



CITY OF STOCKTON



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

STOCKTON, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



CITY OF STOCKTON, CALIFORNIA

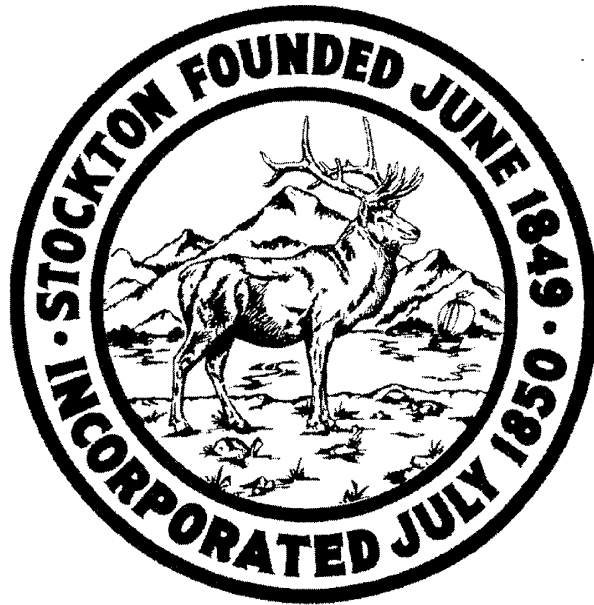
**Prepared and Issued by
The Administrative Services Department**

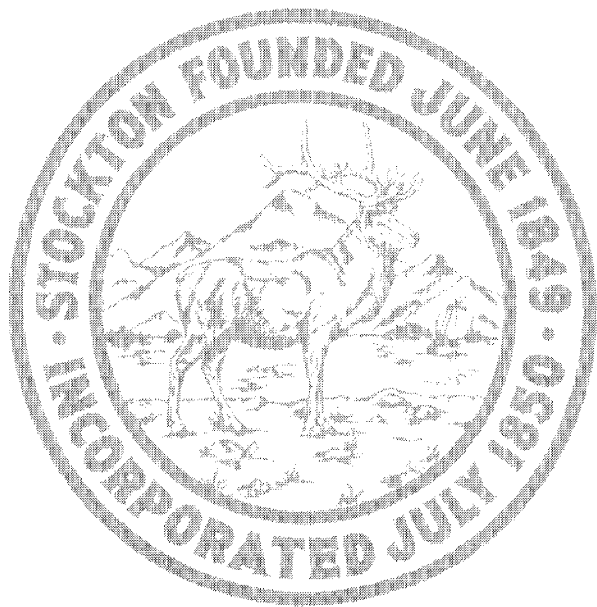
**MARK MOSES
Director of Administrative Services**

**JANET SALVETTI
Finance Officer**



CITY OF STOCKTON





CITY OF STOCKTON

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
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CITY OF STOCKTON

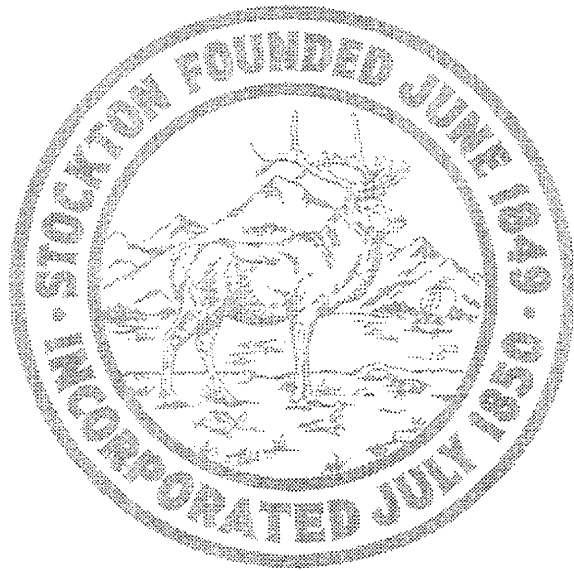
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CITY OF STOCKTON

ADMINISTRATIVE SERVICES

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October 27, 2006

Honorable Mayor, Members of the City Council And
Citizens of the City of Stockton, California

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Stockton for the fiscal year ending June, 30, 2006. The City Charter (Section 1910, Article XIX) requires that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to the City Council. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

The intent of this report is to provide the City Council, citizens and City staff with a firm understanding of the City's financial position. Management assumes responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements.

Macias Gini & O'Connell LLP, an independent firm of licensed certified public accountants, has audited the City's financial statements. The independent audit involved 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, and evaluating the overall financial statement presentation. Based on the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion which states that the City's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.



In addition to meeting the City Charter audit requirements, the audit is also designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. Information relating to this Single Audit, including a Schedule of Expenditures of Federal Awards, the independent auditor's report on internal controls, report on compliance with applicable laws and regulations, and a schedule of findings and recommendations are included in this CAFR.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the City of Stockton

The City of Stockton is located in California's flourishing San Joaquin Valley and is the county seat of San Joaquin County. Stockton encompasses nearly 60 square miles and has an estimated population of approximately 280,000. It currently is the 12th largest city in California. The City is the home of the busy inland port which is the entrance to the unique San Joaquin Delta, a series of waterways and agricultural islands leading to the San Francisco Bay.

The City was incorporated in 1850 and subsequently received its first charter, a special legislative charter, from the State in 1851. Stockton's first local Charter under the 1879 State Constitution was approved by the voters in 1888 and ratified by the State Legislature in 1889. The current Charter under which the City operates was approved by the voters in November, 1922. The charter was enacted in 1923 and changed the City from a commission form of government to the current City Council – City Manager form of government. The City Charter has been amended over 100 times since it was originally approved in 1922.

Under the Council-Manager form of government, policy-making and legislative authority are entrusted to the City Council. The mayor and representatives from six districts are chosen by city-wide election for staggered four year terms, with a two term limit. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing department heads, and overseeing the operation of the City. The City Manager, City Attorney, City Auditor, and City Clerk are appointed by the City Council.

The City provides a full range of municipal services. As provided by City Charter these include: public safety (police, fire, paramedics, and building), sanitation (solid waste disposal, wastewater, and storm water utilities), water utility, community development, library, parks and recreation, and general administrative services. The City Council sits as the Board of the Stockton Redevelopment Agency.

This report includes the financial activity of separate legal entities whose activities the City controls. These entities include:

- Redevelopment Agency
- Stockton Public Financing Authority

Component unit (stand-alone) reports are available for the Redevelopment Agency.

Budgetary Controls

The annual budget serves as the foundation for the City's financial planning and control. In accordance with the provisions of the City Charter, the City Manager prepares and the City Council adopts a budget on or before June 30 for each subsequent fiscal year.

Each department is given budget targets based on a percentage of the General Fund revenue projections, and is given wide latitude in putting together its budget to meet City goals. The budget is prepared under the supervision of a budget officer and transmitted to the City Council for review 45 days prior to the beginning of each fiscal year. If the Council fails to adopt the annual budget by the beginning of the new fiscal year, the amounts proposed in the budget by the City Manager are considered appropriated until the Council adopts a budget.

Budgetary control is at the department level within each fund. Fund transfers within like categories of the same department require approval from the City Manager's Office.

Economic Condition

Local Economy. Although the State's budget problems once again had an impact on the City's budget, Stockton continues to operate within a balanced budget. In 2006 the Council Budget, Finance and Economic Development Committee was revived with its members involved in reviewing a number of issues including debt policies, revenue sources, capital improvement program, and individual departmental budgets. In May, 2006 the City Council adopted a formal reserve policy for the General Fund.

Stockton continues to experience a rebirth of the downtown area, which in the past five years, has been transformed from one of urban blight and decay, into a vibrant, growing urban center. This renaissance has served as the cornerstone of a rejuvenated economy, and its effect has rippled outward from the City's center to its boundaries and beyond.

On the North Shore of the Stockton Channel, a multi-million dollar development project has been completed. On what once was undeveloped property now stand a baseball stadium, waterfront multi-use arena, retail space and a parking structure. Scheduled for completion in spring 2007 is a Sheraton Hotel and conference center.

Completed in December, 2005 the Stockton Arena is the home to several sports teams, including the California Cougars (Major Indoor Soccer League), Stockton Thunder (East Coast Hockey League), and Stockton Lightning (Arena Football). The state of the art 220,000 square foot, 10,000 seat arena can accommodate a wide range of events and activities with a total of over 100 events anticipated each year.

Access to Stockton is being greatly improved through the State Route 99/Hammer Lane Interchange Reconstruction and Widening Project. The project is intended to relieve congestion, reduce delays, and improve safety. Included in the project is the widening of State Route 99 to six through lanes from the Crosstown Freeway to Hammer Lane, improvements to several interchanges, sound walls and improved lighting. The entire project will take over two years to complete with the date estimated to be in late 2007. Upon completion, Stockton will be better served by improved access by both State Route 99 and Interstate 5.

To accommodate the growing number of people visiting Downtown Stockton, two new parking structures were recently completed. The Stockton Arena Parking Garage and the Edmund "Ed" S. Coy Parking Garage have added 1,200 parking spaces and 25,000 square feet of retail space to better serve the area.

While it is difficult to precisely quantify the impacts of these redevelopment projects, both single family homes and commercial real estate in Stockton have seen significant appreciation over the same time horizon as the unfolding of the downtown redevelopment. In the third quarter of 2005, Stockton's per capita sales tax revenue skyrocketed 18% compared to the modest 3% increase for the statewide per capita sales tax figure.

Long-Term Financial Planning. The Stockton City Council has annually adopted a five-year Capital Improvement Program (CIP). The five-year CIP budget for FY 2006-2011 totals approximately \$750 million. The five-year CIP is a planning document that does not appropriate funds for projects. The first year of the CIP is incorporated into the adopted annual budget for fiscal year 2006-07. The CIP budget amount for the first year totals \$270 million.

Cash Management and Policies. The Investment Officer of the City is charged with the responsibility of investment of City funds. The government code and City policy stipulate how the City's funds can be invested. The City adopts an investment policy annually that is intended to provide guidelines for the prudent investment of the City's balances, and outlines the policies to assist in maximizing the efficiency of the City's cash management system while meeting the daily cash

flow demands of the City. Both the Investment Advisory Committee and the City Council approve the City's investment policy. Additional information on cash management can be found in Note 3 of the financial statements.

Risk Management. The City is self-insured for general liability, workers' compensation, and health insurance. The City has established three internal service funds to accumulate resources to cover potential uninsured losses. Additional information on the City's risk management activities can be found in Note 10 of the financial statements and in the internal service fund financial statements of this report.

Retirement and Other Post Employment Benefits. The City participates in the California Public Employees' Retirement System (CalPERS) and makes contributions to the retirement plans based on amounts determined by CalPERS actuaries. The City also pays the employees' required contributions as part of its benefit package.

In addition to providing retirement benefits through CalPERS, the City, in accordance with various Memorandums of Understanding, also provides post employment health benefits to certain retired employees. Additional information on the City's retirement plan and post employment benefits can be found in Notes 9 and 11 in the financial statements.

Major Initiatives. In June, 2006 the Stockton City Council embarked on the largest public investment program in the history of this community by approving the Strong Neighborhood Initiative (SNI). This initiative includes the sale of \$114 million in revenue bonds which will be used within designated redevelopment project areas, to improve neighborhood conditions, enhance community safety, expand community service, and strengthen community partnerships.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2005. 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 CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

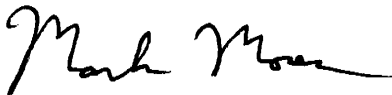
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last seventeen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA again this year for the Certificate of Achievement.

Additionally, the City received its fifteenth consecutive Certificate of Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for its CAFR for the fiscal year ended June 30, 2005. Due to a change in the CSMFO program that is effective for this fiscal year, recipients of the GFOA Certificate of Achievement are no longer eligible to participate in the CSMFO program, if they are continuing to submit to GFOA.

The preparation of this report would not have been possible without the efficient and dedicated services of the Accounting Unit staff, as well as other Administrative Services Department staff. In addition, staff in all City departments should be recognized for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies the preparation and production of the CAFR.

We also want to thank the Mayor, members of the City Council, and the audit committee for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



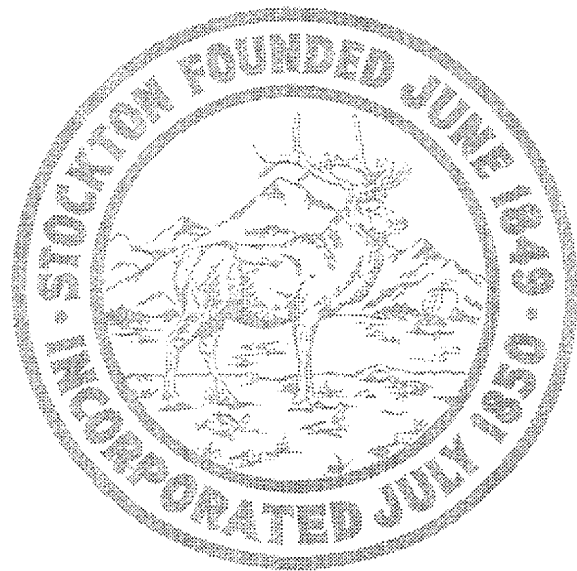
MARK MOSES
DIRECTOR OF ADMINISTRATIVE SERVICES



JANET SALVETTI
FINANCE OFFICER



J. GORDON PALMER, JR.
CITY MANAGER



**Certificate of Achievement for
Excellence in Financial
Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Stockton, California for its comprehensive annual financial report for the fiscal year June 30, 2005.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Stockton,
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



Carla E. Perry

President

Jeffrey R. Egan

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Stockton

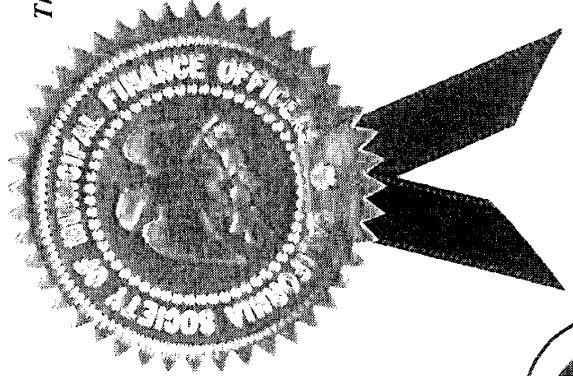
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

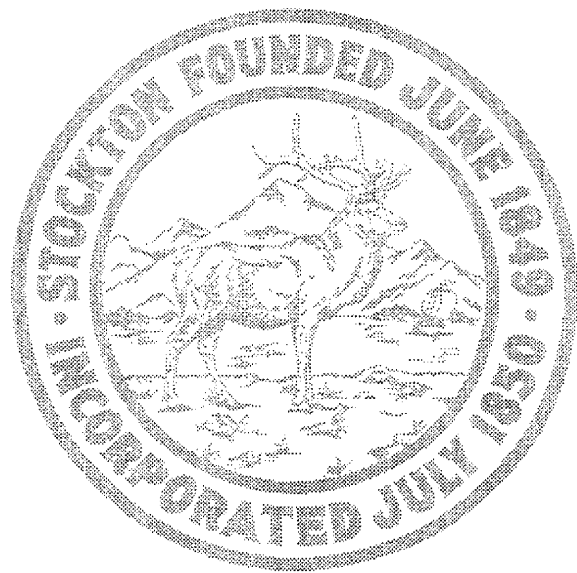
February 24, 2006

William A. Stumpf

Bill Thomas, Chair
Professional & Technical Standards Committee

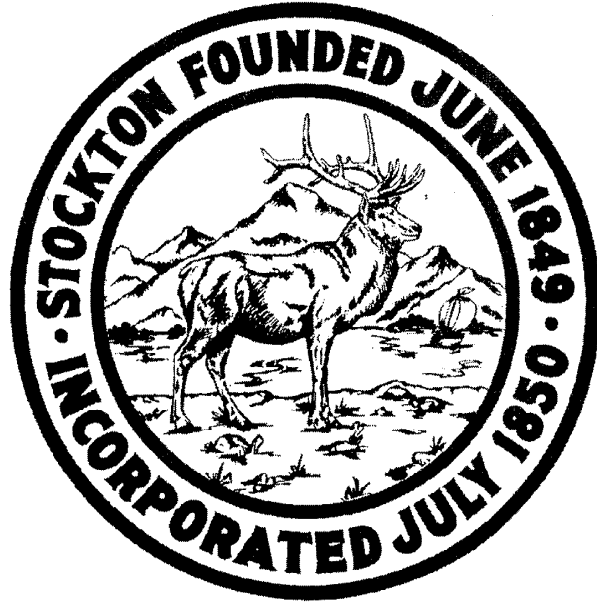
Dedicated to Excellence in Municipal Financial Management







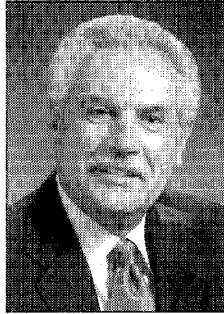
CITY OF STOCKTON



FINANCIAL SECTION

FINANCIAL SECTION

CITY OF STOCKTON CITY COUNCIL



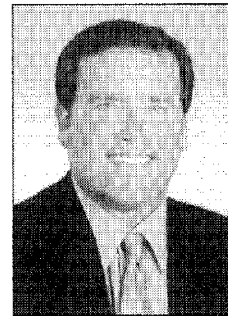
EDWARD J. CHAVEZ
MAYOR



GARY S. GIOVANETTI
VICE MAYOR
District 5



STEVE J. BESTOLARIDES
COUNCILMEMBER
District 1



DAN J. CHAPMAN
COUNCILMEMBER
District 2



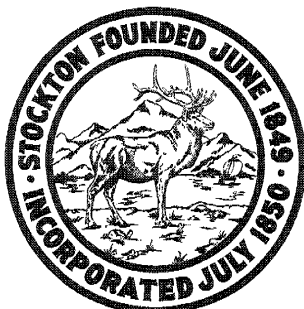
LESLIE BARANCO MARTIN
COUNCILMEMBER
District 3



CLEM LEE
COUNCILMEMBER
District 4



REBECCA G. NABORS
COUNCILMEMBER
District 6



The City Seal is used with permission of
the City Clerk of the City of Stockton.

Stockton

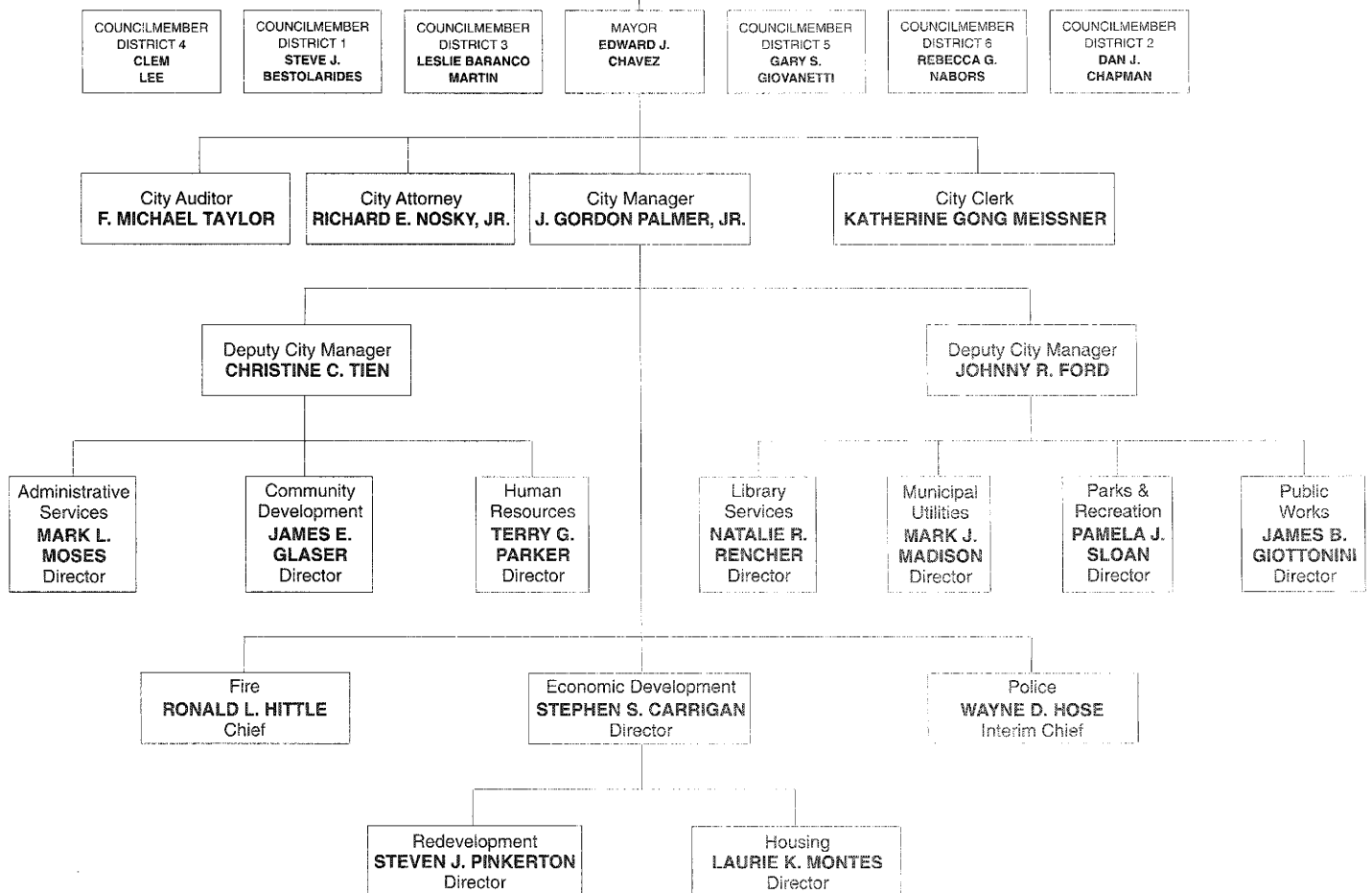


2004
1999

**CITY OF STOCKTON
 ORGANIZATION CHART / LIST OF PRINCIPAL OFFICIALS
 AS OF JUNE 30, 2006**

CITIZENS OF STOCKTON

CITY COUNCIL





MACIAS GINI & O'CONNELL LLP
 CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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 619.233.1112

To the City Council
 City of Stockton, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stockton, California (the City), as of and for the fiscal year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City management. Our responsibility is to express opinions on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation*.



As described in Note 2, the City changed how it accounts for its land-secured financing.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedules of defined benefit pension plans funded status and schedule of revenues, expenditures and changes in fund balance – budget and actual – on a budgetary basis – General Fund, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

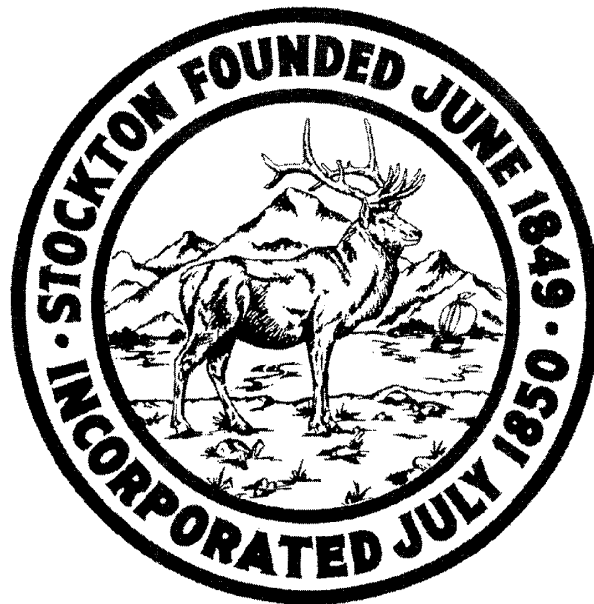
Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
October 9, 2006



CITY OF STOCKTON



MANAGEMENT'S DISCUSSION
AND ANALYSIS

**MANAGEMENT'S
DISCUSSION
AND ANALYSIS**

Management's Discussion and Analysis

The following is presented as discussion and analysis of the financial performance of the City of Stockton (City) for the fiscal year ended June 30, 2006. Please consider the information presented here in conjunction with the information furnished in the Letter of Transmittal, which can be found at the beginning of the Comprehensive Annual Financial Report. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- At the close of the 2006 fiscal year, the City's assets exceeded its liabilities by \$1,196,470 (net assets). Of this amount, \$21,968 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$203,212 is restricted for specific purposes (restricted net assets), and \$971,290 is invested in capital assets, net of related debt.
- The City's total net assets increased by \$117,926. Governmental activities accounted for \$104,682 of this increase and business-type activities accounted for the remaining \$13,244. Key factors in this increase were development related fees, contributions of capital assets from developers, and taxes and other revenues, which exceeded budgetary estimates.
- Investment earnings totaled \$6,856, a decrease of \$2,540 from the prior fiscal year. This is made up of a \$2,344 decrease in interest income, combined with a \$196 net decrease in the fair value of investments. This is attributable to the decrease in the average rate of return on the City's general investment pool from 2.68% in fiscal year 2005 to 2.38% in fiscal year 2006.
- The City's long-term liabilities related to governmental activities decreased by \$5,323 or 3% at fiscal year end. The key factors in this decrease were principal repayments of \$689 and the reduction of \$8,142 in the allowance for workers' compensation self-insurance claims and judgments due to a change in actuarial estimates. Governmental activities also reflected the issuance of \$13,965 in 2006 Series A Lease Revenue Refunding Bonds to defease \$13,795 in 1999 Certificates of Participation.
- Long-term liabilities related to enterprise funds increased by \$21,518 or 15%, primarily due to the issuance of the 2005 Water Revenue Bond Series A in the amount of \$24,230 to finance water system capital improvement projects. This was offset by principal repayments of \$3,036.
- As of June 30, 2006, the City's governmental funds reported combined ending fund balances of \$181,654.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. In addition to the basic financial statements, this report includes other supplementary information. **Government-wide Financial Statements** are designed to provide readers with a broad overview of the City's finances and information about the activities of the City as a whole.

The government-wide financial statements include the statement of net assets and the statement of activities. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental

activities) from other functions that are intended to recover a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, public works, library, parks and recreation, and general government services. The business-type activities of the City include water utility, wastewater utility, stormwater utility, the parking district, and golf courses, as well as the solid waste operation, which is in the process of being phased out.

The government-wide financial statements include the governmental activities of the Redevelopment Agency and the Stockton Public Financing Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City.

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

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

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal reporting requirements. All of the funds of the City can be divided into the following three categories: **Governmental Funds, Proprietary Funds, and Fiduciary Funds.**

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on how financial assets can readily be converted to available resources and the balances left at year end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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

The City maintains several individual governmental funds organized according to their type (the General Fund, special revenue funds, debt service funds, capital projects funds, and the Permanent Fund). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Facilities Impact Fees Fund, Capital Improvement Fund,

and Redevelopment Agency Fund which are considered to be major funds. Data from the remaining nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental funds financial statements can be found on pages 20-29 of this report.

Proprietary Funds. Proprietary funds are generally used to account for activities for which the City charges a fee to either its external or internal customers. Proprietary funds provide the same type of information as in the government-wide financial statements, only in more detail. The City maintains two types of proprietary funds:

- **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Water Utility, Wastewater Utility, Stormwater Utility and Central Parking District, which are considered major funds. Data for the remaining nonmajor enterprise funds are combined into a single, aggregated presentation.
- **Internal Service Funds** are used to report activities that provide goods and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, information technology systems, radio and other equipment, and the City's self insurance programs. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-37 of this report.

Fiduciary Funds. The fiduciary funds are used to account for resources held for the benefit of parties outside the government. This includes resources related to land secured financing, employee payroll withholdings, area of benefit fees, public facilities fees, and other miscellaneous. The City's fiduciary funds are reported as agency funds and are not reflected in the government-wide financial statements since the resources of the funds are not available to support the City's own programs. The basic fiduciary funds financial statement can be found on page 38 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-78 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This information provides a budgetary comparison schedule for the City's General Fund, as well as information about the City's participation in the California Public Employees' Retirement System defined benefit pension plan. Required supplementary information can be found on pages 79-83 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and internal service funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. City assets exceeded liabilities by \$1,196,470 at the close of the fiscal year, which is a \$117,926, or 11% increase from fiscal year 2005.

The largest component of the City's net assets is its investment of \$971,290, 81%, in capital assets (e.g., land and easements, buildings and improvements, infrastructure, and equipment), less any related outstanding debt used to acquire these assets. Capital assets contributed by developers traditionally account for significant growth in the City's net assets. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be liquidated to reduce these liabilities.

City of Stockton's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	\$246,911	\$258,666	\$128,406	\$137,538	\$375,317	\$396,204
Capital assets	673,917	577,659	497,865	465,976	1,171,782	1,043,635
Total assets	920,828	836,325	626,271	603,514	1,547,099	1,439,839
Liabilities:						
Long-term liabilities	153,020	158,343	169,041	147,523	322,061	305,866
Other liabilities	18,479	33,335	10,089	22,094	28,568	55,429
Total liabilities	171,499	191,678	179,130	169,617	350,629	361,295
Net assets:						
Invested in capital assets, net of related debt	603,068	529,250	368,222	348,229	971,290	877,479
Restricted	154,758	134,804	48,454	55,386	203,212	190,190
Unrestricted	(8,497)	(19,407)	30,465	30,282	21,968	10,875
Total net assets	\$749,329	\$644,647	\$447,141	\$433,897	\$1,196,470	\$1,078,544

An additional portion of the City's net assets, \$203,212 or 17%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$21,968, 2%, may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets increased by \$11,093, 102% from fiscal year 2005.

The deficit unrestricted net assets in governmental activities decreased by \$10,910 during the year. Key factors in the decrease of this deficit were taxes and other revenues which significantly exceeded budgetary estimates and expenses in the General Fund and the Measure W Public Safety Tax Fund combined with a decrease of \$13,486 in the deficit unrestricted net assets in the Internal Service Funds. The Workers' Compensation Insurance Fund reported a decrease of \$14,505 in deficit unrestricted net assets, largely due to revenue growth of \$3,399 which resulted from increased charges to City departments and increases in excess insurance reimbursements combined with a decrease of \$8,142 in estimated claims and judgments, as discussed in the Financial Highlights section. These factors were offset by expenses, which continued to exceed revenues in the Emergency Medical Transportation Fund and the funding

from unrestricted net assets of significant construction costs for the Stockton Events Center-Arena and other capital improvement projects.

Business-type activities unrestricted net assets increased by \$183. This includes increases of \$7,658 in the Water Utility and \$92 in the Central Parking District, offset by decreases of \$5,553 in the Wastewater Utility and \$1,973 in the Stormwater Utility.

City of Stockton's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for service	\$96,707	\$86,234	\$63,863	\$61,931	\$160,570	\$148,165
Operating grants and contributions	12,388	9,715	-	-	12,388	9,715
Capital grants and contributions	45,745	44,309	20,324	28,655	66,069	72,964
General revenues:						
Property taxes	47,495	33,723	-	-	47,495	33,723
In lieu of sales tax	9,274	8,750	-	-	9,274	8,750
Utility user taxes	34,313	34,908	-	-	34,313	34,908
Sales and use taxes	52,004	38,245	-	-	52,004	38,245
Franchise fees	10,333	9,812	-	-	10,333	9,812
Business licenses	11,222	8,960	-	-	11,222	8,960
Hotel/motel room taxes	2,171	2,160	-	-	2,171	2,160
Document transfer taxes	2,010	2,036	-	-	2,010	2,036
Other taxes	218	373	713	733	931	1,106
Grants and contributions not restricted to specific programs	18,629	16,137	-	881	18,629	17,018
Investment earnings	3,457	5,554	3,399	3,842	6,856	9,396
Miscellaneous	1,010	6,603	-	-	1,010	6,603
Total revenues	346,976	307,519	88,299	96,042	435,275	403,561
Expenses						
General government	20,171	19,894	-	-	20,171	19,894
Public safety	149,512	145,703	-	-	149,512	145,703
Public works	36,481	33,328	-	-	36,481	33,328
Library	13,545	13,190	-	-	13,545	13,190
Parks and recreation	26,352	19,365	-	-	26,352	19,365
Interest and fiscal charges	4,136	4,346	-	-	4,136	4,346
Water utility	-	-	19,063	14,809	19,063	14,809
Wastewater utility	-	-	36,458	31,607	36,458	31,607
Stormwater utility	-	-	6,009	5,653	6,009	5,653
Central parking district	-	-	3,162	2,487	3,162	2,487
Other	-	-	2,460	2,448	2,460	2,448
Total expenses	250,197	235,826	67,152	57,004	317,349	292,830
Increase in net assets before transfers	96,779	71,693	21,147	39,038	117,926	110,731
Transfers	7,903	8,076	(7,903)	(8,076)	-	-
Increase in net assets	104,682	79,769	13,244	30,962	117,926	110,731
Net assets, beginning of year, as restated	644,647	564,878	433,897	402,935	1,078,544	967,813
Net assets, end of year	\$749,329	\$644,647	\$447,141	\$433,897	\$1,196,470	\$1,078,544

Governmental Activities. Governmental activities accounted for \$104,682 or 89% of the total increase in the City's net assets. The key factors impacting the change in net assets are:

- Continued vibrant economy
- High levels of commercial and residential development
- Increased assessed valuations due to growth in new homes and the strong resale market
- Addition of North Stockton Redevelopment Project Area
- First full year of Measure W Public Safety Tax
- Increase in public facilities fees rates
- Success of the Voluntary Business License Compliance Program

Over 27% of the increase in net assets can be attributed to public facilities fees totaling \$28,179.

The City's governmental activities also realized the following revenue increases:

- Property taxes - \$13,772 - 41%
- Sales and use taxes - \$13,759 - 36%
- Business licenses - \$2,262 - 25%
- Motor Vehicle Licenses - \$3,625 - 25%

In addition to the Measure W Public Safety Tax, the continued build out of Park West Place located in Spanos Park West also contributed to the growth in sales tax revenue.

Investment earnings in governmental activities decreased by \$2,097 or 38%, as discussed in the Financial Highlights section.

Business-type Activities. Business-type activities accounted for \$13,244 or 11% of the total increase in the City's net assets. The key elements of this increase are:

- Contributions of capital assets from developers:
 - Water Utility: \$1,162
 - Wastewater Utility: \$1,394
 - Stormwater Utility: \$859
- Connection fees:
 - Water Utility: \$1,892
 - Wastewater Utility: \$10,040

On September 18, 2005 water connection fees increased substantially, more than tripling to allow infrastructure to keep pace with development.

Investment earnings in business-type activities decreased by \$443 or 12%, as discussed in the Financial Highlights section.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with legal reporting requirements.

Governmental Funds. The focus of the City's governmental funds is providing information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved

fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service funds, capital projects funds, and the Permanent Fund.

As of June 30, 2006 the City's governmental funds reported combined ending fund balances of \$181,654, a decrease of \$3,162 from the prior fiscal year.

Revenues for governmental funds overall totaled \$348,403 in fiscal year 2006, which represents an increase of \$53,868 from fiscal year 2005. Expenditures for governmental functions totaled \$357,856, an increase of \$21,023 from the prior fiscal year. During fiscal year ended June 30, 2006 expenditures for governmental functions exceeded revenues by \$9,453 or approximately 3%. This reflects significant revenues from development related fees as well as increases in revenues from property taxes, including incremental tax revenues, sales and use taxes, including Measure W Public Safety tax, and business licenses. The governmental functions also reported substantial expenditures from the Public Facilities Fees Fund, the Capital Improvement Fund and the Redevelopment Agency Fund for various capital improvement projects, including the Stockton Events Center-Arena project.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the General Fund's unreserved fund balance was \$23,116 and has been designated as follows: \$1,120 for catastrophic events, \$1,120 for budget contingency/budget uncertainty, \$1,600 for termination pay, \$7,500 for capital improvement projects, \$8,276 for future appropriations, and \$3,500 for liability. As a measure of the General Fund's liquidity, it is useful to compare the following designated unreserved fund balances to the General Fund's total expenditures of \$167,166: designated for catastrophic events, .7%, designated for budget contingency/budget uncertainty, .7%, and future appropriations, 5.0%. The total fund balance for the General Fund is \$31,468, which includes the designated unreserved fund balances of \$23,116, as mentioned above, and reserved fund balance in the amount of \$8,352. General Fund revenues exceeded expenditures by \$16,146, mostly as a result of tax revenues, which exceeded budgetary estimates, as discussed under General Fund Budgetary Highlights; however, other financing uses exceeded other financing sources by \$8,142. The net result was to increase fund balance by \$8,004.

The Public Facilities Impact Fees Fund accounts for the collection and expenditure of fees imposed as a condition of new development within the City. At the end of the fiscal year, the Public Facilities Impact Fees Fund's total fund balance of \$55,246 was reported as reserved. This represents an increase of \$8,036 from the prior fiscal year. Revenues which consist mainly of development related fees were \$8,183 more than expenditures. Capital outlay expenditures totaling \$16,639 funded the construction of multiple street widening and traffic related projects, as well as several park improvements.

The Capital Improvement Fund accounts for the acquisition, construction, and improvement of capital facilities financed by grants and transfers from other City funds. The Capital Improvement Fund reported a reserved fund balance of \$25,009 and a deficit of \$1,909 in unreserved fund balance at fiscal year end. Expenditures exceeded revenues by \$26,446; however, other financing sources exceeded other financing uses by \$14,805, resulting in a net decrease in fund balance of \$11,641. Capital outlay expenditures totaling \$30,495 funded the Stockton Events Center-Arena project and several smaller projects.

The Redevelopment Agency Fund reported a deficit fund balance of \$20,510 at the end of the fiscal year. The deficit increased \$12,834 from the prior year, essentially due to the expenditure

of \$14,860 of Stockton Events Center-Arena project bond construction funds that were recognized as revenue in a prior fiscal year. This was offset by an increase of \$8,030 or 114% in incremental property tax revenues, due in large part to the new North Stockton Redevelopment Project Area and the significant turnover in the housing market over the last year, resulting in reassessment of property values.

Proprietary Funds. At the end of the fiscal year, unrestricted net assets were reported as follows: the Water Utility \$16,875, the Wastewater Utility \$11,435, and the Stormwater Utility \$3,311. The Central Parking District reported deficit unrestricted net assets of \$318. The Solid Waste and Golf Courses are combined for financial reporting purposes and together had deficit unrestricted net assets of \$838. The internal service funds had a deficit in unrestricted net assets of \$7,391.

The total growth in net assets for the enterprise funds was \$13,244. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

The internal service funds had an increase in net assets of \$14,379. For the most part, this reflects increases in net assets of \$14,505 in the Workers' Compensation Insurance Fund, \$1,396 in the Health Benefits Insurance Fund, and \$2,172 in the Other Insurance Fund, offset by decreases in net assets of \$708 in the Central Garage Fund, \$1,110 in the Computer Equipment Fund, and \$1,968 in the General Liability Insurance Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an increase in appropriations of \$3,514. Additional appropriations of \$4,042 were needed due to increased public safety salary costs; this was offset by a decrease of \$393 to general government activities.

During the year, actual revenues exceeded budgetary estimates by \$15,472. Some key revenues that exceeded budgetary estimates are as follows:

- An additional \$4,767 in property taxes, reflecting the continued growth in new homes, commercial properties and resale of existing properties that increased assessed valuations
- \$2,938 in utility user taxes, reflecting the growth in housing and commercial development
- \$999 in sales and use taxes and \$797 in franchise fees due to the economy gaining strength and the growth in commercial development discussed earlier
- \$2,815 in business licenses, reflecting the strong economy and the success of the Voluntary Business License Compliance Program
- \$410 in document transfer taxes because of the strong resale market
- \$2,780 in revenue from other agencies, including Motor Vehicle License Fee revenue from the sale of new and used vehicles.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$1,171,782. This investment in capital assets includes land and easements, buildings and improvements, machinery and equipment, park facilities, roads, street, and bridges. The total increase in the City's capital assets for the fiscal year was \$128,147 or 12%, which represented a 17% increase for governmental activities and a 7% increase for business-type activities, as shown in the table below. Governmental activities reflect \$104,373 for the Stockton Events Center-Arena project which was essentially completed

during fiscal year 2006. This includes \$59,254 that was carried as construction in progress at the end of fiscal year 2005 plus the addition of \$45,119 during fiscal year 2006.

Changes in Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 34,603	\$ 33,599	\$ 13,819	\$ 13,055	\$ 48,422	\$ 46,654
Buildings & Improvements	193,139	78,388	382,741	369,144	575,880	447,532
Machinery & Equipment	14,770	11,686	3,051	3,311	17,821	14,997
Infrastructure	277,352	226,665	-	-	277,352	226,665
Construction in Progress	154,053	227,321	98,254	80,466	252,307	307,787
Total	\$ 673,917	\$ 577,659	\$ 497,865	\$ 465,976	\$1,171,782	\$1,043,635

Additional information on the City's capital assets can be found in Note 6 on pages 56-57 of this report.

Long-term debt. At the end of the fiscal year, the City's total outstanding bonded debt was \$242,833. Of this amount, \$74,815 was related to governmental activities, including \$13,212 of certificates of participation for redevelopment housing projects, \$13,078 of lease revenue bonds for the City's Essential Services Building/Parking Structure, and \$48,525 of revenue bonds issued by the Redevelopment Agency for the Stockton Events Center-Arena Project. During fiscal year 2006, the City's net bonded indebtedness related to governmental activities decreased by \$998. Key factors in the decrease were principal repayments and amortization of deferred charges totaling \$273, in addition to the issuance of the 2006 Series A Lease Revenue Refunding Bonds in the amount of \$13,070, net of deferred charges, to defease the 1999 Certificates of Participation in the amount of \$13,795.

Bonded debt related to business-type activities totaled \$168,018. Of this amount \$36,733 is revenue bonds backed by the Water Utility, \$98,568 is certificates of participation backed by the Wastewater Utility, and \$32,717 is lease revenue bonds backed by the Central Parking District. During fiscal year 2006, the City's net bonded indebtedness related to business-type activities increased by \$21,949, mainly due to the issuance of the Series 2005 A Water Revenue Bonds in the amount of \$24,364, net of deferred charges, offset by principal repayments and amortization of deferred charges totaling \$2,415.

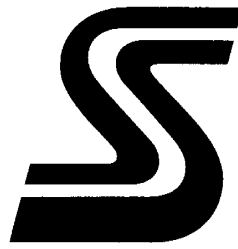
Additional information on the City's long-term debt can be found in Note 7 on pages 58-67 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

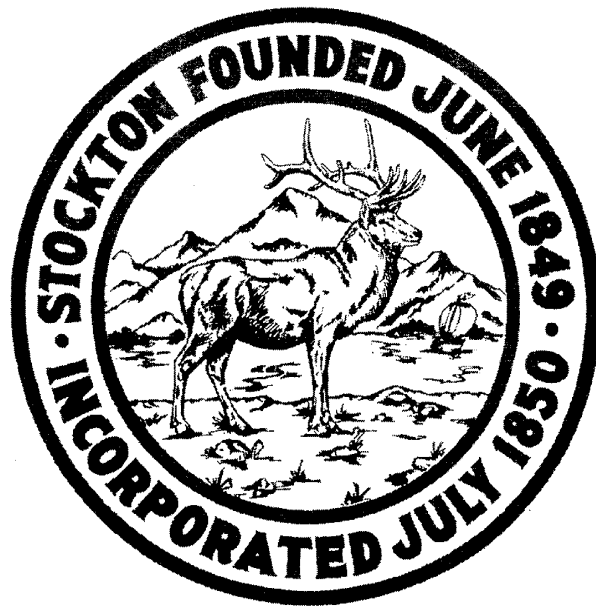
- The City's largest General Fund revenue sources are sales and use tax, utility user tax (UUT), property tax, and the motor vehicle license fee (VLF). With the exception of UUT, the proportion the City receives from each source is determined by the State.
- Current year sales tax and property tax revenues reflect the strong economy and continued growth in new homes, commercial development, resale of existing properties and property improvement projects. Sales tax revenue is expected to continue to steadily increase next year due to the strong retail sales economy.
- The VLF revenue growth rate is approximately 3.5%. Through the agreements reached with the passage of Proposition 1A, fiscal year 2006 was the second and final year that the City was required to make a contribution of \$2.7 million to the State of California from its Motor Vehicle License Fee proceeds. Therefore, in the 2007 fiscal year the City will be able to keep all revenues generated.
- Measure W increased the local sales and use tax by one-quarter of one percent, and revenues will be used solely to address Stockton's public safety needs, with the ultimate objective of funding 40 additional police officers and 40 additional sworn fire fighters. The 2007 fiscal year budget includes a full year of funding at \$9.1 million. During the upcoming fiscal year, the Police Department anticipates hiring an additional 16 sworn employees, bringing the total to 40. The Fire Department anticipates hiring an additional 8 sworn employees, bringing the total to 27.
- The City Council approved a resolution in fiscal year 2005 to reduce the UUT rate from 8% to 6%. The final reduction from 7% to 6% is effective July 1, 2006.
- The fiscal year 2007 Budget and Fee Schedule contains fees for services provided to the public, including cost recovery fees for development, as well as 911 services. Most fees contain an automatic inflation adjustment.
- As of June 30, 2006 state mandated costs reimbursement (SB-90) claims totaling \$4,550 are reported as deferred revenue in the General Fund because the State did not appropriate funds for this reimbursement in fiscal year 2006.
- The unemployment rate for the City was 7.2% as of June 2006. Although the local unemployment rate is 2.3 percentage points higher than the State unemployment rate of 4.9%, it has dropped since June 2005.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Administrative Services Department of the City of Stockton at City Hall, 425 North El Dorado Street, Stockton, CA 95202.



CITY OF STOCKTON



BASIC FINANCIAL
STATEMENTS

**BASIC FINANCIAL
STATEMENTS**



CITY OF STOCKTON



**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF STOCKTON

STATEMENT OF NET ASSETS

JUNE 30, 2006

(With comparative totals as of June 30, 2005)

(Dollar amounts in thousands)

	Governmental Activities	Business-Type Activities	Totals	
			2006	2005
ASSETS				
Cash and investments	\$ 141,465	\$ 32,714	\$ 174,179	\$ 209,049
Restricted cash and investments	-	85,200	85,200	85,245
Interest receivable	538	443	981	1,366
Accounts receivable, net	15,111	7,170	22,281	21,607
Internal balances	1,665	(1,665)	-	-
Due from other governments	29,837	-	29,837	22,889
Inventory of supplies	158	1,246	1,404	3,008
Other assets	2,781	398	3,179	411
Advances to property owners	53,426	-	53,426	48,638
Deferred charges	1,930	2,900	4,830	3,991
Capital assets, net:				
Nondepreciable	188,656	112,073	300,729	354,441
Depreciable, net	485,261	385,792	871,053	689,194
Total assets	<u>920,828</u>	<u>626,271</u>	<u>1,547,099</u>	<u>1,439,839</u>
LIABILITIES				
Accounts payable and accrued expenses	8,725	5,355	14,080	43,368
Accrued payroll and benefits	3,451	-	3,451	3,190
Accrued interest	1,085	2,659	3,744	3,689
Deposits and other liabilities	1,288	2,075	3,363	2,430
Unearned revenue	3,930	-	3,930	2,752
Long-term liabilities:				
Due within one year	15,043	2,627	17,670	17,386
Due in more than one year	137,977	166,414	304,391	288,480
Total liabilities	<u>171,499</u>	<u>179,130</u>	<u>350,629</u>	<u>361,295</u>
NET ASSETS				
Invested in capital assets, net of related debt	603,068	368,222	971,290	877,479
Restricted for:				
Capital projects	57,101	48,389	105,490	105,398
Debt service	4,112	65	4,177	2,320
Loan programs	54,362	-	54,362	51,201
Low- and moderate-income housing	16,908	-	16,908	13,876
City-County library	3,640	-	3,640	2,514
Public safety	2,677	-	2,677	-
Street improvements	7,535	-	7,535	7,587
Special maintenance districts	4,565	-	4,565	3,865
Endowments:				
Nonexpendable	1,423	-	1,423	1,423
Expendable	252	-	252	265
Other purposes	2,183	-	2,183	1,741
Unrestricted	(8,497)	30,465	21,968	10,875
Total net assets	<u>\$ 749,329</u>	<u>\$ 447,141</u>	<u>\$ 1,196,470</u>	<u>\$ 1,078,544</u>

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

CITY OF STOCKTON

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

(With comparative totals for the year ended June 30, 2005)

(Dollar amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 20,171	\$ 10,154	\$ 97	\$ 13
Public safety	149,512	37,603	2,727	-
Public works	36,481	35,054	2,465	42,980
Library	13,545	1,489	6,138	-
Parks and recreation	26,352	12,407	961	2,752
Interest and fiscal charges	4,136	-	-	-
Total governmental activities	250,197	96,707	12,388	45,745
Business-type activities:				
Water utility	19,063	20,268	-	8,031
Wastewater utility	36,458	32,746	-	11,434
Stormwater utility	6,009	5,063	-	859
Central parking district	3,162	3,502	-	-
Other	2,460	2,284	-	-
Total business-type activities	67,152	63,863	-	20,324
Total	\$ 317,349	\$ 160,570	\$ 12,388	\$ 66,069

General revenues:

Taxes:

Property
In lieu of sales tax
Utility user
Sales and use
Franchise fees
Business license
Hotel/motel room
Document transfer
Other

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

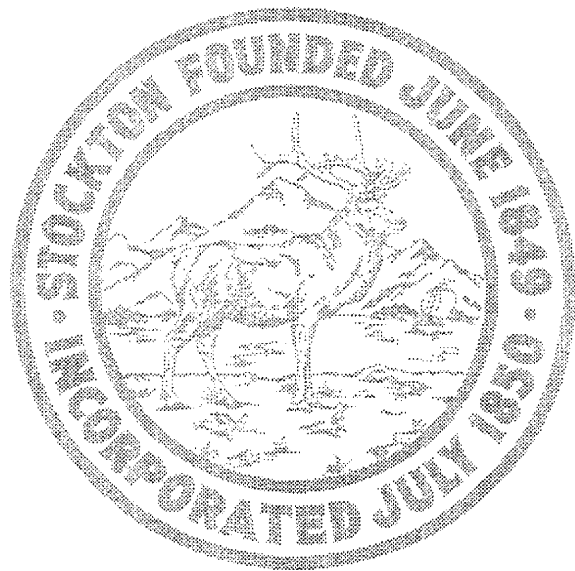
Net assets, beginning of year, restated

Net assets, end of year

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

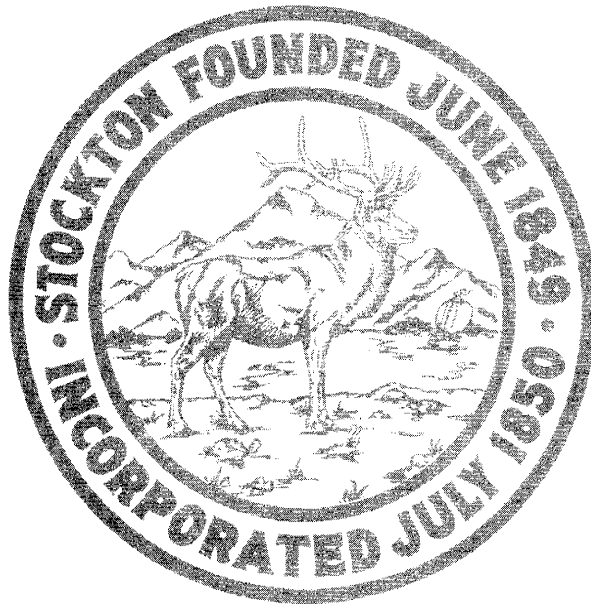
Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2006	2005
\$ (9,907)		\$ (9,907)	\$ (8,451)
(109,182)		(109,182)	(103,076)
44,018		44,018	31,826
(5,918)		(5,918)	(5,455)
(10,232)		(10,232)	(6,066)
<u>(4,136)</u>		<u>(4,136)</u>	<u>(4,346)</u>
<u>(95,357)</u>		<u>(95,357)</u>	<u>(95,568)</u>
	\$ 9,236	9,236	9,786
	7,722	7,722	20,145
	(87)	(87)	3,457
	340	340	209
	<u>(176)</u>	<u>(176)</u>	<u>(15)</u>
	<u>17,035</u>	<u>17,035</u>	<u>33,582</u>
<u>(95,357)</u>	<u>17,035</u>	<u>(78,322)</u>	<u>(61,986)</u>
47,495	-	47,495	33,723
9,274	-	9,274	8,750
34,313	-	34,313	34,908
52,004	-	52,004	38,245
10,333	-	10,333	9,812
11,222	-	11,222	8,960
2,171	-	2,171	2,160
2,010	-	2,010	2,036
218	713	931	1,106
18,629	-	18,629	17,018
3,457	3,399	6,856	9,396
1,010	-	1,010	6,603
<u>7,903</u>	<u>(7,903)</u>	<u>-</u>	<u>-</u>
<u>200,039</u>	<u>(3,791)</u>	<u>196,248</u>	<u>172,717</u>
104,682	13,244	117,926	110,731
<u>644,647</u>	<u>433,897</u>	<u>1,078,544</u>	<u>967,813</u>
<u>\$ 749,329</u>	<u>\$ 447,141</u>	<u>\$ 1,196,470</u>	<u>\$ 1,078,544</u>





CITY OF STOCKTON



**FUND FINANCIAL
STATEMENTS**

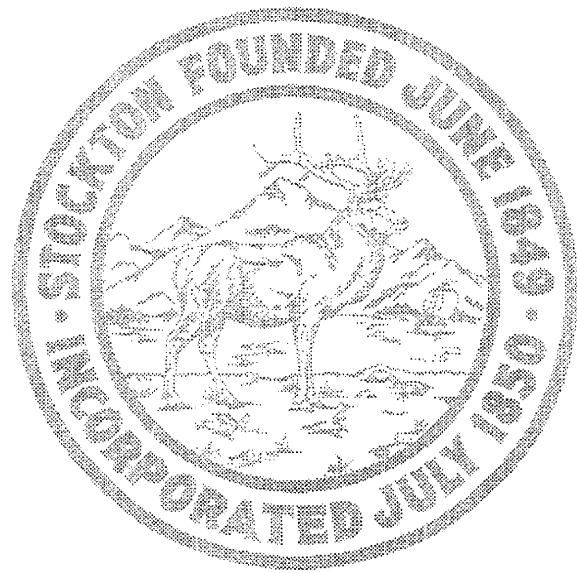
FUND FINANCIAL STATEMENTS

Governmental Fund Types

Governmental funds consist of the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

Major Governmental Funds include:

- **General Fund**
The fund used to account for resources that are not required legally or by sound financial management to be accounted for in another fund.
- **Public Facilities Impact Fees**
To account for the collection of and expenditure of fees imposed as a condition of new development within the City. Impact fees have been established for each of the following types of public facilities:
 - Traffic signals
 - Street improvements
 - Community recreation centers
 - City office space
 - Fire stations
 - Libraries
 - Police stations
 - Parkland, street tree & street signs
 - Street light in-lieu
 - Air quality mitigation
 - Public facilities fees - administration
- **Capital Improvement**
To account for the acquisition, construction and improvement of capital facilities financed by grants and operating transfers from other City funds.
- **Redevelopment Agency**
To account for the acquisition, relocation, demolition and sale of land for those portions of the City earmarked for redevelopment. Projects are financed from bond proceeds, loans from other city funds and property tax increment revenue.



Proprietary Fund Types

Proprietary funds consist of the enterprise funds and the internal service funds.

Major enterprise funds include:

- **Water Utility**
To account for activities associated with the acquisition or construction of water facilities, production, distribution and transmission of potable water to users.
- **Wastewater Utility**
To account for activities associated with the acquisition or construction, and operation and maintenance of wastewater facilities for collection, treatment, and disposal of wastewater.
- **Stormwater Utility**
To account for activities associated with the acquisition or construction, and operation and maintenance of stormwater facilities for drainage and disposal of stormwater.
- **Central Parking District**
To account for activities associated with the acquisition or construction, operation and maintenance of off-street parking facilities.

Fiduciary Fund Type

The fiduciary funds are the:

- **Agency funds**
To account for assets held in an agency capacity for parties outside the City. The resources of these funds cannot be used to support the City's own programs.

CITY OF STOCKTON

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

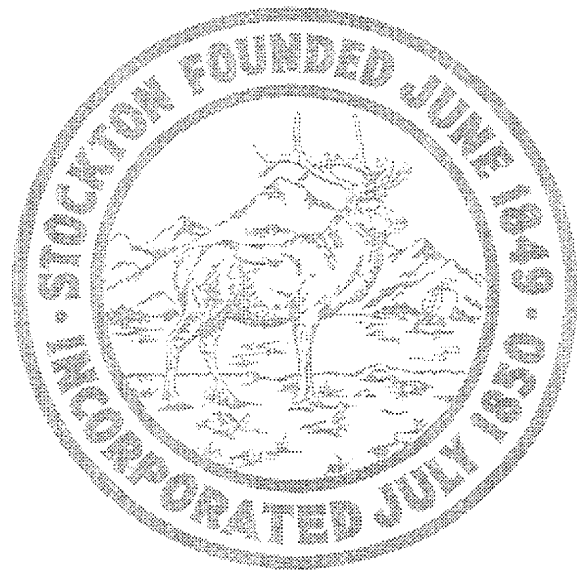
(With comparative totals as of June 30, 2005)

(Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
ASSETS			
Cash and investments	\$ 8,966	\$ 58,002	\$ -
Cash and investments with fiscal agents	1,096	-	68
Receivables:			
Interest	104	334	(13)
Taxes and special assessments	9	-	-
Accounts and other receivables	16,989	814	35
Allowance for uncollectibles	(5,326)	-	-
Due from other funds	6,975	-	-
Due from other governments	12,023	29	4,431
Allowance for uncollectibles	(16)	-	(737)
Due from other agencies	371	-	-
Inventory of supplies	158	-	-
Deposits	-	-	-
Advances to other funds	4,083	1,130	21,305
Advances to property owners	-	-	50
Total assets	\$ 45,432	\$ 60,309	\$ 25,139
LIABILITIES AND FUND BALANCES (DEFICIT)			
LIABILITIES:			
Accounts payable	\$ 1,575	\$ 849	\$ 707
Accrued payroll and benefits	3,451	-	-
Due to other funds	-	-	578
Due to other governments	-	-	30
Due to other agencies	235	-	-
Deposits and other liabilities	241	-	-
Deferred revenue	8,462	486	374
Advances from other funds	-	3,728	350
Total liabilities	13,964	5,063	2,039
FUND BALANCES (DEFICIT):			
Reserved	8,352	55,246	25,009
Unreserved, reported in:			
General Fund:			
Designated	23,116	-	-
Special revenue funds:			
Designated	-	-	-
Undesignated	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	(1,909)
Permanent fund	-	-	-
Total fund balances (deficit)	31,468	55,246	23,100
Total liabilities and fund balances (deficit)	\$ 45,432	\$ 60,309	\$ 25,139

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2006	2005
\$ 12,073	\$ 18,483	\$ 97,524	\$ 97,558
77	5,140	6,381	37,795
53	60	538	700
-	-	9	9
28	2,325	20,191	18,280
-	-	(5,326)	(4,179)
-	-	6,975	10,743
330	14,014	30,827	22,905
-	(237)	(990)	(16)
-	-	371	364
-	-	158	1,495
2,059	342	2,401	38
-	15,916	42,434	41,035
-	53,376	53,426	48,638
<u>\$ 14,620</u>	<u>\$ 109,419</u>	<u>\$ 254,919</u>	<u>\$ 275,365</u>
\$ 1,125	\$ 3,758	\$ 8,014	\$ 23,518
-	-	3,451	3,133
1,671	4,674	6,923	9,617
-	9	39	35
-	-	235	108
4	659	904	762
-	3,556	12,878	12,315
<u>32,330</u>	<u>4,413</u>	<u>40,821</u>	<u>41,061</u>
<u>35,130</u>	<u>17,069</u>	<u>73,265</u>	<u>90,549</u>
3,877	113,038	205,522	253,009
-	-	23,116	16,506
-	132	132	132
-	(20,859)	(20,859)	(57,567)
-	(213)	(213)	(42)
(24,387)	-	(26,296)	(27,487)
-	252	252	265
<u>(20,510)</u>	<u>92,350</u>	<u>181,654</u>	<u>184,816</u>
<u>\$ 14,620</u>	<u>\$ 109,419</u>	<u>\$ 254,919</u>	<u>\$ 275,365</u>



CITY OF STOCKTON

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS JUNE 30, 2006 (With comparative totals as of June 30, 2005) (Dollar amounts in thousands)

	2006	2005
Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances - total governmental	\$ 181,654	\$ 184,816
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Nondepreciable capital assets	188,656	260,920
Depreciable capital assets, net	474,094	306,465
Internal service funds are used by management to charge the costs of central garage, computer equipment, radio equipment, other equipment, general insurance, workers' compensation insurance, health benefits insurance and other insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,776	(10,603)
Various long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds as follows:		
Compensated absences	(20,745)	(18,170)
Bonds payable and other long-term debt	(87,289)	(87,165)
Unamortized bond discounts, premiums and deferred amount on refunding	(550)	(1,483)
Accrued interest	(1,085)	(1,279)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are:		
deferred in the governmental funds, or	8,948	9,563
not recorded in the governmental funds.	<u>1,870</u>	<u>1,583</u>
Net assets of governmental activities	<u>\$ 749,329</u>	<u>\$ 644,647</u>

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

CITY OF STOCKTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
REVENUES:			
Taxes:			
Property	\$ 32,418	\$ -	\$ -
In lieu of sales tax	9,274	-	-
Utility user	34,313	-	-
Sales and use	37,725	-	-
Franchise fees	10,333	-	-
Business license	11,150	-	-
Hotel/motel room	2,171	-	-
Document transfer	2,010	-	-
Other	2	-	1
Licenses and permits	346	-	-
Federal grants and subsidies	-	-	519
Other governmental	18,857	-	2,757
Charges for services	10,821	28,179	-
Fines and forfeitures	3,900	-	-
Use of money and property	537	48	12
Investment income:			
Interest income	586	1,313	(30)
Net increase (decrease) in fair value of investments	65	140	2
Refunds and reimbursements	4,020	3	1
Miscellaneous	4,784	-	1,654
Total revenues	183,312	29,683	4,916
EXPENDITURES:			
Current:			
General government	14,110	2,194	218
Public safety	131,689	144	-
Public works	13,334	1,060	308
Library	-	1,042	-
Parks and recreation	8,027	421	-
Capital outlay	6	16,639	30,495
Debt service:			
Principal retirement	-	-	-
Cost of issuance	-	-	341
Interest and fiscal charges	-	-	-
Total expenditures	167,166	21,500	31,362
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,146	8,183	(26,446)

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2006	2005
\$ 15,077	\$ -	\$ 47,495	\$ 33,723
-	-	9,274	8,750
-	-	34,313	34,908
-	14,279	52,004	36,951
-	-	10,333	9,812
-	72	11,222	8,960
-	-	2,171	2,160
-	-	2,010	2,036
-	215	218	193
-	8,614	8,960	11,112
29	20,981	21,529	10,465
-	30,788	52,402	44,737
-	27,443	66,443	61,903
-	33	3,933	3,250
43	5,634	6,274	3,370
359	474	2,702	4,686
26	(104)	129	333
3,780	480	8,284	5,524
19	2,250	8,707	11,662
<u>19,333</u>	<u>111,159</u>	<u>348,403</u>	<u>294,535</u>
2,483	4,930	23,935	23,520
-	25,466	157,299	142,211
5,487	10,770	30,959	27,346
-	12,241	13,283	12,391
-	17,189	25,637	17,931
23,628	30,631	101,399	108,560
24	665	689	669
-	-	341	22
29	4,285	4,314	4,183
<u>31,651</u>	<u>106,177</u>	<u>357,856</u>	<u>336,833</u>
<u>(12,318)</u>	<u>4,982</u>	<u>(9,453)</u>	<u>(42,298)</u>

(Continued)

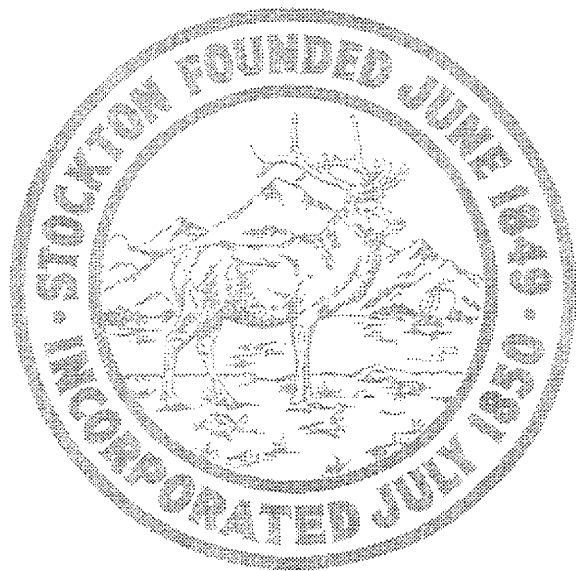
CITY OF STOCKTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,146	8,183	(26,446)
OTHER FINANCING SOURCES (USES):			
Transfers in	10,848	-	15,570
Transfers out	(18,992)	(147)	(40)
Issuance of long-term debt	-	-	13,965
Sales of capital assets	2	-	-
Payment to refunded bond escrow agent	-	-	(14,604)
Discounts on debt issuances	-	-	(86)
Total other financing sources (uses)	(8,142)	(147)	14,805
NET CHANGE IN FUND BALANCES	8,004	8,036	(11,641)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR, restated	23,464	47,210	34,741
FUND BALANCES (DEFICIT), END OF YEAR	\$ 31,468	\$ 55,246	\$ 23,100

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2006	2005
<u>(12,318)</u>	<u>4,982</u>	<u>(9,453)</u>	<u>(42,298)</u>
1,165	17,609	45,192	46,449
(1,884)	(17,758)	(38,821)	(39,845)
203	440	14,608	592
-	-	2	2
-	-	(14,604)	-
-	-	(86)	-
<u>(516)</u>	<u>291</u>	<u>6,291</u>	<u>7,198</u>
(12,834)	5,273	(3,162)	(35,100)
<u>(7,676)</u>	<u>87,077</u>	<u>184,816</u>	<u>219,916</u>
<u>\$ (20,510)</u>	<u>\$ 92,350</u>	<u>\$ 181,654</u>	<u>\$ 184,816</u>



CITY OF STOCKTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	2006	2005
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances (deficit) - total governmental	\$ (3,162)	\$ (35,100)
Governmental funds report capital outlays as expenditures. As donated capital assets don't create or use financial resources, they are not reported in governmental funds. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. Capital outlays, donated capital assets and depreciation expense are as follows:		
Capitalized capital outlays	101,399	108,560
Donated capital assets	2,831	14,929
Depreciation expense	(8,865)	(7,263)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, dispositions, etc.) is to decrease net assets.	-	(265)
Long-term debt (including refunding debt), net of bond premiums and discounts, provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal (including bond refundings) and costs of issuance are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets, and the costs of issuance increase deferred charges in the statement of net assets. Long-term debt proceeds, bond premiums, discounts, repayment of principal, costs of issuance and bond refundings are as follows:		
Long-term debt issuance	(14,608)	(592)
Discounts on debt issuances	86	-
Repayment of principal	689	669
Costs of issuance	341	22
Bond refunding	14,604	-
Internal service funds are used by management to charge the costs of certain activities, such as central garage, equipment and insurance, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.	14,379	(1,767)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Deferred revenue	(615)	2,246
Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.		
Change in compensated absences	(2,575)	(1,507)
Amortization of bond discounts and premiums, costs of issuance, and deferred amount on refunding	(16)	32
Change in accrued interest	194	(195)
Change in net assets of governmental activities	<u>\$ 104,682</u>	<u>\$ 79,769</u>

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

CITY OF STOCKTON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2006

(With comparative totals as of June 30, 2005)

(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
ASSETS			
Current assets:			
Cash and investments	\$ 18,332	\$ 10,232	\$ 2,901
Cash and investments with fiscal agents	-	131	-
Receivables:			
Interest	91	328	19
Accounts and other receivables	2,471	5,510	955
Allowance for uncollectibles	(199)	(1,423)	(345)
Due from other funds	-	-	72
Inventory of supplies	-	1,137	-
Total current assets	<u>20,695</u>	<u>15,915</u>	<u>3,602</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	2,661	45,728	-
Cash and investments with fiscal agents	19,629	12,697	-
Advances to other funds	-	84	-
Loans receivable	-	398	-
Deferred charges	804	1,212	-
Capital assets, net:			
Nondepreciable	11,658	68,923	2,126
Depreciable, net	84,598	248,973	43,661
Total noncurrent assets	<u>119,350</u>	<u>378,015</u>	<u>45,787</u>
Total assets	<u>140,045</u>	<u>393,930</u>	<u>49,389</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,121	3,878	271
Due to other funds	-	-	-
Due to other governments	30	-	-
Deposits and other liabilities	1,437	507	-
Accrued interest	441	1,667	-
Compensated absences - current	-	13	2
Self-insurance claims and judgments - current	-	-	-
Other long-term debt - current	483	2,045	-
Total current liabilities	<u>3,512</u>	<u>8,110</u>	<u>273</u>
Noncurrent liabilities:			
Advances from other funds	-	-	-
Compensated absences - long-term	4	168	18
Self-insurance claims and judgments - long-term	-	-	-
Notes payable	787	-	-
Certificates of participation	-	96,523	-
Bonds payable	36,250	-	-
Total noncurrent liabilities	<u>37,041</u>	<u>96,691</u>	<u>18</u>
Total liabilities	<u>40,553</u>	<u>104,801</u>	<u>291</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	79,951	231,951	45,787
Restricted for capital projects	2,661	45,728	-
Restricted for debt service	5	15	-
Unrestricted (deficit)	16,875	11,435	3,311
Total net assets (deficit)	<u>\$ 99,492</u>	<u>\$ 289,129</u>	<u>\$ 49,098</u>

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2006	2005	2006	2005
\$ 1,065	\$ 53	\$ 32,583	\$ 41,488	\$ 37,560	\$ 32,205
-	-	131	3	-	-
6	(1)	443	666	-	-
179	192	9,307	9,746	373	257
(58)	(112)	(2,137)	(2,370)	(127)	(127)
-	-	72	-	-	-
-	109	1,246	1,513	-	-
<u>1,192</u>	<u>241</u>	<u>41,645</u>	<u>51,046</u>	<u>37,806</u>	<u>32,335</u>
-	-	48,389	55,321	-	-
4,485	-	36,811	29,924	-	-
847	-	931	940	-	-
-	-	398	-	-	-
884	-	2,900	2,347	60	61
29,006	360	112,073	93,521	-	-
7,125	1,435	385,792	372,455	11,167	10,274
<u>42,347</u>	<u>1,795</u>	<u>587,294</u>	<u>554,508</u>	<u>11,227</u>	<u>10,335</u>
<u>43,539</u>	<u>2,036</u>	<u>628,939</u>	<u>605,554</u>	<u>49,033</u>	<u>42,670</u>
45	40	5,355	18,159	711	1,691
-	124	124	1,126	-	-
-	-	30	46	-	-
101	-	2,045	1,479	110	57
551	-	2,659	2,410	-	-
1	-	16	49	39	71
-	-	-	-	12,952	11,502
83	-	2,611	2,628	-	-
<u>781</u>	<u>164</u>	<u>12,840</u>	<u>25,897</u>	<u>13,812</u>	<u>13,321</u>
1,630	914	2,544	914	-	-
29	1	220	398	521	552
-	-	-	-	30,924	39,400
-	-	787	790	-	-
-	-	96,523	98,567	-	-
<u>32,634</u>	<u>-</u>	<u>68,884</u>	<u>45,091</u>	<u>-</u>	<u>-</u>
<u>34,293</u>	<u>915</u>	<u>168,958</u>	<u>145,760</u>	<u>31,445</u>	<u>39,952</u>
<u>35,074</u>	<u>1,079</u>	<u>181,798</u>	<u>171,657</u>	<u>45,257</u>	<u>53,273</u>
8,738	1,795	368,222	348,229	11,167	10,274
-	-	48,389	55,321	-	-
45	-	65	65	-	-
(318)	(838)	30,465	30,282	(7,391)	(20,877)
<u>\$ 8,465</u>	<u>\$ 957</u>	<u>\$ 447,141</u>	<u>\$ 433,897</u>	<u>\$ 3,776</u>	<u>\$ (10,603)</u>

CITY OF STOCKTON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
OPERATING REVENUES:			
Charges for services	\$ 19,785	\$ 31,727	\$ 4,789
Miscellaneous	482	1,009	274
Total operating revenues	<u>20,267</u>	<u>32,736</u>	<u>5,063</u>
OPERATING EXPENSES:			
Operation and maintenance	8,515	17,342	2,604
General and administrative	2,665	5,015	2,082
Depreciation and amortization	2,044	8,714	1,323
Purchased water	4,451	-	-
Total operating expenses	<u>17,675</u>	<u>31,071</u>	<u>6,009</u>
OPERATING INCOME (LOSS)	<u>2,592</u>	<u>1,665</u>	<u>(946)</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Other governmental	-	-	-
Investment income:			
Interest income	827	1,833	76
Net increase (decrease) in fair value of investments	35	308	11
Loss from disposal of property	-	-	-
Interest expense and fiscal charges	(1,388)	(5,387)	-
Other non-operating revenues	1	10	-
Total non-operating revenues (expenses)	<u>(525)</u>	<u>(3,236)</u>	<u>87</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,067	(1,571)	(859)
Capital contributions	8,031	11,434	859
Transfers in	-	-	-
Transfers out	<u>(1,676)</u>	<u>(4,582)</u>	<u>(814)</u>
CHANGE IN NET ASSETS	8,422	5,281	(814)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>91,070</u>	<u>283,848</u>	<u>49,912</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 99,492</u>	<u>\$ 289,129</u>	<u>\$ 49,098</u>

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2006	2005	2006	2005
\$ 3,502	\$ 1,498	\$ 61,301	\$ 58,535	\$ 101,457	\$ 88,727
-	786	2,551	3,387	-	-
<u>3,502</u>	<u>2,284</u>	<u>63,852</u>	<u>61,922</u>	<u>101,457</u>	<u>88,727</u>
2,021	2,322	32,804	24,896	83,517	86,123
-	-	9,762	10,268	5,280	4,513
343	138	12,562	12,458	2,572	2,853
-	-	4,451	3,196	-	-
<u>2,364</u>	<u>2,460</u>	<u>59,579</u>	<u>50,818</u>	<u>91,369</u>	<u>93,489</u>
<u>1,138</u>	<u>(176)</u>	<u>4,273</u>	<u>11,104</u>	<u>10,088</u>	<u>(4,762)</u>
713	-	713	733	-	-
-	-	-	881	-	-
417	(3)	3,150	3,578	569	501
(105)	-	249	264	57	34
-	-	-	-	(87)	(43)
(798)	-	(7,573)	(6,186)	-	-
-	-	11	9	2,220	1,031
<u>227</u>	<u>(3)</u>	<u>(3,450)</u>	<u>(721)</u>	<u>2,759</u>	<u>1,523</u>
1,365	(179)	823	10,383	12,847	(3,239)
-	-	20,324	28,655	-	-
-	-	-	-	1,532	1,495
(831)	-	(7,903)	(8,076)	-	(23)
<u>534</u>	<u>(179)</u>	<u>13,244</u>	<u>30,962</u>	<u>14,379</u>	<u>(1,767)</u>
<u>7,931</u>	<u>1,136</u>	<u>433,897</u>	<u>402,935</u>	<u>(10,603)</u>	<u>(8,836)</u>
<u>\$ 8,465</u>	<u>\$ 957</u>	<u>\$ 447,141</u>	<u>\$ 433,897</u>	<u>\$ 3,776</u>	<u>\$ (10,603)</u>

CITY OF STOCKTON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

(With comparative totals for the year ended June 30, 2005)

(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 20,888	\$ 32,414	\$ 4,833
Receipts from interfund service providers	-	-	143
Payments to suppliers	(20,661)	(27,725)	(3,957)
Payments to employees	(1,161)	(1,501)	(547)
Payments for interfund services used	(21)	(135)	(19)
Net cash provided by (used for) operating activities	(955)	3,053	453
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	-
Transfers out	(1,676)	(4,582)	(814)
Due to other funds	-	-	(72)
Advances from other funds	-	-	-
Advances to other funds	-	9	-
Proceeds from taxes	-	-	-
Net cash provided by (used for) noncapital financing activities	(1,676)	(4,573)	(886)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	-	-	-
Proceeds from debt	24,364	-	-
Principal paid on debt	(540)	(2,330)	(166)
Purchases of capital assets	(4,254)	(23,659)	(1,457)
Paid interest capitalized	-	-	-
Interest paid on debt	(1,081)	(5,044)	(5)
Capital contributions	6,868	10,040	-
Net cash provided by (used for) capital and related financing activities	25,357	(20,993)	(1,628)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	892	2,337	102
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,618	(20,176)	(1,959)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,004	88,964	4,860
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 40,622	\$ 68,788	\$ 2,901

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2006	2005	2006	2005
\$ 3,483	\$ 2,308	\$ 63,926	\$ 61,334	\$ 5,862	\$ 2,362
-	-	143	2	97,699	87,362
(813)	(1,573)	(54,729)	(23,371)	(85,215)	(72,378)
(1,064)	(848)	(5,121)	(5,040)	(11,367)	(12,977)
(184)	(83)	(442)	(504)	(230)	(222)
<u>1,422</u>	<u>(196)</u>	<u>3,777</u>	<u>32,421</u>	<u>6,749</u>	<u>4,147</u>
-	-	-	-	1,532	1,495
(831)	-	(7,903)	(8,076)	-	(23)
(1,000)	(2)	(1,074)	(37)	-	-
1,630	-	1,630	-	-	1
-	-	9	(240)	-	-
713	-	713	733	-	-
<u>512</u>	<u>(2)</u>	<u>(6,625)</u>	<u>(7,620)</u>	<u>1,532</u>	<u>1,473</u>
-	-	-	8	329	65
-	-	24,364	-	-	-
-	-	(3,036)	(2,921)	-	-
(11,539)	-	(40,909)	(53,904)	(3,881)	(2,916)
-	-	-	(1,126)	-	-
(793)	-	(6,923)	(5,820)	-	-
-	-	16,908	16,412	-	-
<u>(12,332)</u>	<u>-</u>	<u>(9,596)</u>	<u>(47,351)</u>	<u>(3,552)</u>	<u>(2,851)</u>
<u>294</u>	<u>(3)</u>	<u>3,622</u>	<u>3,740</u>	<u>626</u>	<u>535</u>
(10,104)	(201)	(8,822)	(18,810)	5,355	3,304
<u>15,654</u>	<u>254</u>	<u>126,736</u>	<u>145,546</u>	<u>32,205</u>	<u>28,901</u>
<u>\$ 5,550</u>	<u>\$ 53</u>	<u>\$ 117,914</u>	<u>\$ 126,736</u>	<u>\$ 37,560</u>	<u>\$ 32,205</u>

(Continued)

CITY OF STOCKTON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 2,592	\$ 1,665	\$ (946)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	2,044	8,714	1,323
Provision for uncollectible accounts	(31)	(172)	(36)
Self-insurance	-	-	-
Other governmental	-	-	-
Other non-operating revenues	1	10	-
Changes in assets and liabilities:			
Accounts and other receivables	651	(160)	(51)
Deferred charges	(679)	-	-
Inventory of supplies	340	-	-
Loans receivable	-	(398)	-
Accounts payable	(6,058)	(6,890)	163
Due to other governments	(16)	-	-
Deposits and other liabilities	208	366	-
Compensated absences	(7)	(82)	-
Net cash provided by (used for) operating activities	<u>\$ (955)</u>	<u>\$ 3,053</u>	<u>\$ 453</u>
NONCASH TRANSACTIONS:			
Net increase (decrease) in fair value of investments	\$ 35	\$ 308	\$ 11
Amortization of issuance discounts	8	28	-
Amortization of loss on refunding	17	343	-
Donation of capital assets	1,163	1,394	859
Accrued interest capitalized	-	-	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS:			
Cash and investments	\$ 18,332	\$ 10,232	\$ 2,901
Cash with investments fiscal agents	-	131	-
Restricted assets:			
Cash and investments	2,661	45,728	-
Cash and investments with fiscal agents	19,629	12,697	-
Total cash and investments	<u>\$ 40,622</u>	<u>\$ 68,788</u>	<u>\$ 2,901</u>

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

Enterprise						
Central Parking District	Other	Totals		Internal Service		
		2006	2005	2006	2005	
\$ 1,138	\$ (176)	\$ 4,273	\$ 11,104	\$ 10,088	\$ (4,762)	
343	138	12,562	12,458	2,572	2,853	
14	(8)	(233)	218	-	2	
-	-	-	-	(7,026)	4,558	
-	-	-	881	-	-	
-	-	11	9	2,220	1,031	
(33)	32	439	(1,664)	(116)	(91)	
-	-	(679)	-	1	234	
-	(73)	267	(304)	-	-	
-	-	(398)	-	-	-	
(20)	1	(12,804)	9,406	(980)	425	
-	-	(16)	(7)	-	-	
(8)	-	566	188	53	57	
(12)	(110)	(211)	132	(63)	(160)	
<u>\$ 1,422</u>	<u>\$ (196)</u>	<u>\$ 3,777</u>	<u>\$ 32,421</u>	<u>\$ 6,749</u>	<u>\$ 4,147</u>	
\$ (105)	\$ -	\$ 249	\$ 264	\$ 57	\$ 34	
-	-	36	44	-	-	
-	-	360	360	-	-	
-	-	3,416	12,243	-	-	
-	-	-	551	-	-	
\$ 1,065	\$ 53	\$ 32,583	\$ 41,488	\$ 37,560	\$ 32,205	
-	-	131	3	-	-	
-	-	48,389	55,321	-	-	
4,485	-	36,811	29,924	-	-	
<u>\$ 5,550</u>	<u>\$ 53</u>	<u>\$ 117,914</u>	<u>\$ 126,736</u>	<u>\$ 37,560</u>	<u>\$ 32,205</u>	

CITY OF STOCKTON

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

JUNE 30, 2006

(With comparative totals as of June 30, 2005)

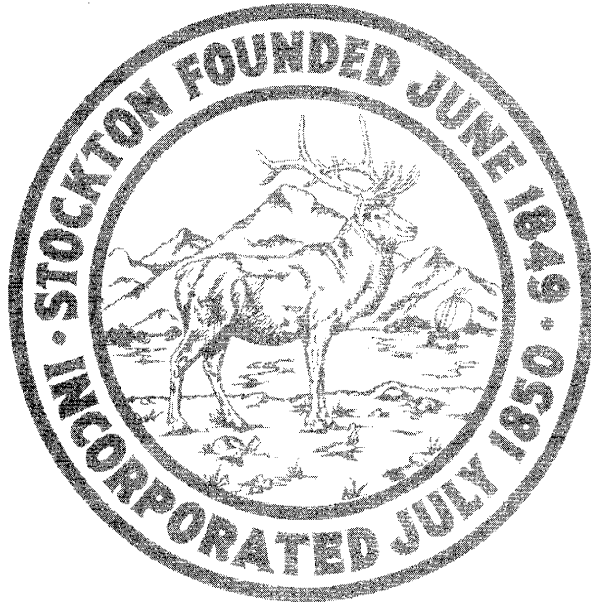
(Dollar amounts in thousands)

	2006	2005
ASSETS		
Cash and investments	\$ 55,983	\$ 56,797
Cash and investments with fiscal agents	21,496	22,415
Receivables:		
Interest	261	359
Accounts and other receivables	1,439	1,351
Due from other governments	<u>1</u>	<u>-</u>
Total assets	<u>\$ 79,180</u>	<u>\$ 80,922</u>
LIABILITIES		
Accounts payable	\$ 216	\$ 154
Due to other governments	2,622	3,519
Deposits and other liabilities	<u>76,342</u>	<u>77,249</u>
Total liabilities	<u>\$ 79,180</u>	<u>\$ 80,922</u>

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



CITY OF STOCKTON



**NOTES TO THE
FINANCIAL STATEMENTS**

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

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CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The City of Stockton (City) was incorporated on July 25, 1850 under the general laws of the State of California. Under the charter adopted in 1923, the City operates under a Council-Manager form of government. There are seven elected council members including the Mayor and a council appointed City Manager. The following services, as authorized by the charter, are provided by the City: public safety (police, fire, paramedics, and building), sanitation (solid waste disposal, wastewater, and stormwater utilities), water utility, community development, library, parks and recreation, and general administrative services.

As required by generally accepted accounting principles in the United States and Governmental Accounting Standards Board (GASB) Statement 14, these financial statements present the City and its component units. Component units are legally separate entities for which the government is considered to be financially accountable. Additionally, blended component units can be organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each blended component unit has a June 30th year-end.

The following is a brief overview of the component units included in the City's accompanying financial statements. Financial information for these component units can be obtained from the City's Administrative Services Department.

The Redevelopment Agency of the City (Agency) was formed to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members in concurrent sessions serve as the governing board of the Agency, and all accounting and administrative functions are performed by the City. The Agency is reported in the City's fund financial statements as a special revenue fund, debt service fund, and capital projects fund, as well as in the City's government-wide financial statements.

The Stockton Public Financing Authority (SPFA) was created in June 1990 and carries out lease financing for the City General Fund, Redevelopment Agency, Water Utility, Wastewater Utility, and Central Parking District. The SPFA governing board is the same as the City Council members. The SPFA is reported in the City's fund financial statements in the General Fund, debt service funds, capital projects funds, and the enterprise funds, as well as in the City's government-wide financial statements. Consistent with the National Council on Governmental Accounting (NCGA) Statement No. 5 and GASB Statement 14, capital leases between the primary government and blended component units are eliminated. The debt and assets are reported in the primary government. The SPFA also issues various land secured debt financings with no City commitment. This activity is reported in the Fiduciary Fund.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City Council serves as the governing body of the Agency and SPFA. As a result, the financial activities of these entities are integrally related to those of the City and are “blended” with those of the City.

Other governmental agencies that provide services with the City include:

San Joaquin Area Flood Control Agency (SJAFCA) was established by Council resolution in May 1995 and is jointly governed by the City and San Joaquin County. The City retains neither on-going financial interest in nor obligation to SJAFCA, therefore financial information for the organization is not included in the accompanying financial statements.

Basis of Accounting and Measurement Focus -

Government-wide and Fund Financial Statements – The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. *Direct expenses* are those expenses specifically associated with a service, program, or department and, are clearly identifiable with a specific function or program. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as *general revenues*.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation The government-wide financial statements are reported using the *economic resources* measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Fiduciary funds have no measurement focus.

For this purpose, the government considers intergovernmental revenues, which are primarily grants and subventions, received as reimbursement for specific purposes or projects to be available if they are expected to be received within the upcoming year to repay interfund liabilities incurred as a result of borrowing the cash in order to pay the expenditures. Other major revenues in accordance with GASB Statement No. 22, "Accounting for Taxpayer Assessed Tax Revenues in Governmental Funds" are considered to be available if they are collected within 60 days of the end of the current fiscal period. Revenues considered to be available include sales, hotel/motel room, gas, and utility user taxes, franchise fees, interest, and intergovernmental revenues, which are virtually unrestricted as to purpose of expenditure and revocable only for failure to meet prescribed compliance requirements. All other revenue items, such as business licenses and fines and penalties, are considered to be measurable and available only when received by the City.

Property taxes receivable are recorded in the fiscal year for which the tax is levied. Revenue is recognized when measurable and available. The County of San Joaquin (County) levies, bills and collects property taxes for the City. Property taxes paid to the City by the County within 60 days after the end of the fiscal year are "available" and are, therefore, recognized as revenue.

Secured and unsecured property taxes are levied based on the assessed value as of January 1, the lien date, of the preceding fiscal year. Secured property tax is levied on October 1 and due in two installments, on November 1 and February 1. Collection dates are December 10 and April 10, which are also the delinquent dates. Under the Teeter Plan, the County pays the City 100% of the tax that is levied. The County assumes responsibility for collecting any delinquent amounts and retains penalties and interest for those amounts.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records deferred revenue related to uncollected estimated special assessments not yet payable and intergovernmental revenues (primarily grants and subventions) received but not earned.

The City reports the following major governmental funds:

The **General Fund** is the primary operating fund of the City. It accounts for normal recurring activities traditionally associated with government, which are not required to be accounted for in another fund. These activities are funded primarily by property taxes, utility user taxes, sales and use taxes, franchise fees, business licenses, state grants, charges for services, and interest and rental income.

Public Facilities Impact Fees Capital Projects Fund accounts for the collection of and expenditure of fees imposed as a condition of new development within the City. Impact fees were established in July 1988 by Ordinance No. 56-88 C.S. for each of the following types of public facilities:

traffic signals, street improvements, community recreation centers, city office space, fire stations, libraries, police stations, parkland and street tree/street signs, street light in-lieu, air quality mitigation, and public facilities fees administration.

Capital Improvement Capital Projects Fund accounts for the acquisition, construction and improvement of capital facilities financed by grants and transfers from other City funds.

Redevelopment Agency Capital Projects Fund accounts for the acquisition, relocation, demolition, and sale of land for those portions of the City earmarked for redevelopment. Projects are financed from bond proceeds, loans from other City funds, and property tax increment revenue.

The City reports the following major enterprise funds:

Water Utility Fund accounts for activities associated with the acquisition or construction of water facilities, production, distribution and transmission of potable water to users.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Wastewater Utility Fund accounts for activities associated with the acquisition or construction, and operation and maintenance of wastewater facilities for collection, treatment, and disposal of wastewater.

Stormwater Utility Fund accounts for activities associated with the acquisition or construction, and operation and maintenance of stormwater facilities for drainage and disposal of stormwater.

Central Parking District Fund accounts for activities associated with the acquisition or construction, operation and maintenance of off-street parking facilities.

Additionally, the City reports the following fund types:

Internal Service Funds account for the financing of goods, services, or facilities provided by one City department to other City departments on a cost-reimbursement basis.

Agency Funds account for assets held by the City as an agent for individuals, private organizations and/or other governmental units for land secured financing, employee payroll withholdings, area of benefit fees, public facilities fees, and other miscellaneous items. The agency funds are custodial in nature and do not involve measurement of results of operations.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are land utilization fees and other charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Investments – Except for certain bond proceeds, the City pools cash from all funds in order to maximize interest from investment activities. Money market investments and certain nonparticipating guaranteed investment contracts are carried at cost. All other investments are stated at fair value, which is based on published market prices.

The City participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. Based on information obtained from the State of California, the investment in LAIF has been recorded at fair value.

Interest income on pooled investments is allocated on the basis of average daily cash balances in the General Fund, special revenue funds, debt service funds, capital projects funds, Water Utility Fund, Wastewater Utility Fund, Stormwater Utility Fund, Central Parking District Fund, Solid Waste Fund, internal service self-insurance funds, and the Agency Fund, as required by law or as directed by the City Council adopted budget. The remainder of interest income is credited to the General Fund as required by California Government Code.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, LAIF and money market investments, and cash held by fiscal agents to be cash and cash equivalents. Investments that are held with fiscal agents with a maturity of greater than three months are not included as cash and cash equivalents.

Restricted Cash and Investments – Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets in the proprietary funds.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables/Payables – Short-term interfund loan receivables and payables are reported as “due from other funds” and “due to other funds,” respectively.

Long-term interfund loan receivables are reported as “advances to other funds” and are offset equally by fund balance reservations that indicate they do not constitute expendable available resources and, therefore, are not available for appropriation. The corresponding long-term interfund loan payables are reported as “advances from other funds.”

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

“Advances to property owners” represent loans for repairs to low-income owner- and tenant-occupied households throughout the City. These loans are to be repaid over an extended period of time; therefore, the vast majority of the year-end balance will not be repaid within the next year.

Inventory of Supplies – Inventories consist of expendable supplies held for consumption. The cost is determined using the weighted average method and recorded as an expenditure at the time an item is consumed.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5 for equipment and works of art; \$10 for land, buildings and improvements; \$50 for infrastructure and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value on the date of donation.

The costs of normal maintenance and repair that do not add value to the asset or materially extend the asset’s life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. In accordance with generally accepted accounting principles, the City capitalizes net interest cost of funds borrowed to finance the construction of capital assets in the proprietary fund types. For the year ended June 30, 2006, capitalized interest costs totaled \$1,269 in connection with construction in progress.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is recorded using the straight-line method over the estimated useful lives of assets, as follows:

Building and structures	30 - 50 years
Improvements other than buildings	20 - 30 years
Machinery and equipment	3 - 30 years
Roads and streets infrastructure	50 - 65 years
Curb and gutter infrastructure	65 years
Streetlight and traffic control devices infrastructure	30 years
Transmission and distribution plant (including infrastructure such as water, wastewater and stormwater mains and laterals)	50 - 100 years

Vacation and Sick Leave Pay – In accordance with negotiated labor agreements, employees accumulate earned but unused vacation and other compensated leave, and sick pay benefits. Accrued vacation leave is payable at 100% of accumulated hours upon separation of service. Accrued sick leave is payable at 50% of accumulated hours for all City employees upon separation of service due to death, service or disability retirement. Police and Fire department safety and management employees, mid-management, law and unrepresented employees are also eligible for pay-off of 50% of accumulated sick leave upon termination after ten years of service.

All bargaining unit employees may utilize their remaining 50% of accrued sick leave hours for additional California Public Employees' Retirement System (CalPERS) service credit upon retirement. In addition, upon retirement, Fire department safety employees are eligible for pay-off of 100% of accumulated longevity vacation allowance.

The value of accumulated vacation, sick, and longevity vacation allowance is accrued, as appropriate, for all funds. A liability for these amounts is presented in the government-wide financial statements.

Long-Term Obligations – In the government-wide and proprietary fund types fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Contributions – Capital contributions are comprised of cash and assets donated from developers. Connection fees are recorded as capital contributions in the Water Utility and Wastewater Utility enterprise funds.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting for Escheat Property – The City is in compliance with the GASB Statement 21, *Accounting for Escheat Property*, and accounts for these assets in the General Fund when the assets are subject to escheatment in accordance with California state law.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data – The 2005 comparative data amounts are presented only to facilitate financial analysis. These columns do not present information that reflects financial position, changes in financial position or cash flows in accordance with generally accepted accounting principles. Certain amounts in the 2005 comparative data have been restated for the effects of the change in accounting described in Note 2 regarding the debt without City commitment to conform to the 2006 financial statements presentation.

New Pronouncements – For fiscal year ended June 30, 2006, the City implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section - an Amendment of NCGA Statement 1*. This Statement amends the portions of NCGA Statement 1, Government Accounting and Financial Reporting Principles that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information to assess the economic condition of a government.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The City surveyed its capital assets and determined that for fiscal year ended June 30, 2006, the City does not possess capital assets that are considered impaired based on the criteria presented in this Statement.

GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34, clarifies accounting and financial reporting requirements for restricted net assets based on limitations imposed by enabling legislation. A legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The City's financial reporting for restricted net assets complies with the requirements of GASB Statement No. 46.

GASB Statement No. 47, Accounting for Termination Benefits, establishes accounting standards for termination benefits. During fiscal year ended June 30, 2006, the City did not offer any termination benefits, as defined in this Statement.

2. CHANGE IN ACCOUNTING

The City has adopted a formal policy for land-secured financing that states that unless specifically found to be required for a particular kind of financing, bonds issued for land secured financings shall be limited obligations, payable solely from special assessments or taxes or other identified sources other than the general funds or revenues of the City and do not require the use of such general funds or revenues to replenish any reserves or to bid at any foreclosure sale. All land secured debt outstanding is considered debt without government commitment, as the City is not legally liable for repayment of the debt, and in practice has never paid such outstanding debt or replenished any related reserves. The assets held in a fiduciary capacity are now reported in the Land Secured Financing Agency Fund. The effect of this change on the City's government-wide financial statements is that beginning net assets of its governmental activities increased by \$128,456. This change also affected the beginning fund balances of the City's nonmajor governmental funds, which decreased by \$62,255.

In previous years, the City reported the outstanding balances as long-term debt in the basic financial statements. The related accumulation of resources for, and the retirement of principal and interest were reported in the debt service funds. The acquisition and construction of facilities using proceeds of debt was reported in the capital projects funds. Prior year total columns have been restated to reflect this change for comparative purposes.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

3. CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of the pool is displayed on the balance sheet (governmental funds) and the statement of net assets (proprietary funds) as "cash and investments."

Summary of carrying amounts at June 30, 2006 are as follows:

Deposits	\$	7,331
Investments		329,527
Total cash and investments	\$	<u>336,858</u>
Presented in the government-wide statement of net assets:		
Cash and investments	\$	174,179
Restricted cash and investments		85,200
Presented in the statement of fiduciary net assets:		
Cash and investments		55,983
Cash and investments with fiscal agents		21,496
Total cash and investments	\$	<u>336,858</u>

Deposits – At June 30, 2006, the recorded amount of the City's deposits was \$7,331; and the bank balance was \$2,412. The bank balance and carrying amount differ due to deposits in transit of \$13,347 and outstanding checks of \$8,428.

The bank balances were entirely insured or collateralized at June 30, 2006. Section 53652 of the California Government Code requires financial institutions to secure a city's deposits, in excess of insured amounts, by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of a city's deposits. California law also allows financial institutions to secure a city's deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits.

Investments – California statutes and the City's investment policy authorize the investment of funds in the following instruments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration loans
- Certificates of deposit
- Negotiable certificates of deposit
- Bankers acceptances
- Commercial paper
- Local Agency Investment Fund (LAIF) demand deposits - State pool
- Repurchase agreements (repos)
- Demand accounts - insured/collateralized
- Money market mutual funds
- Medium term notes
- Guaranteed investment contracts (GICs)

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

3. CASH AND INVESTMENTS (Continued)

The City has entered into nonparticipating guaranteed investment contracts, which are in compliance with the City's investment policy. All of the investment contracts bear interest ranging from 3.29% to 6.57% of which \$25,605 is collateralized 100% to 105% by investments.

Although the City did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the City does have an investment in LAIF in the amount of \$39,623. The total amount invested by all public agencies in LAIF at June 30, 2006 was \$16,392,047. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2006 was \$63,337,960. Of this amount, 2.567% is invested in structured and asset backed financial products. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 152 days as of June 30, 2006.

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's position in the pool.

Risks –

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed ten years. Investments maturing beyond a five-year horizon should not exceed fifteen percent (15%) of the total portfolio value at any given time. Specific maturities of investments depend on liquidity needs.

Credit Risk - It is the City's policy that medium-term notes must have a rating of A or better. Money market mutual funds and federal agency securities must have the highest rating issued by the nationally recognized statistical rating organizations. The Local Agency Investment Fund (LAIF) administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds and LAIF, are held by a third party custodian (Union Bank of California). Union Bank of California (UBOC) is a registered member of the Federal Reserve Bank. The securities held by UBOC are in the street name, and a customer number assigned to the City identifies ownership.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

3. CASH AND INVESTMENTS (Continued)

As of June 30, 2006, the City's investments in U.S. Agencies, money market mutual funds, and tax-exempt municipal bonds were rated AAA by Standard and Poor's, and AAA by Moody's Investors Service. Investments of bond proceeds permitted under bond covenants are included in the ratings above. LAIF and GICs are not rated. A summary of investments by category and maturity at June 30, 2006 is as follows:

Investment Type	Fair Value	Investment Maturities (in years)					
		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5 years or more
U. S. Agencies	\$ 229,629	\$ 192,197	\$ 21,440	\$ 7,496	\$ 3,356	\$ 2,773	\$ 2,367
U. S. Treasuries	50	-	6	-	-	-	44
U. S. Treasury strips	25	-	-	-	-	-	25
LAIF	39,623	39,623	-	-	-	-	-
Money market mutual funds	33,255	33,255	-	-	-	-	-
Tax exempt municipal bonds	1,340	-	-	-	-	-	1,340
GICs	25,605	1,315	-	-	-	-	24,290
Total	\$ 329,527	\$ 266,390	\$ 21,446	\$ 7,496	\$ 3,356	\$ 2,773	\$ 28,066
Allocation by percentage	100	81	7	2	1	1	9

Restricted Cash and Investments – Certain proceeds of governmental and enterprise funds certificates of participation (COP), revenue bonds, and bonds payable are classified as restricted cash and investments on the statement of net assets because their use is limited by applicable indentures or covenants. These covenants provide that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments, not permitted by the City's general investment policy, been authorized. The major part of this restriction is for the construction or acquisition of facilities, but also includes reserves for payment of debt service as required by the bond indentures.

At June 30, 2006, restricted cash and cash equivalents/investments are as follows:

Business-type activities	
Water Utility	\$ 22,290
Wastewater Utility	58,425
Central Parking District	4,485
Total	<u>\$ 85,200</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

4. INTERFUND RECEIVABLES / PAYABLES

Interfund receivables and payables are as follows at June 30, 2006:

Due to/from other funds:

		<u>Receivable Funds</u>		
		General	Stormwater Utility	Total
Payable Funds	Capital Improvement	\$ 578	\$ -	\$ 578
	Redevelopment Agency	1,671	-	1,671
	Other Governmental	4,602	72	4,674
	Other Enterprise	124	-	124
	Total	<u>\$ 6,975</u>	<u>\$ 72</u>	<u>\$ 7,047</u>

“Due to” and “due from” balances have primarily been recorded when funds overdraw their share of pooled cash or when there are short-term loans between funds.

Advances from/to other funds:

		<u>Receivable Funds</u>						Total
		General	Public Facilities Impact Fees	Capital Improvement	Other Governmental	Wastewater Utility	Central Parking District	
Payable Funds	Public Facilities Impact Fees	\$ -	\$ -	\$ 3,728	\$ -	\$ -	\$ -	\$ 3,728
	Capital Improvement	350	-	-	-	-	-	350
	Redevelopment Agency	797	130	14,556	15,916	84	847	32,330
	Other Governmental	2,306	-	2,107	-	-	-	4,413
	Central Parking District	630	1,000	-	-	-	-	1,630
	Other Enterprise	-	-	914	-	-	-	914
Total	<u>\$ 4,083</u>	<u>\$ 1,130</u>	<u>\$ 21,305</u>	<u>\$ 15,916</u>	<u>\$ 84</u>	<u>\$ 847</u>	<u>\$ 43,365</u>	

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

4. INTERFUND RECEIVABLES / PAYABLES (Continued)

“Advances to” and “advances from” balances represent loan activity between various funds. The \$797 is loans from the General Fund to the Redevelopment Agency for various project areas. The \$2,306 is primarily a loan from the General Fund to the Emergency Medical Transportation Fund to help establish the fund. The \$3,728 loan from Capital Improvement to Public Facilities Impact Fees is for architectural and construction costs for police and fire stations. The \$14,556 from Capital Improvement to the Redevelopment Agency represents loans for various project areas. The \$2,107 from Capital Improvement to the Emergency Medical Transportation Fund is a loan for the purchase of equipment and improvements to fire stations. Finally, the \$15,916 represents loans in the amount of \$197 from the Development Services Fund, \$4,686 from the Urban Development Action Grant, \$10,469 from the Community Development Block Grant, and \$564 from the Community Development Loan to the Redevelopment Agency to provide funds for various project areas.

5. TRANSFERS

Transfers for the year ended June 30, 2006 are summarized as follows:

		Transfers In					
		General	Capital Improvement	Redevelopment Agency	Other Governmental	Internal Service	Total
Transfers Out	General	\$ -	\$ 4,524	\$ 500	\$ 13,968	\$ -	\$ 18,992
	Public Facilities Impact Fees	-	-	-	147	-	147
	Capital Improvement	-	-	-	-	40	40
	Redevelopment Agency	-	-	-	1,884	-	1,884
	Other Governmental	6,907	7,084	665	1,610	1,492	17,758
	Water Utility	654	1,022	-	-	-	1,676
	Wastewater Utility	2,099	2,483	-	-	-	4,582
	Stormwater Utility	357	457	-	-	-	814
	Central Parking District	831	-	-	-	-	831
Total		<u>\$ 10,848</u>	<u>\$ 15,570</u>	<u>\$ 1,165</u>	<u>\$ 17,609</u>	<u>\$ 1,532</u>	<u>\$ 46,724</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

5. TRANSFERS (Continued)

During the year various interfund transfers were made to finance expenditures, subsidize operating losses, and service debt. The \$18,992 General Fund transfer out includes transfers of \$6,486 to the City-County Library, \$6,630 to Recreation Services, and \$4,524 to the Capital Improvement Fund.

The General Fund received transfers in of \$5,062 from the Gas Tax Fund primarily for the reimbursement of qualified street repair and maintenance expenditures. In addition, the General Fund received land utilization transfers in of \$654 from the Water Utility Fund, \$2,099 from the Wastewater Utility Fund, and \$831 from the Central Parking District for the payment of debt service on the Stewart Eberhardt Building / Parking Structure.

The Capital Improvement Fund received transfers from various funds in the amount of \$15,570 to finance capital improvement projects. The transfers included \$4,524 from the General Fund, \$6,000 from Development Services, \$1,084 from Stockton Public Financing Authority, \$1,022 from the Water Utility Fund, and \$2,483 from the Wastewater Utility Fund.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Acquisitions	Dispositions	Balance June 30, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 33,599	\$ 1,004	\$ -	\$ 34,603
Construction in progress	227,321	98,835	(172,103)	154,053
Total capital assets, not being depreciated	<u>260,920</u>	<u>99,839</u>	<u>(172,103)</u>	<u>188,656</u>
Capital assets, being depreciated:				
Infrastructure	280,969	56,480	-	337,449
Buildings and improvements	117,688	117,489	(39)	235,138
Machinery and equipment	36,302	6,406	(2,392)	40,316
Total capital assets, being depreciated	<u>434,959</u>	<u>180,375</u>	<u>(2,431)</u>	<u>612,903</u>
Less accumulated depreciation for:				
Infrastructure	(54,304)	(5,793)	-	(60,097)
Buildings and improvements	(39,300)	(2,738)	39	(41,999)
Machinery and equipment	(24,616)	(2,906)	1,976	(25,546)
Total accumulated depreciation	<u>(118,220)</u>	<u>(11,437)</u>	<u>2,015</u>	<u>(127,642)</u>
Total capital assets, being depreciated, net	<u>316,739</u>	<u>168,938</u>	<u>(416)</u>	<u>485,261</u>
Governmental activities capital assets, net	<u>\$ 577,659</u>	<u>\$ 268,777</u>	<u>\$ (172,519)</u>	<u>\$ 673,917</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

6. CAPITAL ASSETS (Continued)

	Balance July 1, 2005	Acquisitions	Dispositions	Balance June 30, 2006
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 13,055	\$ 764	\$ -	\$ 13,819
Construction in progress	80,466	40,145	(22,357)	98,254
Total capital assets, not being depreciated	<u>93,521</u>	<u>40,909</u>	<u>(22,357)</u>	<u>112,073</u>
Capital assets, being depreciated:				
Buildings and improvements	499,364	25,773	-	525,137
Machinery and equipment	8,730	-	-	8,730
Total capital assets, being depreciated	<u>508,094</u>	<u>25,773</u>	<u>-</u>	<u>533,867</u>
Less accumulated depreciation for:				
Buildings and improvements	(130,220)	(12,176)	-	(142,396)
Machinery and equipment	(5,419)	(260)	-	(5,679)
Total accumulated depreciation	<u>(135,639)</u>	<u>(12,436)</u>	<u>-</u>	<u>(148,075)</u>
Total capital assets, being depreciated, net	<u>372,455</u>	<u>13,337</u>	<u>-</u>	<u>385,792</u>
Business-type activities capital assets, net	<u>\$ 465,976</u>	<u>\$ 54,246</u>	<u>\$ (22,357)</u>	<u>\$ 497,865</u>

Depreciation expense was charged to functions and programs of the City as follows:

Governmental activities:	
General government	\$ 1,168
Public safety	516
Public works	5,810
Library	292
Parks & Recreation	1,079
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>2,572</u>
Total depreciation expense - governmental activities	<u>\$ 11,437</u>
Business-type activities:	
Water Utility	\$ 2,009
Wastewater Utility	8,655
Stormwater Utility	1,323
Central Parking District	311
Golf Courses	<u>138</u>
Total depreciation expense - business-type activities	<u>\$ 12,436</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

7. LONG-TERM DEBT

Governmental Activities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2006 is as follows:

Governmental activities:	Restated Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Stockton Public Financing Authority:					
Lease Revenue Refunding Bonds:					
2006 Series A (Essential Services Building)	\$ -	\$ 13,965	\$ -	\$ 13,965	\$ 105
Certificates of Participation:					
1999 (Essential Services Building/Parking)	14,030	-	(14,030)	-	-
Series 2003A (Redevelopment Housing)	1,160	-	-	1,160	-
Series 2003B (Redevelopment Housing)	12,140	-	-	12,140	-
Unamortized premium / (discount)	(92)	(86)	4	(174)	(7)
Deferred amount on refunding	-	(809)	8	(801)	(32)
Total Stockton Public Financing Authority	<u>27,238</u>	<u>13,070</u>	<u>(14,018)</u>	<u>26,290</u>	<u>66</u>
Other long-term obligations:					
Notes payable:					
U.S. Dept. of Housing and Urban Development	11,795	200	(430)	11,565	460
California Housing Finance Agency	810	240	-	1,050	-
Estimated liability for self-insurance	50,902	26,391	(33,417)	43,876	12,952
Compensated absences	18,793	12,574	(10,062)	21,305	1,489
Total other long-term obligations	<u>82,300</u>	<u>39,405</u>	<u>(43,909)</u>	<u>77,796</u>	<u>14,901</u>
Redevelopment Agency:					
Revenue Bonds:					
Series 2004 (Stockton Events Center-Arena)	47,000	-	-	47,000	-
Unamortized premium / (discount)	1,575	-	(50)	1,525	50
Notes payable	230	203	(24)	409	26
Total Redevelopment Agency	<u>48,805</u>	<u>203</u>	<u>(74)</u>	<u>48,934</u>	<u>76</u>
Total governmental activities - long-term liabilities	<u>\$ 158,343</u>	<u>\$ 52,678</u>	<u>\$ (58,001)</u>	<u>\$ 153,020</u>	<u>\$ 15,043</u>

As a result of the change in accounting described in Note 2, the City's long-term debt for its governmental activities as of July 1, 2005 was reduced by \$189,653, which is reflected in the July 1, 2005 amounts above.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

7. LONG-TERM DEBT (Continued)

Stockton Public Financing Authority

Lease Revenue Refunding Bonds

The 2006 Lease Revenue Refunding Bonds Series A were issued by the Stockton Public Financing Authority (SPFA) on March 22, 2006. Bonds totaling \$13,965 are due in installments ranging from \$105 to \$875 through August 1, 2031, with interest rates ranging from 4.0% to 5.0% on bonds outstanding. The Bonds were issued to advance refund and defease \$13,795 in outstanding 1999 Certificates of Participation which were used to finance a portion of the acquisition and construction of an essential services building and an adjacent parking facility. The refunding resulted in an economic gain of \$1,218, a reduction of \$3,760 in future debt service payments, and a deferred amount on refunding of (\$809), which will be amortized over the remaining life of the 2006 Bonds. Repayment of the Bonds is financed from lease payments pledged by the City to the SPFA. The primary sources for repayment are as follows: approximately 85% is paid by the Central Parking District Fund and approximately 15% is paid from the police public facility fee. The principal amount due is reported net of deferred amount on refunding and unamortized premium/(discount) of (\$887).

Certificates of Participation

Certificates of Participation Series 2003A (Redevelopment Housing Projects) were issued on June 17, 2003. Certificates totaling \$1,160 are due in installments ranging from \$35 to \$75 through September 1, 2033, with interest rates ranging from 3.0% to 4.375% on certificates outstanding. The Certificates were issued to finance certain redevelopment housing projects. Repayment of the Certificates is financed from lease payments pledged by the City to the SPFA. The primary source of repayment is the 20% Redevelopment Agency housing set-aside. The principal amount due is reported net of unamortized premium/(discount) of (\$18).

Certificates of Participation Taxable Series 2003B (Redevelopment Housing Projects) were issued on June 17, 2003. Certificates totaling \$12,140 are due in installments ranging from \$295 to \$870 through September 1, 2033, with interest rates ranging from 4.52% to 5.28% on certificates outstanding. The Certificates were issued to finance certain redevelopment housing projects. Repayment of the Certificates is financed from lease payments pledged by the City to the SPFA. The primary source of repayment is the 20% Redevelopment Agency housing set-aside. The principal amount due is reported net of unamortized premium/(discount) of (\$70).

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

7. LONG-TERM DEBT (Continued)

Other Long-term Obligations

Notes Payable

The City entered into three Section 108 loan guarantee agreements with the U.S. Department of Housing and Urban Development to complete redevelopment projects. Outstanding balances are \$2,575, \$8,790, and \$200, respectively, as of June 30, 2006. Final payment on the first two loans is due in August 2020; the third is due in August 2025. Interest is calculated at a variable rate based on the London Interbank Offered Rate (LIBOR) plus 20 basis points per annum. Accumulated interest will be recognized as expenditures when paid. Repayment of the loans will be financed from Community Development Block Grant entitlement funds.

The City also entered into two loan agreements with the California Housing Finance Agency for the purposes of the operation of a local housing program. Outstanding balances are \$500 and \$550, respectively, as of June 30, 2006. Simple interest is calculated at 3.0% per annum. The term of the loans are 10 years and 8 years from the date of the agreements and will be due on June 24, 2013 and April 4, 2013, along with all interest charges incurred during the term of the loans.

Estimated liability for self-insurance

Internal service funds predominantly serve the governmental funds. Accordingly, estimated long-term liabilities for these funds are included in the totals for governmental activities. As of June 30, 2006, the estimated long-term liabilities for the General Liability Insurance, Workers' Compensation Insurance, and Health Benefits Insurance Funds total \$43,876. See Note 10 for additional disclosures regarding risk management.

Compensated Absences

Compensated absences related to governmental activities total \$21,305 at year-end. These balances are generally paid by the General Fund. The above balance includes \$560 of compensated absences from the internal service funds.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

7. LONG-TERM DEBT (Continued)

Redevelopment Agency

Revenue Bonds

Revenue Bonds, Series 2004 (Stockton Events Center-Arena) were issued March 18, 2004 by the Redevelopment Agency (Agency). Bonds totaling \$47,000 are due in installments ranging from \$175 to \$25,330 through September 1, 2036, with interest rates ranging from 2.0% to 5.0% on bonds outstanding. The Bonds were issued to finance a portion of the costs of an indoor arena, including facilities for ice hockey, indoor football, indoor soccer, concerts, and other events, with a seating capacity of approximately 10,000. The Bonds are special obligations of the Agency payable from revenues consisting primarily of lease payments payable by the City to the Agency and pledge payments to be made by the Agency from certain tax increment revenues derived from specified Redevelopment Agency project areas. The principal amount due is reported net of unamortized premium/(discount) of \$1,525.

Note Payable

The Redevelopment Agency entered into a loan with the California Department of Boating and Waterways (DBAW) to complete a planning report and to develop a small craft harbor facility. The loan amount outstanding is \$409 and will be paid in annual installments through August 1, 2013, with an interest rate of 4.5%. Repayment of the loan will be financed from tax increment revenues of the Redevelopment Agency.

CITY OF STOCKTON

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Dollar amounts in thousands)**

7. LONG-TERM DEBT (Continued)

Annual Debt Service Requirements to Maturity

Year Ending June 30,	Stockton Public Financing Authority					
	Revenue Bonds		Certificates of Participation		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 105	\$ 485	\$ -	\$ 667	\$ 460	\$ 634
2008	325	584	-	667	490	609
2009	340	570	-	667	525	581
2010	355	556	-	667	555	551
2011	370	540	-	667	595	518
2012-2016	2,085	2,453	1,800	3,145	4,710	2,281
2017-2021	2,550	1,990	2,250	2,686	5,280	761
2022-2026	3,105	1,409	2,860	2,046	-	-
2027-2031	3,855	646	3,685	1,203	-	-
2032-2036	875	20	2,705	216	-	-
Total	<u>\$ 13,965</u>	<u>\$ 9,253</u>	<u>\$ 13,300</u>	<u>\$ 12,631</u>	<u>\$ 12,615</u>	<u>\$ 5,935</u>

Year Ending June 30,	Redevelopment Agency			
	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2007	\$ -	\$ 2,155	\$ 26	\$ 9
2008	175	2,154	27	8
2009	225	2,150	28	7
2010	280	2,144	29	6
2011	335	2,137	31	4
2012-2016	2,625	10,489	268	4
2017-2021	4,625	9,857	-	-
2022-2026	7,305	8,678	-	-
2027-2031	11,085	6,563	-	-
2032-2036	16,310	3,168	-	-
2037	4,035	101	-	-
Total	<u>\$ 47,000</u>	<u>\$ 49,596</u>	<u>\$ 409</u>	<u>\$ 39</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

7. LONG-TERM DEBT (Continued)

Business-type Activities

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2006 is as follows:

Business-type activities:	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Water Utility					
California Statewide Community Development Authority					
Revenue Bonds					
Series 2002A (Water System Capital Improvements)	\$ 13,381	\$ -	\$ (486)	\$ 12,895	\$ 510
Unamortized premium / (discount)	(251)	-	11	(240)	(14)
Deferred amounts on refunding	(300)	-	17	(283)	(17)
Stockton Public Financing Authority					
Revenue Bonds					
Series 2005A (Water System Capital Improvements)	-	24,230	-	24,230	-
Unamortized premium / (discount)	-	134	(3)	131	4
Note payable					
Federal Drought Relief Act Loan	841	-	(54)	787	-
Total Water Utility	13,671	24,364	(515)	37,520	483
Wastewater Utility					
Stockton Public Financing Authority					
Certificates of Participation					
Revenue COP 1998 Series A (Wastewater Projects)	92,375	-	(1,780)	90,595	1,855
Refunding COP 2003 Series A (Wastewater Projects)	13,590	-	(550)	13,040	560
Unamortized premium / (discount)	(569)	-	28	(541)	(27)
Deferred amounts on refunding	(4,869)	-	343	(4,526)	(343)
Total Wastewater Utility	100,527	-	(1,959)	98,568	2,045
Stormwater Utility					
Note Payable					
Federal Clean Water Act Loan	166	-	(166)	-	-
Total Stormwater Utility	166	-	(166)	-	-
Central Parking District					
Stockton Public Financing Authority					
Lease Revenue Bonds					
Series 2004 (Parking and Capital Projects)	32,785	-	-	32,785	85
Unamortized premium / (discount)	(73)	-	5	(68)	(2)
Total Central Parking District	32,712	-	5	32,717	83
Other long-term obligations:					
Compensated absences	447	137	(348)	236	16
Total other long-term obligations	447	137	(348)	236	16
Total business-type activities - long-term liabilities	\$ 147,523	\$ 24,501	\$ (2,983)	\$ 169,041	\$ 2,627

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

7. LONG-TERM DEBT (Continued)

Water Utility

Revenue Bonds

On April 16, 2002, the City participated in the California Statewide Community Development Authority (CSCDA) Water and Wastewater Revenue Bond (Pooled Financing Program), Series 2002A. Bonds totaling \$12,895 are due in installments ranging from \$510 to \$1,090 through October 1, 2022, with interest rates ranging from 3.9% to 5.125% on bonds outstanding. The Bonds were issued to refinance prior water system expansion bonds. Repayment of the Bonds is financed from net revenues pledged by the Water Utility Fund to CSCDA. The principal amount due is reported net of deferred amounts on refunding and unamortized premium/(discount) of (\$523).

The 2005 Water Revenue Bonds, Series A (Water System Capital Improvement Projects) were issued by the SPFA on November 3, 2005. Bonds totaling \$24,230 are due in installments ranging from \$150 to \$2,350 through September 1, 2035, with interest rates ranging from 4.0% to 5.0% on bonds outstanding. The Bonds were issued to finance various water system capital improvement projects. Repayment of the Bonds is financed from net revenues pledged by the Water Utility Fund to the SPFA. The principal amount due is reported net of unamortized premium/(discount) of \$131.

Note Payable

In August 1977, the City accepted a Federal Drought Relief Act loan to finance drought relief projects for the Water Utility Enterprise Fund. As of June 30, 2006 the outstanding balance on this loan was \$787. The loan bears interest at 5.0% per annum with final payment due in July 2017.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

7. LONG-TERM DEBT (Continued)

Wastewater Utility

Certificates of Participation

Revenue Certificates of Participation 1998 Series A (Wastewater System Project) were issued by the SPFA on February 3, 1998. Certificates totaling \$90,595 are due in installments ranging from \$1,855 to \$7,325 through September 1, 2029, with interest rates ranging from 4.3% to 5.2% on certificates outstanding. The proceeds of the 1998 issue were used to finance the design and construction of a sewer interceptor, to make improvements and modifications to the southern industrial sewer trunk line, and to refund the 1995 Certificates of Participation issue that was used to finance the design, improvements and modifications to the regional wastewater control facilities serving the citizens of the City of Stockton. Repayment of the Certificates is financed from net revenues pledged by the Wastewater Utility Fund to the SPFA. The principal amount due is reported net of deferred amounts on refunding and unamortized premium/(discount) of (\$4,689).

Refunding Certificates of Participation 2003 Series A (Wastewater System Project) were issued by the SPFA on May 21, 2003. Certificates totaling \$13,040 are due in installments ranging from \$560 to \$965 through September 2, 2023, with interest rates ranging from 2.0% to 4.25% on certificates outstanding. The Certificates were issued to advance refund the 1993 certificates of participation. Repayment of the Certificates is financed from net revenues pledged by the Wastewater Utility Fund to the SPFA. The principal amount due is reported net of unamortized premium/(discount) of (\$378).

Central Parking District

Lease Revenue Bond

Lease Revenue Bonds, Series 2004 (Parking and Capital Projects) were issued by the SPFA on June 16, 2004. Bonds totaling \$32,785 are due in installments ranging from \$85 to \$2,950 through September 1, 2034, with interest rates ranging from 4.0% to 5.375% on bonds outstanding. The Bonds were issued to finance the construction of the Edward S. Coy Parking Garage, the Stockton Events Center Parking Structure, and other parking facilities within the Central Parking District. Repayment of the Bonds is financed from lease payments pledged by the Central Parking District Fund to the SPFA. The principal amount due is reported net of unamortized premium/(discount) of (\$68).

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

7. LONG-TERM DEBT (Continued)

Other Long-term Obligations

Compensated Absences

At year-end, \$236 of enterprise funds compensated absences is included in the totals for business-type activities.

Annual Debt Service Requirements to Maturity

Year Ending June 30,	<u>Water Utility</u>		<u>Wastewater Utility</u>		<u>Central Parking District</u>	
	<u>Revenue Bonds</u>		<u>Certificates of</u>		<u>Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Revenue Bonds</u>	<u>Interest</u>
2007	\$ 510	\$ 1,173	\$ 2,415	\$ 4,958	\$ 85	\$ 1,651
2008	540	1,147	2,510	4,867	125	1,647
2009	565	1,119	2,605	4,770	165	1,641
2010	590	1,094	2,720	4,659	210	1,634
2011	620	1,070	2,840	4,539	255	1,625
2012-2016	3,510	4,925	16,220	20,653	2,075	7,910
2017-2021	5,070	6,250	20,610	16,274	3,755	7,275
2022-2026	6,635	5,400	26,570	10,591	6,135	6,043
2027-2031	8,375	3,652	27,145	2,915	9,385	4,060
2032-2036	10,710	1,322	-	-	10,595	1,164
Total	<u>\$ 37,125</u>	<u>\$ 27,152</u>	<u>\$ 103,635</u>	<u>\$ 74,226</u>	<u>\$ 32,785</u>	<u>\$ 34,650</u>

Defeasance of Debt

The City and the SPFA defeased certain long-term debt by placing the proceeds of new debt in irrevocable trusts to provide for all future debt service payments on the old debt until called. Accordingly, the trust account assets and liabilities for the following defeased debt issues are not included in the City's financial statements. At June 30, 2006, the outstanding balances of the bonds considered defeased were as follows:

1999 Certificates of Participation – ESB/Parking \$ 13,795

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

7. LONG-TERM DEBT (Continued)

Debt without City Commitment

Land Secured Debt Financing (No City Commitment) – The City has authorized the formation of community facilities districts (CFDs) and assessment districts (local improvement districts) (LIDs) and the issuance of bonds under various public improvement acts of the State of California to finance eligible public facilities necessary to serve developing commercial, industrial, residential and/or mixed use developments. The bonds are secured by annual special tax levies or liens placed on the property within the districts. The City is not liable for repayment and acts only as an agent for the property owners in collecting the special taxes or assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from special taxes or assessments, specific reserves, and the proceeds from property foreclosures. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements. As of June 30, 2006, there were ten CFD special tax bonds, eight special assessment bonds, and seven revenue bonds outstanding with aggregate principal amounts payable of \$76,030, \$31,365, and \$80,980, respectively.

Conduit Debt (No City Commitment) – Revenue Bonds have been issued to provide financial assistance to public and private sector entities for the funding of mortgage loans, capital improvements to medical facilities and refinancing of previously existing debt deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying assets. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements. As of June 30, 2006, there were four series of revenue bonds outstanding, with an aggregate principal amount payable of \$79,785.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

8. EQUITY

Nature and Purpose of Reported Reserves and Designations

Reserves are portions of the fund balance not appropriable for expenditures under the flow of current financial resources measurement focus or those portions of the fund balance legally segregated for specific future use. Designations are portions of the fund balance that have been identified by management to reflect tentative plans or commitments of governmental resources.

A summary of reported reserves and designations by fund at June 30, 2006 follows:

	Governmental Funds					Total
	General	Public Facilities Impact Fees	Capital Improvement	Redevelopment Agency	Other	
Reserves:						
Encumbrances	\$ 896	\$ 22,107	\$ 3,655	\$ 993	\$ 32,481	\$ 60,132
Advances	4,083	1,130	21,354	-	69,292	95,859
Debt service	-	-	-	-	4,885	4,885
Capital projects	1,020	32,009	-	19	-	33,048
Low and moderate income housing	-	-	-	2,825	-	2,825
Endowments	-	-	-	-	1,423	1,423
Other items	2,353	-	-	40	4,957	7,350
Total reserves	<u>\$ 8,352</u>	<u>\$ 55,246</u>	<u>\$ 25,009</u>	<u>\$ 3,877</u>	<u>\$ 113,038</u>	<u>\$ 205,522</u>
Designations:						
Catastrophic events	\$ 1,120	\$ -	\$ -	\$ -	\$ -	\$ 1,120
Budget contingency/ budget uncertainty	1,120	-	-	-	-	1,120
Termination pay	1,600	-	-	-	132	1,732
Capital improvement projects	7,500	-	-	-	-	7,500
Future appropriations	8,276	-	-	-	-	8,276
Liability	3,500	-	-	-	-	3,500
Total designations	<u>\$ 23,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132</u>	<u>\$ 23,248</u>

Encumbrances – Represent approved purchase orders, contracts, and other commitments not completed at the end of the fiscal year.

Advances – Council approved loans made for the purposes described in Note 4 and advances to property owners.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

8. EQUITY (Continued)

Debt Service – Security for payment of long-term debt principal, interest and related fiscal charges.

Capital Projects – The construction and improvement of capital facilities.

Low and Moderate Income Housing – Set aside for eligible low- and moderate-income housing.

Endowments – Set aside for various endowments; the majority is for the arts.

Other Items – To offset miscellaneous assets that do not represent expendable available financial resources, the majority of which is loan commitments.

Catastrophic Events – Funds for protection of a portion of the City's exposure to natural disaster and severe unforeseen emergencies.

Budget Contingency/Budget Uncertainty – Funds to assist in allowing the City to perform required duties in the event of a significant loss of revenue or significant, unplanned costs.

Termination Pay – To cover unanticipated costs due to employee separation for all General Fund departments and for the City-County Library Fund.

Capital Improvement Projects – Set aside for a variety of repairs and improvements, including redevelopment projects.

Future Appropriations – Set aside for future unanticipated budgetary needs.

Liability – Set aside for unanticipated costs of the City's self-insured programs and legal challenges.

Net Assets

The government-wide statement of net assets reports \$200,386 of restricted net assets, of which \$107,194 is restricted by enabling legislation.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

9. RETIREMENT PLAN

Plan Description - The City contributes to the Safety Plan of the City of Stockton and the Miscellaneous Plan of the City of Stockton, which are part of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan that acts as a common investment and administrative agent for governmental entities in the State of California. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

All full-time City employees are eligible to participate in CalPERS. Part-time employees must meet specific criteria for participation. City employees are eligible for retirement at age 50 or older with five years of service credits. Benefits are payable monthly for life in an amount equal to a certain percent of their highest annual salary. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California, 95814.

Funding Policy - Safety Plan participants are required to contribute 9% of their annual covered salary. Miscellaneous Plan participants are required to contribute 7% of their annual covered salary. As part of the City employees' benefit package, the City pays the employees' contribution. The City is required to contribute at an actuarially determined rate. The rate for Safety members was 34.714% of annual covered payroll. The rate for Miscellaneous members was 17.525% of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost - For the year ended June 30, 2006, the City's annual pension costs of \$17,894 for the Safety Plan and \$9,132 for the Miscellaneous Plan were equal to the City's required and actual contributions. The required contribution rates were determined as part of the June 30, 2003 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.25% to 14.45%; (c) inflation of 3.00%; and (d) payroll growth of 3.25%. The actuarial values of the Plans' assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The City's CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of June 30, 2004 was 32 years for the Safety Plan and 27 years for the Miscellaneous Plan.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

9. RETIREMENT PLAN (Continued)

SAFETY PLAN

Three-Year Trend Information for (Dollar Amount in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$ 17,894	100 %	\$ -
6/30/05	15,433	100 %	-
6/30/04	9,513	100 %	-

MISCELLANEOUS PLAN

Three-Year Trend Information for (Dollar Amount in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$ 9,132	100 %	\$ -
6/30/05	6,439	100 %	-
6/30/04	1,896	100 %	-

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established three internal service insurance funds (General Liability, Workers' Compensation, and Health Benefits Insurance) to account for and finance its uninsured risk of loss. Under the City's risk management program, the City retains risk for up to \$1,000 for each general liability claim, \$750 for each workers' compensation claim and \$210 for each medical plan member under the health benefits program. The City's coverage for excess claims is discussed later in this note under risk pools. The workers' compensation and health benefits programs are administered by third-party administrators who are experts in their respective fields. The general liability program is self-administered by the City of Stockton.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk in the internal service insurance funds. Charges to the General Fund and other funds are determined from an analysis of claims costs, and are recorded as expenditures or expenses in the various funds and revenues in the internal service insurance funds. Charges for general liability and workers' compensation insurances are a percentage of payroll, and the charge for health benefits is a monthly dollar amount for all active budgeted positions.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

10. RISK MANAGEMENT (Continued)

The City contracts with independent actuaries to perform an analysis of the City's potential liability for the City's retained risk portions of the various self-insurance programs. The amounts recorded as liabilities represent estimates of amounts to be paid for reported claims, as well as incurred but not reported claims based upon past experience, modified for current trends and information. For general liability and workers' compensation for the current year, the present value of estimated outstanding losses is reported at a 70% probability level, using a 5.25% discount rate to reflect future investment earnings. In previous years, it had been the City's practice to report the undiscounted expected value of estimated unpaid claims liabilities. While the ultimate amounts of losses incurred through June 30, 2006 are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to cover such losses. There have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded coverage each of the past three years.

Changes in the balances of the City's claims liabilities for the current and prior fiscal years are as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Health Benefits</u>	<u>Total</u>
Balance, June 30, 2004	\$ 2,918	\$ 40,847	\$ 2,579	\$ 46,344
Claims incurred	1,866	8,471	22,618	32,955
Claims paid	<u>(540)</u>	<u>(6,099)</u>	<u>(21,758)</u>	<u>(28,397)</u>
Balance, June 30, 2005	4,244	43,219	3,439	50,902
Claims incurred	3,183	-	23,208	26,391
Claims paid	<u>(1,458)</u>	<u>(8,142)</u>	<u>(23,817)</u>	<u>(33,417)</u>
Balance, June 30, 2006	<u>\$ 5,969</u>	<u>\$ 35,077</u>	<u>\$ 2,830</u>	<u>\$ 43,876</u>

Risk Pools – The City is a member of two joint powers authorities organized pursuant to the California Government Code for the purpose of pooling self-insured losses, as described below.

General Liability Insurance - In 1986, the City joined with other municipalities and regional municipal joint powers authorities to form the California Joint Powers Risk Management Authority (CJPRMA), a public entity risk pool currently operating as a general liability risk management and insurance program for 22 member entities. The City's self-insured retention (SIR) is \$1,000. Losses above the City's SIR are pooled up to \$5,000 per occurrence, with reinsurance in place above the \$5,000 up to \$40,000. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, errors and omissions and certain other coverage.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

10. RISK MANAGEMENT (Continued)

The CJPRMA governing board is comprised of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Members are assessed annual contributions based on actuarially determined rates. CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves. Financial statements for CJPRMA for the fiscal year ended June 30, 2006 can be obtained from CJPRMA at 2333 San Ramon Valley Blvd., Suite #250 San Ramon, California 94583-4456.

Workers' Compensation Insurance - In 2003, in an effort to obtain a lower self-insured retention level for workers' compensation, the City joined California Public Entity Insurance Authority (CPEIA), a public entity risk pool which currently operates an Excess Workers' Compensation (EWC) Program for 90 member entities. The City's self-insured retention is currently set at \$750 per occurrence. Losses above the City's SIR are pooled up to \$5,000 per occurrence. Reinsurance is in place in layers above the \$5,000 up to \$50,000, with an additional \$100,000 in limits purchased by the Program, for a combined total of \$150,000 per occurrence.

CPEIA is a sister joint powers authority of the Excess Insurance Authority (EIA) which established the EWC Program in 1979. The CPEIA is governed by a board of directors comprised of nine elected CPEIA members and two members of the EIA Executive Committee. Board members and officers are elected by a majority vote of member entities. The Board is responsible for conducting all business of the CPEIA with the assistance of designated members of the EIA staff, as well as any committees that the Board deems appropriate to create. Members are assessed annual contributions based on actuarially determined rates. CPEIA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves. Financial statements for CPEIA for the fiscal year ended June 30, 2006 can be obtained from CPEIA at 3017 Gold Canal Drive, Rancho Cordova, California 95670.

Property Protection - The City participates in CJPRMA's All Risks Property Protection Program, which is primarily underwritten by a casualty insurance company. The Program provides \$300,000 per occurrence in coverage to participating members, subject to a deductible of \$25. Premiums, which are negotiated each year, are based on property values and are not subject to retroactive adjustments.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

11. POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits through the California Public Employees' Retirement System, the City provides certain health care benefits for retired employees under contractual obligations negotiated between the City and various employee bargaining units. All City management and public safety employees who receive a CalPERS retirement allowance upon separation are eligible for coverage under the Retiree Medical Plan at age 50. Other miscellaneous employees who receive a CalPERS retirement allowance after 15 or more years of service are eligible for coverage at age 50 or 55, depending on bargaining unit. Some employees retired for disability may qualify at a younger age. Full medical benefits are continued until age 65 or a maximum of 15 years whichever occurs first. Such coverage includes the retiree and one dependent. At age 65, eligible retirees are covered under a Medicare Supplemental Plan, which pays secondary to Medicare. This is a lifetime benefit provided to the retired employee and his or her eligible dependent. Currently, 694 retirees meet these eligibility requirements and participate in the Plan.

The City's contributions are financed on a pay-as-you-go basis. During the year, expenditures of approximately \$7,162 were recognized for post employment health care.

Most retirees do not contribute to the plan. Retirees who exhaust their City-paid benefit before reaching age 65 can purchase coverage until they reach age 65. Those that qualify for City paid benefits may purchase coverage for additional dependents not covered by the City's contribution to the Plan.

12. CONTINGENCIES AND OTHER COMMITMENTS

Contingencies - There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material.

The City is self-insured and participates in two public entity risk pools. Details of this are covered in Note 10, Risk Management.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

12. CONTINGENCIES AND OTHER COMMITMENTS (Continued)

Commitments - The City is undertaking a number of capital improvement projects, the most significant of which include the following encumbrances at June 30, 2006:

• Hammer Lane/SR 99 Interchange	\$ 33,411
• Street Improvements	16,471
• Wastewater Utility	11,941
• Park Improvements	3,336
• Water Utility	1,363
• Stormwater Utility	1,113

Operating Leases - Operating lease obligations are primarily for rental of parking facilities space, but other lease obligations are included. Total expenditures for leases were \$354 for the year ended June 30, 2006. The future minimum lease payments required for those operating leases are as follows:

June 30,	Amount
2007	\$ 242
2008	225
2009	237
2010	249
2011	261
2012-2016	1,516
2017-2021	1,646
Total	<u>\$ 4,376</u>

Service Contract - On February 18, 2003, the City Council approved a Service Contract for Wastewater, Water, and Stormwater Utilities Capital Improvements and Asset Management between the City of Stockton and OMI/Thames Water Stockton (Service Contract). The Service Contract is for a 20-year period and commenced on August 1, 2003, following a transition period.

The Service Contract requires OMI/Thames Water Stockton (OMI/Thames) to assume the operations and maintenance responsibilities for the three utilities and to also design and construct certain Initial Capital Improvements (ICIs), if awarded by the issuance of a Notice to Proceed by the City.

The Service Contract requires OMI/Thames to provide substantial performance guarantees, including a performance bond and a \$10 million letter of credit, which the City can draw upon in the event of default. The City may terminate the Contract at any time for cause due to non-performance. In addition, the City may terminate the Contract, without cause, by paying \$1 million to OMI/Thames Water. If the City were to terminate the contract for any reason, it would resume responsibility for operating and maintaining the three utilities.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

12. CONTINGENCIES AND OTHER COMMITMENTS (Continued)

Compensation to OMI/Thames is for construction and operation and maintenance of capital improvements. Payment for their operation and maintenance services is determined from a base fee, which is divided into fixed and variable components. Both of these components are eligible for adjustments based on the Consumer Price Index (CPI) or various growth factors specified in the Service Contract. Payment for the ICIs is based on the percent completed as specified in the original billing timeline.

Financial information concerning the Service Contract is reported in the Water Utility, Wastewater Utility, and Stormwater Utility major enterprise funds.

Facilities Management Agreement – On March 2, 2004, the City Council approved a Facilities Management Agreement (Agreement) with International Facilities Group, L.L.C.-Stockton, Inc. (IFG).

Under the terms of the Agreement, IFG is responsible for providing development and operation management services, including project design and construction administration services to the City for an events center, which includes a multi-purposes indoor arena and a baseball park. IFG is also responsible for managing, operating and marketing the arena, ballpark (for times when the ballpark is not operated by the Stockton Ports baseball team) and the events center common areas, as well as the Bob Hope Theatre and an ice center, all owned by the City. IFG is responsible for operating these facilities in keeping with the management goals set each year and approved by the City, with the overarching goal of having the arena operating revenues exceed its operating expenses.

The Agreement is for a period of ten full fiscal years commencing after the opening of the arena, which occurred during fiscal year 2006, and may be renewed at the option of the City for one additional five-year period. Either party may terminate the Agreement for cause due to a material breach by the other party. Beginning in 2010, the City may terminate the Agreement, without cause, by paying to IFG a “buy-out” payment, beginning at \$2,350, if the termination occurs during 2010, and declining to \$470, if the termination occurs in 2014. IFG is required to provide various fidelity and performance bonds, including a \$150 faithful performance bond, and a \$1,000 fidelity bond, which covers IFG employees who handle cash on behalf of the City.

Compensation to IFG is determined from a base fee for all venues, plus performance based compensation, as defined in the Agreement. Both of these components are eligible for periodic adjustments based on the CPI.

Financial information concerning the Facilities Management Agreement is reported in the Recreation Services non-major special revenue fund.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

13. DEFICIT FUND EQUITY

- The Redevelopment Agency Fund had a deficit fund balance of \$20,510 at June 30, 2006, primarily as a result of expenditures incurred in advance of receipt of revenues. It is the intent of the City's Redevelopment Agency to fund this deficit from future tax increments and other revenues.
- The Cooperative Library Fund had a deficit fund balance of \$3 at June 30, 2006 as a result of expenditures incurred in advance of receipt of revenues. It is the intent of the Library to fund this deficit from future revenues.
- The Emergency Medical Transportation Fund had a deficit fund balance of \$5,980 at June 30, 2006. While the Stockton Fire Department discontinued providing ambulance service at the end of April 2006, the fund had both outstanding receivables and payables. During fiscal year 2007, collection efforts will continue and asset liquidations will take place. At the end of 2007 the City will be in a better position to assess when the fund should be discontinued.
- The Recreation Services Fund had a deficit fund balance of \$328 at June 30, 2006 due to start up operating costs that exceeded initial estimates for the new downtown events center-arena. This fund is supported by recreation user fees and an annual subsidy from the General Fund. The City intends to fund this deficit with an additional subsidy from the General Fund or other funds during fiscal year 2007.
- The Solid Waste Fund had a deficit in net assets of \$82 at June 30, 2006 due to the transfer of billing services to California Water Service Company and the resulting write off of residual uncollectible receivables.
- The City budgets revenues and projects expenses in the General Liability Insurance Fund (internal service) based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the General Liability Insurance Fund has a long-term liability of \$5,969 and a deficit in net assets of \$3,080. The cash balance of the fund at June 30, 2006 is \$2,897. The City will fund the deficit over time by adjusting the rates paid by City funds.
- The City budgets revenues and projects expenses in the Workers' Compensation Insurance Fund (internal service) based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the Workers' Compensation Insurance Fund has a long-term liability of \$35,077 and a deficit in net assets of \$16,757. The cash balance of the fund at June 30, 2006 is \$18,291. The City will fund the deficit over time by adjusting the rates paid by City funds.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

13. DEFICIT FUND EQUITY (Continued)

- The City budgets revenues and projects expenses in the Health Benefits Insurance Fund (internal service) based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the Health Benefits Insurance Fund has a current liability for claims of \$2,830 and a deficit in net assets of \$1,109. The cash balance of the fund at June 30, 2006 is \$1,798. The City will fund the deficit over time by adjusting the rates paid by City funds.

14. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the Recreation Services Fund by \$1,308, primarily due to cost overruns for the events center-arena, ballpark, and theater venues operated for the City by IFG. This was unavoidable due to the timing of financial reporting by IFG. The final financial reports for the first year of operations were received from IFG after final budget amendments for fiscal year ended June 30, 2006 had been concluded by the City Council. The City will review the reporting process and coordinate closely with IFG to ensure that this does not reoccur.

15. SUBSEQUENT EVENTS

On June 13, 2006, the Redevelopment Agency and the Stockton Public Financing Authority authorized, and on July 12, 2006 issued \$75,755 of 2006 Series A Revenue Bonds, \$8,445 of 2006 Series B Taxable Revenue Bonds, and \$25,985 of 2006 Series C Taxable Revenue Bonds. The proceeds of the Series A and Taxable Series B Bonds will be used to finance redevelopment projects, while the proceeds of the Taxable Series C Bonds will be used to finance certain low and moderate income housing projects throughout the City. The Bonds were issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the California Government Code (commencing with Section 6584). The interest rates range from 5.00% to 6.87%, the full amount maturing serially through September 1, 2037.

On July 11, 2006, the City authorized the issuance of \$28,630 of tax exempt Community Facilities District No. 1 (Weston Ranch) Special Tax Refunding Bonds, Series 2006. The City is not obligated in any manner for repayment of the Bonds, which are secured by annual special tax levies placed on the property within the district. The proceeds of the Bonds, which were issued on August 10, 2006 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code, will be used to defease the remaining balances owed on the 1998 and 2001 Series. . The interest rates range from 3.50% to 4.25%, the full amount maturing serially through September 1, 2021.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

16. FUTURE GASB PRONOUNCEMENTS

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers of Post employment Benefits Other Than Pensions. GASB Statement No. 45 establishes standards for the measurement, recognition and display of other post-employment benefits (OPEBs) expenses/expenditures, related assets and liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers. GASB No. 45 will be effective for the fiscal year ending June 30, 2008. The City is currently analyzing the impact of the required implementation of this new statement on its future financial statements.



CITY OF STOCKTON



**REQUIRED
SUPPLEMENTARY
INFORMATION**

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF STOCKTON

SCHEDULES OF DEFINED BENEFIT PENSION PLANS FUNDED STATUS FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

MISCELLANEOUS PLAN

Valuation Date	Entry Age Normal Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
6/30/04	\$ 366,460	\$ 321,947	\$ 44,513	87.9%	\$ 50,602	88.0%
6/30/03	344,933	305,879	39,054	88.7%	54,241	72.0%
6/30/02	304,791	302,384	2,408	99.2%	53,151	4.5%

SAFETY PLAN

Valuation Date	Entry Age Normal Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
6/30/04	\$ 504,303	\$ 401,038	\$ 103,265	79.5%	\$ 45,116	228.9%
6/30/03	473,038	380,682	92,356	80.5%	43,816	210.8%
6/30/02	447,098	375,902	71,196	84.1%	42,400	167.9%

The notes to the required supplementary information are an integral part of this schedule.

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 27,651	\$ 27,651	\$ 32,418	\$ 4,767
In lieu of sales tax	9,274	9,274	9,274	-
Utility user	31,375	31,375	34,313	2,938
Sales and use	36,726	36,726	37,725	999
Franchise fees	9,536	9,536	10,333	797
Business license	8,335	8,335	11,150	2,815
Hotel/motel room	2,172	2,172	2,171	(1)
Document transfer	1,600	1,600	2,010	410
Other	-	-	2	2
Licenses and permits	355	355	346	(9)
Other governmental	16,077	16,077	18,857	2,780
Charges for services	11,646	11,646	10,821	(825)
Fines and forfeitures	3,713	3,713	3,900	187
Use of money and property	461	469	537	68
Investment income:				
Interest income	600	600	586	(14)
Net increase in fair value of investments	-	-	65	65
Refunds and reimbursements	3,404	3,404	4,020	616
Miscellaneous	4,907	4,907	4,784	(123)
Total revenues	167,832	167,840	183,312	15,472
EXPENDITURES:				
General government:				
City council	587	603	602	1
City manager	2,191	2,467	2,456	11
City attorney	1,142	952	947	5
City clerk	938	897	892	5
City auditor	698	768	715	53
Administrative services	5,641	5,637	5,636	1
Human resources	1,958	1,746	1,719	27
Housing and redevelopment	69	69	68	1
Non-departmental	1,868	1,560	1,516	44
Total general government	15,092	14,699	14,551	148
Public safety:				
Police	84,036	88,013	87,912	101
Fire	43,951	44,016	44,015	1
Total public safety	127,987	132,029	131,927	102

The note to the required supplementary information is an integral part of this schedule.

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS GENERAL FUND (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public works	13,699	13,565	13,530	35
Parks and recreation	8,050	8,049	8,054	(5)
Total expenditures	164,828	168,342	168,062	280
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)	3,004	(502)	15,250	15,752
OTHER FINANCING SOURCES (USES):				
Transfers in	10,079	10,910	10,848	(62)
Transfers out	(12,266)	(18,992)	(18,992)	-
Sale of capital assets	-	-	2	2
Total other financing sources (uses)	(2,187)	(8,082)	(8,142)	(60)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ 817	\$ (8,584)	7,108	\$ 15,692
BASIS ADJUSTMENT:				
Encumbrances			896	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			8,004	
FUND BALANCE, BEGINNING OF YEAR			23,464	
FUND BALANCE, END OF YEAR			\$ 31,468	

The note to the required supplementary information is an integral part of this schedule.

CITY OF STOCKTON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

1. DEFINED BENEFIT PENSION PLANS

The schedules of defined benefit pension plans funded status display a historical summary of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Actuarial Accrued Liability ("UAAL"), the Funded Ratio, the estimated annual covered payroll and the UAAL as a percentage of covered payroll for each of the City's defined benefit pension plans.

2. BUDGET

Budgetary Process

- In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. Total appropriations shall not exceed the total of estimated revenues, estimated unencumbered balances of funds to be carried over from the preceding year and unencumbered available fund balances. The General Fund, certain special revenue funds (Solid Waste and Recycling, Gas Tax, Measure K Sales Tax, Measure W Public Safety Tax, City-County Library, Special Assessments, Emergency Communication, Emergency Medical Transportation, Recreation Services, Development Services, and Other Special Revenue) and certain capital projects funds (Public Facilities Impact Fees and Capital Improvement) have legally adopted annual budgets. Prior to July 1, the original adopted budget is legally enacted through the passage of a resolution by the City Council. In the event this does not occur, the City Manager's draft budget is in force until a budget is adopted by the City Council.
- Enterprise and internal service funds are accounted for on a cost of service (net income) or capital maintenance measurement focus. The City is not legally mandated to report the results of operations for these fund types on a budget comparison basis; therefore, budgetary data related to these funds has not been presented.
- If expenditures exceed appropriations, the City Manager is authorized to transfer budgeted amounts between line items within any fund. During the year, the City Council approves supplemental appropriations and, by resolution, has also authorized the City Manager to transfer fund balances to applicable appropriation accounts, or to transfer between funds, when necessary to continue purposes approved by the City Council in the current year, adopted budget, or subsequent action. Amounts reported as final budget in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – On a Budgetary Basis include amendments authorized throughout the year.

CITY OF STOCKTON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

2. BUDGET (Continued)

- Formal budgetary integration is employed as a management control device during the year for the General Fund and certain special revenue and capital projects funds. Formal budgetary integration is not employed for the debt service funds because effective budgetary control is alternatively achieved through bond indenture provisions.
- All unencumbered appropriations lapse at year-end, with the exception of some capital improvement projects and miscellaneous grants in the respective funds. Encumbered appropriations are re-appropriated in the following year's budget.

Budgetary Basis of Accounting

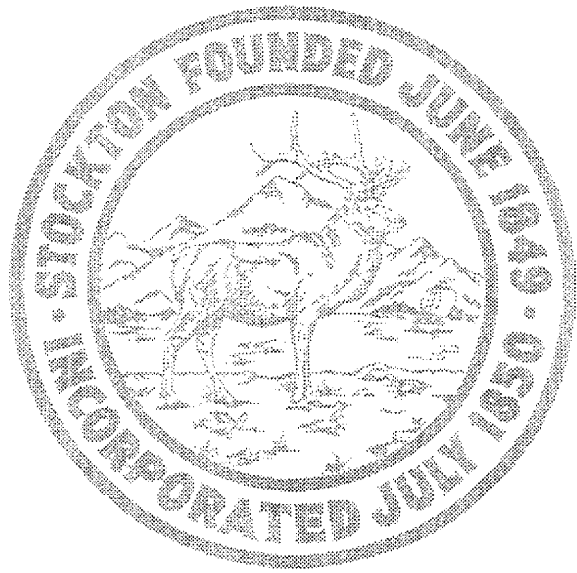
The City adopts budgets each fiscal year on a basis of accounting, which is different from accounting principles generally accepted in the United States of America (GAAP).

The statements of revenues, expenditures and changes in fund balances have been prepared on the modified accrual basis of accounting in accordance with GAAP. The schedules of revenues, expenditures and changes in fund balances – budget and actual – on a budgetary basis have been prepared on the budgetary basis, which is different from GAAP.

The variations from GAAP are that for budgetary purposes:

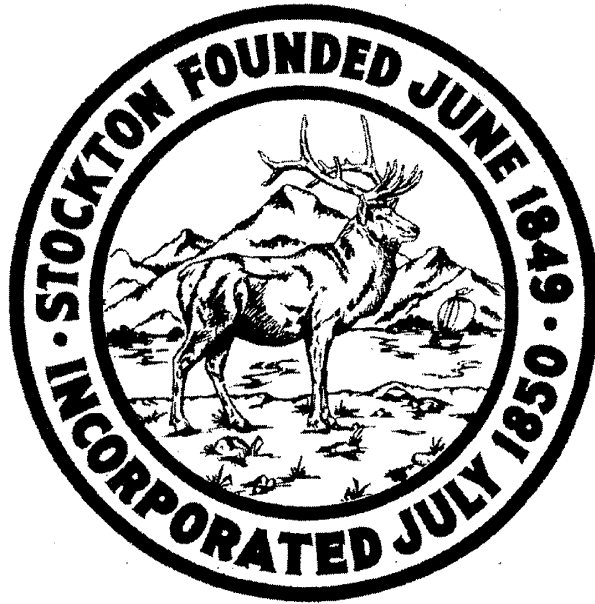
- Outstanding commitments relating to construction contracts and other purchases of goods and services are recorded as expenditures at the time contracts or purchase agreements are entered into. Under GAAP, these obligations are recognized when goods are received or services are rendered.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multi-year or project length basis. The amounts of the projects and programs budgeted on a multi-year basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds are excluded from budgetary reporting.





CITY OF STOCKTON



**NONMAJOR
GOVERNMENTAL FUNDS**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Grants

To account for miscellaneous, comparatively smaller grants, from federal and state governments, not otherwise established as a stand-alone special revenue fund.

Solid Waste and Recycling

To account for the administration of solid waste collection services, and planning and implementing solid waste reduction and recycling programs.

Gas Tax

To account for revenues and expenditures apportioned to the City under the Streets and Highway Code, Sections 2105, 2106, 2107 and 2107.5 of the State of California. Expenditures for administration, maintenance and construction must be street-related. This fund includes Intermodal Surface Transportation Efficiency Act and SB325 Non-Transit revenues and Traffic Congestion Relief.

Measure K Sales Tax

To account for revenues and expenditures apportioned to the City for sales tax collections under Measure K. Expenditures for administration, maintenance and construction must be for street-related projects.

Measure W Public Safety Tax

To account for revenues and expenditures apportioned to the City from district sales tax collections under Measure W. Expenditures are for administration, implementation, and operation of the Police and Fire Safe Neighborhood Gang and Drug Prevention Program.

Cooperative Library

To account for federal and state grants to encourage the development, improvement and expansion of the library system within the State of California. Parties to the agreement are neighboring cities, counties and other agencies.

City-County Library

To account for the public library system for the City of Stockton and San Joaquin County branch libraries. The libraries are funded in cooperation with San Joaquin County, which provides approximately 50% of the funding.

Special Assessments

To account for revenues and expenditures related to levies on property owners for special types of services - basic lighting, landscape and stormwater drainage maintenance services.

Redevelopment Agency Loan

To account for loans extended to eligible low- and moderate-income families.

SPECIAL REVENUE FUNDS (Continued)

Urban Development Action Grant

To account for federal grant and other resources, the purpose of which is to revitalize activities in the designated Urban Development Action Grant area.

Community Development Block Grant

To account for the annual federal grant that provides for development of a viable urban community by providing a suitable living environment and expansion of economic opportunities, principally for low- and moderate-income residents.

Community Development Loan

To account for the City's Community Rehabilitation Loan program that provides adequate housing and suitable living environments for low- and moderate-income residents.

CDBG Revolving Loan

To account for the City's federal revolving loan program that provides for development of a viable urban community by providing a suitable living environment and expansion of economic opportunities for low and moderate income residents.

Special Grant and Loan Programs

To account for the City's Economic Development grant and loan programs that provide economic development in the downtown Stockton area.

Home Program

To account for the City's Home Program that provides adequate and affordable housing for low- and very low-income residents.

Emergency Communication

To account for the financial consolidation of the City's Police and Fire department emergency communication dispatching service.

Emergency Medical Transportation

To account for the City's 911 emergency response ambulance transportation services.

Recreation Services

To account for all recreation programs and facilities which provide a variety of recreational opportunities for the community.

Development Services

To account for development planning and project review services including land use entitlements, permit processing and review/inspection of public improvements to ensure orderly physical growth and development of the City.

Other Special Revenue

To account for comparatively smaller special revenue funds including Asset Seizure and Boat Launching Facilities.

DEBT SERVICE FUNDS

Redevelopment Agency

To account for the accumulation of resources for, and the retirement of principal and interest on long-term debt for revenue bonds issued by the Redevelopment Agency.

Stockton Public Financing Authority

To account for the accumulation of resources and the retirement of principal and interest on long term debt for revenue bonds and certificates of participation issued by the Stockton Public Financing Authority.

PERMANENT FUND

To account for assets that require the principal to remain intact, but allow earnings to be spent on designated arts, recreation and library programs.

CITY OF STOCKTON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

(With comparative totals for June 30, 2005)

(Dollar amounts in thousands)

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Sales Tax
ASSETS				
Cash and investments	\$ 19	\$ 975	\$ -	\$ 2,765
Cash and investments with fiscal agents	-	-	-	28
Receivables:				
Interest	3	6	-	11
Accounts and other receivables	56	30	-	-
Due from other governments	1,478	-	1,940	7,720
Allowance for uncollectibles	-	-	-	(237)
Inventory of supplies	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	-	-	-	-
Advances to property owners	-	-	-	-
Total assets	\$ 1,556	\$ 1,011	\$ 1,940	\$ 10,287
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 45	\$ 22	\$ 301	\$ 2,352
Due to other funds	-	-	1,331	-
Due to other governments	-	-	-	-
Deposits and other liabilities	-	-	-	-
Deferred revenue	1,416	-	-	400
Advances from other funds	-	-	-	-
Total liabilities	1,461	22	1,632	2,752
FUND BALANCES (DEFICIT):				
Reserved for:				
Encumbrances	175	6	13,770	16,402
Advances	-	-	-	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Other items	-	-	-	-
Unreserved, reported in:				
Special revenue funds:				
Designated for termination pay	-	-	-	-
Undesignated	(80)	983	(13,462)	(8,867)
Debt service funds	-	-	-	-
Permanent fund	-	-	-	-
Total fund balances (deficit)	95	989	308	7,535
Total liabilities and fund balances (deficit)	\$ 1,556	\$ 1,011	\$ 1,940	\$ 10,287

Special Revenue						
Measure W Public Safety Tax	Cooperative Library	City- County Library	Special Assessments	Redevelopment Agency Loan	Urban Development Action Grant	Community Development Block Grant
\$ 818	\$ 9	\$ 3,788	\$ 4,766	\$ 757	\$ -	\$ -
-	-	-	-	-	-	-
12	-	-	26	-	-	(1)
-	-	10	-	-	-	44
1,863	-	-	-	-	-	761
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,686	10,469
-	-	-	-	13,325	-	-
<u>\$ 2,693</u>	<u>\$ 9</u>	<u>\$ 3,798</u>	<u>\$ 4,792</u>	<u>\$ 14,082</u>	<u>\$ 4,686</u>	<u>\$ 11,273</u>
\$ 16	\$ 2	\$ 158	\$ 155	\$ -	\$ -	\$ 89
-	-	-	72	-	-	238
-	-	-	-	-	-	-
-	-	-	-	-	-	2
-	10	-	-	-	-	-
-	-	-	-	-	-	-
<u>16</u>	<u>12</u>	<u>158</u>	<u>227</u>	<u>-</u>	<u>-</u>	<u>329</u>
12	-	489	253	-	-	477
-	-	-	-	13,325	4,686	10,469
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	184	-	-	-
-	-	132	-	-	-	-
2,665	(3)	3,019	4,128	757	-	(2)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,677</u>	<u>(3)</u>	<u>3,640</u>	<u>4,565</u>	<u>14,082</u>	<u>4,686</u>	<u>10,944</u>
<u>\$ 2,693</u>	<u>\$ 9</u>	<u>\$ 3,798</u>	<u>\$ 4,792</u>	<u>\$ 14,082</u>	<u>\$ 4,686</u>	<u>\$ 11,273</u>

(Continued)

CITY OF STOCKTON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2006

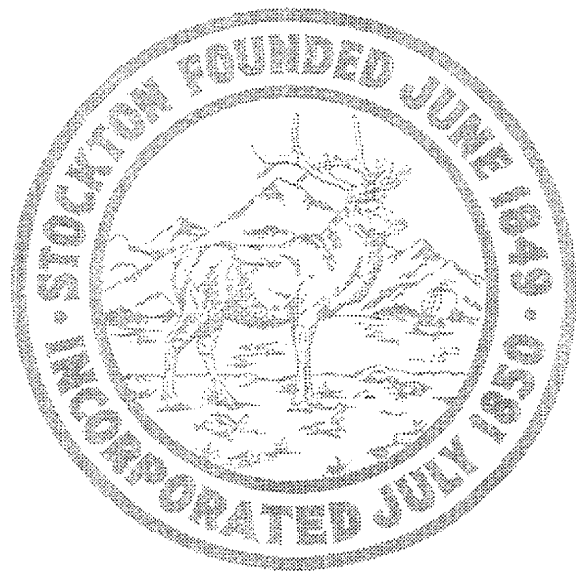
(With comparative totals for June 30, 2005)

(Dollar amounts in thousands)

	Special Revenue			
	Community Development Loan	CDBG Revolving Loan	Special Grant and Loan Programs	Home Program
ASSETS				
Cash and investments	\$ -	\$ 432	\$ 307	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Interest	-	2	-	(2)
Accounts and other receivables	9	-	-	-
Due from other governments	-	-	183	-
Allowance for uncollectibles	-	-	-	-
Inventory of supplies	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	564	-	-	-
Advances to property owners	19,719	277	-	18,329
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 20,292</u>	<u>\$ 711</u>	<u>\$ 490</u>	<u>\$ 18,327</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 14	\$ 19	\$ -	\$ 92
Due to other funds	157	-	-	316
Due to other governments	-	8	-	-
Deposits and other liabilities	-	-	-	-
Deferred revenue	-	-	-	1,035
Advances from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>171</u>	<u>27</u>	<u>-</u>	<u>1,443</u>
FUND BALANCES (deficit):				
Reserved for:				
Encumbrances	-	-	-	-
Advances	20,283	277	-	18,329
Debt service	-	-	-	-
Endowments	-	-	-	-
Other items	630	-	-	3,427
Unreserved, reported in:				
Special revenue funds:				
Designated for termination pay	-	-	-	-
Undesignated	(792)	407	490	(4,872)
Debt service funds	-	-	-	-
Permanent fund	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>20,121</u>	<u>684</u>	<u>490</u>	<u>16,884</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances (deficit)	<u>\$ 20,292</u>	<u>\$ 711</u>	<u>\$ 490</u>	<u>\$ 18,327</u>

Special Revenue					Debt Service	
Emergency Communication	Emergency Medical Transportation	Recreation Services	Development Services	Other Special Revenue	Redevelopment Agency	Stockton Public Financing Authority
\$ -	\$ -	\$ 24	\$ 437	\$ 1,720	\$ -	\$ -
-	-	-	-	-	4,112	1,000
(2)	(14)	-	-	10	-	-
889	658	290	121	218	-	-
-	-	-	-	69	-	-
-	-	-	-	-	-	-
-	-	342	-	-	-	-
-	-	-	197	-	-	-
-	-	-	-	1,726	-	-
<u>\$ 887</u>	<u>\$ 644</u>	<u>\$ 656</u>	<u>\$ 755</u>	<u>\$ 3,743</u>	<u>\$ 4,112</u>	<u>\$ 1,000</u>
\$ 12	\$ 78	\$ 156	\$ 137	\$ 110	\$ -	\$ -
398	2,162	-	-	-	-	-
-	-	1	-	-	-	-
-	-	274	383	-	-	-
-	-	553	6	136	-	-
-	4,384	-	-	29	-	-
<u>410</u>	<u>6,624</u>	<u>984</u>	<u>526</u>	<u>275</u>	<u>-</u>	<u>-</u>
45	141	77	587	45	-	2
-	-	-	197	1,726	-	-
-	-	-	-	-	3,884	1,001
-	-	-	-	-	-	-
-	-	-	-	278	400	38
-	-	-	-	-	-	-
432	(6,121)	(405)	(555)	1,419	-	-
-	-	-	-	-	(172)	(41)
-	-	-	-	-	-	-
<u>477</u>	<u>(5,980)</u>	<u>(328)</u>	<u>229</u>	<u>3,468</u>	<u>4,112</u>	<u>1,000</u>
<u>\$ 887</u>	<u>\$ 644</u>	<u>\$ 656</u>	<u>\$ 755</u>	<u>\$ 3,743</u>	<u>\$ 4,112</u>	<u>\$ 1,000</u>

(Continued)



CITY OF STOCKTON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2006

(With comparative totals for June 30, 2005)

(Dollar amounts in thousands)

	Permanent	Totals	
	Miscellaneous	2006	2005
ASSETS			
Cash and investments	\$ 1,666	\$ 18,483	\$ 16,210
Cash and investments with fiscal agents	-	5,140	8,298
Receivables:			
Interest	9	60	74
Accounts and other receivables	-	2,325	2,673
Due from other governments	-	14,014	9,750
Allowance for uncollectibles	-	(237)	-
Inventory of supplies	-	-	423
Deposits	-	342	-
Advances to other funds	-	15,916	15,946
Advances to property owners	-	53,376	48,219
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,675</u>	<u>\$ 109,419</u>	<u>\$ 101,593</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ -	\$ 3,758	\$ 2,149
Due to other funds	-	4,674	5,451
Due to other governments	-	9	5
Deposits and other liabilities	-	659	556
Deferred revenue	-	3,556	1,943
Advances from other funds	-	4,413	4,412
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>17,069</u>	<u>14,516</u>
FUND BALANCES (deficit):			
Reserved for:			
Encumbrances	-	32,481	65,949
Advances	-	69,292	64,165
Debt service	-	4,885	8,330
Endowments	1,423	1,423	1,423
Other items	-	4,957	4,422
Unreserved, reported in:			
Special revenue funds:			
Designated for termination pay	-	132	132
Undesignated	-	(20,859)	(57,567)
Debt service funds	-	(213)	(42)
Permanent fund	252	252	265
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>1,675</u>	<u>92,350</u>	<u>87,077</u>
	<u>\$ 1,675</u>	<u>\$ 109,419</u>	<u>\$ 101,593</u>

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Sales Tax
REVENUES:				
Taxes:				
Sales and use	\$ -	\$ -	\$ -	\$ 4,338
Business licenses	-	-	-	-
Other	-	-	215	-
Licenses and permits	-	-	-	-
Federal grants and subsidies	2,145	-	9,067	-
Other governmental	1,571	-	5,497	17,461
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	1	-	9
Investment income:				
Interest income	8	21	(18)	13
Net increase (decrease) in fair value of investments	1	2	4	8
Refunds and reimbursements	-	86	-	180
Miscellaneous	-	1,173	-	-
Total revenues	<u>3,725</u>	<u>1,283</u>	<u>14,765</u>	<u>22,009</u>
EXPENDITURES:				
Current:				
General government	57	-	-	12
Public safety	2,402	-	-	-
Public works	25	815	782	1,835
Library	268	-	-	-
Parks and recreation	849	-	-	-
Capital outlay	161	-	9,090	20,214
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>3,762</u>	<u>815</u>	<u>9,872</u>	<u>22,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37)</u>	<u>468</u>	<u>4,893</u>	<u>(52)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	21	-	-	-
Transfers out	(303)	-	(5,062)	-
Proceeds of long-term debt	-	-	-	-
Total other financing sources (uses)	<u>(282)</u>	<u>-</u>	<u>(5,062)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(319)	468	(169)	(52)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>414</u>	<u>521</u>	<u>477</u>	<u>7,587</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 95</u>	<u>\$ 989</u>	<u>\$ 308</u>	<u>\$ 7,535</u>

Special Revenue						
Measure W Public Safety Tax	Cooperative Library	City- County Library	Special Assessments	Redevelopment Agency Loan	Urban Development Action Grant	Community Development Block Grant
\$ 9,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	72	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	7,450
-	127	5,744	-	-	-	-
-	115	235	2,116	-	-	-
-	-	-	-	-	-	-
-	-	2	-	-	-	-
44	-	-	87	-	-	(14)
3	-	-	11	-	-	(2)
52	-	52	-	-	-	-
-	-	-	-	-	-	-
<u>10,040</u>	<u>242</u>	<u>6,033</u>	<u>2,286</u>	<u>-</u>	<u>-</u>	<u>7,434</u>
-	-	-	78	-	-	-
5,990	-	-	-	-	-	-
-	-	-	173	-	-	3,621
-	243	11,386	-	-	-	-
-	-	-	1,335	-	-	-
-	-	7	-	-	-	1,095
-	-	-	-	-	-	430
-	-	-	-	-	-	658
<u>5,990</u>	<u>243</u>	<u>11,393</u>	<u>1,586</u>	<u>-</u>	<u>-</u>	<u>5,804</u>
<u>4,050</u>	<u>(1)</u>	<u>(5,360)</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>1,630</u>
-	-	6,486	-	1,211	-	159
(490)	-	-	-	-	-	(1,645)
-	-	-	-	-	-	-
<u>(490)</u>	<u>-</u>	<u>6,486</u>	<u>-</u>	<u>1,211</u>	<u>-</u>	<u>(1,486)</u>
3,560	(1)	1,126	700	1,211	-	144
<u>(883)</u>	<u>(2)</u>	<u>2,514</u>	<u>3,865</u>	<u>12,871</u>	<u>4,686</u>	<u>10,800</u>
<u>\$ 2,677</u>	<u>\$ (3)</u>	<u>\$ 3,640</u>	<u>\$ 4,565</u>	<u>\$ 14,082</u>	<u>\$ 4,686</u>	<u>\$ 10,944</u>

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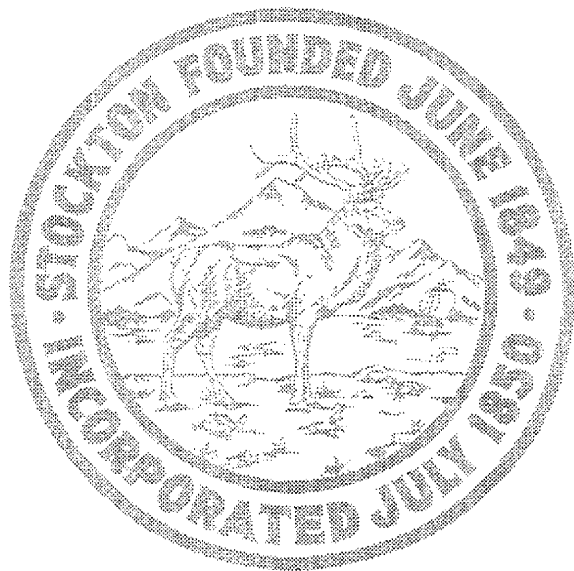
CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	Special Revenue			
	Community Development Loan	CDBG Revolving Loan	Special Grant and Loan Programs	Home Program
REVENUES:				
Taxes:				
Sales and use	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Federal grants and subsidies	-	-	393	1,793
Other governmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	160	-	-	119
Investment income:				
Interest income	4	-	7	(8)
Net increase (decrease) in fair value of investments	1	1	-	-
Refunds and reimbursements	-	-	-	-
Miscellaneous	-	-	20	-
Total revenues	<u>165</u>	<u>1</u>	<u>420</u>	<u>1,904</u>
EXPENDITURES:				
Current:				
General government	507	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	223
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>507</u>	<u>-</u>	<u>-</u>	<u>223</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(342)</u>	<u>1</u>	<u>420</u>	<u>1,681</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,451	-	-	-
Transfers out	(159)	(21)	(394)	-
Proceeds of long-term debt	-	-	200	-
Total other financing sources (uses)	<u>1,292</u>	<u>(21)</u>	<u>(194)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	950	(20)	226	1,681
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>19,171</u>	<u>704</u>	<u>264</u>	<u>15,203</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 20,121</u>	<u>\$ 684</u>	<u>\$ 490</u>	<u>\$ 16,884</u>

Special Revenue					Debt Service	
Emergency Communication	Emergency Medical Transportation	Recreation Services	Development Services	Other Special Revenue	Redevelopment Agency	Stockton Public Financing Authority
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	8,614	-	-	-
-	-	-	-	133	-	-
-	-	1	-	387	-	-
5,958	2,799	2,139	13,909	172	-	-
32	-	-	1	-	-	-
1	-	5,334	-	8	-	-
(7)	(51)	-	-	39	191	118
(1)	-	-	-	4	(85)	(37)
29	57	8	12	4	-	-
-	-	42	2	1,013	-	-
<u>6,012</u>	<u>2,805</u>	<u>7,524</u>	<u>22,538</u>	<u>1,760</u>	<u>106</u>	<u>81</u>
-	-	-	4,200	25	6	6
5,549	4,805	-	6,396	324	-	-
-	-	-	3,296	-	-	-
-	-	-	-	344	-	-
-	-	14,544	-	461	-	-
-	47	-	17	-	-	-
-	-	-	-	-	-	235
-	-	-	-	-	2,154	1,473
<u>5,549</u>	<u>4,852</u>	<u>14,544</u>	<u>13,909</u>	<u>1,154</u>	<u>2,160</u>	<u>1,714</u>
<u>463</u>	<u>(2,047)</u>	<u>(7,020)</u>	<u>8,629</u>	<u>606</u>	<u>(2,054)</u>	<u>(1,633)</u>
-	-	6,630	-	-	8	1,643
-	-	-	(8,544)	-	(56)	(1,084)
-	-	-	-	240	-	-
-	-	6,630	(8,544)	240	(48)	559
463	(2,047)	(390)	85	846	(2,102)	(1,074)
14	(3,933)	62	144	2,622	6,214	2,074
<u>\$ 477</u>	<u>\$ (5,980)</u>	<u>\$ (328)</u>	<u>\$ 229</u>	<u>\$ 3,468</u>	<u>\$ 4,112</u>	<u>\$ 1,000</u>

(Continued)



CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	Permanent	Totals	
	Miscellaneous	2006	2005
REVENUES:			
Taxes:			
Sales and use	\$ -	\$ 14,279	\$ 5,062
Business licenses	-	72	87
Other	-	215	183
Licenses and permits	-	8,614	10,775
Federal grants and subsidies	-	20,981	9,303
Other governmental	-	30,788	20,399
Charges for services	-	27,443	25,217
Fines and forfeitures	-	33	36
Use of money and property	-	5,634	1,234
Investment income:			
Interest income	40	474	644
Net increase (decrease) in fair value of investments	(14)	(104)	118
Refunds and reimbursements	-	480	269
Miscellaneous	-	2,250	2,170
Total revenues	26	111,159	75,497
EXPENDITURES:			
Current:			
General government	39	4,930	4,443
Public safety	-	25,466	20,451
Public works	-	10,770	9,057
Library	-	12,241	12,123
Parks and recreation	-	17,189	10,132
Capital outlay	-	30,631	15,388
Debt service:			
Principal retirement	-	665	620
Interest and fiscal charges	-	4,285	4,164
Total expenditures	39	106,177	76,378
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13)	4,982	(881)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	17,609	18,524
Transfers out	-	(17,758)	(21,929)
Proceeds of long-term debt	-	440	592
Total other financing sources (uses)	-	291	(2,813)
NET CHANGE IN FUND BALANCES	(13)	5,273	(3,694)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	1,688	87,077	90,771
FUND BALANCES (DEFICIT), END OF YEAR	\$ 1,675	\$ 92,350	\$ 87,077

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS PUBLIC FACILITIES IMPACT FEES MAJOR CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Other governmental	\$ 26	\$ -	\$ (26)
Charges for services	33,066	28,179	(4,887)
Use of money and property	-	48	48
Investment income:			
Interest income	1,124	1,313	189
Net increase in fair value of investments	-	140	140
Refunds and reimbursements	-	3	3
Total revenues	34,216	29,683	(4,533)
EXPENDITURES:			
General government	3,229	3,076	153
Public safety	9,827	1,775	8,052
Public works	44,524	29,566	14,958
Library	2,724	1,353	1,371
Park and recreation	15,071	7,837	7,234
Total expenditures	75,375	43,607	31,768
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(41,159)	(13,924)	27,235
OTHER FINANCING USES:			
Transfers out	(147)	(147)	-
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (41,306)	(14,071)	\$ 27,235
BASIS ADJUSTMENT:			
Encumbrances		22,107	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		8,036	
FUND BALANCE, BEGINNING OF YEAR		47,210	
FUND BALANCE, END OF YEAR		\$ 55,246	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS CAPITAL IMPROVEMENT MAJOR CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Other	\$ 15	\$ 1	\$ (14)
Federal grants and subsidies	1,530	519	(1,011)
Other governmental	15,432	2,757	(12,675)
Use of money and property	-	12	12
Investment income:			
Interest income	558	(30)	(588)
Net increase in fair value of investments	-	2	2
Refunds and reimbursements	-	1	1
Miscellaneous	1,701	1,654	(47)
Total revenues	19,236	4,916	(14,320)
EXPENDITURES:			
General government	27,790	27,858	(68)
Public safety	1,393	969	424
Public works	1,453	3,326	(1,873)
Park and recreation	16,134	2,864	13,270
Total expenditures	46,770	35,017	11,753
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(27,534)	(30,101)	(2,567)
OTHER FINANCING SOURCES (USES):			
Transfers in	14,793	15,570	777
Transfers out	(42)	(40)	2
Issuance of long-term debt	-	13,965	13,965
Payment to refunded bond escrow agent	-	(14,604)	(14,604)
Discounts	-	(86)	(86)
Total other financing sources (uses)	14,751	14,805	54
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (12,783)	(15,296)	\$ (2,513)
BASIS ADJUSTMENT:			
Encumbrances		3,655	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(11,641)	
FUND BALANCE, BEGINNING OF YEAR		34,741	
FUND BALANCE, END OF YEAR		\$ 23,100	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS SOLID WASTE & RECYCLING NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Use of money and property	\$ 1	\$ 1	\$ -
Investment income:			
Interest income	18	21	3
Net increase in fair value of investments	-	2	2
Refunds and reimbursements	-	86	86
Miscellaneous	1,055	1,173	118
Total revenues	1,074	1,283	209
EXPENDITURES:			
Public works	1,112	821	291
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (38)</u>	462	<u>\$ 500</u>
BASIS ADJUSTMENT:			
Encumbrances		6	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		468	
FUND BALANCE, BEGINNING OF YEAR		521	
FUND BALANCE, END OF YEAR		<u>\$ 989</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS GAS TAX NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Other	\$ 184	\$ 215	\$ 31
Federal grants and subsidies	23,739	9,067	(14,672)
Other governmental	6,304	5,497	(807)
Investment income:			
Interest income	18	(18)	(36)
Net increase in fair value of investments	-	4	4
Total revenues	30,245	14,765	(15,480)
EXPENDITURES:			
Public works	24,130	23,642	488
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)	6,115	(8,877)	(14,992)
OTHER FINANCING USES:			
Transfers out	(5,068)	(5,062)	6
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ 1,047</u>	<u>(13,939)</u>	<u>\$ (14,986)</u>
BASIS ADJUSTMENT:			
Encumbrances		13,770	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(169)	
FUND BALANCE, BEGINNING OF YEAR		477	
FUND DEFICIT, END OF YEAR		<u>\$ 308</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS MEASURE K SALES TAX NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Sales and use	\$ 3,122	\$ 4,338	\$ 1,216
Other governmental	42,460	17,461	(24,999)
Use of money and property	-	9	9
Investment income:			
Interest income	147	13	(134)
Net increase in fair value of investments	-	8	8
Refunds and reimbursements	-	180	180
Total revenues	<u>45,729</u>	<u>22,009</u>	<u>(23,720)</u>
EXPENDITURES:			
Public works	53,135	38,383	14,752
Park and recreation	80	80	-
Total expenditures	<u>53,215</u>	<u>38,463</u>	<u>14,752</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (7,486)</u>	(16,454)	<u>\$ (8,968)</u>
BASIS ADJUSTMENT:			
Encumbrances		<u>16,402</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(52)	
FUND BALANCE, BEGINNING OF YEAR		<u>7,587</u>	
FUND BALANCE, END OF YEAR		<u>\$ 7,535</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS MEASURE W PUBLIC SAFETY TAX NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Sales and use	\$ 9,200	\$ 9,941	\$ 741
Investment income:			
Interest income	-	44	44
Net decrease in fair value of investments	-	3	3
Refunds and reimbursements	-	52	52
Total revenues	9,200	10,040	840
EXPENDITURES:			
Public safety	6,643	6,002	641
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	2,557	4,038	1,481
OTHER FINANCING USES:			
Transfers out	(1,155)	(490)	665
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ 1,402</u>	3,548	<u>\$ 2,146</u>
BASIS ADJUSTMENT:			
Encumbrances		12	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		3,560	
FUND BALANCE, BEGINNING OF YEAR		(883)	
FUND DEFICIT, END OF YEAR		<u>\$ 2,677</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS CITY-COUNTY LIBRARY NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Other governmental	\$ 5,488	\$ 5,744	\$ 256
Charges for services	271	235	(36)
Use of money and property	6	2	(4)
Refunds and reimbursements	77	52	(25)
Total revenues	5,842	6,033	191
EXPENDITURES:			
Library	13,835	11,882	1,953
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(7,993)	(5,849)	2,144
OTHER FINANCING SOURCES:			
Transfers in	6,486	6,486	-
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (1,507)	637	\$ 2,144
BASIS ADJUSTMENT:			
Encumbrances		489	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		1,126	
FUND BALANCE, BEGINNING OF YEAR		2,514	
FUND BALANCE, END OF YEAR		\$ 3,640	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS SPECIAL ASSESSMENTS NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Special assessments	\$ 81	\$ 72	\$ (9)
Charges for services	2,060	2,116	56
Investment income:			
Interest income	-	87	87
Net increase in fair value of investments	-	11	11
Total revenues	2,141	2,286	145
EXPENDITURES:			
General government	81	78	3
Public works	394	175	219
Parks and recreation	3,352	1,586	1,766
Total expenditures	3,827	1,839	1,988
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (1,686)	447	\$ 2,133
BASIS ADJUSTMENT:			
Encumbrances		253	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		700	
FUND BALANCE, BEGINNING OF YEAR		3,865	
FUND BALANCE, END OF YEAR		\$ 4,565	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - ON A BUDGETARY BASIS EMERGENCY COMMUNICATION NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Charges for services	\$ 6,294	\$ 5,958	\$ (336)
Fines and forfeitures	-	32	32
Use of money and property	-	1	1
Investment income:			
Interest income	-	(7)	(7)
Net decrease in fair value of investments	-	(1)	(1)
Refunds and reimbursements	-	29	29
Total revenues	6,294	6,012	(282)
EXPENDITURES:			
Public safety	5,437	5,594	(157)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ 857	418	\$ (439)
BASIS ADJUSTMENT:			
Encumbrances		45	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		463	
FUND BALANCE, BEGINNING OF YEAR		14	
FUND DEFICIT, END OF YEAR		\$ 477	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - ON A BUDGETARY BASIS EMERGENCY MEDICAL TRANSPORTATION NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Charges for services	\$ 5,352	\$ 2,799	\$ (2,553)
Investment income:			
Interest income	-	(51)	(51)
Refunds and reimbursements	-	57	57
	<u>5,352</u>	<u>2,805</u>	<u>(2,547)</u>
Total revenues	5,352	2,805	(2,547)
EXPENDITURES:			
Public safety	<u>5,594</u>	<u>4,993</u>	<u>601</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (242)</u>	<u>(2,188)</u>	<u>\$ (1,946)</u>
BASIS ADJUSTMENT:			
Encumbrances		<u>141</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(2,047)	
FUND DEFICIT, BEGINNING OF YEAR		<u>(3,933)</u>	
FUND DEFICIT, END OF YEAR		<u>\$ (5,980)</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS RECREATIONAL SERVICES NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Other governmental	\$ -	\$ 1	\$ 1
Charges for services	7,123	2,139	(4,984)
Use of money and property	803	5,334	4,531
Refunds and reimbursements	28	8	(20)
Miscellaneous	48	42	(6)
Total revenues	8,002	7,524	(478)
EXPENDITURES:			
Parks and recreation	13,313	14,621	(1,308)
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(5,311)	(7,097)	(1,786)
OTHER FINANCING SOURCES:			
Transfers in	6,630	6,630	-
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ 1,319	(467)	\$ (1,786)
BASIS ADJUSTMENT:			
Encumbrances		77	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(390)	
FUND BALANCE, BEGINNING OF YEAR		62	
FUND BALANCE, END OF YEAR		\$ (328)	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS DEVELOPMENT SERVICES NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
License and permits	\$ 13,122	\$ 8,614	\$ (4,508)
Charges for services	13,798	13,909	111
Fines and forfeitures	-	1	1
Refunds and reimbursements	-	12	12
Miscellaneous	3	2	(1)
Total revenues	26,923	22,538	(4,385)
EXPENDITURES:			
General government	5,563	4,357	1,206
Public safety	7,349	6,535	814
Public works	3,638	3,604	34
Total expenditures	16,550	14,496	2,054
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	10,373	8,042	(2,331)
OTHER FINANCING SOURCES (USES):			
Transfers out	(8,544)	(8,544)	-
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ 1,829	(502)	\$ (2,331)
BASIS ADJUSTMENT:			
Encumbrances		587	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		85	
FUND BALANCE, BEGINNING OF YEAR		144	
FUND BALANCE, END OF YEAR		\$ 229	

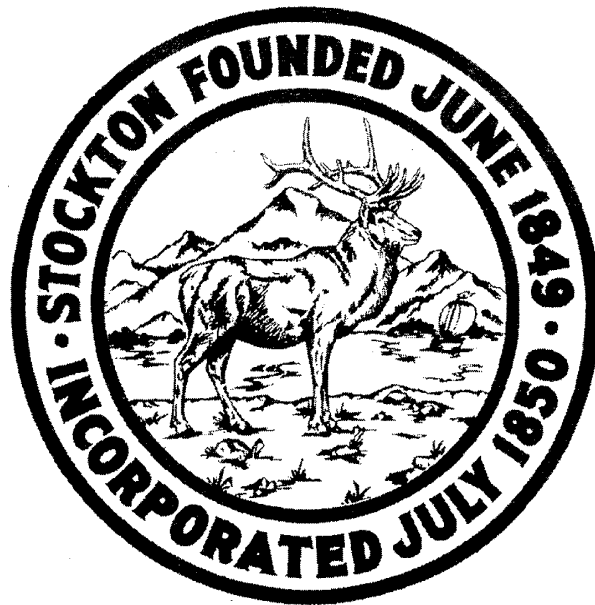
CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS OTHER SPECIAL REVENUE NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Federal grants and subsidies	\$ -	\$ 133	\$ 133
Other governmental	25	387	362
Charges for services	165	172	7
Use of money and property	-	8	8
Investment income:			
Interest income	10	39	29
Net increase in fair value of investments	-	4	4
Refunds and reimbursements	4	4	-
Miscellaneous	764	1,013	249
Total revenues	968	1,760	792
EXPENDITURES:			
General government	117	25	92
Public safety	588	330	258
Library	621	357	264
Parks and recreation	388	487	(99)
Total expenditures	1,714	1,199	515
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)	(746)	561	1,307
OTHER FINANCING SOURCES:			
Proceeds of long-term debt	-	240	240
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (746)	801	\$ 1,547
BASIS ADJUSTMENT:			
Encumbrances		45	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		846	
FUND BALANCE, BEGINNING OF YEAR		2,622	
FUND BALANCE, END OF YEAR		\$ 3,468	



CITY OF STOCKTON



Nonmajor Enterprise Funds

**NONMAJOR ENTERPRISE
FUNDS**

NONMAJOR ENTERPRISE FUNDS

Solid Waste

To account for residual activities as a result of final transition and outsourcing of garden refuse collection service.

Golf Courses

To account for activities associated with the improvement and operation and maintenance of Swenson, Van Buskirk and Lyons golf courses.

CITY OF STOCKTON

COMBINING STATEMENT OF NET ASSETS

- NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2006

(With comparative totals as of June 30, 2005)

(Dollar amounts in thousands)

	Solid Waste	Golf Courses	Totals	
			2006	2005
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 53	\$ 53	\$ 254
Receivables:				
Interest	(1)	-	(1)	(1)
Accounts and other receivables	155	37	192	224
Allowance for uncollectibles	(112)	-	(112)	(120)
Inventory of supplies	-	109	109	36
Total current assets	<u>42</u>	<u>199</u>	<u>241</u>	<u>393</u>
Noncurrent assets:				
Capital assets, net:				
Nondepreciable	-	360	360	360
Depreciable, net	-	1,435	1,435	1,573
Total noncurrent assets	<u>-</u>	<u>1,795</u>	<u>1,795</u>	<u>1,933</u>
Total assets	<u>42</u>	<u>1,994</u>	<u>2,036</u>	<u>2,326</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	40	40	39
Due to other funds	124	-	124	126
Compensated absences - current	-	-	-	14
Total current liabilities	<u>124</u>	<u>40</u>	<u>164</u>	<u>179</u>
Noncurrent liabilities:				
Advances from other funds	-	914	914	914
Compensated absences - long-term	-	1	1	97
Total noncurrent liabilities	<u>-</u>	<u>915</u>	<u>915</u>	<u>1,011</u>
Total liabilities	<u>124</u>	<u>955</u>	<u>1,079</u>	<u>1,190</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	-	1,795	1,795	1,933
Unrestricted (deficit)	(82)	(756)	(838)	(797)
Total net assets (deficit)	<u>\$ (82)</u>	<u>\$ 1,039</u>	<u>\$ 957</u>	<u>\$ 1,136</u>

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	Solid Waste	Golf Courses	Totals	
			2006	2005
OPERATING REVENUES:				
Charges for services	\$ -	\$ 1,498	\$ 1,498	\$ 1,689
Miscellaneous	-	786	786	744
Total operating revenues	-	2,284	2,284	2,433
OPERATING EXPENSES:				
Operation and maintenance	41	2,281	2,322	2,308
Depreciation and amortization	-	138	138	140
Total operating expenses	41	2,419	2,460	2,448
OPERATING LOSS	(41)	(135)	(176)	(15)
NON-OPERATING REVENUES:				
Investment income:				
Interest income	(3)	-	(3)	(8)
CHANGE IN NET ASSETS	(44)	(135)	(179)	(23)
NET ASSETS, BEGINNING OF YEAR	(38)	1,174	1,136	1,159
NET ASSETS (DEFICIT), END OF YEAR	\$ (82)	\$ 1,039	\$ 957	\$ 1,136

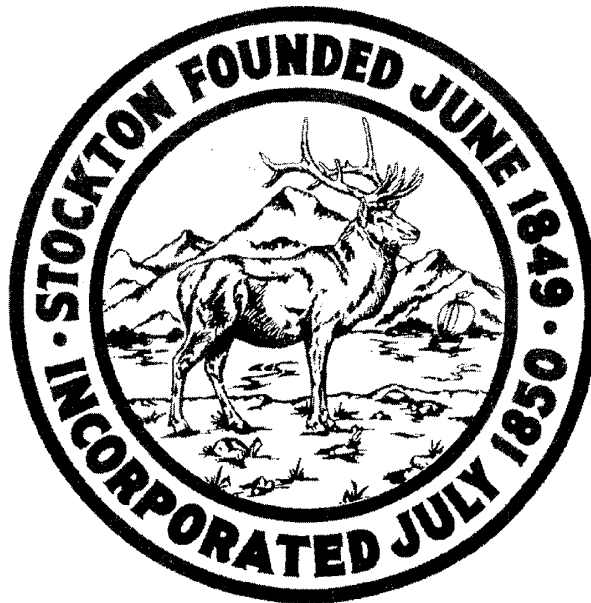
CITY OF STOCKTON

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	Solid Waste	Golf Courses	Totals	
			2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 46	\$ 2,262	\$ 2,308	\$ 2,473
Payments to suppliers	(41)	(1,532)	(1,573)	(604)
Payments to employees	-	(848)	(848)	(1,483)
Payments for interfund services used	-	(83)	(83)	(181)
Net cash provided by (used for) operating activities	<u>5</u>	<u>(201)</u>	<u>(196)</u>	<u>205</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Due to other funds	(2)	-	(2)	(37)
Advances to other funds	-	-	-	(250)
Net cash used for noncapital financing activities	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>(287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	<u>(3)</u>	<u>-</u>	<u>(3)</u>	<u>(7)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(201)	(201)	(89)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	254	254	343
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ 53</u>	<u>\$ 254</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	\$ (41)	\$ (135)	\$ (176)	\$ (15)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation and amortization	-	138	138	140
Provision for uncollectible accounts	(10)	2	(8)	48
Changes in assets and liabilities:				
Accounts and other receivables	56	(24)	32	40
Inventory of supplies	-	(73)	(73)	-
Accounts payable	-	1	1	(12)
Compensated absences	-	(110)	(110)	4
Net cash provided by (used for) operating activities	<u>\$ 5</u>	<u>\$ (201)</u>	<u>\$ (196)</u>	<u>\$ 205</u>
NONCASH TRANSACTIONS:				
Net decrease in fair value of investments	\$ -	\$ -	\$ -	\$ (7)



CITY OF STOCKTON



Internal Service Funds

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Central Garage

The fund established to account for the financing, operating and maintenance of vehicles and similar equipment provided to City departments on a cost reimbursement basis.

Computer Equipment

Provide the fund established to account for the financing, service and maintenance of all computer and related equipment to City departments on a cost reimbursement basis.

Radio Equipment

To account for the financing, service and maintenance of radio equipment provided to various City departments on a cost reimbursement basis.

Other Equipment

The fund established to account for financing, operating and maintenance of other, comparatively smaller equipment funds on a cost reimbursement basis. Included are telephone, other office, and printing and mailing equipment.

General Liability Insurance

To account for premiums and claims paid and administration of the fund established to provide general liability insurance coverage to City departments on a cost reimbursement basis.

Workers' Compensation Insurance

The fund established to account for workers' compensation premiums and claims paid and administration of the fund on behalf of all City departments on a cost reimbursement basis.

Health Benefits Insurance

The fund established to account for health benefits insurance premiums and claims paid and administration of the fund on behalf of all City departments on a cost reimbursement basis.

Other Insurance

To report, on a cost reimbursement basis, the premiums and claims paid and administration of comparatively smaller insurance funds for long-term disability and life insurance, payments to CalPERS, and termination pay.

CITY OF STOCKTON

COMBINING STATEMENT OF NET ASSETS

- INTERNAL SERVICE FUNDS

JUNE 30, 2006

(With comparative totals as of June 30, 2005)

(Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment
ASSETS			
Current assets:			
Cash and investments	\$ 1,501	\$ 1,461	\$ 938
Receivables:			
Accounts and other receivables	161	8	-
Allowance for uncollectibles	(127)	-	-
Total current assets	<u>1,535</u>	<u>1,469</u>	<u>938</u>
Noncurrent assets:			
Deferred charges	-	-	-
Capital assets, net:			
Depreciable, net	<u>8,705</u>	<u>1,293</u>	<u>1,017</u>
Total noncurrent assets	<u>8,705</u>	<u>1,293</u>	<u>1,017</u>
 Total assets	 <u>10,240</u>	 <u>2,762</u>	 <u>1,955</u>
LIABILITIES			
Current liabilities:			
Accounts payable	326	112	5
Deposits and other liabilities	-	-	-
Compensated absences - current	21	14	-
Self-insurance claims and judgments - current	-	-	-
Total current liabilities	<u>347</u>	<u>126</u>	<u>5</u>
Noncurrent liabilities:			
Compensated absences - long-term	274	190	-
Self-insurance claims and judgments - long-term	-	-	-
Total noncurrent liabilities	<u>274</u>	<u>190</u>	<u>-</u>
 Total liabilities	 <u>621</u>	 <u>316</u>	 <u>5</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	8,705	1,293	1,017
Unrestricted (deficit)	<u>914</u>	<u>1,153</u>	<u>933</u>
 Total net assets (deficit)	 <u>\$ 9,619</u>	 <u>\$ 2,446</u>	 <u>\$ 1,950</u>

Other Equipment	General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Other Insurance	Totals	
					2006	2005
\$ 3,454	\$ 2,897	\$ 18,291	\$ 1,798	\$ 7,220	\$ 37,560	\$ 32,205
-	72	102	13	17	373	257
-	-	-	-	-	(127)	(127)
<u>3,454</u>	<u>2,969</u>	<u>18,393</u>	<u>1,811</u>	<u>7,237</u>	<u>37,806</u>	<u>32,335</u>
-	-	-	60	-	60	61
152	-	-	-	-	11,167	10,274
<u>152</u>	<u>-</u>	<u>-</u>	<u>60</u>	<u>-</u>	<u>11,227</u>	<u>10,335</u>
<u>3,606</u>	<u>2,969</u>	<u>18,393</u>	<u>1,871</u>	<u>7,237</u>	<u>49,033</u>	<u>42,670</u>
100	19	5	144	-	711	1,691
-	55	51	4	-	110	57
2	1	1	-	-	39	71
-	3,201	6,921	2,830	-	12,952	11,502
<u>102</u>	<u>3,276</u>	<u>6,978</u>	<u>2,978</u>	<u>-</u>	<u>13,812</u>	<u>13,321</u>
34	5	16	2	-	521	552
-	2,768	28,156	-	-	30,924	39,400
<u>34</u>	<u>2,773</u>	<u>28,172</u>	<u>2</u>	<u>-</u>	<u>31,445</u>	<u>39,952</u>
<u>136</u>	<u>6,049</u>	<u>35,150</u>	<u>2,980</u>	<u>-</u>	<u>45,257</u>	<u>53,273</u>
152	-	-	-	-	11,167	10,274
<u>3,318</u>	<u>(3,080)</u>	<u>(16,757)</u>	<u>(1,109)</u>	<u>7,237</u>	<u>(7,391)</u>	<u>(20,877)</u>
<u>\$ 3,470</u>	<u>\$ (3,080)</u>	<u>\$ (16,757)</u>	<u>\$ (1,109)</u>	<u>\$ 7,237</u>	<u>\$ 3,776</u>	<u>\$ (10,603)</u>

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2006 (With comparative totals for the year ended June 30, 2005) (Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment
OPERATING REVENUES:			
Charges for services	\$ 7,042	\$ 4,966	\$ 935
Total operating revenues	<u>7,042</u>	<u>4,966</u>	<u>935</u>
OPERATING EXPENSES:			
Operation and maintenance	4,498	6,491	761
General and administrative	1,776	-	-
Depreciation and amortization	1,814	520	178
Total operating expenses	<u>8,088</u>	<u>7,011</u>	<u>939</u>
OPERATING INCOME (LOSS)	<u>(1,046)</u>	<u>(2,045)</u>	<u>(4)</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment income:			
Interest income	1	-	-
Net increase in fair value of investments	-	-	-
Gain (loss) from disposal of property	(47)	(19)	1
Other non-operating revenues	1	1	-
Total non-operating revenues (expenses)	<u>(45)</u>	<u>(18)</u>	<u>1</u>
INCOME (LOSS) BEFORE TRANSFERS	(1,091)	(2,063)	(3)
Transfers in	383	953	196
Transfers out	-	-	-
CHANGE IN NET ASSETS	(708)	(1,110)	193
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>10,327</u>	<u>3,556</u>	<u>1,757</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 9,619</u>	<u>\$ 2,446</u>	<u>\$ 1,950</u>

Other Equipment	General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Other Insurance	Totals	
					2006	2005
\$ 1,534	\$ 4,300	\$ 16,653	\$ 25,428	\$ 40,599	\$ 101,457	\$ 88,727
<u>1,534</u>	<u>4,300</u>	<u>16,653</u>	<u>25,428</u>	<u>40,599</u>	<u>101,457</u>	<u>88,727</u>
1,553	5,240	818	25,648	38,508	83,517	86,123
-	1,099	1,765	640	-	5,280	4,513
<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,572</u>	<u>2,853</u>
<u>1,613</u>	<u>6,339</u>	<u>2,583</u>	<u>26,288</u>	<u>38,508</u>	<u>91,369</u>	<u>93,489</u>
<u>(79)</u>	<u>(2,039)</u>	<u>14,070</u>	<u>(860)</u>	<u>2,091</u>	<u>10,088</u>	<u>(4,762)</u>
-	64	397	34	73	569	501
-	7	38	4	8	57	34
(22)	-	-	-	-	(87)	(43)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,218</u>	<u>-</u>	<u>2,220</u>	<u>1,031</u>
<u>(22)</u>	<u>71</u>	<u>435</u>	<u>2,256</u>	<u>81</u>	<u>2,759</u>	<u>1,523</u>
(101)	(1,968)	14,505	1,396	2,172	12,847	(3,239)
-	-	-	-	-	1,532	1,495
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23)</u>
(101)	(1,968)	14,505	1,396	2,172	14,379	(1,767)
<u>3,571</u>	<u>(1,112)</u>	<u>(31,262)</u>	<u>(2,505)</u>	<u>5,065</u>	<u>(10,603)</u>	<u>(8,836)</u>
<u>\$ 3,470</u>	<u>\$ (3,080)</u>	<u>\$ (16,757)</u>	<u>\$ (1,109)</u>	<u>\$ 7,237</u>	<u>\$ 3,776</u>	<u>\$ (10,603)</u>

CITY OF STOCKTON

COMBINING STATEMENT OF CASH FLOWS

- INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

(With comparative totals for the year ended June 30, 2005)

(Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 444	\$ 22	\$ -
Receipts from interfund service providers	6,559	4,937	935
Payments to suppliers	(2,976)	(4,292)	(1,080)
Payments to employees	(3,331)	(2,489)	(123)
Payments for interfund services used	-	(19)	-
Net cash provided by (used for) operating activities	<u>696</u>	<u>(1,841)</u>	<u>(268)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	383	953	196
Transfers out	-	-	-
Due to other funds	-	-	-
Net cash provided by noncapital financing activities	<u>383</u>	<u>953</u>	<u>196</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	68	138	1
Purchases of capital assets	(2,934)	(872)	-
Net cash provided by (used for) capital and related financing activities	<u>(2,866)</u>	<u>(734)</u>	<u>1</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	<u>1</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,786)	(1,622)	(71)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,287</u>	<u>3,083</u>	<u>1,009</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,501</u>	<u>\$ 1,461</u>	<u>\$ 938</u>

Other Equipment	General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Other Insurance	Totals	
					2006	2005
\$ -	\$ 489	\$ 2,685	\$ 2,222	\$ -	\$ 5,862	\$ 2,362
1,534	3,766	13,941	25,428	40,599	97,699	87,362
(842)	(3,486)	(9,383)	(26,563)	(36,593)	(85,215)	(72,378)
(579)	(1,068)	(1,372)	(490)	(1,915)	(11,367)	(12,977)
(176)	(11)	(17)	(7)	-	(230)	(222)
(63)	(310)	5,854	590	2,091	6,749	4,147
-	-	-	-	-	1,532	1,495
-	-	-	-	-	-	(23)
-	-	-	-	-	-	1
-	-	-	-	-	1,532	1,473
122	-	-	-	-	329	65
(75)	-	-	-	-	(3,881)	(2,916)
47	-	-	-	-	(3,552)	(2,851)
-	71	435	38	81	626	535
(16)	(239)	6,289	628	2,172	5,355	3,304
3,470	3,136	12,002	1,170	5,048	32,205	28,901
<u>\$ 3,454</u>	<u>\$ 2,897</u>	<u>\$ 18,291</u>	<u>\$ 1,798</u>	<u>\$ 7,220</u>	<u>\$ 37,560</u>	<u>\$ 32,205</u>

(Continued)

CITY OF STOCKTON

COMBINING STATEMENT OF CASH FLOWS

- INTERNAL SERVICE FUNDS (Continued)

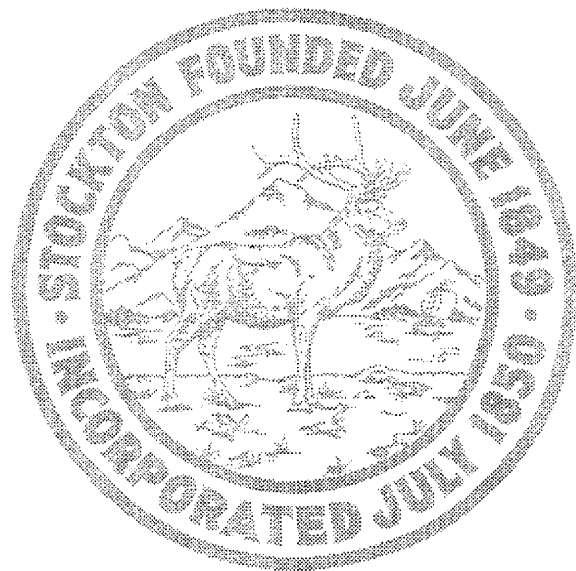
FOR THE YEAR ENDED JUNE 30, 2006

(With comparative totals for the year ended June 30, 2005)

(Dollar amounts in thousands)

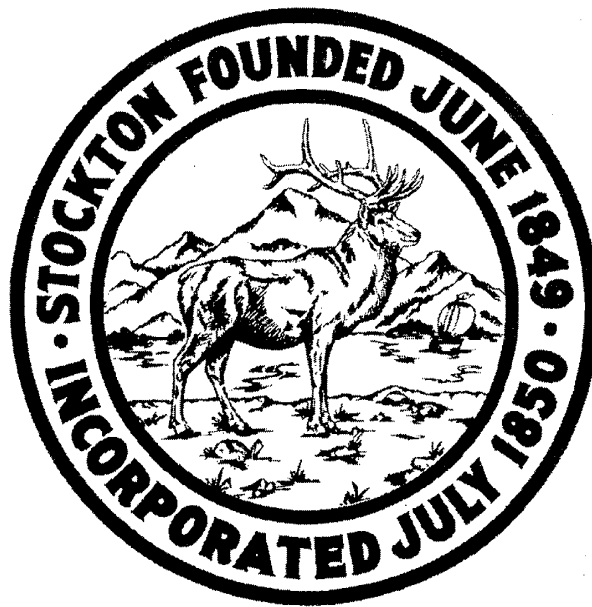
	Central Garage	Computer Equipment	Radio Equipment
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,046)	\$ (2,045)	\$ (4)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	1,814	520	178
Provision for uncollectible accounts	-	-	-
Self-insurance	-	-	-
Other non-operating revenues	1	1	-
Changes in assets and liabilities:			
Accounts and other receivables	(40)	(8)	-
Deferred charges	-	-	-
Accounts payable	(31)	(264)	(442)
Deposits and other liabilities	-	-	-
Compensated absences	(2)	(45)	-
Net cash provided by (used for) operating activities	<u>\$ 696</u>	<u>\$ (1,841)</u>	<u>\$ (268)</u>
NONCASH TRANSACTIONS:			
Net increase in fair value of investments	\$ -	\$ -	\$ -

Other Equipment	General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Other Insurance	Total	
					2006	2005
\$ (79)	\$ (2,039)	\$ 14,070	\$ (860)	\$ 2,091	\$ 10,088	\$ (4,762)
60	-	-	-	-	2,572	2,853
-	-	-	-	-	-	2
-	1,725	(8,142)	(609)	-	(7,026)	4,558
-	-	-	2,218	-	2,220	1,031
-	(45)	(27)	4	-	(116)	(91)
-	-	-	1	-	1	234
(41)	2	(46)	(158)	-	(980)	425
-	50	2	1	-	53	57
(3)	(3)	(3)	(7)	-	(63)	(160)
<u>\$ (63)</u>	<u>\$ (310)</u>	<u>\$ 5,854</u>	<u>\$ 590</u>	<u>\$ 2,091</u>	<u>\$ 6,749</u>	<u>\$ 4,147</u>
\$ -	\$ 7	\$ 38	\$ 4	\$ 8	\$ 57	\$ 34





CITY OF STOCKTON



Agency Fund

AGENCY FUND

AGENCY FUNDS

Land Secured Financing

To account for special taxes or assessment collections from property owners that are authorized under various public improvement acts of the State of California. The City acts only as an agent and forwards collections to bondholders and initiates foreclosure proceedings when necessary.

Employee Withholding

To account for employee withholdings, income taxes, Medicare, and other deposits collected on behalf of other governments and agencies.

Area of Benefit Fees

To account for the collection and reimbursement of construction costs required as a condition of a development or subdivision for approved public improvements within established areas of benefit.

Public Facilities Fees

To account for fees collected on behalf of other governments and agencies.

Miscellaneous

To account for deposits held by the City as required for security for construction improvements and development, unified utility bill collections on behalf of other entities, and for other deposits held in a fiduciary capacity.

All Other

To account for several cultural, recreational and educational programs that the City administers on behalf of other entities.

CITY OF STOCKTON

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Land Secured Financing</u>				
ASSETS				
Cash and investments	\$ 39,821	\$ 34,258	\$ 35,373	\$ 38,706
Cash and investments with fiscal agents	22,415	100,878	101,797	21,496
Receivables:				
Interest	256	181	268	169
Accounts and other receivables	712	21,000	21,025	687
Total assets	<u>\$ 63,204</u>	<u>\$ 156,317</u>	<u>\$ 158,463</u>	<u>\$ 61,058</u>
LIABILITIES				
Accounts payable	\$ 72	\$ 3,294	\$ 3,309	\$ 57
Due to other governments	188	-	-	188
Deposits and other liabilities	62,944	10,664	12,795	60,813
Total liabilities	<u>\$ 63,204</u>	<u>\$ 13,958</u>	<u>\$ 16,104</u>	<u>\$ 61,058</u>
<u>Employee Payroll Withholdings</u>				
ASSETS				
Cash and investments	\$ 1,394	\$ 808	\$ 1,052	\$ 1,150
Total assets	<u>\$ 1,394</u>	<u>\$ 808</u>	<u>\$ 1,052</u>	<u>\$ 1,150</u>
LIABILITIES				
Due to other governments	\$ 742	\$ 807	\$ 743	\$ 806
Deposits and other liabilities	652	2	310	344
Total liabilities	<u>\$ 1,394</u>	<u>\$ 809</u>	<u>\$ 1,053</u>	<u>\$ 1,150</u>
<u>Area of Benefit Fees</u>				
ASSETS				
Cash and investments	\$ 6,931	\$ 2,541	\$ 919	\$ 8,553
Receivables:				
Interest	46	46	46	46
Total assets	<u>\$ 6,977</u>	<u>\$ 2,587</u>	<u>\$ 965</u>	<u>\$ 8,599</u>
LIABILITIES				
Accounts payable	\$ -	\$ 383	\$ 352	\$ 31
Deposits and other liabilities	6,977	2,535	944	8,568
Total liabilities	<u>\$ 6,977</u>	<u>\$ 2,918</u>	<u>\$ 1,296</u>	<u>\$ 8,599</u>

(Continued)

CITY OF STOCKTON

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

- AGENCY FUNDS (Continued)

FOR THE YEAR ENDED JUNE 30, 2006

(Dollar amounts in thousands)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Public Facilities Fees</u>				
ASSETS				
Cash and investments	\$ 2,547	\$ 9,650	\$ 10,600	\$ 1,597
Receivables:				
Interest	14	8	14	8
Accounts and other receivables	22	-	-	22
Total assets	<u>\$ 2,583</u>	<u>\$ 9,658</u>	<u>\$ 10,614</u>	<u>\$ 1,627</u>
LIABILITIES				
Due to other governments	\$ 2,583	\$ 9,700	\$ 10,656	\$ 1,627
Total liabilities	<u>\$ 2,583</u>	<u>\$ 9,700</u>	<u>\$ 10,656</u>	<u>\$ 1,627</u>
<u>Miscellaneous</u>				
ASSETS				
Cash and investments	\$ 5,774	\$ 117,773	\$ 117,948	\$ 5,599
Receivables:				
Interest	39	35	39	35
Accounts and other receivables	617	12,139	12,026	730
Total assets	<u>\$ 6,430</u>	<u>\$ 129,947</u>	<u>\$ 130,013</u>	<u>\$ 6,364</u>
LIABILITIES				
Accounts payable	\$ 23	\$ 979	\$ 892	\$ 110
Due to other governments	6	112	117	1
Deposits and other liabilities	6,401	115,994	116,142	6,253
Total liabilities	<u>\$ 6,430</u>	<u>\$ 117,085</u>	<u>\$ 117,151</u>	<u>\$ 6,364</u>
<u>All Other</u>				
ASSETS				
Cash and investments	\$ 330	\$ 393	\$ 345	\$ 378
Receivables:				
Interest	4	3	4	3
Due from other governments	-	1	-	1
Total assets	<u>\$ 334</u>	<u>\$ 397</u>	<u>\$ 349</u>	<u>\$ 382</u>
LIABILITIES				
Accounts payable	\$ 59	\$ 130	\$ 171	\$ 18
Deposits and other liabilities	275	466	377	364
Total liabilities	<u>\$ 334</u>	<u>\$ 596</u>	<u>\$ 548</u>	<u>\$ 382</u>

(Continued)

CITY OF STOCKTON

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

- AGENCY FUNDS (Continued)

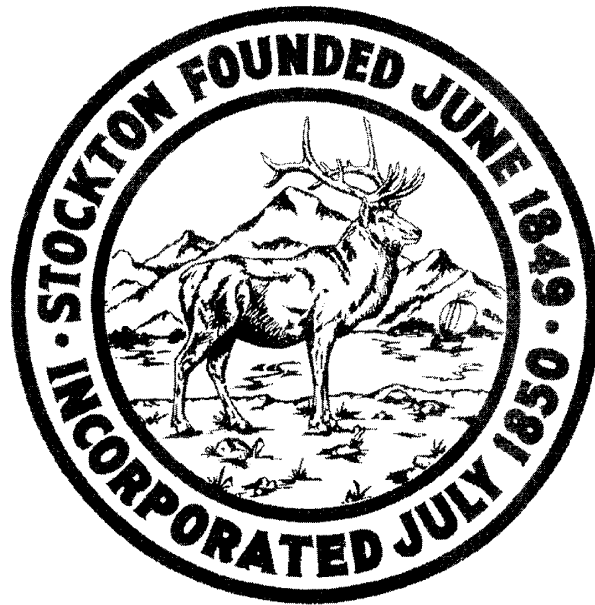
FOR THE YEAR ENDED JUNE 30, 2006

(Dollar amounts in thousands)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Total</u>				
ASSETS				
Cash and investments	\$ 56,797	\$ 165,423	\$ 166,237	\$ 55,983
Cash and investments with fiscal agents	22,415	100,878	101,797	21,496
Receivables:				
Interest	359	273	371	261
Accounts and other receivables	1,351	33,139	33,051	1,439
Due from other governments	-	1	-	1
Total assets	<u>\$ 80,922</u>	<u>\$ 299,714</u>	<u>\$ 301,456</u>	<u>\$ 79,180</u>
LIABILITIES				
Accounts payable	\$ 154	\$ 4,786	\$ 4,724	\$ 216
Due to other governments	3,519	10,619	11,516	2,622
Deposits and other liabilities	77,249	129,661	130,568	76,342
Total liabilities	<u>\$ 80,922</u>	<u>\$ 145,066</u>	<u>\$ 146,808</u>	<u>\$ 79,180</u>



CITY OF STOCKTON



**CAPITAL ASSETS USED IN
THE OPERATION OF
GOVERNMENTAL FUNDS**

CITY OF STOCKTON

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS COMPARATIVE SCHEDULE BY SOURCE JUNE 30, 2006 (With comparative totals as of June 30, 2005) (Dollar amounts in thousands)

	2006	2005
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 34,603	\$ 33,599
Buildings and improvements	235,009	117,559
Infrastructure	337,449	280,969
Equipment	4,094	2,513
Public art collections	853	58
Construction in progress	154,053	227,321
	<u>766,061</u>	<u>662,019</u>
Total	\$ 766,061	\$ 662,019
INVESTMENTS IN GOVERNMENTAL FUND CAPITAL ASSETS BY SOURCE:		
General Fund	\$ 1,080	\$ 1,074
Special revenue funds	62,394	31,923
Capital projects funds	436,742	363,180
Donations	265,845	265,842
	<u>766,061</u>	<u>662,019</u>
Total	\$ 766,061	\$ 662,019

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF STOCKTON

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION JUNE 30, 2006

(Dollar amounts in thousands)

	Land	Buildings and Improvements	Infrastructure	Equipment	Public Art Collections	Construction in Progress	Total
General government	\$ 407	\$ 8,255	\$ -	\$ 172	\$ -	\$ -	\$ 8,834
Public safety	3,998	44,073	-	2,829	-	-	50,900
Public works	5,045	1,885	330,699	192	-	-	337,821
Library	1,207	6,885	-	399	-	-	8,491
Parks and recreation	11,917	164,147	988	377	853	-	178,282
Other property	2,081	-	-	125	-	-	2,206
Redevelopment Agency	9,948	9,764	5,762	-	-	-	25,474
Construction in progress	-	-	-	-	-	154,053	154,053
Total	\$ 34,603	\$ 235,009	\$ 337,449	\$ 4,094	\$ 853	\$ 154,053	\$ 766,061

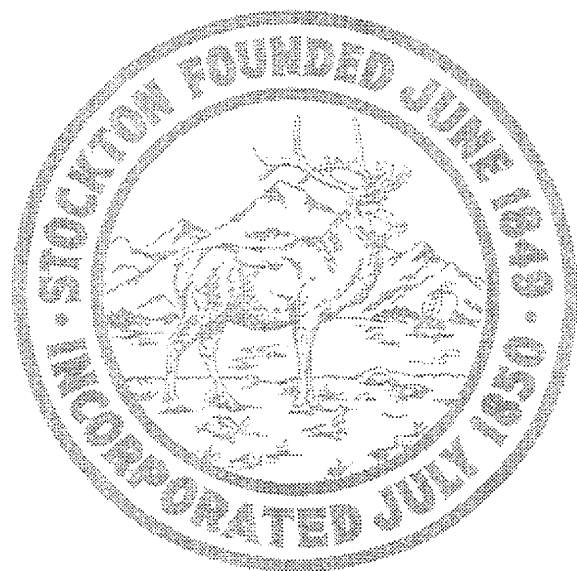
This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF STOCKTON

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

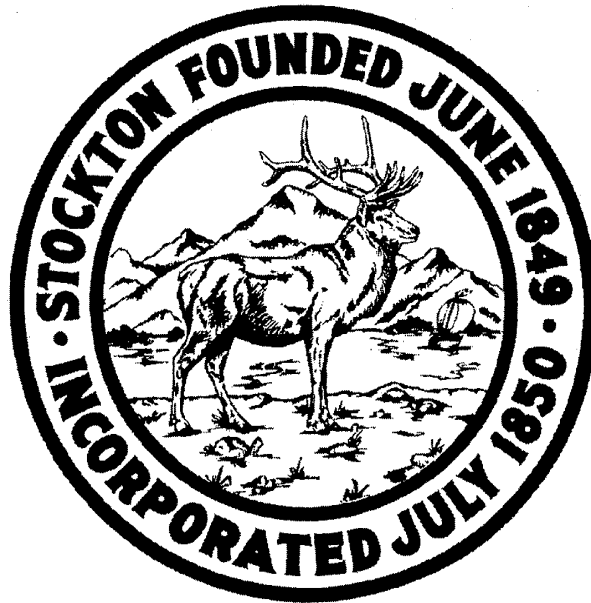
	Balance 6/30/05	Additions	Deductions	Transfers & Adjustments	Balance 6/30/06
General government	\$ 6,105	\$ 2,739	\$ (10)	\$ -	\$ 8,834
Public safety	46,023	5,056	(179)	-	50,900
Public works	287,059	50,762	-	-	337,821
Library	8,491	-	-	-	8,491
Parks and recreation	69,187	109,095	-	-	178,282
Other property	2,084	122	-	-	2,206
Redevelopment Agency	15,749	9,725	-	-	25,474
Construction in progress	<u>227,321</u>	<u>98,835</u>	<u>(172,103)</u>	<u>-</u>	<u>154,053</u>
Total	<u>\$ 662,019</u>	<u>\$ 276,334</u>	<u>\$ (172,292)</u>	<u>\$ -</u>	<u>\$ 766,061</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.





CITY OF STOCKTON



CITY OF STOCKTON

**TABLE 1
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(Dollar amounts in thousands)**

	Fiscal Year				
	2006	2005	2004	2003	2002
Governmental activities:					
Invested in capital assets, net of related debt	\$ 603,068	\$ 529,250	\$ 289,507	\$ 215,070	\$ 217,640
Restricted	154,758	134,804	143,431	144,275	132,692
Unrestricted	(8,497)	(19,407)	5,071	16,162	6,551
Total governmental activities net assets	\$ 749,329	\$ 644,647	\$ 438,009	\$ 375,507	\$ 356,883
Business-type activities:					
Invested in capital assets, net of related debt	\$ 368,222	\$ 348,229	\$ 302,497	\$ 265,548	\$ 221,398
Restricted	48,454	55,386	52,415	29,799	24,830
Unrestricted	30,465	30,282	48,023	83,815	95,269
Total business-type activities net assets	\$ 447,141	\$ 433,897	\$ 402,935	\$ 379,162	\$ 341,497
Primary government:					
Invested in capital assets, net of related debt	\$ 971,290	\$ 877,479	\$ 592,004	\$ 480,618	\$ 439,038
Restricted	203,212	190,190	195,846	174,074	157,522
Unrestricted	21,968	10,875	53,094	99,977	101,820
Total primary government net assets	\$ 1,196,470	\$ 1,078,544	\$ 840,944	\$ 754,669	\$ 698,380

Beginning with fiscal year 2006, land secured financings were removed from government-wide financial statements. For comparative purposes, 2005 balances have been restated to reflect this change.

Note: The City of Stockton implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

Source: City of Stockton Administrative Services Department

CITY OF STOCKTON

**TABLE 2
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(Dollar amounts in thousands)**

	Fiscal Year				
	2006	2005	2004	2003	2002
Expenses					
Governmental activities:					
General government	\$ 20,171	\$ 19,894	\$ 17,569	\$ 15,454	\$ 16,844
Public safety	149,512	145,703	125,837	126,815	106,062
Public works	36,481	33,328	42,848	46,031	30,895
Library	13,545	13,190	11,530	11,594	11,475
Parks and recreation	26,352	19,365	15,854	15,397	16,203
Interest and fiscal charges	4,136	4,346	13,081	11,954	11,186
Total governmental activities expenses	250,197	235,826	226,719	227,245	192,665
Business-type activities:					
Water utility	19,063	14,809	15,548	14,672	13,742
Wastewater utility	36,458	31,607	32,674	29,427	25,743
Stormwater utility	6,009	5,653	6,910	5,657	4,612
Central parking district	3,162	2,487	2,585	2,260	1,978
Other	2,460	2,448	5,022	4,991	4,898
Total business-type activities expenses	67,152	57,004	62,739	57,007	50,973
Total primary government expenses	\$ 317,349	\$ 292,830	\$ 289,458	\$ 284,252	\$ 243,638
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 10,154	\$ 11,264	\$ 7,962	\$ 9,928	\$ 6,429
Public safety	37,603	39,329	29,960	46,677	29,272
Public works	35,054	23,733	21,683	8,693	5,675
Library	1,489	1,920	1,859	515	387
Parks and recreation	12,407	9,988	10,050	1,736	1,725
Operating grants and contributions	12,388	9,715	7,924	8,741	8,950
Capital grants and contributions	45,745	44,309	47,789	48,914	27,654
Total governmental activities program revenues	154,840	140,258	127,227	125,204	80,092
Business-type activities:					
Charges for services:					
Water utility	20,268	20,125	18,328	15,576	15,720
Wastewater utility	32,746	31,926	30,483	29,432	27,298
Stormwater utility	5,063	4,751	4,827	4,391	4,288
Central parking district	3,502	2,696	2,694	2,645	2,273
Other	2,284	2,433	4,639	7,428	6,670
Capital grants and contributions	20,324	28,655	31,535	37,765	15,824
Total business-type activities program revenues	84,187	90,586	92,506	97,237	72,073
Total primary government program revenues	\$ 239,027	\$ 230,844	\$ 219,733	\$ 222,441	\$ 152,165
Net (Expense)/Revenue					
Governmental activities	\$ (95,357)	\$ (95,568)	\$ (99,492)	\$ (102,041)	\$ (112,573)
Business-type activities	17,035	33,582	29,767	40,230	21,100
Total primary government net expense	\$ (78,322)	\$ (61,986)	\$ (69,725)	\$ (61,811)	\$ (91,473)

(Continued)

CITY OF STOCKTON

TABLE 2
CHANGES IN NET ASSETS (Continued)
LAST FIVE FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year				
	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets:					
Governmental activities:					
Taxes:					
Property	\$ 47,495	\$ 33,723	\$ 28,365	\$ 23,449	\$ 20,742
In lieu of sales tax	9,274	8,750	-	-	-
Utility user	34,313	34,908	33,322	32,157	31,462
Sales and use	52,004	38,245	40,333	36,628	35,812
Franchise fees	10,333	9,812	5,725	5,623	5,364
Business licenses	11,222	8,960	8,014	7,899	6,691
Hotel/motel room	2,171	2,160	2,030	2,048	2,005
Document transfer	2,010	2,036	1,525	1,043	777
Special assessments	-	-	18,211	18,591	18,135
Other	218	373	187	174	254
Grants and contributions not restricted to specific programs	18,629	16,137	13,338	16,693	15,454
Investment earnings	3,457	5,554	1,243	5,310	7,944
Gain on sale of capital assets	-	-	496	449	99
Miscellaneous	1,010	6,603	1,652	2,896	4,047
Transfers	7,903	8,076	7,553	6,477	5,627
Total governmental activities	200,039	175,337	161,994	159,437	154,413
Business-type activities:					
Other taxes	713	733	675	596	580
Grants and contributions not restricted to specific programs	-	881	-	1,909	6,974
Investment earnings	3,399	3,842	808	4,052	5,864
Gain on sale of capital assets	-	-	76	-	-
Transfers	(7,903)	(8,076)	(7,553)	(6,477)	(5,627)
Total business-type activities	(3,791)	(2,620)	(5,994)	80	7,791
Total primary government	\$ 196,248	\$ 172,717	\$ 156,000	\$ 159,517	\$ 162,204
Change in Net Assets					
Governmental activities	\$ 104,682	\$ 79,769	\$ 62,502	\$ 57,396	\$ 41,840
Business-type activities	13,244	30,962	23,773	40,310	28,891
Total primary government	\$ 117,926	\$ 110,731	\$ 86,275	\$ 97,706	\$ 70,731

Note: Beginning with fiscal year 2006, land secured financings were removed from government-wide financial statements. For comparative purposes, 2005 balances have been restated to reflect this change.

The City of Stockton implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

Source: City of Stockton Administrative Services Department

CITY OF STOCKTON

TABLE 3
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year			
	2006	2005	2004	2003
General Fund				
Reserved	\$ 8,352	\$ 6,958	\$ 6,117	\$ 6,255
Unreserved	23,116	16,506	11,730	11,765
Total General Fund	<u>\$ 31,468</u>	<u>\$ 23,464</u>	<u>\$ 17,847</u>	<u>\$ 18,020</u>
All other governmental funds				
Reserved	\$ 197,170	\$ 246,051	\$ 317,874	\$ 243,715
Unreserved, reported in:				
Special revenue funds	(20,727)	(57,435)	8,627	14,151
Debt service funds	(213)	(42)	(179)	20
Capital projects funds	(26,296)	(27,487)	(46,437)	(34,948)
Permanent Fund	252	265	207	230
Total all other governmental funds	<u>\$ 150,186</u>	<u>\$ 161,352</u>	<u>\$ 280,092</u>	<u>\$ 223,168</u>

Note: Beginning with fiscal year 2006 land secured financing were removed from capital projects funds and debt service funds and reported in the Land Secured Financing Agency Fund. For comparative purposes, 2005 balances were restated to reflect this change.

Source: City of Stockton Administrative Services Department

Fiscal Year						
2002	2001	2000	1999	1998	1997	
\$ 6,427	\$ 2,444	\$ 2,474	\$ 1,995	\$ 2,350	\$ 4,305	
8,642	20,346	13,270	9,341	6,968	8,346	
\$ 15,069	\$ 22,790	\$ 15,744	\$ 11,336	\$ 9,318	\$ 12,651	
\$ 127,453	\$ 209,926	\$ 191,983	\$ 174,464	\$ 162,387	\$ 139,865	
9,585	(1,164)	(5,416)	(952)	(3,512)	(11,739)	
(22)	-	-	-	-	13,050	
71,859	(3,482)	(1,578)	-	-	-	
258	n/a	n/a	n/a	n/a	n/a	
\$ 209,133	\$ 205,280	\$ 184,989	\$ 173,512	\$ 158,875	\$ 141,176	

CITY OF STOCKTON

**TABLE 4
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

	Fiscal Year			
	2006	2005	2004	2003
Revenues:				
Taxes:				
Property	\$ 47,495	\$ 33,723	\$ 28,365	\$ 23,449
In lieu of sales tax	9,274	8,750	-	-
Utility user	34,313	34,908	33,322	32,157
Sales and use	52,004	36,951	40,333	36,628
Franchise fees	10,333	9,812	5,725	5,623
Business license	11,222	8,960	8,014	8,065
Hotel/motel room	2,171	2,160	2,030	2,048
Document transfer	2,010	2,036	1,525	1,043
Special assessments	-	-	18,211	18,591
Other	218	193	187	174
Licenses and permits	8,960	11,112	9,977	11,444
Federal grants and subsidies	21,529	10,465	11,301	15,598
Other governmental	52,402	44,737	35,330	40,025
Charges for services	66,443	61,903	57,316	43,181
Fines and forfeitures	3,933	3,250	1,905	1,490
Use of money and property	6,274	3,370	1,640	2,011
Investment income:				
Interest income	2,702	4,686	5,000	5,422
investments	129	333	(3,824)	(367)
Refunds and reimbursements	8,284	5,524	3,213	4,864
Miscellaneous	8,707	11,662	6,314	8,791
Total revenues	348,403	294,535	265,884	260,237
Expenditures:				
Current:				
General government	23,935	23,520	22,812	16,321
Public safety	157,299	142,211	123,948	112,668
Public works	30,959	27,346	38,122	33,987
Library	13,283	12,391	11,303	10,475
Parks and recreation	25,637	17,931	14,937	13,330
Capital outlay	101,399	108,560	60,827	60,390
Debt service:				
Principal retirement	689	669	8,356	9,654
Cost of issuance	341	22	2,177	983
Interest and fiscal charges	4,314	4,183	12,460	11,937
Total expenditures	357,856	336,833	294,942	269,745
Excess (deficiency) of revenues				
Over (under) expenditures	(9,453)	(42,298)	(29,058)	(9,508)

Fiscal Year						
	2002	2001	2000	1999	1998	1997
\$	20,742	\$ 19,035	\$ 17,584	\$ 16,747	\$ 16,270	\$ 15,820
	-	-	-	-	-	-
	31,462	31,188	25,468	24,160	22,994	22,271
	35,812	36,323	31,722	27,265	25,290	23,983
	5,364	5,255	4,222	4,630	4,056	3,951
	6,897	6,643	6,133	5,714	5,244	5,459
	2,005	1,994	1,559	1,385	1,280	1,136
	777	692	478	1,095	1,689	1,391
	18,135	15,877	15,680	16,591	16,945	17,160
	254	174	154	132	134	210
	5,493	3,758	3,333	2,507	2,337	2,064
	9,188	18,073	8,535	11,838	13,269	12,996
	42,250	40,706	38,588	24,804	26,275	18,657
	32,117	26,557	26,044	20,665	19,051	16,789
	1,552	1,445	1,115	899	511	545
	1,806	1,416	1,467	1,701	2,170	6,602
	6,686	9,069	6,422	5,654	5,222	-
	715	2,866	(908)	(1,136)	400	-
	3,310	2,822	1,250	7,098	988	5,717
	6,661	5,884	7,521	6,414	5,696	4,489
	<u>231,226</u>	<u>229,777</u>	<u>196,367</u>	<u>178,163</u>	<u>169,821</u>	<u>159,240</u>
	16,182	14,591	13,185	11,498	11,080	11,081
	102,626	91,308	85,462	80,322	79,472	77,122
	15,206	12,721	12,183	10,059	11,152	11,264
	10,403	9,636	8,800	8,443	7,759	7,597
	13,433	12,034	10,653	9,638	9,043	8,421
	60,652	65,957	49,950	32,199	29,317	37,214
	7,290	7,085	5,198	6,570	5,623	5,855
	466	-	-	-	-	-
	10,814	10,430	9,479	9,221	10,816	12,615
	<u>237,072</u>	<u>223,762</u>	<u>194,910</u>	<u>167,950</u>	<u>164,262</u>	<u>171,169</u>
	(5,846)	6,015	1,457	10,213	5,559	(11,929)

(Continued)

CITY OF STOCKTON

TABLE 4
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year			
	2006	2005	2004	2003
Other financing sources (uses):				
Transfers in	45,192	46,449	64,132	71,393
Transfers out	(38,821)	(39,845)	(59,459)	(65,969)
Operating transfers out to a component unit	-	-	-	-
Issuance of long-term debt	14,608	592	79,713	38,110
Proceeds of current refunding bonds	-	-	-	-
Payment to refunding bond escrow agent - current refunding	-	-	-	-
Sales of capital assets	2	2	5	719
Advances from other funds	-	-	-	-
Current refunding	-	-	-	-
Payment to refunded bond escrow agent	(14,604)	-	-	(17,205)
Repayment of advances from other funds	-	-	-	-
Premiums on debt issuances	-	-	1,637	-
Discounts on debt issuances	(86)	-	(219)	(554)
Total other financing sources (uses)	6,291	7,198	85,809	26,494
Net change in fund balances	(3,162)	(35,100)	56,751	16,986
Fund balances, beginning of year	184,816	219,916	241,188	224,202
Residual equity transfers in	-	-	-	-
Residual equity transfers out	-	-	-	-
Fund balances, end of year	\$ 181,654	\$ 184,816	\$ 297,939	\$ 241,188
Debt service as a percentage of noncapital expenditures	2.1%	2.2%	10.9%	12.1%

Beginning with fiscal year 2006, land secured financings were removed from capital projects funds and debt service funds and are reported in the Land Secured Financing Agency Fund. For comparative purposes, 2005 balances have been restated to reflect this change.

Source: City of Stockton Administrative Services Department

Fiscal Year					
2002	2001	2000	1999	1998	1997
38,960	28,561	20,609	18,449	29,535	17,424
(35,648)	(27,643)	(20,609)	(18,332)	(28,876)	(17,424)
-	-	(98)	(98)	(98)	(98)
32,946	6,275	16,945	3,100	17,060	2,280
-	2,744	11,610	8,775	71,100	40,030
-	(1,879)	(10,320)	(9,408)	(81,203)	(36,310)
-	171	104	35	2	31
-	-	-	5,733	3,356	1,071
-	(680)	(3,000)	-	-	-
-	-	-	-	-	-
-	(867)	(374)	(570)	(1,805)	(650)
-	-	-	-	-	-
(604)	-	-	-	-	-
35,654	6,682	14,867	7,684	9,071	6,354
29,808	12,697	16,324	17,897	14,630	(5,575)
194,394	201,332	185,383	167,983	154,328	160,169
-	15,951	-	-	-	-
-	(1,234)	(375)	(497)	(192)	-
<u>\$ 224,202</u>	<u>\$ 228,746</u>	<u>\$ 201,332</u>	<u>\$ 185,383</u>	<u>\$ 168,766</u>	<u>\$ 154,594</u>
11.8%	12.5%	11.3%	13.2%	13.9%	16.0%

CITY OF STOCKTON

**TABLE 5
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

	Fiscal Year				
	2006	2005	2004	2003	2002
Property (1)	\$ 47,495	\$ 33,723	\$ 28,365	\$ 23,449	\$ 20,742
In lieu of sales tax (2)	9,274	8,750	-	-	-
Utility user (3)	34,313	34,908	33,322	32,157	31,462
Sales & use (4)	52,004	36,951	40,333	36,628	35,812
Franchise fees (5)	10,333	9,812	5,725	5,623	5,364
Business licenses (6)	11,222	8,960	8,014	8,065	6,897
Hotel/motel room	2,171	2,160	2,030	2,048	2,005
Document transfer	2,010	2,036	1,525	1,043	777
Special assessments (7)	-	-	18,211	18,591	18,135
Other	218	193	187	174	254
Totals	\$ 169,040	\$ 137,493	\$ 137,712	\$ 127,778	\$ 121,448

(1) Property taxes continue to increase due to the addition of the North Stockton Redevelopment Project Area and the growth in new homes and commercial development.

(2) Effective with fiscal year 2005, the City began receiving property tax in-lieu of sales tax under provisions of Proposition 1A approved by the voters of the State of California.

(3) The Council approved a resolution in fiscal year 2005 to reduce the utility user tax rate from 8% to 6%, with the final reduction from 7% to 6% effective July 1, 2006.

(4) Measure W, Public Safety Tax, approved an additional .25% sales tax which was effective April 1, 2005 to hire 40 additional police officers and 40 additional firefighters.

(5) Contracts effective June 1, 2004 increased garbage haulers franchise fees.

(6) Business license revenue increased in 2006 based on the one-time revenue generated through the Voluntary Compliance Program.

(7) Beginning with fiscal year 2006, land secured financings were removed from the debt service funds and reported in the Land Secured Financing Agency Fund. For comparative purposes, 2005 balances have been restated to reflect this change.

Source: City of Stockton Administrative Services Department

Fiscal Year					
2001	2000	1999	1998	1997	% Change 1997 to 2006
\$ 19,035	\$ 17,584	\$ 16,747	\$ 16,270	\$ 15,820	200%
-	-	-	-	-	100%
31,188	25,468	24,160	22,994	22,271	54%
36,323	31,722	27,265	25,290	23,983	117%
5,255	4,222	4,630	4,056	3,951	162%
6,643	6,133	5,714	5,244	5,459	106%
1,994	1,559	1,385	1,280	1,136	91%
692	478	1,095	1,689	1,391	45%
15,877	15,680	16,591	16,945	17,160	-100%
174	154	132	134	210	4%
\$ 117,181	\$ 103,000	\$ 97,719	\$ 93,902	\$ 91,381	85%

CITY OF STOCKTON

**TABLE 6
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (Dollar amounts in thousands)**

	Fiscal Year			
	2006	2005	2004	2003
Secured roll	\$ 16,860,177	\$ 14,398,725	\$ 12,567,832	\$ 11,300,938
Utility roll	15,883	16,316	15,054	12,683
Unsecured roll	1,127,627	1,015,499	951,164	904,354
Gross assessed value	18,003,687	15,430,540	13,534,050	12,217,975
Less exemptions (1)	1,185,310	1,111,509	1,061,968	1,003,662
Net assessed value	16,818,377	14,319,031	12,472,082	11,214,313
Land	4,811,339	4,104,660	3,532,906	3,132,565
Improvements	12,251,910	10,509,572	9,220,951	8,350,637
Personal property	940,438	816,308	780,193	734,773
Gross assessed value	18,003,687	15,430,540	13,534,050	12,217,975
Less exemptions (1)	1,185,310	1,111,509	1,061,968	1,003,662
Net assessed value	\$ 16,818,377	\$ 14,319,031	\$ 12,472,082	\$ 11,214,313

(1) Exemptions are: homeowners - \$268,961 and other - \$916,349.

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor/Controller's Office

Fiscal Year					
2002	2001	2000	1999	1998	1997
\$ 10,201,671	\$ 8,719,177	\$ 8,347,987	\$ 8,165,852	\$ 7,995,188	\$8,001,731
13,536	15,364	17,038	14,893	11,644	11,523
834,424	799,923	775,627	786,120	783,505	801,470
11,049,631	9,534,464	9,140,652	8,966,865	8,790,337	8,814,724
952,815	902,578	780,309	755,604	733,337	710,256
10,096,816	8,631,886	8,360,343	8,211,261	8,057,000	8,104,468
2,756,278	2,439,069	2,373,758	2,329,276	2,297,478	2,348,413
7,579,417	6,381,458	6,089,228	5,984,645	5,848,754	5,802,491
713,936	713,937	677,666	652,944	644,105	663,820
11,049,631	9,534,464	9,140,652	8,966,865	8,790,337	8,814,724
952,815	902,578	780,309	755,604	733,337	710,256
\$ 10,096,816	\$ 8,631,886	\$ 8,360,343	\$ 8,211,261	\$ 8,057,000	\$ 8,104,468

CITY OF STOCKTON

**TABLE 7
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of assessed value)**

Fiscal Year	Basic Countywide Levy	City	Total Direct	Stockton Unified School District (1)	Groundwater Investigation (2)	Total
2006	1.0000	-	1.0000	0.0679	-	1.0679
2005	1.0000	-	1.0000	0.0679	-	1.0679
2004	1.0000	-	1.0000	0.0571	-	1.0571
2003	1.0000	-	1.0000	0.0206	-	1.0206
2002	1.0000	-	1.0000	0.0277	-	1.0277
2001	1.0000	-	1.0000	-	-	1.0000
2000	1.0000	-	1.0000	0.0003	0.0034	1.0037
1999	1.0000	-	1.0000	0.0206	0.0034	1.0240
1998	1.0000	-	1.0000	0.0103	0.0034	1.0137
1997	1.0000	-	1.0000	0.0223	0.0034	1.0257

(1) Stockton Unified School District Building Loan Repayment.

(2) Approved by the San Joaquin County Board of Supervisors for testing groundwater quality and investigating causes of contamination. Effective July 1, 2000 groundwater investigation is being charged as a benefit assessment.

Note: On June 6, 1978, California voters approved an amendment to the Article XIII A of the California Constitution. The amendment, commonly known as Proposition 13, limits the taxing power of California public agencies. The California Legislature enacted legislation to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) providing that local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted of \$1.00 per \$100.00 of full assessed value.

Source: San Joaquin County Tax Rate Book, 2006

CITY OF STOCKTON

**TABLE 8
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(Dollar amounts in thousands)**

Taxpayer	Fiscal Year					
	2006			1997		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Corn Products International Inc aka CPC Inc International	\$ 68,680	1	0.407 %	\$ 101,246	1	1.265 %
Diamond Walnut Growers Inc	55,535	2	0.329	49,480	3	0.618
Simpson Manufacturing Co Inc	46,566	3	0.276	-	-	-
Levine Investments Ltd PTP/Pacific Companies	42,624	4	0.253	-	-	-
Unilever Supply Chain Inc/Unilever Bestfoods	39,134	5	0.232	-	-	-
Pavilions Apartments LP/Sentinel Real Estate Corp	38,470	6	0.228	-	-	-
POSDEF Power Co.	33,820	7	0.201	29,553	5	0.369
Tru Properties Inc - Toys R Us Inc	33,364	8	0.198	17,940	9	0.224
Stockton Logistics LLC	31,344	9	0.186	-	-	-
Inland Western Stockton Airport Way LLC/Cost Plus Inc	31,322	10	0.186	-	-	-
Kaiser Foundation Hospital	-	-	-	82,150	2	1.027
Newark Group, Industries Inc.	-	-	-	32,564	4	0.407
Cargill Incorporated	-	-	-	21,605	6	0.270
American Savings Bank	-	-	-	21,044	7	0.263
American Honda Motor Company	-	-	-	19,044	8	0.238
Iris USA, Inc.	-	-	-	17,734	10	0.222
Principal Secured Property Valuation	420,859		2.496	392,360		4.903
Other Secured Taxpayers	17,591,410		104.337	8,319,627		103.973
Exemptions relative to secured tax roll	1,152,092		6.833	710,256		8.876
Total Secured Property Valuation	<u>\$ 16,860,177</u>		<u>100.000 %</u>	<u>\$ 8,001,731</u>		<u>100.000 %</u>

(1) Exemptions relative to secured tax roll are: homeowners - \$268,803 and other - \$883,289

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Assessor's Office
San Joaquin County Auditor/Controller

CITY OF STOCKTON

**TABLE 9
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy			Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy (1)	Amount		Percent of Levy	
2006	\$ 30,661	\$ 30,661	100 %	-	\$ 30,661	100 %	
2005	26,685	26,685	100	-	26,685	100	
2004	23,498	23,498	100	-	23,498	100	
2003	20,176	20,176	100	-	20,176	100	
2002	18,056	18,056	100	-	18,056	100	
2001	16,132	16,132	100	-	16,132	100	
2000	15,164	15,164	100	-	15,164	100	
1999	14,518	14,518	100	-	14,518	100	
1998	14,268	14,268	100	-	14,268	100	
1997	13,626	13,626	100	-	13,626	100	

(1) Per agreement with San Joaquin County; the County provides the City of Stockton with 100% of the amount owed to the City of Stockton for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of revenues collected.

Source: San Joaquin County Auditor/Controller's Office

CITY OF STOCKTON

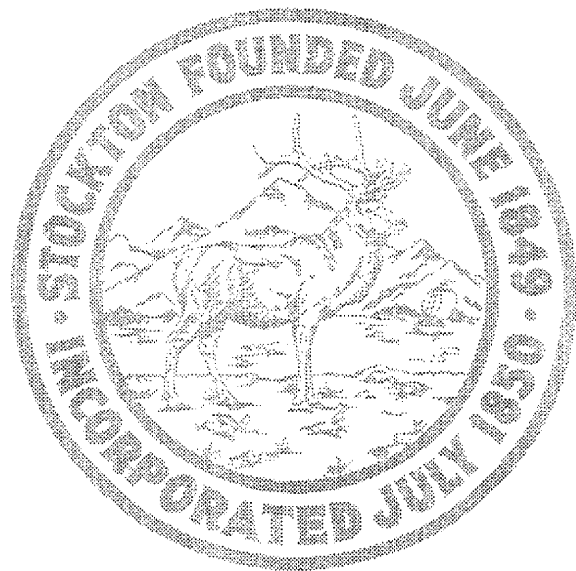
**TABLE 10
WATER SOLD BY TYPE OF CUSTOMER
FOR FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Fiscal Year</u>
	2006
Type of Customer	
Residential	44,137 hcf
Institutional	1,473 hcf
Commercial/Industrial	14,143 hcf
Irrigation	<u>11,026 hcf</u>
Total	<u><u>70,779 hcf</u></u>

hcf = 100 cubic feet (748 gallons)

Note: The City of Stockton implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to the implementation of GASB 44 is not available.

Source: City of Stockton Administrative Services Department



CITY OF STOCKTON

**TABLE 11
WATER AND WASTEWATER RATES
LAST TEN FISCAL YEARS**

Fiscal Year	Water		Wastewater
	Monthly Base Rate	Per 100 cf	Monthly Base Rate
2006	\$ 15.10	\$ 0.74	\$ 20.00
2005	14.55	0.71	19.30
2004	14.20	0.69	18.80
2003	13.79	0.67	18.33
2002	13.79	0.67	18.33
2001	13.79	0.67	18.33
2000	13.79	0.67	18.33
1999	13.79	0.67	18.33
1998	13.79	0.67	18.33
1997	13.79	0.67	17.56

KEY: cf = cubic foot (7.48 gallons)

Rates are based on 3/4" meter, which is the standard household meter size.

The utility charges an excess use rate above normal demand.

Source: City of Stockton Administrative Services Department

CITY OF STOCKTON

TABLE 12
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Dollar amounts in thousands, except per capita)

Governmental Activities						
Fiscal Year	Revenue Bonds (1)	Certificates of Participation	Redevelopment Agency Revenue Bonds	Notes Payable	Special Assessment/Mello Roos Bonds (1)	Total Governmental Activities
2006	\$ 13,965	\$ 13,300	\$ 47,000	\$ 13,024	\$ -	\$ 87,289
2005	-	27,330	47,000	12,835	-	87,165
2004	145,060	27,550	-	12,692	106,927	292,229
2003	102,720	27,760	-	8,270	82,122	220,872
2002	109,415	14,665	-	8,680	76,861	209,621
2001	111,005	14,860	-	-	51,486	177,351
2000	115,145	14,860	-	-	47,822	177,827
1999	106,941	-	-	-	59,995	166,936
1998	110,830	-	490	-	59,115	170,435
1997	24,945	-	945	-	138,583	164,473

Details regarding the City's outstanding debt can be found in the Note 7 on pages 58-67 of these financial statements.

(1) Beginning with fiscal year 2006, land-secured financings were removed from the City's government-wide financial statements and are no longer reported as governmental activities debt. For comparative purposes, 2005 balances were restated to reflect this change. For fiscal years 2004 and prior, the balances of land-secured financings are reflected in the balances reported above as revenue bonds, special assessment bonds, and Mello-Roos bonds of the governmental activities.

(2) See Table 17 for personal income and population data. These ratios are calculated using the latest available data, personal income for fiscal year 2005 and population for fiscal year 2006.

Source: City of Stockton Administrative Services Department

Business-type Activities

Revenue Bonds	Certificates of Participation	Notes Payable	Mello- Roos Bonds	Special Assessment Bonds	Total Business-type Activities	Total Primary Government	Percent of Personal Income (2)	Per Capita (2)
\$ 69,910	\$ 103,635	\$ 787	\$ -	\$ -	\$ 174,332	\$ 261,621	1.50	% \$ 915
46,166	105,965	1,007	-	-	153,138	240,303	1.38	860
46,625	108,215	1,219	-	-	156,059	448,288	2.70	1,666
14,280	109,855	1,421	6,180	-	131,736	352,608	2.27	1,349
14,280	111,690	1,634	6,180	210	133,994	343,615	2.33	1,354
-	129,235	1,823	-	7,005	138,063	315,414	2.21	1,256
-	131,370	2,009	-	7,970	141,349	319,176	2.32	1,291
-	133,415	2,190	-	9,040	144,645	311,581	2.47	1,279
-	134,035	7,810	-	10,050	151,895	322,330	2.72	1,342
-	76,480	7,977	-	11,000	95,457	259,930	2.32	1,099

CITY OF STOCKTON

TABLE 13
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
 (Dollar amounts in thousands, except per capita)

Fiscal Year	General Bonded Debt Outstanding				Total	Percent of Assessed Value (1) of Property	Per Capita
	Lease Revenue Bonds	Certificates of Participation	Redevelopment Agency Bonds				
2006	\$ 13,965	\$ 13,300	\$ 47,000		\$ 74,265	0.004 %	\$ 0.259
2005	-	27,330	47,000		74,330	0.005	0.266
2004	-	27,550	47,000		74,550	0.006	0.277
2003	-	27,760	-		27,760	0.002	0.106
2002	-	14,665	-		14,665	0.001	0.058
2001	-	14,860	-		14,860	0.002	0.059
2000	-	14,860	-		14,860	0.002	0.060
1999	-	-	-		-	-	-
1998	-	-	490		490	0.000	0.002
1997	-	-	945		945	0.000	0.004

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City of Stockton Administrative Services Department

CITY OF STOCKTON

**TABLE 14
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2006	Percentage Applicable (1)	City's share of Debt 6/30/06
Stockton Unified School District	\$ 136,295,000	82.285 %	\$ 112,150,341
Lodi Unified School District	96,190,000	34.397	33,086,474
Lincoln Unified School District	29,999,380	87.782	26,334,056
Lincoln Unified School District Community Facilities District No. 1	29,445,814	82.215	24,208,876
Manteca Unified School District	44,157,796	21.953	9,693,961
Manteca Unified School District Community Facilities District No. 1989-1	38,876,013	100.000	38,876,013
City of Stockton Community Facilities District No. 1	31,985,000	100.000	31,985,000
City of Stockton Community Facilities District No. 90-1	6,690,000	97.662	6,533,588
City of Stockton Community Facilities District No. 90-2	28,350,000	100.000	28,350,000
City of Stockton Community Facilities District No. 90-4	12,106,336	100.000	12,106,336
City of Stockton Community Facilities District No. 96-1	4,170,000	100.000	4,170,000
City of Stockton Community Facilities District No. 99-02	6,260,000	100.000	6,260,000
City of Stockton Community Facilities District No. 2001-1 (Spanos Park West)	21,635,000	100.000	21,635,000
City of Stockton Community Facilities District No. 2003-1	3,195,000	100.000	3,195,000
City of Stockton 1915 Act Bonds	73,505,000	100.000	73,505,000
Reclamation District No. 2042 Community Facilities District No. 2001-1	7,615,000	18.211	1,386,768
San Joaquin Area Flood Control Assessment District	18,130,000	82.050	14,875,665
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 448,352,078
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	\$ 130,500,000	34.423 %	\$ 44,922,015
San Joaquin Delta Community College District Certificates of Participation	83,227,710	31.309	26,057,764
Lincoln Unified School District Certificates of Participation	3,495,000	87.782	3,067,981
Lodi Unified School District Certificates of Participation	37,030,000	34.397	12,737,209
Stockton Unified School District Certificates of Participation	25,466,955	82.285	20,955,484
City of Stockton General Fund Obligations	107,050,000	100.000	107,050,000
South San Joaquin Irrigation District Certificates of Participation	5,830,000	1.377	80,279
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 214,870,732
Less: South San Joaquin Irrigation District (100% self-supporting)			80,279
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 214,790,453
GROSS COMBINED TOTAL DEBT			\$ 663,222,810 (2)
NET COMBINED TOTAL DEBT			\$ 663,142,531
2005-06 Assessed Valuation:	\$ 15,761,939,497		
(after deducting \$1,325,398,209 redevelopment incremental valuation and other exemptions of \$916,349,380)			
2005-06 Population	286,041		
Debt Ratios		Per Capita	Ratio to Assessed Value
Total Gross Debt	\$ 663,222,810	\$ 2,319	4.21%
Total Net Debt	\$ 663,142,531	\$ 2,319	4.21%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$7,039

(1) Percent of overlapping agency's assessed valuation located within boundaries of the city.

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

Sources: California Municipal Statistics, Inc., San Francisco, CA
 San Joaquin County Auditor/Controller's Office
 State of California, Department of Finance, Demographic Research Unit

CITY OF STOCKTON

**TABLE 15
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

	Fiscal Year			
	2006	2005	2004	2003
Assessed valuation (1)	\$ 15,761,940	\$ 14,037,055	\$ 12,313,597	\$ 11,246,185
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	3,940,485	3,509,264	3,078,399	2,811,546
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	591,073	526,390	461,760	421,732
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 591,073</u>	<u>\$ 526,390</u>	<u>\$ 461,760</u>	<u>\$ 421,732</u>
Total net debt applicable to the limit as a percent of debt limit	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1982 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

(1) Reflects City assessed valuation with Redevelopment tax increments of \$1,325,398 and other exemptions of \$916,349 deducted.

Source: City of Stockton Administrative Services Department

Fiscal Year					
2002	2001	2000	1999	1998	1997
\$ 10,192,890	\$ 8,699,045	\$ 8,449,173	\$ 8,318,150	\$ 8,175,580	\$ 8,224,414
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
2,548,223	2,174,761	2,112,293	2,079,538	2,043,895	2,056,104
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
382,233	326,214	316,844	311,931	306,584	308,416
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 382,233</u>	<u>\$ 326,214</u>	<u>\$ 316,844</u>	<u>\$ 311,931</u>	<u>\$ 306,584</u>	<u>\$ 308,416</u>
0%	0%	0%	0%	0%	0%

CITY OF STOCKTON

**TABLE 16
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Dollars amounts in thousands)**

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Water Revenue Bonds							
2006	\$ 21,130	\$ 15,631	\$ 5,499	\$ 486	\$ 1,050	\$1,536	3.58
2005	20,690	12,158	8,532	460	647	1,107	7.71
2004	18,391	13,324	5,067	440	671	1,111	4.56
2003	16,332	12,320	4,012	-	614	614	6.53
2002	16,943	11,295	5,648	-	887	887	6.37
2001	16,161	11,305	4,856	355	906	1,261	3.85
2000	14,616	9,873	4,743	335	922	1,257	3.77
1999	13,814	10,294	3,520	320	938	1,258	2.80
1998	13,277	9,794	3,483	305	952	1,257	2.77
1997	13,291	8,560	4,731	295	964	1,259	3.76
Wastewater Certificates of Participation							
2006	34,877	22,357	12,520	2,330	5,044	7,374	1.70
2005	34,603	17,526	17,077	2,250	5,126	7,376	2.32
2004	31,222	22,418	8,804	1,640	5,079	6,719	1.31
2003	32,413	22,949	9,464	1,935	5,583	7,518	1.26
2002	31,313	20,859	10,454	1,855	5,661	7,516	1.39
2001	33,206	18,430	14,776	1,780	5,736	7,516	1.97
2000	32,973	20,504	12,469	1,710	5,807	7,517	1.66
1999	34,255	20,090	14,165	300	5,931	6,231	2.27
1998	32,141	20,139	12,002	885	2,297	3,182	3.77
1997	28,537	19,167	9,370	845	3,757	4,602	2.04

(Continued)

CITY OF STOCKTON

TABLE 16
PLEGGED-REVENUE COVERAGE (Continued)
LAST TEN FISCAL YEARS
(Dollars amounts in thousands)

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Central Parking District Lease Revenue Bonds							
2006	4,527	2,021	2,506	-	1,653	1,653	1.52
2005	3,873	1,957	1,916	-	1,130	1,130	1.70
2004	3,337	1,861	1,476	6,180	385	6,565	0.22
2003	3,283	1,359	1,924	210	301	511	3.77
2002	2,949	1,245	1,704	6,799	245	7,044	0.24
2001	2,453	1,192	1,261	555	553	1,108	1.14
2000	2,353	1,082	1,271	515	573	1,088	1.17
1999	2,230	1,087	1,143	490	606	1,096	1.04
1998	2,149	986	1,163	465	637	1,102	1.06
1997	2,013	982	1,031	435	666	1,101	0.94

Includes all nongeneral obligation long term debt backed by pledged revenues.

Details regarding the City's outstanding debt can be found in the Note 7 on pages 58-67 of these financial statements.

(1) Total revenues (including investment earnings) exclusive of capital contributions.

(2) Total operating expenses exclusive of depreciation and amortization.

Source: City of Stockton Administrative Services Department

CITY OF STOCKTON

**TABLE 17
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Personal Income (millions of dollars)	Per Capita Personal Income	Unemployment Rate	Labor Force	Total Housing Units	Household Average Size	Median Family Income	School Enrollment
2006	286,041	n/a	n/a	7.2 %	120,000	94,409	3.05	\$57,100	77,982
2005	279,513	\$ 17,387	\$ 26,181	9.4	119,214	91,725	3.13	55,300	72,097
2004	269,100	16,573	25,527	9.6	118,127	88,826	3.11	55,100	67,674
2003	261,300	15,543	24,620	11.0	121,133	85,988	3.12	50,600	61,853
2002	253,800	14,747	24,150	10.2	116,126	84,303	3.08	47,500	61,006
2001	251,100	14,281	24,086	8.2	111,767	82,798	3.06	46,900	57,970
2000	247,300	13,757	24,209	8.3	109,226	82,042	3.04	45,400	59,451
1999	243,700	12,632	22,867	10.2	106,349	80,465	3.03	44,300	64,059
1998	240,100	11,859	21,952	12.6	103,480	80,207	2.99	43,700	62,389
1997	236,500	11,207	21,071	12.9	102,228	77,608	3.04	42,600	59,555

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area. In computing per capita personal income, Bureau of Economic Analysis uses the Census Bureau's annual midyear population estimates.

Sources: City of Stockton: Administrative Services Department, Community Development, Economic Development
Bureau of Economic Analysis
US Dept of Commerce
US Dept of HUD
CA Dept of Finance

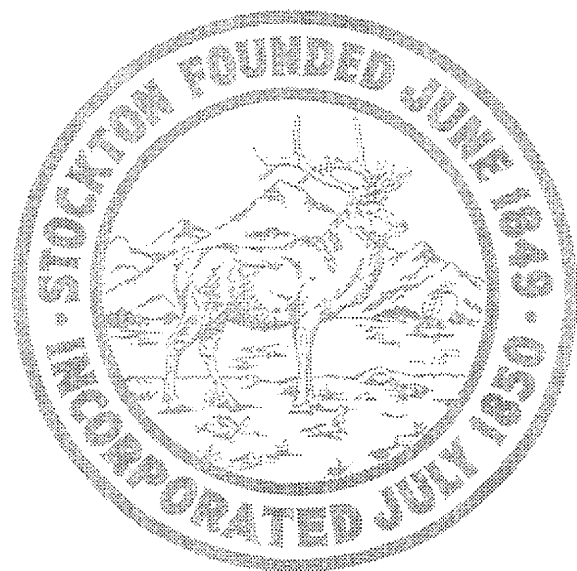
CITY OF STOCKTON

**TABLE 18
PRINCIPAL PRIVATE EMPLOYERS
FOR FISCAL YEAR ENDED JUNE 30, 2006**

<u>Employer</u>	<u>Fiscal Year</u>		<u>Percent of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
St. Joseph's Medical Center	2,800	1	2.33 %
Dameron Hospital	1,200	2	1.00
Washington Mutual	1,000	3	0.83
University of the Pacific	974	4	0.81
Pacific Gas and Electric	879	5	0.73
Kaiser Permanente	760	6	0.63
Diamond Walnut	715	7	0.60
San Joaquin Delta College	650	8	0.54
The Grupe Company	500	9	0.42
AT&T	500	10	0.42
Total	9,978		8.32

Note: The City of Stockton implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to the implementation of GASB 44 is not available.

Source: City of Stockton Economic Development Department



CITY OF STOCKTON

**TABLE 19
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM/DEPARTMENT
FOR FISCAL YEAR ENDED JUNE 30, 2006**

	Fiscal Year
	2006
Function/Program/Department:	
Administrative Services	86
City Attorney	18
City Auditor	5
City Clerk	8
City Council	3
City Manager	27
Community Development	46
Human Resources	24
Office of Economic Development	24
Police:	
Sworn	408
Non-sworn	205
Animal control	18
Fire:	
Firefighters-sworn	275
Firefighters-auxiliary	25
Non-sworn personnel	32
Paramedic teams (2 per team)	13
Public Works	168
Library	86
Parks and Recreation	99
Water Utility	3
Wastewater Utility	12
Stormwater Utility	2
Central Parking District	2
Total	1,589

Note: The City of Stockton implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to the implementation of GASB 44 is not available.

Source: City of Stockton

CITY OF STOCKTON

**TABLE 20
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
FOR FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Fiscal Year</u>
	2006
General government:	
Building permits issued	7,579
Business tax certificates:	
Retail sales and service	9,283
Manufacturers and processors	206
Professions	2,286
Miscellaneous contractors, peddlers, delivery vehicles, etc.	5,640
Improvement district and hotel/motel room tax	257
Utility billing/customer service:	
Utility bills issued	431,056
Utility accounts opened and closed	20,284
New service locations (water) added	1,778
Utility customer service calls received	125,179
Utility customers using automated voice response	32,985
Miscellaneous accounts receivable bills issued	18,788
Public safety:	
Police:	
Major reported crimes	23,123
Total arrests	24,412
Dispatched calls for service	169,605
Fire:	
Interior structure fire calls	481
Non-structural fire calls	1,795
Hazardous materials calls	673
Emergency medical calls	24,218
Total emergency calls	36,321
Total number of units dispatched	56,655
Public works:	
Miles of streets resurfaced	33
Fleet job orders completed	14,363
Library:	
Registered borrowers	246,983
Circulation of library materials	2,073,852
Reference, research and informational questions answered	336,650
Annual attendance at libraries	1,587,653
Number of programs offered	2,003
Annual attendance at programs	53,222
Parks and recreation:	
Golf rounds:	
Lyons golf course	23,513
Swenson Park golf course	59,670
Van Buskirk golf course	24,180

(Continued)

CITY OF STOCKTON

**TABLE 20
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT (Continued)
FOR FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Fiscal Year</u> 2006
Trees planted	882
Heritage tree removal-permits issued	16
After school program registration (number of participants/sites)	82,000 @ 54 sites
Day camps in winter (number of participants)	114
Day camps in summer (number of participants)	2,359
Day camps at Children's Museum (number of participants)	2,131
Mobile recreation programs (number of participants)	800
Instructional classes	132
Softball/baseball diamonds bookings	2,773
Showmobile bookings	31
Community center bookings	12
Picnic facility bookings	583
Adult sports (number of teams):	
Softball	610
Basketball	52
Volleyball	10
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants)	12,499
Admissions to:	
Pixie Woods	42,320
Swimming pools	12,720
Teen Center	15,000
Silver Lake	1,798
Children's Museum	55,969
Senior Center memberships	469
Civic Auditorium bookings	309
Parks and Recreation sponsored events	9
Philomathean Club bookings	6
Weber Point Events Center bookings	27
Water utility:	
New connections	2,563
Water main breaks	20
Wastewater utility:	
Average daily treatment (million gal/day)	35 mgd

Note: The City of Stockton implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to the implementation of GASB 44 is not available.

Source: City of Stockton

CITY OF STOCKTON

**TABLE 21
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT
LAST TWO FISCAL YEARS**

	Fiscal Year	
	2006	2005
General government:		
Land use-square miles:		
Residential	33.29	32.93
Mixed use	1.62	1.62
Commercial	5.92	4.99
Industrial	10.99	10.97
Institutional	4.86	4.86
All other uses	3.71	3.26
Total square miles	60.39	58.63
Public safety:		
Police:		
Facilities:		
Stations and substations	5	4
Animal control facility	1	1
Police training facility (pistol range)	1	1
Vehicles:		
Marked patrol cars	119	127
Motorcycles and scooters	30	27
Animal control vehicles	9	9
VIPS vehicles	5	5
Other automobiles	125	122
Other mobile units (all others)	37	37
Public area security cameras	32	23
Fire:		
Fire stations	13	13
Training facilities	1	1
Fire hydrants	8,338	7,087
Public works:		
Miles of streets	734	706
Traffic signals	284	278
Street lights	19,164	n/a

(Continued)

CITY OF STOCKTON

**TABLE 21
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT (Continued)
LAST TWO FISCAL YEARS**

	Fiscal Year	
	2006	2005
Parks and recreation:		
Parks and squares	62	62
Park acreage	619	614
Boating facilities - launch lanes	10	10
Municipal golf courses	4	4
Golf course acreage	408	408
Family camps	1	1
Senior center	1	1
Ice rink	1	1
Community centers	6	5
Swimming pools	5	4
Baseball/softball diamonds	43	42
Tennis courts	67	65
Skateboard park	1	1
Bike/jogging paths (miles)	20	19
Group picnic areas	26	24
Teen Center	1	1
Civic Auditorium (2,800 capacity)	1	1
Showmobile	2	2
Playgrounds	66	n/a
Children's Museum	1	1
Weber Point Events Center	1	1
Philomathean Club	1	1
Gymnasium	1	-
Arena	1	n/a
Ballpark	1	1
Theater (Bob Hope)	1	1
Consolidated landscape maintenance districts:		
Streetscaping (square feet)	1.9 million	n/a
Public open spaces (acreage)	63	n/a

(Continued)

CITY OF STOCKTON

**TABLE 21
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT (Continued)
LAST TWO FISCAL YEARS**

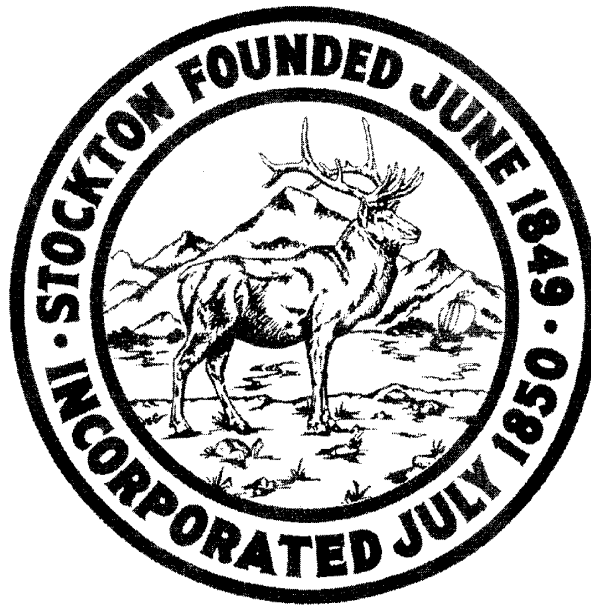
	Fiscal Year	
	2006	2005
Library:		
Central library	1	1
City branches	3	3
Library mobile units	2	2
San Joaquin County branches	7	7
Total items in collection	1,055,726	1,152,475
Cargo delivery van	1	1
Cargo van	1	1
Undeveloped land for branch library	2	2
Integrated library system	1	1
Microform readers	5	5
Microform readers/printers	3	3
Self check out machines	13	13
Water utility:		
Water main lines	520	480
Storage capacity (thousand gallons)	15,800	15,800
Water wells	39	37
Water reservoirs	5	5
Wastewater utility:		
Wastewater main lines (miles)	875	820
Treatment capacity (million gals/day)	42	42
Wastewater pump stations	24	24
Stormwater utility:		
Stormwater main drain lines (miles)	584	550
Stormwater pump stations	72	72
Central parking district:		
Parking spaces	8,497	n/a
Parking lots	18	n/a

Note: The City of Stockton implemented GASB 44 for the fiscal year ended June 30, 2006. Information for 2005 was presented where available.

Source: City of Stockton Departments



CITY OF STOCKTON



SINGLE AUDIT SECTION

SINGLE AUDIT SECTION



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 Stockton, California

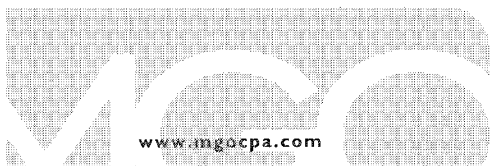
**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
 REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
 AND INTERNAL CONTROL OVER COMPLIANCE IN
 ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of Stockton, California (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.



Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated October 9, 2006. Our report contained explanatory paragraphs discussing the City's implementation of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation* and the City's change in how it accounts for its land-secured financing. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, and officials of applicable federal and state grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California

October 9, 2006



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City Council
 City of Stockton
 Stockton, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
 OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
 OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
 STATEMENTS PERFORMED IN ACCORDANCE WITH
 GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Stockton, California (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 9, 2006. Our report contained explanatory paragraphs discussing the City's implementation of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation* and the City's change in how it accounts for its land-secured financing. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, and officials of applicable federal and state grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
October 9, 2006

**CITY OF STOCKTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006
(Dollar Amounts in Thousands)**

Federal Department

Federal Agency

Pass-Through Agency (if not direct)

Program Title	CFDA No.	Grant Period	Grant Number	Receipts		Expenditures	
				Federal	Local	Federal	Local
Department of Commerce							
Direct							
South Stockton Aqueduct	11.300	3/11/04-3/11/09	07-01-05485	\$ 4,977	\$ -	\$ 4,977	\$ -
Department of Housing and Urban Development							
Direct							
Community Development Block Grants/ Entitlement Grants	14.218	07/01/05-06/30/06	B-05-MC-06-0026	7,150	-	7,280	-
Community Development Block Grants/ Entitlement Grants	14.218		program income	24	-	387	-
Total Community Development Block Grants Entitlement Grants				7,174	-	7,667	-
Emergency Shelter Grants Program	14.231	07/01/05-06/30/06	S-05-MC-06-0026	256	-	170	-
HOME Investment Partnerships Program	14.239	07/01/05-06/30/06	M-05-MC-06-0021	2,828	-	1,793	-
Economic Development Block Grant (EDI)	14.246	01/01/01-	B-98-ED-06-0050	211	-	393	-
Special Economic Development Block Grant	14.246	01/01/01-	B-02-SP-CA-0108	290	-	-	-
Total Community Development Block Grants/ Brownfield Economic Development Initiative				501	-	393	-
Community Development Block Grants - Section 108 Loan Guarantees	14.248	07/01/05-06/30/06	B-03-MC-06-0026	200	-	200	-
Housing Authority of the County of San Joaquin Public Housing Drug Elimination Program P.D.	14.854	01/01/05-12/31/05	CA-024	150	-	210	-
Total Department of Housing and Urban Development				11,109	-	10,433	-
Department of Interior							
Direct							
Historic Preservation Fund Grants-In-Aid	15.904	06/01/03-12/31/05	06-03-ML-1305	25	-	13	-
Urban Parks and Recreation Recovery Grant	15.919	10/29/02-10/29/05	06CTY37700201	-	-	506	-
Total Department of Interior				25	-	519	-
Department of Justice							
Direct							
Local Law Enforcement Block Grants	16.592	07/01/05-06/30/07		-	-	74	-
Local Law Enforcement Block Grants	16.592	12/14/04-12/15/06	2004-LB-BX-1398	-	-	127	-
Local Law Enforcement Block Grants	16.592	10/30/03-10/29/05	2003-LB-BX-1816	-	-	19	-
Total Local Law Enforcement Block Grants Program				-	-	220	-
State of California Board of Corrections							
Peacekeeper Enhancements	16.523	07/01/03-06/30/04	IP03018019	(76)	-	(76)	-
Peacekeeper Enhancements	16.523	07/01/04-06/30/05	BDC 182-04	82	-	-	-
Peacekeeper Enhancements	16.523	07/01/05-06/30/06	CSA 182-05	15	1	15	1
Total Juvenile Accountability Incentive Block Grants				21	1	(61)	1
State of California Office of Emergency Services							
Special Unit Combating Violence Against Women	16.588	07/01/04-06/30/05	LE04028019	21	-	-	-
Special Unit Combating Violence Against Women	16.588	07/01/05-06/30/06	LE05028019	79	32	96	32
Total Special Unit Combating Violence Against Women				100	32	96	32
San Joaquin County District Attorney's Office							
Cracnet Grant	16.579	07/01/04-06/30/05	DC03140390	91	-	-	-
Cracnet Grant	16.579	07/01/05-06/30/06		140	-	123	-
Litigated Asset Seizures	16.579			200	-	133	-
Total				431	-	256	-
Total Department of Justice				552	33	511	33

See notes to the schedule of expenditures of federal awards.

CITY OF STOCKTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Dollar Amounts in Thousands)

Federal Department**Federal Agency**

Pass-Through Agency (if not direct)

Program Title

CFDA

No.

Grant

Period

Grant

Number

Receipts

Federal

Local

Expenditures

Federal

Local

Department of Transportation

State Department of Transportation

ISTEA-Charter Way Enhancements	20.205			STPLE-5008(028)	-	(254)	-	(254)
ISTEA-Pershing/Smith Canal Bridge	20.205	12/27/96-		BHLS-5008(029)	31	1	3	1
ISTEA-Pacific/Calaveras Bridge	20.205	02/13/97-06/30/06		STPLZ-5008(031)	598	259	277	259
ISTEA-March Ln/El Dorado Traffic Signal	20.205	07/24/01-		CML-5008(050)	165	8	80	8
ISTEA-Swain/Pacific Ave UPRR Traffic Xing	20.205	07/24/01-		STPLH-5008(052)	2	-	-	-
ISTEA-Mormon Slough/Airport Way Bridge	20.205	03/13/03-		BHLS-5008(053)	28	2	(1)	2
ISTEA-Davis Rd/Pixley Slough Bridge	20.205	03/27/03-		BRLS-5008(055)	125	43	59	43
ISTEA-Traffic Signals Control	20.205	6/25/02-		CML-STPL-5008(020)(057)	20	203	130	203
ISTEA-Sperry Rd - Perf/French Camp	20.205	08/26/02-		NCPD-5008(059)	272	136	235	136
ISTEA-Pacific Ave/Miracle Mile Beaut	20.205	08/26/02-		TCSP016-5008(060)	148	1	-	1
ISTEA-Pershing/Harding NB/SB Light	20.205	01/08/03-		STPLH-5008(061)	-	666	259	666
ISTEA-Airport/Miner Traffic Signal Mod	20.205	01/07/03-		STPLH-5008(062)	139	11	-	11
ISTEA-Pershing/March Signal Mod	20.205	01/08/04-		STPLH-5008(068)	31	-	28	-
ISTEA-Pacific Calaveras Bridge Scour	20.205	03/30/04-06/06/06		BHLO-5008(070)	598	-	344	-
ISTEA-Hammer Lane/SR 99	20.205	08/16/04-		STPLN-5008(072)	6,536	18,818	7,453	18,818
ISTEA-Bus Rapid Transit	20.205	08/23/05-		CML-5008(074)	29	9	42	9
ISTEA-Neighborhood Traffic Management	20.205	10/01/04-9/30/06		RS0522	158	-	158	-
Total Highway Planning and Construction					8,880	19,903	9,067	19,903

State of California Office of Traffic Safety

California Seat Belt Compliance Campaign	20.600	02/01/05-08/31/05		IN43904	57	-	-	-
California Seat Belt Compliance Campaign	20.600	02/01/06-08/31/06		IN63903	-	-	76	-
Sobriety Checkpoint Program for Local Law Enforcement	20.600	12/01/04-09/30/05		AM05003	13	-	8	-
DUI/Speed Enforcement & Education Program	20.600	02/01/03-06/30/06		AL0367	217	-	112	-
Illegal Street Racing Campaign	20.600	05/01/05-05/31/07		PT0563	107	-	183	-
Total State and Community Highway Safety					394	-	379	-

Total Department of Transportation

	9,274	19,903	9,446	19,903
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Department of Museum and Library Services

Direct

Delta Region Exhibit	45.312	08/01/03-08/01/05		CM-00-03-0050-03	99	-	19	-
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Environmental Protection Agency

Direct

Superfund - Brownfields Program	66.xxx	07/01/98-10/31/06		VP-98981101-0	58	-	29	-
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Department of Education

Direct

Dept of Ed - After School Program	84.215	10/01/05-09/30/06		U215K050595	129	-	129	-
FIE Earmark - After School Program	84.215	10/01/04-09/30/05		U215K040436	282	-	277	-
Total					411	-	406	-

Department of Health and Human Services

Lao Khmu Association, Inc.

Refugee and Entrant Assistance - Discretionary Grants	93.576	12/4/02-		901RI0015/01	32	-	27	-
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State of California Office of Emergency Services

Children's Justice Grants to States	93.643	10/01/04-09/30/05		EV04028019	168	-	80	-
Children's Justice Grants to States	93.643	10/01/05-09/30/06		EV05038019	-	-	185	-

Total Children's Justice Grants to States

	168	-	265	-
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Total Department of Health and Human Services

	200	-	292	-
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(Continued)

CITY OF STOCKTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Dollar Amounts in Thousands)

Federal DepartmentFederal Agency

Pass-Through Agency (if not direct) Program Title	CFDA No.	Grant Period	Grant Number	Receipts		Expenditures	
				Federal	Local	Federal	Local
Department of Homeland Security							
Direct							
Metropolitan Medical Response System	97.071	10/01/04-03/10/07	EMW-2004-GR0712	400	-	55	-
Metropolitan Medical Response System	97.071	9/15/01-12/19/04	233-01-0058	230	-	106	-
Total				630	-	161	-
FEMA Assistance to Firefighters	97.044	08/27/04-02/27/06	US1280	210	-	300	-
Total Department of Homeland Security				840	-	461	-
TOTAL FEDERAL ASSISTANCE				<u>\$ 27,545</u>	<u>\$ 19,936</u>	<u>\$ 27,093</u>	<u>\$ 19,936</u>

RECONCILIATION TO THE CITY OF STOCKTON FINANCIAL STATEMENTS:

Federal grants and subsidies revenue:

Capital Improvement Fund	\$ 519	\$ 519
Redevelopment Agency Fund	29	29
Other Governmental Funds	20,981	20,981
Total federal grants and subsidies revenue	21,529	21,529
Items not recorded as federal grants and subsidies revenue:		
Program income - loan principal and interest	24	387
Capital contributions - Water Utility Fund	4,977	4,977
Loan guarantees - presented as proceeds of long-term debt	200	200
Total federal expenditures		<u>\$ 27,093</u>
Decrease in accrued federal grants and subsidies	815	
Total federal receipts	<u>\$ 27,545</u>	

See notes to the schedule of expenditures of federal awards.

CITY OF STOCKTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006 (Dollar amounts in thousands)

NOTE A – REPORTING ENTITY

The accompanying schedule of expenditures of federal awards (SEFA) presents the expenditures of all the federal award programs of the City of Stockton, California (City) for the year ended June 30, 2006. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the SEFA. The City's reporting entity is defined in Note 1 to the City's financial statements.

The City administers certain federal awards through subrecipients. Those subrecipients are not considered part of the City's reporting entity.

NOTE B – BASIS OF ACCOUNTING

Expenditures as presented in the SEFA are reported on the modified accrual basis of accounting. That is, expenditures are recognized when they become a demand on current available financial resources. Receipts as presented in the SEFA are reported on the cash basis of accounting. That is, receipts are recognized when received. Federal receipts are reconciled to revenues as presented in the City's Comprehensive Annual Financial Report at the end of the SEFA.

NOTE C – LOAN GUARANTEES

The City entered into three loan guarantee agreements with the U.S. Department of Housing and Urban Development (CFDA No. 14.248) to complete redevelopment projects. The loan amounts are for a maximum of \$3,000, \$10,000, and \$12,500 each. Principal of \$430 was paid on these loans during fiscal year 2006; \$95, \$335, and \$0, respectively; leaving outstanding balances of \$2,575, \$8,790, and \$200, respectively, as of June 30, 2006. Final payment on the first two loans is due in August 2020; the third is due in August 2025. Interest is calculated at a variable rate based on the London Interbank Offered Rate (LIBOR) plus 20 basis points per annum. Accumulated interest will be recognized as expenditures when paid. Repayment of the loans will be financed from Community Development Block Grant entitlement funds.

CITY OF STOCKTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Dollar amounts in thousands)**

NOTE D – SUBRECIPIENTS

Federal assistance provided to subrecipients is summarized as follows:

<u>Federal Agency Program Title</u>	<u>Federal CFDA #</u>	<u>Subrecipient</u>	<u>Expended</u>
Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218	San Joaquin Fair Housing	\$ 130
		Child Abuse Prevention Council	47
		Senior Service Center	7
		Second Harvest Food Bank	30
		Emergency Food Bank	20
		Women's Center of San Joaquin	19
		Stockton Shelter for the Homeless	66
		SUSD reimbursable construction costs	222
Emergency Shelter Grants Program	14.231	San Joaquin County Neighborhood Preservation	<u>170</u>
			<u>\$ 711</u>

NOTE E – HOUSING AND REHABILITATION PROGRAM LOANS

The City participates in housing and rehabilitation programs whereby funds have been received in the current year and prior years for housing and rehabilitation loans. Total loans outstanding for these programs are \$40,051 at June 30, 2006. Interest earned and repayment of the loans are not refunded to the federal government, but are used to make additional loans.

CITY OF STOCKTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Dollar amounts in thousands)**

NOTE F – OFFICE OF EMERGENCY SERVICES AND BOARD OF CORRECTIONS GRANTS

The following schedules present only the amounts related to the federal grants passed through the California Office of Emergency Services (OES) and Board of Corrections (BOC) and does not include all grants passed through these agencies. These schedules reconcile the expenditures for state grant reporting purposes to the amounts presented in the SEFA.

Grant No. LE05028019 – The City reported total cumulative expenditures for the period July 1, 2005 through June 30, 2006 on Form 201 as follows:

	Budget	Actual	Variance
Personal Services	\$ 65	\$ 65	\$ -
Operating Expenses	63	63	-
Total Expenditures per Form 201	<u>\$ 128</u>	<u>\$ 128</u>	<u>\$ -</u>
	Federal	Local	Total
Passed through California:			
Office of Emergency Services	\$ 96	\$ 32	\$ 128
Total Expenditures per SEFA as CFDA No. 16.588	<u>\$ 96</u>	<u>\$ 32</u>	<u>\$ 128</u>

Grant No. CSA 182-05 – The City reported total cumulative expenditures for the period July 1, 2005 through June 30, 2006 on Form 201 as follows:

	Budget	Actual	Variance
Personal Services	<u>\$ 16</u>	<u>\$ 16</u>	<u>\$ -</u>
	Federal	Local	Total
Passed through California:			
Board of Corrections	\$ 15	\$ 1	\$ 16
Total Expenditures per SEFA as CFDA No. 16.523	<u>\$ 15</u>	<u>\$ 1</u>	<u>\$ 16</u>

CITY OF STOCKTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Dollar amounts in thousands)**

**NOTE F – OFFICE OF EMERGENCY SERVICES AND BOARD OF CORRECTIONS
GRANTS (Continued)**

Grant No. EV04028019 – The City reported total cumulative expenditures for the period July 1, 2005 through September 30, 2005 on Form 201 as follows:

	Budget	Actual			Variance
		Prior	Current	Total	
Personal Services	\$ 129	\$ 96	\$ 33	\$ 129	\$ -
Operating Expenses	153	100	47	147	6
Equipment	8	8	-	8	-
Total Expenditures per Form 201	<u>\$ 290</u>	<u>\$ 204</u>	<u>\$ 80</u>	<u>\$ 284</u>	<u>\$ 6</u>
		Federal	Local	Total	
Passed through California:					
Office of Emergency Services		<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 80</u>	
Total Expenditures per SEFA as CFDA No. 93.643		<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 80</u>	

Grant No. EV05038019 – The City reported total cumulative expenditures for the period October 1, 2005 through June 30, 2006 on Form 201 as follows:

	Budget	Actual	Variance
Personal Services	\$ 156	\$ 109	\$ 47
Operating Expenses	112	65	47
Equipment	11	11	-
Total Expenditures per Form 201	<u>\$ 279</u>	<u>\$ 185</u>	<u>\$ 94</u>
	Federal	Local	Total
Passed through California:			
Office of Emergency Services	<u>\$ 185</u>	<u>\$ -</u>	<u>\$ 185</u>
Total Expenditures per SEFA as CFDA No. 93.643	<u>\$ 185</u>	<u>\$ -</u>	<u>\$ 185</u>

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006 (Dollar Amounts in Thousands)

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with § 510(a) of Circular A-133?	No
Identification of major programs:	
CFDA #11.300 Grants for Public Works and Economic Development Facilities	
CFDA #20.205 Highway Planning and Construction	
Dollar threshold used to distinguish between Type A and Type B programs:	\$813
Auditee qualified as low-risk auditee?	Yes

CITY OF STOCKTON

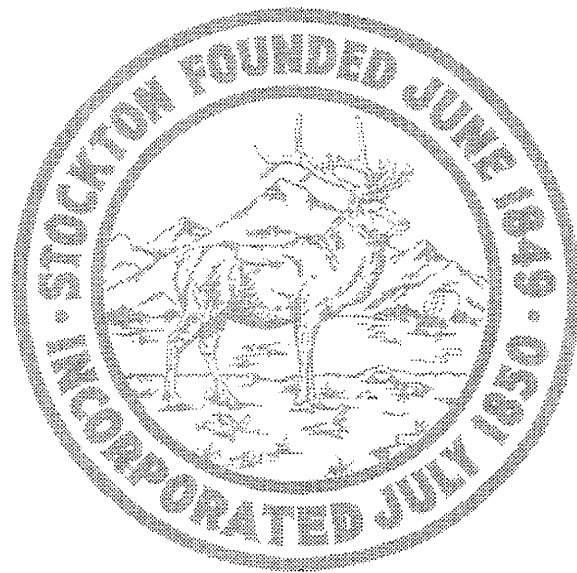
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Dollar Amounts in Thousands)

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.



Accounting Section, City of Stockton Administrative Services Department



Pictured (left to right)

Back row: Armando Castillo, Cathy Lucas, Kevin Beltz, and Lynne Farrar.

Front row: Teri Chapa, Susan Jamison, Mike Gunn, Maryann Garcia, and Katharine Moon.

The accounting section was photographed in front of the new multi-purpose Stockton Events Center-Arena which opened December 2, 2005. The 220,000 square foot Arena seats 10,000 and will accommodate various sporting events, concerts and conventions. It is home to the **Stockton Thunder** - Minor League Hockey Team, **Stockton Lightning** – Arena 2 Football Team, and **California Cougars** - Major Indoor League Soccer Team. For team schedules and information about other scheduled events, please visit the Arena website at <http://www.stocktonarena.com/>.

