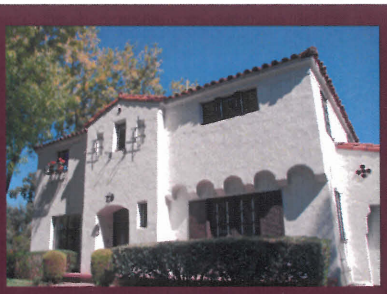
CITY OF STOCKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT



A selection of historic homes in Stockton

FOR THE FISCAL YEAR ENDED JUNE 30, 2009
STOCKTON, CALIFORNIA

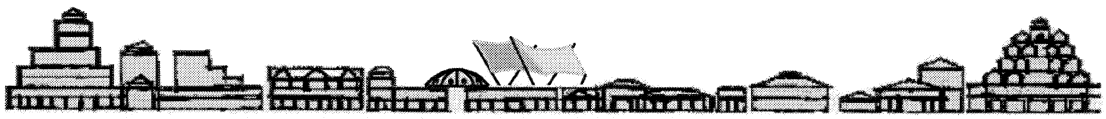
CITY OF STOCKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

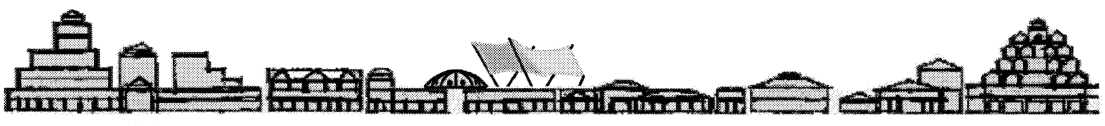
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
CITY OF STOCKTON, CALIFORNIA

Prepared and Issued by
The Department of Administrative Services

MARK L. MOSES
Director of Administrative Services/CFO



CITY OF STOCKTON



INTRODUCTORY SECTION

CITY OF STOCKTON

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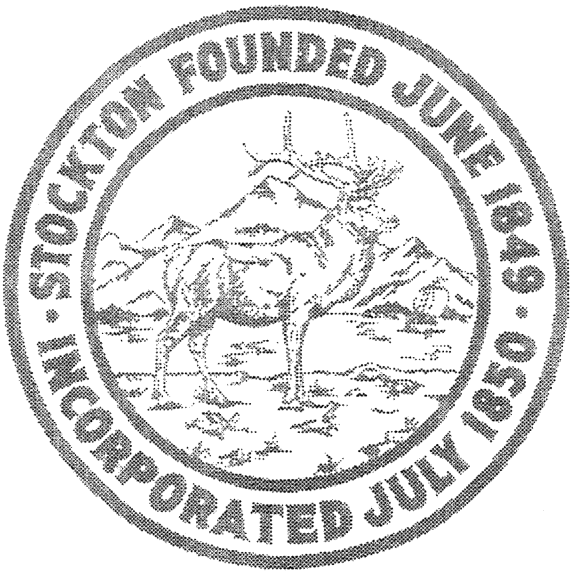

STOCKTON FOUNDED JUNE 1849 · ·
INCORPORATED JULY 1850

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

December 9, 2009

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, 2009.

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.

GASB's accounting pronouncement in their Statement No. 34 directed governments to develop a significantly different financial reporting model, including the City of Stockton's compliance since fiscal year 2001-02. The GASB 34 financial reporting model brings governments closer to the financial reporting required in the private-sector by disclosing fully depreciated asset values and utilizing full accrual accounting, rather than the modified accrual accounting used by governmental funds in the past. Under the GASB 34 financial reporting format the CAFR report also includes 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. This CAFR complies with the GASB Statement No. 34 requirements.

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

Stockton
All-America City
2004
1999

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 for the fiscal year ended June 30, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Based on the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion which states that the City's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

SINGLE AUDIT REPORT

The independent audit of the financial statements of the City is part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information relating to this Single Audit, including a Schedule of Expenditures of Federal Awards (SEFA), the independent auditor's report on internal controls, report on compliance with applicable laws and regulations, and a schedule of findings and recommendations are included in this CAFR.

CAFR FORMAT

This Comprehensive Annual Financial Report is presented in four sections:

1. The Introductory Section, which is unaudited, includes this letter of transmittal, a listing of elected officials and the City's organization chart.
2. The Financial Section includes the independent auditor's report on the financial statements, the MD&A, the audited basic financial statements and required supplementary information.
3. The Statistical Section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.
4. Single Audit Section, which is audited, is part of a broader audit, federally mandated by the U. S. Office of Management and Budget, Circular A-133 designed to meet the needs of federal grantor agencies.

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 290,409 making it the 13th 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. As provided by City Charter these include: public safety (police and fire), community development, community revitalization, public works and street maintenance, parks, recreational services, libraries, water utility, sanitation (wastewater utility, and stormwater utility and solid waste disposal), 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

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

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 FY 2008-09, 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 10 days of furlough for all City personnel along with a hiring freeze of essential and non-essential personnel, renegotiation of employee labor agreements and implementing two City employee early retirement incentive programs.

These efforts assisted the City's ability to weather the year with a General Fund revised operating budget that utilized a minimal amount of available 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 high quality services for which the City is known.

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

THE LOCAL ECONOMY AND CITY FINANCIAL CONDITION

The June 30, 2009 financial report indicates that the City of Stockton concluded the year having consistently provided quality services to citizens, while actively managing recent tax revenue challenges through budget reductions to meet its obligations. Stockton maintains adequate fund balances for emergencies in a majority of its governmental operations funds and proprietary funds. In June 2006 the City Council adopted a reserve "rainy day" policy for the General Fund with a commitment to support funding the 10% target reserve level over future years. At fiscal year-end 2007, the General Fund unreserved available fund balance was 7.7% of total expenditures and transfers.

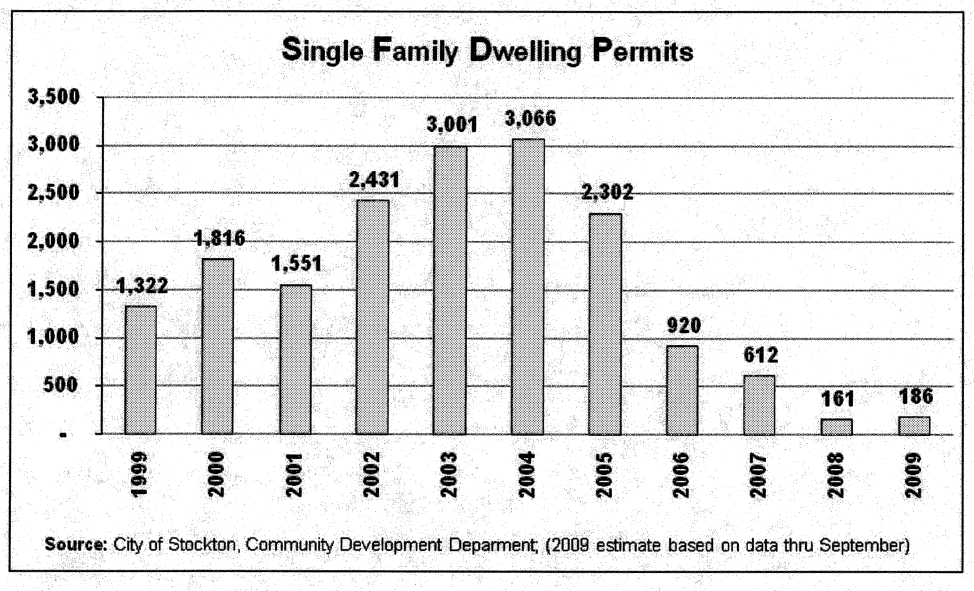
Since FY 2007-08, the City's tax and revenue declines have made attaining the 10% target reserve a significant challenge. The City's General Fund enters fiscal year 2009-10 with $8.6 million in available unreserved fund balance, after legally restricted reserves, or 4.7% of FY 2009-10 adopted total budgeted appropriations.

During the early part of the decade, the City experienced significant residential growth followed by declines in recent years. Stockton, along with many cities in California, experienced an economic slowdown in the later half of 2008 that

subsequently deepened into an economic recession in 2009. Although the City's population remained constant with prior years, the unemployment rate in the region rose from 10.5% in 2008, to an estimated 15.6% for 2009. The employment rate is projected to be peak at 17.4% in 2010, then decline to 16.11% in 2011 reaching 12.4% in 2014.

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.

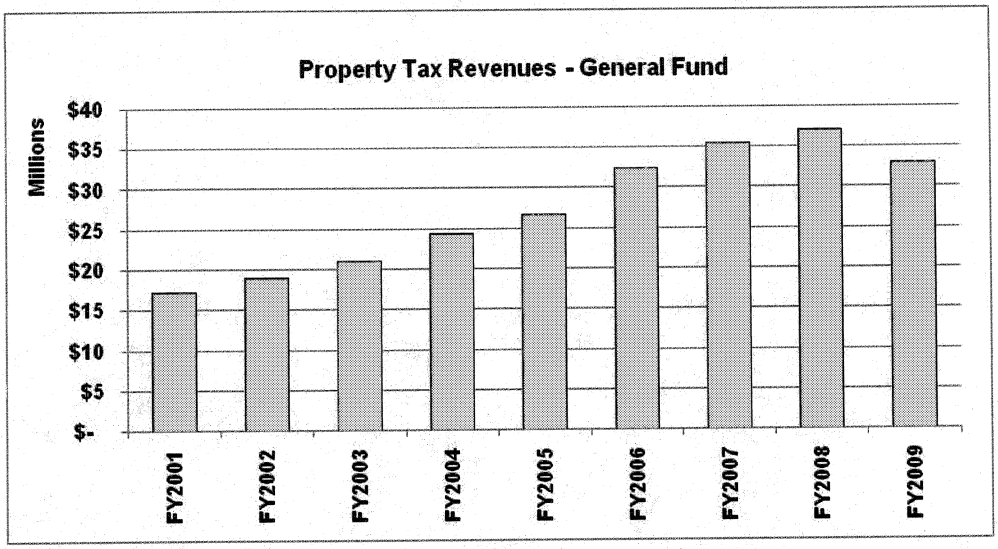
The chart illustrates, new single family residential dwelling unit permits in 2007 were down by 80% compared to the previous 2004 high. This decline continues into calendar year 2009, with single family dwelling permits January through September totaling 186 permits to-date, compared to 3,066 during 2004.



The City organization depends primarily on tax revenues from property tax, sales and use tax, and utility user tax revenues to finance its operations. These three revenues amount to 91.4 million, or 49% of the total General Fund revenues.

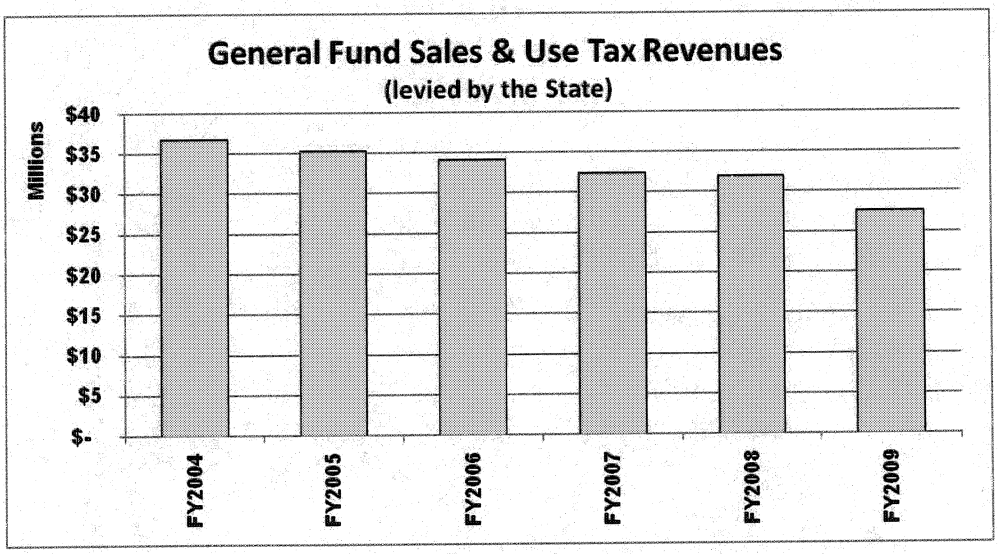
Stockton's General Fund property tax revenues have more than doubled since FY 2000-01, with an average annual increase over the nine year period of 10.2%. The building boom driven by the increases in market values for resale homes contributed to this growth rate. General Fund property tax revenue growth decreased by 11% in FY 2008-09 compared with the prior fiscal year's moderate increase of 4.5%. This dramatic decline 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 following graph illustrates General Fund property tax revenue trends

since fiscal year 2001. Total property tax revenues for 2009 amounted to $30.0 million, with estimated property tax revenues for FY 2009-10 budgeted to amount to $27.5 million reflecting a continued loss in residential home market values.



Stockton's second largest tax revenue source, sales and use taxes collected by the State, declined by 13.7% in FY 2008-09 compared to the prior fiscal year. This decline was due to the economic downturn.

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 revenue's recent dramatic decline, from $31.9 million in FY 2008 to $27.5 million in FY 2009. The estimated sales and use tax revenues for FY 2009-10 are budgeted $26.1 million reflecting a continued diminished level of consumer confidence through June, 2010.



Stockton's third largest tax revenue source, utility user tax amounted to $30.8 million, a decreased of $7 thousand in FY 2008-09, compared with the prior year.

FUTURE ECONOMIC OUTLOOK

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

Stockton has projected a conservative average annual population growth rate of 1% for FY 2009-10. Past residential growth is expected to continue to drive additional operating costs for public safety, public works-related street improvements and quality of life services in the future.

Each year the Council reviews how planned improvements are working and determines how changes in direction or process would benefit City residents. During the FY 2009-10 budget development process, Council established the following goals:

A. Prevent and reduce crime and improve safety.
B. Restore and maintain fiscal health through open and thorough processes.
C. Articulate a vision and develop strategies for the ongoing revitalization of existing commercial and residential neighborhoods, including downtown.
D. Develop a comprehensive strategy for long-term economic development and community health.
E. Develop strategies to position Stockton as an efficient and leading "green" community.
F. Improve the City's service delivery through process improvements and implementation of technology.

LONG TERM FINANCIAL PLANNING

Management encourages its departments to project their resource needs for a period longer than the traditional annual budget. In February 2008, the City Council accepted a contractual agreement with the Government Finance Officers Association (GFOA) to provide consulting services to assist the City in a long-range strategic and financial plan for the City of Stockton. The strategic planning component of the effort has been undertaken by all the City's departments and City management. A development of a five-year financial analysis report for the General Fund and several other City funds component is expected as part of the FY 2010-11 budget process.

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.

CASH AND INVESTMENTS

The California government code and City policy stipulate how the City's temporarily idle cash can be invested. The City adopts an investment policy annually that is intended to provide guidelines for the prudent investment of the City's balances, and outlines the policies to assist in maximizing the efficiency of the City's cash management system while meeting the daily cash flow demands of the City. The market value for the City's operational reserve and liquid portfolio investments, excluding cash for fiscal agents, as of September 30, 2009 was $217 million. The average rate of return on investments not held by fiscal agents for the fiscal year ending June 30, 2009 was 3.40%.

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. On 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 Assistant Director of Administrative Services.

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

RISK MANAGEMENT

The City is self-insured for general liability, workers' compensation, and health insurance. The City participates in two multi-agency joint powers authorities to provide excess insurance coverage, one for liability coverage and one for workers' compensation coverage. The City also has established three internal service funds to accumulate resources to cover potential uninsured losses. Additional information on the City's risk management activities can be found in Note 10 in the notes to the financial statements and in the internal service fund financial statements of this report.

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

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

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 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 to preventing and correcting errors or other weaknesses when reviewed. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

INTERNAL CONTROLS

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 functions of the City;
  - 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 Director of Administrative Serivces.

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 prepared under the supervision of a budget officer reporting to the City Manager, and 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 budget.

Budgetary control is at the department level within each fund. 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, 2008. 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 20 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA again this year for the Certificate of Achievement.

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,

MARK MOSES
DIRECTOR OF ADMINISTRATIVE SERVICES/
CHIEF FINANCIAL OFFICER

JANET SALVETTI
ASSISTANT DIRECTOR
OF ADMINISTRATIVE
SERVICES

KATHLEEN VONACHEN
FINANCE OFFICER

KEVIN O'ROURKE
INTERIM CITY MANAGER

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, 2008

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

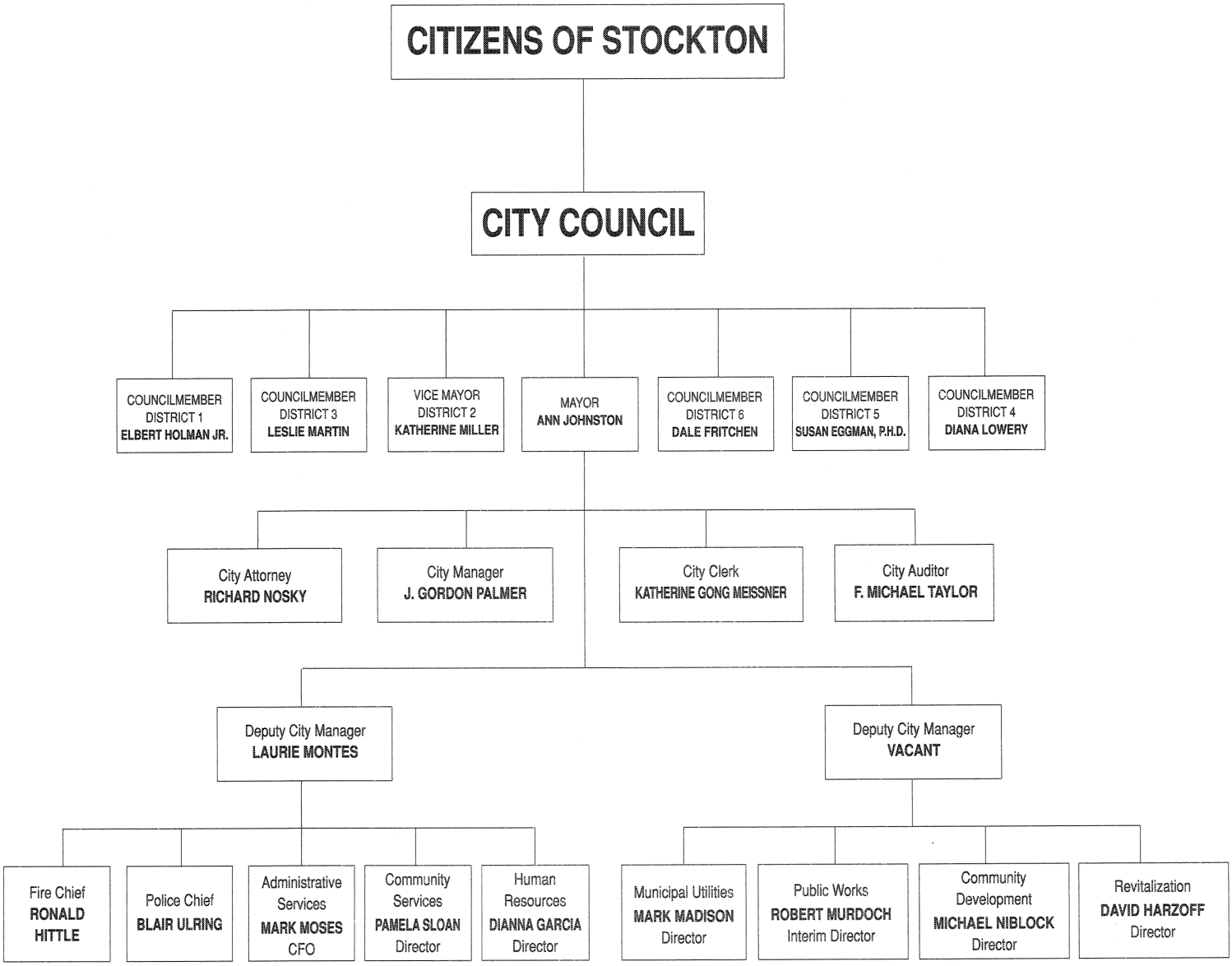
DIANA LOWERY
COUNCILMEMBER
District 4

SUSAN T. EGGMAN, PH.D
COUNCILMEMBER
District 5

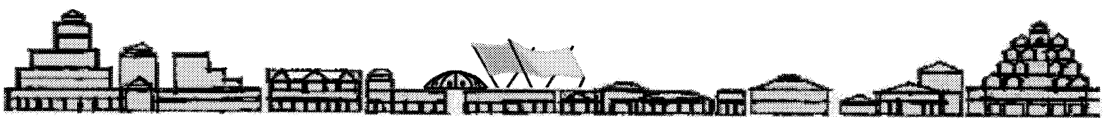
DALE FRITCHEN
COUNCILMEMBER
District 6

Stockton
All-America City
2004
1999

CITY OF STOCKTON
ORGANIZATION CHART / LIST OF PRINCIPAL OFFICIALS
AS OF JUNE 30, 2009



CITY OF STOCKTON



FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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To the City Council
City of Stockton, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stockton, California (the City), as of and for the fiscal year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2008 financial statements and, in our report dated November 10, 2008, 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, 2009, 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 described in Note 1, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations, as of July 1, 2008.*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, 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.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 7, 2009

CITY OF STOCKTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF STOCKTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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, 2009. Please consider the information presented here in conjunction with the information furnished in the Letter of Transmittal, which can be found at the beginning of the Comprehensive Annual Financial Report (CAFR), and the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City of Stockton remains in a stable financial condition.
- The assets of the City of Stockton exceeded its liabilities at the close of the 2009 fiscal year by $1.186 billion (net assets). Of this amount, $1.012 billion is invested in capital assets, net of related debt, $197.77 million is restricted for specific purposes (restricted net assets), and leaving a deficit $23.64 million (unrestricted net assets).
- The City's total net assets decreased by $37.2 million compared to 2008 total net assets. Governmental activities reported a decrease of $37.1 million, while Business-Type activities reported a decrease of $111 thousand. The key drivers in this decrease are the continuing downturn of the overall economy, the depressed housing and construction markets, reduced consumer spending and a restatement of $11.6 million in long-term liabilities for a loan from San Joaquin Council of Governments and pollution mediation.
- Investment earnings totaled $17.2 million, a decrease of $3.7 million from the prior fiscal year. This is made up of a decrease of $4.67 million in interest income partially offset by a net increase of $956 thousand in the fair value of investments. Overall the decrease in investment earnings reflects a decline in the average rate of return on its general investment pool, from 4.7% in fiscal year 2008 to 3.4% in fiscal year 2009, and a 12% decrease in the average daily balance, or a decline of $31.6 million from 2008 to 2009.
- The City's long-term liabilities and pollution remediation related to governmental activities increased by $16.7 million or 3.7% at fiscal year end. The increase reflects the $6.3 million increase in the outstanding loan balance on a State Department of Boating and Waterways (DBAW) construction loan and $1.1 million in pollution remediation, as well as increases in the balances for both compensated absences and estimated liability for self-insurance.
- The City reported $48.8 million in net other post-employment benefit (OPEB) obligation for this fiscal year. This reflects an increase of $24.2 million over the $24.6 million reported for FY 2007/08 at the initial implementation of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*
- Long-term liabilities related to enterprise funds decreased by $2.7 million or 1.6%, due to principal debt payments made during the year.
- The City's governmental activities reported pension assets of $128.5 million for fiscal year 2009. Proceeds of the pension obligation bonds issued in 2007 were used to prepay the City's annual required contributions to the California Public Employees' Retirement System (CalPERS). The City reported an increase of $2.4 million in this pension asset during the

year is due to actual contributions exceeding the City annual pension costs, as well as investment earnings exceeding the amortization of the pension asset.

- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of $262.3 million, a decrease of $50.0 million, or 16.0%, from 2008 total fund balances. This is made up of decreases of $343 thousand in the General Fund, $9.8 million in the Public Facilities Impact Fees Fund, $16.7 million in the Capital Improvement Fund, $18.6 million in the Redevelopment Agency Fund and $4.5 million in Other Governmental Funds.
- Key drivers in the changes in the governmental funds combined ending fund balances include an increase in the Redevelopment Agency Fund of $6.3 million for new debt of the DBAW for the construction loan of the Downtown Stockton Marina project, and revenues declines in property taxes, sales and use tax (levied by the State), charges for services, business licenses, and motor vehicle license fees. Savings were also realized due to reductions in governmental funds' expenditures totaling $37.4 million, or 9.4%, from the prior year.

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, library, parks, recreation, and general government services. The business-type activities of the City include water utility, wastewater utility, stormwater utility, the parking district, and golf courses, as well as minor residual balances from the solid waste operation, which have been discontinued.

The government-wide financial statements include the governmental activities of the Redevelopment Agency and the Stockton Public Financing Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance 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 30-32 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 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. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City maintains several individual governmental funds organized according to their type (the General Fund, special revenue funds, debt service funds, capital projects funds, and the Permanent Fund). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Facilities Impact Fees Fund, Capital Improvement Fund, and Redevelopment Agency Fund which are considered to be major funds. Data from the remaining 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 elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental funds financial statements can be found on pages 33-40 of this report.

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Water Utility, Wastewater Utility, Stormwater Utility and

Central Parking District, which are considered major funds. Data for the remaining non-major enterprise funds are combined into a single, aggregated presentation.

- **Internal service funds** are used to report activities that provide goods and services for certain City insurance, pension and other programs and activities. The City uses internal service funds to account for its self-insurance programs, pension obligations, 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 data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 41-48 of this report.

Fiduciary funds. The fiduciary funds are used to account for resources held for the benefit of parties outside the government. This includes resources related to land secured financing, employee payroll withholdings, area of benefit fees, public facilities fees, and other miscellaneous. The City's fiduciary funds are reported as agency funds and are not reflected in the government-wide financial statements since the resources of the funds are not available to support the City's own programs. The basic fiduciary funds financial statement can be found on page 49 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 50-121 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 California Public Employees' Retirement System defined benefit pension plan and the City's defined other post employment benefits (OPEB) plan. Required supplementary information can be found on pages 122-128 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and internal service funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 exceeded liabilities by $1.186 billion at the close of the fiscal year, which is a $37.2 million, or 3.0% decrease from 2008 total net assets. Of this decrease, $37.1 million is attributable to governmental activities and $100 thousand in business-type activities.

By far the largest component of the City of Stockton's net assets is its investment in capital assets of $1.012 million or 85.3% (e.g., land and easements, buildings and improvements, infrastructure, and equipment), less any related outstanding debt used to acquire these assets. Capital assets contributed by developers traditionally account for significant growth in the City's net assets. The City uses these capital assets to provide services to citizens; consequently,

these are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be liquidated to reduce these liabilities.

An additional portion of the City's net assets, $197.8 million or 16.7%, represents resources that are subject to external restrictions on how they may be used. These two segments add to more than 100%, which reflects the fact that, in aggregate, the City's resources are tied up in capital assets or are restricted in their uses.

The following table presents the government-wide assets, liabilities, and net assets for both 2009 and 2008. The governmental activities columns reflect amounts that have been restated in this financial report. The restatement will be discussed in more detail in subsequent sections of this management's discussion and analysis.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	$ 482,205	$ 537,925	$ 107,175	$ 110,366	$ 589,380	$ 648,291
Capital assets	775,285	714,775	540,612	540,426	1,315,897	1,255,201
Total assets	1,257,490	1,252,700	647,787	650,792	1,905,277	1,903,492
Liabilities:						
Long-term liabilities	464,314	448,727	161,098	163,761	625,412	612,488
Net pollution liabilities	1,119	-	-	-	1,119	-
Net OPEB obligation	48,805	24,608	-	-	48,805	24,608
Other liabilities	35,205	34,260	8,281	8,512	43,486	42,772
Total liabilities	549,443	507,595	169,379	172,273	718,822	679,868
Net assets:						
Invested in capital assets, net of related debt	611,775	594,070	400,551	399,813	1,012,326	993,883
Restricted	162,363	172,088	35,408	39,568	197,771	211,656
Unrestricted	(66,091)	(21,053)	42,449	39,138	(23,642)	18,085
Total net assets	$ 708,047	$ 745,105	$ 478,408	$ 478,519	$ 1,186,455	$ 1,223,624

Governmental activities. Total assets for governmental activities increased by $4.8 million, with current and other assets in governmental activities decreasing by $55.7 million and capital assets growth of $60.5 million. Total liabilities increased by $41.8 million, with other liabilities increasing by $945 thousand, long-term liabilities increasing by $15.6 million, net OPEB obligations increasing by $24.2 million, and net pollution remediation liabilities by $1.1 million. The increase in long-term liabilities reflects balances related to the DBAW loan previously mentioned in this document.

Of the $37.1 million decrease in governmental activities total net assets, capital assets, net of related debt increased by $17.7 million, which was more than offset by a decline in restricted net assets of $9.7million and an increase in deficit unrestricted net assets of $45.0 million during the year. This resulted in a deficit unrestricted net assets of $66.1 million. The most significant factors in this decrease is a $23.3 million reduction in net assets in the Health Benefits Insurance Fund, $10.1 million in the Worker's Compensation Insurance Fund, and $3.8 million in the Other Insurance Fund. These $37.1 million in reductions to unrestricted net assets were offset by increases of $2.0 million in the Computer Equipment Internal Service Fund and $1.2 million in the Retirement Benefits Fund.

As referenced earlier, below is a summary of the governmental activities net asset restatement for fiscal year 2009:

- During fiscal year 2008-09, the City determined that a loan from the San Joaquin Council of Governments received in 2002 had not been recorded. As a result, on the government-wide statements beginning governmental activities net assets have been restated for a prior adjustment in long-term liabilities by $6.543 million. Repayment on the loan began in September 2008 with final payoff in March 2014.

- Beginning governmental activities net assets for FY 2008-09 have been restated by $5.07 million to reflect outstanding liabilities for pollution remediation liabilities, of which $3.951 million were expensed during FY 2008-09 leaving a remaining liability balance net of estimated responsible party recoveries of $1.119 million at June 30, 2009. This restatement is required as part of the City's implementation of GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* Refer to Note 12 for more details.

The net effect of the above restatements decreased beginning net assets in governmental activities by $11.613 million.

Business-type activities. Total assets for business-type activities decreased by $3.0 million with current and other assets in business-type activities decreasing by $3.2 million offset by (net) capital asset growth of $186 thousand. Total liabilities decreased by $2.9 million, with other liabilities decreasing by $231 thousand and long-term liabilities decreasing by $2.7 million. Total net assets for business-type activities decreased by $111 thousand. Capital assets, net of related debt, increased by $738 thousand offset by a decline in restricted net assets of $4.2 million. Business-type activities unrestricted net assets increased by $3.31 million, comprised of increases of $5.8 million in the Water Utility and $9.3 million in the Wastewater Utility, and $105 thousand in the Central Parking District, offset by decreases of $11.6 million in the Stormwater Utility, and $293 thousand in Other Enterprise Funds.

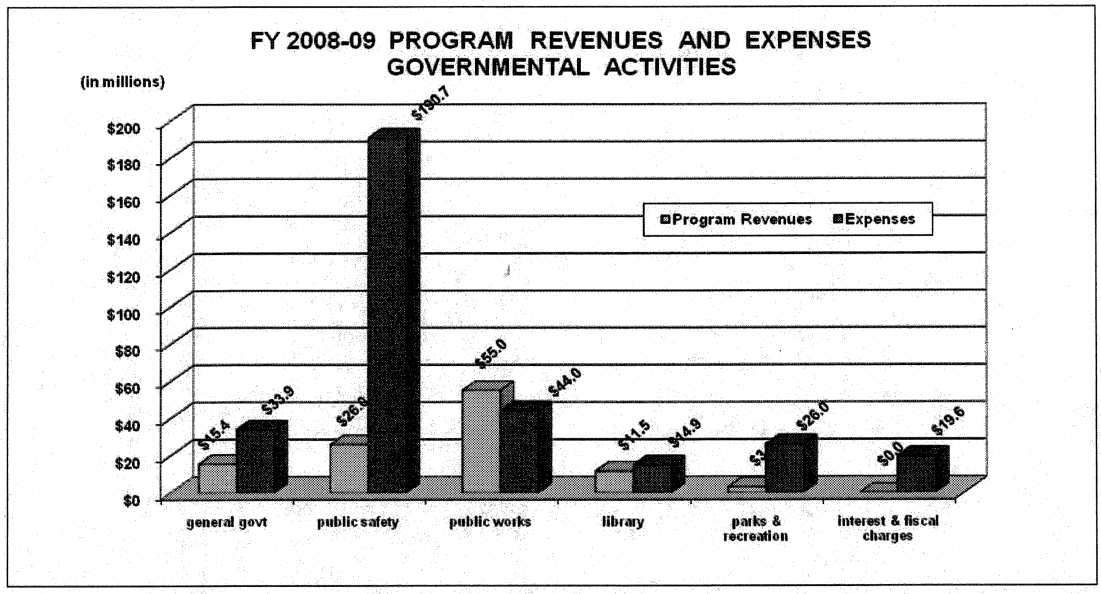
Change in Net Assets of the City

The City total program expenses of $417.9 million exceeded revenues of $392.3 million for a decrease in net assets of $25.6 million. This decrease is found in governmental activities as is detailed in the table on the following page.

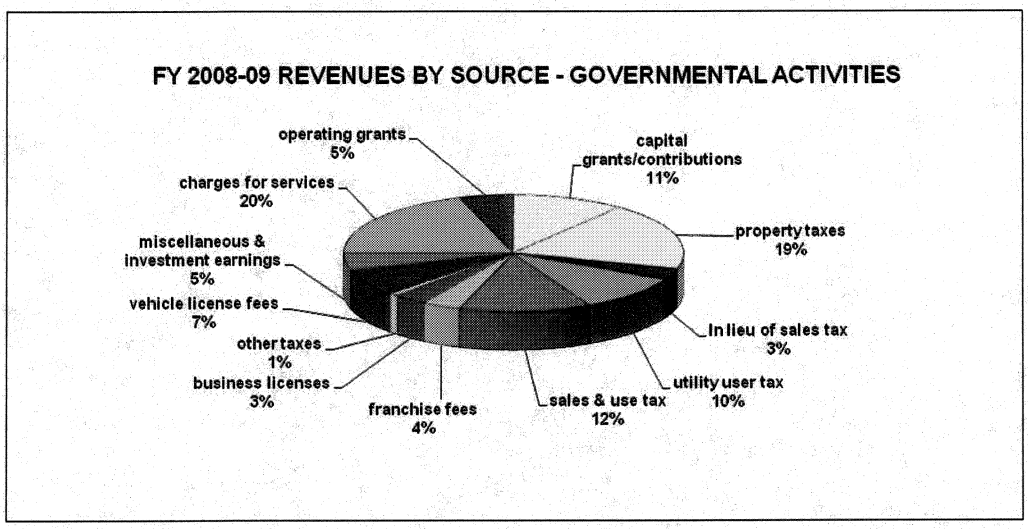
City of Stockton's Change in Net Assets *(dollar amounts in thousands)*

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	$61,965	$84,511	$71,142	$68,583	$133,107	$153,094
Operating grants and contributions	16,051	10,352	-	-	16,051	10,352
Capital grants and contributions	33,112	43,874	4,409	13,251	37,521	57,125
General revenues:						
Property taxes	58,640	63,998	-	-	58,640	63,998
In lieu of sales tax	9,823	10,164	-	-	9,823	10,164
Utility user taxes	30,854	30,861	-	-	30,854	30,861
Sales and use taxes (City levied)	7,921	9,409	-	-	7,921	9,409
Franchise taxes	11,608	11,537	-	-	11,608	11,537
Business licenses	9,699	10,772	-	-	9,699	10,772
Hotel/motel room taxes	1,962	2,287	-	-	1,962	2,287
Document transfer taxes	702	686	-	-	702	686
Other taxes	234	246	1,066	1,055	1,300	1,301
Motor vehicle fees in lieu	23,459	24,051	-	-	23,459	24,051
Sales and use taxes (State levied)	31,245	36,098	-	-	31,245	36,098
Other shared revenue	370	389	-	-	370	389
Investment earnings	13,104	15,007	4,075	5,892	17,179	20,899
Miscellaneous	722	756	-	-	722	756
Gain on sale of capital assets	127	88	-	-	127	88
Total revenues	311,598	355,086	80,692	88,781	392,290	443,867
Expenses						
General government	33,923	27,819	-	-	33,923	27,819
Public safety	190,692	181,187	-	-	190,692	181,187
Public works	43,985	134,737	-	-	43,985	134,737
Library	14,852	14,723	-	-	14,852	14,723
Parks and recreation	26,038	33,138	-	-	26,038	33,138
Interest and fiscal charges	19,620	17,921	-	-	19,620	17,921
Water utility	-	-	24,146	22,070	24,146	22,070
Wastewater utility	-	-	49,414	40,045	49,414	40,045
Stormwater utility	-	-	8,129	6,696	8,129	6,696
Central parking district	-	-	4,810	5,002	4,810	5,002
Other	-	-	2,237	2,093	2,237	2,093
Total expenses	329,110	409,525	88,736	75,906	417,846	485,431
Increase/decrease in net assets before transfers	(17,512)	(54,439)	(8,044)	12,875	(25,556)	(41,564)
Transfers	803	1,049	(803)	(1,049)	-	-
Special items	(8,736)	-	8,736	-	-	-
Increase/decrease in net assets	(25,445)	(53,390)	(111)	11,826	(25,556)	(41,564)
Net assets, beginning of year, as restated	733,492	798,495	478,519	466,693	1,212,011	1,265,188
Net assets, end of year	$708,047	$745,105	$478,408	$478,519	$1,186,455	$1,223,624

Governmental activities. Governmental activities decreased the City's net assets by $25.4 million during the year. In the table below, the difference between the program revenue and expense bars by activity illustrates the amount each respective activity is supported by program revenues. Public safety and general government service delivery costs exceeded program revenues by $164.7 million and $18.5 million, respectively. General government and public safety programs rely heavily on taxes to support their operations.



Revenues and expenses in the governmental activities have grown as the population of the City of Stockton has grown. The charges for services category is the largest revenue source for governmental activities, amounting to $61.97 million or 20% of total revenues. Property tax and sales & use tax are also significant revenue sources for the City's governmental activities, amounting to 9% and 12% respectively.



Capital grants and contributions totaled $33.1 million or 11% of the City's total governmental activities program revenues. Capital grants and contributions include the following:

- $5.6 million in contributions of capital assets from developers.
- $4.6 million in Measure K funding for the North Stockton Interstate 5 widening project.

- $10.5 million in state grant revenues, including $4.3 million allocated from Proposition 1B Local street repair funding, $2.4 in Traffic Congestion Relief funding, and $1.2 from the Wildlife Conservation Grant.
- $4.9 million in federal grants and $5.1 million in Measure K funds from the State of California, reported as capital grants and contributions, were expended on the Airport Way corridor project, Wilson Way overlay project, North Stockton Interstate 5 widening project, and the Lower Sacramento Road widening project.

Rather than increasing to meet operating demands, total revenues declined by $43.4 million compared to the prior year due to the downturn in the general economy that began in the last half of fiscal year 2008. Operating grants and contributions was the only major category that increased, in the amount of $5.7 million or 55%. This increase was due to aggressive pursuit of grant programs by departments to supplement operational demands. General government grants increased by $745 thousand from grants received from the State and the Stockton Unified School District. Public safety grants and contributions increased reflecting funds received to provide firefighting assistance for wildfires throughout California. Grant revenues for public works included new federal funding for the Neighborhood Stabilization Program and state funding for traffic congestion.

Decreases in governmental activities program revenues occurred as follows:

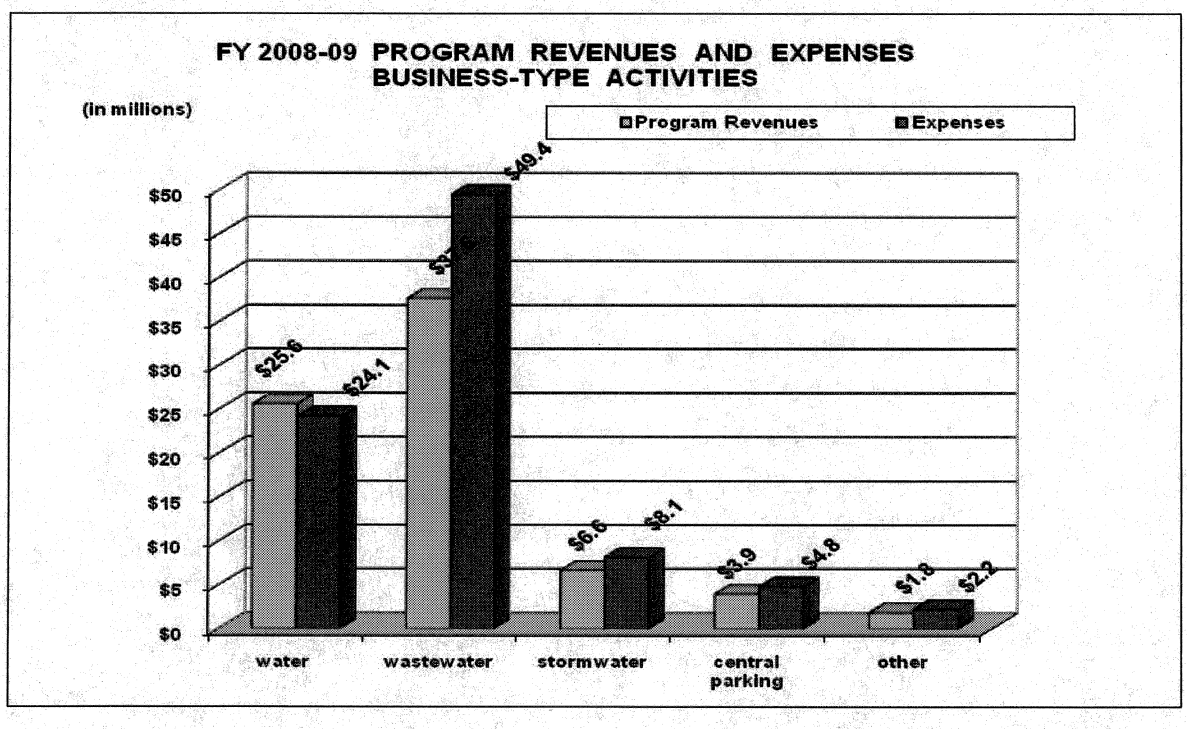
- Charges for services decreased $22.5 million, or 26.6%, primarily due to the overall decline in the economy as previously mentioned. Charges for services include public facilities fees paid in connection with new development, which this year totaled only $5.4.million compared to $24.25 million last year. The City continues to experience a decline in construction activity and consequently the revenue from public facilities fees is down by 77%.
- Property taxes decreased $5.3 million or 8%. This reflects a decrease of $4.0 million, or 11%, in the General Fund and declines of $1.3 million, or 5%, in redevelopment tax increments due to declines in various areas. Property taxes have declined significantly the past two years due to declining home values and foreclosures causing the devaluation of assessed valuations by the County.
- There were decreases of $6.3 million in sales and use tax, $341 thousand in sales tax and in lieu. The combined sales and use tax-related revenue decline of 12% reflects the downturn in general retail and industrial economic activity at the local, state and federal levels.
- Business license taxes decreased by $1.1 million, or 10.0%, due to due to the economic factors previously mentioned resulting in downsizing and closing of some retail businesses.
- Motor vehicle in lieu fees decreased $592 thousand or 2.5%, a slight drop from the 25% growth experienced in fiscal year 2007.

Investment earnings in governmental activities totaled $13.1 million, a decrease of $1.9 million or 12.7% from fiscal year 2008. Interest income of $10.5 million in governmental activities includes $4.3 million in interest earned on bond proceeds from the Strong Neighborhoods Initiative (SNI) Bonds issued in July 2006. Governmental activities also realized a $2.6 million net increase in the fair value of investments. Overall, investment earnings declined by $1.9 million or 12.7% due to both 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 decreased by $80.4 million, or 20%. Key changes in governmental expenses occurred as follows:

- Public works decreased significantly by $90.8 million, or 67%, due to the completion of four highway interchange projects and other street improvement and maintenance projects.
- Public safety increased $9.5 million, primarily due to ongoing personnel costs and implementation of a salary survey increase as set for the in the labor contracts.
- Parks and recreation decreased by $7.1 million, or 21.4% due to reduced hours of operations and elimination of programs.
- General government costs increased by $6.1 million, primarily due to property tax administration cost increases in the Redevelopment Agency Fund and the re-organization of several City departments whose administrations were previously reported in other expense categories.

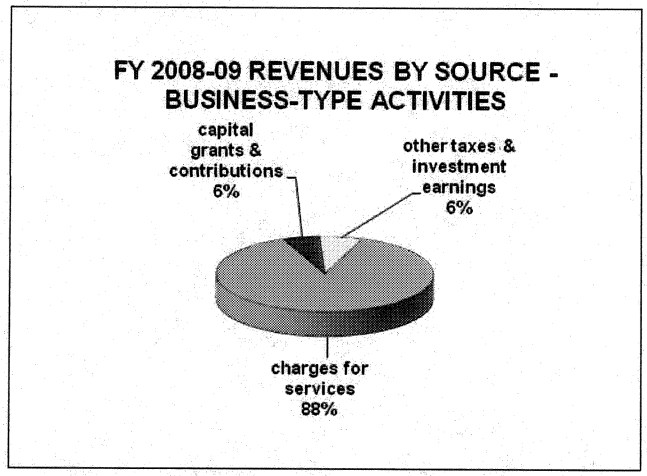
Business-type activities. The City operates three enterprise funds that offer water, wastewater and stormwater services to Stockton residents. The water utility treats and distributes clean drinking water and performs repair and maintenance functions of existing wells, reservoirs, and water lines, as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



Business-type activities accounted for a $111 thousand decrease in the City's net assets. The bar chart above illustrates how total program revenues and expenses compare. It illustrates that program revenues exceeded program expenses for one of the three utilities, water by $1.4 million. Program expenses exceeded revenues by $11.8 million in wastewater, $1.5 million in stormwater, $876 thousand in central parking and $392 thousand in other business-type funds. The level of program expenses that exceed revenues in the Wastewater Fund of $11.8 million is primarily due to lower capital grants and contribution revenues of $4.2 million coupled with increased expenses of $9.4 million partially a result of the termination of the OMI/Thames

private operating contract. Both wastewater and stormwater will be conducting a fee study review in the future fiscal year to address revenue generation concerns.

The pie chart shows 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, making up 88% of total business-type revenues. Capital grants and contributions and other taxes and investment earnings are equal as the second largest revenue source comprising of approximately 6% each.



Capital grants and contributions decreased from $13.3 million in fiscal year 2008 to $4.4 million in fiscal year 2009. The key elements of the slight decrease in business-type activities total net assets are:

- Contributions of capital assets from developers:
  Water Utility: $897 thousand, a decrease of $1.1 million, or 56%, from 2008
  Wastewater Utility: $772 thousand, a decrease of $2.0 million, or 72%, from 2008
  Stormwater Utility: $1.1 million, a decrease of $2.5 million, or 68%, from 2008
- Connection fees:
  Water Utility: $400 thousand, a decrease of $988 thousand, or 71%, from 2008
  Wastewater Utility: $1.2 million, a decrease of $2.2 million, or 65%, from 2008

The above decreases reflect the decline in regional construction related to the downturn in the local housing market and development activity.

Investment earnings in business-type activities totaled $4.1 million, a decrease of $1.8 million or 31% from fiscal year 2008 due to the City's pooled investments earned approximately 23% less in 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 City's major funds provides an overview of their financial performance.

Governmental 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. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Types of governmental funds reported by the City include the General Fund, special revenue funds, capital projects funds, debt service funds, internal service funds and permanent funds.

General Fund

The General Fund is the chief operating fund of the City. FY 2009 General Fund revenues exceeded expenditures by $13.1 million, due to mid-year expenditure budget reductions that resulted in a $16.5 million savings; however, other financing uses exceeded other financing sources by $7.1 million, reflecting on-going transfers-in of $5.1 million from the Gas Tax Fund for street maintenance and $774 thousand from the Central Parking Fund, and transfers-out of $5.6 million to the City-County Library Fund and $6.6 million to the Recreation Services Fund to subsidize operations.

General Fund Financial Analysis

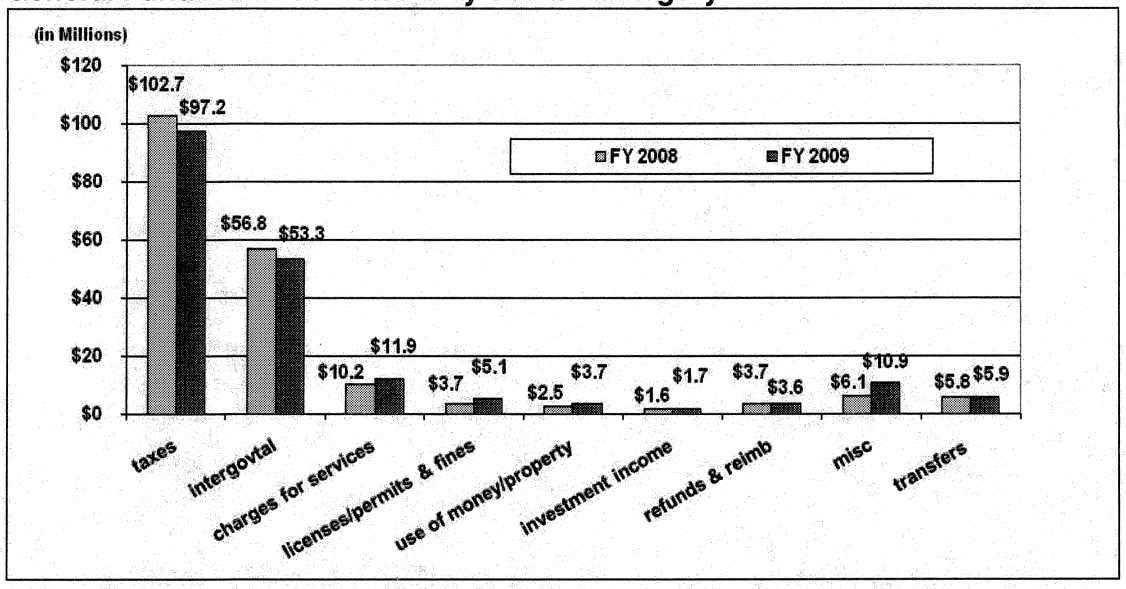
	2009	2008	Variance
Revenues	$ 187,226	$ 187,287	$ (61)
Expenditures	174,132	182,000	(7,868)
Other Financing Sources (Uses)	(7,097)	(11,154)	(4,057)
Special Items (Uses)	(6,340)	-	(6,340)
Total Fund Balance	$ 22,782	$ 23,125	$ (343)
Reserved Fund Balance	$ 14,175	$ 13,498	$ 677
Unreserved Fund Balance	8,607	9,627	(1,020)

As the table above details, revenues of the General Fund remained flat compared to the prior year, while expenditures and other financing uses decreased by $7.868 million and $4.057 million, respectively. Additionally, as discussed in more detail in the following section, the net effect of three special items reduced the operating results of the General Fund by a negative $6.34 million. (Refer to Note 15 of the financial statements for more detailed information.) The net result was to decrease fund balance by $343 thousand.

At the end of the fiscal year, the General Fund's unreserved fund balance was $8.61 million and has been designated as follows: $1.62 million for catastrophic events, $1.62 million for budget contingency/budget uncertainty, and $5.37 million for future appropriations. As a measure of the General Fund's liquidity, it is useful to compare designated unreserved fund balances to the General Fund's total expenditures of $174.13 million: designated for catastrophic events, 0.9%, designated for budget contingency/budget uncertainty, 0.9%, and designated for future appropriations, 3.1%. The total fund balance for the General Fund is $22.78 million, which includes the designated unreserved fund balances of $8.61 million, as mentioned above, and reserved fund balance of $14.17 million.

As illustrated in the next graph, rather than increasing to meet operating demands, revenues stayed constant compared to the prior year 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 offset by increases in other revenue categories, many of which are not expected to be ongoing increases in the future fiscal years.

General Fund Revenue Actuals by Source Category – FY 2007-08 vs. FY 2008-09



The City's General Fund realized increases compared to the prior year in the following revenues:

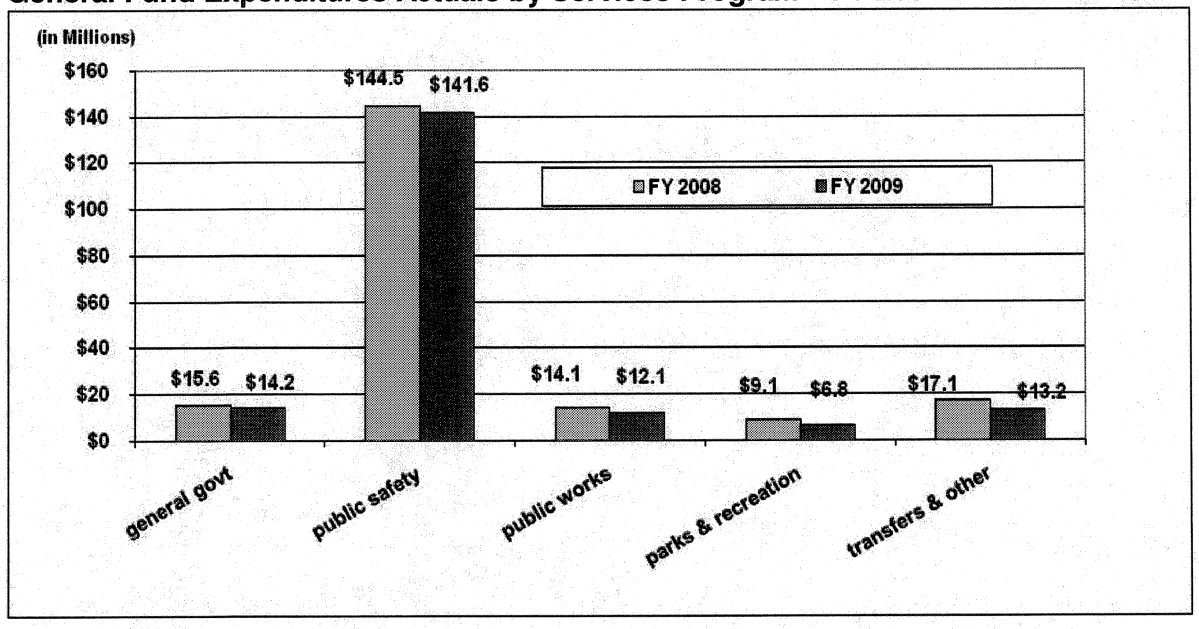
- Charges for services increased $1.68 million, or 16%, primarily related to code enforcement, rental inspections and special events charges.
- Federal grants/subsidies and other governmental revenue increased $467 thousand and $1.2 million, respectively due to payments related to the emergency firefighting services provided by the Fire Department in other jurisdictions.
- Fines and forfeitures increased $1.2 million, or 36%, primarily due to increased code enforcement efforts.
- Uses of money and property increased $1.2 million, or 49%, primarily due to a shift in the allocation of rental payments from the municipal utility funds.
- Miscellaneous revenue increased $4.7 million, or 77%, primarily related to closure of old assessment funds and additional indirect cost payments for capital projects.

Decreases in General Fund revenues occurred as follows:

- Property taxes decreased $4.05 million or 11%. 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.
- Decreases of $4.4 million in sales and use tax levied by the State and $341 thousand in property tax in lieu of sales tax, which 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 constitutional amendment and referred to as the "triple flip". These decreases reflect the downturn in retail and industrial economic activity at the local and national levels.
- Business license taxes decreased by $937 thousand, or 9%, due to declining economic activity resulting from business closures.
- Hotel/Motel taxes decreased by $325 thousand, or 14%, due to declining economic and construction activity and its transient workforce.
- Motor vehicle in lieu fees decreased $591 thousand or 2%, a significant drop from the 25% growth level experienced in fiscal year 2007, and largely due to the County-wide decline in assessed valuation.

As illustrated in the following graph, expenditures and transfers in FY 2008-09 declined by 6% or $12.5 million compared to the prior year due to cost reductions measures to close the budget gap resulting from the downturn in the general economy. Total General Fund spending in the prior year amounted to $200.4 million, compared to $187.9 million this year. Year over year cost savings included $1.4 million in general government, $2.9 million in public safety, $2.0 million in public works, $2.3 million in parks, and $3.87 million in transfers and other items.

General Fund Expenditures Actuals by Services Program – FY 2007-08 vs. FY 2008-09



Public Facilities Impact Fees 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. At the end of the fiscal year, the Public Facilities Impact Fees Fund's total fund balance of $50.7 million was reported as reserved for capital projects and declined from the previous year's fund balance of $60.5 million. Due to requirements of public facilities impact fees, the entire fund balance of $50.69 million is restricted for future capital construction projects.

Public Facilities Fees Fund Financial Analysis

	2009	2008	Variance
Revenues	$ 8,087	$ 27,686	$ (19,599)
Expenditures	17,776	26,029	(8,253)
Other Financing Sources (Uses)	(137)	(137)	-
Total Fund Balance	$ 50,691	$ 60,517	$ (9,826)
Reserved Fund Balance	$ 50,691	$ 60,517	$ (9,826)

Total revenues, which consist mainly of development related fees, declined $19.6 million, or 70.8%. Capital outlay expenditures totaling $17.8 million funded the construction of street improvements, several parks, and other traffic related projects and were $8.25 million lower than the previous year's total expenditures of $26.0 million. This represents a decrease total fund balance of $9.8 million from the prior fiscal year primarily due to significant declines in revenues.

Capital Improvement Fund

The Capital Improvement Fund accounts for the acquisition, construction, and improvement of capital facilities financed by grants and transfers from other City funds. Expenditures exceeded revenues by $6.25 million; however, special items amounting to $10.5 million results in a net decrease in fund balance of $16.7 million. Additional information on the special item is found in note 15 of the financial statements.

As the table below details, revenues declined in 2009 by $5.0 million. Expenditures totaling $13.6 million funded renovations to an office building and repairs to existing facilities including roofs and HVAC systems, which is $33.4 million lower than the prior year.

Capital Improvement Fund Financial Analysis

	2009	2008	Variance
Revenues	$ 7,323	$ 12,316	$ (4,993)
Expenditures	13,569	46,942	(33,373)
Other Financing Sources (Uses)	34	43,914	(43,880)
Special Items (Uses)	(10,458)	-	(10,458)
Total Fund Balance	$ 16,415	$ 33,085	$ (16,670)
Reserved Fund Balance	$ 24,322	$ 22,039	$ 2,283
Unreserved Fund Balance	(7,907)	11,046	(18,953)

The Capital Improvement Fund reported a reserved fund balance of $24.3 million and a deficit unreserved fund balance of $7.9 million at fiscal year end. The City will be developing a plan for addressing in the future the negative equity position for this fund.

Redevelopment Agency Fund

The Redevelopment Agency Fund accounts for the acquisition, construction, 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 revenues.

Redevelopment Agency Fund Financial Analysis

	2009	2008	Variance
Revenues	$ 32,459	$ 33,231	$ (772)
Expenditures	54,832	39,287	15,545
Other Financing Sources (Uses)	3,741	(18,796)	22,537
Total Fund Balance	$ 26,927	$ 45,559	$ (18,632)
Reserved Fund Balance	$ 72,268	$ 81,912	$ (9,644)
Unreserved Fund Balance	(45,341)	(36,353)	(8,988)

Revenues for FY 2009 were stable compared to the prior year. Expenditures of $54.8 million increased by $15.5 million and are attributable to ongoing construction and infrastructure improvement projects including; the Marina project in the West End Redevelopment Project Area; Morelli Park in the Port Industrial Project Area; Airport Way beautification and improvement in the South Stockton Project Area; and various projects in the North Stockton Project Area. These were offset by $12.5 million in the Section 108 Loan Funds related to programs. Other financing sources increased by $22.5 million.

The Redevelopment Agency Fund reported total fund balance of $26.9 million at the end of the fiscal year, a decline of $18.6 million compared to the prior year. This reflects a reserved fund balance of $72.2 million and a deficit unreserved fund balance of $45.3 million. In addition to $10.3 million that is reserved for encumbrances, the Redevelopment Agency also reported $54.8 million reserved for capital projects as part of the reserve fund balance.

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 $6.34 million in the General Fund and by $10.458 million in the Capital Improvement Fund, while increasing total fund balance in the Development Services Fund by $8.062 million. Please refer to Note 15 of the financial statements for more detailed information on these special items.

Proprietary Funds

The City of Stockton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Each funds' financial transactions, both near-term and historic, are provided in the statement of net assets and the statement of revenues, expenses and changes in fund net assets.

At the end of the fiscal year, unrestricted net assets were reported as follows: the Water Utility, $27.7 million, the Wastewater Utility, $23.8 million, and the Stormwater Utility, a deficit $7.9 million. The Central Parking District reported deficit unrestricted net assets of $171 thousand. The Solid Waste, Downtown Marina Complex and Golf Courses funds are combined for financial reporting purposes and together had deficit unrestricted net assets of $1.0 million. The internal service funds had deficit unrestricted net assets of $57.4 million.

The total decrease in net assets for the enterprise funds was $111 thousand. In fiscal year 2009, the Wastewater and Stormwater Utility funds experienced an operating deficit, where operating expenses exceeded operating revenues by $8.8 million and $2.6 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 third consecutive year in which the Wastewater Utility Fund has ended the fiscal year with an operating deficit, and the ninth consecutive year for the Stormwater Utility Fund.

Water Utility Fund

Water Utility Fund Financial Analysis

	2009	2008	Variance
Operating Revenues	$ 24,253	$ 22,875	$ 1,378
Operating Expenses	22,408	20,301	2,107
Non-Operating Revenues (Expenses)	68	491	(423)
Capital Contributions & Transfers	1,292	3,271	(1,979)
Special Items (Uses)	7,596	-	7,596
Total Net Assets	$ 126,867	$ 116,066	$ 10,801
Invested in Capital Assets, Net of Related Debt	$ 95,936	$ 90,381	$ 5,555
Restricted Net Assets	3,206	3,801	(595)
Unrestricted Net Assets	27,725	21,884	5,841

Operating revenues increased in 2009 by $1.378 million, while operating expenses increased by $2.107 million and non non-operating revenues decreased $423 thousand. The result compared to the prior year, is a decrease of operating income in the Water Fund by $730 thousand due to higher expenses than the prior year related to the termination of OMI Thames private service operations contract. Once again, former OMI Thames employees were hired back by the Municipal Utilities District which led to an increase in operational expenses. Also, in 2009 there are expenses for hydrant maintenance that were not being charged to the Water Utility Fund in 2008.

Capital contributions and transfers declined by $1.979 million due to declines in developer contributions. In addition, special items amounting to $7.596 million were recorded related to a lawsuit settlement. Additional information on the special item is found in note 15 of the financial statements.

Total net assets of the Water Fund increased by $10,801 million to a total of $126.867 million. Components of total assets include invested in capital assets net of related debt, which increased in the Water Fund by $5.5 million for the Delta Water Supply Project. This project is in the design phase and will provide a new supplemental water supply for the Stockton metropolitan area. Restricted net assets decreased by $595 thousand, while unrestricted net assets increased by $5.84 million compared to the prior year.

Wastewater Utility Fund

Wastewater Utility Fund Financial Analysis

	2009	2008	Variance
Operating Revenues	$ 35,593	$ 33,640	$ 1,953
Operating Expenses	44,410	34,867	9,543
Non-Operating Revenues (Expenses)	(3,031)	(1,966)	1,065
Capital Contributions & Transfers	1,944	6,118	(4,174)
Special Items (Uses)	11,782	-	11,782
Total Net Assets	$ 299,046	$ 297,168	$ 1,878
Invested in Capital Assets, Net of Related Debt	$ 243,129	$ 246,931	$ (3,802)
Restricted Net Assets	32,157	35,722	(3,565)
Unrestricted Net Assets	23,760	14,515	9,245

Operating revenues increased in 2009 by $1.953 million, while operating expenses increased by $9.543 million and non-operating expenses increased $1.065 million. The result compared to the prior year, is an increase in the operating loss of the Wastewater Fund by $7.6 million primarily due to the termination of OMI Thames service contract. Upon termination, former OMI Thames employees were hired back by the Municipal Utility District for wastewater operations. The Municipal Utility District is in the process of undertaking a wastewater rate study to ensure sufficient revenues are available to meet future operations of the Wastewater system.

Capital contributions and transfers declined by $4.174 million due to declines in developer contributions. In addition, special items amounting to $11.782 million were recorded related to a lawsuit settlement. Additional information on the special item is found in note 15 of the financial statements.

Total net assets of the Wastewater Fund increased by $1.878 million to a total of $299.046 million. Components of total assets include invested in capital assets net of related debt, which decreased in the Wastewater Fund by $3.8 million. Restricted net assets decreased by $3.565 million, while unrestricted net assets increased by $9.245 million compared to the prior year.

Stormwater Utility Fund.

Stormwater Utility Fund Financial Analysis

	2009	2008	Variance
Operating Revenues	$ 5,498	$ 6,160	$ (662)
Operating Expenses	8,129	6,663	1,466
Non-Operating Revenues (Expenses)	147	148	(1)
Capital Contributions & Transfers	1,144	3,587	(2,443)
Special Item (Use)	(10,642)	-	(10,642)
Total Net Assets	$ 44,654	$ 56,636	$ (11,982)
Invested in Capital Assets, Net of Related Debt	$ 52,506	$ 52,901	$ (395)
Restricted Net Assets	-	-	-
Unrestricted Net Assets	(7,852)	3,735	(11,587)

Operating revenues decreased in 2009 by $662 thousand, while operating expenses increased by $1.466 million and non-operating expenses stayed even. The result compared to the prior year, is an increase of $2.1 million in the Stormwater Utility Fund operating loss due to the termination of OMI Thames service contract. Former OMI Thames employees were hired back by MUD for Stormwater operations. This accounts for an increase of $1.1 million in operational expenses for fiscal 2009. Also, in 2008 there was $831 thousand more miscellaneous revenues than in 2009. Litigation settlements for damage and contamination to the system were sources of revenue in 2008. The Municipal Utility District is in the process of undertaking a stormwater rate study to ensure sufficient revenues are available to meet future operations of the stormwater system.

Capital contributions and transfers declined by $2,443 million due to declines in developer contributions. In addition, special item use amounting to a negative $10.642 million is recorded related to historic operating subsidies from the General fund and Capital Improvement Fund. Additional information on the special item is found in note 15 of the financial statements.

Total net assets of the Stormwater Fund decreased by $11.982 million to a total of $44.654 million. Components of total assets include invested in capital assets net of related debt, which decreased in the Stormwater Fund by $395 thousand compared to the prior year. Restricted net assets remained unchanged, while unrestricted net assets decreased by $11.587 million compared to the prior year.

Central Parking District Fund

Central Parking District Fund Financial Analysis

	2009	2008	Variance
Operating Revenues	$ 3,934	$ 3,815	$ 119
Operating Expenses	3,086	3,357	(271)
Non-Operating Revenues (Expenses)	(509)	(319)	190
Capital Contributions & Transfers	(774)	(774)	-
Total Net Assets	$ 7,364	$ 7,799	$ (435)
Invested in Capital Assets, Net of Related Debt	$ 7,490	$ 8,030	$ (540)
Restricted Net Assets	45	45	-
Unrestricted Net Assets	(171)	(276)	105

Operating revenues increased in 2009 by $119 thousand, while operating expenses decreased by $271 thousand and non-operating expenses increased by $190 thousand. Capital contributions and transfers remained unchanged. The result compared to the prior year, is that operating revenues exceeded operating expenses by $848 thousand. Revenue increases are a result of the of a 5% fee increase in parking fees and a decrease in arena parking revenues due to less arena events. Operating expenses decreased due to less indirect cost allocation charges and other rentals for a Caltrans freeway lot that was transferred to the Police Department who now pays rent on the property.

Total net assets of the Central Parking District Fund decreased by $435 thousand to a total of $7.364 million. Components of total assets include invested in capital assets net of related debt, which decreased in the Central Parking District Fund by $540 thousand Restricted net assets remained the same, while the deficit unrestricted net assets decreased by $105 thousand compared to the prior year.

Internal Service Funds.

Internal service funds are established to account for the financing of goods and services provided by one department to other departments of the City, on a cost reimbursement basis. Transaction relate to City equipment, and insurance-related transactions for general liability, workers' compensation, health benefits, retirement benefits and other insurance items.

Internal Service Fund Financial Analysis

	2009	2008	Variance
Operating Revenues	$ 101,549	$ 108,061	$ (6,512)
Operating Expenses	135,509	122,882	12,627
Non-Operating Revenues (Expenses)	(3,507)	(4,272)	(765)
Capital Contributions & Transfers	716	1,076	(360)
Total Net Assets	$ (47,353)	$ (10,602)	$ (36,751)
Invested in Capital Assets, Net of Related Debt	$ 9,194	$ 10,045	$ (851)
Restricted Net Assets	848	93	755
Unrestricted Net Assets	(57,395)	(20,740)	(36,655)

Operating revenues decreased in 2009 by $6.512 million, while operating expenses increased by $12,627 million and non-operating expenses decreased by $765 thousand. Capital contributions and transfers declined by $360 thousand.

Total net assets of the Internal Service Fund decreased by $36,751 million to a total deficit of $47.353 million. Components of total assets include invested in capital assets net of related debt, which decreased by $851 thousand. Restricted net assets increased by $755 thousand, while the deficit unrestricted net assets increased by $36.65 million compared to the prior year.

The internal service funds reported a decrease in net assets of $36.751 million. The key driver in this is the decrease in net assets was $23.3 million in the Health Benefits Insurance Fund, primarily due to an increase of $24.2 million in the City's net OPEB obligation for fiscal year 2009. Additional factors are the decreases in net assets of $1.5 million in the Other Equipment Fund, $2.0 million in the General Liability Insurance Fund, $10.2 million in the Workers' Compensation Insurance Fund, and $3.8 million in the Other Benefits Fund. The decreases are offset by increases in net assets of $1.2 million in the Retirement Benefits Fund, $2.0 million in the Computer Equipment Fund.

Special Items of the Proprietary Funds

Two special items are reflected on the proprietary fund financial statements. The net change of these special items increased unrestricted net assets by $7.6 million in the Water Utility Fund and by $11.8 million in the Wastewater Utility Fund, while decreasing the Stormwater Utility Fund by $10.6 million. Please refer to Note 15 of the financial statements for more detailed information on these special items.

GENERAL FUND BUDGETARY HIGHLIGHTS

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 progressively worsened in the subsequent months of fiscal year 2009. During the 2009 fiscal year, the General Fund's original adopted revenue and transfers estimates were decreased from $201.37 million to the final revised budgeted revenue and transfers estimates of $185.69 million, a 7.8% reduction. On a budgetary basis that includes outstanding encumbrances, the original budgeted expenditures and transfers of $206.05 million decreased by 8.6% to a final revised budget of $188.41 million.

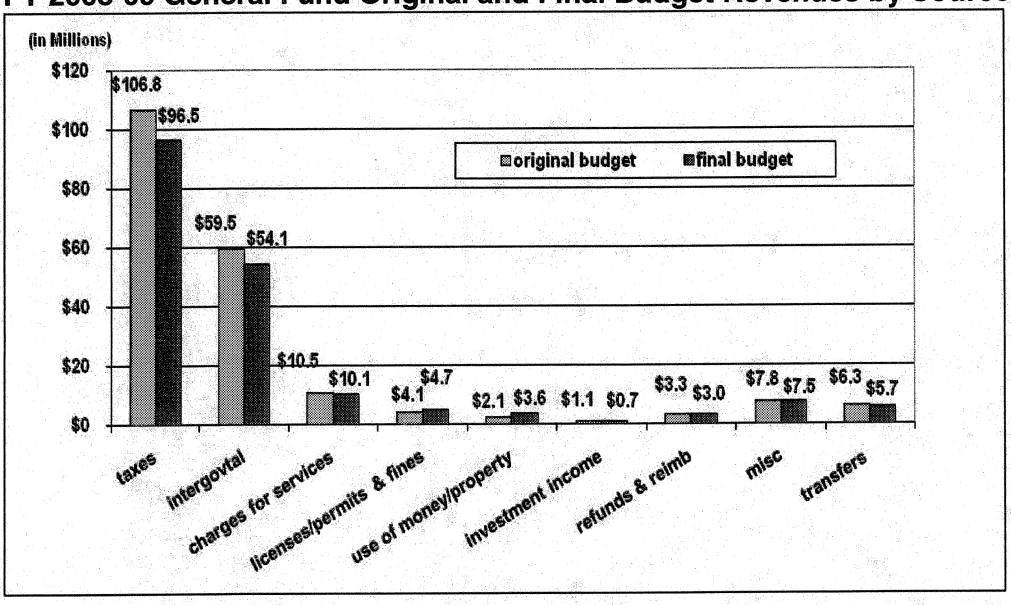
Management undertook unprecedented efforts to align expenditure levels with the falling revenues. These efforts began with the Council adoption of a comprehensive revision to the originally adopted budget, of which was not a previous practice of the City. Previously no formal comprehensive City budget revision was adopted in mid-year. Budget revisions were typically performed on an ad hoc basis through individual departmental requests to the City Council. The revised budget adopted on November 6, 2008 was a comprehensive revision and included a variety of cost reduction measures.

Although the original budget estimated a $3.3 million reduction of the General Fund total and unreserved/ available fund balance, the November, 2009 revised budget estimated no change to the total fund balance of $23.125 million or the unreserved/available fund balance of $9.628 million. As of June 30, 2009, the General Fund realized a slight reduction in total fund balance of $343 thousand, to $22,782 million. Unreserved/available fund balance at year-end declined by $1.020 million to a total of $8.607 million, or 4.9% of total expenditures for the fiscal year.

General Fund Revenues and Transfers

The graph below illustrates the significant level of tax support for General Fund services, amounting to $96.5 million or 52% of the total final budget revenue and transfers estimate of $185.7 million. Between the original and final budgeted revenues and transfers, there was a $15.7 million reduction. The most significant reduction to budget estimates was made in the taxes category by $10.4 million or 9.7%, as well as in intergovernmental revenues by $5.4 million or 9.1%. Uses of money and property revenue estimates increased by $1.5 million or 70% due to a change in an accounting treatment related to rental payments by the City utility services. Other categories' estimates minimally changed.

FY 2008-09 General Fund Original and Final Budget Revenues by Source Category

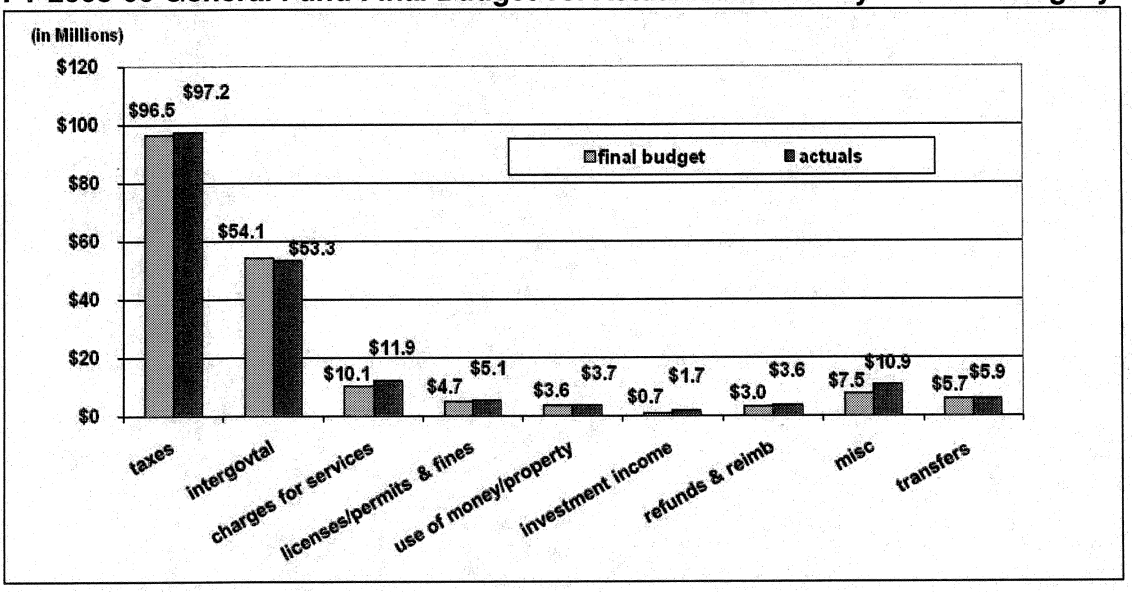


The following graph illustrates that during the year actual revenue collections and transfers of $193.2 million were $7.5 million above final budgetary estimates of $185.7 million. Key revenues that exceeded final budgetary revenue estimates follow:

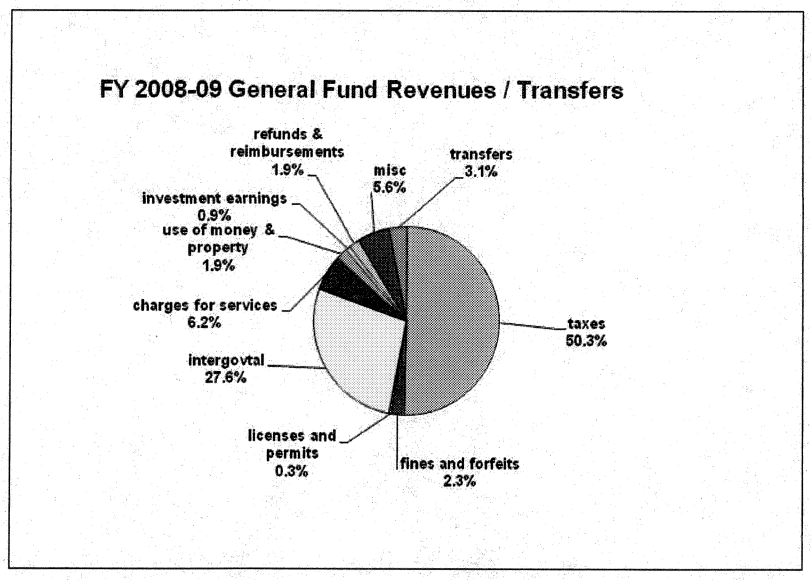
- An overage of $3.3 million in miscellaneous revenues resulting from unbudgeted estimates related to closure of old assessment funds and additional indirect cost payments.

- An overage of $1.8 million in charges for services resulting from an understatement in the budgeted revenue estimate related to code enforcement, rental inspections and special events charges.
- An overage of $1.0 million in investment earnings resulting from greater than anticipated investment income of $426 thousand and unbudgeted market value of investments of $593 thousand.
- An overage of $720 thousand in taxes, reflecting an underestimate of property tax collections of $1.3 million, utility user taxes of $119 thousand and franchise fees of $353 thousand; offset by shortages of $803 thousand in business licenses and $284 thousand in transient occupancy taxes and other tax collection activity.
- An overage of $593 thousand in refunds and reimbursements resulting from unbudgeted reimbursements from the State Office of Emergency Services for costs related to firefighting activities across the State.
- A remaining overage of $625 thousand in license and permit fees, rental revenue and transfers resulting from unanticipated revenues in these categories and transfers from other City departments for reimbursement to the General Fund for project administration costs.

FY 2008-09 General Fund Final Budget vs. Actual Revenues by Source Category



The revenue overages are slightly offset by a shortage in intergovernmental revenues of $788 thousand, related to additional motor vehicle in lieu fee revenues and federal and state government revenues for various programs, offset by a $2.7 million shortage in the sales and use tax revenues levied by the State.



Of the $193.2 million in actual total 2009 General Fund revenues and transfers, $97.2 million or 50.3% 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 users tax, franchise fees, business licenses, sales tax in lieu from the State, and other taxes.

Taxes are followed by intergovernmental revenues of $53.3 million or 27.6% of the total, comprised from motor vehicle tax and sales tax in lieu from the State of California and other funds from federal and local government entities.

Charges for services of $11.9 million accounted for 6.2% 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.

The miscellaneous category amounting to 5.6% is largely payments to the General Fund from non-General Fund departments that are administratively supported by various General Fund departments, such as Administrative Services, Human Resources and the City Manager's Office. These payments are based on an independently conducted indirect cost recovery plan performed each year. The remaining revenue categories comprise 10.3% of the total and include fines, licenses, permits, sale of assets, refunds, reimbursements, and investment earnings.

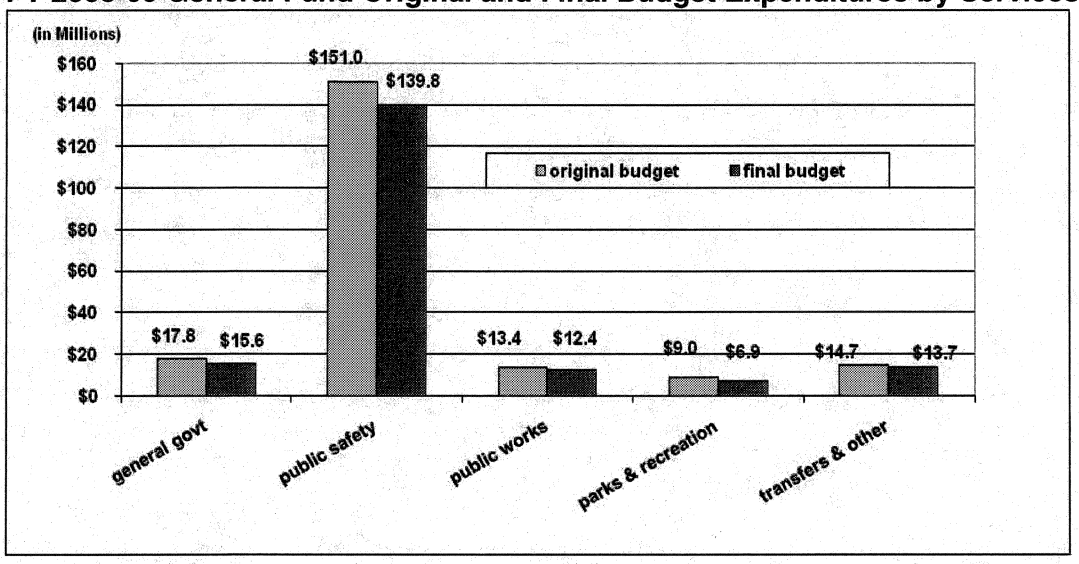
General Fund Expenditures and Transfers

The General Fund ended the year with a total expenditures and transfers budget of $188.41 million, compared to the originally adopted budget of $206.05 million. Between the original and final budgets, $17.64 million in expenditures and transfers were reduced to meet declining revenues. Functional reductions included general government by $2.2 million or 12.3%, public safety by $11.2 million or 7.4%, public works by $1.0 million or 7.5%, parks and recreation by $2.2 million or 24.2%, and transfers out and other expenditures for General Fund subsidies for recreation and library services by $1.0 million or 6.9%.

A variety of cost reduction measures were implemented in FY 2008-09 that crossed service areas and functions. These measures included the renegotiation of bargaining unit labor agreements, and implementation of two early retirement incentive programs, 10 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 operation. Adjustments to internal service fund rates paid by General Fund departments were also implemented to reduce expenditure levels, impacting the financial position of various employee benefit internal service funds. Reductions in programs were also implemented across the City's citizen services base.

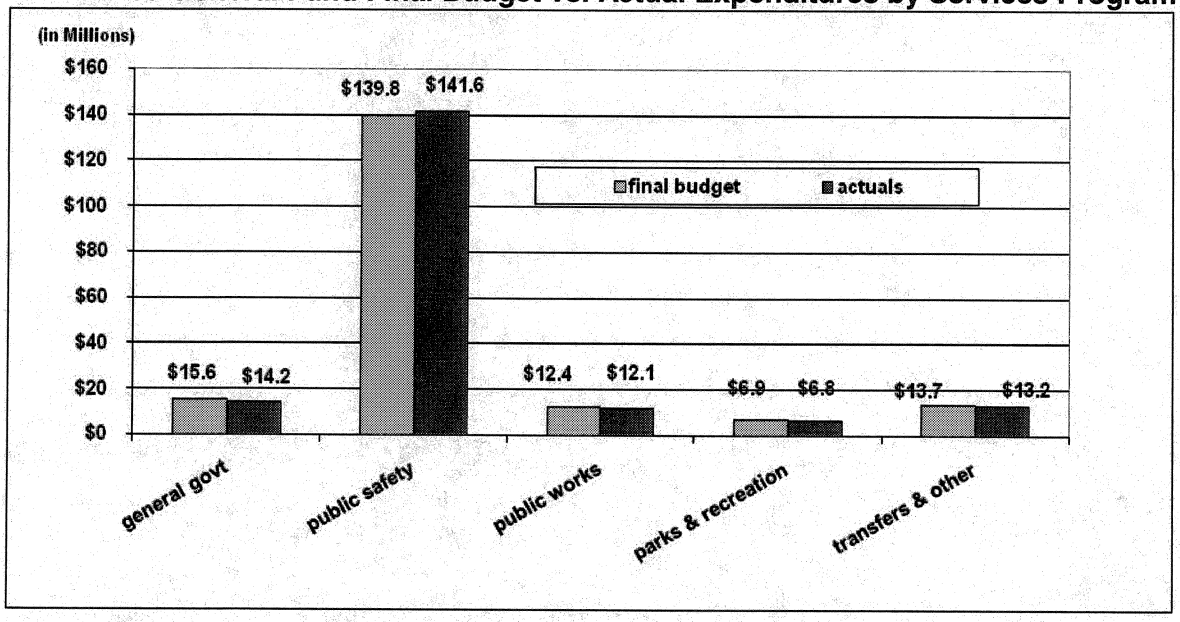
The graph below illustrates the significant commitment of the total final budget allocated for public safety (police and fire), amounting to $139.8 million or 74% of the total.

FY 2008-09 General Fund Original and Final Budget Expenditures by Services Program



Total actual expenditures and transfers came in $503 thousand below the final budget, or at $187.9 million. Towards the end of the fiscal year out of concern that the police and fire department's expenditure levels would cause the total General Fund revised budget to be exceeded by total expenditures (excluding transfers), the City Council approved an "additional appropriation" authorization in its FY 2009-10 budget resolution which granted up to $2.9 million in additional budget authority in FY 2008-09 to the General Fund to cover anticipated overspending by various General Fund departments. The $503 thousand under-budget amount represents lower actual transfers out than anticipated.

FY 2008-09 General Fund Final Budget vs. Actual Expenditures by Services Program



Operating expenditure reductions and salary savings across a majority of the General Fund departments offset overspending by the police and fire departments. Cost savings included $1.4 million in general government, or 9.1% below budget; $325 thousand in public works, or 2.6% below budget; $62 thousand in parks, or 0.9% below budget; and $503 thousand in transfers and other items, or 3.7% below budget. These costs savings were offset by overspending by the police and fire departments $1.82 million, or 1.3% above the final budget. A total of $1.45 million of the special "additional appropriation" of $2.9 million authorized by the City Council at the end of the fiscal year was utilized to match total budgeted and actual expenditures excluding transfers. Without the special "additional appropriation" authorized by the City Council at the end of the fiscal year, the overspending by public safety departments would have amounted to $3.27 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 amounts to $1.3 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 $60.7 million or 4.8%. This represented an 8.5% increase for governmental activities and a 0.03% 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	
	2009	2008	2009	2008	2009	2008
Land	$43,812	$37,195	$15,165	$15,165	$58,977	$52,360
Building and Improvements	239,450	238,347	499,350	418,821	738,800	657,168
Machinery and Equipment	14,976	14,584	2,485	2,629	17,461	17,213
Infrastructure	324,427	328,257	-	-	324,427	328,257
Construction in Progress	152,620	96,392	23,612	103,811	176,232	200,203
Total	$775,285	$714,775	$540,612	$540,426	$1,315,897	$1,255,201

The governmental activities' construction in progress had an increase of $56.2 million and accounts for most of the increase of net assets for fiscal year 2009. The two largest additions in this construction in progress category were $20.7 million for the Marina Construction Project and $5.2 million for the Airport Way Corridor Project. Land increased by $6.6 million in fiscal year 2009, due to the purchase of $2.0 million for the 2222 and 2224 Airport Way and $4.6 million for several parcels of land the City purchased to be used for parking lots. The governmental activities capital asset categories of infrastructure, building and improvements, and machinery and equipment had a combined decreased of $2.3 million in fiscal year 2009; the decrease was the net change of $18.4 million increase in these asset categories, reduced by $20.7 in depreciation expenses.

Additional information on the City's capital assets can be found in Note 5-Capital Assets on pages 69-70 of this report.

Long-term debt

At the end of the fiscal year, the City's total outstanding bonded debt was $509.6 million. Of this amount, $350.0 million was related to governmental activities, including $12.5 million of lease revenue bonds for the City's Stewart/Eberhardt Building/Parking Structure, $40.7 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, and $125.0 million of pension obligation bonds.

Bonded debt of the Redevelopment Agency is also reported in governmental activities, including $48.0 million of revenue bonds for the Stockton Events Center-Arena and $110.6 million of revenue bonds for various redevelopment and housing projects referred to as the Strong

Neighborhoods Initiative (SNI). During fiscal year 2009, the City's net bonded indebtedness related to governmental activities decreased by $2.4 million due to principal payments and amortization of deferred charges. There were no new bonds issued during the fiscal year.

Bonded debt related to business-type activities totaled $159.6 million. Of this amount $35.2 million are revenue bonds backed by the Water Utility Fund, $92.1 million are certificates of participation backed by the Wastewater Utility Fund, and $32.3 million are lease revenue bonds backed by the Central Parking District. During fiscal year 2009, the City's net bonded indebtedness related to business-type activities decreased by $3.0 million due to principal repayments and amortization of deferred charges. There were no new bond issues during the fiscal year.

Additional information on the City's long-term debt can be found in Note 6-Debt on pages 71-88 of this report.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The following items are currently known facts, decisions or conditions that management was aware of as of the date of the auditor's report and were considered in preparing the City's budget for the 2009-10 fiscal year.

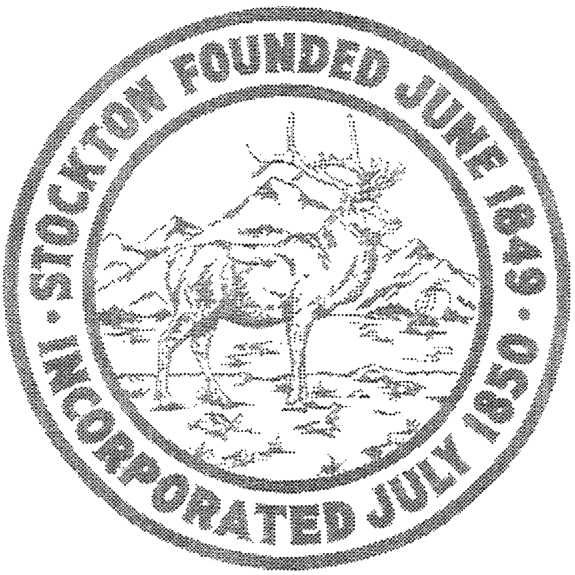
- The San Joaquin County Auditor-Controller has provided the City its estimate of the City's property tax revenues for fiscal year 2009. The estimate is $2.2 million above the adopted budget revenue estimate for FY 2009-10.

- The City participated in the State's Proposition 1A Securitization Program bond issue. As a result instead of property tax revenue from the State the City will be receiving $5.2 million in receivables proceeds – half on January 5, 2010 and half on May 3, 2010.

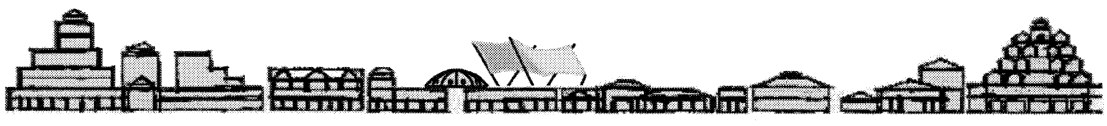
- Pursuant to an action taken by the State of California in the fourth extraordinary session of 2009, the Agency anticipates a payment to the State of an estimated $9.165 million for deposit to the County's Supplemental Educational Revenue Augmentation Funds (SERAF) to be distributed to schools to meet the State's Prop 98 obligations to education. The California Redevelopment Association has begun a lawsuit challenging the constitutionality of this State action.

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.

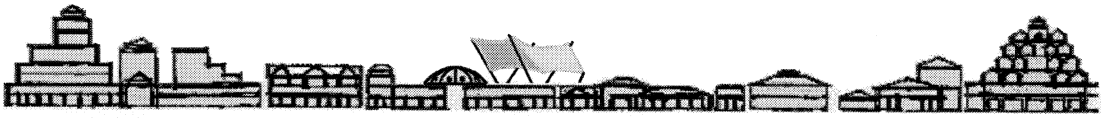

STOCKTON FOUNDED JUNE 1849
INCORPORATED JULY 1850

CITY OF STOCKTON



BASIC FINANCIAL STATEMENTS

CITY OF STOCKTON



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF STOCKTON

STATEMENT OF NET ASSETS
JUNE 30, 2009
(With comparative totals as of June 30, 2008)
(Dollar amounts in thousands)

	Governmental Activities	Business-Type Activities	Totals 2009	Totals 2008
ASSETS				
Cash and investments	$ 159,589	$ 32,165	$ 191,754	$ 203,524
Restricted cash and investments	70,146	54,967	125,113	169,682
Interest receivable	590	498	1,088	2,215
Accounts receivable, net	19,157	9,323	28,480	25,787
Internal balances	(6,136)	6,136	-	-
Due from other governments	20,301	5	20,306	27,701
Inventory of supplies	148	1,486	1,634	1,410
Other assets	943	93	1,036	2,572
Loans to property owners	83,206	-	83,206	80,643
Deferred charges	5,802	2,502	8,304	8,652
Pension asset	128,459	-	128,459	126,105
Capital assets, net:				
Nondepreciable	196,432	38,777	235,209	252,563
Depreciable, net	578,853	501,835	1,080,688	1,002,638
Total assets	1,257,490	647,787	1,905,277	1,903,492
LIABILITIES				
Accounts payable and accrued expenses	17,795	3,427	21,222	18,770
Accrued payroll and benefits	3,854	-	3,854	4,277
Accrued interest	6,188	2,539	8,727	8,162
Deposits and other liabilities	1,221	2,315	3,536	3,677
Unearned revenue	6,147	-	6,147	7,886
Long-term liabilities:				
Due within one year	26,116	3,793	29,909	28,395
Due in more than one year	438,198	157,305	595,503	584,093
Pollution remediation liabilities	1,119	-	1,119	-
Net OPEB obligation	48,805	-	48,805	24,608
Total liabilities	549,443	169,379	718,822	679,868
NET ASSETS				
Invested in capital assets, net of related debt	611,775	400,551	1,012,326	993,883
Restricted for:				
Capital projects	53,539	35,343	88,882	101,780
Debt service	2,689	65	2,754	3,055
Loan programs	60,733	-	60,733	60,453
Low- and moderate-income housing	23,047	-	23,047	21,374
City-County library	4,286	-	4,286	5,205
Public safety	225	-	225	2,324
Street improvements	4,316	-	4,316	5,605
Special maintenance districts	8,928	-	8,928	7,245
Endowments:				
Nonexpendable	1,604	-	1,604	1,604
Expendable	358	-	358	333
Other purposes	2,638	-	2,638	2,678
Unrestricted	(66,091)	42,449	(23,642)	18,085
Total net assets	$ 708,047	$ 478,408	$ 1,186,455	$ 1,223,624

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

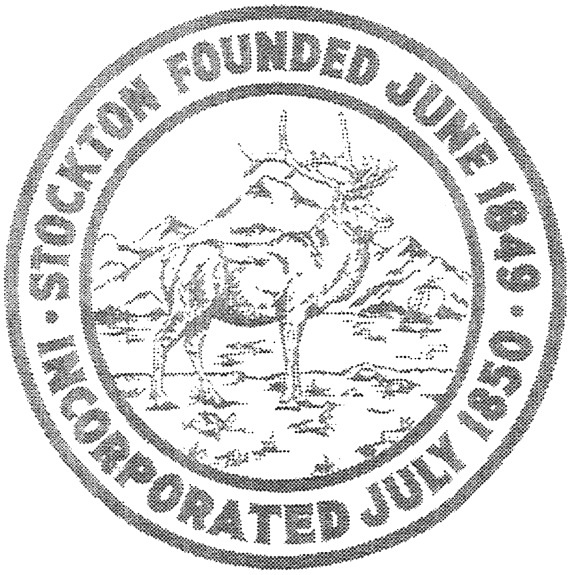
CITY OF STOCKTON

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for the year ended June 30, 2008)
(Dollar amounts in thousands)

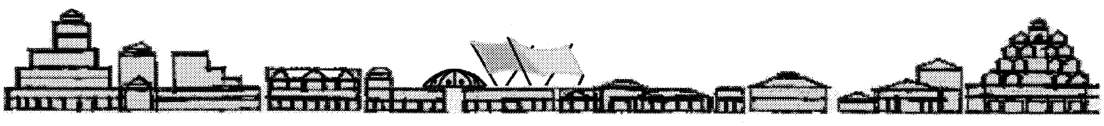
FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	$ 33,923	$ 13,180	$ 762	$ 1,455
Public safety	190,692	22,131	3,824	-
Public works	43,985	19,750	4,321	30,972
Library	14,852	4,800	6,740	-
Parks and recreation	26,038	2,104	404	685
Interest and fiscal charges	19,620	-	-	-
Total governmental activities	329,110	61,965	16,051	33,112
Business-type activities:				
Water utility	24,146	24,258	-	1,296
Wastewater utility	49,414	35,607	-	1,969
Stormwater utility	8,129	5,498	-	1,144
Central parking district	4,810	3,934	-	-
Other	2,237	1,845	-	-
Total business-type activities	88,736	71,142	-	4,409
Total	$ 417,846	$ 133,107	$ 16,051	$ 37,521
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, as restated				
Net assets, end of year				

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Totals 2009	Totals 2008
$ (18,526)		$ (18,526)	$ (15,661)
(164,737)		(164,737)	(147,693)
11,058		11,058	(69,851)
(3,312)		(3,312)	(6,358)
(22,845)		(22,845)	(13,304)
(19,620)		(19,620)	(17,921)
(217,982)		(217,982)	(270,788)
	$ 1,408	1,408	4,257
	(11,838)	(11,838)	(172)
	(1,487)	(1,487)	3,058
	(876)	(876)	(1,187)
	(392)	(392)	(28)
	(13,185)	(13,185)	5,928
(217,982)	(13,185)	(231,167)	(264,860)
58,640	-	58,640	63,998
9,823	-	9,823	10,164
30,854	-	30,854	30,861
7,921	-	7,921	9,409
11,608	-	11,608	11,537
9,699	-	9,699	10,772
1,962	-	1,962	2,287
702	-	702	686
234	1,066	1,300	1,301
23,459	-	23,459	24,051
31,245	-	31,245	36,098
370	-	370	389
13,104	4,075	17,179	20,899
722	-	722	756
127	-	127	88
803	(803)	-	-
201,273	4,338	205,611	223,296
(8,736)	8,736	-	-
(25,445)	(111)	(25,556)	(41,564)
733,492	478,519	1,212,011	1,265,188
$ 708,047	$ 478,408	$ 1,186,455	$ 1,223,624


STOCKTON FOUNDED JUNE 1849
INCORPORATED JULY 1850

CITY OF STOCKTON



FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

Governmental Fund Types

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

Major Governmental Funds include:

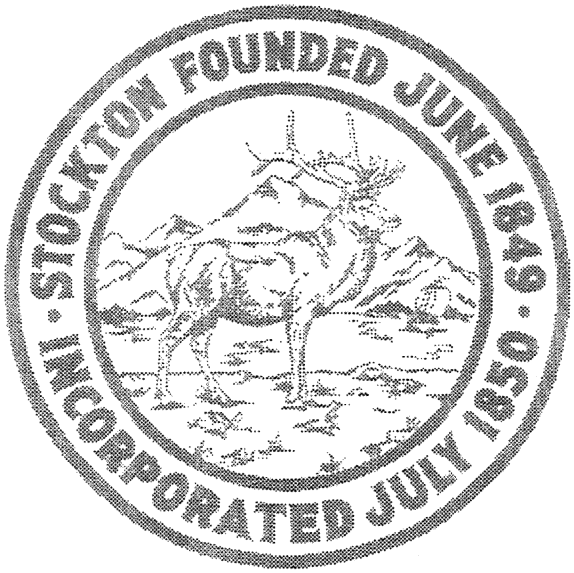
- **General Fund**
  The fund used to account for resources that are not required legally or by sound financial management to be accounted for in another fund.

- **Public Facilities Impact Fees**
  To account for the collection of and expenditure of fees imposed as a condition of new development within the City. Impact fees have been established for each of the following types of public facilities:

  - Traffic signals
  - Street improvements
  - Community recreation centers
  - City office space
  - Fire stations
  - Libraries
  - Police stations
  - Parkland, street tree & street signs
  - Street light in-lieu
  - Air quality mitigation
  - Public facilities fees - administration

- **Capital Improvement**
  To account for the acquisition, construction and improvement of capital facilities financed by grants and operating transfers from other City funds.

- **Redevelopment Agency**
  To account for the acquisition, relocation, demolition and sale of land for those portions of the City earmarked for redevelopment. Projects are financed from bond proceeds, loans from other city funds and property tax increment revenue.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Proprietary Fund Types

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

Major enterprise funds include:

- **Water Utility**
  To account for activities associated with the acquisition or construction of water facilities, production, distribution and transmission of potable water to users.

- **Wastewater Utility**
  To account for activities associated with the acquisition or construction, and operation and maintenance of wastewater facilities for collection, treatment, and disposal of wastewater.

- **Stormwater Utility**
  To account for activities associated with the acquisition or construction, and operation and maintenance of stormwater facilities for drainage and disposal of stormwater.

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

Fiduciary Fund Type

The fiduciary funds are the:

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

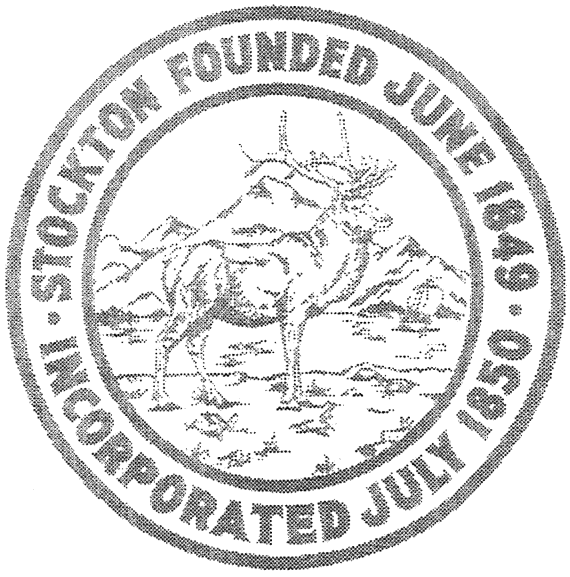
CITY OF STOCKTON

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009
(With comparative totals as of June 30, 2008)
(Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
ASSETS			
Cash and investments	$ 6,934	$ 51,401	$ 12,888
Cash and investments with fiscal agents	-	8	330
Receivables:			
Interest	41	397	46
Taxes and special assessments		-	-
Accounts and other receivables	23,797	1,599	-
Allowance for uncollectibles	(8,563)	-	-
Due from other funds	4,588	-	-
Due from other governments	7,223	306	2,520
Allowance for uncollectibles	(16)	-	-
Due from other agencies	-	-	-
Prepaid items	803	-	-
Inventory of supplies	148	-	-
Deposits	-	-	-
Loans to other funds	11,163	1,109	20,457
Loans to property owners	-	-	-
Allowance for loan losses	-	-	-
Total assets	$ 46,118	$ 54,820	$ 36,241
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 3,374	$ 804	$ 3,643
Accrued payroll and benefits	3,854	-	-
Due to other funds	-	-	-
Due to other governments	-	-	30
Due to other agencies	155	-	-
Deposits and other liabilities	495	-	-
Deferred revenue	7,310	1,461	4,923
Loans from other funds	8,148	1,864	11,230
Total liabilities	23,336	4,129	19,826
FUND BALANCES:			
Reserved	14,175	50,691	24,322
Unreserved, reported in:			
General Fund:			
Designated	8,607	-	-
Special revenue funds:			
Designated	-	-	-
Undesignated	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	(7,907)
Permanent fund	-	-	-
Total fund balances	22,782	50,691	16,415
Total liabilities and fund balances	$ 46,118	$ 54,820	$ 36,241

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

Redevelopment Agency	Other Governmental	Total Governmental 2009	Total Governmental 2008
$ 9,303	$ 33,939	$ 114,465	$ 109,469
54,371	14,589	69,298	108,002
92	14	590	1,421
-	-	-	9
51	1,874	27,321	25,320
-	-	(8,563)	(8,187)
-	-	4,588	4,911
230	10,038	20,317	28,691
-		(16)	(990)
-	-	-	619
-	-	803	738
-	-	148	176
38	102	140	1,114
500	14,660	47,889	45,842
149	83,457	83,606	80,643
-	(400)	(400)	-
$ 64,734	$ 158,273	$ 360,186	$ 397,778
$ 4,347	$ 3,467	$ 15,635	$ 13,711
-	-	3,854	4,277
-	6,094	6,094	4,780
	21	51	82
-	-	155	111
3	382	880	1,140
-	1,224	14,918	17,082
33,457	1,650	56,349	44,361
37,807	12,838	97,936	85,544
72,268	137,336	298,792	302,866
-	-	8,607	9,627
-	-	-	132
-	7,741	7,741	24,545
-	-	-	38
(45,341)	-	(53,248)	(25,307)
-	358	358	333
26,927	145,435	262,250	312,234
$ 64,734	$ 158,273	$ 360,186	$ 397,778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CITY OF STOCKTON

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009
(With comparative totals as of June 30, 2008)
(Dollar amounts in thousands)

	2009	2008
Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances - total governmental funds	$ 262,250	$ 312,234
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Nondepreciable capital assets	196,432	133,587
Depreciable capital assets, net	567,917	570,169
Internal service funds are used by management to charge the costs of central garage, computer equipment, radio equipment, other equipment, general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, and retirement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(47,353)	(10,602)
Various long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds as follows:		
Compensated absences	(17,995)	(18,159)
Pollution remediation	(1,119)	-
Bonds payable and other long-term debt	(258,539)	(249,626)
Unamortized bond discounts, premiums and deferred amount on refunding	(2,660)	(2,748)
Accrued interest	(3,831)	(3,291)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are:		
deferred in the governmental funds, or	8,771	9,196
not recorded in the governmental funds.	4,174	4,345
Net assets of governmental activities	$ 708,047	$ 745,105

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, 2009
(With comparative totals for the year ended June 30, 2008)
(Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
REVENUES:			
Taxes:			
Property	$ 33,030	$ -	$ -
In lieu of sales tax	9,823	-	-
Utility user	30,854	-	-
Sales - levied by City	-	-	-
Franchise fees	11,608	-	-
Business license	9,197	-	-
Hotel/motel room	1,962	-	-
Document transfer	702	-	-
Other	1	-	-
Licenses and permits	641	-	-
Intergovernmental:			
Federal grants and subsidies	467	-	-
Sales and use tax - levied by state	27,522	-	-
Other governmental	25,299	-	6,309
Charges for services	11,894	5,439	-
Fines and forfeitures	4,492	-	-
Use of money and property	3,669	31	(35)
Investment income:			
Interest income	1,126	2,018	332
Net increase in fair value of investments	593	599	196
Refunds and reimbursements	3,583	-	2
Miscellaneous	10,763	-	519
Total revenues	187,226	8,087	7,323
EXPENDITURES:			
Current:			
General government	13,871	21	448
Public safety	141,427	-	-
Public works	11,965	-	-
Library	-	-	-
Parks and recreation	6,724	-	-
Capital outlay	46	17,755	13,121
Debt service:			
Principal retirement	-	-	-
Cost of issuance	99	-	-
Interest and fiscal charges	-	-	-
Total expenditures	174,132	17,776	13,569
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,094	(9,689)	(6,246)

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

Redevelopment Agency	Other Governmental	Total Governmental 2009	Total Governmental 2008
$ 25,610	$ -	$ 58,640	$ 63,998
-	-	9,823	10,164
-	-	30,854	30,861
-	7,921	7,921	9,409
-	-	11,608	11,537
-	502	9,699	10,772
-	-	1,962	2,287
-	-	702	686
-	233	234	246
-	3,694	4,335	5,273
-	12,509	12,976	13,617
-	3,723	31,245	36,098
1,610	20,280	53,498	59,976
3	14,126	31,462	55,244
-	7	4,499	3,321
96	9,473	13,234	12,922
4,844	904	9,224	11,585
281	482	2,151	1,515
13	515	4,113	4,253
2	2,145	13,429	8,515
32,459	76,514	311,609	352,279
1,187	8,745	24,272	22,285
-	21,912	163,339	168,372
-	4,148	16,113	18,464
-	12,485	12,485	13,432
-	15,652	22,376	27,185
53,574	20,888	105,384	135,071
28	3,945	3,973	1,017
-	-	99	777
43	11,895	11,938	10,771
54,832	99,670	359,979	397,374
(22,373)	(23,156)	(48,370)	(45,095)

(Continued)

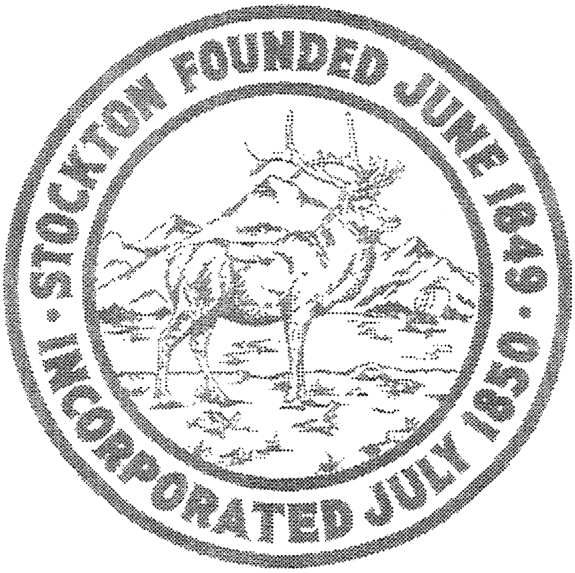
CITY OF STOCKTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for the year ended June 30, 2008)
(Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,094	(9,689)	(6,246)
OTHER FINANCING SOURCES (USES):			
Transfers in	5,897	-	34
Transfers out	(13,103)	(137)	-
Issuance of long-term debt	-	-	-
Sales of capital assets	109	-	-
Discounts on debt issuances	-	-	-
Total other financing sources (uses)	(7,097)	(137)	34
SPECIAL ITEMS	(6,340)	-	(10,458)
NET CHANGE IN FUND BALANCES	(343)	(9,826)	(16,670)
FUND BALANCES, BEGINNING OF YEAR	23,125	60,517	33,085
FUND BALANCES, END OF YEAR	$ 22,782	$ 50,691	$ 16,415

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

Redevelopment Agency	Other Governmental	Total Governmental 2009	Total Governmental 2008
(22,373)	(23,156)	(48,370)	(45,095)
11,334	28,786	46,051	59,991
(13,936)	(18,205)	(45,381)	(59,839)
6,343	-	6,343	53,436
-	-	109	44
-	-	-	(24)
3,741	10,581	7,122	53,608
-	8,062	(8,736)	-
(18,632)	(4,513)	(49,984)	8,513
45,559	149,948	312,234	303,721
$ 26,927	$ 145,435	$ 262,250	$ 312,234


STOCKTON FOUNDED JUNE 1849
INCORPORATED JULY 1850

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, 2009
(With comparative totals for the year ended June 30, 2008)
(Dollar amounts in thousands)

	2009	2008
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental	$ (49,984)	$ 8,513
Governmental funds report capital outlays as expenditures. As donated capital assets don't create or use financial resouces, 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	73,213	88,819
Donated capital assets	5,630	4,894
Depreciation expense	(18,232)	(17,276)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, dispositions, etc.) is to decrease net assets.	(18)	(70,540)
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	(6,343)	(53,436)
Discounts on debt issuances	-	24
Repayment of principal	3,973	1,017
Costs of issuance	99	777
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.	(36,751)	(18,017)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(425)	1,654
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	164	379
Change in pollution remediation liability	3,951	-
Amortization of bond discounts and premiums, costs of issuance, and deferred amount on refunding	(182)	(126)
Change in accrued interest	(540)	(72)
Change in net assets of governmental activities	$ (25,445)	$ (53,390)

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

CITY OF STOCKTON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2009
(With comparative totals as of June 30, 2008)
(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
ASSETS			
Current assets:			
Cash and investments	$ 21,303	$ 7,160	$ 2,345
Receivables:			
Interest	181	293	21
Accounts and other receivables	2,928	6,868	1,047
Allowance for uncollectibles	(955)	(547)	(353)
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventory of supplies	-	1,456	-
Total current assets	23,457	15,230	3,060
Noncurrent assets:			
Restricted assets:			
Cash and investments	3,201	32,142	-
Cash and investments with fiscal agents	14,222	2,282	-
Loans to other funds	7,596	11,838	-
Loans receivable	-	93	-
Deferred charges	711	1,002	-
Pension asset	-	-	-
Capital assets, net:			
Nondepreciable	25,853	4,146	422
Depreciable, net	91,066	328,787	52,084
Total noncurrent assets	142,649	380,290	52,506
Total assets	166,106	395,520	55,566
LIABILITIES			
Current liabilities:			
Accounts payable	814	2,155	243
Due to other funds	-	-	-
Due to other governments	68	-	-
Deposits and other liabilities	1,954	46	10
Accrued interest	420	1,573	-
Compensated absences - current	104	374	17
Self-insurance claims and judgments - current	-	-	-
Other long-term debt - current	628	2,440	-
Total current liabilities	3,988	6,588	270
Noncurrent liabilities:			
Loans from other funds	-	-	10,642
Compensated absences - long-term	70	254	-
Self-insurance claims and judgments - long-term	-	-	-
Capital lease obligations	-	-	-
Notes payable	545	-	-
Certificates of participation	-	89,632	-
Bonds payable	34,636	-	-
Net OPEB obligation	-	-	-
Total noncurrent liabilities	35,251	89,886	10,642
Total liabilities	39,239	96,474	10,912
NET ASSETS			
Invested in capital assets, net of related debt	95,936	243,129	52,506
Restricted for capital projects	3,201	32,142	-
Restricted for debt service	5	15	-
Unrestricted	27,725	23,760	(7,852)
Total net assets	$ 126,867	$ 299,046	$ 44,654

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

Enterprise				Internal Service	
Central Parking District	Other	Totals 2009	Totals 2008	2009	2008
$ 859	$ 498	$ 32,165	$ 38,371	$ 45,124	$ 55,684
-	3	498	794	-	-
399	110	11,352	10,146	549	982
(71)	(103)	(2,029)	(2,341)	(150)	(133)
-	-	-	-	1,650	-
5	-	5	-	-	-
-	30	1,486	1,234	-	-
1,192	538	43,477	48,204	47,173	56,533
-	-	35,343	39,503	-	-
3,120	-	19,624	22,084	848	93
847	-	20,281	912	2,180	530
-	-	93	92	-	-
789	-	2,502	2,625	1,628	1,682
-	-	-	-	128,459	126,105
7,996	360	38,777	118,976	-	-
28,768	1,130	501,835	421,450	10,936	11,019
41,520	1,490	618,455	605,642	144,051	139,429
42,712	2,028	661,932	653,846	191,224	195,962
75	140	3,427	3,721	2,160	1,338
-	144	144	131	-	-
-	-	68	178	-	-
237	-	2,247	2,031	135	135
546	-	2,539	2,582	2,357	2,289
19	3	517	195	3,614	3,285
-	-	-	-	11,653	11,827
208	-	3,276	3,073	384	71
1,085	287	12,218	11,911	20,303	18,945
2,095	1,264	14,001	2,923	-	-
27	-	351	262	553	917
-	-	-	-	41,713	36,131
-	-	-	-	2,293	923
-	-	545	610	-	-
-	-	89,632	92,073	-	-
32,141	-	66,777	67,548	124,910	125,040
-	-	-	-	48,805	24,608
34,263	1,264	171,306	163,416	218,274	187,619
35,348	1,551	183,524	175,327	238,577	206,564
7,490	1,490	400,551	399,813	9,194	10,045
-	-	35,343	39,503	805	-
45	-	65	65	43	93
(171)	(1,013)	42,449	39,138	(57,395)	(20,740)
$ 7,364	$ 477	$ 478,408	$ 478,519	$ (47,353)	$ (10,602)

CITY OF STOCKTON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for the year ended June 30, 2008)
(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
OPERATING REVENUES:			
Charges for services	$ 23,721	$ 34,896	$ 5,246
Miscellaneous	532	697	252
Total operating revenues	24,253	35,593	5,498
OPERATING EXPENSES:			
Operation and maintenance	9,303	26,379	2,900
General and administrative	4,632	8,624	3,670
Depreciation and amortization	2,285	9,407	1,559
Purchased water	6,188	-	-
Total operating expenses	22,408	44,410	8,129
OPERATING INCOME (LOSS)	1,845	(8,817)	(2,631)
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Investment income:			
Interest income	1,428	1,509	120
Net increase in fair value of investments	373	450	27
Gain (loss) from disposal of capital assets	-	-	-
Interest expense and fiscal charges	(1,738)	(5,004)	-
Other non-operating revenues	5	14	-
Total non-operating revenues (expenses)	68	(3,031)	147
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEMS	1,913	(11,848)	(2,484)
Capital contributions	1,296	1,969	1,144
Transfers in	-	-	-
Transfers out	(4)	(25)	-
SPECIAL ITEMS	7,596	11,782	(10,642)
CHANGE IN NET ASSETS	10,801	(9,904)	(1,340)
NET ASSETS, BEGINNING OF YEAR	116,066	297,168	56,636
NET ASSETS, END OF YEAR	$ 126,867	$ 299,046	$ 44,654

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

Enterprise				Internal Service	
Central Parking District	Other	Totals 2009	Totals 2008	2009	2008
$ 3,934	$ 1,271	$ 69,068	$ 65,619	$ 101,549	$ 108,061
-	574	2,055	2,936	-	-
3,934	1,845	71,123	68,555	101,549	108,061
2,320	2,156	43,058	31,249	128,025	113,624
-	-	16,926	15,729	4,915	6,465
766	81	14,098	13,938	2,569	2,793
-	-	6,188	6,365	-	-
3,086	2,237	80,270	67,281	135,509	122,882
848	(392)	(9,147)	1,274	(33,960)	(14,821)
1,066	-	1,066	1,055	-	-
55	8	3,120	4,915	1,285	1,803
94	11	955	977	444	104
-	-	-	(33)	18	30
(1,724)	-	(8,466)	(8,592)	(6,960)	(6,897)
-	-	19	28	1,387	688
(509)	19	(3,306)	(1,650)	(3,507)	(4,272)
339	(373)	(12,453)	(376)	(37,467)	(19,093)
-	-	4,409	13,251	583	179
-	-	-	-	383	3,949
(774)	-	(803)	(1,049)	(250)	(3,052)
-	-	8,736	-	-	-
(435)	(373)	(111)	11,826	(36,751)	(18,017)
7,799	850	478,519	466,693	(10,602)	7,415
$ 7,364	$ 477	$ 478,408	$ 478,519	$ (47,353)	$ (10,602)

CITY OF STOCKTON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for the year ended June 30, 2008)
(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 24,325	$ 33,964	$ 5,566
Receipts for interfund services provided	-	-	-
Payments to suppliers	(13,967)	(25,688)	(4,489)
Payments to employees	(5,737)	(6,988)	(1,169)
Payments for interfund services used	(313)	(2,725)	(797)
Net cash provided by (used for) operating activities	4,308	(1,437)	(889)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	-
Transfers out	(4)	(25)	-
Receipt of due to other funds	-	-	-
Receipt of advances to other funds	-	-	-
Repayment on advances from other funds	-	-	-
Due from other funds	-	-	-
Advances to other funds	-	-	-
Receipt on advances to other funds	-	10	-
Proceeds from taxes	-	-	-
Net cash provided by (used for) noncapital financing activities	(4)	(15)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	-	-	-
Proceeds from capital lease financing	-	-	-
Principal paid on debt	(627)	(2,605)	-
Purchases of capital assets	(8,873)	(2,405)	(21)
Interest paid on debt	(1,728)	(4,771)	-
Capital contributions	399	1,197	-
Net cash used for capital and related financing activities	(10,829)	(8,584)	(21)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	1,891	2,151	159
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,634)	(7,885)	(751)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,360	49,469	3,096
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 38,726	$ 41,584	$ 2,345

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

Enterprise				Internal Service	
Central Parking District	Other	Totals 2009	Totals 2008	2009	2008
$ 3,889	$ 1,842	$ 69,586	$ 68,531	$ 3,064	$ 1,334
-	-	-	-	100,640	106,980
(742)	(1,563)	(46,449)	(43,554)	(86,107)	(78,858)
(1,226)	(508)	(15,628)	(11,326)	(18,478)	(16,470)
(228)	(26)	(4,089)	(3,778)	(317)	(311)
1,693	(255)	3,420	9,873	(1,198)	12,675
-	-	-	-	383	3,949
(774)	-	(803)	(1,049)	(250)	(3,052)
-	14	14	3	-	-
-	-	-	530	-	-
(65)	-	(65)	-	-	-
-	-	-	-	(1,650)	-
-	-	-	-	(1,650)	(530)
	500	510	10	-	-
1,061	-	1,061	1,055	-	-
222	514	717	549	(3,167)	367
-	-	-	-	18	43
-	-	-	-	2,431	1,000
(165)	-	(3,397)	(3,234)	(879)	(276)
(10)	-	(11,309)	(24,362)	(1,849)	(2,676)
(1,726)	-	(8,225)	(8,272)	(6,890)	(6,224)
-	-	1,596	4,823	-	-
(1,901)	-	(21,335)	(31,045)	(7,169)	(8,133)
155	16	4,372	5,754	1,729	1,907
169	275	(12,826)	(14,869)	(9,805)	6,816
3,810	223	99,958	114,827	55,777	48,961
$ 3,979	$ 498	$ 87,132	$ 99,958	$ 45,972	$ 55,777

(Continued)

CITY OF STOCKTON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for the year ended June 30, 2008)
(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ 1,845	$ (8,817)	$ (2,631)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	2,285	9,407	1,559
Provision for uncollectible accounts	465	(738)	11
Other non-operating revenues	5	14	-
Changes in assets and liabilities:			
Accounts and other receivables	(398)	(904)	57
Inventory of supplies	-	(255)	-
Loans receivable	-	(1)	-
Deferred charges	-	-	-
Pension asset	-	-	-
Accounts payable	16	(424)	112
Due to other governments	(110)	-	-
Deposits and other liabilities	81	(2)	-
Compensated absences	119	283	3
Self-insurance - claims and judgments	-	-	-
Net OPEB obligation	-	-	-
Net cash provided by (used for) operating activities	$ 4,308	$ (1,437)	$ (889)
NONCASH TRANSACTIONS:			
Net increase in fair value of investments	$ 373	$ 450	$ 27
Amortization of issuance discounts	15	27	-
Amortization of issuance premiums	5	-	-
Amortization of loss on refunding	17	267	-
Donation of capital assets	897	772	1,144
Loans due from other funds required by settlement agreement for amounts previously transferred to other funds	7,596	11,838	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS:			
Cash and investments	$ 21,303	$ 7,160	$ 2,345
Restricted assets:			
Cash and investments	3,201	32,142	-
Cash and investments with fiscal agents	14,222	2,282	-
Total cash and investments	$ 38,726	$ 41,584	$ 2,345

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

Enterprise						
Central Parking District	Other	Totals 2009	Totals 2008	Internal Service 2009	Internal Service 2008
$ 848	$ (392)	$ (9,147)	$ 1,274	$ (33,960)	$ (14,821)
766	81	14,098	13,938	2,569	2,793
(39)	(12)	(313)	(49)	17	6
-	-	19	28	1,387	688
(6)	46	(1,205)	(309)	432	(441)
-	3	(252)	(38)	-	-
-	-	(1)	306	-	-
-	-	-	-	-	(65)
-	-	-	-	(2,354)	(2,430)
(18)	19	(295)	(5,534)	822	460
-	-	(110)	65	-	-
136	-	215	114	-	-
6	-	411	78	(35)	(1,432)
-	-	-	-	5,408	3,309
-	-	-	-	24,197	24,608
$ 1,693	$ (255)	$ 3,420	$ 9,873	$ (1,517)	$ 12,675
$ 94	$ 10	$ 954	$ 977	$ 444	$ 104
2	-	44	43	-	-
-	-	5	4	-	-
-	-	284	360	-	-
-	-	2,813	8,428	583	179
-	-	19,434	-	-	-
$ 859	$ 498	$ 32,165	$ 38,371	$ 45,124	$ 55,684
-	-	35,343	39,503	-	-
3,120	-	19,624	22,084	848	93
$ 3,979	$ 498	$ 87,132	$ 99,958	$ 45,972	$ 55,777

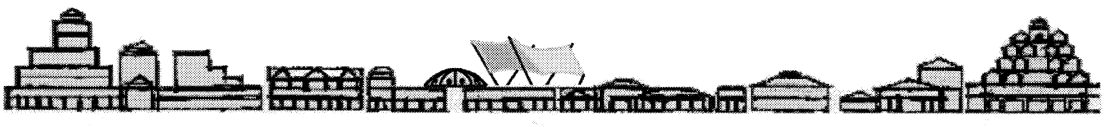
CITY OF STOCKTON

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
JUNE 30, 2009
(With comparative totals as of June 30, 2008)
(Dollar amounts in thousands)

	2009	2008
ASSETS		
Cash and investments	$ 54,429	$ 60,636
Cash and investments with fiscal agents	29,004	31,395
Receivables:		
Interest	347	518
Accounts and other receivables	2,386	2,057
Due from other governments	-	1
Total assets	$ 86,166	$ 94,607
LIABILITIES		
Accounts payable	$ 44	$ 1,122
Due to other governments	2,316	7,330
Deposits and other liabilities	83,806	86,155
Total liabilities	$ 86,166	$ 94,607

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, 2009

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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 (solid waste disposal, wastewater, and stormwater utilities), water utility, community development, library parks, 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, these financial statements present the City and its component units. Component units are legally separate entities for which the government is considered to be financially accountable. Additionally, blended component units can be organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each blended component unit has a June 30th year-end.

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

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

The Stockton Public Financing Authority (SPFA) was created in June 1990 and carries out lease financing for the City General Fund, Redevelopment Agency, Water Utility, Wastewater Utility, and Central Parking District. The members of the City Council also serve as the governing board of the SPFA. The SPFA is reported in the City's fund financial statements in the debt service funds, capital projects funds, enterprise funds, and the internal service funds, as well as in the City's government-wide financial statements. Consistent with the National Council on Governmental Accounting (NCGA) Statement No. 5 and GASB Statement 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An additional governmental agency in which the City participates is the San Joaquin Area Flood Control Agency (SJAFCA) which is jointly governed by the City and 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 are offset by program revenues. *Direct expenses* are those expenses specifically associated with a service, program, or department and, are clearly identifiable with a specific function or program. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as *general revenues*.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation The government-wide financial statements are reported using the *economic resources* measurement focus and the accrual basis of accounting, as are the proprietary 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 sales and use, gas, utility user and hotel/motel room taxes, franchise fees, interest, and intergovernmental revenues, which are virtually unrestricted as to purpose of expenditure and revocable only for failure to meet prescribed compliance requirements. All other revenue items, such as business licenses and fines and penalties, are considered to be measurable and available only when received by the City

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, claims and judgments, and pollution remediation obligations are recorded only when payment is due.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

The City reports the following major governmental funds:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

Additionally, the City reports the following fund types:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

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

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

The City participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Restricted Cash and Investments – Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets in the proprietary fund and government-wide financial statements.

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

Long-term interfund loan receivables are reported as "loans to other funds" and are offset equally by fund balance reservations in governmental funds that indicate they do not constitute expendable available resources and, therefore, are not available for appropriation. The corresponding long-term interfund loans payable are reported as "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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 for equipment and works of art; $10,000 for land, buildings and improvements; $50,000 for infrastructure and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value on the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. In accordance with generally accepted accounting principles, the City capitalizes the net interest cost of funds borrowed to finance the construction of capital assets in the proprietary fund types. For the year ended June 30, 2009, there was no capitalized interest cost associated with construction in progress.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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.
- 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."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accounting for Escheat Property – The City is in compliance with 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 generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data – The fiscal year (FY) 2007-08 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.

New Pronouncements – For the year ended June 30, 2009, the City implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This statement establishes guidance on how to calculate and report the costs and obligations associated with pollution remediation efforts. The City has included the related financial statement disclosures required by GASB Statement No. 49 in Note 12.

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."

2. CASH AND INVESTMENTS (Continued)

Summary of carrying amounts at June 30, 2009 (dollar amounts in thousands):

Deposits	$	18,455
Investments		381,845
Total cash and investments	$	400,300
Presented in the government-wide statement of net assets:		
Cash and investments	$	191,754
Restricted cash and investments		125,113
Presented in the statement of fiduciary net assets:		
Cash and investments		54,429
Cash and investments with fiscal agents		29,004
Total cash and investments	$	400,300

Deposits – At June 30, 2009, the recorded amount of the City's deposits was $18,454,973; and the bank balance was $20,710,358. The bank balance and carrying amount differ due to deposits in transit of $2,479,813 and outstanding checks of $4,735,198.

The bank balances were entirely insured or collateralized at June 30, 2009. Section 53652 of the California Government Code requires financial institutions to secure a state or local governmental units deposits, in excess of insured amounts, by pledging government securities in an undivided collateral pool held by 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 a city's deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits.

Investments – California statutes, 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
- Small Business Administration loans
- Certificates of deposit
- Negotiable certificates of deposit
- Bankers acceptances
- Commercial paper
- Local Agency Investment Fund (LAIF) deposits - State pool
- Repurchase agreements
- Demand accounts - insured/collateralized
- Money market mutual funds
- Medium term notes
- Guaranteed investment contracts (GICs)

2. CASH AND INVESTMENTS (Continued)

The City has entered into nonparticipating guaranteed investment contracts, which are in compliance with the City's investment policy. The investment contracts bear interest ranging from 5.29% to 5.58%. All of the investment contracts are collateralized by investments with $8,250,877 collateralized at 100% to 105%, due to downgrades of the provider's below the credit ratings requirements or thresholds set forth in the legal agreements.

Although the City did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the City does have an investment in LAIF in the amount of $39,997,807. The total amount invested by all public agencies in LAIF at June 30, 2009 was $25.2 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2009 was $50.7 billion. Of this amount, 1.48% is invested in short–term asset backed commercial paper, and 13.23% is invested in structured notes and medium-term asset backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 235 days as of June 30, 2009.

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 any 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. The investment contracts bear interest ranging from 5.29% to 5.58%. All of the investment contracts are collateralized by investments, with $8,250,877 collateralized at 100% to 105%, as set forth in the legal agreements.

2. CASH AND INVESTMENTS (Continued)

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, except that only U.S. Treasury or U.S. Agency securities can be used for investments greater than five years. Investments maturing beyond a five-year horizon should not exceed fifteen percent (15%) of the total portfolio value at any given time. Specific maturities of investments depend on liquidity needs.

Credit Risk - It is the City's policy that commercial paper must have a rating of A-1/P or better. Banker's 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, that provides credit standards for its investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market 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, 2009, 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 Aa1 to Aaa by Moody's Investors Service. Medium term notes have ratings ranging from A to AAA from Standard and Poor's and A1 to Aaa by Moody's. Commercial paper is rated A-1+ by Standard and Poor's and P-1 by Moody's. LAIF, Negotiable CD's, and GIC's are not rated. The 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 ratings above.

2. CASH AND INVESTMENTS (Continued)

A summary of investments by category and maturity at June 30, 2009 (dollar amounts in thousands):

		Investment Maturities			
Investment Type	Fair Value	1 year or less	1-3 years	3-5 years	5 years or more
U. S. Agencies	$ 156,827	$ 55,324	$ 68,720	$ 32,783	$ -
U. S. Treasuries	33,661	-	20,051	13,528	82
Medium term notes	56,050	11,381	28,727	15,942	-
LAIF	39,998	39,998	-	-	-
Money market mutual funds	50,804	50,804	-	-	-
Commercial paper	9,998	9,998	-	-	-
Negotiable CD's	619	-	-	619	-
Tax exempt municipal bonds	1,858	-	-	-	1,858
Repurchase agreement	23,779	23,779	-	-	-
GICs	8,251	-	-	431	7,820
Total	$ 381,845	$ 191,284	$ 117,498	$ 63,303	$ 9,760
Allocation by percentage	100	50	31	16	3

The weighted average maturity of the portfolio was 1.94 years.

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 because their use is limited by applicable indentures or covenants. These covenants provide that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments, not permitted by the City's general investment policy, been authorized. The major part of this restriction is for the construction or acquisition of facilities, but also includes reserves for payment of debt service as required by the bond indentures.

2. CASH AND INVESTMENTS (Continued)

At June 30, 2009, restricted cash and investments and restricted cash and investments with fiscal agents are as follows (dollar amounts in thousands):

Governmental activities	$	70,146
Business-type activities		
Water Utility		17,423
Wastewater Utility		34,424
Central Parking District		3,120
Total		54,967
	$	125,113

3. INTERFUND RECEIVABLES / PAYABLES

Interfund receivables and payables are as follows at June 30, 2009:

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

		Receivable Funds		
		General Fund	Workers' Compensation Insurance	Total
Payable Funds	Other Governmental	$ 4,444	$ 1,650	$ 6,094
	Other Enterprise	144	-	144
	Total	$ 4,588	$ 1,650	$ 6,238

"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.

3. INTERFUND RECEIVABLES / PAYABLES (Continued)

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

Receivable Funds	Payable Funds: General	Public Facilities Impact Fees	Capital Improvement	Redevelopment Agency	Other Governmental	Stormwater Utility	Central Parking District	Other Enterprise	Total
General	$ -	$ -	$ -	$ 728	$ -	$ 9,870	$ 565	$ -	$ 11,163
Public Facilities Impact Fees	-	-	-	109	-	-	1,000	-	1,109
Capital Improvement	-	1,864	-	17,057	-	772	-	764	20,457
Redevelopment Agency	-	-	-	-	-	-	-	500	500
Other Governmental	-	-	-	14,660	-	-	-	-	14,660
Water Utility	4,875	-	2,721	-	-	-	-	-	7,596
Wastewater Utility	3,273	-	8,509	56	-	-	-	-	11,838
Central Parking District	-	-	-	847	-	-	-	-	847
Other Enterprise	-	-	-	-	-	-	-	-	-
Internal Service	-	-	-	-	1,650	-	530	-	2,180
Total	$ 8,148	$ 1,864	$ 11,230	$ 33,457	$ 1,650	$ 10,642	$ 2,095	$ 1,264	$ 70,350

"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 $9,870,000 is a loan from the General Fund to the Stormwater Utility for subsidizing its operations. The $565,000 loan from the General Fund to the Central Parking District is for settlement costs of property acquired through eminent domain.

3. INTERFUND RECEIVABLES / PAYABLES (Continued)

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

The $1,864,000 loan from Capital Improvement to Public Facilities Impact Fees is for architectural and construction costs for community centers and fire stations. The $17,057,000 from Capital Improvement to the Redevelopment Agency represents loans for various project areas. The $772,000 from Capital Improvement to Stormwater Utility represents loans for various projects. The $764,000 loan from the Capital Improvement Fund to the Golf Courses Fund is for the Swenson irrigation system project.

The $14,660,000 represents loans in the amount of $197,000 from the Development Services Fund, $4,686,000 from the Urban Development Action Grant Fund, and $9,778,000 from the Community Development Loan Fund to the Redevelopment Agency to provide funds for various project areas.

The $4,875,000 is a loan from the Water Utility to the General Fund for subsidizing its operations. The $2,721,000 is a loan from the Water Utility to Capital Improvement for various projects.

The $3,273,000 is a loan from the Wastewater Utility to the General Fund for subsidizing its operations. The $8,509,000 is a loan from the Wastewater Utility to Capital Improvement for various projects. The $56,000 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 West End project area.

Finally, the $1,650,000 represents a loan from the Workers' Compensation Insurance Fund to the Development Services Fund to finance operations. The $530,000 advance 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, 2009 (dollar amounts in thousands):

		Transfers In					
		General	Capital Improvement	Redevelopment Agency	Other Governmental	Internal Service	Total
Transfers Out	General	$ -	$ -	$ -	$ 13,103	$ -	$ 13,103
	Public Facilities Impact Fees	-	-	-	137	-	137
	Redevelopment Agency	-	-	-	13,936	-	13,936
	Other Governmental	5,123	5	11,334	1,610	133	18,205
	Water Utility	-	4	-	-	-	4
	Wastewater Utility	-	25	-	-	-	25
	Central Parking District	774	-	-	-	-	774
	Internal Service	-	-	-	-	250	250
	Total	$ 5,897	$ 34	$ 11,334	$ 28,786	$ 383	$ 46,434

During the year various interfund transfers were made to finance expenditures, subsidize operating losses, and service debt. The $13,103,000 General Fund transfers out include $6,659,000 to Recreation Services, $5,596,000 to the City-County Library, $774,000 to the Stockton Public Financing Authority (SPFA) Debt Service Fund, and $74,000 to the Special Grants Fund to match funds on specific projects.

The General Fund received transfers in of $5,123,000 from the Gas Tax Fund primarily for the reimbursement of qualified street repair and maintenance expenditures and $774,000 from the Central Parking District for an operating subsidy related to the Stewart Eberhardt Building / Parking Structure.

The Redevelopment Agency Fund received transfers in of $11,334,000, $11,328,000 was received from the Special Grant and Loan Programs Fund for the Marina Construction Project.

The $13,936,000 Redevelopment Agency Fund transfers out include $3,762,000 to the Redevelopment Agency Loan Fund to provide loans for neighborhood revitalization and improve housing affordability; $9,551,000 to the Redevelopment Agency Debt Service Fund and $623,000 to the Stockton Public Financing Authority (SPFA) Debt Service Fund for the payment of principal and interest on outstanding debt.

4. TRANSFERS (Continued)

Transfers out of $18,204,000 from the Other Governmental Funds include $5,123,000 from the Gas Tax Fund to the General Fund primarily for the reimbursement of qualified street repair and maintenance expenditures, $11,328,000 from the Special Grant and Loan Programs Fund to the Redevelopment Agency Fund for the Marina Construction Project, $1,437,000 from the City Administration Building Fund to the Stockton Public Financing Authority (SPFA) Debt Service Fund, $132,000 from Community Development Grant Fund to the Central Garage, Computer Equipment, and Radio Equipment Internal Service Funds to reimburse for grant expenditures; and $178,000 from various Other Governmental Funds to Other Governmental Funds to reimburse for miscellaneous expenditures.

Finally, the Internal Service Funds had a transfer of $250,000 from the Other Insurance Internal Service Fund to the Radio Equipment Internal Service Fund to subsidize current operations.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 (dollar amounts in thousands):

Governmental activities:	Balance July 1, 2008	Acquisitions	Dispositions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 37,195	$ 6,617	$ -	$ 43,812
Construction in progress	96,392	64,057	(7,829)	152,620
Total capital assets, not being depreciated	133,587	70,674	(7,829)	196,432
Capital assets, being depreciated:				
Infrastructure	406,175	6,938	-	413,113
Buildings and improvements	291,791	8,024	-	299,815
Machinery and equipment	43,588	3,467	(89)	46,966
Total capital assets, being depreciated	741,554	18,429	(89)	759,894
Less accumulated depreciation for:				
Infrastructure	(77,918)	(10,768)	-	(88,686)
Buildings and improvements	(53,444)	(6,921)	-	(60,365)
Machinery and equipment	(29,004)	(3,057)	71	(31,990)
Total accumulated depreciation	(160,366)	(20,746)	71	(181,041)
Total capital assets, being depreciated, net	581,188	(2,317)	(18)	578,853
Governmental activities capital assets, net	$ 714,775	$ 68,357	$ (7,847)	$ 775,285

5. CAPITAL ASSETS (Continued)

Business-type activities:	Balance July 1, 2008	Acquisitions	Dispositions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 15,165	$ -	$ -	$ 15,165
Construction in progress	103,811	11,347	(91,546)	23,612
Total capital assets, not being depreciated	118,976	11,347	(91,546)	38,777
Capital assets, being depreciated:				
Buildings and improvements	587,573	94,322	-	681,895
Machinery and equipment	8,730	-	-	8,730
Total capital assets, being depreciated	596,303	94,322	-	690,625
Less accumulated depreciation for:				
Buildings and improvements	(168,752)	(13,793)	-	(182,545)
Machinery and equipment	(6,101)	(144)	-	(6,245)
Total accumulated depreciation	(174,853)	(13,937)	-	(188,790)
Total capital assets, being depreciated, net	421,450	80,385	-	501,835
Business-type activities capital assets, net	$ 540,426	$ 91,732	$ (91,546)	$ 540,612

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

Governmental activities:	
General government	$ 4,259
Public safety	796
Public works	11,232
Library	113
Parks and recreation	1,831
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	2,515
Total depreciation expense - governmental activities	$ 20,746
Business-type activities:	
Water utility	$ 2,243
Wastewater utility	9,321
Stormwater utility	1,559
Central parking district	733
Golf courses	81
Total depreciation expense - business-type activities	$ 13,937

6. LONG-TERM DEBT

Governmental Activities

Summary of changes in governmental activities long-term liabilities for the year ended June 30, 2009 (dollar amounts in thousands):

Governmental activities:	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Lease Revenue Refunding Bonds:					
2006 Series A (Essential Services Building)	$ 13,535	$ -	$ (340)	$ 13,195	$ 355
Deferred amount on refunding	(737)	-	32	(705)	(32)
Unamortized discount	(79)	-	3	(76)	(3)
Variable Rate Demand Lease Revenue Bonds					
2007 Series A	36,500	-	-	36,500	-
2007 Series B	4,270	-	-	4,270	130
Total Lease Revenue Bonds	53,489	-	(305)	53,184	450
Certificates of Participation:					
Series 2003A (Redevelopment Housing)	1,160	-	-	1,160	-
Series 2003B (Redevelopment Housing)	12,140	-	-	12,140	-
Unamortized discount	(83)	-	4	(79)	(4)
Total Certificates of Participation	13,217	-	4	13,221	(4)
Pension Obligation Bonds:					
2007 Series A	96,735	-	(20)	96,715	130
2007 Series B	28,325	-	-	28,325	-
Total Pension Obligation Bonds	125,060	-	(20)	125,040	130
Other long-term obligations:					
Notes payable:					
U.S. Dept. of Housing and Urban Development	22,915	-	(525)	22,390	970
California Housing Finance Agency	1,050	-	-	1,050	-
Loan payable:					
San Joaquin Council of Governments	6,543	-	(1,090)	5,453	1,090
Capital Lease Obligation-Fire Vehicles	974	-	(51)	923	53
Capital Lease Obligation-Citywide Communications		2,431	(808)	1,623	201
Estimated liability for self-insurance	47,958	45,366	(39,958)	53,366	11,653
Compensated absences	22,361	8,196	(8,395)	22,162	9,263
Total other long-term obligations	101,801	55,993	(50,827)	106,967	23,230
Redevelopment Agency:					
Revenue Bonds:					
Series 2004 (Stockton Events Center-Arena)	46,825	-	(225)	46,600	280
2006 Series A (Redevelopment Projects)	75,755	-	-	75,755	-
2006 Series B (Redevelopment Projects)	8,445	-	(1,395)	7,050	1,480
2006 Series C (Housing Projects)	25,985	-	(370)	25,615	395
Unamortized premium	3,647	-	(126)	3,521	126
Note payable	1,046	6,343	(28)	7,361	29
Total Redevelopment Agency	161,703	6,343	(2,144)	165,902	2,310
Total governmental activities - long-term liabilities	$ 455,270	$ 62,336	$ (53,292)	$ 464,314	$ 26,116

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, 2009, bonds totaling $13,195,000 are due in installments ranging from $355,000 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 defease $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 Police Public Facility Fee Fund. The principal amount due is reported net of a negative deferred amount on refunding of $705,000 and an unamortized discount $76,000.

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, 2009 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, 2009, the rate being paid was 2.32%. Rates paid during the fiscal year varied from a low of 1.20% to a high of 12.00%.

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, 2009 bonds totaling $4,270,000 are due in installments ranging from $130,000 to $345,000 beginning September 1, 2009 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, 2009, the rate being paid was 4.25%. Rates paid during the year varied from a low of 2.46% to a high of 12.00%

6. LONG-TERM DEBT (Continued)

The Series A and B bonds were issued to provide funds to finance the acquisition of an office building and parking garage in downtown Stockton, which is planned to be converted into the City Administration Building to replace an aging City Hall and other City offices. The primary source of repayment for both the A and the B series bonds is from revenues derived from rental leases by tenants occupying the building. There is not currently a hedge instrument, or interest rate swap, in place on these variable rate bonds.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on 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 a Standby Bond Purchase Agreement between the Stockton Public Financing Authority, Wells Fargo (Trustee) and Dexia Credit Local (liquidity facility), the Trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. 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 1.00 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 .50 percent. In no event will the rates exceed the capped rate of 25% on any outstanding bonds.

Bonds that have failed in being remarketed will revert to Dexia at the current rate that other bonds in the series have been marketed for, with the exception of the rate being based on a 360 day year, rather than a 365/366 day year. If the remarketing agent is unable to resell any bonds that are "put" within 180 days of the "put" date, they become purchased bonds and carry the rates described in the paragraph above. Purchased bonds are subject to special mandatory redemption over a seven year period with 14 equal semi-annual installments. If the entire balances of all outstanding bonds were to fail in remarketing, under the Standby Bond Purchase Agreement, the City would be required to pay $12,618,372 per year for seven years. Another alternative would be the refinancing of outstanding balances in order to avoid this worst case scenario.

The City is required to pay to the Dexia Credit Local (liquidity facility) quarterly commitment fees based on a .20% annual rate on outstanding bond balances. The City also pays quarterly remarketing fees based on a .08% annual rate on outstanding bond balances.

6. LONG-TERM DEBT (Continued)

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. Firstly, rental rates charged to tenants include debt service payments at the level at which the City would have paid had the bond issue been a longer-term fixed interest rate bond issue. Secondly, both the A and B series bonds are subject to conversion of the weekly reset period used to determine the market variable rate, 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 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 ends on December 31, 2009.

The City will be judiciously managing this available investment option to match the savings to be incurred by defraying potential rising interest costs with the alternative loss of investment income. The City currently holds none 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 this bond issues liquidity facility. The City continues to monitor the variable rate capital markets to gauge market performance and 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, 2009, 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, 2009 is reported net of unamortized discount of $17,000.

6. LONG-TERM DEBT (Continued)

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, 2009, 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, 2009 is reported net of unamortized discount of $63,000.

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, 2009, principal and interest paid was $667,130 and the 20% Agency housing set-aside was $5,122,036. The total principal and interest remaining to be paid on the COPs is $23,929,000.

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, 2009, bonds totaling $96,715,000 are due in installments ranging from $130,000 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, 2009, 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 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.

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
2010	$ 485	$ 1,244	$ -	$ 667	$ 130	$ 6,842
2011	510	1,224	-	667	250	6,832
2012	530	1,203	330	660	380	6,816
2013	555	1,184	345	645	930	6,783
2014	580	1,164	360	630	1,580	6,718
2015-2019	3,340	5,479	2,050	2,888	11,490	32,601
2020-2024	4,685	4,791	2,595	2,324	19,125	28,977
2025-2029	6,725	3,839	3,330	1,567	22,745	23,369
2030-2034	7,410	2,686	4,290	581	31,810	16,505
2035-2039	6,945	2,031			36,600	6,579
2040-2044	9,515	1,363	-	-	-	-
2045-2049	12,685	462	-	-	-	-
Total	$ 53,965	$ 26,670	$ 13,300	$ 10,629	$ 125,040	$ 142,022

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, 2009, the first loan totaling $3,075,000 has notes due in installments ranging from $430,000 to $600,000 and are to be paid August 1, 2009 through August 1, 2014, with interest rates ranging from 5.67% to 6.17%; the second loan totaling $2,240,000 has notes due in installments ranging from $125,000 to $260,000 and are to be paid August 1, 2009 through August 1, 2020, with interest rates ranging from 5.67% 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, 2009 through August 1, 2020, with interest rates ranging from 5.07% to 5.53%; the fourth loan totaling $12,500,000 has notes due in installments ranging from $415,000 to $1,920,000 and are to be paid August 1, 2009 through August 1, 2024, with interest rates ranging from 2.62% to 5.25%. Repayment of the loans will be financed from Community Development Block Grant entitlement funds.

The City also entered into two loan agreements with the California Housing Finance Agency for the purposes of the operation of a local housing program. Outstanding balances are $500,000 and $550,000, respectively, as of June 30, 2009. Simple interest is calculated at 3.0% per annum. The term of the loans are 10 years and 8 years from the date of the agreements and will be due on June 24, 2013 and April 4, 2013, along with all interest charges incurred during the term of the loans.

6. LONG-TERM DEBT (Continued)

Loan Payable

In 2002 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, 2009, the outstanding balance is $5,452,698. The term of the loan is a six year repayment schedule with quarterly repayments of $272,634 beginning September 2008 through March 31, 2011. No interest is charged at this time. Beginning April 1, 2011 through March 31, 2014, quarterly payments will be $272,987 plus interest on the remaining balance. The interest charges incurred are based upon SJCOG's borrowing rate at that time. For purposes of providing an estimate, simple interest is currently 3.852% per annum.

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

Year Ending June 30,	Notes Payable		Loan Payable	
	Principal	Interest	Principal	Interest
2010	$ 970	$ 1,120	$ 1,091	$ -
2011	1,200	1,073	1,091	34
2012	1,220	1,017	1,092	111
2013	2,300	1,249	1,092	68
2014	1,290	893	1,087	26
2015-2019	7,070	3,410	-	-
2020-2024	8,775	1,342	-	-
2025-2029	615	16	-	-
Total	$ 23,440	$ 10,120	$ 5,453	$ 239

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 in an aggregate amount not to exceed $7 million 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, making use of $1,000,000 of the amount authorized. 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 26th and October 26th through October 26, 2022 with an interest rate of 3.862%.

6. LONG-TERM DEBT (Continued)

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

Machinery and Equipment	$	1,000
Less: Accumulated depreciation		(156)
Total	$	844

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 (dollar amounts in thousands):

Machinery and Equipment	$	441
Less: Accumulated depreciation		(58)
Total	$	383

Both 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, 2009, the future minimum lease obligations and the net present value of these minimum lease payments are (dollar amounts in thousands):

Year Ending June 30,	Capital Lease #1 Principal	Capital Lease #1 Interest
2010	$ 53	$ 35
2011	55	33
2012	58	31
2013	60	29
2014	62	26
2015-2019	349	94
2020-2024	286	23
Total	$ 923	$ 271

Year Ending June 30,	Capital Lease #2 Principal	Capital Lease #2 Interest
2010	$ 201	$ 75
2011	259	66
2012	271	54
2013	284	41
2014	297	28
2015	311	14
Total	$ 1,623	$ 278

6. LONG-TERM DEBT (Continued)

Estimated Liability for Self-insurance

Internal service funds predominantly serve the governmental funds. Accordingly, estimated long-term liabilities for these funds are included in the totals for governmental activities. As of June 30, 2009, the long-term liabilities for the General Liability Insurance, Workers' Compensation Insurance, and Health Benefits Insurance Funds total $53,366,000 (refer to Note 10, Risk Services for additional disclosures regarding risk management).

Compensated Absences

Compensated absences related to governmental activities total $22,162,000 at year-end. These balances are generally paid by the General Fund. The above balance includes $4,167,000 of compensated absences recorded in the internal service funds.

Redevelopment Agency

Revenue Bonds

Revenue Bonds, Series 2004 (Stockton Events Center-Arena) were issued in the amount of $47,000,000 on March 18, 2004 by the Redevelopment Agency (Agency). As of June 30, 2009, bonds totaling $46,600,000 are due in installments ranging from $280,000 to $4,035,000 through September 1, 2036, with interest rates ranging from 2.25% 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 $1,372,000.

6. LONG-TERM DEBT (Continued)

Revenue Bonds, 2006 Series A (Redevelopment Projects), were issued in the amount of $75,755,000 on July 12, 2006 by the Stockton Public Financing Authority (SPFA). As of June 30, 2009, bonds totaling $75,755,000 are due in installments ranging from $410,000 to $4,790,000 and are to be paid beginning September 1, 2012 through September 1, 2037, with interest rates ranging from 5.0% to 5.25% on the bonds outstanding. The Bonds were issued as part of the Strong Neighborhoods Initiative to fund a portion of three loans (collectively, the Redevelopment Loans) made pursuant to three loan agreements (the Redevelopment Agreement) between the SPFA and the Redevelopment Agency (Agency), relating, respectively, to the Agency's Midtown Merged Redevelopment Project, North Stockton Redevelopment Project and South Stockton Merged Redevelopment Project (collectively, the Merged Midtown, North Stockton, and South Stockton Merged Redevelopment Projects). The portion of each Redevelopment Loan allocable to the Series A Bonds will be used by the Agency to finance certain redevelopment projects within or of benefit to the Merged Midtown, North Stockton, and South Stockton Merged Redevelopment Projects. The Bonds are special obligations of the Agency payable from tax increment revenues from the Midtown Merged, North Stockton, and South Stockton Merged Redevelopment Project Area. The principal amount due is reported net of unamortized premium of $2,148,000.

Taxable Revenue Bonds, 2006 Series B, (Redevelopment Projects), were issued in the amount of $8,445,000 on July 12, 2006 by the Stockton Public Financing Authority (SPFA). As of June 30, 2009, bonds totaling $7,050,000 are due in installments ranging from $1,480,000 to $1,665,000 and are to be paid beginning September 1, 2009 through September 1, 2013, with interest rates ranging from 6.02% 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 Merged Midtown, North Stockton, and South Stockton Merged Redevelopment Projects. The Bonds are special obligations of the Agency payable from tax increment revenues from the Midtown Merged, North Stockton, and South Stockton Merged Redevelopment Project Areas.

6. LONG-TERM DEBT (Continued)

Taxable Revenue Bonds, 2006 Series C, (Housing Projects), were issued in the amount of $25,985,000 on July 12, 2006 by the Stockton Public Financing Authority (SPFA). As of June 30, 2009, bonds totaling $25,615,000 are due in installments ranging from $395,000 to $1,720,000 and are to be paid beginning September 1, 2009 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.

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, 2009, principal and interest paid was $10,250,527 and tax increment revenue recognized was $25,610,181. The total principal and interest remaining to be paid on the Redevelopment Agency's Revenue Bonds is $302,739,000.

Note Payable

On March 17, 1997, the Redevelopment 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 2010.

The combined amount outstanding, on both loans, as of June 30, 2009 is $7,361,000. 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. It is anticipated that all remaining funds will be drawn in FY 2009/2010. At that point, a 30-year repayment schedule at 4.5% interest will commence. Repayment of the loans will be financed from tax increment revenues of the Redevelopment Agency.

6. LONG-TERM DEBT (Continued)

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

Year Ending June 30,	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2010	$ 2,155	$ 8,145	$ 29	$ 331
2011	2,325	8,021	149	330
2012	2,505	7,887	156	323
2013	2,695	7,745	163	316
2014	2,890	7,597	135	309
2015-2019	17,655	35,547	774	1,447
2020-2024	23,815	30,362	964	1,257
2025-2029	28,000	23,761	1,202	1,019
2030-2034	37,675	14,961	1,498	724
2035-2039	35,305	3,693	1,866	355
2040	-	-	425	19
Total	$ 155,020	$ 147,719	$ 7,361	$ 6,430

6. LONG-TERM DEBT (Continued)

Business-type Activities

Summary of changes in business-type activities long-term liabilities for the year ended June 30, 2009 (dollar amounts in thousands):

Business-type activities:	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Water Utility					
California Statewide Community Development Authority Revenue Bonds Series 2002A (Water System Capital Improvements)	$ 11,845	$ -	$ (565)	$ 11,280	$ 590
Deferred amounts on refunding	(249)	-	17	(232)	(17)
Unamortized discount	(212)	-	15	(197)	(14)
Stockton Public Financing Authority Revenue Bonds Series 2005A (Water System Capital Improvements)	24,230	-	-	24,230	-
Unamortized premium	123	-	(5)	118	4
Note payable Federal Drought Relief Act Loan	672	-	(62)	610	65
Total Water Utility	36,409	-	(600)	35,809	628
Wastewater Utiity					
Stockton Public Financing Authority Certificates of Participation Revenue COP 1998 Series A (Wastewater Projects)	86,805	-	(2,020)	84,785	2,120
Refunding COP 2003 Seris A (Wastewater Projects)	11,905	-	(585)	11,320	600
Deferred amounts on refunding	(3,840)	-	267	(3,573)	(252)
Unamortized discount	(487)	-	27	(460)	(27)
Total Wastewater Utility	94,383	-	(2,311)	92,072	2,441
Cental Parking District					
Stockton Public Financing Authority Lease Revenue Bonds Series 2004 (Parking and Capital Projects)	32,575	-	(165)	32,410	210
Unamortized discount	(63)	-	2	(61)	(3)
Total Central Parking District	32,512	-	(163)	32,349	207
Other long-term obligations:					
Compensated absences	457	585	(174)	868	517
Total business-type activities - long-term liabilities	$ 163,761	$ 585	$ (3,248)	$ 161,098	$ 3,793

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, 2009, bonds totaling $11,280,000 are due in installments ranging from $590,000 to $1,090,000 through October 1, 2022, with interest rates ranging from 3.9% 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 $232,000 and unamortized discount of $197,000.

The 2005 Water Revenue Bonds, Series A (Water System Capital Improvement Projects) were issued in the amount of $24,230,000 by the Stockton Public Financing Authority (SPFA) on November 3, 2005. As of June 30, 2009, 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 $118,000.

The City has pledged future net revenues from the Water Utility Fund for the repayment of the Bonds. For the year ended June 30, 2009, principal and interest paid was $2,355,000 and net revenues were $5,957,000. The total principal and interest remaining to be paid on the Water Utility Revenue Bonds is $63,824,000.

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, 2009 the outstanding balance on this loan was $610,000. The loan bears interest at 5.0% per annum with final payment due in July 2017.

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 Stockton Public Financing Authority (SPFA) on February 3, 1998. As of June 30, 2009, certificates totaling $84,785,000 are due in installments ranging from $2,120,000 to $7,325,000 through September 1, 2029, with interest rates ranging from 4.3% 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 $3,573,000 and unamortized discount of $310,000.

Refunding Certificates of Participation (COP) 2003 Series A (Wastewater System Project) were issued in the amount of $14,135,000 by the Stockton Public Financing Authority (SPFA) on May 21, 2003. As of June 30, 2009 certificates totaling $11,320,000 are due in installments ranging from $600,000 to $965,000 through September 2, 2023, with interest rates ranging from 2.0% 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 a negative unamortized discount of $150,000.

The City has pledged future net revenues from the Wastewater Utility Fund for the repayment of the COPs. For the year ended June 30, 2009, principal and interest paid was $7,375,000 and net revenues were $3,296,000. The total principal and interest remaining to be paid on the Wastewater Utility COPs is $155,734,000.

6. LONG-TERM DEBT (Continued)

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 Stockton Public Financing Authority (SPFA) on June 16, 2004. As of June 30, 2009, bonds totaling $32,410,000 are due in installments ranging from $210,000 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 $61,000.

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, 2009, principal and interest paid was $1,806,000 and net revenues were $2,736,000. The total principal and interest remaining to be paid on the Wastewater Utility COPs is $62,121,000.

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

Year Ending June 30,	Water Utility Revenue Bonds Principal	Water Utility Revenue Bonds Interest	Wastewater Utility Certificates of Participation Principal	Wastewater Utility Certificates of Participation Interest	Central Parking District Lease Revenue Bonds Principal	Central Parking District Lease Revenue Bonds Interest
2010	$ 590	$ 1,669	$ 2,720	$ 4,659	$ 210	$ 1,634
2011	620	1,645	2,840	4,538	255	1,625
2012	640	1,619	2,955	4,417	305	1,613
2013	670	1,592	3,090	4,287	360	1,600
2014	700	1,562	3,230	4,143	410	1,585
2015-2019	4,335	7,273	18,710	18,169	3,015	7,584
2020-2024	6,035	6,002	23,815	13,067	5,080	6,624
2025-2029	7,610	4,420	31,420	6,159	7,975	4,950
2030-2034	9,720	2,311	7,325	190	11,850	2,419
2035-2039	4,590	221	-	-	2,950	77
Total	$ 35,510	$ 28,314	$ 96,105	$ 59,629	$ 32,410	$ 29,711

6. LONG-TERM DEBT (Continued)

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

Year Ending June 30,	Note Payable Principal	Note Payable Interest
2010	$ 65	$ 30
2011	68	27
2012	71	24
2013	75	20
2014	79	17
2015-2018	252	25
Total	$ 610	$ 143

Other Long-term Obligations

Compensated Absences

At year-end, $868,000 of enterprise funds compensated absences is included in the totals for business-type activities.

Defeasance of Debt

The City and the Stockton Public Financing Authority (SPFA) defeased certain long-term debt by placing the proceeds of new debt in irrevocable trusts to provide for all future debt service payments on the old debt until called. Accordingly, the trust account assets and liabilities for the following defeased debt issues are not included in the City's financial statements. As of June 30, 2009, the outstanding balances of the bonds considered defeased were as follows:

1999 Certificates of Participation – SEB/Parking	$ 13,025,000

6. LONG-TERM DEBT (Continued)

Debt without City Commitment

Land Secured Debt Financing (No City Commitment) – The City has authorized the formation of community facilities districts (CFDs) and assessment districts (local improvement districts) (LIDs) and the issuance of bonds under various public improvement acts of the State of California to finance eligible public facilities necessary to serve developing commercial, industrial, residential and/or mixed use developments. The bonds are secured by annual special tax levies or liens placed on the property within the districts. The City is not liable for repayment and acts only as an agent for the property owners in collecting the special taxes or assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from special taxes or assessments, specific reserves, and the proceeds from property foreclosures. Accordingly, the bonds are not reported as liabilities in the City's basic financial statements. As of June 30, 2009, there were ten CFD special tax bonds, four special assessment bonds, and six revenue bonds outstanding with aggregate principal amounts payable of $104,080,000, $24,700,000, and $43,965,000, respectively.

Conduit Debt (No City Commitment) – Revenue bonds and certificates of participation have been issued to provide financial assistance to public and private sector entities for the funding of mortgage loans, capital improvements to medical facilities and refinancing of previously existing debt deemed to be in the public interest. The 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 debt issues are not reported as liabilities in the City's basic financial statements. As of June 30, 2009, there were three series of revenue bonds with an aggregate principal amount payable of $36,140,240.

7. SHORT-TERM DEBT (Continued)

Governmental Activities

Summary of the governmental activities short-term debt for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
Governmental activities:				
2008 CSCDA Tax and Revenue Anticipation Notes	$ -	$ 30,352,500	$ 30,352,500	$ -

The 2009 Tax and Revenue Anticipation Notes (TRAN) were issued in the amount of $30,352,500 on July 1, 2008 by the California State Communities Development Authority (CSCDA) and matured on June 30, 2009. 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.

8. EQUITY

Nature and Purpose of Reported Reserves and Designations

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

8. EQUITY (Continued)

Summary of reported reserves and designations by fund at June 30, 2009 (dollar amounts in thousands):

	Governmental Funds					
	General	Public Facilities Impact Fees	Capital Improvement	Redevelopment Agency	Other	Total
Reserves:						
Encumbrances	$ 672	$ 12,923	$ 3,840	$ 10,257	$ 17,022	$ 44,714
Loans	11,163	1,109	20,457	649	98,118	131,496
Debt service	-	-	-	-	12,827	12,827
Capital projects	-	36,659	25	54,504	-	91,188
Low and moderate income housing	-	-	-	6,818	-	6,818
Public safety	-	-	-	-	1,549	1,549
Endowments	-	-	-	-	1,604	1,604
Other items	2,340	-	-	40	7,540	9,920
Total reserves	14,175	50,691	24,322	72,268	138,660	300,116
Designations:						
Catastrophic events	1,620	-	-	-	-	1,620
Budget contingency/ budget uncertainty	1,620	-	-	-	-	1,620
Future appropriations	5,367	-	-	-	-	5,367
Total designations	8,607	-	-	-	-	8,607
Total Reserves and Designations	$ 22,782	$ 50,691	$ 24,322	$ 72,268	$ 138,660	$ 308,723

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

Loans – Council approved loans made for the purposes described in Note 3 (Interfund Receivables/Payables) and loans to property owners.

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

Capital Projects – The construction and improvement of capital facilities.

8. EQUITY (Continued)

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

Public Safety – Set aside for unanticipated public safety revenue shortfalls.

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

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

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

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

Future Appropriations – Set aside for future unanticipated budgetary needs.

Net Assets

The government-wide statement of net assets reports $199,642,000 of restricted net assets, of which $87,996,000 is restricted by enabling legislation.

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 their highest annual salary. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, 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.

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 21.521% of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by CalPERS.

9. RETIREMENT PLANS (Continued)

Annual Pension Cost – For the year ended June 30, 2009, the City's Safety Plan annual pension costs were $10,228,755. The annual pension costs were less than the City's required and actual contributions of $11,932,433 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, 2006 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 3.25% 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, 2007 (most recent valuation), the remaining amortization period as of June 30, 2009 was 29 years for the Safety Plan.

Funded Status and Funding Progress – As of June 30, 2007, the most recent valuation date, the Safety Plan was 95.6% funded. The actuarial accrued liability for benefits was $619,816,290 and the actuarial value of assets was $592,315,427, resulting in an unfunded actuarial accrued liability (UAAL) of $27,500,863. The covered payroll (annual payroll of active employees covered by the plan) was $54,127,744, and the ratio of the UAAL to covered payroll was 50.8%.

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.

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). This prepaid pension asset was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of the Annual Required Contributions. The pension asset is being amortized over a 30 year period. The pension asset balance at June 30, 2009 is $92,998,680 for the Safety Plan.

The City's annual pension cost and change in pension asset related to the Safety Plan for the year ended June 30, 2009, were as follows (dollar amounts in thousands):

Annual required contribution	$	11,932
Interest on beginning net pension asset		(7,075)
Adjustment to the annual required contribution		5,371
Annual pension cost	$	10,228
Contributions made	$	11,932
Less: annual pension cost		(10,228)
Change in pension asset		1,704
Pension asset, beginning of the year		91,295
Pension asset, end of the year	$	92,999

Three-Year Trend Information (dollar amounts in thousands)

Fiscal Year	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Pension Asset
6/30/2009	$ 10,228	$ 11,932	117%	$ 92,999
6/30/2008	9,220	10,979	119%	91,295
6/30/2007	15,375	104,911	682%	89,536

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 12.89% 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, 2009, the City's Miscellaneous Plan annual pension costs were $6,681,994. The annual pension costs were less than the City's required and actual contributions of $7,331,594 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, 2006 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.25% to 14.45%; (c) inflation of 3.00%; and (d) payroll growth of 3.25%. The actuarial 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, 2007 (most recent valuation), the remaining amortization period as of June 30, 2009 was 16 years for the Miscellaneous Plan.

Funded Status and Funding Progress – As of June 30, 2007, the most recent valuation date, the Miscellaneous Plan was 95.9% funded. The actuarial accrued liability for benefits was $453,621,297 and the actuarial value of assets was $434,989,302, resulting in unfunded actuarial accrued liabilities (UAAL) of $18,631,995. The covered payroll (annual payroll of active employees covered by the plan) was $57,119,972 and the percentage of the UAAL to covered payroll was 32.6%.

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). This prepaid pension asset was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of Annual Required Contributions. The pension asset is being amortized over a 30 year period. The pension asset balance at June 30, 2009 is $35,459,693 for the Miscellaneous Plan.

The City's annual pension cost and change in pension asset for the Miscellaneous Plan the year ended June 30, 2009, were as follows (dollar amounts in thousands):

Annual required contribution	$	7,332
Interest on beginning net pension asset		(2,698)
Adjustment to the annual required contribution		2,048
Annual pension cost	$	6,682
Contributions made	$	7,332
Less: annual pension cost		6,682
Change in pension asset		650
Pension asset, beginning of the year		34,810
Pension asset, end of the year	$	35,460

Three-Year Trend Information (Dollar amounts in thousands)

Fiscal Year	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Pension Asset
6/30/2009	$ 6,682	$ 7,332	110%	$ 35,460
6/30/2008	6,065	6,736	111%	34,810
6/30/2007	8,787	42,926	489%	34,139

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 (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 9.16% 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, 2009, the City's REP annual pension costs was $1,247,578. 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 3.25% 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, 2009 was 18 years.

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 ERP) 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)

Fiscal Year	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation
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, and Health Benefits Insurance) to account for and finance its self-insured risks of loss. Under the City's risk management program, the City retains risk for up to $1,000,000 for each general liability claim, $500,000 for each workers' compensation claim and $250,000 for each medical plan member under the health benefits program. The City purchases stop loss coverage for the health benefits program from Canada Life Assurance Co. 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 who are experts in their respective fields. The general liability program is self-administered by the City of Stockton.

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 1.63% for general liability and 2.53% for worker's comp discount rates 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, 2009 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 $250,000.

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

	General Liability	Workers' Compensation	Health Benefits	Total
Balance, June 30, 2007	$ 4,278	$ 37,246	$ 3,125	$ 44,649
Claims incurred	791	9,723	27,699	38,213
Claims paid	(1,020)	(6,872)	(27,012)	(34,904)
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

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, 2009 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.

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. CSACEIA is the only joint powers authority in California to receive the Government Finance Officers Association's Certificate of Excellence in Financial Reporting since June 30, 1994. Financial statements may be obtained from 3017 Gold Canal Drive, Suite #300 Rancho Cordova, CA 95670.

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

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, 862 retirees meet these eligibility requirements and participate in the Plan.

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 fiscal 2008/09 year, the City's contributions were financed on a pay-as-you-go basis. During the year, expenditures of approximately $10,388,000 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. The City intends to develop a 12-year plan to phase in the funding of the Annual Required Contribution (ARC).

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, 2009 were as follows (dollar amounts in thousands):

Annual required contribution	$	34,987
Interest on net OPEB obligation		1,107
Adjustment to the annual required contributic		(1,509)
Annual OPEB cost (expense)		34,585
Contributions made		(10,388)
Increase in net OPEB obligation		24,197
Net OPEB obligation, beginning of the year		24,608
Net OPEB obligation, end of the year	$	48,805

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 for 2009 are as follows (dollar amounts in thousands):

Three-Year Trend Information (dollar amounts in thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of Annual OPEB cost contributed	OPEB Obligation
6/30/2009	$ 34,585	30%	$ 48,805
6/30/2008	33,801	27%	24,608

As required by GASB Statement No. 45, the City will report three years of data in the above table, as the information becomes available in subsequent years.

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $388,303,000 and the actuarial value of plan assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $388,303,000. The covered payroll (annual payroll of active employees covered by the plan) was $98,464,000 and the ratio of the UAAL to the covered payroll was 395 percent.

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.

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, 2007 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return on the City's pooled investments and an initial annual healthcare cost trend rate of 11.7 percent for members who are also covered by Medicare and 11.3 percent for non-Medicare members. This was reduced by decrements to an ultimate rate of 4.5 percent after 10 years for both groups. Both rates included a 3.0 percent inflation assumption and payroll increases of 3.25%. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009 is 29 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 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.

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

Commitments - The City is undertaking a number of capital improvement projects, the most significant of which include the following encumbrances at June 30, 2009 (dollar amounts in thousands):

• North Stockton I-5 Widening	$ 11,045
• Street Improvements	25,565
• Wastewater Utility	6,135
• Park Improvements & Community Centers	4,222
• Water Utility	2,658
• Stormwater Utility	828

Operating Leases - Operating lease obligations are primarily for rental of parking facilities space, but other lease obligations are included. Total expenditures for leases were $235,000 for the year ended June 30, 2009. The future minimum lease payments required for those operating leases are as follows (dollar amounts in thousands):

Year Ended June 30,	Amount
2010	$ 220
2011	231
2012	243
2013	255
2014	268
2015-2019	1,553
2020-2024	1,982
Total	$ 4,752

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.

12. COMMITMENTS AND CONTINGENCIES (Continued)

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 to $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.

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 Recreation Services non-major special revenue 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, 2009, 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.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Pollution Remediation Obligations – During the year ended June 30, 2009, the City adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. As a result of the implementation of GASB Statement No. 49, the net assets for governmental activities as of July 1, 2008 have accordingly been restated as shown in Note 14. GASB Statement No. 49 requires the City 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. GASB Statement No. 49 requires the liability to be 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 and, prices of products and services.

The City 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 West End Redevelopment Project Area. An additional contaminated site owned by the City is located at the Silver Lake Family Camp, reported in the Recreation Services Fund. The following are details of each of the seven City-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, 2008 and June 30, 2009 are also discussed. Note 14 discusses the opening equity restatement on the government-wide financial statements resulting from the first year implementation of GASB Statement 49.

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.

Brownfields Stockton Redevelopment Agency Sites

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

For more information and a map of the location of each site, please refer to the City website at: *www.stocktongov.com/Redevelopment/pages/brownfields.cfm.*

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, 2008 was $1,090,833, which includes reasonably estimable recovery of costs by the responsible parties. The net liability of this site as of June 30, 2009 is $10,833.

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, 2008 was $3,061,816, which includes reasonably estimable recovery of costs by the responsible party. The net liability of this site as of June 30, 2009 is $231,250.

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, 2008 and June 30, 2009 is $536,667, which includes reasonably estimable recovery of pre-cleanup and investigative study costs by the responsible party.

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 DTSC for oversight of lead contamination on the property. A soil management plan was completed for lead and a deed restriction 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, 2008 and June 30, 2009 was $35,000 each, which includes reasonably estimable recovery of post-remediation/monitoring costs by the responsible parties. The net pollution remediation liability for Area 24 as of June 30, 2008 and June 30, 2009, was $191,000 and $150,000, respectively, which includes reasonably estimable recovery of costs by the responsible party.

12. COMMITMENTS AND CONTINGENCIES (Continued)

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, 2008 and June 30, 2009 is $120,000. The recovery of post-remediation/monitoring costs are bore by the City, and are not included as a reduction to the estimated pollution remediation liability.

In summary, as reflected in the governmental activities statement of activities, the total net pollution remediation liability of the seven sites as of June 30, 2008 was $5,070,316, which includes reasonably estimable recovery of costs by the responsible parties. The net liability of these sites as of June 30, 2009 is $1,118,750.

13. DEFICIT FUND EQUITY

- The Community Development Block Grant Fund had a deficit fund balance of $820,000 due to a significant decline in the amount of entitlement revenue. Federal regulations require use of program revenue before entitlement funds can be drawn. Program revenue was used to cover $207,000 in expenditures. Negative cash in the amount of $769,000 was covered by a temporary loan from the General Fund. This deficit is expected to be cured by future program revenues and entitlement funding.
- The Development Services Fund had a deficit fund balance of $3,350,000 due to continued diminishing revenues in this fiscal year resulting from the downturn in development activity related to the declining regional housing market. A prior year loan received from the General Fund of $8,062,000 was forgiven per City Council resolution in connection with of a lawsuit settlement with the Building Industry Association of the Delta. The City is reviewing options to cure the deficit over time and to implement a reserve policy that would ensure continuity of development-related services and minimize the possibility of deficit fund balances in the future.
- The Solid Waste Fund had a deficit in net assets of $136,000 as of June 30, 2009 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.

13. DEFICIT FUND EQUITY (Continued)

- 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 $ 3,391,000 and a deficit in net assets of $2,616,000. The cash balance of the fund as of June 30, 2009 is $2,523,000. 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 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 $38,322,000 and a deficit in net assets of $19,844,000. The cash balance of the fund as of June 30, 2009 is $21,800,000. 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 Health Benefits Insurance Fund (internal service) based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the Health Benefits Insurance Fund has a long-term liability of $48,805,000 and a deficit in net assets of $50,230,000. The cash balance of the fund at June 30, 2009 is $1,437,000. 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 Other 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 Insurance Fund has a current liability of $4,436,000, a long-term liability of $244,000, and a deficit in net assets of $2,633,000. The cash balance of the fund as of June 30, 2009 is $2,047,000. The City will fund the deficit over time by adjusting the rates paid by City funds.

14. RESTATEMENT OF BEGINNING NET ASSETS

Governmental activities beginning net assets and governmental funds' beginning fund balances have been restated as follows:

- Effective July 1, 2008, the City implemented GASB Statement No. 49 which required the City to measure its pollution remediation liabilities at the beginning of the year, thereby requiring the restatement of beginning net assets of governmental activities. The City's beginning net assets as reported in the Statement of Activities have been restated by $5,070,316 to reflect the pollution remediation liabilities as of July 1, 2008. The City incurred pollution remediation outlays for the year ended June 30, 2009 of $3,951,566, which reduced the liability, net of estimated recoveries, to $1,118,750, as of June 30, 2009 (refer to Note 12 for more details).
- In 2002 the City received an advance of future Measure K maintenance funds from the San Joaquin Council of Governments (SJCOG) in the amount of $6,543,238 to expand the City's street maintenance program. The City recorded the advance of Measure K funds as revenue, rather than loan proceeds, under the modified accrual basis of accounting, in the Measure K – Sales Tax Fund, and therefore, did not record the loan as a long-term liability under the accrual basis of accounting, in the governmental activities statement of net assets. The City began making payments on the loan in September 2008, with final payoff on the loan scheduled in March 2014. As a result of not properly recording the loan received from the SJCOG as a long-term liability, the City's beginning net assets as reported in the Statement of Activities have been restated by $6,543,238.

The impact on beginning net assets of governmental activities as a result of the aforementioned restatements, is as follows:

	Governmental Activities
Net assets, beginning of year, as originally reported	$ 745,105
Pollution remediation liability	(5,070)
SJCOG note payable	(6,543)
Net assets, beginning of year, as restated	$ 733,492

15. SPECIAL ITEMS

There are three independent events prompting the recording of the following transactions as special items. Each of the significant 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 $6,340,000 in the General Fund and by $10,458,000 million in the Capital Improvement Fund, while increasing total fund balance in the Development Services Fund by $8,062,000. The net change of these special items to proprietary funds increased unrestricted net assets by $7,596,000 in the Water Utility Fund and by $11,782,000 in the Wastewater Utility Fund, while decreased the Stormwater Utility Fund by $10,642,000.

Building Industry Association of the Delta v. City of Stockton - As of June 30, 2008, the City reported a loan balance owed to the General Fund from the Development Services Fund in the amount of $8.062 million. On May 8, 2008, a complaint for declaratory and injunctive relief *Building Industry Association of the Delta v. City of Stockton, et al.* (San Joaquin Superior Court No. 39-2008-00184005-CU-JR-STK) was filed alleging that the City diverted approximately $13 million from the Public Facilities Fees (the "PFF") account for construction of the Stockton Events Center, accumulated more than $40 million in excessive building permit fees and diverted approximately $25 million for non-building related purposes.

The City contended that from FY 1992-93 through FY 2001-02, the revenues generated from the collection of building permit fees were insufficient to cover the costs of the services provided by the City's Community Development Department (which were accounted for in the General Fund during this period), and therefore the City was required to use General Fund monies to subsidize these services (hereafter referred to as the "Development Services Loan"). In fiscal year 2002-03, Development Services (Community Development Department) was removed from the General Fund and established as a separate special revenue fund. The balance of the Development Services Loan in Fiscal Year 2002-03 was $39,812,000. The loan consisted of a General Fund subsidy of development services activity from fiscal year 1992-93 through fiscal year 2001-02. From fiscal year 2002-03 through fiscal year 2006-07, the City made several transfers from the new Development Services Fund toward repayment of the Development Services Loan. At the end of fiscal year 2006-07, the remaining balance of the Development Services Loan was $8,062,000.

15. SPECIAL ITEMS (Continued)

During the fiscal year 2007-08 annual financial audit, a prior period adjustment in the amount of $8,062,000 was recorded to establish the remaining balance of the $39.812 million Development Services Loan as of June 30, 2008 of the prior year advance from the General Fund to the Development Services Fund on the respective funds' balance sheets. The prior period adjustment established the remaining balance of $8,062,000 as a General Fund loan to other funds and a Development Services Fund loan from other funds. The prior period adjustment was reflected as a reservation of fund balance within the General Fund.

On July 7, 2009, the City Council accepted the terms of a negotiated settlement agreement resulting in:(i) within 120 days, (a) consideration by the City to modify the Building Permit Fee as recommended in a December 2008 fee study, (b) establishing a "Development Oversight Commission" (DOC) comprised of building professionals and industry representatives, as well as members of the public appointed by the City Council to review the Public Facility Fee (PFF) Program and Community Development Department functions, provide recommendations to the City Council regarding a comprehensive update to the City's planning fees and all transfers or loans from restricted accounts, and make recommendations to the City Council with respect to the implementation of a reserve policy to fund operations of the Community Development Department and Development Services Fund, and (c) amendment of the PFF Administrative Guidelines to provide that any proposed transfer or loan from a restricted account be presented to the DOC for approval prior to presentation to the City Council as a separate agenda item; (iii) payment of Building Industry Association of the Delta attorney's fees, and (iii) forgiveness by the City of the remaining balance of the Development Services Loan, recorded as a loan receivable asset (and fund balance reserve) in the General Fund in the amount of $8,062,000.

As a result, the City has recorded the forgiveness of the $8,062,000 loan as a special item in both the General Fund and Development Services Fund.

15. SPECIAL ITEMS (Continued)

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.

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 $15.8 million in principal plus $3.69 million in accrued interest (as of June 30, 2009), for a total estimate of $19.49 million with the annual repayment plan of approximately $1.13 million to begin in FY 2010-11 and end 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 4.0%, which has been subsequently computed to be 3.4% resulting in modifications to the estimated settlement agreement approved by the court. The result of the modification related to the pooled investment rate of return resulted in a total liability of $15.8 million in principal plus $3.6 million in accrued interest (as of June 30, 2009), for a total estimate of $19.38 million. The total liability is split between the General Fund and Capital Improvement Fund in the amount of $8.15 million and $11.23 million, 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 Projects (General) Fund.

15. SPECIAL ITEMS (Continued)

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.

As a result of the settlement agreement, the City has recorded a 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.

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 from 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). The result is a special item of $9,870,000 in the General Fund, $772,000 in the Capital Improvement Fund, and a negative $10,642,000 in the Stormwater Utility Fund. Management of the utility funds is currently undertaking a utility rate analysis study to determine the appropriate rate structure to support the operational needs of the Stormwater Utility Fund that would support a repayment of this $10,642,000 liability.

15. SPECIAL ITEMS (Continued)

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

	General Fund	Capital Improvement	Other Governmental	Water Utility	Wastewater Utility	Stormwater Utility
BIA Settlement	$ (8,062)	$ -	$ 8,062	$ -	$ -	$ -
Jarvis Settlement	(8,148)	(11,230)	-	7,596	11,782	-
Stormwater Subsidy	9,870	772	-	-	-	(10,642)
Total Special Items	$ (6,340)	$ (10,458)	$ 8,062	$ 7,596	$ 11,782	$ (10,642)

These 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. Corresponding reserves to fund balances are reflected in the Balance Sheet – Governmental Funds in the amount of $9.870 million in the General Fund and $772,000 in the Capital Improvement Fund.

16. SUBSEQUENT EVENTS

Delta Water Supply Project Water Revenue Bonds

On August 27, 2009, the Water Utility Fund through the Stockton Public Financing Authority (SPFA) closed on a water revenue bond issue totaling a par amount of $173,125,000. The financed project includes construction of an intake pump facility, water treatment plant and related water distribution infrastructure systems. Bonds sold included $154,550,000 in taxable Build America Bonds (BABs) and $18,575,000 in traditional tax-exempt utility revenue bonds.

Authorized as part of the American Recovery and Reinvestment Act of 2009 (ARRA), BABs were designed to add liquidity to the municipal bond market by making available the United States municipal credit market to a set of investors that do not traditionally purchase municipal bonds, including investors outside the United States who do not receive a benefit for U.S. tax-exempt debt investment trades. These new investors consist mainly of insurance companies, corporations and taxable bond mutual funds. Taxable bonds are priced on a spread to the comparable U.S. treasury maturities. The advantage of BABs is that non-traditional buyers of municipal debt have access to the U.S. municipal market, adding liquidity and competition. The advantage to the government issuer is that, after the federal government reimbursement of 35% of the issuance interest costs, the issuer can realize significantly lower yields.

16. SUBSEQUENT EVENTS (Continued)

The 2009 Water Revenue BABs totaling $154,550,000 mature from 2017 through 2019, with term bonds in 2034 and 2038. Yields range from 6.09% in 2017, or 3.96% after the 35% federal subsidy, to 7.94% in 2038, or 5.16% after the federal subsidy. All bonds were priced at par, and were priced to yield between 240 and 260 basis points over the comparable U.S. treasury yields. These bonds are callable at par in 2019.

The $18,600,000 tax-exempt component matures from 2012 through 2016 and has yields ranging from 2.25% with a 4% coupon in 2012 to 3.76% with a 5% coupon in 2016. These tax-exempt bonds are callable.

The credit was rated A by both Standard & Poor's and Fitch. The debt financing strategy of a combination of BABs and tax-exempt debt undertaken with this Delta Water Supply Project bond issue resulted in total interest cost (TIC) rate of 5.065%, compared to 5.819% if the City had undertaken the entire debt as a tax-exempt fixed rate bond issue. The total debt service savings over the life of the bonds using the BAB mechanism amounted to $41,925,000. Debt service payments commence on April 1, 2010.

The credit was rated A by both Standard & Poor's and Fitch. The debt financing strategy of a combination of BABs and tax-exempt debt undertaken with this Delta Water Supply Project bond issue resulted in total interest cost (TIC) rate of 5.065%, compared to 5.819% if the City had issued the entire issue as a tax-exempt fixed rate bond issue. The total debt service savings over the life of the bonds using the BAB mechanism amounted to $41,925,000. Debt service payments commence on April 1, 2010.

2009 Lease Revenue Bonds – Capital Improvements, Public Facility Fee Funds
On September 9, 2009 the Stockton Public Financing Authority (SPFA) closed on a lease revenue tax-exempt bond issue totaling a par amount of $35,080,000. The financed projects include capital improvement infrastructure and facility construction for various City streets, parks, fire and police facilities funded by the City's respective public facility fee funds. The primary revenue source for repayment of the bonds will be derived from the revenues of the respective public facility fee funds. The City's two public golf courses and Oak Park are leased backed to the SPFA in support of this 2009 lease revenue bond issue.

Of the total bonds, $15,905,000 in term bonds mature in 2029 at a coupon rate of 6.75% and $19,175,000 in term bonds mature in 2038 at a coupon rate of 7.00%. The credit is rated A by Standard & Poor's. Debt service payment commence on March 1, 2010.

16. SUBSEQUENT EVENTS (Continued)

American Recovery and Reinvestment Act of 2009 (ARRA) Grant Awards

The American Recovery and Reinvestment Act of 2009, (ARRA) (Pub. L. 111-5), is an economic stimulus package enacted by the 111th United States Congress in February 2009. The Act of Congress is intended to provide a stimulus for the U.S. economy in the wake of the economic downturn. Nominally valued at $787 billion, the Act includes federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector.

The City of Stockton has taken advantage of many special grant programs enacted through the ARRA legislation. Below is a description of the ARRA grants awarded to the City of Stockton as of October, 2009. There were no ARRA grant expenditures incurred during the year ended June 30, 2009.

Public Safety

COPS Hiring and Retention Program - On July 28, 2009, the City of Stockton received a COPS Hiring and Retention Program grant award in the amount of $7,932,160 from the Federal Department of Justice. This grant will fund 20 entry level police officers for a three year period beginning in FY 2009/10.

Justice Assistance Grant – The City has been awarded the federal Justice Assistance Grant in the amount of $1,413,697 from the federal Department of Justice. This grant funds 7 police officer positions and 2 youth outreach workers for one year in FY 2009/10.

Housing

Emergency Shelter Grant – The City's Revitalization Department was awarded the federal Emergency Shelter Grant in the amount of $1,725,572 from the federal Department Housing and Urban Development (HUD) as part of the ARRA, federal stimulus program. This one-time direct allocation of federal funding is awarded to the City to provide additional rental and relocation assistance to qualified applicants in need of emergency housing.

Community Development Block Grant – The City's Revitalization Department was awarded a federal Community Development Block Grant in the amount of $1,128,456 from the federal Department Housing and Urban Development (HUD). This one-time direct allocation of federal funding was awarded to the City to provide gap financing for affordable housing projects that are "shovel ready".

16. SUBSEQUENT EVENTS (Continued)

Transportation

Surface Transportation Program – The City Public Works Department was awarded a federal Surface Transportation Program grant in the amount of $6,141,391 from the federal Department Transportation. This grant is to be used for street resurfacing projects, and funds are to be obligated within 120 days of receipt of the grant funds. Also, an additional $1 million was awarded to the City Public Works Department by the federal Surface Transportation Program from the federal Department Transportation for the Airport Way Streetscape Beautification Project Phase 2.

State of California SERAF Taking of Redevelopment Agency Funds

The Stockton Redevelopment Agency anticipates a payment to the State of an estimated $9,165,089 for deposit to the County's Supplemental Educational Revenue Augmentation Funds (SERAF) to be 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 2009. The California Redevelopment Association has filed a lawsuit challenging the constitutionality of this taking.

17. FUTURE GASB PRONOUNCEMENTS

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement provides 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, easements, water rights, timber rights, patients, trademarks and computer software. GASB No. 51 will be effective for the year ending June 30, 2010.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement established accounting and financial reporting requirements for derivative instruments entered into by state and local governments. GASB No. 53 will be effective for the year ending June 30, 2010.

17. FUTURE GASB PRONOUNCEMENTS (Continued)

In February 2009, the GASB issued 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 will be more easily understood. The reserve component of fund balance will be eliminated and replaced with a restricted classification to enhance the consistency between 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 will 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. GASB Statement No. 54 is effective for financial statements for years beginning after June 15, 2010.

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 DEFINED OPEB PLAN FUNDED STATUS FOR THE YEAR ENDED JUNE 30, 2009

The 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)

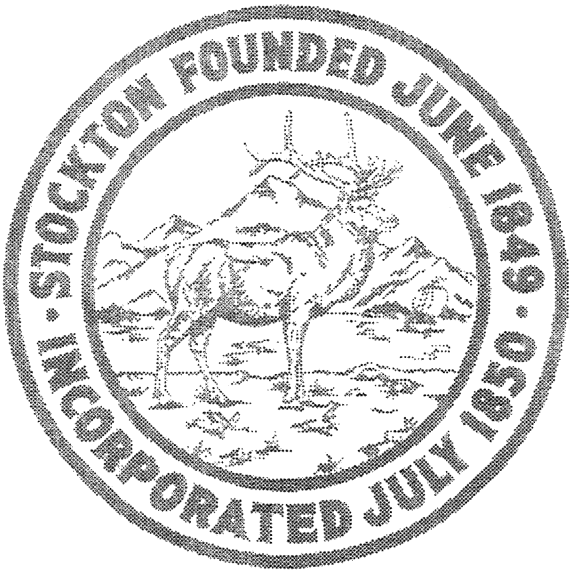
Valuation Date	Actuarial Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
6/30/08	$ 664,028	$ 625,633	$ 38,395	94.2%	$ 56,811	67.6%
6/30/07	619,816	592,315	27,501	95.6%	54,128	50.8%
6/30/06	579,611	462,052	117,559	79.7%	52,289	224.8%

MISCELLANEOUS PLAN
(dollar amounts in thousands)

Valuation Date	Actuarial Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
6/30/08	$ 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%
6/30/06	421,342	370,044	51,298	87.8%	53,640	95.6%

RETIREMENT ENHANCEMENT PLAN
(dollar amounts in thousands)

Valuation Date	Actuarial Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
3/1/08	$ 4,845	$ -	$ 4,845	0.0%	$ 5,740	84.43%


STOCKTON FOUNDED JUNE 1849
INCORPORATED JULY 1850

CITY OF STOCKTON

SCHEDULE OF DEFINED OPEB PLAN FUNDED STATUS FOR THE YEAR ENDED JUNE 30, 2009

OPEB PLAN
(dollar amounts in thousands)

Valuation Date	Normal Accrued Liability (1)	Actuarial Value of Assets (2)	Unfunded Liability (1)-(2)	Funded Status (2)/(1)	Annual Covered Payroll (3)	UAAL As a Percentage of Payroll [(1)-(2)]/(3)
6/30/07	$ 388,303	$ -	$ 388,303	0.0%	$ 98,464	395.0%

As required by GASB Statement No. 45, The City will report three years of data in the above table, as the information becomes available in subsequent years.

Actuarial valuations are only required to be performed and reported every two years, Therefore, new data will be added in the subsequent financial report.

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, 2009 (Dollar amounts in thousands)

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes:				
Property	$ 39,075	$ 31,714	$ 33,030	$ 1,316
In lieu of sales tax	10,469	9,823	9,823	-
Utility user	31,850	30,735	30,854	119
Franchise fees	11,454	11,255	11,608	353
Business license	11,000	10,000	9,197	(803)
Hotel/motel room	2,300	2,250	1,962	(288)
Document transfer	700	680	702	22
Other	-	-	1	1
Licenses and permits	369	369	641	272
Intergovernmental:				
Federal grants and subsidies	-	-	467	467
Sales and use tax - levied by state	33,789	30,202	27,522	(2,680)
Other governmental	25,668	23,874	25,299	1,425
Charges for services	10,455	10,077	11,894	1,817
Fines and forfeitures	3,766	4,346	4,492	146
Use of money and property	2,094	3,557	3,669	112
Investment income:				
Interest income	1,100	700	1,126	426
Net increase in fair value of investments	-	-	593	593
Refunds and reimbursements	3,265	2,990	3,583	593
Miscellaneous	7,748	7,466	10,763	3,297
Total revenues	195,102	180,038	187,226	7,188
EXPENDITURES:				
General government:				
City council	611	542	542	-
City manager	1,512	1,058	1,081	(23)
City attorney	1,492	1,326	1,260	66
City clerk	987	884	883	1
City auditor	685	556	534	22
Administrative services	3,558	2,963	2,666	297
Human resources	2,339	2,076	1,722	354
Housing and redevelopment	2,109	1,839	635	1,204
Non-departmental	4,552	4,398	4,888	(490)
Total general government	17,845	15,642	14,211	1,431

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, 2009
(Dollar amounts in thousands)

	Budget			Variance with
	Original	Final	Actual	Final Budget
Public safety:				
Police	100,886	90,033	93,748	(3,715)
Fire	50,125	44,425	47,863	(3,438)
Public safety contingency	-	3,881	-	3,881
Additional appropriation	-	1,454	-	1,454
Total public safety	151,011	139,793	141,611	(1,818)
Public works	13,423	12,410	12,085	325
Parks and recreation	9,048	6,860	6,798	62
Debt service - cost of issuance	-	99	99	-
Total expenditures	191,327	174,804	174,804	-
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	3,775	5,234	12,422	7,188
OTHER FINANCING SOURCES (USES):				
Transfers in	6,270	5,656	5,897	241
Transfers out	(14,726)	(13,606)	(13,103)	503
Sale of capital assets	2	2	109	107
Total other financing sources (uses)	(8,454)	(7,948)	(7,097)	851
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ (4,679)	$ (2,714)	5,325	$ 8,039
Special items			(6,340)	
BASIS ADJUSTMENT:				
Encumbrances			672	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			(343)	
FUND BALANCE, BEGINNING OF YEAR			23,125	
FUND BALANCE, END OF YEAR			$ 22,782	

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

1. DEFINED BENEFIT PENSION PLANS

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

2. POSTEMPLOYMENT HEALTHCARE PLAN

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

3. BUDGET

Budgetary Process

- In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. Total appropriations shall not exceed the total of estimated revenues, estimated unencumbered balances of funds to be carried over from the preceding year and unencumbered available fund balances. The General Fund, certain special revenue funds (Solid Waste and Recycling, Gas Tax, Measure K Sales Tax, Measure W Public Safety Tax, City-County Library, Special Assessments, Emergency Communication, Recreation Services, Development Services, and Other Special Revenue) and certain capital projects funds (Public Facilities Impact Fees and Capital Improvement) have legally adopted annual budgets. Prior to July 1, the original adopted budget is legally enacted through the passage of a resolution by the City Council. In the event this does not occur, the City Manager's draft budget is in force until a budget is adopted by the City Council.

- Enterprise and internal service funds are accounted for on a cost of service (net income) or capital maintenance measurement focus. The City is not legally mandated to report the results of operations for these fund types on a budgetary comparison basis; therefore, budgetary data related to these funds has not been presented.

3. BUDGET (Continued)

- 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.

- 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:

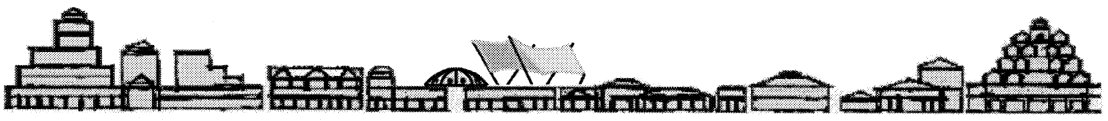
- Outstanding commitments relating to construction contracts and other purchases of goods and services are recorded as expenditures at the time contracts or purchase agreements are entered into. Under GAAP, these obligations are recognized when goods are received or services are rendered.

- 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.

3. BUDGET (Continued)

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

CITY OF STOCKTON



NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

SPECIAL REVENUE FUNDS (Continued)

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

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

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

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

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

Neighborhood Stabilization Loan Program
To account for the City's Neighborhood Stabilization Program that provides loans to non-profit housing developers to acquire and rehabilitate abandoned and foreclosed homes and down payment assistance to low and moderate income households who purchase from the non-profit organizations.

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

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

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

City Administration Building
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)

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

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

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

DEBT SERVICE FUNDS

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

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

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

PERMANENT FUND

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

CITY OF STOCKTON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009
(With comparative totals for June 30, 2008)
(Dollar amounts in thousands)

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Sales Tax
ASSETS				
Cash and investments	$ 302	$ 2,033		$ 734
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Interest	3	15	(16)	24
Accounts and other receivables	-	52		
Due from other governments	668	-	1,902	4,736
Allowance for uncollectibles	-	-	-	-
Deposits	-	-	-	-
Loans to other funds	-	-	-	-
Loans to property owners	-	-	-	-
Allowance for loan losses	-	-	-	-
Total assets	$ 973	$ 2,100	$ 1,886	$ 5,494
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES:				
Accounts payable	$ 81	$ 14	$ 471	$ 1,155
Due to other funds	-	-	1,052	-
Due to other governments	-	-	-	-
Deposits and other liabilities	-	1	-	-
Deferred revenue	719	-	-	23
Loan from other funds	-	-	-	-
			-	
Total liabilities	800	15	1,523	1,178
FUND BALANCES (DEFICIT):				
Reserved for:				
Encumbrances	719	5	645	14,440
Loans	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Endowments	-	-	-	-
Other items	-	-	4,881	-
Unreserved, reported in:				
Special revenue funds:				
Designated for termination pay	-	-	-	-
Undesignated	(546)	2,080	(5,163)	(10,124)
Debt service funds	-	-	-	-
Permanent fund	-	-	-	-
Total fund balances (deficit)	173	2,085	363	4,316
Total liabilities and fund balances (deficit)	$ 973	$ 2,100	$ 1,886	$ 5,494

Special Revenue					
Measure W Public Safety Tax	City-County Library	Special Assessments	Redevelopment Agency Loan	Urban Development Action Grant	Community Development Block Grant
	$ 3,639	$ 9,017	$ 8,583	$ -	$ -
-	-	-	-	-	-
(6)	-	61	-	-	(4)
-	936	68	-	-	2
1,276	-	-	-	-	23
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,686	-
-	-	-	36,768	-	-
-	-	-	-	-	-
$ 1,270	$ 4,575	$ 9,146	$ 45,351	$ 4,686	$ 21
$ 51	$ 289	$ 169	$ -	$ -	$ 72
994	-	-	-	-	769
-	-	1	-	-	-
-	-	-	-	-	-
-	-	48	-	-	-
-	-	-	-	-	-
1,045	289	218	-	-	841
-	297	452	-	-	197
-	-	-	36,768	4,686	-
-	-	-	-	-	-
225	-	-	-	-	-
-	-	-	-	-	-
-	-	184	-	-	-
-	-	-	-	-	-
-	3,989	8,292	8,583	-	(1,017)
-	-	-	-	-	-
-	-	-	-	-	-
225	4,286	8,928	45,351	4,686	(820)
$ 1,270	$ 4,575	$ 9,146	$ 45,351	$ 4,686	$ 21

(Continued)

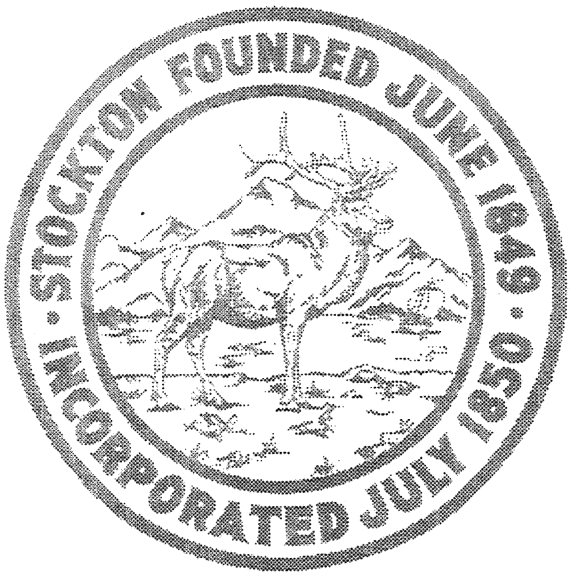
CITY OF STOCKTON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009
(With comparative totals for June 30, 2008)
(Dollar amounts in thousands)

	Special Revenue				
	Community Development Loan	CDBG Revolving Loan	Neighborhood Stabilization Loan Program	Special Grant and Loan Programs	Home Program
ASSETS					
Cash and investments	$ 1,102	$ 659		$ 246	$ 280
Cash and investments with fiscal agents	-	-	-	1,245	-
Receivables:			-		
Interest	4	5	-	(80)	1
Accounts and other receivables	-	-	-	-	-
Due from other governments	-	-	1,167	108	81
Allowance for uncollectibles		-	-	-	-
Deposits	-	-	-	-	-
Loans to other funds	9,778	-	-	-	-
Loans to property owners	3,761	14,215	1,097	-	24,469
Allowance for loan losses	(50)	-	-	-	(350)
	$ 14,595	$ 14,879	$ 2,264	$ 1,519	$ 24,481
LIABILITIES AND FUND BALANCES (DEFICIT)					
LIABILITIES:					
Accounts payable	$ -	$ -	$ 20	$ -	$ 6
Due to other funds	-	-	1,147	-	-
Due to other governments	-	20	-	-	-
Deposits and other liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Loan from other funds	-	-	-	-	-
Total liabilities	-	20	1,167	-	6
FUND BALANCES (DEFICIT):					
Reserved for:					
Encumbrances	-	-	-	-	-
Loans	13,539	14,215	1,097	-	24,469
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Endowments	-	-	-	-	-
Other items	1,274	-	-	-	-
Unreserved, reported in:					
Special revenue funds:					
Designated for termination pay	-	-	-	-	-
Undesignated	(218)	644	-	1,519	6
Debt service funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total fund balances (deficit)	14,595	14,859	1,097	1,519	24,475
	$ 14,595	$ 14,879	$ 2,264	$ 1,519	$ 24,481

Special Revenue					Debt Service	
Emergency Communication	City Administration Building	Recreation Services	Development Services	Other Special Revenue	Redevelopment Agency	Stockton Public Financing Authority
$ 384	$ 1,209	$ 1,843		$ 1,956	$ -	$ -
-	-	-	-	-	12,212	1,132
1	(18)	-	-	11	-	-
119	113	71	500	13	-	-
-	-	77	-	-	-	-
-	-	-	-	-	-	-
-	-	102	-	-	-	-
-	-	-	196	-	-	-
-	-	-	-	3,147	-	-
-	-	-	-	-	-	-
$ 504	$ 1,304	$ 2,093	$ 696	$ 5,127	$ 12,212	$ 1,132
$ 15	$ 107	$ 837	$ 114	$ 63	$ -	$ -
-	-	-	2,132	-	-	-
-	-	-	-	-	-	-
-	-	227	147	7	-	-
-	257	174	3	-	-	-
-	-	-	1,650	-	-	-
15	364	1,238	4,046	70	-	-
-	-	51	191	19	4	2
-	-	-	197	3,147	-	-
-	-	-	-	-	11,825	1,002
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	823	275	103
-	-	-	-	-	-	-
489	940	804	(3,738)	1,068	108	25
-	-	-	-	-		-
-	-	-	-	-	-	-
489	940	855	(3,350)	5,057	12,212	1,132
$ 504	$ 1,304	$ 2,093	$ 696	$ 5,127	$ 12,212	$ 1,132

(Continued)


STOCKTON FOUNDED JUNE 1849
INCORPORATED JULY 1850

CITY OF STOCKTON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009
(With comparative totals for June 30, 2008)
(Dollar amounts in thousands)

	Permanent	Totals	
	Miscellaneous	2009	2008
ASSETS			
Cash and investments	$ 1,952	$ 33,939	$ 33,870
Cash and investments with fiscal agents	-	14,589	25,668
Receivables:			
Interest	13	14	166
Accounts and other receivables	-	1,874	2,287
Due from other governments	-	10,038	13,669
Allowance for uncollectibles	-	-	(237)
Deposits	-	102	-
Loans to other funds	-	14,660	15,271
Loans to property owners	-	83,457	80,553
Allowance for loan losses	-	(400)	-
	$ 1,965	$ 158,273	$ 171,247
LIABILITIES AND FUND BALANCES (DEFICIT)			
LIABILITIES:			
Accounts payable	$ 3	$ 3,467	$ 5,543
Due to other funds	-	6,094	4,780
Due to other governments	-	21	52
Deposits and other liabilities	-	382	777
Deferred revenue	-	1,224	2,085
Loan from other funds	-	1,650	8,062
Total liabilities	3	12,838	21,299
FUND BALANCES (DEFICIT):			
Reserved for:			
Encumbrances	-	17,022	10,041
Loans	-	98,118	95,824
Debt service	-	12,827	12,827
Public safety	-	225	1,549
Endowments	1,604	1,604	1,604
Other items	-	7,540	3,055
Unreserved, reported in:			
Special revenue funds:			
Designated for termination pay	-	-	132
Undesignated	-	7,741	24,545
Debt service funds	-	-	38
Permanent fund	358	358	333
Total fund balances (deficit)	1,962	145,435	149,948
	$ 1,965	$ 158,273	$ 171,247

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2009 (With comparative totals for the year ended June 30, 2008) (Dollar amounts in thousands)

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Sales Tax
REVENUES:				
Taxes:				
Sales - levied by City	$ -	$ -	$ -	$ -
Special assessments	-	-	-	-
Business licenses	-	-	-	-
Other	-	-	214	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	1,509	-	4,873	-
Sales and use tax - levied by state	-	-	-	3,723
Other governmental	1,061	-	7,109	5,053
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	(1)
Investment income:				
Interest income	16	70	(88)	122
Net increase (decrease) in fair value of investments	6	29	1	21
Refunds and reimbursements	3	23	-	57
Miscellaneous	-	1,346	-	-
Total revenues	2,595	1,468	12,109	8,975
EXPENDITURES:				
Current:				
General government	23	-	-	-
Public safety	1,736	-	-	-
Public works	110	1,227	-	-
Library	81	-	-	-
Parks and recreation	320	-	-	-
Capital outlay	195	-	7,351	9,174
Debt service:				
Principal retirement	-	-	-	1,090
Cost of issuance	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,465	1,227	7,351	10,264
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	130	241	4,758	(1,289)
OTHER FINANCING SOURCES (USES):				
Transfers in	98	-	-	-
Transfers out	(130)	-	(5,123)	-
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	(32)	-	(5,123)	-
SPECIAL ITEMS	-	-	-	-
NET CHANGE IN FUND BALANCES	98	241	(365)	(1,289)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	75	1,844	728	5,605
FUND BALANCES (DEFICIT), END OF YEAR	$ 173	$ 2,085	$ 363	$ 4,316

Special Revenue					
Measure W Public Safety Tax	City-County Library	Special Assessments	Redevelopment Agency Loan	Urban Development Action Grant	Community Development Block Grant
$ 7,921	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	502	-	-	-
-	-	19	-	-	-
-	-	-	-	-	-
-	-	-	-	-	3,935
-	-	-	-	-	-
-	6,700	-	-	-	-
-	210	3,542	-	-	-
-	-	-	-	-	-
-	9	-	-	-	-
(17)	-	280	-	-	(34)
(6)	-	134	-	-	-
168	45	-	-	-	2
-	-	-	-	-	-
8,066	6,964	4,477	-	-	3,903
-	-	493	309	-	-
10,163	-	-	-	-	-
-	-	240	-	-	-
-	12,264	-	-	-	-
-	-	2,061	-	-	-
-	1,200	-	-	-	2,525
-	-	-	-	-	525
-	-	-	-	-	-
-	-	-	-	-	947
10,163	13,464	2,794	309	-	3,997
(2,097)	(6,500)	1,683	(309)	-	(94)
-	5,596	-	3,762	-	-
(2)	(15)	-	-	-	(145)
-	-	-	-	-	-
(2)	5,581	-	3,762	-	(145)
-	-	-	-	-	-
(2,099)	(919)	1,683	3,453	-	(239)
2,324	5,205	7,245	41,898	4,686	(581)
$ 225	$ 4,286	$ 8,928	$ 45,351	$ 4,686	$ (820)

(Continued)

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2009 (With comparative totals for the year ended June 30, 2008) (Dollar amounts in thousands)

	Special Revenue				
	Community Development Loan	CDBG Revolving Loan	Neighborhood Stabilization Loan Program	Special Grant and Loan Programs	Home Program
REVENUES:					
Taxes:					
Sales - levied by City	$ -	$ -	$ -	$ -	$ -
Special assessments	-	-	-	-	-
Business licenses	-	-	-	-	-
Other	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental:					
Federal grants and subsidies	-	-	1,167	484	449
Sales and use tax - levied by state	-	-	-	-	-
Other governmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	27	-	-	-	216
Investment income:					
Interest income	21	-	-	(91)	7
Net increase (decrease) in fair value of investments	19	8	-	-	-
Refunds and reimbursements	-	-	-	-	-
Miscellaneous	1	-	-	-	-
Total revenues	68	8	1,167	393	672
EXPENDITURES:					
Current:					
General government	816	14	-	-	575
Public safety	-	-	-	-	-
Public works	15	16	-	-	-
Library	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	70	107	266
Debt service:					
Principal retirement	-	-	-	-	-
Cost of issuance	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	831	30	70	107	841
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(763)	(22)	1,097	286	(169)
OTHER FINANCING SOURCES (USES):					
Transfers in	140	-	-	-	9
Transfers out	(9)	-	-	(11,328)	-
Issuance of long-term debt	-	-	-	-	-
Total other financing sources (uses)	131	-	-	(11,328)	9
SPECIAL ITEMS	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(632)	(22)	1,097	(11,042)	(160)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	15,227	14,881	-	12,561	24,635
FUND BALANCES (DEFICIT), END OF YEAR	$ 14,595	$ 14,859	$ 1,097	$ 1,519	$ 24,475

Special Revenue					Debt Service	
Emergency Communication	City Administration Building	Recreation Services	Development Services	Other Special Revenue	Redevelopment Agency	Stockton Public Financing Authority
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	3,611	83	-	-
-	-	-	-	92	-	-
-	-	-	-	-	-	-
-	-	-	-	357	-	-
3,062	-	1,796	5,244	272	-	-
-	-	-	7	-	-	-
-	4,680	4,537	1	4	-	-
18	(76)	3	-	46	541	18
6	113	-	-	29	73	21
30	-	5	177	3	-	-
-	6	4	4	784	-	-
3,116	4,723	6,345	9,044	1,670	614	39
-	2,072	-	4,166	59	15	131
4,265	-	-	5,260	488	-	-
-	-	-	2,406	134	-	-
-	-	-	-	139	-	-
-	-	13,092	-	179	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,990	340
-	-	-	-	-	-	-
-	-	-	-	-	8,260	2,688
4,265	2,072	13,092	11,832	999	10,265	3,159
(1,149)	2,651	(6,747)	(2,788)	671	(9,651)	(3,120)
-	-	6,659	-	-	9,551	2,971
-	(1,437)	-	-	(14)	(2)	-
-	-	-	-	-	-	-
-	(1,437)	6,659	-	(14)	9,549	2,971
-	-	-	8,062	-	-	-
(1,149)	1,214	(88)	5,274	657	(102)	(149)
1,638	(274)	943	(8,624)	4,400	12,314	1,281
$ 489	$ 940	$ 855	$ (3,350)	$ 5,057	$ 12,212	$ 1,132

(Continued)

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for the year ended June 30, 2008)
(Dollar amounts in thousands)

	Permanent	Totals	
	Miscellaneous	2009	2008
REVENUES:			
Taxes:			
Sales - levied by City	$ -	$ 7,921	$ 9,409
Special assessments	-	-	-
Business licenses	-	502	638
Other	-	233	244
Licenses and permits	-	3,694	4,896
Intergovernmental:			
Federal grants and subsidies	-	12,509	13,614
Sales and use tax - levied by state	-	3,723	4,198
Other governmental	-	20,280	25,251
Charges for services	-	14,126	20,778
Fines and forfeitures	-	7	19
Use of money and property	-	9,473	8,703
Investment income:			
Interest income	68	904	1,496
Net increase (decrease) in fair value of investments	28	482	298
Refunds and reimbursements	2	515	240
Miscellaneous	-	2,145	1,975
Total revenues	98	76,514	91,759
EXPENDITURES:			
Current:			
General government	72	8,745	7,180
Public safety	-	21,912	24,417
Public works	-	4,148	4,528
Library	1	12,485	13,432
Parks and recreation	-	15,652	18,281
Capital outlay	-	20,888	23,505
Debt service:			
Principal retirement	-	3,945	990
Cost of issuance	-	-	44
Interest and fiscal charges	-	11,895	10,739
Total expenditures	73	99,670	103,116
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	25	(23,156)	(11,357)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	28,786	50,797
Transfers out	-	(18,205)	(23,316)
Issuance of long-term debt	-	-	12,300
Total other financing sources (uses)	-	10,581	39,781
SPECIAL ITEMS	-	8,062	-
NET CHANGE IN FUND BALANCES	25	(4,513)	28,424
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	1,937	149,948	121,524
FUND BALANCES (DEFICIT), END OF YEAR	$ 1,962	$ 145,435	$ 149,948

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, 2009
(Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Charges for services	$ 21,636	$ 5,439	$ (16,197)
Use of money and property	-	31	31
Investment income:			
Interest income	1,577	2,018	441
Net increase in fair value of investments	-	599	599
Total revenues	23,213	8,087	(15,126)
EXPENDITURES:			
General government	3,388	1,485	1,903
Public safety	5,607	1,750	3,857
Public works	43,016	23,531	19,485
Library	2,405	204	2,201
Parks and recreation	16,614	3,729	12,885
Total expenditures	71,030	30,699	40,331
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(47,817)	(22,612)	25,205
OTHER FINANCING USES:			
Transfers out	(137)	(137)	-
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ (47,954)	(22,749)	$ 25,205
BASIS ADJUSTMENT:			
Encumbrances		12,923	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(9,826)	
FUND BALANCE, BEGINNING OF YEAR		60,517	
FUND BALANCE, END OF YEAR		$ 50,691	

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, 2009
(Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Taxes:			
Other	$ 1	$ -	$ (1)
Other governmental	12,383	6,309	(6,074)
Use of money and property	-	(35)	(35)
Investment income:			
Interest income	212	332	120
Net increase in fair value of investments	-	196	196
Refunds and reimbursements	448	2	(446)
Miscellaneous	519	519	-
Total revenues	13,563	7,323	(6,240)
EXPENDITURES:			
General government	14,421	7,887	6,534
Public safety	2,828	1,192	1,636
Public works	10,662	7,492	3,170
Parks and recreation	1,019	838	181
Total expenditures	28,930	17,409	11,521
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(15,367)	(10,086)	5,281
OTHER FINANCING SOURCES:			
Transfers in	67	34	(33)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ (15,300)	(10,052)	$ 5,248
SPECIAL ITEM		(10,458)	
BASIS ADJUSTMENT:			
Encumbrances		3,840	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(16,670)	
FUND BALANCE, BEGINNING OF YEAR		33,085	
FUND BALANCE, END OF YEAR		$ 16,415	

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, 2009
(Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Interest income	$ -	$ 70	$ 70
Net increase in fair value of investments	-	29	29
Refunds and reimbursements	3	23	20
Miscellaneous	1,364	1,346	(18)
Total revenues	1,367	1,468	101
EXPENDITURES:			
Public works	1,388	1,232	156
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ (21)	236	$ 257
BASIS ADJUSTMENT:			
Encumbrances		5	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		241	
FUND BALANCE, BEGINNING OF YEAR		1,844	
FUND BALANCE, END OF YEAR		$ 2,085	

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, 2009 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Taxes:			
Other	$ 214	$ 214	$ -
Intergovernmental:			
Federal grants and subsidies	28,366	4,873	(23,493)
Other governmental	8,086	7,109	(977)
Fines and forfeitures	(2)	-	2
Investment income:			
Interest income	25	(88)	(113)
Net increase in fair value of investments	-	1	1
Total revenues	36,689	12,109	(24,580)
EXPENDITURES:			
Public works	31,377	7,351	24,026
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	5,312	4,758	(554)
OTHER FINANCING USES:			
Transfers out	(5,080)	(5,123)	(43)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ 232	(365)	$ (597)
BASIS ADJUSTMENT:			
Encumbrances		-	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(365)	
FUND BALANCE, BEGINNING OF YEAR		728	
FUND BALANCE, END OF YEAR		$ 363	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS MEASURE K SALES TAX NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2009 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Intergovernmental:			
Sales and use tax - levied by state	$ 4,450	$ 3,723	$ (727)
Other governmental	14,897	5,053	(9,844)
Use of money and property	-	(1)	(1)
Investment income:			
Interest income	25	122	97
Net increase in fair value of investments	-	21	21
Refunds and reimbursements	-	57	57
Total revenues	19,372	8,975	(10,397)
EXPENDITURES:			
Current:			
Public works	22,832	9,459	13,373
Parks and recreation	111	119	(8)
Debt service:			
Principal retirement	-	1,090	(1,090)
Total expenditures	22,943	10,668	12,275
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ (3,571)	(1,693)	$ 1,878
BASIS ADJUSTMENT:			
Encumbrances		404	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(1,289)	
FUND BALANCE, BEGINNING OF YEAR		5,605	
FUND BALANCE, END OF YEAR		$ 4,316	

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, 2009
(Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Taxes:			
Sales - levied by City	$ 9,420	$ 7,921	$ (1,499)
Investment income:			
Interest income	50	(17)	(67)
Net decrease in fair value of investments	-	(6)	(6)
Refunds and reimbursements	-	168	168
Total revenues	9,470	8,066	(1,404)
EXPENDITURES:			
Public safety	10,142	10,163	(21)
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(672)	(2,097)	(1,425)
OTHER FINANCING USES:			
Transfers out	(493)	(2)	491
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ (1,165)	(2,099)	$ (934)
BASIS ADJUSTMENT:			
Encumbrances		-	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(2,099)	
FUND BALANCE, BEGINNING OF YEAR		2,324	
FUND BALANCE, END OF YEAR		$ 225	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS CITY-COUNTY LIBRARY NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2009 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Intergovernmental:			
Other governmental	$ 7,049	$ 6,700	$ (349)
Charges for services	276	210	(66)
Use of money and property	11	9	(2)
Refunds and reimbursements	53	45	(8)
Miscellaneous	50	-	(50)
Total revenues	7,439	6,964	(475)
EXPENDITURES:			
Library	13,360	12,531	829
Capital outlay	2,663	1,230	1,433
Total expenditures	16,023	13,761	2,262
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(8,584)	(6,797)	1,787
OTHER FINANCING SOURCES:			
Transfers in	5,596	5,596	-
Transfers out	(5)	(15)	(10)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ (2,993)	(1,216)	$ 1,777
BASIS ADJUSTMENT:			
Encumbrances		297	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(919)	
FUND BALANCE, BEGINNING OF YEAR		5,205	
FUND BALANCE, END OF YEAR		$ 4,286	

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, 2009
(Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Taxes:			
Business licenses	$ 260	$ 502	$ 242
Other	-	19	19
Special assessments			
Charges for services	3,537	3,542	5
Investment income:			
Interest income	-	280	280
Net increase in fair value of investments	-	134	134
Total revenues	3,797	4,477	680
EXPENDITURES:			
General government	501	494	7
Public works	629	257	372
Parks and recreation	4,462	2,495	1,967
Total expenditures	5,592	3,246	2,346
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ (1,795)	1,231	$ 3,026
BASIS ADJUSTMENT:			
Encumbrances		452	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		1,683	
FUND BALANCE, BEGINNING OF YEAR		7,245	
FUND BALANCE, END OF YEAR		$ 8,928	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - ON A BUDGETARY BASIS EMERGENCY COMMUNICATION NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2009
(Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Charges for services	$ 5,363	$ 3,062	$ (2,301)
Investment income:			
Interest income	-	18	18
Net increase in fair value of investments	-	6	6
Refunds and reimbursements	-	30	30
Total revenues	5,363	3,116	(2,247)
EXPENDITURES:			
Public safety	5,113	4,265	848
Total expenditures	5,113	4,265	848
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ 250	(1,149)	$ (1,399)
BASIS ADJUSTMENT:			
Encumbrances		-	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(1,149)	
FUND BALANCE, BEGINNING OF YEAR		1,638	
FUND BALANCE, END OF YEAR		$ 489	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS RECREATION SERVICES NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2009 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Charges for services	$ 2,229	$ 1,796	$ (433)
Use of money and property	5,585	4,537	(1,048)
Investment income:			
Interest income	-	3	3
Refunds and reimbursements	-	5	5
Miscellaneous	3	4	1
Total revenues	7,817	6,345	(1,472)
EXPENDITURES:			
Parks and recreation	14,794	13,143	1,651
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(6,977)	(6,798)	179
OTHER FINANCING SOURCES (USES):			
Transfers in	7,203	6,659	(544)
Transfers out	(112)	-	112
Total other financing sources (uses)	7,091	6,659	(432)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ 114	(139)	$ (253)
BASIS ADJUSTMENT:			
Encumbrances		51	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(88)	
FUND BALANCE, BEGINNING OF YEAR		943	
FUND BALANCE, END OF YEAR		$ 855	

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, 2009
(Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
License and permits	$ 4,620	$ 3,611	$ (1,009)
Charges for services	10,185	5,244	(4,941)
Fines and forfeitures	1	7	6
Refunds and reimbursements	114	177	63
Miscellaneous	3	4	1
Total revenues	14,923	9,044	(5,879)
EXPENDITURES:			
General government	4,889	4,182	707
Public safety	6,370	5,260	1,110
Public works	2,581	2,581	-
Total expenditures	13,840	12,023	1,817
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	1,083	(2,979)	(4,062)
OTHER FINANCING USES:			
Transfers out	(12)	-	12
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ 1,071	(2,979)	$ (4,050)
Special items		8,062	
BASIS ADJUSTMENT:			
Encumbrances		191	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		5,274	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR		(8,624)	
FUND BALANCE (DEFICIT), END OF YEAR		$ (3,350)	

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, 2009

(Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
License and permits	$ 105	$ 83	$ (22)
Intergovernmental:			
Federal grants and subsidies	60	92	32
Other governmental	20	357	337
Charges for services	313	272	(41)
Use of money and property	-	4	4
Investment income:			
Interest income	17	46	29
Net increase in fair value of investments	-	29	29
Refunds and reimbursements	-	3	3
Miscellaneous	606	784	178
Total revenues	1,121	1,670	549
EXPENDITURES:			
General government	95	59	36
Public safety	676	503	173
Public works	425	134	291
Library	573	139	434
Parks and recreation	574	183	391
Total expenditures	2,343	1,018	1,325
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)	(1,222)	652	1,874
OTHER FINANCING SOURCES:			
Transfer out	(249)	(14)	235
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	$ (1,471)	638	$ 2,109
BASIS ADJUSTMENT:			
Encumbrances		19	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		657	
FUND BALANCE, BEGINNING OF YEAR		4,400	
FUND BALANCE, END OF YEAR		$ 5,057	

CITY OF STOCKTON

NONMAJOR ENTERPRISE FUNDS

NONMAJOR ENTERPRISE FUNDS

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

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

Downtown Marina
To account for activities associated with the operations and maintenance of the Downtown Stockton Marina facilities.

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

CITY OF STOCKTON

COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS JUNE 30, 2009 (With comparative totals as of June 30, 2008) (Dollar amounts in thousands)

	Solid Waste	Downtown Marina	Golf Courses	Totals 2009	Totals 2008
ASSETS					
Current assets:					
Cash and investments	$ -	$ 498	$ -	$ 498	$ 223
Receivables:					
Interest	-	3	-	3	(1)
Accounts and other receivables	103	-	7	110	155
Allowance for uncollectibles	(103)	-	-	(103)	(114)
Inventory of supplies	-	-	30	30	33
Total current assets	-	501	37	538	296
Noncurrent assets:					
Capital assets, net:					
Nondepreciable	-	-	360	360	360
Depreciable, net	-	-	1,130	1,130	1,210
Total noncurrent assets	-	-	1,490	1,490	1,570
Total assets	-	501	1,527	2,028	1,866
LIABILITIES					
Current liabilities:					
Accounts payable	1	1	138	140	119
Due to other funds	135	-	9	144	131
Compensated absences - current	-	-	3	3	3
Total current liabilities	136	1	150	287	253
Noncurrent liabilities:					
Advances from other funds	-	500	764	1,264	763
Total liabilities	136	501	914	1,551	1,016
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	-	-	1,490	1,490	1,570
Unrestricted (deficit)	(136)	-	(877)	(1,013)	(720)
Total net assets (deficit)	$ (136)	$ -	$ 613	$ 477	$ 850

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2009 (With comparative totals for the year ended June 30, 2008) (Dollar amounts in thousands)

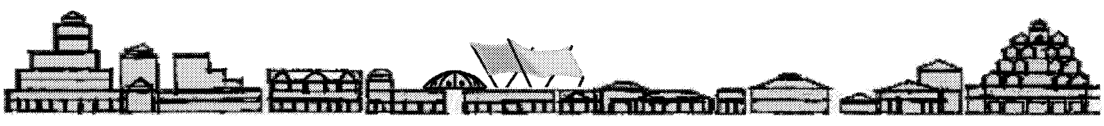
	Solid Waste	Downtown Marina	Golf Courses	Totals 2009	Totals 2008
OPERATING REVENUES:					
Charges for services	$ -	$ 2	$ 1,269	$ 1,271	$ 1,391
Miscellaneous	-	-	574	574	674
Total operating revenues	-	2	1,843	1,845	2,065
OPERATING EXPENSES:					
Operation and maintenance	36	26	2,094	2,156	2,006
Depreciation and amortization	-	-	81	81	87
Total operating expenses	36	26	2,175	2,237	2,093
OPERATING LOSS	(36)	(24)	(332)	(392)	(28)
NON-OPERATING REVENUES:					
Investment income:					
Interest income	(5)	14	-	9	(6)
Net increase in fair value of investments	-	10	-	10	2
Total non-operating revenues	(5)	24	-	19	(4)
CHANGE IN NET ASSETS	(41)	-	(332)	(373)	(32)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(95)	-	945	850	882
NET ASSETS (DEFICIT), END OF YEAR	$ (136)	$ -	$ 613	$ 477	$ 850

CITY OF STOCKTON

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2009 (With comparative totals for the year ended June 30, 2008) (Dollar amounts in thousands)

	Solid Waste	Downtown Marina	Golf Courses	Totals 2009	Totals 2008
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	$ -	$ 2	$ 1,840	$ 1,842	$ 2,096
Payments to suppliers	-	(25)	(1,538)	(1,563)	(1,369)
Payments to employees	-	-	(508)	(508)	(513)
Payments for interfund services used	-	-	(26)	(26)	(7)
Net cash provided by (used for) operating activities	-	(23)	(232)	(255)	207
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Borrowing from other funds	5	-	9	14	3
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings	(5)	21	-	16	(4)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	498	(223)	275	206
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-	223	223	17
CASH AND CASH EQUIVALENTS, END OF YEAR	$ -	$ 498	$ -	$ 498	$ 223
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating loss	$ (36)	$ (24)	$ (332)	$ (392)	$ (28)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Depreciation and amortization	-	-	81	81	87
Allowance for uncollectible	(12)	-	-	(12)	2
Changes in assets and liabilities:					
Accounts and other receivables	49	-	(3)	46	29
Inventory of supplies	-	-	3	3	25
Accounts payable	(1)	1	19	19	97
Compensated absences	-	-	-	-	(5)
Net cash provided by operating activities	$ -	$ (23)	$ (232)	$ (255)	$ 207
NONCASH TRANSACTIONS:					
Net increase in fair value of investments	$ -	$ 10	$ -	$ 10	$ 2

CITY OF STOCKTON



INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

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

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

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

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

Other Equipment
To account for the financing, operating and maintenance of other, comparatively smaller equipment funds provided to City departments on a cost reimbursement basis. Included are telephone, other office, and printing and mailing equipment.

General Liability Insurance
To account for premiums and claims paid and administration of general liability insurance provided to all City departments on a cost reimbursement basis.

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

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

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

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

CITY OF STOCKTON

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
JUNE 30, 2009
(With comparative totals as of June 30, 2008)
(Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
ASSETS				
Current assets:				
Cash and investments	$ 3,125	$ 5,011	$ 1,982	$ 916
Receivables:				
Accounts and other receivables	150	4	-	-
Allowance for uncollectibles	(150)	-	-	-
Due from other funds	-	-	-	-
Total current assets	3,125	5,015	1,982	916
Noncurrent assets:				
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	805
Advances to other funds	-	-	-	-
Deferred charges	-	-	-	-
Pension asset	-	-	-	-
Capital assets	30,285	5,736	2,578	1,403
Accumulated depreciation	(21,872)	(4,610)	(1,911)	(673)
Total noncurrent assets	8,413	1,126	667	1,535
Total assets	11,538	6,141	2,649	2,451
LIABILITIES				
Current liabilities:				
Accounts payable	300	73	18	203
Deposits and other liabilities	-	-	-	-
Accrued interest	6	-	-	69
Compensated absences - current	106	174	5	8
Self-insurance claims and judgments - current	-	-	-	-
Other long-term debt - current	53	-	-	201
Total current liabilities	465	247	23	481
Noncurrent liabilities:				
Compensated absences - long-term	121	168	-	9
Self-insurance claims and judgments - long-term	-	-	-	-
Capital lease obligations	871	-	-	1,422
Bonds payable	-	-	-	-
Net OPEB obligation	-	-	-	-
Total noncurrent liabilities	992	168	-	1,431
Total liabilities	1,457	415	23	1,912
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	7,489	1,126	667	(88)
Restricted for capital projects	-	-	-	805
Restricted for debt service	-	-	-	-
Unrestricted (deficit)	2,592	4,600	1,959	(178)
Total net assets (deficit)	$ 10,081	$ 5,726	$ 2,626	$ 539

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement Benefits	Other Benefits	Totals 2009	Totals 2008
$ 2,523	$ 21,800	$ 1,437	$ 6,283	$ 2,047	$ 45,124	$ 55,684
101	194	68	32	-	549	982
-	-	-	-	-	(150)	(133)
-	1,650	-	-	-	1,650	-
2,624	23,644	1,505	6,315	2,047	47,173	56,533
-	-	-	43	-	848	93
530	1,650	-	-	-	2,180	530
-	-	125	1,503	-	1,628	1,682
-	-	-	128,459	-	128,459	126,105
-	-	-	-	-	40,002	37,438
-	-	-	-	-	(29,066)	(26,419)
530	1,650	125	130,005	-	144,051	139,429
3,154	25,294	1,630	136,320	2,047	191,224	195,962
115	15	300	-	1,136	2,160	1,338
80	52	3	-	-	135	135
-	-	-	2,282	-	2,357	2,289
1	9	11	-	3,300	3,614	3,285
2,183	6,735	2,735	-	-	11,653	11,827
-	-	-	130	-	384	71
2,379	6,811	3,049	2,412	4,436	20,303	18,945
-	5	6	-	244	553	917
3,391	38,322	-	-	-	41,713	36,131
-	-	-	-	-	2,293	923
-	-	-	124,910	-	124,910	125,040
-	-	48,805	-	-	48,805	24,608
3,391	38,327	48,811	124,910	244	218,274	187,619
5,770	45,138	51,860	127,322	4,680	238,577	206,564
-	-	-	-	-	9,194	10,045
-	-	-	-	-	805	-
-	-	-	43	-	43	93
(2,616)	(19,844)	(50,230)	8,955	(2,633)	(57,395)	(20,740)
$ (2,616)	$ (19,844)	$ (50,230)	$ 8,998	$ (2,633)	$ (47,353)	$ (10,602)

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2009 (With comparative totals for the year ended June 30, 2008) (Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
OPERATING REVENUES:				
Charges for services	$ 8,770	$ 8,658	$ 1,052	$ 1,444
OPERATING EXPENSES:				
Operation and maintenance	6,132	6,292	761	2,753
General and administrative	985	-	-	-
Depreciation and amortization	1,881	405	122	107
Total operating expenses	8,998	6,697	883	2,860
OPERATING INCOME (LOSS)	(228)	1,961	169	(1,416)
NON-OPERATING REVENUES (EXPENSES):				
Federal grants and subsidies	-	-	-	-
Investment income:				
Interest income	-	-	-	13
Net increase in fair value of investments	-	-	-	-
Gain from disposal of capital assets	17	1	-	-
Interest expense and fiscal charges	(37)	-	-	(78)
Other non-operating revenues	61	2	-	-
Total non-operating revenues (expenses)	41	3	-	(65)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(187)	1,964	169	(1,481)
Capital contributions	583	-	-	-
Transfers in	79	47	257	
Transfers out	-	-	-	
CHANGE IN NET ASSETS	475	2,011	426	(1,481)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	9,606	3,715	2,200	2,020
NET ASSETS (DEFICIT), END OF YEAR	$ 10,081	$ 5,726	$ 2,626	$ 539

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement Benefits	Other Benefits	Totals 2009	Totals 2008
$ 3,591	$ 5,025	$ 32,572	$ 37,881	$ 2,556	$ 101,549	$ 108,061
4,462	14,578	56,860	29,989	6,198	128,025	113,624
1,272	1,913	745	-	-	4,915	6,465
-	-	-	54	-	2,569	2,793
5,734	16,491	57,605	30,043	6,198	135,509	122,882
(2,143)	(11,466)	(25,033)	7,838	(3,642)	(33,960)	(14,821)
-	-	319	-	-	319	-
116	988	34	134	-	1,285	1,803
30	288	7	75	44	444	104
-	-	-	-	-	18	30
-	-	-	(6,845)	-	(6,960)	(6,897)
-	1	1,322	1	-	1,387	688
146	1,277	1,682	(6,635)	44	(3,507)	(4,272)
(1,997)	(10,189)	(23,351)	1,203	(3,598)	(37,467)	(19,093)
-	-	-	-	-	583	179
-	-	-	-	-	383	3,949
-	-	-	-	(250)	(250)	(3,052)
(1,997)	(10,189)	(23,351)	1,203	(3,848)	(36,751)	(18,017)
(619)	(9,655)	(26,879)	7,795	1,215	(10,602)	7,415
$ (2,616)	$ (19,844)	$ (50,230)	$ 8,998	$ (2,633)	$ (47,353)	$ (10,602)

CITY OF STOCKTON

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2009 (With comparative totals for the year ended June 30, 2008) (Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 466	$ 8	$ -	$ -
Receipts for interfund services provided	8,692	8,656	1,052	1,444
Payments to suppliers	(4,283)	(2,528)	(606)	(2,042)
Payments to employees	(3,198)	(3,753)	(207)	(435)
Payments for interfund services used	(47)	(38)	-	(176)
Net cash provided by (used for) operating activities	1,630	2,345	239	(1,209)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	79	47	257	-
Transfers out	-	-	-	-
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Net cash provided by (used for) noncapital financing activities	79	47	257	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sales of capital assets	17	1	-	-
Proceeds from debt	-	-	-	2,431
Principal paid on debt	(51)	-	-	(808)
Purchases of capital assets	(633)	(448)	(40)	(728)
Interest paid on debt	(36)	-	-	(9)
Net cash used for capital and related financing activities	(703)	(447)	(40)	886
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	-	-	-	13
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,006	1,945	456	(310)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,119	3,066	1,526	2,031
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,125	$ 5,011	$ 1,982	$ 1,721

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement Benefits	Other Benefits	Totals 2009	Totals 2008
$ 305	$ 654	$ 1,631	$ -	$ -	$ 3,064	$ 1,334
3,290	4,478	32,573	37,899	2,556	100,640	106,980
(3,016)	(9,520)	(33,733)	(29,911)	(468)	(86,107)	(78,858)
(1,096)	(2,060)	(703)	(2,432)	(4,594)	(18,478)	(16,470)
(39)	(13)	(4)	-	-	(317)	(311)
(556)	(6,461)	(236)	5,556	(2,506)	(1,198)	12,675
-	-	-	-	-	383	3,949
-	-	-	-	(250)	(250)	(3,052)
-	(1,650)	-	-	-	(1,650)	-
-	(1,650)	-	-	-	(1,650)	(530)
-	(3,300)	-	-	(250)	(3,167)	367
-	-	-	-	-	18	43
-	-	-	-	-	2,431	1,000
-	-	-	(20)	-	(879)	(276)
-	-	-	-	-	(1,849)	(2,676)
-	-	-	(6,845)	-	(6,890)	(6,224)
-	-	-	(6,865)	-	(7,169)	(8,133)
146	1,276	41	209	44	1,729	1,907
(410)	(8,485)	(195)	(1,100)	(2,712)	(9,805)	6,816
2,933	30,285	1,632	7,426	4,759	55,777	48,961
$ 2,523	$ 21,800	$ 1,437	$ 6,326	$ 2,047	$ 45,972	$ 55,777

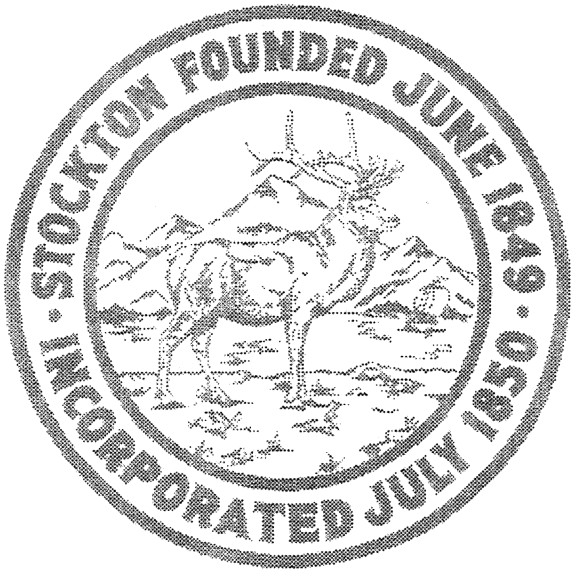
(Continued)

CITY OF STOCKTON

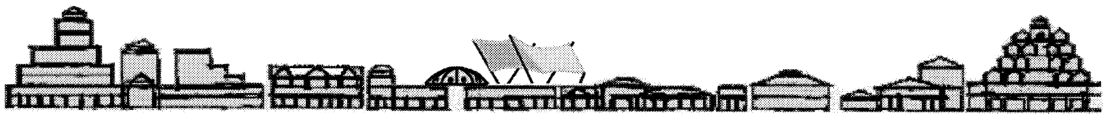
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2009 (With comparative totals for the year ended June 30, 2008) (Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ (228)	$ 1,961	$ 169	$ (1,416)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,881	405	122	107
Allowance for uncollectible	17	-	-	-
Federal grants and subsidies	-	-	-	-
Other non-operating revenues	61	2	-	-
Changes in assets and liabilities:				
Accounts and other receivables	310	4	-	-
Deferred charges	-	-	-	-
Pension asset	-	-	-	-
Accounts payable	(323)	(89)	(53)	95
Compensated absences	(88)	62	1	5
Net OPEB obligation	-	-	-	-
Net cash provided by (used for) operating activities	$ 1,630	$ 2,345	$ 239	$ (1,209)
NONCASH TRANSACTIONS:				
Net increase in fair value of investments	$ -	$ -	$ -	$ -
Donation of capital assets	583	-	-	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS:				
Cash and investments	$ 3,125	$ 5,011	$ 1,982	$ 916
Restricted assets:				
Cash with investments fiscal agents	-	-	-	805
Total cash and investments	$ 3,125	$ 5,011	$ 1,982	$ 1,721

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement Benefits	Other Benefits	Total 2009	Total 2008
$ (2,143)	$ (11,466)	$ (25,033)	$ 7,838	$ (3,642)	$ (33,960)	$ (14,821)
-	-	-	54	-	2,569	2,793
-	-	-	-	-	17	6
-	-	319	-	-	319	-
-	1	1,322	1	-	1,387	688
4	106	(9)	17	-	432	(441)
-	-	-	-	-	-	(65)
-	-	-	(2,354)	-	(2,354)	(2,430)
67	(57)	46	-	1,136	822	460
(9)	(5)	(1)	-	-	(35)	(1,432)
-	-	24,197	-	-	24,197	24,608
$ (556)	$ (6,461)	$ (236)	$ 5,556	$ (2,506)	$ (1,198)	$ 12,675
$ 30	$ 288	$ 7	$ 75	$ 44	$ 444	$ 104
-	-	-	-	-	583	179
$ 2,523	$ 21,800	$ 1,437	$ 6,283	$ 2,047	$ 45,124	$ 55,684
-	-	-	43	-	848	93
$ 2,523	$ 21,800	$ 1,437	$ 6,326	$ 2,047	$ 45,972	$ 55,777


STOCKTON FOUNDED JUNE 1849
INCORPORATED JULY 1850

CITY OF STOCKTON



AGENCY FUNDS

AGENCY FUNDS

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

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

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

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

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

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

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

CITY OF STOCKTON

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Dollar amounts in thousands)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Land Secured Financing				
ASSETS				
Cash and investments	$ 36,516	$ 22,806	$ 24,166	$ 35,156
Cash and investments with fiscal agents	31,395	18,768	21,159	29,004
Receivables:				
Interest	313	228	325	216
Accounts and other receivables	1,293	19,904	19,941	1,256
Total assets	$ 69,517	$ 61,706	$ 65,591	$ 65,632
LIABILITIES				
Accounts payable	$ 1,053	$ 1,026	$ 2,053	$ 26
Due to other governments	188	12	-	200
Deposits and other liabilities	68,276	3,162	6,032	65,406
Total liabilities	$ 69,517	$ 4,200	$ 8,085	$ 65,632
Employee Withholdings				
ASSETS				
Cash and investments	$ 1,409	$ 1,212	$ 1,389	$ 1,232
LIABILITIES				
Due to other governments	$ 935	$ 1	$ 174	$ 762
Deposits and other liabilities	474	1,212	1,216	470
Total liabilities	$ 1,409	$ 1,213	$ 1,390	$ 1,232
Area of Benefit Fees				
ASSETS				
Cash and investments	$ 11,802	$ 652	$ 614	$ 11,840
Receivables:				
Interest	119	88	120	87
Total assets	$ 11,921	$ 740	$ 734	$ 11,927
LIABILITIES				
Accounts payable	$ -	$ 81	$ 81	$ -
Deposits and other liabilities	11,921	1,198	1,192	11,927
Total liabilities	$ 11,921	$ 1,279	$ 1,273	$ 11,927

(Continued)

CITY OF STOCKTON

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2009 (Dollar amounts in thousands)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Public Facilities Fees				
ASSETS				
Cash and investments	$ 6,203	$ 1,928	$ 6,814	$ 1,317
Receivables:				
Interest	36	8	36	8
Accounts and other receivables	22	-	-	22
Total assets	$ 6,261	$ 1,936	$ 6,850	$ 1,347
LIABILITIES				
Accounts payable	$ -	$ 6,811	$ 6,811	$ -
Due to other governments	6,261	2,036	6,950	1,347
Total liabilities	$ 6,261	$ 8,847	$ 13,761	$ 1,347
Miscellaneous				
ASSETS				
Cash and investments	$ 4,221	$ 21,094	$ 20,797	$ 4,518
Receivables:				
Interest	46	34	46	34
Accounts and other receivables	742	13,664	13,332	1,074
Total assets	$ 5,009	$ 34,792	$ 34,175	$ 5,626
LIABILITIES				
Accounts payable	$ 41	$ 465	$ 501	$ 5
Due to other governments	(54)	286	225	7
Deposits and other liabilities	5,022	21,931	21,339	5,614
Total liabilities	$ 5,009	$ 22,682	$ 22,065	$ 5,626
All Other				
ASSETS				
Cash and investments	$ 485	$ 258	$ 377	$ 366
Receivables:				
Interest	4	2	4	2
Accounts and other receivables	-	34	-	34
Due from other governments	1	2	3	-
Total assets	$ 490	$ 296	$ 384	$ 402
LIABILITIES				
Accounts payable	$ 28	$ 254	$ 268	$ 14
Deposits and other liabilities	462	308	382	388
Total liabilities	$ 490	$ 562	$ 650	$ 402

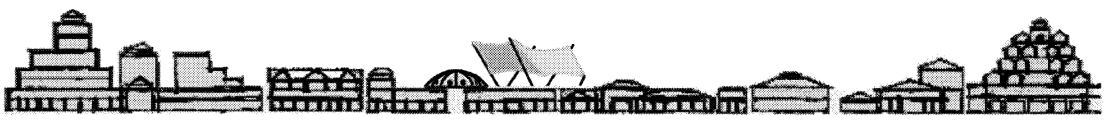
(Continued)

CITY OF STOCKTON

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2009 (Dollar amounts in thousands)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Total				
ASSETS				
Cash and investments	$ 60,636	$ 47,950	$ 54,157	$ 54,429
Cash and investments with fiscal agents	31,395	18,768	21,159	29,004
Receivables:				
Interest	518	360	531	347
Accounts and other receivables	2,057	33,602	33,273	2,386
Due from other governments	1	2	3	-
Total assets	$ 94,607	$ 100,682	$ 109,123	$ 86,166
LIABILITIES				
Accounts payable	$ 1,122	$ 8,637	$ 9,715	$ 44
Due to other governments	7,330	2,335	7,349	2,316
Deposits and other liabilities	86,155	27,812	30,161	83,806
Total liabilities	$ 94,607	$ 38,784	$ 47,225	$ 86,166

CITY OF STOCKTON



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.

Contents **Pages**

The Statistical Section is required by the Governmental Accounting Standards Board to be reported in the following sections:

Financial Trends Information **165-178**
Helps readers understand how the City's financial position and well-being have changed over time.

Revenue Capacity Information **179-185**
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.

Debt Capacity Information **186-193**
Helps readers understand and assess the City's current level of outstanding debt and its ability to issue additional debt.

Demographic and Economic Information **194-195**
Helps readers understand the socioeconomic environment within which the City's financial activities take place, and provides information facilitates comparisons of financial statement information over time and among other governments.

Operating Information **196-202**
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.

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

CITY OF STOCKTON

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

	Fiscal Year			
	2009	2008	2007	2006
Governmental activities:				
Invested in capital assets, net of related debt	$ 611,775	$ 594,070	$ 636,838	$ 603,068
Restricted	162,363	172,088	161,995	154,758
Unrestricted	(66,091)	(21,053)	(338)	(8,497)
Total governmental activities net assets	$ 708,047	$ 745,105	$ 798,495	$ 749,329
Business-type activities:				
Invested in capital assets, net of related debt	$ 400,551	$ 399,813	$ 387,198	$ 368,222
Restricted	35,408	39,568	46,850	48,454
Unrestricted	42,449	39,138	32,645	30,465
Total business-type activities net assets	$ 478,408	$ 478,519	$ 466,693	$ 447,141
Primary government:				
Invested in capital assets, net of related debt	$ 1,012,326	$ 993,883	$ 1,024,036	$ 971,290
Restricted	197,771	211,656	208,845	203,212
Unrestricted	(23,642)	18,085	32,307	21,968
Total primary government net assets	$ 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
	$ 644,647	$ 438,009	$ 375,507	$ 356,883
	$ 348,229	$ 302,497	$ 265,548	$ 221,398
	55,386	52,415	29,799	24,830
	30,282	48,023	83,815	95,269
	$ 433,897	$ 402,935	$ 379,162	$ 341,497
	$ 877,479	$ 592,004	$ 480,618	$ 439,038
	190,190	195,846	174,074	157,522
	10,875	53,094	99,977	101,820
	$ 1,078,544	$ 840,944	$ 754,669	$ 698,380

CITY OF STOCKTON

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

	Fiscal Year			
	2009	2008	2007	2006
Expenses				
Governmental activities:				
General government	$ 33,923	$ 27,819	$ 26,517	$ 20,171
Public safety	190,692	181,187	161,895	149,512
Public works	43,985	134,737	59,897	36,481
Library	14,852	14,723	13,261	13,545
Parks and recreation	26,038	33,138	27,429	26,352
Interest and fiscal charges	19,620	17,921	11,746	4,136
Total governmental activities	$ 329,110	$ 409,525	$ 300,745	$ 250,197
Business-type activities:				
Water utility	24,146	22,070	21,750	19,063
Wastewater utility	49,414	40,045	42,084	36,458
Stormwater utility	8,129	6,696	7,219	6,009
Central parking district	4,810	5,002	4,238	3,162
Other	2,237	2,093	2,057	2,460
Total business-type activities	88,736	75,906	77,348	67,152
Total expenses	$ 417,846	$ 485,431	$ 378,093	$ 317,349
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 13,180	$ 12,141	$ 8,429	$ 10,154
Public safety	22,131	30,738	32,447	37,603
Public works	19,750	30,429	21,140	35,054
Library	4,800	1,462	1,105	1,489
Parks and recreation	2,104	9,741	9,957	12,407
Operating grants and contributions	16,051	10,352	11,065	12,388
Capital grants and contributions	33,112	43,874	83,238	45,745
Total governmental activities	$ 111,128	$ 138,737	$ 167,381	$ 154,840
Business-type activities:				
Charges for services:				
Water utility	$ 24,258	$ 22,882	$ 23,092	$ 20,268
Wastewater utility	35,607	33,661	33,099	32,746
Stormwater utility	5,498	6,160	5,088	5,063
Central parking district	3,934	3,815	3,474	3,502
Other	1,845	2,065	1,988	2,284
Capital grants and contributions	4,409	13,251	23,721	20,324
Total business-type activities	75,551	81,834	90,462	84,187
Total program revenues	$ 186,679	$ 220,571	$ 257,843	$ 239,027
Net (Expense)/Revenue				
Governmental activities	$ (217,982)	$ (270,788)	$ (133,364)	$ (95,357)
Business-type activities	(13,185)	5,928	13,114	17,035
Total net expense	$ (231,167)	$ (264,860)	$ (120,250)	$ (78,322)

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
$ 235,826	$ 226,719	$ 227,245	$ 192,665
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
57,004	62,739	57,007	50,973
$ 292,830	$ 289,458	$ 284,252	$ 243,638
$ 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
$ 140,258	$ 127,227	$ 125,204	$ 80,092
$ 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
90,586	92,506	97,237	72,073
$ 230,844	$ 219,733	$ 222,441	$ 152,165
$ (95,568)	$ (99,492)	$ (102,041)	$ (112,573)
33,582	29,767	40,230	21,100
$ (61,986)	$ (69,725)	$ (61,811)	$ (91,473)

(Continued)

CITY OF STOCKTON

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

	Fiscal Year			
	2009	2008	2007	2006
General Revenues and Other Changes in Net Assets:				
Governmental activities:				
Taxes:				
Property	$ 58,640	$ 63,998	$ 60,015	$ 47,495
In lieu of sales tax	9,823	10,164	11,070	9,274
Utility user	30,854	30,861	30,101	34,313
Sales - levied by city (1)	7,921	9,409	9,249	9,941
Franchise fees	11,608	11,537	10,817	10,333
Business licenses	9,699	10,772	10,285	11,222
Hotel/motel room	1,962	2,287	2,180	2,171
Document transfer	702	686	1,187	2,010
Special assessments	-	-	-	-
Other	234	246	257	218
Shared revenue:				
Vehicle License Fees	23,459	24,051	22,661	18,173
Sales and use tax levied by state	31,245	36,098	36,745	42,063
Other	370	389	384	456
Investment earnings	13,104	15,007	11,436	3,457
Gain on sale of capital assets	127	88	-	-
Miscellaneous	722	756	786	1,010
Special item	(8,736)			
Transfers	803	1,049	516	7,903
Total governmental activities	$ 192,537	$ 217,398	$ 207,689	$ 200,039
Business-type activities:				
Other taxes	$ 1,066	$ 1,055	$ 981	$ 713
Grants and contributions not restricted	-	-	-	-
Investment earnings	4,075	5,892	5,973	3,399
Gain on sale of capital assets	-	-	-	-
Special item	8,736			
Transfers	(803)	(1,049)	(516)	(7,903)
Total business-type activities	13,074	5,898	6,438	(3,791)
Total general revenuess and other changes in net assets	$ 205,611	$ 223,296	$ 214,127	$ 196,248
Change in Net Assets				
Governmental activities	$ (25,445)	$ (53,390)	$ 74,325	$ 104,682
Business-type activities	(111)	11,826	19,552	13,244
Total primary government	$ (25,556)	$ (41,564)	$ 93,877	$ 117,926

(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				
	2009	2008	2007	2006	2005
General Fund					
Reserved	$ 14,175	$ 13,498	$ 13,231	$ 8,352	$ 6,958
Unreserved	8,607	9,627	15,761	23,116	16,506
Total General Fund	$ 22,782	$ 23,125	$ 28,992	$ 31,468	$ 23,464
All other governmental funds					
Reserved	$ 284,617	$ 289,368	$ 298,541	$ 197,170	$ 246,051
Unreserved, reported in:					
Special revenue funds	7,741	24,677	3,986	(20,727)	(57,435)
Debt service funds	-	38	(196)	(213)	(42)
Capital projects funds	(53,248)	(25,307)	(27,899)	(26,296)	(27,487)
Permanent Fund	358	333	297	252	265
Total all other governmental funds	$ 239,468	$ 289,109	$ 274,729	$ 150,186	$ 161,352
Total Fund Balances, as restated	$ 262,250	$ 312,234	$ 303,721	$ 181,654	$ 184,816

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				
	2004	2003	2002	2001	2000
	$ 6,117	$ 6,255	$ 6,427	$ 2,444	$ 2,474
	11,730	11,765	8,642	20,346	13,270
	$ 17,847	$ 18,020	$ 15,069	$ 22,790	$ 15,744
	$ 317,874	$ 243,715	$ 127,453	$ 209,926	$ 191,983
	8,627	14,151	9,585	(1,164)	(5,416)
	(179)	20	(22)	-	-
	(46,437)	(34,948)	71,859	(3,482)	(1,578)
	207	230	258	n/a	n/a
	$ 280,092	$ 223,168	$ 209,133	$ 205,280	$ 184,989
	$ 297,939	$ 241,188	$ 224,202	$ 228,070	$ 200,733

CITY OF STOCKTON

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

	Fiscal Year		
	2009	2008	2007
Revenues:			
Taxes:			
Property	$ 58,640	$ 63,998	$ 60,015
In lieu of sales tax	9,823	10,164	11,070
Utility user	30,854	30,861	30,101
Sales (levied by city) (1)	7,921	9,409	9,249
Franchise fees	11,608	11,537	10,817
Business license	9,699	10,772	10,285
Hotel/motel room	1,962	2,287	2,180
Document transfer	702	686	1,187
Special assessments	-	-	-
Other	234	246	257
Licenses and permits	4,335	5,273	6,777
Federal grants and subsidies	12,976	13,617	26,532
Other shared revenue (sales and use tax levied by state) (1)	31,245	36,098	36,745
Other governmental	53,498	59,976	63,064
Charges for services	31,462	55,244	51,739
Fines and forfeitures	4,499	3,321	3,323
Use of money and property	13,234	12,922	9,709
Investment income:			
Interest income	9,224	11,585	8,551
Net increase (decrease) in fair value of investments	2,151	1,515	1,238
Refunds and reimbursements	4,113	4,253	8,199
Miscellaneous	13,429	8,515	9,163
Total revenues	$ 311,609	$ 352,279	$ 360,201
Expenditures:			
Current:			
General government	$ 24,272	$ 22,285	$ 20,030
Public safety	163,339	168,372	163,479
Public works	16,113	18,464	19,478
Library	12,485	13,432	12,648
Parks and recreation	22,376	27,185	25,747
Capital outlay	105,384	135,071	98,819
Debt service:			
Principal retirement	3,973	1,017	591
Cost of issuance	99	777	2,069
Interest and fiscal charges	11,938	10,771	7,892
Total expenditures	$ 359,979	$ 397,374	$ 350,753
Excess (deficiency) of revenues Over (under) expenditures	$ (48,370)	$ (45,095)	$ 9,448

Fiscal Year						
2006	2005	2004	2003	2002	2001	2000
$ 47,495	$ 33,723	$ 28,365	$ 23,449	$ 20,742	$ 19,035	$ 17,584
9,274	8,750	-	-	-	-	-
34,313	34,908	33,322	32,157	31,462	31,188	25,468
9,941	1,047	-	-	-	-	-
10,333	9,812	5,725	5,623	5,364	5,255	4,222
11,222	8,960	8,014	8,065	6,897	6,643	6,133
2,171	2,160	2,030	2,048	2,005	1,994	1,559
2,010	2,036	1,525	1,043	777	692	478
-	-	18,211	18,591	18,135	15,877	15,680
218	193	187	174	254	174	154
8,960	11,112	9,977	11,444	5,493	3,758	3,333
21,529	10,465	11,301	15,598	9,188	18,073	8,535
42,063	35,904	40,333	36,628	35,812	36,323	31,722
52,402	44,737	35,330	40,025	42,250	40,706	38,588
66,443	61,903	57,316	43,181	32,117	26,557	26,044
3,933	3,250	1,905	1,490	1,552	1,445	1,115
6,274	3,370	1,640	2,011	1,806	1,416	1,467
2,702	4,686	5,000	5,422	6,686	9,069	6,422
129	333	(3,824)	(367)	715	2,866	(908)
8,284	5,524	3,213	4,864	3,310	2,822	1,250
8,707	11,662	6,314	8,791	6,661	5,884	7,521
$ 348,403	$ 294,535	$ 265,884	$ 260,237	$ 231,226	$ 229,777	$ 196,367
$ 23,935	$ 23,520	$ 22,812	$ 16,321	$ 16,182	$ 14,591	$ 13,185
157,299	142,211	123,948	112,668	102,626	91,308	85,462
30,959	27,346	38,122	33,987	15,206	12,721	12,183
13,283	12,391	11,303	10,475	10,403	9,636	8,800
25,637	17,931	14,937	13,330	13,433	12,034	10,653
101,399	108,560	60,827	60,390	60,652	65,957	49,950
689	669	8,356	9,654	7,290	7,085	5,198
341	22	2,177	983	466	-	-
4,314	4,183	12,460	11,937	10,814	10,430	9,479
$ 357,856	$ 336,833	$ 294,942	$ 269,745	$ 237,072	$ 223,762	$ 194,910
$ (9,453)	$ (42,298)	$ (29,058)	$ (9,508)	$ (5,846)	$ 6,015	$ 1,457

(Continued)

CITY OF STOCKTON

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

	Fiscal Year		
	2009	2008	2007
Other financing sources (uses):			
Transfers in	$ 46,051	$ 59,991	$ 78,825
Transfers out	(45,381)	(59,839)	(80,506)
Operating transfers out to a component unit	-	-	-
Issuance of long-term debt	6,343	53,436	110,509
Proceeds of current refunding bonds	-	-	-
Payment to refunding bond escrow agent - current refunding	-	-	-
Sales of capital assets	109	44	5
Current refunding	-	-	-
Payment to refunded bond escrow agent	-	-	-
Repayment of advances from other funds	-	-	-
Premiums on debt issuances			2,377
Discounts on debt issuances	-	(24)	-
Total other financing sources (uses)	$ 7,122	$ 53,608	$ 111,210
Special item	(8,736)	-	-
Net change in fund balances	(49,984)	8,513	120,658
Fund balances, beginning of year, as restated	312,234	303,721	183,063
Residual equity transfers in	-	-	-
Residual equity transfers out	-	-	-
Fund balances, end of year, as restated	$ 262,250	$ 312,234	$ 303,721
Debt service as a percentage of noncapital expenditures	5.9%	4.2%	3.7%

(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						
2006	2005	2004	2003	2002	2001	2000
$ 45,192	$ 46,449	$ 64,132	$ 71,393	$ 38,960	$ 28,561	$ 20,609
(38,821)	(39,845)	(59,459)	(65,969)	(35,648)	(27,643)	(20,609)
-	-	-	-	-	-	(98)
14,608	592	79,713	38,110	32,946	6,275	16,945
-	-	-	-	-	2,744	11,610
-	-	-	-	-	(1,879)	(10,320)
2	2	5	719	-	171	104
-	-	-	-	-	(680)	(3,000)
(14,604)	-	-	(17,205)	-	-	-
-	-	-	-	-	(867)	(374)
-	-	1,637	-	-	-	-
(86)	-	(219)	(554)	(604)	-	-
$ 6,291	$ 7,198	$ 85,809	$ 26,494	$ 35,654	$ 6,682	$ 14,867
-	-	-	-	-	-	-
(3,162)	(35,100)	56,751	16,986	29,808	12,697	16,324
184,816	219,916	241,188	224,202	194,394	201,332	185,383
-	-	-	-	-	15,951	-
-	-	-	-	-	(1,234)	(375)
$ 181,654	$ 184,816	$ 297,939	$ 241,188	$ 224,202	$ 228,746	$ 201,332
2.1%	2.2%	10.9%	12.1%	11.8%	12.5%	11.3%

CITY OF STOCKTON

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

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
Property (1)	$ 58,640	$ 63,998	$ 60,015	$ 47,495	$ 33,723	$ 28,365
In lieu of sales tax (2)	9,823	10,164	11,070	9,274	8,750	-
Utility user (3)	30,854	30,861	30,101	34,313	34,908	33,322
Sales (levied by city) (4)	7,921	9,409	9,249	9,941	1,047	-
Franchise fees (5)	11,608	11,537	10,817	10,333	9,812	5,725
Business licenses (6)	9,699	10,772	10,285	11,222	8,960	8,014
Hotel/motel room	1,962	2,287	2,180	2,171	2,160	2,030
Document transfer (7)	702	686	1,187	2,010	2,036	1,525
Special assessments (8)	-	-	-	-	-	18,211
Other	234	246	257	218	193	187
Totals	$ 131,443	$ 139,960	$ 135,161	$ 126,977	$ 101,589	$ 97,379

(1) Property taxes increased beginning in 2007 a result of the North Stockton Redevelopment Project Area and the growth in new homes and commercial development.

(2) Effective with fiscal year 2005, the City began receiving property tax in-lieu of sales tax under provisions of Proposition 1A approved by the voters of the State of California. 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				
2003	2002	2001	2000	% Change 2000 (or inception) to 2009
$ 23,449	$ 20,742	$ 19,035	$ 17,584	233%
-	-	-	-	12%
32,157	31,462	31,188	25,468	21%
-	-	-	-	657%
5,623	5,364	5,255	4,222	175%
8,065	6,897	6,643	6,133	58%
2,048	2,005	1,994	1,559	26%
1,043	777	692	478	47%
18,591	18,135	15,877	15,680	-
174	254	174	154	52%
$ 91,150	$ 85,636	$ 80,858	$ 71,278	84%

CITY OF STOCKTON

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

	Fiscal Year			
	2009	2008	2007	2006
Secured roll	$ 20,988,391	$ 21,520,451	$ 19,823,995	$ 16,860,177
Utility roll	5,633	5,652	14,092	15,883
Unsecured roll	1,588,293	1,234,912	1,195,948	1,127,627
Gross assessed value	$ 22,582,317	$ 22,761,015	$ 21,034,035	$ 18,003,687
Less exemptions (1)	1,398,902	1,302,249	1,238,271	1,185,310
Net assessed value	$ 21,183,415	$ 21,458,766	$ 19,795,764	$ 16,818,377
Land	$ 6,387,373	$ 6,661,962	$ 5,992,555	$ 4,811,339
Improvements	14,984,980	15,092,621	14,034,608	12,251,910
Personal property	1,209,964	1,006,432	1,006,872	940,438
Gross assessed value	$ 22,582,317	$ 22,761,015	$ 21,034,035	$ 18,003,687
Less exemptions (1)	1,398,902	1,302,249	1,238,271	1,185,310
Net assessed value	$ 21,183,415	$ 21,458,766	$ 19,795,764	$ 16,818,377
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%

(1) For FY 2009, all exemptions (secured, utility, and unsecured rolls) are: homeowners - $260,811 and other - $1,138,091 = $1,398,902

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					
2005	2004	2003	2002	2001	2000
$ 14,398,725	$ 12,567,832	$ 11,300,938	$ 10,201,671	$ 8,719,177	$ 8,347,987
16,316	15,054	12,683	13,536	15,364	17,038
1,015,499	951,164	904,354	834,424	799,923	775,627
$ 15,430,540	$ 13,534,050	$ 12,217,975	$ 11,049,631	$ 9,534,464	$ 9,140,652
1,111,509	1,061,968	1,003,662	952,815	902,578	780,309
$ 14,319,031	$ 12,472,082	$ 11,214,313	$ 10,096,816	$ 8,631,886	$ 8,360,343
$ 4,104,660	$ 3,532,906	$ 3,132,565	$ 2,756,278	$ 2,439,069	$ 2,373,758
10,509,572	9,220,951	8,350,637	7,579,417	6,381,458	6,089,228
816,308	780,193	734,773	713,936	713,937	677,666
$ 15,430,540	$ 13,534,050	$ 12,217,975	$ 11,049,631	$ 9,534,464	$ 9,140,652
1,111,509	1,061,968	1,003,662	952,815	902,578	780,309
$ 14,319,031	$ 12,472,082	$ 11,214,313	$ 10,096,816	$ 8,631,886	$ 8,360,343
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

CITY OF STOCKTON

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

Fiscal Year	Basic Countywide Levy	City	Total Direct	Stockton Unified School District (1)	San Joaquin Delta College District	Total
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
2000	1.0000	-	1.0000	0.0003	-	1.0003

(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 XIIIA 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 XIIIA (Statues 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 NINE YEARS AGO
(Dollar amounts in thousands)

	Fiscal Year					
	2009			2000		
Taxpayer	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	$ 101,679	1	0.518 %	-		-
Corn Products International Inc	71,705	2	0.365	$ 92,599	1	1.224 %
Simpson Manufacturing Co Inc	89,790	3	0.457	-		
Diamond Walnut Growers Inc	66,395	4	0.338	50,154	3	0.663
Arch Road Limited Partnership	55,002	5	0.280			
FR Net Lease Co-Invest Prog 10 LLC	43,860	6	0.223	-		
Sherwood Mall LLC	42,929	7	0.219	-		
WTM Glimcher LLC	42,335	8	0.216	-		
Tru Properties, Inc	41,202	9	0.210	23,539	7	0.311
Pavilions Apartments LP	40,003	10	0.204	-		
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
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	$ 594,900		3.030 %	$ 400,509		5.292 %
Other Secured Taxpayers	20,393,491		103.878	7,947,478		105.019
Total Secured Property Valuation Before Exemptic	$ 20,988,391		106.908 %	$ 8,347,987		110.311 %
Less Exemptions relative to secured tax roll (1)	1,356,221		6.908	780,309		10.311
Total Secured Property Valuation	$ 19,632,170		100.000 %	$ 7,567,678		100.000 %

(1) Exemptions relative to secured tax roll: FY 2009 - homeowners - $260,678 and other - $1,095,543 = $1,356,221
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		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy (1)		Amount	Percent of Levy
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
2000	15,164	15,164	100	-	15,164	100
1999	14,518	14,518	100	-	14,518	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

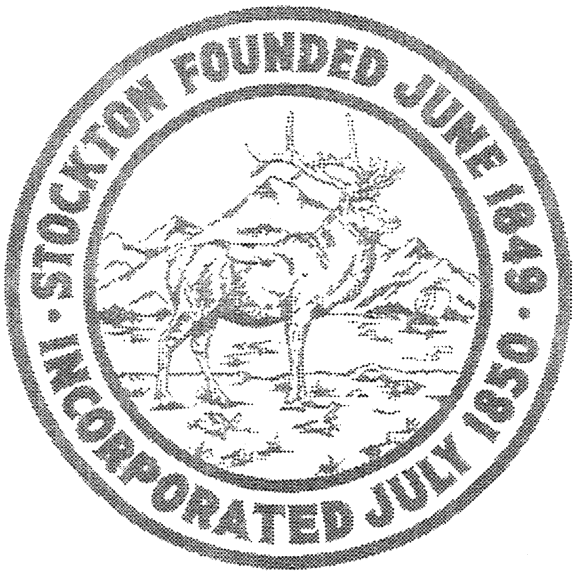
TABLE 10
WATER SOLD BY CUSTOMER TYPE
LAST FOUR FISCAL YEARS

	Fiscal Year			
	2009	2008	2007	2006
Type of Customer				
Residential	10,246,248	10,771,115	11,995,309	10,774,487
Institutional	734,394	788,914	914,345	786,155
Commercial/Industrial	1,624,864	1,624,218	1,704,698	1,727,550
Irrigation	1,697,051	1,832,861	1,786,611	1,379,830
Total	14,302,557	15,017,108	16,400,963	14,668,022

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


STOCKTON FOUNDED JUNE 1849
INCORPORATED JULY 1850

CITY OF STOCKTON

TABLE 11
WATER AND WASTEWATER UTILITY RATES
LAST TEN FISCAL YEARS

	Water		Wastewater
Fiscal Year	Monthly Base Rate	Additional Per 100 cf**	Monthly Base Rate
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
2000	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)

	Governmental Activities						
Fiscal Year	Revenue Bonds (1)	Certificates of Participation	Redevelopment Agency Revenue Bonds	Notes Payable / Equipment Leases	Special Assessment/Mello-Roos Bonds (1)	Pension Bonds	Total Governmental Activities
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
2000	115,145	14,860	-	-	47,822	-	177,827

Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements, Note 7-Long-Term Debt and Note 6-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								
Revenue Bonds	Certificates of Participation	Notes Payable	Mello-Roos Bonds	Special Assessment Bonds	Total Business-type Activities	Total	Percent of Personal Income (2)	Per Capita (2)
$ 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
-	131,370	2,009	-	7,970	141,349	319,176	2.32	1,291

CITY OF STOCKTON

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

	General Bonded Debt Outstanding						
Fiscal Year	Lease Revenue Bonds	Certificates of Participation	Pension Obligation Bonds	Redevelopment Agency Bonds	Total	Percent of Assessed Property Value	Per Capita
2009	$ 53,965	$ 13,300	$ 125,040	$ 155,020	$ 347,325	0.019 %	$ 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
2000	-	14,860	-	-	14,860	0.002	0.060

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

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2009	Percentage Applicable (1)	City's share of Debt 6/30/2009
San Joaquin Delta Community College District	$ 162,819,352	29.917 %	$ 48,710,666
Stockton Unified School District	273,615,000	80.835	221,176,685
Lodi Unified School District	103,725,000	36.192	37,540,152
Lodi Unified School District School Facilities Improvement District No. 1	47,255,000	84.857	40,099,175
Lincoln Unified School District	48,461,417	87.284	42,299,063
Lincoln Unified School District Community Facilities District No. 1	33,491,312	81.352	27,245,852
Manteca Unified School District	63,697,004	19.676	12,533,023
Manteca Unified School District Community Facilities District No. 1989-1	35,716,013	100.000	35,716,013
Tracy Joint Unified School District and School Facilities Improvement Dist. No.3	60,790,000	0.005 & 0.009	3,520
City of Stockton Community Facilities District No. 1	23,650,000	100.000	23,650,000
City of Stockton Community Facilities District No. 90-1	4,455,000	100.000	4,455,000
City of Stockton Community Facilities District No. 90-2	20,815,000	100.000	20,815,000
City of Stockton Community Facilities District No. 90-4	8,900,000	100.000	8,900,000
City of Stockton Community Facilities District No. 96-1	2,770,000	100.000	2,770,000
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)	20,255,000	100.000	20,255,000
City of Stockton Community Facilities District No. 2003-1	3,015,000	100.000	3,015,000
City of Stockton Community Facilities District No. 2006-1	3,955,000	100.000	3,955,000
City of Stockton Community Facilities District No. 2006-3	6,100,000	100.000	6,100,000
City of Stockton 1915 Act Bonds	59,765,000	100.000	59,765,000
Reclamation District No. 2042 Community Facilities District No. 2001-1	7,155,000	18.211	1,302,997
San Joaquin Area Flood Control Assessment District	9,290,000	81.467	7,568,284
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			646,940,430
OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	$ 197,130,000	33.165 %	65,378,165
Lincoln Unified School District Certificates of Participation	3,140,000	87.284	2,740,718
Lodi Unified School District Certificates of Participation	48,200,000	36.192	17,444,544
Stockton Unified School District Certificates of Participation	42,737,582	80.835	34,546,924
South San Joaquin Irrigation District Certificates of Participation	3,755,000	1.047	39,315
TOTAL OVERLAPPING GENERAL FUND DEBT			120,149,665
TOTAL OVERLAPPING DEBT			767,090,096
DIRECT GENERAL FUND DEBT:			
City of Stockton General Fund Obligations	**146,275,000**	**100.000**	**146,275,000**
City of Stockton Pension Obligations	**125,040,000**	**100.000**	**125,040,000**
			271,315,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			391,464,665
Less: South San Joaquin Irrigation District (100% self-supporting)			39,315
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			391,425,351
GROSS COMBINED TOTAL DEBT (2)			1,038,405,096
NET COMBINED TOTAL DEBT			$ 1,038,365,781

2008-09 Assessed Valuation: $18,903,286,544
(after deducting 2,540,938,745 Redevelopment Incremental Valuation)

2008-09 Population 290,409

Debt Ratios		**Per Capita**	**Ratio to**
Total Gross Debt	$ 1,038,405,096	$ 3,576	5.49
Total Net Debt	1,038,365,781	3,576	5.49
Ratios to 2008-09 Assessed Valuation: Total Overlapping Tax and Assessment Debt			3.02
Ratios to Adjusted Assessed Valuation: Combined Direct Debt	271,315,000		1.44

(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			
	2009	2008	2007	2006
Assessed valuation (1)	$18,903,286	$19,281,142	$ 18,043,181	$ 15,761,940
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	$ 4,725,822	$ 4,820,286	$ 4,510,795	$ 3,940,485
Debt limit percentage	15%	15%	15%	15%
Debt Limit	$ 708,873	$ 723,043	$ 676,619	$ 591,073
Total net debt applicable to limit	-	-	-	-
Legal debt margin	$ 708,873	$ 723,043	$ 676,619	$ 591,073

(1) Reflects City assessed valuation excluding Redevelopment tax increments of $2,540,938,745 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 revnue sources, but at this time, does not have any oustanding general obligation bonds. The City is not at risk of exceeding its legal debt limit of $708,873

Sources: City of Stockton Department of Administrative Services
California Municipal Statistics, Inc., San Francisco, CA

Fiscal Year					
2005	2004	2003	2002	2001	2000
$ 14,037,055	$ 12,313,597	$ 11,246,185	$ 10,192,890	$ 8,699,045	$ 8,449,173
25%	25%	25%	25%	25%	25%
$ 3,509,264	$ 3,078,399	$ 2,811,546	$ 2,548,223	$ 2,174,761	$ 2,112,293
15%	15%	15%	15%	15%	15%
$ 526,390	$ 461,760	$ 421,732	$ 382,233	$ 326,214	$ 316,844
-	-	-	-	-	-
$ 526,390	$ 461,760	$ 421,732	$ 382,233	$ 326,214	$ 316,844

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	
Water Revenue Bonds							
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
2000	15,606	9,873	5,733	375	977	1,352	4.24
Wastewater Certificates of Participation (3)							
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
2000	40,595	20,504	20,091	1,710	5,807	7,517	2.67

(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	
Central Parking District Lease Revenue Bonds							
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
2000	2,361	1,082	1,279	515	588	1,103	1.16

**** 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
2009	290,409	n/a	n/a	18.1 %	130,800	96,854	3.08	$ 63,600	n/a
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

CITY OF STOCKTON

TABLE 18
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year					
	2009			2000		
Employer	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
San Joaquin County (1)	6,449	1	4.93 %	5,800	1	5.31 %
Stockton Unified School District	4,000	2	3.06	4,300	2	3.94
St. Joseph's Medical Center	2,230	3	1.70	2,906	3	2.66
City of Stockton	1,598	4	1.22	1,800	4	1.65
Dameron Hospital	1,200	5	0.92	1,017	8	0.93
Kaiser Permanente	1,000	6	0.76	532	-	0.49
University of the Pacific	966	7	0.74	926	9	0.85
San Joaquin Delta College	905	8	0.69	1,035	7	0.95
Diamond Walnut	855	9	0.65	-	-	-
Del Monte Foods USA	-	-	-	1,200	5	1.10
Pacific Gas and Electric	817	10	0.62	1,100	6	1.01
Lipton	-	-	-	900	10	0.82
Total	20,020		15.31 %	21,516		19.70 %

Note: Principal employers are based on best available information.

Sources: City of Stockton

CITY OF STOCKTON

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

	Fiscal Year			
	2009	2008	2007	2006
Function/Program/Department:				
Admin Svcs (4)	90	100	92	86
City Attorney	14	16	17	18
City Auditor	4	7	6	5
City Clerk	6	8	8	8
City Council/Mayor	2	2	2	3
City Manager	24	28	26	27
Community Development	50	51	53	46
Community Services (1)	103	128	132	127
Human Resources	25	26	24	24
Police:				
Sworn	389	410	408	408
Non-sworn	194	215	201	205
Animal control	16	16	15	18
Total Police	599	641	624	631
Fire:				
Firefighters-sworn	244	257	266	275
Firefighters-auxiliary	27	45	35	25
Non-sworn personnel	27	28	28	32
Paramedic teams (2 per team)	-	-	-	13
Total Fire	298	330	329	345
Public Works	196	234	228	226
Revitalization (2)	28	36	32	26
Water Utility (3)	35	33	5	3
Wastewater Utility (3)	105	107	17	12
Stormwater Utility (3)	6	7	-	2
Total	1,585	1,754	1,595	1,589

(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 44 for the fiscal year ended June 30, 2006. Information prior to the implementation of GASB 44 is not available.

Source: City of Stockton Human Resources Department

CITY OF STOCKTON

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

	Fiscal Year		Fiscal Year	
	2009	2008	2007	2006
General government:				
Building permits issued	4,418	4,726	6,564	7,579
Business tax certificates:				
Retail sales and service	7,170	7,822	9,567	9,283
Rental Properties - Commercial and Residential	4,346	4,713	Included in retail sales and service	
Wholesale	351	295	Included in retail sales and service	
Manufacturers and processors	186	183	179	206
Professions	2,150	2,127	2,087	2,286
Miscellaneous contractors, peddlers, delivery vehicles, etc.	3,665	3,794	3,491	5,640
Improvement district and hotel/motel room tax	106	282	267	257
Utility billing/customer service:				
Utility bills issued	603,209	617,847	620,373	431,056
Utility accounts opened and closed	29,722	22,737	19,227	20,284
New service locations (water) added	231	443	798	1,778
Delinquency Notices Sent - Active Accounts	63,834	60,872	n/a	n/a
Water Service Terminated for Non-Payment	4,389	5,618	n/a	n/a
Utility customer service calls received	127,099	141,732	186,450	125,179
Utility customers using automated voice response	n/a	69,866	68,688	32,985
Utility Customers Using OnLine Pmt/Acct Access	9,854	5,214	n/a	n/a
Miscellaneous accounts receivable bills issued	26,895	22,084	19,693	18,788
Public safety:				
Police:				
Major reported crimes	20,310	23,182	23,193	23,123
Total arrests	20,986	22,595	23,778	24,412
Dispatched calls for service	150,429	155,372	165,896	169,605
Fire:				
Interior structure fire calls	382	383	413	481
Non-structural fire calls	783	1,374	1,493	1,795
Hazardous materials calls	289	720	699	673
Emergency medical calls	22,796	23,904	23,314	24,218
Total emergency calls	36,103	36,559	35,487	36,321
Total number of units dispatched	43,320	48,360	47,447	56,655
Public works:				
Miles of streets resurfaced	48	44	45.9	33
Fleet job orders completed	13,382	13,443	13,379	14,363

(Continued)

CITY OF STOCKTON

TABLE 20 (Continued)
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
LAST FOUR FISCAL YEARS

	Fiscal Year		Fiscal Year	
	2009	2008	2007	2006
Library:				
Registered borrowers	331,356	307,991	280,028	246,983
Circulation of library materials	1,926,616	2,084,611	2,003,983	2,073,852
Reference, research and informational questions answered	827,851	415,195	461,328	336,650
Annual attendance at libraries	1,510,802	1,524,719	1,946,347	1,587,653
Number of programs offered	2,380	2,930	2,140	2,003
Annual attendance at programs	53,523	90,216	51,184	53,222
Parks and recreation:				
Golf rounds:				
Swenson Park golf course	55,864	57,731	57,976	59,670
Van Buskirk golf course	27,095	24,655	27,371	24,180
Trees planted	50	660	1,133	882
Heritage tree removal-permits issued	24	19	10	16
After school program registration (number of participants) (2)	55,860	90,074	2,700	82,000 @ 54 sites
Day camps in winter (number of participants)	77	177	187	114
Day camps in summer (number of participants)	1,277	1,434	1,467	2,359
Day camps at Children's Museum (number of participants)	314	202	417	426
Day camps in spring (number of participants)	66	217	283	n/a
Day camps in fall (number of participants)	175	453	243	n/a
Mobile recreation programs (number of participants) (2)	-	304	765	800
Instructional classes	3,823	4,064	3,142	132
Softball/baseball diamonds bookings	3,372	2,794	2,909	2,773
Showmobile bookings	32	23	33	31
Community center bookings	224	59	222	12
Picnic facility bookings	501	668	669	583
Adult sports (number of teams):				
Softball	548	573	701	610
Basketball	67	110	139	52
Volleyball	-	0	8	10
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants) (2)	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	
Parks and recreation (cont.):	2009	2008	2007	2006
Admissions to:				
Pixie Woods	26,558	32,614	34,037	42,320
Swimming pools	17,028	19,816	9,697	12,720
Teen Center	13,708	15,661	15,141	15,000
Silver Lake	1,250	1,652	1,832	1,798
Children's Museum	49,274	54,388	58,432	55,969
Oak Park Tennis	19,329	18,098	19,395	n/a
Senior Center memberships	991	1,779	790	469
Civic Auditorium bookings	270	231	164	309
Parks and Recreation sponsored events	9	28	31	9
Philomathean Club bookings	-	0	-	6
Weber Point Events Center bookings	16	25	23	27
Housing:				
Rental Housing Units	0	91	42	22
Owner Housing (Emergency Repair or Rehabilitation)	12	11	25	27
Down Payment Assistance	2	21	20	20
Special Needs (Homes Repaired or Rehabilitated)	4	9	18	45
Public Facilities (Rehabilitated or Constructed)	4	1	3	-
Façade Program (Commercial Façade Repair/Rehabilitated)	5	9	10	9
Public Services Provided	41,973	18,060	22,865	22,456
Homeless Services Provided	4,887	10,658	4,744	4,657
Meals Provided to Homeless	430,790	388,061	330,814	335,923
Water utility:				
New connections	209	450	798	2,563
Water main breaks	26	22	17	20
Wastewater utility:				
Average daily influent (million gallons per day)	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 replace and data from former server was not yet retrievable.

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

Source: City of Stockton Departments

CITY OF STOCKTON

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

	Fiscal Year			Fiscal Year	
	2009	2008	2007	2006	2005
General government:					
Land use-square miles:					
Residential	33.04	33.04	33.31	33.29	32.93
Mixed use	4.74	1.61	1.62	1.62	1.62
Commercial	5.56	5.46	6.05	5.92	4.99
Industrial	10.56	10.56	11.01	10.99	10.97
Institutional	5.29	5.29	4.86	4.86	4.86
All other uses	3.22	3.22	3.63	3.71	3.26
Total square miles	62.41	59.18	60.48	60.39	58.63
Public safety:					
Police:					
Facilities:					
Stations and substations	5	5	5	5	4
Animal control facility	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1
Vehicles:					
Marked patrol cars	160	175	140	119	127
Motorcycles and scooters	37	42	42	30	27
Animal control vehicles	9	9	9	9	9
VIPS vehicles	7	7	5	5	5
Other automobiles	217	131	131	125	122
Other mobile units (all others)	43	40	37	37	37
Public area security cameras	76	76	34	32	23
Fire:					
Fire stations	13	13	13	13	13
Training facilities	1	1	1	1	1
Fire hydrants (2)	8,458	8,508	8,503	8,338	7,087
Public works:					
Miles of streets	757	754	750	734	706
Traffic signals	301	291	290	284	278
Street light fixtures	20,095	20,095	19,682	19,164	n/a

(Continued)

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

	Fiscal Year			Fiscal Year	
	2009	2008	2007	2006	2005
Parks and recreation:					
Arena	1	1	1	1	n/a
Ballpark	1	1	1	1	1
Baseball/softball diamonds	54	54	49	43	42
Bike/jogging paths (miles)	20	20	20	20	19
Boating facilities - launch lanes	10	10	10	10	10
Children's Museum	1	1	1	1	1
Civic Auditorium (2,800 capacity)	1	1	1	1	1
Community centers	6	6	6	6	5
Dog Areas	1	1	1	n/a	n/a
Family camps	1	1	1	1	1
Golf course acreage	371	371	371	408	408
Group picnic areas	31	30	26	26	24
Gymnasium	1	1	1	1	-
Ice rink	1	1	1	1	1
Municipal golf courses	3	3	3	4	4
Park acreage	643	639	619	619	614
Parks and squares	67	66	62	62	62
Philomathean Club	1	1	1	1	1
Playgrounds	71	71	66	66	n/a
Senior center	1	1	1	1	1
Showmobile	1	1	1	2	2
Skateboard park	1	1	1	1	1
Swimming pools	4	4	4	5	4
Teen Center	1	1	1	1	1
Tennis courts	67	67	67	67	65
Theater (Bob Hope)	1	1	1	1	1
Weber Point Events Center	1	1	1	1	1
Consolidated landscape maintenance districts:					
Streetscaping (square feet)	2.2 million	2.2 million	2.2 million	1.9 million	n/a
Public open spaces (acreage)	68	68	68	63	n/a

(Continued)

CITY OF STOCKTON

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

	Fiscal Year			Fiscal Year	
	2009	2008	2007	2006	2005
Library:					
Central library	1	1	1	1	1
City branches	4	4	4	3	3
Library mobile units	2	2	2	2	2
San Joaquin County branches	8	8	8	7	7
Total items in collection	1,099,966	1,109,819	1,097,783	1,055,726	1,152,475
Cargo delivery van	2	2	2	1	1
Cargo van	1	1	1	1	1
Undeveloped land for branch library	2	2	5	2	2
Integrated library system	1	1	1	1	1
Microform readers	2	5	5	5	5
Microform readers/printers	6	3	3	3	3
Self check out machines	15	14	14	13	13
Water utility:					
Water main lines (miles)	612	612	586	520	480
Storage capacity (thousand gallons)	19,200	18,800	15,800	15,800	15,800
Water wells (active)	33	40	40	39	37
Water reservoirs	6	6	5	5	5
Wastewater utility:					
Wastewater main lines (miles) (1)	920	920	920	875	820
Treatment capacity (million gals/day)	55	48	48	42	42
Wastewater pump stations	25	25	24	24	24
Stormwater utility:					
Stormwater main drain lines (miles)	1072	802	650	584	550
Stormwater pump stations	75	73	73	72	72
Central parking district:					
Parking spaces	5,535	5,262	4,745	4,745	n/a
Parking lots & garages	22	20	19	19	n/a

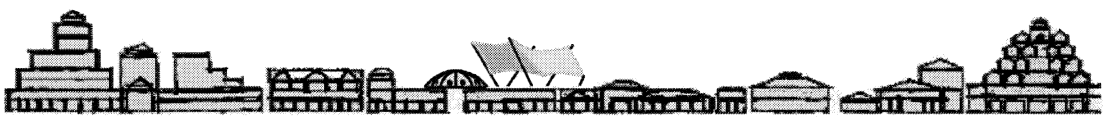
Note: The City of Stockton implemented GASB S-44 for the fiscal year ended June 30, 2006. Information for 2005 was presented where available.

(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

CITY OF STOCKTON



SINGLE AUDIT SECTION

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City Council
City of Stockton
Stockton, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of Stockton, California (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. Our report contained an explanatory paragraph describing the City's implementation of a new governmental accounting standard, effective July 1, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

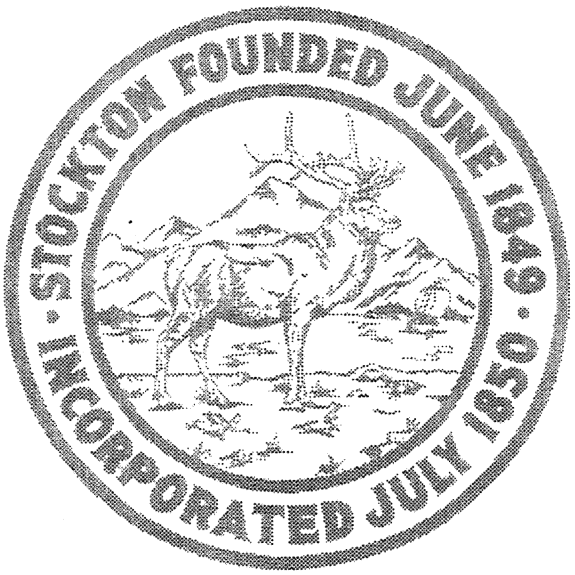
The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 7, 2009


STOCKTON FOUNDED JUNE 1849
INCORPORATED JULY 1850

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City Council
City of Stockton
Stockton, California

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Stockton, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2009. Our report contained an explanatory paragraph describing the City's implementation of a new governmental accounting standard, effective July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-1 and 09-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-1 to be a material weakness.

Compliance and Other Matters

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

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 7, 2009

CITY OF STOCKTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009
(Dollar Amounts in Thousands)

Federal Department Federal Agency Pass-Through Agency (if not direct) Program Title	CFDA No.	Grant Period	Grant Number	Receipts Federal	Receipts Local	Expenditures Federal	Expenditures Local
Department of Housing and Urban Development							
Direct							
Community Development Block Grants/ Entitlement Grants	14.218	07/01/08-06/30/09	B-08-MC-060026	$ 4,026	$ -	$ 3,750	$ 647
Community Development Block Grants/ Entitlement Grants (2007 loan balance)	14.218		loans with continuing compliance requirements	-	-	10,070	-
Community Development Block Grants/ Entitlement Grants	14.218		program income	214	-	390	-
Total Community Development Block Grants/ Entitlement Grants				4,240	-	14,210	647
Emergency Shelter Grants Program	14.231	07/01/08-06/30/09	S-07-MC-060026	231	-	185	-
HOME Investment Partnerships Program	14.239	07/01/08-06/30/09	M-08-MC-060021	1,791	-	449	-
HOME Investment Partnerships Program (2007 loan balance)	14.239		loans with continuing compliance requirements	-	-	12,666	-
HOME Investment Partnerships Program	14.239		program income	277	-	302	-
Total HOME Investment Partnerships Program				2,068	-	13,417	-
Community Development Block Grants/ Brownfields Economic Development Initiative	14.246	07/01/07-06/30/09	B-03-BD-06-0014	-	-	1,423	-
Community Devlopment Block Grants - Section 108 Loan Guarantees	14.248	07/01/07-06/30/10	B-03-MC-060026	621	-	8,114	-
Neighborhood Stabilization Program (NSP)	14.256	01/30/09-01/29/12	B-08-MN-06-0009	-	-	1,167	-
Housing Authority of the County of San Joaquin Public Housing Drug Elimination Program	14.854	01/01/08-12/31/09	CA-024	199	-	270	-
Total Department of Housing and Urban Development				7,359	-	38,786	647
Department of Justice							
Public Safety Partnership and Community Policing Grants	16.710	11/22/05-11/21/08	2006CKWX0195	8	-	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07/01/06-06/30/11	2007F3402-CA-DJ	158	-	114	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10/01/06-09/30/10	2007-DJ-BX-0262	-	-	25	-
Total Edward Byrne Memorial Justice Assistance Grant Program				158	-	139	-
State of California Corrections Standards Authority Juvenile Accountablity Block Grants	16.523	07/01/07-06/30/08	CSA 182-07	12	-	-	-
State of California Office of Emergency Services							
Violence Against Women Formula Grants	16.588	01/01/08-12/31/08	LE07 05 8019	95	-	53	19
Violence Against Women Formula Grants	16.588	01/01/09-12/31/09	LE08 01 8019	-	-	42	14
Total Violence Against Women Formula Grants				95	-	95	33
Anti-Gang Initiative	16.744	07/01/07-09/30/08	AG07 01 8019	82	-	47	-
San Joaquin County District Attorney's Office							
Edward Byrne Memorial Formula Grant Program	16.579	07/01/07-06/30/08	DC06 17 0390	$ 132	$ -	$ 140	$ -
Edward Byrne Memorial Formula Grant Program	16.579		asset seizures	73	-	123	-
Total Edward Byrne Memorial Formula Grant Program				205	-	263	-
Total Department of Justice				560	-	544	33

(Continued)

See notes to the schedule of expenditures of federal awards.

CITY OF STOCKTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009
(Dollar Amounts in Thousands)

Federal Department Federal Agency Pass-Through Agency (if not direct) Program Title	CFDA No.	Grant Period	Grant Number	Receipts Federal	Receipts Local	Expenditures Federal	Expenditures Local
Department of Transportation							
State of California Department of Transportation							
Highway Planning and Construction	20.205	09/01/07-08/31/09	STPLR-7500(069)	12	-	9	-
Highway Planning and Construction	20.205	03/27/03-06/30/12	BRLS-5008(055)	385	-	402	-
Highway Planning and Construction	20.205	08/26/02-06/30/12	NCPD-5008(059)	308	-	284	-
Highway Planning and Construction	20.205	08/23/05-06/30/12	CML-5008(074)	2	-	-	-
Highway Planning and Construction	20.205	08/02/04-06/30/14	STPLN-5008(072)	782	-	509	-
Highway Planning and Construction	20.205	08/19/03-06/30/12	RPSTPLE-5008(077)	6	-	-	-
Highway Planning and Construction	20.205	08/19/03-06/30/09	STPLH-5008(069)	1	-	-	-
Highway Planning and Construction	20.205	10/11/07-06/30/13	RPSTPLE-5008(077)	1,061	-	1,118	-
Highway Planning and Construction	20.205	06/27/07-06/30/17	HPLULN-5008(079)	1,193	-	845	-
Highway Planning and Construction	20.205	12/15/06-06/30/12	BPMP-5008(076)	9	-	5	-
Highway Planning and Construction	20.205	10/01/06-09/30/07	STPLH-5008(062)	44	-	-	-
Highway Planning and Construction	20.205	10/01/07-09/30/07	STPL-5008(080)	1,687	-	1,794	-
Highway Planning and Construction	20.205	12/03/08-06/30/15	STPL-5008(084)	-	-	4	-
Highway Planning and Construction	20.205	06/17/09-06/30/15	STP-5008(086)	-	-	2	-
Total Highway Planning and Construction				5,490	-	4,972	-
State of California Office of Traffic Safety							
State and Community Highway Safety	20.600	10/01/06-09/30/08	PT0746	134	-	52	-
State and Community Highway Safety	20.600	10/01/07-07/31/08	CT08420	14	-	-	-
State and Community Highway Safety	20.600	03/01/07-09/30/07	CT073901	60	-	98	-
State and Community Highway Safety	20.600	10/01/07-01/31/11	AL0837	17	-	26	-
State and Community Highway Safety	20.600	10/01/08-09/30/09	AL0994	133	-	196	-
Total State and Community Highway Safety				358	-	372	-
Total Department of Transportation				5,848	-	5,344	-
National Endowment of the Arts							
Direct							
Promotion of the Arts - Grants to Organizations and Individuals	45.024	01/01/08-06/30/08	27702	18	-	-	20
Department of Health and Human Services							
National Association of City and County Health Officials							
Medical Reserve Corps Small Grant Program	93.008	03/03/08-07/31/08	1MRCSG061001-02	$ 5	$ -	$ -	$ -
Department of Homeland Security							
Direct							
Assistance to Firefighters Grant	97.044	02/08/08-02/07/09	EMW-2007-FO-10304	184	46	181	48
Buffer Zone Protection Program (BZPP)	97.078	07/01/06-09/30/08	2006-BZ-T6-0045	180	-	-	-
Total Department of Homeland Security				364	46	181	48
TOTAL FEDERAL ASSISTANCE AND EXPENDITURES OF FEDERAL AWARDS				$ 14,154	$ 46	$ 44,855	$ 748

See notes to the schedule of expenditures of federal awards.

CITY OF STOCKTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2009

NOTE A – **REPORTING ENTITY**

The accompanying schedule of expenditures of federal awards (SEFA) presents the expenditures of all the federal award programs of the City of Stockton, California (City) for the year ended June 30, 2009. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the SEFA. The City's reporting entity is defined in Note 1 to the City's financial statements. Local receipts and expenditures represent the City's matching contribution for federal award programs.

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

NOTE B – **BASIS OF ACCOUNTING**

Expenditures as presented in the SEFA are reported on the modified accrual basis of accounting. That is, expenditures are recognized when they become a demand on current available financial resources. Receipts as presented in the SEFA are reported on the cash basis of accounting. That is, receipts are recognized when received.

NOTE C – **LOAN GUARANTEES**

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, 2009, the first loan totaling $3,075,000 has notes due in installments ranging from $430,000 to $600,000 and are to be paid August 1, 2009 through August 1, 2014, with interest rates ranging from 5.67% to 6.17%; the second loan totaling $2,240,000 has notes due in installments ranging from $125,000 to $260,000 and are to be paid August 1, 2009 through August 1, 2020, with interest rates ranging from 5.67% 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, 2009 through August 1, 2020, with interest rates ranging from 5.07% to 5.53%; the fourth loan totaling $12,500,000 has notes due in installments ranging from $415,000 to $1,920,000 and are to be paid August 1, 2009 through August 1, 2024, with interest rates ranging from 2.62% to 5.25%. Repayment of the loans will be financed from Community Development Block Grant entitlement funds.

NOTE D – **SUBRECIPIENTS**

Federal assistance provided to subrecipients is summarized as follows:

Federal CFDA #	Subrecipient	Expended
14.218	Catholic Charities	$ 2,935
	Disability Recource Center	6,909
	San Joaquin County Hispanic Chamber of Commerce	15,628
	San Joaquin Fair Housing	142,236
	San Joaquin Housing Authority	20,000
	Second Harvest Food Bank	14,772
14.231	San Joaquin County Neighborhood Preservation	184,680
		$ 387,160

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

The City participates in federal housing and rehabilitation programs whereby funds have been received in the current year and prior years for housing and rehabilitation loans. Total loans outstanding for these programs are $43,958,000 at June 30, 2009. Of this amount, loans totaling $27,243,000 had continuing compliance requirements. The balance of these loans as of June 30, 2008 amounted to $22,736,000. This amount has been included in the schedule of expenditures of federal awards under the Community Development Block Grants/Entitlement Grants program (CFDA No. 14.218) in the amount of $10,070,000 and the HOME Investment Partnerships Program (CFDA No. 14.239) in the amount of $12,666,000. Interest earned and repayment of the loans are not refunded to the federal government, but are used to make additional loans.

NOTE F – OFFICE OF EMERGENCY SERVICES

The following schedules present only the amounts related to the federal grants passed through the California Office of Emergency Services (OES). These schedules reconcile the expenditures for state grant reporting purposes to the amounts presented in the SEFA.

Grant No. LE08018019 – The City reported total cumulative expenditures for the period July 1, 2008 through June 30, 2009 on Form 201 as follows:

		Actual		
	Budget	Current	Total	Variance
Personal Services	$ 104,533	$ 51,326	$ 51,326	$ 53,207
Operating Expenses	90,133	4,850	4,850	85,283
Total Expenditures per Form 201	$ 194,666	$ 56,176	$ 56,176	$ 138,490

	Federal	Local	Total
Passed through State of California:			
Office of Emergency Services	$ 42,132	$ 14,044	$ 56,176
Total Expenditures per SEFA as CFDA No. 16.588	$ 42,132	$ 14,044	$ 56,176

Grant No. LE07058019 – The City reported total cumulative expenditures for the period July 1, 2008 through March 31, 2009 on Form 201 as follows:

		Actuals			
	Budget	Prior	Current	Total	Variance
Personal Services	$ 62,473	$ 37,948	$ 24,525	$ 62,473	$ -
Operating Expenses	65,128	18,138	46,990	65,128	-
Total Expenditures per Form 201	$ 127,601	$ 56,086	$ 71,515	$ 127,601	$ -

	Federal	Local	Total
Passed through State of California:			
Office of Emergency Services	$ 52,791	$ 18,724	$ 71,515
Total Expenditures per SEFA as CFDA No. 16.588	$ 52,791	$ 18,724	$ 71,515

NOTE F – OFFICE OF EMERGENCY SERVICES (Continued)

Grant No. AG07018019 – The City reported total cumulative expenditures for the period July 1, 2008 through September 30, 2009 on Form 201 as follows:

	Budget	Actuals Prior	Actuals Current	Actuals Total	Variance
Personal Services	$ 51,500	$ 19,777	$ 43,545	$ 63,322	$ 11,822
Operating Expenses	30,069	15,000	3,247	18,247	(11,822)
Total Expenditures per Form 201	$ 81,569	$ 34,777	$ 46,792	$ 81,569	$ -

	Federal	Local	Total
Passed through State of California: Office of Emergency Services	$ 46,792	$ -	$ 46,792
Total Expenditures per SEFA as CFDA No. 16.744	$ 46,792	$ -	$ 46,792

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with § 510(a) of Circular A-133?	No

Identification of major programs:

CFDA #14.218	Community Development Block Grants/ Entitlement Grants
CFDA #14.239	HOME Investment Partnerships Program
CFDA #14.246	Community Development Block Grants/ Brownfields Economic Development Initiative
CFDA #14.248	Community Development Block Grants/ Section 108 Loan Guarantees
CFDA #14.256	Neighborhood Stabilization Program

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009

Section I – Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	$420,163
Auditee qualified as low-risk auditee?	No

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings

Finding 09-1 – EXTERNAL BORROWINGS (Material Weakness)

Criteria:
A material weakness is a significant deficiency in internal controls that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Condition:
In the course of preparing the financial statements for the current year, it was discovered that an advance/loan of funds received in 2002 by the City was not communicated to the Administrative Services Department (Department). As a result, the funds received from the San Joaquin Council of Governments (SJCOG) was reported, at the time of the initial transaction, as revenue in the Measure K-Sales Tax Special Revenue Fund rather than properly recording the loan transaction in the City's government-wide financial statements as a long-term liability. The advanced funds received from SJCOG were dedicated for street repair capital projects. The City has restated its financial statements (refer to Note 14 in the notes to the financial statements) to correct the omission and properly report the transaction in the City's June 30, 2009 financial statements.

Cause:
Based on our observations, operational finance issues that include process problems or breakdowns in the operation of the financial reporting process appear to be the cause. Operational finance issues do not involve the numbers themselves, but rather the processes in place in the City's organization to ensure that the publicly disclosed financial statements are fairly stated.

Effect:
The City inaccurately omitted financial transactions related to the City's long-term liabilities in the preparation of its prior year financial statements.

Recommendation:
We recommend that the City strengthen its policies and procedures, to ensure that information relating to financial transactions is timely communicated by the various City departments to the Department. This communication is particularly important for those financial transactions that are unique and infrequent in occurrence, so the proper accounting treatment can be applied and appropriately recorded in the City's accounting system.

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings (Continued)

Finding 09-1 – EXTERNAL BORROWINGS (Material Weakness)

Management Response and Corrective Action Plan:
Concur – the City will continue to strengthen its policies and procedures to ensure that information relating to financial transactions is timely communicated by the various City departments to the Administrative Services Department. Specifically, management's corrective action plan is to revise current policies and procedures to include Chief Financial Officer (CFO) approval on all City Council agenda items with financial content prior to presentation to Council, and CFO approval on all City loan agreements with outside private parties and governmental entities.

The Administrative Services Department will continue its efforts to improve its communication with City departments. Such efforts will include training sessions between accounting and City department staff to communicate the necessity for consulting with accounting before entering into long-term obligations, and training City department officials to recognize the long-term financial obligation of agreements rather than the short-term cash-related perspective of such transactions. The Administrative Services Department will also continue its thorough review of weekly Council agenda items documents.

Section III – Federal Award Findings and Questioned Costs

Finding 09-2 – PREPARATION OF THE FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Significant Deficiency)

Criteria:
A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Furthermore, pursuant to Subpart C, section .300(d) of Office of Management and Budget (OMB) Circular A-133, *Audits, of States, Local Governments, and Non-Profit Organizations*, "the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310."

Condition:
While conducting our audit, we noted that the City experienced significant difficulties and delays in accurately preparing the City's financial statements and schedule of expenditures of federal awards (SEFA). Upon receiving the SEFA and financial statements, there were numerous errors and adjustments requiring revisions, in order to accurately report and present the SEFA and the City's financial statements in accordance with OMB Circular A-133 and accounting principles generally accepted in the U.S.

Cause:
Based upon our observations, it is our opinion that attrition of key employee positions within the City's Administrative Services Department (Department) responsible for developing and overseeing the preparation of the SEFA and City's financial statements, has rendered the Department understaffed. The remaining personnel within the Department have not been able to sustain the resulting workload requirements for financial statement production. An additional impact of the staffing vacancies is that the capacity available for supervisory review is insufficient to ensure that financial transactions and preparation of financial statements are properly recorded and reported.

Effect:
The City exposes itself to the risk of inaccurately recording and reporting financial transactions, as well as, preparing its financial statements.

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 09-2 – PREPARATION OF THE FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Significant Deficiency)

Recommendation:
We strongly suggest that necessary steps be taken to ensure that the Department can accurately and timely prepare the City's financial statements and SEFA.

Management Response and Corrective Action Plan:
Concur – the City will take the necessary steps to ensure that the Administrative Services Department can accurately and timely prepare the City's financial statements and Schedule of Expenditures of Federal Awards (SEFA), in compliance with generally accepted accounting principles (GAAP) and Subpart C, section .300(d) of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,.

Specifically, management's corrective action plan contains the following two components:

(1) Accounting Division Staffing Level and Supervisory Review Improvement Plan:

a. Communicate clear guidelines and expectations of the responsibilities of each of the Accounting Division staff members;

b. Pursue full staffing of the Accounting Division as requested in the Department's Two-Year Staffing / Transition Plan. The Transition Plan restores the Accounting Division from its current six positions to eight positions, with the two additional positions proposed to be a Senior Accountant and an entry level Accountant. Department management believes this action will provide the staffing resources necessary for a sufficient level of supervisory review of transactions to meet acceptable internal control practices for financial reporting of the City's financial statements. The implementation of this proposed staffing is dependent upon resources available and other organizational priorities.

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 09-2 – PREPARATION OF THE FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Significant Deficiency)

(2) Grants Management and Grants Accounting Improvement Plan:

a. Evaluate the responsibilities and fund assignments of each of the Accounting Division staff members in an effort to re-align resources to dedicate one accounting position for City-wide grant accounting. The workload level related to grant accounting and financial reporting is expected to increase in FY 2009-10 as a result of the American Recovery and Reinvestment Act (ARRA) of 2009.

b. Accounting will continue to host a meeting of the department grants managers several months before year-end to discuss closing requirements. This meeting will be increased in frequency as needed to: (1) stress use all grant funds before end of award period or notify the Accounting Division in order to consider alternative eligible costs, (2) stress timely billing and collection, and (3) review shared accounting information for accuracy.

c. Develop a Grant Process Workgroup focused on gaining a shared understanding of the City-wide grant process, understanding the needs/concerns of the departments and of accounting, identifying and prioritizing the primary weaknesses of the process, developing action plans to address each weakness, assigning action plan tasks to workgroup members, and reporting the status of previous workplan tasks to the workgroup. Benefits are improved communication and cooperation, a process owner that is focused on the City-wide process across all departments, and employees that feel empowered about how they can improve the process.

d. Develop and gain approval of a comprehensive City-wide grant management policies and procedures administrative directive that includes direction on the roles of the City departments and the Accounting Division in grants management, grant administration, and centralized compliance to federal and state regulations. This proposed policy will include:

    i. Specific guidelines for coordination between the Accounting Division, the Grants Manager and the grant administrators in various City Departments;

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 09-2 – PREPARATION OF THE FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Significant Deficiency)

ii. Specific procedures for monitoring compliance, requesting reimbursement, timely billing and collection, closing out projects, administering multi-funded projects, indirect cost recovery oversight, single audit compliance, subrecipient monitoring, and the related responsibilities of grants managers and the Accounting Division; and

iii. Prepare and maintain a standard file for each grant containing grant description, agreement, award and termination dates, reimbursement request timing, description of restrictions, grant manager contact info, grant allowability of indirect recovery costs, awarding agency contact information, and other relevant information.

CITY OF STOCKTON

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Financial Statement Findings

Finding 08-1 – Construction in Progress

In previous years, the City had capitalized as construction in progress non-capital public works expenditures that were primarily for street repair and overlay projects. As a result, the City made a significant prior period adjustment (refer to Note 14 in the notes to the financial statements for the year ended June 30, 2008) to correct this overstatement of capital assets.

It is recommended that the City develop better procedures to separately identify and track projects that are non-capital in nature from projects that are capital in nature, and then only capitalize those projects that are capital in nature.

Management Response:
The City will document procedures to identify and track projects that are non-capital in nature to ensure that these non-capital projects are not capitalized in the future.

Status:
The City's Administrative Services Department has established a procedure to properly identify capital and non-capital projects. Project accountants are to request a "New Department/Division Request Form" from the project managers. The form states the scope of the project including estimated total budget, revenue funding sources and respective budgets, project construction timelines, ownership, and identify all types of asset purchases. Accounting staff will work closely with departments to ensure project costs are reported accurately in the City's financial statements.

CITY OF STOCKTON

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009

Financial Statement Findings (continued)

Finding 08-2 – Internal Loans

In previous years, the City neglected to report an internal loan between its General and Development Services funds. As a result, the City made a prior period adjustment in the attached financial statements (refer to Note 14 in the notes to the financial statements for the year ended June 30, 2008) to correct this omission.

It is recommended that the City develop better procedures for notifying its Administrative Services Department of all financial transactions for recording in the City's accounting system and reporting in its financial statements.

Management Response:
The City's Administrative Services Department is working on communicating with other departments the importance of ensuring that all financial transactions are recorded in the City's accounting system and reported in the financial statements.

Status:
Over this past year, the City's Administrative Services Department has focused its efforts on ensuring that financial transactions are timely communicated by various City departments and that related liability transactions are correctly recorded on the City's balance sheets.

There are three examples in this year's financial statements demonstrating the Department's commitment to reflecting all internal and external borrowings (liabilities) in the City's financial statements:

- The comprehensive accounting analysis of the impact on the City's balance sheets of the recent Jarvis v. City of Stockton lawsuit settlement agreement;
- City management's efforts with the interested parties related to the loan balances cited in Finding 08-02 – Internal Borrowings resulting in the forgiveness of the loan balances through a lawsuit settlement agreement; and
- The Department's reporting in this year's financial statements of a prior period adjustment of the $6.5 million loan entered into in 2002 by the City with San Joaquin Council of Governments, cited in Finding 09-1 – External Borrowings,

The City will continue its efforts to improve its communication with City departments and continue its review of weekly Council agenda item documents. Additionally, the City expressed its commitment to further strengthening its policies and procedures through the measures outlined in management's response and correction action plan detailed in Finding 09-1.

CITY OF STOCKTON

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009

Financial Statement Findings (continued)

Finding 08-3 – Termination Pay Benefits

In previous years, the City accumulated funds to be used to pay termination pay benefits in an internal service fund. However, the City neglected to record any of its termination pay liability (included in its compensated absences liability) in that internal services fund. As a result, the City made a prior period adjustment in the attached financial statements (refer to Note 14 in the notes to the financial statements for the year ended June 30, 2008) to correct this omission.

It is recommended that the City allocate to its Termination Pay Benefits Internal Service Fund (included in the Other Insurance Internal Service Fund in the attached financial statements) at least a portion of its termination pay liability equal to the funds accumulated in the fund to payable the liability.

Management Response:
The City agrees and will allocate to its Termination Pay Benefits Internal Service Fund (ISF) that portion of its termination pay liability which is equal to the funds accumulated in the fund to pay the liability.

Status:
The City's Administrative Services Department has established a procedure to annually evaluate and adjust the termination pay liability for recording in the internal service fund. The City's termination pay formula is evaluated to determine a department's annual contribution to the internal service fund and the budgeted amount is then incrementally charged to each department's operating budget. Actual termination payouts are charged directly to the department's budget and subsequently reimbursed by the internal service fund. This methodology is used to facilitate expenditure analysis for budgeting purposes and appears to adequately address the finding.

CITY OF STOCKTON

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009

Federal Awards Findings

Finding 08-4	**Community Development Block Grant Expenditures**
CFDA Title:	**Community Development Block Grants/Entitlement Grants**
CFDA Number:	**14.218**
Award Number:	**B-06-MC-060026**
Award Year:	**2006**
Federal Agency:	**U.S. Department of Housing and Urban Development**

Criteria:
Federal expenditures reported on the City's schedule of expenditures of federal awards and federal revenues and receivables reported in the City's financial statements should only include expenditures eligible for federal reimbursement.

Condition:
At June 30, 2007, the City accrued ineligible federal expenditures for reimbursement of Community Development Block Grant funds.

Effect:
The City overstated due from other governments as of June 30, 2007 and federal grants revenue for the year then ended in its Community Development Block Grant Fund. As a result, the City made a prior period adjustment (refer to Note 14 in the notes to the financial statements for the year ended June 30, 2008) to correct this error. In addition, the City overstated in its schedule of expenditures of federal awards for the year ended June 30, 2007, federal expenditures of the Community Development Block Grants/Entitlement Grants program.

Questioned Costs:
There are no questioned costs as it was noted that the City's program reporting such as the Federal Cash Transaction Reports and CDBG Financial Summary were not overstated.

Cause:
The City included non-eligible costs in its federal expenditures, which primarily consisted of transfers that were the result of a move of loan receivables among funds that were made in an effort to consolidate balances.

Recommendation:
It is recommended that the City develop better procedures for accruing grant revenues by reconciling grant revenues to grant expenditures/expenses that exclude non-eligible transfers.

CITY OF STOCKTON

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009

Federal Awards Findings (continued)

Management Response and Corrective Action Plan:
Staff from the Housing Department and the Accounting Unit will work together to develop and implement a process which will properly identify and match grant revenues to eligible expenditures. This process will ensure that grant revenues are not accrued for ineligible expenditures.

Status:
The City's Administrative Services Department is in the process of developing procedures to address the finding. The City plans on meeting with the Revitalization Department in December 2009 to determine an action plan for review and update of the current procedures for grant accruals.

Finding 08-5	**HOME Program Advances to Property Owners**
CFDA Title:	**HOME Investment Partnerships Program**
CFDA Number:	**14.239**
Award Number:	**M-05-MC-060021**
Award Year:	**2006**
Federal Agency:	**U.S. Department of Housing and Urban Development**

Criteria:
Advances to property owners reported in the City's financial statements should accurately reflect loans made and expected to be repaid. And as the City's policy is to reserve fund balance for the balances outstanding, no deferred revenue should be booked.

Condition:
In previous years, the City was inaccurately accounting for transactions related to its advances to property owners of the Home Program Fund.

Effect:
The City understated advances to property owners and overstated deferred revenue as of June 30, 2007 and understated federal grants revenue and overstated expenditures for the year then ended in its Home Program Fund. As a result, the City made a prior period adjustment in the 2008 financial statements (refer to Note 14 in the notes to the financial statements for the year ended June 30, 2008) to correct this error. In addition, the City understated in its schedule of expenditures of federal awards for the year ended June 30, 2008 federal expenditures of the HOME Investment Partnerships Program.

CITY OF STOCKTON

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
FOR THE YEAR ENDED JUNE 30, 2009

Federal Awards Findings (continued)

Questioned Costs:
There are no questioned costs as no exceptions were noted in the reporting.

Cause:
The City staff responsible for the accounting of the advances to property owners was following a flawed process without understanding the transactions.

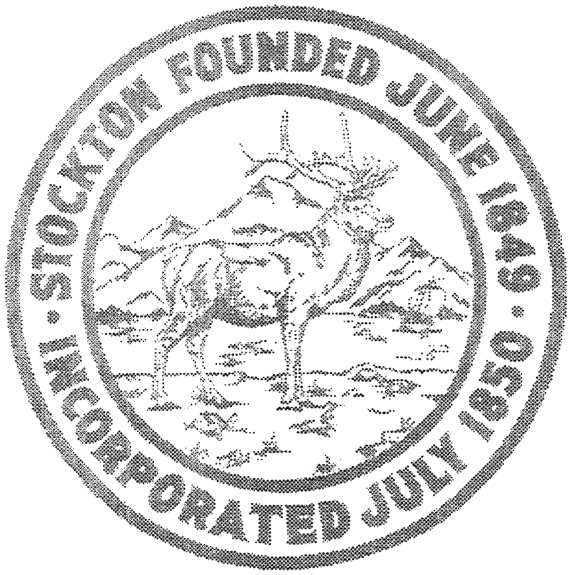
Recommendation:
It is recommended that the City develop better procedures for accurately accounting for transactions related its advances to property owners.

Management Response and Corrective Action Plan:
The City's Housing and Accounting staff will develop and implement procedures for the Home Program Fund to accurately account for and report the balances due to the City for advances to property owners. The procedures will be designed to ensure that project costs are properly identified and added to loan balances and that loan repayments are properly applied to loan balances. Procedures will also be implemented to ensure the accurate reporting in each fiscal year of eligible expenditures, program income, and federal grant revenues, both from the perspective of the CAFR as well as the SEFA. The City agrees that deferred revenue should not be reported in the Home Program Fund.

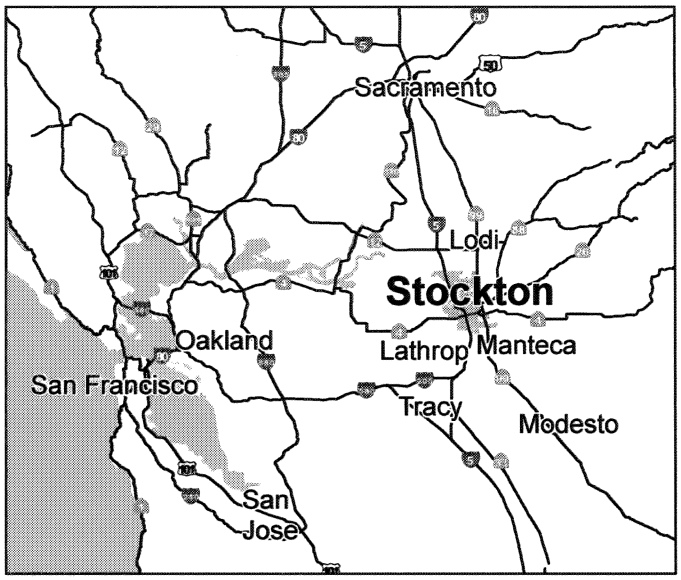
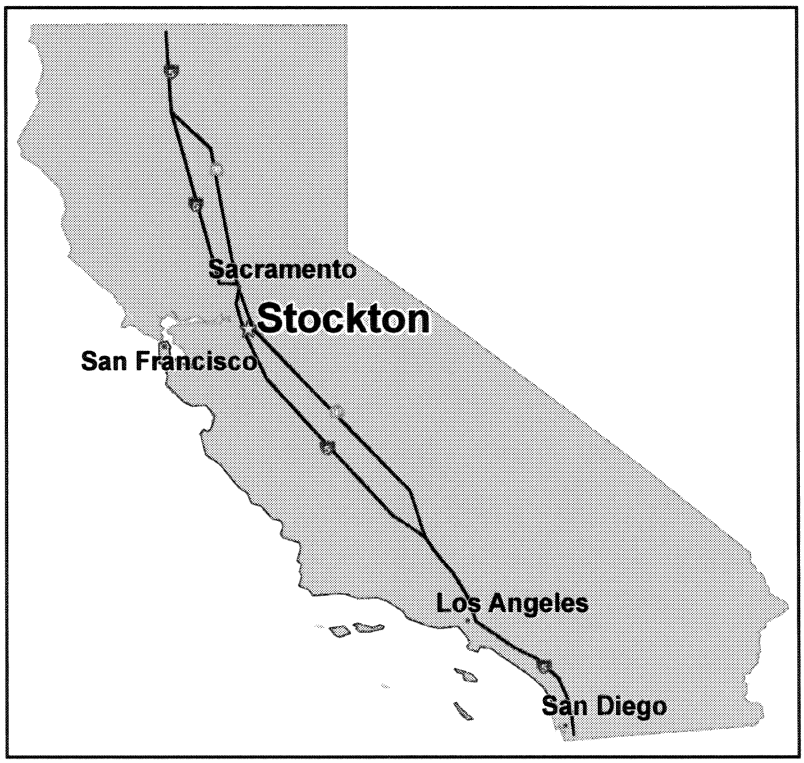
In addition, a procedure will be implemented to reconcile the general ledger balances for advances to property owners with the third party subsidiary ledger of outstanding loan balances.

Procedures and processes will be reviewed periodically and updated, as needed.

Status:
The City's Administrative Services Department has established a procedure to properly identify loan projects and expenditures. The procedures outline the accountant's process for loan project setup; interim balancing; fiscal year-end reporting; and loan project closure. This methodology is used to facilitate analysis for outstanding loan balances to property owners and appears to adequately address the finding.


STOCKTON FOUNDED JUNE 1849
INCORPORATED JULY 1850

Location of Stockton, California



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