



CITY OF STOCKTON



# COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2007

STOCKTON, CALIFORNIA



CITY OF STOCKTON

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

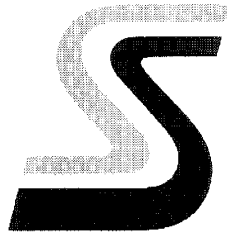
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
CITY OF STOCKTON, CALIFORNIA**

Prepared and Issued by  
The Administrative Services Department

**MARK L. MOSES**  
Director of Administrative Services/CFO

**JANET M. SALVETTI**  
Assistant Director of Administrative Services





CITY OF STOCKTON



**INTRODUCTORY SECTION**

**CITY OF STOCKTON**

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FOR THE YEAR ENDED JUNE 30, 2007  
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# CITY OF STOCKTON

ADMINISTRATIVE SERVICES - ACCOUNTING

City Hall • 425 N. El Dorado Street • Stockton, CA 95202-1997 • 209/937-8571 • Fax 209/937-8822  
www.stocktongov.com

October 31, 2007

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

The City Charter and state law require that the City of Stockton, California (City) publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Stockton for the fiscal year ended June 30, 2007.

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. Because the cost of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

Macias Gini & O'Connell LLP, an independent firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Stockton for the fiscal year ended June 30, 2007 are free of material misstatement. 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, 2007, 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.

The independent audit of the financial statements of the City is part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. 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 the center of California's flourishing San Joaquin Valley and is the seat of San Joaquin County. Stockton is strategically located about 80 miles east of the San Francisco Bay area and 40 miles south of Sacramento, the capital of California. The City encompasses 60 square miles and has an estimated population of approximately 290,000 making it the 13<sup>th</sup> largest city in California. Stockton is surrounded by the rich and fertile lands of the California Central Valley and is home to the largest inland seaport in California.

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), library, sanitation (solid waste disposal, wastewater, and storm water utilities), water utility, community development, parks and recreation, and general administrative services.

Certain community development activities and infrastructure construction are provided through the Stockton Redevelopment Agency, a legally separate entity. The City Council sits as the Redevelopment Agency's board, and the Agency functions as a department of the City.

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.*** During the last ten years, the City experienced economic growth that is now being followed by a decline in revenues. Stockton, along with many other Cities in California, is experiencing the effects of a slowing economy. Although the City's population increased by 1.3%, the unemployment rate rose by 2.10% during the same period.

Stockton's second largest revenue source, utility user tax, declined by \$4.2 million due to the City Council's approval of a 2005 resolution to reduce the utility user tax rate from 8% to 6%, with the final reduction from 7% to 6% effective July 1, 2006. A mild winter combined with lower prices for natural gas and a rebate given by the local gas provider added to the overall reduction in revenue in 2007.

Stockton's property tax base has shown a steady increase in revenues due to the building boom the City experienced earlier in the decade. An additional factor in the growth is the added market value increase in resale homes. As this slows due to a weakening housing market this revenue source will feel the effect.

Significant progress has been made on projects funded through the Strong Neighborhood Initiative (SNI) adopted by the Council in June 2006. The initiative included a sale of \$110 million in revenue bonds which are being used strictly within designated redevelopment project areas, specifically Midtown, North Stockton, and South Stockton, to improve neighborhood conditions, enhance community safety, expand community service, and strengthen community partnerships.

***Long-Term Financial Planning.*** The Stockton City Council annually adopts a five-year Capital Improvement Program (CIP). The CIP serves as a plan of the public projects necessary for orderly implementation of the Stockton General Plan. The 2007-12 CIP proposes a total spending plan over the next five years of \$1,190,869,000. 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 2007-08. The CIP appropriation for fiscal year 2007-08 is \$98,673,000.

**Cash Management and Policies.** The government code and City policy stipulate how the City's temporarily idle cash 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. The market value for the City's investment portfolio of June 30, 2007 was \$280,776,03. The effective rate of return on investments not held by fiscal agents for the fiscal year ending June 30, 2007 was 4.30%.

In September 2006, the Budget, Finance and Economic Development Committee requested the Administrative Services Department explore the feasibility of contracting for investment portfolio management services. Subsequently the Council authorized a Request for Proposal (RFP) be issued for these services. Effective July 1, 2007, the City entered into an agreement with Chandler Asset Management for management of the City's long term cash portfolio. The daily cash management is being managed by the Assistant Director of Administrative Services.

Additional information on cash management can be found in Note 1 and 2 in the notes to the financial statements.

**Risk Management.** The City is self-insured for general liability, workers' compensation, and health insurance. The City participates in two multi-agency joint powers authorities to provide excess insurance coverage, one for liability coverage and one for workers' compensation coverage. The City also 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 in the notes to 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 for its public safety and non-safety employees 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 notes to the financial statements.

On April 5, 2007, the City issued taxable Pension Obligation Bonds in the amount of \$125,310,000. The bonds were issued to restructure approximately 85% of the

unfunded obligations of the City's pension plans and to fix the amortization of the remaining 15% on the unfunded accrued actuarial liability to a 30-year time frame. The purpose of this action was to reduce cost of funding this benefit and ensure that the unfunded liability is not pushed indefinitely into the future.

**Major Initiatives.** Each year the Council reviews how planned improvements are working and determines how changes in direction or process would benefit City residents. During 2006-07, Council established the following goals for 2007-08:

- A. Reduce crime and improve safety
- B. Maintain open and thorough processes for monitoring the fiscal health of the City.
- C. Articulate a vision for the ongoing revitalization of downtown, the waterfront, and continued infrastructure, economic development, and redevelopment initiatives throughout the City.
- D. With regional sensitivity develop a vision for long-term growth for Stockton to provide for appropriate and viable development and economic growth.
- E. Evaluate the integration of technology into operations in the delivery of services.
- F. Develop a strategy to meet the diverse housing needs of the City.

### **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, 2006. 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 18 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.

The preparation of this report would not have been possible without the efficient and dedicated services of the Accounting Division, 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/ CFO



JANET SALVETTI  
ASSISTANT DIRECTOR OF  
ADMINISTRATIVE SERVICES



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, 2006.

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

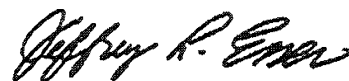
**City of Stockton  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



President



Executive Director

# CITY OF STOCKTON CITY COUNCIL



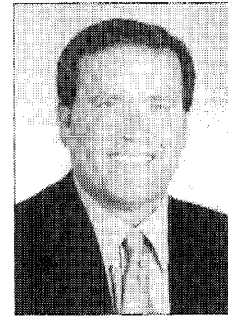
**EDWARD J. CHAVEZ**  
MAYOR



**LESLIE BARANCO MARTIN**  
VICE MAYOR  
*District 3*



**STEVE J. BESTOLARIDES**  
COUNCILMEMBER  
*District 1*



**DAN J. CHAPMAN**  
COUNCILMEMBER  
*District 2*



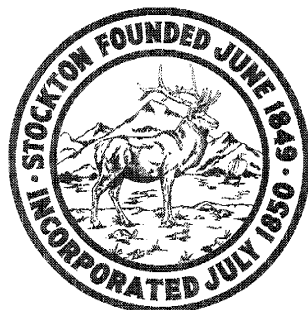
**CLEM LEE**  
COUNCILMEMBER  
*District 4*



**SUSAN EGGMAN, PH.D**  
COUNCILMEMBER  
*District 5*



**REBECCA G. NABORS**  
COUNCILMEMBER  
*District 6*



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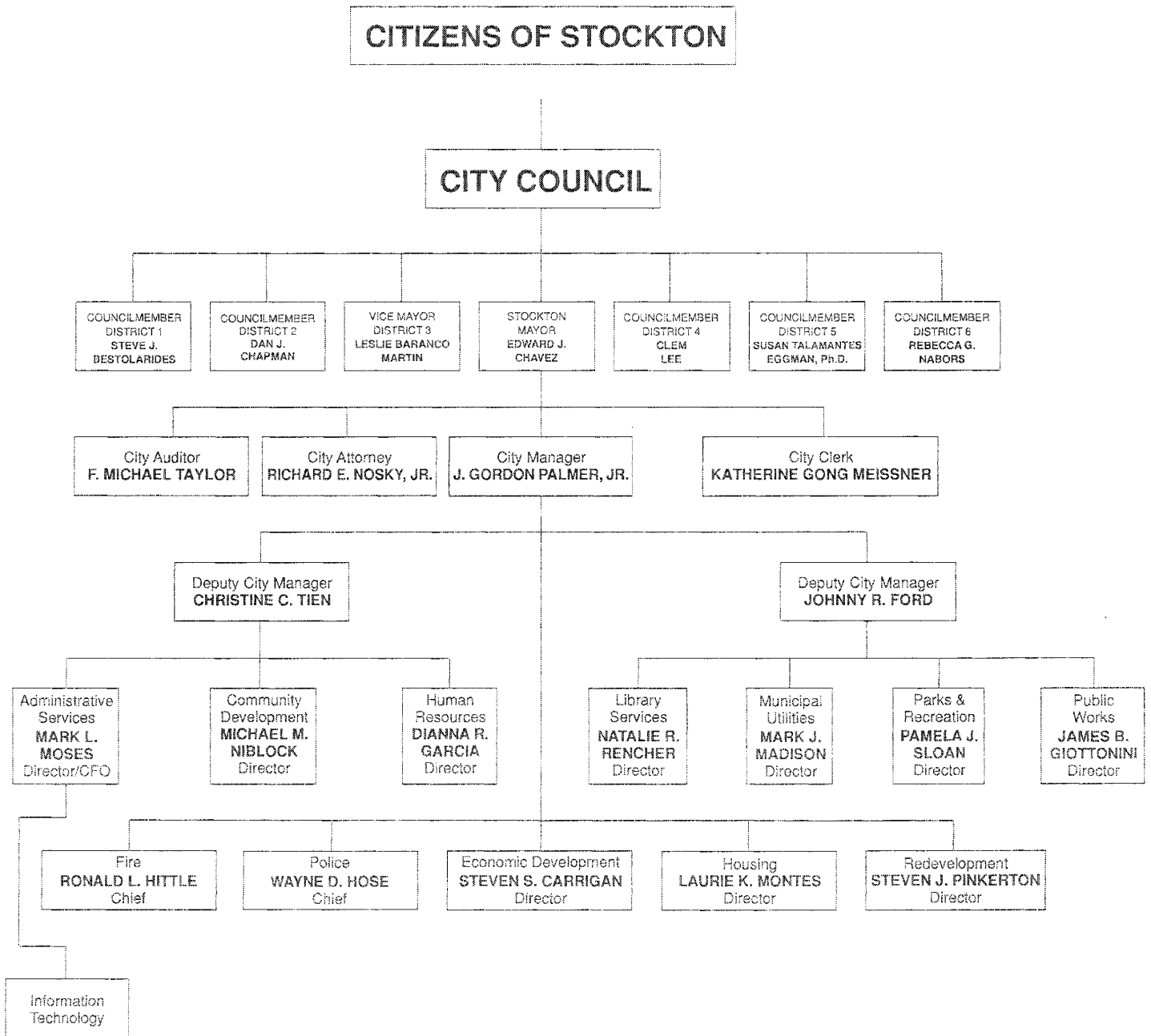
**Stockton**

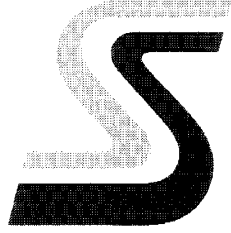


2004  
1999



**CITY OF STOCKTON  
ORGANIZATION CHART / LIST OF PRINCIPAL OFFICIALS  
AS OF JUNE 30, 2007**





CITY OF STOCKTON

FINANCIAL SECTION



FINANCIAL SECTION



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

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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, 2007, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2007, 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.

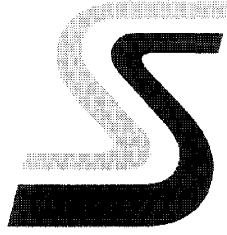
The management's discussion and analysis, schedules of defined benefit pension plans funded status and schedule of revenues, expenditures and changes in fund balance – budget and actual – on a budgetary basis – General Fund, as listed in the table of contents, are not a required part of the basic financial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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining 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.

*Macías Gini & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
October 31, 2007



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, 2007. 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.

### FINANCIAL HIGHLIGHTS

- At the close of the 2007 fiscal year, the City's assets exceeded its liabilities by \$1,303,731,000 (net assets). Of this amount, \$26,455,000 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$216,822,000 is restricted for specific purposes (restricted net assets), and \$1,060,454,000 is invested in capital assets, net of related debt.
- The City's total net assets increased by \$107,261,000. Governmental activities accounted for \$87,709,000 of this increase and business-type activities accounted for the remaining \$19,552,000. Key factors in this increase were capital grants, development related fees, contributions of capital assets from developers, and property taxes, including incremental property tax revenues, which exceeded budgetary estimates.
- Investment earnings totaled \$17,409,000, an increase of \$10,553,000 from the prior fiscal year. This is made up of an increase of \$8,667,000 in interest income, including \$3,625,000 in interest earned on bond proceeds from the Redevelopment Agency Revenue Bonds discussed below, combined with a net increase of \$1,886,000 in the fair value of investments. Overall the increase in investment earnings also reflects the fact that the City's average rate of return on its general investment pool rose from 2.38% in fiscal year 2006 to 4.30% in fiscal year 2007. The City also realized improved rates of return on other investments, as well.
- The City's long-term liabilities related to governmental activities increased by \$241,155,000 or 158% at fiscal year end. The increase reflects the issuance of \$125,310,000 in Pension Obligation Bonds and \$110,185,000 in Redevelopment Agency Revenue Bonds, referred to as the Strong Neighborhoods Initiative (SNI).
- Long-term liabilities related to enterprise funds decreased by \$2,523,000 or 1%, due to principal repayments made during the year.
- The City's governmental activities reported pension assets of \$123,675,000 for the first time in fiscal year 2007. The proceeds of the pension obligation bonds mentioned above were used to prepay the City's Annual Required Contributions to CalPERS.
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$306,698,000, an increase of \$125,044,000 or 69% from fiscal 2006. Key drivers in this increase are \$110,185,000 of proceeds of long-term debt reported in the Redevelopment Agency Fund from the sale of the SNI bonds mentioned above and a \$20,027,000 increase of revenues in the governmental funds. The revenue increases reflect significant growth in property tax revenues, federal grants and subsidies, and other governmental revenues, which include increases from Motor Vehicle License Fees (VLF) and gas tax revenues. This was offset by decreases in charges for services, utility users tax, and other shared revenue (sales and use tax levied by the State).

## 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 17-19 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 24-33 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 34-41 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 42 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 43-85 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 87-91 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 \$1,303,731,000 at the close of the fiscal year, which is a \$107,261,000, or 9% increase from fiscal year 2006. Of this increase, \$87,709,000 is attributable to governmental activities and is mainly due to capital grants and contributions from developers, development related fees, and increases in various revenues including property taxes and incremental property taxes. The remaining \$19,552,000 increase is in the business-type activities and reflects contributed capital, including connection fee revenues and contributions of capital assets from developers.

The largest component of the City's net assets is its investment of \$1,060,454,000, 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.

An additional portion of the City's net assets, \$216,822,000 or 17%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$26,455,000, 2%, may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets increased by \$4,487,000, 20% from fiscal year 2006.

**City of Stockton's Net Assets**  
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Assets:</b>						
Current and other assets	\$521,805	\$246,911	\$125,672	\$128,406	\$647,477	\$375,317
Capital assets	744,340	673,917	521,446	497,865	1,265,786	1,171,782
Total assets	<u>1,266,145</u>	<u>920,828</u>	<u>647,118</u>	<u>626,271</u>	<u>1,913,263</u>	<u>1,547,099</u>
<b>Liabilities:</b>						
Long-term liabilities	394,175	153,020	166,518	169,041	560,693	322,061
Other liabilities	34,932	18,479	13,907	10,089	48,839	28,568
Total liabilities	<u>429,107</u>	<u>171,499</u>	<u>180,425</u>	<u>179,130</u>	<u>609,532</u>	<u>350,629</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	670,509	603,068	389,945	368,222	1,060,454	971,290
Restricted	169,972	154,758	46,850	48,454	216,822	203,212
Unrestricted	(3,443)	(8,497)	29,898	30,465	26,455	21,968
Total net assets	<u>\$837,038</u>	<u>\$749,329</u>	<u>\$466,693</u>	<u>\$447,141</u>	<u>\$1,303,731</u>	<u>\$1,196,470</u>

The deficit unrestricted net assets in governmental activities decreased by \$5,054,000 during the year. Key factors in the decrease of this deficit were taxes and other revenues which exceeded budgetary estimates and expenses in the General Fund and the Capital Improvement Fund combined with a decrease of \$7,715,000 in the deficit unrestricted net assets in the three insurance internal service funds. The Workers' Compensation Insurance Fund reported a decrease of \$5,218,000 in deficit unrestricted net assets. These factors were offset by a \$10,538,000 decrease in fund balance in the General Fund, which reflects the \$5,991,000 transfer to close out the Emergency Medical Transportation Fund.

Current and other assets in governmental activities increased by \$274,894,000, which includes \$93,062,000 in unspent bond proceeds from the SNI bonds and the \$123,675,000 pension asset. Long-term liabilities in governmental activities increased by \$241,155,000, which also reflects balances related to the SNI bonds, \$112,562,000, and the Pension Obligation Bonds, \$125,310,000.

Business-type activities unrestricted net assets decreased by \$567,000. This includes decreases of \$1,598,000 in the Wastewater Utility, \$750,000 in the Stormwater Utility and \$881,000 in the Central Parking District, offset by increases of \$2,599,000 in the Water Utility and \$63,000 in Other Enterprise Funds.

**City of Stockton's Change in Net Assets**  
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues:						
Charges for service	\$81,307	\$96,707	\$66,741	\$63,863	\$148,048	\$160,570
Operating grants and contributions	11,065	12,388	-	-	11,065	12,388
Capital grants and contributions	83,238	45,745	23,721	20,324	106,959	66,069
General revenues:						
Property taxes	60,015	47,495	-	-	60,015	47,495
In lieu of sales tax	11,070	9,274	-	-	11,070	9,274
Utility user taxes	30,101	34,313	-	-	30,101	34,313
Sales and use taxes (levied by City)	9,249	9,941	-	-	9,249	9,941
Franchise fees	10,817	10,333	-	-	10,817	10,333
Business licenses	10,285	11,222	-	-	10,285	11,222
Hotel/motel room taxes	2,180	2,171	-	-	2,180	2,171
Document transfer taxes	1,187	2,010	-	-	1,187	2,010
Other taxes	257	218	981	713	1,238	931
Vehicle License Fees	22,661	18,173	-	-	22,661	18,173
Sales and use tax levied by state)	36,745	42,063	-	-	36,745	42,063
Other shared revenue	384	456	-	-	384	456
Investment earnings	11,436	3,457	5,973	3,399	17,409	6,856
Miscellaneous	786	1,010	-	-	786	1,010
Total revenues	382,783	346,976	97,416	88,299	480,199	435,275
<b>Expenses</b>						
General government	24,866	20,171	-	-	24,866	20,171
Public safety	161,895	149,512	-	-	161,895	149,512
Public works	56,393	36,481	-	-	56,393	36,481
Library	13,261	13,545	-	-	13,261	13,545
Parks and recreation	27,429	26,352	-	-	27,429	26,352
Interest and fiscal charges	11,746	4,136	-	-	11,746	4,136
Water utility	-	-	21,750	19,063	21,750	19,063
Wastewater utility	-	-	42,084	36,458	42,084	36,458
Stormwater utility	-	-	7,219	6,009	7,219	6,009
Central parking district	-	-	4,238	3,162	4,238	3,162
Other	-	-	2,057	2,460	2,057	2,460
Total expenses	295,590	250,197	77,348	67,152	372,938	317,349
Increase in net assets before transfers	87,193	96,779	20,068	21,147	107,261	117,926
Transfers	516	7,903	(516)	(7,903)	-	-
Increase in net assets	87,709	104,682	19,552	13,244	107,261	117,926
Net assets, beginning of year, as restated	749,329	644,647	447,141	433,897	1,196,470	1,078,544
Net assets, end of year	\$837,038	\$749,329	\$466,693	\$447,141	\$1,303,731	\$1,196,470

**Governmental Activities.** Governmental activities accounted for \$87,709,000 or 82% of the total increase in the City's net assets.

Capital grants and contributions accounted for a significant amount of this growth. This includes:

- \$19,523,000 in contributions of capital assets from developers
- \$9,418,000 in federal grants and \$14,863,000 from San Joaquin County for construction of the Hammer Ln/Highway 99 Interchange
- \$3,321,000 in State grant revenues from the 2002 Program Resources Bond Act for playground construction

While down from fiscal year 2006, public facilities fees totaling \$21,468,000 also contributed to the increase in governmental net assets.

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

- Property taxes increased \$12,520,000 or 26%. This is related to increased assessed valuations resulting from the growth in new homes and the strong resale market from previous years, as well as the growth in tax increments from the addition of the North Stockton Redevelopment Project Area.
- Vehicle License Fees increased \$4,488,000 or 25% primarily due to the City not having to contribute any VLF back to the State of California as had been the case in the previous two years.

Decreases in governmental activities revenues occurred as follows:

- Charges for services decreased \$15,400,000, or 16%. Although there was a rate increase to public facilities fees effective July 24, 2006, revenue from public facilities fees and other development related fees decreased significantly due to the decline in construction activity.
- Utility user tax decreased \$4,212,000, or 12%, as a result of the final reduction in the rate from 7% to 6% effective July 1, 2006.
- Other shared revenue (sales and use tax levied by the State) decreased by \$5,318,000 and more properly reflects the matching of revenues to expenditures for 2007. This was offset by an increase of \$1,796,000 in property tax in lieu of sales tax, which replaced a quarter of the City's 1% sales tax rate that was transferred to the State beginning in fiscal year 2005 as part of the revenue shift approved by constitutional amendment and referred to as the "triple flip".

Investment earnings in governmental activities totaled \$11,436,000, an increase of \$7,979,000 or 231% from fiscal year 2006. Interest income of \$9,873,000 in governmental activities includes \$3,625,000 in interest earned on bond proceeds from the SNI Bonds issued in July 2006. Governmental activities also realized a \$1,563,000 net increase in the fair value of investments. The increase in investment earnings reflects the growth in the average rate of return on the City's general investment pool, in addition to improved rates of returns on other investments, as well.

Key increases in governmental expenses occurred as follows:

- Public safety increased \$12,383,000, mainly due to costs associated with hiring additional police and fire personnel in the Measure W Public Safety Tax Fund and cost of living increases.
- Public Works increased \$19,912,000, mainly due to non-capital costs related to street resurfacing, contributions towards construction of Trinity Askland Bridge, and sub-recipient grants and loan costs related to downtown code enforcement and other CDBG and HOME programs.

**Business-type Activities.** Business-type activities accounted for \$19,552,000 or 18% 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: \$4,914,000
  - Wastewater Utility: \$5,761,000
  - Stormwater Utility: \$6,243,000
- Connection fees:
  - Water Utility: \$1,721,000
  - Wastewater Utility: \$5,082,000

Investment earnings in business-type activities totaled \$5,973,000, an increase of \$2,574,000 or 76% from fiscal year 2006. This also reflects the improved rates of return on investments during fiscal year 2007.

## 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, 2007 the City's governmental funds reported combined ending fund balances of \$306,698,000, an increase of \$125,044,000 from the prior fiscal year.

Revenues for governmental funds overall totaled \$368,430,000 in fiscal year 2007, which represents an increase of \$20,027,000 from fiscal year 2006. Other financing sources exceeded other financing uses by \$111,210,000, which reflects bond proceeds of \$110,509,000 from the SNI bond. Expenditures for governmental functions totaled \$354,596,000, a decrease of \$3,260,000 from the prior fiscal year. During fiscal year ended June 30, 2007 revenues for governmental functions exceeded expenditures by \$13,834,000 or almost 4%. This reflects revenues from development related fees as well as increases in revenues from property taxes, including incremental tax revenues, federal grants and subsidies and other governmental revenues. 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 as described below.

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 \$15,761,000 and has been designated as follows: \$1,620,000 for catastrophic events, \$1,620,000 for budget contingency/budget uncertainty, \$5,000,000 for capital improvement projects, \$4,021,000 for future appropriations, and \$3,500,000 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 \$176,488,000: designated for catastrophic events, 0.9%, designated for budget contingency/budget uncertainty, 0.9%, and future appropriations, 2.3%. The total fund balance for the General Fund is \$20,930,000, which includes the designated unreserved fund balances of \$15,761,000, as mentioned above, and reserved fund balance in the amount of \$5,169,000. General Fund revenues exceeded expenditures by \$9,988,000, mostly as a result of \$3,681,000 in state mandated cost reimbursements and other governmental revenues which exceeded budgetary estimates, as discussed under General Fund Budgetary Highlights; however, other financing uses exceeded other financing sources by \$20,526,000 which reflects a transfer out to close out the Emergency Medical Transportation Fund. The net result was to decrease fund balance by \$10,538,000.

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 \$58,997,000 was reported as reserved. This represents an increase of \$3,751,000 from the prior fiscal year. Revenues, which consist mainly of development related fees, were \$3,840,000 more than expenditures. Capital outlay expenditures totaling \$20,847,000 funded the construction of a major street widening project (Hammer Lane), several traffic related projects, park improvements and the Airport Way Senior Center.

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 \$21,121,000 and an unreserved fund balance of \$2,676,000 at fiscal year end. Expenditures exceeded revenues by \$1,966,000; however, other financing sources exceeded other financing uses by \$2,663,000, resulting in a net increase in fund balance of \$697,000. Capital outlay expenditures totaling \$10,794,000 funded the final construction of the Stockton Events Center-Arena project, recreational facility renovations including a youth center and soccer complex.

The Redevelopment Agency Fund reported total fund balance of \$70,411,000 at the end of the fiscal year. This reflects a reserved fund balance of \$100,986,000 and a deficit unreserved fund balance of \$30,575,000. In addition to \$11,939,000, which is reserved for encumbrances, the Redevelopment Agency also reported \$85,913,000, which is reserved for capital projects. For the most part the positive fund balance is essentially due to bond proceeds of \$110,185,000 received in the current fiscal year. Expenditures of \$19,803,000 are attributable to the start of several construction and street improvement projects including the Van Buskirk Community Center renovations, and the Mercy Housing Block project. This was offset by an increase of \$9,441,000 or 63% in incremental property tax revenues, due to continued growth in the North Stockton Redevelopment Project area.

**Proprietary Funds.** At the end of the fiscal year, unrestricted net assets were reported as follows: the Water Utility, \$19,474,000, the Wastewater Utility, \$9,837,000, and the Stormwater Utility, \$2,561,000. The Central Parking District reported deficit unrestricted net assets of \$1,199,000. The Solid Waste and Golf Courses are combined for financial reporting purposes and together had deficit unrestricted net assets of \$775,000. The internal service funds had unrestricted net assets of \$1,378,000.

The total growth in net assets for the enterprise funds was \$19,552,000. 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 \$8,517,000. For the most part, this reflects increases in net assets of \$1,247,000 in the General Liability Insurance Fund, \$5,218,000 in the Workers' Compensation Insurance Fund, \$1,250,000 in the Health Benefits Insurance Fund, and \$2,086,000 in the Other Insurance Fund, offset by decreases in net assets of \$511,000 in the Central Garage Fund and \$866,000 in the Computer Equipment Fund.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget reflect an increase in appropriations of \$4,340,000. This includes additional appropriations of \$2,338,000 that were needed due to unbudgeted revenue administration charges in the general government non-departmental function and \$938,000 for increased public safety salary costs. In addition, increased operating transfers of \$10,062,000 were approved during the year. This included \$5,991,000 to close out the Emergency Medical Transportation Fund, \$950,000 to complete the construction of a Soccer Field/Detention Basin, \$811,000 for the City's share of construction costs of the McNair Community Center joint use facility and \$450,000 for land acquisition related to Fremont Street widening.

During the year, actual revenues exceeded budgetary estimates by \$8,684,000. Some key revenues that exceeded budgetary estimates are as follows:

- An additional \$3,014,000 in property taxes, reflecting the increase in assessed valuations from the growth in new homes, commercial properties and significant turnover in the housing market in recent years.
- Utility users tax exceeded budgetary estimates by \$1,601,000 in spite of the reduction of the rate from 7% to 6% as July 1, 2006.
- \$3,321,000 in other governmental revenue, which predominantly consists of the Motor Vehicle License Fee.
- \$1,116,000 in interest income due to improved rate of return on pooled investments.
- \$3,470,000 in refunds and reimbursements, primarily due to state mandated cost reimbursements received during the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$1,265,786,000. 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 \$94,004,000 or 8%, which represented a 10% increase for governmental activities and a 5% increase for business-type activities, as shown in the table below. Governmental activities reflect \$84,204,000 for the Hammer Lane/Southbound 99 and Hammer Lane widening projects. This includes \$56,242,000 that was carried as construction in progress at the end of fiscal year 2006 plus the addition of \$27,771,000 during fiscal year 2007.

### Changes in Capital Assets, Net of Depreciation (dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 35,014	\$ 34,603	\$ 14,635	\$ 13,819	\$ 49,649	\$ 48,422
Buildings & Improvements	200,071	193,139	422,350	382,741	622,421	575,880
Machinery & Equipment	14,527	14,770	2,797	3,051	17,324	17,821
Infrastructure	327,483	277,352	-	-	327,483	277,352
Construction in Progress	167,245	154,053	81,664	98,254	248,909	252,307
<b>Total</b>	<b>\$ 744,340</b>	<b>\$ 673,917</b>	<b>\$ 521,446</b>	<b>\$ 497,865</b>	<b>\$1,265,786</b>	<b>\$1,171,782</b>

Additional information on the City's capital assets can be found in Note 5 on pages 59-60 of this report.

**Long-term debt.** At the end of the fiscal year, the City's total outstanding bonded debt was \$477,900,000. Of this amount, \$312,492,000 was related to governmental activities, including \$13,009,000 of lease revenue bonds for the City's Essential Services Building/Parking Structure, \$13,214,000 of certificates of participation for redevelopment housing projects, and \$125,310,000 of pension obligation bonds. Bonded debt of the Redevelopment Agency is also reported in governmental activities, including \$48,473,000 of revenue bonds for the Stockton Events Center-Arena Project and \$112,486,000 of revenue bonds for various redevelopment and housing projects referred to as the Strong Neighborhoods Initiative (SNI). During fiscal year 2007, the City's net bonded indebtedness related to governmental activities increased by \$237,677,000. Key factors in the increase were the issuance of the 2007 Series A and B Taxable Pension Obligation Bonds in the amount of \$125,310,000 to refinance a portion of the City's unfunded actuarial liability with respect to retirement benefits and the 2006 Series A, B, and C Revenue Bonds issued by the Redevelopment Agency in the amount of \$112,562,000 to fund the SNI project mentioned above.



Bonded debt related to business-type activities totaled \$165,408,000. Of this amount \$36,250,000 is revenue bonds backed by the Water Utility, \$96,523,000 is certificates of participation backed by the Wastewater Utility, and \$32,635,000 is lease revenue bonds backed by the Central Parking District. During fiscal year 2007, the City's net bonded indebtedness related to business-type activities decreased by \$2,610,000 due to principal repayments and amortization of deferred charges.

Additional information on the City's long-term debt can be found in Note 6 on pages 61-72 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

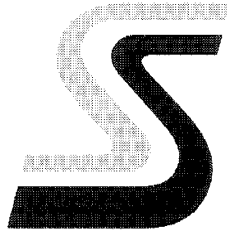
- Many sources of revenue received by the City have associated costs assigned by agencies that provide the revenue. The sales tax, property tax, and utility users tax have associated charges from the State, County, or outside consultants for their work associated with collection, distribution, or auditing of the revenues. The City's practice has been to budget revenues net of the associated collection costs. Although this practice continued for the 2007 budget, costs associated with obtaining revenues were reported as expenditures in these financial statements in accordance with the audit report's recommendations. Next year's budget reflects this accounting change with the result that several revenue accounts will have slightly higher budgets; however, there will be corresponding increases in the appropriations to a number of expenditure accounts. There is no net affect on the City's finances, just a change that reflects accepted practices for budgeting and financial reporting.
- 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.
- Sales tax is the number one factor in overall General Fund revenue. The City receives its one percent share from two sources. The State remits three-quarters of one percent, and the remaining one-quarter of one percent comes from property tax in lieu of sales tax. Economic development efforts, as well as a very healthy diversity in the types of businesses located within Stockton, have resulted in a steady stream of revenue from these sources in the current year, with modest growth projected for next year.
- Property tax revenue remains steady, although without the same gains as seen in prior years, due to slower growth in new homes, resale of existing properties and property improvement projects.
- The final reduction of the Utility User's Tax (UUT) to 6% occurred in the current year, and therefore, total UUT was lower than in 2006. While UUT revenues are expected to remain steady next year, the budget projection for 2008 is approximately 7.5% higher than 2007 based on the change in budgeting and accounting practice discussed above.
- 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, and the higher total VLF revenue in fiscal year 2007 reflected that adjustment. The anticipated growth between current year and next is approximately 5.3%.

- Measure W is a voter approved local sales tax of one-quarter of one percent that continues to provide funds exclusively to address Stockton's public safety needs, with the ultimate objective of funding 40 additional police officers and 28 additional sworn fire fighters. The 2008 fiscal year budget includes a full year of funding at \$10.8 million. During the upcoming fiscal year, the Police Department anticipates hiring an additional 5 sworn employees, bringing the total to 40. The Fire Department anticipates hiring 1 additional sworn employee, bringing the total to 28.
- The fiscal year 2008 Budget and Fee Schedule contains fees for services provided to the public, including cost recovery fees for development, as well as the provision of dispatching services to the residents of Stockton by the Police and Fire Department. Most fees contain an automatic inflation adjustment.
- As of June 30, 2007 state mandated costs reimbursement (SB-90) claims totaling \$2,231,000 are reported as deferred revenue in the General Fund because the State did not appropriate funds for this reimbursement in fiscal year 2007.
- The unemployment rate for the City was 9.3% as of June 2007. The local unemployment rate is 4.1 percentage points higher than the State unemployment rate of 5.2%, which has increased since June 2006.

## **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, 2007

(With comparative totals as of June 30, 2006)

(Dollar amounts in thousands)

	Governmental Activities	Business-Type Activities	Totals	
			2007	2006
<b>ASSETS</b>				
Cash and investments	\$ 155,686	\$ 35,530	\$ 191,216	\$ 167,798
Restricted cash and investments	107,009	79,297	186,306	91,581
Interest receivable	832	656	1,488	981
Accounts receivable, net	12,856	7,447	20,303	22,281
Internal balances	1,599	(1,599)	-	-
Due from other governments	48,421	-	48,421	29,837
Inventory of supplies	174	1,196	1,370	1,404
Other assets	2,959	398	3,357	3,179
Advances to property owners	63,163	-	63,163	53,426
Deferred charges	5,431	2,747	8,178	4,830
Pension asset	123,675	-	123,675	-
Capital assets, net:				
Nondepreciable	202,259	96,299	298,558	300,729
Depreciable, net	542,081	425,147	967,228	871,053
Total assets	<u>1,266,145</u>	<u>647,118</u>	<u>1,913,263</u>	<u>1,547,099</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	16,615	9,255	25,870	14,080
Accrued payroll and benefits	3,729	-	3,729	3,451
Accrued interest	4,835	2,622	7,457	3,744
Deposits and other liabilities	2,524	2,030	4,554	3,363
Unearned revenue	7,229	-	7,229	3,930
Long-term liabilities:				
Due within one year	23,179	2,983	26,162	17,670
Due in more than one year	370,996	163,535	534,531	304,391
Total liabilities	<u>429,107</u>	<u>180,425</u>	<u>609,532</u>	<u>350,629</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	670,509	389,945	1,060,454	971,290
Restricted for:				
Capital projects	60,445	46,785	107,230	105,490
Debt service	7,595	65	7,660	4,177
Loan programs	61,643	-	61,643	54,362
Low- and moderate-income housing	18,535	-	18,535	16,908
City-County library	5,279	-	5,279	3,640
Public safety	2,803	-	2,803	2,677
Street improvements	3,580	-	3,580	7,535
Special maintenance districts	5,858	-	5,858	4,565
Endowments:				
Nonexpendable	1,604	-	1,604	1,423
Expendable	297	-	297	252
Other purposes	2,333	-	2,333	2,183
Unrestricted	(3,443)	29,898	26,455	21,968
Total net assets	<u>\$ 837,038</u>	<u>\$ 466,693</u>	<u>\$ 1,303,731</u>	<u>\$ 1,196,470</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, 2007 (With comparative totals for the year ended June 30, 2006) (Dollar amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government	\$ 24,866	\$ 8,429	\$ 69	\$ -
Public safety	161,895	32,447	3,780	436
Public works	56,393	29,369	49	79,481
Library	13,261	1,105	6,774	-
Parks and recreation	27,429	9,957	393	3,321
Interest and fiscal charges	11,746	-	-	-
Total governmental activities	<u>295,590</u>	<u>81,307</u>	<u>11,065</u>	<u>83,238</u>
Business-type activities:				
Water utility	21,750	23,092	-	6,635
Wastewater utility	42,084	33,099	-	10,843
Stormwater utility	7,219	5,088	-	6,243
Central parking district	4,238	3,474	-	-
Other	2,057	1,988	-	-
Total business-type activities	<u>77,348</u>	<u>66,741</u>	<u>-</u>	<u>23,721</u>
<b>Total</b>	<u>\$ 372,938</u>	<u>\$ 148,048</u>	<u>\$ 11,065</u>	<u>\$ 106,959</u>

### General revenues:

#### Taxes:

- Property
- In lieu of sales tax
- Utility user
- Sales - levied by City
- Franchise fees
- Business license
- Hotel/motel room
- Document transfer
- Other

#### Shared revenue:

- Vehicle License Fees
- Sales and use tax levied by state
- Other

#### Investment earnings

#### Miscellaneous

#### Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

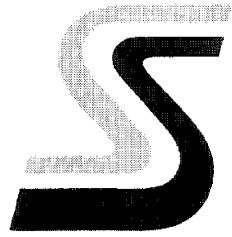
The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2007	2006
\$ (16,368)		\$ (16,368)	\$ (9,907)
(125,232)		(125,232)	(109,182)
52,506		52,506	44,018
(5,382)		(5,382)	(5,918)
(13,758)		(13,758)	(10,232)
(11,746)		(11,746)	(4,136)
<u>(119,980)</u>		<u>(119,980)</u>	<u>(95,357)</u>
	\$ 7,977	7,977	9,236
	1,858	1,858	7,722
	4,112	4,112	(87)
	(764)	(764)	340
	<u>(69)</u>	<u>(69)</u>	<u>(176)</u>
	13,114	13,114	17,035
<u>(119,980)</u>	<u>13,114</u>	<u>(106,866)</u>	<u>(78,322)</u>
60,015	-	60,015	47,495
11,070	-	11,070	9,274
30,101	-	30,101	34,313
9,249	-	9,249	9,941
10,817	-	10,817	10,333
10,285	-	10,285	11,222
2,180	-	2,180	2,171
1,187	-	1,187	2,010
257	981	1,238	931
22,661	-	22,661	18,173
36,745	-	36,745	42,063
384	-	384	456
11,436	5,973	17,409	6,856
786	-	786	1,010
516	(516)	-	-
<u>207,689</u>	<u>6,438</u>	<u>214,127</u>	<u>196,248</u>
87,709	19,552	107,261	117,926
<u>749,329</u>	<u>447,141</u>	<u>1,196,470</u>	<u>1,078,544</u>
<u>\$ 837,038</u>	<u>\$ 466,693</u>	<u>\$ 1,303,731</u>	<u>\$ 1,196,470</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, 2007

(With comparative totals as of June 30, 2006)

(Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
<b>ASSETS</b>			
Cash and investments	\$ 3,959	\$ 60,291	\$ 66
Cash and investments with fiscal agents	-	-	-
Receivables:			
Interest	116	497	(63)
Taxes and special assessments	9	-	-
Accounts and other receivables	16,700	1,341	36
Allowance for uncollectibles	(7,311)	-	-
Due from other funds	8,599	-	-
Due from other governments	8,729	28	8,856
Allowance for uncollectibles	(16)	-	(737)
Due from other agencies	523	-	-
Prepaid items	1,007	-	-
Inventory of supplies	174	-	-
Deposits	-	-	-
Advances to other funds	1,707	1,123	19,985
Advances to property owners	-	-	25
Total assets	<u>\$ 34,196</u>	<u>\$ 63,280</u>	<u>\$ 28,168</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 2,092	\$ 1,113	\$ 613
Accrued payroll and benefits	3,729	-	-
Due to other funds	-	-	2,155
Due to other governments	-	-	30
Due to other agencies	116	-	-
Deposits and other liabilities	791	-	-
Deferred revenue	6,538	1,004	1,223
Advances from other funds	-	2,166	350
Total liabilities	<u>13,266</u>	<u>4,283</u>	<u>4,371</u>
<b>FUND BALANCES:</b>			
Reserved	5,169	58,997	21,121
Unreserved, reported in:			
General Fund:			
Designated	15,761	-	-
Special revenue funds:			
Designated	-	-	-
Undesignated	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	2,676
Permanent fund	-	-	-
Total fund balances	<u>20,930</u>	<u>58,997</u>	<u>23,797</u>
Total liabilities and fund balances	<u>\$ 34,196</u>	<u>\$ 63,280</u>	<u>\$ 28,168</u>

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2007	2006
\$ 12,419	\$ 29,990	\$ 106,725	\$ 97,524
93,721	13,288	107,009	6,381
168	114	832	538
-	-	9	9
34	1,642	19,753	20,191
-	-	(7,311)	(5,326)
-	-	8,599	6,975
1,479	30,319	49,411	30,827
-	(237)	(990)	(990)
-	-	523	371
-	-	1,007	-
-	-	174	158
1,400	20	1,420	2,401
-	15,881	38,696	42,434
-	63,138	63,163	53,426
<u>\$ 109,221</u>	<u>\$ 154,155</u>	<u>\$ 389,020</u>	<u>\$ 254,919</u>
\$ 4,098	\$ 7,821	\$ 15,737	\$ 8,014
-	-	3,729	3,451
-	6,316	8,471	6,923
-	34	64	39
-	-	116	235
3	1,415	2,209	904
-	6,006	14,771	12,878
34,709	-	37,225	40,821
<u>38,810</u>	<u>21,592</u>	<u>82,322</u>	<u>73,265</u>
100,986	113,643	299,916	205,522
-	-	15,761	23,116
-	132	132	132
-	18,687	18,687	(20,859)
-	(196)	(196)	(213)
(30,575)	-	(27,899)	(26,296)
-	297	297	252
<u>70,411</u>	<u>132,563</u>	<u>306,698</u>	<u>181,654</u>
<u>\$ 109,221</u>	<u>\$ 154,155</u>	<u>\$ 389,020</u>	<u>\$ 254,919</u>





# CITY OF STOCKTON

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS JUNE 30, 2007 (With comparative totals as of June 30, 2006) (Dollar amounts in thousands)

	2007	2006
Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances - total governmental	\$ 306,698	\$ 181,654
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Nondepreciable capital assets	202,259	188,656
Depreciable capital assets, net	531,166	474,094
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, other insurance, and retirement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
	12,293	3,776
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	(23,416)	(20,745)
Bonds payable and other long-term debt	(197,207)	(87,289)
Unamortized bond discounts, premiums and deferred amount on refunding	(2,837)	(550)
Accrued interest	(3,219)	(1,085)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are:		
deferred in the governmental funds, or	7,542	8,948
not recorded in the governmental funds.	<u>3,759</u>	<u>1,870</u>
Net assets of governmental activities	<u>\$ 837,038</u>	<u>\$ 749,329</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, 2007 (With comparative totals for the year ended June 30, 2006) (Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
<b>REVENUES:</b>			
Taxes:			
Property	\$ 35,497	\$ -	\$ -
In lieu of sales tax	11,070	-	-
Utility user	30,101	-	-
Sales - levied by City	-	-	-
Franchise fees	10,817	-	-
Business license	10,198	-	-
Hotel/motel room	2,180	-	-
Document transfer	1,187	-	-
Other	7	-	-
Licenses and permits	337	-	-
Intergovernmental:			
Federal grants and subsidies	8	-	756
Sales and use tax - levied by state	32,388	-	-
Other governmental	24,059	44	5,291
Charges for services	9,226	21,468	-
Fines and forfeitures	3,292	-	-
Use of money and property	2,134	29	1,781
Investment income:			
Interest income	1,616	2,496	(282)
Net increase (decrease) in fair value of investments	163	648	(85)
Refunds and reimbursements	6,837	2	-
Miscellaneous	5,359	-	1,379
<b>Total revenues</b>	<b>186,476</b>	<b>24,687</b>	<b>8,840</b>
<b>EXPENDITURES:</b>			
Current:			
General government	14,776	-	-
Public safety	138,283	-	-
Public works	14,050	-	-
Library	-	-	-
Parks and recreation	8,827	-	-
Capital outlay	521	20,847	10,794
Debt service:			
Principal retirement	-	-	-
Cost of issuance	31	-	12
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>176,488</b>	<b>20,847</b>	<b>10,806</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,988</b>	<b>3,840</b>	<b>(1,966)</b>

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2007	2006
\$ 24,518	\$ -	\$ 60,015	\$ 47,495
-	-	11,070	9,274
-	-	30,101	34,313
-	9,249	9,249	9,941
-	-	10,817	10,333
-	87	10,285	11,222
-	-	2,180	2,171
-	-	1,187	2,010
-	250	257	218
-	6,440	6,777	8,960
(30)	34,027	34,761	21,529
-	4,357	36,745	42,063
-	33,670	63,064	52,402
-	21,045	51,739	66,443
-	31	3,323	3,933
89	5,676	9,709	6,274
4,055	666	8,551	2,702
157	355	1,238	129
1,167	193	8,199	8,284
34	2,391	9,163	8,707
<u>29,990</u>	<u>118,437</u>	<u>368,430</u>	<u>348,403</u>
-	5,254	20,030	23,935
-	25,196	163,479	157,299
-	6,718	20,768	30,959
-	12,648	12,648	13,283
-	16,920	25,747	25,637
19,803	49,407	101,372	101,399
26	565	591	689
2,026	-	2,069	341
18	7,874	7,892	4,314
<u>21,873</u>	<u>124,582</u>	<u>354,596</u>	<u>357,856</u>
<u>8,117</u>	<u>(6,145)</u>	<u>13,834</u>	<u>(9,453)</u>

(Continued)

# CITY OF STOCKTON

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2007 (With comparative totals for the year ended June 30, 2006) (Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,988</u>	<u>3,840</u>	<u>(1,966)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	6,466	-	4,870
Transfers out	(26,997)	(89)	(2,207)
Issuance of long-term debt	-	-	-
Sales of capital assets	5	-	-
Payment to refunded bond escrow agent	-	-	-
Premiums on debt issuances	-	-	-
Discounts on debt issuances	-	-	-
Total other financing sources (uses)	<u>(20,526)</u>	<u>(89)</u>	<u>2,663</u>
NET CHANGE IN FUND BALANCES	(10,538)	3,751	697
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>31,468</u>	<u>55,246</u>	<u>23,100</u>
FUND BALANCES, END OF YEAR	<u>\$ 20,930</u>	<u>\$ 58,997</u>	<u>\$ 23,797</u>

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2007	2006
8,117	(6,145)	13,834	(9,453)
1,504	65,985	78,825	45,192
(31,586)	(19,627)	(80,506)	(38,821)
110,509	-	110,509	14,608
-	-	5	2
-	-	-	(14,604)
2,377	-	2,377	-
-	-	-	(86)
82,804	46,358	111,210	6,291
90,921	40,213	125,044	(3,162)
(20,510)	92,350	181,654	184,816
<u>\$ 70,411</u>	<u>\$ 132,563</u>	<u>\$ 306,698</u>	<u>\$ 181,654</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, 2007

(With comparative totals for the year ended June 30, 2006)

(Dollar amounts in thousands)

	2007	2006
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances (deficit) - total governmental	\$ 125,044	\$ (3,162)
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	64,627	101,399
Donated capital assets	19,382	2,831
Depreciation expense	(13,324)	(8,865)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, dispositions, etc.) is to decrease net assets.	(10)	-
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	(110,509)	(14,608)
Premiums on debt issuances	(2,377)	-
Discounts on debt issuances	-	86
Repayment of principal	591	689
Costs of issuance	2,069	341
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.	8,517	14,379
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(1,406)	(615)
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	(2,671)	(2,575)
Amortization of bond discounts and premiums, costs of issuance, and deferred amount on refunding	(90)	(16)
Change in accrued interest	(2,134)	194
Change in net assets of governmental activities	<u>\$ 87,709</u>	<u>\$ 104,682</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, 2007

(With comparative totals as of June 30, 2006)

(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 22,197	\$ 9,470	\$ 2,550
Cash and investments with fiscal agents	-	1,209	-
Receivables:			
Interest	196	431	28
Accounts and other receivables	2,844	5,587	901
Allowance for uncollectibles	(213)	(1,662)	(345)
Due from other funds	-	-	-
Inventory of supplies	-	1,138	-
Total current assets	<u>25,024</u>	<u>16,173</u>	<u>3,134</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	2,946	43,839	-
Cash and investments with fiscal agents	19,811	8,996	-
Advances to other funds	-	75	-
Loans receivable	-	398	-
Deferred charges	773	1,122	-
Pension asset	-	-	-
Capital assets, net:			
Nondepreciable	15,203	71,726	1,225
Depreciable, net	87,773	256,533	49,618
Total noncurrent assets	<u>126,506</u>	<u>382,689</u>	<u>50,843</u>
Total assets	<u>151,530</u>	<u>398,862</u>	<u>53,977</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,473	6,128	557
Due to other funds	-	-	-
Due to other governments	113	-	-
Deposits and other liabilities	1,774	44	-
Accrued interest	434	1,638	-
Compensated absences - current	22	141	15
Self-insurance claims and judgments - current	-	-	-
Other long-term debt - current	513	2,140	-
Total current liabilities	<u>5,329</u>	<u>10,091</u>	<u>572</u>
Noncurrent liabilities:			
Advances from other funds	-	-	-
Compensated absences - long-term	3	145	1
Self-insurance claims and judgments - long-term	-	-	-
Notes payable	731	-	-
Certificates of participation	-	94,383	-
Bonds payable	35,737	-	-
Total noncurrent liabilities	<u>36,471</u>	<u>94,528</u>	<u>1</u>
Total liabilities	<u>41,800</u>	<u>104,619</u>	<u>573</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	87,305	240,552	50,843
Restricted for capital projects	2,946	43,839	-
Restricted for debt service	5	15	-
Unrestricted	19,474	9,837	2,561
Total net assets	<u>\$ 109,730</u>	<u>\$ 294,243</u>	<u>\$ 53,404</u>

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



Enterprise						
Central Parking District	Other	Totals		Internal Service		
		2007	2006	2007	2006	
\$ 87	\$ 17	\$ 34,321	\$ 32,583	\$ 48,951	\$ 37,560	
-	-	1,209	131	10	-	
2	(1)	656	443	-	-	
321	184	9,837	9,307	541	373	
(58)	(112)	(2,390)	(2,137)	(127)	(127)	
-	-	-	72	-	-	
-	58	1,196	1,246	-	-	
<u>352</u>	<u>146</u>	<u>44,829</u>	<u>41,645</u>	<u>49,375</u>	<u>37,806</u>	
-	-	46,785	48,389	-	-	
3,705	-	32,512	36,811	-	-	
847	-	922	931	-	-	
-	-	398	398	-	-	
852	-	2,747	2,900	1,672	60	
-	-	-	-	123,675	-	
7,785	360	96,299	112,073	-	-	
29,926	1,297	425,147	385,792	10,915	11,167	
<u>43,115</u>	<u>1,657</u>	<u>604,810</u>	<u>587,294</u>	<u>136,262</u>	<u>11,227</u>	
<u>43,467</u>	<u>1,803</u>	<u>649,639</u>	<u>628,939</u>	<u>185,637</u>	<u>49,033</u>	
75	22	9,255	5,355	878	711	
-	128	128	124	-	-	
-	-	113	30	-	-	
99	-	1,917	2,045	135	110	
550	-	2,622	2,659	1,616	-	
21	8	207	16	366	39	
-	-	-	-	11,266	12,952	
123	-	2,776	2,611	250	-	
<u>868</u>	<u>158</u>	<u>17,018</u>	<u>12,840</u>	<u>14,511</u>	<u>13,812</u>	
1,630	763	2,393	2,544	-	-	
23	-	172	220	390	521	
-	-	-	-	33,383	30,924	
-	-	731	787	-	-	
-	-	94,383	96,523	-	-	
32,512	-	68,249	68,884	125,060	-	
<u>34,165</u>	<u>763</u>	<u>165,928</u>	<u>168,958</u>	<u>158,833</u>	<u>31,445</u>	
<u>35,033</u>	<u>921</u>	<u>182,946</u>	<u>181,798</u>	<u>173,344</u>	<u>45,257</u>	
9,588	1,657	389,945	368,222	10,915	11,167	
-	-	46,785	48,389	-	-	
45	-	65	65	-	-	
(1,199)	(775)	29,898	30,465	1,378	(7,391)	
<u>\$ 8,434</u>	<u>\$ 882</u>	<u>\$ 466,693</u>	<u>\$ 447,141</u>	<u>\$ 12,293</u>	<u>\$ 3,776</u>	

# CITY OF STOCKTON

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007 (With comparative totals for the year ended June 30, 2006) (Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 22,631	\$ 32,732	\$ 5,043
Miscellaneous	461	362	45
Total operating revenues	<u>23,092</u>	<u>33,094</u>	<u>5,088</u>
<b>OPERATING EXPENSES:</b>			
Operation and maintenance	8,605	18,686	2,216
General and administrative	3,807	9,105	3,586
Depreciation and amortization	2,265	8,991	1,417
Purchased water	5,275	-	-
Total operating expenses	<u>19,952</u>	<u>36,782</u>	<u>7,219</u>
OPERATING INCOME (LOSS)	<u>3,140</u>	<u>(3,688)</u>	<u>(2,131)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Taxes	-	-	-
Investment income:			
Interest income	1,974	2,892	142
Net increase (decrease) in fair value of investments	261	422	35
Gain (loss) from disposal of property	-	-	-
Interest expense and fiscal charges	(1,798)	(5,302)	-
Other non-operating revenues	-	5	-
Total non-operating revenues (expenses)	<u>437</u>	<u>(1,983)</u>	<u>177</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,577	(5,671)	(1,954)
Capital contributions	6,635	10,843	6,243
Transfers in	72	-	23
Transfers out	(46)	(58)	(6)
CHANGE IN NET ASSETS	10,238	5,114	4,306
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>99,492</u>	<u>289,129</u>	<u>49,098</u>
NET ASSETS, END OF YEAR	<u>\$ 109,730</u>	<u>\$ 294,243</u>	<u>\$ 53,404</u>

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2007	2006	2007	2006
\$ 3,474	\$ 1,296	\$ 65,176	\$ 61,301	\$ 102,343	\$ 101,457
-	692	1,560	2,551	-	-
<u>3,474</u>	<u>1,988</u>	<u>66,736</u>	<u>63,852</u>	<u>102,343</u>	<u>101,457</u>
2,205	1,919	33,631	32,804	88,493	83,517
-	-	16,498	9,762	6,073	5,280
383	138	13,194	12,562	2,885	2,572
-	-	5,275	4,451	-	-
<u>2,588</u>	<u>2,057</u>	<u>68,598</u>	<u>59,579</u>	<u>97,451</u>	<u>91,369</u>
<u>886</u>	<u>(69)</u>	<u>(1,862)</u>	<u>4,273</u>	<u>4,892</u>	<u>10,088</u>
981	-	981	713	-	-
212	(5)	5,215	3,150	1,322	569
41	(1)	758	249	325	57
-	-	-	-	61	(87)
(1,650)	-	(8,750)	(7,573)	(1,616)	-
-	-	5	11	1,195	2,220
<u>(416)</u>	<u>(6)</u>	<u>(1,791)</u>	<u>(3,450)</u>	<u>1,287</u>	<u>2,759</u>
470	(75)	(3,653)	823	6,179	12,847
-	-	23,721	20,324	141	-
-	-	95	-	2,197	1,532
<u>(501)</u>	<u>-</u>	<u>(611)</u>	<u>(7,903)</u>	<u>-</u>	<u>-</u>
(31)	(75)	19,552	13,244	8,517	14,379
<u>8,465</u>	<u>957</u>	<u>447,141</u>	<u>433,897</u>	<u>3,776</u>	<u>(10,603)</u>
<u>\$ 8,434</u>	<u>\$ 882</u>	<u>\$ 466,693</u>	<u>\$ 447,141</u>	<u>\$ 12,293</u>	<u>\$ 3,776</u>

# CITY OF STOCKTON

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

(With comparative totals for the year ended June 30, 2006)

(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 22,732	\$ 33,446	\$ 5,142
Receipts from interfund service providers	-	-	-
Payments to suppliers	(14,341)	(21,801)	(3,672)
Payments to employees	(1,454)	(1,917)	(738)
Payments for interfund services used	(98)	(2,367)	(1,110)
Net cash provided by (used for) operating activities	6,839	7,361	(378)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	72	-	23
Transfers out	(46)	(58)	(6)
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	26	(49)	89
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from sale of capital assets	-	-	-
Proceeds from debt	-	-	-
Principal paid on debt	(566)	(2,415)	-
Payment of pension asset	-	-	-
Purchases of capital assets	(4,030)	(13,476)	(230)
Interest paid on debt	(1,788)	(4,988)	-
Capital contributions	1,721	5,082	-
Net cash used for capital and related financing activities	(4,663)	(15,797)	(230)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings	2,130	3,211	168
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,332</b>	<b>(5,274)</b>	<b>(351)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>40,622</b>	<b>68,788</b>	<b>2,901</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 44,954</b>	<b>\$ 63,514</b>	<b>\$ 2,550</b>

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2007	2006	2007	2006
\$ 3,332	\$ 1,996	\$ 66,648	\$ 63,926	\$ 2,161	\$ 5,862
-	-	-	143	101,167	97,699
(846)	(1,340)	(42,000)	(54,729)	(79,634)	(85,215)
(1,048)	(536)	(5,693)	(5,121)	(13,479)	(11,367)
(269)	(3)	(3,847)	(442)	(250)	(230)
<u>1,169</u>	<u>117</u>	<u>15,108</u>	<u>3,777</u>	<u>9,965</u>	<u>6,749</u>
-	-	95	-	2,197	1,532
(501)	-	(611)	(7,903)	-	-
-	4	76	(1,074)	-	-
-	(151)	(151)	1,630	-	-
-	-	9	9	-	-
<u>981</u>	<u>-</u>	<u>981</u>	<u>713</u>	<u>-</u>	<u>-</u>
<u>480</u>	<u>(147)</u>	<u>399</u>	<u>(6,625)</u>	<u>2,197</u>	<u>1,532</u>
-	-	-	-	89	329
-	-	-	24,364	123,685	-
(85)	-	(3,066)	(3,036)	-	-
-	-	-	-	(123,675)	-
(1,928)	-	(19,664)	(40,909)	(2,507)	(3,881)
(1,651)	-	(8,427)	(6,923)	-	-
-	-	6,803	16,908	-	-
<u>(3,664)</u>	<u>-</u>	<u>(24,354)</u>	<u>(9,596)</u>	<u>(2,408)</u>	<u>(3,552)</u>
<u>257</u>	<u>(6)</u>	<u>5,760</u>	<u>3,622</u>	<u>1,647</u>	<u>626</u>
(1,758)	(36)	(3,087)	(8,822)	11,401	5,355
<u>5,550</u>	<u>53</u>	<u>117,914</u>	<u>126,736</u>	<u>37,560</u>	<u>32,205</u>
<u>\$ 3,792</u>	<u>\$ 17</u>	<u>\$ 114,827</u>	<u>\$ 117,914</u>	<u>\$ 48,961</u>	<u>\$ 37,560</u>

(Continued)

# CITY OF STOCKTON

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2007 (With comparative totals for the year ended June 30, 2006) (Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 3,140	\$ (3,688)	\$ (2,131)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	2,265	8,991	1,417
Provision for uncollectible accounts	14	239	-
Self-insurance	-	-	-
Other non-operating revenues	-	5	-
Changes in assets and liabilities:			
Accounts and other receivables	(373)	(77)	54
Deferred charges	-	-	-
Inventory of supplies	-	(1)	-
Loans receivable	-	-	-
Accounts payable	1,352	2,250	286
Due to other governments	83	-	-
Deposits and other liabilities	337	(463)	-
Compensated absences	21	105	(4)
Net cash provided by (used for) operating activities	<u>\$ 6,839</u>	<u>\$ 7,361</u>	<u>\$ (378)</u>
<b>NONCASH TRANSACTIONS:</b>			
Net increase (decrease) in fair value of investments	\$ 261	\$ 422	\$ 35
Amortization of issuance discounts	14	27	-
Costs of issuance paid from bond proceeds	-	-	-
Amortization of issuance premiums	4	-	-
Amortization of loss on refunding	17	343	-
Donation of capital assets	4,914	5,761	6,243
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS:</b>			
Cash and investments	\$ 22,197	\$ 9,470	\$ 2,550
Cash with investments fiscal agents	-	1,209	-
Restricted assets:			
Cash and investments	2,946	43,839	-
Cash and investments with fiscal agents	19,811	8,996	-
Total cash and investments	<u>\$ 44,954</u>	<u>\$ 63,514</u>	<u>\$ 2,550</u>

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

Enterprise						
Central Parking District	Other	Totals		Internal Service		
		2007	2006	2007	2006	
\$ 886	\$ (69)	\$ (1,862)	\$ 4,273	\$ 4,892	\$ 10,088	
383	138	13,194	12,562	2,885	2,572	
-	-	253	(233)	-	-	
-	-	-	-	773	(7,026)	
-	-	5	11	1,195	2,220	
(142)	8	(530)	439	(168)	(116)	
-	-	-	(679)	-	1	
-	51	50	267	-	-	
-	-	-	(398)	-	-	
30	(18)	3,900	(12,804)	167	(980)	
-	-	83	(16)	-	-	
(2)	-	(128)	566	25	53	
14	7	143	(211)	196	(63)	
<u>\$ 1,169</u>	<u>\$ 117</u>	<u>\$ 15,108</u>	<u>\$ 3,777</u>	<u>\$ 9,965</u>	<u>\$ 6,749</u>	
\$ 41	\$ (1)	\$ 758	\$ 249	\$ 325	\$ 57	
3	-	44	36	-	-	
-	-	-	-	1,625	-	
-	-	4	-	-	-	
-	-	360	360	-	-	
-	-	16,918	3,416	141	-	
\$ 87	\$ 17	\$ 34,321	\$ 32,583	\$ 48,951	\$ 37,560	
-	-	1,209	131	10	-	
-	-	46,785	48,389	-	-	
3,705	-	32,512	36,811	-	-	
<u>\$ 3,792</u>	<u>\$ 17</u>	<u>\$ 114,827</u>	<u>\$ 117,914</u>	<u>\$ 48,961</u>	<u>\$ 37,560</u>	

# CITY OF STOCKTON

## STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

JUNE 30, 2007

(With comparative totals as of June 30, 2006)

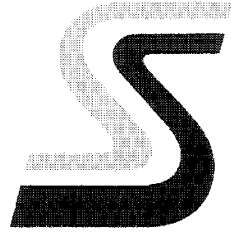
(Dollar amounts in thousands)

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	2007	2006
<b>ASSETS</b>		
Cash and investments	\$ 57,712	\$ 55,983
Cash and investments with fiscal agents	21,399	21,496
Receivables:		
Interest	403	261
Accounts and other receivables	1,469	1,439
Due from other governments	-	1
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 80,983</u>	<u>\$ 79,180</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 199	\$ 216
Due to other governments	3,260	2,622
Deposits and other liabilities	77,524	76,342
	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 80,983</u>	<u>\$ 79,180</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, 2007

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# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 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 members of the City Council also serve as the governing board of the SPFA. The SPFA is reported in the City's fund financial statements in the debt service funds, capital projects funds, enterprise funds, and the internal service 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 funds.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An additional governmental agency in which the City participates is the San Joaquin Area Flood Control Agency (SJAFCA) which 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, 2007

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### 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 and use, gas, utility user and hotel/motel room 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, 2007

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### 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, 2007

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### 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, 2007

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### 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 Funds, 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 fund and government-wide financial statements.



# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 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 \$5,000 for equipment and works of art; \$10,000 for land, buildings and improvements; \$50,000 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, 2007, there was no capitalized interest cost associated with the construction in progress.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 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 apply 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, 2007

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### 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.

**Change in Accounting** – The City is presenting the portion of its sales and use tax that is not levied by the City as intergovernmental revenue. In previous years it was presented as taxes revenue.

**Comparative Data** – The 2006 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 2006 comparative data have been restated for the effects of the change in accounting described in the previous paragraph to conform to the 2007 financial statements presentation.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 2. 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, 2007 (dollar amounts in thousands):

Deposits	\$ 41,746
Investments	414,887
Total cash and investments	<u>\$ 456,633</u>
Presented in the government-wide statement of net assets:	
Cash and investments	\$ 191,216
Restricted cash and investments	186,306
Presented in the statement of fiduciary net assets:	
Cash and investments	57,712
Cash and investments with fiscal agents	21,399
Total cash and investments	<u>\$ 456,633</u>

**Deposits** – At June 30, 2007, the recorded amount of the City's deposits was \$41,746,000; and the bank balance was \$44,058,000. The bank balance and carrying amount differ due to deposits in transit of \$1,396,000 and outstanding checks of \$3,708,000.

The bank balances were entirely insured or collateralized at June 30, 2007. 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) 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, 2007

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### 2. CASH AND INVESTMENTS (Continued)

The City has entered into nonparticipating guaranteed investment contracts which are in compliance with the City's investment policy. The investment contracts bear interest ranging from 4.46% to 6.57%. All investment contracts are collateralized by investments with \$123,403,000 collateralized at 100% to 105%.

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 \$37,991,000. The total amount invested by all public agencies in LAIF at June 30, 2007 was \$19.7 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2007 was \$65.6 billion. Of this amount, 3.466% 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 176 days as of June 30, 2007.

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 commercial paper must have a rating of A-1/P or better. Banker's acceptance do not have credit rating limits. 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, 2007

### 2. CASH AND INVESTMENTS (Continued)

As of June 30, 2007, 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. Commercial paper is rated A-1+ or A-1 by Standard and Poor's and P-1 by Moody's. The medium term note is rated AA by Standard and Poor's and Aaa by Moody's. Banker's acceptance is rated A-1+ by Standard and Poor's and P-1 by Moody's. Investments of bond proceeds permitted under bond covenants are included in the ratings above. As permitted under bond covenants, GICs issued by Societe Generale total \$75,775,000, representing 18.26% of total investments, and GICs issued by HYPO total \$21,098,000, representing 5.08% of total investments. In both cases these investments are collateralized with federal securities, as required by bond covenants. LAIF and GICs are not rated. A summary of investments by category and maturity at June 30, 2007 (dollar amounts in thousands):

Investment Type	Fair Value	Investment Maturities					
		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5 years or more
U. S. Agencies	\$ 147,269	\$ 118,968	\$ 16,996	\$ 6,062	\$ -	\$ 298	\$ 4,945
U. S. Treasuries	45	-	-	-	-	-	45
U. S. Treasury strips	27	-	-	-	-	-	27
LAIF	37,991	37,991	-	-	-	-	-
Money market mutual funds	39,853	39,853	-	-	-	-	-
Commercial paper	46,555	46,555	-	-	-	-	-
Bankers acceptance	11,962	11,962	-	-	-	-	-
Medium term note	5,998	5,998	-	-	-	-	-
Tax exempt municipal bonds	1,758	-	-	-	-	1,758	-
Other securities	26	-	-	-	-	-	26
GICs	123,403	-	17,246	91,163	-	746	14,248
<b>Total</b>	<b>\$ 414,887</b>	<b>\$ 261,327</b>	<b>\$ 34,242</b>	<b>\$ 97,225</b>	<b>\$ -</b>	<b>\$ 2,802</b>	<b>\$ 19,291</b>

Allocation by percentage 100 63 8 23 - 1 5

The average life of the portfolio was 114 days.

**Restricted Cash and Investments** – Certain proceeds of proprietary fund and government-wide certificates of participation (COP), revenue bonds, and bonds payable are classified as restricted cash and investments on the statements 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.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 2. CASH AND INVESTMENTS (Continued)

At June 30, 2007, restricted cash and investments are as follows (dollar amounts in thousands):

<b>Governmental activities</b>	<u>\$ 107,009</u>
<b>Business-type activities</b>	
Water Utility	22,757
Wastewater Utility	52,835
Central Parking District	<u>3,705</u>
Total	<u>79,297</u>
	<u><u>\$ 186,306</u></u>

### 3. INTERFUND RECEIVABLES / PAYABLES

Interfund receivables and payables are as follows at June 30, 2007:

**Due to/from other funds (dollar amounts in thousands):**

		<u>Receivable Funds</u>	
		General	Total
<b>Payable Funds</b>	Capital Improvement	\$ 2,155	\$ 2,155
	Other Governmental	6,316	6,316
	Other Enterprise	128	128
	Total	<u><u>\$ 8,599</u></u>	<u><u>\$ 8,599</u></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.

**CITY OF STOCKTON**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2007**

**3. INTERFUND RECEIVABLES / PAYABLES (Continued)**

**Advances from/to other funds (dollar amounts in thousands):**

		Receivable Funds						Total
		General	Public Facilities Impact Fees	Capital Improvement	Other Governmental	Wastewater Utility	Central Parking District	
Payable Funds	Public Facilities Impact Fees	\$ -	\$ -	\$ 2,166	\$ -	\$ -	\$ -	\$ 2,166
	Capital Improvement	350	-	-	-	-	-	350
	Redevelopment Agency	727	123	17,056	15,881	75	847	34,709
	Central Parking District	630	1,000	-	-	-	-	1,630
	Other Enterprise	-	-	763	-	-	-	763
<b>Total</b>		<u>\$ 1,707</u>	<u>\$ 1,123</u>	<u>\$ 19,985</u>	<u>\$ 15,881</u>	<u>\$ 75</u>	<u>\$ 847</u>	<u>\$ 39,618</u>

“Advances to” and “advances from” balances represent loan activity between various funds. The \$727,000 is a loan from the General Fund to the Redevelopment Agency for various project areas. The \$1,000,000 is a loan from Public Facilities Impact Fees to Central Parking District for construction costs of new parking structures. The \$2,166,000 loan from Capital Improvement to Public Facilities Impact Fees is for architectural and construction costs for community centers and fire stations. The \$17,056,000 from Capital Improvement to the Redevelopment Agency represents loans for various project areas. The \$15,881,000 represents loans in the amount of \$197,000 from the Development Services Fund, \$4,686,000 from the Urban Development Action Grant, and \$10,998,000 from the Community Development Block Grant to the Redevelopment Agency to provide funds for various project areas. Finally, the \$847,000 is a loan from the Central Parking District to the Redevelopment Agency for the West End project area.



**CITY OF STOCKTON**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2007**

**4. TRANSFERS**

Transfers for the year ended June 30, 2007 (dollar amounts in thousands):

		Transfers In							Total
		General	Capital Improvement	Redevelopment Agency	Other Governmental	Water	Stormwater	Internal Service	
Transfers Out	General	\$ -	\$ 3,761	\$ 1,114	\$ 21,859	\$ -	\$ -	\$ 263	\$ 26,997
	Public Facilities Impact Fees	-	-	-	89	-	-	-	89
	Capital Improvement	-	-	-	2,112	72	23	-	2,207
	Redevelopment Agency	-	-	-	31,586	-	-	-	31,586
	Other Governmental	5,965	1,014	390	10,339	-	-	1,919	19,627
	Water Utility	-	46	-	-	-	-	-	46
	Wastewater Utility	-	49	-	-	-	-	9	58
	Stormwater Utility	-	-	-	-	-	-	6	6
	Central Parking District	501	-	-	-	-	-	-	501
	<b>Total</b>	<b>\$ 6,466</b>	<b>\$ 4,870</b>	<b>\$ 1,504</b>	<b>\$ 65,985</b>	<b>\$ 72</b>	<b>\$ 23</b>	<b>\$ 2,197</b>	<b>\$ 81,117</b>

During the year various interfund transfers were made to finance expenditures, subsidize operating losses, and service debt. The \$26,997,000 General Fund transfers out include transfers of \$7,985,000 to Recreation Services, \$6,843,000 to the City-County Library, \$5,991,000 to Emergency Medical Transportation, \$3,761,000 to the Capital Improvement Fund, \$1,114,000 to the Redevelopment Agency Fund, \$538,000 to Emergency Communication, and \$502,000 to the Stockton Public Financing Authority (SPFA) Debt Service Fund.

The General Fund received transfers in of \$5,116,000 from the Gas Tax Fund primarily for the reimbursement of qualified street repair and maintenance expenditures. In addition, the General Fund received transfers in of \$849,000 from the Development Services Fund, and \$501,000 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 \$4,870,000 to finance capital improvement projects. The transfers included \$3,761,000 from the General Fund and \$1,000,000 from the Development Services

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

### 4. TRANSFERS (Continued)

Fund. The \$2,207,000 Capital Improvement Fund transfers out include \$2,107,000 to the Emergency Medical Transportation Fund, \$72,000 to the Water Utility Fund and \$23,000 to the Stormwater Utility Fund.

The \$31,586,000 Redevelopment Agency Fund transfers out include transfers of \$13,776,000 to the Redevelopment Agency Debt Service Fund, \$650,000 to the Stockton Public Financing Authority (SPFA) Debt Service Fund and \$16,870,000 to the Redevelopment Agency Loan Fund.

Transfers from the Other Governmental Community Development Block Grant Fund include \$9,953,000 to the Other Governmental Community Development Loan Fund and \$385,000 to the Redevelopment Agency Fund. The \$1,919,000 Other Governmental Fund transfers out include \$699,000 from the Special Grants, \$631,000 from the Development Services Fund, and \$538,000 from the Measure W Fund to the Internal Service Funds for the purchase of equipment and vehicles.

### 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 (dollar amounts in thousands):

	Balance July 1, 2006	Acquisitions	Dispositions	Balance June 30, 2007
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 34,603	\$ 411	\$ -	\$ 35,014
Construction in progress	154,053	63,449	(50,257)	167,245
Total capital assets, not being depreciated	<u>188,656</u>	<u>63,860</u>	<u>(50,257)</u>	<u>202,259</u>
Capital assets, being depreciated:				
Infrastructure	337,449	57,373	-	394,822
Buildings and improvements	235,138	12,407	(98)	247,447
Machinery and equipment	40,316	3,293	(1,311)	42,298
Total capital assets, being depreciated	<u>612,903</u>	<u>73,073</u>	<u>(1,409)</u>	<u>684,567</u>
Less accumulated depreciation for:				
Infrastructure	(60,097)	(7,242)	-	(67,339)
Buildings and improvements	(41,999)	(5,465)	88	(47,376)
Machinery and equipment	(25,546)	(3,489)	1,264	(27,771)
Total accumulated depreciation	<u>(127,642)</u>	<u>(16,196)</u>	<u>1,352</u>	<u>(142,486)</u>
Total capital assets, being depreciated, net	<u>485,261</u>	<u>56,877</u>	<u>(57)</u>	<u>542,081</u>
Governmental activities capital assets, net	<u>\$ 673,917</u>	<u>\$ 120,737</u>	<u>\$ (50,314)</u>	<u>\$ 744,340</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

### 5. CAPITAL ASSETS (Continued)

	Balance July 1, 2006	Acquisitions	Dispositions	Balance June 30, 2007
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,819	\$ 816	\$ -	\$ 14,635
Construction in progress	98,254	18,850	(35,440)	81,664
Total capital assets, not being depreciated	<u>112,073</u>	<u>19,666</u>	<u>(35,440)</u>	<u>96,299</u>
Capital assets, being depreciated:				
Buildings and improvements	525,137	52,356	-	577,493
Machinery and equipment	8,730	-	-	8,730
Total capital assets, being depreciated	<u>533,867</u>	<u>52,356</u>	<u>-</u>	<u>586,223</u>
Less accumulated depreciation for:				
Buildings and improvements	(142,396)	(12,747)	-	(155,143)
Machinery and equipment	(5,679)	(254)	-	(5,933)
Total accumulated depreciation	<u>(148,075)</u>	<u>(13,001)</u>	<u>-</u>	<u>(161,076)</u>
Total capital assets, being depreciated, net	<u>385,792</u>	<u>39,355</u>	<u>-</u>	<u>425,147</u>
Business-type activities capital assets, net	<u>\$ 497,865</u>	<u>\$ 59,021</u>	<u>\$ (35,440)</u>	<u>\$ 521,446</u>

### Depreciation expense by functions and programs (dollar amounts in thousands):

<b>Governmental activities:</b>	
General government	\$ 3,597
Public safety	890
Public works	7,411
Library	115
Parks & recreation	1,311
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>2,872</u>
Total depreciation expense - governmental activities	<u>\$ 16,196</u>
<b>Business-type activities:</b>	
Water utility	\$ 2,224
Wastewater utility	8,874
Stormwater utility	1,417
Central parking district	348
Golf courses	<u>138</u>
Total depreciation expense - business-type activities	<u>\$ 13,001</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

### 6. LONG-TERM DEBT

#### *Governmental Activities*

Summary of changes in governmental activities long-term liabilities for the year ended June 30, 2007 (dollar amounts in thousands):

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
<b>Governmental activities:</b>					
<b>Lease Revenue Refunding Bonds:</b>					
2006 Series A (Essential Services Building)	\$ 13,965	\$ -	\$ (105)	\$ 13,860	\$ 325
Deferred amount on refunding	(801)	-	32	(769)	(32)
Unamortized discount	(85)	-	3	(82)	(3)
<b>Total Lease Revenue Refunding Bonds</b>	<u>13,079</u>	<u>-</u>	<u>(70)</u>	<u>13,009</u>	<u>290</u>
<b>Certificates of Participation:</b>					
Series 2003A (Redevelopment Housing)	1,160	-	-	1,160	-
Series 2003B (Redevelopment Housing)	12,140	-	-	12,140	-
Unamortized discount	(89)	-	3	(86)	(3)
<b>Total Certificates of Participation</b>	<u>13,211</u>	<u>-</u>	<u>3</u>	<u>13,214</u>	<u>(3)</u>
<b>Pension Obligation Bonds:</b>					
2007 Series A	-	96,985	-	96,985	250
2007 Series B	-	28,325	-	28,325	-
<b>Total Pension Obligation Bonds</b>	<u>-</u>	<u>125,310</u>	<u>-</u>	<u>125,310</u>	<u>250</u>
<b>Other long-term obligations:</b>					
Notes payable:					
U.S. Dept. of Housing and Urban Development	11,565	-	(460)	11,105	490
California Housing Finance Agency	1,050	-	-	1,050	-
Estimated liability for self-insurance	43,876	30,637	(29,864)	44,649	11,266
Compensated absences	21,305	10,973	(8,106)	24,172	10,554
<b>Total other long-term obligations</b>	<u>77,796</u>	<u>41,610</u>	<u>(38,430)</u>	<u>80,976</u>	<u>22,310</u>
<b>Redevelopment Agency:</b>					
Revenue Bonds:					
Series 2004 (Stockton Events Center-Arena)	47,000	-	-	47,000	175
2006 Series A (Redevelopment Projects)	-	75,755	-	75,755	-
2006 Series B (Redevelopment Projects)	-	8,445	-	8,445	-
2006 Series C (Housing Projects)	-	25,985	-	25,985	-
Unamortized premium	1,525	2,377	(128)	3,774	130
Note payable	409	324	(26)	707	27
<b>Total Redevelopment Agency</b>	<u>48,934</u>	<u>112,886</u>	<u>(154)</u>	<u>161,666</u>	<u>332</u>
<b>Total governmental activities - long-term liabilities</b>	<u>\$ 153,020</u>	<u>\$ 279,806</u>	<u>\$ (38,651)</u>	<u>\$ 394,175</u>	<u>\$ 23,179</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 6. LONG-TERM DEBT (Continued)

#### Lease Revenue Refunding Bonds

The 2006 Lease Revenue Refunding Bonds Series A were issued in the amount of \$13,965,000 by the Stockton Public Financing Authority (SPFA) on March 22, 2006. As of June 30, 2007, bonds totaling \$13,860,000 are due in installments ranging from \$325,000 to \$875,000 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 \$13,795,000 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. 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 a negative deferred amount on refunding of \$769,000 and unamortized discount \$82,000.

#### Certificates of Participation

Certificates of Participation Series 2003A (Redevelopment Housing Projects) were issued in the amount of \$1,160,000 on June 17, 2003. As of June 30, 2007, certificates totaling \$1,160,000 are due in installments ranging from \$35,000 to \$75,000 beginning September 1, 2011 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 20% Redevelopment the Agency housing set-aside. The principal amount due is reported net of unamortized discount of \$18,000.

Certificates of Participation Taxable Series 2003B (Redevelopment Housing Projects) were issued in the amount of \$12,140,000 on June 17, 2003. As of June 30, 2007, certificates totaling \$12,140,000 are due in installments ranging from \$295,000 to \$870,000 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 discount of \$68,000.

**CITY OF STOCKTON**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2007**

**6. LONG-TERM DEBT (Continued)**

**Pension Obligation Bonds**

The 2007 Taxable Pension Obligation Bonds, Series A were issued in the amount of \$96,985,000 by the City of Stockton on March 26, 2007. As of June 30, 2007, bonds totaling \$96,985,000 are due in installments ranging from \$250,000 to \$8,400,000 through September 1, 2037, with interest rates ranging from 5.14% to 5.455% on bonds outstanding. The Bonds were issued to refinance a portion of the City's unfunded actuarial liability with respect to retirement benefits accruing to its members of the California Public Employees' Retirement System (CalPERS). The obligation of the City to make payments with respect to the Bonds is not limited to any special source of funds and is payable from any legally available moneys or funds of the City. Funds for repayment of the Bonds will come from the amounts previously budgeted for payment of the City's annual required contributions to CalPERS.

The 2007 Taxable Pension Obligation Bonds, Series B were issued in the amount of \$28,325,000 by the City of Stockton on March 26, 2007. As of June 30, 2007, bonds totaling \$28,325,000 are due in installments ranging from \$715,000 to \$2,800,000 beginning September 1, 2018 through September 1, 2037, with interest rates ranging from 5.675% to 5.795% on bonds outstanding. The Bonds were issued to refinance a portion of the City's unfunded actuarial liability with respect to retirement benefits accruing to its members of the California Public Employees' Retirement System (CalPERS). The obligation of the City to make payments with respect to the Bonds is not limited to any special source of funds and is payable from any legally available moneys or funds of the City. Funds for repayment of the Bonds will come from the amounts previously budgeted for payment of the City's annual required contributions to CalPERS.

**Annual Debt Service Requirements to Maturity (dollar amounts in thousands)**

Year Ending June 30,	Lease Revenue Bonds		Certificates of Participation		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 325	\$ 584	\$ -	\$ 667	\$ 250	\$ 6,205
2009	340	570	-	667	20	6,846
2010	355	556	-	667	130	6,842
2011	370	540	-	667	250	6,832
2012	385	523	330	660	380	6,816
2013-2017	2,170	2,367	1,880	3,063	8,625	33,086
2018-2022	2,650	1,885	2,355	2,574	15,770	29,875
2023-2027	3,240	1,272	3,010	1,895	21,785	24,570
2028-2032	4,025	469	3,875	1,005	27,345	18,080
2033-2037	-	-	1,850	97	39,555	8,892
2038	-	-	-	-	11,200	310
Total	<u>\$ 13,860</u>	<u>\$ 8,766</u>	<u>\$ 13,300</u>	<u>\$ 11,962</u>	<u>\$ 125,310</u>	<u>\$ 148,354</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 6. 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 (HUD) to complete redevelopment projects. Outstanding balances are \$2,470,000, \$8,435,000, and \$200,000, respectively, as of June 30, 2007. Final payment on the first two loans is due in August 2020; the third is due in August 2025. Interest on the first two loans is calculated at a variable rate based on the London Interbank Offered Rate (LIBOR) plus 20 basis points per annum. Interest on the third loan is not included in the debt service schedule below as HUD has yet to provide the City with an amortization schedule on that loan. 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 \$500,000 and \$550,000, respectively, as of June 30, 2007. 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.

#### Annual Debt Service Requirements to Maturity (dollar amounts in thousands)

Year Ending June 30,	Notes Payable	
	Principal	Interest
2008	\$ 490	\$ 609
2009	525	581
2010	555	551
2011	595	518
2012	640	361
2013-2017	4,955	2,061
2018-2022	4,195	499
2023-2026	200	-
Total	<u>\$ 12,155</u>	<u>\$ 5,180</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 6. LONG-TERM DEBT (Continued)

#### 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, 2007, the long-term liabilities for the General Liability Insurance, Workers' Compensation Insurance, and Health Benefits Insurance Funds total \$44,649,000. See Note 10 for additional disclosures regarding risk management.

#### Compensated Absences

Compensated absences related to governmental activities total \$24,172,000 at year-end. These balances are generally paid by the General Fund. The above balance includes \$756,000 of compensated absences from the internal service funds.

#### Redevelopment Agency

##### Revenue Bonds

Revenue Bonds, Series 2004 (Stockton Events Center-Arena) were issued in the amount of \$47,000,000 on March 18, 2004 by the Redevelopment Agency (Agency). As of June 30, 2007, bonds totaling \$47,000,000 are due in installments ranging from \$175,000 to \$4,035,000 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 of \$1,473,000.



# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 6. LONG-TERM DEBT (Continued)

Revenue Bonds, 2006 Series A (Redevelopment Projects), were issued in the amount of \$75,755,000 on July 12, 2006 by the Stockton Public Financing Authority (SPFA). As of June 30, 2007, bonds totaling \$75,755,000 are due in installments ranging from \$410,000 to \$4,790,000 and are to be paid beginning September 1, 2012 through September 1, 2037, with interest rates ranging from 5.0% to 5.25% on bonds outstanding. The Bonds were issued as part of the Strong Neighborhoods Initiative to fund a portion of three loans (collectively, the Redevelopment Loans) made pursuant to three loan agreements (the Redevelopment Agreement) between the SPFA and the Redevelopment Agency (Agency), relating, respectively, to the Agency's Midtown Merged Redevelopment Project, North Stockton Redevelopment Project and South Stockton Merged Redevelopment Project (collectively, the Merged Midtown, North Stockton, and South Stockton Merged Redevelopment Projects). The portion of each Redevelopment Loan allocable to the Series A Bonds will be used by the Agency to finance certain redevelopment projects within or of benefit to the Merged Midtown, North Stockton, and South Stockton Merged Redevelopment Projects. The Bonds are special obligations of the Agency payable from tax increment revenues from the Midtown Merged, North Stockton, and South Stockton Merged Redevelopment Project Area. The principal amount due is reported net of unamortized premium of \$2,301,000.

Taxable Revenue Bonds, 2006 Series B, (Redevelopment Projects), were issued in the amount of \$8,445,000 on July 12, 2006 by the Stockton Public Financing Authority (SPFA). As of June 30, 2007, bonds totaling \$8,445,000 are due in installments ranging from \$980,000 to \$1,665,000 and are to be paid beginning September 1, 2008 through September 1, 2013, with interest rates ranging from 6.01% to 6.10% on bonds outstanding. The Bonds were issued as part of the Strong Neighborhoods Initiative to fund a portion of the Redevelopment Loans made pursuant to the Redevelopment Agreements. The portion of each Redevelopment Loan allocable to the Series B Bonds will be used by the Agency to finance certain redevelopment projects within or of benefit to the Merged Midtown, North Stockton, and South Stockton Merged Redevelopment Projects. The Bonds are special obligations of the Agency payable from tax increment revenues from the Midtown Merged, North Stockton, and South Stockton Merged Redevelopment Project Area.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

### 6. LONG-TERM DEBT (Continued)

Taxable Revenue Bonds, 2006 Series C, (Housing Projects), were issued in the amount of \$25,985,000 on July 12, 2006 by the Stockton Public Financing Authority (SPFA). As of June 30, 2007, bonds totaling \$25,985,000 are due in installments ranging from \$370,000 to \$1,720,000 and are to be paid beginning September 1, 2008 through September 1, 2037, with interest rates ranging from 6.15% to 6.87% on bonds outstanding. The Bonds were issued as part of the Strong Neighborhoods Initiative to fund a loan (the Housing Loan) made pursuant to a loan agreement, dated July 1, 2006, by and among the SPFA, the Agency and the Trustee (the Housing Loan Agreement). The Housing Loan will be used by the Agency to finance certain low and moderate income housing projects throughout the City of Stockton. The Bonds are special obligations of the Agency payable from low and moderate income housing allocation.

#### 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 \$707,000 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.

#### Annual Debt Service Requirements to Maturity (dollar amounts in thousands)

Year Ending June 30,	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2008	\$ 175	\$ 8,318	\$ 27	\$ 21
2009	1,990	8,261	28	20
2010	2,155	8,145	29	20
2011	2,325	8,021	31	19
2012	2,505	7,887	65	18
2013-2017	15,495	37,200	203	16
2018-2022	21,250	32,639	324	10
2023-2027	26,040	26,570	-	-
2028-2032	33,520	18,809	-	-
2033-2037	45,220	8,263	-	-
2038	6,510	185	-	-
Total	<u>\$ 157,185</u>	<u>\$ 164,298</u>	<u>\$ 707</u>	<u>\$ 124</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

### 6. LONG-TERM DEBT (Continued)

#### *Business-type Activities*

Summary of changes in business-type activities long-term liabilities for the year ended June 30, 2007 (dollar amounts in thousands):

<b>Business-type activities:</b>	<b>Balance July 1, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2007</b>	<b>Due Within One Year</b>
<b>Water Utility</b>					
California Statewide Community Development Authority Revenue Bonds Series 2002A (Water System Capital Improvements)	\$ 12,895	\$ -	\$ (510)	\$ 12,385	\$ 540
Deferred amounts on refunding	(283)	-	17	(266)	(17)
Unamortized discount	(240)	-	14	(226)	(14)
Stockton Public Financing Authority Revenue Bonds Series 2005A (Water System Capital Improvements)	24,230	-	-	24,230	-
Unamortized premium	131	-	(4)	127	4
Note payable Federal Drought Relief Act Loan	787	-	(56)	731	-
<b>Total Water Utility</b>	<u>37,520</u>	<u>-</u>	<u>(539)</u>	<u>36,981</u>	<u>513</u>
<b>Wastewater Utility</b>					
Stockton Public Financing Authority Certificates of Participation Revenue COP 1998 Series A (Wastewater Projects)	90,595	-	(1,855)	88,740	1,935
Refunding COP 2003 Series A (Wastewater Projects)	13,040	-	(560)	12,480	575
Deferred amounts on refunding	(4,526)	-	343	(4,183)	(343)
Unamortized discount	(541)	-	27	(514)	(27)
<b>Total Wastewater Utility</b>	<u>98,568</u>	<u>-</u>	<u>(2,045)</u>	<u>96,523</u>	<u>2,140</u>
<b>Central Parking District</b>					
Stockton Public Financing Authority Lease Revenue Bonds Series 2004 (Parking and Capital Projects)	32,785	-	(85)	32,700	125
Unamortized discount	(68)	-	3	(65)	(2)
<b>Total Central Parking District</b>	<u>32,717</u>	<u>-</u>	<u>(82)</u>	<u>32,635</u>	<u>123</u>
<b>Other long-term obligations:</b>					
Compensated absences	236	200	(57)	379	207
<b>Total other long-term obligations</b>	<u>236</u>	<u>200</u>	<u>(57)</u>	<u>379</u>	<u>207</u>
<b>Total business-type activities - long-term liabilities</b>	<u>\$ 169,041</u>	<u>\$ 200</u>	<u>\$ (2,723)</u>	<u>\$ 166,518</u>	<u>\$ 2,983</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 6. 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, which issued Bonds in the amount of \$14,280,000 for the City of Stockton. As of June 30, 2007, bonds totaling \$12,385,000 are due in installments ranging from \$540,000 to \$1,090,000 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 a negative deferred amount on refunding of \$266,000 and unamortized discount of \$226,000.

The 2005 Water Revenue Bonds, Series A (Water System Capital Improvement Projects) were issued in the amount of \$24,230,000 by the SPFA on November 3, 2005. As of June 30, 2007, bonds totaling \$24,230,000 are due in installments ranging from \$150,000 to \$2,350,000 beginning September 1, 2017 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 of \$127,000.

##### 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, 2007 the outstanding balance on this loan was \$731,000. 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, 2007

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### 6. LONG-TERM DEBT (Continued)

#### Wastewater Utility

##### Certificates of Participation

Revenue Certificates of Participation 1998 Series A (Wastewater System Project) were issued in the amount of \$101,650,000 by the SPFA on February 3, 1998. As of June 30, 2007, certificates totaling \$88,740,000 are due in installments ranging from \$1,935,000 to \$7,325,000 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 a negative deferred amount on refunding of \$4,077,000 and unamortized discount of \$343,000.

Refunding Certificates of Participation 2003 Series A (Wastewater System Project) were issued in the amount of \$14,135,000 by the SPFA on May 21, 2003. As of June 30, 2007 certificates totaling \$12,480,000 are due in installments ranging from \$575,000 to \$965,000 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 a negative deferred amount on refunding of \$106,000 and unamortized discount of \$171,000.

#### Central Parking District

##### Lease Revenue Bond

Lease Revenue Bonds, Series 2004 (Parking and Capital Projects) were issued in the amount of \$32,785,000 by the SPFA on June 16, 2004. As of June 30, 2007, bonds totaling \$32,700,000 are due in installments ranging from \$85,000 to \$2,950,000 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 discount of \$65,000.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

### 6. LONG-TERM DEBT (Continued)

#### Annual Debt Service Requirements to Maturity (dollar amounts in thousands)

Year Ending June 30,	Water Utility		Wastewater Utility		Central Parking District	
	Revenue Bonds		Certificates of Participation		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 540	\$ 1,722	\$ 2,510	\$ 4,867	\$ 125	\$ 1,647
2009	565	1,694	2,605	4,770	165	1,641
2010	590	1,669	2,720	4,659	210	1,634
2011	620	1,645	2,840	4,539	255	1,625
2012	640	1,619	2,955	4,417	305	1,613
2013-2017	3,675	7,641	16,995	19,878	2,370	7,817
2018-2022	5,470	6,568	21,630	15,257	4,165	7,086
2023-2027	6,945	5,089	28,085	9,215	6,710	5,708
2028-2032	8,800	3,227	20,880	1,666	10,160	3,558
2033-2037	8,770	858	-	-	8,235	670
Total	<u>\$ 36,615</u>	<u>\$ 31,732</u>	<u>\$ 101,220</u>	<u>\$ 69,268</u>	<u>\$ 32,700</u>	<u>\$ 32,999</u>

Year Ending June 30,	Note Payable	
	Principal	Interest
2008	\$ 59	\$ 37
2009	62	34
2010	65	30
2011	68	27
2012	71	24
2013-2017	406	62
Total	<u>\$ 731</u>	<u>\$ 214</u>

#### Other Long-term Obligations

##### Compensated Absences

At year-end, \$379,000 of enterprise funds compensated absences is included in the totals for business-type activities.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 6. LONG-TERM DEBT (Continued)

#### *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, 2007, the outstanding balances of the bonds considered defeased were as follows:

1999 Certificates of Participation – ESB/Parking	\$ 13,550,000
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#### *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, 2007, there were ten CFD special tax bonds, six special assessment bonds, and six revenue bonds outstanding with aggregate principal amounts payable of \$97,090,000, \$29,560,000, and \$49,850,000, respectively.

Conduit Debt (No City Commitment) – Revenue bonds and certificates of participation 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, 2007, there were five series of revenue bonds and one series of certificates of participation outstanding, with an aggregate principal amount payable of \$77,195,000.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 7. SHORT-TERM DEBT

#### *Governmental Activities*

Summary of the governmental activities short-term debt for the year ended June 30, 2007 (dollar amounts in thousands):

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
<b>Governmental activities:</b>				
2007 CSCDA Tax and Revenue Anticipation Notes	\$ -	\$ 16,430	\$ 16,430	\$ -
<b>Total governmental activities short-term debt</b>	<b>\$ -</b>	<b>\$ 16,430</b>	<b>\$ 16,430</b>	<b>\$ -</b>

The 2007 Tax and Revenue Anticipation Notes (TRAN) were issued in the amount of \$16,430,000 on July 5, 2006 by the California State Communities Development Authority (CSCDA) and matured on June 30, 2007. The TRAN was issued to provide cash flows to the General Fund during the first six months of the fiscal year prior to the receipt of property taxes in December or early January. Net proceeds were invested in a Guaranteed Investment Contract to maximize interest earnings and provide funds for repayment of the TRAN..

### 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.



# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

### 8. EQUITY (Continued)

Summary of reported reserves and designations by fund at June 30, 2007 (dollar amounts in thousands):

	Governmental Funds					Total
	General	Public Facilities Impact Fees	Capital Improvement	Redevelopment Agency	Other	
<b>Reserves:</b>						
Encumbrances	\$ 1,094	\$ 5,604	\$ 1,111	\$ 11,939	\$ 10,208	\$ 29,956
Advances	1,707	1,123	20,010	-	79,019	101,859
Debt service	-	-	-	-	12,827	12,827
Capital projects	-	52,270	-	85,913	-	138,183
Low and moderate income housing	-	-	-	3,094	-	3,094
Public Safety	-	-	-	-	1,549	1,549
Endowments	-	-	-	-	1,604	1,604
Other items	2,368	-	-	40	8,436	10,844
<b>Total reserves</b>	<b>\$ 5,169</b>	<b>\$ 58,997</b>	<b>\$ 21,121</b>	<b>\$ 100,986</b>	<b>\$ 113,643</b>	<b>\$ 299,916</b>
<b>Designations:</b>						
Catastrophic events	\$ 1,620	\$ -	\$ -	\$ -	\$ -	\$ 1,620
Budget contingency/ budget uncertainty	1,620	-	-	-	-	1,620
Termination pay	-	-	-	-	132	132
Capital improvement projects	5,000	-	-	-	-	5,000
Future appropriations	4,021	-	-	-	-	4,021
Liability	3,500	-	-	-	-	3,500
<b>Total designations</b>	<b>\$ 15,761</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 132</b>	<b>\$ 15,893</b>

**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 3 and advances to property owners.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 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.

**Public Safety** - Set aside for unanticipated public safety revenue shortfalls.

**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 are 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 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 \$216,822,000 of restricted net assets, of which \$110,033,000 is restricted by enabling legislation.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 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 32.138% of annual covered payroll. The rate for Miscellaneous members was 16.375% 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, 2007, the City's annual pension costs of \$15,375,000 for the Safety Plan and \$8,787,000 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, 2004 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 15-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, 2006 was 30 years for the Safety Plan and 25 years for the Miscellaneous Plan.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

### 9. RETIREMENT PLAN (Continued)

**Pension Asset** - The City prepaid its Annual Required Contributions with proceeds from the 2007 Taxable Pension Obligation Bonds Series A and Series B. (See Note 6). These prepaid contributions are reflected in the accompanying financial statements as Pension Asset with amounts equal to \$89,536,000 for the Safety Plan and \$34,139,000 for the Miscellaneous Plan at June 30, 2007.

The pension asset was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of Annual Required Contributions.

The City's changes in the pension asset for the year ended June 30, 2007, (dollar amounts in thousands):

	<b>Safety Plan</b>	<b>Miscellaneous Plan</b>
Annual pension cost	\$ (15,375)	\$ (8,787)
Contributions made	<u>104,911</u>	<u>42,926</u>
Change in pension asset	89,536	34,139
Pension asset, beginning of the year	-	-
Pension asset, end of year	<u>\$ 89,536</u>	<u>\$ 34,139</u>

#### SAFETY PLAN

##### Three-Year Trend Information (Dollar amounts in thousands)

Fiscal Year	Annual Pension Cost (APC)	Contributions	Percentage of APC Contributed	Pension Asset
6/30/07	\$ 15,375	\$ 104,911	682 %	\$ 89,536
6/30/06	17,894	17,894	100	-
6/30/05	15,433	15,433	100	-

#### MISCELLANEOUS PLAN

##### Three-Year Trend Information (Dollar amounts in thousands)

Fiscal Year	Annual Pension Cost (APC)	Contributions	Percentage of APC Contributed	Pension Asset
6/30/07	\$ 8,787	\$ 42,926	489 %	\$ 34,139
6/30/06	9,132	9,132	100	-
6/30/05	6,439	6,439	100	-

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to liability torts; theft of, damage to, and destruction of assets; errors and omissions; health and medical needs of 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 self-insured risks of loss. Under the City's risk management program, the City retains risk for up to \$1,000,000 for each general liability claim, \$500,000 for each workers' compensation claim and \$210,000 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 claims 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.

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 recognized at a 70% confidence level, using a 4.97% discount rate to reflect future investment earnings. Prior to 2006, 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, 2007 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 recognize 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.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

### 10. RISK MANAGEMENT (Continued)

Changes in the balances of the City's claims liabilities for the current and prior fiscal years (dollar amounts in thousands):

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Health Benefits</u>	<u>Total</u>
Balance, June 30, 2005	\$ 4,244	\$ 43,219	\$ 3,439	\$ 50,902
Claims incurred	3,183	0	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	5,969	35,077	2,830	43,876
Claims incurred	167	8,177	22,294	30,638
Claims paid	<u>(1,858)</u>	<u>(6,008)</u>	<u>(21,999)</u>	<u>(29,865)</u>
Balance, June 30, 2007	<u>\$ 4,278</u>	<u>\$ 37,246</u>	<u>\$ 3,125</u>	<u>\$ 44,649</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 million. Losses above the City's SIR are pooled up to \$5 million per occurrence, with reinsurance in place above the \$5 million up to \$40 million. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, errors and omissions and certain other coverage.

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, 2007 can be obtained from CJPRMA at 2333 San Ramon Valley Blvd., Suite #250 San Ramon, California 94583-4456.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 10. RISK MANAGEMENT (Continued)

*Workers' Compensation Insurance* - In 2003, in an effort to stabilize and control its costs of access to workers' compensation coverage, the City joined California Public Entity Insurance Authority (CPEIA), a public entity risk pool which currently operates an Excess Workers' Compensation (EWC) Program for 107 member entities. The City's self-insured retention is currently set at \$500,000 per occurrence. Losses above the City's SIR are pooled up to \$5 million per occurrence. Reinsurance is in place in layers above the \$5 million up to \$50 million, with an additional \$150 million in limits purchased by the Program, for a combined total of \$200 million 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, 2007 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 million per occurrence in coverage to participating members, subject to a deductible of \$25,000. 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, 2007

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### 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 with 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, 730 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 \$7,855,000 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

#### ***Contingent Liability Footnote Disclosure – Pending Litigation***

There are various claims and legal actions pending against the City, four of which have a reasonable possibility for an unfavorable outcome. The nature of these legal actions involve property claims, breach of contract, a challenge to the City's Emergency Communications System Access Fee, and a lawsuit seeking to invalidate the City's past practice of charging an in lieu of property tax fee to the utility funds. Should there be unfavorable outcomes in the above legal actions, it is estimated that the potential impact on the City's General Fund would be in the range of \$4,850,000 to \$10,250,000.

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.



# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 12. CONTINGENCIES AND OTHER COMMITMENTS (Continued)

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

**Commitments** - The City is undertaking a number of capital improvement projects, the most significant of which include the following encumbrances at June 30, 2007 (dollar amounts in thousands):

• Hammer Lane/SR 99 Interchange	\$ 5,874
• Street Improvements	16,798
• Wastewater Utility	10,346
• Park Improvements	924
• Water Utility	4,585
• Stormwater Utility	994

**Operating Leases** - Operating lease obligations are primarily for rental of parking facilities space, but other lease obligations are included. Total expenditures for leases were \$266,000 for the year ended June 30, 2007. The future minimum lease payments required for those operating leases are as follows (dollar amounts in thousands):

June 30,	Amount
2008	\$ 235
2009	247
2010	259
2011	272
2012	286
2013-2017	1,657
2018-2022	<u>2,114</u>
Total	<u>\$ 5,070</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.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 12. CONTINGENCIES AND OTHER COMMITMENTS (Continued)

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.

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.

On April 7, 2003, the City was served with a complaint (Concerned Citizens Coalition of Stockton v. City of Stockton, Case No. CV020397) alleging that the City violated the California Environmental Quality Act by awarding the Service Contract to OMI/Thames Water Stockton without conducting an environmental review assessing the risks of a public-private partnership. This issue has been in the courts since that time with the eventual outcome that on December 15, 2006, the Court issued a Judgment and Writ of Mandate requiring that the City and OMI/Thames suspend any and all activities to further implement the Service Contract and to effectuate the City's resumption of management and control of the utilities. On July 17, 2007, the City Council approved the execution of a settlement agreement with the Coalition in which the City agreed to comply with the Judgment, provided that the City has until March 1, 2008 to terminate the Service Contract and to resume responsibility for operating and maintaining the Wastewater, Water, and Stormwater Utilities.

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

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2007

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### 12. CONTINGENCIES AND OTHER COMMITMENTS (Continued)

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 \$2,350,000, if the termination occurs during 2010, and declining to \$470,000, if the termination occurs in 2014. IFG is required to provide various fidelity and performance bonds, including a \$150,000 faithful performance bond, and a \$1,000,000 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.

### 13. DEFICIT FUND EQUITY

- The Special Grants Fund had a deficit fund balance of \$273,000 at June 30, 2007 due to reversal in the current year of prior year revenue accruals related to ineligible expenditures.
- The Solid Waste Fund had a deficit in net assets of \$89,000 at June 30, 2007 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 \$2,510,000 and a deficit in net assets of \$1,833,000. The cash balance of the fund at June 30, 2007 is \$2,476,000. 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, 2007

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### 13. DEFICIT FUND EQUITY (Continued)

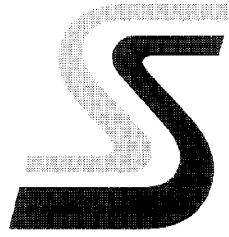
- The City budgets revenues and projects expenses in the Workers' Compensation Insurance Fund (internal service) based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the Workers' Compensation Insurance Fund has a long-term liability of \$30,873,000 and a deficit in net assets of \$11,539,000. The cash balance of the fund at June 30, 2007 is \$25,586,000. The City will fund the deficit over time by adjusting the rates paid by City funds.

### 14. 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 provides certain health care benefits for retired employees which historically have been funded on a pay-as-you-go basis, as described in Note 11. The City is currently working with an actuary to determine the unfunded actuarial liability. In addition, the City is evaluating alternatives to funding and reducing the liability.





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, 2007**

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The tables below are based on the most recent information available from CalPERS.

**SAFETY PLAN**  
(dollar amounts in thousands)

<b>Valuation Date</b>	<b>Entry Age Normal Accrued Liability (1)</b>	<b>Actuarial Value of Assets (2)</b>	<b>Unfunded Liability (1)-(2)</b>	<b>Funded Status (2)/(1)</b>	<b>Annual Covered Payroll (3)</b>	<b>UAAL As a Percentage of Payroll [(1)-(2)]/(3)</b>
6/30/05	\$ 536,143	\$ 428,575	107,568	79.9%	\$ 48,326	222.6%
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%

**MISCELLANEOUS PLAN**  
(dollar amounts in thousands)

<b>Valuation Date</b>	<b>Entry Age Normal Accrued Liability (1)</b>	<b>Actuarial Value of Assets (2)</b>	<b>Unfunded Liability (1)-(2)</b>	<b>Funded Status (2)/(1)</b>	<b>Annual Covered Payroll (3)</b>	<b>UAAL As a Percentage of Payroll [(1)-(2)]/(3)</b>
6/30/05	\$ 393,458	\$ 345,177	48,281	87.7%	\$ 51,317	94.1%
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%

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, 2007

(Dollar amounts in thousands)

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 32,483	\$ 32,483	\$ 35,497	\$ 3,014
In lieu of sales tax	11,070	11,070	11,070	-
Utility user	28,500	28,500	30,101	1,601
Franchise fees	10,228	10,228	10,817	589
Business license	9,564	9,564	10,198	634
Hotel/motel room	2,260	2,260	2,180	(80)
Document transfer	2,300	2,300	1,187	(1,113)
Other	-	-	7	7
Licenses and permits	359	359	337	(22)
Intergovernmental:				
Federal grants and subsidies	-	-	8	8
Sales and use tax - levied by state	35,480	35,480	32,388	(3,092)
Other governmental	20,738	20,738	24,059	3,321
Charges for services	9,032	9,032	9,226	194
Fines and forfeitures	4,092	4,092	3,292	(800)
Use of money and property	473	2,103	2,134	31
Investment income:				
Interest income	500	500	1,616	1,116
Net increase in fair value of investments	-	-	163	163
Refunds and reimbursements	3,367	3,367	6,837	3,470
Miscellaneous	5,716	5,716	5,359	(357)
<b>Total revenues</b>	<b>176,162</b>	<b>177,792</b>	<b>186,476</b>	<b>8,684</b>
<b>EXPENDITURES:</b>				
General government:				
City council	619	661	660	1
City manager	1,591	1,715	1,808	(93)
City attorney	1,200	1,037	1,031	6
City clerk	990	964	962	2
City auditor	714	706	704	2
Administrative services	3,504	3,499	3,465	34
Human resources	2,067	1,922	1,893	29
Housing and redevelopment	733	1,198	1,191	7
Non-departmental	2,031	4,085	4,085	-
<b>Total general government</b>	<b>13,449</b>	<b>15,787</b>	<b>15,799</b>	<b>(12)</b>

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, 2007 (Dollar amounts in thousands)

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety:				
Police	90,880	91,371	91,369	2
Fire	46,680	47,167	47,161	6
Total public safety	137,560	138,538	138,530	8
Public works	13,857	14,321	14,320	1
Parks and recreation	8,384	8,913	8,902	11
Debt service - cost of issuance	-	31	31	-
Total expenditures	173,250	177,590	177,582	8
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	2,912	202	8,894	8,692
OTHER FINANCING SOURCES (USES):				
Transfers in	10,428	7,476	6,466	(1,010)
Transfers out	(12,677)	(22,739)	(26,997)	(4,258)
Sale of capital assets	-	-	5	5
Total other financing sources (uses)	(2,249)	(15,263)	(20,526)	(5,263)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ 663	\$ (15,061)	(11,632)	\$ 3,429
BASIS ADJUSTMENT:				
Encumbrances			1,094	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			(10,538)	
FUND BALANCE, BEGINNING OF YEAR			31,468	
FUND BALANCE, END OF YEAR			\$ 20,930	

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, 2007

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### 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.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE YEAR ENDED JUNE 30, 2007**

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**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).

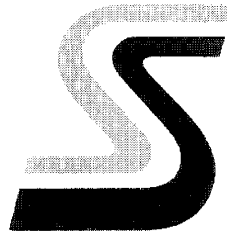
The statements of revenues, expenditures and changes in fund balances have been prepared on the modified accrual basis of accounting in accordance with GAAP. The schedules of revenues, expenditures and changes in fund balances – budget and actual – on a budgetary basis have been prepared on the budgetary 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.
- The write off of uncollectible accounts receivables is not recognized as an expenditure. Under GAAP, these write offs are recognized as expenditures when the accounts receivables are determined to be uncollectible.

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 Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes, other than those for major capital projects.

#### **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 REVENUE FUNDS (Continued)**

### **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.

### **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.

## **SPECIAL REVENUE FUNDS (Continued)**

### **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**

Debt Service Funds account for the accumulation of resources for the repayment of principal and interest on long-term debt.

### **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 for, 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**

The Permanent Fund reports resources that are legally restricted to the extent that only earnings, and not principal can be spent. The permanent fund helps support designated arts, recreation and library programs.



# CITY OF STOCKTON

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

(With comparative totals for June 30, 2006)

(Dollar amounts in thousands)

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Sales Tax
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 1,628	\$ -	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Interest	3	13	(2)	18
Accounts and other receivables	48	50	-	-
Due from other governments	1,375	-	4,443	10,741
Allowance for uncollectibles	-	-	-	(237)
Inventory of supplies	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	-	-	-	-
Advances to property owners	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,426</u>	<u>\$ 1,691</u>	<u>\$ 4,441</u>	<u>\$ 10,522</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 183	\$ 4	\$ 22	\$ 5,483
Due to other funds	564	-	3,855	140
Due to other governments	-	-	-	-
Deposits and other liabilities	-	-	-	-
Deferred revenue	952	-	-	1,319
Advances from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,699</u>	<u>4</u>	<u>3,877</u>	<u>6,942</u>
<b>FUND BALANCES (DEFICIT):</b>				
Reserved for:				
Encumbrances	153	6	1,789	6,527
Advances	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Endowments	-	-	-	-
Other items	-	-	-	-
Unreserved, reported in:				
Special revenue funds:				
Designated for termination pay	-	-	-	-
Undesignated	(426)	1,681	(1,225)	(2,947)
Debt service funds	-	-	-	-
Permanent fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>(273)</u>	<u>1,687</u>	<u>564</u>	<u>3,580</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,426</u>	<u>\$ 1,691</u>	<u>\$ 4,441</u>	<u>\$ 10,522</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
\$ 1,243	\$ 66	\$ 5,481	\$ 5,996	\$ 7,255	\$ -	\$ 9
-	-	-	-	-	-	-
14	-	-	45	-	-	(6)
-	-	28	1	-	-	2
1,583	-	-	-	-	-	12,157
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,686	-
-	-	-	-	24,045	-	278
<u>\$ 2,840</u>	<u>\$ 66</u>	<u>\$ 5,509</u>	<u>\$ 6,042</u>	<u>\$ 31,300</u>	<u>\$ 4,686</u>	<u>\$ 12,440</u>
\$ 37	\$ 66	\$ 230	\$ 184	\$ 348	\$ -	\$ 171
-	-	-	-	-	-	1,390
-	-	-	-	-	-	-
-	-	-	-	-	-	2
-	-	-	-	-	-	-
<u>37</u>	<u>66</u>	<u>230</u>	<u>184</u>	<u>348</u>	<u>-</u>	<u>1,563</u>
5	-	298	352	-	-	296
-	-	-	-	24,045	4,686	278
-	-	-	-	-	-	-
1,549	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	184	-	-	-
-	-	132	-	-	-	-
1,249	-	4,849	5,322	6,907	-	10,303
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,803</u>	<u>-</u>	<u>5,279</u>	<u>5,858</u>	<u>30,952</u>	<u>4,686</u>	<u>10,877</u>
<u>\$ 2,840</u>	<u>\$ 66</u>	<u>\$ 5,509</u>	<u>\$ 6,042</u>	<u>\$ 31,300</u>	<u>\$ 4,686</u>	<u>\$ 12,440</u>

(Continued)

# CITY OF STOCKTON

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2007

(With comparative totals for June 30, 2006)

(Dollar amounts in thousands)

	Special Revenue			
	Community Development Loan	CDBG Revolving Loan	Special Grant and Loan Programs	Home Program
<b>ASSETS</b>				
Cash and investments	\$ 184	\$ 993	\$ 319	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Interest	-	7	-	(3)
Accounts and other receivables	-	-	-	-
Due from other governments	-	-	-	-
Allowance for uncollectibles	-	-	-	-
Inventory of supplies	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	10,998	-	-	-
Advances to property owners	18,394	-	-	18,455
	<u>18,394</u>	<u>-</u>	<u>-</u>	<u>18,455</u>
Total assets	<u>\$ 29,576</u>	<u>\$ 1,000</u>	<u>\$ 319</u>	<u>\$ 18,452</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 37	\$ -	\$ -	\$ 48
Due to other funds	-	-	-	367
Due to other governments	-	34	-	-
Deposits and other liabilities	-	589	-	-
Deferred revenue	-	-	-	2,939
Advances from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>37</u>	<u>623</u>	<u>-</u>	<u>3,354</u>
<b>FUND BALANCES (deficit):</b>				
Reserved for:				
Encumbrances	-	-	-	-
Advances	29,392	-	-	18,455
Debt service	-	-	-	-
Public safety	-	-	-	-
Endowments	-	-	-	-
Other items	1,889	-	-	5,253
Unreserved, reported in:				
Special revenue funds:				
Designated for termination pay	-	-	-	-
Undesignated	(1,742)	377	319	(8,610)
Debt service funds	-	-	-	-
Permanent fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>29,539</u>	<u>377</u>	<u>319</u>	<u>15,098</u>
Total liabilities and fund balances (deficit)	<u>\$ 29,576</u>	<u>\$ 1,000</u>	<u>\$ 319</u>	<u>\$ 18,452</u>

Special Revenue					Debt Service	
Emergency Communication	Emergency Medical Transportation	Recreation Services	Development Services	Other Special Revenue	Redevelopment Agency	Stockton Public Financing Authority
\$ 315	\$ -	\$ 2,113	\$ 900	\$ 1,621	\$ -	\$ -
-	-	-	-	-	12,246	1,042
(1)	-	-	-	12	-	-
1,090	-	288	131	4	-	-
-	-	-	-	20	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	197	-	-	-
-	-	-	-	1,966	-	-
<u>\$ 1,404</u>	<u>\$ -</u>	<u>\$ 2,401</u>	<u>\$ 1,228</u>	<u>\$ 3,623</u>	<u>\$ 12,246</u>	<u>\$ 1,042</u>
\$ 6	\$ -	\$ 651	\$ 236	\$ 115	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	266	558	-	-	-
-	-	791	5	-	-	-
-	-	-	-	-	-	-
<u>6</u>	<u>-</u>	<u>1,708</u>	<u>799</u>	<u>115</u>	<u>-</u>	<u>-</u>
41	-	59	650	30	-	2
-	-	-	197	1,966	-	-
-	-	-	-	-	11,825	1,002
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	455	594	61
-	-	-	-	-	-	-
1,357	-	634	(418)	1,057	-	-
-	-	-	-	-	(173)	(23)
-	-	-	-	-	-	-
<u>1,398</u>	<u>-</u>	<u>693</u>	<u>429</u>	<u>3,508</u>	<u>12,246</u>	<u>1,042</u>
<u>\$ 1,404</u>	<u>\$ -</u>	<u>\$ 2,401</u>	<u>\$ 1,228</u>	<u>\$ 3,623</u>	<u>\$ 12,246</u>	<u>\$ 1,042</u>

(Continued)



# CITY OF STOCKTON

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2007

(With comparative totals for June 30, 2006)

(Dollar amounts in thousands)

	Permanent		
	Miscellaneous	Totals	
		2007	2006
<b>ASSETS</b>			
Cash and investments	\$ 1,867	\$ 29,990	\$ 18,483
Cash and investments with fiscal agents	-	13,288	5,140
Receivables:			
Interest	14	114	60
Accounts and other receivables	-	1,642	2,325
Due from other governments	-	30,319	14,014
Allowance for uncollectibles	-	(237)	(237)
Inventory of supplies	-	-	-
Deposits	20	20	342
Advances to other funds	-	15,881	15,916
Advances to property owners	-	63,138	53,376
Total assets	<u>\$ 1,901</u>	<u>\$ 154,155</u>	<u>\$ 109,419</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 7,821	\$ 3,758
Due to other funds	-	6,316	4,674
Due to other governments	-	34	9
Deposits and other liabilities	-	1,415	659
Deferred revenue	-	6,006	3,556
Advances from other funds	-	-	4,413
Total liabilities	<u>-</u>	<u>21,592</u>	<u>17,069</u>
<b>FUND BALANCES (deficit):</b>			
Reserved for:			
Encumbrances	-	10,208	32,481
Advances	-	79,019	69,292
Debt service	-	12,827	4,885
Public safety	-	1,549	-
Endowments	1,604	1,604	1,423
Other items	-	8,436	4,957
Unreserved, reported in:			
Special revenue funds:			
Designated for termination pay	-	132	132
Undesignated	-	18,687	(20,859)
Debt service funds	-	(196)	(213)
Permanent fund	297	297	252
Total fund balances (deficit)	<u>1,901</u>	<u>132,563</u>	<u>92,350</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,901</u>	<u>\$ 154,155</u>	<u>\$ 109,419</u>

# CITY OF STOCKTON

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

(With comparative totals for the year ended June 30, 2006)

(Dollar amounts in thousands)

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Sales Tax
<b>REVENUES:</b>				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Other	-	-	250	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	2,044	-	10,946	-
Sales and use tax - levied by state	-	-	-	4,357
Other governmental	1,641	-	7,051	18,339
Charges for services	-	-	-	-
Fines and forfeitures	-	-	2	-
Use of money and property	-	1	-	1
Investment income:				
Interest income	21	63	(4)	39
Net increase (decrease) in fair value of investments	7	15	16	20
Refunds and reimbursements	1	11	-	75
Miscellaneous	-	1,546	-	-
<b>Total revenues</b>	<b>3,714</b>	<b>1,636</b>	<b>18,261</b>	<b>22,831</b>
<b>EXPENDITURES:</b>				
Current:				
General government	45	-	-	-
Public safety	2,211	-	-	-
Public works	50	938	-	-
Library	281	-	-	-
Parks and recreation	497	-	-	-
Capital outlay	277	-	12,889	26,760
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>3,361</b>	<b>938</b>	<b>12,889</b>	<b>26,760</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>353</b>	<b>698</b>	<b>5,372</b>	<b>(3,929)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	94	-	-	-
Transfers out	(815)	-	(5,116)	(26)
Proceeds of long-term debt	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(721)</b>	<b>-</b>	<b>(5,116)</b>	<b>(26)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(368)</b>	<b>698</b>	<b>256</b>	<b>(3,955)</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>95</b>	<b>989</b>	<b>308</b>	<b>7,535</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ (273)</b>	<b>\$ 1,687</b>	<b>\$ 564</b>	<b>\$ 3,580</b>

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
\$ 9,249	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	87	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	11	-	-	-	-	18,650
-	-	-	-	-	-	-
-	127	6,356	-	-	-	-
-	96	232	2,823	-	-	-
-	-	-	-	-	-	-
-	-	3	-	-	-	-
67	-	-	213	-	-	(55)
17	-	-	52	-	-	(11)
6	-	41	2	-	-	-
-	-	-	-	-	-	-
<u>9,339</u>	<u>234</u>	<u>6,632</u>	<u>3,177</u>	<u>-</u>	<u>-</u>	<u>18,584</u>
-	-	-	86	-	-	-
8,675	-	-	-	-	-	-
-	-	-	241	-	-	350
-	231	11,784	-	-	-	-
-	-	-	1,557	-	-	-
-	-	23	-	-	-	6,858
-	-	-	-	-	-	460
-	-	-	-	-	-	645
<u>8,675</u>	<u>231</u>	<u>11,807</u>	<u>1,884</u>	<u>-</u>	<u>-</u>	<u>8,313</u>
<u>664</u>	<u>3</u>	<u>(5,175)</u>	<u>1,293</u>	<u>-</u>	<u>-</u>	<u>10,271</u>
-	-	6,843	-	16,870	-	-
(538)	-	(29)	-	-	-	(10,338)
-	-	-	-	-	-	-
<u>(538)</u>	<u>-</u>	<u>6,814</u>	<u>-</u>	<u>16,870</u>	<u>-</u>	<u>(10,338)</u>
126	3	1,639	1,293	16,870	-	(67)
<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>\$ 2,803</u>	<u>\$ -</u>	<u>\$ 5,279</u>	<u>\$ 5,858</u>	<u>\$ 30,952</u>	<u>\$ 4,686</u>	<u>\$ 10,877</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, 2007 (With comparative totals for the year ended June 30, 2006) (Dollar amounts in thousands)

	Special Revenue			
	Community Development Loan	CDBG Revolving Loan	Special Grant and Loan Programs	Home Program
REVENUES:				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	-	-	(183)	2,414
Sales and use tax - levied by state	-	-	-	-
Other governmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	238	-	-	52
Investment income:				
Interest income	(9)	-	12	(34)
Net increase (decrease) in fair value of investments	(3)	8	-	-
Refunds and reimbursements	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>226</u>	<u>8</u>	<u>(171)</u>	<u>2,432</u>
EXPENDITURES:				
Current:				
General government	1,051	-	-	-
Public safety	-	-	-	-
Public works	-	315	-	1,665
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	2,553
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,051</u>	<u>315</u>	<u>-</u>	<u>4,218</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(825)</u>	<u>(307)</u>	<u>(171)</u>	<u>(1,786)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	10,243	-	-	-
Transfers out	-	-	-	-
Proceeds of long-term debt	-	-	-	-
Total other financing sources (uses)	<u>10,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	9,418	(307)	(171)	(1,786)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>20,121</u>	<u>684</u>	<u>490</u>	<u>16,884</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 29,539</u>	<u>\$ 377</u>	<u>\$ 319</u>	<u>\$ 15,098</u>

Emergency Communication	Special Revenue				Debt Service	
	Emergency Medical Transportation	Recreation Services	Development Services	Other Special Revenue	Redevelopment Agency	Stockton Public Financing Authority
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	6,440	-	-	-
-	-	-	-	145	-	-
-	-	-	-	-	-	-
-	-	-	-	156	-	-
5,792	-	2,086	9,797	219	-	-
26	-	-	3	-	-	-
4	-	5,367	1	9	-	-
(5)	(105)	-	-	62	283	44
(2)	20	-	-	17	161	18
33	-	9	12	3	-	-
-	-	57	3	785	-	-
<u>5,848</u>	<u>(85)</u>	<u>7,519</u>	<u>16,256</u>	<u>1,396</u>	<u>444</u>	<u>62</u>
-	-	-	3,973	36	4	9
5,465	2,018	-	6,444	383	-	-
-	-	-	3,159	-	-	-
-	-	-	-	352	-	-
-	-	14,463	-	403	-	-
-	15	32	-	-	-	-
-	-	-	-	-	-	105
-	-	-	-	-	6,077	1,152
<u>5,465</u>	<u>2,033</u>	<u>14,495</u>	<u>13,576</u>	<u>1,174</u>	<u>6,081</u>	<u>1,266</u>
<u>383</u>	<u>(2,118)</u>	<u>(6,976)</u>	<u>2,680</u>	<u>222</u>	<u>(5,637)</u>	<u>(1,204)</u>
538	8,098	8,095	-	-	13,776	1,246
-	-	(98)	(2,480)	(182)	(5)	-
-	-	-	-	-	-	-
<u>538</u>	<u>8,098</u>	<u>7,997</u>	<u>(2,480)</u>	<u>(182)</u>	<u>13,771</u>	<u>1,246</u>
921	5,980	1,021	200	40	8,134	42
477	(5,980)	(328)	229	3,468	4,112	1,000
<u>\$ 1,398</u>	<u>\$ -</u>	<u>\$ 693</u>	<u>\$ 429</u>	<u>\$ 3,508</u>	<u>\$ 12,246</u>	<u>\$ 1,042</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, 2007 (With comparative totals for the year ended June 30, 2006) (Dollar amounts in thousands)

	Permanent	Totals	
	Miscellaneous	2007	2006
<b>REVENUES:</b>			
Taxes:			
Sales - levied by City	\$ -	\$ 9,249	\$ 9,941
Business licenses	-	87	72
Other	-	250	215
Licenses and permits	-	6,440	8,614
Intergovernmental:			
Federal grants and subsidies	-	34,027	20,981
Sales and use tax - levied by state	-	4,357	4,338
Other governmental	-	33,670	30,788
Charges for services	-	21,045	27,443
Fines and forfeitures	-	31	33
Use of money and property	-	5,676	5,634
Investment income:			
Interest income	74	666	474
Net increase (decrease) in fair value of investments	20	355	(104)
Refunds and reimbursements	-	193	480
Miscellaneous	-	2,391	2,250
Total revenues	<u>94</u>	<u>118,437</u>	<u>111,159</u>
<b>EXPENDITURES:</b>			
Current:			
General government	50	5,254	4,930
Public safety	-	25,196	25,466
Public works	-	6,718	10,770
Library	-	12,648	12,241
Parks and recreation	-	16,920	17,189
Capital outlay	-	49,407	30,631
Debt service:			
Principal retirement	-	565	665
Interest and fiscal charges	-	7,874	4,285
Total expenditures	<u>50</u>	<u>124,582</u>	<u>106,177</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>44</u>	<u>(6,145)</u>	<u>4,982</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	182	65,985	17,609
Transfers out	-	(19,627)	(17,758)
Proceeds of long-term debt	-	-	440
Total other financing sources (uses)	<u>182</u>	<u>46,358</u>	<u>291</u>
NET CHANGE IN FUND BALANCES	226	40,213	5,273
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>1,675</u>	<u>92,350</u>	<u>87,077</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 1,901</u>	<u>\$ 132,563</u>	<u>\$ 92,350</u>

# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental:			
Other governmental	\$ 26	\$ 44	\$ 18
Charges for services	43,000	21,468	(21,532)
Use of money and property	-	29	29
Investment income:			
Interest income	1,006	2,496	1,490
Net increase in fair value of investments	-	648	648
Refunds and reimbursements	-	2	2
<b>Total revenues</b>	<b>44,032</b>	<b>24,687</b>	<b>(19,345)</b>
<b>EXPENDITURES:</b>			
General government	3,459	2,247	1,212
Public safety	11,253	1,947	9,306
Public works	60,672	17,569	43,103
Library	2,381	520	1,861
Park and recreation	17,410	4,168	13,242
<b>Total expenditures</b>	<b>95,175</b>	<b>26,451</b>	<b>68,724</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)</b>	<b>(51,143)</b>	<b>(1,764)</b>	<b>49,379</b>
<b>OTHER FINANCING USES:</b>			
Transfers out	(105)	(89)	16
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ (51,248)</b>	<b>(1,853)</b>	<b>\$ 49,395</b>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		5,604	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		<b>3,751</b>	
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>55,246</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 58,997</b>	

# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Other	\$ 4	\$ -	\$ (4)
Intergovernmental:			
Federal grants and subsidies	1,018	756	(262)
Other governmental	17,419	5,291	(12,128)
Use of money and property	-	1,781	1,781
Investment income:			
Interest income	75	(282)	(357)
Net increase in fair value of investments	-	(85)	(85)
Miscellaneous	818	1,379	561
<b>Total revenues</b>	<b>19,334</b>	<b>8,840</b>	<b>(10,494)</b>
<b>EXPENDITURES:</b>			
General government	4,884	1,632	3,252
Public safety	2,502	987	1,515
Public works	5,346	4,946	400
Park and recreation	13,679	4,340	9,339
Debt service - cost of issuance	-	12	(12)
<b>Total expenditures</b>	<b>26,411</b>	<b>11,917</b>	<b>14,494</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)</b>	<b>(7,077)</b>	<b>(3,077)</b>	<b>4,000</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	4,884	4,870	(14)
Transfers out	(27)	(2,207)	(2,180)
<b>Total other financing sources (uses)</b>	<b>4,857</b>	<b>2,663</b>	<b>(2,194)</b>
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ (2,220)</b>	<b>(414)</b>	<b>\$ 1,806</b>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		1,111	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		<b>697</b>	
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>23,100</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 23,797</b>	

# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Use of money and property	\$ 1	\$ 1	\$ -
Investment income:			
Interest income	-	63	63
Net increase in fair value of investments	-	15	15
Refunds and reimbursements	-	11	11
Miscellaneous	1,145	1,546	401
<b>Total revenues</b>	<b>1,146</b>	<b>1,636</b>	<b>490</b>
<b>EXPENDITURES:</b>			
Public works	998	944	54
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ 148</b>	<b>692</b>	<b>\$ 544</b>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		6	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		<b>698</b>	
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>989</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 1,687</b>	

# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Other	\$ 250	\$ 250	\$ -
Intergovernmental:			
Federal grants and subsidies	16,166	10,946	(5,220)
Other governmental	7,298	7,051	(247)
Fines and forfeitures	-	2	2
Investment income:			
Interest income	14	(4)	(18)
Net increase in fair value of investments	-	16	16
Total revenues	23,728	18,261	(5,467)
EXPENDITURES:			
Public works	17,019	14,678	2,341
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	6,709	3,583	(3,126)
OTHER FINANCING USES:			
Transfers out	(5,347)	(5,116)	231
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ 1,362	(1,533)	\$ (2,895)
BASIS ADJUSTMENT:			
Encumbrances		1,789	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		256	
FUND BALANCE, BEGINNING OF YEAR		308	
FUND BALANCE, END OF YEAR		\$ 564	



# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental:			
Sales and use tax - levied by state	\$ 3,800	\$ 4,357	\$ 557
Other governmental	25,344	18,339	(7,005)
Use of money and property	-	1	1
Investment income:			
Interest income	95	39	(56)
Net increase in fair value of investments	-	20	20
Refunds and reimbursements	-	75	75
<b>Total revenues</b>	<b>29,239</b>	<b>22,831</b>	<b>(6,408)</b>
<b>EXPENDITURES:</b>			
Public works	33,446	33,227	219
Park and recreation	125	60	65
<b>Total expenditures</b>	<b>33,571</b>	<b>33,287</b>	<b>284</b>
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(4,332)	(10,456)	(6,124)
<b>OTHER FINANCING USES:</b>			
Transfers out	(26)	(26)	-
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ (4,358)</b>	<b>(10,482)</b>	<b>\$ (6,124)</b>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		6,527	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		<b>(3,955)</b>	
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>7,535</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 3,580</b>	

# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Sales - levied by City	\$ 9,110	\$ 9,249	\$ 139
Investment income:			
Interest income	-	67	67
Net decrease in fair value of investments	-	17	17
Refunds and reimbursements	-	6	6
Total revenues	9,110	9,339	229
<b>EXPENDITURES:</b>			
Public safety	9,732	8,680	1,052
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)</b>			
	(622)	659	1,281
<b>OTHER FINANCING USES:</b>			
Transfers out	(915)	(538)	377
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>			
	<u>\$ (1,537)</u>	121	<u>\$ 1,658</u>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		5	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			
		126	
<b>FUND BALANCE, BEGINNING OF YEAR</b>			
		2,677	
<b>FUND BALANCE, END OF YEAR</b>			
		<u>\$ 2,803</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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental:			
Other governmental	\$ 6,049	\$ 6,356	\$ 307
Charges for services	269	232	(37)
Use of money and property	1	3	2
Refunds and reimbursements	56	41	(15)
Total revenues	6,375	6,632	257
<b>EXPENDITURES:</b>			
Library	14,891	12,105	2,786
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)</b>			
	(8,516)	(5,473)	3,043
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	7,543	6,843	(700)
Transfers out	(29)	(29)	-
Total other financing sources (uses)	7,514	6,814	(700)
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ (1,002)</b>	<b>1,341</b>	<b>\$ 2,343</b>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		298	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		<b>1,639</b>	
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>3,640</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 5,279</b>	

# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Special assessments	\$ 80	\$ 87	\$ 7
Charges for services	2,921	2,823	(98)
Investment income:			
Interest income	-	213	213
Net increase in fair value of investments	-	52	52
Miscellaneous	-	2	2
Total revenues	<u>3,001</u>	<u>3,177</u>	<u>176</u>
EXPENDITURES:			
General government	86	86	-
Public works	462	264	198
Parks and recreation	4,211	1,886	2,325
Total expenditures	<u>4,759</u>	<u>2,236</u>	<u>2,523</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (1,758)</u>	941	<u>\$ 2,699</u>
BASIS ADJUSTMENT:			
Encumbrances		<u>352</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		1,293	
FUND BALANCE, BEGINNING OF YEAR		<u>4,565</u>	
FUND BALANCE, END OF YEAR		<u>\$ 5,858</u>	

# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Charges for services	\$ 6,643	\$ 5,792	\$ (851)
Fines and forfeitures	-	26	26
Use of money and property	-	4	4
investment income:			
Interest income	-	(5)	(5)
Net decrease in fair value of investments	-	(2)	(2)
Refunds and reimbursements	-	33	33
Total revenues	6,643	5,848	(795)
EXPENDITURES:			
Public safety	6,066	5,506	560
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	577	342	(235)
OTHER FINANCING SOURCES:			
Transfers in	538	538	-
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ 1,115</u>	880	<u>\$ (235)</u>
BASIS ADJUSTMENT:			
Encumbrances		41	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		921	
FUND BALANCE, BEGINNING OF YEAR		477	
FUND BALANCE, END OF YEAR		<u>\$ 1,398</u>	

# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Investment income:			
Interest income	\$ -	\$ (105)	\$ (105)
Net decrease in fair value of investments	-	20	20
Total revenues	-	(85)	(85)
EXPENDITURES:			
Public safety	1,837	1,733	104
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(1,837)	(1,818)	19
OTHER FINANCING SOURCES:			
Transfers in	1,700	8,098	6,398
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (137)	6,280	\$ 6,417
BASIS ADJUSTMENT:			
Bad debt expenditure (not budgeted)		(300)	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		5,980	
FUND DEFICIT, BEGINNING OF YEAR		(5,980)	
FUND BALANCE, END OF YEAR		\$ -	

# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Charges for services	\$ 2,577	\$ 2,086	\$ (491)
Use of money and property	7,132	5,367	(1,765)
Refunds and reimbursements	-	9	9
Miscellaneous	48	57	9
<b>Total revenues</b>	<b>9,757</b>	<b>7,519</b>	<b>(2,238)</b>
<b>EXPENDITURES:</b>			
Parks and recreation	15,667	14,554	1,113
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)</b>	<b>(5,910)</b>	<b>(7,035)</b>	<b>(1,125)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	8,095	8,095	-
Transfers out	(6)	(98)	(92)
<b>Total other financing sources (uses)</b>	<b>8,089</b>	<b>7,997</b>	<b>(92)</b>
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ 2,179</b>	<b>962</b>	<b>\$ (1,217)</b>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		59	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		<b>1,021</b>	
<b>FUND DEFICIT, BEGINNING OF YEAR</b>		<b>(328)</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 693</b>	

# 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, 2007 (Dollar amounts in thousands)

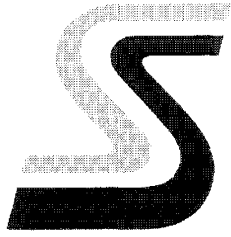
	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
License and permits	\$ 8,696	\$ 6,440	\$ (2,256)
Charges for services	12,263	9,797	(2,466)
Fines and forfeitures	30	3	(27)
Use of money and property	-	1	1
Refunds and reimbursements	1	12	11
Miscellaneous	2	3	1
<b>Total revenues</b>	<b>20,992</b>	<b>16,256</b>	<b>(4,736)</b>
<b>EXPENDITURES:</b>			
General government	5,558	4,042	1,516
Public safety	7,346	6,568	778
Public works	3,962	3,616	346
<b>Total expenditures</b>	<b>16,866</b>	<b>14,226</b>	<b>2,640</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)</b>	<b>4,126</b>	<b>2,030</b>	<b>(2,096)</b>
<b>OTHER FINANCING USES:</b>			
Transfers out	(3,313)	(2,480)	833
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ 813</b>	<b>(450)</b>	<b>\$ (1,263)</b>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		650	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		<b>200</b>	
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>229</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 429</b>	



# 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, 2007 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental:			
Federal grants and subsidies	\$ 75	\$ 145	\$ 70
Other governmental	35	156	121
Charges for services	233	219	(14)
Use of money and property	-	9	9
Investment income:			
Interest income	9	62	53
Net increase in fair value of investments	-	17	17
Refunds and reimbursements	-	3	3
Miscellaneous	832	785	(47)
<b>Total revenues</b>	<b>1,184</b>	<b>1,396</b>	<b>212</b>
<b>EXPENDITURES:</b>			
General government	118	36	82
Public safety	682	413	269
Library	624	352	272
Parks and recreation	589	403	186
<b>Total expenditures</b>	<b>2,013</b>	<b>1,204</b>	<b>809</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)</b>	<b>(829)</b>	<b>192</b>	<b>1,021</b>
<b>OTHER FINANCING USES:</b>			
Transfers out	-	(182)	(182)
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ (829)</b>	<b>10</b>	<b>\$ 839</b>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		30	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		<b>40</b>	
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>3,468</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 3,508</b>	



CITY OF STOCKTON

Nonmajor Enterprise Funds



**NONMAJOR ENTERPRISE FUNDS**

## **NONMAJOR ENTERPRISE FUNDS**

Nonmajor Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of City Council is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City Council has decided that periodic determination of income is appropriate for accountability purposes.

### **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 and Van Buskirk golf courses.

# CITY OF STOCKTON

## COMBINING STATEMENT OF NET ASSETS

### - NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2007

(With comparative totals as of June 30, 2006)

(Dollar amounts in thousands)

	Solid Waste	Golf Courses	Totals	
			2007	2006
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 17	\$ 17	\$ 53
Receivables:				
Interest	(1)	-	(1)	(1)
Accounts and other receivables	152	32	184	192
Allowance for uncollectibles	(112)	-	(112)	(112)
Inventory of supplies	-	58	58	109
Total current assets	<u>39</u>	<u>107</u>	<u>146</u>	<u>241</u>
Noncurrent assets:				
Capital assets, net:				
Nondepreciable	-	360	360	360
Depreciable, net	-	1,297	1,297	1,435
Total noncurrent assets	<u>-</u>	<u>1,657</u>	<u>1,657</u>	<u>1,795</u>
Total assets	<u>39</u>	<u>1,764</u>	<u>1,803</u>	<u>2,036</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	-	22	22	40
Due to other funds	128	-	128	124
Compensated absences - current	-	8	8	-
Total current liabilities	<u>128</u>	<u>30</u>	<u>158</u>	<u>164</u>
Noncurrent liabilities:				
Advances from other funds	-	763	763	914
Compensated absences - long-term	-	-	-	1
Total noncurrent liabilities	<u>-</u>	<u>763</u>	<u>763</u>	<u>915</u>
Total liabilities	<u>128</u>	<u>793</u>	<u>921</u>	<u>1,079</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	-	1,657	1,657	1,795
Unrestricted (deficit)	<u>(89)</u>	<u>(686)</u>	<u>(775)</u>	<u>(838)</u>
Total net assets (deficit)	<u>\$ (89)</u>	<u>\$ 971</u>	<u>\$ 882</u>	<u>\$ 957</u>

# CITY OF STOCKTON

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2007 (With comparative totals for the year ended June 30, 2006) (Dollar amounts in thousands)

	Solid Waste	Golf Courses	Totals	
			2007	2006
OPERATING REVENUES:				
Charges for services	\$ -	\$ 1,296	\$ 1,296	\$ 1,498
Miscellaneous	-	692	692	786
Total operating revenues	-	1,988	1,988	2,284
OPERATING EXPENSES:				
Operation and maintenance	1	1,918	1,919	2,322
Depreciation and amortization	-	138	138	138
Total operating expenses	1	2,056	2,057	2,460
OPERATING LOSS	(1)	(68)	(69)	(176)
NON-OPERATING REVENUES:				
Investment income:				
Interest income	(5)	-	(5)	(3)
Net decrease in fair value of investments	(1)	-	(1)	-
Total non-operating revenues	(6)	-	(6)	(3)
CHANGE IN NET ASSETS	(7)	(68)	(75)	(179)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(82)	1,039	957	1,136
NET ASSETS (DEFICIT), END OF YEAR	\$ (89)	\$ 971	\$ 882	\$ 957

# CITY OF STOCKTON

## COMBINING STATEMENT OF CASH FLOWS

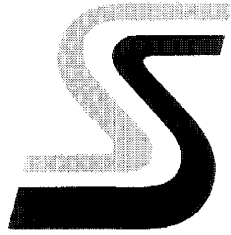
### - NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

(With comparative totals for the year ended June 30, 2006)

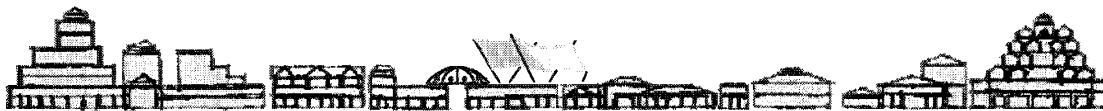
(Dollar amounts in thousands)

	Solid Waste	Golf Courses	Totals	
			2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 3	\$ 1,993	\$ 1,996	\$ 2,308
Payments to suppliers	(1)	(1,339)	(1,340)	(1,573)
Payments to employees	-	(536)	(536)	(848)
Payments for interfund services used	-	(3)	(3)	(83)
Net cash provided by (used for) operating activities	<u>2</u>	<u>115</u>	<u>117</u>	<u>(196)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Due to other funds	4	-	4	(2)
Advances from other funds	-	(151)	(151)	-
Net cash provided by (used for) noncapital financing activities	<u>4</u>	<u>(151)</u>	<u>(147)</u>	<u>(2)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings	(6)	-	(6)	(3)
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(36)	(36)	(201)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	53	53	254
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 17</u>	<u>\$ 53</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating loss	\$ (1)	\$ (68)	\$ (69)	\$ (176)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation and amortization	-	138	138	138
Provision for uncollectible accounts	-	-	-	(8)
Changes in assets and liabilities:				
Accounts and other receivables	3	5	8	32
Inventory of supplies	-	51	51	(73)
Accounts payable	-	(18)	(18)	1
Compensated absences	-	7	7	(110)
Net cash provided by (used for) operating activities	<u>\$ 2</u>	<u>\$ 115</u>	<u>\$ 117</u>	<u>\$ (196)</u>
<b>NONCASH TRANSACTIONS:</b>				
Net decrease in fair value of investments	\$ (1)	\$ -	\$ (1)	\$ -



CITY OF STOCKTON

Internal Service Funds



**INTERNAL SERVICE FUNDS**

## **INTERNAL SERVICE FUNDS**

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

### **Central Garage**

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

### **Computer Equipment**

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

### **Radio Equipment**

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

### **Other Equipment**

To account for the financing, operating and maintenance of other, comparatively smaller equipment funds provided to City departments 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 general liability insurance provided to all City departments on a cost reimbursement basis.

### **Workers' Compensation Insurance**

To account for premiums and claims paid and administration of workers' compensation insurance provided to all City departments on a cost reimbursement basis.

### **Health Benefits Insurance**

To account for premiums and claims paid and administration of health benefits insurance provided to all City departments on a cost reimbursement basis.

### **Retirement Benefits**

To account for the accumulation and payout of resources for the purpose of providing defined retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries through the California Public Employees' Retirement System (CALPERS) on a cost reimbursement basis.

### **Other Insurance**

To account for premiums and claims paid and administration of comparatively smaller insurance funds provided to City departments on a cost reimbursement basis. Included are long-term disability, life insurance, and termination pay benefits.



# CITY OF STOCKTON

## COMBINING STATEMENT OF NET ASSETS

### - INTERNAL SERVICE FUNDS

JUNE 30, 2007

(With comparative totals as of June 30, 2006)

(Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,320	\$ 630	\$ 1,217	\$ 3,540
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts and other receivables	133	2	-	-
Allowance for uncollectibles	(127)	-	-	-
Total current assets	<u>1,326</u>	<u>632</u>	<u>1,217</u>	<u>3,540</u>
Noncurrent assets:				
Deferred charges	-	-	-	-
Pension asset	-	-	-	-
Capital assets, net:				
Depreciable, net	8,381	1,533	878	123
Total noncurrent assets	<u>8,381</u>	<u>1,533</u>	<u>878</u>	<u>123</u>
Total assets	<u>9,707</u>	<u>2,165</u>	<u>2,095</u>	<u>3,663</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	249	288	39	15
Deposits and other liabilities	-	-	-	-
Accrued interest	-	-	-	-
Compensated absences - current	139	153	2	11
Self-insurance claims and judgments - current	-	-	-	-
Other long-term debt - current	-	-	-	-
Total current liabilities	<u>388</u>	<u>441</u>	<u>41</u>	<u>26</u>
Noncurrent liabilities:				
Compensated absences - long-term	211	144	1	19
Self-insurance claims and judgments - long-term	-	-	-	-
Bonds payable	-	-	-	-
Total noncurrent liabilities	<u>211</u>	<u>144</u>	<u>1</u>	<u>19</u>
Total liabilities	<u>599</u>	<u>585</u>	<u>42</u>	<u>45</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	8,381	1,533	878	123
Unrestricted (deficit)	<u>727</u>	<u>47</u>	<u>1,175</u>	<u>3,495</u>
Total net assets (deficit)	<u>\$ 9,108</u>	<u>\$ 1,580</u>	<u>\$ 2,053</u>	<u>\$ 3,618</u>

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement	Other Insurance	Totals	
					2007	2006
\$ 2,476	\$ 25,586	\$ 3,415	\$ 4,570	\$ 6,197	\$ 48,951	\$ 37,560
-	-	-	10	-	10	-
98	214	65	29	-	541	373
-	-	-	-	-	(127)	(127)
<u>2,574</u>	<u>25,800</u>	<u>3,480</u>	<u>4,609</u>	<u>6,197</u>	<u>49,375</u>	<u>37,806</u>
-	-	60	1,612	-	1,672	60
-	-	-	123,675	-	123,675	-
-	-	-	-	-	10,915	11,167
-	-	60	125,287	-	136,262	11,227
<u>2,574</u>	<u>25,800</u>	<u>3,540</u>	<u>129,896</u>	<u>6,197</u>	<u>185,637</u>	<u>49,033</u>
23	9	253	2	-	878	711
80	52	3	-	-	135	110
-	-	-	1,616	-	1,616	-
23	22	16	-	-	366	39
1,768	6,373	3,125	-	-	11,266	12,952
-	-	-	250	-	250	-
<u>1,894</u>	<u>6,456</u>	<u>3,397</u>	<u>1,868</u>	<u>-</u>	<u>14,511</u>	<u>13,812</u>
3	10	2	-	-	390	521
2,510	30,873	-	-	-	33,383	30,924
-	-	-	125,060	-	125,060	-
<u>2,513</u>	<u>30,883</u>	<u>2</u>	<u>125,060</u>	<u>-</u>	<u>158,833</u>	<u>31,445</u>
<u>4,407</u>	<u>37,339</u>	<u>3,399</u>	<u>126,928</u>	<u>-</u>	<u>173,344</u>	<u>45,257</u>
-	-	-	-	-	10,915	11,167
<u>(1,833)</u>	<u>(11,539)</u>	<u>141</u>	<u>2,968</u>	<u>6,197</u>	<u>1,378</u>	<u>(7,391)</u>
<u>\$ (1,833)</u>	<u>\$ (11,539)</u>	<u>\$ 141</u>	<u>\$ 2,968</u>	<u>\$ 6,197</u>	<u>\$ 12,293</u>	<u>\$ 3,776</u>

# CITY OF STOCKTON

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2007 (With comparative totals for the year ended June 30, 2006) (Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 7,668	\$ 5,276	\$ 976	\$ 1,592
Total operating revenues	<u>7,668</u>	<u>5,276</u>	<u>976</u>	<u>1,592</u>
<b>OPERATING EXPENSES:</b>				
Operation and maintenance	5,052	6,530	1,172	1,368
General and administrative	2,087	-	-	-
Depreciation and amortization	<u>1,971</u>	<u>671</u>	<u>165</u>	<u>65</u>
Total operating expenses	<u>9,110</u>	<u>7,201</u>	<u>1,337</u>	<u>1,433</u>
OPERATING INCOME (LOSS)	<u>(1,442)</u>	<u>(1,925)</u>	<u>(361)</u>	<u>159</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income:				
Interest income	-	-	-	-
Net increase in fair value of investments	-	-	-	-
Gain (loss) from disposal of capital assets	70	2	-	(11)
Interest expense and fiscal charges	-	-	-	-
Other non-operating revenues	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>114</u>	<u>2</u>	<u>-</u>	<u>(11)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,328)	(1,923)	(361)	148
Capital contributions	113	28	-	-
Transfers in	<u>704</u>	<u>1,029</u>	<u>464</u>	<u>-</u>
CHANGE IN NET ASSETS	(511)	(866)	103	148
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>9,619</u>	<u>2,446</u>	<u>1,950</u>	<u>3,470</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 9,108</u>	<u>\$ 1,580</u>	<u>\$ 2,053</u>	<u>\$ 3,618</u>

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement	Other Insurance	Totals	
					2007	2006
\$ 4,583	\$ 15,238	\$ 25,495	\$ 35,557	\$ 5,958	\$ 102,343	\$ 101,457
4,583	15,238	25,495	35,557	5,958	102,343	101,457
2,135	9,320	24,792	34,252	3,872	88,493	83,517
1,330	1,875	781	-	-	6,073	5,280
-	-	-	13	-	2,885	2,572
3,465	11,195	25,573	34,265	3,872	97,451	91,369
1,118	4,043	(78)	1,292	2,086	4,892	10,088
102	935	151	134	-	1,322	569
27	229	37	32	-	325	57
-	-	-	-	-	61	(87)
-	-	-	(1,616)	-	(1,616)	-
-	11	1,140	-	-	1,195	2,220
129	1,175	1,328	(1,450)	-	1,287	2,759
1,247	5,218	1,250	(158)	2,086	6,179	12,847
-	-	-	-	-	141	-
-	-	-	-	-	2,197	1,532
1,247	5,218	1,250	(158)	2,086	8,517	14,379
(3,080)	(16,757)	(1,109)	3,126	4,111	3,776	(10,603)
\$ (1,833)	\$ (11,539)	\$ 141	\$ 2,968	\$ 6,197	\$ 12,293	\$ 3,776

# CITY OF STOCKTON

## COMBINING STATEMENT OF CASH FLOWS

### - INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

(With comparative totals for the year ended June 30, 2006)

(Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 244	\$ 25	\$ -	\$ -
Receipts from interfund service providers	7,496	5,257	976	1,592
Payments to suppliers	(3,468)	(3,234)	(1,020)	(832)
Payments to employees	(3,683)	(2,997)	(115)	(445)
Payments for interfund services used	(10)	(30)	-	(182)
	<u>579</u>	<u>(979)</u>	<u>(159)</u>	<u>133</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	<u>704</u>	<u>1,029</u>	<u>464</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sales of capital assets	85	4	-	-
Proceeds from debt	-	-	-	-
Payment of pension asset	-	-	-	-
Purchases of capital assets	(1,549)	(885)	(26)	(47)
	<u>(1,464)</u>	<u>(881)</u>	<u>(26)</u>	<u>(47)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(181)</b>	<b>(831)</b>	<b>279</b>	<b>86</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>1,501</u></b>	<b><u>1,461</u></b>	<b><u>938</u></b>	<b><u>3,454</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 1,320</u></b>	<b><u>\$ 630</u></b>	<b><u>\$ 1,217</u></b>	<b><u>\$ 3,540</u></b>

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement	Other Insurance	Totals	
					2007	2006
\$ 470	\$ 335	\$ 1,087	\$ -	\$ -	\$ 2,161	\$ 5,862
4,087	14,802	25,495	35,504	5,958	101,167	97,699
(3,849)	(7,284)	(24,472)	(34,041)	(1,434)	(79,634)	(85,215)
(1,248)	(1,713)	(672)	(168)	(2,438)	(13,479)	(11,367)
(10)	(9)	(9)	-	-	(250)	(230)
<u>(550)</u>	<u>6,131</u>	<u>1,429</u>	<u>1,295</u>	<u>2,086</u>	<u>9,965</u>	<u>6,749</u>
-	-	-	-	-	2,197	1,532
-	-	-	-	-	89	329
-	-	-	123,685	-	123,685	-
-	-	-	(123,675)	-	(123,675)	-
-	-	-	-	-	(2,507)	(3,881)
-	-	-	10	-	(2,408)	(3,552)
<u>129</u>	<u>1,164</u>	<u>188</u>	<u>166</u>	<u>-</u>	<u>1,647</u>	<u>626</u>
(421)	7,295	1,617	1,471	2,086	11,401	5,355
<u>2,897</u>	<u>18,291</u>	<u>1,798</u>	<u>3,109</u>	<u>4,111</u>	<u>37,560</u>	<u>32,205</u>
<u>\$ 2,476</u>	<u>\$ 25,586</u>	<u>\$ 3,415</u>	<u>\$ 4,580</u>	<u>\$ 6,197</u>	<u>\$ 48,961</u>	<u>\$ 37,560</u>

(Continued)

# CITY OF STOCKTON

## COMBINING STATEMENT OF CASH FLOWS

### - INTERNAL SERVICE FUNDS (Continued)

FOR THE YEAR ENDED JUNE 30, 2007

(With comparative totals for the year ended June 30, 2006)

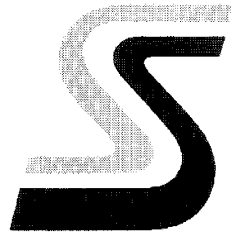
(Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,442)	\$ (1,925)	\$ (361)	\$ 159
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,971	671	165	65
Provision for uncollectible accounts	-	-	-	-
Self-insurance	-	-	-	-
Other non-operating revenues	44	-	-	-
Changes in assets and liabilities:				
Accounts and other receivables	28	6	-	-
Deferred charges	-	-	-	-
Accounts payable	(77)	176	34	(85)
Deposits and other liabilities	-	-	-	-
Compensated absences	55	93	3	(6)
	<u>55</u>	<u>93</u>	<u>3</u>	<u>(6)</u>
Net cash provided by (used for) operating activities	<u>\$ 579</u>	<u>\$ (979)</u>	<u>\$ (159)</u>	<u>\$ 133</u>
NONCASH TRANSACTIONS:				
Net increase in fair value of investments	\$ -	\$ -	\$ -	\$ -
Costs of issuance paid from bond proceeds	-	-	-	-
Donation of capital assets	113	28	-	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS:				
Cash and investments	\$ 1,320	\$ 630	\$ 1,217	\$ 3,540
Cash with investments fiscal agents	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 1,320</u>	<u>\$ 630</u>	<u>\$ 1,217</u>	<u>\$ 3,540</u>

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement	Other Insurance	Total	
					2007	2006
\$ 1,118	\$ 4,043	\$ (78)	\$ 1,292	\$ 2,086	\$ 4,892	\$ 10,088
-	-	-	13	-	2,885	2,572
-	-	-	-	-	-	-
(1,691)	2,169	295	-	-	773	(7,026)
-	11	1,140	-	-	1,195	2,220
(26)	(112)	(52)	(12)	-	(168)	(116)
-	-	-	-	-	-	1
4	4	109	2	-	167	(980)
25	1	(1)	-	-	25	53
20	15	16	-	-	196	(63)
<u>\$ (550)</u>	<u>\$ 6,131</u>	<u>\$ 1,429</u>	<u>\$ 1,295</u>	<u>\$ 2,086</u>	<u>\$ 9,965</u>	<u>\$ 6,749</u>
\$ 27	\$ 229	\$ 37	\$ 32	\$ -	\$ 325	\$ 57
-	-	-	1,625	-	1,625	-
-	-	-	-	-	141	-
\$ 2,476	\$ 25,586	\$ 3,415	\$ 4,570	\$ 6,197	\$ 48,951	\$ 37,560
-	-	-	10	-	10	-
<u>\$ 2,476</u>	<u>\$ 25,586</u>	<u>\$ 3,415</u>	<u>\$ 4,580</u>	<u>\$ 6,197</u>	<u>\$ 48,961</u>	<u>\$ 37,560</u>







CITY OF STOCKTON



**AGENCY FUNDS**

## **AGENCY FUNDS**

Agency Funds account for all resources received by the City while acting as a fiscal agent.

### **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, 2007 (Dollar amounts in thousands)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>Land Secured Financing</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 38,706	\$ 25,678	\$ 25,834	\$ 38,550
Cash and investments with fiscal agents	21,496	53,955	54,052	21,399
Receivables:				
Interest	169	256	169	256
Accounts and other receivables	687	19,695	19,755	627
Total assets	<u>\$ 61,058</u>	<u>\$ 99,584</u>	<u>\$ 99,810</u>	<u>\$ 60,832</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 57	\$ 389	\$ 427	\$ 19
Due to other governments	188	-	-	188
Deposits and other liabilities	60,813	3,463	3,651	60,625
Total liabilities	<u>\$ 61,058</u>	<u>\$ 3,852</u>	<u>\$ 4,078</u>	<u>\$ 60,832</u>
<b><u>Employee Payroll Withholdings</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,150	\$ 987	\$ 854	\$ 1,283
Total assets	<u>\$ 1,150</u>	<u>\$ 987</u>	<u>\$ 854</u>	<u>\$ 1,283</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 806	\$ 856	\$ 808	\$ 854
Deposits and other liabilities	344	132	47	429
Total liabilities	<u>\$ 1,150</u>	<u>\$ 988</u>	<u>\$ 855</u>	<u>\$ 1,283</u>
<b><u>Area of Benefit Fees</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 8,553	\$ 2,295	\$ 373	\$ 10,475
Receivables:				
Interest	46	83	46	83
Total assets	<u>\$ 8,599</u>	<u>\$ 2,378</u>	<u>\$ 419</u>	<u>\$ 10,558</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 31	\$ 81	\$ 112	\$ -
Deposits and other liabilities	8,568	2,743	753	10,558
Total liabilities	<u>\$ 8,599</u>	<u>\$ 2,824</u>	<u>\$ 865</u>	<u>\$ 10,558</u>

(Continued)

# CITY OF STOCKTON

## STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

- AGENCY FUNDS (Continued)

FOR THE YEAR ENDED JUNE 30, 2007

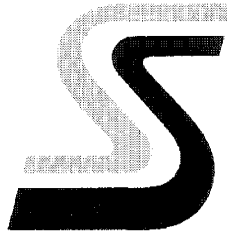
(Dollar amounts in thousands)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>Public Facilities Fees</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,597	\$ 5,726	\$ 5,047	\$ 2,276
Receivables:				
Interest	8	13	8	13
Accounts and other receivables	22	-	-	22
Total assets	<u>\$ 1,627</u>	<u>\$ 5,739</u>	<u>\$ 5,055</u>	<u>\$ 2,311</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 5,137	\$ 5,029	\$ 108
Due to other governments	1,627	5,700	5,124	2,203
Total liabilities	<u>\$ 1,627</u>	<u>\$ 10,837</u>	<u>\$ 10,153</u>	<u>\$ 2,311</u>
<b><u>Miscellaneous</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 5,599	\$ 139,313	\$ 140,256	\$ 4,656
Receivables:				
Interest	35	47	35	47
Accounts and other receivables	730	12,867	12,783	814
Total assets	<u>\$ 6,364</u>	<u>\$ 152,227</u>	<u>\$ 153,074</u>	<u>\$ 5,517</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 110	\$ 628	\$ 687	\$ 51
Due to other governments	1	153	139	15
Deposits and other liabilities	6,253	139,362	140,164	5,451
Total liabilities	<u>\$ 6,364</u>	<u>\$ 140,143</u>	<u>\$ 140,990</u>	<u>\$ 5,517</u>
<b><u>All Other</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 378	\$ 417	\$ 323	\$ 472
Receivables:				
Interest	3	4	3	4
Accounts and other receivables	-	6	-	6
Due from other governments	1	-	1	-
Total assets	<u>\$ 382</u>	<u>\$ 427</u>	<u>\$ 327</u>	<u>\$ 482</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 18	\$ 156	\$ 153	\$ 21
Deposits and other liabilities	364	444	347	461
Total liabilities	<u>\$ 382</u>	<u>\$ 600</u>	<u>\$ 500</u>	<u>\$ 482</u>

## CITY OF STOCKTON

**STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES**  
**- AGENCY FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**(Dollar amounts in thousands)**

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>Total</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 55,983	\$ 174,416	\$ 172,687	\$ 57,712
Cash and investments with fiscal agents	21,496	53,955	54,052	21,399
Receivables:				
Interest	261	403	261	403
Accounts and other receivables	1,439	32,568	32,538	1,469
Due from other governments	1	-	1	-
Total assets	<u>\$ 79,180</u>	<u>\$ 261,342</u>	<u>\$ 259,539</u>	<u>\$ 80,983</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 216	\$ 6,391	\$ 6,408	\$ 199
Due to other governments	2,622	6,709	6,071	3,260
Deposits and other liabilities	76,342	146,144	144,962	77,524
Total liabilities	<u>\$ 79,180</u>	<u>\$ 159,244</u>	<u>\$ 157,441</u>	<u>\$ 80,983</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, 2007

(With comparative totals as of June 30, 2006)  
(Dollar amounts in thousands)

	2007	2006
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 35,014	\$ 34,603
Buildings and improvements	247,447	235,009
Infrastructure	394,692	337,449
Equipment	4,714	4,094
Public art collections	853	853
Construction in progress	167,245	154,053
Total	<u>\$ 849,965</u>	<u>\$ 766,061</u>
INVESTMENTS IN GOVERNMENTAL FUND CAPITAL ASSETS BY SOURCE:		
General Fund	\$ 3,002	\$ 1,080
Special revenue funds	108,394	62,394
Capital projects funds	453,724	436,742
Donations	284,845	265,845
Total	<u>\$ 849,965</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

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION JUNE 30, 2007 (Dollar amounts in thousands)

	Land	Buildings and Improvements	Infrastructure	Equipment	Public Art Collections	Construction in Progress	Total
General government	\$ 407	\$ 8,255	\$ -	\$ 168	\$ -	\$ -	\$ 8,830
Public safety	4,409	44,200	-	3,357	-	-	51,966
Public works	5,045	2,014	387,942	193	-	-	395,194
Library	1,207	6,886	-	419	-	-	8,512
Parks and recreation	11,917	176,323	988	484	853	-	190,565
Other property	2,081	-	-	93	-	-	2,174
Redevelopment Agency	9,948	9,769	5,762	-	-	-	25,479
Construction in progress	-	-	-	-	-	167,245	167,245
<b>Total</b>	<b>\$ 35,014</b>	<b>\$ 247,447</b>	<b>\$ 394,692</b>	<b>\$ 4,714</b>	<b>\$ 853</b>	<b>\$ 167,245</b>	<b>\$ 849,965</b>

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.

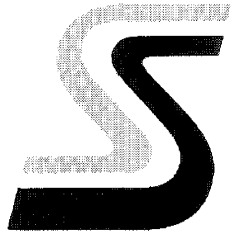
# CITY OF STOCKTON

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION FOR THE YEAR ENDED JUNE 30, 2007 (Dollar amounts in thousands)

	Balance 6/30/06	Additions	Deductions	Transfers & Adjustments	Balance 6/30/07
General government	\$ 8,834	\$ 2	\$ (6)	\$ -	\$ 8,830
Public safety	50,900	939	-	127	51,966
Public works	337,821	19,522	-	37,851	395,194
Library	8,491	21	-	-	8,512
Parks and recreation	178,282	112	(103)	12,274	190,565
Other property	2,206	-	(32)	-	2,174
Redevelopment Agency	25,474	-	-	5	25,479
Construction in progress	<u>154,053</u>	<u>63,449</u>	<u>-</u>	<u>(50,257)</u>	<u>167,245</u>
Total	<u>\$ 766,061</u>	<u>\$ 84,045</u>	<u>\$ (141)</u>	<u>\$ -</u>	<u>\$ 849,965</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



**STATISTICAL SECTION**

## STATISTICAL SECTION

The Statistical Section provides detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information. This section presents additional analysis and contains data that may provide the reader with valuable insight regarding the demographics and the overall financial health of the City.

<u>Contents</u>	<u>Pages</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>145-155</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.	<b>156-163</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>164-171</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	<b>172-173</b>
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	<b>175-180</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 for the fiscal year ended June 30, 2002; schedules presenting government-wide information include information beginning in that year.



# CITY OF STOCKTON

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

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
<b>Governmental activities:</b>						
Invested in capital assets, net of related debt	\$ 670,509	\$ 603,068	\$ 529,250	\$ 289,507	\$ 215,070	\$ 217,640
Restricted	169,972	154,758	134,804	143,431	144,275	132,692
Unrestricted	(3,443)	(8,497)	(19,407)	5,071	16,162	6,551
<b>Total governmental activities net assets</b>	<b>\$ 837,038</b>	<b>\$ 749,329</b>	<b>\$ 644,647</b>	<b>\$ 438,009</b>	<b>\$ 375,507</b>	<b>\$ 356,883</b>
<b>Business-type activities:</b>						
Invested in capital assets, net of related debt	\$ 389,945	\$ 368,222	\$ 348,229	\$ 302,497	\$ 265,548	\$ 221,398
Restricted	46,850	48,454	55,386	52,415	29,799	24,830
Unrestricted	29,898	30,465	30,282	48,023	83,815	95,269
<b>Total business-type activities net assets</b>	<b>\$ 466,693</b>	<b>\$ 447,141</b>	<b>\$ 433,897</b>	<b>\$ 402,935</b>	<b>\$ 379,162</b>	<b>\$ 341,497</b>
<b>Primary government:</b>						
Invested in capital assets, net of related debt	\$ 1,060,454	\$ 971,290	\$ 877,479	\$ 592,004	\$ 480,618	\$ 439,038
Restricted	216,822	203,212	190,190	195,846	174,074	157,522
Unrestricted	26,455	21,968	10,875	53,094	99,977	101,820
<b>Total primary government net assets</b>	<b>\$ 1,303,731</b>	<b>\$ 1,196,470</b>	<b>\$ 1,078,544</b>	<b>\$ 840,944</b>	<b>\$ 754,669</b>	<b>\$ 698,380</b>

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 SIX FISCAL YEARS  
(Dollar amounts in thousands)**

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
<b>Expenses</b>						
Governmental activities:						
General government	\$ 24,866	\$ 20,171	\$ 19,894	\$ 17,569	\$ 15,454	\$ 16,844
Public safety	161,895	149,512	145,703	125,837	126,815	106,062
Public works	56,393	36,481	33,328	42,848	46,031	30,895
Library	13,261	13,545	13,190	11,530	11,594	11,475
Parks and recreation	27,429	26,352	19,365	15,854	15,397	16,203
Interest and fiscal charges	11,746	4,136	4,346	13,081	11,954	11,186
Total governmental activities expenses	295,590	250,197	235,826	226,719	227,245	192,665
Business-type activities:						
Water utility	21,750	19,063	14,809	15,548	14,672	13,742
Wastewater utility	42,084	36,458	31,607	32,674	29,427	25,743
Stormwater utility	7,219	6,009	5,653	6,910	5,657	4,612
Central parking district	4,238	3,162	2,487	2,585	2,260	1,978
Other	2,057	2,460	2,448	5,022	4,991	4,898
Total business-type activities expenses	77,348	67,152	57,004	62,739	57,007	50,973
Total primary government expenses	\$ 372,938	\$ 317,349	\$ 292,830	\$ 289,458	\$ 284,252	\$ 243,638
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 8,429	\$ 10,154	\$ 11,264	\$ 7,962	\$ 9,928	\$ 6,429
Public safety	32,447	37,603	39,329	29,960	46,677	29,272
Public works	29,369	35,054	23,733	21,683	8,693	5,675
Library	1,105	1,489	1,920	1,859	515	387
Parks and recreation	9,957	12,407	9,988	10,050	1,736	1,725
Operating grants and contributions	11,065	12,388	9,715	7,924	8,741	8,950
Capital grants and contributions	83,238	45,745	44,309	47,789	48,914	27,654
Total governmental activities program revenues	175,610	154,840	140,258	127,227	125,204	80,092
Business-type activities:						
Charges for services:						
Water utility	23,092	20,268	20,125	18,328	15,576	15,720
Wastewater utility	33,099	32,746	31,926	30,483	29,432	27,298
Stormwater utility	5,088	5,063	4,751	4,827	4,391	4,288
Central parking district	3,474	3,502	2,696	2,694	2,645	2,273
Other	1,988	2,284	2,433	4,639	7,428	6,670
Capital grants and contributions	23,721	20,324	28,655	31,535	37,765	15,824
Total business-type activities program revenues	90,462	84,187	90,586	92,506	97,237	72,073
Total primary government program revenues	\$ 266,072	\$ 239,027	\$ 230,844	\$ 219,733	\$ 222,441	\$ 152,165
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$ (119,980)	\$ (95,357)	\$ (95,568)	\$ (99,492)	\$ (102,041)	\$ (112,573)
Business-type activities	13,114	17,035	33,582	29,767	40,230	21,100
Total primary government net expense	\$ (106,866)	\$ (78,322)	\$ (61,986)	\$ (69,725)	\$ (61,811)	\$ (91,473)

(Continued)



# CITY OF STOCKTON

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

(Continued)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
<b>General Revenues and Other Changes in Net Assets:</b>						
Governmental activities:						
Taxes:						
Property	\$ 60,015	\$ 47,495	\$ 33,723	\$ 28,365	\$ 23,449	\$ 20,742
In lieu of sales tax	11,070	9,274	8,750	-	-	-
Utility user	30,101	34,313	34,908	33,322	32,157	31,462
Sales - levied by city (1)	9,249	9,941	1,047	-	-	-
Franchise fees	10,817	10,333	9,812	5,725	5,623	5,364
Business licenses	10,285	11,222	8,960	8,014	7,899	6,691
Hotel/motel room	2,180	2,171	2,160	2,030	2,048	2,005
Document transfer	1,187	2,010	2,036	1,525	1,043	777
Special assessments	-	-	-	18,211	18,591	18,135
Other	257	218	373	187	174	254
Shared revenue:						
Vehicle License Fees	22,661	18,173	14,548	11,633	15,008	13,847
Sales and use tax levied by state (1)	36,745	42,063	37,198	40,333	36,628	35,812
Other	384	456	1,589	1,705	1,685	1,607
Investment earnings	11,436	3,457	5,554	1,243	5,310	7,944
Gain on sale of capital assets	-	-	-	496	449	99
Miscellaneous	786	1,010	6,603	1,652	2,896	4,047
Transfers	516	7,903	8,076	7,553	6,477	5,627
<b>Total governmental activities</b>	<b>\$ 207,689</b>	<b>\$ 200,039</b>	<b>\$ 175,337</b>	<b>\$ 161,994</b>	<b>\$ 159,437</b>	<b>\$ 154,413</b>
Business-type activities:						
Other taxes	\$ 981	\$ 713	\$ 733	\$ 675	\$ 596	\$ 580
Grants and contributions not restricted to specific programs	-	-	881	-	1,909	6,974
Investment earnings	5,973	3,399	3,842	808	4,052	5,864
Gain on sale of capital assets	-	-	-	76	-	-
Transfers	(516)	(7,903)	(8,076)	(7,553)	(6,477)	(5,627)
<b>Total business-type activities</b>	<b>6,438</b>	<b>(3,791)</b>	<b>(2,620)</b>	<b>(5,994)</b>	<b>80</b>	<b>7,791</b>
<b>Total primary government</b>	<b>\$ 214,127</b>	<b>\$ 196,248</b>	<b>\$ 172,717</b>	<b>\$ 156,000</b>	<b>\$ 159,517</b>	<b>\$ 162,204</b>
<b>Change in Net Assets</b>						
Governmental activities	\$ 87,709	\$ 104,682	\$ 79,769	\$ 62,502	\$ 57,396	\$ 41,840
Business-type activities	19,552	13,244	30,962	23,773	40,310	28,891
<b>Total primary government</b>	<b>\$ 107,261</b>	<b>\$ 117,926</b>	<b>\$ 110,731</b>	<b>\$ 86,275</b>	<b>\$ 97,706</b>	<b>\$ 70,731</b>

(1) 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. Fiscal 2006 included two additional months of revenue to align revenues to the month they were earned.

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 that 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			
	2007	2006	2005	2004
General Fund				
Reserved	\$ 5,169	\$ 8,352	\$ 6,958	\$ 6,117
Unreserved	15,761	23,116	16,506	11,730
Total General Fund	\$ 20,930	\$ 31,468	\$ 23,464	\$ 17,847
All other governmental funds				
Reserved	\$ 294,747	\$ 197,170	\$ 246,051	\$ 317,874
Unreserved, reported in:				
Special revenue funds	18,819	(20,727)	(57,435)	8,627
Debt service funds	(196)	(213)	(42)	(179)
Capital projects funds	(27,899)	(26,296)	(27,487)	(46,437)
Permanent Fund	297	252	265	207
Total all other governmental funds	\$ 285,768	\$ 150,186	\$ 161,352	\$ 280,092
Total Fund Balances	\$ 306,698	\$ 181,654	\$ 184,816	\$ 297,939

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						
2003	2002	2001	2000	1999	1998	
\$ 6,255	\$ 6,427	\$ 2,444	\$ 2,474	\$ 1,995	\$ 2,350	
11,765	8,642	20,346	13,270	9,341	6,968	
\$ 18,020	\$ 15,069	\$ 22,790	\$ 15,744	\$ 11,336	\$ 9,318	
\$ 243,715	\$ 127,453	\$ 209,926	\$ 191,983	\$ 174,464	\$ 162,387	
14,151	9,585	(1,164)	(5,416)	(952)	(3,512)	
20	(22)	-	-	-	-	
(34,948)	71,859	(3,482)	(1,578)	-	-	
230	258	n/a	n/a	n/a	n/a	
\$ 223,168	\$ 209,133	\$ 205,280	\$ 184,989	\$ 173,512	\$ 158,875	
\$ 241,188	\$ 224,202	\$ 228,070	\$ 200,733	\$ 184,848	\$ 168,193	

# CITY OF STOCKTON

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

	Fiscal Year		
	2007	2006	2005
<b>Revenues:</b>			
Taxes:			
Property	\$ 60,015	\$ 47,495	\$ 33,723
In lieu of sales tax	11,070	9,274	8,750
Utility user	30,101	34,313	34,908
Sales (levied by city) (1)	9,249	9,941	1,047
Franchise fees	10,817	10,333	9,812
Business license	10,285	11,222	8,960
Hotel/motel room	2,180	2,171	2,160
Document transfer	1,187	2,010	2,036
Special assessments	-	-	-
Other	257	218	193
Licenses and permits	6,777	8,960	11,112
Federal grants and subsidies	34,761	21,529	10,465
Other shared revenue (sales and use tax levied by state) (1)	36,745	42,063	35,904
Other governmental	63,064	52,402	44,737
Charges for services	51,739	66,443	61,903
Fines and forfeitures	3,323	3,933	3,250
Use of money and property	9,709	6,274	3,370
Investment income:			
Interest income	8,551	2,702	4,686
investments	1,238	129	333
Refunds and reimbursements	8,199	8,284	5,524
Miscellaneous	9,163	8,707	11,662
<b>Total revenues</b>	<b>\$ 368,430</b>	<b>\$ 348,403</b>	<b>\$ 294,535</b>
<b>Expenditures:</b>			
Current:			
General government	\$ 20,030	\$ 23,935	\$ 23,520
Public safety	163,479	157,299	142,211
Public works	20,768	30,959	27,346
Library	12,648	13,283	12,391
Parks and recreation	25,747	25,637	17,931
Capital outlay	101,372	101,399	108,560
Debt service:			
Principal retirement	591	689	669
Cost of issuance	2,069	341	22
Interest and fiscal charges	7,892	4,314	4,183
<b>Total expenditures</b>	<b>\$ 354,596</b>	<b>\$ 357,856</b>	<b>\$ 336,833</b>
Excess (deficiency) of revenues			
Over (under) expenditures	\$ 13,834	\$ (9,453)	\$ (42,298)

								Fiscal Year						
2004		2003		2002		2001		2000		1999		1998		
\$	28,365	\$	23,449	\$	20,742	\$	19,035	\$	17,584	\$	16,747	\$	16,270	
	-		-		-		-		-		-		-	
	33,322		32,157		31,462		31,188		25,468		24,160		22,994	
	-		-		-		-		-		-		-	
	5,725		5,623		5,364		5,255		4,222		4,630		4,056	
	8,014		8,065		6,897		6,643		6,133		5,714		5,244	
	2,030		2,048		2,005		1,994		1,559		1,385		1,280	
	1,525		1,043		777		692		478		1,095		1,689	
	18,211		18,591		18,135		15,877		15,680		16,591		16,945	
	187		174		254		174		154		132		134	
	9,977		11,444		5,493		3,758		3,333		2,507		2,337	
	11,301		15,598		9,188		18,073		8,535		11,838		13,269	
	40,333		36,628		35,812		36,323		31,722		27,265		25,290	
	35,330		40,025		42,250		40,706		38,588		24,804		26,275	
	57,316		43,181		32,117		26,557		26,044		20,665		19,051	
	1,905		1,490		1,552		1,445		1,115		899		511	
	1,640		2,011		1,806		1,416		1,467		1,701		2,170	
	5,000		5,422		6,686		9,069		6,422		5,654		5,222	
	(3,824)		(367)		715		2,866		(908)		(1,136)		400	
	3,213		4,864		3,310		2,822		1,250		7,098		988	
	6,314		8,791		6,661		5,884		7,521		6,414		5,696	
\$	265,884	\$	260,237	\$	231,226	\$	229,777	\$	196,367	\$	178,163	\$	169,821	
\$	22,812	\$	16,321	\$	16,182	\$	14,591	\$	13,185	\$	11,498	\$	11,080	
	123,948		112,668		102,626		91,308		85,462		80,322		79,472	
	38,122		33,987		15,206		12,721		12,183		10,059		11,152	
	11,303		10,475		10,403		9,636		8,800		8,443		7,759	
	14,937		13,330		13,433		12,034		10,653		9,638		9,043	
	60,827		60,390		60,652		65,957		49,950		32,199		29,317	
	8,356		9,654		7,290		7,085		5,198		6,570		5,623	
	2,177		983		466		-		-		-		-	
	12,460		11,937		10,814		10,430		9,479		9,221		10,816	
\$	294,942	\$	269,745	\$	237,072	\$	223,762	\$	194,910	\$	167,950	\$	164,262	
\$	(29,058)	\$	(9,508)	\$	(5,846)	\$	6,015	\$	1,457	\$	10,213	\$	5,559	

(Continued)

# CITY OF STOCKTON

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

(Continued)

	Fiscal Year		
	2007	2006	2005
<b>Other financing sources (uses):</b>			
Transfers in	\$ 78,825	\$ 45,192	\$ 46,449
Transfers out	(80,506)	(38,821)	(39,845)
Operating transfers out to a component unit	-	-	-
Issuance of long-term debt	110,509	14,608	592
Proceeds of current refunding bonds	-	-	-
Payment to refunding bond escrow agent - current refunding	-	-	-
Sales of capital assets	5	2	2
Advances from other funds	-	-	-
Current refunding	-	-	-
Payment to refunded bond escrow agent	-	(14,604)	-
Repayment of advances from other funds	-	-	-
Premiums on debt issuances	2,377	-	-
Discounts on debt issuances	-	(86)	-
<b>Total other financing sources (uses)</b>	<b>\$ 111,210</b>	<b>\$ 6,291</b>	<b>\$ 7,198</b>
Net change in fund balances	125,044	(3,162)	(35,100)
Fund balances, beginning of year	181,654	184,816	219,916
Residual equity transfers in	-	-	-
Residual equity transfers out	-	-	-
<b>Fund balances, end of year</b>	<b>\$ 306,698</b>	<b>\$ 181,654</b>	<b>\$ 184,816</b>
Debt service as a percentage of noncapital expenditures	4.3%	2.1%	2.2%

(1) 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. Fiscal 2006 included two additional months of revenue to align revenues to the month they were earned.

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											
		2004	2003	2002	2001	2000	1999	1998					
\$	64,132	\$	71,393	\$	38,960	\$	28,561	\$	20,609	\$	18,449	\$	29,535
	(59,459)		(65,969)		(35,648)		(27,643)		(20,609)		(18,332)		(28,876)
	-		-		-		-		(98)		(98)		(98)
	79,713		38,110		32,946		6,275		16,945		3,100		17,060
	-		-		-		2,744		11,610		8,775		71,100
	-		-		-		(1,879)		(10,320)		(9,408)		(81,203)
	5		719		-		171		104		35		2
	-		-		-		-		-		5,733		3,356
	-		-		-		(680)		(3,000)		-		-
	-		(17,205)		-		-		-		-		-
	-		-		-		(867)		(374)		(570)		(1,805)
	1,637		-		-		-		-		-		-
	(219)		(554)		(604)		-		-		-		-
\$	85,809	\$	26,494	\$	35,654	\$	6,682	\$	14,867	\$	7,684	\$	9,071
	56,751		16,986		29,808		12,697		16,324		17,897		14,630
	241,188		224,202		194,394		201,332		185,383		167,983		154,328
	-		-		-		15,951		-		-		-
	-		-		-		(1,234)		(375)		(497)		(192)
\$	297,939	\$	241,188	\$	224,202	\$	228,746	\$	201,332	\$	185,383	\$	168,766
	10.9%		12.1%		11.8%		12.5%		11.3%		13.2%		13.9%

# CITY OF STOCKTON

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

	Fiscal Year				
	2007	2006	2005	2004	2003
Property (1)	\$ 60,015	\$ 47,495	\$ 33,723	\$ 28,365	\$ 23,449
In lieu of sales tax (2)	11,070	9,274	8,750	-	-
Utility user (3)	30,101	34,313	34,908	33,322	32,157
Sales (levied by city) (4)	9,249	9,941	1,047	-	-
Franchise fees (5)	10,817	10,333	9,812	5,725	5,623
Business licenses (6)	10,285	11,222	8,960	8,014	8,065
Hotel/motel room	2,180	2,171	2,160	2,030	2,048
Document transfer (7)	1,187	2,010	2,036	1,525	1,043
Special assessments (8)	-	-	-	18,211	18,591
Other	257	218	193	187	174
<b>Totals</b>	<b>\$ 135,161</b>	<b>\$ 126,977</b>	<b>\$ 101,589</b>	<b>\$ 97,379</b>	<b>\$ 91,150</b>

(1) Property taxes continue to increase due to the addition of the North Stockton Redevelopment Project Area, the growth in new homes, the values of homes being sold are higher than when purchased, 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. Increases are due to increases in the value of property sold.

(3) The City 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. A mild winter combined with lower prices for natural gas and a rebate given to PG & E customers added to the overall reduction in revenue in 2007.

(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. Fiscal 2006 included two additional months of revenue to align revenues to the month they were earned.

(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 (amnesty) Program.

(7) These fees are charged when property changes ownership. Home and other property sales have slowed considerably in 2007.

(8) 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											
	2002		2001		2000		1999		1998		% Change 1998 to 2007
\$	20,742	\$	19,035	\$	17,584	\$	16,747	\$	16,270		269%
	-		-		-		-		-		100%
	31,462		31,188		25,468		24,160		22,994		31%
	-		-		-		-		-		100%
	5,364		5,255		4,222		4,630		4,056		167%
	6,897		6,643		6,133		5,714		5,244		96%
	2,005		1,994		1,559		1,385		1,280		70%
	777		692		478		1,095		1,689		-30%
	18,135		15,877		15,680		16,591		16,945		-100%
	254		174		154		132		134		92%
\$	85,636	\$	80,858	\$	71,278	\$	70,454	\$	68,612		97%

# CITY OF STOCKTON

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

	Fiscal Year			
	2007	2006	2005	2004
Secured roll	\$ 19,823,995	\$ 16,860,177	\$ 14,398,725	\$ 12,567,832
Utility roll	14,092	15,883	16,316	15,054
Unsecured roll	1,195,948	1,127,627	1,015,499	951,164
Gross assessed value	\$ 21,034,035	\$ 18,003,687	\$ 15,430,540	\$ 13,534,050
Less exemptions (1)	1,238,271	1,185,310	1,111,509	1,061,968
Net assessed value	\$ 19,795,764	\$ 16,818,377	\$ 14,319,031	\$ 12,472,082
Land	\$ 5,992,555	\$ 4,811,339	\$ 4,104,660	\$ 3,532,906
Improvements	14,034,608	12,251,910	10,509,572	9,220,951
Personal property	1,006,872	940,438	816,308	780,193
Gross assessed value	\$ 21,034,035	\$ 18,003,687	\$ 15,430,540	\$ 13,534,050
Less exemptions (1)	1,238,271	1,185,310	1,111,509	1,061,968
Net assessed value	\$ 19,795,764	\$ 16,818,377	\$ 14,319,031	\$ 12,472,082
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are: homeowners - \$270,466 and other - \$967,805 = \$1,238,271

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					
2003	2002	2001	2000	1999	1998
\$ 11,300,938	\$ 10,201,671	\$ 8,719,177	\$ 8,347,987	\$ 8,165,852	\$ 7,995,188
12,683	13,536	15,364	17,038	14,893	11,644
904,354	834,424	799,923	775,627	786,120	783,505
\$ 12,217,975	\$ 11,049,631	\$ 9,534,464	\$ 9,140,652	\$ 8,966,865	\$ 8,790,337
1,003,662	952,815	902,578	780,309	755,604	733,337
\$ 11,214,313	\$ 10,096,816	\$ 8,631,886	\$ 8,360,343	\$ 8,211,261	\$ 8,057,000
\$ 3,132,565	\$ 2,756,278	\$ 2,439,069	\$ 2,373,758	\$ 2,329,276	\$ 2,297,478
8,350,637	7,579,417	6,381,458	6,089,228	5,984,645	5,848,754
734,773	713,936	713,937	677,666	652,944	644,105
\$ 12,217,975	\$ 11,049,631	\$ 9,534,464	\$ 9,140,652	\$ 8,966,865	\$ 8,790,337
1,003,662	952,815	902,578	780,309	755,604	733,337
\$ 11,214,313	\$ 10,096,816	\$ 8,631,886	\$ 8,360,343	\$ 8,211,261	\$ 8,057,000
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

# 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)	San Joaquin Delta College District	Total
2007	1.0000	-	1.0000	0.0929	-	0.0183	1.1112
2006	1.0000	-	1.0000	0.0545	-	0.0134	1.0679
2005	1.0000	-	1.0000	0.0545	-	0.0134	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

(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					
	2007			1998		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Levine Investments Ltd PTP	\$ 80,622	1	0.433 %	-	-	-
Corn Products International Inc	64,845	2	0.348	\$ 101,246	1	1.392 %
Simpson Manufacturing Co Inc	59,834	3	0.321	-	-	-
Diamond Walnut Growers Inc	59,244	4	0.318	49,480	3	0.680
Comcast of California XIII Inc.	46,224	5	0.248	-	-	-
FR Net Lease Co-Invest Prog 10 LLC	43,000	6	0.231	-	-	-
Sherwood Mall LLC	42,088	7	0.226	-	-	-
WTM Glimcher LLC	41,524	8	0.223	-	-	-
DOPACO Inc	41,287	9	0.222	-	-	-
Pavilions Apartments LP	39,229	10	0.211	-	-	-
Kaiser Foundation	-	-	-	82,150	2	1.129
Newark Group Inc	-	-	-	32,564	4	0.448
Posdef Power Company	-	-	-	29,553	5	0.406
Cargill Incorporated	-	-	-	21,605	6	0.297
Washington Mutual Inc	-	-	-	21,044	7	0.289
American Honda Motor Company	-	-	-	19,044	8	0.262
Toys R US Inc	-	-	-	17,940	9	0.247
Iris USA Inc	-	-	-	17,734	10	0.244
Principal Secured Property Valuation	\$ 517,897		2.780 %	\$ 392,360		5.394 %
Other Secured Taxpayers	19,306,098		103.649	7,602,828		104.517
Total Secured Property Valuation Before Exemptions	19,823,995		106.430	7,995,188		109.910
Less Exemptions relative to secured tax roll (1)	1,197,631		6.430	720,911		9.910
Total Secured Property Valuation	\$ 18,626,364		100.000 %	\$ 7,274,277		100.000 %

(1) Exemptions relative to secured tax roll are: FY 2007 - homeowners - \$270,325 and other - \$927,306 = \$1,197,631  
FY 1998 - homeowners - \$224,857 and other - \$496,054 = \$720,911

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's Office

# 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			Total Collections to Date	
		Amount	Percent of Levy (1)	Collections in Subsequent Years	Amount	Percent of Levy
2007	\$ 33,891	\$ 33,891	100 %	-	\$ 33,891	100 %
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

(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  
LAST TWO FISCAL YEARS**

	Fiscal Year	
	2007	2006 (1)
<b><u>Type of Customer</u></b>		
Residential	11,995,309 cf	10,774,487 cf
Institutional	914,345	786,155
Commercial/Industrial	1,704,698	1,727,550
Irrigation	<u>1,786,611</u>	<u>1,379,830</u>
Total	<u>16,400,963</u> cf	<u>14,668,022</u> cf

cf = 100 cubic feet (748 gallons)

(1) Figures for 2006 have been restated.

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**

<u>Fiscal Year</u>	<u>Water</u>		<u>Wastewater</u>
	<u>Monthly Base Rate</u>	<u>Per 100 cf</u>	<u>Monthly Base Rate</u>
2007	\$ 15.60	\$ 0.77	\$ 20.70
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

cf = 100 cubic feet (748 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)	Pension Bonds	Total Governmental Activities
2007	\$ 13,860	\$ 13,300	\$ 157,185	\$ 12,862	\$ -	\$ 125,310	\$ 322,517
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

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 2006 and population for fiscal year 2007.

Source: City of Stockton Administrative Services Department

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**Business-type Activities**

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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)
\$ 69,315	\$ 101,220	\$ 731	\$ -	\$ -	\$ 171,266	\$ 493,783	2.70 %	\$ 1,704
69,910	103,635	787	-	-	174,332	261,621	1.50	915
46,166	105,965	1,007	-	-	153,138	240,303	1.45	860
46,625	108,215	1,219	-	-	156,059	448,288	2.88	1,666
14,280	109,855	1,421	6,180	-	131,736	352,608	2.39	1,349
14,280	111,690	1,634	6,180	210	133,994	343,615	2.41	1,354
-	129,235	1,823	-	7,005	138,063	315,414	2.29	1,256
-	131,370	2,009	-	7,970	141,349	319,176	2.53	1,291
-	133,415	2,190	-	9,040	144,645	311,581	2.63	1,279
-	134,035	7,810	-	10,050	151,895	322,330	2.88	1,342

# 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				
2007	\$ 13,860	\$ 13,300	\$ 157,185		\$ 184,345	0.009 %	\$ 0.636
2006	13,965	13,300	47,000		74,265	0.004	0.260
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

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 6/30/2007	Percentage Applicable (1)	City's share of Debt 6/30/2007
Stockton Unified School District	\$ 134,180,000	81.393 %	\$ 109,213,127
Lodi Unified School District	105,175,000	36.980	38,893,715
Lincoln Unified School District	42,452,672	87.196	37,017,032
Lincoln Unified School District Community Facilities District No. 1	29,745,814	84.619	25,170,610
Manteca Unified School District	66,342,004	21.244	14,093,695
Manteca Unified School District Community Facilities District No. 1989-1	37,916,013	100.000	37,916,013
Tracy Joint Unified School District	14,000,000	0.006	840
City of Stockton Community Facilities District No. 1	28,630,000	100.000	28,630,000
City of Stockton Community Facilities District No. 90-1	6,155,000	100.000	6,155,000
City of Stockton Community Facilities District No. 90-2	25,915,000	100.000	25,915,000
City of Stockton Community Facilities District No. 90-4	11,208,000	100.000	11,208,000
City of Stockton Community Facilities District No. 96-1	3,730,000	100.000	3,730,000
City of Stockton Community Facilities District No. 99-02	4,170,000	100.000	4,170,000
City of Stockton Community Facilities District No. 2001-1 (Spanos Park West)	21,330,000	100.000	21,330,000
City of Stockton Community Facilities District No. 2003-1	3,135,000	100.000	3,135,000
City of Stockton Community Facilities District No. 2006-1	4,025,000	100.000	4,025,000
City of Stockton 1915 Act Bonds	67,817,000	100.000	67,817,000
Reclamation District No. 2042 Community Facilities District No. 2001-1	7,470,000	18.211	1,360,362
San Joaquin Area Flood Control Assessment District	16,380,000	81.980	<u>13,428,324</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 453,208,718</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
San Joaquin County Certificates of Participation	\$ 121,090,000	33.885 %	\$ 41,031,347
San Joaquin Delta Community College District Certificates of Participation	82,231,890	30.970	25,467,216
Lincoln Unified School District Certificates of Participation	3,380,000	87.196	2,947,225
Lodi Unified School District Certificates of Participation	36,275,000	36.980	13,414,495
Stockton Unified School District Certificates of Participation	45,050,000	81.393	36,667,547
<b>City of Stockton General Fund Obligations</b>	<b>106,860,000</b>	<b>100.000</b>	<b>106,860,000</b>
<b>City of Stockton Pension Obligations</b>	<b>125,310,000</b>	<b>100.000</b>	<b>125,310,000</b>
South San Joaquin Irrigation District Certificates of Participation	5,180,000	1.323	<u>68,531</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 351,766,361</b>
Less: South San Joaquin Irrigation District (100% self-supporting)			<u>(68,531)</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 351,697,830</b>
<b>GROSS COMBINED TOTAL DEBT (2)</b>			<b>\$ 804,975,079</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 804,906,548</b>
<b>2006-07 Assessed Valuation:</b>	\$18,043,180,727		
	(after deducting \$2,023,049,387 redevelopment incremental valuation and other exemptions of \$967,804,768)		
<b>2006-07 Population</b>	289,789		
<b>Debt Ratios</b>		<b>Per Capita</b>	<b>Value</b>
Total Gross Debt	\$ 804,975,079	\$ 2,778	4.46%
Total Net Debt	\$ 804,906,548	\$ 2,778	4.46%
<b>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07:</b>	<b>\$ 7,144</b>		

(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

**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			
	2007	2006	2005	2004
Assessed valuation (1)	\$ 18,043,181	\$ 15,761,940	\$ 14,037,055	\$ 12,313,597
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$ 4,510,795	\$ 3,940,485	\$ 3,509,264	\$ 3,078,399
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	\$ 676,619	\$ 591,073	\$ 526,390	\$ 461,760
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 676,619</u>	<u>\$ 591,073</u>	<u>\$ 526,390</u>	<u>\$ 461,760</u>

(1) Reflects City assessed valuation with Redevelopment tax increments of \$2,023,049 and other exemptions of \$967,805 deducted.

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.

Source: City of Stockton Administrative Services Department

Fiscal Year					
2003	2002	2001	2000	1999	1998
\$ 11,246,185	\$ 10,192,890	\$ 8,699,045	\$ 8,449,173	\$ 8,318,150	\$ 8,175,580
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
\$ 2,811,546	\$ 2,548,223	\$ 2,174,761	\$ 2,112,293	\$ 2,079,538	\$ 2,043,895
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
\$ 421,732	\$ 382,233	\$ 326,214	\$ 316,844	\$ 311,931	\$ 306,584
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 421,732</u>	<u>\$ 382,233</u>	<u>\$ 326,214</u>	<u>\$ 316,844</u>	<u>\$ 311,931</u>	<u>\$ 306,584</u>

# 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	
<b>Water Revenue Bonds</b>							
2007	\$ 25,327	\$ 17,687	\$ 7,640	\$ 510	\$ 1,749	\$2,259	\$ 3.38
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
<b>Wastewater Certificates of Participation</b>							
2007	\$ 36,413	\$ 27,791	\$ 8,622	\$ 2,415	\$ 4,959	\$7,374	\$ 1.17
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

(Continued)



# CITY OF STOCKTON

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

(Continued)

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
<b>Central Parking District Lease Revenue Bonds</b>							
2007	\$ 4,708	\$ 2,205	\$ 2,503	\$ 85	\$ 1,652	\$1,737	\$ 1.44
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

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
2007	289,789	n/a	n/a	9.3 %	120,800	95,864	3.11	\$60,300	83,440
2006	286,041	\$ 18,273	\$ 27,144	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

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  
Bureau of Economic Analysis  
US Dept of Commerce  
US Dept of HUD  
CA Dept of Finance

# CITY OF STOCKTON

**TABLE 18  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year					
	Current			Nine Years Ago		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
San Joaquin County	6,700	1	5.55 %	3,430	2	3.31 %
Stockton Unified School District	4,100	2	3.39	5,800	1	5.60
St. Joseph's Regional Health System	2,800	3	2.32	2,810	4	2.72
City of Stockton	1,600	4	1.32	1,600	6	1.55
Dameron Hospital	1,200	5	0.99	950	9	0.92
Washington Mutual	1,000	6	0.83	-	-	-
University of the Pacific	975	7	0.81	900	10	0.87
Pacific Gas and Electric	880	8	0.73	1,100	7	1.06
Kaiser Permanente	760	9	0.63	-	-	-
California Department of Transportation	750	10	0.62	-	-	-
San Joaquin General Hospital (1)	-	-	-	3,000	3	2.90
Del Monte Foods USA	-	-	-	1,800	5	1.74
San Joaquin Delta College	-	-	-	1,035	8	1.00
<b>Total</b>	<u>20,765</u>		<u>17.19 %</u>	<u>22,425</u>		<u>21.67 %</u>

(1) San Joaquin General Hospital is now included in San Joaquin County totals.

Note: Principal employers are based on best available information.

Source: City of Stockton Economic Development Department



# CITY OF STOCKTON

**TABLE 19  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES  
BY FUNCTION/PROGRAM/DEPARTMENT  
LAST TWO FISCAL YEARS**

	Fiscal Year	
	2007	2006
<b>Function/Program/Department:</b>		
Administrative Services (1)	57	86
City Attorney	17	18
City Auditor	6	5
City Clerk	8	8
City Council	2	3
City Manager	26	27
Community Development	53	46
Housing (2)	10	Inc. in Econ. Dev.
Human Resources	24	24
Information Technology (1)	35	Inc. in Adm Srv.
Office of Economic Development (2)	4	24
Police:		
Sworn	408	408
Non-sworn	201	205
Animal control	15	18
Fire:		
Firefighters-sworn	266	275
Firefighters-auxiliary	35	25
Non-sworn personnel	28	32
Paramedic teams (2 per team)	-	13
Public Works	170	168
Library	92	86
Parks and Recreation	98	99
Redevelopment (2)	16	Inc. in Econ. Dev.
Water Utility	5	3
Wastewater Utility	17	12
Stormwater Utility	-	2
Central Parking District	2	2
<b>Total</b>	<b>1,595</b>	<b>1,589</b>

(1) Information Technology was reported in the Administrative Services total for 2006.

(2) Both Housing and Redevelopment were reported in the Economic Development total for 2006.

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 Human Resources Department

# CITY OF STOCKTON

**TABLE 20  
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT  
LAST TWO FISCAL YEARS**

	Fiscal Year	
	2007	2006
General government:		
Building permits issued	6,564	7,579
Business tax certificates:		
Retail sales and service	9,567	9,283
Manufacturers and processors	179	206
Professions	2,087	2,286
Miscellaneous contractors, peddlers, delivery vehicles, etc.	3,491	5,640
Improvement district and hotel/motel room tax	267	257
Utility billing/customer service:		
Utility bills issued	620,373	431,056
Utility accounts opened and closed	19,227	20,284
New service locations (water) added	798	1,778
Utility customer service calls received	186,450	125,179
Utility customers using automated voice response	68,688	32,985
Miscellaneous accounts receivable bills issued	19,693	18,788
Public safety:		
Police:		
Major reported crimes	23,193	23,123
Total arrests	23,778	24,412
Dispatched calls for service	165,896	169,605
Fire:		
Interior structure fire calls	413	481
Non-structural fire calls	1,493	1,795
Hazardous materials calls	699	673
Emergency medical calls	23,314	24,218
Total emergency calls	35,487	36,321
Total number of units dispatched	47,447	56,655
Public works:		
Miles of streets resurfaced	45.9	33
Fleet job orders completed	13,379	14,363
Library:		
Registered borrowers	280,028	246,983
Circulation of library materials	2,003,983	2,073,852
Reference, research and informational questions answered	461,328	336,650
Annual attendance at libraries	1,946,347	1,587,653
Number of programs offered	2,140	2,003
Annual attendance at programs	51,184	53,222
Parks and recreation:		
Golf rounds:		
Lyons golf course (1)	-	23,513
Swenson Park golf course	57,976	59,670
Van Buskirk golf course	27,371	24,180

(Continued)

# CITY OF STOCKTON

**TABLE 20  
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT  
FOR LAST TWO FISCAL YEARS**

(Continued)

	Fiscal Year	
	2007	2006
Trees planted	1,133	882
Heritage tree removal-permits issued	10	16
After school program registration (number of participants/sites) (2)	2,700	82,000 @ 54 sites
Day camps in winter (number of participants)	187	114
Day camps in summer (number of participants)	1,467	2,359
Day camps at Children's Museum (number of participants)	2,084	2,131
Day camps in spring (number of participants)	283	n/a
Day camps in fall (number of participants)	243	n/a
Mobile recreation programs (number of participants) (2)	765	800
Instructional classes	3,142	132
Softball/baseball diamonds bookings	2,909	2,773
Showmobile bookings	33	31
Community center bookings	222	12
Picnic facility bookings	669	583
Adult sports (number of teams):		
Softball	701	610
Basketball	139	52
Volleyball	8	10
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants) (2)	2,889	12,499
Admissions to:		
Pixie Woods	34,037	42,320
Swimming pools	9,697	12,720
Teen Center	15,141	15,000
Silver Lake	1,832	1,798
Children's Museum	58,432	55,969
Oak Park Tennis	19,395	n/a
Senior Center memberships	790	469
Civic Auditorium bookings	164	309
Parks and Recreation sponsored events	31	9
Philomathean Club bookings	-	6
Weber Point Events Center bookings	23	27
Water utility:		
New connections	798	2,563
Water main breaks	17	20
Wastewater utility:		
Average daily treatment (million gal/day)	35 mgd	35 mgd

(1) Lyons golf course was turned over to the Port of Stockton effective July 1, 2006

(2) Parks & Recreation figures for 2006 were based on units of service while 2007 figures are based on number of participants or registrants.

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 Departments

# CITY OF STOCKTON

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

	Fiscal Year		
	2007	2006	2005
General government:			
Land use-square miles:			
Residential	33.31	33.29	32.93
Mixed use	1.62	1.62	1.62
Commercial	6.05	5.92	4.99
Industrial	11.01	10.99	10.97
Institutional	4.86	4.86	4.86
All other uses	3.63	3.71	3.26
Total square miles	60.48	60.39	58.63
Public safety:			
Police:			
Facilities:			
Stations and substations	5	5	4
Animal control facility	1	1	1
Police training facility (pistol range)	1	1	1
Vehicles:			
Marked patrol cars	140	119	127
Motorcycles and scooters	42	30	27
Animal control vehicles	9	9	9
VIPS vehicles	5	5	5
Other automobiles	131	125	122
Other mobile units (all others)	37	37	37
Public area security cameras	34	32	23
Fire:			
Fire stations	13	13	13
Training facilities	1	1	1
Fire hydrants	8,503	8,338	7,087
Public works:			
Miles of streets	750	734	706
Traffic signals	290	284	278
Street lights	19,682	19,164	n/a

(Continued)



# CITY OF STOCKTON

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

(Continued)

	Fiscal Year		
	2007	2006	2005
Parks and recreation:			
Parks and squares	62	62	62
Park acreage	619	619	614
Boating facilities - launch lanes	10	10	10
Municipal golf courses	3	4	4
Golf course acreage	371	408	408
Family camps	1	1	1
Senior center	1	1	1
Ice rink	1	1	1
Community centers	6	6	5
Swimming pools	4	5	4
Baseball/softball diamonds	49	43	42
Tennis courts	67	67	65
Skateboard park	1	1	1
Bike/jogging paths (miles)	20	20	19
Group picnic areas	26	26	24
Teen Center	1	1	1
Civic Auditorium (2,800 capacity)	1	1	1
Dog Areas	1	n/a	n/a
Showmobile	1	2	2
Playgrounds	66	66	n/a
Children's Museum	1	1	1
Weber Point Events Center	1	1	1
Philomathean Club	1	1	1
Gymnasium	1	1	-
Arena	1	1	n/a
Ballpark	1	1	1
Theater (Bob Hope)	1	1	1
Consolidated landscape maintenance districts:			
Streetscaping (square feet)	2.2 million	1.9 million	n/a
Public open spaces (acreage)	68	63	n/a

(Continued)

# CITY OF STOCKTON

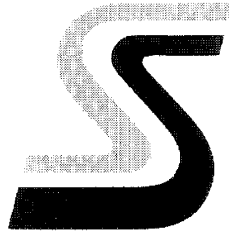
**TABLE 21  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT  
LAST THREE FISCAL YEARS**

(Continued)

	Fiscal Year		
	2007	2006	2005
Library:			
Central library	1	1	1
City branches	4	3	3
Library mobile units	2	2	2
San Joaquin County branches	8	7	7
Total items in collection	1,097,783	1,055,726	1,152,475
Cargo delivery van	2	1	1
Cargo van	1	1	1
Undeveloped land for branch library	5	2	2
Integrated library system	1	1	1
Microform readers	5	5	5
Microform readers/printers	3	3	3
Self check out machines	14	13	13
Water utility:			
Water main lines	586	520	480
Storage capacity (thousand gallons)	15,800	15,800	15,800
Water wells	40	39	37
Water reservoirs	5	5	5
Wastewater utility:			
Wastewater main lines (miles)	987	875	820
Treatment capacity (million gals/day)	48	42	42
Wastewater pump stations	24	24	24
Stormwater utility:			
Stormwater main drain lines (miles)	650	584	550
Stormwater pump stations	73	72	72
Central parking district:			
Parking spaces	4,745	4,745	n/a
Parking lots	19	19	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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City Council  
City of Stockton  
Stockton, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM,  
INTERNAL CONTROL OVER COMPLIANCE AND THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 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, 2007. 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 of 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, 2007.

### *Internal Control Over Compliance*

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### *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, 2007, and have issued our report thereon dated October 31, 2007. Our audit was performed for the purpose of forming our 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 31, 2007



**MACIAS GINI & O'CONNELL** LLP  
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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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### *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 Gutierrez & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
October 31, 2007



**CITY OF STOCKTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Dollar Amounts in Thousands)**

<b>Federal Department</b>					<b>Receipts</b>		<b>Expenditures</b>	
<b>Federal Agency</b>					<b>Federal</b>	<b>Local</b>	<b>Federal</b>	<b>Local</b>
<b>Pass-Through Agency (if not direct)</b>	<b>CFDA No.</b>	<b>Grant Period</b>	<b>Grant Number</b>					
<b>Program Title</b>								
<b>Department of Housing and Urban Development</b>								
Direct								
Community Development Block Grants/ Entitlement Grants	14.218	07/01/06-06/30/07	B-06-MC-060026		7,069	-	18,444	-
Community Development Block Grants/ Entitlement Grants (2006 loan balance)	14.218		loans with continuing compliance requirements		-	-	17,226	-
Community Development Block Grants/ Entitlement Grants	14.218		program income		22	-	1,051	-
<b>Total Community Development Block Grants Entitlement Grants</b>					<b>7,091</b>	<b>-</b>	<b>36,721</b>	<b>-</b>
Emergency Shelter Grants Program	14.231	07/01/06-06/30/07	S-06-MC-060026		184	-	206	-
HOME Investment Partnerships Program	14.239	07/01/06-06/30/07	M-05-MC-060021		4,317	-	2,414	-
HOME Investment Partnerships Program (2006 loan balance)	14.239		loans with continuing compliance requirements		-	-	1,647	-
<b>Total HOME Investment Partnerships Program</b>					<b>4,317</b>	<b>-</b>	<b>4,061</b>	<b>-</b>
Special Economic Development Block Grant	14.246				-	-	(183)	-
Special Economic Development Block Grant	14.246		B-02-SP-CA-0108		(284)	6	5	-
<b>Total Community Development Block Grants/ Brownfield Economic Development Initiative</b>					<b>(284)</b>	<b>6</b>	<b>(178)</b>	<b>-</b>
Gary and Janice Podesto Teen Center	14.250	05/09/06-05/09/11	B-05-SP-CA-0029		248	-	248	-
Teen Center Parking Lot Expansion	14.250	05/09/06-05/09/11	B-05-SP-CA-0718		72	-	59	-
<b>Total Rural Housing and Economic Development</b>					<b>320</b>	<b>-</b>	<b>307</b>	<b>-</b>
Housing Authority of the County of San Joaquin								
Public Housing Drug Elimination Program P.D.	14.854	01/01/06-12/31/07	CA-024		281	-	181	-
Public Housing Drug Elimination Program P & R	14.854	01/01/01-12/31/01	CA-024		-	-	7	-
<b>Total Public and Indian Housing Drug Elimination Program</b>					<b>281</b>	<b>-</b>	<b>188</b>	<b>-</b>
<b>Total Department of Housing and Urban Development</b>					<b>11,909</b>	<b>6</b>	<b>41,305</b>	<b>-</b>
<b>Department of Interior</b>								
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	10/29/02-06/30/07	06CTY37700201		1,000	-	457	-
<b>Total Department of Interior</b>					<b>975</b>	<b>-</b>	<b>444</b>	<b>-</b>
<b>Department of Justice</b>								
Direct								
Local Law Enforcement Block Grants	16.592				-	-	(10)	-
Local Law Enforcement Block Grants	16.592				-	-	(13)	-
Local Law Enforcement Block Grants	16.592	07/01/05-06/30/07	2005 DJBX 1053		188	-	114	21
Local Law Enforcement Block Grants	16.592	07/01/07-06/30/08	2006 DJBX 1157		11	-	61	-
<b>Total Local Law Enforcement Block Grants Program</b>					<b>199</b>	<b>-</b>	<b>152</b>	<b>21</b>
Law Enforcement Technology Grant	16.710	11/22/05-11/21/08	2006CKWX0195		-	-	44	-

(Continued)

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, 2007  
(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
<b>Department of Justice (Continued)</b>							
State of California Corrections Standards Authority Peacekeeper Enhancements	16.523	07/01/06-06/30/07	CSA 182-06	14	2	14	2
State of California Office of Emergency Services Special Unit Combating Violence Against Women	16.588	07/01/05-06/30/06	LE05 02 8019	17	-	-	-
Special Unit Combating Violence Against Women	16.588	07/01/06-12/31/07	LE06 04 8019	73	32	94	32
Total Special Unit Combating Violence Against Women				90	32	94	32
San Joaquin County District Attorney's Office Cracnet Grant	16.579	07/01/06-06/30/07	DC06 17 0390	83	-	94	-
Litigated Asset Seizures	16.579			58	-	145	-
Total Edward Byrne Memorial Formula Grant Program				141	-	239	-
<b>Total Department of Justice</b>				<b>444</b>	<b>34</b>	<b>543</b>	<b>55</b>
<b>Department of Transportation</b>							
State of California Department of Transportation							
ISTEA-Pershing/Smith Canal Bridge	20.205	06/28/96-	BHLS-5008(029)	-	4	-	4
ISTEA-Pacific/Calaveras Bridge	20.205	03/30/04-	STPLZ-5008(031)	-	7	-	7
ISTEA-Swain/Pacific Ave UPRR Traffic Xing	20.205	07/24/01-	STPLH-5008(052)	32	-	-	-
ISTEA-Davis Rd/Pixley Slough Bridge	20.205	03/27/03-	BRLS-5008(055)	-	107	-	107
ISTEA-Traffic Signals Control	20.205	06/25/02-	CML-STPL-5008(020)/(057)	-	523	16	523
ISTEA-Sperry Rd - Perf/French Camp	20.205	08/26/02-06/30/12	NCPD-5008(059)	1,067	960	1,053	960
ISTEA-Pershing/Harding NB/SB Light	20.205	01/08/03-	STPLH-5008(061)	380	175	135	175
ISTEA-Steet Overlay - Phase 3	20.205	06/14/02-	STPL-5008(064)	5	4	-	4
ISTEA-Pacific Calaveras Bridge Scour	20.205	03/30/04-	BHLO-5008(070)	(245)	-	(25)	-
ISTEA-Hammer Lane/SR 99	20.205	08/02/04-	STPLN-5008(072)	6,249	18,353	9,418	18,353
ISTEA-Bus Rapid Transit	20.205	08/23/05-06/30/12	CML-5008(074)	223	146	347	146
ISTEA-Neighborhood Traffic Management	20.205	10/01/04-9/30/06	RS0522	2	-	2	-
Total Highway Planning and Construction				7,713	20,279	10,946	20,279
State of California Office of Traffic Safety California Seat Belt Compliance Campaign	20.600	02/01/06-08/31/06	IN63903	76	-	-	-
DUI/Speed Enforcement & Education Program	20.600	02/01/03-06/30/06	AL0367	60	-	37	-
Illegal Street Racing Campaign	20.600	05/01/05-05/31/07	PT0563	217	-	148	-
Selective Traffic Enforcement Program	20.600	10/01/06-09/30/08	PT0746	25	-	175	-
Click it or Ticket Program for Local Law Enforcement	20.600	03/01/07-09/30/07	CT073901	-	-	69	-
Vehicle Auto Extrication Equipment	20.600	10/01/06-09/30/07	EM0708	-	-	261	-
Total State and Community Highway Safety				378	-	690	-
<b>Total Department of Transportation</b>				<b>8,091</b>	<b>20,279</b>	<b>11,636</b>	<b>20,279</b>
<b>Environmental Protection Agency</b>							
Direct							
Superfund - Brownfields Program	66.xxx	07/01/98-10/31/06	VP-98981101-0	-	-	(30)	-

(Continued)

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, 2007  
(Dollar Amounts in Thousands)**

<b>Federal Department</b>				<b>Receipts</b>		<b>Expenditures</b>	
<u>Federal Agency</u>	<u>CFDA</u>	<u>Grant</u>	<u>Grant</u>	<u>Federal</u>	<u>Local</u>	<u>Federal</u>	<u>Local</u>
<u>Pass-Through Agency (if not direct)</u>	<u>No.</u>	<u>Period</u>	<u>Number</u>				
<u>Program Title</u>							
<b>Department of Education</b>							
Direct							
Dept of Ed - After School Program	84.215	10/01/05-09/30/06	U215K050595	197	-	196	-
California State Library							
Public Library Services	84.034			-	-	1	-
Public Library Services	84.034		49-99	-	-	10	-
Total Public Library Services				-	-	11	-
<b>Total Department of Education</b>				<b>197</b>	<b>-</b>	<b>207</b>	<b>-</b>
<b>Department of Health and Human Services</b>							
National Association of City and County Health Officials							
Medical Reserve Corps Small Grant Program	93.008	05/07/07-07/31/07	1MRCSG061001-01	10	-	2	-
Lao Khmu Association, Inc.							
Refugee and Entrant Assistance - Discretionary Grants	93.576	12/4/02-06/30/07	901RI0015/01	12	-	52	-
State of California Office of Emergency Services							
Children's Justice Grants to States	93.643	10/01/05-09/30/06	EV05038019	267	-	81	-
<b>Total Department of Health and Human Services</b>				<b>289</b>	<b>-</b>	<b>135</b>	<b>-</b>
<b>Department of Homeland Security</b>							
Direct							
Metropolitan Medical Response System	97.071	10/01/04-03/10/07	EMW-2004-GR0712	-	-	295	-
Metropolitan Medical Response System	97.071	10/01/04-03/31/07	2005-15	90	-	90	-
Metropolitan Medical Response System	97.071	9/17/01-12/19/05	233-01-0058	-	-	(23)	-
Total Metropolitan Medical Response System				90	-	362	-
Homeland Security Program	97.073	09/12/05-12/31/06	2005-15	75	-	75	-
State of California Office of Emergency Services							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	3/29/06-4/16/06	FEMA-1646-DR-CA	8	-	8	-
<b>Total Department of Homeland Security</b>				<b>173</b>	<b>-</b>	<b>445</b>	<b>-</b>
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>\$ 22,078</b>	<b>\$ 20,319</b>	<b>\$ 54,685</b>	<b>\$ 20,334</b>

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, 2007**

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#### **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, 2007. 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 \$3,000,000, \$10,000,000, and \$12,500,000 each. Principal of \$460,000 was paid on these loans during fiscal year 2007; \$105,000, \$355,000, and \$0, respectively; leaving outstanding balances of \$2,470,000, \$8,435,000, and \$200,000, respectively, as of June 30, 2007. 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, 2007**

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**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>
<b>Department of Housing and Urban Development</b>			
Community Development Block Grants/Entitlement Grants	14.218	San Joaquin Fair Housing	\$ 107,330
		TDS Construction and Home Repair	39,539
		Senior Service Center	73,400
		Second Harvest Food Bank	25,000
		San Joaquin County Hispanic	16,101
		Stockton Shelter for the Homeless	(8,850)
Emergency Shelter Grants Program	14.231	San Joaquin County Neighborhood Preservation	<u>205,685</u>
			<u><u>\$ 458,205</u></u>

**NOTE E – HOUSING AND REHABILITATION PROGRAM LOANS**

The City participates in federal 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 \$37,127,000 at June 30, 2007. Of this amount, loans totaling \$20,093,000 had continuing compliance requirements. The balance of these loans as of June 30, 2006 amounted to \$18,873,000. This amount has been included in the schedule of expenditures of federal awards under the Community Development Block Grants/Entitlement Grants program (CFDA No. 14.218) in the amount of \$17,226,000 and the HOME Investment Partnership Program (CFDA No. 14.239) in the amount of \$1,647,000. 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, 2007**

**NOTE F – OFFICE OF EMERGENCY SERVICES AND CORRECTIONS STANDARDS AUTHORITY**

The following schedules present only the amounts related to the federal grants passed through the California Office of Emergency Services (OES) and Corrections Standards Authority (CSA) 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. LE06048019** – The City reported total cumulative expenditures for the period July 1, 2006 through June 30, 2007 on Form 201 as follows:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Personal Services	\$ 97,103	\$ 65,101	\$ 32,002
Operating Expenses	<u>94,299</u>	<u>60,671</u>	<u>33,628</u>
Total Expenditures per Form 201	<u>\$ 191,402</u>	<u>\$ 125,772</u>	<u>\$ 65,630</u>
	<b>Federal</b>	<b>Local</b>	<b>Total</b>
Passed through California:			
Office of Emergency Services	<u>\$ 94,329</u>	<u>\$ 31,443</u>	<u>\$ 125,772</u>
Total Expenditures per SEFA as CFDA No. 16.588	<u>\$ 94,329</u>	<u>\$ 31,443</u>	<u>\$ 125,772</u>

**Grant No. CSA 182-06** – The City reported total cumulative expenditures for the period July 1, 2006 through June 30, 2007 on Form 201 as follows:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Personal Services	<u>\$ 16,034</u>	<u>\$ 16,034</u>	<u>\$ -</u>
	<b>Federal</b>	<b>Local</b>	<b>Total</b>
Passed through California:			
Board of Corrections	<u>\$ 14,431</u>	<u>\$ 1,603</u>	<u>\$ 16,034</u>
Total Expenditures per SEFA as CFDA No. 16.523	<u>\$ 14,431</u>	<u>\$ 1,603</u>	<u>\$ 16,034</u>

**CITY OF STOCKTON**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**(Continued)**

**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

	<b>Budget</b>	<b>Prior</b>	<b>Actual Current</b>	<b>Total</b>	<b>Variance</b>
Personal Services	\$ 156,129	\$ 109,165	\$ 39,852	\$ 149,017	\$ 7,112
Operating Expenses	112,371	65,217	41,056	106,273	6,098
Equipment	11,000	11,000	-	11,000	-
Total Expenditures per Form 201	<u>\$ 279,500</u>	<u>\$ 185,382</u>	<u>\$ 80,908</u>	<u>\$ 266,290</u>	<u>\$ 13,210</u>
		<b>Federal</b>	<b>Local</b>	<b>Total</b>	
Passed through California:					
Office of Emergency Services		<u>\$ 80,908</u>	<u>\$ -</u>	<u>\$ 80,908</u>	
Total Expenditures per SEFA as CFDA No. 93.643		<u>\$ 80,908</u>	<u>\$ -</u>	<u>\$ 80,908</u>	

# CITY OF STOCKTON

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

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### 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
• Significant deficiencies 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
• Significant deficiencies 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 #14.218 Community Development Block Grants/ Entitlement Grants	
CFDA #14.231 Emergency Shelter Grants Program	
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,074,000
Auditee qualified as low-risk auditee?	Yes



**CITY OF STOCKTON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2007**

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Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.





The accounting section for the City of Stockton is pictured inside the Bob Hope Theatre.

Seated (left to right): Kevin Beltz, Cathy Lucas, and Lynne Farrar.

Standing (left to right): Maryann Garcia, Katharine Moon, Armando Castillo, Mike Gunn, Teri Chapa, and Susan Jamison.



The Historic Bob Hope (Fox) Theatre has a long and colorful history. An estimated 20,000 people attended the grand opening on October 14, 1930. Since then, the theatre has been used for movies and live performances. It is a large theatre equipped with a complete stage, fly area, and orchestra pit, dressing rooms and has approximately 2,000 seats.

In 1979, the Fox was entered into the National Register of Historical Places and today is one of only two movie palaces in the Central Valley.

Congress awarded the City of Stockton \$290,000 in 2001 and \$225,000 in 2002 to help renovate the Fox Theatre. The State awarded the project with a \$300,000 California Heritage Fund Grant.

In May 2003, Stockton resident and developer Alex G. Spanos donated \$500,000 toward the renovation of this historical theatre. At his request, the City Council voted to name the theatre after one of the Country's best known entertainers - **Bob Hope**.

After restoration the Theatre celebrated a grand re-opening on September 18, 2004. The theatre is used for live performances, cinema, private parties and other special events.





Situated 345 miles north of Los Angeles and 78 miles east of San Francisco, Stockton is nestled between the Sierra Nevada Mountains and the Pacific Ocean. It is the seat of San Joaquin County, which is the heart of San Joaquin Valley—one of the world's most productive agricultural regions.

