



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

STOCKTON, CALIFORNIA



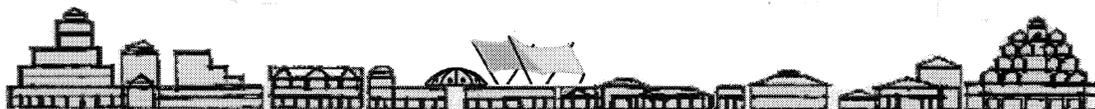
CITY OF STOCKTON

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

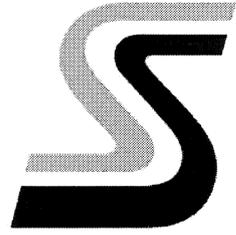
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
CITY OF STOCKTON, CALIFORNIA**

Prepared and Issued by  
The Department of Administrative Services

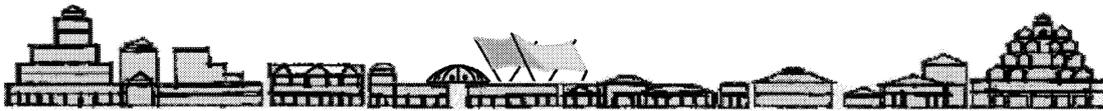
KATHLEEN VONACHEN  
Finance Officer







CITY OF STOCKTON



**CITY OF STOCKTON**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
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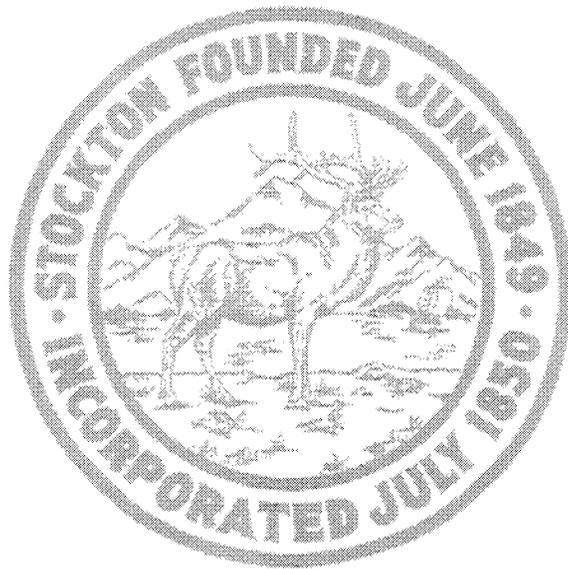
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# CITY OF STOCKTON

## ADMINISTRATIVE SERVICES - ACCOUNTING

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

February 16, 2011

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

The Stockton City Charter and California 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, it is with pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the City of Stockton for the fiscal year ended June 30, 2010.

The Governmental Accounting Standards Board (GASB) establishes the formal accounting standards for all local and state governments in the United States and Canada, and its counterpart in the private-sector is the Financial Accounting Standard Board (FASB). Both GASB and FASB require that financial transactions follow generally accepted accounting principles, referred to as GAAP.

This CAFR report presents government-wide financial statements, which include a Statement of Net Assets providing the total net assets of the City, including all capital assets and infrastructure; and the Statement of Activities that shows the cost of providing government services.

GAAP requires that management provide a narrative overview and analysis discussing the City's financial position to accompany the basic financial statements. This narrative overview is the called Management's Discussion & Analysis (MD&A), and provides a complete overview of the City's financial position. This letter of transmittal is provided to complement the MD&A, so it is encouraged that it be read in conjunction with the MD&A.

### ***INDEPENDENT AUDIT***

The City Charter, Article XIX, Section 1911 requires each fiscal year that an independent audit be made of all City accounts by certified public accountants. The City of Stockton's financial statements have been audited by Macias Gini & O'Connell LLP, an independent firm of licensed certified public accountants.

The purpose of the independent audit is to provide reasonable assurance that the financial statements of the City of Stockton as of and for the fiscal year ended June 30, 2010 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 as of and for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. Two explanatory paragraphs were also included in the auditor's report. The first explanatory paragraph discusses the status of the City's actuarial accrued and unfunded actuarial accrued liability of the City's postemployment health care benefit plan. The second explanatory paragraph discusses the fund balance/net asset deficits at June 30, 2010 of various special revenue, capital project and internal service funds.

The independent auditor's report is presented as the first component of the financial section of this report.

### ***SINGLE AUDIT REPORT TO FEDERAL GRANTOR AGENCIES***

The independent audit of the City's financial statements 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. Additional federal grant reporting requirements and single audit review is required due to the City's federal grant awards received under the American Recovery and Reinvestment Act (ARRA). Information relating to the Single Audit is available in the separately issued Single Audit Report.

### ***PROFILE OF THE GOVERNMENT***

The City of Stockton is located in the center of California's agriculturally robust 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 292,133 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. Stockton has a highly diversified economic base as a regional center for commerce, both in agricultural and manufacturing export trade activities.

### ***GOVERNMENT STRUCTURE AND TYPES OF SERVICES***

The City was incorporated in 1850 and 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. This Charter, enacted in 1923, 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 its original approval 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. These services include: public safety (police and fire), community development, community revitalization, public works and street maintenance, parks, recreational services, libraries, water utility, sanitation services (wastewater and stormwater utility), solid waste disposal and recycling, and general administrative services.

Certain community development/revitalization activities and infrastructure construction are provided through the Stockton Redevelopment Agency, a legally separate entity. The City Council sits as the Stockton 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:

- Stockton Redevelopment Agency, and
- Stockton Public Financing Authority

A component unit (stand-alone) report is available for the Stockton Redevelopment Agency on the City's website.

### ***FACTORS AFFECTING FINANCIAL CONDITION***

The financial information presented in the financial statements is best understood when it is considered from the broader perspective of the environment within which the City of Stockton operates.

### ***PAST YEAR ACCOMPLISHMENTS AND CHALLENGES***

During fiscal year 2010, the City focused its efforts on diminishing the impacts on City operations resulting from the dramatic economic downturn experienced across the nation, especially in northern California. City Council acted by matching reduced revenue estimates with reduced expenditure budgets. Example of reduced expenditure measures include suspending non-essential City programs, instituting 12 days of furlough and/or similar concessions for a majority of City personnel along with a hiring freeze of essential and non-essential personnel, renegotiation of employee labor agreements and implementing a City employee early retirement incentive program.

These efforts assisted the City's ability to weather the year with a General Fund revised operating budget that utilized a minimal amount of fund balance to support operational costs. The City Council measures addressed the challenges of the economic downturn, while continuing the City's focus on delivering services.

For more detailed analysis of financial performance of the City, refer to the Management's Discussion and Analysis sections titled Financial Analysis of the City's Funds and General Fund Budgetary Highlights.

### ***THE LOCAL ECONOMY AND CITY FINANCIAL CONDITION***

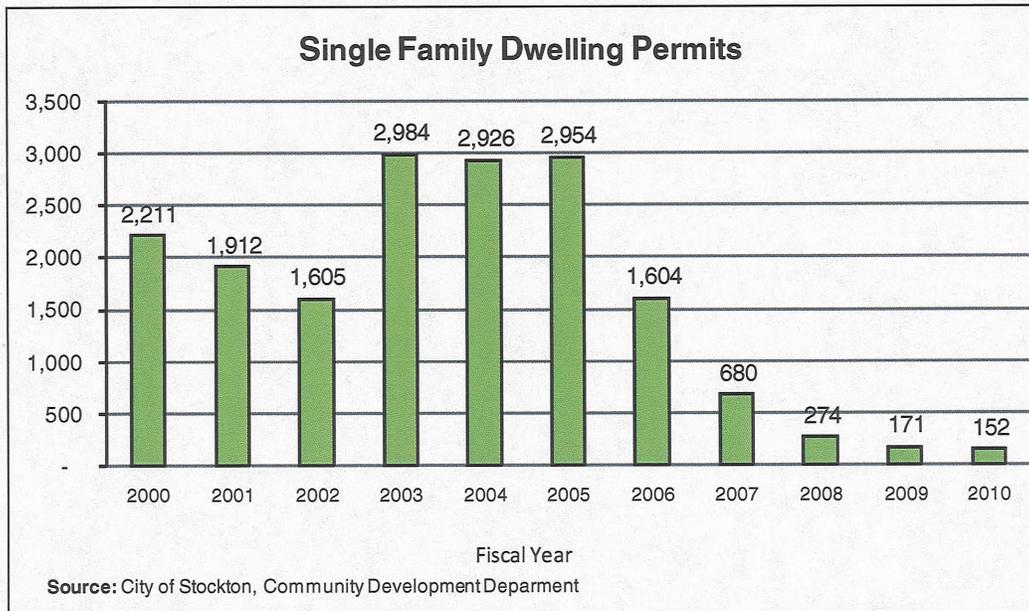
The June 30, 2010 financial report indicates that the City of Stockton concluded the year having strived to provide services to citizens within available resources, including actively managing recent revenue challenges through reductions to meet its obligations.

Since 2008, the City's tax and revenue declines have made maintaining sufficient reserves in the General Fund a significant challenge. The City's General Fund ends fiscal year 2010 with \$5.7 million in assigned fund balance, after restricted amounts, or 3.3% of total expenditures.

During the early part of the decade, the City experienced significant residential growth followed by significant declines in recent years. Stockton, along with many cities in California, experienced an economic slowdown in the latter half of 2008 that subsequently deepened into an economic recession in 2009. Although the City's population remained constant compared with prior years, the unemployment rate in the region rose from 10.5% in 2008, to 15.5% for 2009. The employment rate is projected to peak at 17.3% in 2010 and 17.5% in 2011, then decline to 15.8% in 2013, and lowering to 12.9% in 2015.

Growth in residential and commercial sectors between 2002 and 2005 was a driving force on City operational costs. The pace of this growth significantly declined beginning in 2006 due to the decline in residential housing development and the general economy.

The following chart illustrates, new single family residential dwelling unit permits in fiscal year 2010 declined by 95% compared to the previous fiscal year 2003 high. The decline in development continues, with single family dwelling permits in fiscal year 2010 totaling 152, compared to 2,984 during fiscal year 2003.



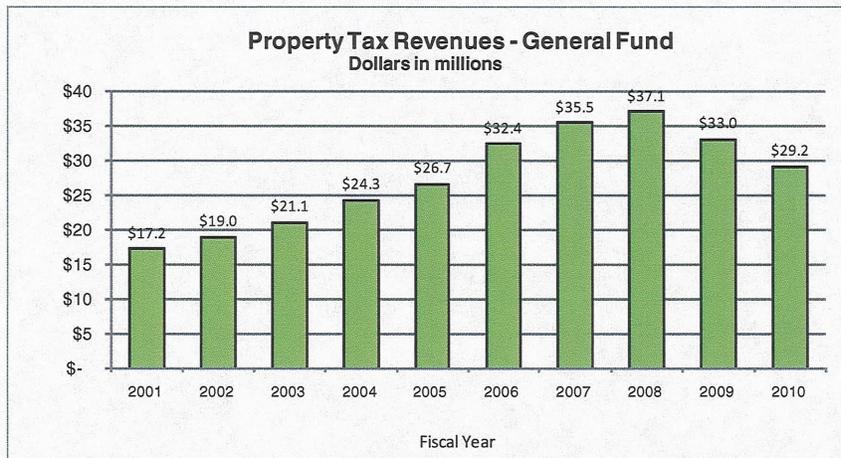
The City's General Fund depends primarily on tax revenues from the utility user tax, property tax, and sales and use tax revenues to finance its operations. These three revenue sources amount to \$92.6 million, or 52% of the total General Fund revenues of \$177.8 million. The utility users tax ranks as Stockton's largest General Fund tax revenue source, amounting to \$30.7 million in fiscal year 2010 and remained stable compared with prior years.

Total property tax revenues for 2010 amounted to \$29.2 million, ranking as Stockton's second largest General Fund tax revenue source. Estimated property tax revenues for fiscal year 2011 are budgeted at \$27.2 million, reflecting losses in residential home and commercial building market values.

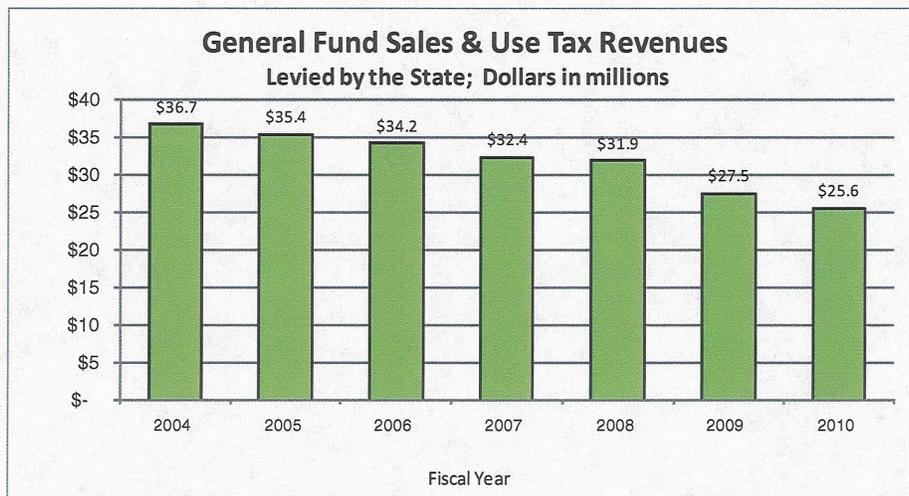
Stockton's General Fund property tax revenues had an average annual increase of 14% between fiscal year 2001 and 2008, followed by a decline of 10.9% in fiscal year 2009 and

11.7% in fiscal year 2010. The following graph illustrates General Fund property tax revenue trends since fiscal year 2001.

The building boom driven by increases in market values for resale homes contributed to this growth rate up until fiscal year 2009. General Fund property tax revenue growth decreased by 11% in fiscal year 2009 and an additional 11.7% in fiscal year 2010, compared to the 21.5% increase experienced in fiscal year 2006. The dramatic decline over the past two years was due to the deteriorating housing market that began a precipitous decline in the last three quarters of fiscal year 2008. The housing market value declines deepened at the close of fiscal year 2009, the lag in property valuations by the County have caused a continuing decline in this revenue in fiscal year 2010.



Stockton's third largest General Fund tax revenue source is sales and use taxes collected by the State, which declined by 13.7% in fiscal year 2009 and an additional 7% in 2010. The following graph illustrates General Fund sales and use tax revenue trends since fiscal year 2004. Loss of consumer confidence in the economy contributed to this source's dramatic decline, from \$36.7 million in fiscal year 2004 to \$25.6 million in fiscal year 2010. The estimated sales and use tax revenues for fiscal year 2011 are budgeted for \$24.7 million, reflecting a continued expectation of a diminished level of consumer confidence through June, 2011.



### ***FUTURE ECONOMIC OUTLOOK***

The past decade of development has brought significant private investment to the City. Development growth and associated new revenue generated resulted in the delivery of additional public services to citizens. The City has assumed increased expenditures to support these services resulting from past development initiatives.

Stockton has projected a conservative average annual population growth rate of 1% for FY 2010-11. Past residential growth is expected to continue to drive additional operating costs in the future for public safety, public works, street improvements and quality of life services such as recreation, parks and libraries.

The City Council annually reviews how planned City improvements are working and determines how changes in direction or process would benefit City residents. During the FY 2010-11 budget development process, City Council established a set of guiding principles in order to achieve a balanced budget while maintaining a balance between public safety and basic City services:

- Insolvency is not in the best interest of the City and should be avoided.
- Acknowledging that staff is the most important resource of the City, emphasis will be placed on reducing the number of layoffs.
- One-time funds should be used for one-time costs and cannot sustain long-term fiscal health.
- In order to ensure a thriving, livable community, there must be a balance between public safety, infrastructure maintenance, and quality of life services.
- All community stakeholders, both internal and external, should be consulted in funding a resolution to the City's fiscal crisis.
- Long-term fiscal health includes investment in meaningful reserves to withstand future fiscal downturns.
- Additional revenue sources should be explored in conjunction with expenditure reductions.
- Care must be taken not to cut programs which will cause reductions in revenue to the City.
- Reductions should be avoided that might exacerbate City liabilities or have long-term effects that would be costly to reverse.
- The long-term goal is to establish a budget that will ensure accountability, internal controls, and long-term financial stability.

### ***LONG TERM FINANCIAL PLANNING***

Management encourages City departments to project their resource needs for a period longer than the traditional annual budget. The Stockton City Council annually adopts a five-year Capital Improvement Program (CIP). The CIP serves as a plan of the public capital projects necessary for orderly implementation of the Stockton General Plan. 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.

### **RESERVE POLICIES**

The City Council has adopted policies establishing minimum target levels of unassigned fund balance to be maintained in the various funds. These target amounts protect the City's financial exposure to severe unforeseen emergencies and economic uncertainties, and are an important component of the City's long-term financial management. The following are examples of such policies for different funds:

- General Fund: 5% of appropriations for catastrophic events and 5% for economic contingency/budget uncertainty;
- Measure W: 25% of anticipated annual revenue; and
- Municipal Utilities: Six months of operational expenses.

The reserve policies were adopted with the goal to accumulate the targeted reserves over the course of future years. Due to the City's early implementation of GASB Statement No. 54, the current General Fund target reserve policy requires a review and revision to accommodate the new accounting principles.

The following links for City's current reserve policies are:

<http://www.stocktongov.com/CityCouncil/CouncilPolicies/700-4.pdf>  
<http://www.stocktongov.com/CityCouncil/CouncilPolicies/500-2.pdf>  
<http://www.stocktongov.com/CityCouncil/CouncilPolicies/700-5.pdf>

### **DEBT POLICIES**

The City's debt policies are reviewed by the Debt Policy Committee and adopted by the City Council. These policies are the *Capital Financing and Debt Management Policy* and the *Policies and Procedures for Land-Secured Financing*.

These policies can be found at:

<http://www.stocktongov.com/adminservices/documents/2008-ADOPTED-CIPDebtPolicies-Procedures-FINALIZED06Jun08.pdf>

<http://www.stocktongov.com/adminservices/documents/2008-ADOPTED-LandSecuredDebtPolicies-Procedures-FINALIZED06Jun08.pdf>

### **INVESTMENT POLICY**

The City adopts an investment policy annually that provides guidelines for the prudent investment of the City's cash balances. In late 2006 with the support of the Budget, Finance and Economic Development Committee, the City Council authorized the Administrative Services Department to contract for investment portfolio management services. Effective July 1, 2007, the City entered into an agreement with Chandler Asset Management for management of the City's long-term investment portfolio. Both the City's long-term investment portfolio management and daily liquid cash requirements are overseen by the Department of Administrative Services.

The City's investment policy can be found at:

<http://www.stocktongov.com/adminservices/documents/2011AdoptedInvestmentPolicy.pdf>

## **CASH AND INVESTMENTS**

The California government code and City policy stipulate how the City's temporarily idle cash is to be invested, 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 average rate of return on investments not held by fiscal agents for the fiscal year ending June 30, 2010 was 3.29%. The estimated effective rate of return on investments not held by fiscal agents for Fiscal Year 2010-11 is 2.35%. As of December 30, 2010, the market value for the City's operational reserve and liquid portfolio investments, excluding cash for fiscal agents, totaled \$208.5 million.

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

## **INTERNAL CONTROLS AND LIMITATIONS**

The intent of the CAFR 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, accuracy 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. As with any system, the inherent limitations of the system make it imperative that the City rely on review and revision to programs when opportunities are presented, and diligence on the part of management and employees in preventing and correcting errors or other weaknesses when reviewed. To the best of management's knowledge, this financial report is complete, accurate and reliable in all material respects.

The City's framework of internal controls provides management with the reasonable assurance it needs to take meaningful responsibility for the contents of the financial statements. The City's basic system of internal controls includes the control environment, the accounting system, and control procedures:

- The control environment includes a philosophy and organizational structure that allows for the fiduciary practice of oversight, control systems development, and management control of financial functions of the City.
- The accounting system includes built-in checks and balances for purchasing, contracting and contract approval, timely recording of all transactions, audit trails for all transactions, and routine reporting and reconciliation procedures across funds and accounts.
- The control procedures established by the City include the following:
  - Segregation of authorization, collection and recording/reconciliation functions across all departments and financially-related City functions;
  - Access controls to all systems, whether purchasing, general ledger, payroll, information technology, or others;
  - Independent checks on the system and transactions by accounts payable overseen by the Department of Administrative Services.

### ***BUDGET CONTROLS***

The annual budget serves as the foundation for the City's financial planning and control. The City adopts a budget on an annual basis, and maintains a system of budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions as to the recording of revenues and the expenditure of these revenues.

In accordance with the provisions of the City Charter, the City Manager prepares and the City Council adopts a budget prior to June 30 for each subsequent fiscal year. Each department is given expenditure targets based on projected General Fund resources, and is required to develop operational plans within these targets to accomplish Council goals. The budget is submitted 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 formal budget.

Budgetary control is at the department level within each City fund, and revisions to increase appropriation authority above a given department's original adopted budget require City Council approval. Fund transfers within like categories of the same department require City Manager approval.

### ***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 for its CAFR for the fiscal year ended June 30, 2009. 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.

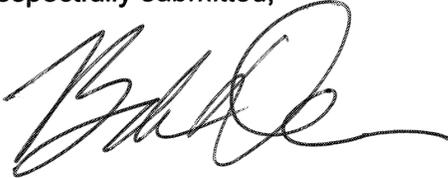
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 21 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA again this year.

**ACKNOWLEDGEMENTS**

The preparation of this report would not have been possible without the efficient and dedicated services of the Accounting staff, and staff from all the City departments whose cooperation in providing detailed information and other support assisted in 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 manner.

Respectfully submitted,



**BOB DEIS  
CITY MANAGER**



**KATHLEEN VONACHEN  
FINANCE OFFICER**

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Stockton  
California

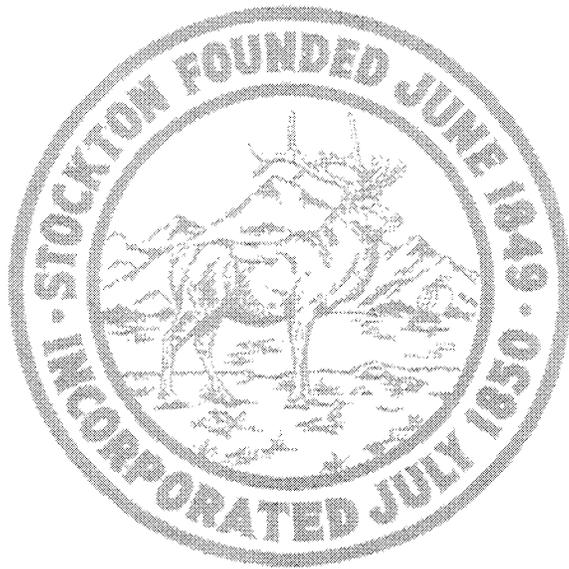
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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



President

Executive Director



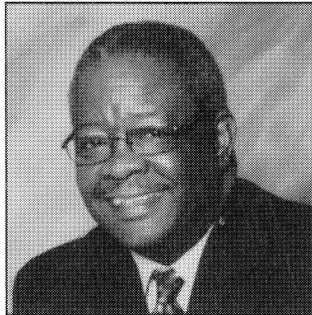
# CITY OF STOCKTON CITY COUNCIL



**ANN JOHNSTON**  
MAYOR



**KATHERINE M. MILLER**  
VICE MAYOR  
*District 2*



**ELBERT H. HOLMAN JR.**  
COUNCILMEMBER  
*District 1*



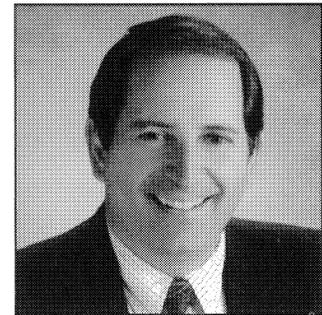
**LESLIE BARANCO MARTIN**  
COUNCILMEMBER  
*District 3*



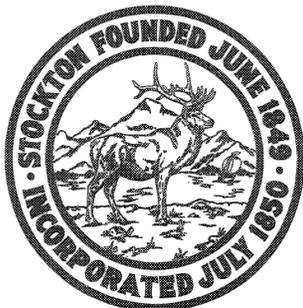
**DIANA LOWERY**  
COUNCILMEMBER  
*District 4*



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



**DALE FRITCHEN**  
COUNCILMEMBER  
*District 6*

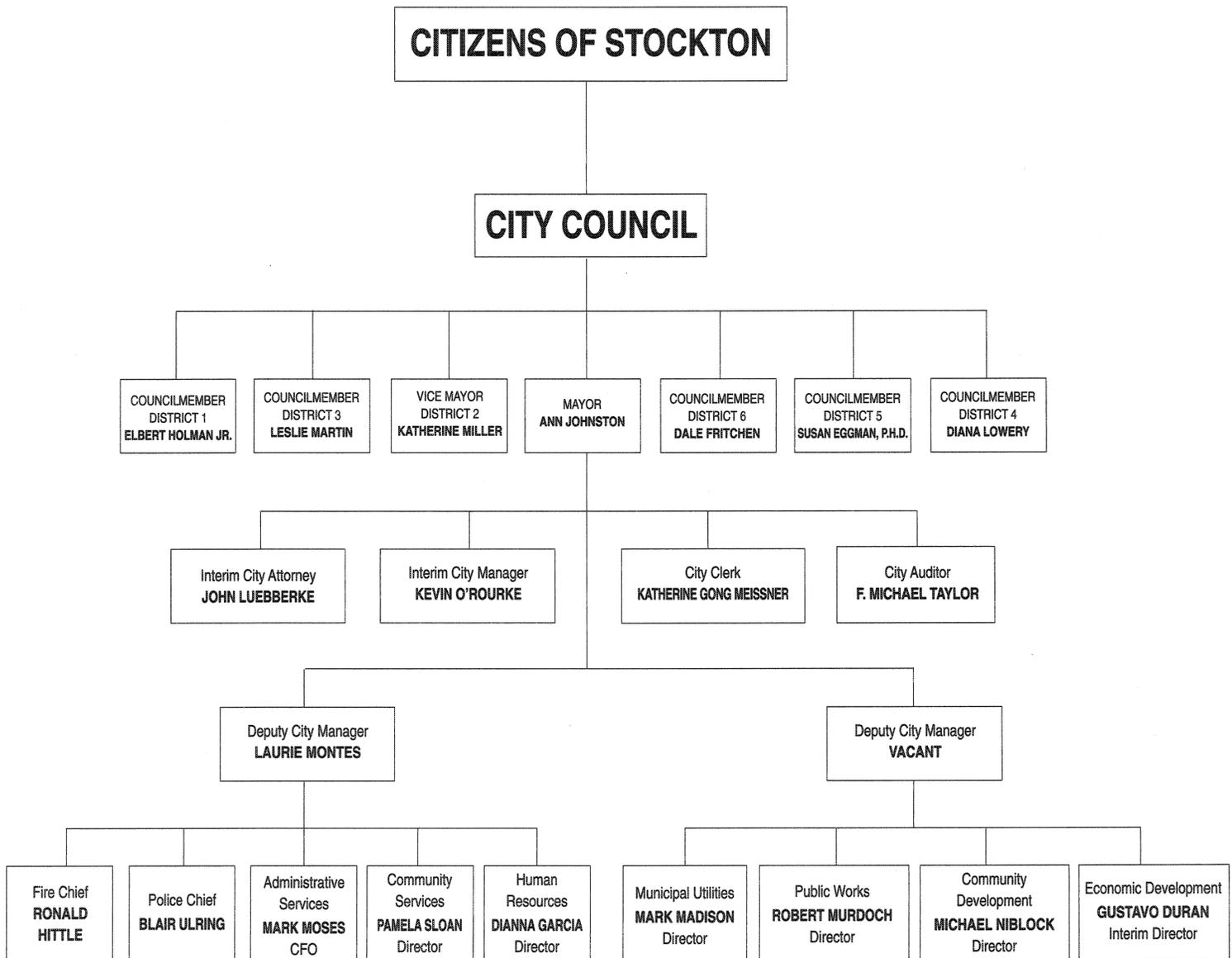


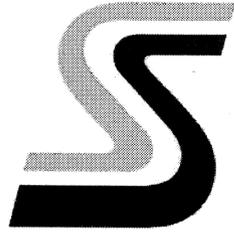
**Stockton**



2004  
1999

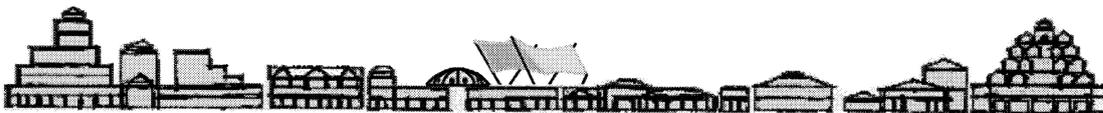
**CITY OF STOCKTON**  
**ORGANIZATION CHART / LIST OF PRINCIPAL OFFICIALS**  
**AS OF JUNE 30, 2010**





CITY OF STOCKTON

FINANCIAL SECTION



**FINANCIAL SECTION**

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, 2010, 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's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2009 financial statements and, in our report dated December 7, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, effective July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As described in Note 11, based on the most recent actuarial valuation of the City's postemployment health care benefit plan, the City's independent actuary determined that, as of June 30, 2009, the value of the City's actuarial accrued and unfunded actuarial accrued liability was \$543.7 million. Also, actual contributions made by the City for postretirement health care benefits were significantly less than the actuarially determined annual required contributions. The City's actuarially determined annual required contribution for the year ended June 30, 2010 was \$40.8 million and the City's actual contributions were only \$13.8 million. As such, the City's other postemployment benefits (OPEB) obligation increased \$27.0 million, to a total of \$75.8 million as of June 30, 2010.

As discussed in Note 13, several City funds have fund balance/net asset deficits at June 30, 2010, which include the Stockton Redevelopment Agency Capital Projects Fund, General Liability Insurance, Workers Compensation Insurance, Employee Health Insurance, Retiree Health Insurance and Other Benefits and Insurance Internal Service Funds with fund balance/net assets deficits of \$6.2 million, \$3.5 million, \$32.5 million, \$6.0 million, \$75.8 million, and \$3.5 million, respectively.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2011, 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.

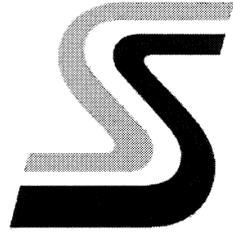
The management's discussion and analysis, schedules of defined benefit pension and OPEB plans funded status and schedule of revenues, expenditures and changes in fund balance – budget and actual – on a budgetary basis – General Fund, as listed in the table of contents, are not a required part of the 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.

*Maciar Seni & O'Connell LLP*

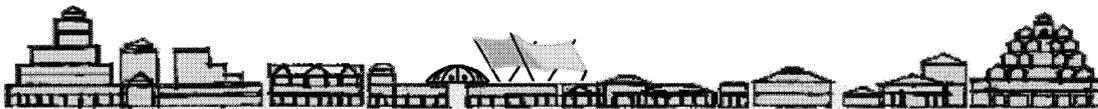
Certified Public Accountants

Sacramento, California  
February 16, 2011



CITY OF STOCKTON

MANAGEMENT'S DISCUSSION  
AND ANALYSIS



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2010**

As management of the City of Stockton (City), we offer readers of the City's statements this narrative overview and analysis of the financial performance of the City for the fiscal year ended June 30, 2010. Please consider the information presented here in conjunction with the information furnished in the Letter of Transmittal, which is found at the beginning of the Comprehensive Annual Financial Report (CAFR).

### **FINANCIAL HIGHLIGHTS**

- The City of Stockton's financial condition continues to be challenged by the significant economic decline of the past few years. To address decreases in fiscal year 2010 revenues, the City reduced expenditures and drew down prior year reserves. On May 26, 2010, the City Council declared a state of fiscal emergency and directed the City Manager to take appropriate and lawful measures to achieve a balanced budget for fiscal year 2010-11. These measures included a Council adopted set of guiding principles to achieve a balanced budget and an action plan to address immediate and long-term financial issues and to provide an open process that maximizes transparency and community engagement.
- The assets of the City of Stockton exceed its liabilities at the close of the 2010 fiscal year by \$1,136.4 million (net assets). Of this amount, \$1,015.1 million is invested in capital assets, net of related debt and \$219.4 million is restricted for specific purposes (restricted net assets), leaving a deficit \$98.1 million (unrestricted net assets).
- The City's total net assets decreased by \$50 million compared to 2009 total net assets. This is the third year in which the City's net assets have declined. While business-type activities reported a slight decrease of \$4.0 million, governmental activities reported a decrease of \$46.0 million that amounted to 92% of the total net asset decline. The key drivers in the governmental activities decrease are the \$27.0 million increase in net other post-employment obligation (OPEB) retiree health insurance liabilities, \$17.2 million in additional net asset deficits incurred in the other insurance and benefits internal service funds, and \$1.8 million in deficits in other areas of governmental activities. The continuing downturn of the economy, depressed housing and construction markets and reduced consumer spending have challenged the City's ability to generate revenues sufficient to meet its employee and retiree benefit obligations.
- The City's governmental unrestricted net assets deficit grew by 111.1%, from a deficit of \$66.1 million to a deficit of \$139.5 million, or \$73.4 million. The reason for the significant increase in the deficit unrestricted fund balance is due to the fact the City's asset growth did not keep pace with the increase in liabilities, namely \$46.0 million in additional long-term liabilities related to City employee and retiree benefits, workers' compensation and other related liabilities and \$26.3 million in additional restrictions to net assets for various governmental activities.
- The City's long-term liabilities and pollution remediation liability related to governmental activities increased by \$35.3 million, or 7.6% at fiscal year end primarily due to new debt issuance. An additional increase in long-term liabilities reflects the \$27.0 million increase in net other postemployment obligation (OPEB) retiree health insurance, \$4.7 million additional long-term self-insurance claims and judgments for workers' compensation and property-casualty general liability insurance, offset by \$4.3 million in reductions to long-term liabilities in other City funds.

- The City reports \$75.8 million in net other post-employment benefit (OPEB) obligation for this fiscal year. This reflects an increase of \$27.0 million over the \$48.8 million reported for fiscal year 2009.
- Long-term liabilities related to enterprise funds increased by \$168.5 million or 104.6%, due to the issuance of \$173.1 million in water revenue bonds associated with the Delta Water Supply capital project, while partially offset by reductions due to principal debt payments made on prior outstanding debt of the utilities during the year.
- Investment earnings total \$10.1 million, a decrease of \$7.1 million from the prior fiscal year. This is a result of a decrease of \$4.1 million in interest income and a net decrease of \$3.0 million in the fair value of investments. The decrease in investment earnings reflects a decline in the average rate of return on the City's general investment pool, from 3.4% in fiscal year 2009 to 3.29% in fiscal year 2010, and a 6.9% decrease in the average daily balance, or a decline of \$16.2 million in average daily balance over the two fiscal years.
- The City's governmental activities report pension assets of \$130.7 million for fiscal year 2010. Proceeds of the pension obligation bonds issued in 2007 prepaid the annual required contributions to the California Public Employees' Retirement System (CalPERS). The increase of \$2.3 million in pension assets during the year is due to contributions exceeding annual pension costs, and investment earnings exceeding the amortization of pension assets. Departmental contributions also fund the pension obligation bonds debt service.
- As of June 30, 2010, the City's governmental funds report combined ending fund balances of \$258.7 million, a decrease of \$3.5 million, or decline of 1.3%, from 2009. This is composed of decreases of \$5.1 million in General Fund, \$1.5 million in Capital Improvement Fund, \$33.1 million in Redevelopment Agency Fund; offset by increases of \$12.9 million in the Public Facilities Impact Fees Fund and \$23.2 million in Other Governmental Funds.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

This Management's Discussion and Analysis is intended as an introduction to the City of Stockton'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**

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, in a manner similar to a private-sector business. The government-wide financial statements include 1) the statement of net assets, and 2) the statement of activities. Both of these 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, libraries, parks and recreation programs, and general government services. The business-type activities of the City include the water utility, wastewater utility, stormwater utility, central parking district, golf courses, as well as the solid waste utility operation.

The government-wide financial statements include the governmental activities of the Redevelopment Agency (Agency) and the Stockton Public Financing Authority (SPFA).

Although legally separate from the City, these component units are blended with the primary government because of their governance structure or financial relationship to the City.

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

The **statement of activities** presents information showing how the government'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 the 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 40-42 of this report.

### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives, or as required by legal enabling legislation. The City of Stockton, 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, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as focus on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains several individual governmental funds organized according to their category type. The governmental fund category types are the General Fund, special revenue, debt service, capital projects, and permanent funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Facilities Impact Fees, Capital Improvement and Redevelopment Agency funds, which are reported as major funds. Data from the remaining non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the later sections of this report.

The City adopts an annual appropriated budget for its General Fund and various other funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget. Budgetary comparison schedules for various other governmental funds are also provided in later sections of this report.

The basic governmental funds financial statements can be found on pages 43-50 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 reported as major funds. Data for the remaining non-major enterprise funds are combined into a single, aggregated presentation. Additional information is provided for each of these non-major enterprise funds in the later sections of this report.
- **Internal service funds** are used to report activities that provide goods and services for certain City insurance, pension and other related programs and activities. The City uses internal service funds to account for its self-insurance programs, pension obligations, active and retired employee health benefit insurance, fleet of vehicles, information technology systems, and radio and other equipment. 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 information for the internal service funds is provided in the form of combining statements in the later sections in this report.

The basic proprietary fund financial statements can be found on pages 51-58 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 fiduciary activities. 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 and services.

The basic fiduciary funds financial statement can be found on page 59 of this report.

**Notes to the financial statements.**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 60-142 of this report.

**Other information.**

In addition to the basic financial statements, 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 Cal-PERS defined benefit pension plan and the City's defined other post employment benefits (OPEB). Required supplementary information can be found on pages 143-148 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets of the City

Net assets serve as a useful indicator of a government's financial position. In the case of the City of Stockton, assets exceed liabilities by \$1,136.4 million at the close of the fiscal year, which is a \$50.0 million decrease, or 4.2%, from 2009 total net assets. Of this decrease, \$46.0 million is attributable to governmental activities and \$4.0 million to business-type activities.

By far the largest component of the City of Stockton's net assets is its investment in capital assets of \$1,015.1 million or 89% (e.g., land and easements, buildings and improvements, infrastructure, intangible assets 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 the capital assets themselves cannot be liquidated to reduce these liabilities.

An additional portion of the City's net assets, \$219.4 million or 19.3%, represents resources that are subject to various external restrictions on how they may be used. These two segments of capital assets and restricted assets amount to more than 100%, reflecting the fact that, in aggregate, the City's resources are entirely committed in capital assets or are restricted in their uses. The net result is a deficit \$98.1 million in unrestricted net assets for the City.

The following table presents the government-wide assets, liabilities, and net assets for both 2010 and 2009.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current and other assets	\$ 459,749	\$ 482,205	\$ 234,436	\$ 107,175	\$ 694,185	\$ 589,380
Capital assets	809,511	775,285	593,034	540,612	1,402,545	1,315,897
Total assets	1,269,260	1,257,490	827,470	647,787	2,096,730	1,905,277
<b>Liabilities:</b>						
Long-term liabilities	499,883	464,314	329,623	161,098	829,506	625,412
Net pollution liabilities	822	1,119	-	-	822	1,119
Net OPEB obligation	75,854	48,805	-	-	75,854	48,805
Other liabilities	30,681	35,205	23,439	8,281	54,120	43,486
Total liabilities	607,240	549,443	353,062	169,379	960,302	718,822
<b>Net assets:</b>						
Invested in capital assets, net of related debt	612,914	611,775	402,215	400,551	1,015,129	1,012,326
Restricted	188,655	162,363	30,751	35,408	219,406	197,771
Unrestricted	(139,549)	(66,091)	41,442	42,449	(98,107)	(23,642)
Total net assets	\$ 662,020	\$ 708,047	\$ 474,408	\$ 478,408	\$ 1,136,428	\$ 1,186,455

**Governmental activities.** Total assets for governmental activities increased by \$11.8 million, with current and other assets in governmental activities decreasing by \$22.5 million offset by capital assets growth of \$34.2 million. Total liabilities increased by \$57.8 million, with other liabilities decreasing by \$4.5 million, long-term liabilities increasing by \$35.6 million, net OPEB obligations increasing by \$27.0 million, and net pollution remediation liabilities decreasing by \$297 thousand. The \$35.6 million increase in long-term liabilities reflects the \$39.7 million increase in the issuance of new debt, \$4.4 million additional long-term self-insurance claims and judgments for workers' compensation and property-casualty general liability insurance, offset by \$4.0 million in reductions to long-term liabilities in other City funds.

Of the \$46.0 million decrease in total net assets of governmental activities, capital assets net of related debt increased by \$1.1 million and restricted assets increased by \$26.3 million, which was more than offset by increases in deficit unrestricted net assets of \$73.5 million during the year. This results in a deficit unrestricted net assets balance of \$139.5 million. The most significant factors in the total net asset decrease are increases in deficit net asset balances of \$27.0 million in the Retiree Health Insurance Fund, \$12.7 million in the Worker's Compensation Insurance Fund, \$4.6 million in the Employee Health Insurance Fund, \$910 thousand in the General Liability Insurance Fund and \$908 thousand in the Other Insurance Fund. The increase in restricted net assets of \$26.3 million was a result of \$5.3 million in capital projects funds related to the 2009 Lease Revenue Capital Improvement Bonds, Series A, \$12.3 million in various loan programs, \$5.1 in street improvement project funds, \$4.4 million in low and moderate housing funds, \$1.0 million in reserves of assessments for several major landscape projects to be undertaken in future years, and \$1.9 million in additional restricted fund balances across City funds, and offset by a decrease of \$3.7 million for Special Revenue funds reclassified for financial statement purposes.

**Business-type activities.** Total assets for business-type activities increased by \$179.7 million or 27.8%, including current and other assets increasing by \$127.3 million and capital assets increasing by \$52.4 million. Total liabilities increased by \$183.7 million or 108.6%, with other liabilities increasing by \$15.2 million and long-term liabilities increasing by \$168.5 million. Total net assets for business-type activities decreased by \$4.0 million, or 1.0%. These increases are primarily the result of the bond issue for the Delta Water Supply Project. Increase in current and other assets is related to \$120.7 million in cash with fiscal agent for Delta Water Supply Project. Capital asset increase is the result of \$51.5 million in land, intangible assets, and construction in progress capital expenditures for the Delta Water Supply Project. Primary reason for increase in other liabilities is also related to Delta Water Supply Project with accounts payable increasing \$11.9 million and accrued bond interest payable increasing \$3.1 million. Increase in long-term liabilities is result of bond issue for Delta Water Supply Project in the amount of \$173.1 million.

Capital assets, net of related debt, increased by \$1.7 million offset by a decline in restricted net assets of \$4.7 million. Business-type activities unrestricted net assets decreased by \$1.0 million, comprised of an increase of \$4.5 million in the Water Utility and \$64 thousand in the Central Parking District, offset by decreases of \$4.3 million in the Wastewater Utility, \$937 thousand in the Stormwater Utility, and \$450 thousand in Other Enterprise Funds.

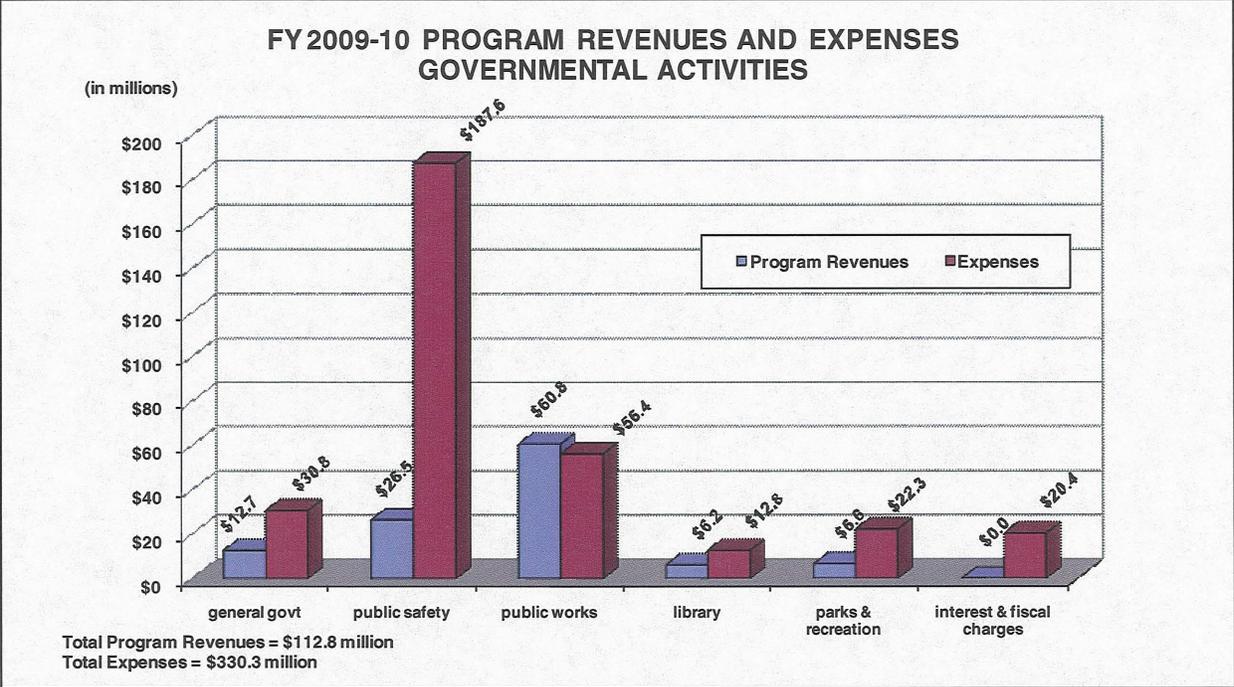
### ***Change in Net Assets of the City***

The City total program expenses of \$420.0 million exceed revenues of \$370.0 million for a decrease in net assets of \$50.0 million. This decrease is related to the City's governmental activities as is detailed in the table on the following page.

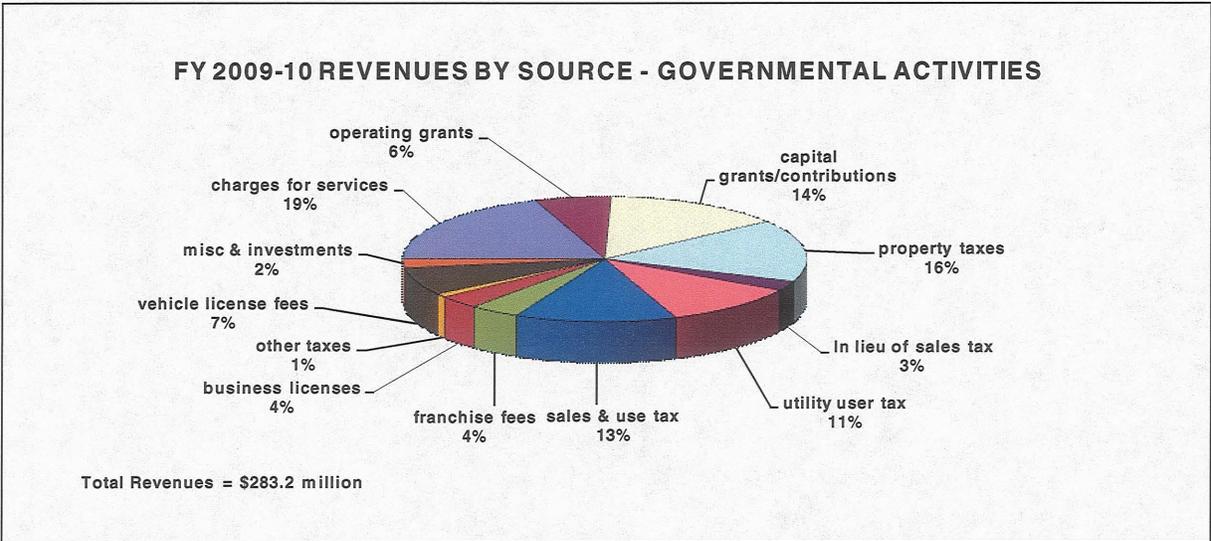
**City of Stockton's Change in Net Assets**  
(dollar amounts in thousands)

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2010	2009
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program revenues:						
Charges for services	\$54,922	\$61,965	\$74,074	\$71,142	\$128,996	\$133,107
Operating grants and contributions	17,251	16,051	2,482	0	19,733	16,051
Capital grants and contributions	40,661	33,112	4,917	4,409	45,578	37,521
General revenues:						
Property taxes	45,549	58,640	0	0	45,549	58,640
In lieu of sales tax	7,087	9,823	0	0	7,087	9,823
Utility user taxes	30,717	30,854	0	0	30,717	30,854
Sales and use taxes (City levied)	7,652	7,921	0	0	7,652	7,921
Franchise taxes	11,354	11,608	0	0	11,354	11,608
Business licenses	9,717	9,699	0	0	9,717	9,699
Hotel/motel room taxes	1,749	1,962	0	0	1,749	1,962
Document transfer taxes	559	702	0	0	559	702
Other taxes	203	234	1,095	1,066	1,298	1,300
Motor vehicle fees in lieu	20,468	23,459	0	0	20,468	23,459
Sales and use taxes (State levied)	28,856	31,245	0	0	28,856	31,245
Other shared revenue	361	370	0	0	361	370
Investment earnings	5,927	13,104	4,192	4,075	10,119	17,179
Miscellaneous	172	722	0	0	172	722
Gain on sale of capital assets	8	127	0	0	8	127
<b>Total revenues</b>	<b>283,213</b>	<b>311,598</b>	<b>86,760</b>	<b>80,692</b>	<b>369,973</b>	<b>392,290</b>
<b>Expenses</b>						
General government	30,765	33,923	0	0	30,765	33,923
Public safety	187,647	190,692	0	0	187,647	190,692
Public works	56,416	43,985	0	0	56,416	43,985
Library	12,767	14,852	0	0	12,767	14,852
Parks and recreation	22,309	26,038	0	0	22,309	26,038
Interest and fiscal charges	20,430	19,620	0	0	20,430	19,620
Water utility	0	0	28,856	24,146	28,856	24,146
Wastewater utility	0	0	45,958	49,414	45,958	49,414
Stormwater utility	0	0	7,842	8,129	7,842	8,129
Central parking district	0	0	4,616	4,810	4,616	4,810
Other	0	0	2,394	2,237	2,394	2,237
<b>Total expenses</b>	<b>330,334</b>	<b>329,110</b>	<b>89,666</b>	<b>88,736</b>	<b>420,000</b>	<b>417,846</b>
Increase/decrease in net assets before transfers	(47,121)	(17,512)	(2,906)	(8,044)	(50,027)	(25,556)
Transfers	1,382	803	(1,382)	(803)	0	0
Special items	(288)	(8,736)	288	8,736	0	0
Increase/decrease in net assets	(46,027)	(25,445)	(4,000)	(111)	(50,027)	(25,556)
Net assets, beginning of year	708,047	733,492	478,408	478,519	1,186,455	1,212,011
Net assets, end of year	\$662,020	\$708,047	\$474,408	\$478,408	\$1,136,428	\$1,186,455

**Governmental activities.** Governmental activities program revenues amounted to \$112.8 million to support \$330.3 million in expenses. In the chart below, the difference between the program revenue and expense bars by activity illustrate the amount each respective activity is supported by program revenues. Public safety and general government service delivery costs exceed program revenues by \$161.1 million and \$18.1 million, respectively. General government and public safety programs rely heavily on taxes to support their operations and services.



Revenues and expenses in the governmental activities have grown as the population of the City of Stockton has grown. The pie chart below illustrates the total revenues' of \$283.2 million distribution amongst its various sources. Charges for services category is the largest revenue source for governmental activities, amounting to \$54.9 million or 19.4% of total revenues. Property tax and sales & use tax are also significant revenue sources for the City's governmental activities, amounting to 16.1% and 12.9% respectively.



Capital grants and contributions total \$40.7 million or 14.4% of the City's total governmental activities program revenues. Capital grants and contributions include the following:

- \$5.2 million in contributions of capital assets from developers;
- \$9.7 million in Measure K funding for the Filbert/Myrtle Street Signal, Street Surfacing, Sidewalks, curbs, gutters and other street improvement projects throughout the City;
- \$3.3 million in state grant revenues, including \$615 thousand allocated from Proposition 1B Local street repair funding for street resurfacing, and \$2.6 million in Traffic Congestion Relief funding from the Gas Tax, and \$49 thousand in other projects;
- \$7.3 million in federal SAFE-TEA funding were expended, of which includes \$4.7 million on the French Camp/Sperry Road, \$712 thousand on Hammer Lane/State Route 99 Interchange improvements, \$1.2 million on street overlays and other street improvements;
- \$7.6 million in federal grants for the Neighborhood Stabilization Program for City's purchase and refurbishment of foreclosed property in preparation for resale;
- \$4.1 million in CDBG and HOME grant funds for low and moderate income housing assistance,
- \$1.8 million in miscellaneous redevelopment agency capital grants, and
- \$1.2 million of various smaller capital grants and contributions.

Rather than increasing to meet operating demands, total revenues declined by \$28.4 million compared to the prior year due to the downturn in the general economy that began in the last half of fiscal year 2008. Capital and operating grants and contributions were the only major categories that increased, some of which are one-time resources. Capital grants and contributions increase amounted to \$7.5 million, or 22.8%, and operating grants and contributions totaled \$1.2 million, increasing by 7.5%. These increases were due to aggressive pursuit of grant programs by departments to supplement operational and capital demands.

The increase in capital grants and contributions was for public works, amounting to \$39.9 million compared to \$31.0 million in the prior year. General government operating grants decreased by \$225 thousand from grants received from the State. Public safety grants and contributions increased by \$3.9 million reflecting funds received from the federal government to support additional police officer staffing cost.

Decreases in governmental activities program revenues occurred as follows:

- Charges for services decreased \$7.0 million, or 11.4%, primarily due to the overall decline in the economy as previously mentioned. Charges for services include public facilities fees paid in connection with new development, which this year totaled only \$4.26 million compared to \$5.4 million in fiscal year 2008. The City continues to experience a decline in construction activity and consequently the revenue from public facilities fees is down by 82% since fiscal year 2008.
- Property taxes decreased in total by \$13.1 million or 22.3%. This reflects a decrease in the General Fund portion of \$3.9 million, or 11.7%, and \$9.2 million, or 36%, in redevelopment tax increments experienced in various projects areas. Property taxes have declined significantly the past three years due to declining residential home values and foreclosures, resulting in a devaluation of City's assessed valuation performed by San Joaquin County.
- There were decreases of \$2.4 million in sales and use tax and a \$269 thousand decrease in sales tax levied by the City. The combined sales and use tax-related revenue decline of 6.8% reflects the downturn in general retail and industrial economic activity at the local, state and federal levels.

- Motor vehicle in lieu fees decreased \$3.0 million or 12.7%. Derived from the state, much of this revenue source allocation is tied to the City's assessed value on property which has seen a significant decline in the past several years.

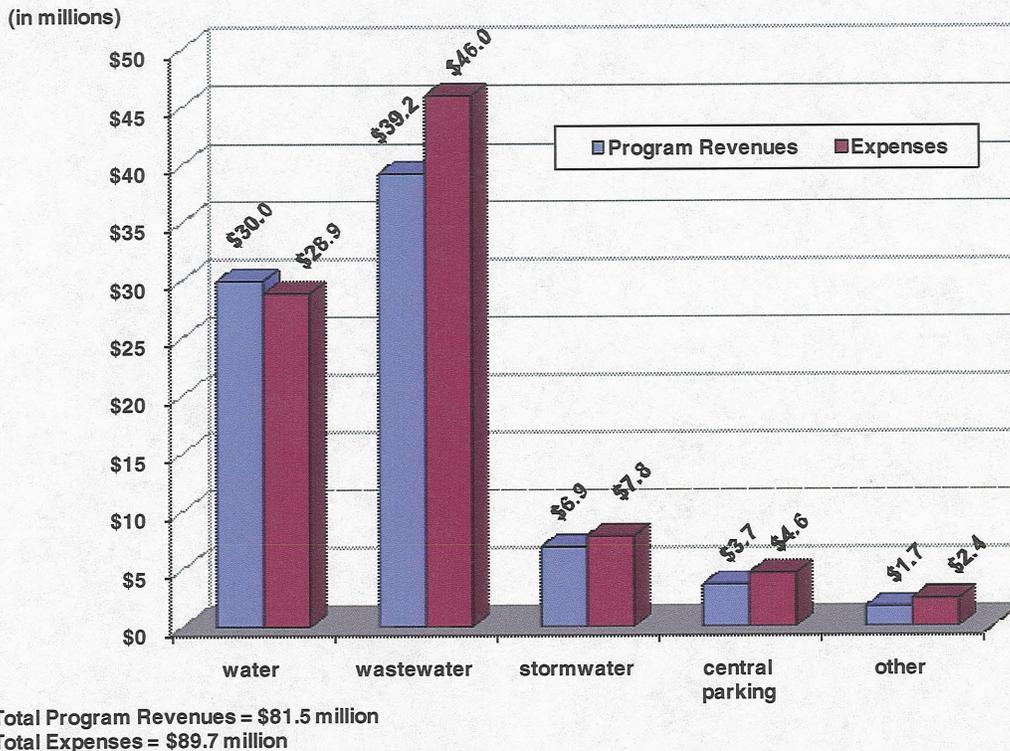
Investment earnings in governmental activities total \$5.9 million, a decrease of \$7.2 million or 55% from fiscal year 2009. A large portion of this reduction is due to a reduction in interest earning on bond proceeds from the Strong Neighborhoods (SNI) Bonds project funds that had been invested in a Guaranteed Investment Contract (GIC) at rates above 5%. These GICs expired at June 30, 2009 and the funds were reinvested at lower rates. Additionally, the amount of the remaining project funds invested were reduced by \$18.3 million, from \$54.9 million to \$36.6 million, due to completed projects and the purchases of \$7.0 million in outstanding bond principal. Governmental activities also realized a \$229 thousand net increase in the fair market value of investments. Overall, investment earnings declined by \$7.2 million, or 41%, due to both a decline in the average rate of return on the City's general investment pool and the average daily balance, as well as reduced rates of returns on other investments.

Program expenses for governmental activities increased by \$1.2 million, or 2.8%. Key changes in governmental expenses occurred as follows:

- Public works increased by \$12.4 million, or 28%, due to \$7.3 million in federally funded SAFE-TEA projects for French Camp/Sperry Road, Street Overlay, Hammer Lane/State Route 99 Interchange Improvements, and \$9.6 million in various Public Facilities Fee (PFF) Fund street improvement and maintenance projects throughout the City. These projects are offset by \$3.8 million in other public works projects completed in the prior year;
- Public safety decreased by \$3.0 million, primarily due to reductions in staffing levels;
- Parks and recreation decreased by \$3.7 million, or 14.3% due to reduced hours of operations, elimination of programs and prior completion of various parks capital projects;
- Library costs decreased by \$2.1 million, or 8.0%, primarily due to completion of \$1.2 million in capital projects last year and reductions in staffing levels and reduced hours of operation;
- General government costs decreased by \$3.2 million or 9.3%, primarily due to reductions in staffing levels.
- Interest and fiscal charges grew by \$810 thousand due to incremental increases in annual debt service payments.

***Business-type activities.*** The City operates three enterprise funds that offer water, wastewater and stormwater services to Stockton residents. The water utility treats and distributes clean drinking water and performs repair and maintenance functions of existing wells, reservoirs, and water lines, as well as builds additional water distribution system capital improvements through its capital improvement master plan. The wastewater utility fund collects, treats, and disposes sewer, and builds additional wastewater collection system capital improvements through its capital improvement master plan. The stormwater utility fund collects drainage and disposes of stormwater runoff from City streets and builds additional storm drainage distribution system capital improvements through its capital improvement master plan. The wastewater and stormwater funds also perform repair and maintenance functions of existing wastewater and stormwater mains, pump stations, and treatment facilities. Other enterprise functions, such as the central parking facilities and municipal golf courses, are also business-type activities of the City.

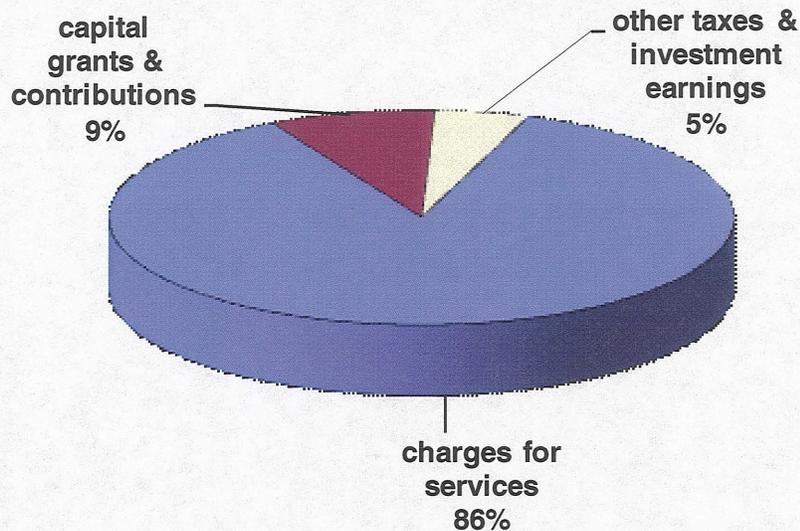
### FY 2009-10 PROGRAM REVENUES AND EXPENSES BUSINESS-TYPE ACTIVITIES



Business-type activities accounted for a \$4.0 million decrease in the City's net assets. The bar chart above illustrates how total program revenues and expenses compare. Program revenues exceeded program expenses for one of the five enterprise categories, water by \$1.1 million. Program expenses exceeded revenues by \$6.7 million in wastewater, \$942 thousand in stormwater, \$944 thousand in central parking and \$693 thousand in other business-type funds. The level of program expenses that exceed revenues in the wastewater fund of \$6.7 million is lower compared to the \$11.8 million in the prior year primarily due to higher charges for services revenues of \$1.7 million offset by decreases in wastewater expenses of \$3.5 million. Both wastewater and stormwater conducted a fee and charges for services rate study this fiscal year to address revenue generation concerns. As a result, the City Council adopted in August of 2010 wastewater rate increases. A stormwater Proposition 218 ballot initiative for a "Clean Water Fee" was undertaken, but failed to get voter approval. (Refer to Note 15, Subsequent Events.)

The pie chart on the following page illustrates the distribution of business-type revenues by category. All the City's business-type activities rely heavily on charges for services to fund their operations, comprising of 85% of total business-type revenues. Capital grants and contributions and other taxes are the second largest revenue source comprising of 9%, with other taxes and investment earnings totaling 5% of total program revenues.

## FY 2009-10 REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Business-type activities program revenue increased overall by \$5.9 million, or 7.8%. Charges for services revenue increased \$2.9 million over the prior year, or 4.1%. Operating grants and contributions increased \$2.5 million with no such revenue recorded in the prior year for this category. Capital grants and contributions increased from \$4.4 million in fiscal year 2009 to \$4.9 million in fiscal year 2010, or \$508 thousand. This slight increase reflects the decline in regional construction related to the downturn in the local housing market and development activity.

The key elements of the slight increase in business-type activities capital grants and contributions are:

- Contributions of capital assets from developers:
  - Water Utility: \$266 thousand, a decrease of \$631 thousand, or 70%, from 2009;
  - Wastewater Utility: \$596 thousand, a decrease of \$176 thousand, or 23%, from 2009;
  - Stormwater Utility: \$1.2 million, no change compared to 2009;
- Connection fees:
  - Water Utility: \$840 thousand, an increase of \$440 thousand, or 110%, from 2009;
  - Wastewater Utility: \$1.4 million, an increase of \$200 thousand, or 17%, from 2009.

Investment earnings in business-type activities total \$4.2 million, an increase of \$117 thousand or 3% from fiscal year 2009.

### ***FINANCIAL ANALYSIS OF THE CITY'S FUNDS***

As noted earlier, the City of Stockton uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. This financial analysis of the major governmental and proprietary funds provides an overview of the City's financial performance. The financial analysis tables in the following section provide summary financial information of the City's major and internal service funds' cumulative asset and liabilities balances and current year transactions, along with prior year comparative information.

### **Governmental funds**

Types of governmental funds reported by the City include the General Fund, special revenue funds, capital projects funds and debt service funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The statement improves financial reporting by providing fund balance categories and classifications that will be more easily understood. The previous reserve components of fund balance (e.g., reserved and unreserved) are replaced with the following classifications: nonspendable, restricted, committed, assigned and unassigned. The fund balance note disclosures also give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated.

The governmental funds tables below are based on GASB Statement No. 54 accounting guidelines for both fiscal year 2010 and 2009. As a result of the City's evaluation of its governmental special revenue funds in light of GASB Statement No. 54's revised definition of a special revenue fund, the following three former non-major special revenue funds have been merged with the General Fund for financial presentation purposes: City/County Library Fund, Recreation Services Fund and Boat Launching Facilities Fund. The financial analysis information provided in the following tables is useful in assessing the City's financing requirements. In particular, committed, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Total fund balance for the governmental funds of \$258.7 million declined by \$3.5 million compared to the prior year. Of the total fund balance, \$15.1 million is nonspendable, \$230.3 million is restricted, \$69.3 million is committed, \$9.6 million is assigned, and a deficit \$65.6 million is unassigned.

In fiscal year 2010, a number of governmental funds reported negative (deficit) equity positions as unassigned fund balance. At the end of the fiscal year, the negative (deficit) unassigned fund balances of significance include:

- Public Facilities Impact Fees Fund with a deficit of \$5.0 million;
- Capital Improvement Fund with a deficit of \$9.6 million;
- Redevelopment Agency Fund with a deficit of \$21.3 million;
- Gas Tax Fund with a deficit of \$22.7 million;
- Measure K Streets Fund with a deficit of \$1.6 million; and
- Development Services Fund with a deficit of \$4.7 million.

### **General Fund.**

The General Fund is the chief operating fund of the City and reflects financial activity related to many tax-supported services provided to Stockton citizens. As mentioned previously, the City/County Library, Recreation Services and Boat Launching Facilities funds were merged into the General Fund in this fiscal year for financial reporting purposes due to the implementation of GASB Statement No. 54. For comparative purposes, the table also details the merger of these funds for fiscal year 2009. The total fund balance decreased by \$5.1 million from the prior year to total \$23.1 million. At the end of the fiscal year, current assets exceed current liabilities by

\$25.0 million and noncurrent assets fell short of noncurrent liabilities by \$1.9 million. Cash and investment balances decreased by \$123 thousand from the prior year balances, to total \$12.6 million.

### General Fund Financial Analysis

(\$ in millions)

	2010	2009	Variance
<b><u>Balance Sheet</u></b>			
Cash and investments	\$ 12.6	\$ 12.7	\$ (0.1)
Other current assets	28.3	29.2	(0.9)
Current liabilities	(15.9)	(16.7)	0.8
<b>Net current assets (liabilities)</b>	<b>\$ 25.0</b>	<b>\$ 25.2</b>	<b>\$ (0.2)</b>
Noncurrent assets	11.4	11.2	0.2
Noncurrent liabilities	(13.3)	(8.1)	(5.1)
<b>Net noncurrent assets (liabilities)</b>	<b>\$ (1.9)</b>	<b>\$ 3.0</b>	<b>\$ (4.9)</b>
<b>Total Fund Balance, End of Year</b>	<b>\$ 23.1</b>	<b>\$ 28.2</b>	<b>\$ (5.1)</b>
<b><u>Statement of Revenues, Expenditures and Changes in Fund Balance</u></b>			
Revenues	\$ 177.8	\$ 200.8	\$ (23.0)
Expenditures	(175.7)	(200.8)	25.2
Other financing sources (uses)	(2.4)	5.1	7.5
Special items	(4.8)	(6.3)	1.5
<b>Total Fund Balance, Beginning of Year</b>	<b>\$ 28.2</b>	<b>\$ 29.5</b>	<b>\$ (1.3)</b>
<b>Total Fund Balance, End of Year</b>	<b>\$ 23.1</b>	<b>\$ 28.2</b>	<b>\$ (5.1)</b>
<b>Fund Balances:</b>			
Nonspendable	\$ 13.5	\$ 12.2	\$ 1.2
Restricted	\$ 2.1	\$ 2.1	\$ -
Committed	\$ 1.9	\$ 0.4	\$ 1.5
Assigned	\$ 5.7	\$ 9.2	\$ (3.5)
Unassigned	\$ -	\$ 4.3	\$ (4.3)

Fiscal year 2010 General Fund revenues exceeded expenditures by \$2.1 million due to revenue collections exceeding budgeted estimates; however, other financing uses exceeded other financing sources by \$2.4 million, reflecting the net of on-going and one-time transfers-in and transfers.

This year's General Fund revenues declined by \$23.0 million, or 11.4%, compared to the prior year, while expenditures decreased by \$25.2 million, or 12.5%, and other financing uses increased by \$7.53 million. This year's financial statements contains the three special item transactions totaling a \$4.8 million reduction to total fund balance, compared to the special items reduction of \$6.3 million in the prior year. Two of the special items in this report are a follow-up to items reflected in the prior year's financial statements. The third special item discussed in Note 14 refers to an additional loan obligation of \$4.5 million between the General Fund and the Development Services Fund related to prior year waivers of economic development permit fees. (Refer to the Note 14 of the financial statements for more detailed information.) The net result of transactions this fiscal year decreased the total fund balance by \$5.1 million, from \$28.2 million in fiscal year 2009 to \$23.1 million in fiscal year 2010.

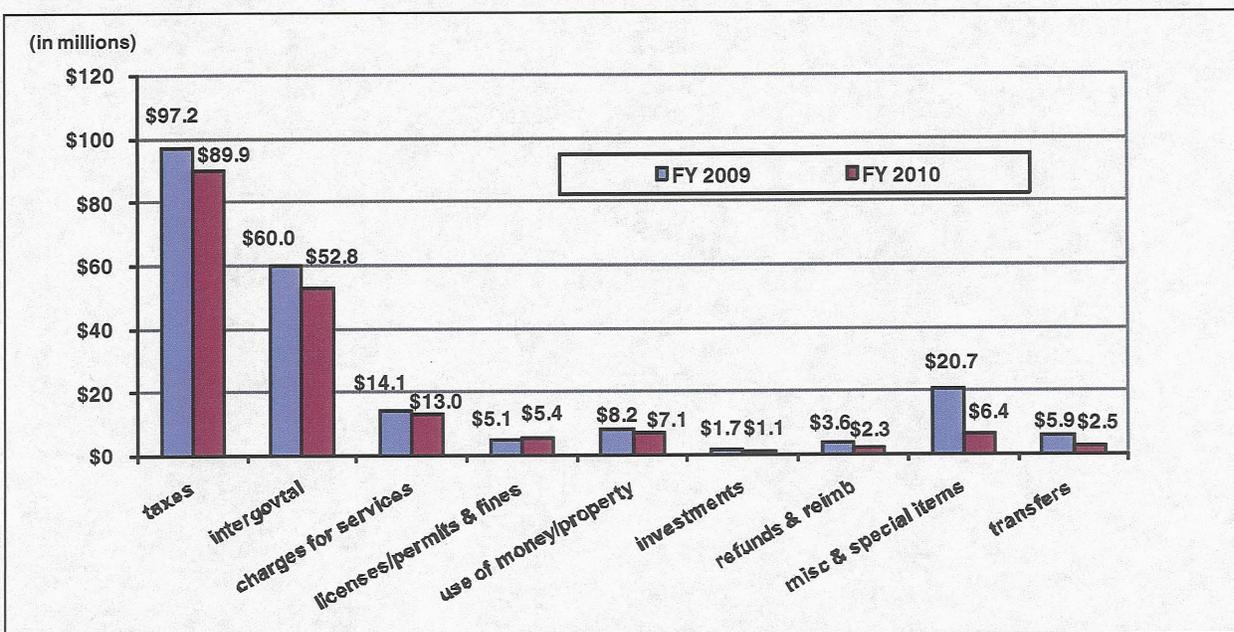
At the end of this fiscal year, the total fund balance for the General Fund of \$23.1 million includes nonspendable fund balance of \$13.5 million, restricted fund balance of \$2.1 million, \$1.9 million as committed, and \$5.7 million is assigned fund balance. The assigned fund balance of \$5.7 million is to meet future appropriations for specific programs and general operational needs. As a measure of the General Fund's liquidity, it is useful to compare

assigned and unassigned fund balances to the General Fund's total expenditures of \$175.7 million, amounting to 3.3%.

*The following two graphs break out the special item accounting entries for both fiscal years in their respective income statement categories of revenues or expenditures. The information provided in the above section nets together these income statement revenue and expenditure accounting entries for presentation in a single "special item" line. (Refer to Note 14 – Special Items for more information.)*

The following graph illustrates that rather than increasing to meet operating demands, revenues have declined \$36.0 million compared to the prior year due to lower one-time special item revenue income statement accounting entries of \$14.3 million and \$21.7 million in revenue reductions due to the downturn in the general economy that began in the last half of fiscal year 2008. Significant reductions in the taxes and intergovernmental revenues categories were experienced in fiscal year 2010, as well as declines in all other revenue categories except licenses, permits and fines. Many of these revenues are not expected to recover to prior levels in future fiscal years.

**General Fund (Merged) Revenue Actuals by Source Category – FY 2008-09 vs. FY 2009-10**



The City's General Fund realized an increase over the prior year only in the licenses, permits and fines category, amounting to an increase of \$304 thousand.

Decreases in General Fund revenues occurred as follows:

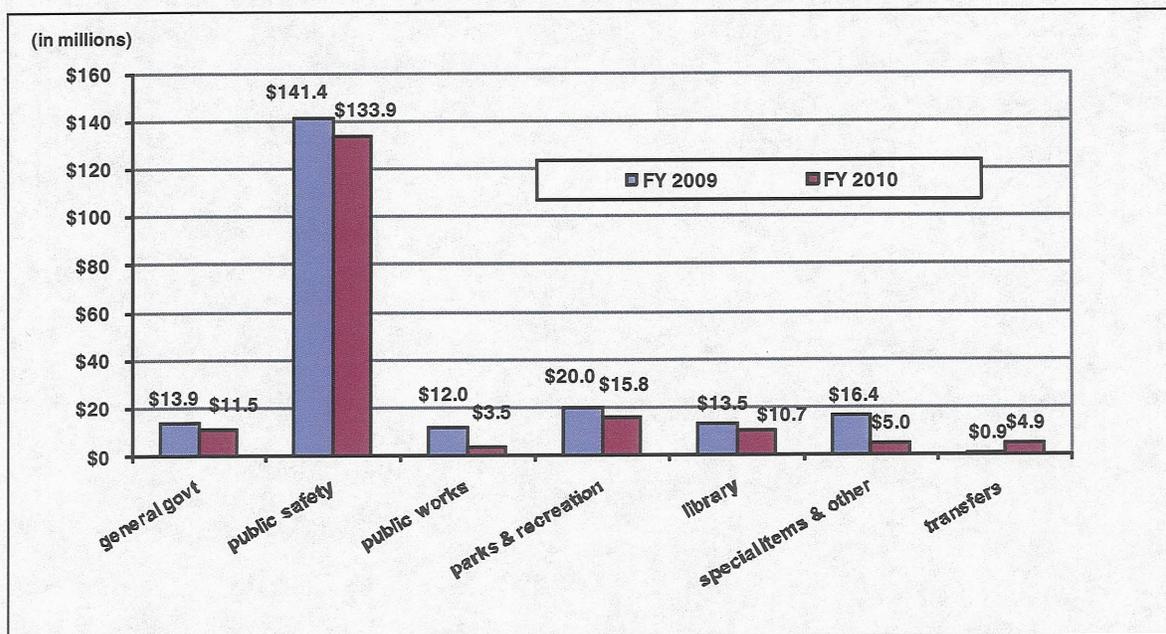
- Property taxes decreased \$3.9 million or 14.0%. This decline is a direct result of declining home values and the related home foreclosures in the region negatively impacting the City's assessed valuation. This revenue source declined by an additional 11.0% last fiscal year.
- Decreases of \$1.9 million, or 7%, in sales and use tax levied by the State totaling \$25.6 million in 2010; and decrease of \$2.7 million, or 28%, in property tax in lieu of sales tax totaling \$7.1 million in 2010. The property tax in lieu of sales tax revenue source replaced a quarter of the City's 1% sales tax that was transferred to the State beginning in fiscal year 2005 as part of the revenue shift approved by the California Legislature and often referred to

as the “triple flip”. The decreases in sales and use tax revenue reflect the downturn in retail and industrial economic activity at the local and national levels.

- Motor vehicle in lieu fees decreased \$3.0 million or 12.7%, significant compared to the 25% growth in this revenue source experienced in fiscal year 2007. Deriving from the state, much of this revenue source allocation is tied to the City’s assessed value on property which has seen a significant decline in the past several years.
- Hotel/Motel taxes decreased by \$213 thousand, or 11%, due to the declining economy and its impact on construction activity relative to its transient workforce.
- Charges for services decreased \$1.1 million, or 7.6%, primarily related to a reduction in code enforcement and rental inspections charges from the higher levels of collections in the prior year.
- Refunds and reimbursements decreased \$1.3 million, or 37%, primarily due to decreased code enforcement charges compared to the higher level of collections in the prior year.
- Uses of money and property decreased \$1.1 million, or 13.8%, primarily due to a decline in property rental revenues.
- Miscellaneous revenue decreased \$3.4 million, or 57%, primarily related to the higher levels in the prior year resulting from the closure of old assessment funds and unanticipated higher indirect cost payments for capital projects. These indirect cost payments from other City departments declined in fiscal 2010 due to reduced expenditures overall.

The following graph illustrates expenditures and transfers in FY 2009-10 declined by 14.8% or \$32.2 million compared to the prior year due to lower one-time special item expenditure income statement accounting entries of \$11.0 million and \$21.2 million in cost reductions measures to close the budget gap resulting from the downturn in the general economy. Total General Fund expenditures and transfers this fiscal year amount to \$185.7 million, compared to \$217.9 million last year. Year over year cost savings include \$2.4 million in general government, \$7.5 million in public safety, \$8.4 million in public works, \$4.1 million in parks, \$2.7 million in libraries, and \$11.0 in special items and other; offset by a \$4.1 million increase for transfers-out.

**General Fund (Merged) Expenditures Actual by Services Program FY 2008-09 vs. FY 2009-10**



**Public Facilities Impact Fees Capital Project Fund.**

The Public Facilities Impact Fees Fund accounts for the collection and expenditure of fees imposed as a condition of new development within the City. The total fund balance increased by \$12.9 million from the prior year, to total \$63.6 million. At the end of the fiscal year, current assets exceed current liabilities by \$63.3 million, and noncurrent assets exceed noncurrent liabilities by \$296 thousand. Cash and investment balances increased by \$11.7 million from the prior year balances, to total \$63.1 million.

**Public Facilities Impact Fees Fund Financial Analysis**

*(\$ in millions)*

	2010	2009	Variance
<b><u>Balance Sheet</u></b>			
Cash and investments	\$ 63.1	\$ 51.4	\$ 11.7
Other current assets	1.9	2.3	(0.4)
Current liabilities	(1.7)	(2.3)	0.6
<b>Net current assets (liabilities)</b>	<b>\$ 63.3</b>	<b>\$ 51.4</b>	<b>\$ 11.8</b>
Noncurrent assets	1.1	1.1	(0.0)
Noncurrent liabilities	(0.8)	(1.9)	1.1
<b>Net noncurrent assets (liabilities)</b>	<b>\$ 0.3</b>	<b>\$ (0.8)</b>	<b>\$ 1.1</b>
<b>Total Fund Balance, End of Year</b>	<b>\$ 63.6</b>	<b>\$ 50.7</b>	<b>\$ 12.9</b>
<b><u>Statement of Revenues, Expenditures and Changes in Fund Balance</u></b>			
Revenues	\$ 6.9	\$ 8.1	\$ (1.2)
Expenditures	(24.6)	(17.8)	(6.8)
Other financing sources (uses)	30.6	(0.1)	(30.7)
<b>Total Fund Balance, Beginning of Year</b>	<b>\$ 50.7</b>	<b>\$ 60.5</b>	<b>\$ (9.8)</b>
<b>Total Fund Balance, End of Year</b>	<b>\$ 63.6</b>	<b>\$ 50.7</b>	<b>\$ 12.9</b>
<b>Fund Balances:</b>			
Nonspendable	\$ -	\$ -	\$ -
Restricted	\$ 53.2	\$ 50.6	\$ 2.5
Committed	\$ 15.4	\$ 13.2	\$ 2.2
Assigned	\$ -	\$ -	\$ -
Unassigned	\$ (5.0)	\$ (13.2)	\$ 8.2

Total revenues, which consist mainly of development impact fees, declined by \$1.2 million, or 14.5%. Capital outlay expenditures of \$24.6 million funded the construction of street improvements, parks, and other traffic related projects, an increase of \$6.8 million compared to the prior year's total expenditures of \$17.8 million. Other financing sources had an increase of \$30.6 million due to proceeds from long term debt from the issuance of the 2009 Series A Capital Improvement Projects Revenue Bonds. The change in revenues, expenditures and other financing sources represent an increase of fund balance of \$12.9 million over the prior fiscal year.

At the end of the fiscal year, the Public Facilities Impact Fees Fund's total fund balance of \$63.6 million is reported as restricted, committed or unassigned for capital projects. Due to requirements of public facilities impact fees, \$53.2 million is restricted for loan receivables and future capital construction for new development projects, \$15.4 million is committed for current projects, and \$5.0 million in deficit fund balances related to recreation center and fire station projects is unassigned.

**Capital Improvement Project Fund.**

The Capital Improvement Fund accounts for the acquisition, construction, and improvement of capital facilities financed by grants, capital lease proceeds and transfers from other City funds. The total fund balance decreased by \$1.4 million from the prior year to total \$15.0 million. At the end of the fiscal year, current assets exceed current liabilities by \$7.1 million and noncurrent assets exceed noncurrent liabilities by \$7.8 million. Cash and investment balances decreased by \$6.8 million from the prior year balances, to total \$6.4 million.

**Capital Improvement Fund Financial Analysis**

*(\$ in millions)*

	2010	2009	Variance
<b><u>Balance Sheet</u></b>			
Cash and investments	\$ 6.4	\$ 13.2	\$ (6.8)
Other current assets	5.8	2.6	3.2
Current liabilities	(5.1)	(8.6)	3.5
<b>Net current assets (liabilities)</b>	<b>\$ 7.1</b>	<b>\$ 7.2</b>	<b>\$ (0.1)</b>
Noncurrent assets	19.4	20.5	(1.0)
Noncurrent liabilities	(11.6)	(11.2)	(0.4)
<b>Net noncurrent assets (liabilities)</b>	<b>\$ 7.8</b>	<b>\$ 9.2</b>	<b>\$ (1.4)</b>
<b>Total Fund Balance, End of Year</b>	<b>\$ 15.0</b>	<b>\$ 16.4</b>	<b>\$ (1.5)</b>

**Statement of Revenues, Expenditures and Changes in Fund Balance**

Revenues	\$ 1.2	\$ 7.3	\$ (6.1)
Expenditures	(4.2)	(13.6)	9.3
Other financing sources (uses)	2.0	0.0	1.9
Special items	(0.3)	(10.5)	10.1
<b>Total Fund Balance, Beginning of Year</b>	<b>\$ 16.4</b>	<b>\$ 33.1</b>	<b>\$ (16.7)</b>
<b>Total Fund Balance, End of Year</b>	<b>\$ 15.0</b>	<b>\$ 16.4</b>	<b>\$ (1.4)</b>

Fund Balances:

Nonspendable	\$ -	\$ -	\$ -
Restricted	\$ 1.0	\$ 0.7	\$ 0.3
Committed	\$ 21.5	\$ 24.3	\$ (2.8)
Assigned	\$ -	\$ -	\$ -
Unassigned	\$ (7.6)	\$ (8.6)	\$ 1.1

As the table above details, expenditures exceeded revenues by \$3.0 million. Revenues declined in 2010 by \$6.1 million. Expenditures totaled \$4.2 million, which is a \$9.3 million lower than the prior year due to completion in the prior year of various street related projects funded by Proposition 1B of \$3.4 million and the prior year completion of building improvement projects at the City Administration Building amounting to \$6.3 million. The prior year financial statements reflected special items totaling \$10.5 million related to the Howard Jarvis lawsuit settlement and Stormwater Utility loan receivable, and this year's special item amount of \$344 thousand reflects the current fiscal year's increase to the same items.

Of the \$15.0 million in total fund balance, the Capital Improvement Fund reports a restricted fund balance of \$1.0 million, committed fund balances for future capital projects and loan receivables of \$21.5 million, and a deficit unassigned fund balance of \$7.5 million at fiscal year end. The deficit unassigned fund balance is primarily the result of a restriction recorded to account for the balance of loans due to the water and wastewater utility funds which will be repaid in future years beginning in fiscal year 2011 based on amortized loan schedules stipulated in the Council approved legal settlement agreement. (Refer to Note 14 of the financial

statements for more detailed information.) Funding to repay these loans will come from operating transfers in from the General Fund.

**Redevelopment Agency Capital Project Fund.**

The Redevelopment Agency Fund accounts for financial transactions related to the acquisition, construction, relocation, demolition, and sale of land for those portions of the City earmarked for redevelopment of blighted areas designated as project areas. Capital improvement projects are financed from bond proceeds, loans from other City funds, and property tax increment revenues. The total fund balance decreased by \$33.1 million from the prior year to total a deficit \$6.2 million. At the end of the fiscal year, current assets exceed current liabilities by \$25.9 million and noncurrent assets fell short of noncurrent liabilities by \$32.1 million. Cash and investment balances decreased by \$23.8 million from the prior year balances, to total \$39.9 million.

**Redevelopment Agency Fund Financial Analysis**

*(\$ in millions)*

	2010	2009	Variance
<b><u>Balance Sheet</u></b>			
Cash and investments	\$ 39.9	\$ 63.7	\$ (23.8)
Other current assets	0.2	0.4	(0.2)
Current liabilities	(14.2)	(4.4)	(9.8)
<b>Net current assets (liabilities)</b>	<b>\$ 25.9</b>	<b>\$ 59.7</b>	<b>\$ (33.8)</b>
Noncurrent assets	0.8	0.6	0.1
Noncurrent liabilities	(32.9)	(33.5)	0.6
<b>Net noncurrent assets (liabilities)</b>	<b>\$ (32.1)</b>	<b>\$ (32.8)</b>	<b>\$ 0.7</b>
<b>Total Fund Balance, End of Year</b>	<b>\$ (6.2)</b>	<b>\$ 26.9</b>	<b>\$ (33.1)</b>
<b><u>Statement of Revenues, Expenditures and Changes in Fund Balance</u></b>			
Revenues	\$ 19.3	\$ 32.5	\$ (13.2)
Expenditures	(31.1)	(54.8)	23.7
Other financing sources (uses)	(21.3)	3.7	(25.0)
<b>Total Fund Balance, Beginning of Year</b>	<b>\$ 26.9</b>	<b>\$ 45.6</b>	<b>\$ (18.6)</b>
<b>Total Fund Balance, End of Year</b>	<b>\$ (6.2)</b>	<b>\$ 26.9</b>	<b>\$ (33.1)</b>
<b>Fund Balances:</b>			
Nonspendable	\$ -	\$ -	\$ -
Restricted	\$ 12.4	\$ 18.2	\$ (5.8)
Committed	\$ 2.7	\$ 10.3	\$ (7.5)
Assigned	\$ -	\$ -	\$ -
Unassigned	\$ (21.3)	\$ (1.5)	\$ (19.8)

Revenues for FY 2010 declined by \$13.2 million compared to the prior year to total \$19.3 million. Expenditures of \$31.1 million decreased by \$23.7 million due to the completion of various construction and infrastructure improvement projects including the Marina and Morelli Park projects in the Waterfront Redevelopment Project Area, the Airport Way beautification and improvement in the South Stockton Project Area, and various projects in the North Stockton Project Area. Other financing uses increased by \$25.0 million due to a transfer of \$6.4 million related to purchase of the City's own redevelopment bonds, \$10.6 million for debt service, \$6.4 million in transfers-out to the Low and Moderate Income Housing Loan Fund for program expenditures, and \$1.6 million in net transfers amongst other City funds.

The Redevelopment Agency Fund total fund balance deficit of \$6.2 million at the end of the fiscal year includes \$12.4 million in restricted fund balance for ongoing and future capital projects, \$2.7 million in committed fund balance, and a deficit unassigned fund balance of \$21.3

million. The deficit unassigned fund balance is a result of the prior year's level of available cash of which was dedicated for the Marina project of which was completed in this fiscal year and its asset was capitalized. The deficit unassigned fund balance will be funded by future property tax increment revenue to be received in future years.

### ***Special Items of the Governmental Funds***

Three special items are reflected on the governmental fund financial statements. The net change of these special items reduced total fund balance by \$4.8 million in the General Fund and by \$344 thousand in the Capital Improvement Fund, while increasing total fund balance in the Development Services Fund by \$4.8 million. Refer to Note 14-Special Items of the financial statements for more detailed information on these special items.

### ***Proprietary Funds***

Proprietary funds consist of enterprise funds and internal service funds. The proprietary funds' financial statements provide additional detailed information than found in the government-wide financial statements. Both presentations are accounted for on the full accrual accounting basis. Each funds' financial transactions, both near-term and historic, is provided in the statement of net assets and the statement of revenues, expenses and changes in net assets.

Total net assets of all the enterprise funds totaled \$474.4 million, a decline of \$4.0 million compared with the prior year. In fiscal year 2010, both the Wastewater and Stormwater Utility funds experienced operating deficits, where operating expenses exceeded operating revenues by \$3.8 million and \$2.2 million, respectively. Operating deficits signal that an enterprise's operating revenue structure is not meeting standard operating and infrastructure renewal and replacement costs. This is the fourth consecutive year in which the Wastewater Utility Fund has ended the fiscal year with an operating deficit, and the tenth consecutive year for the Stormwater Utility Fund. As previously mentioned, both wastewater and stormwater utilities have conducted a fee and charges rate study this fiscal year to address revenue generation concerns, with a Proposition 218 voter ballot initiative conducted in August of 2010. As a result, the City Council adopted wastewater rate increases in August of 2010. The stormwater utility Proposition 218 ballot initiative failed to achieve voter approval of the "Clean Water Fee".

At the end of the fiscal year, enterprise unrestricted net asset balances are as follows: the Water Utility, \$32.3 million; the Wastewater Utility, \$19.5 million; and the Stormwater Utility, a deficit \$8.8 million. The Central Parking District reports deficit unrestricted net assets of \$107 thousand. The Solid Waste, Downtown Marina Complex and Golf funds are combined for financial reporting purposes and together have deficit unrestricted net assets of \$1.5 million.

Internal service fund total net assets declined by \$45.7 million, totaling a deficit \$93.0 million. The internal service funds have unrestricted net asset deficits totaling \$101.3 million. The City's internal service funds are categorized into two categories in the later portion of this section: 1) insurance/pension-related funds, and 2) equipment-related funds. Insurance/pension-related internal service funds' total net assets declined by \$44.3 million, to a total deficit of \$110.6 million. These insurance/pension-related funds have deficit unrestricted net assets of \$110.6 million. City equipment-related internal service funds' total net assets declined by \$1.4 million, to a total of \$17.6 million. These equipment-related funds have unrestricted net assets of \$9.3 million.

## **Enterprise Funds Financial Analysis**

### **Water Utility Fund.**

The Water Utility Fund accounts for activities associated with the acquisition or construction of water treatment facilities, production, distribution and transmission of potable water to users, and operations related to the provision of services. The total net asset balance increased by \$4.3 million from the prior year to total \$131.1 million. At the end of the fiscal year, current assets exceed current liabilities by \$21.8 million and noncurrent assets exceed noncurrent liabilities by \$109.3 million. Cash and investment balances increased by \$18.4 million from the prior year balances, to total \$39.7 million.

### **Water Fund Financial Analysis**

(\$ in millions)

	2010	2009	Variance
<b><u>Statement of Net Assets</u></b>			
Cash and investments	\$ 39.7	\$ 21.3	\$ 18.4
Other current assets	2.6	2.2	0.4
Current liabilities	(20.5)	(4.0)	(16.5)
Net current assets (liabilities)	\$ 21.8	\$ 19.5	\$ 2.3
Noncurrent assets	318.1	142.6	175.5
Noncurrent liabilities	(208.8)	(35.3)	(173.6)
Net noncurrent assets (liabilities)	\$ 109.3	\$ 107.4	\$ 1.9
Total Net Assets, End of Year	\$ 131.1	\$ 126.9	\$ 4.3
<b><u>Statement of Revenues, Expenses and Changes in Net Assets</u></b>			
Operating revenues	\$ 25.8	\$ 24.3	\$ 1.5
Operating expenses	(20.0)	(22.4)	2.4
Operating income (loss)	\$ 5.8	\$ 1.8	\$ 4.0
Non-operating revenues (expenses)	(3.4)	0.1	(3.5)
Capital contributions & transfers	1.6	1.3	0.3
Special items	0.3	7.6	(7.3)
Total Net Assets, Beginning of Year	\$ 126.9	\$ 116.1	\$ 10.8
Total Net Assets, End of Year	\$ 131.1	\$ 126.9	\$ 4.3
Invested in capital assets, net of related debt	\$ 96.4	\$ 95.9	\$ 0.4
Restricted Net Assets	\$ 2.4	\$ 3.2	\$ (0.8)
Unrestricted Net Assets	\$ 32.3	\$ 27.7	\$ 4.6

Operating revenues increased in 2010 by \$1.5 million, while operating expenses decreased by \$2.4 million. The result is an operating income gain in the Water Fund of \$5.8 million, which is a \$4.0 million improvement over the prior fiscal year. The reason for the improved financial performance is due to charges for services being increased 15% to support the Delta Water Supply Project and reductions in expenses due to various receivable adjustments, \$600 thousand in indirect cost payments and nominal decreases in operations and maintenance.

Capital contributions and transfers increased slightly by \$339 thousand totally \$1.6 million. In this fiscal year a special item amounting to \$250 thousand was recorded related to the Howard Jarvis v. City of Stockton lawsuit settlement. This special item is related to the same special item recorded in fiscal year 2009 that amounted to \$7.6 million. (Refer to Note 14-Special Items of the financial statements for more detailed information.)

Components of Water Fund total assets of \$131.1 million include invested in capital assets net of related debt, which increased by \$448 thousand. Restricted net assets decreased by \$794 thousand, while unrestricted net assets increased by \$4.6 million compared to the prior year.

### **Wastewater Utility Fund.**

The 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. The total net asset balance decreased by \$6.0 million from the prior year to total \$293.1 million. At the end of the fiscal year, current assets exceed current liabilities by \$6.7 million and noncurrent assets exceed noncurrent liabilities by \$286.4 million. Cash and investment balances decreased by \$4.4 million from the prior year balances, to total \$2.7 million.

### **Wastewater Fund Financial Analysis**

*(\$ in millions)*

	2010	2009	Variance
<b><u>Statement of Net Assets</u></b>			
Cash and investments	\$ 2.7	\$ 7.2	\$ (4.4)
Other current assets	7.2	8.1	(0.9)
Current liabilities	(3.3)	(6.6)	3.3
<b>Net current assets (liabilities)</b>	<b>\$ 6.7</b>	<b>\$ 8.6</b>	<b>\$ (2.0)</b>
Noncurrent assets	373.6	380.3	(6.7)
Noncurrent liabilities	(87.1)	(89.9)	2.7
<b>Net noncurrent assets (liabilities)</b>	<b>\$ 286.4</b>	<b>\$ 290.4</b>	<b>\$ (4.0)</b>
<b>Total Net Assets, End of Year</b>	<b>\$ 293.1</b>	<b>\$ 299.0</b>	<b>\$ (6.0)</b>
<b><u>Statement of Revenues, Expenses and Changes in Net Assets</u></b>			
Operating revenues	\$ 37.2	\$ 35.6	\$ 1.7
Operating expenses	(41.1)	(44.4)	3.3
<b>Operating income (loss)</b>	<b>\$ (3.8)</b>	<b>\$ (8.8)</b>	<b>\$ 5.0</b>
Non-operating revenues (expenses)	(3.8)	(3.0)	0.8
Capital contributions & transfers	1.3	1.9	(0.7)
Special items	0.4	11.8	(11.4)
<b>Total Net Assets, Beginning of Year</b>	<b>\$ 299.0</b>	<b>\$ 297.2</b>	<b>\$ 1.9</b>
<b>Total Net Assets, End of Year</b>	<b>\$ 293.1</b>	<b>\$ 299.0</b>	<b>\$ (6.0)</b>
Invested in capital assets, net of related debt	\$ 245.3	\$ 243.1	\$ 2.1
Restricted Net Assets	\$ 28.3	\$ 32.2	\$ (3.8)
Unrestricted Net Assets	\$ 19.5	\$ 23.8	\$ (4.3)

Operating revenues increased in 2010 by \$1.7 million, while operating expenses decreased by \$3.3 million. The result is an operating loss in the Wastewater Fund of \$3.8 million, primarily due to this utilities diminished ability to adequately meet its operating demands without an adjustment to its charges for services rate structure, which have not been changed since 1992. The Municipal Utility Department undertook a wastewater rate study and a Proposition 218 voter ballot initiative resulting in Council adoption in August of 2010 of a rate increase to ensure sufficient revenues to meet the future operational needs of the wastewater system.

Capital contributions and transfers declined by \$664 thousand due to declines in developer contributions and related construction activity in the region. In this fiscal year a special item amounting to \$388 thousand was recorded related to the Howard Jarvis v. City of Stockton lawsuit settlement. This special item is related to the same special item recorded in fiscal year

2009 that amounted to \$11.8 million. (Refer to Note 14-Special Items of the financial statements for more detailed information.)

The components of \$293.1 million in total assets include: invested in capital assets net of related debt, which increased by \$2.1 million; restricted net assets, which decreased by \$3.8 million; and unrestricted net assets, which decreased by \$4.3 million.

### **Stormwater Utility Fund.**

The 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. The total net asset balance decreased by \$1.2 million from the prior year to total \$43.4 million. At the end of the fiscal year, current assets exceed current liabilities by \$2.2 million and noncurrent assets exceed noncurrent liabilities by \$41.2 million. Cash and investment balances decreased by \$712 thousand from the prior year balances, to total \$1.6 million.

### **Stormwater Fund Financial Analysis**

(\$ in millions)

	2010	2009	Variance
<b><u>Statement of Net Assets</u></b>			
Cash and investments	\$ 1.6	\$ 2.3	\$ (0.7)
Other current assets	0.8	0.7	0.1
Current liabilities	(0.2)	(0.3)	0.1
<b>Net current assets (liabilities)</b>	<b>\$ 2.2</b>	<b>\$ 2.8</b>	<b>\$ (0.6)</b>
Noncurrent assets	52.2	52.5	(0.3)
Noncurrent liabilities	(11.0)	(10.6)	(0.4)
<b>Net noncurrent assets (liabilities)</b>	<b>\$ 41.2</b>	<b>\$ 41.9</b>	<b>\$ (0.7)</b>
<b>Total Net Assets, End of Year</b>	<b>\$ 43.4</b>	<b>\$ 44.7</b>	<b>\$ (1.2)</b>
<b><u>Statement of Revenues, Expenses and Changes in Net Assets</u></b>			
Operating revenues	\$ 5.7	\$ 5.5	\$ 0.2
Operating expenses	(7.8)	(8.1)	0.3
<b>Operating income (loss)</b>	<b>\$ (2.2)</b>	<b>\$ (2.6)</b>	<b>\$ 0.4</b>
Non-operating revenues (expenses)	0.1	0.1	(0.1)
Capital contributions & transfers	1.2	1.1	0.1
Special items	(0.4)	(10.6)	10.3
<b>Total Net Assets, Beginning of Year</b>	<b>\$ 44.7</b>	<b>\$ 56.6</b>	<b>\$ (12.0)</b>
<b>Total Net Assets, End of Year</b>	<b>\$ 43.4</b>	<b>\$ 44.7</b>	<b>\$ (1.2)</b>
Invested in capital assets, net of related debt	\$ 52.2	\$ 52.5	\$ (0.3)
Restricted Net Assets	\$ -	\$ -	\$ -
Unrestricted Net Assets	\$ (8.8)	\$ (7.9)	\$ (0.9)

Operating revenues increased in 2010 by \$157 thousand, while operating expenses decreased by \$287 thousand. The result is a decrease of \$444 thousand in the Stormwater Utility Fund operating loss due to higher stormwater program reimbursements from San Joaquin County offset by higher construction in progress non-capital expenditures. Fiscal Year 2009-10 is the ninth consecutive year in which the Stormwater Utility Fund has had a net operating loss. A net operating loss could indicate that an enterprise's operating income structure is not meeting standard operating and infrastructure renewal and replacement costs. Non-operating expenses decreased by \$92 thousand compared to the prior year. The Municipal Utility Department is exploring options to address the revenue needs of this fund.

Capital contributions and transfers increased by \$97 thousand. In this fiscal year a special item amounting to a negative \$350 thousand was recorded related to historic operating subsidies from the General Fund and Capital Improvement Fund. This special item is related to the same special item recorded in fiscal year 2009 that amounted to \$10.6 million. (Refer to Note 14-Special Items of the financial statements for more detailed information.)

Components of the \$43.4 million total net assets include: invested in capital assets net of related debt, which decreased by \$304 thousand; no restricted net assets; and a deficit unrestricted net assets of \$8.8 million, which decreased by \$937 thousand compared to the prior year. The deficit unrestricted fund balance of \$8.8 million is primarily composed of a \$11.0 million restriction on reserves related to the loans due to the General Fund and Capital Improvement Fund mentioned previously. Funding to repay these loans were included as part of the rate study analysis and Proposition 218 ballot initiative in summer of 2010. In early December 2010, the City Council announced that the Stormwater Utility Fund new "Clean Water Fee" failed to secure a majority of affirmative ballots. (Refer to Note 14-Special Items and Note 15-Subsequent Events of the financial statements for more detailed information.)

### **Central Parking District Fund.**

The Central Parking District accounts for activities associated with the acquisition or construction, operation and maintenance of off-street parking facilities. The total net asset balance decreased by \$521 thousand from the prior year to total \$6.8 million. At the end of the fiscal year, current assets exceed current liabilities by \$76 thousand and noncurrent assets exceed noncurrent liabilities by \$6.8 million. Cash and investment balances decreased by \$38 thousand from the prior year balances, to total \$821 thousand.

### **Central Parking District Fund Financial Analysis**

*(\$ in millions)*

	2010	2009	Variance
<b><u>Statement of Net Assets</u></b>			
Cash and investments	\$ 0.8	\$ 0.9	\$ (0.0)
Other current assets	0.3	0.3	(0.0)
Current liabilities	(1.0)	(1.1)	0.0
<b>Net current assets (liabilities)</b>	<b>\$ 0.1</b>	<b>\$ 0.1</b>	<b>\$ (0.0)</b>
Noncurrent assets	40.7	41.5	(0.8)
Noncurrent liabilities	(33.9)	(34.3)	0.3
<b>Net noncurrent assets (liabilities)</b>	<b>\$ 6.8</b>	<b>\$ 7.3</b>	<b>\$ (0.5)</b>
<b>Total Net Assets, End of Year</b>	<b>\$ 6.8</b>	<b>\$ 7.4</b>	<b>\$ (0.5)</b>
<b><u>Statement of Revenues, Expenses and Changes in Net Assets</u></b>			
Operating revenues	\$ 3.7	\$ 3.9	\$ (0.3)
Operating expenses	(3.0)	(3.1)	0.1
<b>Operating income (loss)</b>	<b>\$ 0.7</b>	<b>\$ 0.8</b>	<b>\$ (0.1)</b>
Non-operating revenues (expenses)	(0.5)	(0.5)	(0.1)
Capital contributions & transfers	(0.8)	(0.8)	(0.0)
<b>Total Net Assets, Beginning of Year</b>	<b>\$ 7.4</b>	<b>\$ 7.8</b>	<b>\$ (0.4)</b>
<b>Total Net Assets, End of Year</b>	<b>\$ 6.8</b>	<b>\$ 7.4</b>	<b>\$ (0.5)</b>
Invested in capital assets, net of related debt	\$ 7.0	\$ 7.5	\$ (0.6)
Restricted Net Assets	\$ -	\$ -	\$ -
Unrestricted Net Assets	\$ (0.1)	\$ (0.2)	\$ 0.1

Operating revenues decreased in 2010 by \$262 thousand, while operating expenses decreased by \$120 thousand. The result is that the Central Parking net operating income decreased by \$142 thousand.

Components of the \$6.8 million total net assets of the Central Parking District Fund include: invested in capital assets net of related debt, which decreased by \$540 thousand; restricted net assets, which decreased by \$45 thousand; and a deficit unrestricted net assets decreased by \$64 thousand compared to the prior year to a total of \$107 thousand.

### **Internal Service Funds Financial Analysis**

Internal service funds are established to account for the financing of goods and services provided by one City department to other City departments, on a cost reimbursement basis. Activities are categorized in two categories, those relating to the:

- 1) City's insurance/pension-related transactions, such as general liability, workers' compensation liability, employee and retiree health benefits liability, retirement/pension benefits and other insurance liability items; and
- 2) City's various equipment and vehicle fleet needs and information technology equipment and services.

#### **Insurance/Pension-Related, Internal Service Fund.**

Insurance/Pension-related internal service funds have been combined below and include the General Liability Insurance Fund, Workers' Compensation Liability Insurance Fund, Employee and Retiree Health Insurance funds, the Retirement Benefits Fund, and the Other Benefits and Insurance Fund. These funds also account for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions approved by management.

The *General Liability Insurance Fund* accounts for premiums and claims paid and administration of general liability insurance provided to all City departments on a cost reimbursement basis. The *Workers' Compensation Liability Insurance Fund* accounts for premiums and claims paid and administration of workers' compensation insurance provided to City employees incurring injury on the job, of which health benefits and other related liability costs are supported by City department payments into the fund. The *Employee Health Insurance Fund and Retiree Health Insurance Fund* account for premiums and claims paid and administration of health benefits insurance provided to qualified active and retired City employees, with City departmental payments made to the funds sought to reimburse health related expenses incurred for active employees and current retirees.

The *Retirement Benefits Fund* 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 City employee plan members and beneficiaries through the California Public Employees' Retirement System (CALPERS) on a cost reimbursement basis. Other *Benefits and Insurance Fund* accounts for premiums and claims paid and administration of comparatively smaller insurance funds provided to City employees on a cost reimbursement basis, to include long-term disability, life insurance, and termination pay and compensated absences benefits.

The total net asset deficit balance increased by \$44.3 million from the prior year to total \$110.6 million. At the end of the fiscal year, current assets exceed current liabilities by \$3.2 million and noncurrent assets fell short of noncurrent liabilities by \$113.9 million. Cash and investment balances decreased by \$23.4 million from the prior year balances, to total \$10.7 million.

## Insurance/Pension-Related, Internal Service Fund Financial Analysis

(\$ in millions)

	2010	2009	Variance
<b><u>Statement of Net Assets</u></b>			
Cash and investments	\$ 10.7	\$ 34.1	\$ (23.4)
Other current assets	14.3	2.0	12.2
Current liabilities	(21.7)	(19.1)	(2.6)
<b>Net current assets (liabilities)</b>	<b>\$ 3.2</b>	<b>\$ 17.0</b>	<b>\$ (13.8)</b>
Noncurrent assets	132.8	132.3	0.5
Noncurrent liabilities	(246.7)	(215.7)	(31.0)
<b>Net noncurrent assets (liabilities)</b>	<b>\$ (113.8)</b>	<b>\$ (83.4)</b>	<b>\$ (30.5)</b>
<b>Total Net Assets, End of Year</b>	<b>\$ (110.6)</b>	<b>\$ (66.3)</b>	<b>\$ (44.3)</b>
<b><u>Statement of Revenues, Expenses and Changes in Net Assets</u></b>			
Operating revenues	\$ 81.6	\$ 81.6	\$ -
Operating expenses	(121.7)	(116.1)	(5.6)
<b>Operating income (loss)</b>	<b>\$ (40.0)</b>	<b>\$ (34.4)</b>	<b>\$ (5.6)</b>
Non-operating revenues (expenses)	(5.2)	(3.5)	1.8
Capital contributions & transfers	1.0	(0.3)	1.3
<b>Total Net Assets, Beginning of Year</b>	<b>\$ (66.3)</b>	<b>\$ (28.1)</b>	<b>\$ (38.2)</b>
<b>Total Net Assets, End of Year</b>	<b>\$ (110.6)</b>	<b>\$ (66.3)</b>	<b>\$ (44.3)</b>
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -
Restricted Net Assets	\$ 0.01	\$ 0.04	\$ (0.0)
Unrestricted Net Assets	\$ (110.6)	\$ (66.4)	\$ (44.2)

Operating revenues in 2010 remained the same compared to the prior year, while operating expenses increased by \$5.6 million. As a result, the operating loss of these funds increased by \$5.6 million to total a loss of \$40.0 million. Non-operating expenses increased by \$1.8 million. Capital contributions and transfers improved by \$1.3 million.

Total net asset (deficit) of \$110.6 million of the Insurance/Pension-Related, Internal Service Fund is nearly entirely unrestricted net assets which increased by \$44.2 million compared to the prior year.

The Insurance/Pension-Related, Internal Service Fund net assets (deficit) of \$110.6 million is driven by a variety of factors. One significant factor is an increase in net assets deficit of \$27.0 million in the Retiree Health Insurance Fund, primarily due to an increase of \$27.0 million in the City's net Other Post Employment Benefit (OPEB) retiree health insurance obligation for fiscal year 2010. The increase in the net assets deficit of \$4.6 million in the City's active Employees Health Insurance Fund, totaling a net asset deficit of \$6.0 million also contributed to the total deficit. Another contributing factor is the \$32.5 million deficit in the Workers' Compensation Liability Insurance Fund, which grew compared to the prior year by \$12.7 million.

### **Equipment-Related, Internal Service Fund.**

Equipment-related internal service funds have been combined below and include the Vehicle Fleet Equipment, Computer Equipment, Radio Equipment, and Other Equipment.

The *Vehicle Fleet Equipment Fund* accounts for the financing, operating and maintenance of vehicles and similar equipment provided to City departments on a cost reimbursement basis. The *Computer Equipment Fund* accounts for the financing, service and maintenance of all computer and related equipment provided to City departments on a cost reimbursement basis. The *Radio Equipment Fund* accounts for the financing, service and maintenance of radio

equipment provided to City departments on a cost reimbursement basis. *Other Equipment Funds* accounts for the financing, operating and maintenance of other, comparatively smaller equipment funds provided to City departments on a cost reimbursement basis, which included telephone, other office, and printing and mailing equipment.

The total net asset balance decreased by \$1.4 million from the prior year to total \$17.6 million. At the end of the fiscal year, current assets exceed current liabilities by \$9.3 million and noncurrent assets exceed noncurrent liabilities by \$8.3 million. Cash and investment balances decreased by \$159 thousand from the prior year balances, to total \$10.9 million.

**Equipment-Related, Internal Service Fund Financial Analysis**

(\$ in millions)

	2010	2009	Variance
<b><u>Statement of Net Assets</u></b>			
Cash and investments	\$ 10.9	\$ 11.0	\$ (0.2)
Other current assets	0.0	0.0	0.0
Current liabilities	(1.6)	(1.2)	(0.4)
<u>Net current assets (liabilities)</u>	<u>\$ 9.3</u>	<u>\$ 9.8</u>	<u>\$ (0.5)</u>
Noncurrent assets	10.6	11.7	(1.2)
Noncurrent liabilities	(2.3)	(2.6)	0.3
<u>Net noncurrent assets (liabilities)</u>	<u>\$ 8.3</u>	<u>\$ 9.2</u>	<u>\$ (0.9)</u>
<u>Total Net Assets, End of Year</u>	<u>\$ 17.6</u>	<u>\$ 19.0</u>	<u>\$ (1.4)</u>
<b><u>Statement of Revenues, Expenses and Changes in Net Assets</u></b>			
Operating revenues	\$ 17.8	\$ 19.9	\$ (2.2)
Operating expenses	(18.5)	(19.4)	0.9
<u>Operating income (loss)</u>	<u>\$ (0.7)</u>	<u>\$ 0.5</u>	<u>\$ (1.2)</u>
Non-operating revenues (expenses)	(0.1)	(0.02)	0.0
Capital contributions & transfers	(0.6)	1.0	(1.6)
<u>Total Net Assets, Beginning of Year</u>	<u>\$ 19.0</u>	<u>\$ 17.5</u>	<u>\$ 1.4</u>
<u>Total Net Assets, End of Year</u>	<u>\$ 17.6</u>	<u>\$ 19.0</u>	<u>\$ (1.4)</u>
Invested in capital assets, net of related debt	\$ 8.3	\$ 9.2	\$ (0.9)
Restricted Net Assets	\$ -	\$ 0.81	\$ (0.8)
Unrestricted Net Assets	\$ 9.3	\$ 9.0	\$ 0.3

Operating revenues decreased in 2010 by \$2.2 million, while operating expenses decreased by \$939 thousand and non-operating expenses increased by \$37 thousand. Capital contributions and transfers declined by \$1.6 million. Primary reason for decline is due to \$1.3 million transfer from Computer Equipment Fund to the Recreation Services Fund. This one-time funding is for costs related to the contract buy-out of IFG Management Group for the transition to a new manager of the Stockton Arena and other City of Stockton entertainment venues.

Components of the \$17.6 million total net assets include: invested in capital assets net of related debt, which decreased by \$900 thousand; restricted net assets, which decreased by \$805 thousand; and unrestricted net assets, that increased by \$297 thousand compared to the prior year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

*Note: As mentioned previously, the City/County Library, Recreation Services and Boat Launching Facilities funds were merged into the General Fund in this fiscal year for financial reporting purposes due to the implementation of GASB Statement No. 54. For comparative purposes, the information provided in this section includes budget and financial activity of the merged General Fund, including comparative information of a merged General Fund for fiscal year 2009. Transfers between these funds have been eliminated in the presentation.*

As experienced by many California cities, the City of Stockton's General Fund budget was severely impacted by the economic downturn that began in the winter of 2008 and has progressively worsened through fiscal years 2009 and 2010. During the 2010 fiscal year, the General Fund's original budgeted revenue and transfers was \$175.5 million, which was increased to \$176.8 million for the final revenue estimates. On a budgetary basis, the original budgeted expenditures and transfers of \$178.5 million was increased by 2.8% to a final revised budget of \$183.5 million.

Management focused its efforts to align expenditure levels with the declining revenues. These efforts began with the Council adoption of a balanced budget in the summer of 2009 that included significant programmatic service reductions. Increases to the original budget were performed on an ad hoc basis through individual departmental requests to the City Council throughout the year, which included an increase to the Fire Department budget in an amount not to exceed \$5.0 million was authorized by the City Council as part of the fiscal year 2011 budget resolution to match appropriations with actual salary and benefits costs incurred by the department during the 2010 fiscal year.

During this fiscal year, the City elected to perform an early implementation of GASB Statement No. 54 which resulted in the original adopted budgets of the City/County Library, Recreation Services and Boat Launching Facilities funds being combined with the stand-alone General Fund original budget. As a result, the combined originally adopted budgets on a GAAP basis reflects a \$1.8 million reduction to total fund balance due to total outstanding encumbrances of \$1.2 million and \$558 thousand in capital project appropriations in the Library Fund. The final adopted budgets of these funds reduced estimated total fund balance by \$5.4 million of which \$1.2 million was from outstanding encumbrances and \$4.2 million in additional appropriations were authorized.

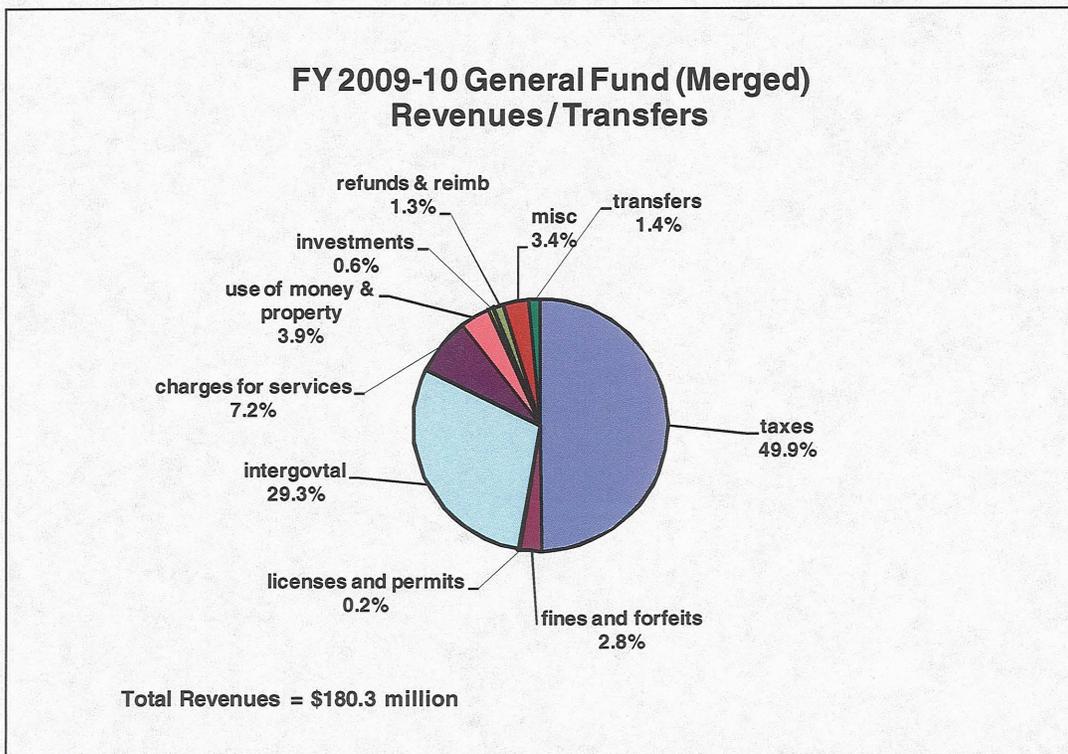
The 2010 fiscal year-end total fund balance realized a reduction of \$5.1 million, to total \$23.1 million. This decline is primarily a result of recording of a \$4.85 million long term liability in the stand-alone General Fund for prior year unrecovered costs of the Development Services Fund for a development fee discount program to incentivize business development in the City's downtown enterprise zone. (Refer to Note 14 – Special Items) A commitment by the City Council to repay to the Development Services Fund the amount of waived fees was adopted as part of the fiscal year 2011 budget resolution.

General Fund assigned fund balance reserve ended the fiscal year with a decline of \$7.8 million compared with the prior year assigned and unassigned reserve, to a total of \$5.7 million in assigned fund balance, or 3.3% of total expenditures for the fiscal year. The fiscal year 2010 General Fund does not reflect any unassigned fund balance as all residual balances have been assigned for future appropriations and other operating needs as approved by the City Manager.

### **General Fund Revenues and Transfers**

Of the \$180.3 million in actual total 2010 General Fund revenues and transfers, \$89.9 million or 49.8% were from taxes. Tax collections support citizen services such as for police and fire protection that cannot be provided in the private sector without a substantial subsidy. The taxes category includes collections for property tax, utility user tax, franchise fees, business licenses, in lieu of sales tax, the hotel/motel transient occupancy tax, and other smaller tax revenue sources.

Taxes are followed by intergovernmental revenues as the second largest revenue source, amounting to \$52.8 million, or 29.3% of the total. This category is comprised of motor vehicle in lieu registration fees, sales and use tax levied by the State of California, payments from San Joaquin County to support the City's operating costs of the eight out of thirteen library branches located outside the City's boundaries, and grant funds from the federal and state governments.



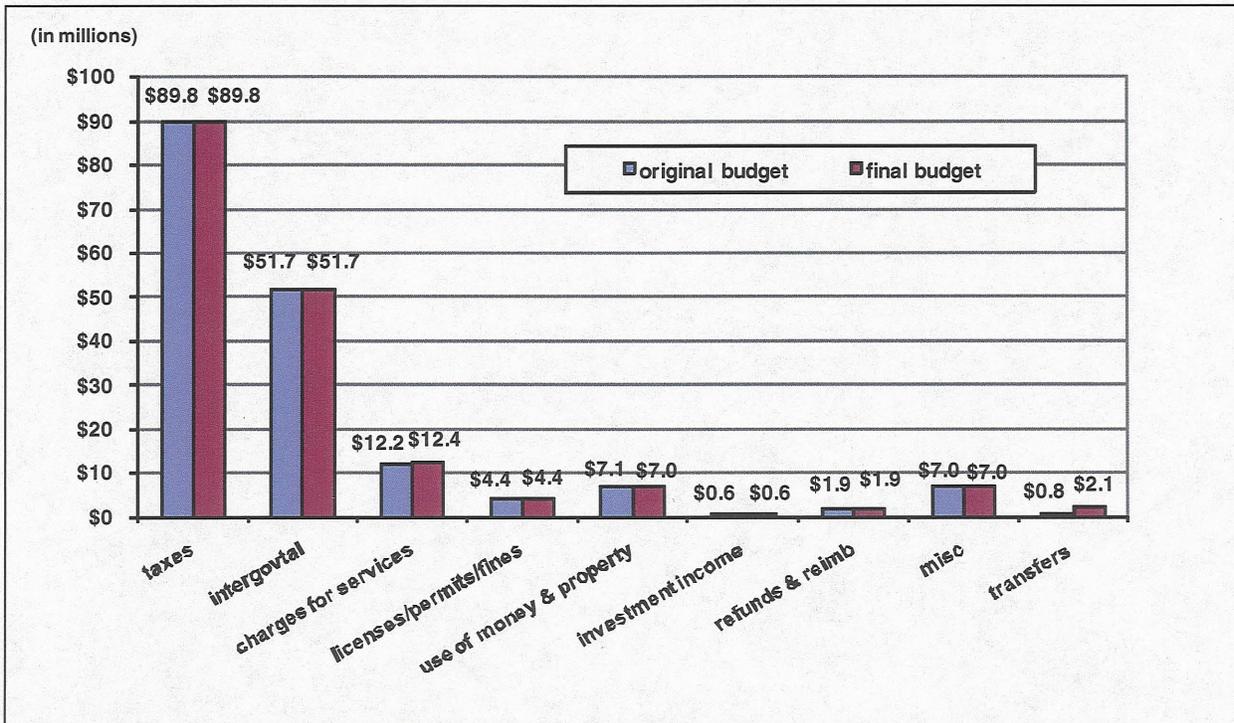
Charges for services of \$13.0 million accounted for 7.2% of total General Fund revenues and transfers, and these revenues are collected in exchange for specific services provided by the City. Collection of these revenues assist in defraying the costs of services, but are generally not meant to be collected on a full cost recovery basis. Of the total, \$1.9 million is collection for recreational and entertainment venue services and programs, \$4.7 million from mutual aid Fire Department services contractually provided to neighboring jurisdictions, \$2.8 million in charges to City property owners related to code enforcement efforts and \$2.2 million in other services charges by the Police Department,

The miscellaneous category amounting to \$6.1 million, or 3.4% is primarily payments to the General Fund from non-General Fund departments that are administratively supported by various General Fund departments, such as City Manager's Office, City Attorney's Office, City Clerk's, Administrative Services and Human Resources. All of the fines and forfeitures revenues of \$5.0 million, or 2.8%, is collected by the Police department. Of the \$7.1 million in use of money and property category comprising of 3.9% of total revenues, \$4.1 million is

collected for the rental of the City'-owned entertainment venues such as the Stockton Arena and Events Center and the ballpark and \$2.5 million is rental payments to the General Fund from the Municipal Utilities Department and other renters for their cost of occupying and utilizing City-owned land and facilities. These payments are based on an independently conducted indirect cost recovery plan performed annually. The remaining revenue categories are 3.5% of the total, and include licenses and permits, refunds and reimbursements, investment earnings and transfers-in from other City funds.

The graph below illustrates the significant level of tax support for General Fund services, amounting to \$89.8 million or 51% of the total final budget revenue and transfers estimate of \$176.8 million.

**FY 2009-10 General Fund (Merged) Original vs. Final Budget Revenues by Source Category**

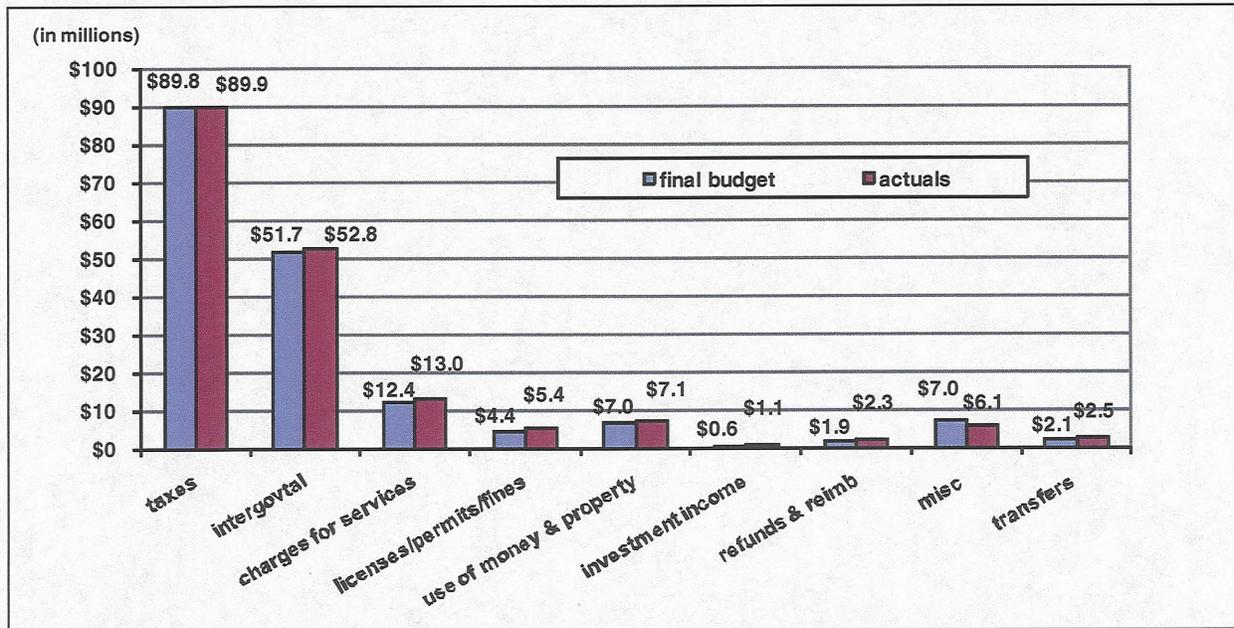


The following graph illustrates that during the year actual revenue collections and transfers of \$180.3 million were \$3.5 million above final budgetary estimates of \$176.8 million. Key revenues that exceeded final budgetary revenue estimates follow:

- An overage of \$1.2 million in intergovernmental revenues resulting from conservative budgeted estimates exceeding motor vehicle in lieu registration fee collections by \$1.1 million and payments from other governments for programs and services by \$610 thousand; offset by actual collections falling short of estimates of \$490 thousand in sales & use tax,
- An overage of \$680 thousand in charges for services resulting from conservative budgeted revenue estimates related to code enforcement, rental inspections and special events charges.
- An overage of \$466 thousand in investment earnings resulting from greater than anticipated investment income of \$288 thousand and unbudgeted fair market value of investments of \$178 thousand.

- An slight overage of \$115 thousand in taxes, reflecting greater than estimated property tax collections of \$1.6 million and utility user taxes of \$662 thousand and franchise fees of \$84 thousand; offset by shortages of \$1.2 million in lieu of sales tax collections, \$576 thousand in business licenses, \$401 thousand in transient occupancy taxes, \$91 thousand in reduced document transfer revenue and other tax collection activity.
- An overage of \$392 thousand in refunds and reimbursements resulting from unbudgeted reimbursements for various services offered by the city on a reimbursement basis.
- A remaining overage of \$1.1 million in license and permit fees, and fines and forfeitures resulting from unanticipated fines revenue collected by the Police Department.
- An increase over budgeted estimated of \$451 thousand due to a transfer-in of residual equity from the Emergency Communication Fund due to this Fund's closure. The Emergency Communications System Access (911) Fee was discontinued as the result of a legal settlement that occurred in Fiscal Year 2008-09. The public safety emergency communication system expenditures that were formerly supported by this revenue source are now supported by the General Fund.

**FY 2009-10 General Fund (Merged) Final Budget vs. Actual Revenues by Source Category**



The only revenue category that fell short of budgeted revenue estimates was the miscellaneous which ended the fiscal year \$942,000 below budgeted revenue estimates primarily due to lower than anticipated indirect cost payments from other the City departments as a result of cost containment measures undertaken by the City's central services / administrative departments.

**General Fund Expenditures and Transfers**

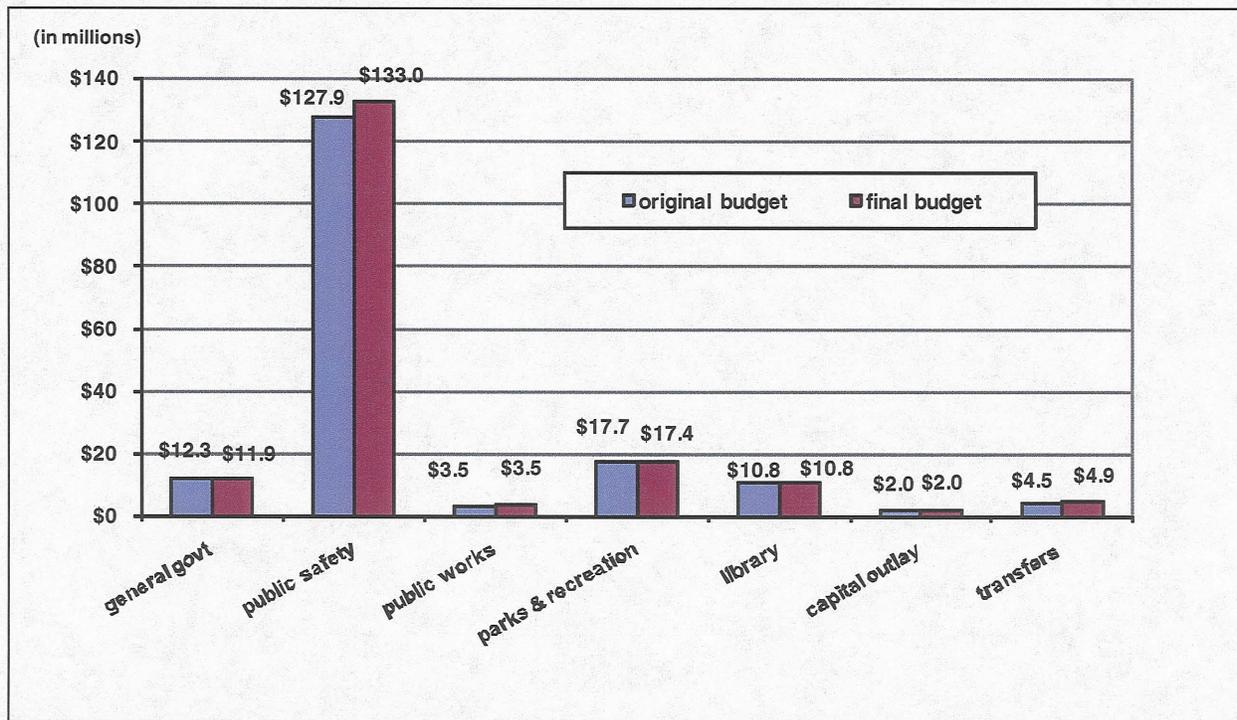
Of the total \$181.8 million total actual expenditures and transfer of the General Fund (on a GAAP basis that includes outstanding encumbrances), 74% were spent on public safety services programs, for a total of \$134.3 million. The second largest service category is parks and recreation at 9% of the total, or \$16.2 million; followed by general government and library both at 6% of the total amounting to \$11.8 million and \$10.8 million, respectively. Public works' operating expenditures are recorded in the General Fund, amounting to only 2% of the total, with the City's costs for road maintenance and repair, resurfacing and transportation-related

infrastructure construction cost being recorded in other special revenue funds supported by state and federal subventions and specific grant programs.

The General Fund ended the year with a total expenditures and transfers budget of \$183.5 million, compared to the originally adopted budget of \$178.5 million. Between the original and final budgets, \$4.9 million in expenditures and transfers were increased, or 2.8%. Increases were authorized in the public safety category by \$5.1 million or 4.0% to match appropriations with the level of overspending during the fiscal year in the Fire Department and additional transfers-out to other City funds of \$455 thousand of which \$160 thousand was from recreation services functions to subsidize golf course operations and \$258 thousand to the Special Grants Fund to provide the grant awards' required matching funds. A smaller increase was authorized for various capital outlay grant award appropriations for public works by \$44 thousand. General governmental final budgets were reduced from the original adopted budget by \$421,000.

The graph below illustrates the significant commitment of the total final budget allocated for public safety (police and fire), amounting to \$133.0 million or 72% of the total final budget.

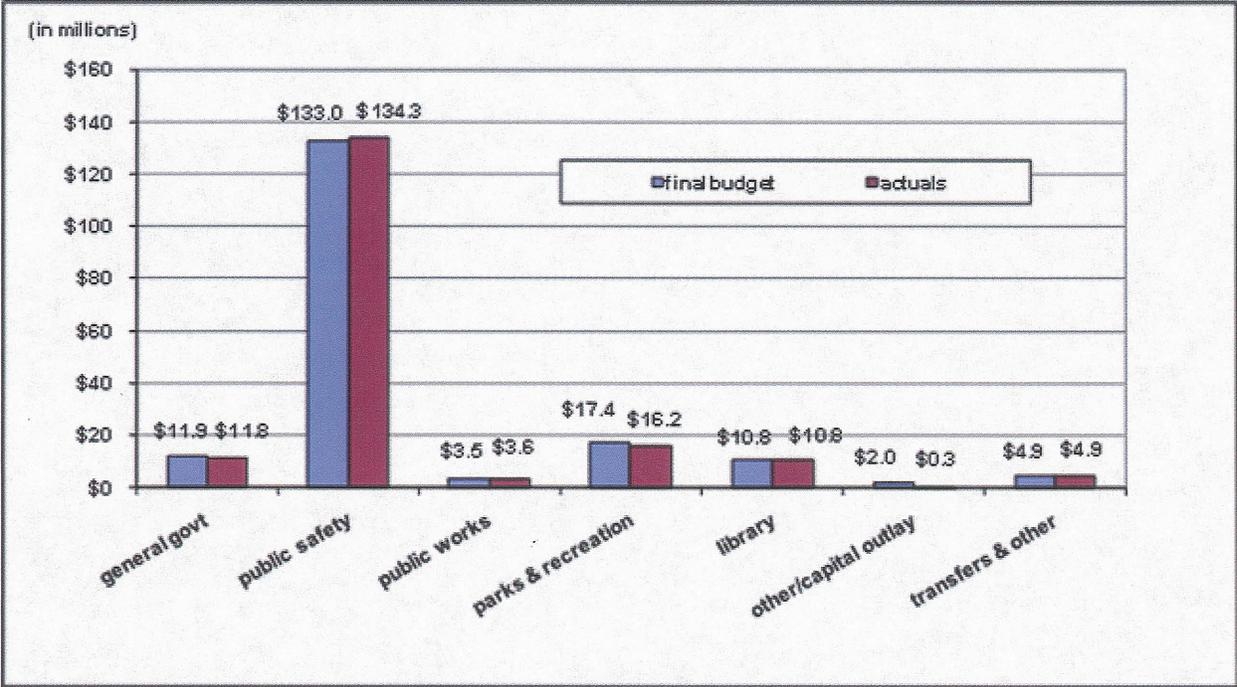
**FY 2009-10 General Fund (Merged) Original and Final Budget Expenditures by Services Program**



A variety of cost reduction measures were implemented in FY 2009-10 that crossed service areas. These measures included the renegotiation of bargaining unit labor agreements, implementation of the CalPERS 2-Year Golden Handshake early retirement incentive program, 12 furlough days for all City employees including public safety personnel, a hiring freeze of all City positions including public safety, and a reduction of hours in City operations. Reductions to internal service fund rates paid by General Fund departments were also executed, reducing expenditure levels in operating departmental funds across the City, yet increasing the prior year levels of net asset deficits, especially adversely impacting the financial position of the City's employee benefit internal service funds. Reductions in specific City programs were also implemented across the City's citizen services base.

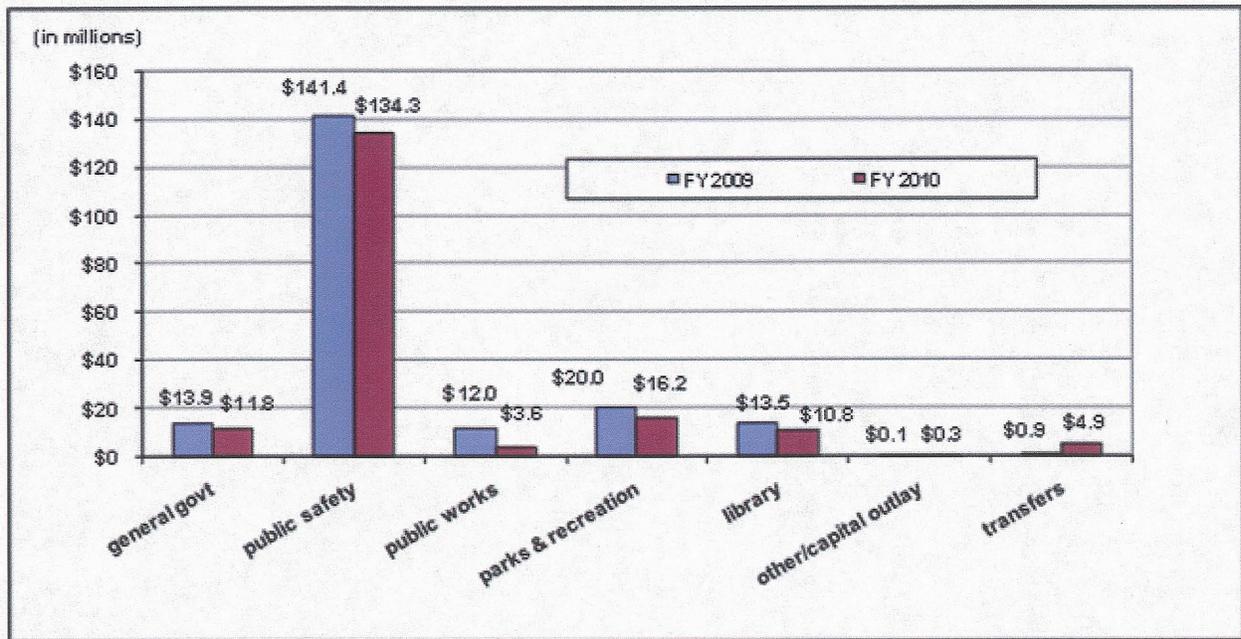
Total actual expenditures and transfers came in \$1.7 million below the final budget, or at \$181.8 million, primarily due to lower spending parks and recreation and capital outlay. Towards the end of the fiscal year out of concern that the Fire Department's expenditure levels would cause the total General Fund budget to be exceeded, the City Council authorization in its FY 2010-11 budget resolution up to \$6.0 million in additional budget authority retroactively to FY 2009-10 to cover overspending by the Fire Department. All the same, public safety services program expenditures exceeded their final budget by \$1.35 million.

**FY 2009-10 General Fund (Merged) Final Budget vs. Actual Expenditures by Services Program**



The following graph illustrates how General Fund actual expenditures are distributed amongst the six functional categories of an organization, with prior year actual expenditures comparative data. Total expenditures in fiscal year 2010 of \$181.8 million were \$19.9 million lower than the prior fiscal year. The largest cost reduction was in public works which was cut by \$8.4 million, or 70%. The second largest expenditure reduction was in public safety by \$7.1 million, or 5%. This category was reduced compared to the prior year by \$6.5 million. The remaining reductions are found in general government, parks and recreation, libraries which made up the \$8.5 million in reductions. These reductions are slightly offset by the \$4.047 million in additional transfers in fiscal year 2010.

**General Fund (Merged) Expenditures Actual by Services Program FY 2008-09 vs. FY 2009-10**



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets net of depreciation expense for its governmental and business-type activities as of June 30, 2010 amounts to \$1.4 billion. 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 \$86.6 million or 6.6%. This represented a 4.4% increase for governmental activities and a 9.7% increase for business-type activities, as shown in the following table.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$52,279	\$43,812	\$15,606	\$15,165	\$67,885	\$58,977
Intangible Assets	2,495	-	621	-	3,116	-
Building and Improvements	258,002	239,450	494,906	499,350	752,908	738,800
Machinery and Equipment	14,733	14,976	3,001	2,485	17,734	17,461
Infrastructure	327,076	324,427	-	-	327,076	324,427
Construction in Progress	154,926	152,620	78,900	23,612	233,826	176,232
<b>Total</b>	<b>\$809,511</b>	<b>\$775,285</b>	<b>\$593,034</b>	<b>\$540,612</b>	<b>\$1,402,545</b>	<b>\$1,315,897</b>

Construction in progress increased by \$57.6 million, or 32.7%, mostly in business type activities that comprised of \$55.3 million of the increase. The governmental activities' construction in progress had an increase of \$2.3 million, while there was a \$55.3 million increase in business-type activities' construction in progress which includes the Delta Water Supply Project, \$50.9 million, and the Arch Road Sanitary Sewer Force Main Project, \$1.4 million.

Land increased by \$8.9 million in fiscal year 2010, due to the contribution of \$3.5 million for the Arnaiz Field and purchases of \$5.4 million for street improvement projects and various other city programs. Building and improvements increased by \$14.1 million primarily due to the completion of several projects; (\$8.1 million) for the Stribley Park Community Center, (\$7.8 million) Panella Park Community Center, (\$1.8 million) for Fire Station #7. The governmental activities capital asset categories of infrastructure, intangible assets, and machinery and equipment had a combined increase of \$4.9 million in fiscal year 2010. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, implemented this fiscal year added \$3.1 million in permanent right of way easements.

Additional information on the City's capital assets can be found in Note 5-Capital Assets on pages 88-89 of this report.

### ***Long-term debt***

At the end of the fiscal year, the City's total outstanding net bonded debt is \$702.2 million. Of this amount, \$374.4 million is related to governmental activities and \$327.8 million are debt obligations of business-type activity funds. Governmental activities net bonded indebtedness increased by \$24.4 million due to decreases from principal payments and amortization of deferred charges and the addition of a new bond issue of \$34.3 million for the Public Facilities Impact Fee Fund during the fiscal year. Business-type activities net bonded indebtedness increased by \$168.2 million due to the addition of the new water revenue bond issue for the Delta Water Supply Project during the fiscal year and decreases related to principal payments and amortization of deferred charges.

Governmental outstanding net bonded debt of \$374.4 million includes \$12.1 million of lease revenue bonds for the City's Stewart/Eberhardt Building/Parking Structure, \$40.6 million of Series A (tax exempt) and B (taxable) Variable Rate Demand Lease Revenue Bonds for the acquisition of an office building and parking garage in downtown Stockton planned to be the new City administration Building, \$13.2 million of certificates of participation for various redevelopment housing projects, \$125.0 million of pension obligation bonds, and the addition of new bonded indebtedness of \$34.3 in lease revenue bonds for various capital projects across the City in the Public Facility Impact Fee Fund. Bonded debt of the Redevelopment Agency is also reported as governmental activity debt, which includes \$47.6 million of revenue bonds for the Stockton Events Center-Arena and \$101.6 million of revenue bonds for various redevelopment and housing projects referred to as the Strong Neighborhoods Initiative (SNI).

Business-type activities outstanding net bonded debt obligations of \$327.8 million includes \$174.3 million in new revenue bonds of the Water Utility Fund for the Delta Water Supply Project, previously outstanding bonded debt of the Water Utility Fund of \$34.6 million, \$86.8 million in certificates of participation of the Wastewater Utility Fund, and \$32.1 million in lease revenue bonds in the Central Parking District Fund.

Additional information on the City's long-term debt can be found in Note 6-Long-Term Debt on pages 90-112 of this report.

### ***CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS***

The following items are currently known facts, decisions or conditions that management were aware of as of the date of the auditor's report and were considered in preparing the City's budget for the 2010-11 fiscal year. Also refer to Note 15 Subsequent Events.

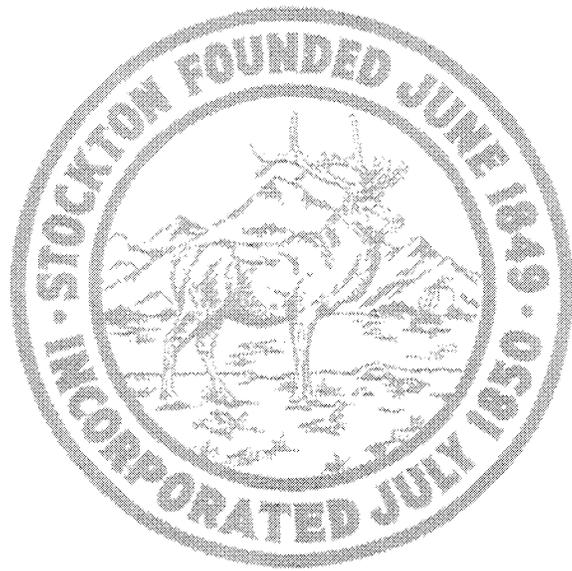
- The San Joaquin County Auditor-Controller has provided the City its estimate of the City's General Fund property tax revenues for fiscal year 2010. The estimate is \$1.2 million above the adopted original budget revenue estimate for FY 2010-11 due to conservative estimate assumptions performed the early part of calendar 2010. The County estimated that the assessed value of the City fell in 2010 by an estimated 11.7% to \$18.7 billion. In addition, the Redevelopment Agency anticipates a decrease of approximately 10% in tax increment receipts based on fiscal year 2009-10 actual revenues and due to the severe slow down of the real estate market and the revaluation by the San Joaquin County Assessor of all residential properties sold between 2002 and 2007 which occurred over the

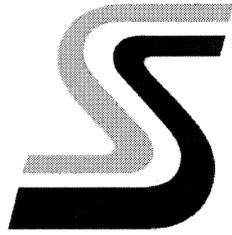
last three years as well as recent adjustments made to commercial property values based on appeals.

- Pursuant to an action taken by the State of California in the fourth extraordinary session of 2009, the Redevelopment Agency has to make an additional payment to the County's Supplemental Educational Revenue Augmentation Funds (SERAF) of \$1,888,751, for a two-year total of \$11,062,686, to be distributed to local schools in order for the State to meet its Prop 98 obligations to education. The California Redevelopment Association filed a lawsuit challenging the constitutionality of this State action, of which the results are expected to be concluded during the future fiscal year.

## ***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.

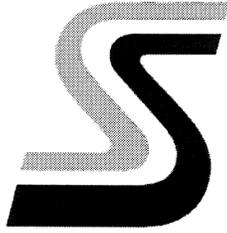




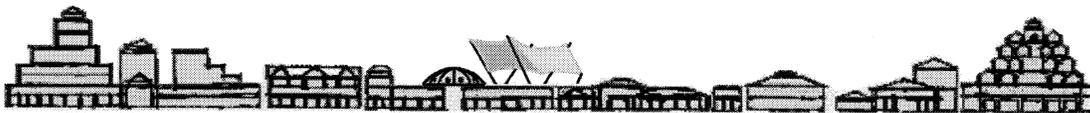
CITY OF STOCKTON



**BASIC FINANCIAL STATEMENTS**



CITY OF STOCKTON



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# CITY OF STOCKTON

## STATEMENT OF NET ASSETS

JUNE 30, 2010

(With comparative totals as of June 30, 2009)

(Dollar amounts in thousands)

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
<b>ASSETS</b>				
Cash and investments	\$ 132,972	\$ 45,193	\$ 178,165	\$ 191,754
Restricted cash and investments	61,626	167,763	229,389	125,113
Interest receivable	547	474	1,021	1,088
Accounts receivable, net	18,103	9,045	27,148	28,480
Internal balances	(6,265)	6,265	-	-
Due from other governments	19,995	-	19,995	20,306
Inventory of supplies	235	1,405	1,640	1,634
Other assets	1,600	-	1,600	1,036
Loans to property owners	93,991	-	93,991	83,206
Deferred charges	6,226	4,291	10,517	8,304
Pension asset	130,719	-	130,719	128,459
Capital assets:				
Nondepreciable	209,700	95,127	304,827	235,209
Depreciable, net	599,811	497,907	1,097,718	1,080,688
Total assets	1,269,260	827,470	2,096,730	1,905,277
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	12,161	15,366	27,527	21,222
Accrued payroll and benefits	3,794	-	3,794	3,854
Accrued interest	6,842	5,622	12,464	8,727
Deposits and other liabilities	2,214	2,451	4,665	3,536
Unearned revenue	5,670	-	5,670	6,147
Long-term liabilities:				
Due within one year	31,315	1,733	33,048	29,909
Due in more than one year	468,568	327,890	796,458	595,503
Pollution remediation liabilities	822	-	822	1,119
Net OPEB obligation	75,854	-	75,854	48,805
Total liabilities	607,240	353,062	960,302	718,822
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	612,914	402,215	1,015,129	1,012,326
Restricted for:				
Capital projects	53,221	30,751	83,972	88,882
Debt service	6,058	-	6,058	2,754
Loan programs	73,071	-	73,071	60,733
Low- and moderate-income housing	27,506	-	27,506	23,047
City-County library	512	-	512	4,286
Public safety	2,389	-	2,389	225
Street improvements	9,513	-	9,513	4,316
Special maintenance districts	10,004	-	10,004	8,928
Endowments:				
Nonexpendable	1,604	-	1,604	1,604
Expendable	398	-	398	358
Other purposes	4,379	-	4,379	2,638
Unrestricted	(139,549)	41,442	(98,107)	(23,642)
Total net assets	\$ 662,020	\$ 474,408	\$ 1,136,428	\$ 1,186,455

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, 2010 (With comparative totals for the year ended June 30, 2009) (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	\$ 30,765	\$ 11,387	\$ 537	\$ 750
Public safety	187,647	18,812	7,725	-
Public works	56,416	17,755	3,172	39,911
Library	12,767	504	5,694	-
Parks and recreation	22,309	6,464	123	-
Interest and fiscal charges	20,430	-	-	-
Total governmental activities	330,334	54,922	17,251	40,661
Business-type activities:				
Water utility	28,856	25,775	2,482	1,703
Wastewater utility	45,958	37,271	-	1,969
Stormwater utility	7,842	5,655	-	1,245
Central parking district	4,616	3,672	-	-
Other	2,394	1,701	-	-
Total business-type activities	89,666	74,074	2,482	4,917
<b>Total</b>	<b>\$ 420,000</b>	<b>\$ 128,996</b>	<b>\$ 19,733</b>	<b>\$ 45,578</b>

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

Gain from disposal of capital assets

Transfers

Total general revenues and transfers

Special items

Change in net assets

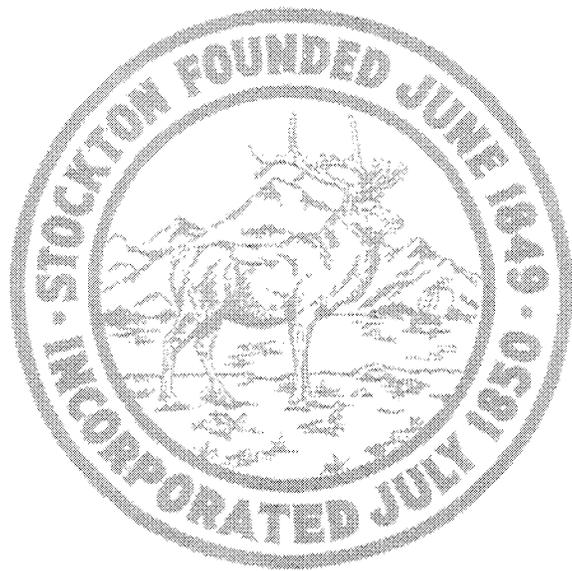
Net assets, beginning of year

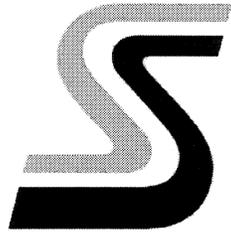
Net assets, end of year

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

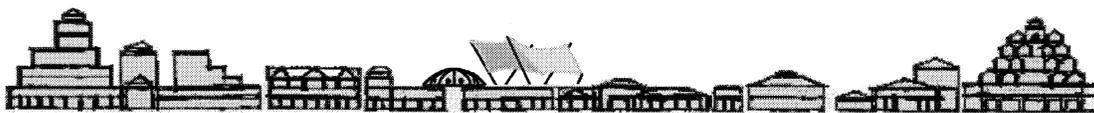
Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2010	2009
\$ (18,091)		\$ (18,091)	\$ (18,526)
(161,110)		(161,110)	(164,737)
4,422		4,422	11,058
(6,569)		(6,569)	(3,312)
(15,722)		(15,722)	(22,845)
(20,430)		(20,430)	(19,620)
<u>(217,500)</u>		<u>(217,500)</u>	<u>(217,982)</u>
	\$ 1,104	1,104	1,408
	(6,718)	(6,718)	(11,838)
	(942)	(942)	(1,487)
	(944)	(944)	(876)
	<u>(693)</u>	<u>(693)</u>	<u>(392)</u>
	<u>(8,193)</u>	<u>(8,193)</u>	<u>(13,185)</u>
<u>(217,500)</u>	<u>(8,193)</u>	<u>(225,693)</u>	<u>(231,167)</u>
45,549	-	45,549	58,640
7,087	-	7,087	9,823
30,717	-	30,717	30,854
7,652	-	7,652	7,921
11,354	-	11,354	11,608
9,717	-	9,717	9,699
1,749	-	1,749	1,962
559	-	559	702
203	1,095	1,298	1,300
20,468	-	20,468	23,459
28,856	-	28,856	31,245
361	-	361	370
5,927	4,192	10,119	17,179
172	-	172	722
8	-	8	127
<u>1,382</u>	<u>(1,382)</u>	<u>-</u>	<u>-</u>
171,761	3,905	175,666	205,611
<u>(288)</u>	<u>288</u>	<u>-</u>	<u>-</u>
(46,027)	(4,000)	(50,027)	(25,556)
<u>708,047</u>	<u>478,408</u>	<u>1,186,455</u>	<u>1,212,011</u>
<u>\$ 662,020</u>	<u>\$ 474,408</u>	<u>\$ 1,136,428</u>	<u>\$ 1,186,455</u>





CITY OF STOCKTON



**FUND FINANCIAL STATEMENTS**

## FUND FINANCIAL STATEMENTS

### **Governmental Fund Types**

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

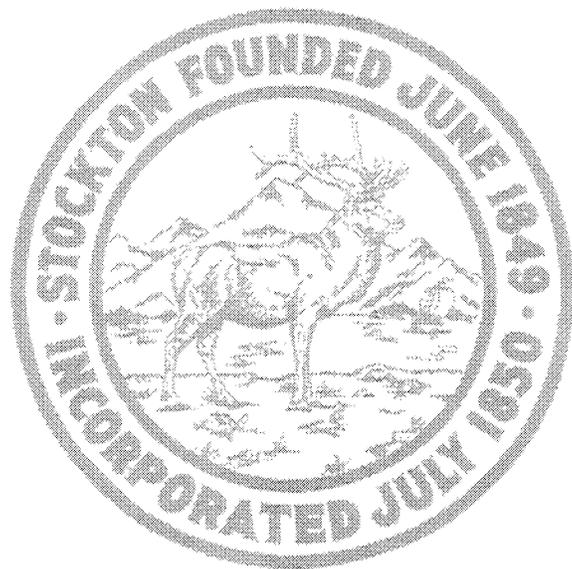
The City's major governmental funds are the General Fund and various capital projects funds. Capital projects funds are used to account for the financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition and development of capital facilities and other capital assets.

The City's major governmental funds include:

- ***General Fund***  
To account for resources not accounted for in another fund. The General Fund is the City's main operating fund reflecting transactions related to municipal governmental services supported by taxes, intergovernmental revenues, charges for services and other governmental type revenues.
  
- ***Public Facilities Impact Fees Capital Projects Fund***  
To account for the collection of and expenditure of fees imposed as a condition of new development within the City, in compliance with California Government Code Section 66006 (AB 1600).

Impact fees have been established for each of the following types of public facilities: Traffic signals, Street improvements, Community recreation center, City office space, Fire stations, Libraries, Police stations, Parkland, Street tree & street signs, Street light in-lieu, Air quality mitigation, and Public facilities fees - administration

- ***Capital Improvement Capital Projects Fund***  
To account for the acquisition, construction and improvement of capital facilities as required by City Council action or state law in which the projects are financed by grants, lease proceeds and transfers from other City governmental funds.
  
- ***Redevelopment Agency Capital Projects Fund***  
To account for the acquisition, relocation, demolition and sale of land for those portions of the City earmarked for redevelopment as approved by the City of Stockton Redevelopment Agency and the California Health and Safety Code Section 33670 et seq. Projects are financed from bond proceeds, loans from other city funds and property tax increment revenue.



## Proprietary Fund Types

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. There are two different types: enterprise funds and the internal service funds.

Enterprise funds are used to report activities for which a fee is charged to external users for goods and services.

The City's major enterprise funds include:

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

Internal service funds may be used to report any activity that provides goods and services on a cost-reimbursement basis to other City funds, departments, or agencies of the primary government and its component units, or to other governments. The City's internal service funds include: General Liability Insurance, Workers' Compensation Insurance, Employee Health Insurance, Retiree Health Insurance, Retirement Benefits, Other Benefits and Insurance, Vehicle Fleet Equipment, Computer Equipment, Radio Equipment, and Other Equipment funds.

## Fiduciary Fund Types

The fiduciary funds are used to report assets held in a trustee or agency capacity for others and which, therefore, cannot be used to support the government's own programs. The fiduciary fund category includes private-purpose trust funds and agency funds. The City reports a variety of fiduciary funds for land secure financing, developer area of benefit fees, pass-thru public facilities fees on behalf of other entities, funds held in trust as security for development projects, and various community enhancement programs the City administers on behalf of other entities.

# CITY OF STOCKTON

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

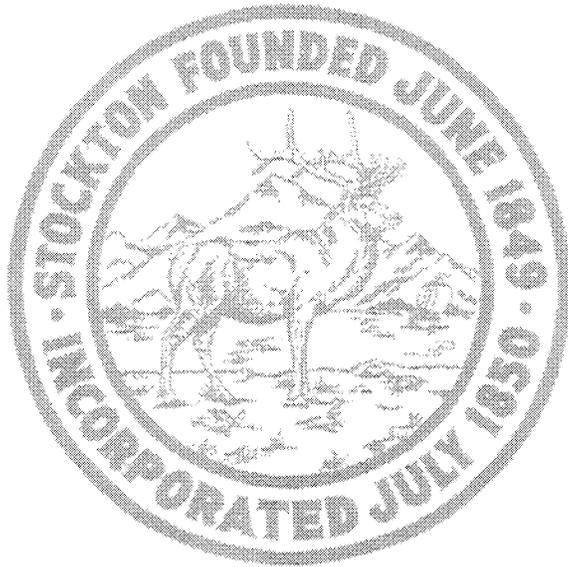
(With comparative totals as of June 30, 2009)

(Dollar amounts in thousands)

	General Fund	Public Facilities Impact Fees	Capital Improvement
<b>ASSETS</b>			
Cash and investments	\$ 12,571	\$ 57,814	\$ 5,113
Cash and investments with fiscal agents	-	5,308	1,331
Receivables:			
Interest	50	294	56
Accounts and other receivables	27,283	1,560	-
Allowance for uncollectibles	(12,064)	-	-
Due from other funds	3,678	-	5,173
Due from other governments	7,613	-	543
Allowance for uncollectibles	(16)	-	-
Prepaid items	842	-	-
Inventory of supplies	235	-	-
Deposits	685	-	-
Loans to other funds	11,406	1,107	19,429
Loans to property owners	-	-	-
Allowance for loan losses	-	-	-
Total assets	<u>\$ 52,283</u>	<u>\$ 66,083</u>	<u>\$ 31,645</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 2,637	\$ 672	\$ 698
Accrued payroll and benefits	3,794	-	-
Due to other funds	-	-	-
Due to other governments	805	-	30
Due to other agencies	97	-	-
Deposits and other liabilities	882	-	-
Deferred revenue	7,655	1,011	4,353
Loans from other funds	13,266	811	11,599
Total liabilities	<u>29,136</u>	<u>2,494</u>	<u>16,680</u>
<b>FUND BALANCES (DEFICITS):</b>			
Nonspendable	13,466	-	-
Restricted	2,100	53,163	1,033
Committed	1,851	15,386	21,482
Assigned	5,730	-	-
Unassigned	-	(4,960)	(7,550)
Total fund balances (deficit)	<u>23,147</u>	<u>63,589</u>	<u>14,965</u>
Total liabilities and fund balances (deficit)	<u>\$ 52,283</u>	<u>\$ 66,083</u>	<u>\$ 31,645</u>

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2010	2009
\$ 2,686	\$ 33,248	\$ 111,432	\$ 114,465
37,227	17,755	61,621	69,298
-	147	547	590
7	1,050	29,900	27,321
-	-	(12,064)	(8,563)
-	-	8,851	4,588
135	11,720	20,011	20,317
-	-	(16)	(16)
-	-	842	803
-	-	235	148
38	-	723	140
500	18,910	51,352	47,889
255	94,136	94,391	83,606
-	(400)	(400)	(400)
<u>\$ 40,848</u>	<u>\$ 176,566</u>	<u>\$ 367,425</u>	<u>\$ 360,186</u>
\$ 2,690	\$ 4,231	\$ 10,928	\$ 15,635
-	-	3,794	3,854
11,502	7,659	19,161	6,094
-	113	948	51
-	-	97	155
4	152	1,038	880
-	1,164	14,183	14,918
<u>32,853</u>	<u>-</u>	<u>58,529</u>	<u>56,349</u>
<u>47,049</u>	<u>13,319</u>	<u>108,678</u>	<u>97,936</u>
-	1,604	15,070	13,875
12,423	161,571	230,290	215,318
2,717	27,881	69,317	65,663
-	1,815	7,545	9,239
<u>(21,341)</u>	<u>(29,624)</u>	<u>(63,475)</u>	<u>(41,845)</u>
<u>(6,201)</u>	<u>163,247</u>	<u>258,747</u>	<u>262,250</u>
<u>\$ 40,848</u>	<u>\$ 176,566</u>	<u>\$ 367,425</u>	<u>\$ 360,186</u>



# CITY OF STOCKTON

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS JUNE 30, 2010 (With comparative totals as of June 30, 2009) (Dollar amounts in thousands)

	<u>2010</u>	<u>2009</u>
Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances - total governmental funds	\$ 258,747	\$ 262,250
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		
Nondepreciable	209,700	196,432
Depreciable (net)	589,225	567,917
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	(93,047)	(47,353)
Various long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:		
Compensated absences	(20,331)	(17,995)
Pollution remediation	(822)	(1,119)
Bonds payable and other long-term debt	(288,303)	(258,539)
Unamortized bond discounts, premiums and deferred amount on refunding	(1,818)	(2,660)
Accrued interest payable	(4,496)	(3,831)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are:		
deferred in the governmental funds, or	8,513	8,771
not recorded in the governmental funds.	<u>4,652</u>	<u>4,174</u>
Net assets of governmental activities	<u>\$ 662,020</u>	<u>\$ 708,047</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, 2010 (With comparative totals for the year ended June 30, 2009) (Dollar amounts in thousands)

	General Fund	Public Facilities Impact Fees	Capital Improvement
<b>REVENUES:</b>			
Taxes:			
Property	\$ 29,170	\$ -	\$ -
In lieu of sales tax	7,087	-	-
Utility user	30,717	-	-
Sales - levied by City	-	-	-
Franchise fees	11,354	-	-
Business license	9,289	-	-
Hotel/motel room	1,749	-	-
Document transfer	559	-	-
Other	2	-	-
Licenses and permits	392	-	-
Intergovernmental:			
Federal grants and subsidies	55	-	329
Sales and use tax - levied by state	25,623	-	-
Other governmental	27,160	-	172
Charges for services	13,043	4,258	-
Fines and forfeitures	5,045	-	-
Use of money and property	7,082	44	219
Investment income:			
Interest income	888	1,890	337
Net increase (decrease) in fair value of investments	178	462	(6)
Refunds and reimbursements	2,300	259	142
Miscellaneous	6,091	-	-
Total revenues	<u>177,784</u>	<u>6,913</u>	<u>1,193</u>
<b>EXPENDITURES:</b>			
Current:			
General government	11,469	-	-
Public safety	133,901	-	-
Public works	3,541	-	-
Library	10,695	-	-
Parks and recreation	15,814	-	-
Capital outlay	60	23,942	4,246
Debt service:			
Principal retirement	-	-	-
Cost of issuance	177	639	30
Interest and fiscal charges	-	-	-
Total expenditures	<u>175,657</u>	<u>24,581</u>	<u>4,276</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,127</u>	<u>(17,668)</u>	<u>(3,083)</u>

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2010	2009
\$ 16,379	\$ -	\$ 45,549	\$ 58,640
-	-	7,087	9,823
-	-	30,717	30,854
-	7,652	7,652	7,921
-	-	11,354	11,608
-	428	9,717	9,699
-	-	1,749	1,962
-	-	559	702
-	201	203	234
-	3,865	4,257	4,335
-	25,650	26,034	12,976
-	3,233	28,856	31,245
1,936	18,511	47,779	53,498
-	8,873	26,174	31,462
-	45	5,090	4,499
18	4,599	11,962	13,234
151	1,655	4,921	9,224
(386)	183	431	2,151
1,160	1,325	5,186	4,113
27	2,331	8,449	13,429
<u>19,285</u>	<u>78,551</u>	<u>283,726</u>	<u>311,609</u>
1,764	8,585	21,818	24,272
-	18,813	152,714	163,339
-	10,488	14,029	16,113
-	346	11,041	12,485
-	2,134	17,948	22,376
29,170	26,776	84,194	105,384
29	11,710	11,739	3,973
-	-	846	99
186	12,337	12,523	11,938
<u>31,149</u>	<u>91,189</u>	<u>326,852</u>	<u>359,979</u>
<u>(11,864)</u>	<u>(12,638)</u>	<u>(43,126)</u>	<u>(48,370)</u>

(Continued)

# CITY OF STOCKTON

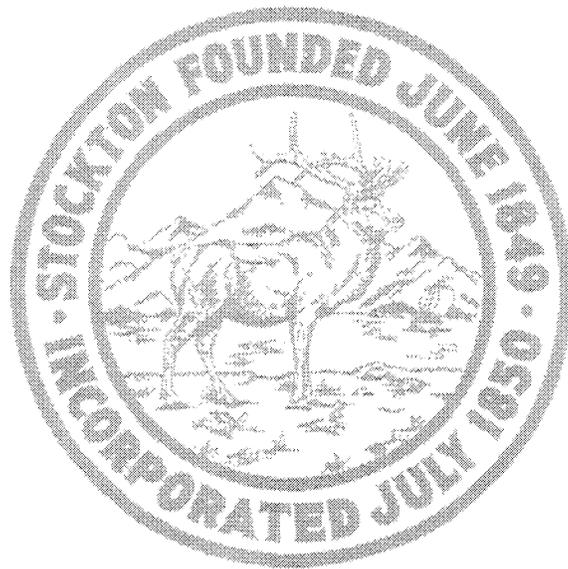
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2010 (With comparative totals for the year ended June 30, 2009) (Dollar amounts in thousands)

	General Fund	Public Facilities Impact Fees	Capital Improvement
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,127	(17,668)	(3,083)
OTHER FINANCING SOURCES (USES):			
Transfers in	2,528	-	47
Transfers out	(4,920)	(4,237)	-
Issuance of long-term debt		35,578	1,930
Sales of capital assets	-	-	-
Discount on debt issuances	-	(775)	-
Total other financing sources (uses)	(2,392)	30,566	1,977
SPECIAL ITEMS	(4,793)	-	(344)
NET CHANGE IN FUND BALANCES	(5,058)	12,898	(1,450)
FUND BALANCES, BEGINNING OF YEAR	28,205	50,691	16,415
FUND BALANCES (DEFICITS), END OF YEAR	\$ 23,147	\$ 63,589	\$ 14,965

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

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Redevelopment Agency	Other Governmental	Total Governmental	
		2010	2009
<u>(11,864)</u>	<u>(12,638)</u>	<u>(43,126)</u>	<u>(48,370)</u>
-	32,766	35,341	33,796
(23,458)	(1,742)	(34,357)	(33,126)
2,194		39,702	6,343
-	-	-	109
<u>-</u>	<u>-</u>	<u>(775)</u>	<u>-</u>
<u>(21,264)</u>	<u>31,024</u>	<u>39,911</u>	<u>7,122</u>
-	4,849	(288)	(8,736)
(33,128)	23,235	(3,503)	(41,248)
<u>26,927</u>	<u>140,012</u>	<u>262,250</u>	<u>312,234</u>
<u>\$ (6,201)</u>	<u>\$ 163,247</u>	<u>\$ 258,747</u>	<u>\$ 262,250</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, 2010 (With comparative totals for the year ended June 30, 2009) (Dollar amounts in thousands)

	<u>2010</u>	<u>2009</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental	\$ (3,503)	\$ (49,984)
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	48,549	73,213
Donated capital assets	5,233	5,630
Depreciation expense	(19,206)	(18,232)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, dispositions, etc.) is to decrease net assets.	-	(18)
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	(39,702)	(6,343)
Settlement obligation	(1,801)	-
Discount on debt issuances	775	-
Repayment of principal	11,739	3,973
Costs of issuance	846	99
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.	(45,694)	(36,751)
Revenues in the statement of activities previously recognized as revenue for amounts that were deferred in the governmental funds, as amounts did not represent current financial resources.	(258)	(425)
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	(2,336)	164
Change in pollution remediation liability	297	3,951
Amortization of bond discounts and premiums, costs of issuance, and deferred amount on refunding	(301)	(182)
Change in accrued interest	(665)	(540)
Change in net assets of governmental activities	<u>\$ (46,027)</u>	<u>\$ (25,445)</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, 2010

(With comparative totals as of June 30, 2009)

(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 35,990	\$ 2,735	\$ 1,633
Cash and investments with fiscal agents	3,741	-	-
Receivables:			
Interest	244	213	12
Accounts and other receivables	2,755	6,086	951
Allowance for uncollectibles	(428)	(478)	(171)
Advance Deposit	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventory of supplies	-	1,381	-
Prepaid expenses	-	-	-
Total current assets	<u>42,302</u>	<u>9,937</u>	<u>2,425</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	2,412	28,339	-
Cash and investments with fiscal agents	133,757	188	-
Loans to other funds	7,846	12,224	-
Loans receivable	-	-	-
Deferred charges	2,590	943	-
Pension asset	-	-	-
Capital assets, net:			
Nondepreciable	78,038	8,479	422
Depreciable, net	<u>93,487</u>	<u>323,394</u>	<u>51,780</u>
Total noncurrent assets	<u>318,130</u>	<u>373,567</u>	<u>52,202</u>
Total assets	<u>360,432</u>	<u>383,504</u>	<u>54,627</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	13,794	1,195	189
Due to other funds	-	-	-
Due to other governments	158	-	-
Deposits and other liabilities	2,086	18	9
Accrued interest	3,605	1,474	-
Capital lease obligation	-	-	-
Compensated absences - current	148	588	12
Self-insurance claims and judgments - current	-	-	-
Other long-term debt - current	702	-	-
Total current liabilities	<u>20,493</u>	<u>3,275</u>	<u>210</u>
Noncurrent liabilities:			
Loans from other funds	-	-	10,993
Compensated absences - long-term	80	348	11
Self-insurance claims and judgments - long-term	-	-	-
Capital lease obligations	-	-	-
Notes payable	477	-	-
Certificates of participation	-	86,792	-
Bonds payable	208,265	-	-
Net OPEB obligation	-	-	-
Total noncurrent liabilities	<u>208,822</u>	<u>87,140</u>	<u>11,004</u>
Total liabilities	<u>229,315</u>	<u>90,415</u>	<u>11,214</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	96,384	245,270	52,202
Restricted for capital projects	2,412	28,339	-
Restricted for debt service	-	-	-
Unrestricted	32,321	19,480	(8,789)
Total net assets	<u>\$ 131,117</u>	<u>\$ 293,089</u>	<u>\$ 43,413</u>

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2010	2009	2010	2009
\$ 821	\$ 273	\$ 41,452	\$ 32,165	\$ 21,540	\$ 45,124
-	-	3,741	-	-	-
3	2	474	498	-	-
430	130	10,352	11,352	305	549
(142)	(88)	(1,307)	(2,029)	(38)	(150)
-	-	-	-	30	-
-	-	-	-	14,025	1,650
-	-	-	5	-	-
-	24	1,405	1,486	-	-
-	-	-	-	-	-
-	-	-	-	5	-
<u>1,112</u>	<u>341</u>	<u>56,117</u>	<u>43,477</u>	<u>35,867</u>	<u>47,173</u>
-	-	30,751	35,343	-	-
3,067	-	137,012	19,624	5	848
847	-	20,917	20,281	530	2,180
-	-	-	93	-	-
758	-	4,291	2,502	1,574	1,628
-	-	-	-	130,719	128,459
7,828	360	95,127	38,777	-	-
<u>28,197</u>	<u>1,049</u>	<u>497,907</u>	<u>501,835</u>	<u>10,586</u>	<u>10,936</u>
<u>40,697</u>	<u>1,409</u>	<u>786,005</u>	<u>618,455</u>	<u>143,414</u>	<u>144,051</u>
<u>41,809</u>	<u>1,750</u>	<u>842,122</u>	<u>661,932</u>	<u>179,281</u>	<u>191,224</u>
39	149	15,366	3,427	1,233	2,160
-	382	382	144	3,333	-
-	-	158	68	-	-
180	-	2,293	2,247	131	135
543	-	5,622	2,539	2,346	2,357
-	-	-	-	314	-
21	9	778	517	2,268	3,614
-	-	-	-	13,467	11,653
<u>253</u>	<u>-</u>	<u>955</u>	<u>3,276</u>	<u>250</u>	<u>384</u>
<u>1,036</u>	<u>540</u>	<u>25,554</u>	<u>12,218</u>	<u>23,342</u>	<u>20,303</u>
2,013	1,264	14,270	14,001	-	-
28	-	467	351	384	553
-	-	-	-	46,110	41,713
-	-	-	-	1,978	2,293
-	-	477	545	-	-
-	-	86,792	89,632	-	-
31,889	-	240,154	66,777	124,660	124,910
-	-	-	-	75,854	48,805
<u>33,930</u>	<u>1,264</u>	<u>342,160</u>	<u>171,306</u>	<u>248,986</u>	<u>218,274</u>
<u>34,966</u>	<u>1,804</u>	<u>367,714</u>	<u>183,524</u>	<u>272,328</u>	<u>238,577</u>
6,950	1,409	402,215	400,551	8,294	9,194
-	-	30,751	35,343	-	-
-	-	-	65	5	848
(107)	(1,463)	41,442	42,449	(101,346)	(57,395)
<u>\$ 6,843</u>	<u>\$ (54)</u>	<u>\$ 474,408</u>	<u>\$ 478,408</u>	<u>\$ (93,047)</u>	<u>\$ (47,353)</u>

# CITY OF STOCKTON

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND

### NET ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

(With comparative totals for the year ended June 30, 2009)

(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 25,241	\$ 36,365	\$ 5,343
Miscellaneous	531	884	312
Total operating revenues	<u>25,772</u>	<u>37,249</u>	<u>5,655</u>
<b>OPERATING EXPENSES:</b>			
Operation and maintenance	6,582	21,277	2,481
General and administrative	2,433	8,817	3,803
Depreciation and amortization	2,426	10,994	1,558
Purchased water	8,532	-	-
Total operating expenses	<u>19,973</u>	<u>41,088</u>	<u>7,842</u>
OPERATING INCOME (LOSS)	<u>5,799</u>	<u>(3,839)</u>	<u>(2,187)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Taxes	-	-	-
Federal grants and subsidies	2,482	-	-
Investment income:			
Interest income	2,519	1,094	63
Net increase (decrease) in fair value of investments	449	(32)	(8)
Gain (loss) from disposal of capital assets	-	-	-
Interest expense and fiscal charges	(8,883)	(4,870)	-
Other non-operating revenues	3	22	-
Total non-operating revenues (expenses)	<u>(3,430)</u>	<u>(3,786)</u>	<u>55</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEMS	2,369	(7,625)	(2,132)
Capital contributions	1,703	1,969	1,245
Transfers in	-	7	-
Transfers out	(72)	(696)	(4)
SPECIAL ITEMS	<u>250</u>	<u>388</u>	<u>(350)</u>
CHANGE IN NET ASSETS	4,250	(5,957)	(1,241)
NET ASSETS (DEFICITS), BEGINNING OF YEAR	<u>126,867</u>	<u>299,046</u>	<u>44,654</u>
NET ASSETS (DEFICITS), END OF YEAR	<u>\$ 131,117</u>	<u>\$ 293,089</u>	<u>\$ 43,413</u>

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2010	2009	2010	2009
\$ 3,672	\$ 1,115	\$ 71,736	\$ 69,068	\$ 99,376	\$ 101,549
-	586	2,313	2,055	-	-
<u>3,672</u>	<u>1,701</u>	<u>74,049</u>	<u>71,123</u>	<u>99,376</u>	<u>101,549</u>
2,193	2,313	34,846	43,058	133,130	128,025
-	-	15,053	16,926	4,780	4,915
773	81	15,832	14,098	2,251	2,569
-	-	8,532	6,188	-	-
<u>2,966</u>	<u>2,394</u>	<u>74,263</u>	<u>80,270</u>	<u>140,161</u>	<u>135,509</u>
<u>706</u>	<u>(693)</u>	<u>(214)</u>	<u>(9,147)</u>	<u>(40,785)</u>	<u>(33,960)</u>
1,095	-	1,095	1,066	-	-
-	-	2,482	-	172	319
140	6	3,822	3,120	777	1,285
(35)	(4)	370	955	(202)	444
-	-	-	-	8	18
(1,650)	-	(15,403)	(8,466)	(6,941)	(6,960)
-	-	25	19	879	1,387
<u>(450)</u>	<u>2</u>	<u>(7,609)</u>	<u>(3,306)</u>	<u>(5,307)</u>	<u>(3,507)</u>
256	(691)	(7,823)	(12,453)	(46,092)	(37,467)
-	-	4,917	4,409	-	583
-	160	167	-	1,720	383
(777)	-	(1,549)	(803)	(1,322)	(250)
-	-	288	8,736	-	-
<u>(521)</u>	<u>(531)</u>	<u>(4,000)</u>	<u>(111)</u>	<u>(45,694)</u>	<u>(36,751)</u>
<u>7,364</u>	<u>477</u>	<u>478,408</u>	<u>478,519</u>	<u>(47,353)</u>	<u>(10,602)</u>
<u>\$ 6,843</u>	<u>\$ (54)</u>	<u>\$ 474,408</u>	<u>\$ 478,408</u>	<u>\$ (93,047)</u>	<u>\$ (47,353)</u>

# CITY OF STOCKTON

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

(With comparative totals for the year ended June 30, 2009)

(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 25,421	\$ 38,077	\$ 5,569
Receipts for interfund services provided	-	-	-
Payments to suppliers	(157)	(21,684)	(4,395)
Payments to employees	(5,853)	(7,163)	(1,151)
Payments for interfund services used	(262)	(1,852)	(787)
Net cash provided by (used for) operating activities	19,149	7,378	(764)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	-	7	-
Transfers out	(48)	-	(4)
Receipt of cash subsidies and federal grants	2,482	-	-
Advance deposits	-	-	-
Receipt of due to other funds	-	-	-
Repayment on advances from other funds	-	-	-
Due from other funds	-	-	-
Due to other funds	-	3	-
Advances to other funds	-	-	-
Due from other governments	-	-	-
Advances received from other funds	-	-	-
Proceeds from taxes	-	-	-
Net cash provided by (used for) noncapital financing activities	2,434	10	(4)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from sale of capital assets	-	-	-
Proceeds from capital lease financing	-	-	-
Proceeds from debt (including premium)	174,297	-	-
Principal paid on debt	(655)	(5,560)	-
Purchases of capital assets	(53,107)	(9,948)	(8)
Interest paid on debt	(9,286)	(4,717)	-
Capital contributions	1,437	1,373	-
Net cash provided by (used for) capital and related financing activities	112,686	(18,852)	(8)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings	2,905	1,142	64
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>137,174</b>	<b>(10,322)</b>	<b>(712)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>38,726</b>	<b>41,584</b>	<b>2,345</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 175,900</b>	<b>\$ 31,262</b>	<b>\$ 1,633</b>

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2010	2009	2010	2009
\$ 3,712	\$ 1,673	\$ 74,452	\$ 69,586	\$ 2,749	\$ 2,745
-	-	-	-	97,637	100,640
(897)	(1,798)	(28,931)	(46,449)	(91,938)	(86,107)
(1,168)	(474)	(15,809)	(15,628)	(17,101)	(18,478)
(218)	(29)	(3,148)	(4,089)	(322)	(317)
<u>1,429</u>	<u>(628)</u>	<u>26,564</u>	<u>3,420</u>	<u>(8,975)</u>	<u>(1,517)</u>
-	160	167	-	1,000	383
(777)	-	(829)	(803)	(1,322)	(250)
-	-	2,482	-	172	319
-	-	-	-	(30)	-
-	240	240	14	-	-
(82)	-	(82)	(65)	-	-
-	-	-	-	(12,375)	(1,650)
-	-	3	-	-	-
-	-	-	-	-	(1,650)
5	-	5	-	-	-
-	-	-	510	4,983	-
1,095	-	1,095	1,061	-	-
<u>241</u>	<u>400</u>	<u>3,081</u>	<u>717</u>	<u>(7,572)</u>	<u>(2,848)</u>
-	-	-	-	8	18
-	-	-	-	-	2,431
-	-	174,297	-	-	-
(210)	-	(6,425)	(3,397)	(384)	(879)
-	-	(63,063)	(11,309)	(1,127)	(1,849)
(1,653)	-	(15,656)	(8,225)	(6,952)	(6,890)
-	-	2,810	1,596	-	-
<u>(1,863)</u>	<u>-</u>	<u>91,963</u>	<u>(21,335)</u>	<u>(8,455)</u>	<u>(7,169)</u>
<u>102</u>	<u>3</u>	<u>4,216</u>	<u>4,372</u>	<u>575</u>	<u>1,729</u>
(91)	(225)	125,824	(12,826)	(24,427)	(9,805)
<u>3,979</u>	<u>498</u>	<u>87,132</u>	<u>99,958</u>	<u>45,972</u>	<u>55,777</u>
<u>\$ 3,888</u>	<u>\$ 273</u>	<u>\$ 212,956</u>	<u>\$ 87,132</u>	<u>\$ 21,545</u>	<u>\$ 45,972</u>

(Continued)

# CITY OF STOCKTON

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2010 (With comparative totals for the year ended June 30, 2009) (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)	\$ 5,799	\$ (3,839)	\$ (2,187)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	2,426	10,994	1,558
Provision for uncollectible accounts	(527)	(69)	(182)
Other non-operating revenues	3	22	-
Changes in assets and liabilities:			
Accounts and other receivables	173	782	96
Prepaid expenses	-	-	-
Inventory of supplies	-	75	-
Loans receivable	-	93	-
Deferred charges	(1,981)	-	-
Pension asset	-	-	-
Accounts payable	12,980	(960)	(54)
Due to other governments	90	-	-
Deposits and other liabilities	132	(28)	(1)
Compensated absences	54	308	6
Self-insurance - claims and judgments	-	-	-
Net OPEB obligation	-	-	-
Net cash provided by (used for) operating activities	<u>\$ 19,149</u>	<u>\$ 7,378</u>	<u>\$ (764)</u>
<b>NONCASH TRANSACTIONS:</b>			
Net increase (decrease) in fair value of investments	\$ 449	\$ (32)	\$ (8)
Amortization of issuance discounts	14	27	-
Amortization of issuance premiums	4	-	-
Amortization of loss on refunding	17	253	-
Donation of capital assets	266	596	1,245
Costs of issuance paid from bond proceeds	-	-	-
Transfer of capital assets from (to) other funds	(24)	(696)	-
Change in accrued interest related to loans to other funds	250	386	351
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS:</b>			
Cash and investments	\$ 35,990	\$ 2,735	\$ 1,633
Cash with investments fiscal agents	3,741	-	-
Restricted assets:			
Cash and investments	2,412	28,339	-
Cash and investments with fiscal agents	<u>133,757</u>	<u>188</u>	<u>-</u>
Total cash and investments	<u>\$ 175,900</u>	<u>\$ 31,262</u>	<u>\$ 1,633</u>

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

Enterprise						
Central Parking District	Other	Totals		Internal Service		
		2010	2009	2010	2009	
\$ 706	\$ (693)	\$ (214)	\$ (9,147)	\$ (40,785)	\$ (33,960)	
773	81	15,832	14,098	2,251	2,569	
71	(16)	(723)	(313)	(112)	17	
-	-	25	19	879	1,387	
(31)	(20)	1,000	(1,205)	243	432	
-	-	-	-	(5)	-	
-	6	81	(252)	-	-	
-	-	93	(1)	-	-	
-	-	(1,981)	-	-	-	
-	-	-	-	(2,260)	(2,354)	
(36)	9	11,939	(295)	(927)	822	
-	-	90	(110)	-	-	
(57)	-	46	215	(4)	-	
3	5	376	411	(1,515)	(35)	
-	-	-	-	6,211	5,408	
-	-	-	-	27,049	24,197	
<u>\$ 1,429</u>	<u>\$ (628)</u>	<u>\$ 26,564</u>	<u>\$ 3,420</u>	<u>\$ (8,975)</u>	<u>\$ (1,517)</u>	
\$ (35)	\$ (4)	\$ 370	\$ 954	\$ (202)	\$ 104	
3	-	44	44	-	-	
-	-	4	5	-	-	
-	-	270	284	-	-	
-	-	2,107	2,813	-	179	
-	-	-	-	54	-	
-	-	(720)	-	720	-	
-	-	987	19,434	-	-	
\$ 821	\$ 273	\$ 41,452	\$ 32,165	\$ 21,540	\$ 45,124	
-	-	3,741	-	-	-	
-	-	30,751	35,343	-	-	
<u>3,067</u>	<u>-</u>	<u>137,012</u>	<u>19,624</u>	<u>5</u>	<u>848</u>	
<u>\$ 3,888</u>	<u>\$ 273</u>	<u>\$ 212,956</u>	<u>\$ 87,132</u>	<u>\$ 21,545</u>	<u>\$ 45,972</u>	

# CITY OF STOCKTON

## STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS JUNE 30, 2010

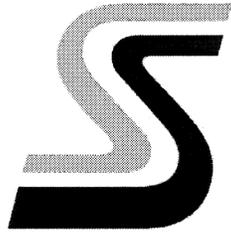
(With comparative totals as of June 30, 2009)

(Dollar amounts in thousands)

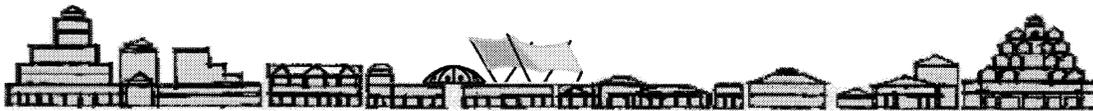
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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and investments	\$ 50,284	\$ 54,429
Cash and investments with fiscal agents	27,856	29,004
Receivables:		
Interest	286	347
Accounts and other receivables	<u>1,133</u>	<u>2,386</u>
Total assets	<u>\$ 79,559</u>	<u>\$ 86,166</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 394	\$ 44
Due to other governments	827	2,316
Deposits and other liabilities	<u>78,338</u>	<u>83,806</u>
Total liabilities	<u>\$ 79,559</u>	<u>\$ 86,166</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, 2010**

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# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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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, and building), sanitation (wastewater, and stormwater utilities), water utility, community development, public works, street maintenance and improvements, solid waste and recycling, libraries, parks and recreation, and general administrative services.

As required by accounting principles generally accepted in the United States (GAAP) and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, 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.

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. Each blended component unit has a June 30th year-end.

The Redevelopment Agency of the City (Agency) was formed in February 1975 to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City of Stockton. 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 a major 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 debt financing for the City's 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.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

Consistent with the National Council on Governmental Accounting (NCGA) Statement No. 5 and GASB Statement No. 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.

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 the County of San Joaquin (County). The City retains neither an on-going financial interest in, nor obligation to SJAFCA, therefore financial information for the SJAFCA 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 and business-type activities for the City. Fiduciary activities of the City are not included in 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 is 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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

---

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

The government-wide financial statements are reported using the *economic resources* measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary 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. Agency funds report only assets and liabilities, and, therefore, do not have a measurement focus. Agency funds, however, use the accrual basis of accounting to recognize receivables and payables.

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. 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 property taxes, sales and use tax, 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.

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.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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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.

With respect to both the business-type activities in the government-wide financial statements and the proprietary fund financial statements of the City, as required by GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City continues to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The City has elected under GASB Statement No. 20 not to apply all FASB Statements and Interpretations issued after November 30, 1989.

On the government-wide financial statements, as a general rule the effect of interfund activity has been eliminated. 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.

Proprietary funds distinguish *operating* from *non-operating* revenues and expenses. 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.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

On the government-wide financial statements, 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.

#### *Fund Descriptions*

##### **Special Revenue Funds**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted, committed revenues should be the foundation for a special revenue fund. Restricted or committed specific revenue sources should comprise a substantial portion of fund's resources, but the fund also may include other restricted, committed, and assigned resources. Transfers into a fund are not considered to be revenue.

All of the City's special revenue funds are classified as nonmajor. A description of the purpose for each of the nonmajor special revenue funds, and their primary revenues or resources, is provided in the supplementary information nonmajor governmental funds section of this report.

##### **Capital Project Funds**

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

##### **Debt Service Funds**

Debt service funds are used to report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt.

##### **Enterprise Funds**

Activities are required to be reported as enterprise funds when (1) the primary revenue sources of the activity are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (2) laws or regulations require that the activity's cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (3) fees and charges are designed to recover the costs of the activity, including capital costs.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

---

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

#### ***Financial Statement Presentation***

The City's funds are categorized and reported by major and nonmajor funds based on criteria established pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In the 2009/10 fiscal year, the City reports the following major governmental funds:

***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, in compliance with California Government Code Section 66006 (AB 1600). Impact fees were established in July 1988 by Ordinance No. 56-88 C.S. for 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 remainder of the City's governmental funds are reported as nonmajor funds in the financial statements.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

---

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

The following funds comprise the City's nonmajor governmental funds:

**Special Revenue Funds** – Special Grants, Solid Waste and Recycling, Gas Tax, Measure K Streets Sales Tax, Measure W Public Safety Tax, Special Assessments, Low-Moderate Income Housing RDA Loans, Community Development Block Grant (CDBG) Programs, Neighborhood Stabilization Loan Program (NSLP), Housing Grant/Loan Programs, HOME Program, Emergency Communication, City Administration Building, Development Services, and Other Special Revenue funds;

**Debt Service Funds** – Redevelopment Agency and Stockton Public Financing Authority; and

**Permanent Fund** – Miscellaneous

Several financial statement presentation adjustments have been made in this report. The Community Development Block Grant (CDBG) Program Fund in this report is the combined or merged financial activities of the formerly presented Urban Development Action Grant, Community Development Block Grant, Community Development Loan, and CDBG Revolving Loan funds. Both the Low-Moderate Income Housing RDA Loans and the Housing Grant / Loan Programs funds presented in this report were formerly called the Redevelopment Agency Loan Fund and the Special Grants and Loan Programs Fund, respectively. These fund mergers and title changes were made to clarify the financial activities of these funds. Additionally, at the end of the current fiscal year, the Emergency Communication Fund was closed and combined with the General Fund due to discontinuation of the specific 911 fee revenue source previously dedicated for the activity recorded in this fund.

In the 2009/10 fiscal year, 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.

**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.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

**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.

The remainder of the City's enterprise funds are reported as nonmajor funds in the financial statements.

Additionally, the City reports the following fund types:

#### **Internal Service Funds**

Internal service funds are a type of proprietary fund used to report any activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

The City's internal service funds are the General Liability Insurance, Workers' Compensation Insurance, Employee Health Insurance, Retiree Health Insurance, Retirement Benefits, Other Benefits and Insurance, Vehicle Fleet Equipment, Computer Equipment, Radio Equipment, and Other Equipment funds. Several financial statement presentation adjustments have been made to the Internal Service Funds financial statement section of this report from the prior year. The former Health Benefits Insurance Fund is now presented as two separate funds; the Employee Health Insurance Fund and the Retiree Health Insurance Fund. Vehicle Fleet Equipment Fund was formerly named Central Garage Fund. The Other Benefits & Insurance Fund was formerly named the Other Benefits Fund. These changes and the separation of the financial activity of the health insurance function were made to clarify the financial activities of the respective funds.

#### **Agency Funds**

Agency Funds, a fiduciary fund type, are used 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. The agency funds are custodial in nature and do not involve measurement of results of operations.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

The City acts as an agent for individuals, private organizations and/or other governmental units such as for land secured financing, employee payroll withholdings, area of benefit fees, public facilities fees, and other miscellaneous items.

#### **Assets, Liabilities and Net Assets or Equity**

##### ***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 pooled 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, certain special revenue funds, debt service funds, capital projects funds, Water Utility Fund, Wastewater Utility Fund, Stormwater Utility Fund, Central Parking District 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 allocated to the General Fund as required by California Government Code.

For purposes of the statement of cash flows, the City reports as cash and cash equivalents all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, LAIF and other money market investments, and cash held by fiscal agents. Investments that are held with fiscal agents with a maturity greater than three months are not reported 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, 2010

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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 and payables are reported as “loans to other funds” and “loans 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.”

“Loans 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 include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). These assets are reported in the governmental or business-type activities of 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, improvements and intangible assets; \$50,000 for infrastructure, all of which must have 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 a capital asset, or materially extend the asset’s life, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects once 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 the net interest cost of funds borrowed to finance the construction of capital assets within the proprietary fund types. For the year ended June 30, 2010, there was \$3,605,000 in capitalized interest associated with construction in progress.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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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, other compensated leave, and sick leave 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 the 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 and proprietary fund financial statements.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

#### ***Long-Term Obligations***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, deferred amounts on refunding, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium, discount or deferred amount on refunding. Bond issuance costs are reported as deferred charges.

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 the 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.

#### ***Property Taxes***

Property taxes receivable are recorded in the fiscal year for which the tax is levied. In governmental funds, revenue is recognized when measurable and available. The 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, 2010

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

#### Proposition 1A

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$5,207,995.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (California Communities), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables. Under the Securitization Program, California Communities, acting solely as a conduit for the State of California, simultaneously purchased the Proposition 1A receivables and issued bonds (Prop 1A Bonds) to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

#### **Net Assets**

In the government-wide financial statements, net assets are reported in one of three categories:

- Invested in Capital Assets, Net of Related Debt – This category consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted Net Assets – External creditors, grantors, contributors, or laws or regulations of other governments restrict this amount.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

- **Unrestricted Net Assets** – This category consists of all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

The City’s government-wide statement of net assets reports \$208,502,000 of restricted net assets, of which \$96,095,000 is restricted for enabling legislation.

#### ***Fund Balance***

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard has substantially changed the categories and terminology used to describe the components of fund balance. As of June 30, 2009, the City categorized fund balances in the Balance Sheet as reserved and unreserved. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2010 and classified fund balances into the following five categories:

- **Nonspendable** – Amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund or (2) legally or contractually required to be maintained intact.
- **Restricted** – Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City has legislative restrictions on amounts collected and reported in the City’s various governmental funds. As a result, these restrictions have been classified as restricted for community development, debt service reserve, general government, housing projects/loans, libraries and arts, parks and recreation, public safety, redevelopment projects, solid waste/recycling and streets, transit and traffic.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

- Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the entity’s “highest level of decision-making authority”; which the City considers to be the Stockton City Council governing body legislative actions. This level of approval has been reported in the governmental funds in establishing the commitments within the various functional categories.
- Assigned – Amounts that have been allocated by action of an official authorized by the Stockton City Council in which the City’s intent is to use the funds for a specific purpose. The City considers this level of authority to be with the City Manager of the City of Stockton.
- Unassigned – Amounts that constitute the residual balances that have no restrictions placed upon them. As restrictions exceed available resources at June 30, 2010, only deficit amounts are reported in the unassigned category.

The City reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The City reduced committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Additional information concerning the nature of the City’s fund balances pursuant to GASB Statement No. 54 is provided in Note 8 – Fund Balance, beginning on page 113.

#### ***Accounting for Escheat Property***

The City is in compliance with GASB Statement No. 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ***Comparative Data***

The fiscal year 2008/09 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 GAAP.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

#### ***New Pronouncements***

Effective July 1, 2009, the City implemented the following new governmental accounting standards issued by the GASB:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes more specific guidance for accounting and financial reporting in the areas of recognition, initial measurement, and amortization of intangible assets. Intangible assets include, but are not limited to, water rights, easements, timber rights, patents, trademarks and computer software. As a result of this statement, permanent right of way easements have been separately reported in the City's footnotes and added to the City's capital assets. Refer to Note 5 – Capital Assets for more information.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The City evaluated its financial debt and investment contracts and concluded the City does not have any derivative instruments. As such, this statement had no effect on the City's financial statements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 improves the financial reporting by providing fund balance categories and classifications that are more easily understood. The reserved components of fund balance are eliminated and replaced with restricted, committed, assigned, or unassigned classifications to enhance the consistency between the information reported in the government-wide and the governmental fund financial statements to avoid confusion about the relationship between reserved fund balance and restricted net assets. The fund balance disclosures seek to give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. The City's report includes an early implementation of this statement. Additional information on the fund balances of the City GASB Statement No. 54 is provided in Note 8 – Fund Balance, beginning on page 113.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

As a result of the implementation of GASB Statement No. 54, the City evaluated each of its governmental funds at June 30, 2010, which resulted in a reclassification of funds within the governmental fund types for fiscal year 2009/10. The City/County Library, Recreation Services, and Boat Launching Facilities, previously reported as special revenue funds, have been combined with the City's General Fund for financial statement presentation purposes because a substantial portion of the revenue sources recorded in these funds do not meet the definition of being restricted or committed to expenditures for specific purposes, as defined by GASB Statement No. 54.

### 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), statement of net assets (proprietary funds), and statement of fiduciary net assets (agency funds) as "cash and investments."

Summary of carrying amounts at June 30, 2010 (dollar amounts in thousands):

Deposits	\$ 17,679
Investments	468,015
Total cash and investments	<u>\$ 485,694</u>
Presented in the government-wide statement of net assets:	
Cash and investments	\$ 178,165
Restricted cash and investments	229,389
Presented in the statement of fiduciary net assets:	
Cash and investments	50,284
Cash and investments with fiscal agents	27,856
Total cash and investments	<u>\$ 485,694</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 2. CASH AND INVESTMENTS (Continued)

**Deposits** – At June 30, 2010, the recorded amount of the City’s deposits was \$17,679,108; and the bank balance was \$20,044,297. The bank balance and carrying amount differ due to deposits in transit of \$2,386,314 and outstanding checks of \$4,751,503.

The bank balances were entirely insured or collateralized at June 30, 2010. Section 53652 of the California Government Code requires financial institutions to secure a state or local governmental entity’s deposits, in excess of insured amounts, by pledging government securities in an undivided collateral pool held by the depository regulated under state law as collateral. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by all public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of secured public deposits.

**Investments** – California statutes, the City’s investment policy and individual bond documents authorize the investment of funds in the following instruments:

- Securities of the U.S. Government, or its agencies
- Local agency obligations (including the City of Stockton\*)
- Certificates of deposit
- Negotiable certificates of deposit
- Bankers acceptances
- Commercial paper
- Local Agency Investment Fund (LAIF) deposits - State pool
- Repurchase agreements
- Demand accounts - insured/collateralized
- Money market mutual funds
- Medium term notes
- Guaranteed investment contracts (GICs)

\*When permitted by IRS and SEC Rulings

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 investments in LAIF in the amount of \$39,995,351. The total amount invested by all public agencies in LAIF at June 30, 2010 was \$23.3 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2010 was \$69.4 billion. Of this amount, 2.78% is invested in short-term asset backed commercial paper, and 2.64% is invested in structured notes and medium-term asset backed securities. PMIA is not SEC-registered, but is required to invest according to California Government Code. The average maturity of PMIA investments was 203 days as of June 30, 2010.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 2. CASH AND INVESTMENTS (Continued)

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by California 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.

**Guaranteed Investment Contracts** - The City has entered into nonparticipating guaranteed investment contracts (GICs), which are authorized under bond documents as outlined in the City's investment policy.

GICs are non-marketable interest bearing agreements with or guaranteed by certain financial institutions. The agreements provide for a guaranteed return on principal over a specified period. A GIC is a general obligation instrument issued by a financial institution, subject to applicable legal restrictions. The City's investments in GIC's represent proceeds from bond issues that have been set aside (held for the benefit of the bondholders) as debt service reserves and proceeds of bonds that have been invested until used on the projects being financed. The investment contracts holding debt service reserves are held long-term and bear interest ranging from 1.86% to 5.33%, while project funds are invested short-term with rates ranging from 0.42% to 0.94%. All of the investment contracts are collateralized by investments, with \$7,819,856 collateralized at 104% to 105%, as set forth in the legal agreements.

#### **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 five years. The exceptions to this policy are that U.S. Treasury or U.S. Agency securities may be used for investments greater than five years and investment in variable rate obligations of the City of Stockton is permissible when allowed by the IRS and SEC. 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 minimum rating of A-1/P. Banker's acceptances 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, providing credit standards for its investments.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

### 2. CASH AND INVESTMENTS (Continued)

*Custodial Credit Risk* – For an investment, custodial credit risk refers to the event in which the custodial bank (outside party) in possession of an investment security fails to supply the value of investments or collateral securities to the City upon demand. All securities, with the exception of the money market mutual 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.

As of June 30, 2010, the ratings of the City’s investments in U.S. Treasuries, U.S. Agencies, money market mutual funds, and tax-exempt municipal bonds range from AA to AAA by Standard and Poor’s, and Aa2 to Aaa by Moody’s Investors Service. Medium term notes have ratings ranging from A- to AAA from Standard and Poor’s and A3 to Aaa by Moody’s. Commercial paper is rated A-1+ by Standard and Poor’s and P-1 by Moody’s. LAIF, Negotiable certificates of deposits, and GIC’s are not rated. The City’s repurchase agreement is rated A-1+ by Standard and Poor’s and is not rated by Moody’s. Investments of bond proceeds permitted under bond covenants are included in the above ratings.

A summary of investments by category and maturity at June 30, 2010 is as follows (dollar amounts in thousands):

Investment Type	Fair Value	Investment Maturities			
		1 year or less	1-3 years	3-5 years	5 years or more
U. S. Agencies	\$ 96,143	\$ 7,061	\$ 52,326	\$ 36,756	\$ -
U. S. Treasuries	32,263	-	31,121	1,052	90
Medium term notes	33,659	2,008	4,116	27,535	-
Medium term notes (FDIC Insured)	37,953	-	37,953	-	-
LAIF	39,995	39,995	-	-	-
Money market mutual funds	72,880	72,880	-	-	-
Negotiable CD's	537	-	537	-	-
Tax exempt municipal bonds	1,899	-	-	1,203	696
Repurchase agreement	16,124	16,124	-	-	-
GICs	136,562	107,054	5,992	13,721	9,795
<b>Total</b>	<b>\$ 468,015</b>	<b>\$ 245,122</b>	<b>\$ 132,045</b>	<b>\$ 80,267</b>	<b>\$ 10,581</b>
Allocation by percentage	100	52	28	17	3

The weighted average maturity of the portfolio was 2.28 years.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 2. CASH AND INVESTMENTS (Continued)

**Restricted Cash and Investments** – Certain proceeds of proprietary fund and government-wide certificates of participation (COP), revenue bonds, bonds payable, and other long-term liabilities are classified as restricted cash and investments on the statement of net assets as their use is limited by applicable indentures or covenants. These covenants provide that these funds, 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 require. These ordinances, resolutions, and indentures are generally more restrictive than the City’s general investment policy. In no instance have additional types of investments, not permitted by the City’s general investment policy, been authorized. The major part of this restriction is for the construction or acquisition of facilities, but also includes reserves for payment of debt service as required by the bond indentures.

At June 30, 2010, restricted cash and investments and restricted cash and investments with fiscal agents are as follows (dollar amounts in thousands):

<b>Governmental activities</b>	<u>\$ 61,626</u>
<b>Business-type activities</b>	
Water Utility	136,169
Wastewater Utility	28,527
Central Parking District	<u>3,067</u>
Total	<u>167,763</u>
	<u><u>\$ 229,389</u></u>

**CITY OF STOCKTON**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2010**

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**3. INTERFUND RECEIVABLES / PAYABLES**

Interfund receivables and payables are as follows at June 30, 2010:

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

		<u>Receivable Funds</u>			
		<u>General Fund</u>	<u>Capital Improvement</u>	<u>Internal Service Funds</u>	<u>Total</u>
<b>Payable Funds</b>	Redevelopment				
	Agency	\$ -	\$ 2,460	\$ 9,042	\$ 11,502
	Other Governmental	3,435	2,574	1,650	7,659
	Other Enterprise	243	139	-	382
	Internal Service Fund	-	-	<u>3,333</u>	<u>3,333</u>
	<b>Total</b>	<u>\$ 3,678</u>	<u>\$ 5,173</u>	<u>\$ 14,025</u>	<u>\$ 22,876</u>

“Due to” and “due from” balances have primarily been recorded when individual 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, 2010**

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

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

		Payable Funds							Total
		General	Public Facilities Impact Fees	Capital Improvement	Redevelopment Agency	Stormwater Utility	Central Parking District	Other Enterprise	
Receivable Funds	General	\$ -	\$ -	\$ -	\$ 728	\$ 10,195	\$ 483	\$ -	\$ 11,406
	Public Facilities Impact Fees	-	-	-	107	-	1,000	-	1,107
	Capital Improvement	-	811	-	17,056	798	-	764	19,429
	Redevelopment Agency	-	-	-	-	-	-	500	500
	Other Governmental	4,849	-	-	14,061	-	-	-	18,910
	Water Utility	5,036	-	2,810	-	-	-	-	7,846
	Wastewater Utility	3,381	-	8,789	54	-	-	-	12,224
	Central Parking District	-	-	-	847	-	-	-	847
	Internal Service Funds	-	-	-	-	-	530	-	530
	<b>Total</b>	<b>\$ 13,266</b>	<b>\$ 811</b>	<b>\$ 11,599</b>	<b>\$ 32,853</b>	<b>\$ 10,993</b>	<b>\$ 2,013</b>	<b>\$ 1,264</b>	<b>\$ 72,799</b>

“Loans to” and “loans from” balances represent loan activity between various funds. The \$728,000 is a loan from the General Fund to the Redevelopment Agency for various project areas. The \$10,195,000 is a loan from the General Fund to the Stormwater Utility for subsidizing its operations established as a result of the MuniFinancial *Review of General Fund Cost Recovery from Utility Funds Report* (dated October 6, 2008), accepted by the Court and City Council (refer to Note 14-Special Items of the financial statements for more detailed information).

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

The \$483,000 loan from the General Fund to the Central Parking District is for settlement costs of property acquired through eminent domain.

The \$1,000,000 loan from Public Facilities Impact Fees to Central Parking District is for construction costs of new parking structures.

The \$107,000 loan from the Public Facilities Impact Fees to the Redevelopment Agency represents permit fees deferred under the Enterprise Zone Deferral Program.

The \$811,000 loan from Capital Improvement to Public Facilities Impact Fees is for construction costs for community centers. The \$17,056,000 from Capital Improvement to the Redevelopment Agency represents loans for various project areas. The \$798,000 from Capital Improvement to Stormwater Utility represents loans to subsidize operations established as a result of the Howard Jarvis v. City of Stockton lawsuit settlement of March 2009 (refer to Note 14 – Special Items of the financial statements for more detailed information). The \$764,000 loan from the Capital Improvement Fund to the Golf Courses Fund is for the Swenson irrigation system project.

The \$500,000 loan from the Redevelopment Agency to the Downtown Marina (Other Enterprise) Fund is to fund operating start up costs of the Marina Complex.

The \$4,849,000 represents a loan from the Development Services Fund to the General Fund to reimburse the Development Services Fund for discounted development fees for projects located in the enterprise development zone from fiscal years 2002-03 through 2007-08. The \$14,061,000 represents loans in the amount of \$197,000 from the Development Services Fund, \$13,864,000 from the CDBG Programs Fund to the Redevelopment Agency to provide funds for various project areas.

The \$5,036,000 is a loan from the Water Utility to the General Fund for subsidizing its operations established as a result of the Howard Jarvis v. City of Stockton lawsuit settlement of March 2009. The \$2,810,000 is a loan from the Water Utility to Capital Improvement for subsidizing its operations established as a result of the Howard Jarvis v. City of Stockton lawsuit settlement of March 2009. (Refer to Note 14 – Special Items of the financial statements for more detailed information.)

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

The \$3,381,000 and \$8,789,000 is a loan from the Wastewater Utility to the General Fund and Capital Improvement fund, respectively, for subsidizing its operations established as a result of the Howard Jarvis v. City of Stockton lawsuit settlement of March 2009 (refer to Note 14 – Special Items of the financial statements for more detailed information). The \$54,000 is a loan from the Wastewater Utility to the Redevelopment Agency for various project areas.

The \$847,000 is a loan from the Central Parking District to the Redevelopment Agency for the Waterfront Redevelopment Project Area.

The \$530,000 loan from the General Liability Insurance Fund to the Central Parking District is for settlement costs of property acquired through eminent domain.

### 4. TRANSFERS

Transfers for the year ended June 30, 2010 are as follows (dollar amounts in thousands):

		<b>Transfers In</b>						<b>Total</b>
		<b>General</b>	<b>Capital Improvement</b>	<b>Other Governmental</b>	<b>Wastewater Utility</b>	<b>Other Enterprise</b>	<b>Internal Service</b>	
<b>Transfers Out</b>	General	\$ -	\$ 2	\$ 3,758	\$ -	\$ 160	\$ 1,000	\$ 4,920
	Public Facilities Impact Fees	-	-	4,237	-	-	-	4,237
	Redevelopment Agency	-	-	23,458	-	-	-	23,458
	Other Governmental	451	-	1,291	-	-	-	1,742
	Water Utility	-	45	-	3	-	24	72
	Wastewater Utility	-	-	-	-	-	696	696
	Stormwater Utility	-	-	-	4	-	-	4
	Central Parking District	777	-	-	-	-	-	777
	Internal Service Funds	1,300	-	22	-	-	-	1,322
	<b>Total</b>	<b>\$ 2,528</b>	<b>\$ 47</b>	<b>\$ 32,766</b>	<b>\$ 7</b>	<b>\$ 160</b>	<b>\$ 1,720</b>	<b>\$ 37,228</b>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 4. TRANSFERS (Continued)

During the year various interfund transfers were made to finance expenditures, subsidize operating losses and service debt. The \$4,920,000 General Fund transfers out include \$2,722,000 to the Gas Tax Fund for street repair and maintenance, \$777,000 to the Stockton Public Financing Authority (SPFA) Debt Service Fund, and \$258,000 to the Special Grants Fund to match funds on specific grant projects. The transfer out of \$160,000 from the General Fund to the Golf Courses Fund was to cover accumulated deficits. Additionally, the \$1,000,000 transfer out from the General Fund to the Other Benefits and Insurance Internal Service Fund is a one-time transfer to fund City employee separation costs resulting from the City Council's measures to reduce the City workforce due to budget shortfalls.

The General Fund received transfers in of \$451,000 from the Emergency Communications Fund as a result of the closure of the Emergency Communications Fund due to the loss of its specific 911 fee revenue source and the consolidation of its residual fund balance with the General Fund, and \$777,000 from the Central Parking District for an operating subsidy related to the General Fund policing functions of the Stewart Eberhardt Building / Parking Structure.

An additional transfer in of \$1,300,000 from the Computer Equipment Internal Service Fund to the General Fund is for one-time funding of an escrow account to be used for the cost associated with the negotiated termination of the contract with IFG Management Group responsible for the management of the Stockton Events Center and Arena.

The Public Facilities Impact Fees Fund transfer out amounting to \$4,237,000 to the Stockton Public Financing Authority Debt Service Fund is for debt service principal and interest payments and reserves for the Capital Improvement Lease Revenue Bond 2009, Series A.

The \$23,458,000 Redevelopment Agency Capital Project Fund transfer out includes \$6,409,000 to the Low-Moderate Income Housing RDA Loan Fund to provide loans for neighborhood revitalization and improve housing affordability; \$16,413,000 to the Redevelopment Agency Debt Service Fund, and \$636,000 to the Stockton Public Financing Authority Debt Service Fund for the payment of principal and interest on outstanding debt.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 4. TRANSFERS (Continued)

Transfers out of \$1,291,000 from the Other Governmental Funds include \$842,000 from the City Administration Building Fund to the Stockton Public Financing Authority (SPFA) Debt Service Fund for principal and interest debt service payments on the 2007 Variable Rate Demand Obligation Revenue Bonds, Series A and B, \$290,000 from CDBG Grant Fund to the CBBG Loan Fund to reclassify property owner project expenditures as project loans, and \$159,000 from various Other Governmental Funds to Other Governmental Funds for the reimbursement of miscellaneous expenditures.

The Water Utility Fund had transfers out of \$45,000 to Capital Improvement Fund for public art contributions, \$24,000 to the Vehicle Fleet Equipment Internal Service Fund for vehicle acquisitions, and \$3,000 to the Other Equipment Internal Service Fund to close out financial reporting of the Laboratory Services Fund.

The Stormwater Utility had a transfer out of \$4,000 to the Other Equipment Internal Service Fund related to the close out of the Laboratory Services Fund.

The Wastewater Utility Fund had a transfer out of \$696,000 to the Vehicle Fleet Equipment Internal Service Fund for vehicle acquisitions.

Finally, the Internal Service Funds had transfers out of \$1,322,000. The transfers include a one-time transfer of \$1,300,000 from the Computer Equipment Internal Service Fund to the General Fund for contract termination costs associated with the IFG Management Group managing the Stockton Events Center and Arena, and \$22,000 from the Vehicle Fleet Equipment Internal Service Fund to the Special Grants Fund for the reimbursement of costs for assets purchased from this fund.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

### 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 (dollar amounts in thousands):

	<b>Balance July 1, 2009</b>	<b>Acquisitions</b>	<b>Dispositions</b>	<b>Balance June 30, 2010</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 43,812	\$ 8,467	\$ -	\$ 52,279
Intangible assets-permanent easements	-	2,495	-	2,495
Construction in progress	152,620	40,413	(38,107)	154,926
Total capital assets, not being depreciated	<u>196,432</u>	<u>51,375</u>	<u>(38,107)</u>	<u>209,700</u>
Capital assets, being depreciated:				
Infrastructure	413,113	13,545	-	426,658
Buildings and improvements	299,815	26,258	-	326,073
Machinery and equipment	46,966	2,558	(28)	49,496
Total capital assets, being depreciated	<u>759,894</u>	<u>42,361</u>	<u>(28)</u>	<u>802,227</u>
Less accumulated depreciation for:				
Infrastructure	(88,686)	(10,896)	-	(99,582)
Buildings and improvements	(60,365)	(7,706)	-	(68,071)
Machinery and equipment	(31,990)	(2,773)	-	(34,763)
Total accumulated depreciation	<u>(181,041)</u>	<u>(21,375)</u>	<u>-</u>	<u>(202,416)</u>
Total capital assets, being depreciated, net	<u>578,853</u>	<u>20,986</u>	<u>(28)</u>	<u>599,811</u>
Governmental activities capital assets, net	<u>\$ 775,285</u>	<u>\$ 72,361</u>	<u>\$ (38,135)</u>	<u>\$ 809,511</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 15,165	\$ 441	\$ -	\$ 15,606
Intangible assets - permanent easements	-	621	-	621
Construction in progress	23,612	62,212	(6,924)	78,900
Total capital assets, not being depreciated	<u>38,777</u>	<u>63,274</u>	<u>(6,924)</u>	<u>95,127</u>
Capital assets, being depreciated:				
Buildings and improvements	681,895	11,045	-	692,940
Machinery and equipment	8,730	1,389	(728)	9,391
Total capital assets, being depreciated	<u>690,625</u>	<u>12,434</u>	<u>(728)</u>	<u>702,331</u>
Less accumulated depreciation for:				
Buildings and improvements	(182,545)	(15,489)	-	(198,034)
Machinery and equipment	(6,245)	(145)	-	(6,390)
Total accumulated depreciation	<u>(188,790)</u>	<u>(15,634)</u>	<u>-</u>	<u>(204,424)</u>
Total capital assets, being depreciated, net	<u>501,835</u>	<u>(3,200)</u>	<u>(728)</u>	<u>497,907</u>
Business-type activities capital assets, net	<u>\$ 540,612</u>	<u>\$ 60,074</u>	<u>\$ (7,652)</u>	<u>\$ 593,034</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 5. CAPITAL ASSETS (Continued)

Depreciation expense by functions and programs is as follows (dollar amounts in thousands):

<b>Governmental activities:</b>	
General government	\$ 4,995
Public safety	896
Public works	11,409
Library	79
Parks and recreation	1,828
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	2,168
Total depreciation expense - governmental activities	<u>\$ 21,375</u>
<b>Business-type activities:</b>	
Water utility	\$ 2,348
Wastewater utility	10,908
Stormwater utility	1,558
Central parking district	739
Golf courses	81
Total depreciation expense - business-type activities	<u>\$ 15,634</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

### 6. LONG-TERM DEBT

#### *Governmental Activities*

Summary of changes in governmental activities long-term liabilities for the year ended June 30, 2010 is as follows (dollar amounts in thousands):

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
<b>Governmental activities:</b>					
<b>Lease Revenue Refunding Bonds:</b>					
2006 Series A (Essential Services Building)	\$ 13,195	\$ -	\$ (355)	\$ 12,840	\$ 370
Deferred amount on refunding	(705)	-	32	(673)	(32)
Unamortized discount	(76)	-	3	(73)	(4)
<b>Lease Revenue Refunding Bonds:</b>					
2009 Series A Capital Improvement Bonds	-	35,080	-	35,080	-
Unamortized discount	-	(775)	21	(754)	(26)
<b>Variable Rate Demand Lease Revenue Bonds</b>					
2007 Series A	36,500	-	-	36,500	-
2007 Series B	4,270	-	(130)	4,140	140
<b>Total Lease Revenue Bonds</b>	<b>53,184</b>	<b>34,305</b>	<b>(429)</b>	<b>87,060</b>	<b>448</b>
<b>Certificates of Participation:</b>					
Series 2003A (Redevelopment Housing)	1,160	-	-	1,160	-
Series 2003B (Redevelopment Housing)	12,140	-	-	12,140	-
Unamortized discount	(79)	-	3	(76)	(3)
<b>Total Certificates of Participation</b>	<b>13,221</b>	<b>-</b>	<b>3</b>	<b>13,224</b>	<b>(3)</b>
<b>Pension Obligation Bonds:</b>					
2007 Series A	96,715	-	(130)	96,585	250
2007 Series B	28,325	-	-	28,325	-
<b>Total Pension Obligation Bonds</b>	<b>125,040</b>	<b>-</b>	<b>(130)</b>	<b>124,910</b>	<b>250</b>
<b>Other long-term obligations:</b>					
Notes payable:					
U.S. Dept. of Housing and Urban Development	22,390	-	(970)	21,420	1,200
California Housing Finance Agency	1,050	-	-	1,050	-
Loans payable:					
San Joaquin Council of Governments #1	5,453	-	(1,090)	4,363	1,091
San Joaquin Council of Governments #2	-	498	-	498	-
Capital Lease Obligation-Fire Vehicles	923	-	(53)	870	55
Capital Lease Obligation-Civic HVAC	-	1,930	-	1,930	152
Capital Lease Obligation-Citywide Communications	1,623	-	(201)	1,422	259
Estimated liability for self-insurance	53,366	50,621	(44,411)	59,576	13,467
Compensated absences	22,162	11,032	(10,212)	22,982	11,693
<b>Total other long-term obligations</b>	<b>106,967</b>	<b>64,081</b>	<b>(56,937)</b>	<b>114,111</b>	<b>27,917</b>
<b>Redevelopment Agency:</b>					
Revenue Bonds:					
Series 2004 (Stockton Events Center-Arena)	46,600	-	(280)	46,320	335
2006 Series A (Redevelopment Projects)	75,755	-	(7,010)	68,745	-
2006 Series B (Redevelopment Projects)	7,050	-	(1,480)	5,570	1,570
2006 Series C (Housing Projects)	25,615	-	(395)	25,220	420
Unamortized premium	3,521	-	(126)	3,395	127
Note payable	7,361	2,194	(29)	9,526	31
Settlement obligation - Marina Towers	-	2,114	(313)	1,802	220
<b>Total Redevelopment Agency</b>	<b>165,902</b>	<b>4,308</b>	<b>(9,633)</b>	<b>160,578</b>	<b>2,703</b>
<b>Total governmental activities - long-term liabilities</b>	<b>\$ 464,314</b>	<b>\$ 102,694</b>	<b>\$ (67,126)</b>	<b>\$ 499,883</b>	<b>\$ 31,315</b>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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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, 2010, bonds totaling \$12,840,000 are due in installments ranging from \$370,000 to \$875,000 through August 1, 2031, with interest rates ranging from 4.0% to 5.0% on the bonds outstanding. The Bonds were issued to advance refund and retire \$13,795,000 in outstanding 1999 Certificates of Participation which were used to finance a portion of the acquisition and construction of the Stewart/Eberhardt Building and an adjacent parking facility in downtown Stockton. 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 Public Facilities Fee Fund (Police Stations). The principal amount due is reported net of a negative deferred amount on refunding of \$673,000 and an unamortized discount \$73,000.

#### **Lease Revenue Bonds**

The 2009 Lease Revenue Bonds Series A were issued in the amount of \$35,080,000 by the Stockton Public Financing Authority (SPFA) on September 9, 2009. As of June 30, 2010, bonds totaling \$35,080,000 are due in installments ranging from \$525,000 to \$2,750,000 beginning September 1, 2014 through September 1, 2038, with interest rates ranging from 6.75% to 7.0% on the bonds outstanding. The Bonds were issued to finance various capital improvements located throughout the City. Repayment of the Bonds is financed from lease payments pledged by the City to the SPFA. The primary sources for repayment are the Fire Stations, Police Stations, Parklands and Street Improvements Public Facilities Fees funds' revenues. The principal amount due is reported net of an unamortized discount \$754,000.

#### **Variable Rate Demand Lease Revenue Bonds**

The 2007 Variable Rate Demand Lease Revenue Bonds, Series A (Tax-Exempt) were issued in the amount of \$36,500,000 by the SPFA on November 29, 2007. As of June 30, 2010 bonds totaling \$36,500,000 are due in installments ranging from \$10,000 to \$2,825,000 beginning September 1, 2018 through September 1, 2048. The bonds bear interest at a "weekly rate" established by the remarketing agent having due regard for prevailing financial market conditions. Interest is paid monthly based on the rate, which is reset on a weekly basis. The maximum interest rate allowed on the bonds is 12% per annum and, as of June 30, 2010, the rate being paid was 0.46%. Rates paid during the year varied from a low of 0.40% to a high of 2.27%.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

The 2007 Variable Rate Demand Lease Revenue Bonds, Series B (Taxable) were issued in the amount of \$4,270,000 by the SPFA on November 29, 2007. As of June 30, 2010 bonds totaling \$4,140,000 are due in installments ranging from \$140,000 to \$345,000 through September 1, 2027. The bonds bear interest at a "weekly rate" established by the remarketing agent having due regard for prevailing financial market conditions. Interest is paid monthly based on the rate, which is reset on a weekly basis. The maximum interest rate allowed on the bonds is 15% per annum and as of June 30, 2010, the rate being paid was 0.90%. Rates paid during the year varied from a low of 0.90% to a high of 4.20%

These Series A and B bonds were issued to provide funds to finance the acquisition of an office building and parking garage located at 400 E. Main in downtown Stockton, which is planned to be converted into the City Administration Building replacing the aging City Hall building and other City offices. The primary source of repayment for both the Series A and B bonds is from revenues derived from lease rental revenues from tenants occupying the building.

The bonds are subject to purchase on the demand of the bondholder at a price equal to principal plus accrued interest with seven days notice and delivery to the City's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

Under the Standby Bond Purchase Agreement between the Stockton Public Financing Authority, Wells Fargo Corporate Trust (Trustee) and Dexia Credit Local (liquidity facility), the Trustee or remarketing agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered by bondholders. The Standby Bond Purchase Agreement is valid through November 29, 2014 and carries a variable interest rate equal to the "base rate" as described in the agreement plus 1.0 percent.. The base rate is described as the higher of the prime rate as described in the Wall Street Journal or the Federal Funds rate plus 0.50%. In no event will the rates exceed the capped rate of 25% on any outstanding bonds.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

Bonds that failed in being remarketed will revert to Dexia Credit Local (liquidity facility) at the current rate that other bonds in the series have been marketed for in that given period. If the remarketing agent is unable to resell any bonds within 180 days, the bonds become purchased (bank) bonds and carry the rates described in the paragraph above. Purchased (bank) bonds are subject to special mandatory redemption over a seven year period with 14 equal semi-annual installments. If the entire balance of all these variable rate outstanding bonds failed to be remarketed, under the Standby Bond Purchase Agreement the City would be required to pay \$12,578,138 per year for seven years. Alternatively, the City has the option of refinancing the outstanding debt to avoid the special mandatory redemption accelerated payment provisions.

The City is required to pay Dexia Credit Local (liquidity facility) quarterly commitment fees based on a 0.20% annual rate on outstanding bond balances. The City also pays quarterly remarketing fees based on a 0.08% annual rate on outstanding bond balances.

#### ***Variable Rate Interest Rate Risk -***

Variable interest rate bonds expose the City to interest rate risk. In order to actively manage this interest rate risk exposure, the City has undertaken various actions. Rental rates charged to the building's tenants include debt service payments at the level at which the City would have paid had the bond issue been issued as a longer-term fixed interest rate bond issuance. Secondly, both the Series A and B bonds are subject to conversion from the weekly reset period used to determine the market variable rate to an alternative time series of up to three years, and are also subject to conversion to a fixed rate structure.

Finally, in an effort to give municipalities options with respect to illiquid bonds, an IRS notice dated October 1, 2009 allowed governmental entities the authority to purchase their own bonds as investments without such a purchase triggering a defeasance of the bond obligation. The City Council has granted the City the authority to follow the IRS notice by waiving the five-year maturity limitation on permissible City investments in order to purchase as investments only these specific variable rate bonds. The IRS allowance to purchase, hold and tender these bonds ended on December 31, 2010. The IRS may issue a notice to continue to permit this type of action should it be determined that events in the financial markets warrant providing local governments this protection.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

The City will continue to judiciously managing this IRS notice in light of available investment options to match the savings incurred by defraying potential rising interest costs with the alternative loss of investment portfolio returns. The City currently does not hold any of the 2007 SPFA Variable Rate Demand Lease Revenue Bonds in its reserve investment portfolio. All of these outstanding bonds are currently held by private investors and are not being held by the liquidity facility as purchased (bank) bonds. The City will continue to monitor the variable rate capital markets to gauge market performance in order to optimize its financing options.

#### **Certificates of Participation**

Certificates of Participation (COP) Series 2003A (Redevelopment Housing Projects) were issued in the amount of \$1,160,000 on June 17, 2003. As of June 30, 2010, 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 the certificates outstanding. The COPs were issued to finance certain redevelopment housing projects. Repayment of the COPs is financed from lease payments pledged by the City to the SPFA. The principal amount outstanding at June 30, 2010 is reported net of unamortized discount of \$16,000.

Certificates of Participation (COP) Taxable Series 2003B (Redevelopment Housing Projects) were issued in the amount of \$12,140,000 on June 17, 2003. As of June 30, 2010, 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 the certificates outstanding. The COPs were issued to finance certain redevelopment housing projects. Repayment of the COPs is financed from lease payments pledged by the City to the SPFA. The principal amount outstanding at June 30, 2010 is reported net of unamortized discount of \$60,000.

The City has pledged lease payments, financed from the 20% Agency housing set-aside funds, to the SPFA to repay the outstanding COPs. For the year ended June 30, 2010, principal and interest paid was \$667,130 and the 20% Agency housing set-aside was \$3,287,096. The total principal and interest remaining to be paid on the COPs is \$23,262,000.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

#### Pension Obligation Bonds

The 2007 Taxable Pension Obligation Bonds (POB), Series A were issued in the amount of \$96,985,000 by the City on March 26, 2007. As of June 30, 2010, bonds totaling \$96,585,000 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 POBs 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 POBs 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 POBs will come from the amounts budgeted for payment of the City's annual required contributions to CalPERS.

The 2007 Taxable Pension Obligation Bonds (POB), Series B were issued in the amount of \$28,325,000 by the City on March 26, 2007. As of June 30, 2010, 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 POBs were issued to refinance a portion of the City's unfunded actuarial liability with respect to retirement benefits accruing to its members of CalPERS. The obligation of the City to make payments with respect to the POBs 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 POBs will come from the amounts budgeted for payment of the City's annual required contributions to CalPERS.

**CITY OF STOCKTON**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2010**

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

**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
2011	\$ 510	\$ 3,160	\$ -	\$ 667	\$ 250	\$ 6,832
2012	530	3,142	330	660	380	6,816
2013	555	3,125	345	645	930	6,783
2014	1,105	3,089	360	630	1,580	6,718
2015	1,175	3,034	375	614	1,800	6,631
2016-2020	6,965	14,218	2,145	2,791	12,825	31,400
2021-2025	9,815	12,228	2,725	2,189	20,960	26,892
2026-2030	13,815	9,507	3,505	1,389	23,220	20,874
2031-2035	16,190	5,963	3,515	378	34,245	12,976
2036-2040	17,380	2,004	-	-	28,720	2,539
2041-2045	10,095	346	-	-	-	-
2046-2050	10,425	83	-	-	-	-
Total	<u>\$ 88,560</u>	<u>\$ 59,899</u>	<u>\$ 13,300</u>	<u>\$ 9,963</u>	<u>\$ 124,910</u>	<u>\$ 128,461</u>

**Other Long-term Obligations**

**Notes Payable**

The City has entered into four Section 108 loan guarantee agreements with the U.S. Department of Housing and Urban Development (HUD) to complete redevelopment projects. As of June 30, 2010, the first loan totaling \$2,645,000 has notes due in installments ranging from \$460,000 to \$600,000 and are to be paid August 1, 2010 through August 1, 2014, with interest rates ranging from 5.75% to 6.17%; the second loan totaling \$2,115,000 has notes due in installments ranging from \$135,000 to \$260,000 and are to be paid August 1, 2010 through August 1, 2020, with interest rates ranging from 5.75% to 6.62%; the third loan totaling \$4,575,000 has notes due in installments ranging from \$645,000 to \$890,000 and are to be paid August 1, 2015 through August 1, 2020, with interest rates ranging from 5.07% to 5.53%; the fourth loan totaling \$12,085,000 has notes due in installments ranging from \$415,000 to \$1,920,000 and are to be paid through August 1, 2024, with interest rates ranging from 3.11% to 5.25%. Repayment of the loans will be financed from Community Development Block Grant entitlement funds.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

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, 2010. Simple interest is calculated at 3.0% per annum. The term of the two loans are 10 years and 8 years from the date of the agreements due on June 24, 2013 and April 4, 2013, respectively, along with all interest charges incurred during the term of the loans.

#### Loan Payable -- San Joaquin Council Governments Loan #1

In 2009 the City entered into a loan agreement with the San Joaquin Council of Governments (SJCOG) through an advance of future Measure K maintenance funds in the amount of \$6,543,238 to expand the City's street maintenance program. As of June 30, 2010, the outstanding balance is \$4,362,559. The term of the loan is six years in which quarterly repayments of \$272,634 began in September 2008 and continue through March 31, 2011. No interest is currently being charged. Beginning April 1, 2011 through March 31, 2014, quarterly payments will be \$272,987 plus interest on any outstanding balance. The interest charges to be incurred will be based upon SJCOG's borrowing rate at that time. For purposes of providing an estimate, simple interest is currently 3.852% per annum.

#### Loan Payable -- San Joaquin Council Governments Loan #2

In 2009 the City entered into a loan agreement with the San Joaquin Council of Governments (SJCOG) through an advance of future Measure K street maintenance funds in the total amount of \$863,589 to be used for preliminary engineering design of the Otto Drive Interstate I-5 interchange. As of June 30, 2010, the outstanding balance is \$498,000, with the remainder of the loan anticipated to be drawn down in fiscal year 2010/11. The term of the loan is payment in full by December 2, 2013. The interest rate charged through March 31, 2011 is 3.852% with interest rates thereafter determined at a future date.

**CITY OF STOCKTON**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2010**

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

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

Year Ending June 30,	Notes Payable		Loans Payable SJ COG #1 & #2	
	Principal	Interest	Principal	Interest
2011	\$ 1,200	\$ 1,073	\$ 1,091	\$ -
2012	1,220	1,017	981	112
2013	2,300	1,249	1,018	74
2014	1,290	893	1,556	49
2015	1,335	824	215	2
2016-2020	7,335	3,036	-	-
2021-2025	7,790	908	-	-
Total	<u>\$ 22,470</u>	<u>\$ 9,000</u>	<u>\$ 4,861</u>	<u>\$ 237</u>

**Capital Lease Obligations**

**Fire Vehicles – (Lease #1)**

On April 17, 2007 Resolution 07 - 0133 approved the execution of a Master Equipment/Lease Agreement with Banc of America Leasing and Capital, LLC to provide a tax-exempt financing mechanism and established the underlying financing tool for designated capital projects. The City authorized the purchase of an aerial fire truck and water rescue vehicle for the Fire Department amounting to \$1,000,000. The long-term master lease agreement with Banc of America Public Capital Corporation for the purchase of these vehicles has lease payments due on April 26 and October 26 through October 26, 2022 with an interest rate of 3.862%.

The assets acquired through the capital lease is as follows (dollar amounts in thousands):

Machinery and Equipment	\$ 1,000
Less: Accumulated depreciation	(220)
Total	<u>\$ 780</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

#### Citywide Communications – (Lease #2)

On June 24, 2008 Resolution 08 - 0261 approved the execution of a tax exempt lease through Key Government Finance in the amount of \$2,430,632 to implement a Citywide Unified Communication Environment. The tax-exempt lease has annual lease payments due on August 1 through 2014 with an interest rate of 4.615%.

The assets acquired through the capital lease is as follows (dollar amounts in thousands):

Machinery and Equipment	\$	441
Less: Accumulated depreciation		(146)
Total	\$	<u>295</u>

#### Civic Auditorium HVAC – (Lease #3)

On December 15, 2009 Resolution 09 - 0422 approved the execution of a lease purchase agreement with Wells Fargo Securities, LLC in an aggregate amount not to exceed \$2,236,000 to provide a tax-exempt financing mechanism and establish the underlying financing tool for replacement of the Heating, Ventilation & Air Conditioning (HVAC) system for the Stockton Memorial Civic Auditorium. The City authorized the purchase and installation of the HVAC system, making use of \$1,930,000 of the amount authorized. The remaining portion of the project costs were covered through federal grant funding. The lease agreement has payments due on February and August through February 2020 with an interest rate of 5.10%.

The assets acquired through the capital lease is as follows (dollar amounts in thousands):

Construction in Progress	\$	1,064
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# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

These three leases qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments. As of June 30, 2010, the future minimum lease obligations and the net present value of these minimum lease payments are as follows (dollar amounts in thousands):

Year Ending June 30,	Capital Lease #1		Year Ending June 30,	Capital Lease #2	
	Principal	Interest		Principal	Interest
			2011	\$ 259	\$ 66
2011	\$ 55	\$ 33	2012	271	54
2012	57	31	2013	284	41
2013	60	29	2014	297	28
2014	62	26	2015	311	14
2015	65	24			
2016-2020	362	80			
2021-2025	209	12			
Total	<u>\$ 870</u>	<u>\$ 235</u>	Total	<u>\$ 1,422</u>	<u>\$ 203</u>

Year Ending June 30,	Capital Lease #3	
	Principal	Interest
2011	\$ 152	\$ 96
2012	160	89
2013	169	80
2014	177	72
2015	186	63
2016-2020	1,086	158
Total	<u>\$ 1,930</u>	<u>\$ 558</u>

#### 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, 2010, the long-term liabilities for the General Liability Insurance, Workers' Compensation Insurance, Employee Health Insurance and Retiree Health Insurance funds total \$59,576,000 (refer to Note 10, Risk Services for additional disclosures regarding risk management).

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

#### Compensated Absences

Compensated absences related to governmental activities total \$22,982,000 at year-end. A significant amount of these balances are paid by the General Fund. The above balance includes \$2,652,000 in compensated absences recorded in the City's 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, 2010, bonds totaling \$46,320,000 are due in installments ranging from \$335,000 to \$4,035,000 through September 1, 2036, with interest rates ranging from 2.50% 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 \$1,322,000.

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, 2010, bonds totaling \$68,745,000 are due in installments ranging from \$310,000 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 the bonds outstanding. These payment dates exclude September 1, 2021 which has been fully retired due to Council Resolution 10-0162 authorizing the City's purchase of outstanding bonds in response to declining property tax increment. The resolution authorized the purchase of up to \$20,000,000 in outstanding bonds utilizing available project funds. As of June 30, 2010, \$7,010,000 in principal was purchased in the secondary markets and retired. The retired bonds have varying amounts spread over various maturity dates.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

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 Agency, relating respectively, to the Agency's Midtown Redevelopment Project, North Stockton Redevelopment Project and South Stockton Redevelopment Project. 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 Midtown, North Stockton, and South Stockton Redevelopment Projects. The Bonds are special obligations of the Agency payable from tax increment revenues from the Midtown, North Stockton, and South Stockton Redevelopment Project Area. The principal amount due is reported net of unamortized premium of \$2,073,000.

Taxable Revenue Bonds, 2006 Series B, (Redevelopment Projects), were issued in the amount of \$8,445,000 on July 12, 2006 by the SPFA. As of June 30, 2010, bonds totaling \$5,570,000 are due in installments ranging from \$1,570,000 to \$1,665,000 and are to be paid through September 1, 2013, with interest rates ranging from 6.04% to 6.10% on the 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 Midtown, North Stockton, and South Stockton Redevelopment Projects. The Bonds are special obligations of the Agency payable from tax increment revenues from the Midtown, North Stockton, and South Stockton Redevelopment Project Areas.

Taxable Revenue Bonds, 2006 Series C, (Housing Projects), were issued in the amount of \$25,985,000 on July 12, 2006 by the SPFA. As of June 30, 2010, bonds totaling \$25,220,000 are due in installments ranging from \$420,000 to \$1,720,000 and are to be paid 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 the low and moderate income housing allocation.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

The Agency has pledged a portion of future tax increment revenues to repay all revenue bonds. The bonds are payable solely from tax increment revenues through September 2037. For the year ended June 30, 2010, principal and interest paid was \$17,413,880 and tax increment revenue recognized was \$16,378,939. The total principal and interest remaining to be paid on the Redevelopment Agency's Revenue Bonds is \$281,923,000.

#### Note Payable

On March 17, 1997, the Agency entered into an agreement with the California Department of Boating and Waterways (DBAW) for a planning loan to provide funding toward a feasibility study regarding the potential construction of waterfront improvements. That feasibility study was approved on May 16, 2000 and application was made for a construction loan to develop a small craft harbor facility. Engineering work began in fiscal year 2006 and construction of the facility started during the fiscal year ended June 30, 2009. This project is anticipated to be completed in 2011.

The combined amount outstanding, on both loans, as of June 30, 2010 is \$9,526,000. The planning portion will be paid in annual installments through August 1, 2013, with an interest rate of 4.5%. The construction loan will consist of interest only payments until the full \$13,300,000 loan is expended. The Marina portion of the construction phase has been completed and it is anticipated that the dry stack storage phase of the project, currently under construction, will be completed during fiscal year 2010/11. If project completion dates are met and the remaining project funds are spent prior to June 30, 2011, a 30-year repayment schedule at 4.5% interest will commence, and repayment of principal will begin August 2011. Repayment of the loans will be financed from tax increment revenues of the Agency.

#### Settlements

On September 30, 2003, the City of Stockton, upon Resolutions 03-0588 and 03-0589, acquired the properties known as the Marina Towers through the eminent domain process. The properties were eventually rehabilitated and are currently part of the Banner Island Ballpark.

Subsequent to these acquisitions, lawsuits were filed in the Superior Court of San Joaquin regarding the legality of the eminent domain process undertaken to acquire these properties. On June 8, 2010 the City entered into an all inclusive settlement of both cases. This settlement, passed by Resolution 10-0173, requires that payments of \$312,500 per year be made to Marina Towers LLC. These payments will be made over the course of eight years for a total of \$2,500,000.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

The first payment was made in June 2010. The liability is being reported at the present value of the remaining payments in the City's government-wide financial statements in the amount of \$1,802,000 at June 30, 2010 pursuant to Accounting Principles Board Opinion No. 21.

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

Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2011	\$ 2,325	\$ 7,670	\$ 31	\$ 4
2012	2,505	7,536	187	427
2013	2,595	7,397	195	419
2014	2,890	7,251	169	410
2015	2,280	7,120	176	403
2016-2020	17,640	33,376	1,008	1,886
2021-2025	19,670	28,646	1,257	1,638
2026-2030	29,780	22,208	1,566	1,328
2031-2035	39,880	12,854	1,951	943
2036-2040	26,290	2,010	2,432	463
2041-2045	-	-	554	25
Total	<u>\$ 145,855</u>	<u>\$ 136,068</u>	<u>\$ 9,526</u>	<u>\$ 7,946</u>

Year Ending June 30,	Settlement Obligation	
	Principal	Interest
2011	\$ 220	\$ 92
2012	232	81
2013	243	69
2014	256	56
2015	269	43
2016-2020	582	45
Total	<u>\$ 1,802</u>	<u>\$ 386</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

#### ***Business-type Activities***

Summary of changes in business-type activities long-term liabilities for the year ended June 30, 2010 is as follows (dollar amounts in thousands):

Business-type activities:	Balance			Balance	
	July 1, 2009	Additions	Reductions	June 30, 2010	Due Within One Year
<b>Water Utility</b>					
California Statewide Community Development Authority Revenue Bonds					
Series 2002A (Water System Capital Improvements)	\$ 11,280	\$ -	\$ (590)	\$ 10,690	\$ 620
Deferred amounts on refunding	(232)	-	17	(215)	(16)
Unamortized discount	(197)	-	14	(183)	(15)
Stockton Public Financing Authority Revenue Bonds					
Series 2005A (Water System Capital Improvements)	24,230	-	-	24,230	-
Unamortized premium	118	-	(4)	114	5
Stockton Public Financing Authority Revenue Bonds					
Series 2009A (Delta Water Project)	-	18,575	-	18,575	-
Series 2009B (Delta Water Project)	-	154,550	-	154,550	-
Unamortized premium		1,172	(34)	1,138	40
Note payable					
Federal Drought Relief Act Loan	610	-	(65)	545	68
<b>Total Water Utility</b>	<b>35,809</b>	<b>174,297</b>	<b>(662)</b>	<b>209,444</b>	<b>702</b>
<b>Wastewater Utility</b>					
Stockton Public Financing Authority Certificates of Participation					
Revenue COP 1998 Series A (Wastewater Projects)	84,785	-	(4,350)	80,435	-
Refunding COP 2003 Series A (Wastewater Projects)	11,320	-	(1,210)	10,110	-
Deferred amounts on refunding	(3,573)	-	253	(3,320)	-
Unamortized discount	(460)	-	27	(433)	-
<b>Total Wastewater Utility</b>	<b>92,072</b>	<b>-</b>	<b>(5,280)</b>	<b>86,792</b>	<b>-</b>
<b>Central Parking District</b>					
Stockton Public Financing Authority Lease Revenue Bonds					
Series 2004 (Parking and Capital Projects)	32,410	-	(210)	32,200	255
Unamortized discount	(61)	-	3	(58)	(2)
<b>Total Central Parking District</b>	<b>32,349</b>	<b>-</b>	<b>(207)</b>	<b>32,142</b>	<b>253</b>
<b>Other long-term obligations:</b>					
Compensated absences	868	829	(452)	1,245	778
<b>Total business-type activities - long-term liabilities</b>	<b>\$ 161,098</b>	<b>\$ 175,126</b>	<b>\$ (6,601)</b>	<b>\$ 329,623</b>	<b>\$ 1,733</b>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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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, 2010, bonds totaling \$10,690,000 are due in installments ranging from \$620,000 to \$1,090,000 through October 1, 2022, with interest rates ranging from 4.0% to 5.125% on the 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 deferred loss on refunding of \$215,000 and unamortized discount of \$183,000.

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, 2010, 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 the 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 \$114,000.

The 2009 Water Revenue Bonds, Series A (Tax-Exempt, Delta Water Supply Project) were issued in the amount of \$18,575,000 by the SPFA on August 11, 2009. As of June 30, 2010, bonds totaling \$18,575,000 are due in installments ranging from \$3,035,000 to \$5,655,000 beginning October 1, 2012 through October 1, 2016, with interest rates ranging from 4.0% to 5.0% on bonds outstanding. The bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. Repayment of the bonds is financed from net revenues pledged by the Water Utility Fund to the SPFA.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

The 2009 Water Revenue Bonds, Series B (Taxable Build America Bonds, Delta Water Supply Project) were issued in the amount of \$154,550,000 by the SPFA on August 11, 2009. The Taxable 2009B Bonds were issued as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. The Authority is to receive a cash subsidy from the United States Treasury pursuant to the Recovery Act equal to 35% of the interest payable on or about each Interest Payment Date. As of June 30, 2010, bonds totaling \$154,550,000 are due in installments ranging from \$3,835,000 to \$13,570,000 beginning October 1, 2017 through October 1, 2038, with interest rates ranging from 6.09% to 7.942% on bonds outstanding. The bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. 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 \$1,138,000.

The City has pledged future net revenues from the Water Utility Fund for the repayment of the Bonds. For the year ended June 30, 2010, principal and interest paid was \$9,941,000 and net revenues were \$14,066,000. The total principal and interest remaining to be paid on the Water Utility Revenue Bonds is \$485,271,000.

#### 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, 2010 the outstanding balance on this loan was \$545,000. 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, 2010

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

#### Wastewater Utility

##### Certificates of Participation

Revenue Certificates of Participation (COP) 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, 2010, certificates totaling \$80,435,000 are due in installments ranging from \$2,330,000 to \$7,325,000 through September 1, 2029, with interest rates ranging from 4.7% to 5.2% on the 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 financed the design, improvements and modifications to the regional wastewater control facilities. Repayment of the COPs is financed from net revenues pledged by the Wastewater Utility Fund to the SPFA. The principal amount due is reported net of a deferred loss on refunding of \$3,320,000 and unamortized discount of \$293,000.

Refunding Certificates of Participation (COP) 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, 2010 certificates totaling \$10,110,000 are due in installments ranging from \$625,000 to \$965,000 through September 2, 2023, with interest rates ranging from 3.10% to 4.25% on the certificates outstanding. The COPs were issued to advance refund the 1993 certificates of participation. Repayment of the COPs is financed from net revenues pledged by the Wastewater Utility Fund to the SPFA. The principal amount due is reported net of an unamortized discount of \$140,000.

The City has pledged future net revenues from the Wastewater Utility Fund for the repayment of the COPs. For the year ended June 30, 2010, principal and interest paid was \$10,277,000 and net revenues were \$9,622,000. The total principal and interest remaining to be paid on the Wastewater Utility COPs is \$145,457,000.

Required coverage ratios of 1.25 on both on both of the above COPs were not met in fiscal year 2008-09, calculated at 0.45. According to the bond issue indenture, failure to meet the debt coverage ratio requires the City to undertake a new rate study for consideration by Council.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

The coverage ratio was not met due to extraordinary costs related to the wastewater utility having taken back operations from OMI Thames. Additionally, wastewater utility rates have not been increased since 1993 and through a proposition 218 vote that passed in August 2010, are being raised to cover increased operating costs and meet required coverage ratios. The rate increases are being phased in and include an adjustment mechanism to account for inflation. To ensure that coverage ratios during the phase in period are met, debt service principal payments and related interest due in September 2010 have been placed in an irrevocable defeasance escrow account during the fiscal year ended June 30, 2010. As a result of these efforts, the debt coverage ratio for FY 2009-10 was 1.30.

#### **Central Parking District**

##### **Lease Revenue Bonds**

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, 2010, bonds totaling \$32,200,000 are due in installments ranging from \$255,000 to \$2,950,000 through September 1, 2034, with interest rates ranging from 4.0% to 5.375% on the bonds outstanding. The Bonds were issued to finance the construction of the Stockton Events Center Parking Structure, the Edward S. Coy Parking Garage, 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 \$58,000.

The City has pledged future net revenues from the Central Parking District Fund for repayment of the lease revenue bonds. For the year ended June 30, 2010, principal and interest paid was \$1,844,000 and net revenues were \$2,714,000. The total principal and interest remaining to be paid on the Central Parking Lease Revenue Bond is \$60,277,000.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

### 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
2011	\$ 620	\$ 14,407	\$ -	\$ 4,480	\$ 255	\$ 1,625
2012	640	14,382	2,955	4,417	\$ 305	1,613
2013	3,705	14,294	3,090	4,287	360	1,600
2014	3,860	14,140	3,230	4,143	410	1,585
2015	4,020	13,980	3,390	3,985	470	1,567
2016-2020	25,775	66,110	19,635	17,245	3,370	7,439
2021-2025	30,335	57,324	25,150	11,874	5,590	6,349
2026-2030	38,750	45,271	33,095	4,481	8,660	4,523
2031-2035	50,025	29,106	-	-	12,780	1,776
2036-2040	50,315	8,212	-	-	-	-
Total	<u>\$ 208,045</u>	<u>\$ 277,226</u>	<u>\$ 90,545</u>	<u>\$ 54,912</u>	<u>\$ 32,200</u>	<u>\$ 28,077</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

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

Year Ending June 30,	Note Payable	
	Principal	Interest
2011	\$ 68	\$ 27
2012	71	24
2013	75	20
2014	79	17
2015	83	13
2016-2020	169	13
Total	<u>\$ 545</u>	<u>\$ 114</u>

#### Other Long-term Obligations

##### Compensated Absences

At year-end, \$1,245,000 of enterprise funds compensated absences is included in the totals for business-type activities.

##### ***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 City's basic financial statements. As of June 30, 2010, there were ten CFD special tax bonds, three special assessment bonds, and six revenue bonds outstanding with aggregate principal amounts payable of \$95,160,000, \$22,560,000, and \$40,635,000, respectively.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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

Conduit Debt (No City Commitment) – Revenue bonds, certificates of participation, and capital leases 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 debt is secured by the property financed and is 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 debt. Accordingly, the outstanding debt is not reported as liabilities in the City’s basic financial statements. As of June 30, 2010, there were two series of revenue bonds, one certificate of participation, and two leases with an aggregate principal amount payable of \$34,194,616.

### 7. SHORT-TERM DEBT

#### *Governmental Activities*

Summary of the governmental activities short-term debt for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
<b>Governmental activities:</b>				
2009 CSCDA Tax and Revenue Anticipation Notes	\$ -	\$ 32,180,000	\$ 32,180,000	\$ -

The 2009 Tax and Revenue Anticipation Notes (TRAN) were issued in the amount of \$32,180,000 on August 19, 2009 by the California State Communities Development Authority (CSCDA) and matured on June 30, 2010. 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 to maximize interest earnings and provide funds for repayment of the TRAN.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

### 8. FUND BALANCE

A summary of the composition of the City's reported nonspendable, restricted, committed, assigned and unassigned fund balance amounts as reported in the City's Governmental Funds balance sheet at June 30, 2010 is as follows (dollar amounts in thousands):

	General Fund	Public Facilities Impact Fees	Capital Improvement	Redevelopment Agency	Other Governmental	Total Governmental Funds
<b>Fund balances:</b>						
Nonspendable:						
Inventories	\$ 293	\$ -	\$ -	\$ -	\$ -	\$ 293
Loan receivables	11,688	-	-	-	-	11,688
Permanent fund principle	-	-	-	-	1,604	1,604
Prepaid items	1,485	-	-	-	-	1,485
<b>Total Nonspendable</b>	<b>13,466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,604</b>	<b>15,070</b>
Restricted for:						
Community development	-	1,802	-	-	4,686	6,488
Debt service reserve	2,100	-	248	1,506	15,844	19,698
General government	-	2,517	140	-	300	2,957
Housing	-	-	-	2,713	115,965	118,678
Libraries and arts	-	10,743	645	-	745	12,133
Parks and recreation	-	6,847	-	-	315	7,162
Public Safety	-	315	-	-	2,170	2,485
Redevelopment	-	-	-	8,204	-	8,204
Solid waste/recycling	-	-	-	-	2,133	2,133
Streets, transit & traffic	-	30,939	-	-	19,413	50,352
<b>Total Restricted</b>	<b>2,100</b>	<b>53,163</b>	<b>1,033</b>	<b>12,423</b>	<b>161,571</b>	<b>230,290</b>
Committed for:						
Air quality	-	938	-	-	-	938
Community development	-	-	-	-	5,848	5,848
Debt service	-	-	-	-	654	654
General government	594	1,203	21,482	-	75	23,354
Housing	-	-	-	-	1,374	1,374
Parks and recreation	1,257	299	-	-	-	1,556
Public safety	-	2,317	-	-	-	2,317
Redevelopment	-	-	-	2,717	-	2,717
Streets, transit & traffic	-	10,629	-	-	19,930	30,559
<b>Total Committed</b>	<b>1,851</b>	<b>15,386</b>	<b>21,482</b>	<b>2,717</b>	<b>27,881</b>	<b>69,317</b>
Assigned for:						
General government	876	-	-	-	1,815	2,691
Libraries	3,691	-	-	-	-	3,691
Parks and recreation	1,163	-	-	-	-	1,163
<b>Total Assigned</b>	<b>5,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,815</b>	<b>7,545</b>
Unassigned:						
	-	(4,960)	(7,550)	(21,341)	(29,624)	(63,475)
<b>Total Fund Balances</b>	<b>\$ 23,147</b>	<b>\$ 63,589</b>	<b>\$ 14,965</b>	<b>\$ (6,201)</b>	<b>\$ 163,247</b>	<b>\$ 258,747</b>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 9. RETIREMENT PLANS

The City of Stockton contributes to three pension plans; the Safety Plan of the City of Stockton, and the Miscellaneous Plan of the City of Stockton, which are both part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), and the City of Stockton Retirement Enhancement Plan, a customized supplemental retirement plan administered by Public Agency Retirement Services (PARS) for municipal utilities employees who worked under a private contract between 2003 and 2008.

All full-time City employees are eligible to participate in either the Safety or Miscellaneous retirement plans. Part-time employees must meet specific criteria for participation.

CalPERS is an agent multiple-employer agency trust, that acts as a common investment and administrative agent for participating public entities in the State of California, providing retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

CalPERS benefits are payable monthly for life in an amount equal to a certain percent of the employees 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, CA, 95814

PARS is a tax-qualified multiple agency trust that acts as a common investment and administrative agent for participating public entities in the State of California. Annual financial reports for the aggregate Plan may be obtained by contacting PARS directly.

#### **SAFETY PLAN:**

**Plan Description** – The Safety Plan of the City of Stockton is for sworn Police and Fire employees. Sworn Safety employees are eligible for retirement at age 50 or older with a minimum of five years CalPERS service.

**Funding Policy** – Safety Plan participants are required to contribute 9% 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 Plan members was 21.361% of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by CalPERS.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 9. RETIREMENT PLANS (Continued)

**Annual Pension Cost** – For the year ended June 30, 2010, the City's Safety Plan annual pension costs were \$10,624,000. The annual pension costs were less than the City's required and actual contributions of \$12,260,000 due to interest earnings on the net pension asset offset by the adjustment to the annual required contribution. The required contribution rates were determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage 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 3.55% to 13.15%; (c) inflation of 3.00%; and (d) payroll growth of 3.25%. The actuarial value of the Safety Plan's 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. Based on the actuarial valuation dated June 30, 2009 (most recent valuation), the remaining average amortization period was 29 years for the Safety Plan.

**Funded Status and Funding Progress** – As of June 30, 2009, the most recent valuation date, the Safety Plan was 89% funded. The actuarial accrued liability for benefits was \$724,324,000 and the actuarial value of assets was \$644,940,000 resulting in an unfunded actuarial accrued liability (UAAL) of \$79,384,000. The covered payroll (annual payroll of active employees covered by the plan) was \$58,596,000, and the ratio of the UAAL to covered payroll was 135.5%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 9. RETIREMENT PLANS (Continued)

**Pension Asset** – The City prepaid its Annual Required Contributions (ARC) with proceeds from the 2007 Taxable Pension Obligation Bonds Series A and Series B. (See Note 6, Long-Term Debt). The City’s net pension asset was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of the ARC. The pension asset is being amortized over a 30 year period. The pension asset balance at June 30, 2010 is \$94,635,000 for the Safety Plan.

The City’s annual pension cost and change in the net pension asset related to the Safety Plan for the year ended June 30, 2010, were as follows (dollar amounts in thousands):

Annual required contribution	\$ 12,260
Interest on beginning net pension asset	(7,207)
Adjustment to the annual required contribution	<u>5,571</u>
Annual pension cost	<u><u>\$ 10,624</u></u>
Contributions made	\$ 12,260
Less: annual pension cost	<u>(10,624)</u>
Change in pension asset	1,636
Pension asset, beginning of the year	<u>92,999</u>
Pension asset, end of the year	<u><u>\$ 94,635</u></u>

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

Fiscal Year	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Pension Asset
6/30/2010	\$ 10,624	\$ 12,260	115%	\$ 94,635
6/30/2009	10,228	11,932	117%	92,999
6/30/2008	9,220	10,979	119%	91,295

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 9. RETIREMENT PLANS (Continued)

#### **MISCELLANEOUS PLAN:**

**Plan Description** – The Miscellaneous Plan of the City of Stockton is available to full time employees not enrolled in the Safety Plan.

City employees are eligible for retirement at age 55 or older with a minimum of five years CalPERS service.

**Funding Policy** – 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 Miscellaneous Plan members was 13.084% 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, 2010, the City's Miscellaneous Plan annual pension costs were \$7,301,000. The annual pension costs were less than the City's required and actual contributions of \$7,925,000 due to interest earnings on the net pension asset offset by the adjustment to the annual required contribution. The required contribution rates were determined as part of the June 30, 2007 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 3.55% to 14.45%; (c) inflation of 3.00%; and (d) payroll growth of 3.25%. The actuarial value of the Miscellaneous Plan's 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. Based on the actuarial valuation dated June 30, 2009 (most recent valuation), the remaining average amortization period was 24 years for the Miscellaneous Plan.

**Funded Status and Funding Progress** – As of June 30, 2009, the most recent valuation date, the Miscellaneous Plan was 89.4% funded. The actuarial accrued liability for benefits was \$535,151,000 and the actuarial value of assets was \$478,673,000, resulting in unfunded actuarial accrued liabilities (UAAL) of \$56,478,000. The covered payroll (annual payroll of active employees covered by the plan) was \$62,265,000 and the percentage of the UAAL to covered payroll was 90.7%.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

### 9. RETIREMENT PLANS (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Pension Asset** – The City prepaid its Annual Required Contributions (ARC) with proceeds from the 2007 Taxable Pension Obligation Bonds Series A and Series B. (See Note 6, Long-Term Debt). The net prepaid pension asset was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of the ARC. The pension asset is being amortized over a 30 year period. The pension asset balance at June 30, 2010 is \$36,084,000 for the Miscellaneous Plan.

The City's annual pension cost and change in the net pension asset for the Miscellaneous Plan the year ended June 30, 2010, were as follows (dollar amounts in thousands):

Annual required contribution	\$	7,925
Interest on beginning net pension asset		(2,748)
Adjustment to the annual required contribution		2,124
Annual pension cost	\$	<u>7,301</u>
Contributions made	\$	7,925
Less: annual pension cost		<u>7,301</u>
Change in pension asset		624
Pension asset, beginning of the year		<u>35,460</u>
Pension asset, end of the year	\$	<u>36,084</u>

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Pension Asset</u>
6/30/2010	\$ 7,301	\$ 7,925	109%	\$ 36,084
6/30/2009	6,682	7,332	110%	35,460
6/30/2008	6,065	6,736	111%	34,810

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 9. RETIREMENT PLANS (Continued)

#### **ENHANCEMENT PLAN:**

**Plan Description** – The City of Stockton Retirement Enhancement Plan (REP) provides retirement benefits for Municipal Utility Department employees for the period of time they worked for OMI-Thames Water Stockton, Inc. The City of Stockton entered into an agreement with Public Agency Retirement Services (PARS) (a public sector retirement plan administrator specializing in providing public entities customized retirement plans and solutions) to contribute to a supplemental plan for employees joining or re-joining City service after having been employed between 2003 and 2008 by OMI-Thames, a private sector utility contractor. OMI-Thames employees did not earn CalPERS service credit during the period of time OMI-Thames operated the City utilities. Upon retirement, the REP benefits will supplement any CalPERS retirement for which those particular employees are eligible. Eligibility for the REP, other than employment with OMI-Thames between 2003 and 2008, is defined as concurrent retirement with CalPERS and the City upon attaining age 55 and a minimum of 5 years of full-time continuous service with the City, with at least 1 year of continuous City service after March 1, 2008.

**Funding Policy** – The City is required to make contributions at an actuarially determined rate. The rate for members of the REP was 12.98% of annual covered payroll. As part of the OMI-Thames relinquishment agreement, the City pays for the entire benefit obligation. A level dollar contribution amortized over 20 years is used to determine the City contribution. The contribution requirements of the plan may be amended depending on future actuarial valuations and earnings levels.

**Annual Pension Cost** – For the year ended June 30, 2010, the City's REP annual pension costs were \$812,713. The required contribution rate was determined as part of the March 1, 2008 actuarial valuation, using the entry age normal actuarial cost method with contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses); (b) projected salary increases that vary based on years of service from 3.85% to 12.65%; (c) inflation of 3.00%; (d) payroll growth of 3.25%. The actuarial value of the REPs assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over time. The City's REPs unfunded actuarial accrued liability is being amortized as a level dollar amount over a 20 year amortization period. Based on the actuarial valuation dated March 1, 2008 (most recent valuation), the remaining amortization period as of June 30, 2010 was 18 years.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 9. RETIREMENT PLANS (Continued)

**Funded Status and Funding Progress** – The REP began on March 1, 2008. As of June 30, 2008, the most recent actuarial valuation date, the REP was 0% funded. The actuarial accrued liability (AAL) for benefits was \$4,845,818 and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,845,818. The covered payroll (annual payroll of active employees covered by the REP) was \$5,739,523 and the percentage of the UAAL to covered payroll was 84.43%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Trend Information (dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	1,248	1,248	100%	-

### 10. RISK SERVICES

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, Employee Health Insurance and Retiree Health Insurance funds) 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 \$250,000 for each medical plan member under the health benefits program. The City purchases stop loss coverage for the health benefits program from Union Labor Life Insurance Company up to a maximum of \$1,750,000 per member. The City's coverage for excess claims for general liability and workers' compensation is discussed later in this note under risk pools. The workers' compensation and health benefits programs are administered by third-party claims administrators. The general liability program is self-administered by the City of Stockton.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

### 10. RISK SERVICES (Continued)

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 occupied 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 2.35% 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, 2010 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. During this fiscal year the City's self-insured retention under the health benefits program was \$250,000.

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

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Health Benefits</u>	<u>Total</u>
Balance, June 30, 2008	\$ 4,049	\$ 40,097	\$ 3,812	\$ 47,958
Claims incurred	2,932	13,051	29,383	45,366
Claims paid	(1,407)	(8,091)	(30,460)	(39,958)
Balance, June 30, 2009	5,574	45,057	2,735	53,366
Claims incurred	1,284	13,538	35,800	50,622
Claims paid	(1,182)	(8,890)	(34,339)	(44,411)
Balance, June 30, 2010	<u>\$ 5,676</u>	<u>\$ 49,705</u>	<u>\$ 4,196</u>	<u>\$ 59,577</u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 10. RISK SERVICES (Continued)

**Risk Pools** – The City is a member of two joint powers authorities organized pursuant to 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, physical automobile damage 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, 2010 can be obtained from CJPRMA at 2333 San Ramon Valley Blvd., Suite #250 San Ramon, California 94583-4456.

*Workers' Compensation Insurance* –The City of Stockton has been self-funded for its Worker's Compensation Program since 1979. In July 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 operated an Excess Workers' Compensation (EWC) Program. CPEIA has since merged into an existing authority known as California State Association of Counties Excess Insurance Authorities (CSACEIA). 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 CSACEIA, for a combined total of \$200 million per occurrence.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 10. RISK SERVICES (Continued)

CSACEIA was formed in 1979 by 29 California counties for the purpose of pooling risk and providing a viable and cost effective solution for the counties' insurance and risk management needs. It has since expanded to allow admittance from cities and other entities and currently includes 93% of the counties in California, over 80% of the cities, as well as, numerous school districts, special districts, housing authorities and other Joint Powers Authorities.

*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.

### 11. POSTEMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits through CalPERS, the City provides certain health care benefits for retired employees under contractual obligations negotiated between the City and various employee bargaining units.

*Plan Description* The City of Stockton's Retiree Healthcare Plan (RHP) is a single-employer defined benefit healthcare plan administered by Zenith Administrators of San Francisco, California. All City management and public safety employees who receive a CalPERS retirement allowance upon separation are eligible for coverage under the RHP at age 50. Other miscellaneous employees who receive a CalPERS retirement allowance and have 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, 971 retirees meet these eligibility requirements and participate in the Plan.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 11. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

**Funding Policy** The contribution requirements are paid by City departments and are based on amounts established in the City's Annual Budget. For the 2009/10 year, the City's contributions were financed on a pay-as-you-go basis. During the year, expenditures of approximately \$13,842,000 were recognized for payment of post employment health care benefits. 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 RHP.

**Annual OPEB Cost and Net OPEB Obligation** The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The components of the City's annual OPEB cost, contributions to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2010 were as follows (dollar amounts in thousands):

Annual required contribution	\$ 40,827
Interest on net OPEB obligation	2,196
Adjustment to the annual required contribution	(2,132)
Annual OPEB cost (expense)	<u>40,891</u>
Contributions made	<u>(13,842)</u>
Increase in net OPEB obligation	27,049
Net OPEB obligation, beginning of the year	<u>48,805</u>
Net OPEB obligation, end of the year	<u><u>\$ 75,854</u></u>

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 11. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of and for the year ended June 30, 2010 are as follows (dollar amounts in thousands):

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of Annual OPEB cost contributed</u>	<u>OPEB Obligation</u>
6/30/2010	\$ 40,891	34%	\$ 75,854
6/30/2009	34,585	30%	48,805
6/30/2008	33,801	27%	24,608

**Funded Status and Funding Progress** As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$543,702,000 and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$543,702,000. The covered payroll (annual payroll of active employees covered by the plan that included data through June 30, 2010) was \$107,679,000 and the ratio of the UAAL to the covered payroll was 505%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 11. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

#### ***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) 4.5% investment rate of return on the City's pooled investments, (b) 3.0% general inflation assumption, (c) 3.25% projected salary increase and (d) healthcare cost trend rate of 9.3% for members who are also covered by Medicare and 9.0% for non-Medicare members. The healthcare cost trend rate was reduced by decrement to an ultimate rate of 4.5% after 7 years for both groups. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010 is 28 years.

### 12. COMMITMENTS AND CONTINGENCIES

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

Various claims and legal actions are pending against the City, some of which have a reasonable possibility for an unfavorable outcome. These legal actions involve property, personal injury, and civil rights claims. Financial Accounting Standards Board *Accounting Standards Codification 450, Contingencies (formerly Statement of Financial Accounting Standards Statement No. 5, Accounting for Contingencies)* requires disclosure of pending litigation for which a contingency is reasonably possible and the amount reasonably estimable. Amounts for the above mentioned claims, that are not reasonably estimable at this time, have not been included in the financial statements. Management believes that ultimate disposition of these matters will not have a material adverse effect on the City's financial position or results of operations.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 12. COMMITMENTS AND CONTINGENCIES (Continued)

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

**Capital Commitments** - The City is undertaking a number of capital improvement projects, the most significant of which include the following capital project encumbrances outstanding at June 30, 2010 (dollar amounts in thousands):

• Water Utility - Delta Diversion Water Project	\$ 68,126
• Gas Tax and Measure K – Street Overlay Projects	10,836
• Wastewater Utility – Sanitary System Expansion	6,470
• Measure K – North Stockton I-5 Widening	3,485
• PFF – Police Telecommunications Project	3,453
• PFF – Holman Rd Bridge Improvements	3,095
• Water Utility – Mariposa Road Waterline	2,925
• PFF – Trinity Parkway Extension Project	2,503

**Encumbrances** – The City utilizes encumbrance accounting as a means of controlling expenditures. Under this method, funds are encumbered when purchase orders, contracts and other commitments are signed or approved by authorized City officials. Such outstanding commitments at year-end do not constitute expenditures or liabilities.

GASB Statement No. 54 provides additional guidance on the classification within the fund balances section of amounts that have been encumbered. Encumbrances of balances within the governmental funds are classified as either nonspendable, committed, restricted or assigned and are included in the respective functional categories. These encumbrances are not separately classified in the financial statements, and are summarized at June 30, 2010 as follows (dollar amounts in thousands):

General Fund	\$	1,226
Public Facilities Impact Fees		15,386
Capital Improvements		2,053
Redevelopment Agency		2,717
Other Governmental		21,608

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 12. COMMITMENTS AND CONTINGENCIES (Continued)

**Operating Leases** - Operating lease obligations are primarily for rental of parking facilities space, but other lease obligations are included. Total expenditures for leases were \$209,000 for the year ended June 30, 2010. The future minimum lease payments required for those operating leases are as follows (dollar amounts in thousands):

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$ 220
2012	231
2013	242
2014	254
2015	267
2016-2020	1,550
2021-2025	<u>1,978</u>
Total	<u><u>\$ 4,742</u></u>

**Facilities Management Agreement** – On March 2, 2004, the Stockton City Council approved a Facilities Management Agreement (Agreement) with International Facilities Group, L.L.C.-Stockton, Inc. (IFG) for providing operation management and marketing services to the City for the Stockton Events Center, which includes a multi-purpose indoor arena and a baseball park, the Events Center common areas, the Bob Hope Theatre and the Oak Park Ice Arena. The Agreement included project design and construction administration services for the Events Center, throughout the construction period.

IFG is responsible for operating these facilities in keeping with the management goals set and approved each year by the City Council, with the overarching goal of having the facilities operating revenues exceed the respective operating expenses.

The Agreement is for a period of ten years commencing in 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. Termination without cause between 2010 and 2014 requires a “buy-out” payment, beginning at \$2,350,000 for termination during 2010, and declining by \$470,000 per year until 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.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 12. COMMITMENTS AND CONTINGENCIES (Continued)

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 consumer price index (CPI).

Financial information concerning the Facilities Management Agreement is reported in the General Fund.

**Federal and State Grant Programs** - The City participates in a number of state and federal grant programs that are subject to financial and compliance audits by the grantors. Audits of certain grant programs for or including the year ended June 30, 2010, have not yet been conducted or completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, management does not believe that any audit disallowances would have a material effect on the financial position of the City.

**Pollution Remediation Obligations** – GASB Statement No. 49 requires the Agency to report a pollution remediation liability upon the occurrence of an obligating event, such as being compelled by a regulatory agency or legal action to cleanup existing pollution. The liability is estimated based on the expected future cash flows technique (i.e., the sum of the probability-weighted amounts in a range of possible estimated amounts). Only components of the liability (e.g., site assessment, site investigation, corrective measures feasibility study, remediation design, remediation operations and maintenance, and post-remediation monitoring) which can be reasonably estimated are included in the estimated liability. Expected recoveries from insurers and other responsible parties reduce the estimated liability.

Actual pollution remediation costs may vary from the estimated liability for many reasons, including changes in pollution laws and regulations, technology used for the cleanup, the remediation plan or operating conditions, prices of products and services.

The Agency has identified six sites along the Stockton channel that are designated "Brownfields" by the U.S. Environmental Protection Agency (EPA), with the goal of revitalizing contaminated properties that the Agency currently owns in the area near Stockton's downtown waterfront in the Waterfront Redevelopment Project Area. The following are details of each of the six Agency-owned contaminated sites, including a description of the pollution, the obligating event requiring remediation action, estimable remediation costs components, and recoveries by responsible parties. Details of the liabilities as of June 30, 2009 and June 30, 2010 are also discussed.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 12. COMMITMENTS AND CONTINGENCIES (Continued)

In order to provide clarification of the following discussion, the California Polanco Redevelopment Act (AB 3193, Chapter 1113, Statutes of 1990, Polanco), part of the Community Redevelopment Act, was enacted by the California legislature to assist redevelopment agencies in responding to brownfield properties in their redevelopment areas. It prescribes processes for redevelopment agencies to follow when cleaning up a hazardous substance release in a redevelopment project area. It also provides immunity from liability for redevelopment agencies and subsequent property purchasers for sites cleaned up under a cleanup plan approved by the State Department of Toxic Substances Control (DTSC) or a Regional Board.

The following provides a discussion of the six identified brownfield sites of the Agency:

**Area 1 (Southpointe)** – Soil and groundwater contamination has been identified in Area 1 associated with historic railroad lines and underground petroleum storage tanks and pipelines. The obligating events for this site stem from a Polanco agreement notice issued to the responsible party associated with the soil contamination, and the Agency's encounter of groundwater contamination as part of the planned development of the site. Estimable costs are for consultant, legal and City personnel costs for cleanup of the site. Ongoing post-remediation monitoring costs are not reasonably estimable. The net pollution remediation liability of this site as of June 30, 2009 was \$10,833, which included reasonably estimable recovery of costs by the responsible parties. The net liability of this site as of June 30, 2010 is \$10,504.

**Area 2A-Unocal** – Soil and groundwater contamination has been identified in Area 2A-Unocal associated with total petroleum hydrocarbons, volatile and semi-volatile organic compounds. The obligating event for this site stems from a Polanco agreement notice issued to the responsible party, currently in negotiation for settlement. Estimable costs are for consultant, legal and City personnel costs for clean-up of the soil contamination, and pre-cleanup and investigative study of the site relative to the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs are not reasonably estimable. The net pollution remediation liability of this site as of June 30, 2009 was \$231,250, which included reasonably estimable recovery of costs by the responsible party. The net liability of this site as of June 30, 2010 is \$214,143.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 12. COMMITMENTS AND CONTINGENCIES (Continued)

**Area 2A-Morton/Alco** – Groundwater contamination has been identified in Area 2A-Morton/Alco associated with total petroleum hydrocarbons, volatile and semi-volatile organic compounds. The Agency has entered into a Polanco agreement with the Regional Water Quality Control Board for remediation action. Estimable costs are for consultant services and City personnel costs for pre-cleanup and investigative study of the site relative to the groundwater contamination. Future groundwater cleanup and ongoing post-remediation monitoring costs are not reasonably estimable. The net pollution remediation liability of this site as of June 30, 2009 was \$536,667, which included reasonably estimable recovery of pre-cleanup and investigative study costs by the responsible party. The net liability of this site as of June 30, 2010 is \$516,309.

**Area 3, Area 4 and Area 24** – Soil and groundwater contamination has been identified in Area 3, Area 4 and Area 24 associated with total petroleum hydrocarbons and metals emanating from the French drains along the railroad spurs on the site. The Agency has entered into a voluntary cleanup agreement with the state Department of Toxic Substances Control (DTSC) for oversight of lead contamination on the property. A soil management plan was completed for lead and a deed restriction was placed on the property limiting it to commercial and industrial land uses. A voluntary cleanup agreement has been completed with the Central Valley Regional Water Quality Control Board (CVRWQCB) related to petroleum contaminated soil and groundwater that emanated from the French drains. The Agency is currently under discussions with the state DTSC and the CVRWQCB regarding the appropriate agency to enter into a Polanco agreement to access sub-surface conditions in Areas 3, 4, and 24.

Estimable costs include consultant, legal and City personnel costs for cleanup of the sites and for post-remediation/monitoring. The net pollution remediation liability for Area 3 and Area 4 as of June 30, 2009 was \$35,000 each, which included reasonably estimable recovery of post-remediation/monitoring costs by the responsible parties. The net liability of Area 3 as of June 30, 2010 is (\$94,876) which included reasonably estimable recovery of costs by the responsible party and adjustments in the estimate during fiscal year 2010 for corrective measures, feasibility study and remediation design, offset by a revised estimate of the recovery by the responsible parties. A net recovery is expected due to expenditures incurred by the City during fiscal year 2010. The net liability for Area 4 at June 30, 2010 remains at \$35,000. The net pollution remediation liability for Area 24 as of June 30, 2009 was \$150,000, which included reasonably estimable recovery of costs by the responsible party. The net liability of this site as of June 30, 2010 is \$140,567.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 12. COMMITMENTS AND CONTINGENCIES (Continued)

During the year ended June 30, 2010, the Agency incurred \$177,103 in related pollution remediation outlays and adjustments to future outlays and recoveries for the six polluted sites, resulting in a change in the pollution remediation liability from \$998,750 at June 30, 2009 to \$821,647 as of June 30, 2010 (net of estimated recoveries from insurers or other responsible parties).

#### Recreation Services Fund Site

Silver Lake Family Camp – Groundwater contamination has been identified associated with septic wells characterized as having exceedences over the applicable Water Quality Goals in pH, sodium and alkalinity. The obligating events for this site stem from the issuance of an order for groundwater monitoring by the CVRWQCB. Estimable costs are for consultant services for ongoing post-remediation/monitoring. The net pollution remediation net liability of this site as of June 30, 2009 was \$120,000. In FY 2009-10, the liability and management of the camp has been passed on to a private sector firm. As a result, the prior \$120,000 was reduced to \$0 at June 30, 2010.

In summary, as reflected in the governmental activities statement of activities, the total net pollution remediation liability of the previous seven sites as of June 30, 2009 was \$1,118,750, which included reasonably estimable recovery of costs by the responsible parties. During the year ended June 30, 2010, the City incurred \$297,103 in related pollution remediation outlays and adjustments to future outlays, and recoveries for the polluted sites. The net liability of these sites as of June 30, 2010 is \$821,647.

#### ***Declaration of Fiscal Emergency and Adoption of Fiscal Emergency Measures***

On May 26, 2010, the City Council enacted Resolution No. 10-0166 that declared a state of emergency based on fiscal circumstances, and directed the City Manager to take appropriate and lawful measures to achieve a balanced budget for fiscal year 2010-11. On June 22, 2010, the City Council approved resolutions 10-0200 and 10-0201 adopting emergency measures affecting the terms and conditions of labor agreements for sworn employees in the Police and Fire departments. The emergency measures temporarily suspended scheduled pay increases from taking effect during fiscal year 2010-11, as scheduled by labor agreements with both the police and fire unions. In addition, the measures restrict firefighter leave time and temporarily closed Fire Truck Company 4, which estimated to reduce Fire Department overtime costs.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 12. COMMITMENTS AND CONTINGENCIES (Continued)

As a result of the adoption of the fiscal emergency declaration and measures, the Stockton Firefighters Local 456 and the Stockton Police officers Association have both initiated arbitration actions against the City to force termination of the emergency measures that are resulting in salary and benefit reductions, leave usage restrictions, and staffing reductions resulting from closure of Fire Truck Company No. 4, as imposed by the City Manager subject to on-going negotiations. Resolution of these arbitration actions is expected during fiscal year 2011. Adverse decisions or judgments of these arbitrations that cause retroactive payments to sworn employees will negatively impact the financial position of the City's General Fund at fiscal year-end 2011.

### 13. DEFICIT FUND EQUITY

- The Stockton Redevelopment Agency Capital Projects Fund had a deficit fund balance of \$6,201,000 as of June 30, 2010 due to an unanticipated payment of \$9,173,935 made in May 2010 to the County's Supplemental Educational Revenue Augmentation Funds (SERAF) distributed to schools to meet the State of California's Proposition 98 obligations to education; pursuant to an action taken by the State in the fourth extraordinary session of 2010.
- The Solid Waste Enterprise Fund (nonmajor) had a deficit in net assets of \$141,000 as of June 30, 2010, due to the transfer of billing services to California Water Service Company and the resulting write off of residual uncollectible receivables. This deficit will be subsidized by the General Fund next year.
- The Downtown Marina Enterprise Fund (nonmajor) had deficit net assets of \$231,000 as of June 30, 2010 due to start up costs for the new facility coupled by slow revenue inflows. This deficit is expected to be cured by future Marina enterprise-related charges for services revenues and the expected future rental of currently vacant dock slips.
- 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 \$3,926,000 for claims and judgments and a deficit in net assets of \$3,526,000. The cash balance of the fund as of June 30, 2010 is \$1,685,000. 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, 2010

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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 \$42,184,000 for claims and judgments and a deficit in net assets of \$32,511,000. The cash balance of the fund as of June 30, 2010 is \$3,140,000. The City will fund the deficit over time by adjusting the rates paid by City funds.
- The City budgets revenues and projects expenses in the Employee Health Insurance Fund (internal service) based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the Employee Health Insurance Fund has a long-term liability of \$25,000 and a deficit in net assets of \$6,024,000. As of June 30, 2010 this fund has no cash balances. The City will fund the deficit over time by adjusting the rates paid by City funds.
- The City budgets revenues and projects expenses in the Retiree Health Insurance Fund (internal service) based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the Retiree Health Insurance Fund has an Other Postemployment Benefits (OPEB) long-term liability of and a deficit in net assets of \$75,854,000. As of June 30, 2010 this fund has no cash balances. The City is considering actions to reduce this long-term liability, which may include actions to fund the deficit over time by adjusting the rates paid by City funds.
- The City budgets revenues and projects expenses in the Other Benefits and Insurance Fund (internal service fund primarily for employee separation payouts), based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the Other Benefits and Insurance Fund has a current liability and a deficit in net assets of \$3,541,000. As of June 30, 2010 this fund has no cash balances. 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, 2010

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### 14. SPECIAL ITEMS

There are three independent events prompting the recording of the following transactions as special items. Each of the transactions described below were subject to management's control and considered infrequent in occurrence. The net change of these special items to the governmental funds reduced total fund balance by \$4,793,000 in the General Fund and by \$344,000 in the Capital Improvement Fund, while increasing total fund balance in the Development Services Fund by \$4,849,000. The net change of these special items to proprietary funds increased unrestricted net assets by \$250,000 in the Water Utility Fund and by \$388,000 in the Wastewater Utility Fund, while decreasing the Stormwater Utility Fund by \$350,000.

Development Services Loan to General Fund – Enterprise Zone Fee Discounts - The FY 2010/11 Budget Resolution adopted June 22, 2010, included in Item 9, a loan repayment plan between the General Fund and the Development Services Fund to reimburse for a discount/waiver of development fees program for projects in the Enterprise Zone. The total of the discounted fees were \$4,849,000 incurred during the duration of the program between FY 2002-03 and FY 2007-08. Item 9 approved a loan repayment commencing in FY 2011-12 with a five-year repayment period with specified loan payment terms. The City has recorded this \$4,849,000 as a loan from other funds in the General Fund and as loans to other funds in the Development Services Fund balance sheets. The effect of this special item of \$4,849,000 is a reduction to the total fund balance of the General Fund and an increase by the same amount in the Development Services Fund. In the Development Services Fund, this \$4,849,000 is a committed fund balance.

Howard Jarvis Taxpayer Association v. City of Stockton – Commencing in 1969 and 1978, the City levied a "fee in lieu of property tax" on properties served by the City's water and wastewater utilities, respectively. These fees originally were deposited as transfers into the General Fund and supported a variety of City services. In FY 2002-03, the City doubled the fee rate, and revenue from the increase was directed to a special Infrastructure Reinvestment Fund. Also in 2002-03, the City imposed the same "fee in lieu of property tax" on stormwater utility users. As with the water and wastewater fees, the City designated one-half of this fee for deposit into the General Fund and one-half for deposit into the Infrastructure Reinvestment Fund (now the Capital Improvements Fund).

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 14. SPECIAL ITEMS (Continued)

On October 10, 2006 a lawsuit (*Howard Jarvis Taxpayers Assoc., et al. v. City of Stockton*) (San Joaquin Superior Court No. (CV-030686-CU-JR-STK) was filed contending that the transfers violated Proposition 218 on the grounds that the transfers caused utility fees to be used for purposes other than providing the utility services for which the fees were charged. On March 24, 2009 a settlement of this lawsuit was approved by the Stockton City Council requiring the City's General Fund and Capital Improvement Fund to repay over a future thirty year period \$15,798,000 in principal plus \$3,580,000 in accrued interest (as of June 30, 2009), for a total estimate of \$19,378,000 with the annual repayment plan of approximately \$1,130,000 to begin in FY 2010/11 and end in FY 2039/40.

The above total balances and repayment figure in the court settlement were based on an estimate of the City's pooled investment rate of return in FY 2008-09 of 3.4% and 4.0% for FY 2009/10 which has been subsequently computed to be 3.29% in FY 2009/10 resulting in modifications to the estimated settlement agreement approved by the court. The modification found in the current year special item is related both to the pooled investment rate of return adjustment and the additional one year of liability of unpaid accrued interest, resulting in a total liability of \$15,798,000 in principal plus \$4,218,000 in accrued interest (as of June 30, 2010), for a total estimate of \$20,016,000. The total liability (loans from other funds) is split between the General Fund and Capital Improvement Fund in the amount of \$8,416,000 and \$11,599,000, respectively.

The settlement agreement's estimates were based on the MuniFinancial *Review of General Fund Cost Recovery from Utility Funds Report* (dated October 6, 2008), accepted by the Court and City Council. The MuniFinancial's (currently Wildan) report provided the basis of the fee for services calculation methodology supporting the repayment plan schedule accepted by all parties. Repayment amounts are net of prior services provided during the fiscal years 1996/97 to 2005/06, resulting in the "excess transfers" to the General Fund and Capital Improvement (General) Fund.

In accordance with general accepted accounting standards and pursuant to the settlement agreement, implementation requires recording the total liability amounts (loans from other funds) which decreases the fund balances of both the General Fund and Capital Improvement Fund. The repayment schedule beginning in FY 2010/11 has been incorporated into the City's long-term financial outlook.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 14. SPECIAL ITEMS (Continued)

As a result of the settlement agreement, the City recorded in the FY 2008-09 financial statements the special item for \$7,596,000 in the Water Utility Fund, \$11,782,000 in the Wastewater Utility Fund, a negative \$8,148,000 in the General Fund, and a negative \$11,230,000 in the Capital Improvement Fund. The special item recorded for this FY 2009/10 financial statements are subsequent related entries to capture the accrued interest liability with respect to fiscal year 2010. As a result the special item for this year is for loans to other funds of \$250,000 in the Water Utility Fund and \$388,000 in the Wastewater Utility Fund, and loans from other funds of \$269,000 in the General Fund and \$369,000 in the Capital Improvement Fund.

Historic Subsidies of the Stormwater Utility Fund – As part of the City Council approved settlement agreement of the Howard Jarvis Taxpayers Association v. City of Stockton, the Court accepted the MuniFinancial findings contained in the *Review of General Fund Cost Recovery from Utility Funds Report* (dated October 6, 2008). The Report established that net of applicable services rendered, both the General Fund and Capital Improvement Fund had historically subsidized the Stormwater Utility Fund a total amount of \$10,642,000 (as of June 30, 2009), of which \$7,672,000 in principal and \$2,970,000 is accrued interest (as of June 30, 2009). The result was a special item that was recorded in the FY 2008/09 financial statements as a loan to other funds of \$9,870,000 in the General Fund and \$772,000 in the Capital Improvement Fund, and a loan from other funds of \$10,642,000 in the Stormwater Utility Fund.

The special item recorded for this FY 2009/10 financial statements are subsequent related entries to capture the current year accrued interest liability portion prior repayment entries scheduled to begin the FY 2010/11. As a result the special item for this year is in loans to other funds for \$325,000 in the General Fund and \$25,000 in the Capital Improvement Fund, and loans from other funds of \$350,000 in the Stormwater Utility Fund. The total results of this historic subsidy of the Stormwater Utility Fund recorded in the FY 2009/10 financial statements were total loans to other funds receivables of \$10,195,000 in the General Fund and \$798,000 in the Capital Improvement Fund, and a liability (loans from other funds) of \$10,993,000 in the Stormwater Utility Fund, made up of \$7,672,000 in principal and \$3,321,000 in accrued interest.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

### 14. SPECIAL ITEMS (Continued)

The following is a table summarizing the special items by fund:

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Stormwater Utility</u>
General Fund / Development Services Subsidy	\$ (4,849)	\$ -	\$ 4,849	\$ -	\$ -	\$ -
Jarvis Settlement	(269)	(369)	-	250	388	-
Stormwater Subsidy	<u>325</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350)</u>
Total Special Items	<u>\$ (4,793)</u>	<u>\$ (344)</u>	<u>\$ 4,849</u>	<u>\$ 250</u>	<u>\$ 388</u>	<u>\$ (350)</u>

These three special items are reflected in the government-wide statement of activities, the statement of revenues, expenditures and changes in fund balances – governmental funds for the General Fund, Capital Improvement and Development Services (Other Governmental) funds, and the statement of revenues, expenses and changes in fund net assets – proprietary funds for the Water, Wastewater and Stormwater utility funds. A corresponding commitment to fund balances is reflected in the Balance Sheet – Governmental Funds in the amount of \$4,849,000 in the Development Services Fund.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 15. SUBSEQUENT EVENTS

#### ***City Charter Amendment Ballot Measure H Voter Approval - Related to Administration and Management of the Fire Department***

On November 2, 2010, Stockton citizens approved Measure H which amended the Stockton City Charter Articles XVI and XXV pertaining to the administration and management of the City's Fire Department. The submission of this ballot measure to the City voters was approved by the City Council on July 27, 2010 in Resolution No. 10-0255. Previously there were a number of Charter provisions that impeded Council's ability to make final decisions on fiscal matters, including wage and benefit packages of the Fire Department, as well as recruitment and hiring of a Fire Chief from within the Fire Department. The Charter also provided for special vacation for the Fire Department. Most limiting was the Charter's requirement that the final decision making authority for the firefighters' labor contract must, at the Union's request, be referred to an outside arbitrator. The arbitrator decisions were deemed final and binding.

This Measure H ballot measure approved by Stockton voters provided for a modernized structure and administration of the Fire Department that included revisions to the appointment procedures and duties of the Fire Chief, Deputy Fire Chief, enacted revisions to impasse resolution procedures for employee disputes, exempted the Fire Chief and Deputy Fire Chief from the classified civil service system, and removed mandatory vacation accrual provisions for the Fire Department employees. The passage of this ballot measure provides the City with greater flexibility in addressing the fiscal concerns of the General Fund in the future.

#### ***Delta Water Supply Project Water Revenue Bonds***

On October 20, 2010, the Water Utility Fund through the Stockton Public Financing Authority (SPFA) closed on a variable rate demand water revenue bond issue totaling a par amount of \$55,000,000. The financed project includes the second phase of construction of an intake pump facility, water treatment plant and related water distribution infrastructure systems. These bonds are being used as the final financing mechanism in completing the Delta Water Supply Project that was undertaken in FY 2008/09.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 15. SUBSEQUENT EVENTS (Continued)

Bonds issued mature from 2018 through 2041 and have variable rate yields. These tax-exempt bonds are callable. The Bonds are due in installments ranging from \$180,000 to \$15,405,000 beginning October 1, 2017 through October 1, 2041. The bonds bear interest at a “weekly rate” established by the remarketing agent having due regard for prevailing financial market conditions. Interest is paid monthly based on the rate, which is reset on a weekly basis. The initial rate paid is .29%. Debt service interest payments commenced on 11/03/2010 and will continue on the first Wednesday of each month.

The underlying Credit was rated Aa3, A+ and AA- by Moody’s, S&P and Fitch, respectively. Based on the understanding that the Letter of Credit was issued simultaneously with the delivery of the Series 2010A bonds, the bonds are rated “Aa1/VMIG1”, “AAA/A-1”, and “AA+/F1” by Moody’s, S&P and Fitch, respectively. The rating agencies have based their long term ratings on the 2010A Bonds on their analysis of the credit strength of the Utility and the financial institution supporting the Letter of Credit using a “two-party-pay” rating approach. The short term ratings on the 2010A Bonds are based solely on the credit strength of the Letter of Credit.

#### ***Stormwater Utility Loan Obligation with the General Fund***

During the 2009/10 year, management of the municipal utility funds completed an independent utility rate analysis consultant study to determine the appropriate rate structure to support the operational needs of the Stormwater Utility Fund and to fund the repayment of this \$10,993,000 liability. In August, 2010 the City Council adopted the rate analysis study which included a new “Clean Water Fee” for the Stormwater Utility Fund subject to a California Proposition 218 voter ballot measure. In early December 2010, the City Council announced that the Stormwater new “Clean Water Fee” failed to secure a majority of affirmative ballots. Without the additional revenues from the proposed “Clean Water Fee”, this utility fund will not have the resources to meet estimated annual \$611,000 loan payments over the next 30 years. The 2009/10 year is the ninth consecutive year in which the Stormwater Utility Fund has had a net operating loss. A net operating loss indicates that an enterprises’ operating income structure is not meeting standard operating and infrastructure renewal and replacement costs.

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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### 15. SUBSEQUENT EVENTS (Continued)

During the 2010/11 year, management will be evaluating the limited options available to support the operational funding of this fund, including the annual payments of the loan obligation. Without identifying additional resources in the Stormwater Utility Fund to pay back the historic subsidies, the \$10,175,000 receivable recorded in the General Fund and \$798,000 recorded in the Capital Improvement Fund will be deemed uncollectible in fiscal year 2010-11, reducing the total fund balances of both these funds.

#### ***State of California SERAF Taking of Redevelopment Agency Fund***

The City is anticipating that the Agency will have to make a payment to the State estimated at \$1,888,751 in May 2011, which is in addition to the \$9,173,935 payment made in May 2010 for deposit to the County's Supplemental Educational Revenue Augmentation Funds (SERAF) distributed to schools to meet the State of California's Proposition 98 obligations to education; pursuant to an action taken by the State in the fourth extraordinary session of 2010. Combined, these payments represent the Agency's full obligation as required under this legislation. The California Redevelopment Association has filed a lawsuit challenging the constitutionality of this State action.

#### ***Bond Rating***

On January 20, 2011, Moody's Investor Service downgraded the City's Issuer Rating from Aa3 to A1, and concurrently downgraded the City's Pension Obligation Bonds, 2007 Series A and B from A1 to A2 and the Lease Revenue Refunding bonds, 2006 Series A from A2 to A3. The credit rating agency cited the City's narrow financial position and economically challenged tax base as the reason for its bond rating change.

### 16. FUTURE GASB PRONOUNCEMENTS

In December of 2009, the GASB issued Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan*. The provisions of Statement No. 57 address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent-multiple employer other postemployment benefit (OPEB) plans. The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan

# CITY OF STOCKTON

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2010

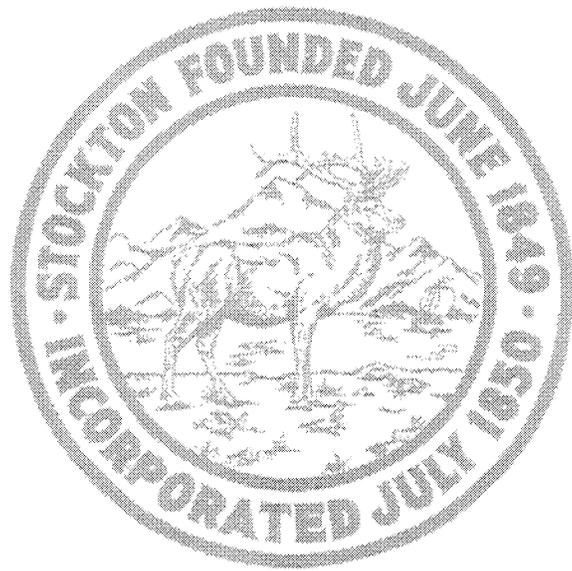
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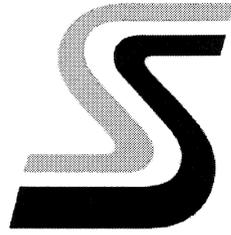
### 16. FUTURE GASB PRONOUNCEMENTS (Continued)

financial statements for periods beginning after June 15, 2011. This standard will not have any effect on the City's future financial statements.

In June of 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. The provisions of Statement 59 update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This standard is effective for periods beginning after June 15, 2010. This standard is not expected to have a material effect on the City's future financial statements.

The City is currently analyzing the impact of the implementation of these new statements on its future financial statements.

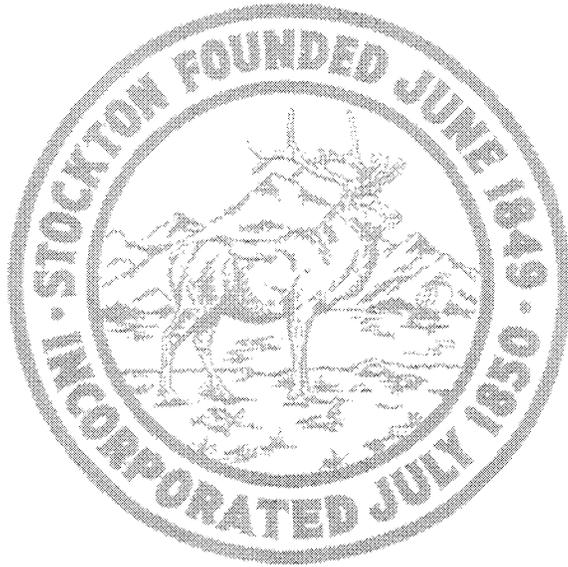




CITY OF STOCKTON



**REQUIRED SUPPLEMENTARY INFORMATION**



# 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, 2010 (Dollar amounts in thousands)

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 27,525	\$ 27,525	\$ 29,170	\$ 1,645
In lieu of sales tax	8,297	8,297	7,087	(1,210)
Utility user	30,055	30,055	30,717	662
Franchise fees	11,270	11,270	11,354	84
Business license	9,865	9,865	9,289	(576)
Hotel/motel room	2,150	2,150	1,749	(401)
Document transfer	650	650	559	(91)
Other	-	-	2	2
Licenses and permits	398	398	392	(6)
Intergovernmental:				
Federal grants and subsidies	-	-	55	55
Sales and use tax - levied by state	26,113	26,113	25,623	(490)
Other governmental	25,549	25,549	27,160	1,611
Charges for services	12,213	12,363	13,043	680
Fines and forfeitures	3,972	3,972	5,045	1,073
Use of money and property	7,084	7,003	7,082	79
Investment income:				
Interest income	635	600	888	288
Net increase in fair value of investments	-	-	178	178
Refunds and reimbursements	1,908	1,908	2,300	392
Miscellaneous	7,022	7,023	6,091	(932)
<b>Total revenues</b>	<b>174,706</b>	<b>174,741</b>	<b>177,784</b>	<b>3,043</b>
<b>EXPENDITURES:</b>				
General government:				
City council	497	485	486	(1)
City manager	1,110	1,046	1,047	(1)
City attorney	1,087	1,133	1,133	-
City clerk	731	651	651	-
City auditor	456	446	446	-
Administrative services	2,544	2,441	2,443	(2)
Human resources	1,702	1,427	1,427	-
Housing and redevelopment	418	371	371	-
Non-departmental	3,728	3,675	3,789	(114)
<b>Total general government</b>	<b>12,273</b>	<b>11,675</b>	<b>11,793</b>	<b>(118)</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, 2010 (Dollar amounts in thousands)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Police	86,592	86,622	86,725	(103)
Fire	41,296	46,353	47,599	(1,246)
Total public safety	127,888	132,975	134,324	(1,349)
Public works	3,485	3,529	3,567	(38)
Libraries	10,770	10,770	10,752	18
Parks and recreation	17,650	17,431	16,189	1,242
Capital Outlay	1,985	1,985	81	1,904
Debt service - cost of issuance	-	177	177	-
Total expenditures	174,051	178,542	176,883	1,659
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	655	(3,801)	901	4,702
OTHER FINANCING SOURCES (USES):				
Transfers in	775	2,077	2,528	451
Transfers out	(4,465)	(4,920)	(4,920)	-
Sale of capital assets	10	10	-	(10)
Total other financing sources (uses)	(3,680)	(2,833)	(2,392)	441
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (3,025)	\$ (6,634)	(1,491)	\$ 5,143
Special items			(4,793)	
BASIS ADJUSTMENT:				
Encumbrances			1,226	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			(5,058)	
FUND BALANCE, BEGINNING OF YEAR			28,205	
FUND BALANCE, END OF YEAR			\$ 23,147	

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

# CITY OF STOCKTON

## SCHEDULE OF DEFINED BENEFIT PENSION PLANS FUNDED STATUS FOR THE YEAR ENDED JUNE 30, 2010

The three tables below are based on the most recent information available from CalPERS (Safety and Miscellaneous Plans) and Milliman and Associates (Retirement Enhancement Plan)

### SAFETY PLAN

(dollar amounts in thousands)

Valuation Date	Entry Age Actuarial Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (UAAL) (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
6/30/09	\$ 724,324	\$ 644,940	\$ 79,384	89.0%	\$ 58,596	135.5%
6/30/08	664,028	625,633	38,395	94.2%	56,811	67.6%
6/30/07	619,816	592,315	27,501	95.6%	54,128	50.8%

### MISCELLANEOUS PLAN

(dollar amounts in thousands)

Valuation Date	Entry Age Actuarial Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (UAAL) (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
6/30/09	\$ 535,151	\$ 478,673	\$ 56,478	89.4%	\$ 62,265	90.7%
6/30/08	491,467	460,950	30,517	93.8%	66,743	45.7%
6/30/07	453,621	434,989	18,632	95.9%	57,120	32.6%

The City will report three years of data in the table below for Retirement Enhancement Plan as the information becomes available in subsequent years.

### RETIREMENT ENHANCEMENT PLAN

(dollar amounts in thousands)

Valuation Date	Actuarial Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (UAAL) (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
3/1/08	\$ 4,845	\$ -	\$ 4,845	0.0%	\$ 5,740	84.41%

# CITY OF STOCKTON

## SCHEDULE OF DEFINED BENEFIT OPEB PLAN FUNDED STATUS FOR THE YEAR ENDED JUNE 30, 2010

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### OPEB PLAN (GASB 45) (dollar amounts in thousands)

<u>Valuation Date</u>	<u>Actuarial Accrued Liability (1)</u>	<u>Actuarial Value of Assets (2)</u>	<u>Unfunded Liability (1)-(2)</u>	<u>Funded Status (2)/(1)</u>	<u>Annual Covered Payroll (3)</u>	<u>UAAL As a Percentage of Payroll [(1)-(2)]/(3)</u>
6/30/09	\$ 543,702	\$ -	\$ 543,702	0.0%	\$ 107,679	505.0%
6/30/07	388,303	-	388,303	0.0%	98,464	395.0%

GASB 45 actuarial valuations are only required to be performed and reported every two years. As required by GASB Statement No. 45, the City will report three actuarial reports of data in the above table as the information becomes available in subsequent years. Therefore, new data will be added in subsequent financial reports.

## CITY OF STOCKTON

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2010

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#### 1. DEFINED BENEFIT PENSION AND OPEB PLANS

The schedules of the defined benefit pension plans and OPEB plan funded status displays a historical summary of the Actuarial 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 and the City's OPEB plan.

#### 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 nonmajor special revenue funds (Solid Waste and Recycling, Gas Tax, Measure K Streets Sales Tax, Measure W Public Safety Sales Tax, Special Assessments, Emergency Communication, 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 budgetary comparison basis; therefore, budgetary data related to these funds has not been presented.

If expenditures exceed appropriations, the City Manager is authorized to transfer budgeted amounts between line items within any fund. During the year, the City Council approves supplemental appropriations and, by resolution, has also authorized the City Manager to transfer fund balances to applicable appropriation accounts, or to transfer between funds, when necessary to continue purposes approved by the City Council in the current year, adopted budget, or subsequent action. Amounts reported as final budget in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – On a Budgetary Basis include amendments authorized throughout the year.

## CITY OF STOCKTON

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (Continued) FOR THE YEAR ENDED JUNE 30, 2010

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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

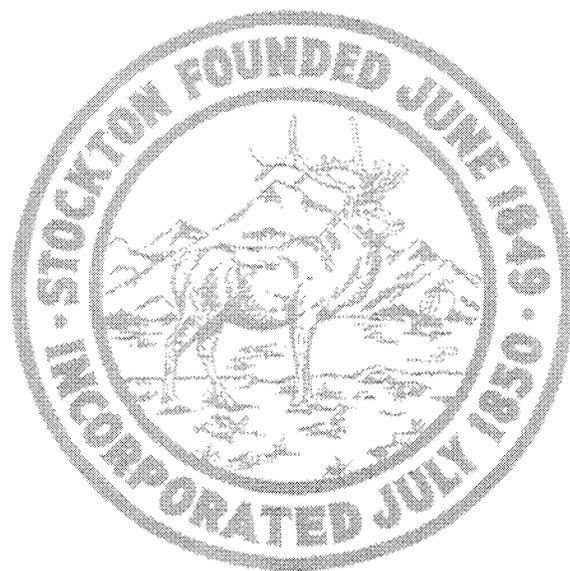
The City adopts budgets each fiscal year on a basis of accounting, which is different from accounting principles generally accepted in the United States of America (GAAP).

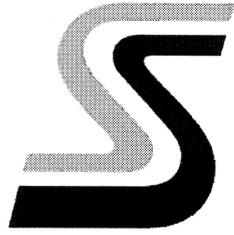
The statements of revenues, expenditures and changes in fund balances have been prepared on the modified accrual basis of accounting in accordance with GAAP. The schedules of revenues, expenditures and changes in fund balances – budget and actual – on a budgetary basis have been prepared on the budgetary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

The variations from GAAP that are for budgetary purposes include the following:

- 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.

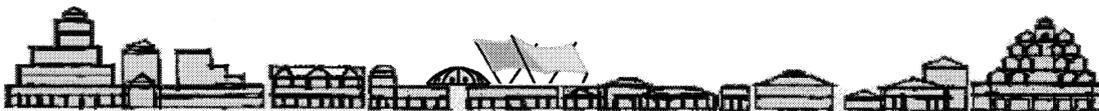
Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multi-year or project length basis. The amounts of the projects and programs budgeted on a multi-year basis are significant compared to the items budgeted on an annual basis; therefore, 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

SUPPLEMENTARY INFORMATION  
NONMAJOR GOVERNMENTAL FUNDS



**NONMAJOR GOVERNMENTAL FUNDS**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific governmental revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects.

The City's nonmajor governmental special revenue funds include:

#### ***Special Grants Fund***

To account for resources from miscellaneous, comparatively smaller, grants from federal and state governments to support public safety and other community programs which are not otherwise accounted for in other special revenue funds.

#### ***Solid Waste and Recycling Fund***

To account for the administration of solid waste collection services, and the planning and implementation of solid waste reduction and recycling programs, in compliance with California Public Resources Code Section 40050 thru 40063 (AB 939).

#### ***Gas Tax Fund***

To account for revenues and expenditures apportioned to the City under the California Streets and Highway Code, Sections 2105 thru 2107.5. Expenditures of these resources for administration, maintenance and construction must be street and transportation related. This fund includes state and federal funding from the Intermodal Surface Transportation Efficiency Act, SB325 Non-Transit, and Traffic Congestion Relief program.

#### ***Measure K Streets Sales Tax Fund***

To account for revenues and expenditures apportioned to the City from ½ cent sales tax collections under Measure K. The Measure K program is administered by the San Joaquin Council of Governments (SJCOG) as the Local Transportation Authority for San Joaquin County. SJCOG was established as the Local Transportation Authority for this measure when San Joaquin County voters approved the enactment of the Measure K program in 1990. In 2006 voters approved to extend this measure for an additional 30 years. Expenditures for administration, maintenance and construction received under Measure K must be for street and transportation related projects.

#### ***Measure W Public Safety Tax Fund***

To account for revenues and expenditures apportioned to the City ¼ cent sales tax collections from the district including the City of Stockton under Measure W, which was adopted by local voters in November 2004. Expenditures are for administration, implementation, and operation of the Police and Fire Safe Neighborhood Gang and Drug Prevention Program, among other programs.

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

### ***Special Assessments Fund***

To account for revenues and expenditures related to levies on property owners as approved by the City Council and state law for special types of services - basic street and neighborhood lighting, land and streetscapes, and stormwater drainage maintenance services.

### ***Low- and Moderate-Income Housing RDA Loans Fund***

To account for loans extended to eligible low- and moderate-income families as approved by the Stockton Redevelopment Agency and the California Health and Safety Code Section.

### ***Community Development Block Grant (CDBG) Programs Fund***

To account for federal grant programs and other resources that provide 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. This fund includes the City's annual federal funding from the Community Development Block Grant, Community Rehabilitation Loan program, federal revolving loan program, and revitalization activities in the designated Urban Development Action Grant area.

### ***Neighborhood Stabilization Loan Program Fund***

To account for the City's Neighborhood Stabilization Loan Program that provides loans to non-profit housing developers to acquire and rehabilitate abandoned and foreclosed homes, and provides down payment assistance to qualified low- and moderate-income households who purchase from the non-profit organizations authorized under the NSLP program as authorized by Division B, Title III of the U.S. Housing and Economic Recovery Act (HERA) of 2008.

### ***Housing Grants and Loans Program Fund***

To account for the City's economic development and federal department of Housing and Urban Development (HUD) Section 108 housing grant and loan programs that provide funding for low- and moderate-income housing development in Stockton, as approved by the City Council and various federal and state laws.

### ***HOME Program Fund***

To account for the City's HOME Program providing affordable housing for low- and very low-income residents in accordance with various federal and state laws.

### ***Emergency Communication***

To account for the operations and maintenance of the City's administration building. The building will provide a central location for citizens to conduct City business efficiently.

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

### ***City Administration Building Fund***

To account for the operations and maintenance of the tenant occupied City Administration Building at 400 E. Main Street. Tenants include private sector firms, governmental entities and various City of Stockton departments. This building is managed through a contractual agreement with an outside management firm. Rental revenues from the building tenants and all other revenues are assigned for expenditures towards the building's maintenance and operations.

### ***Development Services Fund***

To account for resources for development planning and project review services including land use entitlements, permit processing and review and inspection of public improvements to ensure orderly physical growth and development of the City as approved by the City Council. Revenues and fees collected and recorded in this fund are committed to its related activities.

### ***Other Special Revenue Fund***

To account for the resources of comparatively smaller special revenue funds, including the Litigated Asset Seizure public safety program, Cal-Home Reuse Loan Program, State Housing Loan Program and various governmental expendable special revenue/trusts of funds donated to the City for various community projects and programs.

## **DEBT SERVICE FUNDS**

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt.

The City's nonmajor governmental debt service funds include:

### ***Redevelopment Agency Debt Service Fund***

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

### ***Stockton Public Financing Authority Debt Service Fund***

To account for the accumulation of resources for the retirement of principal and interest payment on long-term debt for municipal bonds issued on behalf of and approved 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. Permanent Fund resources help support designated arts, recreation, library and public safety programs.

**CITY OF STOCKTON**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2010**

**(With comparative totals for June 30, 2009)**

**(Dollar amounts in thousands)**

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 2,092	\$ -	\$ 2,000
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Interest	-	14	-	17
Accounts and other receivables	51	49	3	1
Due from other governments	2,095	-	3,520	4,266
Loans to other funds	-	-	-	-
Loans to property owners	-	-	-	-
Allowance for loan losses	-	-	-	-
<b>Total assets</b>	<b>\$ 2,146</b>	<b>\$ 2,155</b>	<b>\$ 3,523</b>	<b>\$ 6,284</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 231	\$ 16	\$ 1,586	\$ 1,620
Due to other funds	818	-	1,756	-
Due to other governments	-	-	-	-
Deposits and other liabilities	-	-	-	-
Deferred revenue	901	-	-	214
Loan from other funds	-	-	-	-
<b>Total liabilities</b>	<b>1,950</b>	<b>16</b>	<b>3,342</b>	<b>1,834</b>
<b>FUND BALANCES (DEFICIT):</b>				
Nonspendable	-	-	-	-
Restricted	127	2,134	9,513	-
Committed	69	5	13,413	6,086
Assigned	-	-	-	-
Unassigned	-	-	(22,745)	(1,636)
<b>Total fund balances (deficit)</b>	<b>196</b>	<b>2,139</b>	<b>181</b>	<b>4,450</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 2,146</b>	<b>\$ 2,155</b>	<b>\$ 3,523</b>	<b>\$ 6,284</b>

Special Revenue					
Measure W Public Safety Tax	Special Assessments	Low-Moderate Income Housing RDA Loans *	CDBG Programs *	Neighborhood Stabilization Loan Program	Housing Grant / Loan Programs *
\$ -	\$ 10,485	\$ 7,744	\$ 921	\$ 3,245	\$ 237
-	-	-	-	-	1,253
-	64	-	5	18	-
-	63	-	-	-	-
1,407	-	-	325	29	-
-	-	-	13,864	-	-
-	-	44,116	17,836	4,671	-
-	-	-	(50)	-	-
<u>\$ 1,407</u>	<u>\$ 10,612</u>	<u>\$ 51,860</u>	<u>\$ 32,901</u>	<u>\$ 7,963</u>	<u>\$ 1,490</u>
\$ 55	\$ 129	\$ 100	\$ 292	\$ 45	\$ -
538	-	-	-	-	-
-	-	-	24	75	-
-	-	-	-	-	-
-	48	-	-	-	-
-	-	-	-	-	-
<u>593</u>	<u>177</u>	<u>100</u>	<u>316</u>	<u>120</u>	<u>-</u>
-	-	-	-	-	-
814	10,004	51,760	31,710	7,827	1,490
-	431	-	1,358	16	-
-	-	-	-	-	-
-	-	-	(483)	-	-
<u>814</u>	<u>10,435</u>	<u>51,760</u>	<u>32,585</u>	<u>7,843</u>	<u>1,490</u>
<u>\$ 1,407</u>	<u>\$ 10,612</u>	<u>\$ 51,860</u>	<u>\$ 32,901</u>	<u>\$ 7,963</u>	<u>\$ 1,490</u>

(Continued)

**CITY OF STOCKTON**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2010**

**(With comparative totals for June 30, 2009)**

**(Dollar amounts in thousands)**

	Special Revenue				
	Home Program	Emergency Communication	City Administration Building	Development Services	Other Special Revenue
<b>ASSETS</b>					
Cash and investments	\$ 272	\$ -	\$ 1,839	\$ -	\$ 2,421
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Interest	2	-	-	-	15
Accounts and other receivables	-	-	-	837	44
Due from other governments	49	-	-	-	29
Loans to other funds	-	-	-	5,046	-
Loans to property owners	24,613	-	-	-	2,900
Allowance for loan losses	(350)	-	-	-	-
	<u>\$ 24,586</u>	<u>\$ -</u>	<u>\$ 1,839</u>	<u>\$ 5,883</u>	<u>\$ 5,409</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 6	\$ -	\$ 24	\$ 68	\$ 50
Due to other funds	-	-	-	4,547	-
Due to other governments	-	-	-	-	14
Deposits and other liabilities	-	-	-	152	-
Deferred revenue	-	-	-	-	1
Loan from other funds	-	-	-	-	-
	<u>6</u>	<u>-</u>	<u>24</u>	<u>4,767</u>	<u>65</u>
<b>FUND BALANCES (DEFICIT):</b>					
Nonspendable	-	-	-	-	-
Restricted	24,608	-	-	-	5,344
Committed	-	-	-	5,848	-
Assigned	-	-	1,815	-	-
Unassigned	(28)	-	-	(4,732)	-
	<u>24,580</u>	<u>-</u>	<u>1,815</u>	<u>1,116</u>	<u>5,344</u>
Total fund balances (deficit)	<u>24,580</u>	<u>-</u>	<u>1,815</u>	<u>1,116</u>	<u>5,344</u>
Total liabilities and fund balances (deficit)	<u>\$ 24,586</u>	<u>\$ -</u>	<u>\$ 1,839</u>	<u>\$ 5,883</u>	<u>\$ 5,409</u>

Debt Service		Permanent		
Redevelopment Agency	Stockton Public	Miscellaneous	Totals	
	Financing Authority		2010	2009
\$ -	\$ -	\$ 1,992	\$ 33,248	\$ 28,179
12,408	4,094	-	17,755	14,589
-	-	12	147	14
-	-	2	1,050	863
-	-	-	11,720	9,961
-	-	-	18,910	14,660
-	-	-	94,136	83,457
-	-	-	(400)	(400)
<u>\$ 12,408</u>	<u>\$ 4,094</u>	<u>\$ 2,006</u>	<u>\$ 176,566</u>	<u>\$ 151,323</u>
\$ 3	\$ 2	\$ 4	\$ 4,231	\$ 2,341
-	-	-	7,659	6,094
-	-	-	113	21
-	-	-	152	155
-	-	-	1,164	1,050
-	-	-	-	1,650
<u>3</u>	<u>2</u>	<u>4</u>	<u>13,319</u>	<u>11,311</u>
-	-	1,604	1,604	1,605
11,881	3,961	398	161,571	143,693
524	131	-	27,881	17,497
-	-	-	1,815	-
-	-	-	(29,624)	(22,783)
<u>12,405</u>	<u>4,092</u>	<u>2,002</u>	<u>163,247</u>	<u>140,012</u>
<u>\$ 12,408</u>	<u>\$ 4,094</u>	<u>\$ 2,006</u>	<u>\$ 176,566</u>	<u>\$ 151,323</u>

# CITY OF STOCKTON

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010 (With comparative totals for the year ended June 30, 2009) (Dollar amounts in thousands)

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Streets Sales Tax
<b>REVENUES:</b>				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Other	-	-	184	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	6,336	-	7,322	-
Sales and use tax - levied by state	-	-	-	3,233
Other governmental	1,108	-	7,259	9,738
Charges for services	847	-	-	-
Fines and forfeitures	-	-	5	-
Use of money and property	-	1	-	-
Investment income:				
Interest income	(17)	68	(183)	66
Net increase (decrease) in fair value of investments	(7)	11	24	(19)
Refunds and reimbursements	713	15	96	247
Miscellaneous	7	1,320	-	-
<b>Total revenues</b>	<b>8,987</b>	<b>1,415</b>	<b>14,707</b>	<b>13,265</b>
<b>EXPENDITURES:</b>				
Current:				
General government	938	-	-	-
Public safety	7,336	-	-	-
Public works	11	1,361	6,928	-
Library	121	-	-	-
Parks and recreation	4	-	-	5
Capital outlay	993	-	10,683	12,036
Debt service:				
Principal retirement	-	-	-	1,090
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>9,403</b>	<b>1,361</b>	<b>17,611</b>	<b>13,131</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(416)</b>	<b>54</b>	<b>(2,904)</b>	<b>134</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	439	-	2,722	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>439</b>	<b>-</b>	<b>2,722</b>	<b>-</b>
<b>SPECIAL ITEMS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>23</b>	<b>54</b>	<b>(182)</b>	<b>134</b>
<b>FUND BALANCES (DEFICITS), BEGINNING OF YEAR</b>	<b>173</b>	<b>2,085</b>	<b>363</b>	<b>4,316</b>
<b>FUND BALANCES (DEFICITS), END OF YEAR</b>	<b>\$ 196</b>	<b>\$ 2,139</b>	<b>\$ 181</b>	<b>\$ 4,450</b>

\* Merging of funds and title changes are reflected in this financial statement. Refer to the Notes to the Financial Statements for more information.

Special Revenue						
Measure W Public Safety Tax	Special Assessments	Low-Moderate Income Housing RDA Loans *	CDBG Programs *	Neighborhood Stabilization Loan Program	Housing Grant / Loan Programs *	
\$ 7,652	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	428	-	-	-	-	-
-	17	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	4,141	7,663	(109)	-
-	-	-	-	-	-	-
-	3,537	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	34	619	-	-
(24)	306	-	(44)	24	80	-
-	80	-	30	85	-	-
138	-	-	-	-	-	-
-	-	-	1	-	-	-
<u>7,766</u>	<u>4,368</u>	<u>-</u>	<u>4,162</u>	<u>8,391</u>	<u>(29)</u>	
-	563	-	306	1,293	-	-
7,177	-	-	-	-	-	-
-	320	-	-	-	-	-
-	-	-	-	-	-	-
-	1,978	-	-	-	-	-
-	-	-	2,501	352	-	-
-	-	-	970	-	-	-
-	-	-	1,120	-	-	-
<u>7,177</u>	<u>2,861</u>	<u>-</u>	<u>4,897</u>	<u>1,645</u>	<u>-</u>	
<u>589</u>	<u>1,507</u>	<u>-</u>	<u>(735)</u>	<u>6,746</u>	<u>(29)</u>	
-	-	6,409	290	-	-	-
-	-	-	(290)	-	-	-
-	-	6,409	-	-	-	-
-	-	-	-	-	-	-
589	1,507	6,409	(735)	6,746	(29)	
<u>225</u>	<u>8,928</u>	<u>45,351</u>	<u>33,320</u>	<u>1,097</u>	<u>1,519</u>	
<u>\$ 814</u>	<u>\$ 10,435</u>	<u>\$ 51,760</u>	<u>\$ 32,585</u>	<u>\$ 7,843</u>	<u>\$ 1,490</u>	

# CITY OF STOCKTON

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010 (With comparative totals for the year ended June 30, 2009) (Dollar amounts in thousands)

	Special Revenue				
	Home Program	Emergency Communication	City Administration Building	Development Services	Other Special Revenue
<b>REVENUES:</b>					
Taxes:					
Sales - levied by City	\$ -	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-	-
Other	-	-	-	-	-
Licenses and permits	-	-	-	3,778	87
Intergovernmental:					
Federal grants and subsidies	256	-	-	-	41
Sales and use tax - levied by state	-	-	-	-	-
Other governmental	-	-	-	-	406
Charges for services	-	(1)	-	4,413	77
Fines and forfeitures	-	-	-	40	-
Use of money and property	51	-	3,859	-	35
Investment income:					
Interest income	10	12	(121)	-	68
Net increase (decrease) in fair value of investments	-	3	-	-	21
Refunds and reimbursements	-	-	-	104	10
Miscellaneous	-	-	-	142	861
Total revenues	<u>317</u>	<u>14</u>	<u>3,738</u>	<u>8,477</u>	<u>1,606</u>
<b>EXPENDITURES:</b>					
Current:					
General government	1	-	2,021	3,121	137
Public safety	-	52	-	3,871	377
Public works	-	-	-	1,868	-
Library	-	-	-	-	217
Parks and recreation	-	-	-	-	147
Capital outlay	211	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>212</u>	<u>52</u>	<u>2,021</u>	<u>8,860</u>	<u>878</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>105</u>	<u>(38)</u>	<u>1,717</u>	<u>(383)</u>	<u>728</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(451)	(842)	-	(159)
Total other financing sources (uses)	<u>-</u>	<u>(451)</u>	<u>(842)</u>	<u>-</u>	<u>(159)</u>
SPECIAL ITEMS	-	-	-	4,849	-
NET CHANGE IN FUND BALANCES	105	(489)	875	4,466	569
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	24,475	489	940	(3,350)	4,775
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ 24,580</u>	<u>\$ -</u>	<u>\$ 1,815</u>	<u>\$ 1,116</u>	<u>\$ 5,344</u>

Debt Service		Permanent		Totals	
Redevelopment Agency	Stockton Public Financing Authority	Miscellaneous	2010	2009	
\$ -	\$ -	\$ -	\$ 7,652	\$ 7,921	
-	-	-	428	502	
-	-	-	201	233	
-	-	-	3,865	3,694	
-	-	-	25,650	12,509	
-	-	-	3,233	3,723	
-	-	-	18,511	13,580	
-	-	-	8,873	11,907	
-	-	-	45	7	
-	-	-	4,599	4,927	
1,281	59	70	1,655	901	
(50)	(12)	17	183	482	
-	-	2	1,325	462	
-	-	-	2,331	2,141	
<u>1,231</u>	<u>47</u>	<u>89</u>	<u>78,551</u>	<u>62,989</u>	
37	127	41	8,585	8,745	
-	-	-	18,813	21,912	
-	-	-	10,488	4,148	
-	-	8	346	221	
-	-	-	2,134	2,426	
-	-	-	26,776	19,688	
9,165	485	-	11,710	3,945	
8,249	2,968	-	12,337	11,895	
<u>17,451</u>	<u>3,580</u>	<u>49</u>	<u>91,189</u>	<u>72,980</u>	
<u>(16,220)</u>	<u>(3,533)</u>	<u>40</u>	<u>(12,638)</u>	<u>(9,991)</u>	
16,413	6,493	-	32,766	16,531	
-	-	-	(1,742)	(18,190)	
<u>16,413</u>	<u>6,493</u>	<u>-</u>	<u>31,024</u>	<u>(1,659)</u>	
-	-	-	4,849	8,062	
193	2,960	40	23,235	(3,588)	
<u>12,212</u>	<u>1,132</u>	<u>1,962</u>	<u>140,012</u>	<u>143,600</u>	
<u>\$ 12,405</u>	<u>\$ 4,092</u>	<u>\$ 2,002</u>	<u>\$ 163,247</u>	<u>\$ 140,012</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, 2010 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>			
Charges for services	\$ 6,081	\$ 4,258	\$ (1,823)
Use of money and property	385	44	(341)
Investment income:			
Interest income	1,350	1,890	540
Net increase in fair value of investments	-	462	462
Refunds and reimbursements	-	259	259
<b>Total revenues</b>	<b>7,816</b>	<b>6,913</b>	<b>(903)</b>
<b>EXPENDITURES:</b>			
General government	2,281	725	1,556
Public safety	3,746	3,736	10
Public works	63,528	31,780	31,748
Library	2,451	231	2,220
Parks and recreation	6,315	2,856	3,459
Cost of issuance	639	639	-
<b>Total expenditures</b>	<b>78,960</b>	<b>39,967</b>	<b>38,993</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)</b>	<b>(71,144)</b>	<b>(33,054)</b>	<b>38,090</b>
<b>OTHER FINANCING USES:</b>			
Transfers out	(4,237)	(4,237)	-
Proceeds of long-term debt	35,080	35,578	498
Discounts	(775)	(775)	-
<b>Total other financing sources (uses)</b>	<b>30,068</b>	<b>30,566</b>	<b>498</b>
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ (41,076)</b>	<b>(2,488)</b>	<b>\$ 38,588</b>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		15,386	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		<b>12,898</b>	
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>50,691</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 63,589</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, 2010 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>			
Taxes:			
Other	\$ 1	\$ -	\$ (1)
Intergovernmental:			
Federal grants and subsidies	2,729	329	(2,400)
Other governmental	14,224	172	(14,052)
Use of money and property	-	219	219
Investment income:			
Interest income	90	337	247
Net decrease in fair value of investments	-	(6)	(6)
Refunds and reimbursements	200	142	(58)
Total revenues	<u>17,244</u>	<u>1,193</u>	<u>(16,051)</u>
<b>EXPENDITURES:</b>			
General government	7,215	2,640	4,575
Public safety	1,768	1,133	635
Public works	10,285	2,067	8,218
Parks and recreation	158	129	29
Total expenditures	<u>19,426</u>	<u>5,969</u>	<u>13,457</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	<u>(2,182)</u>	<u>(4,776)</u>	<u>(2,594)</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	51	47	(4)
Proceeds of long-term debt	-	1,930	1,930
Total other financing sources	<u>51</u>	<u>1,977</u>	<u>1,926</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (2,131)</u>	<u>(2,799)</u>	<u>\$ (668)</u>
SPECIAL ITEM		(344)	
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		<u>1,693</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(1,450)	
FUND BALANCE, BEGINNING OF YEAR		<u>16,415</u>	
FUND BALANCE, END OF YEAR		<u>\$ 14,965</u>	

# CITY OF STOCKTON

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS SOLID WASTE AND RECYCLING NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2010 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>			
Use of money and property	\$ -	\$ 1	\$ 1
Investment income:			
Interest income	25	68	43
Net increase in fair value of investments	-	11	11
Refunds and reimbursements	12	15	3
Miscellaneous	1,216	1,320	104
	<u>1,253</u>	<u>1,415</u>	<u>162</u>
Total revenues			
<b>EXPENDITURES:</b>			
Public works	1,505	1,366	139
	<u>1,505</u>	<u>1,366</u>	<u>139</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (252)</u>	49	<u>\$ 301</u>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		<u>5</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		54	
FUND BALANCE, BEGINNING OF YEAR		<u>2,085</u>	
FUND BALANCE, END OF YEAR		<u>\$ 2,139</u>	

# CITY OF STOCKTON

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS GAS TAX NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2010 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>			
Taxes:			
Other	\$ 184	\$ 184	\$ -
Intergovernmental:			
Federal grants and subsidies	27,967	7,322	(20,645)
Other governmental	7,212	7,259	47
Fines and forfeitures	-	5	5
Investment income:			
Interest income	20	(183)	(203)
Net increase in fair value of investments	-	24	24
Refunds and reimbursements	-	96	96
<b>Total revenues</b>	<u>35,383</u>	<u>14,707</u>	<u>(20,676)</u>
<b>EXPENDITURES:</b>			
Public works	<u>37,565</u>	<u>31,024</u>	<u>6,541</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)</b>	<u>(2,182)</u>	<u>(16,317)</u>	<u>(14,135)</u>
<b>OTHER FINANCING USES:</b>			
Transfers out	<u>2,722</u>	<u>2,722</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<u>\$ 540</u>	<u>(13,595)</u>	<u>\$ (14,135)</u>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		<u>13,413</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		(182)	
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>363</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 181</u>	

# CITY OF STOCKTON

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS MEASURE K STREETS SALES TAX NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2010 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>			
Intergovernmental:			
Sales and use tax - levied by state	\$ 2,600	\$ 3,233	\$ 633
Other governmental	37,057	9,738	(27,319)
Investment income:			
Interest income	-	66	66
Net decrease in fair value of investments	-	(19)	(19)
Refunds and reimbursements	-	247	247
Total revenues	<u>39,657</u>	<u>13,265</u>	<u>(26,392)</u>
<b>EXPENDITURES:</b>			
Current:			
Public works	38,111	17,955	20,156
Parks and recreation	106	72	34
Debt service:			
Principal retirement	-	1,090	(1,090)
Total expenditures	<u>38,217</u>	<u>19,117</u>	<u>19,100</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ 1,440</u>	<u>(5,852)</u>	<u>\$ (7,292)</u>
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		<u>5,986</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		134	
FUND BALANCE, BEGINNING OF YEAR		<u>4,316</u>	
FUND BALANCE, END OF YEAR		<u>\$ 4,450</u>	

# CITY OF STOCKTON

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS MEASURE W PUBLIC SAFETY TAX NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2010 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Taxes:			
Sales - levied by City	\$ 7,684	\$ 7,652	\$ (32)
Investment income:			
Interest income	40	(24)	(64)
Refunds and reimbursements	-	138	138
Total revenues	<u>7,724</u>	<u>7,766</u>	<u>42</u>
EXPENDITURES:			
Public safety	<u>7,616</u>	<u>7,177</u>	<u>439</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	<u>108</u>	<u>589</u>	<u>481</u>
OTHER FINANCING USES:			
Transfers out	<u>(490)</u>	<u>-</u>	<u>490</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (382)</u>	<u>589</u>	<u>\$ 971</u>
FUND BALANCE, BEGINNING OF YEAR		<u>225</u>	
FUND BALANCE, END OF YEAR		<u>\$ 814</u>	

# 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, 2010 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Taxes:			
Business licenses	\$ 520	\$ 428	\$ (92)
Other	-	17	17
Charges for services	3,551	3,537	(14)
Investment income:			
Interest income	-	306	306
Net increase in fair value of investments	-	80	80
Total revenues	<u>4,071</u>	<u>4,368</u>	<u>297</u>
EXPENDITURES:			
General government	603	563	40
Public works	567	328	239
Parks and recreation	4,498	2,400	2,098
Total expenditures	<u>5,668</u>	<u>3,291</u>	<u>2,377</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (1,597)</u>	1,077	<u>\$ 2,674</u>
BASIS ADJUSTMENT:			
Encumbrances		<u>430</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		1,507	
FUND BALANCE, BEGINNING OF YEAR		<u>8,928</u>	
FUND BALANCE, END OF YEAR		<u>\$ 10,435</u>	

# CITY OF STOCKTON

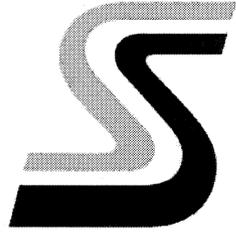
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS DEVELOPMENT SERVICES NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2010 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>			
License and permits	\$ 4,791	\$ 3,778	\$ (1,013)
Charges for services	7,783	4,413	(3,370)
Fines and forfeitures	2	40	38
Refunds and reimbursements	114	104	(10)
Miscellaneous	4	142	138
	<u>12,694</u>	<u>8,477</u>	<u>(4,217)</u>
<b>EXPENDITURES:</b>			
General government	3,545	3,139	406
Public safety	4,090	3,886	204
Public works	2,096	2,031	65
	<u>9,731</u>	<u>9,056</u>	<u>675</u>
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<u><u>\$ 2,963</u></u>	<u>(579)</u>	<u><u>\$ (3,542)</u></u>
Special items		4,849	
<b>BASIS ADJUSTMENT:</b>			
Encumbrances		<u>196</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>		4,466	
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>		<u>(3,350)</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u><u>\$ 1,116</u></u>	

# CITY OF STOCKTON

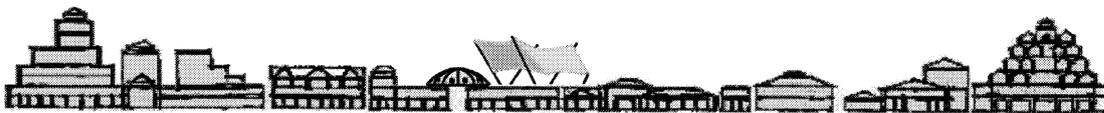
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS OTHER SPECIAL REVENUE NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2010 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>			
License and permits	\$ 76	\$ 87	\$ 11
Intergovernmental:			
Federal grants and subsidies	80	41	(39)
Other governmental	80	406	326
Charges for services	273	77	(196)
Use of money and property	-	35	35
Investment income:			
Interest income	42	68	26
Net increase in fair value of investments	-	21	21
Refunds and reimbursements	-	10	10
Miscellaneous	650	861	211
<b>Total revenues</b>	<b>1,201</b>	<b>1,606</b>	<b>405</b>
<b>EXPENDITURES:</b>			
General government	165	137	28
Public safety	769	377	392
Library	503	217	286
Parks and recreation	552	147	405
<b>Total expenditures</b>	<b>1,989</b>	<b>878</b>	<b>1,111</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)</b>	<b>(788)</b>	<b>728</b>	<b>1,516</b>
<b>OTHER FINANCING SOURCES:</b>			
Transfer out	(183)	(159)	24
<b>NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)</b>	<b>\$ (971)</b>	<b>569</b>	<b>\$ 1,540</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>4,775</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 5,344</b>	



CITY OF STOCKTON

NONMAJOR ENTERPRISE FUNDS



**NONMAJOR ENTERPRISE FUNDS**

## **NONMAJOR ENTERPRISE FUNDS**

Enterprise funds are used to report activities for which a fee is charged to external users for goods and services. These funds are used by governments 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.

The City's nonmajor enterprise funds include:

### ***Solid Waste Enterprise Fund***

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

### ***Downtown Marina Enterprise Fund***

To account for resources and activities associated with the operations and maintenance of the Downtown Stockton Marina facilities.

### ***Golf Courses Enterprise Fund***

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

# CITY OF STOCKTON

## COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2010

(With comparative totals as of June 30, 2009)

(Dollar amounts in thousands)

	Solid Waste	Downtown Marina	Golf Courses	Totals	
				2010	2009
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ -	\$ 273	\$ -	\$ 273	\$ 498
Receivables:					
Interest	-	2	-	2	3
Accounts and other receivables	95	-	35	130	110
Allowance for uncollectibles	(88)	-	-	(88)	(103)
Inventory of supplies	-	-	24	24	30
Total current assets	<u>7</u>	<u>275</u>	<u>59</u>	<u>341</u>	<u>538</u>
Noncurrent assets:					
Capital assets, net:					
Nondepreciable	-	-	360	360	360
Depreciable, net	-	-	1,049	1,049	1,130
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,409</u>	<u>1,409</u>	<u>1,490</u>
Total assets	<u>7</u>	<u>275</u>	<u>1,468</u>	<u>1,750</u>	<u>2,028</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	9	6	134	149	140
Due to other funds	139	-	243	382	144
Compensated absences - current	-	-	9	9	3
Total current liabilities	<u>148</u>	<u>6</u>	<u>386</u>	<u>540</u>	<u>287</u>
Noncurrent liabilities:					
Loans from other funds	-	500	764	1,264	1,264
Total liabilities	<u>148</u>	<u>506</u>	<u>1,150</u>	<u>1,804</u>	<u>1,551</u>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt	-	-	1,409	1,409	1,490
Unrestricted (deficit)	(141)	(231)	(1,091)	(1,463)	(1,013)
Total net assets (deficit)	<u>\$ (141)</u>	<u>\$ (231)</u>	<u>\$ 318</u>	<u>\$ (54)</u>	<u>\$ 477</u>

# CITY OF STOCKTON

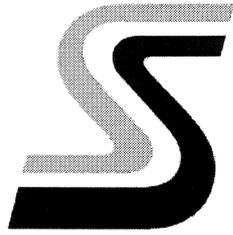
## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2010 (With comparative totals for the year ended June 30, 2009) (Dollar amounts in thousands)

	Solid Waste	Downtown Marina	Golf Courses	Totals	
				2010	2009
<b>OPERATING REVENUES:</b>					
Charges for services	\$ -	\$ 1	\$ 1,114	\$ 1,115	\$ 1,271
Miscellaneous	-	-	586	586	574
Total operating revenues	-	1	1,700	1,701	1,845
<b>OPERATING EXPENSES:</b>					
Operation and maintenance	-	239	2,074	2,313	2,156
Depreciation and amortization	-	-	81	81	81
Total operating expenses	-	239	2,155	2,394	2,237
<b>OPERATING LOSS</b>	-	(238)	(455)	(693)	(392)
<b>NON-OPERATING REVENUES:</b>					
Investment income:					
Interest income	(5)	11	-	6	9
Net increase in fair value of investments	-	(4)	-	(4)	10
Total non-operating revenues	(5)	7	-	2	19
<b>LOSS BEFORE TRANSFERS</b>	(5)	(231)	(455)	(691)	(373)
Transfers in	-	-	160	160	-
<b>CHANGE IN NET ASSETS</b>	(5)	(231)	(295)	(531)	(373)
<b>NET ASSETS (DEFICITS), BEGINNING OF YEAR</b>	(136)	-	613	477	850
<b>NET ASSETS (DEFICITS), END OF YEAR</b>	<u>\$ (141)</u>	<u>\$ (231)</u>	<u>\$ 318</u>	<u>\$ (54)</u>	<u>\$ 477</u>

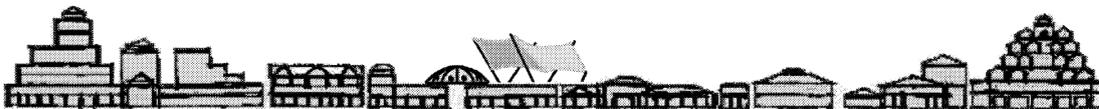
# CITY OF STOCKTON

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2010 (With comparative totals for the year ended June 30, 2009) (Dollar amounts in thousands)

	Solid Waste	Downtown Marina	Golf Courses	Totals	
				2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ -	\$ 1	\$ 1,672	\$ 1,673	\$ 1,842
Payments to suppliers	(1)	(223)	(1,574)	(1,798)	(1,563)
Payments to employees	-	(10)	(464)	(474)	(508)
Payments for interfund services used	-	-	(29)	(29)	(26)
Net cash used for operating activities	(1)	(232)	(395)	(628)	(255)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in	-	-	160	160	-
Receipt of due to other funds	-	-	-	-	14
Advances received from other funds	5	-	235	240	500
Net cash provided by noncapital financing activities	5	-	395	400	514
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment earnings	(4)	7	-	3	16
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	-	(225)	-	(225)	275
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>					
	-	498	-	498	223
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>					
	\$ -	\$ 273	\$ -	\$ 273	\$ 498
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:</b>					
Operating loss	\$ -	\$ (238)	\$ (455)	\$ (693)	\$ (392)
Adjustments to reconcile operating loss to net cash used for operating activities:					
Depreciation and amortization	-	-	81	81	81
Allowance for uncollectible	(16)	-	-	(16)	(12)
Changes in assets and liabilities:					
Accounts and other receivables	8	-	(28)	(20)	46
Inventory of supplies	-	-	6	6	3
Accounts payable	7	6	(4)	9	19
Compensated absences	-	-	5	5	-
Net cash used for operating activities	\$ (1)	\$ (232)	\$ (395)	\$ (628)	\$ (255)
<b>NONCASH TRANSACTIONS:</b>					
Net increase (decrease) in fair value of investments	\$ -	\$ (4)	\$ -	\$ (4)	\$ 10



CITY OF STOCKTON



**INTERNAL SERVICE FUNDS**

INTERNAL SERVICE FUNDS

## **INTERNAL SERVICE FUNDS**

Internal service funds are a type of proprietary fund used to report any activity that provides goods and services on a cost-reimbursement basis to other funds, departments, or agencies of the primary government and its component units, or to other governments.

The City's internal service funds include:

### ***General Liability Insurance Fund***

To account for premiums and claims paid and the administration of general liability insurance provided to all City departments on a cost reimbursement basis. The fund also accounts for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions.

### ***Workers' Compensation Insurance Fund***

To account for premiums and claims paid and the administration of workers' compensation liability insurance provided to all City employees incurring injury on the job, of which health benefits and other related liability costs are funded by City department payments into the fund. The fund also accounts for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions.

### ***Employee Health Insurance Fund***

To account for premiums and claims paid and the administration of health benefits insurance provided to qualified active City employees, with City departmental payments made to the Fund sought to reimburse health related expenses incurred by the Fund. The fund also accounts for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions.

### ***Retiree Health Insurance Fund***

To account for premiums and claims paid and administration of health benefits insurance provided to qualified retired City employees, with City departmental payments made to the Fund sought to reimburse health related expenses incurred by the Fund. Often referred to as Other Postemployment Benefits (OPEB) costs, this fund also accounts for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions.

## **INTERNAL SERVICE FUNDS (Continued)**

### ***Retirement Benefits Fund***

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 City employee plan members and beneficiaries through the California Public Employees' Retirement System (CalPERS) on a cost reimbursement basis. The fund also accounts for future estimated related liabilities to the City based on independent actuarial studies utilizing insurance industry standards of applicable data, factors and assumptions, of which were pre-funded by bond proceeds from the 2007 Taxable Pension Obligations Bonds, Series A and B.

### ***Other Benefits and Insurance Fund***

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

### ***Vehicle Fleet Equipment Fund***

To account for the financing, operations, servicing and maintenance of fleet vehicles and major equipment utilized by City departments, of which the services are rendered on a cost reimbursement basis.

### ***Computer Equipment Fund***

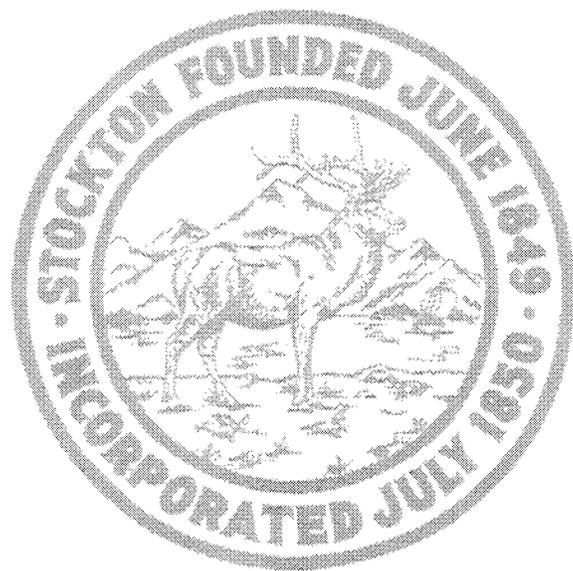
To account for the financing, service and maintenance of all computer and related equipment provided to City departments on a cost reimbursement basis.

### ***Radio Equipment Fund***

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

### ***Other Equipment Fund***

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, office, and printing and mailing equipment.



# CITY OF STOCKTON

## COMBINING STATEMENT OF NET ASSETS

### - INTERNAL SERVICE FUNDS

JUNE 30, 2010

(With comparative totals as of June 30, 2009)

(Dollar amounts in thousands)

	General Liability Insurance	Workers' Compensation Insurance	Employee Health Insurance *	Retiree Health Insurance *	Retirement Benefits
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 1,685	\$ 3,140	\$ -	\$ -	\$ 5,840
Receivables:					
Accounts and other receivables	88	102	55	-	22
Allowance for uncollectibles	-	-	-	-	-
Advance Deposit	-	-	-	-	-
Due from other funds	-	14,025	-	-	-
Prepaid expenses	-	-	-	-	-
Total current assets	<u>1,773</u>	<u>17,267</u>	<u>55</u>	<u>-</u>	<u>5,862</u>
Noncurrent assets:					
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	5
Advances to other funds	530	-	-	-	-
Deferred charges	-	-	125	-	1,449
Pension asset	-	-	-	-	130,719
Capital assets	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Total noncurrent assets	<u>530</u>	<u>-</u>	<u>125</u>	<u>-</u>	<u>132,173</u>
Total assets	<u>2,303</u>	<u>17,267</u>	<u>180</u>	<u>-</u>	<u>138,035</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	40	8	198	-	-
Due to other funds	-	-	1,763	-	-
Deposits and other liabilities	76	52	3	-	-
Accrued interest	-	-	-	-	2,280
Capital lease obligations- current	-	-	-	-	-
Compensated absences - current	17	8	19	-	-
Self-insurance claims and judgments - current	1,750	7,521	4,196	-	-
Other long-term debt - current	-	-	-	-	250
Total current liabilities	<u>1,883</u>	<u>7,589</u>	<u>6,179</u>	<u>-</u>	<u>2,530</u>
Noncurrent liabilities:					
Compensated absences - long-term	20	5	25	-	-
Self-insurance claims and judgments - long-term	3,926	42,184	-	-	-
Capital lease obligations	-	-	-	-	-
Bonds payable	-	-	-	-	124,660
Net OPEB obligation	-	-	-	75,854	-
Total noncurrent liabilities	<u>3,946</u>	<u>42,189</u>	<u>25</u>	<u>75,854</u>	<u>124,660</u>
Total liabilities	<u>5,829</u>	<u>49,778</u>	<u>6,204</u>	<u>75,854</u>	<u>127,190</u>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted for debt service	-	-	-	-	5
Unrestricted (deficit)	<u>(3,526)</u>	<u>(32,511)</u>	<u>(6,024)</u>	<u>(75,854)</u>	<u>10,840</u>
Total net assets (deficits)	<u>\$ (3,526)</u>	<u>\$ (32,511)</u>	<u>\$ (6,024)</u>	<u>\$ (75,854)</u>	<u>\$ 10,845</u>

\* Separation of the previous merged Health Benefits Insurance Fund and several title changes to other funds are reflected in this financial statement. Refer to the Notes to the Financial Statements for more information.

Other Benefits & Insurance *	Vehicle Fleet Equipment *	Computer Equipment	Radio Equipment	Other Equipment	Totals	
					2010	2009
\$ -	\$ 4,143	\$ 4,358	\$ 1,444	\$ 930	\$ 21,540	\$ 45,124
-	38	-	-	-	305	549
-	(38)	-	-	-	(38)	(150)
-	-	30	-	-	30	-
-	-	-	-	-	14,025	1,650
-	-	-	-	5	5	-
<u>-</u>	<u>4,143</u>	<u>4,388</u>	<u>1,444</u>	<u>935</u>	<u>35,867</u>	<u>47,173</u>
-	-	-	-	-	5	848
-	-	-	-	-	530	2,180
-	-	-	-	-	1,574	1,628
-	-	-	-	-	130,719	128,459
-	31,307	6,178	2,681	1,652	41,818	40,002
-	(23,395)	(5,013)	(2,029)	(795)	(31,232)	(29,066)
<u>-</u>	<u>7,912</u>	<u>1,165</u>	<u>652</u>	<u>857</u>	<u>143,414</u>	<u>144,051</u>
<u>-</u>	<u>12,055</u>	<u>5,553</u>	<u>2,096</u>	<u>1,792</u>	<u>179,281</u>	<u>191,224</u>
96	519	225	114	33	1,233	2,160
1,570	-	-	-	-	3,333	-
-	-	-	-	-	131	135
-	6	-	-	60	2,346	2,357
-	55	-	-	259	314	-
1,875	115	217	7	10	2,268	3,614
-	-	-	-	-	13,467	11,653
-	-	-	-	-	250	384
<u>3,541</u>	<u>695</u>	<u>442</u>	<u>121</u>	<u>362</u>	<u>23,342</u>	<u>20,303</u>
-	122	202	1	9	384	553
-	-	-	-	-	46,110	41,713
-	815	-	-	1,163	1,978	2,293
-	-	-	-	-	124,660	124,910
-	-	-	-	-	75,854	48,805
<u>-</u>	<u>937</u>	<u>202</u>	<u>1</u>	<u>1,172</u>	<u>248,986</u>	<u>218,274</u>
<u>3,541</u>	<u>1,632</u>	<u>644</u>	<u>122</u>	<u>1,534</u>	<u>272,328</u>	<u>238,577</u>
-	7,042	1,165	652	(565)	8,294	9,194
-	-	-	-	-	5	848
<u>(3,541)</u>	<u>3,381</u>	<u>3,744</u>	<u>1,322</u>	<u>823</u>	<u>(101,346)</u>	<u>(57,395)</u>
<u>\$ (3,541)</u>	<u>\$ 10,423</u>	<u>\$ 4,909</u>	<u>\$ 1,974</u>	<u>\$ 258</u>	<u>\$ (93,047)</u>	<u>\$ (47,353)</u>

# CITY OF STOCKTON

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2010 (With comparative totals for the year ended June 30, 2009) (Dollar amounts in thousands)

	General Liability Insurance	Workers' Compensation Insurance	Employee Health Insurance *	Retiree Health Insurance *	Retirement Benefits
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 3,390	\$ 3,666	\$ 33,978	\$ -	\$ 36,696
<b>OPERATING EXPENSES:</b>					
Operation and maintenance	3,151	14,757	38,846	27,049	28,026
General and administrative	1,181	2,022	817	-	-
Depreciation and amortization	-	-	-	-	54
Total operating expenses	4,332	16,779	39,663	27,049	28,080
OPERATING INCOME (LOSS)	(942)	(13,113)	(5,685)	(27,049)	8,616
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Federal grants and subsidies	-	-	172	-	-
Investment income:					
Interest income	42	581	101	-	53
Net increase (decrease) in fair value of investments	(10)	(135)	(31)	-	18
Gain from disposal of capital assets	-	-	-	-	-
Interest expense and fiscal charges	-	-	-	-	(6,840)
Other non-operating revenues	-	-	844	-	-
Total non-operating revenues (expenses)	32	446	1,086	-	(6,769)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(910)	(12,667)	(4,599)	(27,049)	1,847
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
CHANGE IN NET ASSETS	(910)	(12,667)	(4,599)	(27,049)	1,847
NET ASSETS (DEFICITS), BEGINNING OF YEAR	(2,616)	(19,844)	(1,425)	(48,805)	8,998
NET ASSETS (DEFICITS), END OF YEAR	\$ (3,526)	\$ (32,511)	\$ (6,024)	\$ (75,854)	\$ 10,845

\* Separation of the previous merged Health Benefits Insurance Fund and several title changes to other funds are reflected in this financial statement. Refer to the Notes to the Financial Statements for more information.

Other Benefits & Insurance *	Vehicle Fleet Equipment *	Computer Equipment	Radio Equipment	Other Equipment	Totals	
					2010	2009
\$ 3,895	\$ 7,461	\$ 7,845	\$ 650	\$ 1,795	\$ 99,376	\$ 101,549
5,759	5,522	6,960	1,183	1,877	133,130	128,025
-	760	-	-	-	4,780	4,915
-	1,523	404	119	151	2,251	2,569
5,759	7,805	7,364	1,302	2,028	140,161	135,509
(1,864)	(344)	481	(652)	(233)	(40,785)	(33,960)
-	-	-	-	-	172	319
-	-	-	-	-	777	1,285
(44)	-	-	-	-	(202)	444
-	8	-	-	-	8	18
-	(35)	-	-	(66)	(6,941)	(6,960)
-	15	2	-	18	879	1,387
(44)	(12)	2	-	(48)	(5,307)	(3,507)
(1,908)	(356)	483	(652)	(281)	(46,092)	(37,467)
-	-	-	-	-	-	583
1,000	720	-	-	-	1,720	383
-	(22)	(1,300)	-	-	(1,322)	(250)
(908)	342	(817)	(652)	(281)	(45,694)	(36,751)
(2,633)	10,081	5,726	2,626	539	(47,353)	(10,602)
\$ (3,541)	\$ 10,423	\$ 4,909	\$ 1,974	\$ 258	\$ (93,047)	\$ (47,353)

# CITY OF STOCKTON

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2010 (With comparative totals for the year ended June 30, 2009) (Dollar amounts in thousands)

	General Liability Insurance	Workers' Compensation Insurance	Employee Health Insurance *	Retiree Health Insurance *	Retirement Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ 438	\$ 1,230	\$ 1,029	\$ -	\$ 7
Receipts for interfund services provided	2,965	2,528	33,806	-	36,699
Payments to suppliers	(3,186)	(10,291)	(37,530)	-	(30,183)
Payments to employees	(1,060)	(1,832)	(742)	-	(103)
Payments for interfund services used	(27)	(16)	(5)	-	-
Net cash provided by (used for) operating activities	(870)	(8,381)	(3,442)	-	6,420
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Federal grants and subsidies	-	-	172	-	-
Advance deposits	-	-	-	-	-
Due from other funds	-	(12,375)	-	-	-
Advances to other funds	-	-	-	-	-
Advances received from other funds	-	1,650	1,763	-	-
Net cash provided by (used for) noncapital financing activities	-	(10,725)	1,935	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from sales of capital assets	-	-	-	-	-
Proceeds from debt	-	-	-	-	-
Principal paid on debt	-	-	-	-	(130)
Purchases of capital assets	-	-	-	-	-
Interest paid on debt	-	-	-	-	(6,842)
Net cash used for capital and related financing activities	-	-	-	-	(6,972)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment earnings	32	446	70	-	71
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(838)</b>	<b>(18,660)</b>	<b>(1,437)</b>	<b>-</b>	<b>(481)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,523</b>	<b>21,800</b>	<b>1,437</b>	<b>-</b>	<b>6,326</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,685</b>	<b>\$ 3,140</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,845</b>

\* Separation of the previous merged Health Benefits Insurance Fund and several title changes to other funds are reflected in this financial statement. Refer to the Notes to the Financial Statements for more information.

Other Benefits & Insurance *	Vehicle Fleet Equipment *	Computer Equipment	Radio Equipment	Other Equipment	Totals	
					2010	2009
\$ -	\$ 14	\$ 5	\$ -	\$ 26	\$ 2,749	\$ 2,745
3,895	7,461	7,846	650	1,787	97,637	100,640
(2,884)	(2,818)	(2,742)	(876)	(1,428)	(91,938)	(86,107)
(5,584)	(3,196)	(3,920)	(208)	(456)	(17,101)	(18,478)
-	(39)	(69)	-	(166)	(322)	(317)
<u>(4,573)</u>	<u>1,422</u>	<u>1,120</u>	<u>(434)</u>	<u>(237)</u>	<u>(8,975)</u>	<u>(1,517)</u>
1,000	-	-	-	-	1,000	383
-	(22)	(1,300)	-	-	(1,322)	(250)
-	-	-	-	-	172	319
-	-	(30)	-	-	(30)	-
-	-	-	-	-	(12,375)	(1,650)
-	-	-	-	-	-	(1,650)
<u>1,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,983</u>	<u>-</u>
<u>2,570</u>	<u>(22)</u>	<u>(1,330)</u>	<u>-</u>	<u>-</u>	<u>(7,572)</u>	<u>(2,848)</u>
-	8	-	-	-	8	18
-	-	-	-	-	-	2,431
-	(53)	-	-	(201)	(384)	(879)
-	(302)	(443)	(104)	(278)	(1,127)	(1,849)
-	(35)	-	-	(75)	(6,952)	(6,890)
<u>-</u>	<u>(382)</u>	<u>(443)</u>	<u>(104)</u>	<u>(554)</u>	<u>(8,455)</u>	<u>(7,169)</u>
<u>(44)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575</u>	<u>1,729</u>
(2,047)	1,018	(653)	(538)	(791)	(24,427)	(9,805)
<u>2,047</u>	<u>3,125</u>	<u>5,011</u>	<u>1,982</u>	<u>1,721</u>	<u>45,972</u>	<u>55,777</u>
<u>\$ -</u>	<u>\$ 4,143</u>	<u>\$ 4,358</u>	<u>\$ 1,444</u>	<u>\$ 930</u>	<u>\$ 21,545</u>	<u>\$ 45,972</u>

(Continued)

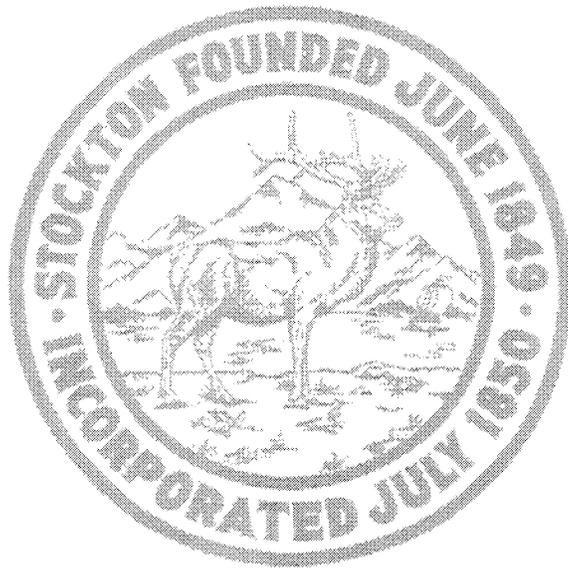
**CITY OF STOCKTON**

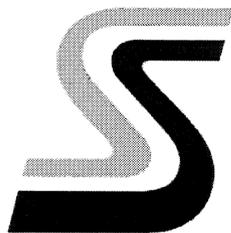
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(With comparative totals for the year ended June 30, 2009)**  
**(Dollar amounts in thousands)**

	General Liability Insurance	Workers' Compensation Insurance	Employee Health Insurance *	Retiree Health Insurance *	Retirement Benefits
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (942)	\$ (13,113)	\$ (5,685)	\$ (27,049)	\$ 8,616
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	-	-	-	-	54
Allowance for uncollectible	-	-	-	-	-
Other non-operating revenues	-	-	844	-	-
Changes in assets and liabilities:					
Accounts and other receivables	13	92	13	-	10
Prepaid expenses	-	-	-	-	-
Pension asset	-	-	-	-	(2,260)
Accounts payable	(75)	(7)	(102)	-	-
Deposits and other liabilities	(4)	-	-	-	-
Compensated absences	36	(1)	27	-	-
Self-insurance - claims and judgments	102	4,648	1,461	-	-
Net OPEB obligation	-	-	-	27,049	-
Net cash provided by (used for) operating activities	<u>\$ (870)</u>	<u>\$ (8,381)</u>	<u>\$ (3,442)</u>	<u>\$ -</u>	<u>\$ 6,420</u>
<b>NONCASH TRANSACTIONS:</b>					
Net increase (decrease) in fair value of investments	\$ (10)	\$ (135)	\$ (31)	\$ -	\$ 18
Costs of issuance paid from bond proceeds	-	-	-	-	54
Transfer of capital assets from other funds	-	-	-	-	-
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS:</b>					
Cash and investments	\$ 1,685	\$ 3,140	\$ -	\$ -	\$ 5,840
Restricted assets:					
Cash with investments fiscal agents	-	-	-	-	5
Total cash and investments	<u>\$ 1,685</u>	<u>\$ 3,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,845</u>

\* Separation of the previous merged Health Benefits Insurance Fund and several title changes to other funds are reflected in this financial statement. Refer to the Notes to the Financial Statements for more information.

Other Benefits & Insurance *	Vehicle Fleet Equipment *	Computer Equipment	Radio Equipment	Other Equipment	Total	
					2010	2009
\$ (1,864)	\$ (344)	\$ 481	\$ (652)	\$ (233)	\$ (40,785)	\$ (33,960)
-	1,523	404	119	151	2,251	2,569
-	(112)	-	-	-	(112)	17
-	15	2	-	18	879	1,387
-	111	4	-	-	243	432
-	-	-	-	(5)	(5)	-
-	-	-	-	-	(2,260)	(2,354)
(1,040)	219	152	96	(170)	(927)	822
-	-	-	-	-	(4)	-
(1,669)	10	77	3	2	(1,515)	(35)
-	-	-	-	-	6,211	5,408
-	-	-	-	-	27,049	24,197
<u>\$ (4,573)</u>	<u>\$ 1,422</u>	<u>\$ 1,120</u>	<u>\$ (434)</u>	<u>\$ (237)</u>	<u>\$ (8,975)</u>	<u>\$ (1,517)</u>
\$ (44)	\$ -	\$ -	\$ -	\$ -	\$ (202)	\$ 444
-	-	-	-	-	54	-
-	720	-	-	-	720	583
\$ -	\$ 4,143	\$ 4,358	\$ 1,444	\$ 930	\$ 21,540	\$ 45,124
-	-	-	-	-	5	848
<u>\$ -</u>	<u>\$ 4,143</u>	<u>\$ 4,358</u>	<u>\$ 1,444</u>	<u>\$ 930</u>	<u>\$ 21,545</u>	<u>\$ 45,972</u>





CITY OF STOCKTON



**AGENCY FUNDS**

## **AGENCY FUNDS**

Agency funds are a type of fiduciary fund used 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.

The City's agency funds include:

### ***Land Secured Financing Agency Fund***

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 Withholdings Agency Fund***

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

### ***Area of Benefit Fees Agency Fund***

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 Agency Fund***

To account for fees collected on behalf of other governments and agencies related to community new development impacts.

### ***Miscellaneous Agency Fund***

To account for deposits held by the City as 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 Agency Funds***

To account for various cultural, recreational and educational programs that the City administers on behalf of other governmental and private sector entities and organizations.

# CITY OF STOCKTON

## STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

### - AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

(Dollar amounts in thousands)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Land Secured Financing</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 35,156	\$ 21,752	\$ 26,575	\$ 30,333
Cash and investments with fiscal agents	29,004	20,085	21,233	27,856
Receivables:				
Interest	216	159	215	160
Accounts and other receivables	1,256	19,850	20,966	140
Total assets	<u>\$ 65,632</u>	<u>\$ 61,846</u>	<u>\$ 68,989</u>	<u>\$ 58,489</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 26	\$ 4,554	\$ 4,541	\$ 39
Due to other governments	200	-	200	-
Deposits and other liabilities	65,406	1,869	8,825	58,450
Total liabilities	<u>\$ 65,632</u>	<u>\$ 6,423</u>	<u>\$ 13,566</u>	<u>\$ 58,489</u>
<b><u>Employee Withholdings</u></b>				
<b>ASSETS</b>				
Cash and investments	<u>\$ 1,232</u>	<u>\$ 359</u>	<u>\$ 1,211</u>	<u>\$ 380</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 762	\$ -	\$ 763	\$ (1)
Deposits and other liabilities	470	360	449	381
Total liabilities	<u>\$ 1,232</u>	<u>\$ 360</u>	<u>\$ 1,212</u>	<u>\$ 380</u>
<b><u>Area of Benefit Fees</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 11,840	\$ 419	\$ 4	\$ 12,255
Receivables:				
Interest	87	81	88	80
Total assets	<u>\$ 11,927</u>	<u>\$ 500</u>	<u>\$ 92</u>	<u>\$ 12,335</u>
<b>LIABILITIES</b>				
Deposits and other liabilities	<u>\$ 11,927</u>	<u>\$ 1,010</u>	<u>\$ 602</u>	<u>\$ 12,335</u>

(Continued)

# CITY OF STOCKTON

## STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

- AGENCY FUNDS (Continued)

FOR THE YEAR ENDED JUNE 30, 2010

(Dollar amounts in thousands)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Public Facilities Fees</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,317	\$ 1,420	\$ 1,619	\$ 1,118
Receivables:				
Interest	8	7	8	7
Accounts and other receivables	22	-	-	22
Total assets	<u>\$ 1,347</u>	<u>\$ 1,427</u>	<u>\$ 1,627</u>	<u>\$ 1,147</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 1,948	\$ 1,616	\$ 332
Due to other governments	1,347	1,486	2,018	815
Total liabilities	<u>\$ 1,347</u>	<u>\$ 3,434</u>	<u>\$ 3,634</u>	<u>\$ 1,147</u>
 <b><u>Miscellaneous</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 4,518	\$ 22,914	\$ 21,670	\$ 5,762
Receivables:				
Interest	34	37	34	37
Accounts and other receivables	1,074	13,781	13,884	971
Due from other governments	-	1	1	-
Total assets	<u>\$ 5,626</u>	<u>\$ 36,733</u>	<u>\$ 35,589</u>	<u>\$ 6,770</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 5	\$ 749	\$ 752	\$ 2
Due to other governments	7	117	110	14
Deposits and other liabilities	5,614	24,859	23,719	6,754
Total liabilities	<u>\$ 5,626</u>	<u>\$ 25,725</u>	<u>\$ 24,581</u>	<u>\$ 6,770</u>
 <b><u>All Other</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 366	\$ 401	\$ 331	\$ 436
Receivables:				
Interest	2	2	2	2
Accounts and other receivables	34	-	34	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 402</u>	<u>\$ 403</u>	<u>\$ 367</u>	<u>\$ 438</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 14	\$ 265	\$ 257	\$ 22
Deposits and other liabilities	388	389	361	416
Total liabilities	<u>\$ 402</u>	<u>\$ 654</u>	<u>\$ 618</u>	<u>\$ 438</u>

(Continued)

**CITY OF STOCKTON**

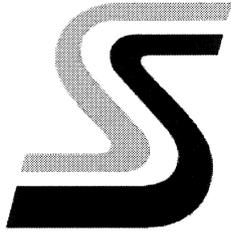
**STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES**

**- AGENCY FUNDS (Continued)**

**FOR THE YEAR ENDED JUNE 30, 2010**

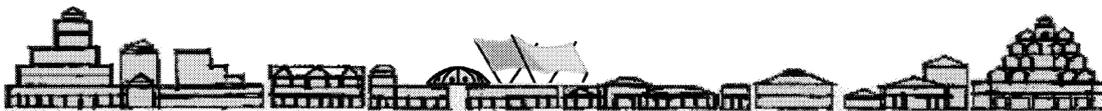
**(Dollar amounts in thousands)**

<u>Total</u>	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>ASSETS</b>				
Cash and investments	\$ 54,429	\$ 47,265	\$ 51,410	\$ 50,284
Cash and investments with fiscal agents	29,004	20,085	21,233	27,856
Receivables:				
Interest	347	286	347	286
Accounts and other receivables	2,386	33,631	34,884	1,133
Due from other governments	-	1	1	-
Total assets	<u>\$ 86,166</u>	<u>\$ 101,268</u>	<u>\$ 107,875</u>	<u>\$ 79,559</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 44	\$ 7,516	7,166	\$ 394
Due to other governments	2,316	1,603	3,091	828
Deposits and other liabilities	83,806	28,487	33,956	78,337
Total liabilities	<u>\$ 86,166</u>	<u>\$ 37,606</u>	<u>\$ 44,213</u>	<u>\$ 79,559</u>



CITY OF STOCKTON

STATISTICAL SECTION



**STATISTICAL SECTION**

## **STATISTICAL SECTION**

The Statistical Section provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

The Statistical Section is required by the Governmental Accounting Standards Board (GASB) to be reported in the following sections:

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends Information</b> Helps readers understand how the City's financial position and well-being have changed over time.	<b>180-193</b>
<b>Revenue Capacity Information</b> Helps readers understand and assess the City's ability to generate its own sources of revenue, the most significant local revenue source being property tax.	<b>194-200</b>
<b>Debt Capacity Information</b> Helps readers understand and assess the City's current level of outstanding debt and its ability to issue additional debt.	<b>201-208</b>
<b>Demographic and Economic Information</b> Helps readers understand the socioeconomic environment within which the City's financial activities take place, and provides information to facilitate comparisons of financial statement information over time and among other governments.	<b>209-210</b>
<b>Operating Information</b> Information about the City's operations and resources to help readers use financial information to understand and assess the related services the City provides and the activities it performs.	<b>211-217</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 No. 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 NINE FISCAL YEARS  
(Dollar amounts in thousands)**

	Fiscal Year				
	2010	2009	2008	2007	2006
Governmental activities:					
Invested in capital assets, net of related debt	\$ 612,914	\$ 611,775	\$ 594,070	\$ 636,838	\$ 603,068
Restricted	188,655	162,363	172,088	161,995	154,758
Unrestricted	(139,549)	(66,091)	(21,053)	(338)	(8,497)
Total governmental activities net assets	\$ 662,020	\$ 708,047	\$ 745,105	\$ 798,495	\$ 749,329
Business-type activities:					
Invested in capital assets, net of related debt	\$ 402,215	\$ 400,551	\$ 399,813	\$ 387,198	\$ 368,222
Restricted	30,751	35,408	39,568	46,850	48,454
Unrestricted	41,442	42,449	39,138	32,645	30,465
Total business-type activities net assets	\$ 474,408	\$ 478,408	\$ 478,519	\$ 466,693	\$ 447,141
Primary government:					
Invested in capital assets, net of related debt	\$ 1,015,129	\$ 1,012,326	\$ 993,883	\$ 1,024,036	\$ 971,290
Restricted	219,406	197,771	211,656	208,845	203,212
Unrestricted	(98,107)	(23,642)	18,085	32,307	21,968
Total primary government net assets	\$ 1,136,428	\$ 1,186,455	\$ 1,223,624	\$ 1,265,188	\$ 1,196,470

Note: Some prior year balances may have been restated from previous CAFRs to reflect new GASB implementations or prior period adjustments.

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 S-34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

Source: City of Stockton Department of Administrative Services

Fiscal Year			
2005	2004	2003	2002
\$ 529,250	\$ 289,507	\$ 215,070	\$ 217,640
134,804	143,431	144,275	132,692
(19,407)	5,071	16,162	6,551
<u>\$ 644,647</u>	<u>\$ 438,009</u>	<u>\$ 375,507</u>	<u>\$ 356,883</u>
\$ 348,229	\$ 302,497	\$ 265,548	\$ 221,398
55,386	52,415	29,799	24,830
30,282	48,023	83,815	95,269
<u>\$ 433,897</u>	<u>\$ 402,935</u>	<u>\$ 379,162</u>	<u>\$ 341,497</u>
\$ 877,479	\$ 592,004	\$ 480,618	\$ 439,038
190,190	195,846	174,074	157,522
10,875	53,094	99,977	101,820
<u>\$ 1,078,544</u>	<u>\$ 840,944</u>	<u>\$ 754,669</u>	<u>\$ 698,380</u>

# CITY OF STOCKTON

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

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>Expenses</b>					
Governmental activities:					
General government	\$ 30,765	\$ 33,923	\$ 27,819	\$ 26,517	\$ 20,171
Public safety	187,647	190,692	181,187	161,895	149,512
Public works	56,416	43,985	134,737	59,897	36,481
Library	12,767	14,852	14,723	13,261	13,545
Parks and recreation	22,309	26,038	33,138	27,429	26,352
Interest and fiscal charges	20,430	19,620	17,921	11,746	4,136
Total governmental activities	<u>\$ 330,334</u>	<u>\$ 329,110</u>	<u>\$ 409,525</u>	<u>\$ 300,745</u>	<u>\$ 250,197</u>
Business-type activities:					
Water utility	28,856	24,146	22,070	21,750	19,063
Wastewater utility	45,958	49,414	40,045	42,084	36,458
Stormwater utility	7,842	8,129	6,696	7,219	6,009
Central parking district	4,616	4,810	5,002	4,238	3,162
Other	2,394	2,237	2,093	2,057	2,460
Total business-type activities	<u>89,666</u>	<u>88,736</u>	<u>75,906</u>	<u>77,348</u>	<u>67,152</u>
Total expenses	<u>\$ 420,000</u>	<u>\$ 417,846</u>	<u>\$ 485,431</u>	<u>\$ 378,093</u>	<u>\$ 317,349</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 11,387	\$ 13,180	\$ 12,141	\$ 8,429	\$ 10,154
Public safety	18,812	22,131	30,738	32,447	37,603
Public works	17,755	19,750	30,429	21,140	35,054
Library	504	4,800	1,462	1,105	1,489
Parks and recreation	6,464	2,104	9,741	9,957	12,407
Operating grants and contributions	17,251	16,051	10,352	11,065	12,388
Capital grants and contributions	40,661	33,112	43,874	83,238	45,745
Total governmental activities	<u>\$ 112,834</u>	<u>\$ 111,128</u>	<u>\$ 138,737</u>	<u>\$ 167,381</u>	<u>\$ 154,840</u>
Business-type activities:					
Charges for services:					
Water utility	\$ 25,775	\$ 24,258	\$ 22,882	\$ 23,092	\$ 20,268
Wastewater utility	37,271	35,607	33,661	33,099	32,746
Stormwater utility	5,655	5,498	6,160	5,088	5,063
Central parking district	3,672	3,934	3,815	3,474	3,502
Other	1,701	-	-	-	-
Operating grants and contributions	2,482	1,845	2,065	1,988	2,284
Capital grants and contributions	4,917	4,409	13,251	23,721	20,324
Total business-type activities	<u>81,473</u>	<u>75,551</u>	<u>81,834</u>	<u>90,462</u>	<u>84,187</u>
Total program revenues	<u>\$ 194,307</u>	<u>\$ 186,679</u>	<u>\$ 220,571</u>	<u>\$ 257,843</u>	<u>\$ 239,027</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (217,500)	\$ (217,982)	\$ (270,788)	\$ (133,364)	\$ (95,357)
Business-type activities	(8,193)	(13,185)	5,928	13,114	17,035
Total net expense	<u>\$ (225,693)</u>	<u>\$ (231,167)</u>	<u>\$ (264,860)</u>	<u>\$ (120,250)</u>	<u>\$ (78,322)</u>

Fiscal Year				
2005	2004	2003	2002	
\$ 19,894	\$ 17,569	\$ 15,454	\$ 16,844	
145,703	125,837	126,815	106,062	
33,328	42,848	46,031	30,895	
13,190	11,530	11,594	11,475	
19,365	15,854	15,397	16,203	
4,346	13,081	11,954	11,186	
<u>\$ 235,826</u>	<u>\$ 226,719</u>	<u>\$ 227,245</u>	<u>\$ 192,665</u>	
14,809	15,548	14,672	13,742	
31,607	32,674	29,427	25,743	
5,653	6,910	5,657	4,612	
2,487	2,585	2,260	1,978	
2,448	5,022	4,991	4,898	
<u>57,004</u>	<u>62,739</u>	<u>57,007</u>	<u>50,973</u>	
<u>\$ 292,830</u>	<u>\$ 289,458</u>	<u>\$ 284,252</u>	<u>\$ 243,638</u>	
\$ 11,264	\$ 7,962	\$ 9,928	\$ 6,429	
39,329	29,960	46,677	29,272	
23,733	21,683	8,693	5,675	
1,920	1,859	515	387	
9,988	10,050	1,736	1,725	
9,715	7,924	8,741	8,950	
44,309	47,789	48,914	27,654	
<u>\$ 140,258</u>	<u>\$ 127,227</u>	<u>\$ 125,204</u>	<u>\$ 80,092</u>	
\$ 20,125	\$ 18,328	\$ 15,576	\$ 15,720	
31,926	30,483	29,432	27,298	
4,751	4,827	4,391	4,288	
2,696	2,694	2,645	2,273	
-	-	-	-	
2,433	4,639	7,428	6,670	
28,655	31,535	37,765	15,824	
<u>90,586</u>	<u>92,506</u>	<u>97,237</u>	<u>72,073</u>	
<u>\$ 230,844</u>	<u>\$ 219,733</u>	<u>\$ 222,441</u>	<u>\$ 152,165</u>	
\$ (95,568)	\$ (99,492)	\$ (102,041)	\$ (112,573)	
33,582	29,767	40,230	21,100	
<u>\$ (61,986)</u>	<u>\$ (69,725)</u>	<u>\$ (61,811)</u>	<u>\$ (91,473)</u>	

(Continued)

# CITY OF STOCKTON

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

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>General Revenues and Other</b>					
<b>Changes in Net Assets:</b>					
Governmental activities:					
Taxes:					
Property	\$ 45,549	\$ 58,640	\$ 63,998	\$ 60,015	\$ 47,495
In lieu of sales tax	7,087	9,823	10,164	11,070	9,274
Utility user	30,717	30,854	30,861	30,101	34,313
Sales - levied by City (1)	7,652	7,921	9,409	9,249	9,941
Franchise fees	11,354	11,608	11,537	10,817	10,333
Business licenses	9,717	9,699	10,772	10,285	11,222
Hotel/motel room	1,749	1,962	2,287	2,180	2,171
Document transfer	559	702	686	1,187	2,010
Special assessments	-	-	-	-	-
Other	203	234	246	257	218
Shared revenue:					
Vehicle license fees	20,468	23,459	24,051	22,661	18,173
Sales and use tax levied by state	28,856	31,245	36,098	36,745	42,063
Other	361	370	389	384	456
Investment earnings	5,927	13,104	15,007	11,436	3,457
Gain on sale of capital assets	8	127	88	-	-
Miscellaneous	172	722	756	786	1,010
Special item	(288)	(8,736)	-	-	-
Transfers	1,382	803	1,049	516	7,903
<b>Total governmental activities</b>	<b>\$ 171,473</b>	<b>\$ 192,537</b>	<b>\$ 217,398</b>	<b>\$ 207,689</b>	<b>\$ 200,039</b>
Business-type activities:					
Other taxes	\$ 1,095	\$ 1,066	\$ 1,055	\$ 981	\$ 713
Grants and contributions not restricted	-	-	-	-	-
Investment earnings	4,192	4,075	5,892	5,973	3,399
Gain on sale of capital assets	-	-	-	-	-
Special item	288	8,736	-	-	-
Transfers	(1,382)	(803)	(1,049)	(516)	(7,903)
<b>Total business-type activities</b>	<b>4,193</b>	<b>13,074</b>	<b>5,898</b>	<b>6,438</b>	<b>(3,791)</b>
<b>Total general revenues and other changes in net assets</b>	<b>\$ 175,666</b>	<b>\$ 205,611</b>	<b>\$ 223,296</b>	<b>\$ 214,127</b>	<b>\$ 196,248</b>
<b>Change in Net Assets</b>					
Governmental activities	\$ (46,027)	\$ (25,445)	\$ (53,390)	\$ 74,325	\$ 104,682
Business-type activities	(4,000)	(111)	11,826	19,552	13,244
<b>Total primary government</b>	<b>\$ (50,027)</b>	<b>\$ (25,556)</b>	<b>\$ (41,564)</b>	<b>\$ 93,877</b>	<b>\$ 117,926</b>

(1) Measure W-Public Safety Tax, approved an additional .25% sales tax which was effective April 1, 2005 to hire up to 40 additional police officers and 40 additional firefighters. Fiscal 2006 included two additional months of sales tax 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 S-34 for the fiscal year ended June 30, 2002; Information prior to that is not available.

Source: City of Stockton Department of Administrative Services

Fiscal Year				
	2005	2004	2003	2002
\$	33,723	\$ 28,365	\$ 23,449	\$ 20,742
	8,750	-	-	-
	34,908	33,322	32,157	31,462
	1,047	-	-	-
	9,812	5,725	5,623	5,364
	8,960	8,014	7,899	6,691
	2,160	2,030	2,048	2,005
	2,036	1,525	1,043	777
	-	18,211	18,591	18,135
	373	187	174	254
	14,548	11,633	15,008	13,847
	37,198	40,333	36,628	35,812
	1,589	1,705	1,685	1,607
	5,554	1,243	5,310	7,944
	-	496	449	99
	6,603	1,652	2,896	4,047
	-	-	-	-
	8,076	7,553	6,477	5,627
\$	175,337	\$ 161,994	\$ 159,437	\$ 154,413
\$	733	\$ 675	\$ 596	\$ 580
	881	-	1,909	6,974
	3,842	808	4,052	5,864
	-	76	-	-
	-	-	-	-
	(8,076)	(7,553)	(6,477)	(5,627)
	(2,620)	(5,994)	80	7,791
\$	172,717	\$ 156,000	\$ 159,517	\$ 162,204
\$	79,769	\$ 62,502	\$ 57,396	\$ 41,840
	30,962	23,773	40,310	28,891
\$	110,731	\$ 86,275	\$ 97,706	\$ 70,731

# CITY OF STOCKTON

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

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>General Fund</b>					
Nonspendable	\$ 13,466	\$ -	\$ -	\$ -	\$ -
Restricted	2,100	-	-	-	-
Committed	1,851	-	-	-	-
Assigned	5,730	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total General Fund</b>	<b>\$ 23,147</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>All other governmental funds</b>					
Nonspendable	\$ 1,604	\$ -	\$ -	\$ -	\$ -
Restricted	228,190	-	-	-	-
Committed	67,466	-	-	-	-
Assigned	1,815	-	-	-	-
Unassigned	(63,475)	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 235,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Fund Balances</b>	<b>\$ 258,747</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>General Fund</b>					
Reserved	\$ -	\$ 14,175	\$ 13,498	\$ 13,231	\$ 8,352
Unreserved	-	8,607	9,627	15,761	23,116
<b>Total General Fund</b>	<b>\$ -</b>	<b>\$ 22,782</b>	<b>\$ 23,125</b>	<b>\$ 28,992</b>	<b>\$ 31,468</b>
<b>All other governmental funds</b>					
Reserved	\$ -	\$ 285,941	\$ 289,368	\$ 298,541	\$ 197,170
Unreserved, reported in:					
Special revenue funds	-	6,417	24,677	3,986	(20,727)
Debt service funds	-	-	38	(196)	(213)
Capital projects funds	-	(53,248)	(25,307)	(27,899)	(26,296)
Permanent Fund	-	358	333	297	252
<b>Total all other governmental funds</b>	<b>\$ -</b>	<b>\$ 239,468</b>	<b>\$ 289,109</b>	<b>\$ 274,729</b>	<b>\$ 150,186</b>
<b>Total Fund Balances</b>	<b>\$ -</b>	<b>\$ 262,250</b>	<b>\$ 312,234</b>	<b>\$ 303,721</b>	<b>\$ 181,654</b>

Note: Some prior year balances may have been restated from previous CAFRs to reflect new GASB implementations or prior period adjustments.

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 Department of Administrative Services

Fiscal Year				
2005	2004	2003	2002	2001
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -

Fiscal Year				
2005	2004	2003	2002	2001
\$ 6,958	\$ 6,117	\$ 6,255	\$ 6,427	\$ 2,444
16,506	11,730	11,765	8,642	20,346
\$ 23,464	\$ 17,847	\$ 18,020	\$ 15,069	\$ 22,790
\$ 246,051	\$ 317,874	\$ 243,715	\$ 127,453	\$ 209,926
(57,435)	8,627	14,151	9,585	(1,164)
(42)	(179)	20	(22)	-
(27,487)	(46,437)	(34,948)	71,859	(3,482)
265	207	230	258	-
\$ 161,352	\$ 280,092	\$ 223,168	\$ 209,133	\$ 205,280
\$ 184,816	\$ 297,939	\$ 241,188	\$ 224,202	\$ 228,070

# CITY OF STOCKTON

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

	Fiscal Year		
	2010	2009	2008
<b>Revenues:</b>			
Taxes:			
Property	\$ 45,549	\$ 58,640	\$ 63,998
In lieu of sales tax	7,087	9,823	10,164
Utility user	30,717	30,854	30,861
Sales (levied by City) (1)	7,652	7,921	9,409
Franchise fees	11,354	11,608	11,537
Business license	9,717	9,699	10,772
Hotel/motel room	1,749	1,962	2,287
Document transfer	559	702	686
Special assessments	-	-	-
Other	203	234	246
Licenses and permits	4,257	4,335	5,273
Federal grants and subsidies	26,034	12,976	13,617
Other shared revenue (sales and use tax levied by state) (1)	28,856	31,245	36,098
Other governmental	47,779	53,498	59,976
Charges for services	26,174	31,462	55,244
Fines and forfeitures	5,090	4,499	3,321
Use of money and property	11,962	13,234	12,922
Investment income:			
Interest income	4,921	9,224	11,585
Net increase (decrease) in fair value of investments	431	2,151	1,515
Refunds and reimbursements	5,186	4,113	4,253
Miscellaneous	8,449	13,429	8,515
<b>Total revenues</b>	<b>\$ 283,726</b>	<b>\$ 311,609</b>	<b>\$ 352,279</b>
<b>Expenditures:</b>			
Current:			
General government	\$ 21,818	\$ 24,272	\$ 22,285
Public safety	152,714	163,339	168,372
Public works	14,029	16,113	18,464
Library	11,041	12,485	13,432
Parks and recreation	17,948	22,376	27,185
Capital outlay	84,194	105,384	135,071
Debt service:			
Principal retirement	11,739	3,973	1,017
Cost of issuance	846	99	777
Interest and fiscal charges	12,523	11,938	10,771
<b>Total expenditures</b>	<b>\$ 326,852</b>	<b>\$ 359,979</b>	<b>\$ 397,374</b>
Excess (deficiency) of revenues over (under) expenditures	<b>\$ (43,126)</b>	<b>\$ (48,370)</b>	<b>\$ (45,095)</b>

Fiscal Year						
2007	2006	2005	2004	2003	2002	2001
\$ 60,015	\$ 47,495	\$ 33,723	\$ 28,365	\$ 23,449	\$ 20,742	\$ 19,035
11,070	9,274	8,750	-	-	-	-
30,101	34,313	34,908	33,322	32,157	31,462	31,188
9,249	9,941	1,047	-	-	-	-
10,817	10,333	9,812	5,725	5,623	5,364	5,255
10,285	11,222	8,960	8,014	8,065	6,897	6,643
2,180	2,171	2,160	2,030	2,048	2,005	1,994
1,187	2,010	2,036	1,525	1,043	777	692
-	-	-	18,211	18,591	18,135	15,877
257	218	193	187	174	254	174
6,777	8,960	11,112	9,977	11,444	5,493	3,758
26,532	21,529	10,465	11,301	15,598	9,188	18,073
36,745	42,063	35,904	40,333	36,628	35,812	36,323
63,064	52,402	44,737	35,330	40,025	42,250	40,706
51,739	66,443	61,903	57,316	43,181	32,117	26,557
3,323	3,933	3,250	1,905	1,490	1,552	1,445
9,709	6,274	3,370	1,640	2,011	1,806	1,416
8,551	2,702	4,686	5,000	5,422	6,686	9,069
1,238	129	333	(3,824)	(367)	715	2,866
8,199	8,284	5,524	3,213	4,864	3,310	2,822
9,163	8,707	11,662	6,314	8,791	6,661	5,884
<b>\$ 360,201</b>	<b>\$ 348,403</b>	<b>\$ 294,535</b>	<b>\$ 265,884</b>	<b>\$ 260,237</b>	<b>\$ 231,226</b>	<b>\$ 229,777</b>
\$ 20,030	\$ 23,935	\$ 23,520	\$ 22,812	\$ 16,321	\$ 16,182	\$ 14,591
163,479	157,299	142,211	123,948	112,668	102,626	91,308
19,478	30,959	27,346	38,122	33,987	15,206	12,721
12,648	13,283	12,391	11,303	10,475	10,403	9,636
25,747	25,637	17,931	14,937	13,330	13,433	12,034
98,819	101,399	108,560	60,827	60,390	60,652	65,957
591	689	669	8,356	9,654	7,290	7,085
2,069	341	22	2,177	983	466	-
7,892	4,314	4,183	12,460	11,937	10,814	10,430
<b>\$ 350,753</b>	<b>\$ 357,856</b>	<b>\$ 336,833</b>	<b>\$ 294,942</b>	<b>\$ 269,745</b>	<b>\$ 237,072</b>	<b>\$ 223,762</b>
\$ 9,448	\$ (9,453)	\$ (42,298)	\$ (29,058)	\$ (9,508)	\$ (5,846)	\$ 6,015

(Continued)

# CITY OF STOCKTON

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

	Fiscal Year		
	2010	2009	2008
<b>Other financing sources (uses):</b>			
Transfers in	\$ 35,341	\$ 46,051	\$ 59,991
Transfers out	(34,357)	(45,381)	(59,839)
Operating transfers out to a component unit	-	-	-
Issuance of long-term debt	39,702	6,343	53,436
Proceeds of current refunding bonds	-	-	-
Payment to refunding bond escrow agent - current refunding	-	-	-
Sales of capital assets	-	109	44
Current refunding	-	-	-
Payment to refunded bond escrow agent	-	-	-
Repayment of advances from other funds	-	-	-
Premiums on debt issuances	-	-	-
Discounts on debt issuances	(775)	-	(24)
<b>Total other financing sources (uses)</b>	<b>\$ 39,911</b>	<b>\$ 7,122</b>	<b>\$ 53,608</b>
Special item	(288)	(8,736)	-
Net change in fund balances	(3,503)	(49,984)	8,513
Fund balances, beginning of year, as restated	262,250	312,234	303,721
Residual equity transfers in	-	-	-
Residual equity transfers out	-	-	-
<b>Fund balances, end of year, as restated</b>	<b>\$ 258,747</b>	<b>\$ 262,250</b>	<b>\$ 312,234</b>
Debt service as a percentage of noncapital expenditures	9.9%	5.9%	4.2%

(1) Measure W, Public Safety Tax, an additional .25% sales tax approved by voters, effective April 1, 2005 allowed for adding up to 40 police officers and 40 firefighters. Fiscal 2006 included two additional months of sales tax revenue to align revenues to the month they were earned.

Note: Some prior year balances may have been restated from previous CAFRs to reflect new GASB implementations or prior period adjustments.

Beginning fiscal year 2006, land secured financings were removed from capital projects 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 Department of Administrative Services

Fiscal Year						
2007	2006	2005	2004	2003	2002	2001
\$ 78,825	\$ 45,192	\$ 46,449	\$ 64,132	\$ 71,393	\$ 38,960	\$ 28,561
(80,506)	(38,821)	(39,845)	(59,459)	(65,969)	(35,648)	(27,643)
-	-	-	-	-	-	-
110,509	14,608	592	79,713	38,110	32,946	6,275
-	-	-	-	-	-	2,744
-	-	-	-	-	-	(1,879)
5	2	2	5	719	-	171
-	-	-	-	-	-	(680)
-	(14,604)	-	-	(17,205)	-	-
-	-	-	-	-	-	(867)
2,377	-	-	1,637	-	-	-
-	(86)	-	(219)	(554)	(604)	-
<u>\$ 111,210</u>	<u>\$ 6,291</u>	<u>\$ 7,198</u>	<u>\$ 85,809</u>	<u>\$ 26,494</u>	<u>\$ 35,654</u>	<u>\$ 6,682</u>
-	-	-	-	-	-	-
120,658	(3,162)	(35,100)	56,751	16,986	29,808	12,697
183,063	184,816	219,916	241,188	224,202	194,394	201,332
-	-	-	-	-	-	15,951
-	-	-	-	-	-	(1,234)
<u>\$ 303,721</u>	<u>\$ 181,654</u>	<u>\$ 184,816</u>	<u>\$ 297,939</u>	<u>\$ 241,188</u>	<u>\$ 224,202</u>	<u>\$ 228,746</u>
3.7%	2.1%	2.2%	10.9%	12.1%	11.8%	12.5%

# CITY OF STOCKTON

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

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Property (1)	\$ 45,549	\$ 58,640	\$ 63,998	\$ 60,015	\$ 47,495	\$ 33,723
In lieu of sales tax (2)	7,087	9,823	10,164	11,070	9,274	8,750
Utility user (3)	30,717	30,854	30,861	30,101	34,313	34,908
Sales (levied by city) (4)	7,652	7,921	9,409	9,249	9,941	1,047
Franchise fees (5)	11,354	11,608	11,537	10,817	10,333	9,812
Business licenses (6)	9,717	9,699	10,772	10,285	11,222	8,960
Hotel/motel room	1,749	1,962	2,287	2,180	2,171	2,160
Document transfer (7)	559	702	686	1,187	2,010	2,036
Special assessments (8)	-	-	-	-	-	-
Other	203	234	246	257	218	193
<b>Totals</b>	<b>\$114,587</b>	<b>\$131,443</b>	<b>\$139,960</b>	<b>\$ 135,161</b>	<b>\$ 126,977</b>	<b>\$ 101,589</b>

(1) Property taxes decreased beginning in 2009 due to declining residential home values and foreclosures, resulting in a devaluation of City's assessed valuation performed by San Joaquin County.

(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. Fluctuations are due to the value of property when 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. Mild winter weather combined with lower prices for natural gas to PG & E customers added to the overall reduction in revenues since 2006.

(4) Measure W, Public Safety Tax, approved an additional .25% sales tax which was effective April 1, 2005 to hire up to 40 additional police officers and 40 additional firefighters. Fiscal 2006 included two additional months of sales tax 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 revenue generated through the Voluntary Compliance (amnesty) Program.

(7) Document transfer fees are charged when property changes ownership. Home and other property sales have slowed considerably since 2006.

(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 Department of Administrative Services

Fiscal Year				
2004	2003	2002	2001	% Change 2001 (or inception) to 2010
\$ 28,365	\$ 23,449	\$ 20,742	\$ 19,035	139%
-	-	-	-	-
33,322	32,157	31,462	31,188	-2%
-	-	-	-	-
5,725	5,623	5,364	5,255	116%
8,014	8,065	6,897	6,643	46%
2,030	2,048	2,005	1,994	-12%
1,525	1,043	777	692	-19%
18,211	18,591	18,135	15,877	-
187	174	254	174	17%
<u>\$ 97,379</u>	<u>\$ 91,150</u>	<u>\$ 85,636</u>	<u>\$ 80,858</u>	<u>42%</u>

# CITY OF STOCKTON

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

	Fiscal Year			
	2010	2009	2008	2007
Secured roll	\$ 18,339,819	\$ 20,988,391	\$ 21,520,451	\$ 19,823,995
Utility roll	7,081	5,633	5,652	14,092
Unsecured roll	1,628,749	1,588,293	1,234,912	1,195,948
Gross assessed value	\$ 19,975,649	\$ 22,582,317	\$ 22,761,015	\$ 21,034,035
Less exemptions (1)	1,514,454	1,398,902	1,302,249	1,238,271
Net assessed value	<u>\$ 18,461,195</u>	<u>\$ 21,183,415</u>	<u>\$ 21,458,766</u>	<u>\$ 19,795,764</u>
Land	\$ 4,817,327	\$ 6,387,373	\$ 6,661,962	\$ 5,992,555
Improvements	13,910,082	14,984,980	15,092,621	14,034,608
Personal property	1,248,240	1,209,964	1,006,432	1,006,872
Gross assessed value	\$ 19,975,649	\$ 22,582,317	\$ 22,761,015	\$ 21,034,035
Less exemptions (1)	1,514,454	1,398,902	1,302,249	1,238,271
Net assessed value	<u>\$ 18,461,195</u>	<u>\$ 21,183,415</u>	<u>\$ 21,458,766</u>	<u>\$ 19,795,764</u>
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%

(1) For FY 2010, all exemptions (secured, utility, and unsecured rolls) are: homeowners - \$253,238,699 and other - \$1,261,215,511 = \$1,514,454,210

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					
2006	2005	2004	2003	2002	2001
\$ 16,860,177	\$ 14,398,725	\$ 12,567,832	\$ 11,300,938	\$ 10,201,671	\$ 8,719,177
15,883	16,316	15,054	12,683	13,536	15,364
1,127,627	1,015,499	951,164	904,354	834,424	799,923
\$ 18,003,687	\$ 15,430,540	\$ 13,534,050	\$ 12,217,975	\$ 11,049,631	\$ 9,534,464
1,185,310	1,111,509	1,061,968	1,003,662	952,815	902,578
\$ 16,818,377	\$ 14,319,031	\$ 12,472,082	\$ 11,214,313	\$ 10,096,816	\$ 8,631,886
\$ 4,811,339	\$ 4,104,660	\$ 3,532,906	\$ 3,132,565	\$ 2,756,278	\$ 2,439,069
12,251,910	10,509,572	9,220,951	8,350,637	7,579,417	6,381,458
940,438	816,308	780,193	734,773	713,936	713,937
\$ 18,003,687	\$ 15,430,540	\$ 13,534,050	\$ 12,217,975	\$ 11,049,631	\$ 9,534,464
1,185,310	1,111,509	1,061,968	1,003,662	952,815	902,578
\$ 16,818,377	\$ 14,319,031	\$ 12,472,082	\$ 11,214,313	\$ 10,096,816	\$ 8,631,886
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)**

<b>Fiscal Year</b>	<b>Basic Countywide Levy</b>	<b>City</b>	<b>Total Direct</b>	<b>Stockton Unified School District (1)</b>	<b>San Joaquin Delta College District</b>	<b>Total</b>
2010	1.0000	-	1.0000	0.1273	0.0180	1.1453
2009	1.0000	-	1.0000	0.1497	0.0160	1.1657
2008	1.0000	-	1.0000	0.1514	0.0015	1.1529
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

(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

# CITY OF STOCKTON

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

Taxpayer	Fiscal Year					
	2010			2000		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Levine Investments Ltd PTP - Park West Place	\$ 103,750	1	0.615 %	-	-	-
Kyoho Manufacturing California Corp	91,377	2	0.542	-	-	-
Simpson Manufacturing Co Inc	88,613	3	0.525	-	-	-
Arch Road Limited Partnership	80,762	4	0.479	-	-	-
Diamond Walnut Growers Inc	69,376	5	0.411	50,154	3	0.663 %
Corn Products International Inc	64,963	6	0.385	\$ 92,599	1	1.224 %
First American Trust	58,891	7	0.349	\$ -	-	-
Inland Western Stockton Airport Way	50,777	8	0.301	-	-	-
Stonecreek Village Shopping Center LLC	45,561	9	0.270	-	-	-
Sherwood Mall LLC	44,052	10	0.261	-	-	-
Kaiser Foundation	-	-	-	84,867	2	1.121 %
Newark Group Inc	-	-	-	31,980	4	0.423 %
Washington Mutual Inc	-	-	-	27,746	5	0.367 %
Iris, USA	-	-	-	26,843	6	0.355 %
Tru Properties, Inc	-	-	-	23,539	7	0.311 %
Cargill Incorporated	-	-	-	23,337	8	0.308 %
Del Monte Corp.	-	-	-	19,776	9	0.261 %
American Honda Motor Corp.	-	-	-	19,668	10	0.260 %
Principal Secured Property Valuation	\$ 698,122		4.139 %	\$ 400,509		5.292 %
Other Secured Taxpayers	17,641,697		104.588	7,947,478		105.019
Total Secured Property Valuation Before Exemptions	\$ 18,339,819		108.727 %	\$ 8,347,987		110.311 %
Less Exemptions relative to secured tax roll (1)	1,472,073		8.727	780,309		10.311
Total Secured Property Valuation	\$ 16,867,746		100.000 %	\$ 7,567,678		100.000 %

(1) Exemptions relative to secured tax roll: FY 2010 - homeowners - \$253,091,657 and other - \$1,218,981,059 = \$1,472,072  
FY 2000 - homeowners - \$230,667 and other - \$549,642 = \$780,309

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. At that point, the purchase price becomes the new assessed value. 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**  
**SECURED PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

Fiscal Year	Secured 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
2010	\$ 22,150	\$ 22,150	100 %	-	\$ 22,150	100 %
2009	31,134	31,134	100	-	31,134	100
2008	33,633	33,633	100	-	33,633	100
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

(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

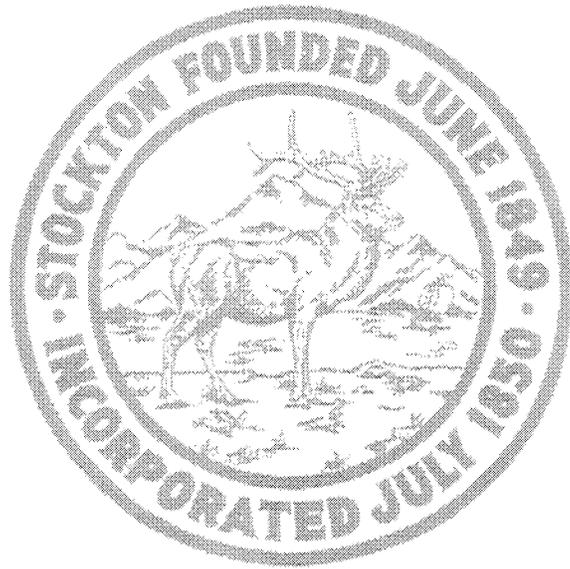
**TABLE 10  
WATER SOLD BY CUSTOMER TYPE  
LAST FIVE FISCAL YEARS**

	Fiscal Year				
	2010	2009	2008	2007	2006
<b><u>Type of Customer</u></b>					
Residential	9,666,100 cf	10,246,248 cf	10,771,115 cf	11,995,309 cf	10,774,487 cf
Institutional	607,127	734,394	788,914	914,345	786,155
Commercial/Industrial	1,521,663	1,624,864	1,624,218	1,704,698	1,727,550
Irrigation	<u>1,767,675</u>	<u>1,697,051</u>	<u>1,832,861</u>	<u>1,786,611</u>	<u>1,379,830</u>
<b>Total</b>	<u><u>13,562,565</u></u> cf	<u><u>14,302,557</u></u> cf	<u><u>15,017,108</u></u> cf	<u><u>16,400,963</u></u> cf	<u><u>14,668,022</u></u> cf

1 cubic foot (cf) = 7.481 gallons

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

Source: City of Stockton Department of Administrative Services



# CITY OF STOCKTON

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

<b>Fiscal Year</b>	<b>Water</b>		<b>Wastewater</b>
	<b>Monthly Base Rate</b>	<b>Additional Per 100 cf**</b>	<b>Monthly Base Rate</b>
2010	\$17.65	\$1.02	\$20.75
2009	16.75	0.82	20.00
2008	15.90	0.78	21.10
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

100 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 Department of Administrative Services

# CITY OF STOCKTON

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

Fiscal Year	Governmental Activities							Total Governmental Activities
	Revenue Bonds (1)	Certificates of Participation	Redevelopment Agency Revenue Bonds	Notes Payable / Equip. Leases / Settlements	Special Assessment/Mello-Roos Bonds (1)	Pension Bonds		
2010	\$ 88,560	\$ 13,300	\$ 145,855	\$ 42,881		\$ 124,910	\$ 415,506	
2009	53,965	13,300	155,020	38,800	-	125,040	386,125	
2008	54,305	13,300	157,010	32,528	-	125,060	382,203	
2007	13,860	13,300	157,185	19,405	-	125,310	329,060	
2006	13,965	13,300	47,000	19,567	-	-	93,832	
2005	-	27,330	47,000	19,378	-	-	93,708	
2004	98,060	27,550	47,000	19,235	106,927	-	298,772	
2003	102,720	27,760	-	14,813	82,122	-	227,415	
2002	109,415	14,665	-	8,680	76,861	-	209,621	
2001	111,005	14,860	-	-	51,486	-	177,351	

Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements, Note 6-Long-Term Debt and Note 7-Short-Term Debt 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) These ratios are calculated using the latest available data, personal income for fiscal year 2007 and population for fiscal year 2009.

Sources: City of Stockton Department of Administrative Services  
 US Dept of Commerce, Bureau of Economic Analysis  
 State of California, Department of Finance

**Business-type Activities**

<b>Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Notes Payable</b>	<b>Mello-Roos Bonds</b>	<b>Special Assessment Bonds</b>	<b>Total Business-type Activities</b>	<b>Total</b>	<b>Percent of Personal Income (2)</b>	<b>Per Capita (2)</b>
\$ 240,245	\$ 90,545	\$ 545	\$ -	\$ -	\$ 331,335	\$ 746,841	3.87 %	\$ 2,557
67,920	96,105	610	-	-	164,635	550,760	2.86 %	\$ 1,896
68,650	98,710	672	-	-	168,032	550,235	2.85 %	1,898
69,315	101,220	731	-	-	171,266	500,326	2.59	1,727
69,910	103,635	787	-	-	174,332	268,164	1.47	938
46,166	105,965	1,007	-	-	153,138	246,846	1.42	883
46,625	108,215	1,219	-	-	156,059	454,831	2.74	1,690
14,280	109,855	1,421	6,180	-	131,736	359,151	2.31	1,374
14,280	111,690	1,634	6,180	210	133,994	343,615	2.33	1,354
-	129,235	1,823	-	7,005	138,063	315,414	2.21	1,256

# CITY OF STOCKTON

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

<b>General Bonded Debt Outstanding</b>							
<b>Fiscal Year</b>	<b>Lease Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Pension Obligation Bonds</b>	<b>Redevelopment Agency Bonds</b>	<b>Total</b>	<b>Percent of Assessed Property Value</b>	<b>Per Capita</b>
2010	\$ 88,560	\$ 13,300	\$ 124,910	\$ 145,855	\$ 372,625	0.020 %	\$1.283
2009	53,965	13,300	125,040	155,020	347,325	0.016 %	\$1.196
2008	54,305	13,300	125,060	157,010	349,675	0.016	1.206
2007	13,860	13,300	125,310	157,185	309,655	0.016	1.069
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

General bonded debt is payable with governmental fund resources. General obligation bonds (of which the City has none) are backed by the taxing authority of the City (taxes may be raised to provide resources for debt service payments.)

Source: City of Stockton Department of Administrative Services  
 San Joaquin County Auditor-Controller's Office

# CITY OF STOCKTON

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

	<b>Total Debt 6/30/2010</b>	<b>Percentage Applicable</b>	<b>City's share of Debt 6/30/2010</b>
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
San Joaquin Delta Community College District	\$ 153,325,206	29.410 %	\$ 45,092,943
Stockton Unified School District	284,550,000	82.140	233,729,370
Lodi Unified School District	102,645,000	32.736	33,601,867
Lodi Unified School District School Facilities Improvement District No. 1	45,295,000	83.449	37,798,225
Lincoln Unified School District	47,716,417	87.874	41,930,324
Lincoln Unified School District Community Facilities District No. 1	32,390,132	85.239	27,609,025
Manteca Unified School District	62,107,004	18.887	11,730,150
Manteca Unified School District Community Facilities District No. 1989-1	34,466,013	100.000	34,466,013
Tracy Joint Unified School District and School Facilities Improvement Dist. No.3	60,330,000	0.006 & 0.011	4,220
City of Stockton Community Facilities District No. 1	21,025,000	100.000	21,025,000
City of Stockton Community Facilities District No. 90-1	3,540,000	100.000	3,540,000
City of Stockton Community Facilities District No. 90-2	18,150,000	100.000	18,150,000
City of Stockton Community Facilities District No. 90-4	7,908,000	100.000	7,908,000
City of Stockton Community Facilities District No. 96-1	750,000	100.000	750,000
City of Stockton Community Facilities District No. 99-02	19,065,000	100.000	19,065,000
City of Stockton Community Facilities District No. 2001-1 (Spanos Park West)	19,695,000	100.000	19,695,000
City of Stockton Community Facilities District No. 2003-1	2,950,000	100.000	2,950,000
City of Stockton Community Facilities District No. 2006-1	3,885,000	100.000	3,885,000
City of Stockton Community Facilities District No. 2006-3	6,100,000	100.000	6,100,000
City of Stockton 1915 Act Bonds	55,287,000	100.000	55,287,000
Reclamation District No. 2042 Community Facilities District No. 2001-1	6,985,000	18.211	1,272,038
San Joaquin Area Flood Control Assessment District	6,885,000	81.288	5,596,679
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>631,185,854</b>
<b>OVERLAPPING GENERAL FUND DEBT:</b>			
San Joaquin County Certificates of Participation	190,500,000	32.939 %	62,748,795
Lincoln Unified School District Certificates of Participation	3,020,000	87.874	2,653,795
Lodi Unified School District Certificates of Participation	47,295,000	32.736	15,482,491
Stockton Unified School District Certificates of Participation	41,281,314	82.140	33,908,471
South San Joaquin Irrigation District Certificates of Participation	2,970,000	0.778	23,107
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>			<b>114,816,659</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>746,002,513</b>
<b>DIRECT GENERAL FUND DEBT:</b>			
<b>City of Stockton General Fund Obligations</b>	<b>180,380,000</b>	<b>100.000</b>	<b>180,380,000</b>
<b>City of Stockton Pension Obligations</b>	<b>124,910,000</b>	<b>100.000</b>	<b>124,910,000</b>
			<b>305,290,000</b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>420,106,659</b>
Less: South San Joaquin Irrigation District (100% self-supporting)			23,107
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>420,083,552</b>
<b>GROSS COMBINED TOTAL DEBT (2)</b>			<b>1,051,292,513</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 1,051,269,406</b>
<b>2009-10 Assessed Valuation:</b>	<b>\$16,957,547,035</b>		
(after deducting \$1,756,886,229 Redevelopment Incremental Valuation)			
<b>2009-10 Population</b>	<b>292,133</b>		
<b>Debt Ratios</b>		<b>Per Capita</b>	<b>Ratio to</b>
Total Gross Debt	\$ 1,051,292,513	\$ 3,599	6.20
Total Net Debt	1,051,269,406	3,599	6.20
Ratios to 2009-10 Assessed Valuation: Total Overlapping Tax and Assessment Debt			3.39
Ratios to Adjusted Assessed Valuation: Combined Direct Debt	305,290,000		1.80

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

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

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

# CITY OF STOCKTON

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

	Fiscal Year			
	2010	2009	2008	2007
Assessed valuation (1)	\$16,957,547	\$18,903,286	\$19,281,142	\$ 18,043,181
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 4,239,387	\$ 4,725,822	\$ 4,820,286	\$ 4,510,795
Debt limit percentage	15%	15%	15%	15%
Debt Limit	\$ 635,908.01	\$ 708,873	\$ 723,043	\$ 676,619
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 635,908</u>	<u>\$ 708,873</u>	<u>\$ 723,043</u>	<u>\$ 676,619</u>

(1) Reflects City assessed valuation excluding Redevelopment tax increments of \$1,756,886,229 and other exemptions of \$1,261,215,511 deducted.

Under State law, The City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries, adjusted for subsequent legislative actions. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal limit. The City of Stockton does carry bonded debt secured by special assessments and other revenue sources, but at this time, does not have any outstanding general obligation bonds. The City is not at risk of exceeding its legal debt limit of \$635,908

Sources: City of Stockton Department of Administrative Services  
California Municipal Statistics, Inc., San Francisco, CA

Fiscal Year					
2006	2005	2004	2003	2002	2001
\$ 15,761,940	\$ 14,037,055	\$ 12,313,597	\$ 11,246,185	\$ 10,192,890	\$ 8,699,045
25%	25%	25%	25%	25%	25%
\$ 3,940,485	\$ 3,509,264	\$ 3,078,399	\$ 2,811,546	\$ 2,548,223	\$ 2,174,761
15%	15%	15%	15%	15%	15%
\$ 591,073	\$ 526,390	\$ 461,760	\$ 421,732	\$ 382,233	\$ 326,214
-	-	-	-	-	-
<u>\$ 591,073</u>	<u>\$ 526,390</u>	<u>\$ 461,760</u>	<u>\$ 421,732</u>	<u>\$ 382,233</u>	<u>\$ 326,214</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			Debt Coverage Ratio
				Principal	Interest	Total	
<b>Water Revenue Bonds</b>							
2010	\$ 31,612	\$ 17,547	\$ 14,065	\$ 655	\$ 9,286	\$ 9,941	1.41
2009	26,080	20,123	5,957	627	1,728	2,355	2.53
2008	26,352	18,010	8,342	599	1,758	2,357	3.54
2007	26,787	17,687	9,100	566	1,788	2,354	3.87
2006	22,986	15,631	7,355	538	1,092	1,630	4.51
2005	21,942	12,158	9,784	511	691	1,202	8.14
2004	20,181	13,324	6,857	489	717	1,206	5.69
2003	17,858	12,320	5,538	46	663	709	7.81
2002	17,616	11,295	6,321	414	938	1,352	4.68
2001	16,586	11,305	5,281	397	959	1,356	3.89
<b>Wastewater Certificates of Participation (3)</b>							
2010	\$ 39,716	\$ 30,094	\$ 9,622	\$ 2,720	\$ 4,659	\$ 7,379	1.30
2009	38,298	35,002	3,296	2,605	4,770	7,375	0.45
2008	39,602	25,633	13,969	2,510	4,867	7,377	1.89
2007	41,068	27,791	13,277	2,415	4,959	7,374	1.80
2006	44,609	22,357	22,252	2,330	5,044	7,374	3.02
2005	49,519	17,526	31,993	2,250	5,126	7,376	4.34
2004	48,932	22,418	26,514	1,640	5,079	6,719	3.95
2003	50,901	22,949	27,952	1,935	5,583	7,518	3.72
2002	39,372	20,859	18,513	1,855	5,661	7,516	2.46
2001	41,384	18,430	22,954	1,780	5,736	7,516	3.05

(Continued)

# CITY OF STOCKTON

**TABLE 16 (Continued)**  
**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			Debt Coverage Ratio
				Principal	Interest	Total	
<b>Central Parking District Lease Revenue Bonds</b>							
2010	\$ 4,907	\$ 2,193	\$ 2,714	\$ 210	\$ 1,634	\$ 1,844	1.47
2009	5,056	2,320	2,736	165	1,641	1,806	1.51
2008	5,033	2,562	2,471	125	1,647	1,772	1.39
2007	4,667	2,205	2,462	85	1,652	1,737	1.42
2006	4,632	2,021	2,611	-	1,653	1,653	1.58
2005	3,864	1,957	1,907	-	1,130	1,130	1.69
2004	3,360	1,861	1,499	6,180	390	6,570	0.23
2003	3,286	1,359	1,927	210	301	511	3.77
2002	2,950	1,245	1,705	590	268	858	1.99
2001	2,452	1,192	1,260	555	553	1,108	1.14

\*\*\*\* Central Parking District revenues are not explicitly pledged in official statements for repayment of these bond.

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-Long-Term Debt of these financial statements.

(1) Total revenues including investment earnings. Also includes connection fees in Water & Wastewater funds.

In 2008 CAFR, statistical section did not include connecton fees in Water & Wastewater funds - included in 2009.

Also, net increase/decrease in fair value of investments and other non - operating revenues were reported in gross revenues - removed in 2009.

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

(3) The FY 2008-09 Wastewater Certificates of Participation debt coverage ratio fell below the 1.25 times net revenues required by the bond covenants.

Source: City of Stockton Department of Administrative Services

# 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
2010	292,133	\$ 9,105	\$ 31,166	19.8 %	131,000	97,085	3.09	\$ 63,100	87,186
2009	290,409	n/a	n/a	18.1	130,800	96,854	3.08	\$ 63,600	86,428
2008	289,927	\$ 8,459	29,178	10.0	127,200	96,553	3.09	61,300	91,744
2007	289,789	8,329	28,743	9.3	120,800	95,864	3.11	60,300	83,440
2006	286,041	7,801	27,272	7.2	120,000	94,409	3.05	57,100	77,982
2005	279,513	7,334	26,239	9.4	119,214	91,725	3.13	55,300	72,097
2004	269,100	6,869	25,527	9.6	118,127	88,826	3.11	55,100	67,674
2003	261,300	6,433	24,620	11.0	121,133	85,988	3.12	50,600	61,853
2002	253,800	6,129	24,150	10.2	116,126	84,303	3.08	47,500	61,006
2001	251,100	6,048	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

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 Department of Administrative Services & Community Development Department  
CA Dept of Finance and Employment Development Department  
US Dept of Commerce, Bureau of Economic Analysis  
US Dept of Housing and Urban Development  
CA Dept of Education

# CITY OF STOCKTON

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

<u>Employer</u>	Fiscal Year					
	2010			2000		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
San Joaquin County (1)	5,938	1	4.53 %	5,800	1	5.31 %
Stockton Unified School District	4,000	2	3.05	4,300	2	3.94
St. Joseph's Medical Center	2,230	3	1.70	2,906	3	2.66
O-G Packing Company	2,001	4	1.53	-	-	-
Division of Juvenile Justice	1,492	5	1.14	-	-	-
Diamond Walnut	1,467	6	1.12	-	-	-
City of Stockton	1,425	7	1.09	1,800	4	1.65
Dameron Hospital	1,200	8	0.92	1,017	8	0.93
North California Youth Center	1,000	9	0.76			
University of the Pacific	966	10	0.74	926	9	0.85
Del Monte Foods USA	-	-	-	1,200	5	1.10
Pacific Gas and Electric	-	-	-	1,100	6	1.01
San Joaquin Delta College	-	-	-	1,035	7	0.95
Lipton	-	-	-	900	10	0.82
<b>Total</b>	<b><u>21,719</u></b>		<b><u>16.58 %</u></b>	<b><u>20,984</u></b>		<b><u>19.21 %</u></b>

Note: Principal employers are based on best available information.

Sources: City of Stockton  
Infogroup

# CITY OF STOCKTON

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

Function/Program/Department:	Fiscal Year				
	2010	2009	2008	2007	2006
Admin Svcs (4)	87	90	100	92	86
City Attorney	11	14	16	17	18
City Auditor	3	4	7	6	5
City Clerk	5	6	8	8	8
City Council/Mayor	2	2	2	2	3
City Manager	22	24	28	26	27
Community Development	42	50	51	53	46
Community Services (1)	89	103	128	132	127
Human Resources	23	25	26	24	24
Police:					
Sworn	342	389	410	408	408
Non-sworn	173	194	215	201	205
Animal control	13	16	16	15	18
Total Police	<u>528</u>	<u>599</u>	<u>641</u>	<u>624</u>	<u>631</u>
Fire:					
Firefighters-sworn	229	244	257	266	275
Firefighters-auxiliary	24	27	45	35	25
Non-sworn personnel	25	27	28	28	32
Paramedic teams (2 per team)	-	-	-	-	13
Total Fire	<u>278</u>	<u>298</u>	<u>330</u>	<u>329</u>	<u>345</u>
Public Works	139	196	234	228	226
Revitalization (2)	23	28	36	32	26
Water Utility (3)	37	35	33	5	3
Wastewater Utility (3)	133	105	107	17	12
Stormwater Utility (3)	3	6	7	-	2
Central Parking District	0	0	3	2	2
Total	<u>1,425</u>	<u>1,585</u>	<u>1,757</u>	<u>1,597</u>	<u>1,591</u>

(1) Recreation and Library were combined in 2008/09 and reported as Community Services.

(2) Housing, Redevelopment, Central Parking, and Economic Development were combined in 2008/09 and reported as Revitalization.

(3) Municipal Utility functions were returned to the City from private contract March 1, 2008.

(4) Information Technology was combined with Administrative Service in 2008-2009.

(5) Parks were combined with Public Works in 2008/09.

Note: The City of Stockton implemented GASB Statement No. 44 for the fiscal year ended June 30, 2006. Information prior to the implementation of GASB Statement No. 44 is not available.

Source: City of Stockton Human Resources Department

# CITY OF STOCKTON

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

	Fiscal Year			Fiscal Year	
	2010	2009	2008	2007	2006
General government:					
Building permits issued	4,463	4,418	4,726	6,564	7,579
Business tax certificates:					
Retail sales and service	5,924	7,170	7,822	9,567	9,283
Rental Properties - Commercial and Residential	4,255	4,346	4,713	Included in retail sales and service	
Wholesale	349	351	295	Included in retail sales and service	
Manufacturers and processors	182	186	183	179	206
Professions	2,057	2,150	2,127	2,087	2,286
Miscellaneous contractors, peddlers, delivery vehicles, etc.	4,170	3,665	3,794	3,491	5,640
Improvement district and hotel/motel room tax	90	106	282	267	257
Utility billing/customer service:					
Utility bills issued	623,513	603,209	617,847	620,373	431,056
Utility accounts opened and closed	26,878	29,722	22,737	19,227	20,284
New service locations (water) added	208	231	443	798	1,778
Delinquency Notices Sent - Active Accounts	67,073	63,834	60,872	n/a	n/a
Water Service Terminated for Non-Payment	4,533	4,389	5,618	n/a	n/a
Utility customer service calls received	107,091	127,099	141,732	186,450	125,179
Utility customers using automated voice response	125,295	n/a	69,866	68,688	32,985
Utility Customers Using OnLine Pmt/Acct Access	13,032	9,854	5,214	n/a	n/a
Miscellaneous accounts receivable bills issued	29,592	26,895	22,084	19,693	18,788
Public safety:					
Police:					
Major reported crimes	19,712	20,310	23,182	23,193	23,123
Total arrests	15,892	20,986	22,595	23,778	24,412
Dispatched calls for service	150,705	150,429	155,372	165,896	169,605
Fire:					
Interior structure fire calls	412	382	383	413	481
Non-structural fire calls	1,193	783	1,374	1,493	1,795
Hazardous materials calls	253	289	720	699	673
Emergency medical calls	22,249	22,796	23,904	23,314	24,218
Total emergency calls	36,785	36,103	36,559	35,487	36,321
Total number of units dispatched	43,460	43,320	48,360	47,447	56,655
Public works:					
Miles of streets resurfaced	22	48	44	45.9	33
Fleet job orders completed	11,548	13,382	13,443	13,379	14,363

(Continued)

**CITY OF STOCKTON**

**TABLE 20 (Continued)  
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT  
LAST FIVE FISCAL YEARS**

	Fiscal Year			Fiscal Year	
	2010	2009	2008	2007	2006
<b>Library:</b>					
Registered borrowers	268,128	331,356	307,991	280,028	246,983
Circulation of library materials	1,644,752	1,926,616	2,084,611	2,003,983	2,073,852
Reference, research and informational questions answered	248,692	827,851	415,195	461,328	336,650
Annual attendance at libraries	1,140,832	1,510,802	1,524,719	1,946,347	1,587,653
Number of programs offered	1,889	2,380	2,930	2,140	2,003
Annual attendance at programs	55,883	53,523	90,216	51,184	53,222
<b>Parks and recreation:</b>					
Golf rounds:					
Swenson Park golf course	57,637	55,864	57,731	57,976	59,670
Van Buskirk golf course	29,830	27,095	24,655	27,371	24,180
Trees planted	1	50	660	1,133	882
Heritage tree removal-permits issued	3	24	19	10	16
After school program registration (number of participants) (2)	44,856	55,860	90,074	2,700	82,000 @ 54 sites
Day camps in winter (number of participants)	N/A	77	177	187	114
Day camps in summer (number of participants)	1,090	1,277	1,434	1,467	2,359
Day camps at Children's Museum (number of participants)	842	314	202	417	426
Day camps in spring (number of participants)	103	66	217	283	n/a
Day camps in fall (number of participants)	114	175	453	243	n/a
Mobile recreation programs (number of participants) (2)	-	-	304	765	800
Instructional classes	1,525	3,823	4,064	3,142	132
Softball/baseball diamonds bookings	2,959	3,372	2,794	2,909	2,773
Showmobile bookings	11	32	23	33	31
Community center bookings	405	224	59	222	12
Picnic facility bookings	265	501	668	669	583
Adult sports (number of teams):					
Softball	358	548	573	701	610
Basketball	74	67	110	139	52
Volleyball	-	-	0	8	10
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants) (2)	7,146	7,399	6,652	2,889	12,499

**(Continued)**

# CITY OF STOCKTON

**TABLE 20 (Continued)  
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT  
LAST FOUR FISCAL YEARS**

	Fiscal Year			Fiscal Year	
	2010	2009	2008	2007	2006
<b>Parks and recreation (cont.):</b>					
Admissions to:					
Pixie Woods	20,632	26,558	32,614	34,037	42,320
Swimming pools	5,143	17,028	19,816	9,697	12,720
Teen Center	18,119	13,708	15,661	15,141	15,000
Silver Lake	N/A	1,250	1,652	1,832	1,798
Children's Museum	40,636	49,274	54,388	58,432	55,969
Oak Park Tennis	N/A	19,329	18,098	19,395	n/a
Senior Center memberships	1,410	991	1,779	790	469
Civic Auditorium bookings	46	270	231	164	309
Parks and Recreation sponsored events	2	9	28	31	9
Philomathean Club bookings	-	-	0	-	6
Weber Point Events Center bookings	12	16	25	23	27
<b>Housing:</b>					
Rental Housing Units	65	0	91	42	22
Owner Housing (Emergency Repair or Rehabilitation)	12	12	11	25	27
Down Payment Assistance	13	2	21	20	20
Special Needs (Homes Repaired or Rehabilitated)	3	4	9	18	45
Public Facilities (Rehabilitated or Constructed)	2	4	1	3	-
Façade Program (Commercial Façade Repair/Rehabilitated)	0	5	9	10	9
Public Services Provided	5,661	41,973	18,060	22,865	22,456
Homeless Services Provided	4,177	4,887	10,658	4,744	4,657
Meals Provided to Homeless	567,767	430,790	388,061	330,814	335,923
<b>Water utility:</b>					
New connections	232	209	450	798	2,563
Water main breaks	14	26	22	17	20
<b>Wastewater utility:</b>					
Average daily influent (million gallons per day)	31 mgd	33 mgd	35 mgd	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.

(3) Information not yet available for 2009. Call center information servers were replaced and data from former server was not yet retrievable.

Note: The City of Stockton implemented GASB Statement No. 44 for the fiscal year ended June 30, 2006. Information prior to the implementation of GASB Statement No. 44 is not available.

Source: City of Stockton Departments

**CITY OF STOCKTON**

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

	Fiscal Year			Fiscal Year		
	2010	2009	2008	2007	2006	2005
General government:						
Land use-square miles:						
Residential	33.69	33.04	33.04	33.31	33.29	32.93
Mixed use	4.68	4.74	1.61	1.62	1.62	1.62
Commercial	5.50	5.56	5.46	6.05	5.92	4.99
Industrial	11.28	10.56	10.56	11.01	10.99	10.97
Institutional	5.32	5.29	5.29	4.86	4.86	4.86
All other uses	3.41	3.22	3.22	3.63	3.71	3.26
Total square miles	63.88	62.41	59.18	60.48	60.39	58.63
Public safety:						
Police:						
Facilities:						
Stations and substations	3	5	5	5	5	4
Animal control facility	1	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1	1
Vehicles:						
Marked patrol cars	162	160	175	140	119	127
Motorcycles and scooters	39	37	42	42	30	27
Animal control vehicles	9	9	9	9	9	9
VIPS vehicles	6	7	7	5	5	5
Other automobiles	221	217	131	131	125	122
Other mobile units (all others)	13	43	40	37	37	37
Public area security cameras	76	76	76	34	32	23
Fire:						
Fire stations	13	13	13	13	13	13
Training facilities	1	1	1	1	1	1
Fire hydrants (2)	8,505	8,458	8,508	8,503	8,338	7,087
Public works:						
Miles of streets	776	757	754	750	734	706
Traffic signals	303	301	291	290	284	278
Street light fixtures	20,186	20,095	20,095	19,682	19,164	n/a

(Continued)

**CITY OF STOCKTON**

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

	Fiscal Year				Fiscal Year	
	2010	2009	2008	2007	2006	2005
Parks and recreation:						
Arena	1	1	1	1	1	n/a
Ballpark	1	1	1	1	1	1
Baseball/softball diamonds	54	54	54	49	43	42
Bike/jogging paths (miles)	20	20	20	20	20	19
Boating facilities - launch lanes	10	10	10	10	10	10
Children's Museum	1	1	1	1	1	1
Civic Auditorium (2,800 capacity)	1	1	1	1	1	1
Community centers	5	6	6	6	6	5
Dog Areas	1	1	1	1	n/a	n/a
Family camps	1	1	1	1	1	1
Golf course acreage	371	371	371	371	408	408
Group picnic areas	31	31	30	26	26	24
Gymnasium	5	1	1	1	1	-
Ice rink	1	1	1	1	1	1
Municipal golf courses	3	3	3	3	4	4
Park acreage	625	643	639	619	619	614
Parks and squares	67	67	66	62	62	62
Philomathean Club	1	1	1	1	1	1
Playgrounds	71	71	71	66	66	n/a
Senior center	1	1	1	1	1	1
Showmobile	1	1	1	1	2	2
Skateboard park	1	1	1	1	1	1
Swimming pools	4	4	4	4	5	4
Teen Center	1	1	1	1	1	1
Tennis courts	67	67	67	67	67	65
Theater (Bob Hope)	1	1	1	1	1	1
Weber Point Events Center	1	1	1	1	1	1
Consolidated landscape maintenance districts:						
Streetscaping (square feet)	2.2 million	2.2 million	2.2 million	2.2 million	1.9 million	n/a
Public open spaces (acreage)	68	68	68	68	63	n/a

**(Continued)**

## CITY OF STOCKTON

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

	Fiscal Year			Fiscal Year		
	2010	2009	2008	2007	2006	2005
<b>Library:</b>						
Central library	1	1	1	1	1	1
City branches	4	4	4	4	3	3
Library mobile units	2	2	2	2	2	2
San Joaquin County branches	8	8	8	8	7	7
Total items in collection	1,030,157	1,099,966	1,109,819	1,097,783	1,055,726	1,152,475
Cargo delivery van	2	2	2	2	1	1
Cargo van	1	1	1	1	1	1
Undeveloped land for branch library	2	2	2	5	2	2
Integrated library system	1	1	1	1	1	1
Microform readers	2	2	5	5	5	5
Microform readers/printers	5	6	3	3	3	3
Self check out machines	14	15	14	14	13	13
<b>Water utility:</b>						
Water main lines (miles)	612	612	612	586	520	480
Storage capacity (thousand gallons)	19,200	19,200	18,800	15,800	15,800	15,800
Water wells (active)	32	33	40	40	39	37
Water reservoirs	6	6	6	5	5	5
<b>Wastewater utility:</b>						
Wastewater main lines (miles) (1)	922	920	920	920	875	820
Treatment capacity (million gals/day)	55	55	48	48	42	42
Wastewater pump stations	25	25	25	24	24	24
<b>Stormwater utility:</b>						
Stormwater main drain lines (miles)	863	1072	802	650	584	550
Stormwater pump stations	75	75	73	73	72	72
<b>Central parking district:</b>						
Parking spaces	5,535	5,535	5,262	4,745	4,745	n/a
Parking lots & garages	22	22	20	19	19	n/a

Note: The City of Stockton implemented GASB Statement No. 44 for the fiscal year ended June 30, 2006. Information for 2005 was presented where available.

(1) Collections main line data prior to 2008 was determined by actual and estimated distances via a manual system. In 2008/09, a geographic information system interface was made available to more accurately determine the size of the collections system. The system size for 2008 and 2007 have been reduced to not exceed the actual current system size.

(2) Port of Stockton fire hydrants retired or inactivated in 2008/09

Source: City of Stockton Departments

