	27	5,387	16,232
Derivative instrument liability			47,437		47,437	
Other post employment benefits	170	116	126	4	416	1,102
Long-term advances from other funds		2,000		379	2,379	10,682
Landfill closure and postclosure care		16,187			16,187	
Other long-term liabilities	75		24,067		24,142	
Total noncurrent liabilities	1,010,504	38,535	485,277	1,909	1,536,225	177,524
Total liabilities	1,136,830	44,491	506,126	2,806	1,690,253	257,341
Net assets:						
Invested in capital assets, net of related debt	308,869	98,973	309,671	2,152	719,665	23,031
Restricted for:						
Bond reserves	26,028		25,714		51,742	
Landfill closure		8,433			8,433	
Kiefer Wetlands Preserve		871			871	
Debt service	102,952		1,013	197	104,162	
Debt refundings						
Passenger facility charges	45,353				45,353	
Transportation				1,213	1,213	
Future construction			2,103	303	2,406	
Endowments:						
Expendable	59				59	
Nonexpendable	2,027				2,027	
Unrestricted	48,381	32,146	51,275	494	132,296	733
Total net assets	533,669	140,423	389,776	4,359	1,068,227	23,764
Total liabilities and net assets	$ 1,670,499	184,914	895,902	7,165		281,105
Adjustment to reflect internal service fund activities related to enterprise funds					24,698	
Net assets of business-type activities					$ 1,092,925	

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, 2010
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airport	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Operating revenues:						
Charges for sales and services	$ 129,551	61,320	44,442	3,193	238,506	333,272
Other	166	808	994	3	1,971	13,786
Total operating revenues	129,717	62,128	45,436	3,196	240,477	347,058
Operating expenses:						
Salaries and benefits	31,059	22,476	6,521	430	60,486	151,313
Services and supplies	48,996	25,625	7,992	2,204	84,817	133,977
Cost of sales and services	431				431	4,906
Depreciation and Amortization	26,929	7,510	7,015	462	41,916	13,681
Self-insurance						81,610
Landfill closure costs		450			450	
Other	873		1,992	1,482	4,347	1,652
Total operating expenses	108,288	56,061	23,520	4,578	192,447	387,139
Operating income (loss)	21,429	6,067	21,916	(1,382)	48,030	(40,081)
Nonoperating revenues (expenses):						
Use of money and property	1,889	527	194	7	2,617	263
Intergovernmental	955	161	429	1,780	3,325	1,960
Passenger facility charges	19,618				19,618	
Sales / use tax				573	573	
Interest expense	(17,106)	(1,171)	(473)	(107)	(18,857)	(1,403)
Other	(528)	1,623	1,329	18	2,442	2,674
Total nonoperating revenues (expenses)	4,828	1,140	1,479	2,271	9,718	3,494
Income before capital contributions and transfers	26,257	7,207	23,395	889	57,748	(36,587)
Transfers in			631		631	1,533
Transfers out	(2,026)	(4,045)	(540)	(22)	(6,633)	(17,439)
Capital contributions	7,361		2,850		10,211	
Changes in net assets	31,592	3,162	26,336	867	61,957	(52,493)
Net assets, beginning of year, as restated	502,077	137,261	363,440	3,492		76,257
Net assets, end of year	$ 533,669	140,423	389,776	4,359		23,764
Adjustment to reflect internal service fund activities related to enterprise funds.					(5,581)	
Change in net assets of business-type activities					$ 56,376	

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, 2010
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Airport	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	$ 132,277	54,759	42,841	3,163	233,040	60,290
Receipts from interfund services provided		(7,551)			(7,551)	336,527
Receipts from other operating activities		6,887	994		7,881	
Payments to suppliers	(63,088)	(22,628)	(13,308)	(3,538)	(102,562)	(185,682)
Payments to employees	(30,940)	(22,474)	(6,311)	(426)	(60,151)	(155,581)
Payments for interfund services used				(29)	(29)	(38,790)
Other (payments) receipts	238			(106)	132	(1,156)
Net cash provided by (used for) operating activities	38,487	8,993	24,216	(936)	70,760	15,608
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Receipt of advances from other funds						1,947
Intergovernmental revenue	713	2,053		2,245	5,011	1,960
Other non-operating revenue						2,908
Non-operating expense						(1,112)
Payment on advance from other fund						(5,208)
Advance to other funds						(12,965)
Payment on advance to other fund				(112)	(112)	(6,970)
Interest paid on advances from other funds						(1,403)
Transfers to/from other funds	(2,026)	(4,045)	91	(22)	(6,002)	(9,614)
Net cash provided by (used for) noncapital financing activities	(1,313)	(1,992)	91	2,111	(1,103)	(30,457)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Bond issuance costs	(4,535)				(4,535)	
Passenger facility charges	19,719				19,719	
Capital contributions	10,601				10,601	
Intergovernmental grants received				(98)	(98)	
Proceeds from sale of long-term obligations	475,242			221	475,463	
Acquisition and construction of capital assets	(304,598)	(9,503)	(96,830)	(17)	(410,948)	(14,907)
Principal paid on long-term obligations	(10,710)	(1,855)	(9,721)	(605)	(22,891)	
Interest paid on long-term obligations	(40,040)	(969)	(18,702)	(107)	(59,818)	
Proceeds from the sale of capital assets	25	443		18	486	1,600
Retentions placed in escrow account			497		497	
Net cash provided by (used for) capital and related financing activities	145,704	(11,884)	(124,756)	(588)	8,476	(13,307)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investments	(557,423)		(2,672)		(560,095)	
Proceeds from sales and maturities of investments	333,024		57,678		390,702	
Interest received on cash and investments	9,260	527	3,622	10	13,419	
Net cash provided by (used for) investing activities	(215,139)	527	58,628	10	(155,974)	
Net increase (decrease) in cash and cash equivalents	(32,261)	(4,356)	(41,821)	597	(77,841)	(28,156)
Cash and cash equivalents, beginning of year	313,344	57,727	154,116	492	525,679	181,048
Cash and cash equivalents, end of year	$ 281,083	53,371	112,295	1,089	447,838	152,892

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, 2010
(amounts expressed in thousands)

	Airport	Solid Waste	Water Agency	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
RECONCILIATION OF CASH AND CASH EQUIVALENTS						
Cash and investments	$ 97,101	44,067	46,573	1,089	188,830	152,892
Restricted cash and investments	91,483		2,103		93,586	
Restricted noncurrent assets (net of accrued interest)	427,778	9,304	84,659		521,741	
Less: Long-term investments included in restricted assets	(335,279)		(21,040)		(356,319)	
Cash and cash equivalents	$ 281,083	53,371	112,295	1,089	447,838	152,892
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	$ 21,429	6,067	21,916	(1,382)	48,030	(40,081)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and Amortization	26,929	7,510	7,015	462	41,916	13,681
Amortization				25	25	
Provision for uncollectible accounts	27				27	
Impact fee credits applied			(3,656)		(3,656)	
Other nonoperating revenue	238	(295)			(57)	
Other nonoperating expense						(7)
Changes in assets and liabilities:						
Receivables	2,897	(177)	2,526	(30)	5,216	(808)
Due from other funds		117	(471)	(35)	(389)	26,800
Deposits with others	349				349	
Long-term receivables						6
Prepaid expenses	(71)				(71)	
Inventories	13				13	(93)
Accrued liabilities	(13,481)	229	(2,865)	13	(16,104)	623
Warrants payable	327	(80)		21	268	148
Compensated absences	113	(44)		4	73	2
Due to other funds		(4,455)		(14)	(4,469)	(11,165)
Deferred revenues	(363)				(363)	1,503
Due to other governments			(251)		(251)	(2,386)
Due from other governments		(98)			(98)	(1,059)
Insurance claims payable	75				75	28,309
Other post employment benefits	5	4	2		11	135
Landfill closure and postclosure care		215			215	
Total adjustments	17,058	2,926	2,300	446	22,730	55,689
Net cash provided by (used for) operating activities	$ 38,487	8,993	24,216	(936)	70,760	15,608
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
Contributed assets			2,851		2,851	
Amortization of bonds premium			350		350	
Increase in fair market value of investments			(599)		(599)	

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, 2010
(amounts expressed in thousands)

	Agency	Investment Trust
Assets:		
Cash and investments	$ 246,160	$ 1,629,169
Receivables, net of allowance for uncollectibles:		
Billed	7,670	
Interest	1,821	
Intergovernmental	109	
Due from other funds	2,144	
Prepaid expenses	38	
Total assets	$ 257,942	$ 1,629,169
Liabilities:		
Warrants payable	$ 9,476	
Accrued liabilities	13,851	
Intergovernmental payable	234,615	
Total liabilities	$ 257,942	
Net assets held in trust for pool participants		$ 1,629,169

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, 2010
(amounts expressed in thousands)

		Investment Trust
Additions:		
Contributions on pooled investments	$	7,320,601
Use of money and property		126,687
Total additions		7,447,288
Deductions:		
Distributions from pooled investments		7,805,555
Net decrease in net assets		(358,267)
Net assets held in trust for pool participants, beginning of year		1,987,436
Net assets held in trust for pool participants, end of year	$	1,629,169

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

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:

Lighting and Landscape Maintenance District Special Revenue Fund:
- County Service Area Number One
- Sacramento County Landscape Maintenance District

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

Special Revenue Fund Other:
- Natomas Fire District
- County Service Area Number Ten
- Water Agency Special Revenue Fund
- First Five Commission

Enterprise Fund:
- Water Agency Water Supply

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.

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 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. However, the PFA has an agreement with the Agency in which the Agency will pay back to the PFA those debt proceeds advanced to them. The PFA meets the criteria set forth in generally accepted accounting principles as a blended component unit of the County because of the financial benefit/burden relationship of their activities and the governing body is the same as the County.

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.

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	PURPOSE
Sacramento Area Council of Governments	Regional planning (primarily transportation)
Sacramento Employment and Training Agency	Coordination of Federal and State funding for job programs
Sacramento Area Flood Control Agency	Regional flood control issues
Sacramento Metropolitan Cable Television Commission	Administration of the franchising and licensing of cable TV services
Sacramento Housing and Redevelopment Agency	Housing/redevelopment projects
Sacramento Transportation Agency	Administration of County-wide transportation projects
Local Agency Formation Commission	Formation of districts and cities within the County
Sacramento/Placerville Transportation	Acquisition of rail lines for a transportation corridor
Sacramento Metropolitan Air Quality District	Monitor and enforce air quality
Solid Waste Authority	Regulate commercial waste collection franchises and regional programs
Library Joint Powers Authority	Library operations

Joint Powers Agencies (JPA) continued:

AGENCY	PURPOSE
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
Freeport Regional Water Authority	Guides the financing, ownership, development, construction and operation of the Freeport Regional Water Project

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.

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, 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 required or designated by the Board to be accounted for in another fund.

The County reports the following major enterprise funds:
The Airport fund is used to account for the facilities of the Airport System, including the International, Executive, Franklin Airports, 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, Real Estate 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.

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 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 Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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 dental 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 10 and April 10, respectively. The assessment date for fiscal year 2009-10 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 10.

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 a fund balance reserve account 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.

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. Inventory purchases made by governmental funds are recorded as expenditures at the time of purchase.

(amounts expressed in thousands)

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, structures and improvements, machinery and equipment, infrastructure assets, and intangible assets are reported in the applicable governmental business-type activities columns in the governmental wide-financial statements. Capital assets are defined as: equipment with initial individual cost of more than $5 and an estimated useful life in excess of four years except for computer and peripheral equipment which have an estimated useful life of three years; buildings, structures, and improvements with costs more than $25; computer or website software with costs more than $100 and other intangible assets with costs more than $25; permanent easements, land and infrastructure, regardless of cost. 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:

Assets	Years
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*.

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 effective interest 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 reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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, 2010 the Liability/Property, Workers Compensation and Other (Unemployment) ISF have deficit net assets of ($9,552), ($98,540) and ($1,242), respectively. These deficits in net assets represent the county's unfunded liability for the liability/property, workers compensation and unemployment self insurance programs. The County is collecting additional amounts from the departments to eliminate the unfunded liability.

Golf Special Revenue Fund Deficit Fund Balance

As of June 30, 2010, the Golf Special Revenue Fund has a deficit fund balance of $413. This deficit is a result of revenues being lower due to the economic downturn. The funds budget was greatly modified for fiscal year 2009-10 and 2010-11 to make up for the deficit from fiscal year 2008-09.

GASB Statement No. 51

Effective July 2009, the County implemented Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for periods beginning after June 15, 2009. GASB 51 establishes standard for accounting and financial reporting for intangible assets. This statement requires that an intangible asset be recognized in the Statement of Net Assets only if it is identifiable. Additionally, this Statement establishes a specific-conditions approach to recognizing intangible assets that are internally generated. This Statement also provides guidance on recognizing internally generated software as an intangible asset. This Statement also establishes guidance specific to intangible assets related to amortization. This Statement provides guidance on determining the useful life of an intangible asset when the length of their life is limited by contractual or legal provisions.

GASB Statement No.53

Effective July 2009, The County implemented Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for periods beginning after June 15, 2009. GASB Statement No. 53 establishes standards for accounting and financial reporting for Derivative Instruments. This Statement addresses the recognition measurement and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive are reported at fair value. Much of this Statement describes the method of evaluating effectiveness. The disclosures required by Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, have been incorporated into this Statement.

(amounts expressed in thousands)

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

Total fund balances of the County's governmental funds of $551,190 differs from net assets of governmental activities of $1,421,988, 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

	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	$ 573,267		152,892		726,159
Receivables, net of allowance for uncollectibles:					
Billed	33,583		4,575		38,158
Interest	5				5
Intergovernmental	183,238		2,388		185,626
Due from other funds	17,865		3,553	(42,990)	(21,572)
Inventories	909		1,879		2,788
Total current assets	808,867		165,287	(42,990)	931,164
Noncurrent assets:					
Long-term receivables	189,526		376		189,902
Deferred charges		23,593	3,272		26,865
Deferred outflow of resources		155,999			155,999
Long-term advances to other funds	26,083		47,060	(73,143)	
Pension asset		1,031,950			1,031,950
Capital assets:					
Land and other nondepreciable assets		259,631	28		259,659
Facilities, infrastructure, equipment and intangibles, net of depreciation and amortization		1,549,618	40,384		1,590,002
Total capital assets		1,809,249	40,412		1,849,661
Total noncurrent assets	215,609	3,020,791	91,120	(73,143)	3,254,377
Total assets	$ 1,024,476	3,020,791	256,407	(116,133)	4,185,541

(amounts expressed in thousands)

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Activities Statement of Net Assets
Liabilities:					
Current liabilities:					
Warrants payable	$ 11,743		6,045		17,788
Accrued liabilities	92,155		19,089		111,244
Intergovernmental payable	94,873		3,361		98,234
Current portion of accrued interest payable		30,276			30,276
Due to other funds/payable to external parties	36,415		8,643	(42,990)	2,068
Current portion of insurance claims payable			38,253		38,253
Current portion of long-term debt obligations		61,972			61,972
Deferred / unearned revenue	178,018	(156,491)	4,426		25,953
Total current liabilities	413,204	(64,243)	79,817	(42,990)	385,788
Noncurrent liabilities:					
Insurance claims payable			149,508		149,508
Accreted interest		350,924			350,924
Long-term debt obligations		1,623,799			1,623,799
Compensated absences		77,781	16,232		94,013
Derivative instrument liability		155,999			155,999
Other post employment benefits		4,799	1,102		5,901
Long-term advances from other funds	60,082		10,682	(73,143)	(2,379)
Total noncurrent liabilities	60,082	2,213,302	177,524	(73,143)	2,377,765
Total liabilities	473,286	2,149,059	257,341	(116,133)	2,763,553
Fund balance/net assets:					
Reserved for:					
Encumbrances	71,236			(71,236)	
Capital asset acquisitions	27,206			(27,206)	
Assets not available	85,457			(85,457)	
Debt service	75,321			(75,321)	
Future construction	80,974			(80,974)	
Unreserved:					
Undesignated	210,996			(210,996)	
Invested in capital assets, net of related debt		1,351,275	23,031		1,374,306
Restricted for:					
Debt service		(329,011)		482,665	153,654
Capital projects				47,281	47,281
Fire protection				1,201	1,201
Health programs				200,815	200,815
Transportation				28,912	28,912
Lighting and landscape maintenance				3,109	3,109
Community facilities				2,572	2,572
Fish and game				15	15
Unrestricted		(150,532)	(23,965)	(215,380)	(389,877)
Total fund balance / net assets	551,190	871,732	(934)		1,421,988
Total liabilities and fund balance / net assets	$ 1,024,476	3,020,791	256,407	(116,133)	4,185,541

(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	$ 4,138,231
Accumulated depreciation	(2,328,982)
	1,809,249
Pension asset of the governmental activities is not a financial resource and, therefore, is not reported in the funds.	1,031,950
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.	23,593
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	(86,218)
Other post employment benefits (OPEB)	(4,799)
Accreted interest payable	(381,200)
Bonds, loans, capital leases, and other payables	(1,677,334)
	(2,149,551)
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 revenue	156,491
Total	$ 871,732
(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 office of communications and technology to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	$ (934)

(amounts expressed in thousands)

The net change in fund balances for governmental funds of $(34,984), differs from the change in net assets for governmental activities of $(97,490) 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	$ 440,267		(2,633)			437,634
Sales / use	58,357					58,357
Transient occupancy	4,467					4,467
Use of money and property	14,753			263		15,016
Licenses and permits	37,285				(37,285)	
Intergovernmental	1,366,831		(10,291)	1,960	(1,358,500)	
Charges for sales and services	182,714		777	52,904	66,706	303,101
Operating grants and contributions			1,210		1,127,677	1,128,887
Capital grants and contributions					38,434	38,434
Grants and contributions not restricted to specific programs					197,855	197,855
Fines, forfeitures and penalties	34,716				(34,716)	
Pledged tobacco settlement proceeds	12,393					12,393
Miscellaneous	105,003					105,003
Donated capital assets		171			(171)	
Total revenues	2,256,786	171	(10,937)	55,127		2,301,147
Current:						
Expenditures/expenses						
General government	143,739	19,685	842	13,697		177,963
Public assistance	653,640	389	126	14,213		668,368
Public protection	597,467	15,370	4,441	32,920		650,198
Health and sanitation	559,019	22,568	69	14,160		595,816
Public ways and facilities	115,672	(10,139)	(498)	10,038		115,073
Recreation and culture	34,693	1,686	(6)	766		37,139
Education	20,229	483	2	339		21,053
Capital outlay	77,061	(77,061)				
Debt service:						
Principal	81,356		(81,356)			
Bond issuance costs	1,217		(1,217)			
Interest and fiscal charges	109,087		32,442			141,529
Total expenditures/expenses	2,393,180	(27,019)	(45,155)	86,133		2,407,139
Excess (deficiency) of revenues over (under) expenditures	(136,394)	27,190	34,218	(31,006)		(105,992)
Other financing sources (uses):						
Transfers in	180,332			1,533	(173,363)	8,502
Transfers out	(155,924)			(17,439)	173,363	
Issuance of debt	64,470		(64,470)			
Refunding debt issued	123,950		(123,950)			
Premiums on debt issued	1,770		(1,770)			
Swap termination payment	(10,180)		10,180			
Payment to refunded bonds escrow agent	(103,008)		103,008			
Total other financing sources (uses)	101,410		(77,002)	(15,906)		8,502
Net change in fund balances/net assets	(34,984)	27,190	(42,784)	(46,912)		(97,490)
Fund balances/net assets - beginning, as restated	586,174	1,782,059	(894,733)	45,978		1,519,478
Fund balances/net assets - ending	$ 551,190	1,809,249	(937,517)	(934)		1,421,988

(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 expended, whereas net assets decrease by the depreciation expense charged for the year. Donated assets result in an increase in net assets.	
Capital expenditures	$ 120,210
Depreciation expense	(88,678)
Donated capital assets	171
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-in, disposals, etc.)	(4,513)
	$ 27,190
(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.	$ (4,685)
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. This amount is the net difference between bond issuance costs ($1,217) incurred and amortization for the year $1,179 .	38
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	8,580
Teeter notes	57,851
Tobacco revenue bonds	120
Pension Obligation Bonds	13,185
Certificate of participation refundings	103,008
PFA revenue bonds	1,620
Capital leases obligations	1,214
Other long-term debt	2,170
	$ 187,748

(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:

Cetificates of Participation	(123,950)
Add premium	(1,770)
Less Swap termination Payment	10,180
Teeter notes	(64,470)
Other long term debt	(4,258)
	(184,268)
Subtotal	3,518
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.	(32,442)
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 compensated absences	2,218
Change in Other post employment benefits (OPEB)	(456)
	(30,680)
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	(10,937)
Total	$ (42,784)
(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 office of communications and 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.	$ (46,912)

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 2009-10 was adopted on October 2, 2009. Until the adoption of a final balanced budget, operations were governed by the proposed budget approved by the Board of Supervisors on June 17, 2009. 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 2009-10, 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 2009-10, the appropriation limit for the fiscal year 2009-10 budget year was reviewed and determined to be calculated in accordance with Article XIIIB 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 reservations of fund balance for subsequent-year expenditures. The County’s budget for governmental funds is prepared on the modified accrual basis of accounting.

NOTE 4 – CASH, INVESTMENTS, AND RESTRICTED ASSETS

All investments are reported on the statement of net assets/balance sheet in accordance with GASB Statement No. 31, 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/Investments/RptQuarterly.asp.

(amounts expressed in thousands)

Cash, investments, and restricted assets as shown on the basic financial statements at June 30, 2010, are as follows:

Government-wide statement of net assets:	
Cash and investments	$ 914,989
Restricted assets, included in current assets	93,586
Restricted assets, included in noncurrent assets	521,741
Fiduciary funds statement of net assets:	
Agency	246,160
Investment Trust	1,629,169
Total cash, investments, and restricted assets per basic financial statements	3,405,645
Less interest receivable included in restricted assets	(6,696)
Total cash, investments, and restricted assets per summary of County cash deposits and investments	$ 3,398,949

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, 2010, 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 and GASB 40 Presentation

Investments by the County Treasurer are invested in accordance with Government Code Section 53600 et. seq. and 16429.1. 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

Specific restrictions of investment are noted below:

Section 53601 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; 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 Standards and Poor 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, 2010, of the County's $3.3 billion in investments held by the Treasurer and fiscal agents, over 72.3 % of the investments have a maturity of six months or less. In addition, 93.3% of the portfolio matures within 2 years. See table on page 58.

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 58.

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, 2010, 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.

(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, 2010, approximately 71.3% 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: 20.1% of the portfolio is invested in commercial paper or guaranteed investment contracts. As of June 30, 2010, 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	$ 756,357
Federal National Mortgage Association/FNMA Discount notes	749,209
Federal Home Loan Mortgage Corporation/FHLMC Discount notes	661,325
Trinity Guaranteed Investment Contract	230,310

Investments in any one issuer that represent 5% or more of total investments by reporting unit (governmental activities, business type activities, major fund, nonmajor funds in the aggregate, etc.) are as follows:

$230,310 of the cash and investments (including amounts held by bond trustee) reported in the Airport Fund (a major fund of the Entity) are held in the form of a guaranteed investment contract issued by Trinity Investment Group.

(amounts expressed in thousands)

The following schedule indicates the credit and interest rate risk at June 30, 2010. For purposes of this schedule, NR is defined as not rated. The credit ratings listed are for Standard and Poor's and Moody's Investor Services, respectively. Guaranteed investment contracts are subject to the credit rating disclosure requirements but are normally unrated.

		Maturity					
	Credit Rating	Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Over 5 Years	Fair Value
Imprest cash							$ 338
Cash in banks							881
In custody of Treasurer:							
Cash and cash deposits:							
Cash on hand							12
Cash in banks							27,077
Total cash and cash deposits							27,089
Investments held by Treasurer:							
Treasury Bills	Aaa/AAA	65,000	2,989				67,989
Federal Farm Credit Bonds	Aaa/AAA	20,031	20,227	42,167	56,050		138,475
Federal Home Loan Banks	Aaa/AAA	10,006	65,828	71,233	97,991		245,058
Federal National Mortgage Association	Aaa/AAA		45,600	20,869	84,683		151,152
Federal National Mortgage Association Discount Notes	P-1/A-1+	25,009	555,354	17,695			598,058
FHLB Discount Notes	P-1/A-1+	378,998	124,830	7,472			511,300
FHLMC Discount Notes	P-1/A-1+	161,812	358,719	11,538			532,069
Federal Home Loan Mortgage Corporation	Aaa/AAA		20,266	40,694	68,297		129,257
Commercial paper	P-1/A-1+	252,966	88,972				341,938
Negotiable certificates of deposit	P-1/A-1+		25,099	20,200			45,299
Other assets held by Treasurer (primarily Teeter Plan notes)	NR		807		58,913		59,720
Local Agency Investment Fund	NR	80,000					80,000
Mutual funds	AAAm	103,364					103,364
Guaranteed investment contracts	NR				273,211	53,352	326,563
Total investments held by Treasurer		1,097,186	1,308,691	231,868	639,145	53,352	3,330,242
Total in custody of Treasurer							3,357,331
Investments held by fiscal agents:							
Mutual funds	AAA/Aaa	7,744					7,744
Mutual funds	Aaa/AAAmG	22,668					22,668
Guaranteed investment contracts	N/R					9,987	9,987
Total investments held by fiscal agents		30,412				9,987	40,399
Total investments		$ 1,127,598	1,308,691	231,868	639,145	63,339	
Total cash, investments, and investments held by fiscal agent							$ 3,398,949

(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 in the accompanying financial statement 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, 2010:

Statement of net assets	Treasurer's Pool	Non-Pooled Funds	Total
Net assets held for pool participants	$ 2,491,130	866,201	3,357,331
Equity of internal pool participants	$ 1,074,289	653,873	1,728,162
Equity of external pool participants	1,416,841	212,328	1,629,169
Total equity	$ 2,491,130	866,201	3,357,331
Statement of changes in net assets			
Net assets at July 1, 2009	$ 3,295,125	820,762	4,115,887
Net changes in investments by pool participants	(803,995)	45,439	(758,556)
Net assets at June 30, 2010	$ 2,491,130	866,201	3,357,331

A summary of the investments held by the Treasurer's and Non-Pooled Funds at June 30, 2010 are as follows:

	Fair Value	Cost	Interest Rate Range (%)	Maturity Range
Government securities	$ 2,373,358	$ 2,363,728	.02-6.63	7/10-5/14
Commercial paper	341,938	341,856	.15-.32	7/10-10/10
Negotiable certificates of deposit	45,299	45,299	.28-1.04	8/10-6/11
Other assets held by Treasurer (primarily Teeter Plan notes)	59,720	59,720	.93-2.66	8/10-8/14
Local Agency Investment Fund	80,000	80,000	0.56	
Mutual Funds	103,364	103,364	.01-.50	
Guaranteed investment contracts	326,563	326,563	1.44-6.88	1/12-5/39
Total investments held by Treasurer	$ 3,330,242	3,320,530		

(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, 2010, the various components of long-term receivables were as follows:

	General Fund	Nonmajor Govermental Funds	Total Governmental Funds
Long-term receivables			
Deferred revenues	$ 42,772	86,139	128,911
Fund balances: reserved for assets not available	4,148	56,467	60,615
	$ 46,920	142,606	189,526
Long-term advances to other funds			
Deferred revenues	$	19,791	19,791
Fund balances: reserved for assets not available		6,292	6,292
	$	26,083	26,083

Deferred revenue and unearned revenue reported were as follows:

	Unavailable	Unearned	Total
Governmental Activities:			
General Fund			
Long-term receivables	$ 42,772		42,772
Advances		29,316	29,316
Total General Fund	42,772	29,316	72,088
Nonmajor Funds:			
Long-term receivables	86,139		86,139
Long-term advances to other funds	19,791		19,791
Total Nonmajor Funds	105,930		105,930
Total Governmental Funds	148,702	29,316	178,018
Reconciling items:			
Unavailable	(148,702)		(148,702)
Internal Service Funds		4,426	4,426
Total Governmental Activities - unearned revenue		33,742	33,742
Business-type activities:			
Airport		689	689
Total Business-type activities - unearned revenue		689	689
Total Entity Wide - unearned revenue		$ 34,431	34,431

(amounts expressed in thousands)

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, is as follows:

	Restated Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 113,113	6,580	(2,906)	$ 116,787
Permanent Easement		989		989
Construction in progress	198,564	29,301	(85,982)	141,883
Total capital assets, not being depreciated	311,677	36,870	(88,888)	259,659
Capital assets, being depreciated:				
Buildings and improvements	666,310	85,688	(37)	751,961
Infrastructure	2,961,105	72,524		3,033,629
Equipment	247,718	19,808	(16,196)	251,330
Computer Software	32,800	5,600		38,400
Total capital assets, being depreciated	3,907,933	183,620	(16,233)	4,075,320
Less accumulated depreciation for:				
Buildings and improvements	(311,904)	(21,955)	1	(333,858)
Infrastructure	(1,872,497)	(56,867)		(1,929,364)
Equipment	(195,822)	(20,040)	15,084	(200,778)
Computer Software	(17,786)	(3,532)		(21,318)
Total accumulated depreciation	(2,398,009)	(102,394)	15,085	(2,485,318)
Total capital assets, being depreciated, net	1,509,924	81,226	(1,148)	1,590,002
Sub-total governmental activities	$ 1,821,601	118,096	(90,036)	$ 1,849,661
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 84,439	2,554		$ 86,993
Permanent Easement		13		13
Construction in progress	592,509	491,195	(42,756)	1,040,948
Water facility rights		20,864		20,864
Other Intangible Assets		1,904		1,904
Total capital assets, not being depreciated	676,948	516,530	(42,756)	1,150,722
Capital assets, being depreciated:				
Buildings and improvements	865,957	28,344	(2,380)	891,921
Water facility rights	22,137		(20,864)	1,273
Infrastructure	104,216	6,379		110,595
Equipment	86,316	7,379	(14,213)	79,482
Total capital assets, being depreciated	1,078,626	42,102	(37,457)	1,083,271
Less accumulated depreciation for:				
Buildings and improvements	(304,431)	(33,528)	1,072	(336,887)
Water facility rights	(1,802)	(25)	1,598	(229)
Infrastructure	(16,216)	(2,521)		(18,737)
Equipment	(56,346)	(7,361)	13,915	(49,792)
Total accumulated depreciation	(378,795)	(43,435)	16,585	(405,645)
Total capital assets, being depreciated, net	699,831	(1,333)	(20,872)	677,626
Sub-total business-type activities	$ 1,376,779	515,197	(63,628)	$ 1,828,348

(amounts expressed in thousands)

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

	Depreciation Expense
Governmental activities:	
General government	$ 18,218
Public assistance	1,094
Public protection	15,351
Health and sanitation	4,231
Public ways and facilities	45,804
Recreation and culture	3,497
Education	483
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	13,716
Total depreciation expense - governmental activities	$ 102,394
Business-type activities:	
Airport	$ 26,929
Solid Waste	7,509
Parking Enterprise	302
Water Agency	8,535
County Transit	160
Total depreciation expense - business-type activities	$ 43,435

(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, 2010:

Due From / To Other Funds at June 30, 2010, are as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 6,929
	Airport	16
	Solid Waste	23
	Water Agency	32
	Nonmajor enterprise	46
	Internal service	5,324
		12,370
Nonmajor governmental	General	2,257
	Nonmajor governmental	3,219
	Solid Waste	3
	Water Agency	8
	Internal service	8
		5,495
Airport	General	74
		74
Solid Waste	General	88
	Nonmajor governmental	1
	Airport	1
	Internal service	8
		98
Water Agency	General	13
	Nonmajor governmental	12
	Internal service	564
		589

Receivable Fund	Payable Fund	Amount
Nonmajor enterprise	General	53
	Nonmajor governmental	1
	Airport	
	Solid Waste	
	Internal service	6
		60
Internal service	General	18,572
	Nonmajor governmental	3,128
	Airport	2,649
	Solid Waste	1,044
	Water Agency	119
	Nonmajor enterprise	6
	Internal service	2,733
		28,251
Agency	General	1,920
	Nonmajor governmental	148
	Airport	74
	Water Agency	2
		2,144
	Total	$ 49,081

(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 & 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, 2010.

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, dental insurance costs and unemployment insurance from all 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, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental	General	$ 13,022
	Internal service	10,682
	Non Major Enterprise	379
	Enterprise	2,000
	Subtotal	26,083
Internal service	General	47,060
	Total	$ 73,143

Amounts advanced from non-major governmental funds are related to the Fixed Asset Financing Program which has financed $19,791 for major capital projects (General Fund), major bulk automobile purchases (internal service and enterprise funds) and $4,292 were advances to the general fund. Amounts advanced from internal service funds, $47,060 related to General fund advances. The advances to the General fund were for operations. The advances will be repaid within five years by the General Fund beginning in fiscal year 2010-11.

(amounts expressed in thousands)

Transfers From / To Other Funds for the year ended June 30, 2010 are as follows:

Transfer From	Transfer To	Amount	
General	Nonmajor governmental	$ 87,953	Transfer to cover debt service payments, economic development and community development programs
Nonmajor governmental	General	33,918	Transfers for Transient Occupancy Tax and Teeter Property Tax and community development programs
Nonmajor governmental	Nonmajor governmental	34,053	Transfer to cover debt service payments and capital project transfer
Internal service	General	2,052	Transfer to cover debt service payments
Internal service	Nonmajor governmental	13,503	Transfer to cover debt service payments
Internal service	Internal service	1,253	Transfer to cover debt service payments
Internal service	Enterprise	631	Transfer to cover debt service payments and Building Fund
Enterprise	General	2,667	Transfer to cover debt service payments
Enterprise	Internal service	280	Transfer to cover debt service payments and Building Fund
Enterprise	Nonmajor governmental	3,686	Transfer to cover debt service payments
		179,996	
	Nonmajor governmental	2,500	Transfer of land from nonmajor governmental fund to enterprise fund
		$ 182,496	

(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, 2010, the future minimum lease payments under capital leases are as follows:

Year ending June 30	Governmental Activities
2011	$ 1,756
2012	1,273
2013	1,273
2014	1,202
2015	1,202
2016-2020	4,269
2021-2025	1,671
Total minimum lease payments	12,646
Less amount representing interest	(2,674)
Net Present value of minimum lease payments	$ 9,972

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

Capital Assets under Capital Leases

Asset:	Governmental Activities
Land	$ 673
Structures and improvements	13,063
Equipment	1,539
	15,275
Less: Accumulated depreciation	
Structures and improvements	(2,789)
Equipment	(426)
	(3,215)
Total	$ 12,060

(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, 2010, are as follows:

	Operating Leases Commitment	
Year Ending June 30	Governmental	Business - Type
2011	$ 32,684	988
2012	30,771	940
2013	29,722	993
2014	28,500	968
2015	27,068	987
2016 - 2020	95,474	2,132
2021 - 2025	31,528	
2026 - 2030	2,467	
	$ 278,214	7,008

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, 2010 were $40,407.

Lease Income and Receivables
The Airport System 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 statements of net assets are held by the Airport System 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 years 2010, the Airport System received approximately $2,159 for contingent rental payments in excess of stated minimums.

(amounts expressed in thousands)

The following is a schedule of future minimum rentals receivable on non-cancelable operating leases as of June 30, 2010.

Year Ending June 30	Future Minimum Rents Business Type Activities
2011	$ 16,980
2012	15,884
2013	15,020
2014	13,515
2015	2,583
2016 - 2020	2,979
2021 - 2025	3,071
2026 - 2030	2,872
2031 - 2035	1,174
2036 - 2040	410
Total future minimum rentals receivable	$ 74,488

NOTE 9 - SHORT–TERM DEBT ACTIVITY

The County issues tax and revenue anticipation notes (TRANS) in advance of property tax and other revenue collections. The notes are issued to supplement County cash flows until taxes and other revenues are collected. The TRANS were secured by a pledge of various monthly amounts of property taxes on the secured roll.

Short-term debt activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Increase	Decrease	Balance June 30, 2010
Tax and revenue anticipation notes	$ 440,000		440,000	

(amounts expressed in thousands)

NOTE 10 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the year ended June 30, 2010:

	Restated Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 106,099	82,367	(84,764)	103,702	9,689
Certificates of participation	325,175	123,950	(108,840)	340,285	16,775
Teeter notes	49,800	64,470	(57,851)	56,419	14,732
Pension obligation bonds	944,638		(13,185)	931,453	15,285
Revenue bonds	344,462		(1,740)	342,722	1,675
Accreted Interest	8,410	2,052		10,462	
OPEB Liablility	5,334	566		5,900	
Other long-term debt	5,090	4,258	(2,170)	7,178	5,828
Capital lease obligations	11,186		(1,214)	9,972	1,756
Derivative instrument liability		155,999		155,999	
Borrowing payable	26,234		(8,481)	17,753	1,375
Deferred amounts					
For issuance premiums	4,167		(1,385)	2,782	107
For issuance discounts	(4,944)		146	(4,798)	(143)
On refundings	(37,322)	(2,662)	3,090	(36,894)	(3,855)
Total governmental activities - long-term obligations	$ 1,788,329	431,000	(276,394)	1,942,935	63,224
Business-type activities:					
Compensated absences	$ 6,265	5,455	(5,159)	6,561	1,174
Revenue bonds	910,455	201,800	(14,825)	1,097,430	15,445
PFC and subordinate revenue bonds	87,940	278,250	(2,860)	363,330	11,585
Certificates of participation	25,005	2,155	(3,955)	23,205	2,025
Reimbursement agreements	1,865	1,683	(1,135)	2,413	1,067
Usage fee - City	8,750		(847)	7,903	876
OPEB Liablility	406	34		440	
Water rights - Smud assignment	4,000			4,000	
SMUD transformer		1,904		1,904	87
Escrow retentions	9,542	496		10,038	161
Estimated arbitrage taxes payable	1,329		(1,329)		
Derivative instrument liability		47,437		47,437	
Other long term liabilities		156		156	81
Deferred amounts					
For issuance premiums	16,407		(615)	15,792	404
For issuance discounts	(2,789)	(4,808)	234	(7,363)	0
On Refunding	(25,360)	61	2,587	(22,712)	(54)
Total business-type activities - long-term obligations	$ 1,043,815	534,623	(27,904)	1,550,534	32,851

(amounts expressed in thousands)

A portion of OPEB liabilities and compensated absences is accounted for in accrued liabilities in the Government-wide Statement of Net Assets for governmental activities and business-type activities.

For details on the Derivative Instrument Liability refer to Footnote 11.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities reported in these funds are included with governmental activities. At year-end, $17,485 of internal services funds compensated absences and $1,102 in OPEB liability are included in the above amounts. Also for the governmental activities, claims and judgments (if applicable) and compensated absences are liquidated by the General Fund.

Individual issues of bonds, notes and certificates of participation outstanding at June 30, 2010 are as follows:

Governmental Activities:

Certificates of participation:		Amount Outstanding at June 30, 2010
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, 2010 through the year 2034, escalating from $325 to $4,145, with interest rates ranging from 2.0 percent to 5.0 percent.	$	13,450
County of Sacramento 2003 Certificates of Participation (Juvenile Courthouse Project) issued June 19, 2003. Principal payments are due December 1, 2010, through the year 2034, escalating from $760 to $2,160, with interest rates ranging from 2.0 percent to 5.0 percent.		32,610
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, 2010, through the year 2027, escalating from $2,740 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.		76,425

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2010
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, 2011, through the year 2019, escalating from $2,355 to $2,870 with interest ranging from 4.875 percent to 5.375 percent. A lump-sum payment of $13,420 is due February 1, 2019.	$ 13,015
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 4.6 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, 2010, through the year 2036, ranging from $770 to $2,095.	35,340
County of Sacramento 2007 Certificates of Participation (Animal Care Facility/Youth Detention Facility – 120 bed expansion) issued July 25, 2007. Principle payments are due October 1, 2010 through the year 2037, escalating from $795 to $2,935, with interest rates ranging from 4.0 percent to 5.0 percent.	45,495
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 Facilites 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. The economic loss on the refunding (difference between the present value of the debt service payments on the refunded debt and the new debt) of $25,670 Principal payments on the 2010 bonds are due commencing on February 1, 2011 through February 1, 2030, payments ranging from $3,235 to $9,975 and interest rates ranging from 3.0 percent to 5.50 percent. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $5,199. This difference will be amortized over the 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. The defeased bonds outstanding at June 30, 2010 was $25,869.	123,950
Total certificates of participation	340,285
Add: Issuance premium	2,782
Less: deferred amount on refunding	(2,662)
	$ 340,405

(amounts expressed in thousands)

Teeter notes:		Amount Outstanding at June 30, 2010
County of Sacramento, 2005 Teeter Loan Agreement Note, dated October 4, 2005, to purchase the delinquent property taxes receivable as of June 30, 2005. Annual payments of principal and interest are due August 1 of each year and ending in 2010. 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, 2010. Interest payments will be at a variable rate that averaged 1.230 percent in fiscal year 2009-10 and was 1.170 percent at June 30, 2010.	$	807
County of Sacramento, 2006 Teeter Loan Agreement Note, dated October 17, 2006, to purchase the delinquent secured property taxes receivable as of June 30, 2006. Annual payments of principal and interest are due August 1 of each year and ending in 2011. 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, 2011. Interest payments will be at a variable rate that averaged 1.780 percent in fiscal year 2009-10 and was 1.800 percent at June 30, 2010		3,816
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 2.280 percent in fiscal year 2009-10 and was 2.380 percent at June 30, 2010.		6,381
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 1.310 percent in fiscal year 2009-10 and was .934 percent at June 30, 2010.		16,130
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 1.200 percent in fiscal year 2009-10 and was .934 percent at June 30, 2010.		29,285
Total Teeter notes	$	56,419

(amounts expressed in thousands)

Pension obligation bonds:	Amount Outstanding at June 30, 2010
County of Sacramento Pension Obligation Bonds issued July 5, 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 August 15, 1998, through August 15, 2021, escalating from $13,060 to $78,879. 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 6.625 percent to 7.68 percent. The variable rate bonds had an initial rate of 6.1 percent through July 1, 1998. Thereafter, the variable rate will be determined by the Remarketing Agent as explained below. The variable rate bonds (Series 1995B and Series 1995C) are secured by a letter of credit in the amount of $134,000. Interest on the Series 1995A Fixed Rate Bonds will be payable on February 15 and August 15 of each year commencing August 15, 1995. The Series 1995B Variable Rate Bonds and the Series 1995C Variable Rate Bonds will initially be issued in the Multiannual Mode (the interest rate will be determined by the Remarketing Agent to remain in effect for a rate period of one year or any multiple of one year) with the initial rate period ending on July 1, 1998, and interest payable semiannually on each January 1 and July 1 during the rate period commencing on January 1, 1996. For periods after July 1, 1998, the County has executed an agreement fixing the variable interest rate at 5.935 percent. See Note 11 – Derivatives – Interest Rate Swap. On July 15, 2003 a partial advance refunding and defeasance in the amount of $128,430 from 2003 Taxable Pension Funding Bonds are fully paid.	$ 363,835
County of Sacramento Pension Obligation Bonds issued July 15, 2003, $152,321 of Series 2003A & 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.	97,441
County of Sacramento Pension Obligation Bonds issued July 24, 2004, $426,131 of Series 2004 C-1, C-2 & 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-1 bonds are due commencing July 10, 2007, through July 10, 2031, escalating from $817 to $41,521. Principal payment on the series C-2 bonds is due on July 10, 2031, for $39,160. 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.	62,402

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2010
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 commencing June 30, 2011 through June 30, 2031, escalating from $1,950 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 11 Derivatives – Interest rate swaps.	$ 358,015
County of Sacramento Pension Obligation Bonds issued June 12, 2009, $49,760 of Series 2009 Taxable Pension Refunding Bonds. The County is issuing the Series 2009 Bonds to refund and defease $49,225 the fully accreted outstanding amount of its Taxable Pension Funding Bonds, Series 2004 C-2, to pay the costs of issuance and origination fee totaling $535 and to avoid Bonds converting to auction rate market in July 2009 causing the County to pay the maximum net default interest rate of approximately 21% and to reduce its total debt service payments by approximately $32,577, Principal payments on the Series 2009 bonds are due commencing June 30, 2011 through June 30, 2015, escalating from $1,000 to $45,760. The refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The county entered into a swap agreement effective July 10, 2006, on the 2004 refunded series C-2 fixing the interest rate to 5.901%, which remains in effect for the 2009 Taxable Pension refunding bonds. See Note 11 Derivatives – Interest rate swaps.	49,760
The total accreted interest balance at June 30, 2010, on the 1995, 2003 and 2004 Pension Obligation Bonds is $350,924.	
Total pension obligation bonds	931,453
Less: deferred amount on refunding	(20,989)
	$ 910,464

(amounts expressed in thousands)

Revenue bonds:	Amount Outstanding at June 30, 2010
Tobacco Securitization Authority issued on December 1, 2005, $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 for the 2001 Refunded Tobacco Bonds 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 outstanding balance on the refunded bonds is $170,910 as of June 30, 2009. 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.	$ 247,231
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 sales 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 $90,369, payable through June 2033. For the current year, principal and interest paid and total incremental tax revenues were $1,070 and $2,326 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 18 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%.	

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2010
Then the 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. Incremental sales 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 $100,312, payable through December 2038. For the current year, principal and interest paid and total incremental tax revenues were $1,140 and $2,514, 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%. Principal payments on both Series are due December 1st through final maturity in 2038. Interest payments are due on June 1st and December 1st. The tax-exempt Series A Bonds are callable at par beginning on December 1, 2018. The taxable Series B 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.	$ 95,491
Total revenue bonds	342,722
Plus: Accreted interest	10,462
Less: deferred amount for issuance discount	(4,798)
Less: deferred amount for refunding	(13,243)
	$ 335,143

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.	4,790
Long term debt associated with the Sheriff department's software purchase agreement.	2,388
Total other long term debt	$ 7,178

COUNTY OF SACRAMENTO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(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, 2010.

	Certificates of Participation		Teeter Note		Pension Obligation	
Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 16,775	$ 15,583	$ 14,732	$ 239	$ 15,285	$ 69,013
2012	16,975	15,536	13,925	532	14,649	71,689
2013	17,830	14,823	12,017	339	17,636	74,347
2014	18,730	14,095	9,890	178	17,464	77,106
2015	19,755	13,249	5,855	65	59,604	83,992
2016 - 2020	80,960	53,338			153,129	357,936
2021 - 2025	60,880	35,693			367,645	170,012
2026 - 2030	65,935	19,528			175,055	63,033
2031 - 2035	32,435	7,147			110,986	13,346
2036 - 2040	10,010	706				
	$ 340,285	$ 189,698	$ 56,419	$ 1,353	$ 931,453	$ 980,474

	Revenue Bonds		Other	
Year ending June 30	Principal	Interest	Principal	Interest
2011	$ 1,675	$ 16,656	$ 5,828	
2012	1,730	16,532	1,350	
2013	3,460	16,360		
2014	4,175	16,169		
2015	4,385	32,683		
2016 - 2020	27,730	73,680		
2021 - 2025	42,976	66,548		
2026 - 2030	48,283	54,273		
2031 - 2035	57,800	40,181		
2036 - 2040	67,370	26,222		
2041 - 2045	88,847	261,210		
	$ 348,431	$ 620,514	$ 7,178	
Less unaccreted interest	(5,709)			
	$ 342,722			

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2010
Business-type Activities:	
Revenue, 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.	$ 3,305
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 0.911% - 0.931% at June 30, 2010. 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 form long-term debt. The defeased 2003 revenue bonds outstanding at June 30, 2010 was $41,740.	407,460
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.	

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2010
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 PCF/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. Certain revenue bond obligations have been defeased "in-substance" by placement of assets in an irrevocable trust. Their outstanding principal balances at June 30, 2010 are $65,320 for Series 2002A and $11,480 for Series 2002B revenue bonds.	$ 1,049,995

Total Revenue, PFC & Subordinated Bonds	1,460,760
Add: Issuance premiums	15,371
Less: Issuance discounts	(7,363)
Less: deferred amount on refunding	(21,126)
	$ 1,447,642

Certificates of Participation:

On July 19, 2005, Sacramento County Department of Waste Management & Recycling 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, 2010, $3,725 of bonds were legally defeased and remain outstanding.	$ 21,050

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2010
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. The economic loss on the refunding (difference between the present value of the debt service payments on the refunded debt and the new debt is $139. Principal payments are due February 1, 2011 through year 2013, 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 are considered to be defeased and have been removed from the statement of net assets.	2,155
Total certificates of participation	23,205
Less: amounts for refunding	(1,586)
Add: amounts for issuance premium	421
	$ 22,040

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.	$ 2,413

Usage fee – City:

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.	$ 7,903

(amounts expressed in thousands)

	Amount Outstanding at June 30, 2010
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. At June 30, 2009 the principal balance remaining of the agreement is approximately $4 million. Under the terms of the agreement, the Water Agency will pay approximately $2 million at such time the Water Agency takes delivery of the assigned water, or at such time as the Vineyard Surface Water Treatment Plant becomes operational or October 1, 2011, whichever event occurs first. The remainder due will be paid over ten years beginning on October 1 in the calendar year after payment of the $2 million.	$ 4,000
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.	$ 1,904

(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, 2010.

	Revenue Bonds and PFC Revenue Bonds		COP		Usage Fee - City	
Year ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 27,030	72,960	2,025	928	876	269
2012	27,865	71,821	2,095	859	906	239
2013	29,680	70,675	2,175	775	937	208
2014	30,710	69,309	1,790	689	969	176
2015	29,590	67,941	1,620	621	1,001	143
2016 - 2020	150,200	318,722	9,200	1,997	3,214	221
2021 - 2025	180,525	279,472	4,300	178		
2026 - 2030	230,910	228,043				
2031 - 2035	292,285	162,102				
2036 - 2040	338,360	79,315				
2041 - 2045	123,605	6,797				
	$ 1,460,760	1,427,157	23,205	6,047	7,903	1,256

	SMUD Transformer	
Year ending June 30	Principal	Interest
2011	$ 87	110
2012	8	119
2013	9	118
2014	8	117
2015	1,792	20
2016 - 2020		
	$ 1,904	484

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, 2010.

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 River Cats Stadium. 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, 2010, the principal amount of bonds outstanding was $34,410, 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.

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, 2010, the principal amount of certificates of participation outstanding was $14,150, 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.

At June 30, 2010 the County’s debt limit for general obligation bonds and legal debt margin was $1,611,741.

NOTE 11 – DERIVATIVES - INTEREST RATE SWAP

For the fiscal year ended June 30, 2010, the County implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

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.

(amounts expressed in thousands)

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the June 30, 2010 financial statements are as follows debit(credit).

		Changes in Fair Value		Fair Value - as of June 30, 2010	
	Notional Amount	Classification	Amount	Classification	2010
Governmental Activities:					
Cash Flow Hedges:					
Series 1995 B & C Swap					
Pay-fixed interest rate swap	$134,000	Deferred outflow	$ (37,434)	Debt	$ (37,434)
Series 2004 C-1					
Pay-fixed interest rate swap	$345,650	Deferred outflow	$ (103,840)	Debt	$ (103,840)
Series 2004 C-2					
Pay-fixed interest rate swap	$49,225	Deferred outflow	$ (14,725)	Debt	$ (14,725)
		Total Governmental activities	$ (155,999)		
Business type Activities:					
Series 2007 B Swap Ins A					
Pay-fixed interest rate swap	$128,965	Deferred outflow	$ (25,322)	Debt	$ (25,322)
Series 2007 B Swap Inst. B					
Pay-fixed interest rate swap	$99,955	Deferred outflow	$ (22,115)	Debt	$ (22,115)
		Total Business activities	$ (47,437)		

(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, 2010, along with the credit rating of the associated counterparty:

Governmental Activities:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 1995 B & C Swap Pay-fixed interest rate swap	Hedge of changes in cash flows on 1995 B&C bonds	$134,000	7/1/2009	7/1/2022	County pays 6.040% fixed; receives USD LIBOR (BBA) adjusted monthly: 0.350%	Aa3/A+/AA- Moody's/S&P/Fitch

	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 2004 C-1 Pay-fixed interest rate swap	Hedge of changes in cash flows on 2008 C-1 bonds	$347,675	7/10/2006	7/10/2030	County pays 5.901% fixed; receives USD LIBOR (BBA) adjusted monthly: 0.350%	A2/A/A+ Moody's/S&P/Fitch

	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Series 2004 C-2 Pay-fixed interest rate swap	Hedge of changes in cash flows on 2009 C-2	$49,225	7/10/2009	7/10/2031	County pays 5.802% fixed; receives 5 year USD-ISDA-50bps SWAP:2.081%	A2/A/A Moody's/S&P/Fitch

Business type Activities:

	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 lesser of 67% of USD-LIBOR-BBA plus 55 bps or 12%:0.911%	AA- (S&P and Fitch) Aa1 (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 lesser of 67% of USD-LIBOR-BBA plus 57 bps or 12%:0.931%	AA- (S&P and Fitch) Aa1 (Moody's)

Series 1995 B & C:

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. In that event, because of the counterparty's current credit ratings, the counterparty would be required to deliver collateral to the County. The swap counterparty was rated "Aa3" by Moody's Investors Services, "A+" by Standard & Poor's and "AA-" by Fitch Ratings as of June 30, 2010.

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 swap exposes the County to basis risk. The basis risk is the difference between the Weekly Rate paid on the variable-rate bonds and the floating amount received from the interest rate swap of 1-Month LIBOR. As of June 30, 2010, the Weekly Rate was 0.33%, whereas the reset of 1-Month LIBOR was 0.35%, a difference of (0.02%). The effect of this difference decreases the intended synthetic fixed rate of 6.04% to a rate of 6.02%.

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 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.

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 "A2" by Moody's Investors Services, "A" by Standard & Poor's and "A+" by Fitch as of June 30, 2010.

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.

Taxable Pension Funding Bonds Refunding 2009 C-2 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. The swap counterparty was rated “A2” by Moody's Investors Services, “A” by Standard & Poor's and “A” by Fitch as of June 30, 2010.

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 swap is exposed to 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 5-year USD-ISDA. On June 16, 2009, the Taxable Pension Bonds, Series 2004 C-2 were refunded with the Taxable Pension Bonds, Refunding Series 2009, and has a variable-rate payment based on the 1-Month LIBOR with a floor of 0.75% plus a spread of 2.00%. The variable-rate was 2.75% (current rate of interest on bonds), and the 5-year USD-ISDA SWAP minus 50 basis points was 2.081%, a difference of 0.669%.The effect of this difference increases the intended synthetic fixed rate of 5.802% to a rate of 6.471%.

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 Swap:

Credit Risk:
The Sacramento County Water Agency 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 “Aa1” by Moody's Investors Services, “AA-” by Standard & Poor’s and “AA-” by Fitch as of June 30, 2010.

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.

Basic 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 have a negative fair value, the Sacramento County Water Agency would be liable to the counterparty for a payment equal to the swaps' fair value.

The Sacramento County Water Agency's swap assignment agreement from Bear Stearns to JPMorgan includes provisions relating to the posting of collateral for the swap counterparty and the Sacramento County Water Agency. The swap Credit Support Annex (CSA), which is part of the swap agreement, is a one-way CSA where the counterparty has the obligation to post collateral depending on valuation thresholds. Conversely, the Sacramento County Water Agency does not have to post unless: (1) a rating event occurs when the Sacramento County Water Agency gets downgraded below "A2" by Moody's or "A" by Standard & Poor's**;** and (2) an insurer event occurs, which could be a combination of several events, but most likely (a) the insurer gets downgraded and (b) the insurer has failed to payout an obligation of greater than $30 million and (3) the Sacramento County Water Agency chooses the option to post collateral. The two other options available to the Sacramento County Water Agency are to provide a letter of credit or to assign the agreement to another entity.

Should the Sacramento County Water Agency be downgraded below "Baa2" by Moody's or "BBB" by Standard & Poor's, and an insurer event has occurred, the counterparty has the option to terminate the swap. As June 30, 2010, the negative fair value of the swaps amounted to $47,437.

Borrowings:
Series 1995 B & C:
As part of the extended terms negotiated on June 23, 2003, with the previous counterparty (Lehman) the County received a one-time premium payment equal to the negative value of the swap agreement totaling $8,100 from the counterparty. The County recorded this amount in the County's *Statement of Net Assets* as deferred revenue to be amortized over the term of the agreement which expired in FY 2009. As part of the replacement swap agreement with Deutsche Bank on October 24, 2008, the County received from the new counterparty a one-time premium payment of $23,019 to pay off the negative value of the Lehman Brothers swap agreement totaling $22,894. The County has recorded this amount in the County's *Statement of Net Assets* as borrowing to be amortized over the term of the agreement.

Taxable Pension Funding Bonds Refunding 2009 C-2 Swap
As part of the swap agreement, the County received a one-time premium payment equal to the negative fair value of the swap agreement on June 30, 2006, totaling $100 from the counterparty. The County has recorded this amount in the County's *Statement of Net Assets* as a borrowing to be amortized over the term of the agreement.

Derivative Instrument payments and Hedged Debt:
Using the rates as of June 30, 2010, 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 on the next page:

(amounts expressed in thousands)

Governmental Activities:

Pension Obligation Bonds
1995 Series B & C Variable-Rate

Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2011	$	442	8,563	9,005
2012		442	8,563	9,005
2013		442	8,563	9,005
2014		442	8,563	9,005
2015		442	8,563	9,005
2016 - 2020	33,500	2,211	42,813	78,524
2021 - 2025	100,500	664	12,843	114,007
	$ 134,000	5,085	98,471	237,556

2008 Pension Refunding Bonds
Series C-1 Variable-Rate

Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2011	$ 1,950	5,907	19,873	27,730
2012	1,450	5,875	19,765	27,090
2013	4,600	5,851	19,685	30,136
2014	4,600	5,775	19,429	29,804
2015	2,175	5,699	19,174	27,048
2016 - 2020	32,575	27,560	92,717	152,852
2021 - 2025	87,025	23,200	78,050	188,275
2026 -2030	175,055	13,390	67,960	256,405
2031 - 2035	48,585	1,663	2,697	52,945
	$ 358,015	94,920	339,350	792,285

2009 Pension Refunding Bonds
Series C-1 Variable-Rate

Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2011	$ 1,000	1,368	1,368	3,736
2012	1,000	1,368	1,341	3,709
2013	1,000	1,368	1,313	3,681
2014	1,000	1,368	1,286	3,654
2015	45,760	1,368	1,258	48,386
	$ 49,760	6,840	6,566	63,166

(amounts expressed in thousands)

Business-Type Activities

Water Enterprise
Series 2007B Revenue Bonds

Year ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2011	$	2,105	7,521	9,626
2012		2,105	7,521	9,626
2013		2,105	7,521	9,626
2014		2,105	7,521	9,626
2015		2,106	7,522	9,628
2016 - 2020		10,527	37,606	48,133
2021 - 2025	5,955	10,475	37,442	53,872
2026 - 2030	45,365	9,842	35,155	90,362
2031 - 2035	96,020	6,458	22,905	125,383
2036 - 2039	81,580	1,938	6,851	90,369
	$ 228,920	49,766	177,565	456,251

NOTE 12 - SPECIAL ASSESSMENT DEBT AND RELATED ACTIVITIES

At June 30, 2010, special assessment improvement bonds outstanding for all assessment districts totaled $181,534. 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. Thus, at June 30, 2010, $6,975 of authorized bonds remains un-issued. At June 30, 2010, the outstanding balance was $9,760.

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 of Special Tax Bonds with interest rates ranging from 3.00% to 6.00%. These bonds constitute the entire bonded indebtedness. Thus, at June 30, 2010, $79,750 of authorized bonds remains un-issued. At June 30, 2010, the outstanding balance was $10,100.

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 1997 refunding bonds constitute the entire bonded indebtedness of the District. 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. Thus, at June 30, 2010, $3,500 of authorized Improvement Area No. 1 bonds and $1,845 of authorized Improvement Area No. 2 bonds remain un-issued. As of June 30, 2010 the outstanding balance was $19,815 for Improvement Area No. 1 and $14,195 for Improvement Area No. 2.

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, 2010. Thus as of June 30, 2010, $1,940 of authorized bonds remains un-issued. The outstanding balance at June 30, 2010 was $3,890.

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, 2010. Thus as of June 30, 2010, $96,340 of authorized bonds remains un-issued. The outstanding balance at June 30, 2010 for the 2004A bonds was $60,235 and for the 2007B bonds was $40,200.

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. Thus, at June 30, 2010, $15,585 of authorized bonds remains un-issued. At June 30, 2010, the outstanding balance was $14,410.

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, 2010. At June 30, 2010, the outstanding balance was $823.

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. Interest rates for this range from 3.95% to 4.50%. At June 30, 2010, the outstanding balance was $7,170.

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:

1911 Bond Series CSD-110, Sewer Improvement Bonds, issued December 14, 1993 for $191 with an interest rate of 7.00%. At June 30, 2010, the outstanding balance was $1.

1915 Act Bonds for Bradshaw / U.S. 50 Corridor A.D. issued August 10, 1995 for $2,301 with an interest rate ranging from 5.875 to 7.20%. At June 30, 2010, the outstanding balance was $935.

NOTE 13 – PLEDGED REVENUES

The County has pledged a portion of delinquent property tax revenues to re-pay $56,419 in Teeter notes in accordance with the alternative method of distribution of property tax levies and assessments. The notes were issued on ; October 4, 2005; October 17, 2006; November 27, 2007, December 9, 2008 and December 1, 2009. 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 $56,419 and interest of $1,356 remain on the notes and are payable through August 1, 2014. For the current year, total principal and interest paid was $57,851 and $806 respectively.

The Airport System has pledged certain future revenues, net of specified operating expenses, to repay $496,195 in Senior Revenue Bonds issued in May 2008, and $201,800 in Senior Revenue Bonds issued in July 2009. 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. Proceeds from 2009 Senior Revenue Bonds provided $163.8 million to continue the 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 $1,414,072. Principal and interest paid for the current year was $37,170 and the total Net Revenues were $48,628.

The Airport System has pledged Passenger Facility Charges 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 bond series are payable through 2026 and the 2009 bond series are payable through 2041. Total principal and interest remaining to be paid on the subordinate bonds is $743,858. Principal and interest paid for the current year was $13,581 and PFC revenue was $19,618.

(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:

Fiscal Year Ending June 30	Passenger Facility Charges	Grant Revenues
2011	$ 22,006	$ 9,124
2012	21,941	8,171
2013	21,940	8,220
2014	21,941	8,271
2015	21,942	8,329
2016	21,945	
	$ 131,715	$ 42,115

NOTE 14 - COMMITMENTS

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

Governmental Funds – The County's governmental funds has entered into contracts for the construction of certain projects totaling $140,207 at June 30, 2010.

Airport – Airport Systems had approximately $319,210 in outstanding construction contract commitments at June 30, 2010

Solid Waste Enterprise Fund – Solid Waste entered into equipment and construction agreements totaling $2,155 at June 30, 2010.

Water Agency – The SCWA has entered into contracts for the construction of certain projects totaling $92,770 at June 30, 2010.

NOTE 15 - CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations place specific requirements on Solid Waste regarding closure and postclosure maintenance and monitoring functions for the County'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 County 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).

In accordance with GASB Statement No. 18, management of the Fund has deemed the capacity of the Kiefer Landfill will be the basis of recognizing its closure and postclosure care costs. The Fund reported Kiefer Landfill closure and postclosure care liabilities of $13,253 at June 30, 2010. The Fund will recognize costs of $30,977 as the remaining capacity in the Kiefer Landfill is used in future years. At June 30, 2010, the capacity of the Kiefer Landfill used to date was 30% and the estimated remaining landfill life is 63 years.

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, 2010, of $2,729.

The Elk Grove landfill is 100% full and the postclosure 30-year liability period runs through June 2024. At June 30, 2010, the reported liabilities represent costs for the remaining 14 years. The portion of the postclosure costs expected to be paid during the next year is $210.

The Fund reported Grand Island Landfill postclosure care liabilities at June 30, 2010 of $439. The landfill is 100% full and the postclosure 30-year liability period runs through June 2029. At June 30, 2010, the reported liabilities represent postclosure costs for the remaining 19 years. The portion of the postclosure costs expected to be paid during the next year is $24.

Future closure and postclosure costs are based on what it would cost to perform all closure and postclosure care in 2010. Actual costs may be different due to inflation, changes in technology, changes in permitted capacity and/or changes in regulations.

(amounts expressed in thousands)

The Fund is required by state and federal laws and regulations to provide financial assurance that appropriate resources will be available to finance closure and postclosure care costs in the future. Management has established a fund for the closure of Kiefer Landfill with a balance at June 30, 2010 and 2009 of $15,983 and $15,581, respectively. As required by applicable laws, $8,433 and $8,279 is considered restricted at June 30, 2010 and 2009, respectively, with the remaining balance 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.

Changes in accrued landfill closure and postclosure care liability for the fiscal year ended June 30, 2010 were as follows:

	July 1, 2009 Beginning	Additions	Deletions	June 30, 2010 Ending	Due within one year
Kiefer	$ 12,844	409		13,253	
Elk Grove	2,904	34	(209)	2,729	210
Grand Island	458	5	(24)	439	24
	$ 16,206	448	(233)	16,421	234

(amounts expressed in thousands)

NOTE 16 - 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, 2010 is available on the System's web site at 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, 2010, is available on the System's web site 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 1.81% and 12.26% of their annual covered salary. The County is obligated by state law to make all required contributions to the plan, ranging from 13.02% to 47.84% of covered payroll. The required contributions include current service cost and amortization of prior service cost over a 30-year closed amortization period with 23 years remaining as of June 30, 2010. Employer contribution rates are determined using the entry age normal funding 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, 2010 totaled $194,831. Included in this total are employer contributions of $150,610 and member contributions of $44,221. All contributions were made in accordance with actuarially determined contribution requirements based on the actuarial valuation performed at June 30, 2010.

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, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.50 % annual general inflation, (b) 7.875% 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 3.4%, 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 five-year period (smoothed fair value). SCERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years, with 23 years remaining on a closed basis. The County's annual pension cost and pension assets for the year ended June 30, 2010, were as follows:

Annual required contribution	$ 150,610
Interest on beginning net pension asset	(79,407)
Adjustment to the annual required contribution	84,092
Annual pension cost	155,295
Annual Contributions made	150,610
Decrease in net pension asset	(4,685)
Net pension asset, beginning of year	1,036,635
Net pension asset, end of year	$ 1,031,950

(amounts expressed in thousands)

Three-year trend information:

Fiscal year Ended	Annual Pension Cost (APC)	Contribution	Percentage Of APC Contributed	Net Pension Asset
6/30/08	$145,767	$148,163	102%	$1,037,569
6/30/09	$161,340	$160,406	99%	$1,036,635
6/30/10	$155,295	$150,610	97%	$1,031,950

Funding Status and Progress
As of June 30, 2010, the most recent actuarial valuation date, the plan was 87.0 percent funded. The actuarial accrued liability for benefits was $7,145,726, and the actuarial value of assets was $6,216,994, resulting in an unfunded actuarial accrued liability (UAAL) of $928,732. The covered payroll (annual payroll of active employees covered by the plan) was $827,551 and the ratio of the UAAL to the covered payroll was 112.2 percent.

The schedule of finding progress, presented as 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.

NOTE 17 – 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 resist from implementing the subsidy elimination; 2) rescind the changes in eligibility; and 3) make whole the affected parties. On March 11, 2010, the 3rd 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.

(amounts expressed in thousands)

The amount of any medical subsidy/offset payments made available to eligible annuitants shall be calculated based upon the annuitant's SCERS service credit.

Neither Sacramento County Employees Retirement System (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 following schedule:

	Amount of subsidy/offset payment (Calendar Year)	
Service at Retirement	2010	2009
Less than 10 years	$72	$122
10-14 years	90	152
15-19 years	108	182
20-24 years	126	212
25 or more years	144	244
*Dental if eligible for medical subsidy	$0	$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. The dental subsidy/offset payment by the County for calendar year 2009 was $25.00 per month.

Approximately three thousand nine hundred employees meet the eligibility requirement and receive the insurance subsidy as of June 30, 2010.

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.

(amounts expressed in thousands)

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) an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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	$ 14,938
Interest on net pension obligation	258
Adjustment to the annual required contribution	(365)
Annual OPEB cost	14,831
Annual Contributions made	14,231
Increase in OPEB obligation	600
Net OPEB Obligation, beginning of year	5,740
Net OPEB Obligation, end of year	$ 6,340
Covered payroll (active plan members)	$ 827,551
UAAL as a percentage of covered payroll	17.5%

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 were as follows:

Fiscal year Ended	Annual OPEB Cost	Contribution	Percentage Of OPEB Cost Contributed	Net OPEB Obligation
6/30/09	$ 18,994	$ 17,849	94%	$ 5,740
6/30/10	$ 14,831	$ 14,231	96%	$ 6,340

Funding Status and Progress

As of June 30, 2009, the most recent actuarial valuation date the plan was 0% funded. The actuarial accrued liability was $144,804 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $144,804. 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 June 30, 2009 actuarial report is the most recent actuarial valuation, consequently there is no historical information provided in the Schedule of Funding Progress. The Schedule will, in subsequent fiscal years, present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

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, 2009, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions utilized a 4.5% discount rate and a medical trend rate of 10% for fiscal year 2009-2010, reduced by decrements of 0.5 % each year to an ultimate rate of 5%. The UAAL is being amortized as a closed level dollar amount. The remaining amortization period at June 30, 2010 was 28 years.

NOTE 18- 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, 2010, 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.

COUNTY OF SACRAMENTO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

Reconciliation of Claims Liabilities

	Liability/Property		Worker's Compensation		Unemployment		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Unpaid claims and claim adjustment expenses at beginning of the fiscal year								
Current portion	$ 11,276	11,100	26,391	24,821			37,667	35,921
Noncurrent	20,346	22,208	100,196	87,695			120,542	109,903
Total beginning balance	31,622	33,308	126,587	112,516			158,209	145,824
Incurred claims and claim adjustment expenses:								
Provision for insured events for current year	5,984	8,864	25,416	22,925	7,425	1,880	38,825	33,669
Increase (decrease) in provision for insured events of prior fiscal years	9,845	11,776	31,712	20,310			41,557	32,086
Total incurred claims and claim adjustment expenses	$ 15,829	20,640	57,128	43,235	7,425	1,880	80,382	65,755
Payments:								
Claims and claim adjustment expenses attributable to insured events of current fiscal year	$ 839	647	4,564	2,980	7,425	1,880	12,828	5,507
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	19,903	21,679	19,342	26,184			39,245	47,863
Total payments	20,742	22,326	23,906	29,164	7,425	1,880	52,073	53,370
Total unpaid claims and claim adjustment expenses at end of the fiscal year June 30, 2010.	$ 26,709	31,622	159,809	126,587			186,518	158,209
Current portion of unpaid claims and claim adjustments	$ 8,047	11,276	28,963	26,391	1,243		38,253	37,667
Non current portion of unpaid claims and claim adjustments	18,662	20,346	130,846	100,196			149,508	120,542
Total current and non current unpaid claims and claim adjustment expenses at end of the fiscal year.	$ 26,709	31,622	159,809	126,587	1,243		187,761	158,209

(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 *	$25	Each occurrence
Property Program:			
Property Insurance (All Risk)	2,261,000 *	50	Each occurrence
Flood	2,261,000 *	2% / 100 minimum	Per Building / Each occurrence
Earthquake (EQ)	25,000 *	5% / 100 minimum	Per building / Each occurrence
Sheriff Vehicle Physical Damage	21,026 *	10	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)	7,272	Various	2.5% In-motion / $1 not-in-motion
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*	2,000	Self-insured retention
Employers' Liability	5,000	2,000	Self-insured retention

*Airport Liability and Hangerkeepers - Coverage is subject to War & 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 3/31/10 All Risk total is at $2.261 billion (total of Towers I, II, IV and V primary and excess on an actual at risk and tower-capped basis). Effective 3/31/10 Flood total is at $2.261 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.

(amounts expressed in thousands)

NOTE 19– RESTRICTED NET ASSETS

Restricted Net Assets are assets that are 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, 2010 are as follows:

	Governmental Activities	Business-type Activities	Total
Bond reserves		$ 51,742	$ 51,742
Landfill closure		8,433	8,433
Kiefer Wetlands Preserve		871	871
Debt service	$ 153,654	104,162	257,816
Capital projects	47,281		47,281
Passenger facility charges		45,353	45,353
Fire protection	1,201		1,201
Health programs	200,815		200,815
Transportation	28,912	1,213	30,125
Lighting and landscape maintenance	3,109		3,109
Community facilities	2,572		2,572
Fish and game	15		15
Future construction		2,406	2,406
Endowments:			
Expendable		59	59
Nonexpendable		2,027	2,027
Total	$ 437,559	$ 216,266	$ 653,825

Net assets restricted by enabling legislation are comprised of $45,353 (passenger facility charges), $3,109 (lighting and landscape maintenance) and $2,572 (community facilities) in the Statement of Net Assets at June 30, 2010.

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

- *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 public art in perpetuity

- *Fire protection* – accounts for property taxes used to fund the provision of fire protection services provided by the Natomas Fire District to approximately 40 square miles of the unincorporated area.

- *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 valorum 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.

- *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.

NOTE 20– NET ASSETS/FUND BALANCES

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.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2010, reservations of fund balance are described below:

- *Encumbrances* – to reflect the outstanding contractual obligations for which goods and services have not been received.

- *Capital asset acquisitions* – to reflect amounts that are restricted due to debt covenants requiring that the expenditures only be used for fixed asset acquisition and management of the program.

- *Assets not available:*

  - *Teeter plan tax loss* – to cover losses in the event that a shortfall may occur as a result of the sale of tax-defaulted property.

  - *Inventory* – to reflect pharmacy and Main Jail supplies

  - *Teeter plan delinquencies* – to cover long-term delinquent taxes when the final note payment is made.

  - *Imprest cash* – to reflect the funds held by departments for imprest cash expenditures. Such amounts do not represent available spendable resources.

  - *Long term receivables and advances to other funds* – to reflect the amount due from other funds and receivables that are long-term in nature. Such amounts do not represent available spendable resources.

  - *Special deposits* – to reflect the advances for travel purposes.

- *Debt service* – to reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.

- *Future construction* –funds solely for planned capital projects as required in bond covenants.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. Fund balance designations include:

- *Cash flow* – to reflect the impact on cash flows of budget uncertainties.
- *Teeter plan notes* – to reflect an amount equal to the amount of the final payment on the Teeter note.
- *Future services* – to reflect management's intent to provide funding for unspecified services and capital projects.

(amounts expressed in thousands)

NOTE 21- FUND BALANCES

Fund balances, which are not available for appropriation or are not considered "expendable available financial resources", are reserved. Unreserved fund balances that have been earmarked by the Board of Supervisors for specified purposes are considered designated. Such reserved and designated fund balances at June 30, 2010 are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Reserved			
Encumbrances	$ 25,005	46,231	71,236
Capital asset acquisitions	27,206		27,206
Assets not available:			
Teeter plan tax loss	16,291		16,291
Teeter plan delinquencies	993		993
Imprest cash	255	2	257
Long term receivables and advances to other funds	4,148	62,759	66,907
Inventory	909		909
Special deposits	100		100
Debt service		75,321	75,321
Future construction		80,974	80,974
Total Reserved Fund Balances	74,907	265,287	340,194
Unreserved/Designated			
Cash flow		3,703	
Future services		179,892	
Total Unreserved/Designated Fund Balances		183,595	183,595
Total Unreserved/Undesignated Fund Balances	(53,212)	80,613	27,401
Total Unreserved	(53,212)	264,208	210,996
Total Fund Balances	$ 21,695	529,495	551,190

As not all long-term assets are reserved, see Note 5 for the allocation between reserved fund balance and deferred revenue as Note 1 discloses as being the policy of the County.

NOTE 22 – 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 is currently experiencing significant financial stress. As a result of continuing weakness in the national, State and local economy, various revenue sources of the County, including revenues from or based on property taxes and sales taxes, have declined significantly since Fiscal Year 2007-08. In addition, County pension costs and debt service costs relating to pension obligation bonds are significantly increasing.

Housing Declines

The housing market slump and related negative impact of economic conditions has continued through 2010 to date. In the County, Notices of Default increased from approximately 7,000 in calendar year 2006 to approximately 18,000 in calendar year 2007; to approximately 24,000 in calendar year 2008; and to 26,500 in calendar year 2009. Notices of Default filings typically indicate that homeowners have missed mortgage payment(s), but do not necessarily result in a home foreclosure as a default may be cured prior to actual foreclosure. Actual foreclosures, defined as properties on which the lender foreclosed and the property was not sold to a new owner at auction, also increased in the County from 1,329 in calendar year 2006 to 7,978 in 2007; to 19,059 in 2008; and to 14,174 in 2009 according to the County Assessor. The foreclosures in 2009 represent approximately 3% of the total number of parcels assessed.

In addition, pursuant to Proposition 8, the County Assessor reduced the assessed value of 57,863 properties for Fiscal Year 2007-08; 90,199 for Fiscal Year 2008-09; 176,524 for Fiscal Year 2009-10; and nearly 162,000 for Fiscal Year 2010-11. Total assessed value in the County declined by 7.41% from Fiscal Year 2008-09 to Fiscal Year 2009-10, and 2.17% from Fiscal Year 2009-10 to Fiscal Year 2010-11.

This reduction in assessed value was expected in the Fiscal Year 2009-10 County budget to result in a decrease in secured property tax revenues in Fiscal Year 2009-10 of $17.3 million from Fiscal Year 2008-09. The actual reduction of secured property taxes revenues was $14.65 million from Fiscal Year 2008-09. However, the actual supplemental taxes were $1.5 million below the Fiscal Year 2009-10 budget projection by $3.1 million.

The County Assessor's Office projects, on a preliminary basis, that assessed values for Fiscal Year 2011-12 will decrease from Fiscal Year 2010-11 levels by approximately 2%, translating into a property tax revenue decrease for the County General Fund of approximately $8 million between the Fiscal Year 2009-10 currently estimated actual amount and the Fiscal Year 2010-11 projected amount.

Sales Tax Declines

In addition to declines in property tax revenues described above, in the adopted Fiscal Year 2010-11 budget, revenues of the County from or related to sales taxes were projected to decline by approximately 1% from Fiscal Year 2009-10 levels. In addition, Fiscal Year 2010-11 budget projected decreases in "realignment" revenues that consist of the County's share of State sales tax and vehicle license fees of approximately $1.7 million. However, the ½ cent Public Safety Sales Tax (dedicated to law enforcement services) increased by approximately $10.0 million based on strong performance in the second half of Fiscal Year 2009-10.

Changes in Personnel Expenditures

The Fiscal Year 2010-11 budget included increases in General Fund labor expenditures of approximately $30 million (as compared to Fiscal Year 2009-10 actual expenditures), due to cost of living and equity increases obligated by labor contracts, partially offset by reductions in County staff levels. Labor expenses at current staffing levels are projected to increase by $40.0 million in Fiscal Year 2011-12 due to current labor contractual commitments.

Fiscal Year 2010-11 General Fund Budget

The County's Fiscal Year 2010-11 budget reflects an appropriation reduction from the previous fiscal year's budget by approximately $23.9 million. These reductions were made by implementing various program reductions across all General Fund departments. Program reductions included the elimination of 757.5 permanent full-time equivalent positions between the Fiscal Year 2009-10 Final Budget and Fiscal Year 2010-11 Adopted Budget, representing approximately 8% of the positions that had been funded by the County's General Fund, with approximately half of these position eliminations resulting in employee layoffs. As part of the solution to funding issues for Fiscal Year 2010-11, the County used approximately $41.9 million in one-time funding sources for the Fiscal Year 2010-11 budget.

Fiscal Year 2010-11 Mid-Year Budget Hearings

The County's budget did not account for any impacts resulting from the State's budget since their budget was not approved until October 2010, after the County's budget was adopted. Impacts identified for County operated programs were presented to the Board on December 7, 2010, resulting in appropriation and revenue reductions of $0.5 million. The County anticipates additional impacts will result, primarily in social service and health programs, when the State issues new or revised funding allocations to California counties. Further impacts will be addressed when they are identified. A mid-year budget report generally occurs in February to make adjustments in revenue and expenditure projections as needed to ensure the current year's budget remains in balance. The County currently has not identified any required budget adjustments.

Fiscal Year 2011-12 General Fund Budget Outlook

The County has identified a preliminary Fiscal Year 2010-11 budget shortfall of approximately $65.5 million. This shortfall is a combination of using one-time funding and labor cost increases consisting of the following: $30.0 million in one-time funding sources used in Fiscal Year 2010-11 that is no longer available; $15.5 million due to beginning scheduled transfers-back of interfund transfers made to the General Fund in prior fiscal years, and approximately $20.0 million in anticipated labor cost increases at current staffing levels.

The County will address the Fiscal Year 2011-12 budget during hearings to be held in June 2011. The County Executive Office currently expects that it will recommend expenditure reductions to address the projected budget shortfall.

The County's financial condition, and potential shortfalls in Fiscal Years 2010-11 and 2011-12, may be further adversely affected by continuing slowdown in the regional housing market and unemployment levels, and the impact thereof on property taxes and sales taxes. 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.

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 its University of California, Davis Health System (UCD), for breach of contract and for a Peremptory Writ of Mandate.

The Petition 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 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 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 contains in the Regent's Petition to set for trial within the next year.

Internal Revenue Service (IRS) Tax Liability

In May 2010, staff became aware of serious irregularities with the payment of federal taxes by the County's third party payroll vendor, Ingentra. It has become apparent that although the County submitted the appropriate payments to Ingentra for employment taxes, Ingentra submitted to the IRS approximately $20 million less than the County paid to Ingentra. Federal criminal charges have been filed against the President and Controller of Ingentra, and both have now entered guilty pleas.

Staff has prepared corrected tax returns for the period under investigation, calendar year 2007 through the second quarter of 2010, and has provided those tax returns to the IRS. The total amount owed to the IRS based on the corrected returns was $20,242. On June 17, 2010, the IRS received an anonymous payment on the County's behalf of $3,318, leaving a balance owed of $17,023. The IRS contends that the County is strictly liable for payment of the taxes. The County has recently retained outside tax counsel, and based on their advice, may take the position that the County is not in fact liable for the shortfall. It is too early to assess the likelihood of whether that position will be accepted by the IRS, or if it is not, whether the IRS will nevertheless settle the matter for less than the outstanding balance of $17,023.

NOTE 23 – FUTURE GASB PRONOUNCEMENTS

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for periods beginning after June 15, 2010. The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purpose for which governments have chosen to use particular funds for financial reporting. This Statement established accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

On December 31, 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Multiple Employers and Agent Multiple-Employer Plans*. The provisions of Statement No. 57 that relate to the use and reporting of alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Statement No. 57 addresses issues related to the measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. (In agent multiple-employer plans, separate liabilities are calculated and separate asset accounts are kept for each participating government, rather than being administered and accounted for as a single plan as is done in a cost sharing plan.).

Statement No. 57 amends Statement No. 43, Financial Reporting for Postemployment Benefit Plans other than Pension Plans and State No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions. Specifically Statement No. 57 1) enables certain agent employers to use the alternative measurement method, a less complex and potentially less expensive alternative to a full actuarial valuation; 2) adjusts the requirement that a defined benefit OPEB plan obtain an actuarial valuation, in light of the change allowing more qualifying employers to use the alternative method; and 3) clarifies that the same frequency and timing of determining OPEB measures are required for both agent multiple-employer plans and their participating employers.

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement revises Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, so that unallocated insurance contracts will be reported according to the provisions of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. The Statement amends Statement 31 to include a more comprehensive description of 2a7-like external investment pools including a reference to the functions of boards of directors. The Statement amends Statement No. 40, Deposit and Investment Risk Disclosures, to limit interest rate risk disclosures to debt mutual funds, external debt investment pools, and other pooled debt investments. The Statement amends the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as follows:

- Non-exchange-traded revenue-based contracts (such as lease and royalty contracts) 5should be excluded from Statement 53.
- Financial guarantee contracts that meet the definition of an investment derivative instrument (paragraph 16) and are entered into primarily for the purpose of obtaining income or profit should be included in the scope of Statement 53.
- Contracts that have fixed or variable penalties for nonperformance should not meet the net settlement characteristic that defines a derivative instrument and, accordingly, would not be in the scope of Statement 53.

The Statement will revise paragraph 64c(5)a of Statement 53 to indicate that leveraged yield could be present if the initial rate of return on a companion instrument has the potential for at least a doubled yield.

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.

(amounts expressed in thousands)

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.

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.

NOTE 24 - RESTATEMENT OF NET ASSETS

The County of Sacramento Asset Capitalization Policy has been updated to reflect the implementation of GASB Statement No. 51 effective as of July 1, 2009, fiscal year 2009-2010. Net Intangible assets should have been recognized or reclassified from equipments in prior year. As a result, beginning net assets for fiscal year ended June 30, 2009 have been restated.

	Governmental Activities
Net assets, as previously reported	$ 1,510,705
Adjustments:	
Computer Software Gross	32,800
Less: Accumulated depreciation	(17,786)
Net Computer Software	$ 15,014
Equipments Gross	(13,903)
Less: Accumulated depreciation	7,662
Net Equipment	$ (6,241)
Total Adjustments	$ 8,773
Net assets, as restated	$ 1,519,478

NOTE 25 - SUBSEQUENT EVENTS

Teeter Plan

On November 30, 2010, the County issued its 2010 Teeter Note and purchased under the Teeter Plan the delinquent secured property tax receivables at June 30, 2009, in the amount of $46,011 from the local taxing entities and selected special assessment districts in Sacramento County. The financing of this purchase was accomplished by a five-year legal, secured medium-term note obligation of the County that was purchased by the Treasurer's Pool. The terms of the note include a variable interest rate, adjusted on a quarterly basis, equal to the rate of interest on the Constant Maturity U.S. Treasury Note for the number of years corresponding to the remaining term of the note. The County agreed to make principal and interest payments on the note annually on or before August 1 each year, commencing August 1, 2010. Such payments may be made more frequently, but not more often than quarterly. The note matures August 1, 2015.
Note 1 (Property Taxes) and Note 10 further describe the Teeter Note issues.

Letter of Credit

Included in long-term debt at June 30, 2010 is $134,000 for the Pension Funding Bonds, Series 1995B and Series 1995C Variable Rate Demand Bonds. The Bonds have a tender provision for bondholders, on 7 days notice, to tender their bonds at par value plus accrued interest. In connection with the 1995B and 1995C Bonds, on July 23, 2010, the County executed a Letter of Credit and Reimbursement Agreement (the "Agreement") between the County and JPMorgan Chase Bank, N.A. (the "Bank"). The term of this Agreement expires on January 23, 2013, but is subject to termination prior to the expiration date under certain "events of default".

As of June 30, 2010, there were no outstanding Bonds that have been tendered but failed to be remarketed. In the case of tendered bonds that fail to be remarketed, causing a draw on the Letter of Credit, interest is required to be paid to the Bank until such time as the bonds are remarketed. For the first 90 days, the interest rate would be at the highest of : a) Prime Rate plus 1.5% or b) Federal Funds Rate plus 2% or c) 7.5%.

Prior to July 23, 2010, the County had a Letter of Credit and Reimbursement Agreement in connection with the 1995B and 1995C Bonds with Bayerische Landesbank. In the case of a draw on this prior Letter of Credit, interest would also have been required to be paid if tendered bonds failed to be remarketed, with the interest rate the highest of 1) Prime Rate plus 1% or 2) Federal Funds Rate plus 1.5%. As of June 30, 2010 the Prime Rate was 3.25% and the b) effective Federal Funds Rate was 0.18%

Dry Period Financing

For Fiscal Year 2010-11, with year-end cash balances declining, the County decided it would not be cost effective to issue a TRANS to fund the General Fund cash, and chose to utilize dry period financing and other funds as the most appropriate tool to manage our cash flow needs.

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 2010-11 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 $1.956 billion in estimated revenues approved in the County’s Fiscal Year 2010-11 preliminary budget. The County’s Final Fiscal Year 2010-11 budget was approved in September 2010 and the dry period financing amount was adjusted to reflect the final General Fund estimated revenues of $1.956 billion. In addition, on a monthly basis, as revenue is received the dry period financing amount is decreased accordingly.

COUNTY OF SACRAMENTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

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
6/30/08	$5,930,758	$6,363,355	$432,597	93.2%	$810,248	53.4%
6/30/09	$5,730,215	$6,661,993	$931,778	86.0%	$869,898	107.1%
6/30/10	$6,216,994	$7,145,726	$928,732	87.0%	$827,551	112.2%

Source: Sacramento County Employees' Retirement System Comprehensive Annual Financial Report (CAFR) as of and for the year ended June 30, 2010.

See accompanying independent auditor's report

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.

COUNTY OF SACRAMENTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

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

Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage Of Covered Payroll
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%

Source: Segal Group, Inc., "County of Sacramento Actuarial Valuation and Review of Other Post Employment Benefits (OPEB) as of June 30, 2009, In accordance with GASB No. 45."

See accompanying independent auditors report.

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, 2009 is the most current actuarial valuation. In the future, information from the three most recent valuations will be presented, as it becomes available.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total
Assets:				
Cash and investments	$ 335,561	75,458	101,611	512,630
Receivables:				
Billed	13,172		102	13,274
Interest			5	5
Intergovernmental	10,847		1,840	12,687
Due from other funds	4,730		765	5,495
Long-term advances to other funds	21,791		4,292	26,083
Long-term receivables	47	142,559		142,606
Total assets	$ 386,148	218,017	108,615	712,780
Liabilities and fund balances:				
Liabilities:				
Warrants payable	$ 1,739	2	9	1,750
Accrued liabilities	29,093	15	3,400	32,508
Intergovernmental payable	19,629	53	9,978	29,660
Due to other funds	12,258	67	1,112	13,437
Deferred revenues	19,791	86,139		105,930
Total liabilities	82,510	86,276	14,499	183,285
Fund balances:				
Reserved for:				
Encumbrances	38,148		8,083	46,231
Assets not available	2,049	56,420	4,292	62,761
Debt service		75,321		75,321
Future construction			80,974	80,974
Unreserved:				
Designated	183,595			183,595
Undesignated	79,846		767	80,613
Total fund balances	303,638	131,741	94,116	529,495
Total liabilities and fund balances	$ 386,148	218,017	108,615	712,780

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Taxes	$ 78,257			78,257
Use of money and property	11,978	1,110	460	13,548
Licenses and permits	26,036			26,036
Intergovernmental	118,909	14,305	5,668	138,882
Charges for sales and services	67,405		812	68,217
Fines, forfeitures and penalties	15	12,798	2,164	14,977
Pledged tobacco settlement proceeds	12,393			12,393
Miscellaneous	18,156	3,429	21,745	43,330
Total revenues	333,149	31,642	30,849	395,640
Expenditures:				
Current:				
General government	60,448			60,448
Public assistance	31,215			31,215
Public protection	12,254			12,254
Health and sanitation	50,400			50,400
Public ways and facilities	114,613		1,059	115,672
Recreation and culture	25,042			25,042
Education	19,905			19,905
Capital outlay	21,113		55,948	77,061
Debt service:				
Principal		81,356		81,356
Bond issuance costs		1,217		1,217
Interest and fiscal charges		109,087		109,087
Total expenditures	334,990	191,660	57,007	583,657
Excess (deficiency) of revenues over (under) expenditures	(1,841)	(160,018)	(26,158)	(188,017)
Other financing sources (uses):				
Transfers in	21,932	119,613	150	141,695
Transfers out	(28,771)	(25,428)	(13,772)	(67,971)
Issuance of debt		64,470		64,470
Refunding debt issued		123,950		123,950
Premiums on debt issued		1,770		1,770
Swap termination payment		(10,180)		(10,180)
Payment to refunded bonds escrow agent		(103,008)		(103,008)
Total other financing sources (uses)	(6,839)	171,187	(13,622)	150,726
Net change in fund balances	(8,680)	11,169	(39,780)	(37,291)
Fund balances - beginning, restated	312,318	120,572	133,896	566,786
Fund balances - ending	$ 303,638	131,741	94,116	529,495

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

SPECIAL REVENUE FUNDS

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.

First 5 Commission **-** Accounts for funds received from the State from Proposition 10.

Library **-** Accounts for County's share of revenue and operating transfer to the Library JPA.

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.

Transient Occupancy Tax **-** Accounts for the revenues generated from a transient-occupancy tax of 12 percent of the rent charged at hotels, motels, and similar structures for short-term lodging. Expenditures from this fund are for artistic, musical, cultural, civic, and other activities that enhance the image of the community.

Building Inspection **-** Accounts for building inspection and code enforcement services to the unincorporated area of the County.

Public Facilities Fixed Asset Financing Program **-** Accounts for a comprehensive approach to providing for and financing public facilities and major infrastructure assets within the County.

Lighting and Landscape Maintenance Districts **-** 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.

Park Districts and Park Service Areas **-** 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 four County service areas.

Water Agencies **-** Various zones created to provide specialized services within specific geographic areas.

Stormwater Utility **-** Accounts for revenues and expenditures relating to collection and discharge of stormwater runoff in the region.

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.

Community Services **-** Accounts for several programs related to children, retired and senior citizens, the elderly, independent living, senior nutrition services, homeless and homeless employment services.

Golf Fund **-** Includes the costs of operating, maintaining and improving the county's three golf courses. The major sources of funding are greens fees and concession payments. There is no General Fund subsidy and fully reimburses the General Fund for overhead and support.

Economic Development **-** Primary programs revolve around the reuse of the former Mather and McClellan Air Force Bases. The department also engages in more general economic development and job creation programs.

Roadway Fee District **-** Accounts for public road improvements with several geographical districts in response to land use development decisions.

Tobacco Securitization Authority **-** Reports the activities related to the County securitizing its portion of the nation-wide Tobacco Settlement Agreement.

Environmental Management **-** Accounts for revenues and expenditures for public health and environmental regulatory services of water, food, and hazardous materials.

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

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COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(amounts expressed in thousands)

	Road	First 5 Commission	Library	Transportation Sales Tax	Transient Occupancy Tax	Building Inspection	Public Facilities Fixed Asset Financing Program
Assets:							
Cash and investments	$ 28,770	101,972	9,387	4,519	4,217	3,193	215
Receivables, net of allowance for uncollectibles:							
Billed	1,639	2,625		1,793	474	381	
Intergovernmental	846			4,444			
Due from other funds	1,928	3		790		68	986
Long-term advances to other funds							19,791
Long-term receivables					47		
Total assets	$ 33,183	104,600	9,387	11,546	4,738	3,642	20,992
Liabilities and fund balances:							
Liabilities:							
Warrants payable	$ 158	170		16	27	14	80
Accrued liabilities	1,359	4,852	7,092	6,699		11	
Intergovernmental payable	1,896	109	2	3,900		1,358	
Due to other funds	1,147	2,573	63	642		680	1,120
Deferred revenues							19,791
Total liabilities	4,560	7,704	7,157	11,257	27	2,063	20,991
Fund balances:							
Reserved for:							
Encumbrances	9,483	1,737		20,324	324		505
Assets not available			2		47		
Unreserved:							
Designated	3,203	84,639	500			240	
Undesignated	15,937	10,520	1,728	(20,035)	4,340	1,339	(504)
Total fund balances	28,623	96,896	2,230	289	4,711	1,579	1
Total liabilities and fund balances	$ 33,183	104,600	9,387	11,546	4,738	3,642	20,992

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(amounts expressed in thousands)

	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility	Tobacco	Community Services	Golf
Assets:							
Cash and investments	$ 3,137	10,239	51,051	19,281	30,247		
Receivables, net of allowance for uncollectibles:							
Billed	16	667		3,470			194
Intergovernmental						4,592	
Due from other funds			37	23		746	16
Long-term advances to other funds							
Long-term receivables							
Total assets	$ 3,153	10,906	51,088	22,774	30,247	5,338	210
Liabilities and fund balances:							
Liabilities:							
Warrants payable	$ 9	316	36	31		754	32
Accrued liabilities	34	434		29		3,377	154
Intergovernmental payable		207	61	61		37	
Due to other funds	1	12	157	440	221	1,008	437
Deferred revenues							
Total liabilities	44	969	254	561	221	5,176	623
Fund balances:							
Reserved for:							
Encumbrances		547	863	1,883	231	15	4
Assets not available							
Unreserved:							
Designated	239	4,220	39,911		28,633		316
Undesignated	2,870	5,170	10,060	20,330	1,162	147	(733)
Total fund balances	3,109	9,937	50,834	22,213	30,026	162	(413)
Total liabilities and fund balances	$ 3,153	10,906	51,088	22,774	30,247	5,338	210

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(amounts expressed in thousands)

	Economic Development	Roadway Fee District	Tobacco Securitization Authority	Environmental Management	Other	Total
Assets:						
Cash and investments	$ 25,609	29,329	980	7,879	5,536	335,561
Receivables, net of allowance for uncollectibles:						
Billed		139		1,658	116	13,172
Intergovernmental	47			27	891	10,847
Due from other funds	9			121	3	4,730
Long-term advances to other funds	2,000					21,791
Long-term receivables						47
Total assets	$ 27,665	29,468	980	9,685	6,546	386,148
Liabilities and fund balances:						
Liabilities:						
Warrants payable	$ 49	4		39	4	1,739
Accrued liabilities	4,590		7	440	15	29,093
Intergovernmental payable	10,377			41	1,580	19,629
Due to other funds	526	1,765		180	1,286	12,258
Deferred revenues						19,791
Total liabilities	15,542	1,769	7	700	2,885	82,510
Fund balances:						
Reserved for:						
Encumbrances	1,611			47	574	38,148
Assets not available	2,000					2,049
Unreserved:						
Designated		14,335		7,104	255	183,595
Undesignated	8,512	13,364	973	1,834	2,832	79,846
Total fund balances	12,123	27,699	973	8,985	3,661	303,638
Total liabilities and fund balances	$ 27,665	29,468	980	9,685	6,546	386,148

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, 2010
(amounts expressed in thousands)

	Road	First 5 Commission	Library	Transportation Sales Tax	Transient Occupancy Tax	Building Inspection	Public Facilities Fixed Asset Financing Program
Revenues:							
Taxes	$ 784		17,798	38,674	4,467		
Use of money and property	381	1,059	66	50	29	29	
Licenses and permits	1,118					9,954	
Intergovernmental	59,692	17,042	269	10,371			477
Charges for sales and services	130			8,565		154	18,799
Fines, forfeitures and penalties							
Pledged tobacco settlement proceeds							
Miscellaneous	1,217	1		636	352	147	
Total revenues	63,322	18,102	18,133	58,296	4,848	10,284	19,276
Expenditures:							
Current:							
General government							
Public assistance							
Public protection						9,822	
Health and sanitation		27,124					
Public ways and facilities	45,956			62,995			
Recreation and culture					2,074		
Education			19,905				
Capital outlay							21,113
Total expenditures	45,956	27,124	19,905	62,995	2,074	9,822	21,113
Excess (deficiency) of revenues over (under) expenditures	17,366	(9,022)	(1,772)	(4,699)	2,774	462	(1,837)
Other financing sources (uses):							
Transfers in							
Transfers out		(108)			(90)		
Total other financing sources (uses)		(108)			(90)		
Net change in fund balances	17,366	(9,130)	(1,772)	(4,699)	2,684	462	(1,837)
Fund balances - beginning	11,257	106,026	4,002	4,988	2,027	1,117	1,838
Fund balances - ending	$ 28,623	96,896	2,230	289	4,711	1,579	1

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, 2010
(amounts expressed in thousands)

	Lighting and Landscape Maintenance Districts	Park Districts and Park Service Areas	Water Agencies	Stormwater Utility	Tobacco	Community Services	Golf
Revenues:							
Taxes	$ 349	7,527	6,441	150			
Use of money and property	25	1,322	519	196	1,060	202	3,904
Licenses and permits			1,003				
Intergovernmental	7	993	100	72		22,830	
Charges for sales and services	2,878	4,968	2,382	23,392		366	3,638
Fines, forfeitures and penalties							
Pledged tobacco settlement proceeds							
Miscellaneous	258	1,257	4	855	951	2,007	110
Total revenues	3,517	16,067	10,449	24,665	2,011	25,405	7,652
Expenditures:							
Current:							
General government	3,586			32,179	7,415		
Public assistance						31,215	
Public protection							
Health and sanitation			5,440				
Public ways and facilities							
Recreation and culture		16,285					6,653
Education							
Capital outlay							
Total expenditures	3,586	16,285	5,440	32,179	7,415	31,215	6,653
Excess (deficiency) of revenues over (under) expenditures	(69)	(218)	5,009	(7,514)	(5,404)	(5,810)	999
Other financing sources (uses):							
Transfers in			100	8,508	5,156	5,553	
Transfers out			(7,640)		(6,597)	(393)	(999)
Total other financing sources (uses)			(7,540)	8,508	(1,441)	5,160	(999)
Net change in fund balances	(69)	(218)	(2,531)	994	(6,845)	(650)	
Fund balances - beginning	3,178	10,155	53,365	21,219	36,871	812	(413)
Fund balances - ending	$ 3,109	9,937	50,834	22,213	30,026	162	(413)

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, 2010
(amounts expressed in thousands)

	Economic Development	Roadway Fee District	Tobacco Securitization Authority	Environmental Management	Other	Total
Revenues:						
Taxes	$				2,067	78,257
Use of money and property	2,726	295	1	68	46	11,978
Licenses and permits	116	353		13,492		26,036
Intergovernmental	5,267			9	1,780	118,909
Charges for sales and services	1,202			762	169	67,405
Fines, forfeitures and penalties					15	15
Pledged tobacco settlement proceeds			12,393			12,393
Miscellaneous	6,669	249		3,443		18,156
Total revenues	15,980	897	12,394	17,774	4,077	333,149
Expenditures:						
Current:						
General government	17,146				122	60,448
Public assistance						31,215
Public protection					2,432	12,254
Health and sanitation			174	15,691	1,971	50,400
Public ways and facilities		3,523			2,139	114,613
Recreation and culture					30	25,042
Education						19,905
Capital outlay						21,113
Total expenditures	17,146	3,523	174	15,691	6,694	334,990
Excess (deficiency) of revenues over (under) expenditures	(1,166)	(2,626)	12,220	2,083	(2,617)	(1,841)
Other financing sources (uses):						
Transfers in	2,615					21,932
Transfers out	(140)		(12,128)	(661)	(15)	(28,771)
Total other financing sources (uses)	2,475		(12,128)	(661)	(15)	(6,839)
Net change in fund balances	1,309	(2,626)	92	1,422	(2,632)	(8,680)
Fund balances - beginning	10,814	30,325	881	7,563	6,293	312,318
Fund balances - ending	$ 12,123	27,699	973	8,985	3,661	303,638

COUNTY OF SACRAMENTO
ROAD SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 786	776	784	8
Use of money and property	655	555	381	(174)
Licenses and permits	1,769	1,764	1,118	(646)
Intergovernmental	40,024	60,361	59,692	(669)
Charges for sales and services	177	172	130	(42)
Miscellaneous	12,444	13,977	1,217	(12,760)
Total revenues	55,855	77,605	63,322	(14,283)
Expenditures:				
Current:				
Public ways and facilities	70,826	85,806	45,956	39,850
Excess (deficiency) of revenues over (under) expenditures	(14,971)	(8,201)	17,366	25,567
Net change in fund balance	$ (14,971)	(8,201)	17,366	25,567

COUNTY OF SACRAMENTO
FIRST 5 COMMISSION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 1,414	1,422	1,059	(363)
Intergovernmental	8,622	17,544	17,042	(502)
Miscellaneous			1	1
Total revenues	10,036	18,966	18,102	(864)
Expenditures:				
Current:				
Health and sanitation	66,576	51,221	27,124	24,097
Deficiency of revenues under expenditures	(56,540)	(32,255)	(9,022)	23,233
Other financing uses:				
Transfers out	(108)	(108)	(108)	
Net change in fund balance	$ (56,648)	(32,363)	(9,130)	23,233

COUNTY OF SACRAMENTO
LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	$ 20,174	20,174	17,798	(2,376)
Use of money and property	25	25	66	41
Intergovernmental	250	250	269	19
Total revenues	20,449	20,449	18,133	(2,316)
Expenditures:				
Current:				
Education	19,950	26,439	19,905	6,534
Excess (deficiency) of revenues over (under) expenditures	499	(5,990)	(1,772)	4,218
Net change in fund balance	$ 499	(5,990)	(1,772)	4,218

COUNTY OF SACRAMENTO
TRANSPORTATION SALES TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 46,430	49,156	38,674	(10,482)
Use of money and property	120	120	50	(70)
Intergovernmental	25,302	23,381	10,371	(13,010)
Miscellaneous	607	10,739	636	(10,103)
Total revenues	72,459	83,396	49,731	(33,665)
Expenditures:				
Current:				
Public ways and facilities	99,486	88,905	62,995	25,910
Deficiency of revenues under expenditures	(27,027)	(5,509)	(13,264)	(7,755)
Net change in fund balance	$ (27,027)	(5,509)	(13,264)	(7,755)

COUNTY OF SACRAMENTO
TRANSIENT-OCCUPANCY TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 5,500	4,590	4,467	(123)
Use of money and property	35	35	29	(6)
Miscellaneous	350	350	352	2
Total revenues	5,885	4,975	4,848	(127)
Expenditures:				
Current:				
Recreation and culture	6,314	6,794	2,074	4,720
Principal	2,983	2,983		2,983
Total expenditures	9,297	9,777	2,074	7,703
Excess (deficiency) of revenues over (under) expenditures	(3,412)	(4,802)	2,774	7,576
Other financing sources (uses):				
Transfers out	(90)	(90)	(90)	
Issuance of debt	2,917	2,917		(2,917)
Total other financing sources (uses)	2,827	2,827	(90)	(2,917)
Net change in fund balance	$ (585)	(1,975)	2,684	4,659

COUNTY OF SACRAMENTO
BUILDING INSPECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		29	29
Licenses and permits	12,424	9,335	9,954	619
Charges for sales and services	62	62	154	92
Miscellaneous			147	147
Total revenues	12,486	9,397	10,284	887
Expenditures:				
Current:				
Public protection:				
Protection and inspection	13,362	10,274	9,822	452
Excess (deficiency) of revenues over (under) expenditures	(876)	(877)	462	1,339
Net change in fund balance	$ (876)	(877)	462	1,339

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Intergovernmental	$		477	477
Charges for sales and services	18,799	18,799	18,799	
Miscellaneous	49,976	49,976		(49,976)
Total revenues	68,775	68,775	19,276	(49,499)
Expenditures:				
Capital outlay	70,610	70,612	21,113	49,499
Deficiency of revenues under expenditures	(1,835)	(1,837)	(1,837)	
Net change in fund balance	$ (1,835)	(1,837)	(1,837)	

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 301	301	349	48
Use of money and property	31	31	25	(6)
Intergovernmental	3	3	7	4
Charges for sales and services	2,730	2,730	2,878	148
Miscellaneous	263	264	258	(6)
Total revenues	3,328	3,329	3,517	188
Expenditures:				
General government	3,916	4,067	3,586	481
Deficiency of revenues under expenditures	(588)	(738)	(69)	669
Net change in fund balance	$ (588)	(738)	(69)	669

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 7,823	7,415	7,527	112
Use of money and property	1,124	1,194	1,322	128
Intergovernmental	685	861	993	132
Charges for sales and services	5,721	6,113	4,968	(1,145)
Miscellaneous	894	957	1,257	300
Total revenues	16,247	16,540	16,067	(473)
Expenditures:				
Current:				
Recreation and culture	20,715	21,607	16,285	5,322
Total expenditures	20,715	21,607	16,285	5,322
Deficiency of revenues under expenditures	(4,468)	(5,067)	(218)	4,849
Net change in fund balance	$ (4,468)	(5,067)	(218)	4,849

COUNTY OF SACRAMENTO
WATER AGENCIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$ 7,561	6,746	6,441	(305)
Use of money and property	735	735	519	(216)
Licenses and permits	1,180	1,180	1,003	(177)
Intergovernmental	132	132	100	(32)
Charges for sales and services	6,273	6,273	2,382	(3,891)
Miscellaneous			4	4
Total revenues	15,881	15,066	10,449	(4,617)
Expenditures:				
Current:				
Health and sanitation	18,109	18,627	5,440	13,187
Excess (deficiency) of revenues over (under) expenditures	(2,228)	(3,561)	5,009	8,570
Other financing sources (uses):				
Transfers in	100	100	100	
Transfers out	(7,640)	(7,640)	(7,640)	
Total other financing sources (uses)	(7,540)	(7,540)	(7,540)	
Net change in fund balance	$ (9,768)	(11,101)	(2,531)	8,570

COUNTY OF SACRAMENTO
STORMWATER UTILITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes	$		150	150
Use of money and property	174	174	196	22
Intergovernmental	12	12	72	60
Charges for sales and services	22,846	22,846	23,392	546
Miscellaneous	876	876	855	(21)
Total revenues	23,908	23,908	24,665	757
Expenditures:				
Current:				
General government	38,314	41,374	32,179	9,195
Deficiency of revenues under expenditures	(14,406)	(17,466)	(7,514)	9,952
Other financing sources:				
Transfers in	8,508	8,508	8,508	
Net change in fund balance	$ (5,898)	(8,958)	994	9,952

COUNTY OF SACRAMENTO
TOBACCO SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 997	997	1,060	63
Miscellaneous			951	951
Total revenues	997	997	2,011	1,014
Expenditures:				
Current:				
General government				
Finance	7,795	7,795	7,415	380
Deficiency of revenues under expenditures	(6,798)	(6,798)	(5,404)	1,394
Other financing sources (uses):				
Transfers in	5,156	5,156	5,156	
Transfers out	(6,597)	(6,597)	(6,597)	
Total other financing sources (uses)	(1,441)	(1,441)	(1,441)	
Net change in fund balance	$ (8,239)	(8,239)	(6,845)	1,394

COUNTY OF SACRAMENTO
COMMUNITY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 436	436	202	(234)
Intergovernmental	23,760	24,598	22,830	(1,768)
Charges for sales and services	586	604	366	(238)
Miscellaneous	2,026	1,719	2,007	288
Total revenues	26,808	27,357	25,405	(1,952)
Expenditures:				
Current:				
Public assistance	32,502	33,554	31,215	2,339
Deficiency of revenues under expenditures	(5,694)	(6,197)	(5,810)	387
Other financing sources (uses):				
Transfers in	5,924	5,924	5,553	(371)
Transfers out	(393)	(393)	(393)	
Total other financing sources (uses)	5,531	5,531	5,160	(371)
Net change in fund balance	$ (163)	(666)	(650)	16

COUNTY OF SACRAMENTO
GOLF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 4,409	4,408	3,904	(504)
Charges for sales and services	4,099	4,382	3,638	(744)
Miscellaneous			110	110
Total revenues	8,508	8,790	7,652	(1,138)
Expenditures:				
Current:				
Recreation and culture	7,597	7,061	6,653	408
Excess of revenues over expenditures	911	1,729	999	(730)
Other financing uses:				
Transfers out	(999)	(999)	(999)	
Net change in fund balance	$ (88)	730		(730)

COUNTY OF SACRAMENTO
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 3,355	3,582	2,726	(856)
Licenses and permits	40	40	116	76
Intergovernmental	21,915	22,020	5,267	(16,753)
Charges for sales and services	810	810	1,202	392
Miscellaneous	4,842	7,360	6,669	(691)
Total revenues	30,962	33,812	15,980	(17,832)
Expenditures:				
Current:				
General government	45,784	45,610	17,146	28,464
Deficiency of revenues under expenditures	(14,822)	(11,798)	(1,166)	10,632
Other financing sources (uses):				
Transfers in	2,615	2,615	2,615	
Transfers out	(140)	(140)	(140)	
Total other financing sources (uses)	2,475	2,475	2,475	
Net change in fund balance	$ (12,347)	(9,323)	1,309	10,632

COUNTY OF SACRAMENTO
ROADWAY FEE DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 396	701	295	(406)
Licenses and permits	1,460	533	353	(180)
Miscellaneous	206	130	249	119
Total revenues	2,062	1,364	897	(467)
Expenditures:				
Current:				
Public ways and facilities	14,660	17,354	3,523	13,831
Deficiency of revenues under expenditures	(12,598)	(15,990)	(2,626)	13,364
Net change in fund balance	$ (12,598)	(15,990)	(2,626)	13,364

COUNTY OF SACRAMENTO
TOBACCO SECURITIZATION AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 1	1	1	
Pledged tobacco settlement proceeds	12,393	12,393	12,393	
Total revenues	12,394	12,394	12,394	
Expenditures:				
Current:				
Health and sanitation	174	174	174	
Excess of revenues over expenditures	12,220	12,220	12,220	
Other financing uses:				
Transfers out	(12,128)	(12,128)	(12,128)	
Net change in fund balance	$ 92	92	92	

COUNTY OF SACRAMENTO
ENVIRONMENTAL MANAGEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		68	68
Licenses and permits	13,568	13,568	13,492	(76)
Intergovernmental	461	461	9	(452)
Charges for sales and services	795	795	762	(33)
Miscellaneous	2,038	2,038	3,443	1,405
Total revenues	16,862	16,862	17,774	912
Expenditures:				
Current:				
Health and sanitation	17,277	16,660	15,691	969
Excess (deficiency) of revenues over (under) expenditures	(415)	202	2,083	1,881
Other financing uses:				
Transfers out	(661)	(661)	(661)	
Total other financing uses	(661)	(661)	(661)	
Net change in fund balance	$ (1,076)	(459)	1,422	1,881

COUNTY OF SACRAMENTO
OTHER SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	$ 1,551	1,551	2,067	516
Use of money and property	23	24	46	22
Intergovernmental	2,005	1,826	1,780	(46)
Charges for sales and services	696	705	169	(536)
Fines, forfeitures and penalties	29	24	15	(9)
Total revenues	4,304	4,130	4,077	(53)
Expenditures:				
Current:				
General government	472	416	122	294
Public protection	1,566	2,432	2,432	
Health and sanitation	2,016	2,515	1,971	544
Public ways and facilities	3,650	4,674	2,139	2,535
Recreation and culture	30	30	30	
Total expenditures	7,734	10,067	6,694	3,373
Deficiency of revenues under expenditures	(3,430)	(5,937)	(2,617)	3,320
Other financing uses:				
Transfers out	(15)	(15)	(15)	
Net change in fund balance	$ (3,445)	(5,952)	(2,632)	3,320

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS SECTION

DEBT SERVICE FUNDS

DEBT SERVICE FUNDS

Public Facilities Financing Program **-** Services the debt associated with the Public Facilities Financing Corporation's 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 unfounded 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, 2010
(amounts expressed in thousands)

				Public Facilities Financing Corporation					
	Main Jail	Cherry Island Golf Course	Juvenile Courthouse	1997 Public Facilities Refunding	1997 Public Facilities	2003 Public Facilities	2006 Public Facilities	2007 Public Facilities	2010 COP Refunding
Assets:									
Cash and investments	$ 148	20	2,245	7,257	3,299	997	6,526	3,945	11,350
Long-term receivables									
Total assets	$ 148	20	2,245	7,257	3,299	997	6,526	3,945	11,350
Liabilities and fund balances:									
Liabilities:									
Warrants payable									
Accrued liabilities									
Intergovernmental payable									53
Due to other funds	$ 47	20							
Deferred revenues									
Total liabilities	47	20							53
Fund balances:									
Reserved for:									
Assets not available									
Debt service	101		2,245	7,257	3,299	997	6,526	3,945	11,297
Total fund balances	101		2,245	7,257	3,299	997	6,526	3,945	11,297
Total liabilities and fund balances	$ 148	20	2,245	7,257	3,299	997	6,526	3,945	11,350

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(amounts expressed in thousands)

	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority	Sacramento County Public Financing Authority	Total
Assets:					
Cash and investments	$ 9,724	447	21,756	7,744	75,458
Long-term receivables		56,420		86,139	142,559
Total assets	$ 9,724	56,867	21,756	93,883	218,017
Liabilities and fund balances:					
Liabilities:					
Warrants payable	$ 2				2
Accrued liabilities	15				15
Intergovernmental payable					53
Due to other funds					67
Deferred revenues				86,139	86,139
Total liabilities	17			86,139	86,276
Fund balances:					
Reserved for:					
Assets not available		56,420			56,420
Debt service	9,707	447	21,756	7,744	75,321
Total fund balances	9,707	56,867	21,756	7,744	131,741
Total liabilities and fund balances	$ 9,724	56,867	21,756	93,883	218,017

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, 2010
(amounts expressed in thousands)

	Public Facilities Financing Corporation								
	Main Jail	Cherry Island Golf Course	Juvenile Courthouse	1997 Public Facilities Refunding	1997 Public Facilities	2003 Public Facilities	2006 Public Facilities	2007 Public Facilities	2010 COP Refunding
Revenues:									
Use of money and property	$ 33		16	387	224	8	52		2
Intergovernmental									
Fines, forfeitures and penalties									
Miscellaneous									
Total revenues	33		16	387	224	8	52		2
Expenditures:									
Debt service:									
Principal		460	740	2,610	2,235	315	1,455	765	
Bond issuance costs									1,217
Interest and fiscal charges	636	343	1,479	3,713	1,246	647	1,678	2,256	
Total expenditures	636	803	2,219	6,323	3,481	962	3,133	3,021	1,217
Deficiency of revenues under expenditures	(603)	(803)	(2,203)	(5,936)	(3,257)	(954)	(3,081)	(3,021)	(1,215)
Other financing sources (uses):									
Transfers in	5,328	797	2,231	6,338	3,048	978	3,144	3,022	
Transfers out	(4,647)							(138)	(20)
Issuance of debt									
Refunding debt issued									123,950
Premiums on debt issued									1,770
Swap termination payment									(10,180)
Payment to refunded bonds escrow agent									(103,008)
Total other financing sources (uses)	681	797	2,231	6,338	3,048	978	3,144	2,884	12,512
Net change in fund balances	78	(6)	28	402	(209)	24	63	(137)	11,297
Fund balances - beginning	23	6	2,217	6,855	3,508	973	6,463	4,082	
Fund balances - ending	$ 101		2,245	7,257	3,299	997	6,526	3,945	11,297

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, 2010
(amounts expressed in thousands)

	Pension Obligation Bonds	Teeter Plan	Tobacco Securitization Authority	Sacramento County Public Financing Authority	Total
Revenues:					
Use of money and property	$ 366	2	19	1	1,110
Intergovernmental	7,910			6,395	14,305
Fines, forfeitures and penalties		12,798			12,798
Miscellaneous	3,429				3,429
Total revenues	11,705	12,800	19	6,396	31,642
Expenditures:					
Debt service:					
Principal	13,185	57,851	120	1,620	81,356
Bond issuance costs					1,217
Interest and fiscal charges	79,476	806	12,031	4,776	109,087
Total expenditures	92,661	58,657	12,151	6,396	191,660
Deficiency of revenues under expenditures	(80,956)	(45,857)	(12,132)		(160,018)
Other financing sources (uses):					
Transfers in	82,599		12,128		119,613
Transfers out		(20,623)			(25,428)
Issuance of debt		64,470			64,470
Refunding debt issued					123,950
Premiums on debt issued					1,770
Swap termination payment					(10,180)
Payment to refunded bonds escrow agent					(103,008)
Total other financing sources (uses)	82,599	43,847	12,128		171,187
Net change in fund balances	1,643	(2,010)	(4)		11,169
Fund balances - beginning	8,064	58,877	21,760	7,744	120,572
Fund balances - ending	$ 9,707	56,867	21,756	7,744	131,741

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
MAIN JAIL DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		33	33
Expenditures:				
Debt service:				
Principal	4,055	4,055		4,055
Interest and fiscal charges	636	636	636	
Total expenditures	4,691	4,691	636	4,055
Deficiency of revenues under expenditures	(4,691)	(4,691)	(603)	4,088
Other financing sources (uses):				
Transfers in	5,328	5,328	5,328	
Transfers out	(4,647)	(4,647)	(4,647)	
Total other financing sources (uses)	681	681	681	
Net change in fund balance	$ (4,010)	(4,010)	78	4,088

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
CHERRY ISLAND GOLF COURSE DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 1	1		(1)
Expenditures:				
Debt service:				
Principal	460	460	460	
Interest and fiscal charges	317	343	343	
Total expenditures	777	803	803	
Deficiency of revenues under expenditures	(776)	(802)	(803)	(1)
Other financing sources:				
Transfers in	777	777	797	20
Net change in fund balance	$ 1	(25)	(6)	19

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		16	16
Expenditures:				
Debt service:				
Principal	740	740	740	
Interest and fiscal charges	1,557	1,490	1,479	11
Total expenditures	2,297	2,230	2,219	11
Deficiency of revenues under expenditures	(2,297)	(2,230)	(2,203)	27
Other financing sources:				
Transfers in	2,231	2,231	2,231	
Net change in fund balance	$ (66)	1	28	27

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$	11	387	376
Expenditures:				
Debt service:				
Principal	2,610	2,610	2,610	
Interest and fiscal charges	3,976	3,723	3,713	10
Total expenditures	6,586	6,333	6,323	10
Deficiency of revenues under expenditures	(6,586)	(6,322)	(5,936)	386
Other financing sources:				
Transfers in	6,338	6,338	6,338	
Net change in fund balance	$ (248)	16	402	386

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		224	224
Expenditures:				
Debt service:				
Principal	2,235	2,235	2,235	
Interest and fiscal charges	959	1,289	1,246	43
Total expenditures	3,194	3,524	3,481	43
Deficiency of revenues under expenditures	(3,194)	(3,524)	(3,257)	267
Other financing sources:				
Transfers in	3,048	3,048	3,048	
Net change in fund balance	$ (146)	(476)	(209)	267

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		8	8
Expenditures:				
Debt service:				
Principal	315	315	315	
Interest and fiscal charges	691	670	647	23
Total expenditures	1,006	985	962	23
Deficiency of revenues under expenditures	(1,006)	(985)	(954)	31
Other financing sources:				
Transfers in	978	978	978	
Net change in fund balance	$ (28)	(7)	24	31

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		52	52
Expenditures:				
Debt service:				
Principal	1,455	1,455	1,455	
Interest and fiscal charges	3,224	5,292	1,678	3,614
Total expenditures	4,679	6,747	3,133	3,614
Deficiency of revenues under expenditures	(4,679)	(6,747)	(3,081)	3,666
Other financing sources:				
Transfers in	3,144	3,144	3,144	
Net change in fund balance	$ (1,535)	(3,603)	63	3,666

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 141	141		(141)
Expenditures:				
Debt service:				
Principal	765	765	765	
Interest and fiscal charges	2,574	3,333	2,256	1,077
Deficiency of revenues under expenditures	(3,198)	(3,957)	(3,021)	936
Other financing sources (uses):				
Transfers in	3,022	3,022	3,022	
Transfers out	(138)	(138)	(138)	
Total other financing sources (uses)	2,884	2,884	2,884	
Net change in fund balance	$ (314)	(1,073)	(137)	936

COUNTY OF SACRAMENTO
PUBLIC FACILITIES FINANCING CORPORATION
2010 COP REFUNDING
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		2	2
Total revenues			2	2
Expenditures:				
Debt service:				
Bond issuance costs		1,217	1,217	
Total expenditures		1,217	1,217	
Deficiency of revenues under expenditures		(1,217)	(1,215)	2
Other financing sources (uses):				
Transfers out	(20)	(20)	(20)	
Issuance of debt				
Refunding debt issued	123,950	123,950	123,950	
Premiums on debt issued		1,770	1,770	
Payment to refunded bonds escrow agent		(103,008)	(103,008)	
Swap termination payment	(10,180)	(10,180)	(10,180)	
Total other financing sources (uses)	113,750	12,512	12,512	
Net change in fund balance	$ 113,750	11,295	11,297	2

COUNTY OF SACRAMENTO
PENSION OBLIGATION BONDS DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		366	366
Intergovernmental	7,910	7,910	7,910	
Miscellaneous			3,429	3,429
Total revenues	7,910	7,910	11,705	3,795
Expenditures:				
Debt service:				
Principal	13,185	13,185	13,185	
Interest and fiscal charges	84,961	89,658	79,476	10,182
Bond issuance costs				
Total expenditures	98,146	102,843	92,661	10,182
Deficiency of revenues under expenditures	(90,236)	(94,933)	(80,956)	13,977
Other financing sources:				
Transfers in	87,599	87,599	82,599	(5,000)
Net change in fund balance	$ (2,637)	(7,334)	1,643	8,977

COUNTY OF SACRAMENTO
TEETER PLAN DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		2	2
Fines, forfeitures and penalties	39,752	39,752	12,798	(26,954)
Total revenues	39,752	39,752	12,800	(26,952)
Expenditures:				
Debt service:				
Principal	82,654	86,056	57,851	28,205
Interest and fiscal charges	1,623	806	806	
Total expenditures	84,277	86,862	58,657	28,205
Deficiency of revenues under expenditures	(44,525)	(47,110)	(45,857)	1,253
Other financing sources (uses):				
Transfers in				
Transfers out	(20,623)	(20,623)	(20,623)	
Issuance of debt	64,470	64,470	64,470	
Total other financing sources (uses)	43,847	43,847	43,847	
Net change in fund balance	$ (678)	(3,263)	(2,010)	1,253

COUNTY OF SACRAMENTO
TOBACCO SECURITIZATION AUTHORITY DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$ 19	19	19	
Expenditures:				
Debt service:				
Principal	120	120	120	
Interest and fiscal charges	12,031	12,031	12,031	
Total expenditures	12,151	12,151	12,151	
Deficiency of revenues under expenditures	(12,132)	(12,132)	(12,132)	
Other financing sources:				
Transfers in	12,128	12,128	12,128	
Net change in fund balance	$ (4)	(4)	(4)	

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues:				
Use of money and property	$		1	1
Intergovernmental	6,395	6,395	6,395	
Total revenues	6,395	6,395	6,396	1
Expenditures:				
Debt service:				
Principal	1,620	1,620	1,620	
Interest and fiscal charges	4,776	4,776	4,776	
Total expenditures	6,396	6,396	6,396	
Deficiency of revenues under expenditures	(1)	(1)		1
Net change in fund balance	$ (1)	(1)		1

COMPREHENSIVE ANNUAL FINANCIAL REPORT

COUNTY OF SACRAMENTO
February 18 1850
CALIFORNIA

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, 2010
(amounts expressed in thousands)

	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
Assets:							
Cash and investments	$ 215	2,093	22,337	129	134	1,282	5,617
Receivables, net of allowance for uncollectibles:							
Billed							
Interest							5
Intergovernmental							
Due from other funds							
Long-term advances to other funds		2,300					
Total assets	$ 215	4,393	22,337	129	134	1,282	5,622
Liabilities and fund balances:							
Liabilities:							
Warrants payable	$						
Accrued liabilities							1
Intergovernmental payable	31	3,725			(17)		
Due to other funds		51	67	28	15	12	73
Total liabilities	31	3,776	67	28	(2)	12	74
Fund balances:							
Reserved for:							
Encumbrances			1,422				
Assets not available		2,300					
Future construction	184		20,848	101	136	1,270	3,098
Unreserved:							
Undesignated		(1,683)					2,450
Total fund balances	184	617	22,270	101	136	1,270	5,548
Total liabilities and fund balances	$ 215	4,393	22,337	129	134	1,282	5,622

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(amounts expressed in thousands)

			Public Facilities Financing			
	Accumulated Capital Outlay	Community Fee Districts	1997 Public Facilities	2007 Public Facilities	Tobacco Litigation Settlement	McClellan CFD
Assets:						
Cash and investments	$ 20,147	12,771	1,315	4,899	26,532	1,151
Receivables, net of allowance for uncollectibles:						
Billed		102				
Interest						
Intergovernmental	1,840					
Due from other funds	765					
Long-term advances to other funds		1,992				
Total assets	$ 22,752	14,865	1,315	4,899	26,532	1,151
Liabilities and fund balances:						
Liabilities:						
Warrants payable	$ 9					
Accrued liabilities	3,398					
Intergovernmental payable	4,453	1,737				
Due to other funds	803	11				14
Total liabilities	8,663	1,748				14
Fund balances:						
Reserved for:						
Encumbrances	6,193	468				
Assets not available		1,992				
Future construction	7,896	10,657	1,315	4,899	26,532	1,137
Unreserved:						
Undesignated						
Total fund balances	14,089	13,117	1,315	4,899	26,532	1,137
Total liabilities and fund balances	$ 22,752	14,865	1,315	4,899	26,532	1,151

COUNTY OF SACRAMENTO
NON-MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(amounts expressed in thousands)

	Sacramento County Landscape Maintenance CFD	Metro Air Park Service Tax	North Vineyard SSP CFD	County Parks CFD - No. 2006-1	Total
Assets:					
Cash and investments	$ 475	868	1,595	51	101,611
Receivables, net of allowance for uncollectibles:					
Billed					102
Interest					5
Intergovernmental					1,840
Due from other funds					765
Long-term advances to other funds					4,292
Total assets	$ 475	868	1,595	51	108,615
Liabilities and fund balances:					
Liabilities:					
Warrants payable	$				9
Accrued liabilities	1				3,400
Intergovernmental payable				49	9,978
Due to other funds	12	12	14		1,112
Total liabilities	13	12	14	49	14,499
Fund balances:					
Reserved for:					
Encumbrances					8,083
Assets not available					4,292
Future construction	462	856	1,581	2	80,974
Unreserved:					
Undesignated					767
Total fund balances	462	856	1,581	2	94,116
Total liabilities and fund balances	$ 475	868	1,595	51	108,615

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, 2010
(amounts expressed in thousands)

	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
Revenues:							
Use of money and property	$ 1	9	25	1	2	15	10
Intergovernmental							
Charges for sales and services							
Fines, forfeitures and penalties							
Miscellaneous		72	421	151	67		665
Total revenues	1	81	446	152	69	15	675
Expenditures:							
Public ways and facilities						65	994
Capital outlay		292	12,786	145	91		
Total expenditures		292	12,786	145	91	65	994
Excess (deficiency) of revenues over (under) expenditures	1	(211)	(12,340)	7	(22)	(50)	(319)
Other financing sources (uses):							
Transfers in		12					
Transfers out		(10)					
Total other financing sources (uses)		2					
Net change in fund balances	1	(209)	(12,340)	7	(22)	(50)	(319)
Fund balances - beginning	183	826	34,610	94	158	1,320	5,867
Fund balances - ending	$ 184	617	22,270	101	136	1,270	5,548

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, 2010
(amounts expressed in thousands)

	Accumulated Capital Outlay	Community Fee Districts	Public Facilities Financing			McClellan CFD
			1997 Public Facilities	2007 Public Facilities	Tobacco Litigation Settlement	
Revenues:						
Use of money and property	$ 148	117	16	34	60	3
Intergovernmental	5,481	187				
Charges for sales and services	264	254				
Fines, forfeitures and penalties	2,164					
Miscellaneous	20,173					93
Total revenues	28,230	558	16	34	60	96
Expenditures:						
Public ways and facilities						
Capital outlay	15,808	1,022	390	2,844	22,159	77
Total expenditures	15,808	1,022	390	2,844	22,159	77
Excess (deficiency) of revenues over (under) expenditures	12,422	(464)	(374)	(2,810)	(22,099)	19
Other financing sources (uses):						
Transfers in				138		
Transfers out	(13,762)					
Total other financing sources (uses)	(13,762)			138		
Net change in fund balances	(1,340)	(464)	(374)	(2,672)	(22,099)	19
Fund balances - beginning	15,429	13,581	1,689	7,571	48,631	1,118
Fund balances - ending	$ 14,089	13,117	1,315	4,899	26,532	1,137

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, 2010
(amounts expressed in thousands)

	Sacramento County Landscape Maintenance CFD	Metro Air Park Service Tax	North Vineyard SSP CFD	County Parks CFD - No. 2006-1	Total
Revenues:					
Use of money and property	$ 4	8	7		460
Intergovernmental					5,668
Charges for sales and services	193	101			812
Fines, forfeitures and penalties					2,164
Miscellaneous			103		21,745
Total revenues	197	109	110		30,849
Expenditures:					
Public ways and facilities					1,059
Capital outlay	118	133	83		55,948
Total expenditures	118	133	83		57,007
Excess (deficiency) of revenues over (under) expenditures	79	(24)	27		(26,158)
Other financing sources (uses):					
Transfers in					150
Transfers out					(13,772)
Total other financing sources (uses)					(13,622)
Net change in fund balances	79	(24)	27		(39,780)
Fund balances - beginning	383	880	1,554	2	133,896
Fund balances - ending	$ 462	856	1,581	2	94,116

COUNTY OF SACRAMENTO
ASSESSMENT DISTRICTS - IMPROVEMENT
BOND ACT OF 1911 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		1	1
Net change in fund balance	$		1	1

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 7	6	9	3
Miscellaneous		994	72	(922)
Total revenues	7	1,000	81	(919)
Expenditures:				
Capital outlay	2,026	2,010	292	1,718
Deficiency of revenues under expenditures	(2,019)	(1,010)	(211)	799
Other financing sources (uses):				
Transfers in	12	12	12	
Transfers out	(10)	(10)	(10)	
Total other financing sources (uses)	2	2	2	
Net change in fund balance	$ (2,017)	(1,008)	(209)	799

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 110	110	25	(85)
Miscellaneous	300	300	421	121
Total revenues	410	410	446	36
Expenditures:				
Capital outlay	36,906	35,034	12,786	22,248
Net change in fund balance	$ (36,496)	(34,624)	(12,340)	22,284

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 2	2	1	(1)
Miscellaneous	130	130	151	21
Total revenues	132	132	152	20
Expenditures:				
Capital outlay	226	225	145	80
Net change in fund balance	$ (94)	(93)	7	100

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 2	2	2	
Miscellaneous	61	61	67	6
Total revenues	63	63	69	6
Expenditures:				
Capital outlay	209	218	91	127
Net change in fund balance	$ (146)	(155)	(22)	133

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 50	50	15	(35)
Total revenues	50	50	15	(35)
Expenditures:				
Public ways and facilities	4,650	1,370	65	1,305
Net change in fund balance	$ (4,600)	(1,320)	(50)	1,270

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 40	40	10	(30)
Miscellaneous	465	485	665	180
Total revenues	505	525	675	150
Expenditures:				
Public ways and facilities	3,302	3,287	994	2,293
Net change in fund balance	$ (2,797)	(2,762)	(319)	2,443

COUNTY OF SACRAMENTO
ACCUMULATED CAPITAL OUTLAY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 125	125	148	23
Intergovernmental	6,554	5,684	5,481	(203)
Charges for sales and services			264	264
Fines, forfeitures and penalties	3,900	3,900	2,164	(1,736)
Miscellaneous	20,306	22,402	20,173	(2,229)
Total revenues	30,885	32,111	28,230	(3,881)
Expenditures:				
Capital outlay	33,417	34,829	15,808	19,021
Excess (deficiency) of revenues over (under) expenditures	(2,532)	(2,718)	12,422	15,140
Other financing sources (uses):				
Transfers out	(13,762)	(13,762)	(13,762)	
Issuance of debt	202	102		(102)
Total other financing sources (uses)	(13,560)	(13,660)	(13,762)	(102)
Net change in fund balance	$ (16,092)	(16,378)	(1,340)	15,038

COUNTY OF SACRAMENTO
COMMUNITY FEE DISTRICTS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 52	51	117	66
Intergovernmental			187	187
Charges for sales and services			254	254
Total revenues	52	51	558	507
Expenditures:				
Capital outlay	10,526	13,633	1,022	12,611
Net change in fund balance	$ (10,474)	(13,582)	(464)	13,118

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		16	16
Total revenues			16	16
Expenditures:				
Capital outlay	1,075	1,689	390	1,299
Net change in fund balance	$ (1,075)	(1,689)	(374)	1,315

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		34	34
Total revenues			34	34
Expenditures:				
Capital outlay	3,476	7,570	2,844	4,726
Deficiency of revenues under expenditures	(3,476)	(7,570)	(2,810)	4,760
Other financing sources:				
Transfers in	138	138	138	
Net change in fund balance	$ (3,338)	(7,432)	(2,672)	4,760

COUNTY OF SACRAMENTO
TOBACCO LITIGATION SETTLEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		60	60
Expenditures:				
Capital outlay	48,663	48,629	22,159	26,470
Net change in fund balance	$ (48,663)	(48,629)	(22,099)	26,530

COUNTY OF SACRAMENTO
McCLELLAN CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 5	5	3	(2)
Miscellaneous	110	110	93	(17)
Total revenues	115	115	96	(19)
Expenditures:				
Capital outlay	1,225	1,234	77	1,157
Net change in fund balance	$ (1,110)	(1,119)	19	1,138

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 2	2	4	2
Charges for sales and services	190	190	193	3
Total revenues	192	192	197	5
Expenditures:				
Capital outlay	292	260	118	142
Net change in fund balance	$ (100)	(68)	79	147

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, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$ 4	4	8	4
Charges for sales and services	200	110	101	(9)
Total revenues	204	114	109	(5)
Expenditures:				
Capital outlay	1,079	994	133	861
Net change in fund balance	$ (875)	(880)	(24)	856

COUNTY OF SACRAMENTO
NORTH VINEYARD SSP CFD CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Use of money and property	$		7	7
Miscellaneous	89	88	103	15
Total revenues	89	88	110	22
Expenditures:				
Capital outlay	244	1,641	83	1,558
Net change in fund balance	$ (155)	(1,553)	27	1,580

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR ENTERPRISE FUNDS SECTION

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, 2010
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Assets:			
Current assets:			
Cash and investments	$ 771	318	1,089
Receivables, net of allowance for uncollectibles:			
Billed		39	39
Intergovernmental	1	1,289	1,290
Due from other funds	60		60
Total current assets	832	1,646	2,478
Noncurrent assets:			
Capital assets:			
Land and other nondepreciable assets	1,309		1,309
Facilities, infrastructure, equipment and intangibles, net of depreciation and amortization	2,864	514	3,378
Total capital assets	4,173	514	4,687
Total noncurrent assets	4,173	514	4,687
Total assets	$ 5,005	2,160	7,165
Liabilities:			
Current liabilities:			
Warrants payable	$ 44	10	54
Accrued liabilities	54	118	172
Due to other funds	49	2	51
Current portion of long-term debt obligations	620		620
Total current liabilities	767	130	897
Noncurrent liabilities:			
Long-term debt obligations	1,499		1,499
Compensated absences	27		27
Other post employment benefits	4		4
Long-term advances from other funds	379		379
Total noncurrent liabilities	1,909		1,909
Total liabilities	2,676	130	2,806
Net assets:			
Invested in capital assets, net of related debt	1,638	514	2,152
Restricted for:			
Debt service	197		197
Transportation		1,213	1,213
Future construction		303	303
Unrestricted	494		494
Total net assets	2,329	2,030	4,359
Total liabilities and net assets	$ 5,005	2,160	7,165

COUNTY OF SACRAMENTO
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
Operating revenues:			
Charges for sales and services	$ 3,059	134	3,193
Other	3		3
Total operating revenues	3,062	134	3,196
Operating expenses:			
Salaries and benefits	430		430
Services and supplies	2,040	164	2,204
Depreciation and Amortization	302	160	462
Other	134	1,348	1,482
Total operating expenses	2,906	1,672	4,578
Operating income (loss)	156	(1,538)	(1,382)
Nonoperating revenues (expenses):			
Use of money and property	2	5	7
Intergovernmental	730	1,050	1,780
Sales / use tax		573	573
Interest expense	(107)		(107)
Other		18	18
Total nonoperating revenues	625	1,646	2,271
Income before transfers	781	108	889
Transfers out	(22)		(22)
Changes in net assets	759	108	867
Net assets, beginning of year	1,570	1,922	3,492
Net assets, end of year	$ 2,329	2,030	4,359

COUNTY OF SACRAMENTO
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 3,059	104	3,163
Payments to suppliers	(2,055)	(1,483)	(3,538)
Payments to employees	(426)		(426)
Payments for interfund services used	(29)		(29)
Other (payments) receipts	(106)		(106)
Net cash provided by (used for) operating activities	443	(1,379)	(936)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue	730	1,515	2,245
Payment on advance to other fund	(112)		(112)
Transfers to/from other funds	(22)		(22)
Net cash provided by (used for) noncapital financing activities	596	1,515	2,111
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Intergovernmental grants received		(98)	(98)
Proceeds from sale of long-term obligations	221		221
Acquisition and construction of capital assets	(17)		(17)
Principal paid on long-term obligations	(605)		(605)
Interest paid on long-term obligations	(107)		(107)
Proceeds from the sale of capital assets		18	18
Net cash used for capital and related financing activities	(508)	(80)	(588)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on cash and investments	4	6	10
Net cash provided by investing activities	4	6	10
Net increase in cash and cash equivalents	535	62	597
Cash and cash equivalents, beginning of year	236	256	492
Cash and cash equivalents, end of year	$ 771	318	1,089

COUNTY OF SACRAMENTO
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Parking Enterprise	County Transit	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	$ 156	(1,538)	(1,382)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and Amortization	302	160	462
Amortization	25		25
Changes in assets and liabilities:			
Receivables		(30)	(30)
Due from other funds	(35)		(35)
Warrants payable	21		21
Accrued liabilities	(15)	28	13
Due to other funds	(15)	1	(14)
Compensated absences	4		4
Total adjustments	287	159	446
Net cash provided by (used for) operating activities	$ 443	(1,379)	(936)

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTERNAL SERVICE FUNDS

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 Resources; Special District Formation; Water Quality; Highways and Bridges; Real Estate; Surveyor, Information and Permits; Technical Services and Construction Equipment.

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; and Telecommunications.

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.

Office of Communications and Information Technology **-** Accounts for central telecommunication and data processing support to County departments.

Real estate **-** Leases facilities for County departments and agencies, negotiates the purchase and sale of real property, manages vacant county owned properties and manages appraisals for real property.
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COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010
(amounts expressed in thousands)

			Self Insurance						
	Public Works	General Services	Liability/ Property	Worker's Compensation	Other	Regional Communications	Office of Communications and Information Technology	Real Estate	Total
Assets:									
Current assets:									
Cash and investments	$ 52,148	46,254	10,105	23,919		6,656	9,850	3,960	152,892
Receivables, net of allowance for uncollectibles:									
Billed	4,284		65				226		4,575
Intergovernmental	707	22	1,032	501	116		5	5	2,388
Due from other funds	4,849	566	8,063	8,642	4,605	1	170	1,355	28,251
Inventories		1,879							1,879
Total current assets	61,988	48,721	19,265	33,062	4,721	6,657	10,251	5,320	189,985
Noncurrent assets:									
Long-term advances to other funds	18,176			28,884					47,060
Long-term receivables	137			239					376
Deferred charges	3,272								3,272
Capital assets:									
Land and other nondepreciable assets	28								28
Facilities, infrastructure, equipment and intangibles, net of depreciation and amortization	578	26,818				10,591	2,397		40,384
Total capital assets	606	26,818				10,591	2,397		40,412
Total noncurrent assets	22,191	26,818		29,123		10,591	2,397		91,120
Total assets	$ 84,179	75,539	19,265	62,185	4,721	17,248	12,648	5,320	281,105
Liabilities and fund balances:									
Current liabilities:									
Warrants payable	$ 347	670	966	571		40	609	2,842	6,045
Accrued liabilities	3,537	11,264	982	29		502	2,517	258	19,089
Intergovernmental payable	3,318	2	19				1	21	3,361
Due to other funds	2,651	842	125	77	4,720	6	181	41	8,643
Current portion of insurance claims payable			8,047	28,963	1,243				38,253
Deferred revenues	137		16	239		3,973	61		4,426
Total current liabilities	9,990	12,778	10,155	29,879	5,963	4,521	3,369	3,162	79,817
Noncurrent liabilities:									
Insurance claims payable			18,662	130,846					149,508
Compensated absences	10,503	2,802				31	2,589	307	16,232
Other post employment benefits	747	227				2	111	15	1,102
Long-term advances from other funds		10,682							10,682
Total noncurrent liabilities	11,250	13,711	18,662	130,846		33	2,700	322	177,524
Total liabilities	21,240	26,489	28,817	160,725	5,963	4,554	6,069	3,484	257,341
Net assets:									
Invested in capital assets, net of related debt	606	9,437				10,591	2,397		23,031
Unrestricted	62,333	39,613	(9,552)	(98,540)	(1,242)	2,103	4,182	1,836	733
Total net assets	62,939	49,050	(9,552)	(98,540)	(1,242)	12,694	6,579	1,836	23,764
Total liabilities and net assets	$ 84,179	75,539	19,265	62,185	4,721	17,248	12,648	5,320	281,105

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

			Self Insurance						
	Public Works	General Services	Liability/ Property	Worker's Compensation	Other	Regional Communications	Office of Communications and Information Technology	Real Estate	Total
Operating revenues:									
Charges for sales and services	$ 119,477	91,881	9,116	10,861	4,721	4,059	43,152	50,005	333,272
Other	7,736	2,954	1,594	400		1,057	42	3	13,786
Total operating revenues	127,213	94,835	10,710	11,261	4,721	5,116	43,194	50,008	347,058
Operating expenses:									
Salaries and benefits	89,234	37,852				521	21,038	2,668	151,313
Services and supplies	39,628	30,770				1,123	16,008	46,448	133,977
Cost of sales and services		4,906							4,906
Depreciation and Amortization	320	10,229				1,561	1,571		13,681
Self-insurance			15,829	57,128	8,653				81,610
Other		797	20	465	8			362	1,652
Total operating expenses	129,182	84,554	15,849	57,593	8,661	3,205	38,617	49,478	387,139
Operating income (loss)	(1,969)	10,281	(5,139)	(46,332)	(3,940)	1,911	4,577	530	(40,081)
Nonoperating revenues (expenses):									
Use of money and property			172			91			263
Intergovernmental	1,960								1,960
Interest expense		(1,403)							(1,403)
Other	2,651	1,025			(7)	(596)	(399)		2,674
Total nonoperating revenues (expenses)	4,611	(378)	172		(7)	(505)	(399)		3,494
Income before transfers	2,642	9,903	(4,967)	(46,332)	(3,947)	1,406	4,178	530	(36,587)
Transfers in	387	1,146							1,533
Transfers out	(6,970)	(3,429)				(28)	(5,613)	(1,399)	(17,439)
Changes in net assets	(3,941)	7,620	(4,967)	(46,332)	(3,947)	1,378	(1,435)	(869)	(52,493)
Net assets, beginning of year, restated	66,880	41,430	(4,585)	(52,208)	2,705	11,316	8,014	2,705	76,257
Net assets, end of year	$ 62,939	49,050	(9,552)	(98,540)	(1,242)	12,694	6,579	1,836	23,764

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Public Works	General Services	Self Insurance: Liability/ Property	Self Insurance: Worker's Compensation	Self Insurance: Other	Regional Communications	Office of Communications and Information Technology	Real Estate	Total
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from customers and users	$ 7,402	2,954		101	116	6,740	42,977		60,290
Receipts from interfund services provided	117,789	115,167	19,511	27,839	6,624			49,597	336,527
Payments to suppliers	(41,771)	(36,357)	(18,598)	(20,538)	(7,845)	(327)	(12,100)	(48,146)	(185,682)
Payments to employees	(88,508)	(38,000)	(1,663)	(2,826)	(84)	(512)	(21,342)	(2,646)	(155,581)
Payments for interfund services used	(8,073)	(23,677)	(93)	(914)	(28)	(575)	(4,236)	(1,194)	(38,790)
Other (payments) receipts		(797)						(359)	(1,156)
Net cash provided by (used for) operating activities	(13,161)	19,290	(843)	3,662	(1,217)	5,326	5,299	(2,748)	15,608
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Receipt of advances from other funds		1,947							1,947
Intergovernmental revenue	1,960								1,960
Advance to other funds		(137)		(11,200)				(1,628)	(12,965)
Other non-operating revenue	2,639		174			90	5		2,908
Non-operating expense	(115)					(596)	(401)		(1,112)
Payment on advance from other fund	1,636	(6,844)							(5,208)
Payment on advance to other fund	(6,970)								(6,970)
Interest paid on advances from other funds		(1,403)							(1,403)
Transfers to/from other funds	419	(2,283)				(28)	(5,613)	(2,109)	(9,614)
Net cash provided by (used for) noncapital financing activities	(431)	(8,720)	174	(11,200)		(534)	(6,009)	(3,737)	(30,457)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Acquisition and construction of capital assets		(5,781)				(7,491)	(1,635)		(14,907)
Proceeds from the sale of capital assets		1,600							1,600
Net cash used for capital and related financing activities		(4,181)				(7,491)	(1,635)		(13,307)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Interest received on cash and investments									
Net increase (decrease) in cash and cash equivalents	(13,592)	6,389	(669)	(7,538)	(1,217)	(2,699)	(2,345)	(6,485)	(28,156)
Cash and cash equivalents, beginning of year	65,740	39,865	10,774	31,457	1,217	9,355	12,195	10,445	181,048
Cash and cash equivalents, end of year	$ 52,148	46,254	10,105	23,919		6,656	9,850	3,960	152,892

COUNTY OF SACRAMENTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

			Self Insurance				Office of Communications		
	Public Works	General Services	Liability/ Property	Worker's Compensation	Other	Regional Communications	and Information Technology	Real Estate	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES									
Operating income (loss)	$ (1,969)	10,281	(5,139)	(46,332)	(3,940)	1,911	4,577	530	(40,081)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:									
Depreciation and Amortization	320	10,229				1,561	1,571		13,681
Other nonoperating expense					(7)				(7)
Changes in assets and liabilities:									
Receivables	(517)		(65)				(226)		(808)
Due from other funds	(1,688)	872	9,765	20,807	(2,585)	4	120	(495)	26,800
Due from other governments	184	8	(757)	(470)	(114)		2	88	(1,059)
Long-term receivables	89			(83)					6
Inventories		(93)							(93)
Warrants payable	128	63	(40)	99		23	466	(591)	148
Accrued liabilities	248	(652)	513	(5)	710	232	685	(1,108)	623
Due to other funds	(8,073)	(1,276)	(183)	(3,659)	4,719	(34)	(1,465)	(1,194)	(11,165)
Due to other governments	(2,344)	1	(25)				(18)		(2,386)
Deferred revenues	(89)		1	83		1,620	(112)		1,503
Compensated absences	453	(169)				8	(311)	21	2
Other post employment benefits	97	26				1	10	1	135
Insurance claims payable			(4,913)	33,222					28,309
Total adjustments	(11,192)	9,009	4,296	49,994	2,723	3,415	722	(3,278)	55,689
Net cash provided by (used for) operating activities	$(13,161)	19,290	(843)	3,662	(1,217)	5,326	5,299	(2,748)	15,608

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

AGENCY FUNDS

AGENCY FUNDS

<u>Law Enforcement</u> - Accounts for law enforcement revenues collected pending disbursement, reimbursement, or apportionment to the appropriate County law enforcement department or other local police agency.

<u>Unapportioned Tax Collection</u> - Accounts for property taxes received but not yet apportioned by the County.

<u>Other</u> - Accounts for other agency funds where the County holds money in a custodial capacity.

COUNTY OF SACRAMENTO
AGENCY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(amounts expressed in thousands)

	Law Enforcement	Unapportioned Tax Collection	Other	Total
Assets:				
Cash and investments	$ 42,403	38,700	165,057	246,160
Receivables, net of allowance for uncollectibles:				
Billed	1,951	5,166	553	7,670
Interest			1,821	1,821
Intergovernmental			109	109
Due from other funds	1,590	7	547	2,144
Prepaid expenses			38	38
Total assets	$ 45,944	43,873	168,125	257,942
Liabilities:				
Warrants payable	$ 290	5,945	3,241	9,476
Accrued liabilities	2,553	1,338	9,960	13,851
Intergovernmental payable	43,101	36,590	154,924	234,615
Total liabilities	$ 45,944	43,873	168,125	257,942

COUNTY OF SACRAMENTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Law Enforcement				
Assets:				
Cash and investments	$ 39,202	3,201		42,403
Receivables, net of allowance for uncollectibles:				
Billed	81	1,870		1,951
Due from other funds	853	737		1,590
Total assets	$ 40,136	5,808		45,944
Liabilities:				
Warrants payable	$ 2,680		2,390	290
Accrued liabilities	725	1,828		2,553
Intergovernmental payable	36,731	6,370		43,101
Total liabilities	$ 40,136	8,198	2,390	45,944

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Unapportioned Tax Collection				
Assets:				
Cash and investments	$ 27,716	10,984		38,700
Receivables, net of allowance for uncollectibles:				
Billed	6,503		1,337	5,166
Intergovernmental	1,840		1,840	-
Due from other funds	828		821	7
Total assets	$ 36,887	10,984	3,998	43,873
Liabilities:				
Warrants payable	$ 5,769	176		5,945
Accrued liabilities	114	1,224		1,338
Intergovernmental payable	31,004	5,586		36,590
Total liabilities	$ 36,887	6,986		43,873

COUNTY OF SACRAMENTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Other				
Assets:				
Cash and investments	$ 153,575	11,482		165,057
Receivables, net of allowance for uncollectibles:				
Billed	2,173		1,620	553
Interest	6,377		4,556	1,821
Intergovernmental	480		371	109
Due from other funds	3,249		2,702	547
Prepaid expenses	85		47	38
Total assets	$ 165,939	11,482	9,296	168,125
Liabilities:				
Warrants payable	$ 4,493		1,252	3,241
Accrued liabilities	2,204	7,756		9,960
Intergovernmental payable	159,242		4,318	154,924
Total liabilities	$ 165,939	7,756	5,570	168,125

COUNTY OF SACRAMENTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Totals				
Assets:				
Cash and investments	$ 220,493	25,667		246,160
Receivables, net of allowance for uncollectibles:				
Billed	8,757	1,870	2,957	7,670
Interest	6,377		4,556	1,821
Intergovernmental	2,320		2,211	109
Due from other funds	4,930	737	3,523	2,144
Prepaid expenses	85		47	38
Total assets	$ 242,962	28,274	13,294	257,942
Liabilities:				
Warrants payable	$ 12,942	176	3,642	9,476
Accrued liabilities	3,043	10,808		13,851
Intergovernmental payable	226,977	11,956	4,318	234,615
Total liabilities	$ 242,962	22,940	7,960	257,942

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

INVESTMENT TRUST FUNDS

INVESTMENT TRUST FUNDS

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.

COUNTY OF SACRAMENTO
INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010
(amounts expressed in thousands)

	Treasurer's Pool	Non-Pooled Investments	Total
Assets:			
Cash and investments	$ 1,416,841	212,328	1,629,169
Net assets held in trust for pool participants	$ 1,416,841	212,328	1,629,169

COUNTY OF SACRAMENTO
INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Treasurer's Pool	Non-Pooled Investments	Total
Additions:			
Contributions on pooled investments	$ 4,143,489	3,177,112	7,320,601
Use of money and property	47,285	79,402	126,687
Total additions	4,190,774	3,256,514	7,447,288
Deductions:			
Distributions from pooled investments	4,405,003	3,400,552	7,805,555
Net increase in net assets	(214,229)	(144,038)	(358,267)
Net assets held in trust for pool participants, beginning of year	1,631,070	356,366	1,987,436
Net assets held in trust for pool participants, end of year	$ 1,416,841	212,328	1,629,169

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION

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 2001-02 THROUGH 2009-10
(amounts expressed in thousands)

	Fiscal Year								
	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Governmental activities									
Invested in capital assets, net of related debt	$ 763,070	798,416	938,655	962,902	1,304,641 *	1,335,121 *	1,296,783 *	1,428,639 *	1,374,306
Restricted	503,532	516,881	515,322	522,755	408,290	425,187	507,138	478,468	437,559
Unrestricted	(559,029)	23,216	(143,379)	(110,031)	13,152	(44,775)	(105,778)	(387,629)	(389,877)
Total governmental activities net assets	$ 707,573	1,338,513	1,310,598	1,375,626	1,726,083	1,715,533	1,698,143	1,519,478	1,421,988
Business-type activities									
Invested in capital assets, net of related debt	$ 893,543	990,082	328,285	415,890	461,723	512,575	514,042	577,905	719,665
Restricted	99,202	114,904	85,685	96,802	115,208	138,764	214,334	218,839	216,266
Unrestricted	460,371	490,131	233,611	251,377	258,055	264,560	274,165	239,805	156,994
Total business-type activities net assets	$ 1,453,116	1,595,117	647,581	764,069	834,986	915,899	1,002,541	1,036,549	1,092,925
Primary government									
Invested in capital assets, net of related debt	1,656,613	1,788,498	1,266,940	1,378,792	1,766,364	1,847,696	1,810,825	2,006,544	2,093,971
Restricted	602,734	631,785	601,007	619,557	523,498	563,951	721,472	697,307	653,825
Unrestricted	(98,658)	513,347	90,232	141,346	271,207	219,785	168,387	(147,824)	(232,883)
Total primary government net assets	$ 2,160,689	2,933,630	1,958,179	2,139,695	2,561,069	2,631,432	2,700,684	2,556,027	2,514,913

*Restated

Note: 1) Trend data is only available for the last nine fiscal years due to the implementation of GASB 34.

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 2001-02 THROUGH 2009-10
(amounts expressed in thousands)

	Fiscal Year								
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Expenses									
Governmental activities:									
General government	$ 135,129	110,633	173,913	191,798	208,862	217,194	201,712	185,963	177,963
Public assistance	716,295	708,491	684,036	707,374	731,099	736,120	681,682	704,416	668,368
Public protection	578,910	599,659	588,881	610,098	617,770	727,876	705,953	744,072	650,198
Health and sanitation	318,859	393,575	466,430	386,881	467,682 *	537,677 *	671,812 *	724,666	595,816
Public ways and facilities	66,447	66,861	63,478	120,551	160,495	139,424	199,748	123,999	115,073
Recreation and culture	38,664	31,878	26,481	44,951	32,678	37,522	42,246	41,194	37,139
Education	29,638	26,951	27,944	13,033	13,156	14,806	22,621	24,161	21,053
Interest and fiscal charges	58,667	64,724	84,493	87,191	96,182	108,249	151,148	138,824	141,529
Total governmental activities	1,942,609	2,002,772	2,115,656	2,161,877	2,327,924	2,518,868	2,676,922	2,687,295	2,407,139
Business-type activities:									
Airport	80,794	88,445	101,219	99,249	104,486	113,018	125,793	131,888	130,724
Regional Sanitation District	107,357	105,620							
Solid Waste	63,477	68,111	82,216	65,805	62,395	61,106	60,149	66,991	62,567
Sanitation District Number One	43,444	42,333							
Water Agency	13,171	14,188	20,326	33,649	37,313	40,200	45,992	29,277	24,575
Parking Enterprise	3,231	3,188	2,767	2,929	2,606	2,630	2,904	12,459	3,247
County Transit	323	756	9,210	1,688	1,888	2,179	1,954	1,955	1,677
Total business-type activities	311,797	322,641	215,738	203,320	208,688	219,133	236,792	242,570	222,790
Total primary government	$ 2,254,406	2,325,413	2,331,394	2,365,197	2,536,612	2,738,001	2,913,714	2,929,865	2,629,929
Program Revenues									
Governmental activities:									
Charges for services:									
General government	$ 111,437	94,355	139,026	135,191	142,140	134,274	90,743	89,134	100,877
Public assistance	21,633	3,944	9,016	6,583	4,705	10,621	11,340	9,156	8,464
Public protection	78,962	83,624	99,670	114,352	140,842	145,372	126,058	122,229	110,244
Health and sanitation	33,866	36,200	52,132	17,883	25,471	41,289	43,888	51,561	38,692
Public ways and facilities	20,849	19,752	37,552	64,759	81,903	82,266	76,590	53,711	31,912
Recreation and culture	10,623	10,431	11,749	14,783	13,373	14,694	15,065	17,312	12,735
Education	622	4	1,147	144	72	256	273	298	177
Operating grants and contributions	961,467	980,076	998,332	1,099,378	1,096,348	1,104,969	1,223,424	1,177,843	1,128,887
Capital grants and contributions	18,629	23,892	98,317	37,506	31,523	41,993	95,231	34,808	38,434
Total governmental activities	$ 1,258,088	1,252,278	1,446,941	1,490,579	1,536,377	1,575,734	1,682,612	1,556,052	1,470,422

*Restated

Note: 1) Trend data is only available for the last eight fiscal years due to the implementation of GASB 34.

2) 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 2001-02 THROUGH 2009-10
(amounts expressed in thousands)

	Fiscal Year								
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Business-type activities:									
Charges for services:									
Airport	$ 72,109	75,936	87,885	97,753	104,566	107,997	115,050	123,192	132,727
Regional Sanitation District	124,419	146,688							
Solid Waste	65,519	69,716	84,983	71,384	66,877	64,676	65,302	67,018	65,907
Sanitation District Number One	34,720	43,517							
Water Agency	27,798	38,009	46,874	*50,707	60,283	54,894	47,800	43,954	46,847
Parking Enterprise	2,492	2,350	2,588	2,676	2,921	3,047	3,265	4,989	3,185
County Transit	133	337	8,589	227	257	556	204	183	158
Operating grants and contributions	15,259	18,112	18,498	27,435	26,246	29,451	29,540 *	25,031	22,943
Capital grants and contributions	51,682	40,247	26,153	38,838	16,272	21,895	28,635	12,290	10,211
Total business-type activities	394,131	434,912	275,570	289,020	277,422	282,516	289,796	276,657	281,978
Total primary government	$ 1,652,219	1,687,190	1,722,511	1,779,599	1,813,799	1,858,250	1,972,408	1,832,709	1,752,400
Net (expense)/revenue									
Governmental activities	$ (684,521)	(750,494)	(668,715)	(671,298)	(791,547)	(943,134)	(994,310)	(1,131,243)	(936,717)
Business-type activities	82,334	112,271	59,832	85,700	68,734	63,383	53,004	34,087	59,188
Total primary government net expense	$ (602,187)	(638,223)	(608,883)	(585,598)	(722,813)	(879,751)	(941,306)	(1,097,156)	(877,529)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
Property	$ 240,640	262,647	278,254	356,956	415,320	447,032	474,947	475,629	437,634
Sales/Use	85,988	83,275	106,649	52,717	79,862	80,267	82,472	69,225	58,357
Transient occupancy	8,651	7,891	5,928	6,087	6,623	6,823	6,964	5,311	4,467
Unrestricted investment earnings	53,747	47,065	32,187	42,032	67,522	75,053	72,706	49,804	15,016
Grants and contributions not restricted to specific programs	297,805	293,767	262,321	184,671	224,467	199,811	230,103	215,915	197,855
Pledged tobacco settlement proceeds	171,966		13,388	12,880	12,082	12,795	6,716	14,862	12,393
Miscellaneous	101,582	93,239	102,038	102,281	85,701	109,194	92,127 *	105,545	105,003
Transfers				(7,782)	(638)	1,609	1,988	7,514	8,502
Total general revenues and transfers	$ 960,379	787,884	800,765	749,842	890,939	932,584	968,023	943,805	839,227

*Restated

Note: 1) Trend data is only available for the last eight fiscal years due to the implementation of GASB 34.

COUNTY OF SACRAMENTO
CHANGE IN NET ASSETS
FISCAL YEARS 2001-02 THROUGH 2009-10
(amounts expressed in thousands)

	Fiscal Year								
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Business-type activities:									
Property tax	$ 4,672	5,381							
Sales/Use tax	492	576	556	683	614	951	573	483	573
Unrestricted investment earnings	28,332	18,859	5,180	8,257	13,215	18,188	31,890	6,778	2,617
Grants and contributions not restricted to specific programs	2,528	2,850	3,000						
Miscellaneous	2,827	2,064							
Transfers				7,782	638	(1,609)	(1,988)	(7,514)	(6,002)
Total general revenues and transfers	38,851	29,730	8,736	16,722	14,467	17,530	30,475	(253)	(2,812)
Total primary government	$ 999,230	817,614	809,501	766,564	905,406	950,114	998,498	943,552	836,415
Change in Net Assets									
Governmental activities	$ 275,858	37,390	132,050	78,544	99,392	(10,550)	(26,287)	(187,438)	(97,490)
Business-type activities	121,185	142,001	68,568	102,422	83,201	80,913	83,479	33,834	56,376
Total primary government	$ 397,043	179,391	200,618	180,966	182,593	70,363	57,192	(153,604)	(41,114)

Note: 1) Trend data is only available for the last nine fiscal years due to the implementation of GASB 34.

COUNTY OF SACRAMENTO
FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 1999-00 THROUGH 2009-10
(amounts expressed in thousands)

	Fiscal Year										
	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
General fund											
Reserved	$ 32,756	47,861	47,679	41,199	43,108	41,725	47,478	48,850	59,322	60,921	74,907
Unreserved	112,266	111,369	86,506	114,666	96,064	160,227	205,520	149,845	97,711	(41,533)	(53,212)
Total general fund	$ 145,022	159,230	134,185	155,865	139,172	201,952	252,998	198,695	157,033	19,388	21,695
All other governmental funds											
Reserved	$ 172,998	284,055	378,181	453,180	394,234	280,763	308,644	330,439	379,897	352,822	265,287
Unreserved, reported in:											
Special revenue funds	120,223	134,320	252,921	244,638	265,170	271,060	277,814	250,264	265,854	219,591	263,441
Capital projects funds				(41,212)	(22,306)	(32,955)	(2,507)	4,104	3,428	(5,627)	767
Total all other governmental funds	$ 293,221	418,375	631,102	656,606	637,098	518,868	583,951	584,807	649,179	566,786	529,495

Intentionally Blank

COUNTY OF SACRAMENTO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 1999-00 THROUGH 2009-10
(amounts expressed in thousands)

	Fiscal Year										
	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Revenues											
Taxes	$ 286,658	299,486	335,279	353,813	363,967	442,560	501,805	534,122	564,383	550,165	503,091
Use of money and property	48,719	56,624	53,433	46,880	31,854	41,993	66,851	74,172	72,908	49,108	14,753
Licenses and permits	48,848	49,124	53,652	49,686	50,416	51,029	50,125	46,035	49,259	41,762	37,285
Intergovernmental	1,073,438	1,201,519	1,275,495	1,298,846	1,274,924	1,294,614	1,370,473	1,374,776	1,431,493	1,419,783	1,366,831
Charges for services	166,662	150,290	177,646	153,983	189,526	149,159	181,786	181,628	179,710	197,378	182,714
Fines, forfeitures, and penalties	35,500	35,141	23,335	33,853	44,531	41,729	41,014	46,177	52,853	33,427	34,716
Contributions and donations	725	757	249		59,845	13,225			62,050		
Pledged tobacco settlement proceeds					13,388	9,276	12,138	12,705	13,525	14,862	12,393
Miscellaneous	80,860	83,438	101,582	112,639	102,210	102,077	85,701	109,194	101,025	105,545	105,003
Total revenues	1,741,410	1,876,379	2,020,671	2,049,700	2,130,661	2,145,662	2,309,893	2,378,809	2,527,206	2,412,030	2,256,786
Expenditures											
General government	144,134	131,054	119,803	85,265	132,386	157,852	177,477	177,952	175,593	171,945	143,739
Public assistance	622,744	654,084	708,598	701,080	673,037	786,505	730,185	731,883	673,098	689,891	653,640
Public protection	449,893	493,346	558,193	583,457	560,442	850,786	627,594	687,371	666,706	683,099	597,467
Health and sanitation	226,113	261,329	308,869	379,561	436,181	432,221	417,330	501,490	644,595	681,774	559,019
Public ways and facilities	73,871	105,469	99,462	82,695	99,212	80,330	96,068	102,617	108,974	102,254	115,672
Recreation and culture	26,754	32,857	35,875	37,211	33,830	36,652	36,133	41,972	49,871	42,185	34,693
Education	27,085	30,731	28,619	26,283	26,554	15,572	17,051	20,082	22,416	23,013	20,229
Capital outlay	68,706	99,529	83,492	94,519	164,198	93,384	110,519	100,052	128,542	109,098	77,061
Debt service:											
Principal	25,682	27,475	35,235	37,301	28,245	113,618	41,053	53,880	83,964	129,232	81,356
Bond issuance cost				2,400	4,678	6,131	4,043		9,949	335	1,217
Advanced refunding escrow				5,584			15,659				
Interest and fiscal charges	50,321	49,465	45,948	47,608	52,088	54,684	51,336	72,229	87,098	89,150	109,087
Total expenditures	1,715,303	1,885,339	2,024,094	2,082,964	2,210,851	2,627,735	2,324,448	2,489,528	2,650,806	2,721,976	2,393,180
Excess (deficiency) of revenues over (under) expenditures	$ 26,107	$ (8,960)	$ (3,423)	$ (33,264)	$ (80,190)	$(482,073)	$ (14,555)	$ (110,719)	$ (123,600)	$ (309,946)	$ (136,394)

COUNTY OF SACRAMENTO
CHANGES IN FUND BALANCES OF GOVERMENTAL FUNDS
FISCAL YEARS 1999-00 THROUGH 2009-10
(amounts expressed in thousands)

	Fiscal Year										
	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Other financing sources (uses)											
Transfers in	$ 81,821	84,261	94,836	80,108	98,175	84,294	194,272	116,773	184,870	174,740	180,332
Transfers out	(81,821)	(84,261)	(94,836)	(80,108)	(98,175)	(89,451)	(188,214)	(103,130)	(171,783)	(156,475)	(155,924)
Capital leases obligations				10,390			837	4,105	8,413		
Long-term obligations	33,178	17,761	19,976	67,446	70,901	444,677					
Issuance of debt							47,500	39,524	160,241	80,006	64,470
Payments to participating governments					(48,653)				(43,855)		
Tobacco settlement proceeds			171,966								
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)		
Purchase of delinquent property tax	(12,563)										
Swap, termination payment										(23,019)	(10,180)
Swap, premium short term										2,950	
Swap, premium long term										20,069	
Payments to refunded bond escrow agent	(8,900)			(45,308)	(149,630)		(182,672)		(350,037)	(49,225)	(103,008)
Total other financing sources (uses)	11,715	17,761	191,942	80,448	24,733	439,520	137,417	57,272	146,310	98,806	101,410
Net change in fund balances	$ 37,822	8,801	188,519	47,184	(55,457)	(42,553)	122,862	(53,447)	22,710	(211,140)	(34,984)
Debt service as a percentage of noncapital expenditures*	4.62%	4.31%	4.25%	4.31%	4.04%	6.70%	4.24%	5.39%	6.86%	8.45%	8.38%

* Debt service as a percentage of noncapital expenditures was revised for fiscal years 2001 to 2006.

COUNTY OF SACRAMENTO
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
FISCAL YEARS 2000-01 THROUGH 2009-10
(full accrual basis)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales/Use Tax	Transient Tax	Total
2000-01	203,314	87,701	8,471	299,486
2001-02	240,640	85,988	8,651	335,279
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

COUNTY OF SACRAMENTO
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FISCAL YEARS 2000-01 THROUGH 2009-10
(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)
2000-01	61,967,062	3,850,668	1,681,486	-2,268,825	65,230,391	1.000%
2001-02	67,219,202	3,948,912	1,969,703	-2,436,887	70,700,930	1.000%
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%

(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 2000-01 THROUGH 2009-10
(rate per $100 of assessed value)

Fiscal	Basic Tax Rate	Overlapping General Obligation Bonds Rates			Total County
Year	Countywide	Cities	Special District	Schools	Average Tax Rate
	(A)	(B)	(C)	(D)	
2000-01	1.000	0.0120	0.0148	0.0563	1.0831
2001-02	1.000	0.0101	0.0102	0.0544	1.0746
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

(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 five incorporated cities within the County for the fiscal year ending June 30, 2000.
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.
FY 08-09: Average rate = Requirements / District's Valuation within the Bond Debt boundaries.

Source: County's internal financial documents

COUNTY OF SACRAMENTO
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2010 AND JUNE 30, 2001
(amounts expressed in thousands)

	JUNE 30, 2010			JUNE 30, 2001		
Taxpayer (a)	Tax Levy (b)	Rank	Percentage of Total Tax Levy	Tax Levy (b)	Rank	Percentage of Total Tax Levy
Hines Interests LP	$ 7,210	1	0.56 %			
AT & T Communications (a)	6,205	2	0.48	$ 1,428	9	0.19 %
Intel Corporation	5,370	3	0.41	4,312	2	0.58
Pacific Gas and Electric	4,934	4	0.38	2,533	4	0.34
Rosetta Resources CA LLC	3,758	5	0.29			
Donahue Schriber Realty Group	3,670	6	0.28			
Aerojet General Corp	3,295	7	0.25	1,743	8	0.23
Elliot Homes, Inc	2,992	8	0.23	3,150	3	0.42
Oates Marvin, Et Al.	2,973	9	0.23			
Surewest	2,762	10	0.21			
Pacific Bell (a)				6,177	1	0.83
BGP Russell Ranch LLC				2,430	5	0.33
Lennar Renaissance, Inc.				2,234	6	0.30
Speiker Properties				1,844	7	0.25
400 Capital Mass Venture				1,376	10	0.18

Note: (a) Pacific Bell merged with AT&T in November of 2005.
(b) Note the change in column header from pior 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 2000-01 THROUGH 2009-10
(amounts expressed in thousands)

Fiscal Year	(1) Taxes Levied	(2) Collections Within the Fiscal Year: Amount	Collections Within the Fiscal Year: Percent of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2000-01	$ 603,051	593,371	98.39	9,680	603,051	100
2001-02	638,752	629,045	98.48	9,707	638,752	100
2002-03	722,729	710,458	98.30	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

(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.

* Restated

Source: County's internal financial documents

COUNTY OF SACRAMENTO
RATIOS OF OUTSTANDING DEBT BY TYPE
FISCAL YEARS 2000-01 THROUGH 2009-10
(amounts expressed in thousands, except per capita amount)

	Governmental Activities						Business-Type Activities								
Fiscal Year	Certificates of Participation	Teeter Notes	Pension Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt	Revenue Bonds	PFC and Subordinate Revenue Bonds	Certificates of Participation	General Obligation Bonds	Capital Leases	Other Debt	Total Primary Government	Percentage of Personal Income	Per Capita
2000-01	372,500	17,409	523,160		4,166	6,448	875,201		36,795	26,524		4,064	1,866,267	5.33%	1,482
2001-02	369,315	17,239	515,125		3,550	3,134	816,955	55,625	40,815				1,821,758	4.89%	1,423
2002-03	410,090	14,974	504,700		13,310	2,435	929,250	54,470	39,330				1,968,559	5.09%	1,503
2003-04	402,465	15,019	528,591	235,961	13,115	2,105	275,015	53,260	36,565				1,562,096	3.83%	1,170
2004-05	309,115	15,024	954,722	230,109	12,976	3,275	268,955	51,985	34,255				1,880,416	4.30%	1,373
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	4.22%	1,411
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	4.78%	1,642
2007-08	340,480	51,335	960,926	356,428	13,933	3,615	914,925	89,430	26,900			653	2,758,625	5.50%	1,937
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	5.01%	1,895
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	N/A	2,202

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.

COUNTY OF SACRAMENTO
LEGAL DEBT MARGIN INFORMATION
FISCAL YEARS 2000-01 THROUGH 2009-10
(amounts expressed in thousands)

	Fiscal Year									
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Assessed Value of Property	$65,230,391	70,700,930	77,715,406	84,563,678	94,691,971	108,301,283	124,126,471	135,341,067	138,687,470	128,939,293
Debt Limit, 1.25% of Assessed Value (Statutory Limitation)	815,380	883,762	971,443	1,057,046	1,183,650	1,353,766	1,551,581	1,691,763	1,733,593	1,611,741
Amount of Debt Applicable to Limit:										
General Obligation Bonds										
Less: Resources Restricted to Paying Principal										
Total net debt applicable to limit										
Legal debt margin	815,359	883,759	971,446	1,035,388	1,163,625	1,353,766	1,551,581	1,691,763	1,733,593	1,611,741
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 statues 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 2000-01 THROUGH 2009-10
(amounts expressed in thousands)

	Airport Revenue Bond Coverage						Parking Authority Revenue Bond Coverage		
Fiscal Year	Gross Revenue (a)	Less: Operating Expenses (b)	Net Available Revenue	Debt Service Requirements (c) Principal	Debt Service Requirements (c) Interest	Coverage	Gross Revenue	Less: Operating Expenses (b)	Net Available Revenue
2000-01	84,937	49,297	35,640	4,055	11,796	2.25	2,387	1,591	796
2001-02	83,865	56,135	27,731	4,250	11,586	1.75	2,492	1,645	847
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

	Water Agency (d)					
Fiscal Year	Operating Revenue	Less: Operating Expenses (b)	Net Available Revenue	Debt Service Requirements (c) Principal	Debt Service Requirements (c) Interest	Coverage
2002-03	$ 38,009	10,382	27,627			
2003-04	46,873	13,724	33,149		2,118	15.65
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

^ Restated to exclude depreciation and amortization.

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 2000-01 THROUGH 2009-10
(amounts expressed in thousands except per capita amount)

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate (%)
2000-01	1,259	$ 35,016,668	28,460 *	222	4.2
2001-02	1,280	37,225,183	29,386 *	228	4.7
2002-03	1,310	38,649,539	29,682 *	233	5.2
2003-04	1,335	40,789,349 *	30,668 *	235	5.2
2004-05	1,370	43,742,244 *	32,382 *	238	4.5
2005-06	1,386	46,375,880 *	34,014	239	4.7
2006-07	1,407	48,313,850	35,197	238	5.3
2007-08	1,424	50,157,252	36,340	239	6.5
2008-09	1,433	54,177,837	39,076	238	11.1
2009-10	1,445	**N/A	**N/A	***N/A	12.1

*Bureau of Economic Analysis revised population and per capita personal income estimates back to the year 2000
**Not Available until April 2011
***Not Available until mid September

Source: California State Department of Finance; Bureau of Economic Analysis, Sacramento County Office of Education, and California State Employment Development Department.

COUNTY OF SACRAMENTO
PRIVATE SECTOR PRINCIPAL EMPLOYERS
JUNE 30, 2010 AND JUNE 30, 2001

	June 30, 2010			June 30, 2001		
Employer (a)	Employees (b)	Rank	Percentage of Total County Employment	Employees (c)	Rank	Percentage of Total County Employment (c)
Kaiser Permanente	10,081	1	1.65%	10,530	2	1.77%
CHW / Mercy Health Care	8,279	2	1.36%	6,000	5	1.01%
Sutter / California Health Services	7,314	3	1.20%	16,600	1	2.78%
Intel Corporation	6,000	4	0.98%	5,000	9	0.84%
Wells Fargo & Co.	3,690	5	0.61%			
Raley's Inc. / Bel Air	3,401	6	0.56%	6,430	4	1.08%
PRIDE Industries	2,841	7	0.47%			
Health Net of California	2,512	8	0.41%			
Cache Creek Casino Resort	2,460	9	0.40%			
Pacific Gas and Electric Co.	2,169	10	0.36%			
Oracle Corporation				8,500	3	1.43%
Hewlett-Packard				5,800	6	0.97%
Pacific Bell & Subsidiaries (a)				5,658	7	0.95%
Horizons West Inc.				5,400	8	0.91%
Apple Computers				5,000	10	0.84%
Total	48,747		8.00%	74,918		12.58%

(a) Pacific Bell merged with AT&T in November 2005; AT&T of California, which ranked No. 6 last year, did not provide information this year.

(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 2009-10

	Full-time Equivalent Employees as of June 30							
Function	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
General Government	1,857	823	729	901	924	1,004	954	907
Public Assistance	2,067	1,903	2,552	3,059	3,115	2,648	2,487	2,339
Public Protection	4,657	4,115	4,204	5,011	5,161	4,543	4,292	3,683
Health & Sanitation	2,816	2,594	1,334	1,729	1,760	3,150	3,063	2,661
Recreation and Culture	257	196	155	212	214	212	181	162
Education	4	4	5	2	3	3	3	2
Total	11,658	9,635	8,979	10,914	11,177	11,560	10,980	9,754

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 INDICATIORS BY FUNCTION
FISCAL YEARS 2001-02 THROUGH 2009-10

Function	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Fiscal Year								
General Government									
Assessor:									
Number of Parcels Assessed	444,833	451,693	465,104	468,547	467,629	495,090	507,471	510,494	506,063
Gross Total Amount of Secured Roll (amount expressed in thousan	67,219,202	74,042,245	81,527,736	91,856,798	105,593,291	120,869,403	132,409,139	134,737,596	125,707,295
Gross Total Amount of Unsecured Roll (amount expressed in thou	3,948,912	4,025,888	4,167,021	4,192,998	4,479,276	4,805,562	5,297,882	5,892,766	5,920,223
Clerk recorders:									
Number of recorded documents	522,591	692,854	713,726	688,483	607,272	488,272	402,951	395,528	377,728
Public Assistance									
Human assistance total caseload	83,102	90,461	96,484	103,295	100,585	117,576	122,804	135,044	156,811
Percent served of children in poverty	81.30%	91.00%	90.00%	90.00%	92.40%	95.00%	95.00%	95.00%	96.20%
Senior nutrition, meals served	486,075	529,441	473,232	473,232	441,772	592,904	624,290	616,127	478,197
Housing Services provided	8,045	8,647	13,400	13,400	12,211	12,032	13,011	12,708	12,794
Employee Non-Exempt Recipients CalWORKs	51%	62%	61%	56%	50%	33%	29%	31%	30%
Public Protection									
DA:									
Filed Felonies	10,338	11,010	11,570	11,571	11,371	11,837	11,179	10,374	8,589
Filed misdemeanors	20,151	22,450	21,703	20,306	20,397	21,197	21,347	19,781	17,353
Filed Probation Violations									870
Probation:									
Cases supervised	Not Available	11,312	10,148	11,350	12,379	12,755	12,101	14,826	15,988
Institutional care for minors (days)	*117,601	163,689	181,776	178,423	191,884	194,339	180,399	165,451	*114,764
Juvenile referrals processed	11,376	11,556	13,107	12,126	13,240	12,041	11,128	12,383	11,816
Prepared adult sentencing reports	4,363	4,748	4,860	**8,452	9,052	9,420	9,110	8,955	9,658
Public Defender:									
Felony Unit Jury Trials	70	88	105	125	143	160	168	136	139
Sheriff:									
Emergency calls for service:									
Priority 0	31	54	57	55	60	58	48	149	66
Priority 1	32,266	33,754	39,815	41,179	44,996	34,177	30,841	7,851	3,698
Emergency response time (minutes):									
Priority 0	5	13	10	10	9	9.3	6.5	12.5	14.0
Priority 1	15	14	15	14	15	15.61	9.2	10.6	10.8
Processed and booked adult offenders	24,830	25,084	25,199	26,568	23,477	22,493	24,364	21,483	20,242
Physical arrests	28,446	28,265	28,707	29,197	26,029	20,745	26,209	23,181	23,237
Total miles patrolled by Sheriffs	871.5	871.5	871.5	871.5	871.5	871.5	871.5	871.5	871.5

* 2001-02 includes Youth Detention Facility only. 2002-07 also includes the Sacramento County Boys Ranch and Warren E. Thornton Youth Center (WETYC). WETYC closed as of July 1, 2009.

** 2004-2007 includes categories not tracked in 2001-2004.

Note: Operating Indicators by function/program is only available for the last eight fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
OPERATING INDICATIORS BY FUNCTION
FISCAL YEARS 2001-02 THROUGH 2009-10

	Fiscal Year								
Function	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Health and sanitation									
Patient Treatments at Public Health Clinics	161,105	160,350	153,351	146,223	153,297	153,407	163,847	145,203	96,184
Percent of paramedic/911 medical aid unit and 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	9,387	8,873	11,117	11,274	10,690	10,230	13,321	14,433	14,146
Square Feet of Graffiti Removed or Abated	260,390	252,613	271,383	257,733	269,242	233,641	304,370	349,312	341,749
Recreation and culture									
Number of Visitors/Program Participants at Effie Yeaw Nature Cer	74,775	72,759	62,289	68,804	78,822	88,449	85,882	87,440	84,449
Number of Individuals Who Use Parks Golf Services	214,409	208,940	203,104	192,735	190,317	190,827	196,470	188,357	181,550
Education									
Library:									
Print Materials Loaned	4,503,820	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	285,007	316,115	402,631	495,444	670,296	777,078	1,036,647	1,861,290	1,391,325
Library cards issued	60,059	64,733	63,596	59,848	58,068	62,767	80,562	85,308	80,429
Library Visits	N/A	2,621,931	2,697,487	2,975,128	2,761,395	2,907,427	3,049,098	2,866,175	4,362,116
Airport									
Number of Commercial Airlines	12	14	15	15	15	16	16	15	14
Number of Flights	56,940	53,290	56,940	56,940	61,685	67,525	63,875	53,324	52,504
Number of Enplaned Passengers	4,042,585	4,314,273	4,563,607	4,986,171	5,150,229	5,307,289	5,294,737	4,603,182	4,445,991
Solid Waste									
Percent of Diversion/Recycled Waste	51%	52%	61%	58%	58%	58%	63%	50%	70%
Tons Disposed	494,438	624,035	789,265	718,464	706,134	678,776	667,899	559,865	471,488
Water Agency									
Water Supply:									
Number of Water Connections	31,800	34,700	36,890	41,450	45,261 ^	46,558 ^	47,760 ^	48,438 ^	49,069
Water Delivered (acre feet)	27,600	30,140	27,877	31,105	34,422	41,764	39,867	40,605	39,428
Storm Water Utilities									
Drainage:									
Mainline and Lateral Pipes Cleaned (miles)	N/A	227	60	137	101	97.78	121.4	67.3	60.3
Parking Enterprise									
Daily Public Parking (count)	388,532	372,978	353,173	362,480	371,292	385,869	383,052	284,359	168,490
Monthly Parking Passes issued to County Employees (count) [1]	15,049	15,512	15,642	16,001	16,440	16,740	17,491	20,484	18,456
Outside Agency Usage	8,301	8,186	8,984	10,399	9,923	7,496	7,509	9,398	11,251

Note: Operating Indicators by function/program is only available for the last eight fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.

[*] Revised all years prior to 2008-09 double counted. ^ Revised, recount after error correction.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
CAPITAL ASSET STATISTICS BY FUNCTION
FISCAL YEARS 2001-02 THROUGH 2009-10

	Fiscal Year								
Function	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Public Protection									
Sheriff:									
Administration buildings	1	1	1	1	1	1	1	1	1
Aircrafts									
Operational	4	5	4	4	3	4	5	4	5
Non-Operational	2	2	1	1	2	1	0	1	0
Fixed Wing									
Sheriff	2	2	2	2	2	2	2	2	1
CAL-MMET	2	2	2	2	2	2	2	2	2
Community service centers	12	12	12	14	14	10	10	10	10
Jail and detention facilities	2	2	2	2	2	2	2	2	2
Patrol Units	450	470	474	491	391	348	362	370	305
Stations	7	7	7	7	7	5	5	5	3
Health and Sanitation									
Clinics	2	2	3	3	3	3	3	3	3
Mental Health Treatment									
Clinics	1	1	1	1	1	1	1	1	1
Public ways and facilities									
Centerline miles of roads maintained	2,742	2,308	2,340	2,171	2,171	2,203	2,203	2,209	2,208
Traffic signals *	531	486	415	415	415	422	432	450	450
Recreation and culture									
Number of Golf Courses	4	4	4	4	4	4	4	4	4
Number of Developed Parks	38	38	38	38	38	38	38	38	38
Developed Parks acreage	10,500	12,500	14,500	15,000	15,000	15,000	15,000	15,150	15,150
Education									
Number of Libraries	8	9	9	9	9	9	9	9	11

Note: 1) Capital assets and infrastructure statistics by function/program is only available for the last eight fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.

2) Building includes those that are capitalized but excludes real property that is leased.

*) Revised.

Source: County of Sacramento Department Records

COUNTY OF SACRAMENTO
CAPITAL ASSET STATISTICS BY FUNCTION
FISCAL YEARS 2001-02 THROUGH 2009-10

	Fiscal Year								
Function	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Airport									
Airports	4	4	4	4	4	4	4	4	4
Licensed Vehicles:									
Cars and Light Trucks	126	116	120	108	112	120	148	149	148
Busses	45	47	55	47	44	35	41	47	39
Solid Waste									
Number of Collection Trucks	179	193	172	190	179	148	130	152	149
Number of Landfills	3	3	3	3	3	3	3	3	3
Water Agency									
Water Supply:									
Water Mains (miles)	469.5	503	566	631	651	659	718	743	753
Storage Capacity (thousands of gallons)	16,400	20,400	20,400	27,900	31,400	34,400	39,400	39,400	39,400
Drainage:									
Drainage Inlets	39,965 *	41,082 *	42,263 *	43,513 *	44,631 *	47,281 *	47,335 *	47,717 *	44,131
Drainage Manholes	22,486 *	23,114 *	23,780 *	24,483 *	25,226 *	26,219 *	26,336 *	26,699 *	25,004
Drainage Pipes (miles)	1,225 *	1,273 *	1,323 *	1,376 *	1,379 *	1,421 *	1,446 *	1,443 *	1,338
Parking Enterprise									
Structures	2	2	2	2	2	2	2	2	2

Note: 1) Capital assets and infrastructure statistics by function/program is only available for the last eight fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.

2) Building includes those that are capitalized but excludes real property that is leased.

*) Revised.

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2010

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APPENDIX C

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC and the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Holders (a) payments of interest, principal or premium, if any, with respect to the Series 2011A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2011A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2011A Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2011A Bonds. The Series 2011A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond will be issued for each maturity and series of the Series 2011A Bonds, each in the aggregate principal amount of such maturity and series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Bonds ; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2011A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2011A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2011A Bonds may wish to ascertain that the nominee holding the Series 2011A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2011A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2011A Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

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APPENDIX D

SUMMARY OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement. All capitalized terms not otherwise defined herein or elsewhere in this Official Statement have the meaning set forth in the Trust Agreement.

Definitions

"Accreted Value" means, with respect to any Capital Appreciation Bond, an amount equal to the initial principal amount of such Bond, plus interest accrued thereon from its date compounded on each Interest Payment Date (through and including the maturity date of such Bond) at the "original issue yield" for such Bond; provided, that the Accreted Value on any date other than an Interest Payment Date shall be calculated by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Interest Payment Date. The term "original issue yield" means, with respect to any particular Bond, the yield to maturity of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each Interest Payment Date.

"Act" means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

"Additional Bonds" means all bonds of the County authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the provisions of the Trust Agreement described below under the caption "Additional Bonds."

"Aggregate Principal Amount" means, as of any date of calculation, the principal amount or Accreted Value of the Bonds referred to.

"Bonds" means the Series 2011 Bonds and all Additional Bonds.

"Business Day" means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

"Capital Appreciation Bonds" means a Bond in substantially the form attached to the Trust Agreement as Exhibit B, as such Exhibit may be amended by a Supplemental Trust Agreement.

"Certificate of the County" means an instrument in writing signed by the Chair of the Board of Supervisors, Director of Finance, Chief Operations Officer or by any other officer of the County duly authorized by the Board of Supervisors of the County in writing to the Trustee for that purpose.

"Continuing Disclosure Certificate" means each Continuing Disclosure Certificate executed by the County in connection with the issuance of a series of Bonds, as such are originally executed and as they may be amended from time to time in accordance with the terms thereof.

"Convertible Capital Appreciation Fixed Rate Bonds" means a Bond in substantially the form attached to the Trust Agreement as Exhibit E, as such Exhibit may be amended by a Supplemental Trust Agreement.

"Convertible Capital Appreciation Index Bonds" means a Bond in substantially the form attached to the Trust Agreement as Exhibit D, as such Exhibit may be amended by a Supplemental Trust Agreement.

"Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the County, initially being San Francisco, California; provided, however, for purposes of registration, transfer, exchange, payment or redemption of Bonds such term means the office at which the Trustee conducts its corporate agency business.

"County" means the County of Sacramento, a political subdivision duly organized and existing under the Constitution and laws of the State.

"Current Interest Fixed Rate Bonds" means a Bond in substantially the form attached to the Trust Agreement as Exhibit A, as such Exhibit may be amended by a Supplemental Trust Agreement.

"Financial Newspaper" means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news and selected by the County, which shall be under no liability by reason of such selection.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the County as its Fiscal Year in accordance with applicable law.

"Fitch" means Fitch, Inc., a corporation duly organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the County.

"Holder" means any person who shall be the registered owner of any Outstanding Bond.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the County, and who, or each of whom --

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the County;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the County; and

(3) is not connected with the County as a member, officer or employee of the County, but who may be regularly retained to audit the accounting records of and make reports thereon to the County.

"Index Bonds" means a Bond in substantially the form attached to the Trust Agreement as Exhibit C, as such Exhibit may be amended by a Supplemental Trust Agreement.

"Interest Payment Date" means a date on which interest is due on the Bonds, being, with respect to the Series 2011 Bonds, February 1 and August 1 of each year to which reference is made, commencing on February 1, 2012, and, with respect to Additional Bonds, the dates set forth in a Supplemental Trust Agreement.

"Mode" means the principal amount, authorized denomination, interest rate provisions, including any methodology for the setting thereof, payment structure, tender provisions or any similar provisions for any Series of Bonds.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the County.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the County pursuant to the Trust Agreement.

"Permitted Investments" means any of the following to the extent permitted by the laws of the State:

(1) United States Treasury notes, bonds, bills, or certificates of indebtedness, or obligations for which the faith and credit of the United States of America are pledged for the payment of principal and interest (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and securities which represent an undivided interest in such direct obligations), and also any securities now or hereafter authorized, the timely payment of both the principal of and interest on which is guaranteed fully and directly by the full faith and credit of the United States of America;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC), (ii) obligations of the Resolution Funding Corporation (REFCORP), (iii) senior debt obligations of the Federal Home Loan Bank System and obligations of Federal Farm Credit Banks (FFCB);

(3) Demand deposits, time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, including the Trustee or its affiliates, or a state or national savings and loan association, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or (ii) issued by any bank or trust company organized under the laws of any state of the United States, or any national banking association (including the Trustee and its affiliates), having a combined capital and surplus of at least $500,000,000, whose non-guaranteed and unsecured senior debt is rated in one of the two highest long-

term rating categories by the Rating Agencies and such certificates shall have maturities of six months or less;

(4) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States (including the Trustee) or any national banking association or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured at all times by collateral security described in clause (1) or (2) of this definition and in which the Trustee has a perfected security interest, and which collateral (a) is held by the Trustee or a third party agent, (b) is not subject to liens or claims of third parties, (c) has a market value determined as frequently and in an amount sufficient to satisfy the collateralization levels required by the Rating Agencies to maintain an "A" rating in an "A" rated structured financing (with a market value approach), and (d) failure to maintain the requisite collateral level will require the liquidation of the collateral;

(5) Bankers' acceptances which are issued by a bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) rated in one of the two highest long-term rating categories by the Rating Agencies; provided, that such banker's acceptances may not exceed 270 days' maturity;

(6) Commercial paper which at the time of purchase is of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by the Rating Agencies, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars ($500,000,000) and whose debentures, other than commercial paper, are rated in one of the two highest long-term rating categories by the Rating Agencies; provided that purchases of eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten percent (10%) of the outstanding commercial paper of an issuer corporation;

(7) Bonds, notes, warrants or other evidence of indebtedness of any of the states of the United States or of any political subdivision or public agency thereof which are rated in the highest short-term or one of the two highest long-term rating categories by the Rating Agencies;

(8) Government money market portfolios or money market funds restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, which portfolios shall have an "AAm" or "AAm-G" or equivalent by the Rating Agencies, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(9) Tax exempt securities rated "AAA" or equivalent by the Rating Agencies, for which the interest and principal has been provided by an escrow deposit which, in the opinion of an Independent Certified Public Accountant, is fully sufficient to pay the principal of and interest and redemption premium, if any, on such tax exempt securities at their stated maturity or redemption date;

(10) Guaranteed investment contracts with entities the unsecured debt securities of which are rated in one of the two highest long-term rating categories by the Rating Agencies or the equivalent of such ratings by virtue of guarantees or insurance arrangements;

(11) The pooled investment fund of the County of Sacramento, California, which is administered in accordance with the investment policy of said County as established by the Treasurer/Tax Collector thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Treasurer/Tax Collector;

(12) The Local Agency Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such Section may be amended or recodified from time to time) to the extent such deposit is held in the name of the Trustee; and

(13) Any other investment authorized by the County which does not adversely affect the then current rating on the Bonds.

“Principal Payment Date” means a date on which principal is due (including mandatory sinking fund redemption) on the Bonds, being, with respect to the Series 2011 Bonds, August 1 of each year to which reference is made, and, with respect to Additional Bonds, the dates set forth in a Supplemental Trust Agreement.

“Prior Bonds” means the following outstanding bonds issued by the County: Taxable Pension Funding Bonds, Series 1995A (the “1995A Bonds”); Taxable Pension Funding Bonds, Series 1995B (Variable Rate) and Series 1995C (Variable Rate) (the “1995 B/C Bonds”); Taxable Pension Funding Bonds, Refunding Series 2003B (the “2003B Bonds”); Taxable Pension Funding Bonds, Series 2004C-3 (the “2004C-3 Bonds”); Taxable Pension Funding Bonds, Refunding Series 2008 (the “2008 Bonds”) and Taxable Pension Funding Bonds, Refunding Series 2009 (the “2009 Bonds”, and collectively with the 1995A Bonds, 1995 B/C Bonds, 2003B Bonds, 2004C-3 Bonds and 2008, the “Prior Outstanding Bonds”) and additional bonds pursuant to and for the purposes specified in certain of the indentures or trust agreements related to the Prior Outstanding Bonds (the “Additional Prior Bonds” and, collectively with the Prior Outstanding Bonds, the “Prior Bonds”).

“Prior Swaps” means the interest rate swaps entered into by the County in connection with certain of the Prior Bonds, including the following: ISDA Master Agreement, U.S. Municipal Counterparty Schedule to the Master Agreement and Credit Support Annex to the Schedule to the Master Agreement, each dated as of October 22, 2008, and each between Deutsche Bank AG, New York Branch (the “1995B/C Swap Provider”) and the County and a Confirmation, dated June 30, 2009, between the 1995B/C Swap Provider and the County in connection with the 1995B/C Bonds (collectively, the “1995B/C Swap”); ISDA Master Agreement, U.S. Municipal Counterparty Schedule to the Master Agreement and Credit Support Annex to the Schedule to the Master Agreement, each dated as of July 21, 2004, and each between Merrill Lynch Capital Services, Inc. (the “2008 Swap Provider”) and the County and a Confirmation, dated July 21, 2004, between the 2008 Swap Provider and the County in connection with the 2008 Bonds (collectively, the “2008 Swap”); and ISDA Master Agreement, U.S. Municipal Counterparty Schedule to the Master Agreement and Credit Support Annex to the Schedule to the Master Agreement, each dated as of June 22, 2006, and each between Morgan Stanley Capital Services Inc. (the “2009 Swap Provider”) and the County and a Confirmation, dated June 22, 2006, between the 2009 Swap Provider and the County in connection with the 2009 Bonds (collectively, the “2009 Swap” and collectively with the 1995B/C Swap and 2008 Swap, the “Prior Swaps”).

“Rating Agencies” means Fitch, Moody’s and Standard & Poor’s, but in each case only to the extent that any of them is then rating the Bonds at the request of the County.

“Retirement Law” means the County Employees Retirement Law of 1937, consisting of Chapter 3 of Division 4 of Title 3 of the Government Code of the State of California.

“Serial Bonds” means Bonds for which no sinking fund payments are provided.

“Standard & Poor’s” or “S&P” means Standard & poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the County.

"State" means the State of California.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the County and the Trustee amendatory of the Trust Agreement or supplemental thereto; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Swaps" means any interest rate swap, cap, collar, floor, option, put, call or similar hedge entered into by the County in connection with or incidental to the issuance or carrying of any Prior Bonds or Bonds.

"System" means the Sacramento County Employees' Retirement System.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trust Agreement" means the Trust Agreement, dated as of September 1, 2011, between the County and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

"Variable Rate Demand Bonds" means a Bond in substantially the form attached to the Trust Agreement as Exhibit F, as such Exhibit may be amended by a Supplemental Trust Agreement.

"Written Request of the County" means an instrument in writing signed by the Chair of the Board of Supervisors, Director of Finance, Chief Operations Officer or by any other officer of the County duly authorized by the Board of Supervisors of the County in writing to the Trustee for that purpose.

Equal Security

In consideration of the acceptance of the Bonds by the Holders thereof, the Trust Agreement shall be deemed to be and shall constitute a contract among the County, the Trustee and the Holders from time to time of all Bonds authorized, executed, issued and delivered under the Trust Agreement and then Outstanding to provide for the payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained in the Trust Agreement; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the County shall be for the equal and proportionate benefit, protection and security of all Holders of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

Additional Bonds

The County may at any time issue Additional Bonds, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The County shall be in compliance with all agreements and covenants contained in the Trust Agreement.

(b) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Trust Agreement which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied for any of the following purposes: (i) refunding Prior Bonds and/or Bonds, (ii) paying termination costs of Prior Swaps and/or Swaps, (iii) paying costs incidental to or connected with the Prior Bonds, the Bonds and/or the issuance of Additional Bonds, and/or (iv) paying costs incidental to or connected with the termination of Prior Swaps and/or Swaps;

(2) The authorized principal amount of such Additional Bonds;

(3) Whether such Bonds are Current Interest Fixed Rate Bonds, Capital Appreciation Bonds, Convertible Capital Appreciation Fixed Rate Bonds, Convertible Capital Appreciation Index Bonds, Index Bonds, Variable Rate Demand Bonds or such other Mode or type of Bond as described in the Supplemental Trust Agreement;

(4) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(5) The Interest Payment Dates for such Additional Bonds;

(6) The denomination or denominations of such Additional Bonds;

(7) The redemption premiums, if any, and the redemption and tender terms, if any, for such Additional Bonds; and

(8) Such other provisions as are necessary or appropriate and not inconsistent with the Trust Agreement.

Debt Service Fund; Bond Fund; Deposits to Debt Service Fund and Bond Fund

Under the Trust Agreement, on or before July 31 of each Fiscal Year (or such other date as provided in a Supplemental Trust Agreement) the County shall deposit or cause to be deposited in the "Debt Service Fund"(which fund is created to be maintained by the Director of Finance of the County in the County treasury), the amount which, together with moneys transferred pursuant to the Trust Agreement, is sufficient to pay the County's debt service obligations on the Bonds payable during such Fiscal Year. In addition, in the event debt service is payable on the Bonds in July of any year, the deposit made pursuant to the Trust Agreement shall also include an amount equal to debt service on the Bonds payable in July of the next succeeding Fiscal Year.

For purposes of making the deposit required by the Trust Agreement, the interest rate on Bonds for periods in which the actual interest rate is not known shall be equal to an assumed rate determined in the discretion of the County unless otherwise specified in a Supplemental Trust Agreement.

On or before the last Business Day preceding any Interest Payment Date or Principal Payment Date the Director of Finance of the County shall withdraw from the Debt Service Fund and deposit with the Trustee in immediately available funds the amount of debt service becoming due on the Bonds on such Interest Payment Date or Principal Payment Date. All amounts payable by the County to the Trustee pursuant to the Trust Agreement shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which fund is created and shall be held in trust by the Trustee.

The Director of Finance of the County may, and upon request of the County shall, create such accounts and subaccounts within the Debt Service Fund as deemed necessary or appropriate for any lawful purpose including, but not limited to, accounting for debt service on any particular series or subseries of Bonds.

Allocation of Moneys in Bond Fund

On or before each Interest Payment Date or Principal Payment Date, the Trustee shall transfer from the Bond Fund, in immediately available funds, for deposit into the following respective accounts (each of which is created and which the Trustee shall maintain in trust separate and distinct from the other funds and accounts established under the Trust Agreement), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of funds sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) Interest Account,

(b) Principal Account, and

(c) Surplus Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Trust Agreement. The Trustee may, and upon request of the County shall, create such subaccounts within the Bond Fund or any account therein as deemed necessary or appropriate for any lawful purpose including, but not limited to, accounting for debt service on any particular series or subseries of Bonds.

(a) <u>Interest Account</u>. On or before each Interest Payment Date the Trustee shall set aside from the Bond Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date, as the case may be.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each Principal Payment Date the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date into the respective sinking fund accounts for all Outstanding Term Bonds and the Aggregate Principal Amount of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the Aggregate Principal Amount of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

In the event Term Bonds are issued, the Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity, designated as the "_____ Sinking Account" (each a "Sinking Account"), inserting therein the series and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Trust Agreement or the related Supplemental Trust Agreement, as the case may be; provided that, at any time prior to selection of Term Bonds for such redemption, the Trustee may upon the Written Request of the County, apply moneys in such Sinking Account to the purchase for cancellation of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the County, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such mandatory sinking account payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full Aggregate Principal Amount thereof, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Accreted Value of the Bonds as they shall become due and payable, whether at maturity or redemption, except that any money in any Sinking Account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

(c) Surplus Account. (i) On the Business Day following the latest Interest Payment Date or Principal Payment Date of each Fiscal Year, any moneys remaining in the Bond Fund shall be deposited by the Trustee in the Surplus Account. The Trustee shall also transfer to the Surplus Account any other amounts deposited by the County with the Trustee for such purpose.

(ii) Amounts in the Surplus Account shall be used for the following purposes, in the following order of priority:

(a) If after any transfer required to be made from the Bond Fund to the Interest Account and the Principal Account in accordance with the Trust Agreement there exists any deficiency in any account in the Bond Fund, the Trustee shall promptly transfer funds from the Surplus Account to the applicable Account to make up such deficiency, to the extent of funds in the Surplus Account.

(b) If on any Interest Payment Date or Principal Payment Date amounts in the Bond Fund are insufficient to make the payment of interest or principal or Accreted Value due on such date, the Trustee shall promptly transfer from the Surplus Account to the appropriate account in the Bond Fund an amount sufficient, to the extent of funds in the Surplus Account, to make such payment.

(iii) Any funds remaining in the Surplus Account on the final maturity date of the Bonds shall be transferred by the Trustee to or upon the order of the County, as specified in a Written Request of the County, provided all of the County's obligations under the Trust Agreement are then otherwise satisfied.

(iv) At the option of the County, the County may, as provided in a written notice to the Trustee, from time to time deposit moneys with the Trustee for transfer to the Surplus Account. In the event amounts in the Surplus Account will not be sufficient to make the transfers from the Surplus Account to the Bond Fund required by the Trust Agreement, the Trustee shall give the County written notice of such deficiency on the same day a transfer required by such subparagraph (c)(ii)(a) is required to be made and not less than six (6) Business Days prior to the date a transfer required by such subparagraph (c)(ii)(b) is required to be made, and the County shall deposit the amount of such deficiency with the Trustee not more than three (3) Business Days after the County receives such notice. Upon receipt of such amount from the County, the Trustee shall deposit such amount in the Surplus Account and promptly thereafter transfer such amount to the Bond Fund to the extent necessary to make up any deficiency.

Deposit and Investments of Money in Accounts and Funds

All money held by the Trustee pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the County filed with the Trustee at least two Business Days in advance of the making of such investment. If no Written Request of the County is received, the Trustee shall invest funds held by it in Permitted Investments described in clause 8 of the definition thereof. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. All interest, profits and other income received from any money so invested shall be deposited in the Bond Fund. The Trustee shall have no liability or responsibility for any loss resulting from any investment made or sold in accordance with the provisions of the Trust Agreement, except for any loss due to the negligence or willful misconduct of the Trustee. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charge therefor. The Trustee may act as depository, manager, advisor or sponsor with regard to any Permitted Investment under the Trust Agreement.

Punctual Payment and Performance

The County will punctually pay the interest on and the principal and Accreted Value of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the County contained in the Trust Agreement and in the Bonds.

Extension of Payment of Bonds

The County shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Trust Agreement, to the benefits of the Trust Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the County to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Additional Debt

The County expressly reserves the right to enter into one or more other agreements or indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds

The County is duly authorized pursuant to law to issue the Bonds and to enter into the Trust Agreement. The Bonds and the provisions of the Trust Agreement are the legal, valid and binding obligations of the County in accordance with their terms. The Bonds constitute obligations imposed by law. In the event the County fails to deposit with the Trustee the amounts required to pay principal of and interest on the Bonds within thirty days of the commencement of each Fiscal Year, in accordance with Section 31584 of the Retirement Law, the County Auditor shall forthwith transfer funds from the County Treasury to the Trustee to the extent necessary to pay the principal of and interest coming due on the Bonds on such Interest Payment Date.

Accounting Records and Reports

The County will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of moneys on deposit in the funds and accounts established under the Trust Agreement.

Prosecution and Defense of Suits

The County will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent involving the failure of the County to fulfill its obligations under the Trust Agreement; provided that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding.

Further Assurances

Whenever and so often as reasonably requested to do so by the Trustee or any Holder, the County will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them.

Waiver of Laws

The County shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Trust Agreement or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the County to the extent permitted by law.

Continuing Disclosure

The County covenants and agrees that it will comply with and carry out all of the provisions of each Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the County or the Trustee to comply with any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the request of any Participating Underwriter (as defined in the related Continuing Disclosure Certificate) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds to which such Continuing Disclosure Certificate relates, upon receipt of satisfactory indemnification, or any Bondholder or Beneficial Owner of such Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Trust Agreement. For purposes of this paragraph, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds to which the Continuing Disclosure Certificate relates (including persons holding such Bonds through nominees, depositories or other intermediaries).

The Trustee

The Bank of New York Mellon Trust Company, N.A., shall serve as the Trustee for the Bonds for the purpose of receiving all money which the County is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment at the Corporate Trust Office of the Trustee with the rights and obligations provided in the Trust Agreement. The County agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or San Francisco, California.

The County may at any time, unless there exists any event of default as defined in "Events of Default and Acceleration of Maturities" below, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a national banking association bank or trust company having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars ($50,000,000) and subject to supervision or examination by federal or state authority. If such national banking association bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such national banking association bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the County and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the County shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

The Trustee is authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the County and shall destroy such Bonds and (upon the written request of the County) a certificate of destruction shall be delivered to the County. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

The Trustee shall, prior to an event of default, and after the curing of all events of default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement and no implied duties or obligations shall be read into the Trust Agreement. The Trustee shall, during the existence of any event of default (that has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Liability of Trustee

The recitals of facts, agreements and covenants in the Trust Agreement and in the Bonds shall be taken as recitals of facts, agreements and covenants of the County, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreement or of the Bonds, or shall incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence, willful misconduct or breach of duty.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and such Holder's title thereto satisfactorily established, if disputed.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in Aggregate Principal Amount of the Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Bondholders pursuant to the provisions of the Trust Agreement unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Holders for the payment of interest on, principal of or redemption premium, if any, with respect to the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties under the Trust Agreement.

The Trustee shall not be deemed to have knowledge of any event of default unless and until an officer at the Trustee's Corporate Trust Office responsible for the administration of its duties under the Trust Agreement shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its Corporate Trust Office. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Trust Agreement or of any of the documents executed in connection with the Bonds, or as to the existence of a default or event of default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

The Trustee may execute any of the trusts or powers under the Trust Agreement or perform any duties under the Trust Agreement either directly or by or through attorneys-in-fact, agents or receivers, shall not be answerable for the negligence or misconduct or any such attorney-in-fact, agent or receiver appointed by it in accordance with the standards specified above. The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty under the Trust Agreement.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions of the Trust Agreement.

Whether or not therein expressly so provided, every provision of the Trust Agreement, or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of the Trust Agreement.

The Trustee shall be protected in acting upon any notice, resolution, requisition, request (including any Written Request of the County), consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the County, with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the County, which certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Trust Agreement, or in the exercise of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it under the Trust Agreement at its prime rate plus two percent.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

All immunities, indemnifications and releases from liability granted to the Trustee shall extend to the directors, employees, officers and agents thereof.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in the Trust Agreement, shall be the successor to the Trustee under the Trust Agreement and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor under the Trust Agreement, without the execution or filing of any paper or further act, anything in the Trust Agreement to the contrary notwithstanding.

The Trustee shall not be liable to the parties thereto or deemed in breach or default under the Trust Agreement if and to the extent its performance under the Trust Agreement is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The permissive right of the Trustee to do things enumerated in the Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

The Trustee shall be entitled to rely upon any investment directions from the County as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State.

Amendment of the Trust Agreement

The Trust Agreement and the rights and obligations of the County and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in Aggregate Principal Amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, or extend the time of payment on any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the County and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law, for any one or more of the following purposes --

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the County other agreements and covenants thereafter to be performed by the County, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Trust Agreement to or conferred therein on the County;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in any Supplemental Trust Agreement or in regard to questions arising under the Trust Agreement which the County may deem desirable or necessary and not inconsistent herewith;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement;

(d) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute;

(e) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement pertaining to the terms or operations of interest on the Bonds at a variable rate, as the County may deem necessary or desirable in order to conform to common market practices for such bonds;

(f) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Indenture as may be appropriate or necessary to provide for any liquidity facility or any insurance policy, letter of credit, guaranty, surety bond, line of credit, revolving credit agreement, standby bond purchase agreement or other agreement or security device delivered to the Trustee and providing for (i) payment of the principal, Accreted Value, interest and redemption premium on any Bonds or any portion thereof, (ii) payment of the tender price of any Bonds or (iii) both (i) and (ii);

(g) to make any changes required by a Rating Agency in order to obtain or maintain a rating for any of the Bonds;

(h) to make any modification or amendment relating to particular Bonds which will be effective upon remarketing of such Bonds following mandatory tender of such Bonds; or

(i) to modify, amend or supplement the Trust Agreement or any Supplemental Trust Agreement in any manner that does not materially adversely affect the interest of holders of Bonds.

The Trustee shall not be required to enter into or consent to any supplemental trust agreement which, in the sole judgment of the Trustee, may adversely affect the rights, obligations, powers, privileges, indemnities and immunities provided the Trustee in the Trust Agreement.

Events of Default and Acceleration of Maturities

If one or more of the following events (called "events of default") shall happen, that is to say:

(a) if default shall be made by the County in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the County in the due and punctual payment of the principal or Accreted Value of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the County in the performance of any of the agreements or covenants required in the Trust Agreement to be performed by the County, and such default shall have continued for a period of sixty (60) days after the County shall have been given notice in writing of such default by the Trustee, the Holders of not less than twenty-five (25%) in Aggregate Principal Amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Holders shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected; or

(d) if the County shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the County seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the County or of the whole or any substantial part of its property; or

then and in each and every such case during the continuance of such event of default the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in Aggregate Principal Amount of the Bonds then Outstanding shall, by notice in writing to the County, declare the Aggregate Principal Amount of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained herein or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing.

This provision, however, is subject to the condition that if at any time after the Aggregate Principal Amount of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the County shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal and Accreted Value of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal and Accreted Value of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than fifty-one percent (51%) in Aggregate Principal Amount of Bonds then Outstanding, by written notice to the County and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration

All moneys in the accounts and funds provided in the Trust Agreement upon the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement and all amounts in the funds and accounts thereafter received by the Trustee under the Trust Agreement shall be transmitted to the Trustee and shall be applied by the Trustee in the following order--

First, to the payment of the costs and expenses of the Trustee in providing for the declaration of such event of default, including reasonable compensation to its accountants and counsel, if any, in carrying out the provisions of the Trust Agreement, and any outstanding fees and expenses of the Trustee and then to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal or Accreted Value, with (to the extent permitted by law) interest on the overdue interest and principal or Accreted Value at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal or Accreted Value and (to the extent permitted by law) interest on overdue interest and principal or Accreted Value without preference or priority among such interest, principal or Accreted Value and interest on overdue interest and principal or Accreted Value ratably to the aggregate of such interest, principal or Accreted Value and interest on overdue interest and principal or Accreted Value.

Institution of Legal Proceedings by Trustee

If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in Aggregate Principal Amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power in the Trust Agreement granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Non-Waiver

Nothing in the Trust Agreement or in the Bonds shall affect or impair the obligation of the County, which is absolute and unconditional, to pay the interest on and principal or Accreted Value of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption as provided in the Trust Agreement, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by the Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the County, the Trustee and any Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Actions by Trustee as Attorney-in-Fact

Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is appointed (and the successive Holders, by taking and holding the Bonds issued under the Trust Agreement, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Limitation on Bondholders' Right to Sue

No Holder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in the Trust Agreement; (b) the Holders of at least a majority in Aggregate Principal Amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the equal benefit of all Holders of the Outstanding Bonds.

Absolute Obligation of County

Nothing contained in the Trust Agreement or in the Bonds shall affect or impair the obligation of the County, which is absolute and unconditional, to pay the principal or Accreted Value of, premium, if any and interest on the Bonds to the respective Holders of the Bonds at their respective due dates as provided in the Trust Agreement.

Discharge of Bonds

If the County shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal or Accreted Value thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, and shall pay or provide for the payment of all fees and expenses of the Trustee, then all agreements, covenants and other obligations of the County to the Holders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the County all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the County all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal or Accreted Value of and redemption premiums, if any, on such Bonds.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the paragraph above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of such redemption in accordance with the Trust Agreement or a Supplemental Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Permitted Investments of the type described in clause (1) of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book-entry form on the books of the County or the Treasury of the United States of America) or tax exempt obligations of a state or political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Permitted Investments and which are then rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant in the case of a deposit of Permitted Investments, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal or Accreted Value of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the County shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Unclaimed Money

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the County, the Trustee shall at the request of and the expense of the County, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in Los Angeles and in San Francisco, California and in the same or a similar Financial Newspaper of general circulation in New

York, New York a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the County.

Benefits of the Trust Agreement Limited to Parties

Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the County, the Trustee and the Holders any right, remedy or claim under or by reason of the Trust Agreement. Any agreement or covenant required in the Trust Agreement to be performed by or on behalf of the County or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

Waiver of Personal Liability

No member, officer or employee of the County shall be individually or personally liable for the payment of the interest on or principal or Accreted Value of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing contained in the Trust Agreement shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or the Trust Agreement.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Supervisors,
County of Sacramento
Sacramento, California

County of Sacramento
Taxable Pension Obligation Bonds, Series 2011A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Sacramento (the "County") in connection with the issuance of $183,365,000 aggregate principal amount of County of Sacramento Taxable Pension Obligation Bonds, Series 2011A (the "Bonds"), issued pursuant to a Trust Agreement, dated as of September 1, 2011 (the "Trust Agreement"), between the County and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement; opinions of counsel to the County and the Trustee; certificates of the County, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement. We call attention to the fact that the rights and obligations under the Bonds and the Trust Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement dated September 22, 2011, or other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing and the default judgment rendered on August 11, 2011, by the Superior Court of the County of Sacramento in the action entitled County of Sacramento v. All Persons Interested, etc., No. 34-2011-00102295, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the County.

2. The Trust Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the County.

3. Interest on the Bonds is exempt from State of California personal income taxes. We observe that interest on the Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

FORM OF DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Sacramento (the "County") in connection with the issuance of its $183,365,000 Taxable Pension Obligation Bonds, Series 2011A (the "Series 2011 Bonds"). The Series 2011A Bonds are being issued pursuant to a Trust Agreement, dated as of September 1, 2011 (the "Initial Trust Agreement"), between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). In connection therewith the County covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriters (as defined herein) in complying with SEC (as defined herein) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this section, the following capitalized terms shall have the following meanings.

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" means the "final official statement," as defined in paragraph (f)(3) of the Rule, relating to the Bonds, dated September 22, 2011.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of California.

"Underwriter" shall mean the underwriters of the Bonds listed on the cover page of the Official Statement required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The County shall, not later than 210 days after the end of the County's Fiscal Year (presently June 30), commencing with the report for the 2010-2011 Fiscal Year, provide to the MSRB through EMMA an Annual Report (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the County is unable to provide an Annual Report to the MSRB by the date required in subsection (a), the County shall send to the MSRB a notice in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the County for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, that if the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An annual updating of the following tables contained on the following pages of Appendix A to the Official Statement:

1. Sacramento County Investment Pool (page A-43)

2. County of Sacramento –General Fund (page A-24)

3. Assessed Valuations (page A-28)

4. History of Assessed Valuations (page A-29)

5. Countywide Secured Tax Levies, Delinquencies and Collections (page A-31)

6. Largest Secured Taxpayers (page A-32)

7. Lease Obligations (page A-62)

8. Pension Obligation Bonds (A-64)

9. Other County General Fund Obligations (page A-67)

10. County of Sacramento Aggregate Debt Service - Current Outstanding Debt-Certificates of Participation Only (page A-68)

11. County of Sacramento Aggregate Debt Service - Current Outstanding Debt-Pension Obligation Bonds and Certificates of Participation. (page A-69)

12. Variable Rate Debt - Interest Rate Swaps (page A-74)

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bond;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsection (b), the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the County determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the County shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(e) In addition, as long as any of the Series 2011 Bonds maturing on August 1, 2020, August 1, 2021 and August 1, 2023 (the "Insured Bonds") remain outstanding, the County shall also send a copy of all Annual Reports, and any notices filed pursuant to this Disclosure Certificate, to Assured Guaranty Municipal Corp., which has issued a municipal bond insurance policy with respect to the Insured Bonds, to the address provided by Assured Guaranty Municipal Corp. pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Bonds, or (b) if, in the opinion of nationally recognized bond counsel, the County ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Bonds or the Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided, that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally-recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Underwriter and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: September 28, 2011. COUNTY OF SACRAMENTO

By: ____
Chief Operations Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of County:	COUNTY OF SACRAMENTO
Name of Issue:	$183,365,000 COUNTY OF SACRAMENTO TAXABLE PENSION OBLIGATION BONDS, SERIES 2011A
Date of Issuance:	September 28, 2011

NOTICE IS HEREBY GIVEN that the County of Sacramento has not provided an Annual Report with respect to the above-named Bonds as required by a Trust Agreement, dated as of September 1, 2011 (the "Trust Agreement"), between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The County anticipates that the Annual Report will be filed by ____.

Dated: ________________________________

COUNTY OF SACRAMENTO

By____

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APPENDIX G

FORM OF MUNICIPAL BOND INSURANCE POLICY FOR INSURED BONDS

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

Form 500NY (5/90)

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COUNTY OF SACRAMENTO • TAXABLE PENSION OBLIGATION BONDS, SERIES 2011A

MIX
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