

A DEPARTMENT OF THE COUNTY OF SACRAMENTO • SACRAMENTO, CALIFORNIA

# Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2008



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# Comprehensive Annual Financial Report

For the  
Sacramento County Airport System

A Department of the County of Sacramento, California

For the Fiscal Years Ended  
June 30, 2008 and 2007

Prepared by:  
Sacramento County Airport System  
Finance and Administration Division

Patrice Dutcher, CPA  
Chief of Accounting

Claire Stetson  
Accounting Manager

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# Sacramento County Airport System

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## Introductory Section

This section contains the following subsections:

Airport Locations and Service Area

Certificate of Achievement

Transmittal Letter

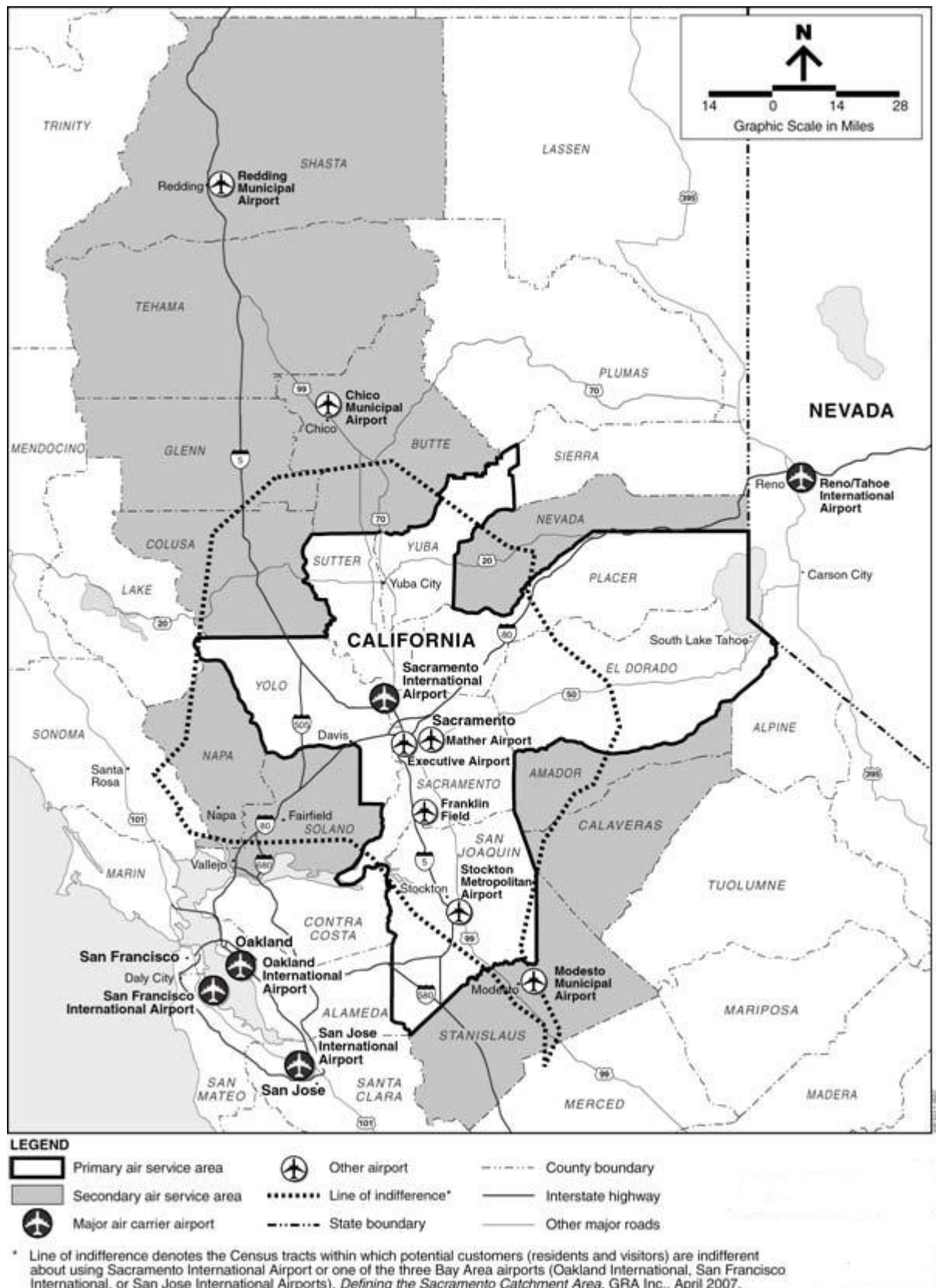
Organizational Chart

List of Principal Officials

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# Airport Locations and Service Area



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento County  
Airport System, California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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



President

Executive Director



## County of Sacramento

December 18, 2008

To The Public:

The Comprehensive Annual Financial Report for the Sacramento County Airport System (Airport System), for the fiscal years ended June 30, 2008 and 2007, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Airport System. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the funds of the Airport System. All disclosures necessary to enable the reader to gain an understanding of the Airport System's financial activities have been included.

The Government Finance Officers Association (GFOA), under its certificate program, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Airport System's MD&A can be found prior to the report of the independent auditor.

The County of Sacramento is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." The Airport System, as a department of the County, is included in the scope of the County's audit. Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs, and independent auditor's report on internal controls and tests of compliance with applicable laws, regulations, and contracts and grants is included in the County's Comprehensive Annual Financial Report.

### PROFILE OF THE GOVERNMENT

The Airport System was created by Sacramento County Code in 1963 as a department within the County of Sacramento. The purpose of the Airport System is to provide for the efficient planning, development and operation of public air transportation facilities in Sacramento County and adjoining areas. The Airport System serves the Sacramento Area, a seven-county primary area consisting of Sacramento, El Dorado, Placer, San Joaquin, Sutter, Yolo and Yuba counties, as well as a large secondary area surrounding the primary area. In addition to promoting the efficient use and development of air transportation, the Airport System is responsible for assuring residents of Sacramento and the immediate surrounding areas of minimal environmental impact from air navigation and transportation.

The Airport System consists of Sacramento International Airport (International), Executive Airport, Mather Airport, and Franklin Field. International is the principal air carrier airport serving the County of Sacramento and a wide region surrounding the County. Executive Airport is a general aviation reliever airport with no scheduled airline service. Mather Airport serves as an air cargo and general aviation facility. Franklin Field is a general aviation reliever airstrip used primarily for training.

## ECONOMIC CONDITIONS AND OUTLOOK

The nationwide demand for aviation is a function of domestic and foreign population and economic growth, airline industry developments, and airport and airspace capacity. Airline traffic at airports that principally service origin-destination passengers is most responsive to local economic and population growth. As a predominantly origin-destination medium-hub airport, International is dependent upon the regional economy and population for the travelers who produce its revenue base.

### Population

Continued expansion of passenger traffic at International is a result of the growing number of businesses and people relocating to the Greater Sacramento Region (El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba counties) along with the ongoing increase in air service being offered. Over 2.3 million people resided in the Greater Sacramento Region in 2007, an increase of over 200,000 residents since 2003.

The Greater Sacramento Region's population is on track to exceed 2.4 million by 2018. The growth rate is expected to surpass that of nearly all other metropolitan areas in California as well as the State in general.

### Employment

Employment opportunities continue to help stimulate population growth in the Greater Sacramento Region. Despite statewide and national economic instability over the past four years, non-farm employment opportunities in the Greater Sacramento Region increased by over 28 percent since 1997 to almost 950,000 jobs according to the Sacramento Regional Research Institute (SRRI). The stability is partially attributed to the available labor force and the location of the California State Capitol in the heart of the region.

Government employment, the largest single employment sector in the Greater Sacramento Region, comprises over 27 percent of the region's employment (247,100 jobs in 2007). Federal, State, and local agencies all require a wide variety of skills to keep the region and State running.

According to SRRI, Transportation and Utilities is the second largest sector (17 percent) of employment in the Greater Sacramento Region. It is followed by the Professional and Business Services sector (11 percent).

### Housing

Affordable housing is a major attraction for businesses and the workers they employ. According to the California Association of Realtors, the median price for a single-family home in Sacramento County in June 2008 was \$220,630. The California median price for a single family-home was \$368,250 during the same month, continuing to demonstrate the County's affordability in comparison to the State, as a whole.

### Business Growth

The Greater Sacramento Region is one of the most attractive locations in which to do business in the western United States. Few inland metropolitan areas can boast a major airport, an airport specializing primarily in air cargo, a deep-water port, a transcontinental rail line and several interstate freeways. Comparatively inexpensive business costs, plentiful skilled labor, abundant water supply, quality of life and proximity to the San Francisco Bay Area create an outstanding business climate.

The Greater Sacramento Region has recently experienced the lowest level of job growth since the early 1990s due to the crisis in housing sectors and slow gains in the public sector. In consequence the financial and construction sectors have had near stagnant employment growth (0.3 percent according to SRRI).

### Air Service

An integral component in a region's economic growth is the availability of accessible, affordable, and convenient air transportation service. International Airport, as the chief point of entry for many of the Greater Sacramento Region's business, government, and leisure travelers, as well as some air cargo shipments, is well suited to meet these demands for economic activity.

### Passenger Traffic

During fiscal year 2008, total passengers decreased 0.2 percent at International. Approximately 10.6 million total passengers (enplaning and deplaning) chose International during fiscal year 2008.

Fourteen major carriers serving Sacramento had 175 daily departures in June 2008. The busiest carrier at International is Southwest Airlines (81 daily nonstop flights), followed by United Express (13 daily nonstop flights), Express Jet (12 daily nonstop flights), United Airlines (12 daily nonstop flights), and U.S. Airways (9 daily nonstop flights). Over 168,000 operations (takeoffs and landings) occurred at International during fiscal year 2008 on parallel runways that can accommodate up to 400,000 operations per year.

Approximately two-thirds of the passenger traffic at International is concentrated in the 13-gate Terminal A. The terminal has an ultimate build-out potential of 22 gates. Southwest Airlines, serving over five million passengers, comprises the majority of passenger traffic in Terminal A. US Airways, the airport's third-largest carrier, served over 580,000 passengers. Other airline tenants in Terminal A include Air Canada Jazz, Delta and Hawaiian Airlines.

The 13-gate Terminal B complex houses United Airlines, the second largest carrier at International (more than 800,000 passengers) and Alaska Airlines, the fifth-largest carrier (over 450,000 passengers). Other airline tenants in Terminal B include American, Continental, ExpressJet, Horizon, JetBlue, Aloha, Frontier, and Mexicana.

Passenger traffic at International is expected to increase over the coming years with the addition of new carriers, additional flights, and the execution of the Sacramento International Airport Master Plan and Terminal Modernization Program that will position International to handle growth effectively.

### Air Cargo Traffic

Air cargo is comprised of airfreight and airmail. Airfreight services facilitate business activity for many sectors in the Sacramento area including the following: banking, computer, entertainment, health care, high-technology, and telecommunications. Local companies that are supported by airfreight activity include American Express, Bank of America, Corporate Express, Hewlett-Packard, IBM, Intel, Lucent, NEC Electronics and Oracle, as well as the U.S. Postal Service. In addition, growth of on-line purchasing has increased the number of customers who utilize airfreight on a regular basis. Such activities are driving the demand for shipments of just-in-time airfreight, a business strategy that has helped companies decrease inventory-to-sales ratios and improve customer service.

During fiscal year 2008, airlines and freight-only carriers transported over 344 million pounds of air cargo (airfreight and airmail combined) through both Mather Airport and International, compared to 313 million pounds the previous year.



### Master Plan 2020

On February 17 and 24, 2004 the Sacramento County Board of Supervisors directed the County's Department of Environmental Review and Assessment to initiate the environmental review process on the drafts of the Mather Airport Master Plan and Sacramento International Airport Master Plan and Terminal Concept E2 for the recommended Terminal Modernization Program, respectively. Sacramento County Airport System staff and consultants worked with the community through an extensive series of public workshops and meetings during the master planning process. Future demands for service at each airport were assessed and alternatives for new and expanded facilities were developed and evaluated in each master plan.

The Sacramento International Airport Master Plan work effort was temporarily suspended following September 11, 2001 and resumed December 2002. The completed draft of the master plan entered the design phase mid fiscal year 2003. The County Board of Supervisors approved the Sacramento International Airport Master Plan on August 7, 2007 and certified that the Final Environmental Impact Report required by the California Environmental Quality Act as adequate and complete. The Airport System received a Finding of No Significant Impact- Record of Decision for the National Environmental Protection Act Environmental Assessment for the Terminal Modernization Program in April of 2008. The plan prepares International for the future with a three-phased Capital Improvement Program (CIP) that has an anticipated completion date of 2020. Near-term and immediate-term plans include airfield improvements and the construction of the new terminal complex with expected completion in 2011.

The Mather Airport Master Plan began June 2001 and also was affected by the events of September 11, 2001, but has entered the environmental review phase. The draft plan includes extension of the north runway. Upon completion of the environmental review process for Mather Airport, the Board of Supervisors will take formal action to approve the master plan.

### The Big Build

The Airport System's \$1.02 billion CIP for fiscal year 2009 is anticipated to be financed by retained earnings, airport revenue bonds, Passenger Facility Charge revenues, and federal and State grants. The program's priorities are based on public safety, regulatory requirements, customer service and operational enhancements.

A new CIP for fiscal years 2009-2013 has been developed, with an estimated cost of approximately \$1.3 billion (including \$1.02 billion for fiscal year 2009). The largest component of the CIP, the Terminal Modernization Program, has begun construction since receiving the record of decision as discussed earlier. The proceeds of bonds issued in 2008 as well as future bonds together with other funding sources such as Passenger Facility Charge proceeds, federal grants and Airport System cash flows from operations will be used for the new terminal program.

## **MAJOR INITIATIVES**

During fiscal year 2008, certain facility expansion and upgrade projects at International proceeded to a limited degree pending completion of the environmental review of the airport's Draft Master Plan and Terminal Concept E2 for the recommended Terminal Modernization Program. Projects the Airport System did undertake included: East Apron expansion, relocation of the refuse collection area, cargo security area enhancements, air-cargo building re-roof, ARFF remodel and expansion, installation of the Integrated Electronic Aviation System, Mather hangar and runway upgrades, repair and replacement of main fire sprinkler pumps and manifold at Mather, and Executive north commercial ramp pavement improvements.

**Project Financing**—The primary funding sources for capital expenses during fiscal year 2008 were Airport System cash flows from operations, Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants, proceeds from the Series 1992 and 2006 Revenue Bonds, and PFC revenues.

The Airport System received \$13.9 million in federal AIP grant funds for projects at International, Executive, Franklin Field, and Mather airports. In addition, the Airport System has received \$1.6 million in State matching grants and other miscellaneous intergovernmental funds. Funding from these grants was used to help finance apron and runway rehabilitation and expansion, , airfield improvement projects at Executive, preparation of the Executive Airport and Franklin Field Master Plans, Mather Airport taxiway and runway rehabilitation, and Hangar 4260 improvements at Mather.

Beginning April 1, 1993, the Airport System was authorized by the FAA to add a \$3.00 Passenger Facility Charge (PFC) to the price of all tickets purchased for travel out of International. PFCs are imposed on enplaned passengers by airport operators—collected by airlines—for the purpose of generating revenue for airport projects that increase capacity, increase safety, enhance airline competition or mitigate noise impact. On October 31, 2001, as a result of the Airport System’s request to increase the fee, the FAA authorized the Airport System to increase the \$3.00 fee to \$4.50 per enplaned passenger, but only for certain eligible projects. This increase was approved through February 1, 2003, at which time the rate returned to \$3.00 per enplaned passenger. On June 25, 2003, the FAA approved the Airport System’s request to increase the level to \$4.50 on the remaining eligible projects, effective September 1, 2003.

The Airport System has received approval from the FAA for PFC applications authorizing \$285 million in PFC collections. To maximize PFC financing potential, the Airport System obtained FAA authority to issue PFC-backed bonds, for which PFC receipts could be used for repayment. The Airport System also received FAA authority in March 2000 to use PFC receipts for partial repayment of revenue bond debt service relating to eligible construction costs of Terminal A. In July 1996, the Airport System issued \$57.3 million in PFC and Subordinated Revenue Bonds, the proceeds of which financed the projects approved under PFC applications number 4 and 5.

During fiscal year 2008, the Airport System received \$26.7 million in PFC receipts, bringing the total PFC receipts and interest received under the approved applications to \$242.9 million. In fiscal year 2008, PFC revenues provided full or partial funding for: Terminal B rehabilitation, apron and runway 16R-34L rehabilitation, and bond debt service payments.

**Concession Program**—Concession revenues derived from retail and food/beverage operations located in airport terminal facilities have grown to represent a major source of non-airline revenues, contributing to the financing of airport operations. Space in Terminal A was designed to maximize concession services offered to airport customers while maximizing revenue to the Airport System. Terminal A includes approximately 25,000 square feet of space for retail and food/beverage concepts. This includes a 13,000-square-foot, mall-like retail center that currently contains thirteen shops: PGA Tour, Nelson’s Books and News, Nelsons Travel Company, KidsZoo, Details, Capital Marketplace, Hometown Favorites, Brooks Brothers, InMotion Entertainment, Vino Volo, Massage Bar, Forever Silver, and Butter London. Also included is a 12,000 square-foot food court with a wide range of food choices. Food court restaurants include Burger King, California Pizza Kitchen, CPK Bar, La Salsa, Lemon Grass, Quiznos, Starbuck’s Coffee and Salad Works/Zia. Java City and Home Turf Bar are situated at other locations throughout the terminal. Level 1 of Terminal A also hosts several food establishments including Cinnabon, Sbarro and Starbucks.

During fiscal year 2008 gross sales for Terminal A retail shops were \$10,650,008, providing \$1,263,420 in concession revenues to the Airport System. During fiscal year 2008, gross sales for Terminal A food/beverage outlets were \$15,517,393, providing \$3,578,509 in concession revenues to the Airport System.

During fiscal year 2008, gross sales for Terminal B1 and B2 retail shops were \$4,285,737, providing \$599,921 in concession revenues to the Airport System. Gross sales for Terminal B1 and B2 food/beverage outlets were \$8,564,621, providing \$1,181,290 in concession revenues to the Airport System.

To spur concession sales, a “street pricing” policy is in place to keep both food and merchandise prices at International comparable to those at similar stores and restaurants in the Sacramento area. The concession fees received from the concession program are increasing the revenue base of the Airport System, a self-supporting enterprise.

**Air Quality Improvements**—During fiscal year 2008, the Airport System continued its efforts to reduce emissions through the use of vehicles powered by clean fuels at International. In 2001, the FAA announced that it would fund up to \$2 million for the Inherently Low-Emission Airport Vehicle (ILEAV) program, designed to substantially reduce ozone and carbon monoxide levels at International. This program has been replaced by the Voluntary Airport Low Emission Program (VALE). In addition, a compressed natural gas (CNG) refueling station is on-line at International and over 30 CNG buses have been purchased in the last six years.

The ongoing operation of International’s consolidated rental car facility reduces roadway congestion and vehicle emissions (before the new rental car facility opened each company provided individual shuttle bus service for its customers to and from the terminal facilities). All of International’s jet bridges now feature electric power, eliminating the need for aircraft to utilize polluting auxiliary-powered units.

**Executive Airport**—The ongoing focus at Executive will continue to be infrastructure improvements in order to ensure the operational and financial viability of the airport.

**Mather Airport**— The primary focus is on air cargo, while also serving general aviation users.

Cargo carriers shipped over 169 million pounds of freight through Mather in fiscal year 2008. Other tenants at Mather include government agencies, an aviation law firm, a Fixed Base Operator (FBO), a full-service aviation flight school, a rental car agency, a full-service aircraft maintenance facility, two major air cargo companies and contracted air cargo feeder aircraft.

Compared to International, Mather offers cargo carriers lower costs and more spacious facilities, including longer runways and more cargo, warehouse and office space. At International, the ramp space utilized by former cargo carriers that have relocated to Mather is providing extra capacity to meet the growing demand for passenger air carrier transportation in the Sacramento area.

**Future**—Fiscal year 2008 saw a slight decrease in the number of passengers with a 0.2 % decrease over 2007. During fiscal year 2009, the Airport System expects further decreases in the number of emplaned passengers due to economic conditions. A key goal will also be to maintain the Airport System’s commitment to providing excellent service to customers while continuing to be a good neighbor to the surrounding community.



## FINANCIAL INFORMATION

Management of the Airport System is responsible for establishing internal controls designed to ensure that the assets of the Airport System 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 accounting principles generally accepted in the United States. The 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) the valuation of costs and benefits requires estimates and judgments by management.

For financial accounting purposes and in compliance with Governmental Accounting Standards Board Pronouncements, the Sacramento County Airport System is accounted for as a self-sufficient enterprise fund within the County of Sacramento. The Airport System's accounting records are maintained using the accrual basis of accounting.

**Single Audit**—As a recipient of federal funds and State financial assistance, the Airport System also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management and the internal audit staff of the County.

As part of the County's Single Audit, tests are made to evaluate the effectiveness of certain internal controls, including that portion related to federal award programs, as well as to determine that the Airport System has complied with applicable laws and regulations. The 2006-2007 Single Audit is completed and there were no noted significant deficiencies in the Airport System's internal controls or significant violations of applicable laws and regulations. The fiscal year 2007-2008 single audit is in progress and is anticipated to be completed in the spring of 2009.

The Airport System was authorized to impose a Passenger Facility Charge (PFC) at International effective April 1, 1993. Legislation authorizing the collection of PFCs restricts use of PFC revenue to acquisition of specified assets and prescribes reporting and control requirements. At least annually during the period in which the PFC is collected, held, or used, the Airport System must provide for an audit of its PFC accounts. The audit must be conducted by an independent certified public accountant. The scope of the audit must include evaluation of the Airport System's internal accounting controls to account for the collection and use of PFCs. The auditor must also issue an opinion on whether the quarterly reports fairly represent the transactions within the PFC accounts. The audit can be performed separately for the PFC account, or as part of the Single Audit. For fiscal year 2008, the audit of the Airport System's PFC accounts was performed as a separate audit. The audit has been completed and there were no noted material weaknesses in the Airport System's internal accounting controls or instances of noncompliance with applicable PFC regulations.

**Budgetary Controls**—The Airport System prepares an annual budget to serve as an approved plan for operational control and performance evaluation. State law does not require the formal adoption of an appropriated budget for government enterprise activities. Each year the Airport System prepares an operations budget and a capital budget, which is presented to the County Board of Supervisors for review and approval. The budget, as approved by the Board, serves as the Airport System's basis for operations. The Airport System and County impose controls that require the use of requisitions, purchase orders, contracts and specific approval for purchases of goods and services. Procedures have been established which verify expenses and ensure budgeted amounts are not exceeded. Monthly comparisons of actual to budgeted revenues and expenses may identify significant variances that would require the Airport System to take corrective action.

Certain Airport System budgetary and reporting procedures are stipulated in the Rate Ordinance adopted September 26, 2000 and revised effective July 1, 2008 and the airline agreement, which was terminated effective May 1, 2008. The budgetary and reporting procedures set forth in the Rate Ordinance parallel those procedures agreed to in negotiations with the airlines and contained in the airline agreement. The Rate Ordinance defines the cost base and the methodology to be used in the calculation of airline rental rates, fees and charges.

**Cash Management**—All Airport System cash and investments are maintained in the County Treasurer's pool and fiscal agent pool. The County Treasurer is responsible for managing the investment of pooled cash fund resources.

Cash temporarily idle during the year was invested in certificates of deposit, time certificates, money market funds, commercial paper, repurchase agreements, bankers' acceptances, medium corporate notes and U.S. Treasury investments. The average yield on investments during fiscal year 2008 was 3.84 %. This is comparable to yield rates of 3.10 % for one-year U.S. Treasury notes during the same period.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, bank balances were either insured by the federal deposit insurance corporation, for accounts less than \$100,000, or collateralized. During the fiscal year, all collateral on deposits was held either by the County, its agent or a financial institution's trust department in the County's name.

**Risk Management**—The County maintains all-risk blanket property insurance coverage, which provides limits of liability of \$1.691 billion per occurrence annually. This policy covers real and personal property of the Airport System and contains additional boiler and machinery coverage in the amount of \$100 million per occurrence annually. The Airport System, through the County, maintains an airport operations and hangarkeepers liability insurance policy, which provides limits of liability coverage for up to \$500 million annually. Current premium charges are expensed in the year incurred.

The Airport System participates in the County's self-insurance program for crime, pollution, workers' compensation and unemployment claims. Annual premiums are based primarily upon claims experience. Current premiums are charged to expense in the year incurred.

## AWARDS AND ACKNOWLEDGEMENTS

**Independent Audit**—The financial statements of the Sacramento County Airport System are audited each year by an independent certified public accountant. The accounting firm of Vavrinek, Trine, Day & Co., LLP was selected to perform the fiscal year 2008 audit. The independent auditor's report on the financial statements is included in the financial section of this report.

**Awards**—The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sacramento County Airport System for its comprehensive annual financial report for the fiscal year ended June 30, 2007. 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, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents 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. The Sacramento County Airport System has received a Certificate of Achievement for each of the last 19 years (fiscal years ended 1989-2007). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Acknowledgments—The preparation of the Comprehensive Annual Financial Report on a timely and efficient basis was made possible by the dedicated service of staff in the Accounting Section. Each member of the section has our sincere appreciation for the contributions made in the preparation of this report.

We also wish to thank staff of the Sacramento County Department of Finance for their cooperation and assistance. And in closing, without the leadership and support of the County Executive and the Board of Supervisors, preparation of this report would not have been possible.

Respectfully Submitted,



G. Hardy Acree  
Director of Airports

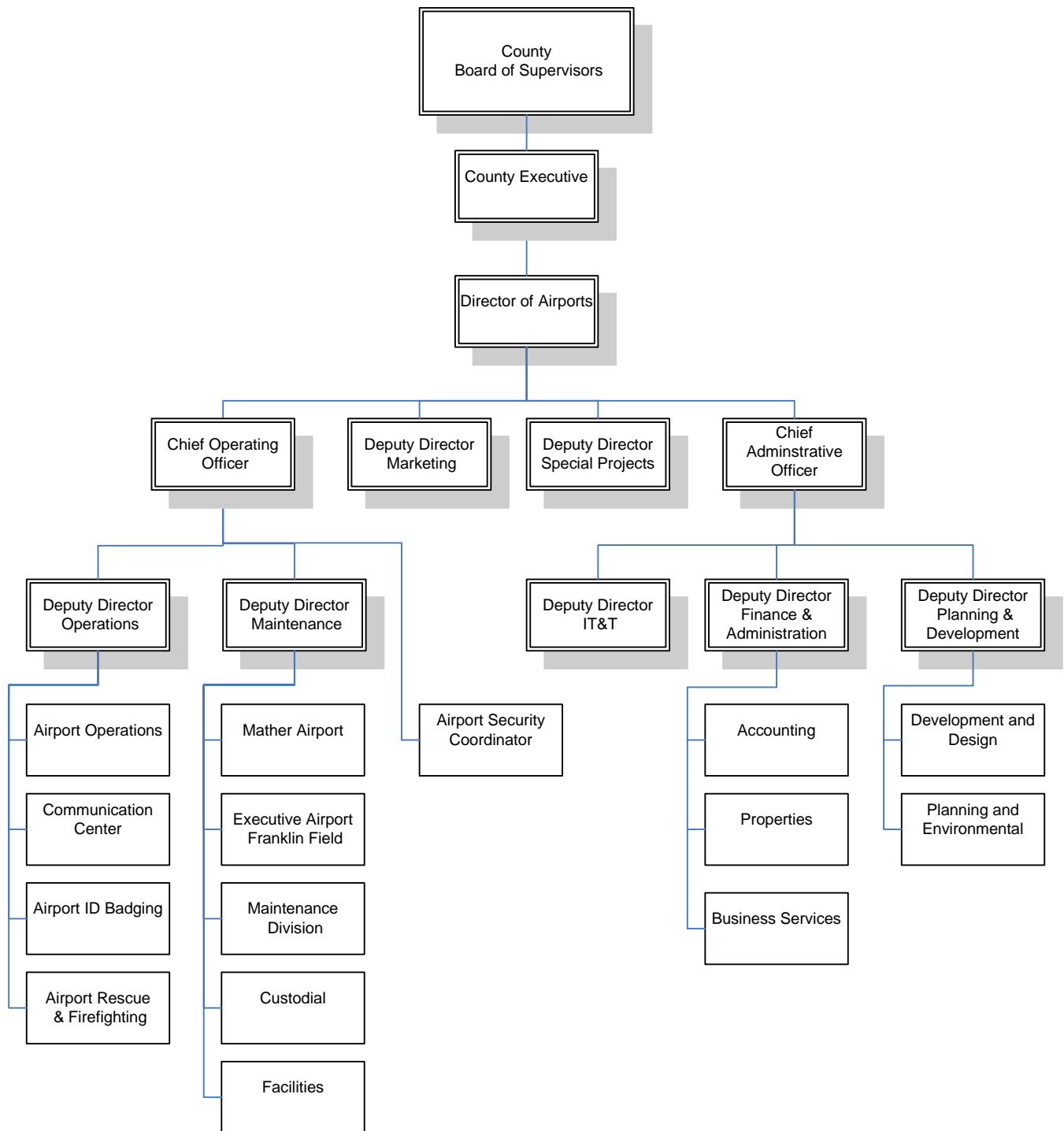


Michael La Pier  
Chief Operating Officer



Lisa Stanton  
Chief Administrative Officer

# Sacramento County Airport System Organizational Chart



# Sacramento County Airport System

## List of Principal Officials At June 30, 2008

### ELECTED:

#### COUNTY BOARD OF SUPERVISORS

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

### APPOINTED:

Terry Schutten.....	County Executive
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#### SACRAMENTO COUNTY AIRPORT SYSTEM

G. Hardy Acree .....	Director of Airports
Michael La Pier .....	Airport Chief Operating Officer
Lisa J. Stanton.....	Airport Chief Administrative Officer
Amanda Thomas .....	Deputy Director, Finance and Administration
Cheryl Marcell .....	Deputy Director, Marketing and Public Relations
Steven L. Baird.....	Deputy Director, Information Technology and Telecommunications
Frederick Greco .....	Deputy Director, Maintenance
Leonard H. Takayama .....	Deputy Director, Special Projects
Barry Rondinella.....	Deputy Director, Operations
Patrice A. Dutcher, CPA .....	Chief of Accounting

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## Financial Section

This section contains the following subsections:

Independent Auditors Report

Management's Discussion and Analysis (Unaudited)

Basic Financial Statements



## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
County of Sacramento, California

We have audited the accompanying financial statements of the Sacramento County Airport System (the Airport), an enterprise fund of the County of Sacramento, California (the County) as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Airport as of June 30, 2007, were audited by other auditors whose report dated November 30, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Airport's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2008, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Airport has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 20 through 25, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Airport's basic financial statements. The introductory, statistical and bond disclosure sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Vannich, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 12, 2008

## Management's Discussion and Analysis (Unaudited)

The following Management's Discussion and Analysis (MD&A) of the Sacramento County Airport System's (Airport System) financial performance provides an introduction to the financial statements for the fiscal years ended June 30, 2008 and 2007. The information contained in this MD&A should be considered in conjunction with the information contained in the Airport System's basic financial statements.

### Financial Highlights

The assets of the Airport System exceeded liabilities for the fiscal year ended June 30, 2008 by \$476,713,159 (net assets). Of this amount, \$117,486,984 (unrestricted net assets) may be used to meet the ongoing obligations of the Airport System, \$203,027,028 was restricted for specific purposes (restricted net assets), and \$156,199,147 was invested in capital assets, net of related debt.

The Airport System's total net assets increased by \$36,491,295 during the fiscal year ended June 30, 2008. This increase was primarily due to operating income of \$966,836; passenger facility charges of \$26,653,518; interest income of \$7,519,233; capital contributions and intergovernmental revenues of \$15,552,906 and was offset by interest expense of \$12,651,944.

### Overview of the Basic Financial Statements

The Airport System's financial statements are prepared using the full accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Airport System is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and, with the exception of land and construction in progress, are depreciated over their useful lives. See the notes to the basic financial statements for a summary of the Airport System's significant accounting policies.

Following this MD&A are the basic financial statements of the Airport System together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Airport System's basic financial statements are designed to provide readers with a broad overview of the Airport System's finances.

The Statement of Net Assets presents information on all the Airport System's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Airport System's financial position.

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the Airport System's net assets changed during the most recent years. 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.

The Statement of Cash Flows relate to the flow of cash and cash equivalents. Consequently, only transactions that affect the Airport System's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

## Management's Discussion and Analysis (Unaudited) (continued)

### Financial Analysis

An indicator of the Airport System's financial position is net assets. As shown below and on the next page, at June 30, 2008 assets exceeded liabilities by \$476.7 million, an increase over the prior year of 8.3%. Restricted net assets are \$203 million or 42.6% of total net assets. Restricted net assets represent resources that are subject to restrictions on how they can be used. Net assets invested in capital assets net of related debt at June 30, 2008 were \$156.2 million or 32.8% of total net assets and represent investment in capital assets, less the related debt outstanding used to acquire those capital assets. The Airport System uses these capital assets to provide services to its passengers and visitors to the Airport System; consequently these assets are not available for future spending. Although the Airport System's investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining portion of net assets is unrestricted, which was \$117.5 million or 24.6% at June 30, 2008 and may be used to meet the Airport System's ongoing obligations. Unrestricted net assets increased during fiscal year 2008, by 20.4%.

### Condensed Statements of Net Assets

	2008	2007	FY08 vs. FY07 % change	2006	FY07 vs. FY06 % change
Assets:					
Current, restricted and other assets	\$ 589,827,740	\$ 291,707,835	102.2%	\$ 267,079,983	9.2%
Capital assets, net	476,972,020	423,622,348	12.6	407,920,270	3.8
Total assets	1,066,799,760	715,330,183	49.1	675,000,253	6.0
Liabilities:					
Current and other liabilities	29,478,700	32,957,658	(10.6)	28,453,333	15.8
Long-term liabilities outstanding	560,607,901	242,150,661	131.5	247,127,121	(2.0)
Total liabilities	590,086,601	275,108,319	114.5	275,580,454	(0.2)
Net assets:					
Invested in capital assets, net of related debt	156,199,147	211,869,303	(26.3)	190,642,485	11.1
Restricted net assets	203,027,028	130,735,961	55.3	107,295,195	21.8
Unrestricted net assets	117,486,984	97,616,600	20.4	101,482,119	(3.8)
Total net assets	\$ 476,713,159	\$ 440,221,864	8.3	\$ 399,419,799	10.2

## Management's Discussion and Analysis (Unaudited) (continued)

The Airport System's net assets increased during fiscal years ended 2008 and 2007 by \$36.5 million (8.3%) and \$40.8 million (10.2%), respectively. The following is a summary of changes in net assets for fiscal years ended 2008, 2007 and 2006:

### Summary of Changes in Net Assets

	Fiscal Years Ended June 30				
	2008	2007	FY08 vs. FY07 % change	2006	FY07 vs. FY06 % change
Operating revenues:					
Concessions	\$ 66,416,283	\$ 64,892,106	2.3%	\$ 60,367,151	7.5%
Building rents	17,152,979	16,644,929	3.1	16,087,912	3.5
Airfield charges	22,352,752	15,680,196	42.6	17,779,295	(11.8)
Ground leases	3,641,980	4,723,344	(22.9)	4,403,407	7.3
Sale of fuel	808,229	652,942	23.8	1,339,214	(51.2)
Airport services	911,360	1,015,551	(10.3)	900,536	12.8
Other	101,491	39,528	156.8	102,681	(61.5)
Total operating revenues	111,385,074	103,648,596	7.5	100,980,196	2.6
Non-operating revenue:					
Interest income	7,519,233	7,915,789	(5.0)	6,623,389	19.5
Passenger facility charges revenue	26,653,518	27,182,405	(1.9)	24,511,950	10.9
Intergovernmental revenue	1,620,376	686,586	136.0	849,340	(19.2)
Gain on disposal of assets	-	84,711	(100.0)	993	8,430.8
Other nonoperating revenue	-	82,107	(100.0)	223,468	(63.3)
Total revenue	147,178,201	139,600,194	5.4	133,189,336	4.8
Operating expenses:					
Salaries and benefits	30,940,616	29,194,278	6.0	28,437,857	2.7
Services and supplies	54,266,378	46,452,761	16.8	41,462,233	12.0
Cost of goods sold	665,627	573,187	16.1	1,081,550	(47.0)
Depreciation	23,707,907	21,062,790	12.6	20,162,706	4.5
Other	837,710	769,160	8.9	670,162	14.8
Total operating expenses	110,418,238	98,052,176	12.6	91,814,508	6.8
Non-operating expenses:					
Loss on disposal of assets	17,151	-	-	-	-
Other nonoperating expense	40,754	-	-	-	-
Amortization of bond issuance cost	257,068	271,965	(5.5)	175,358	55.1
Interest expense	12,651,944	12,057,704	4.9	10,536,254	14.4
Total expense	123,385,155	110,381,845	11.8	102,526,120	7.7
Net income before capital contributions and transfers	23,793,046	29,218,349	(18.6)	30,663,216	(4.7)
Capital contributions	13,932,530	12,663,761	10.0	10,889,564	16.3
Transfers out	(1,234,281)	(1,080,045)	14.3	(459,336)	135.1
Changes in net assets	36,491,295	40,802,065	(10.6)	41,093,444	(0.7)
Total net assets, beginning of year	440,221,864	399,419,799	10.2	358,326,355	11.5
Total net assets, end of year	\$ 476,713,159	\$ 440,221,864	8.3	\$ 399,419,799	10.2

#### For fiscal year 2008:

#### Operating revenue

Operating revenues increased \$7.7 million (7.5%), due to an increase in concession revenue of \$1.5 million (2.3%), as well as increases in building rent by \$0.5 million (3.1%), an increase in airfield charges of \$6.7 million (42.6%) and an increase in the sale of fuel of \$0.2 million (23.8%) offset by a decrease in ground leases of \$1.1 million (22.9%) and a decrease in airport services revenues of \$0.1 million (10.3%).

## Management's Discussion and Analysis (Unaudited) (continued)

### Operating expenses

Operating expenses increased \$12.3 million (12.6%) primarily due to an increase in salaries and benefits of \$1.7 million (6.0%); an increase in depreciation expense of \$2.6 million (12.6%); an increase in services and supplies of \$7.8 million (16.8%) resulting from increased expenses for building maintenance, land improvement services (including a one time payment of \$4.1 million for the Willey Wetland Endowment), construction contracts, legal services, environmental services, and services provided by other County departments; an increase in other costs of \$0.1 million (8.9%) due to increases in bond issue cost amortization and countywide cost allocations and an increase in cost of goods sold of \$0.1 million (16.1%).

### Non-operating revenues

Passenger facility charges decreased primarily due to a 0.2% decrease in enplaned passengers. Capital contributions increased from the previous year due to an increase in grant funded projects. Transfers out to the Sacramento County Retirement System increased by \$0.2 million (14.3%) for the Airport System's share of payments on the pension obligation bonds.

### For fiscal year 2007:

#### Operating revenue

Operating revenues increased \$2.7 million (2.6%), due to an increase in concession revenue of \$4.5 million (7.5%), which was attributable to increases in parking lot revenue of \$2.1 million (4.8%) and auto rental fees of \$1 million (8.3%), as well as increases in building rent of \$1.4 million (3.5%).

#### Operating expenses

Operating expenses increased \$6.2 million (6.8%) primarily due to an increase in salaries and benefits of \$0.8 million (2.7%), an increase in depreciation expense of \$0.9 million (4.5%); an increase in services and supplies expenses of \$4.9 million (12%) due to increased expenses for security services, legal services, investment services, environmental services, land improvement services, and services provided by other County departments; an increase in other costs of \$0.1 million due to increases in bond issue cost amortization and countywide cost allocations and a decrease in cost of goods sold of \$0.5 million (47%).

#### Non-operating revenues

Interest income increased due to an increase in the average yield on investments from 3.91% to 5.05%. Passenger facility charges increased primarily due to a 3.1% increase in enplaned passengers. Capital contributions increased from the previous year due to an increase in grant funded projects. Transfers out to the Sacramento County Retirement System increased by \$0.6 million (135.1%) as the first payment on the pension obligation bonds was due during fiscal year 2006-2007.

### Capital Assets

The Airport System's investment in capital assets as of June 30, 2008 amounted to \$711 million before depreciation. This investment in capital assets includes land, buildings and systems, improvements, runways, taxiways, roads, machinery, equipment and construction in progress. The total increase in the Airport System's investment in capital assets before depreciation for fiscal year 2008 was 12.2% or \$77.1 million.

## Management's Discussion and Analysis (Unaudited) (continued)

Major capital asset events during fiscal year 2008 included the following:

Major projects completed at International Airport were the Rehabilitation of Runway16R/34L, \$16.1 million; expansion of the Terminal A east apron and Taxiway C3, \$9.5 million; and Integrated Electronic Aviation System, \$6.5 million. At Mather, completed projects included an upgrade and roof replacement of Hangar 4260, \$2.1 million; and adding to runway 22L centerline and touchdown zone lights, \$1.3 million. Construction in progress at June 30, 2008 was \$73.2 million, which included the Terminal Modernization Program, \$48.2 million; and McReady Avenue Rehabilitation Phase 1, \$2.2 million.

The Airport System's investment in capital assets as of June 30, 2007 amounted to \$634 million before depreciation. This investment in capital assets included land, buildings and systems, improvements, runways, taxiways, roads, machinery, equipment and construction in progress. The total increase in the Airport System's investment in capital assets before depreciation for fiscal year 2007 was 5.5% or \$33.3 million.

Major capital asset events during fiscal year 2007 included the following:

Major projects completed at International Airport were the City Water Connection, \$24.6 million; the Terminal Modification for Security Enhancements, \$12.1 million; the CCTV Camera Replacement, \$1.1 million; and the I-5 Airport Boulevard Landscape, \$0.95 million. A major project completed at Executive Airport was the Terminal Building HVAC, \$1.5 million, and at Mather the upgrade to various buildings, \$1.1 million. Construction in progress at June 30, 2007 was \$45.0 million which included the Runway16R/34L Rehabilitation, \$12.8 million; the Terminal Modernization Design Phase II, \$14.9 million; the Integrated Electronic Aviation System, \$6.5 million; and the Hangar 4260 Upgrades, \$0.7 million.

### Capital Assets

	Fiscal Years Ended June 30		
	2008	2007	2006
Land	\$ 40,245,470	\$ 40,245,070	\$ 40,244,302
Structures and improvements	519,332,400	478,458,174	423,560,706
Leasehold improvements	52,117,131	47,596,634	39,184,521
Equipment	25,794,001	22,317,060	23,718,141
Construction in progress	73,235,823	45,005,085	73,661,818
	<u>\$ 710,724,825</u>	<u>\$ 633,622,023</u>	<u>\$ 600,369,488</u>

Additional information on the Airport System's capital assets can be found in Note 5 located on page 39 of this report.

### Long-term Debt Administration

As of June 30, 2008, the Airport System had outstanding revenue bonds of \$585,625,000, an increase compared to the prior year due to the issuance of new bonds.

As of June 30, 2007, the Airport System had outstanding revenue bonds of \$254,395,000, a decrease compared to the prior year due to scheduled bond principal payments of \$7,660,000.

For more detail on the Airport System's long-term debt, see Note 7 on pages 40 through 44 of this report.

## Management's Discussion and Analysis (Unaudited) (continued)

### Airline Rates and Charges

The annual rates and charges billed to the airlines were as follows:

	2008	2007	FY08 vs. FY07 % change	2006	FY07 vs. FY06 % change
Landing Fee (Per 1,000 lbs.)					
Signatory	\$ 2.77	\$ 1.99	39.2	\$ 2.44	(18.4)
Non Signatory	3.29	2.45	34.3	3.03	(19.1)
Terminal Rental Rates (Per Sq. Foot)					
Ticket Counter	65.48	65.52	(0.1)	73.11	(10.4)
Office and Enclosed	65.48	65.52	(0.1)	73.11	(10.4)
Unenclosed	1.00	1.00	0.0	1.0	0.0
Holdroom	65.48	65.52	(0.1)	73.11	(10.4)
Baggage Makeup/Joint Use	65.48	65.52	(0.1)	73.11	(10.4)
Storage	65.48	65.52	(0.1)	73.11	(10.4)
Loading Bridge Fees	52,704.00	28,778.00	83.1	57,731.00	(50.2)
Preferential Aircraft Parking Position	17,581.00	52,387.00	(66.4)	44,486.00	17.8

Effective May 1, 2008 the Sacramento County Airport System terminated the Scheduled Airline Operating Agreement and Terminal Building Lease. All airlines were charged the non-signatory landing fee rate for the remainder of the fiscal year.

### Requests for Information

This financial report is designed to provide a general overview of the Airport System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief of Accounting, Sacramento County Airport System, 6900 Airport Boulevard, Sacramento, California 95837.

# Sacramento County Airport System

## Statements of Net Assets

### June 30, 2008 and 2007

ASSETS	2008	2007
Current assets:		
Cash and investments	\$ 119,564,463	\$ 111,031,962
Restricted cash and investments	13,248,148	9,344,908
Deposits with others	86,016	2,227,009
Receivables, less allowance for doubtful accounts of \$192,323 in 2008 and \$91,018 in 2007	9,198,118	7,957,427
Due from other governments	2,765,679	6,835,740
Prepaid expenses	452,125	281,945
Inventories	274,779	42,493
Total current assets	145,589,328	137,721,484
Noncurrent assets:		
Restricted assets (cash and cash equivalents \$154,461,703 in 2008 and \$147,579,472 in 2007)	429,553,448	150,361,627
Deferred charges	14,684,964	3,624,724
Capital assets:		
Land	40,245,470	40,245,070
Structures and improvements	519,332,400	478,458,174
Leasehold improvements	52,117,131	47,596,634
Equipment	25,794,001	22,317,060
Construction in progress	73,235,823	45,005,085
Total capital assets	710,724,825	633,622,023
Less accumulated depreciation	(233,752,805)	(209,999,675)
Net capital assets	476,972,020	423,622,348
Total noncurrent assets	921,210,432	577,608,699
Total assets	1,066,799,760	715,330,183
LIABILITIES		
Current liabilities:		
Warrants payable	1,671,661	4,359,237
Accounts payable and accrued expenses	12,823,469	18,448,563
Deferred revenue	1,735,422	804,950
Current liabilities payable from restricted assets	13,248,148	9,344,908
Total current liabilities	29,478,700	32,957,658
Noncurrent liabilities:		
Revenue bonds payable	557,406,271	239,428,482
Compensated absences	3,023,959	2,624,662
Estimated arbitrage taxes payable	177,671	97,517
Total noncurrent liabilities	560,607,901	242,150,661
Total liabilities	590,086,601	275,108,319
NET ASSETS		
Invested in capital assets, net of related debt	156,199,147	211,869,303
Restricted:		
Revenue bond operating reserve account	21,730,250	21,460,250
Revenue bond reserve and contingency account	1,333,333	1,000,000
Revenue bond interest account	56,161,338	4,449,505
Passenger facility charges	123,802,107	103,826,206
Total restricted	203,027,028	130,735,961
Unrestricted	117,486,984	97,616,600
Total net assets	\$ 476,713,159	\$ 440,221,864

See accompanying notes to the basic financial statements.



Sacramento County Airport System  
 Statements of Revenues, Expenses and Changes in Net Assets  
 For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Operating revenues:		
Concessions	\$ 66,416,283	\$ 64,892,106
Building rents	17,152,979	16,644,929
Airfield charges	22,352,752	15,680,196
Ground leases	3,641,980	4,723,344
Sale of fuel	808,229	652,942
Airport services	911,360	1,015,551
Other	101,491	39,528
Total operating revenues	<u>111,385,074</u>	<u>103,648,596</u>
Operating expenses:		
Salaries and benefits	30,940,616	29,194,278
Services and supplies	54,266,378	46,452,761
Cost of goods sold	665,627	573,187
Depreciation	23,707,907	21,062,790
Other	837,710	769,160
Total operating expenses	<u>110,418,238</u>	<u>98,052,176</u>
Operating income	<u>966,836</u>	<u>5,596,420</u>
Nonoperating revenues (expenses):		
Interest income	7,519,233	7,915,789
Passenger Facility Charges revenue	26,653,518	27,182,405
Intergovernmental revenue	1,620,376	686,586
Gain (loss) on disposal of assets	(17,151)	84,711
Other nonoperating revenue (expense)	(40,754)	82,107
Amortization of bond issuance cost	(257,068)	(271,965)
Interest expense	(12,651,944)	(12,057,704)
Net nonoperating revenues	<u>22,826,210</u>	<u>23,621,929</u>
Income before capital contributions and transfers	23,793,046	29,218,349
Capital contributions	13,932,530	12,663,761
Transfers out	<u>(1,234,281)</u>	<u>(1,080,045)</u>
Change in net assets	36,491,295	40,802,065
Total net assets, beginning of year	<u>440,221,864</u>	<u>399,419,799</u>
Total net assets, end of year	<u><u>\$ 476,713,159</u></u>	<u><u>\$ 440,221,864</u></u>

See accompanying notes to the basic financial statements.

**Sacramento County Airport System**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2008 and 2007**

	2008	2007
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 109,764,202	\$ 103,179,072
Payments to suppliers	(55,169,092)	(46,644,833)
Payments to employees	(30,489,677)	(29,298,928)
Other receipts	136,917	82,107
Net cash provided by operating activities	<u>24,242,350</u>	<u>27,317,418</u>
Cash Flows from Noncapital Financing Activities:		
Intergovernmental revenue	787,545	1,184,366
Transfers out	(1,234,281)	(1,080,045)
Net cash (used for) provided by noncapital financing activities	<u>(446,736)</u>	<u>104,321</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital debt	325,208,532	-
Capital contributions	18,452,407	11,907,013
Passenger facility charges	28,347,187	25,986,929
Acquisition and construction of capital assets	(73,575,206)	(30,868,824)
Principal paid on long term debt	(4,705,000)	(7,660,000)
Interest paid on long term debt	(19,646,742)	(11,562,304)
Bond issuance costs paid	(14,773,481)	(2,249)
Proceeds from sale of surplus property	20,990	126,455
Net cash provided by (used for) capital and related financing activities	<u>259,328,687</u>	<u>(12,072,980)</u>
Cash Flows from Investing Activities:		
Interest received	8,503,261	7,916,368
Purchase/Sale of Investments	(275,091,745)	
Net increase in cash and cash equivalents	16,535,817	23,265,127
Cash and cash equivalents, beginning of year	270,738,497	247,473,370
Cash and cash equivalents, end of year	<u>\$ 287,274,314</u>	<u>\$ 270,738,497</u>
Reconciliation of Cash and Cash Equivalents		
to Statements of Net Assets:		
Cash and investments	\$ 119,564,463	\$ 111,031,962
Restricted cash and investments	13,248,148	9,344,908
Restricted assets	429,553,448	150,361,627
Less: Non cash and cash equivalents in restricted assets	(275,091,745)	
	<u>\$ 287,274,314</u>	<u>\$ 270,738,497</u>

(Continued on page 29)

See accompanying notes to the basic financial statements.

Sacramento County Airport System  
Statements of Cash Flows (continued)  
For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 966,836	\$ 5,596,420
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,707,907	21,062,790
Provision for uncollectable accounts	101,305	(70,534)
Other nonoperating revenue	136,917	82,107
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,035,665)	(20,789)
(Increase) decrease in deposits with others	2,140,993	55,650
Decrease in prepaid expense	(170,181)	223,932
(Increase) decrease in inventories	(232,286)	4,184
Increase in accounts payable	394,664	(963,190)
Increase in warrants payable	(1,532,567)	1,829,699
(Decrease) in deferred revenue	1,313,488	(378,201)
Increase in compensated absences	450,939	(104,650)
Total adjustments	23,275,514	21,720,998
Net cash provided by operating activities	\$ 24,242,350	\$ 27,317,418

Non cash capital and related financing activities:

During the fiscal years ended June 30, 2008 and 2007, the Airport System retired assets with a net book value of \$53,142 and \$46,204, respectively.

Capital asset purchases included in accounts payable and warrants payable at June 30, 2008 and 2007 were \$8,377,819 and \$152,609, respectively.

See accompanying notes to the basic financial statements.

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### **Note 1 – Summary of Significant Accounting Policies**

##### **Reporting Entity**

The Sacramento County Airport System (Airport System) is an enterprise fund of the County of Sacramento, California (County). The Airport System is responsible for the operations, maintenance and development of all four of its airports which include Sacramento International Airport, Sacramento Executive Airport, Mather Airport and Franklin Field. The Airport System is accounted for as a single enterprise fund with no financial accountability for any component units.

The five members of the County's Board of Supervisors serve as the governing body that oversees the operation of the Airport System. The Airport System is operated as a self-sufficient enterprise, and is administered by the Director of Airports who reports to the County Executive and the County Board of Supervisors.

##### **Basis Of Accounting**

The Airport System uses the accounting principles applicable to a similar private business enterprise, where the cost of providing services to the public on a continuing basis is recovered through user fees. The Airport System uses the flow of economic resources measurement focus applied on a full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services and delivering goods in connection with airport operations. The principal operating revenues of the Airport System include charges to customers for landing fees, terminal rents, parking and concession fees. Primary operating expenses include cost of sales and services including employee wages and benefits, purchases of materials and supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Under Governmental Accounting Standards Board (GASB) Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Airport System has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

##### **Budgetary Process**

The Airport System prepares an annual operating and capital budget, which is approved and adopted by the County Board of Supervisors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California state law does not require formal adoption of appropriated budgets for enterprise funds.

##### **Cash And Investments**

For purposes of the statements of cash flows, the Airport System considers all short-term highly liquid investments, including restricted assets and amounts held in the County's investment pools, to be cash and cash equivalents. Amounts held in the County's investment pools are available on demand; thus, they are considered highly liquid and cash equivalents for purposes of the statements of cash flows. Restricted Assets as of June 30, 2008 included \$277,245,823 that are held outside the County's investment pool and are not considered cash and cash equivalents. Investments are reported at their fair value.

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### **Due From Other Governments**

Federal grant funding for capital projects is accounted for on a reimbursement basis whereby costs are incurred prior to actual cash receipt of the grant. The amounts due from other governments represent claims to federal and State agencies for operating and capital project costs incurred but not reimbursed at year-end.

#### **Inventories**

Inventories consist of ground fuel purchased for resale. Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

#### **Deferred Charges**

Deferred charges consist of costs incurred for the issuance of the Series 1992 Airport System Revenue Bonds, Series 1996 PFC and Subordinated Revenue Bonds, Series 1998 Airport System Revenue Refunding Bonds, Series 1998 Airport System PFC and Subordinated Revenue Refunding Bonds, Series 2002 Airport System Revenue Bonds, Series 2002 Airport System Revenue Refunding Bonds and Series 2006 Airport System Revenue Refunding Bonds. The accumulated amortization at June 30, 2007 was \$2,806,044.

On May 1, 2008, the County issued Series 2008 Airport System Senior Revenue Bonds and Series 2008 Airport System Subordinate and PFC Revenue Refunding Bonds. These Bonds fully refunded all outstanding bonds. The deferred charges related to the refunded bonds were written off as part of the refunding transaction.

Amortization of the bond issuance costs is computed using the straight-line method over the life of the debt. Accumulated amortization was \$88,516 at June 30, 2008.

#### **Capital Assets**

Capital assets are carried at cost except for capital assets contributed to the Airport System, which are stated at their fair market value on the date contributed. When capital assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in non-operating revenues (expenses) for the period. Maintenance and repair costs are expensed as incurred. Significant renewals or betterments are capitalized and depreciated over their estimated useful lives.

Depreciation and amortization of capital assets is computed under the straight-line method over the following estimated useful lives:

Structures and improvements	15 – 40 years
Leasehold improvements	5 – 15 years
Equipment	5 – 15 years

Costs incurred for major improvements are carried in construction in progress until the project is complete, at which time costs related to the project are reclassified in the appropriate capital asset account.

The Airport System's policy is to capitalize all capital assets with a cost greater than \$5,000 and a useful life of more than three years.

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### **Capitalization Of Interest**

Interest costs relating to the acquisition or construction of capital assets are capitalized as a component of the cost of the capital assets. In situations where capital assets are financed with the proceeds of tax-exempt debt, the amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. Total capitalized interest relating to projects completed or in progress during the fiscal years ended June 30, 2008 and 2007 was \$2,587,415 and \$1,765,210 respectively.

#### **Compensated Absences**

Airport System employees accrue vacation in varying amounts based on job classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or 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 following 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. Upon retirement, management employees have the option of receiving payment for one half of accrued sick leave with the balance included in the calculation of retirement benefits.

It is the policy of the County not to pay accumulated sick leave to employees who terminate prior to retirement. The liability for compensated absences earned through year-end, but not yet taken, is accrued in the accompanying financial statements. Compensated Absences liability activity for the fiscal years ended June 30, 2008 and June 30, 2007 can be found in Note 7 on long term liabilities.

#### **Passenger Facility Charge Revenue**

Passenger Facility Charges (PFCs) are fees charged to enplaned passengers by airport operators for the purpose of generating revenue for airport projects that increase capacity, increase safety, enhance airline competition or mitigate noise impact. On April 1, 1993, the Airport System received approval from the Federal Aviation Administration (FAA) to impose a \$3.00 Passenger Facility Charge at Sacramento International Airport, which along with subsequent approvals, authorized the Airport System to finance projects totaling approximately \$285 million.

On October 31, 2001, as a result of the Airport System's request to increase the fee, the FAA authorized the Airport System to increase the \$3.00 fee to \$4.50 per enplaned passenger but only for certain eligible projects. This increase was approved through February 1, 2003 at which time the rate returned to \$3.00 per enplaned passenger. On June 25, 2003, the FAA approved the Airport System's request to increase the level to \$4.50 on the remaining eligible projects, effective September 1, 2003.

As of June 30, 2008 the Airport System has collected \$242.9 million in PFC revenue.

PFCs, along with related interest income, are recognized and recorded as non-operating revenue in the year collected from the air carriers.

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Grant Revenue

Federal and state governments reimburse the Airport System for costs incurred on certain capital asset construction projects under capital grant agreements. Amounts claimed under such grants are recorded as capital contributions revenue. Additionally, the Airport System receives reimbursement from federal and State governments for non-capital construction projects and these reimbursements are recorded as intergovernmental revenues with the related program costs recorded as expenses.

#### Risk Management

The County maintains all-risk blanket property insurance coverage, including flood, earthquake and sabotage and terrorism which provides limits of \$1.691 billion per occurrence annually. This policy covers real and personal property of the Airport System and contains additional boiler and machinery coverage in the amount of \$100 million per occurrence annually. The Airport System, through the County, maintains an airport operations and hangarkeepers liability insurance policy which provides limits of liability coverage for up to \$500 million per occurrence. Current premium charges are expensed in the year incurred.

In addition to the above property and airport liability policies, the Airport System participates in the County's self-insurance program for crime, pollution, and workers' compensation. Annual premiums are based primarily upon claims experience. Current premiums are charged to expense when paid.

During the past three fiscal years, there were no instances of settlements which exceeded insurance coverage and no significant reductions in insurance coverage.

#### Reclassifications

Certain amounts in the financial statements have been reclassified from the presentation in the prior year report to conform to the current year presentation. On the statement of cash flows, \$13,445,926 was reclassified from "cash flows from operating activities" to "cash flows from capital and related financing activities".

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Note 2 - Cash and Investments

Cash and Investments as of June 30 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	2008	2007
Cash and Investments	119,564,463	111,031,962
Restricted Cash and Investments - Current	13,248,148	9,344,908
Restricted Cash and Investments - Noncurrent	429,553,448	150,361,627
Total Cash and Investments	562,366,059	270,738,497
Cash and investments as of June 30, consist of the following:		
Deposits with the County's Treasury Pool	263,781,952	245,759,331
Specific directed investments with County Treasury	236,683,259	24,979,166
Investments held by fiscal agent	61,900,848	
Total Cash and Investments	562,366,059	270,738,497

The Airport System maintains specific cash deposits and investments with the County and involuntarily participates in the County Treasurer's pool which is not rated. The Airport System's risk disclosures for the cash held by the County Treasurer's pool required by GASB 40, *Deposit and Investment Risk Disclosures*, can be found in the County's Comprehensive Annual Financial Report.

#### **Investments and GASB 40 Presentation**

Investments are restricted per Government Code Section 53600 et. Seq. and 16429.1 and the Bond Master Indenture of Trust dated May 1, 2008. The County Treasurer also manages the Fiscal Agent Pool to segregate and invest monies in accordance with the Airport System's Bond Master Indenture of Trust dated May 1, 2008, as well as California Government Code and the County's own investment policy. Details about the investments allowed per the Government Code and the County's investment policy are included in the County's Comprehensive Annual Financial Report. The Bond Master Indenture of Trust follows the Government Code with respect to permitted investments.

The Airport System was in full compliance with the above cited Government Code sections and the Bond Master Indenture of Trust.



## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer until maturity of an investment, the greater the sensitivity to changes in interest rates will have on the investment. One of the ways that the Airport System manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments. The table below shows the distribution of the Airport Systems investments by maturity.

June 30, 2008							
		Maturity					
	Credit Rating	Under 30 Days	30 days to 1 year	1 year to 3 years	3 years to 5 years	over 5 years	Fair Value
Cash in the Treasury Pool	NR						263,781,952
FNMA Discount Notes	P-1/A-1+	4,588,000					4,588,000
FHLB Discount Notes	P-1/A-1+	8,829,714					8,829,714
Mutual Funds	AAAm	10,074,648					10,074,648
Guaranteed investment contracts	NR			275,091,745			275,091,745
		23,492,362	-	275,091,745	-	-	562,366,059

		June 30, 2007					
		Maturity					
		Under 30 Days	30 days to 1 year	1 year to 3 years	3 years to 5 years	over 5 years	Fair Value
Cash in the Treasury Pool	NR						245,759,331
Treasury strips	Aaa/AAA					24,491	24,491
Government Agency Notes	Aaa/AAA					1,773,090	1,773,090
FNMA Discount Notes	P-1/A-1+	16,600,224					16,600,224
FHLMC Discount Notes	P-1/A-1+	5,071,000					5,071,000
Mutual Funds	AAAm	422,515					422,515
Guaranteed investment contracts	NR				984,574		984,574
		22,093,739	-	-	984,574	1,797,581	270,635,225

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

**Credit Risk** – This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The Airport System 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 A3, respectively by Standard & Poor's and Moody's rating agencies. In addition, the Airport System is permitted to invest in the State's Local Agency Investment Fund, collateralized certificates of deposits and notes issued by the County of Sacramento that are not rated. Below is a list of permitted investments with the minimum legal rating:

Investment Type	Minimum Legal Rating
Treasury Strips	Aaa/AAA
Federal Farm Credit Bonds	Aaa/AAA
Federal Home Loan Banks	Aaa/AAA
Federal National Mortgage Association	Aaa/AAA
Government Agency Notes	Aaa/AAA
FNMA Discount Notes	Aaa/AAA
FFCB Discount Notes	Aaa/AAA
FHLB Discount Notes	Aaa/AAA
FHLMC Discount Notes	Aaa/AAA
FHLMC	Aaa/AAA
State and Local Governments (SLG's)	Aaa/AAA
Commercial paper	P-1/A-1+
Municipal Bond	Aa2/AA+
Negotiable certificates of deposits	P-1/A-1+
Other assets held by Treasurer (primarily Teeter Plan notes)	NR
Local Agency Investment Fund	NR
Mutual funds	AAAm
Guaranteed investment contracts	NR

**Custodial Credit Risk** – This is the risk that in the event a financial institution or counterparty fails, the Airport System would not be able to recover the value of its deposits and investments. As of June 30, 2008, 100% of the Airport System's investments in deposits are held in the Airport System's or County of Sacramento's name and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

**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, 2008, approximately 2.4% 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. As of June 30, 2008, 48.9% of the portfolio is invested in guaranteed investment contracts. The guaranteed investment contracts are invested with FSA and totaled \$275,091,745. Mutual Funds are exempt from this disclosure.

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Note 3 - Receivables and Payables

##### **Receivables**

The following amounts represent receivables due to the Airport System at June 30, 2008 and 2007:

	2008	2007
Receivables:		
Account receivables - trade	\$ 7,014,589	\$ 4,371,254
Account receivables - passenger facility charges	1,965,896	3,659,565
Amounts due from other County funds	409,946	17,626
Gross receivables	9,390,431	8,048,445
Less allowance for doubtful accounts	(192,313)	(91,018)
Net receivables	<u>\$ 9,198,118</u>	<u>\$ 7,957,427</u>

##### **Payables**

The following represents payables owed by the Airport System at June 30, 2008 and 2007:

	2008	2007
Accounts payable and accrued expenses:		
Vendors	\$ 8,412,737	\$ 13,562,361
Due to other County funds	3,127,063	3,352,846
Deposits from others	350,082	930,473
Payroll taxes and payroll related	760,992	555,891
Accrued contingencies (Note 14)	34,463	48,288
Due to other governments	132,761	-
Taxes payable other	5,371	(1,296)
Total payables - unrestricted	<u>12,823,469</u>	<u>18,448,563</u>
Payables from restricted assets:		
Bonds interest payable	-	4,546,599
Bonds payable - current	4,970,000	4,705,000
Vendors	8,262,210	89,596
Due to other County funds	14,721	3,713
Due to other governments	1,217	-
Total payables from restricted assets	<u>13,248,148</u>	<u>9,344,908</u>
Total accounts payable and accrued expenses	<u>\$ 26,071,617</u>	<u>\$ 27,793,471</u>

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Note 4 - Restricted Assets

Restricted assets consist of the following:

	June 30	
	2008	2007
Revenue Bond Operating Reserve Account reflects revenues equal to three months' operating expenses restricted for contingencies related to operations. This is cash held by the County Treasurer's pool.	\$21,730,250	\$21,460,250
Revenue Bond Reserve and Contingency Account reflects Airport System revenues which are restricted for unanticipated or emergency repairs and emergency replacements to the Airport System. This is cash held by the County Treasurer's pool.	1,333,333	1,000,000
Revenue Bond Construction Account reflects monies restricted for acquisition and construction of projects under the Series 1996 PFC and Subordinated Revenue Bonds and the Series 2008 Senior Revenue Bonds. This is cash held by the County as part of the County's Treasurer's Pool and the fiscal agent pool.	237,369,643	17,106,022
Revenue Bond Interest Account reflects monies restricted for payment of bond interest expense on the Series 2008 A and B Senior Revenue Bonds. This is cash is held by a trustee outside the County of Sacramento.	55,144,724	4,498,812
Revenue Debt Service Reserve Account reflects monies restricted for the purpose of making up any deficiency in the Revenue Bond Debt Service Account to the extent money on deposit in such funds is insufficient to pay interest and principal on the bonds as they become due and payable. This is cash held by the County as part of the County's Treasurer's Pool and the fiscal agent pool.	80,050	10,228,602
Revenue Bond Debt Service Account reflects monies restricted for the purpose of payment of principal and interest of the Series 2008 Senior Revenue Bonds and 2008 Subordinate and PFC Revenue Refunding Bonds. This is cash held by the County as part of the County's Treasurer's Pool and the fiscal agent pool.	5,066,205	5,157,863
Revenue Bond Rebate Account reflects monies that are pledged to make rebate payments to the United States government. This is cash held by the County as part of the County's Treasurer's Pool and the fiscal agent pool.	281,785	48,209
Passenger Facility Charges reflect PFC revenues received which are restricted for specified asset acquisitions. This is cash held by the County Treasurer's pool.	121,795,606	100,206,777
Total restricted assets	442,801,595	159,706,535
Less: Restricted current assets used to repay maturing debt	(13,248,148)	(9,344,908)
Non-current restricted assets	\$ 429,553,448	\$ 150,361,627

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Note 5 - Capital Assets

Capital asset activity for the fiscal years ended June 30, 2008 and June 30, 2007 were as follows:

	Balance July 1, 2007	Increase	Decrease	Balance June 30, 2008
<b>Capital assets not being depreciated</b>				
Land	\$ 40,245,070	\$ 400	\$ -	\$ 40,245,470
Construction in progress	45,005,085	56,788,697	(28,557,959)	73,235,823
Total capital assets, not being depreciated	85,250,155	56,789,097	(28,557,959)	113,481,293
<b>Capital assets being depreciated</b>				
Structures and improvements	478,458,174	40,874,226	-	519,332,400
Leasehold improvements	47,596,634	4,520,497	-	52,117,131
Equipment	22,317,060	3,949,311	(472,370)	25,794,001
Total capital assets, being depreciated	548,371,868	49,344,034	(472,370)	597,243,532
<b>Less accumulated depreciation for:</b>				
Structures and Improvements	(178,638,739)	(19,190,223)	-	(197,828,962)
Leasehold improvements	(17,494,232)	(2,053,347)	1,237	(19,546,342)
Equipment	(13,866,704)	(3,023,509)	512,712	(16,377,501)
Total accumulated depreciation	(209,999,675)	(24,267,079)	513,949	(233,752,805)
Total capital assets, being depreciated, net	338,372,193	25,076,955	41,579	363,490,727
Net capital assets	\$ 423,622,348	\$ 81,866,052	\$ (28,516,380)	\$ 476,972,020

	Balance July 1, 2006	Increase	Decrease	Balance June 30, 2007
<b>Capital assets not being depreciated</b>				
Land	\$ 40,244,302	\$ 768	\$ -	\$ 40,245,070
Construction in progress	73,661,818	26,539,542	(55,196,275)	45,005,085
Total capital assets, not being depreciated	113,906,120	26,540,310	(55,196,275)	85,250,155
<b>Capital assets being depreciated</b>				
Structures and improvements	423,560,706	54,897,468	-	478,458,174
Leasehold improvements	39,184,521	8,412,113	-	47,596,634
Equipment	23,718,141	2,152,914	(3,553,995)	22,317,060
Total capital assets, being depreciated	486,463,368	65,462,495	(3,553,995)	548,371,868
<b>Less accumulated depreciation for:</b>				
Structures and Improvements	(161,748,147)	(16,895,177)	4,585	(178,638,739)
Leasehold improvements	(15,854,176)	(1,640,056)	-	(17,494,232)
Equipment	(14,846,895)	(2,527,557)	3,507,748	(13,866,704)
Total accumulated depreciation	(192,449,218)	(21,062,790)	3,512,333	(209,999,675)
Total capital assets, being depreciated, net	294,014,150	44,399,705	(41,662)	338,372,193
Net capital assets	\$ 407,920,270	\$ 70,940,015	\$ (55,237,937)	\$ 423,622,348

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Note 6 – Derivatives – Interest Rate Swap

The 2004 Interest Rate Swap was terminated on April 17, 2008 with a payment made to Morgan Stanley on May 1, 2008 for \$5,150,000.

#### Note 7 – Long Term Liabilities

	June 30	
	2008	2007
<b>Revenue Bonds:</b>		
1992 series, 5.8% to 6.0% due 2006-2024		\$ 6,290,000
Less unamortized discount		(152,403)
	-	6,137,597
1998 refunding series A, 4.1% to 5.0% due 2006-2026		38,780,000
Less unamortized discount and deferred amount on refunding		(3,124,025)
	-	35,655,975
2002 series A, 3.0% to 5.25% due 2006-2032		69,865,000
Plus unamortized premium		1,014,121
	-	70,879,121
2002 refunding series B, 3.0% to 5.25 due 2006-2020		13,900,000
Less unamortized premium and deferred amount on refunding		(289,170)
	-	13,610,830
2006 series A, variable interest rate per auction, due 2007 - 2024		76,325,000
Less deferred amount on refunding		(5,856,570)
	-	70,468,430
2008 series A, 4.85% to 5.0% due 2028-2041	169,575,000	
Less unamortized premium and deferred amount on refunding	(9,856,419)	
	159,718,581	-
2008 series B, 4.25% to 5.75%, due 2013-2039	314,340,000	
Less unamortized discount and deferred amount on refunding	(6,084,272)	
	308,255,728	-
2008 series C, 5.2% due 2012	12,280,000	
Less deferred amount on refunding	(1,755,820)	
	10,524,180	-
<b>PFC and Subordinated Revenue Bonds:</b>		
1996 series C, 5.3% to 5.9% due 2006-2010		4,870,000
Less unamortized discount		(94,438)
	-	4,775,562
1998 refunding series B, 4.1% to 5.0%, due 2006-2026		44,365,000
Less unamortized discount and deferred amount on refunding		(1,759,033)
	-	42,605,967
2008 series D, 5% due 2026	46,390,000	
Less unamortized premium and deferred amount on refunding	(3,005,593)	
	43,384,407	-
2008 series E, 4.25% to 5.75 % due 2013-2024	43,040,000	
Less unamortized premium and deferred amount on refunding	(2,546,625)	
	40,493,375	-
Total revenue bonds payable	\$ 562,376,271	\$ 244,133,482

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

The Series 1992 Revenue Bonds, totaling \$40,915,000, were issued in December 1992 to finance capital improvements at Sacramento International and Executive Airports and to repay certain indebtedness. In September 1998, \$19,070,000 of this amount was refunded and in August 2002, \$10,220,000 was refunded. These bonds were fully refunded with the Series 2008A Bonds issued on May 1, 2008.

The Series 1996 C&D PFC and Subordinated Revenue Bonds, totaling \$57,275,000, were issued July 1996 to finance a portion of the costs of capital improvements at Sacramento International Airport and the other airports comprising the Airport System. In September 1998, Series 1996 D PFC and Subordinated Revenue Bonds, totaling \$43,760,000 were refunded in total. The Series 1996 PFC and Subordinated Revenue Bonds were payable from and secured by the net proceeds of a Passenger Facility Charge approved by the FAA and imposed by the Airport System on and after July 1, 1996. The bonds were additionally payable from, and secured by, the net revenues of the Airport System subordinate and junior to the lien of the Series 1992, 1996 A&B, 2002 and 2006A Revenue Bonds. The Series 1996 C PFC and Subordinated Revenue Bonds were fully defeased on May 1, 2008.

The Series 1998 Revenue Refunding Bonds, totaling \$42,510,000, were issued September 1998 to advance refund all or portions of certain prior issues of the County's Airport System Revenue Bonds. The bonds advance refunded were originally issued to finance a portion of the costs of certain capital improvements at Sacramento International Airport and other airports comprising the Airport System. The Series 1998 Revenue Refunding Bonds shared a parity lien on net revenues with \$123,380,000 principal amount of other Senior Bonds that remained outstanding following the issuance of Series 1998 Senior Bonds. These bonds were fully refunded with the Series 2008A Bonds issued on May 1, 2008.

The Series 1998 PFC and Subordinated Revenue Refunding Bonds, totaling \$45,620,000, were issued September 1998 to advance refund all or portions of certain prior issues of the County's Airport System PFC and Subordinated Revenue Bonds. The Bonds advance refunded were originally issued to finance a portion of the costs of capital improvements at Sacramento International Airport and the other airports comprising the Airport System. The Series 1998 PFC and Subordinated Revenue Bonds were payable and secured by a pledge of the net proceeds of the PFC imposed by the Airport System. The bonds were additionally payable from, and secured by, the net revenues of the Airport System subordinate and junior to the lien of the Series 1992, 1996 A&B, 1998, 2002 and 2006A Revenue Bonds, and any additional parity revenue bonds that may have been issued in the future. These bonds were fully refunded with the Series 2008D Bonds issued on May 1, 2008.

On July 26, 2002, the County issued \$74,015,000 of Airport System Revenue Bonds, Series 2002A, and \$17,805,000 of Airport System Revenue Refunding Bonds, Series 2002B (Series 2002 Bonds). The Series 2002A Revenue Bonds were issued to finance primarily a multi-level parking garage at Sacramento International Airport. The Series 2002B Revenue Refunding Bonds were issued to refund all of the outstanding Series 1989 Revenue Bonds and a portion of the outstanding Series 1992A Revenue Bonds. Each series of bonds is payable from, and secured by, future Net Revenues of the Airport. The Series 2002A bonds were advance refunded with the Series 2008B Bonds issued on May 1, 2008.



## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

On May 2, 2006, The County issued \$79,450,000 of Airport System Revenue Refunding Bonds, Series 2006A. The Series 2006A Revenue Refunding Bonds were issued to refund all of the outstanding 1996A Revenue Bonds. The 2006A Bonds were payable, and secured by, future Net Revenues of the Airport. The interest rate on these variable rate bonds were set at auction every 35 days. These bonds were fully refunded with the Series 2008 A and E Bonds issued on May 1, 2008.

On May 1, 2008, The County issued \$496,195,000 of Airport System Senior Revenue Bonds, Series A, B and C, and \$89,430,000 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 Sacramento International Airport. Series 2008B refunded 45.4% of the Series 2006A Bonds as well as providing \$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 \$15,225,318. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This current and advance refunding was undertaken in part to adopt a new Master Bond Indenture that was approved by the County of Sacramento Board of Supervisors. This refunding and advance refunding was undertaken to reduce the total debt service payments over the next 25 years by \$38,284,802 and resulted in an economic gain of \$24,908,154. The Series A, B and C Bonds are payable, and secured by, future Net Revenues of the Airport. The Series D and E Bonds are payable 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.

The bonds are issued under the terms of supplemental indentures adopted by the Board and are subject to call and redemption at the option of the Airport System prior to their respective maturity dates. The bonds are redeemable based on the following terms and the redemption may occur from any source other than the Bonds Sinking Fund Account.

Series	Maturing After:	Prices Decreasing From:
2008A	June 30, 2019	100% in FY20 at 100% and thereafter
2008B	June 30, 2019	100% in FY20 at 100% and thereafter
2008C	June 30, 2012	not subject to optional redemption
2008D	June 30, 2019	100% in FY20 at 100% and thereafter
2008E	June 30, 2019	100% in FY20 at 100% and thereafter



## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

Certain revenue bond obligations have been defeased “in-substance” by placement of assets in an irrevocable trust. Their outstanding principal balances at June 30, 2008 are as follows:

Bond Issue:	
Series 1996A Revenue Bonds	\$ 81,745,000
Series 1996B Revenue Bonds	15,040,000
Series 1996D PFC and Subordinated Revenue Bonds	43,760,000
Series 2002A Revenue Bonds	68,400,000
Series 2002B Revenue Bonds	<u>13,125,000</u>
<b>TOTAL</b>	<b><u>\$222,070,000</u></b>

Future debt service requirements at June 30, 2008 are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 4,970,000	\$ 19,433,649	\$ 24,403,649
2010	10,710,000	28,847,282	39,557,282
2011	12,035,000	28,356,884	40,391,884
2012	12,965,000	27,868,867	40,833,867
2013	13,295,000	27,353,136	40,648,136
2014 - 2018	53,380,000	130,006,874	183,386,874
2019 - 2023	61,405,000	116,547,217	177,952,217
2024 - 2028	73,265,000	99,553,020	172,818,020
2029 - 2033	98,160,000	76,980,616	175,140,616
2034 - 2038	126,730,000	47,747,137	174,477,137
2039 - 2043	118,710,000	11,984,169	130,694,169
<b>Total</b>	<b>\$ 585,625,000</b>	<b>\$ 614,678,851</b>	<b>\$ 1,200,303,851</b>

The Master Indenture of Trust constitutes a contract between the Airport System and the bondholders, under which the Airport System has irrevocably pledged the Net Revenues of the Airport System for payment of the revenue bonds. Net Revenues, as defined by the bond indenture, are revenues less operating expenses. Certain expenses are specifically excluded from the calculation. See Note 8 for more details on the net revenue pledge. The Airport System has covenanted that it will establish rates and charges for the use of Airport services and facilities which yield Net Revenues equal to at least 1.25 times the senior debt service to become due on the bonds for each fiscal year.

The PFC and Subordinated Revenue Bonds are payable from and secured by certain pledged amounts of the net proceeds from the Passenger Facility Charge (PFC) imposed by the Airport System on and after July 1, 1996, and are additionally payable from and secured by the Net Revenues of the Airport System subordinate and junior to the lien of the senior revenue bonds and certain other obligations. Pursuant to the Supplemental Indenture the Airport System has pledged PFCs in the amounts identified in Note 8 – Pledged Revenues on page 45 as Available Revenues for the payment of debt service on the Series 2008D and E Bonds.

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

The interest paid on most debt issued by state and local governments is exempt from federal income tax. As a result, purchasers of state and municipal debt are willing to accept lower interest rates than they would on taxable debt. State and local governments sometimes temporarily reinvest the proceeds of such debt in higher-yielding taxable securities. The federal tax code refers to this practice as arbitrage. In general, with a few exceptions, any excess earnings resulting from arbitrage must be rebated to the federal government.

The bond indenture and the prior bond resolution also require that certain funds be established and certain accounting procedures be followed. For fiscal years 2008 and 2007, the Airport System was in compliance with these covenants.

Long-term liability activity for the fiscal years ended June 30, 2008 and June 30, 2007, was as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 205,160,000	\$ 496,195,000	\$ 205,160,000	\$ 496,195,000	\$ 3,480,000
PFC and Subordinated Revenue Bonds	49,235,000	89,430,000	49,235,000	89,430,000	1,490,000
Deferred amounts:					
For issuance premiums	1,504,361	4,117,563	1,526,296	4,095,628	-
For issuance discounts	(1,344,284)	(2,898,200)	(1,359,782)	(2,882,702)	-
On refunding	(10,421,595)	(15,225,318)	(1,185,258)	(24,461,655)	-
Total bonds payable	244,133,482	571,619,045	253,376,256	562,376,271	4,970,000
Compensated Absences	2,624,662	2,420,054	1,969,116	3,075,600	51,641
Estimated arbitrage taxes payable	97,517	80,154		177,671	-
Total long term liabilities	<u>\$ 246,855,661</u>	<u>\$ 574,119,253</u>	<u>\$ 255,345,372</u>	<u>\$ 565,629,542</u>	<u>\$ 5,021,641</u>
	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 211,410,000	\$ -	\$ 6,250,000	\$ 205,160,000	\$ 3,225,000
PFC and Subordinated Revenue Bonds	50,645,000	-	1,410,000	49,235,000	1,480,000
Deferred amounts:					
For issuance premiums	1,582,637	-	78,276	1,504,361	-
For issuance discounts	(1,586,394)	-	(242,110)	(1,344,284)	-
On refunding	(13,215,951)	-	(2,794,356)	(10,421,595)	-
Total bonds payable	248,835,292	-	4,701,810	244,133,482	4,705,000
Compensated Absences	2,729,312	1,700,911	1,805,561	2,624,662	-
Estimated arbitrage taxes payable	97,517	-	-	97,517	-
Total long term liabilities	<u>\$ 251,662,121</u>	<u>\$ 1,700,911</u>	<u>\$ 6,507,371</u>	<u>\$ 246,855,661</u>	<u>\$ 4,705,000</u>

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Note 8 – Pledged Revenue

The Airport System has pledged certain future revenues, net of specified operating expenses, to repay \$496,195,000 in Senior Revenue Bonds issued in May 2008. Proceeds from the bonds refunded Series 1992B, Series 1998A, Series 2002A, 45.4% of Series 2006A as well as provided \$323 million in financing for the Terminal Modernization Program. The bonds are payable solely from Net Revenues of the Airport System and are payable through 2041. Annual principal and interest payments on the bonds are estimated to require an average 36% of Net Revenues over the next four years. The total principal and interest remaining to be paid on these bonds is \$1,068,140,858. Principal and interest paid for the current year was \$8,863,166 and the total Net Revenue were \$31,170,732.

The Airport System has pledged Passenger Facility Charges to repay \$89,430,000 in Airport System Subordinate and PFC Revenue Refunding Bonds issued in May 2008. Proceeds from the bonds refunded Series 1996C, Series 1998B and 54.6% of Series 2006A. The bonds are payable through 2026. The pledged revenues below are estimated to require an average 27% of PFC Revenues over the next four years. Total principal and interest remaining to be paid on the bonds is \$132,162,994. Principal and interest paid for the current year was \$3,343,777 and PFC revenue was \$26,653,518. The table below identifies the available PFC revenue pledged for the payment of debt service on the Series 2008D and 2008E bonds:

<u>Fiscal Year Ending June 30</u>	<u>Passenger Facility Charges</u>
2009	\$ 6,939,856
2010	7,821,256
2011	8,354,400
2012	8,266,300
2013	8,180,513
2014	8,077,535
2015	7,973,090
2016	7,889,565

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Note 9 - Rentals and Operating Leases

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 2008 and 2007, the Airport System received approximately \$7,400,150 and \$6,432,206, respectively, for contingent rental payments in excess of stated minimums. The following is a schedule of future minimum rentals receivable on non-cancelable operating leases as of June 30, 2008.

Fiscal years ending June 30	
2009	\$ 16,887,897
2010	14,484,881
2011	13,763,594
2012	13,049,311
2013	13,326,154
2014-2018	7,175,986
2019-2023	1,059,836
2024-2028	965,994
2029-2033	870,340
2034-2038	14,957
Total future minimum rentals receivable	<u>\$ 81,598,950</u>

#### Note 10 – Restricted Net Assets

Restricted net assets are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provision or enabling legislation.

Net assets restricted by enabling legislation totaling \$123,802,107 and \$103,826,206 are included in statements of net assets at June 30, 2008 and 2007, respectively.

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Note 11 - Related Party Transactions

The Airport System reimburses the County for the cost of providing the Airport System with security, engineering, administrative and certain maintenance services. Amounts charged by other County departments are reported as operating expenses during the period incurred or capitalized as capital assets. Accrued expenses for County services were \$3,127,063 and \$3,352,846 at June 30, 2008 and 2007, respectively.

Amounts charged by other County departments for fiscal years 2008 and 2007 are as follows:

	2008	2007
Charged to operations	\$ 18,184,367	\$ 16,937,636
Capitalized as capital assets	2,525,935	1,844,701
Total charged by other County departments	<u>\$ 20,710,302</u>	<u>\$ 18,782,337</u>

#### Note 12 - Defined Benefit Pension Plan

All permanent full-time or part time employees of the Airport System participate in the Sacramento County Employees' Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system. A stand alone report is issued for the System and may be obtained from the County Department of Finance located at 700 H Street, Sacramento, California 95814. The payroll for Airport System employees covered by the System for the fiscal years ended June 30, 2008 and 2007 was \$18,695,000 and \$17,819,000, respectively. The Airport System's total payroll for the fiscal years ended June 30, 2008 and 2007 was \$19,760,000 and \$19,020,000, respectively. Retirement benefits are based on members' years of service and compensation. Additionally, the System provides for benefits upon death or disability of eligible members. Upon reaching five years of service, members have earned the right to receive a retirement benefit. Members are eligible for retirement at age 50 or after 30 years of service for miscellaneous members and 20 years of service for safety members.

Under the actuarial funding method used by the System, investments are valued at market and all unrealized gains and losses are recognized over the next five years. Therefore, contribution rates reflect the impact of market fluctuations on investments during the five-year period after they occur rather than upon disposition of the investment.

Member contributions are required by law and are based on age of entry into the System. County contributions are actuarially determined to provide for the balance of contributions needed. The authority for both benefit provisions and contribution obligations is derived from the County Employees Retirement Act of 1937. The contribution requirement for the year ended June 30, 2008 was \$4,267,000 which consisted of \$3,199,000 from the Sacramento County Airport System and \$1,068,000 from employees; these contributions represented 17.1 percent and 5.7 percent, respectively, of covered payroll. The contribution requirement for the year ended June 30, 2007 was \$4,136,000 which consisted of \$3,131,000 from the Sacramento County Airport System and \$1,005,000 from employees; these contributions represented 17.6 percent and 5.6 percent, respectively, of covered payroll. For fiscal years 2008, 2007 and 2006, the Airport System's annual pension cost of \$3,199,200, \$3,131,000 and \$3,201,000 respectively, was equal to its required contributions.

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### **Note 13 – Post-Employment Health Care Benefits**

##### **Plan Description**

The Airport System is a department of the County, which 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).

Annuitytants who retired for any reason on or before May 31, 2007 are eligible to receive a County-paid medical or dental insurance subsidy/offset payment during calendar year 2008. Annuitytants who retire after May 31, 2007 are not entitled to any subsidy/offset payments. The amount of subsidy/offset payments for the calendar year 2007 ranged from \$122 to \$244 depending upon the years of service credit.

The amount of any medical subsidy/offset payments made available to annuitytants (who retired on or before May 31, 2007) shall be calculated based upon the annuitytants' SCERS service credit. The amount of any dental subsidy/offset payments made available to annuitytants shall be set by the Board of Supervisors.

Neither Sacramento County Employees Retirement System (SCERS) nor the County guarantees that a subsidy/offset payment will be made available to annuitytants 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.

##### **Funding Policy**

The County currently pays for post employment health care benefits of annuitytants who retired on or before May 31, 2007 on a pay-as-you-go basis. These financial statements assume that pay-as-you-go will continue.

Additional details, actuarial assumptions, funded status of the plan and required supplementary information can be found in the County's Comprehensive Annual Financial Report.

##### **Annual OPEB Cost and Net OPEB Obligation**

The Airport System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2008 are shown in the table below. The net OPEB obligation is owed to the County and included in the Accrued Liabilities line item on the balance sheet.

Fiscal year	Annual OPEB		Percentage Of OPEB	Net
Ended	Cost	Contribution	Cost Contributed	OPEB Obligation
6/30/08	\$ 542,477	\$410,387	76%	\$132,090

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

#### Note 14 - Commitments and Contingencies

Construction Projects: The Airport System had approximately \$11,088,756 in outstanding construction contract commitments at June 30, 2008.

Federal Grant Awards: As of June 30, 2008, the Airport System had outstanding federal grant awards totaling approximately \$13 million for various construction projects at Sacramento International Airport. Such funds are not available to the Airport System until related approved expenses are incurred and, until such time, are not accrued as receivables.

Federal grant funds received or receivable are subject to audit and adjustment by the funding agency or their representative. If grant funds are received for expenses which are subsequently disallowed, the Airport System may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenses, if any, will not be material to the accompanying financial statements at June 30, 2008.

Environmental Mitigation: Due to various activities occurring on Sacramento International Airport property, habitat for the Giant Garter Snake (GGS) was damaged in several locations. The GGS is listed as "threatened" pursuant to the federal Endangered Species Act and the California Endangered Species Act. As a result of negotiations with state and federal resource agencies, including US Fish and Wildlife Service (Service), it was agreed that the situation would be ameliorated through the Airport System's purchase of acreage appropriate for mitigation purposes. It was also agreed that the land would be developed as GGS habitat and would be designed and managed in a manner generally consistent with the Natomas Basin Habitat Conservation Plan (NBHCP). During 2007, the County Airport System conducted a competitive selection process to identify a qualified non-profit preserve manager for the 43-acre Prichard Lake Preserve on airport operational buffer property north of Sacramento International Airport.

The County Board of Supervisors selected the Center for Natural Lands Management (CNLM) as the Prichard Lake Preserve manager, and authorized the Director of Airports to negotiate with CNLM for the management of other airport mitigation preserves that may be necessary in the future. Consequently, the County Airport System negotiated terms and conditions with CNLM for the perpetual management of the 217-acre Willey Wetland Preserve in Sutter County.

The Service previously approved a conceptual design plan for the Willey Wetland Preserve. On July 17, 2007 the County Board of Supervisors approved Resolution 2007-0892, which authorized the Director of Airports to execute a Settlement Agreement between the Service and the County, which specifies the terms and conditions of the Prichard Lake and Willey Preserves. The Settlement Agreement was executed by the Director on July 17, 2007.



## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2008 and 2007

With regard to the Willey Wetland Preserve, the County Airport System will retain title to the property, all of which was purchased during fiscal year 2005. The Settlement Agreement specifies that the Management and Funding Agreement and conservation easement must be executed by April 30, 2008, and that the management and endowment fee must be conveyed to the preserve manager by that date as well. Consequently, on April 22, 2008 the Board of Supervisors approved Resolution 2008-0322, which authorized the Director of Airports to:

- Execute a Management and Funding Agreement (MFA) with CNLM for perpetual management of the Willey Wetland Preserve;
- Convey a conservation easement to CNLM; and
- Convey an Initial and Endowment payment to CNLM in the amount of \$4,979,816.

The above actions were completed on April 24, 2008, in accordance with the terms of the Settlement Agreement.

The Settlement Agreement specifies that construction of the Willey Wetland Preserve must be completed by October 1, 2008. The construction contract was awarded through a competitive bid process to Western Engineering Contractors, Inc in the amount of \$3,217,997 (Board Resolution 2008-0389). As of the first week of October the construction project was almost complete, but delays beyond the control of the County and the contractor had been encountered. The County Airport System therefore requested that the Service agree to extend the construction completion deadline to November 15, 2008 for completing plant and water well installation. Service authorization for the requested extension was issued on October 3, 2008.

Special Facilities Revenue Bonds: Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (Special Facility Bonds) totaling \$9,900,000 were issued on November 3, 1998 to finance the demolition of an existing facility and construction and installation of a replacement aircraft maintenance hangar and associated facilities at Sacramento International Airport for The Cessna Aircraft Company (Cessna). Although taking the legal form of a financing lease between the County and Cessna, the substance of these arrangements is that the Special Facility Bonds constitute a special obligation of the Airport System payable from and secured by certain revenues under its lease with Cessna and certain proceeds pledged therefore under the Indenture. The bonds do not constitute a debt, liability or general obligation of the Airport System or a pledge of the faith and credit of the Airport System. The Airport System will not be obligated to levy any taxes or expend any funds for the repayment of the bonds. As of June 30, 2008 and 2007, the outstanding balance of the debt was \$8,800,000.



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## Statistical Section

This section contains the following subsections:

### Financial Trends

- Net Assets
- Changes in Net Assets

### Revenue Capacity

- Total Annual Revenues
- Total Annual Expenses
- Scheduled Airlines Rates and Charges
- Scheduled Airlines Cost Per Enplaned Passenger

### Debt Capacity

- Debt Service Coverage
- Ratio of Annual Debt Service To Total Expenses
- Debt Per Enplaned Passenger
- Outstanding Debt

### Demographic and Economic

- Service Area Population
- Population/Personal Income
- Principal Employers

### Operating Information

- Activity Statistics
- Major Carrier/Regional Airline Service
- Principle Customers/Airport System Employees/Capital Assets

## Statistical Section

The information contained in this section is not covered by the Independent Auditors' Report, but is presented as supplemental data for the benefit of the Comprehensive Annual Financial Report. The objectives of the statistical section are to provide financial users with additional historical perspective, context, and detail to assist in using information in the financial statements, notes to the financial statements, and required supplementary information to understand and assess a government's economic condition.

The following sub-sections are included in the Statistical Section:

- A. Financial Trends- These schedules contain trend information to help the reader understand how the Airport System's financial performance has changed over time. **Refer to pages 55-57.**
- B. Revenue Capacity- These schedules contain trend information to help the reader assess the Airport System's ability to generate its airline and non-airline revenues. Also included in this section are total annual expenses. **Refer to pages 58-61.**
- C. Debt Capacity- These schedules present information to help the reader assess the affordability of the Airport System's current levels of outstanding debt and the ability to issue additional debt in the future. **Refer to pages 62-65.**
- D. Demographic and Economic Information- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Airport System's financial activities take place. **Refer to pages 66-68.**
- E. Operating Information- These schedules contain information about the Airport System's operations and resources to help the reader understand how its financial information relates to the services the Airport System provides and the activities it performs. **Refer to pages 69-72.**

## Financial Trends

### Net Assets

	2008	2007	2006	2005
Invested in capital assets - net of related debt	\$ 156,199,147	\$ 211,869,303	\$ 190,642,485	\$ 164,627,362
Restricted:				
Revenue bond maintenance and operation reserve account	21,730,250	21,460,250	19,393,000	17,175,000
Revenue bond renewal and replacement account	1,333,333	1,000,000	1,000,000	1,000,000
Capital construction	56,161,338	4,449,505	4,982,064	4,356,237
Passenger facility charges	123,802,107	103,826,206	81,920,131	66,390,568
Total restricted	203,027,028	130,735,961	107,295,195	88,921,805
Unrestricted	117,486,984	97,616,600	101,482,119	104,777,188
Total net assets	\$ 476,713,159	\$ 440,221,864	\$ 399,419,799	\$ 358,326,355

	2004	2003	2002	2001
Invested in capital assets - net of related debt	\$ 126,762,388	\$ 105,508,679	\$ 102,971,937	\$ 102,097,452
Restricted:				
Revenue bond maintenance and operation reserve account	17,953,000	17,358,000	16,274,000	14,473,000
Revenue bond renewal and replacement account	1,000,000	1,000,000	1,000,000	1,000,000
Capital construction	4,399,696	4,416,225	1,859,419	2,150,610
Passenger facility charges	52,398,305	48,136,050	44,350,274	37,445,391
Total restricted	75,751,001	70,910,275	63,483,693	55,069,001
Unrestricted	104,009,224	110,420,060	99,911,642	95,345,034
Total net assets	\$ 306,522,613	\$ 286,839,014 <sup>1</sup>	\$ 266,367,272	\$ 252,511,487

<sup>1</sup> Fiscal year 2003 net assets were restated due to change in accounting principles.

## Financial Trends (cont.)

### Changes in Net Assets

	2008	2007	2006
Operating revenues:			
Concessions	\$ 66,416,283	\$ 64,892,106	\$ 60,367,151
Building rents	17,152,979	16,644,929	16,087,912
Airfield charges	22,352,752	15,680,196	17,779,295
Ground leases	3,641,980	4,723,344	4,403,407
Sale of fuel	808,229	652,942	1,339,214
Airport services	911,360	1,015,551	900,536
Other	101,491	39,528	102,681
Total operating revenues	<u>111,385,074</u>	<u>103,648,596</u>	<u>100,980,196</u>
Operating expenses:			
Salaries and benefits	30,940,616	29,194,278	28,437,857
Services and supplies	54,266,378	46,452,761	41,462,233
Cost of goods sold	665,627	573,187	1,081,550
Depreciation	23,707,907	21,062,790	20,162,706
Other	837,710	769,160	670,162
Total operating expenses	<u>110,418,238</u>	<u>98,052,176</u>	<u>91,814,508</u>
Operating income (loss)	<u>966,836</u>	<u>5,596,420</u>	<u>9,165,688</u>
Nonoperating revenues (expenses):			
Interest income	7,519,233	7,915,789	6,623,389
Passenger Facility Charges revenue	26,653,518	27,182,405	24,511,950
Intergovernmental revenue	1,620,376	686,586	849,340
Gain (loss) on disposal of assets	(17,151)	84,711	993
Other nonoperating revenue (expense)	(40,754)	82,107	223,468
Amortization of bond issuance cost	(257,068)	(271,965)	(175,358)
Interest expense	(12,651,944)	(12,057,704)	(10,536,254)
Net nonoperating revenues	<u>22,826,210</u>	<u>23,621,929</u>	<u>21,497,528</u>
Income before capital contribution and transfers	23,793,046	29,218,349	30,663,216
Capital contributions - grants	13,932,530	12,663,761	10,889,564
Transfers out	<u>(1,234,281)</u>	<u>(1,080,045)</u>	<u>(459,336)</u>
Changes in net assets	36,491,295	40,802,065	41,093,444
Total net assets, beginning of year	<u>440,221,864</u>	<u>399,419,799</u>	<u>358,326,355</u>
Total net assets, end of year	<u>\$ 476,713,159</u>	<u>\$ 440,221,864</u>	<u>\$ 399,419,799</u>

	2005	2004	2003	2002	2001
\$	54,307,418	\$ 47,623,267	\$ 46,383,456	\$ 40,548,385	\$ 40,453,352
	14,170,114	13,803,071	14,397,965	14,699,640	14,225,198
	17,107,966	12,353,198	8,341,447	10,138,281	11,720,569
	3,607,645	3,110,659	2,768,994	2,722,470	2,881,251
	1,332,966	2,662,833	3,615,979	3,304,813	3,337,937
	636,999	137,513	184,562	161,499	118,087
	1,386,070	39,986	52,570	103,327	34,252
	<u>92,549,178</u>	<u>79,730,527</u>	<u>75,744,973</u>	<u>71,678,415</u>	<u>72,770,646</u>
	27,313,968	25,280,428	22,883,432	20,819,372	19,838,553
	37,688,533	38,792,551	36,247,504	33,026,722	26,474,417
	914,185	712,784	626,644	638,850	685,067
	16,103,705	15,597,039	15,145,180	14,689,534	14,206,060
	909,682	1,218,467	1,046,455	641,388	605,547
	<u>82,930,073</u>	<u>81,601,269</u>	<u>75,949,215</u>	<u>69,815,866</u>	<u>61,809,644</u>
	<u>9,619,105</u>	<u>(1,870,742)</u>	<u>(204,242)</u>	<u>1,862,549</u>	<u>10,961,002</u>
	4,303,953	2,888,108	4,164,015	6,263,408	9,705,073
	24,454,819	18,498,324	17,621,861	15,259,334	13,660,759
	880,166	702,098	2,831,833	1,313,322	27,321
	503,692	3,988	(1,878)	28,233	(69,863)
	247,124	140,157	93,133	56,375	57,207
	(171,740)	(171,740)	(171,740)	(128,151)	(128,151)
	(12,631,716)	(10,315,087)	(11,023,165)	(11,614,976)	(11,947,001)
	<u>17,586,298</u>	<u>11,745,848</u>	<u>13,514,059</u>	<u>11,177,545</u>	<u>11,305,345</u>
	27,205,403	9,875,106	13,309,817	13,040,094	22,266,347
	24,598,339	9,808,493	4,520,415	815,691	2,409,737
	<u>51,803,742</u>	<u>19,683,599</u>	<u>17,830,232</u>	<u>13,855,785</u>	<u>24,676,084</u>
	<u>306,522,613</u>	<u>286,839,014</u>	<u>269,008,782</u> <sup>1</sup>	<u>252,511,487</u>	<u>227,835,403</u>
\$	<u>358,326,355</u>	<u>\$ 306,522,613</u>	<u>\$ 286,839,014</u>	<u>\$ 266,367,272</u>	<u>\$ 252,511,487</u>

<sup>1</sup> Fiscal year 2003 net assets were restated due to change in accounting principles.

## Revenue Capacity

### Total Annual Revenues

#### LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004
<b>OPERATING REVENUES</b>					
Concessions	\$ 66,416,283	\$ 64,892,106	\$ 60,367,151	\$ 54,307,418	\$ 47,623,267
Building rents	17,152,979	16,644,929	16,087,912	14,170,114	13,803,071
Airfield charges	22,352,752	15,680,196	17,779,295	17,107,966	12,353,198
Ground leases	3,641,980	4,723,344	4,403,407	3,607,645	3,110,659
Sale of aviation fuel	808,229	652,942	1,339,214	1,332,966	2,662,833
Airport services	911,360	1,015,551	900,536	636,999	137,513
Other	101,491	39,528	102,681	1,386,070	39,986
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 111,385,074</b>	<b>\$ 103,648,596</b>	<b>\$ 100,980,196</b>	<b>\$ 92,549,178</b>	<b>\$ 79,730,527</b>
<b>NONOPERATING REVENUES</b>					
Interest income	7,519,233	7,915,789	6,623,389	4,303,953	2,888,108
PFC revenue	26,653,518	27,182,405	24,511,950	24,454,819	18,498,324
Capital contributions	13,932,530	12,663,761	10,889,564	24,598,339	9,808,493
Intergovernmental revenue	1,620,376	686,586	849,340	880,166	702,098
Other nonoperating revenue (exp)	(40,754)	82,107	223,468	205,563	140,157
<b>TOTAL REVENUES</b>	<b>\$ 161,069,977</b>	<b>\$ 152,179,244</b>	<b>\$ 144,077,908</b>	<b>\$ 146,992,018</b>	<b>\$ 111,767,707</b>

	2003	2002	2001	2000 <sup>1</sup>	1999
<b>OPERATING REVENUES</b>					
Concessions	\$ 46,383,456	\$ 40,548,385	\$ 40,453,352	\$ 36,536,264	\$ 32,621,831
Building rents	14,397,965	14,699,640	14,225,198	14,554,287	12,577,593
Airfield charges	8,341,447	10,138,281	11,720,569	10,955,265	9,327,491
Ground leases	2,768,994	2,722,470	2,881,251	2,391,685	2,151,717
Sale of aviation fuel	3,615,979	3,304,813	3,337,937	3,064,533	2,734,312
Airport services	184,562	161,499	118,087	111,701	96,695
Other	52,570	103,327	34,252	6,372	38,197
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 75,744,973</b>	<b>\$ 71,678,415</b>	<b>\$ 72,770,646</b>	<b>\$ 67,620,107</b>	<b>\$ 59,547,836</b>
<b>NONOPERATING REVENUES</b>					
Interest income	4,164,015	6,263,408	9,705,073	7,762,871	6,366,838
PFC revenue	17,621,861	15,259,334	13,660,759	44,961,050	12,380,526
Capital contributions	4,520,415	815,691	2,409,737	2,526,129	
Intergovernmental revenue	2,831,833	1,313,322	27,321	45,318	
Other nonoperating revenue (exp)	93,133	56,375	57,207	38,918	114,759
<b>TOTAL REVENUES</b>	<b>\$ 104,976,230</b>	<b>\$ 95,386,545</b>	<b>\$ 98,630,743</b>	<b>\$ 122,954,393</b>	<b>\$ 78,409,959</b>

Source: Airport System's audited financial statements.

<sup>1</sup> Passenger Facility Charges & Intergovernmental Revenue restated to reflect the implementation of GASB 33.



## Revenue Capacity (cont.)

## Total Annual Expenses

## LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004
OPERATING EXPENSES					
Salaries and benefits	\$ 30,940,616	\$ 29,194,278	\$ 28,437,857	\$ 27,313,968	\$ 25,280,428
Services and supplies	54,266,378	46,452,761	41,462,233	37,688,533	38,792,551
Cost of goods sold	665,627	573,187	1,081,550	914,185	712,784
Depreciation and amortization	23,707,907	21,062,790	20,162,706	16,103,705	15,597,039
Other	837,710	769,160	670,162	868,211	1,218,467
TOTAL OPERATING EXPENSES	\$ 110,418,238	\$ 98,052,176	\$ 91,814,508	\$ 82,888,602	\$ 81,601,269
NONOPERATING EXPENSES					
Interest expense	12,651,944	12,057,704	10,536,254	12,631,716	10,315,087
Loss (gain) on disposal of assets	17,151	(84,711)	(993)	(503,692)	(3,988)
Rebate tax expense					
Amortization of bond issuance costs	257,068	271,965	175,358	171,740	171,740
Transfers out	1,234,281	1,080,045	459,336		
TOTAL EXPENSES	\$ 124,578,682	\$ 111,377,179	\$ 102,984,463	\$ 95,188,366	\$ 92,084,108
	2003	2002	2001	2000	1999
OPERATING EXPENSES					
Salaries and benefits	\$ 22,883,432	\$ 21,194,906	\$ 19,838,553	\$ 17,706,356	\$ 16,153,834
Services and supplies	36,247,504	32,887,678	26,474,417	24,955,201	23,031,988
Cost of goods sold	626,644	638,850	685,067	638,127	393,145
Depreciation and amortization	15,145,180	14,689,534	14,206,060	13,750,108	12,769,067
Other	1,046,455	641,388	605,547	655,371	439,169
TOTAL OPERATING EXPENSES	\$ 75,949,215	\$ 70,052,356	\$ 61,809,644	\$ 57,705,163	\$ 52,787,203
NONOPERATING EXPENSES					
Interest expense	11,023,165	11,614,976	11,947,001	12,196,504	9,684,130
Loss (gain) on disposal of assets	1,878	(28,233)	69,863		35,773
Rebate tax expense					102,750
Amortization of bond issuance costs	171,740	128,151	128,151	128,151	128,151
Transfers out					
TOTAL EXPENSES	\$ 87,145,998	\$ 81,767,250	\$ 73,954,659	\$ 70,029,818	\$ 62,738,007

Source: Airport System's audited financial statements.

## Revenue Capacity (cont.)

### Scheduled Airlines Rates and Charges

#### LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004
Landing fee (Per 1,000 lbs.)					
Signatory	\$ 2.77	\$ 1.99	\$ 2.44	\$ 2.37	\$ 1.79
Non Signatory	3.29	2.45	3.03	2.93	2.34
Terminal rental rates (Per Sq. Foot)					
Ticket counter	65.48	65.52	73.11	64.56	48.00
Office and enclosed	65.48	65.52	73.11	64.56	48.00
Unenclosed <sup>2</sup>	1.00	1.00	1.00	N/A	N/A
Holdroom	65.48	65.52	73.11	64.56	48.00
Baggage makeup/joint use	65.48	65.52	73.11	64.56	48.00
Storage	65.48	65.52	73.11	64.56	48.00

	2003 <sup>1</sup>	2002	2001	2000	1999
Landing fee (Per 1,000 lbs.)					
Signatory	\$ 1.21	\$ 1.57	\$ 1.72	\$ 1.72	\$ 1.61
Non Signatory	1.86	2.05	2.19	2.07	1.85
Terminal rental rates (Per Sq. Foot)					
Ticket counter	58.20	54.60	54.45	57.60	54.60
Office and enclosed	58.20	54.60	54.45	57.60	54.60

Source: Airport System records.

#### Note:

The Airport System negotiated the first airline agreement which governed the calculation of rates and fees charged to scheduled airlines effective January 1, 1982. This agreement was terminated July 1, 1989 when the County adopted a new Rate Ordinance relating to airline rates and fees. In October, 2000 a new airline agreement was executed and rates and fees were calculated in accordance with the Agreement until the agreement was terminated effective May 1, 2008, at which time rates and fees were again calculated in accordance with the Rate Ordinance.

<sup>1</sup>Average used for presentation purposes. Due to the imposition of a mid-year adjustment, the landing fee was decreased from \$1.39 (July – December 2002) to \$1.03 (January – July 2003).

<sup>2</sup>Effective July 2005, unenclosed space at \$1.00 per square foot added to Terminal Rental Rates.

# Revenue Capacity (cont.)

## Schedule Airlines Cost Per Enplaned Passenger

### LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004
<b>AIRLINE REVENUE:</b>					
Terminal rents	\$ 10,991,364	\$ 12,124,102	\$ 11,498,311	\$ 10,006,224	\$ 9,438,916
Gate use (apron) fees	1,847,839	1,478,640	1,465,139	628,401	924,016
Landing fees	22,108,669	15,477,727	17,250,215	16,861,922	12,016,265
Total	34,947,872	29,080,469	30,213,665	27,496,547	22,379,197
Percent of total revenues	21.7%	19.1%	21.0%	18.7%	20.0%
<b>NON-AIRLINE REVENUES</b>	76,437,202	74,568,127	70,766,531	65,052,631	57,351,330
Percent of total revenues	47.5%	49.0%	49.1%	44.3%	51.3%
<b>NONOPERATING REVENUES</b>	49,684,903	48,530,648	43,097,712	54,442,840	32,037,180
Percent of total revenues	30.8%	31.9%	29.9%	37.0%	28.7%
<b>TOTAL REVENUES</b>	<b>\$ 161,069,977</b>	<b>\$ 152,179,244</b>	<b>\$ 144,077,908</b>	<b>\$ 146,992,018</b>	<b>\$ 111,767,707</b>
Enplaned passengers	5,294,737	5,307,289	5,150,229	4,986,171	4,563,607
<b>REVENUE PER ENPLANED PASSENGER</b>	<b>\$ 30.42</b>	<b>\$ 28.67</b>	<b>\$ 27.98</b>	<b>\$ 29.48</b>	<b>\$ 24.49</b>
<b>AIRLINE COST PER ENPLANED PASSENGER <sup>1</sup></b>	<b>\$ 6.60</b>	<b>\$ 5.48</b>	<b>\$ 5.87</b>	<b>\$ 5.51</b>	<b>\$ 4.90</b>

	2003	2002	2001	2000 <sup>2</sup>	1999
<b>AIRLINE REVENUE:</b>					
Terminal rents	\$ 10,070,679	\$ 9,050,197	\$ 8,773,980	\$ 9,159,263	\$ 7,631,928
Gate use (apron) fees	1,124,946	2,013,206	1,878,296	2,050,080	1,830,231
Landing fees	7,972,534	9,714,846	11,318,609	10,416,215	8,939,631
Total	19,168,159	20,778,249	21,970,885	21,625,558	18,401,790
Percent of total revenues	18.3%	21.8%	22.3%	17.6%	23.5%
<b>NON-AIRLINE REVENUES</b>	56,576,814	50,900,166	50,799,761	45,994,549	41,146,045
Percent of total revenues	53.9%	53.4%	51.5%	37.4%	52.5%
<b>NONOPERATING REVENUES</b>	29,231,257	23,708,130	25,860,097	55,334,286	18,862,123
Percent of total revenues	27.8%	24.9%	26.2%	45.0%	24.1%
<b>TOTAL REVENUES</b>	<b>\$ 104,976,230</b>	<b>\$ 95,386,545</b>	<b>\$ 98,630,743</b>	<b>\$ 122,954,393</b>	<b>\$ 78,409,958</b>
Enplaned passengers	4,314,273	4,042,585	4,104,096	3,837,471	3,678,125
<b>REVENUE PER ENPLANED PASSENGER</b>	<b>\$ 24.33</b>	<b>\$ 23.60</b>	<b>\$ 24.03</b>	<b>\$ 32.04</b>	<b>\$ 21.32</b>
<b>AIRLINE COST PER ENPLANED PASSENGER <sup>1</sup></b>	<b>\$ 4.44</b>	<b>\$ 5.14</b>	<b>\$ 5.35</b>	<b>\$ 5.64</b>	<b>\$ 5.00</b>

Source: Audited financial statements and Airport System statistics reports.

<sup>1</sup>Includes air cargo landing fees as part of cost.

<sup>2</sup>Nonoperating revenue for FY 99/00 restated to reflect implementation of GASB 33.

## Debt Capacity

### Debt Service Coverage

#### LAST TEN FISCAL YEARS

	2008 <sup>5</sup>	2007	2006	2005	2004
<b>REVENUE BONDS</b>					
Revenues <sup>1</sup>	\$ 118,940,257	\$ 116,610,194	\$ 111,466,818	\$ 104,769,369	\$ 90,323,829
Maintenance and operation Expenses <sup>2</sup>	(87,769,525)	(78,636,521)	(72,668,987)	(67,524,525)	(66,842,925)
Net revenues	\$ 31,170,732	\$ 37,973,673	\$ 38,797,831	\$ 37,244,844	\$ 23,480,904
Debt service requirement	\$ 15,507,142	\$ 12,458,165	\$ 14,721,391	\$ 16,835,805	\$ 16,840,105
DEBT SERVICE COVERAGE	2.0	3.0	2.6	2.2	1.4
<b>PFC AND SUBORDINATED REVENUE BONDS<sup>3</sup></b>					
PFC and subordinated revenues <sup>4</sup>	\$ 26,653,518	\$ 27,182,405	\$ 24,511,950	\$ 24,454,819	\$ 18,498,324
Debt service requirement	\$ 4,153,778	\$ 3,877,516	\$ 3,882,096	\$ 3,951,616	\$ 3,951,476
DEBT SERVICE COVERAGE	6.4	7.0	6.3	6.2	4.7
<b>REVENUE BONDS</b>					
Revenues <sup>1</sup>	\$ 89,255,168	\$ 83,865,381	\$ 84,936,877	\$ 78,480,010	\$ 64,281,322
Maintenance and operation Expenses <sup>2</sup>	(63,338,095)	(56,134,649)	(49,297,268)	(45,103,600)	(41,887,297)
Net revenues	\$ 25,917,073	\$ 27,730,732	\$ 35,639,609	\$ 33,376,410	\$ 22,394,025
Debt service requirement	\$ 15,062,285	\$ 12,106,987	\$ 12,099,721	\$ 12,105,681	\$ 11,035,929
DEBT SERVICE COVERAGE	1.7	2.3	2.9	2.8	2.0
<b>PFC AND SUBORDINATED REVENUE BONDS<sup>3</sup></b>					
PFC and subordinated revenues <sup>4</sup>	\$ 17,621,861	\$ 15,259,334	\$ 13,706,418	\$ 12,807,547	\$ 12,315,525
Debt service requirement	\$ 3,946,921	\$ 3,948,571	\$ 3,946,527	\$ 3,945,652	\$ 3,843,777
DEBT SERVICE COVERAGE	4.5	3.9	3.5	3.2	3.2

Source: Debt service compliance audit.

<sup>1</sup>Per bond resolution, revenues include all Airport System revenues excluding certain interest earnings and restricted revenues.

<sup>2</sup>Per bond resolution, Maintenance and Operation Expenses include all Airport System operating costs and certain capital and other non operating expenses. Maintenance and Operation Expenses exclude depreciation, amortization and debt service.

<sup>3</sup>Per Supplemental bond resolution, PFC and Subordinate Revenue Bonds are payable from net proceeds from PFC's imposed by the Airport System on and after July 1, 1996, and Net Revenues subordinate and junior to the lien on Senior Revenue bonds.

<sup>4</sup>PFC and Subordinated Revenues represent PFC collections and interest earned during the year.

<sup>5</sup>The Debt Service Requirement for 2008 includes the principal payment due on July 1, 2008.

## Debt Capacity (cont.)

## Ratio of Annual Debt Service to Total Expenses

## LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004
Principal	\$ 4,705,000	\$ 7,660,000	\$ 6,705,000	\$ 6,425,000	\$ 4,845,000
Interest <sup>1</sup>	11,516,327	11,800,681	11,881,872	14,082,421	14,366,581
Total debt service	<u>\$ 16,221,327</u>	<u>\$ 19,460,681</u>	<u>\$ 18,586,872</u>	<u>\$ 20,507,421</u>	<u>\$ 19,211,581</u>
Total expenses	<u>\$ 124,769,226</u>	<u>\$ 111,488,714</u>	<u>\$ 102,984,463</u>	<u>\$ 95,188,366</u>	<u>\$ 92,084,108</u>
RATIO OF DEBT SERVICE TO TOTAL EXPENSES	<u>13.0%</u>	<u>17.5%</u>	<u>18.1%</u>	<u>21.8%</u>	<u>22.6%</u>

	2003	2002	2001	2000	1999
Principal	\$ 4,470,000	\$ 4,250,000	\$ 4,055,000	\$ 4,565,000	\$ 950,000
Interest <sup>1</sup>	14,164,206	11,585,558	11,796,248	11,996,333	10,314,706
Total debt service	<u>\$ 18,634,206</u>	<u>\$ 15,835,558</u>	<u>\$ 15,851,248</u>	<u>\$ 16,561,333</u>	<u>\$ 11,264,706</u>
Total expenses	<u>\$ 87,145,998</u>	<u>\$ 81,767,250</u>	<u>\$ 73,954,659</u>	<u>\$ 70,029,818</u>	<u>\$ 62,738,007</u>
RATIO OF DEBT SERVICE TO TOTAL EXPENSES	<u>21.8%</u>	<u>19.6%</u>	<u>21.7%</u>	<u>22.9%</u>	<u>18.0%</u>

<sup>1</sup>Does not include capitalized interest or interest paid from bond proceeds.

## Debt per Enplaned Passenger

## LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004
Bonds payable	\$ 562,376,271	\$ 244,133,482	\$ 248,835,292	\$ 261,578,571	\$ 267,519,013
Enplaned passengers	<u>5,294,737</u>	<u>5,307,289</u>	<u>5,150,229</u>	<u>4,986,171</u>	<u>4,563,607</u>
DEBT PER ENPLANED PASSENGER	<u>\$ 106.21</u>	<u>\$ 46.00</u>	<u>\$ 48.32</u>	<u>\$ 52.46</u>	<u>\$ 58.62</u>

	2003	2002	2001	2000	1999
Bonds payable	\$ 271,879,455	\$ 195,617,887	\$ 199,570,443	\$ 203,302,998	\$ 206,840,553
Enplaned passengers	<u>4,314,273</u>	<u>4,042,585</u>	<u>4,104,096</u>	<u>3,837,471</u>	<u>3,678,125</u>
DEBT PER ENPLANED PASSENGER	<u>\$ 63.02</u>	<u>\$ 48.39</u>	<u>\$ 48.63</u>	<u>\$ 52.98</u>	<u>\$ 56.24</u>

## Debt Capacity (cont.)

### Outstanding Debt

#### LAST TEN FISCAL YEARS

<b>Revenue Bonds</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
1989 series (6.97% to 7.0%, due 2003-2020)	\$ -	\$ -	\$ -	\$ -
1992 series (5.8% to 6.0% , due 2006-2024)		6,290,000	6,290,000	6,290,000
1996 series A (5.3% to 6%, due 2006-2024)				84,085,000
1998 refunding series A (4.1% to 5.0%, due 2006-2026)		38,780,000	39,730,000	40,640,000
2002 series A (3.0% to 5.25%, due 2006-2032)		69,865,000	71,290,000	72,675,000
2002 refunding series B (3.0% to 5.25%, due 2006-2020)		13,900,000	14,650,000	15,380,000
2006 series A (variable interest rate per auction, due 2007 - 2024)		76,325,000	79,450,000	
2008 refunding series A (4.85% to 5.0%, due 2028-2041)	169,575,000			
2008 refunding series B (4.25% to 5.75%, due 2013-2039)	314,340,000			
2008 refunding series C (5.20%, due 2012)	12,280,000			
<b>Total revenue bonds</b>	<b>496,195,000</b>	<b>205,160,000</b>	<b>211,410,000</b>	<b>219,070,000</b>
<b>PFC and Subordinated Revenue Bonds</b>				
1996 series C (5.3% to 5.9%, due 2006-2010)		4,870,000	6,150,000	7,365,000
1998 refunding series B (4.1% to 5.0%, due 2006-2026)		44,365,000	44,495,000	44,620,000
2008 refunding series D (5.0%, due 2026)	46,390,000			
2008 refunding series E (4.25% to 5.75%, due 2013-2024)	43,040,000			
<b>Total PFC and subordinated revenue bonds</b>	<b>89,430,000</b>	<b>49,235,000</b>	<b>50,645,000</b>	<b>51,985,000</b>
<b>Total bonds payable</b>	<b>\$ 585,625,000</b>	<b>\$ 254,395,000</b>	<b>\$ 262,055,000</b>	<b>\$ 271,055,000</b>

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## Demographic and Economic

### Service Area Population

#### LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004
PRIMARY AREA					
Sacramento County	1,424,415	1,406,804	1,385,607	1,369,855	1,335,400
Placer County	333,401	324,495	316,508	305,675	292,100
Yolo County	199,066	193,983	190,344	187,743	184,500
El Dorado County	179,722	178,674	176,204	173,407	168,100
San Joaquin County	685,660	675,463	670,159	659,885	644,513
Sutter County	95,878	93,919	91,450	88,945	85,500
Yuba County	71,929	70,745	69,827	66,734	64,800
TOTAL PRIMARY AREA	2,990,071	2,944,083	2,900,099	2,852,244	2,774,913
SECONDARY AREA	942,002	938,650	935,164	926,661	912,425
TOTAL POPULATION	3,932,073	3,882,733	3,835,263	3,778,905	3,687,338

	2003	2002	2001	2000	1999
PRIMARY AREA					
Sacramento County	1,309,600	1,279,900	1,258,600	1,209,500	1,177,800
Placer County	275,600	264,900	257,500	234,400	225,900
Yolo County	181,300	176,300	173,500	162,900	158,800
San Joaquin County	625,600	607,487	591,081	568,991	554,706
El Dorado County	166,000	163,600	159,700	152,900	150,800
Sutter County	83,200	81,900	80,900	77,900	76,700
Yuba County	62,800	61,000	60,800	60,700	60,400
TOTAL PRIMARY AREA	2,704,100	2,635,087	2,582,081	2,467,291	2,405,106
SECONDARY AREA	901,878	889,834	882,722	869,721	856,624

Source: California Department of Finance.

Secondary area population is estimated at 81% of total population for counties included in this category. The largest population counties in the secondary area include Solano, Butte and Napa Counties.



## Demographic and Economic (cont.)

### Population/Personal Income

#### LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004
Population	1,424,415	1,406,804	1,385,607	1,369,855	1,335,400
Personal income	N/A <sup>1</sup>	\$ 48,313,850	\$ 46,376,000	\$ 43,228,715	\$ 40,093,483
Per capita personal income	N/A <sup>1</sup>	\$ 35,197	\$ 34,014	\$ 31,987	\$ 30,538
Unemployment rate (%)	7.0	5.2	4.7	4.5	5.2

	2003	2002	2001	2000	1999
Population	1,309,600	1,279,900	1,258,600	1,209,500	1,177,800
Personal income	\$ 38,649,539	\$ 37,225,183	\$ 35,016,668	\$ 32,018,953	\$ 30,179,191
Per capita personal income	\$ 29,699.00	\$ 29,398.00	\$ 28,463.00	\$ 26,535.00	\$ 25,433.00
Unemployment rate (%)	5.2	4.7	4.2	4.8	5.3

Source: California Department of Finance, U.S. Bureau of Labor Statistics and the US Department of Commerce.

<sup>1</sup> Figures not available

## Demographic and Economic (cont.)

### Principal Employers for the County of Sacramento

	2007 - 08			1998 - 99		
	<u>Employees <sup>1</sup></u>	<u>Rank</u>	<u>Percentage of Total County Employment <sup>3</sup></u>	<u>Employees <sup>2</sup></u>	<u>Rank</u>	<u>Percentage of Total County Employment <sup>3</sup></u>
Sutter/ California Health Services	10,405	1	1.59%	12,499	1	2.24%
Kaiser Permanente	9,319	2	1.43%	9,799	2	1.76%
Raleys Inc./Bel Air	7,565	3	1.16%	6,270	4	1.12%
Intel Corporation	7,000	4	1.07%	4,800	7	0.86%
University of California, Davis (UCD) Medical Center	6,404	5	0.98%			
CHW/ Mercy Health Care	5,119	6	0.78%	8,382	3	1.50%
AT&T California	4,828	7	0.74%			
Hewlett-Packard	3,800	8	0.58%	5,500	5	0.99%
Target Corporation	3,482	9	0.53%			
Wells Fargo & Co.	3,167	10	0.48%			
SBC Communications (formerly Pacific Bell)				4,566	6	0.90%
McClatchy Newspapers, Inc.				3,970	8	0.71%
Packard Bell				3,800	9	0.68%
United Parcel Service				2,913	10	0.52%
Totals	<u>50,684</u>		<u>7.75%</u>	<u>50,000</u>		<u>7.28%</u>

Source:

<sup>1</sup> Sacramento Business Journal Annual Book of Lists<sup>2</sup> Sacramento Area Commerce and Trade Organization<sup>3</sup> California Employment Development Department, Labor Market Information Division

# Operating Information

## Activity Statistics

### LAST TEN FISCAL YEARS

#### SACRAMENTO INTERNATIONAL AIRPORT

	2008	2007	2006	2005	2004
Passengers					
Enplanements	5,294,737	5,307,289	5,150,229	4,986,171	4,563,607
Deplanements	5,303,596	5,307,799	5,144,838	4,974,239	4,551,895
Total passengers	10,598,333	10,615,088	10,295,067	9,960,410	9,115,502
Air mail (lbs.)					
Inbound	420,402	2,356,604	8,488,572	10,955,369	8,230,789
Outbound	2,828,593	1,320,976	7,018,259	10,373,197	14,043,719
Total airmail	3,248,995	3,677,580	15,506,831	21,328,566	22,274,508
Air freight (lbs.)					
Inbound	89,168,308	79,697,218	75,706,041	76,002,268	71,737,037
Outbound	82,452,491	74,955,862	61,030,139	55,446,447	58,015,622
Total air freight	171,620,799	154,653,080	136,736,180	131,448,715	129,752,659
Aircraft operations	168,210	173,903	172,902	162,397	162,416

#### SACRAMENTO EXECUTIVE AIRPORT

Aircraft operations	98,130	122,271	118,405	109,765	140,935
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#### SACRAMENTO MATHER AIRPORT

Air mail (lbs.) <sup>1</sup>					
Inbound	-	-	-	-	-
Outbound	-	-	-	-	-
Total air mail	-	-	-	-	-
Air freight (lbs.)					
Inbound	81,703,461	72,609,458	68,851,888	67,014,010	67,511,356
Outbound	87,841,564	82,530,228	60,115,274	58,295,663	60,536,105
Total air freight	169,545,025	155,139,686	128,967,162	125,309,673	128,047,461
Aircraft operations	81,302	94,886	98,099	80,532	75,110

#### SACRAMENTO INTERNATIONAL AIRPORT

	2003	2002	2001	2000	1999
Passengers					
Enplanements	4,314,273	4,042,585	4,104,096	3,837,471	3,678,125
Deplanements	4,332,641	4,025,712	4,092,629	3,869,635	3,693,415
Total passengers	8,646,914	8,068,297	8,196,725	7,707,106	7,371,540
Air mail (lbs.)					
Inbound	7,092,275	7,599,352	10,137,470	8,257,440	7,946,822
Outbound	14,300,327	17,018,953	22,807,330	24,699,669	22,755,641
Total airmail	21,392,602	24,618,305	32,944,800	32,957,109	30,702,463
Air freight (lbs.)					
Inbound	74,534,298	66,279,952	49,849,350	52,181,649	50,237,295
Outbound	60,348,955	56,605,573	47,870,051	51,933,150	51,637,495
Total air freight	134,883,253	122,885,525	97,719,401	104,114,799	101,874,790
Aircraft operations	159,795	153,846	150,737	153,157	151,428

#### SACRAMENTO EXECUTIVE AIRPORT

Aircraft operations	120,200	112,153	125,643	117,603	115,040
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#### SACRAMENTO MATHER AIRPORT

Air mail (lbs.) <sup>1</sup>					
Inbound	-	13,269,189	100,742,973	79,286,702	-
Outbound	-	13,527,397	99,645,644	81,863,396	-
Total air mail	-	26,796,586	200,388,617	161,150,098	-
Air freight (lbs.)					
Inbound	59,180,276	61,048,773	73,951,857	83,397,349	69,918,984
Outbound	56,800,781	67,379,721	71,192,100	74,854,739	70,360,317
Total air freight	115,981,057	128,428,494	145,143,957	158,252,088	140,279,301
Aircraft operations	75,356	82,578	82,283	N/A	N/A

Source: Sacramento County Airport System activity reports.

<sup>1</sup>Air mail operations began at Mather Airport in August 1999 and ceased in August 2001.

## Operating Information (cont.)

### Major/Regional Airline Service

As of June 30, 2008

#### SCHEDULED AIRLINE SERVICE

Airline	Nonstop Service	One-Stop, Same-Plane Service
Alaska	Seattle, WA (SEA)	
American	Dallas/Ft. Worth, TX (DFW)	Dayton, OH (DAY)
Continental	Houston, TX (IAH)	
Delta	Atlanta, GA (ATL) Los Angeles, CA (LAX) Salt Lake City, UT (SLC)	Billings, MT (BIL) Casper, WY (CPR) Orlando, FL (MCO)
Frontier	Denver, CO (DEN)	
Hawaiian	Honolulu, HI (HNL)	
JetBlue	Long Beach, CA (LGB) New York, NY (JFK)	
Mexicana	Guadalajara, Mexico (GDL) San Jose Cabo, Mexico (SJD) Morelia, Mexico (MLM)	Mexico City, Mexico (MEX)
Northwest	Minneapolis, MN (MSP)	Columbus, OH (CMH) Newark, NJ (EWR)
Southwest	Burbank, CA (BUR) Chicago, IL (MDW) Kansas City, MO (MKC) Las Vegas, NV (LAS) Los Angeles, CA (LAX) Ontario, CA (ONT) Orange County, CA (SNA) Phoenix, AZ (PHX) Portland, OR (PDX) San Diego, CA (SAN) Seattle, WA (SEA)	Austin, TX (AUS) Nashville, TN (BNA) Orlando, FL (MCO) Raleigh/Durham, NC (RDU) St. Louis, MO (STL)
United	Chicago, IL (ORD) Denver, CO (DEN) Washington, D.C. (IAD)	Omaha, NE (OMA) Rochester, NY (ROC)
US Airways	Charlotte, NC (CLT) Las Vegas, NV (LAS) Philadelphia, PA (PHL) Phoenix, AZ (PHX)	

## Operating Information (cont.)

### Major/Regional Airline Service (cont.)

As of June 30, 2008

#### REGIONAL AIRLINE SERVICE

Airline	Nonstop Service	One-Stop, Same-Plane Service
Air Canada Jazz	Vancouver, BC (YVR)	
ExpressJet	Albuquerque, NM (ABQ) Colorado Springs, CO (COS) Oklahoma City, OK (OKC) San Antonio, TX (SAT) Spokane, WA (GEG) Tucson, AZ (TUS) Tulsa, OK (TUL)	Austin, TX (AUS)
Horizon	Boise, ID (BOI) Palm Springs, CA (PSP) Portland, OR (PDX)	
United Express	Bakersfield, CA (BFL) Eureka/Arcata, CA (ACV) Los Angeles, CA (LAX) San Francisco, CA (SFO) Santa Barbara, CA (SBA)	Crescent City, CA (CEC)

## Operating Information (cont.)

## Principal Customers/Airport System Employees/Capital Assets

FOR FISCAL YEARS 2007-08 AND 1998-99

## Principal Customers

	2007 - 08		1998 - 99	
	Customer Revenue	% Total Customer Revenue	Customer Revenue	% Total Customer Revenue
AMPCO/APCOA Parking <sup>1</sup>	\$ 47,048,563	45.39%	\$ 22,900,737	38.46%
Southwest Airlines	14,149,329	13.65%	6,800,543	20.71%
Hertz Corporation	3,882,230	3.75%		
United Airlines	3,432,158		3,128,023	5.25%
	<u>\$ 68,512,280</u>	<u>62.79%</u>	<u>\$ 32,829,303</u>	<u>59.17%</u>

<sup>1</sup> AMPCO took over operations January 1, 2006. APCOA Parking ceased operations on December 31, 2005.

## Airport System Employees

	2007 - 08	1998 - 99
Full Time Employees	406	348

## Capital Assets

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Aiports	4	4	4	4	4	4	4
Licensed Vehicles:							
Cars and Light Trucks	148	120	112	108	120	116	126
Busses	41	35	44	47	55	47	45

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## Bond Disclosure Section

This section contains the following subsections:

Annual Report

Historical Enplaned Passengers

Airline Market Shares of Enplaned Passengers

Airport System Scheduled Airlines

Maintenance and Operation Expenses

Historical Aircraft Landed Weight

Airline Market Shares of Aircraft Landed Weight

Airline and Nonairline Revenues

Application of Airport Revenues

Authorized PFC Applications

## Annual Report

In accordance with the requirements of the Continuing Disclosure Certificate (Certificate) for the Sacramento County Airport System Revenue Bonds, Series 2008 and the Airport System PFC and Subordinated Revenue Bonds, Series 2008 (collectively, the Revenue Bonds and the PFC and Subordinated Revenue Bonds are referred to as the "Series 2008 Bonds"), the Sacramento County Airport System (System) is including this section to meet the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5)(the Rule).

Beginning with the Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2007-2008, and each CAFR thereafter, the Bond Disclosure Section provides the required information consistent with Section 4 of the Certificate. The CAFR is filed with each National and State Repository specified in the Rule, and with any other repository that shall be identified in the future.

### ANNUAL REPORT

The following items are required by the Certificate to be included in the Annual Report:

- A. A table showing, for the County's most recently completed Fiscal Year, the number of enplaned passengers for (i) all airlines other than regional airlines, (ii) all regional airlines, and (iii) all airlines, together with a calculation of the percentage increase or decrease in total enplaned passengers for all airlines for such Fiscal Year over the comparable figures for the immediately preceding Fiscal Year, substantially in the format presented at page 41 of the County's Official Statement dated April 18, 2008 relating to the Series 2008 Bonds (the "Official Statement"). **Refer to EXHIBIT 1, page 78 of this report.**
- B. A table showing, for the County's most recently completed Fiscal Year, the respective market share of enplaned passengers for (i) each scheduled airline doing business at the Airport which operates aircraft with 60 or more seats, ("Major Airlines"), (ii) each of the regional airlines doing business at the Airport, and (iii) all other airlines, together with the ranking for each such airline among all airlines included in the table, all substantially in the format presented at page 42 of the Official Statement. **Refer to EXHIBIT 2, page 79 of this report.**
- C. A table showing, for the County's most recently completed Fiscal Year, the aggregate aircraft landed weights (in 1,000-pound units) for (i) all airlines except regional airlines, (ii) all regional airlines, (iii) all airlines included in (i) and (ii) above in this paragraph (c), (iv) all-cargo airlines, and (v) all-cargo airlines plus all airlines included in (iii) above in this paragraph (c), together with a calculation of the percentage increase or decrease in the aggregate figure calculated in (v) for such Fiscal Year over the comparable figure for the immediately preceding Fiscal Year. **Refer to EXHIBIT 5, page 81 of this report.**
- D. A table showing for the County's most recently completed Fiscal Year, the respective market share of aircraft landed weight for (i) each of the Major Airlines doing business at the Airport, (ii) regional airlines (as a group) doing business within the Airport System, (iii) other passenger airlines (as a group), including nonscheduled, charter, and supplemental airlines, and (iv) cargo airlines (as a group). **Refer to EXHIBIT 6, page 82 of this report.**
- E. A statement of the total weight (in millions of pounds) of enplaned cargo at the Airport System during the County's most recently completed Fiscal Year. **Refer to the Statistical Section, Activity Statistics, page 69 of this report.**
- F. A listing of scheduled airlines, including separate listings of the Major Airlines, all-cargo airlines and regional airlines serving the Airport System at the end of the County's most recently completed Fiscal Year. **Refer to EXHIBIT 3, page 80 of this report.**

- G. A statement of the number of daily nonstop flights offered from the Airport by the Major Airlines and regional airlines serving the Airport as of June 1 of the preceding Fiscal Year. At June 30, 2008, nonstop flights offered at the Airport by major and regional airlines were 175 and 18, respectively, for a total of 193 nonstop flights. **See Statistical Section, Major Carrier/Regional Airline Service, page 70 and 71 of this report, for a listing by airline and destination of nonstop service.**
- H. A table, substantially in the format presented as Exhibit E to the Report of the Airport Consultant, showing, for the County's most recently completed Fiscal Year, the Maintenance and Operation Expenses of the Airport System (i) by object type (showing each of the line items presented in the table presented as Exhibit D to the Report of the Airport Consultant), (ii) by cost center (showing each of the line items presented in said Exhibit D), and (iii) in the aggregate for such Fiscal Year. **Refer to EXHIBIT 4, page 80 of this report.**
- I. A table, substantially in the format presented as Exhibit F to the Report of the Airport Consultant, showing, for the County's most recently completed Fiscal Year, the airline and nonairline revenue collected by the Department, including the line items representing the most significant sources of revenue collected by the Department during such Fiscal Year. **Refer to EXHIBIT 7, page 83 of this report.**
- J. A table, in substantially the format presented as Exhibit G to the Report of the Airport Consultant, showing, for the County's most recently completed Fiscal Year, (i) that all transfers required under the Bond Resolution have been made, (ii) a statement of the Net Revenues for the Airport System and the fraction, expressed as a percentage, obtained by dividing such Net Revenues by the Debt Service for such Fiscal Year, and (iii) a statement of the Passenger Facility Charge revenues collected by the County and the fraction, expressed as a percentage, obtained by dividing such Passenger Facility Charge revenues by the Subordinated Debt Service for such Fiscal Year. **(i) Refer to EXHIBIT 8, page 84 of this report which details transfer made pursuant to the Bond Resolution; (ii) Refer to the Statistical Section, Debt Service Coverage, page 62 of this report; (iii) Refer to the Statistical Section, PFC and Subordinated Revenue Bonds Debt Service Coverage, page 62 of this report.**
- K. A table showing, for each of the authorizations (as applicable) by the Federal Aviation Administration for the County to collect Passenger Facility Charges from airlines using the Airport System, (i) the amount available for debt service on PFC and Subordinated Airport System Revenue Bonds pursuant to each such authorization as of the end of such Fiscal Year (taking into account the total Passenger Facility Charge Collections pursuant to each such authorization during such Fiscal Year), and (ii) the total amount of Passenger Facility Charges remaining to be collected pursuant to each such authorization as of the end of such Fiscal Year. **Refer to EXHIBIT 9, page 85 of this report.**
- L. The audited financial statements of the County of Sacramento Airport Enterprise Fund for the most recently completed 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. **Refer to the Financial Section, pages 17-50 of this report.**
- M. A statement of the value, in dollars, of the System's funds held by or in the Sacramento County Pooled Investment Fund. **Refer to the Financial Section, footnotes 2 and 4, Cash and Investments, and Restricted Assets, pages 34-36 and 38 of this report.**

## REPORTING OF SIGNIFICANT EVENTS

As of June 30, 2008, none of the Events listed in Section 5 of the Certificate have occurred for any of the outstanding bonds issued by the Sacramento County Airport System. As of June 30, 2008, there is no knowledge on the part of the County of any impending Significant Events that would require disclosure under the provisions of the Certificate.

## Historical Enplaned Passengers

### EXHIBIT 1

#### FISCAL YEARS ENDED JUNE 30

ENPLANEMENTS	2008	2007	2006	2005	2004
Major and Other Airlines (a)	4,741,650	5,075,849	4,897,981	4,763,946	4,336,932
Regional Airlines	<u>553,087</u>	<u>231,440</u>	<u>252,248</u>	<u>222,225</u>	<u>226,675</u>
TOTAL	<u><u>5,294,737</u></u>	<u><u>5,307,289</u></u>	<u><u>5,150,229</u></u>	<u><u>4,986,171</u></u>	<u><u>4,563,607</u></u>
Percent Change From Prior Year	<u><u>(0.2%)</u></u>	<u><u>3.1%</u></u>	<u><u>3.3%</u></u>	<u><u>9.3%</u></u>	<u><u>5.8%</u></u>

ENPLANEMENTS	2003	2002	2001	2000	1999
Major and Other Airlines (a)	4,096,459	3,853,587	3,966,953	3,707,787	3,525,882
Regional Airlines	<u>217,814</u>	<u>188,998</u>	<u>137,143</u>	<u>129,684</u>	<u>152,243</u>
TOTAL	<u><u>4,314,273</u></u>	<u><u>4,042,585</u></u>	<u><u>4,104,096</u></u>	<u><u>3,837,471</u></u>	<u><u>3,678,125</u></u>
Percent Change From Prior Year	<u><u>6.70%</u></u>	<u><u>(1.5%)</u></u>	<u><u>6.9%</u></u>	<u><u>4.3%</u></u>	<u><u>4.2%</u></u>

Source: Airport System statistics reports.

(a) Major airlines are defined for this analysis as scheduled airlines operating aircraft with 60 or more seats; other airlines are nonscheduled.

## Airline Market Shares of Enplaned Passengers

### EXHIBIT 2

#### FISCAL YEARS ENDED JUNE 30

	2008	2007	2006	2005
PERCENTAGE OF TOTAL ENPLANEMENTS				
Major Airlines (a)				
Southwest Airlines	50.1%	49.9%	49.9%	49.9%
United Airlines	7.6%	8.8%	10.1%	10.1%
US Airways (America West Airlines)	5.5%	5.9%	5.8%	6.2%
Delta Airlines	4.5%	5.0%	4.9%	5.3%
Alaska Airlines	4.3%	4.8%	4.9%	5.0%
American Airlines	3.8%	4.1%	4.6%	5.5%
Continental Airlines	2.9%	2.8%	2.7%	2.4%
Frontier Airlines	2.6%	2.4%	2.3%	1.6%
Jet Blue Airlines	2.2%	2.8%	1.7%	1.8%
Northwest Airlines	2.0%	2.0%	2.2%	2.4%
Hawaiian Airlines	1.7%	2.0%	1.7%	1.7%
Mexicana Airlines	1.1%	1.1%	1.2%	0.9%
Aloha Airlines	0.9%	1.3%	0.8%	0.6%
Regional Airlines				
Skywest	3.5%	3.8%	4.0%	4.1%
Horizon Airlines	2.9%	2.3%	2.2%	2.0%
Express Jet	2.8%	0.3%		
ASA/Delta Connection	1.0%	0.3%	0.5%	0.2%
Air Canada Jazz	0.4%	0.1%		
Mesa Airlines	0.2%	0.2%	0.4%	0.2%
Others	0.0%	0.0%	0.0%	0.0%
All Other Airlines (b)		0.1%	0.1%	0.1%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
RANKING				
Major Airlines (a)				
Southwest Airlines	1	1	1	1
United Airlines	2	2	2	2
US Airways (America West Airlines)	3	3	3	3
Delta Airlines	4	4	4	5
Alaska Airlines	5	5	4	6
American Airlines	6	6	5	4
Continental Airlines	9	8	7	8
Frontier Airlines	11	9	8	12
Jet Blue Airlines	12	8	10	10
Northwest Airlines	13	11	9	8
Hawaiian Airlines	14	11	10	11
Mexicana Airlines	15	13	11	13
Aloha Airlines	17	12	12	14
Regional Airlines				
Skywest	7	7	6	7
Horizon Airlines	8	10	9	9
Express Jet	10	14		
ASA/Delta Connection	16	14	13	15
Air Canada Jazz	18	16		
Mesa Airlines	19	15	14	15

Source: Airport System statistics reports.

(a) Defined for this analysis as scheduled airlines operating with 60 or more seats.

(b) Includes nonscheduled, charter, and supplemental airlines.

## Airport Systems Scheduled Airlines

### EXHIBIT 3

AS OF JUNE 30, 2008

Major Airlines	Regional Airlines	All-Cargo Airlines
Alaska	Air Canada Jazz	ABX Air
American	ASA (Delta Connection)	DHL Airlines
Continental	Express Jet	Federal Express
Delta	Horizon	UPS
Frontier	Mesa Airlines (United Express)	
Hawaiian	Skywest (United Express)	
Jet Blue		
Mexicana		
Northwest		
Southwest		
United		
US Airways (America West Airlines)		

Source: Airport System records.

## Operating Expenses

### EXHIBIT 4

FISCAL YEARS ENDED JUNE 30

	2008	2007	2006	2005
By object type				
Salaries and benefits	\$ 30,940,616	\$ 29,194,278	\$ 28,437,857	\$ 27,313,968
Supplies and services	54,932,005	47,025,948	42,543,783	38,442,625
Other charges	837,710	769,160	670,162	909,682
Equipment and projects	-	765,803	719,028	858,250
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>\$ 86,710,331</u>	<u>\$ 77,755,189</u>	<u>\$ 72,370,830</u>	<u>\$ 67,524,525</u>
By cost center				
Terminal building	\$ 29,045,235	\$ 18,424,210	\$ 18,692,935	\$ 18,455,400
Apron area	4,153,749	3,438,139	913,941	1,176,426
Loading bridges	1,317,562	1,173,093	42,687	321,694
Other (a)	52,193,785	54,719,747	52,721,267	47,571,005
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>\$ 86,710,331</u>	<u>\$ 77,755,189</u>	<u>\$ 72,370,830</u>	<u>\$ 67,524,525</u>

Source: Airport System audited financial statements.

(a) Includes Airfield Area, Parking and Roadways, Other Buildings and Areas, and Reliever Airports cost centers.

## Historical Aircraft Landed Weight (in 1,000 lb. units)

### EXHIBIT 5

#### FISCAL YEARS ENDED JUNE 30

	2008	2007	2006	2005	2004
Passenger airlines					
All airlines except regionals	6,293,924	6,489,593	6,185,453	6,037,113	6,037,113
Regionals	456,937	304,247	288,094	255,984	255,984
SUBTOTAL	6,750,861	6,793,840	6,473,547	6,293,097	6,293,097
All cargo airlines	982,234	949,579	728,999	771,423	771,423
TOTAL	7,733,095	7,743,419	7,202,546	7,064,520	7,064,520
Percent change from prior year	(0.1%)	7.5%	2.0%	5.4%	5.4%

	2003	2002	2001	2000	1999
Passenger airlines					
All airlines except regionals	5,661,830	5,419,459	5,077,398	4,977,201	4,737,179
Regionals	273,734	264,845	228,166	169,319	171,441
SUBTOTAL	5,935,564	5,684,304	5,305,564	5,146,520	4,908,620
All cargo airlines	764,687	856,342	972,391	1,277,422	1,292,104
TOTAL	6,700,251	6,540,646	6,277,955	6,423,942	6,200,724
Percent change from prior year	2.4%	4.2%	(2.3%)	3.6%	9.8%

Source: Airport System Records

## Airline Market Shares of Aircraft Landed Weight

### EXHIBIT 6

FISCAL YEARS ENDED JUNE 30

	2008	2007	2006	2005	2004
Major passenger airlines (a)					
Southwest	45.0%	43.7%	45.7%	45.0%	45.4%
United Airlines	6.8%	8.0%	9.6%	9.2%	8.6%
America West Airlines	4.8%	5.3%	5.2%	4.7%	5.6%
Alaska Airlines	3.7%	4.2%	4.4%	4.4%	4.6%
Delta Air Lines	3.6%	4.2%	4.1%	4.7%	5.0%
American Airlines	2.6%	3.0%	3.6%	4.8%	4.4%
Frontier Airlines	2.3%	2.2%	2.1%	1.8%	1.5%
Continental Airlines	2.0%	1.9%	2.0%	1.9%	1.7%
Northwest Airlines	1.5%	1.5%	1.7%	1.9%	2.0%
Hawaiian Airlines	1.6%	2.0%	1.6%	1.7%	1.8%
Jet Blue Airlines	2.0%	2.7%	1.5%	1.5%	0.4%
Mexicana Airlines	1.2%	1.1%	1.3%	1.0%	0.5%
Aloha Airlines	1.0%	1.6%	0.8%	0.7%	0.7%
SUBTOTAL	78.1%	81.4%	83.6%	83.3%	82.2%
Regional airlines	5.9%	5.8%	5.9%	5.5%	6.1%
Other passenger airlines (b)	3.3%	0.5%	0.4%	0.3%	0.3%
Cargo airlines (c)	12.7%	12.3%	10.1%	10.9%	11.4%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%
	2003	2002	2001	2000	1999
Major passenger airlines (a)					
Southwest	44.1%	42.2%	38.7%	37.4%	39.2%
United Airlines	8.2%	9.2%	12.2%	13.1%	13.8%
America West Airlines	5.5%	7.9%	7.5%	6.9%	7.2%
Alaska Airlines	3.6%	3.8%	3.6%	3.8%	4.2%
Delta Air Lines	5.3%	4.9%	4.8%	5.5%	6.4%
American Airlines	5.1%	4.5%	2.9%	3.1%	3.4%
Frontier Airlines	1.6%	0.6%			
Continental Airlines	1.6%	1.5%	1.2%	0.2%	
Northwest Airlines	2.3%	2.6%	2.4%	2.0%	1.8%
Hawaiian Airlines	1.8%	0.1%			
Jet Blue Airlines					
Mexicana Airlines	0.6%				
Aloha Airlines	0.1%				
TWA	0.0%	0.8%	1.7%	1.7%	2.0%
SUBTOTAL	79.8%	78.1%	75.0%	73.7%	78.0%
Regional airlines	6.4%	5.7%	4.6%	4.9%	6.5%
Other passenger airlines (b)	0.7%	0.7%	0.5%	0.7%	1.5%
Cargo airlines (c)	13.1%	15.5%	19.9%	20.7%	14.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Airport System records.

(a) Defined for this analysis as scheduled passenger airlines operating aircraft with 60 or more seats.

(b) Includes nonscheduled, charter and supplemental airlines.

(c) Includes cargo airlines operating at Mather Airport.



## Airline and Nonairline Revenues

### EXHIBIT 7

#### FISCAL YEARS ENDED JUNE 30

	2008	2007	2006
<b>Airline Revenue</b>			
Terminal building rents and fees	\$ 10,991,364	\$ 11,484,629	\$ 10,024,141
Aircraft parking fees	884,287	1,478,640	1,474,170
Loading bridge fees	963,552	639,473	1,465,139
Landing fees	22,108,669	15,477,727	17,250,215
<b>TOTAL AIRLINE REVENUE</b>	<b>\$ 34,947,872</b>	<b>\$ 29,080,469</b>	<b>\$ 30,213,665</b>
<b>NonAirline Revenue</b>			
<b>Airfield area</b>			
Commerical fees	\$ 10,393	\$ 10,900	\$ 7,555
Other landing fees	117,974	50,539	352,826
Aviation fuel sales	1,129,119	1,152,967	1,656,920
<b>SUBTOTAL</b>	<b>1,257,486</b>	<b>1,214,406</b>	<b>2,017,301</b>
<b>Terminal building</b>			
Food/beverage	3,116,846	3,329,248	2,406,073
Merchandise	2,068,342	1,582,411	1,322,578
Advertising	651,857	602,468	563,938
Telephones	20,628	31,632	56,565
Vending	218,249	206,846	234,103
<b>SUBTOTAL</b>	<b>6,075,923</b>	<b>5,752,605</b>	<b>4,583,257</b>
<b>Parking</b>			
Parking	47,191,301	46,289,886	44,157,330
<b>SUBTOTAL</b>	<b>47,191,301</b>	<b>46,289,886</b>	<b>44,157,330</b>
<b>Other areas</b>			
Auto rentals	10,409,537	10,221,977	9,305,538
Auto rental shuttle bus fees	2,254,039	2,140,558	2,107,742
Taxi/shuttle bus fees	478,115	479,648	207,129
Agricultural leases	(12,093)	160,056	191,033
Tiedown and hangars	704,925	717,947	723,491
FBO rentals	165,389	164,322	163,188
Aviation ground leases	3,160,651	4,063,263	3,894,669
Other rentals/miscellaneous	3,739,078	2,525,497	2,412,638
<b>SUBTOTAL</b>	<b>20,899,642</b>	<b>20,473,268</b>	<b>19,005,428</b>
<b>Other revenue</b>			
Service fees	911,360	1,015,551	900,536
Miscellaneous revenue <sup>1</sup>	251,281	233,170	332,816
<b>SUBTOTAL</b>	<b>1,162,641</b>	<b>1,248,721</b>	<b>1,233,352</b>
<b>TOTAL NONAIRLINE OPERATING REVENUES</b>	<b>76,586,992</b>	<b>74,978,885</b>	<b>70,996,668</b>
Interest income <sup>1</sup>	4,719,298	5,661,918	3,479,254
<b>TOTAL NONAIRLINE REVENUE</b>	<b>\$ 81,306,290</b>	<b>\$ 80,640,803</b>	<b>\$ 74,475,922</b>

Source: Airport System audited financial statements.

<sup>1</sup>As defined in the bond resolution.

## Application of Airport Revenues

### EXHIBIT 8

#### FISCAL YEARS ENDED JUNE 30

	2008	2007	2006
<b>Airport System Revenues</b>			
Airline revenues	\$ 34,947,872	\$ 29,080,469	\$ 30,213,665
Nonairline revenues	81,306,290	80,640,803	74,475,922
Transfers for terminal A debt service			
Qualified for PFC funding	2,601,351	3,401,555	2,490,499
Transfers from prepaid revenue account	-	3,758,128	4,286,732
<b>TOTAL REVENUES</b>	<b>118,855,513</b>	<b>116,880,956</b>	<b>111,466,818</b>
Rate calculation carry forward adjustment from prior year	4,912,115	14,148,792	5,511,084
<b>TOTAL ADJUSTED REVENUE</b>	<b>\$ 123,767,628</b>	<b>\$ 131,029,748</b>	<b>\$ 116,977,902</b>
<b>Application of Airport System Revenues</b>			
Maintenance and operation expenses	\$ 87,769,525	\$ 78,636,521	\$ 72,791,334
Airport System revenue bond debt service	15,507,142	12,458,165	14,721,391
2002 bond principal payment amortized to airlines	311,122	311,122	311,122
M & O reserve fund deposit	270,111	2,067,550	2,217,857
	103,857,900	93,473,358	90,041,704
Rate calculation carry forward adjustment to next year	4,852,695	14,236,998	8,188,092
<b>SUBTOTAL</b>	<b>108,710,595</b>	<b>107,710,356</b>	<b>98,229,796</b>
Deposits to capital improvement fund			
Prepaid revenue account	-	3,192,322	3,758,128
Capital improvement account	21,619,210	19,856,308	14,989,978
Total deposits to capital improvement fund	21,619,210	23,048,630	18,748,106
<b>TOTAL APPLICATION OF AIRPORT SYSTEM REVENUES</b>	<b>\$ 130,329,805</b>	<b>\$ 130,758,986</b>	<b>\$ 116,977,902</b>
<b>Airline Revenue Per Enplaned Passenger</b>			
Airline revenues	\$ 34,947,872	\$ 29,080,469	\$ 30,213,665
Less: cargo airline landing fees	2,420,929	1,340,794	1,441,411
Passenger airline rents and fees	\$ 32,526,943	\$ 27,739,675	\$ 28,772,254
Enplaned passengers	5,294,737	5,307,289	5,150,229
Passenger airline revenues per enplaned passenger	\$ 6.14	\$ 5.23	\$ 5.59

## Authorized PFC Applications

### EXHIBIT 9

#### FISCAL YEARS ENDED JUNE 30

	2008	2007	2006
<b>Remaining Authorized Collection</b>			
<u>FAA Authorization</u>			
Application 6 - March 2000	\$ 31,588,897	\$ 59,936,623	\$ 85,923,012
Application 7 - July 2002	11,141,350	11,141,350	11,141,350
TOTAL	<u>\$ 42,730,247</u>	<u>\$ 71,077,973</u>	<u>\$ 97,064,362</u>
<b>Collection Amount Available for PFC and Subordinated Revenue Bond Debt Service</b>			
<u>FAA Authorization</u>			
Application 6 - March 2000	\$ 31,588,897	\$ 59,936,623	\$ 85,923,012
Application 7 - July 2002	11,141,350	11,141,350	11,141,350
TOTAL	<u>\$ 42,730,247</u>	<u>\$ 71,077,973</u>	<u>\$ 97,064,362</u>

Source: Airport System Records.

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