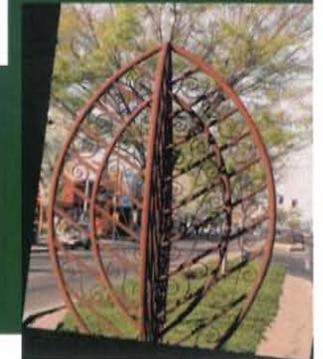




CITY OF STOCKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT



A selection of Public Art projects by the City of Stockton



FOR THE FISCAL YEAR ENDED JUNE 30, 2008

STOCKTON, CALIFORNIA



CITY OF STOCKTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

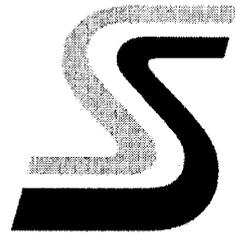
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008
CITY OF STOCKTON, CALIFORNIA**

**Prepared and Issued by
The Department of Financial Management**

**MARK L. MOSES
Director of Financial Management/CFO**

**JANET M. SALVETTI
Assistant Director of Financial Management**





CITY OF STOCKTON



INTRODUCTORY SECTION

CITY OF STOCKTON

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FOR THE YEAR ENDED JUNE 30, 2008
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CITY OF STOCKTON

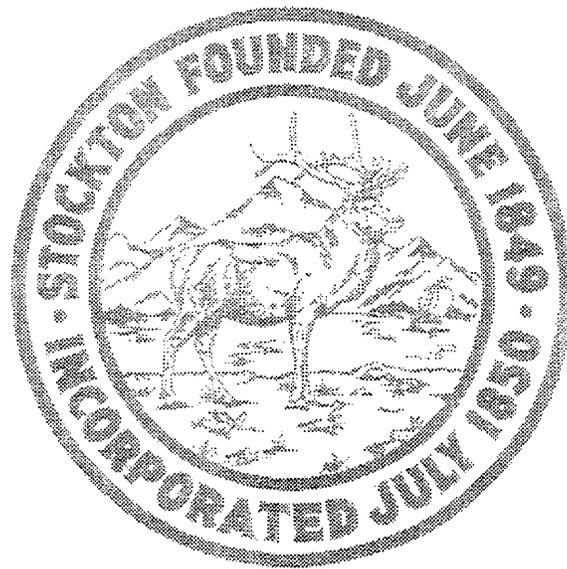
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CITY OF STOCKTON

ADMINISTRATIVE SERVICES - ACCOUNTING

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

November 12, 2008

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, 2008.

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. All local governments across the United States and Canada are required to comply with the GASB 34 financial reporting model, including the City of Stockton's compliance since fiscal year 2001-02. The GASB 34 financial reporting model seeks to provide better financial disclosure of government operations – to bring 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.

In addition to the fund financial information traditionally presented in the City's financial statements, under the GASB 34 financial reporting format the CAFR report also includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides 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 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.

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 goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Stockton for the fiscal year ended June 30, 2008 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, 2008, 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, 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 un-audited, 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 un-audited, 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 flourishing San Joaquin Valley and is the seat of San Joaquin County. Stockton is strategically located about 80 miles east of the San Francisco Bay area and 40 miles south of Sacramento, the capital of California.

The City encompasses 60 square miles and has an estimated population of approximately 290,000 making it the 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. Over the past decade, the City has experienced significant growth and development.

GOVERNMENT STRUCTURE AND TYPES OF SERVICES

The City was incorporated in 1850 and subsequently received its first charter, a special legislative charter, from the State in 1851. Stockton's first local Charter under the 1879 State Constitution was approved by the voters in 1888 and ratified by the State Legislature in 1889. The current Charter under which the City operates was approved by the voters in November 1922. 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 it was originally approved in 1922.

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

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

Certain community development activities and infrastructure construction are provided through the Stockton Redevelopment Agency, a legally separate entity. The City Council sits as the 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 2007-08, the City focused its efforts on diminishing the impacts of an economic slowdown on City operations and budgets. City Council acted by reducing revenue estimates, reducing expenditures, delaying non-essential new programs, and instituted a hiring freeze of non-essential personnel to weather the year with a General Fund operating budget that utilized \$5.9 million of available fund balances to support operational costs. These Council measures addressed the challenges of the slowing economy, while continuing the City's focus on delivering high quality services for which the City is known.

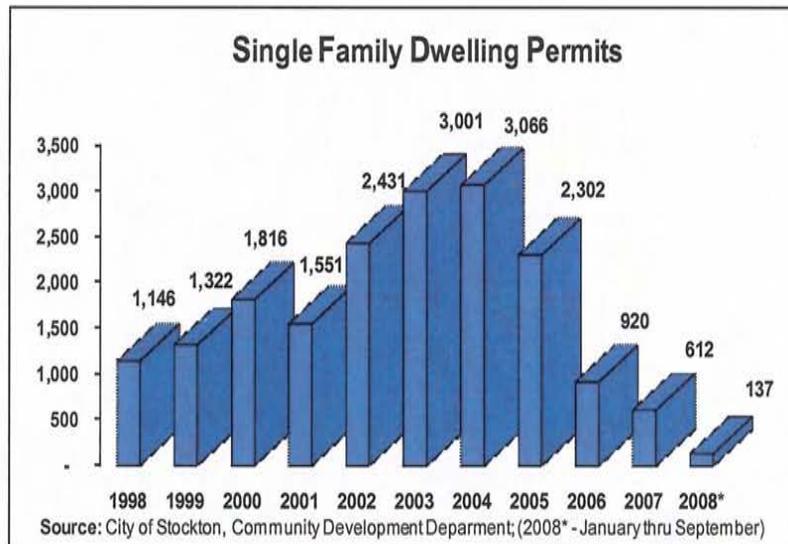
THE LOCAL ECONOMY AND CITY FINANCIAL CONDITION

The June 30, 2008 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 by a combination of budget reductions and use of fund reserves in order to meet its obligations. Stockton maintains adequate fund balances for emergencies in a majority of its enterprises and governmental operations funds. In June 2006 the City Council adopted a reserve policy for the General Fund with a commitment to support its target funding level over future years. The City's General Fund enters fiscal year 2008-09 with \$9.6 million in available fund balances, after legally restricted reserves, or 4.7% of FY 2008-09 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 last half of FY 2007-08, which has subsequently deepened into recession. Although the City's population remained the same as the previous year, the unemployment rate rose by 1.7%.

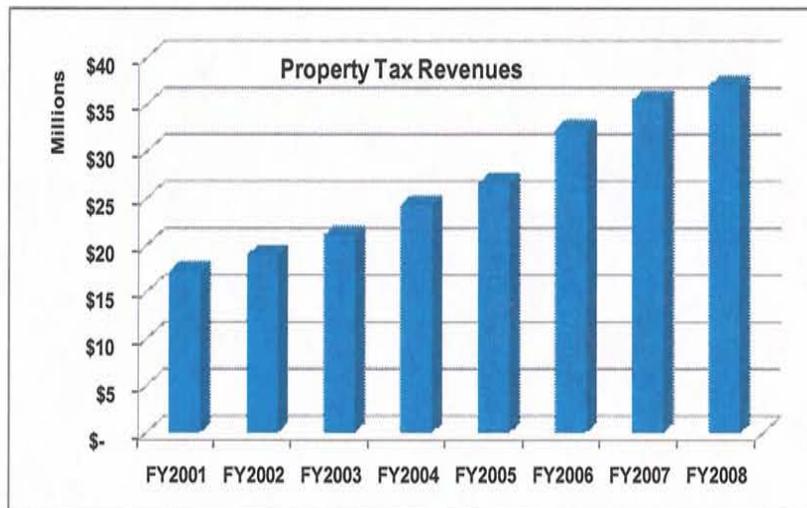
Growth in residential and commercial sectors over the past several years continues to be a driving force on City operational costs, although the pace from calendar years 2006 and 2007 was more moderate than from 2002 through 2005.

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 2008, with single family dwelling permits January through September totaling 137 permits to-date, compared to 3,066 during 2004.



The City government operations depend primarily on tax revenues from property tax, sales and use tax, and utility user tax revenues to finance its operations.

Stockton's property tax revenues more than doubled since FY 2000-01, with an average annual increase over the eight year period of 11%. The building boom contributed to this growth rate, as well as the increases in market values for resale homes through June 2007. Property tax revenue growth increased by a moderate 4.5% in FY 2007-08 compared with the prior fiscal year increase of 9.5%. This was due to a weakening housing market that



began a precipitous decline in the last three quarters of fiscal year 2008. The housing market value declines have deepened since the close of fiscal year 2008, with estimated property tax revenues for FY 2008-09 will reflecting this loss in home market values.

Stockton's second largest tax revenue source, sales and use taxes collected by the State, declined by 1.5% in FY 2007-08 compared to the prior fiscal year. This decline was due to the economic downturn of the last three quarters of FY 2007-08 impacting consumer confidence in the economy.

Stockton's third largest tax revenue source, utility user tax, increased by \$760 thousand, or 2.5%, in FY 2007-08 compared with the prior year. The City saw a \$4.2 million decrease in this revenue source in FY 2006-07 due to the City Council's approval of a 2005 resolution to reduce the utility user tax rate from 8% to 6%, with the final reduction from 7% to 6% effective July 1, 2006.

FUTURE ECONOMIC OUTLOOK

This 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 expects increased expenditure levels for services to support past development initiatives.

Stockton has projected a conservative average annual population growth rate of 1.9% for FY 2008-09. Past residential growth is expected to drive additional commercial/retail development in the area.

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 2008-09 budget development process, Council established the following goals:

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

Stockton Housing Market - As mentioned previously, Stockton's housing market value declines have deepened since June 30, 2008. The San Joaquin County Assessor's Office determined that the City's property assessed value for FY 2008-09 is estimated to decline by 1.3%, from \$21.45 billion in FY 2007-08 to \$21.18 billion in FY 2008-09. Comparatively, previous assessed valuations for the City increased by 17.7% and 8.4% in FY 2006-07 and FY 2007-08, respectively.

Due to the precipitous decline in Stockton's housing market, the County announced in April 2008 their plans of employing the provisions found in California's Government Revenue and Taxation Code 51 (amended by Proposition 8 in November 1978) to perform a devaluation of all properties that had changed ownership since January 2004. The result of this County action, estimates announced by the County in July 2008, was a devaluation of 24,447 parcels of the total 90,117 parcels in the City. The County action caused 27% of the City's total property parcels' assessed values to be brought back to January 2004 levels.

Property Tax - As a result, the City's largest tax revenue source (property tax) is projected to decline by 12.7% compared to last year, or \$32.4 million. These are current revised estimates (dated 9/25/08). Coupled with declining housing market values, events in the fall of 2008 in the national financial services sector have resulted in a lack of credit availability to homeowners and the business community. These two factors will significantly restrict homeowners' ability to refinance properties in an effort to avoid increasing mortgage interest costs stemming from sub-prime mortgage lending practices.

Management projects that home foreclosures will be at unprecedented levels through June 30, 2009. Still, the above estimated decline in property tax revenue is not a result of delinquent property tax revenues tied to home foreclosures, since the City participates in San Joaquin County's Teeter Plan. California state law under the Teeter Plan provides for a guarantee by the County of property tax collections resulting from property tax delinquencies. The property tax revenue estimates are tied solely to the declining value of properties in the City and the declines in expected home sales market values lower than their respective assessed property values.

Sales Tax - Stockton's second largest tax revenue, sales and use tax distributions from the State of California, are also expected to decline in FY 2008-09. This estimate (dated 9/25/08) is projected to be \$30.3 million, or a 5% decline compared to FY 2007-08. Regional economists have cited the entire State of California's economy has entered into a recession, with diminishing consumer confidence and rising fuel and food prices as leading factors to the further decline in this tax revenue source for FY 2008-09.

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 report of the General Fund's five-year financial analysis component is expected in the fall of 2008.

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 2008-13 CIP proposes a total spending plan over the next five years of \$996.3 million. The five-year CIP is a planning document that does not appropriate funds for projects. The first year of the CIP is incorporated into the adopted annual budget for fiscal year 2008-09. The CIP appropriation for fiscal year 2008-09 is \$303.9 million.

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 investments as of June 30, 2008 was \$451.4 million. The average rate of return on investments not held by fiscal agents for the fiscal year ending June 30, 2008 was 4.70%.

In late 2006, with the support of the Budget, Finance and Economic Development Committee, and the City Council authorized the Financial Management 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 cash requirements are overseen by the Acting Director of Financial Management.

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

RISK MANAGEMENT

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

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

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

On April 5, 2007, the City issued taxable Pension Obligation Bonds in the amount of \$125,310,000. The bonds were issued to restructure approximately 85% of the unfunded obligations of the City's pension plans and to fix the amortization of the remaining 15% on the unfunded accrued actuarial liability to a 30-year time frame. The purpose of this action was to reduce cost of funding this benefit and ensure that the unfunded liability is not pushed indefinitely into the future.

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 Financial Management.

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, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized 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 19 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

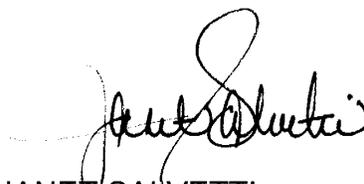
The preparation of this report would not have been possible without the efficient and dedicated services of the Accounting Division, as well as other Financial Management Department staff. In addition, staff in all City departments should be recognized for their cooperative efforts in responding to the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

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

Respectfully submitted,



MARK MOSES
DEPUTY CITY MANAGER /
CHIEF FINANCIAL OFFICER



JANET SALVETTI
ACTING DIRECTOR OF
FINANCIAL MANAGEMENT



J. GORDON PALMER, JR.
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, 2007

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



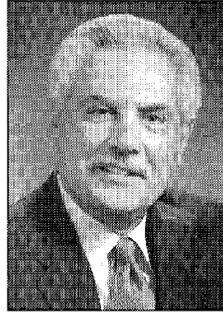
Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

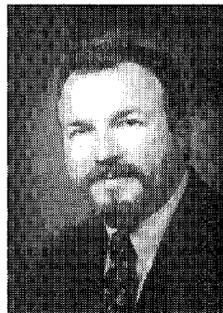
CITY OF STOCKTON CITY COUNCIL



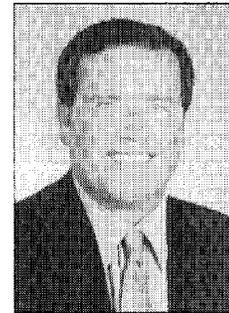
EDWARD J. CHAVEZ
MAYOR



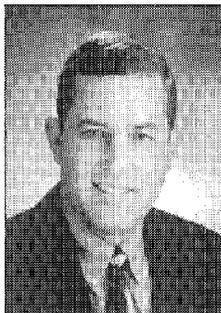
LESLIE BARANCO MARTIN
VICE MAYOR
District 3



STEVE J. BESTOLARIDES
COUNCILMEMBER
District 1



DAN J. CHAPMAN
COUNCILMEMBER
District 2



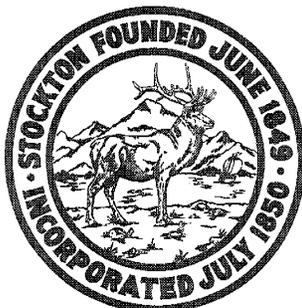
CLEM LEE
COUNCILMEMBER
District 4



SUSAN EGGMAN, PH.D
COUNCILMEMBER
District 5



REBECCA G. NABORS
COUNCILMEMBER
District 6



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Stockton

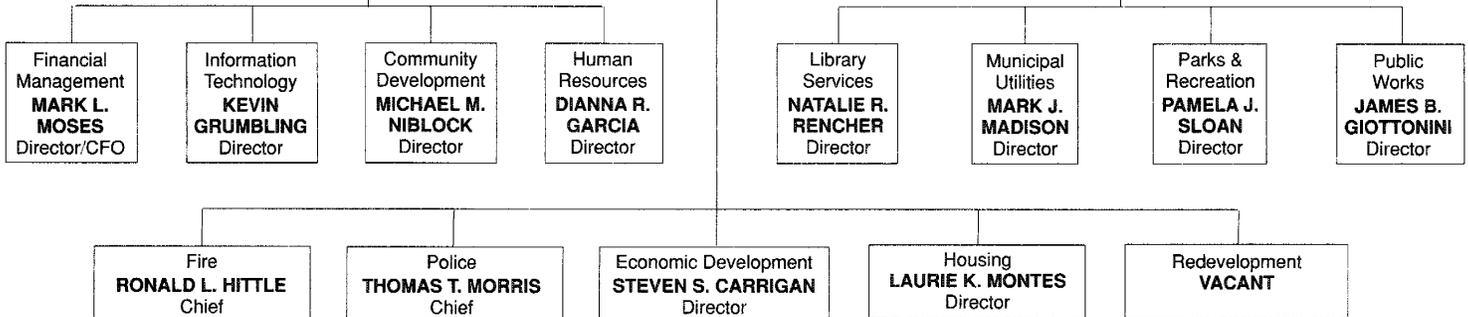
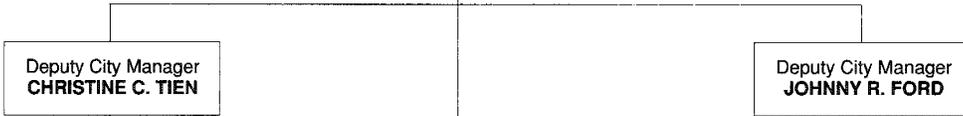
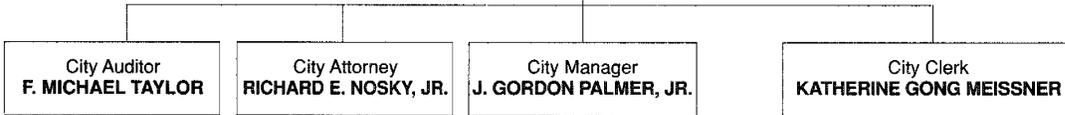
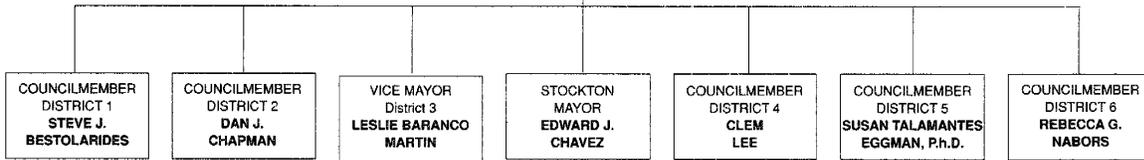


2004
1999

CITY OF STOCKTON
ORGANIZATION CHART / LIST OF PRINCIPAL OFFICIALS
AS OF JUNE 30, 2008

CITIZENS OF STOCKTON

CITY COUNCIL





CITY OF STOCKTON

FINANCIAL SECTION



FINANCIAL SECTION



MACIAS GINI & O'CONNELL LLP
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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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City management. Our responsibility is to express opinions on these financial statements based on our audit

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and 27)* during the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2008, 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.

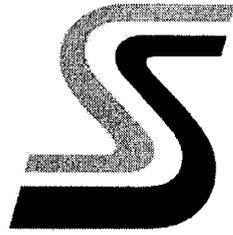
The management's discussion and analysis, schedules of defined benefit pension and OPEB plans funded status and schedule of revenues, expenditures and changes in fund balance – budget and actual – on a budgetary basis – General Fund, as listed in the table of contents, are not a required part of the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

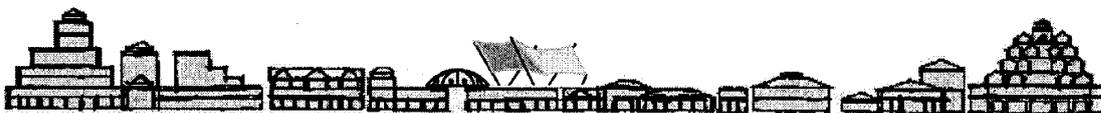
Certified Public Accountants

Sacramento, California
November 10, 2008



CITY OF STOCKTON

MANAGEMENT'S DISCUSSION
AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS



As management of the City of Stockton, we offer readers of the City of Stockton's financial statements this narrative overview and analysis of the financial performance of the City for the fiscal year ended June 30, 2008. 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, and the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City of Stockton remains in a strong financial condition.
- The assets of the City of Stockton exceeded its liabilities at the close of the 2008 fiscal year by \$1.2 billion (net assets). Of this amount, \$993.9 million is invested in capital assets, net of related debt, \$211.7 million is restricted for specific purposes (restricted net assets), and \$18.1 million (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$41.6 million compared to 2007 total net assets. Governmental activities reported a decrease of \$53.4 million, which was offset by an increase of \$11.8 million reported in business-type activities. The key driver in this decrease was \$71 million in construction costs for four highway interchange projects that were completed and transferred to the State of California Department of Transportation (Caltrans) during the year. This was offset by increases which were primarily from development related fees and contributions of capital assets from developers in both the governmental and business-type activities.
- Investment earnings totaled \$20.9 million, an increase of \$3.5 million from the prior fiscal year. This is made up of an increase of \$3.2 million in interest income combined with a net increase of \$275 thousand in the fair value of investments. Overall the increase in investment earnings reflects the fact that the City's average rate of return on its general investment pool rose from 4.30% in fiscal year 2007 to 4.70% in fiscal year 2008, as well as an increase in the average daily balance of \$25 million from 2007 to 2008. The City realized improved rates of return on other investments, as well.
- The City's long-term liabilities related to governmental activities increased by \$54.6 million or 14% at fiscal year end. The increase reflects the issuance of \$40.8 million in Variable Rate Demand Lease Revenue Bonds and the receipt of \$12.3 million in Section 108 loan proceeds from the United States Department of Housing and Urban Development.
- Long-term liabilities related to enterprise funds decreased by \$2.8 million or 2%, due to principal repayments made during the year.
- The City reported \$24.6 million in net other post employment benefit (OPEB) obligation for the first time this year as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.
- The City's governmental activities reported pension assets of \$126.1 million for fiscal year 2008. 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 due to investment earnings that exceeded the amortization of the pension asset.

- As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$312.2 million, an increase of \$8.5 million, or 3%, from 2007 total fund balances. This is made up of increases in the Public Facilities Impact Fees Fund, Capital Improvement Fund, and Other Governmental Funds offset by decreases in the General Fund and Redevelopment Agency Fund.
- Key drivers in the changes in the governmental funds combined ending fund balances include increases of \$5.3 million of unspent proceeds of the Variable Rate Demand Lease Revenue Bonds reported in the Capital Improvement Fund and \$12.1 million of unspent Section 108 loan proceeds reported in the Other Governmental Funds. The Redevelopment Agency Fund continued to report increases in revenue from property tax increments, although at a much slower pace than in recent years. These revenues were over-shadowed by increases in expenditures from the proceeds of the 2007 Strong Neighborhoods Initiative bond. General Fund expenditures continued to increase steadily while revenue growth was generally flat or declined slightly in the key areas of property taxes, sales and use tax (levied by the State), in-lieu of sales tax, utility users tax, business license, franchise fees, and other governmental revenues, which include Motor Vehicle License Fees (VLF) and gas tax revenues. This was offset by increases in charges for services and investment income.

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 and recreation, and general government services. The business-type activities of the City include water utility, wastewater utility, stormwater utility, the parking district, and golf courses, as well as minor residual balances from the solid waste operation, which has 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 of Stockton 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 23-25 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 of Stockton 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 of Stockton 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 30-39 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 40-47 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 48 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 49-99 of this report.

Other information.

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This information provides a budgetary comparison schedule for the City's General Fund, as well as information about the City's participation in the California Public Employees' Retirement System defined benefit pension plan and the City's defined other post employment benefits (OPEB) plan. Required supplementary information can be found on pages 101-108 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 \$1.2 billion at the close of the fiscal year, which is a \$41.6 million, or 3% decrease from 2007 total net assets. Of this decrease, \$53.4 million is attributable to governmental activities and is mainly due to \$71 million in construction costs for four highway interchange projects that were completed and transferred to Caltrans during the year, as well as expenses that exceeded revenues. The decrease is offset by increases that are mainly attributable to contributions from developers and development related fees. The remaining \$11.8 million increase is in the business-type activities and reflects contributed capital, including utility connection fee revenues and contributions of capital assets from developers.

By far the largest component of the City of Stockton's net assets is its investment in capital assets of \$993.9 million or 81% (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, \$211.7 million or 17%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$18.1 million, 2%, may be used to meet the City's ongoing obligations to citizens and creditors.

The following table presents the government-wide assets, liabilities, and net assets for both 2008 and 2007. 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 report.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets:						
Current and other assets	\$537,925	\$515,889	\$110,366	\$125,672	\$648,291	\$641,561
Capital assets	714,775	708,774	540,426	521,446	1,255,201	1,230,220
Total assets	<u>1,252,700</u>	<u>1,224,663</u>	<u>650,792</u>	<u>647,118</u>	<u>1,903,492</u>	<u>1,871,781</u>
Liabilities:						
Long-term liabilities	448,727	394,175	163,761	166,518	612,488	560,693
Net OPEB obligation	24,608	-	-	-	24,608	-
Other liabilities	34,260	31,993	8,512	13,907	42,772	45,900
Total liabilities	<u>507,595</u>	<u>426,168</u>	<u>172,273</u>	<u>180,425</u>	<u>679,868</u>	<u>606,593</u>
Net assets:						
Invested in capital assets, net of related debt	594,070	634,091	399,813	389,945	993,883	1,024,036
Restricted	172,088	161,995	39,568	46,850	211,656	208,845
Unrestricted	(21,053)	2,409	39,138	29,898	18,085	32,307
Total net assets	<u>\$745,105</u>	<u>\$798,495</u>	<u>\$478,519</u>	<u>\$466,693</u>	<u>\$1,223,624</u>	<u>\$1,265,188</u>

Governmental activities. Total assets for governmental activities increased by \$28.0 million, with current and other assets in governmental activities increasing by \$22.0 million and capital assets growth of \$6.0 million. Total liabilities increased by \$81.4 million, with other liabilities increasing by \$2.2 million, long-term liabilities increasing by \$54.6 million, and the addition of \$24.6 million in net OPEB obligation. The increase in long-term liabilities reflects balances related to the Variable Rate Demand Lease Revenue Bonds and the Section 108 loan, as mentioned earlier in this document.

Of the \$53.4 million decrease in governmental activities total net assets, capital assets, net of related debt, decreased by \$40 million, restricted net assets increased by \$10.1 million, and unrestricted net assets in governmental activities decreased by \$23.5 million during the year, resulting in a deficit unrestricted net assets of \$21.1 million. The most significant factor in this deficit was a \$27.0 million reduction in net assets in the Health Benefits Insurance Fund, which included \$24.6 million of net OPEB obligation, which was reported by the City for the first time in fiscal year 2008. The decrease of \$5.9 million in General Fund fund balance also contributed to the deficit in unrestricted net assets. These \$32.9 million in reductions to unrestricted net assets were offset by increases of \$4.8 million in the Retirement Benefits Fund, \$1.9 million in the Workers' Compensation Insurance Fund, \$1.2 million in the General Liability Insurance Fund, and reported increases of \$3.0 million in the unrestricted portion of the Capital Improvement Fund at fiscal year end.

As referenced earlier, below is a summary of the governmental activities net asset restatement for fiscal year 2008:

- A prior period adjustment decreased capital assets by \$35.6 million. This restatement includes non-capital street repair and overlay projects that were reported as construction in progress in the previous fiscal year.
- A prior period adjustment of \$10.5 million reported in the Other Governmental Community Development Block Grant (CDBG) Fund is related to grant revenues that were overstated in fiscal year 2007.
- A prior period adjustment of \$7.5 million in the Other Governmental Home Program Fund to correct loan balances that were understated in fiscal year 2007.
- A prior period adjustment of \$8.1 million to report the offsetting balances of a prior year advance from the General Fund to the Other Governmental Development Services Fund, for a restatement with zero net effect on net assets.
- A prior period adjustment of \$4.9 million to recognize the portion of the City's liability for compensated absences provided for in the Other Insurance Internal Service Fund. This was offset by a corresponding reduction on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets with a zero net effect on net assets.
- The net effect of the above restatements decreased beginning net assets in governmental activities by \$38.5 million.

Business-type activities. Total assets for business-type activities increased by \$3.7 million, with current and other assets in governmental activities decreasing by \$15.3 million offset by capital asset growth of \$19.0 million. Total liabilities decreased by \$8.2 million, with other liabilities decreasing by \$5.4 million and long-term liabilities decreasing by \$2.8 million. Total net assets for business-type activities increased by \$11.8 million. Capital assets, net of related debt, increased by \$9.9 million offset by a decline in restricted net assets of \$7.3 million. Business-type activities unrestricted net assets increased by \$9.2 million. This includes increases of \$2.4 million in the Water Utility, \$4.7 million in the Wastewater Utility, \$1.2 million in the Stormwater Utility, \$923 thousand in the Central Parking District, and \$55 thousand in Other Enterprise Funds.

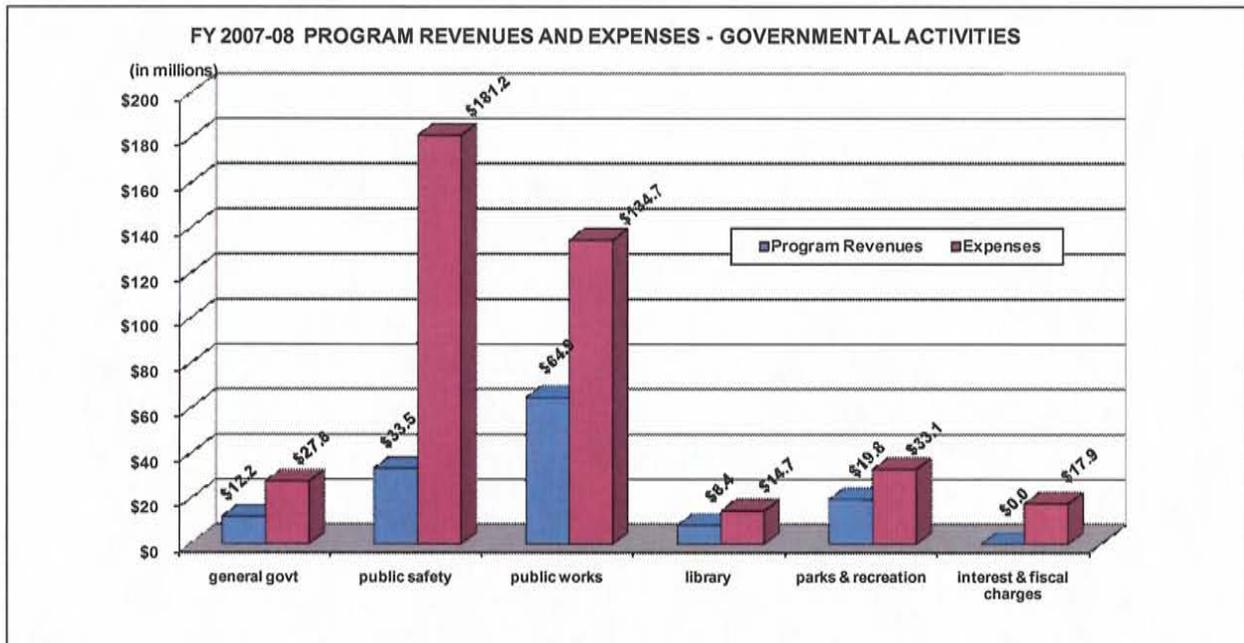
Change in Net Assets of the City

The City of Stockton's total program expenses of \$485.4 million exceeded revenues of \$443.8 million for a decrease in net assets of \$41.6 million.

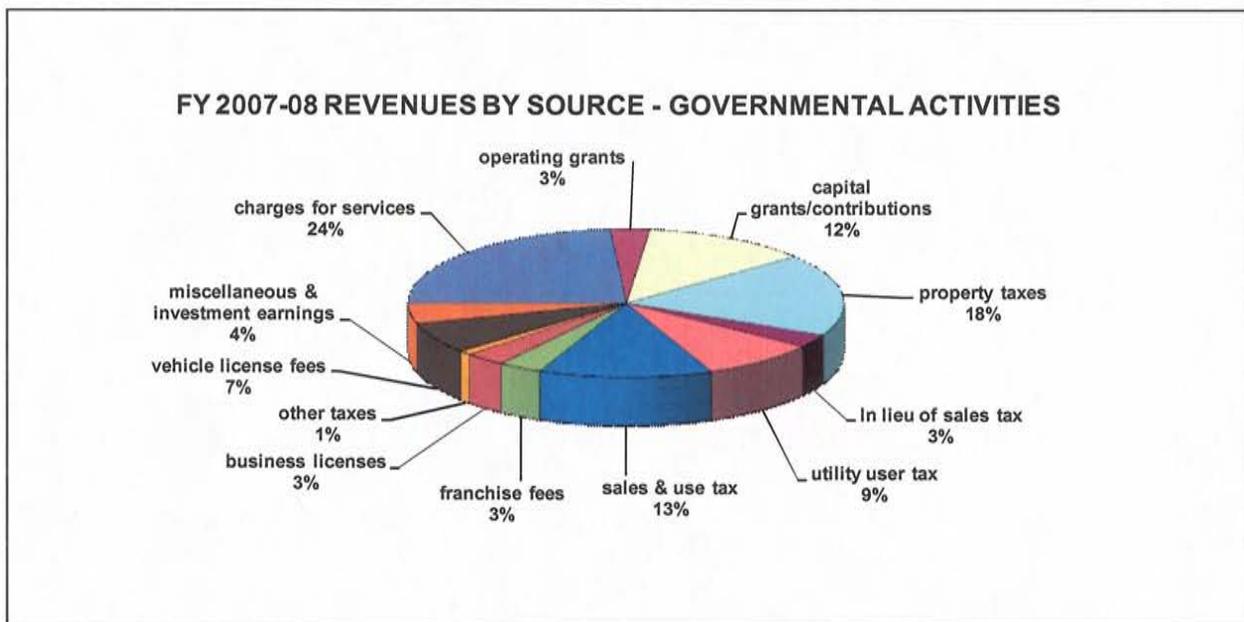
City of Stockton's Change in Net Assets
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues:						
Charges for service	\$84,511	\$81,307	\$68,583	\$66,741	\$153,094	\$148,048
Operating grants and Contributions	10,352	11,065	-	-	10,352	11,065
Capital grants and contributions	43,874	75,009	13,251	23,721	57,125	98,730
General revenues:						
Property taxes	63,998	60,015	-	-	63,998	60,015
In lieu of sales tax	10,164	11,070	-	-	10,164	11,070
Utility user taxes	30,861	30,101	-	-	30,861	30,101
Sales and use taxes (levied by City)	9,409	9,249	-	-	9,409	9,249
Franchise fees	11,537	10,817	-	-	11,537	10,817
Business licenses	10,772	10,285	-	-	10,772	10,285
Hotel/motel room taxes	2,287	2,180	-	-	2,287	2,180
Document transfer taxes	686	1,187	-	-	686	1,187
Other taxes	246	257	1,055	981	1,301	1,238
Vehicle License Fees	24,051	22,661	-	-	24,051	22,661
Sales and use tax levied by state)	36,098	36,745	-	-	36,098	36,745
Other shared revenue	389	384	-	-	389	384
Investment earnings	15,007	11,436	5,892	5,973	20,899	17,409
Miscellaneous	756	786	-	-	756	786
Gain on sale of capital assets	88				88	
Total revenues	<u>355,086</u>	<u>374,554</u>	<u>88,781</u>	<u>97,416</u>	<u>443,867</u>	<u>471,970</u>
Expenses						
General government	27,819	26,517	-	-	27,819	26,517
Public safety	181,187	161,895	-	-	181,187	161,895
Public works	134,737	59,897	-	-	134,737	59,897
Library	14,723	13,261	-	-	14,723	13,261
Parks and recreation	33,138	27,429	-	-	33,138	27,429
Interest and fiscal charges	17,921	11,746	-	-	17,921	11,746
Water utility	-	-	22,070	21,750	22,070	21,750
Wastewater utility	-	-	40,045	42,084	40,045	42,084
Stormwater utility	-	-	6,696	7,219	6,696	7,219
Central parking district	-	-	5,002	4,238	5,002	4,238
Other	-	-	2,093	2,057	2,093	2,057
Total expenses	<u>409,525</u>	<u>300,745</u>	<u>75,906</u>	<u>77,348</u>	<u>485,431</u>	<u>378,093</u>
Increase/decrease in net assets before transfers	(54,439)	73,809	12,875	20,068	(41,564)	93,877
Transfers	1,049	516	(1,049)	(516)	-	-
Increase/decrease in net Assets	<u>(53,390)</u>	<u>74,325</u>	<u>11,826</u>	<u>19,552</u>	<u>(41,564)</u>	<u>93,877</u>
Net assets, beginning of year, as restated	798,495	724,170	466,693	447,141	1,265,188	1,171,311
Net assets, end of year	<u>\$745,105</u>	<u>\$798,495</u>	<u>\$478,519</u>	<u>\$466,693</u>	<u>\$1,223,624</u>	<u>\$1,265,188</u>

Governmental activities. Governmental activities decreased the City's net assets by \$53.4 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 public works service delivery costs exceeded program revenues by \$147.7 million and \$69.9 million, respectively.



Revenues and expenses in the governmental activities have grown as the population of Stockton has grown. The charges for services category is the largest revenue source for governmental activities comprising 24% of total revenues. Property tax and sales & use tax are also significant revenue sources for the City's governmental activities.



Capital grants and contributions accounted for a significant amount of the increase in the City's net assets in governmental activities, and 12% of the City's total governmental activities revenues. This includes:

- \$5.1 million in contributions of capital assets from developers.
- \$3.2 million in Measure K funding for the Hammer Lane Widening Phase III project.
- \$9.5 million in State grant revenues, including \$2.5 million from the Urban Park Act of 2001 Program for Panella Park Community Center, \$2.2 million from the 2002 Program Resources Bond Act for Stribley Community Center, and \$1.9 million from the Department of Boating and Waterways for Morelli Park. In addition, \$2.6 million from the Urban Park Act of 2001 Program constructed a detention basin soccer complex owned and maintained by the San Joaquin Area Flood Control Agency.
- \$3.4 million in federal grants and \$7.3 million in Measure K funds from the State of California, reported as capital grants and contributions, were expended on the Hammer Lane/Highway 99 Interchange project to construct assets that were completed and transferred to the State during the year.

Charges for services includes \$24.3 million in public facilities fees paid in connection with new development which also contributed to an increase in net assets in governmental activities. Although the City continues to experience a decline in construction activity, revenue from public facilities fees was up due to a significant rate increase in the street improvement and traffic signal fees which were effective July 23, 2007. Additionally, commercial development remained strong through the fiscal year.

Revenue increases were moderate compared with recent years due to the downturn in the housing market and general economy during the last half of fiscal year 2008. The City's governmental activities realized increases in the following revenues:

- Property taxes increased \$4.0 million or 7%. This reflects a modest increase of \$1.6 million, 4%, in the General Fund and continued growth of \$2.4 million, 10%, in redevelopment tax increments from commercial growth in the South Stockton Redevelopment Project area and some continuing residential growth in the North Stockton Redevelopment Project area. Growth in property taxes declined significantly from 2007 in which the City experienced property tax increases of 10% in the General Fund and 63% in the Redevelopment Agency Fund. This is a direct result of declining home values and the explosion of home foreclosures related to subprime mortgage lending practices.
- Vehicle license fees increased \$1.4 million or 6%, a significant drop from the 25% growth experienced in fiscal year 2007.
- Charges for services increased \$3.2 million, or 4%, primarily due to strong public facilities fees revenues, as discussed above.
- Utility user tax increased \$760 thousand, or 3%, due to utility rate increases and growth in cell phone usage.
- Business license taxes increased by \$487 thousand, or 5%, due to increased enforcement efforts.

Decreases in governmental activities revenues occurred as follows:

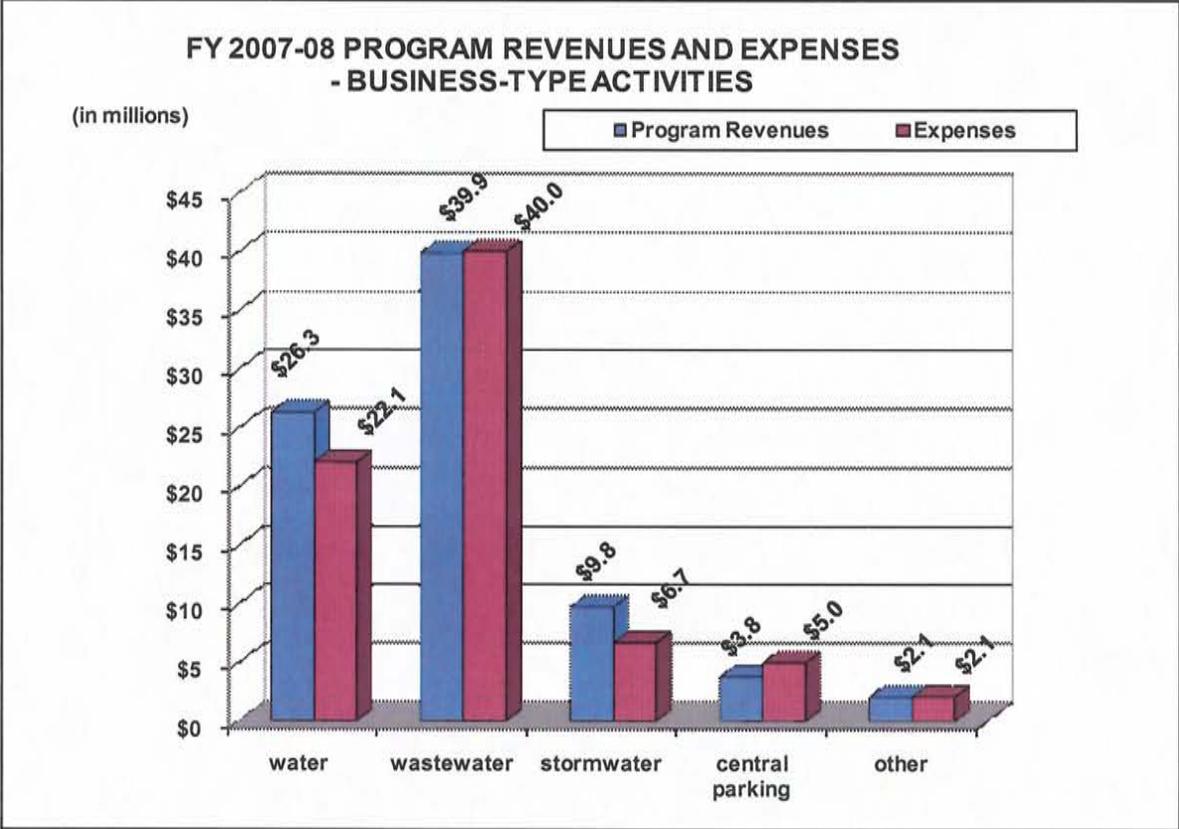
- There were decreases of \$647 thousand in shared revenue (sales and use tax levied by the State) and \$906 thousand in property tax in lieu of sales tax, which replaced a quarter of the City's 1% sales tax that was transferred to the State beginning in fiscal year 2005 as part of the revenue shift approved by constitutional amendment and referred to as the "triple flip". These decreases reflect the downturn in the economy at the local, state and federal levels.

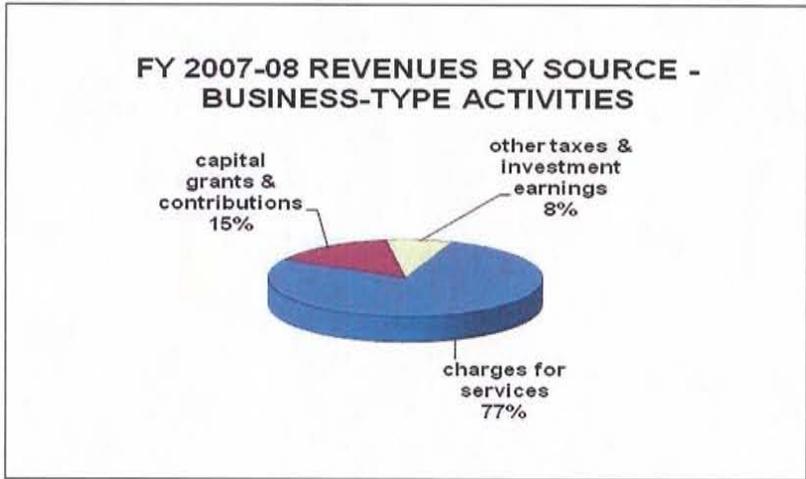
Investment earnings in governmental activities totaled \$15.0 million, an increase of \$3.6 million or 31.2% from fiscal year 2007. Interest income of \$13.4 million in governmental activities includes \$4.5 million in interest earned on bond proceeds from the SNI Bonds issued in July 2006. Governmental activities also realized a \$1.6 million net increase in the fair value of investments. The increase in investment earnings reflects the growth in both the average rate of return on the City's general investment pool and the average daily balance, in addition to improved rates of returns on other investments.

Key increases in governmental expenses occurred as follows:

- Public safety increased \$19.3 million, primarily due to costs associated with hiring additional police and fire personnel in the Measure W Public Safety Tax Fund and cost of living increases.
- Public Works increased \$74.8 million, primarily due to the \$71 million for four highway interchange projects that were completed and transferred to Caltrans during the year in addition to non-capital costs related to other street improvement and maintenance projects.

Business-type activities. Business-type activities accounted for an \$11.8 million increase in the City's net assets. The bar chart below illustrates how total program revenues and expenses compare. It illustrates that program revenues exceeded program expenses for two of the three of the utilities, with water by \$4.3 million and stormwater by \$3.1 million. Program revenue and expenses for the wastewater utility nearly broke even, with expenses exceeding revenues by \$172 thousand. Wastewater 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 77% of total business-type revenues. Capital grants and contributions is the second largest revenue source comprising of 15%, followed by other taxes and investment earnings at 8% of the total business-type activities' revenues.

The key elements of this increase in business-type activities total net assets are

- Contributions of capital assets from developers:
 - Water Utility: \$2.0 million, a decrease of \$2.9 million, or 59%, from 2007
 - Wastewater Utility: \$2.8 million, a decrease of \$3.0 million, or 52%, from 2007
 - Stormwater Utility: \$3.6 million, a decrease of \$2.6 million, or 42%, from 2007
- Connection fees:
 - Water Utility: \$1.4 million, a decrease of \$300 thousand, or 18%, from 2007
 - Wastewater Utility: \$3.4 million, a decrease of \$1.7 million, or 34%, from 2007

The above decreases clearly reflect the decline in construction, which is directly related to the downturn in the local housing market.

Investment earnings in business-type activities totaled \$5.9 million, a decrease of \$81 thousand or 1% from fiscal year 2007 primarily due to reimbursements from fiscal agents for construction costs in the Wastewater and Central Parking District funds.

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.

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 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, debt service funds, capital projects funds, and the Permanent Fund.

As of June 30, 2008 the City's governmental funds reported combined ending fund balances of \$312.2 million, an increase of \$8.5 million from 2007 total fund balances.

Revenues for governmental funds overall totaled \$352.3 million in fiscal year 2008, which represents a decrease of \$7.9 million from fiscal year 2007. The revenue decline of 2% in the governmental fund revenues is a net of declines and increases amongst the various revenue categories. The most significant decrease in revenues compared to the prior year was seen in the \$12.9 million decrease in federal grants and subsidies. This revenue source varies widely depending on City programmatic initiatives undertaken and the availability of federal grant funding. Additional revenue reductions are seen in the other governmental revenue and refunds and reimbursements categories, decreasing by \$3.1 million and \$3.9 million, respectively. License and permits also saw a significant decrease of \$1.5 million, or a 22% decline. These revenue declines were offset by increases in property tax of \$4.0 million, charges for services of \$3.5 million, use of money and property of \$3.2 million, investment income of \$3.0 million, utility user tax of \$760 thousand, franchise tax of \$720 thousand, and business license taxes of \$487 thousand.

Expenditures for governmental funds totaled \$397.4 million, an increase of \$46.6 million from the prior fiscal year. During fiscal year ended June 30, 2008 expenditures for governmental funds exceeded revenues by \$45.1 million or 13%. The governmental funds reported substantial expenditures from the Public Facilities Fees Fund, the Capital Improvement Fund and the Redevelopment Agency Fund for various capital improvement projects totaling \$112.3 million, as described below, for an increase of \$58.7 million over fiscal year 2007. Public safety showed increases of \$4.9 million, or a 3% increase. Debt interest costs increased by \$2.9 million.

Other financing sources exceeded other financing uses by \$53.6 million, which reflects bond proceeds of \$40.8 million from the Variable Rate Demand Lease Revenue Bonds and \$12.3 million in Section 108 loan proceeds.

General Fund. The General Fund is the chief operating fund of the City. At the end of the fiscal year, the General Fund's unreserved fund balance was \$9.6 million and has been designated as follows: \$1.6 million for catastrophic events, \$1.6 million for budget contingency/budget uncertainty, \$1.6 million for compensated absences, and \$4.8 million for future appropriations. As a measure of the General Fund's liquidity, it is useful to compare the following designated unreserved fund balances to the General Fund's total expenditures of \$182.0 million: designated for catastrophic events, 0.9%, designated for budget contingency/budget uncertainty, 0.9%, designated for compensated absences, 0.9%, and designated for future appropriations, 2.6%. The total fund balance for the General Fund is \$23.1 million, which includes the designated unreserved fund balances of \$9.6 million, as mentioned above, and reserved fund balance in the amount of \$13.5 million. General Fund revenues exceeded expenditures by \$5.3 million, mostly due to mid-year expenditure reductions, which resulted in a \$3.9 million savings; however, other financing uses exceeded other financing sources by \$11.2 million, which reflects on-going operating transfers of \$6.7

million to the Library Fund and \$7.1 million to the Recreation Services Fund. The net result was to decrease fund balance by \$5.9 million.

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 \$60.5 million was reported as reserved. This represents an increase of \$1.5 million from the prior fiscal year. Revenues, which consist mainly of development related fees, were \$1.6 million more than expenditures. Capital outlay expenditures totaling \$26.0 million funded the construction of a several parks, street widening projects, and traffic related projects.

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. The Capital Improvement Fund reported a reserved fund balance of \$22.0 million and an unreserved fund balance of \$11.0 million at fiscal year end. Expenditures exceeded revenues by \$34.6 million; however, other financing sources exceeded other financing uses by \$43.9 million, resulting in a net increase in fund balance of \$9.3 million. Capital outlay expenditures totaling \$46.2 million funded the acquisition of an office building and parking garage, final construction of two community centers and completion of recreational facility renovations.

Redevelopment Fund. The Redevelopment Agency Fund reported total fund balance of \$45.6 million at the end of the fiscal year. This reflects a reserved fund balance of \$81.9 million and a deficit unreserved fund balance of \$36.3 million. In addition to \$14.8 million, which is reserved for encumbrances, the Redevelopment Agency also reported \$58.8 million, which is reserved for capital projects. For the most part the positive fund balance is essentially due to bond proceeds received in the prior fiscal year. Expenditures of \$39.2 million are attributable to the several construction and street improvement infrastructure projects including the Airport Way Neighborhood Services Center and start up costs for the Panella and Stribley Park Community Center renovations. This was offset by an increase of \$2.4 million or 10% in incremental property tax revenues, due to commercial growth in the South Stockton Redevelopment Project area and slight residential growth in the North Stockton Redevelopment Project area.

Governmental funds restatement

The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances have been restated to report the effect of prior period adjustments as described below. The 2007 comparative data amounts have also been restated in these reports to conform to the 2008 financial presentation. The 2008 governmental funds restatement includes:

- A prior period adjustment of \$10.5 million reported in the Other Governmental Community Development Block Grant (CDBG) Fund was related to grant revenues that were overstated in fiscal year 2007. Operating transfers in the CDBG Fund were incorrectly included as disbursements for new loans during the evaluation of 2007 year end revenue accruals. During fiscal year 2008, it was determined that the transfers were related to a change in the accounting structure for CDBG funds that was implemented during fiscal year 2007 and did not represent expenditures that were eligible for grant reimbursement. This resulted in a \$10.5 million reduction in beginning fund balance in the Other Governmental CDBG Fund.
- A prior period adjustment of \$7.5 million reported in the Other Governmental Home Program Fund is related to advances to property owners that were understated in fiscal year 2007.

This resulted in a \$7.5 million increase in beginning fund balance in the Other Governmental Home Program Fund.

- Prior period adjustments of \$8.1 million establish the remaining balances as of June 30, 2008 of a prior year advance from the General Fund to the Other Governmental Development Services Fund. This represents the balance of a \$39.8 million General Fund advance to the Other Governmental Development Services Fund. The advance consists of a General Fund subsidy of development services activity from fiscal year 1993 through fiscal year 2002, which is documented in Section 7 of the Stockton Events Center Report presented at the City Council Study Session of December 17, 2003. In fiscal year 2003, Development Services was removed from the General Fund and established as a special revenue fund. Since that time the City's Annual Budget has authorized operating transfers from the Development Services Fund to the General Fund to repay this obligation. These prior period adjustments establish the remaining balance of \$8.1 million as a General Fund advance to other funds and a Development Services advance from other funds. These offsetting adjustments resulted in no effect on total beginning fund balances.
- The net effect of the above restatements was to decrease total beginning fund balances by \$3 million on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

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, \$21.9 million, the Wastewater Utility, \$14.5 million, and the Stormwater Utility, \$3.7 million. The Central Parking District reported deficit unrestricted net assets of \$276 thousand. The Solid Waste and Golf Courses are combined for financial reporting purposes and together had deficit unrestricted net assets of \$720 thousand. The internal service funds had deficit unrestricted net assets of \$20.7 million.

The total growth in net assets for the enterprise funds was \$11.8 million. In fiscal year 2008, the Wastewater and Stormwater utility funds experienced an operating deficit, where operating expenses exceeded operating income by \$1.23 million and \$503 thousand, respectively. Operating deficits signal that an enterprise's operating income structure is not meeting standard operating and infrastructure renewal and replacement costs. This is the second consecutively year in which the Wastewater Fund has ended the fiscal year with an operating deficit, and the eighth consecutive year for the Stormwater Fund.

The operating loss decreased in the Wastewater fund by \$2.5 million primarily due to settlement agreements reached last year that resulted in lower current year legal expenses. Although the Wastewater fund had a decrease of \$6.2 million in expenses related to the OMI Thames service contract termination during the year, an equal amount was offset in increased salary expenses for employees transitioning back to the City. The operating loss in the Stormwater fund decreased by \$1.6 million primarily due to additional one-time revenues received for environmental cleanup and damage settlements.

The Water fund operating income decreased \$570 thousand primarily due to additional indirect cost allocation charges and a slight decrease in charges for services revenue.

The Central Parking District operating revenues exceeded operating expenses by \$458 thousand as a result of a 5% fee increase in parking fees and additional revenues for monthly parking customers due to the closure of one lot in the downtown area that displaced customers to higher cost parking garages. Expenses increased primarily due to additional indirect cost allocation charges and part time salary costs due to unionization and salary increases retroactive to July 2008.

Capital assets net of depreciation increased in the Water fund by \$6.4 million, which includes \$3.2 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. The Wastewater Fund capital assets net of depreciation increased by \$10.8 million, which includes \$15.6 million for the continued expansion of the Regional Wastewater Control Facility and the Westside Sewer Interceptor projects, offset by \$9.1 million in additional accumulated depreciation.

The internal service funds reported a decrease in net assets of \$18.0 million. The key driver in this is the decrease in net assets of \$27.0 million in the Health Benefits Insurance Fund, primarily due to reporting \$24.6 million in net OPEB obligation for the first time in fiscal year 2008. Additional factors are the decreases in net assets of \$1.6 million in the Other Equipment Fund and \$104 thousand in the Other Insurance Fund, offset by increases in net assets of \$4.8 million in the Retirement Benefits Fund, \$2.1 million in the Computer Equipment Fund, \$1.9 million in the Workers' Compensation Insurance Fund, and \$1.2 million in the General Liability Insurance Fund.

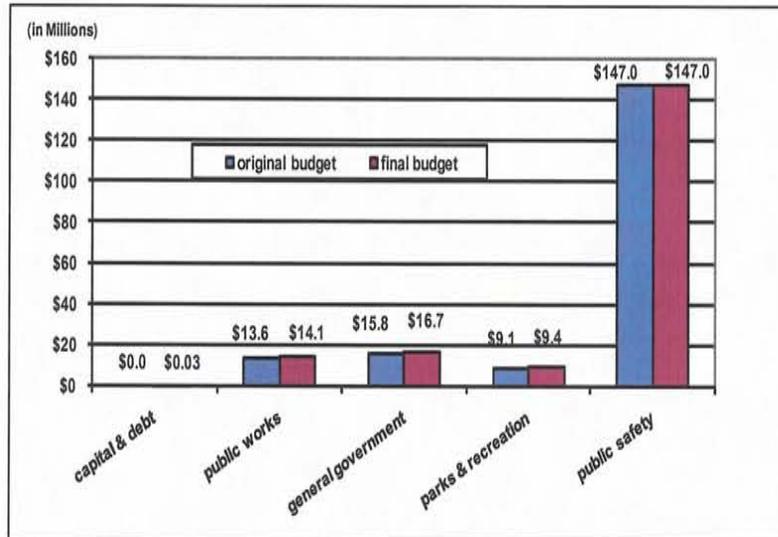
GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2008 fiscal year, the General Fund's original budgeted expenditures, of \$185.5 million, excluding transfers, increased by 1 percent to a final amended budget of \$187.2 million. Original adopted revenue estimates were increased from \$192.98 million to the final budgeted revenue estimates of \$193.0 million.

On a budgetary basis, actual expenditures, excluding transfers, came in \$3.8 million below the final budget, or at \$183.4 million or 2.1 % below the final budgeted expenditures. General governmental operating expenditure reductions and salary savings across General Fund departments contributed to this reduced spending level. Actual revenues, excluding transfers, in the General Fund were \$5.7 million lower than the final budget revenue estimate, at \$187.3 million or 3% below the final budgeted revenue estimate. Actual transfers and other financing sources (uses) were \$338 thousand higher than the final budgeted figure of \$10.8 million.

The final budget estimated a reduction in fund balance of \$4.95 million. As a result of reduced revenues and increased financing uses, the General Fund realized an actual reduction in the fund balance of \$5.87 million, or \$914 thousand more than the final budget.

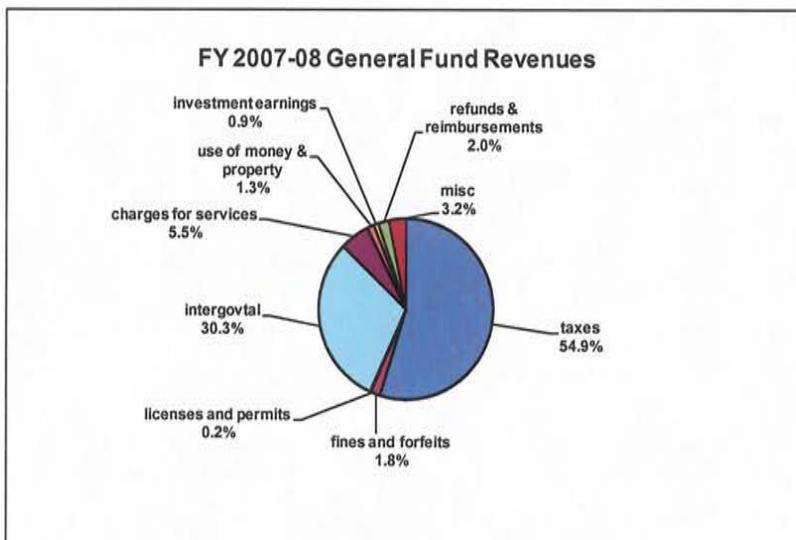
No formal City budget revision was conducted during the fiscal year. Budget revisions are done on an ad hoc basis through individual departmental requests to the City Council.



The table on the previous page illustrates the differences by governmental function category of the original adopted budget to the final revised budget. The graph also demonstrates the significant investment of General Fund revenue sources dedicated to public safety (police and fire) services, 79% of total final budgeted expenditures, excluding transfers. This level of investment is followed by general government administrative functions and public works, with 9% and 8% respectively.

Differences between the original budget and the final amended budget reflect an increase in expenditure appropriations of \$1.67 million. Brief summarizations of this year's General Fund budgeted expenditure changes by functions are as follows.

- General government increased \$844 thousand, reflecting increases of \$312 thousand for a mid-year appropriation for establishment of the Downtown Stockton Management District and \$532 thousand for prior year re-appropriated encumbrances.
- Public safety decreased by \$9 thousand as a result of a \$170 thousand reduction for the fire department primarily due to a \$195 thousand appropriation transfer to the public works function, offset by a \$181 thousand increase for prior year re-appropriated encumbrances in the fire and police departments.
- Public works increased \$465 thousand which includes the budget transfer of \$195 thousand from the fire department to cover salary cost over runs, as stated above, and an increase of \$270 thousand for prior year re-appropriated encumbrances.
- Parks and recreation increased \$338 thousand, reflecting increases of \$250 thousand for a one time increase for the Parks Tree Trimming Division and \$68 thousand for prior year re-appropriated encumbrances.
- \$30 thousand in debt service is the cost of issuance associated with the 2008 Tax and Revenue Anticipation Note (TRAN) short term investment purchase in July 2007.
- The increase of \$109 thousand in other financing sources (uses) reflects a net increase in transfers in of \$429 thousand, a \$344 thousand decrease in transfers out, and an increase of \$24 thousand for the discount associated with the 2008 TRAN. The transfers in increased for an additional appropriation of \$771 thousand for debt service, offset by a budget reduction of \$1.2 million for lack of resources for a loan repayment. In addition, the transfers out decreased as a result of a \$2.33 million mid year appropriation reduction due to lack of available funding offset by increases of \$998 thousand for the purchase of vehicles, \$774 thousand for debt service and \$213 thousand in matching funds required for special purpose grants.



Nearly 55% of all fiscal year 2008 General Fund revenues are taxes collected to support governmental services that cannot be provided in the private sector with a substantial subsidy, such as police and fire services. Intergovernmental revenues from the State of California and other governmental entities made up 30% of total revenues. Charges for services accounted for 5.5% of total General Fund revenues 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 remaining revenue categories comprise in total to less than 10% of the total, such as fines, licenses, permits, sale of assets, refunds, reimbursements, and investment earnings.

During the year, actual revenue collections were \$5.7 million below budgetary estimates. Some key revenues that fell short of budgetary estimates are as follows:

- A shortfall of \$383 thousand in property taxes, reflecting decreases in market values of homes in the last half of the year as the housing bubble had reached its limit.
- A shortfall of \$3.4 million in sales and use tax as the economy began to decline in the last half of the year to declining consumer confidence resulting from the slowing economy.
- Utility users tax collections fell short of budgetary estimates by \$1.6 million, also reflecting the downturn in the economy.
- Business license fees and document transfer fee were \$866 thousand and \$852 thousand, respectively, below the budgeted estimate due to the faltering economies impact of City commercial activity.

These shortfalls in major revenue categories were partially offset by additional revenues, such as:

- \$928 thousand in interest income due to improved rate of return on pooled investments.
- \$602 thousand in additional revenues from charges for services attributable to increases in Police Department initiated fees for false alarms and impound fees and Fire Department fees and contracts.
- Increased franchise fee collection of \$325 thousand over the budgeted estimate is a direct result of a rate increase and collection efforts
- \$381 thousand in refunds and reimbursements, primarily due to increased reimbursements for workers compensation claims.

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, 2008 amounts to \$1.2 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 \$24.9 million or 2%. This represented a 1% increase for governmental activities and a 4% increase for business-type activities, as shown in the table below. The largest single addition to governmental activities was for the \$33.8 million purchase of an office building and parking garage. Construction in progress in governmental activities also reflects a decrease of \$71 million for the transfer to Caltrans for construction costs associated with four highway interchange projects that were completed during the year.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 37,195	\$ 35,014	\$ 15,165	\$ 14,635	\$ 52,360	\$ 49,649
Buildings & Improvements	238,347	200,071	418,821	422,350	657,168	622,421
Machinery & Equipment	14,584	14,527	2,629	2,797	17,213	17,324
Infrastructure	328,257	327,483	-	-	328,257	327,483
Construction in Progress	96,392	131,679	103,811	81,664	200,203	213,343
Total	\$ 714,775	\$708,774	\$ 540,426	\$ 521,446	\$1,255,201	\$1,230,220

Additional information on the City's capital assets can be found in Note 5 on pages 66-67 of this report.

Long-term debt

At the end of the fiscal year, the City's total outstanding bonded debt was \$515.0 million. Of this amount, \$352.4 million was related to governmental activities, including \$12.8 million of lease revenue bonds for the City's Essential Services Building/Parking Structure, \$40.7 million of Series A (tax exempt) and B (taxable) Variable Rate Demand Lease Revenue Bonds, \$13.2 million of certificates of participation for redevelopment housing projects, and \$125.1 million of pension obligation bonds. Bonded debt of the Redevelopment Agency is also reported in governmental activities, including \$48.2 million of revenue bonds for the Stockton Events Center-Arena Project and \$112.4 million of revenue bonds for various redevelopment and housing projects referred to as the Strong Neighborhoods Initiative (SNI). During fiscal year 2008, the City's net bonded indebtedness related to governmental activities increased by \$39.9 million. Key factors in the increase were the issuance of the 2007 Series A (tax-exempt) and Series B (taxable) Variable Rate Demand Lease Revenue Bonds in amounts of \$36.5 million and \$4.3 million, respectively, to finance the acquisition of an office building and parking garage in downtown Stockton.

Bonded debt related to business-type activities totaled \$162.6 million. Of this amount \$35.7 million is revenue bonds backed by the Water Utility, \$94.4 million is certificates of participation backed by the Wastewater Utility, and \$32.5 million is lease revenue bonds backed by the Central Parking District. During fiscal year 2008, the City's net bonded indebtedness related to business-type activities decreased by \$2.8 million due to principal repayments and amortization of deferred charges.

Additional information on the City's long-term debt can be found in Note 6 on pages 68-81 of this report.

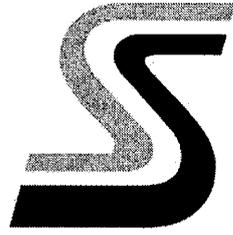
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City's largest General Fund tax revenue sources are property tax; sales and use tax; utility user tax (UUT); and the motor vehicle license fee (VLF). With the exception of UUT, the proportion the City receives from each source is determined by the State.
- The City's largest tax revenue source (property tax) is projected for fiscal year 2009 to decline by 12.7% compared to fiscal year 2008 or \$32.4 million. These are revised revenue estimates (dated 9/25/08). Housing market values have significantly fallen in the twelve months since June 2007. Coupled with these declining housing values, events on Wall Street in the late summer of 2008 regarding the financial services sector have resulted in a lack of credit availability to homeowners and the business community. These two factors will significantly restrict homeowners' ability to refinance properties in an effort to avoid increasing mortgage interest costs stemming from sub-prime mortgage lending practices. Both the decline in home market values and foreclosure levels are not expected to wane till after June 2009.
- Sales and use tax (levied by the State) is the second largest tax revenue in the General Fund. The City receives its one percent share from two sources. The State remits three-quarters of one percent, and the remaining one-quarter of one percent comes from property tax in lieu of sales tax. Economic development efforts, as well as a healthy diversity in the types of businesses located within Stockton, have resulted in a steady stream of revenue from this source. The downturn in the economy beginning in the 2nd quarter of fiscal year 2008 resulted in a 1.5% decline in this revenue sources, with an additional expected decline of 5% next year.
- The final reduction of the Utility User's Tax (UUT) to 6% occurred in fiscal year 2007. UUT revenues are expected to remain steady next year with a 1.5% increase, compared to the 2.5% increase between fiscal year 2007 and fiscal year 2008.
- Through the agreements reached with the passage of Proposition 1A, fiscal year 2007 was the second and final year that the City was required to make a contribution of \$2.7 million to the State of California from its Motor Vehicle License Fee proceeds, and the higher total VLF revenue in fiscal year 2008 reflects that adjustment. Unfortunately, the anticipated growth resulting from this change is not expected to continue in fiscal year 2009 as a result of the decline in housing market values. A decline is projected for this revenue source between fiscal years 2008 and 2009 of approximately 1.9 % (dated 9/25/08).
- Measure W is a voter approved local sales tax of one-quarter of one percent that continues to provide funds exclusively to address Stockton's public safety staffing and equipment needs, with the ultimate objective of funding 40 additional police officers and 28 additional sworn fire fighters. The 2009 fiscal year budget includes a full year of funding at \$10.6 million. This sales tax revenue source is also expected to decline in the future year by 5%
- The fiscal year 2009 Budget and Fee Schedule contains fees for services provided to the public, including cost recovery fees for development, as well as the provision of dispatching services to the residents of Stockton by the Police and Fire departments. Most fees contain an automatic inflation adjustment.

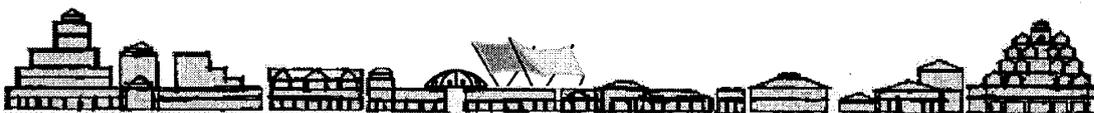
- As of June 30, 2008 state mandated costs reimbursement (SB-90) claims totaling \$1.5 million are reported as deferred revenue in the General Fund because the State did not appropriate funds for this reimbursement in fiscal year 2009.
- The unemployment rate for the City was 10.0% as of June 2008. The local unemployment rate is 3.1 percentage points higher than the State unemployment rate of 6.9%, which is expected to increase since June 2008 due to the downturn in the economy.

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 Financial Management Department of the City of Stockton at City Hall, 425 North El Dorado Street, Stockton, CA 95202.



CITY OF STOCKTON



BASIC FINANCIAL STATEMENTS



CITY OF STOCKTON



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF STOCKTON

STATEMENT OF NET ASSETS

JUNE 30, 2008

(With comparative totals as of June 30, 2007)

(Dollar amounts in thousands)

	Governmental Activities	Business-Type Activities	Totals	
			2008	2007
ASSETS				
Cash and investments	\$ 165,153	\$ 38,371	\$ 203,524	\$ 191,216
Restricted cash and investments	108,095	61,587	169,682	186,306
Interest receivable	1,421	794	2,215	1,488
Accounts receivable, net	17,982	7,805	25,787	20,303
Internal balances	2,142	(2,142)	-	-
Due from other governments	27,701	-	27,701	38,711
Inventory of supplies	176	1,234	1,410	1,370
Other assets	2,480	92	2,572	3,357
Advances to property owners	80,643	-	80,643	66,957
Deferred charges	6,027	2,625	8,652	8,178
Pension asset	126,105	-	126,105	123,675
Capital assets, net:				
Nondepreciable	133,587	118,976	252,563	262,992
Depreciable, net	581,188	421,450	1,002,638	967,228
Total assets	1,252,700	650,792	1,903,492	1,871,781
LIABILITIES				
Accounts payable and accrued expenses	15,049	3,721	18,770	25,870
Accrued payroll and benefits	4,277	-	4,277	3,729
Accrued interest	5,580	2,582	8,162	7,457
Deposits and other liabilities	1,468	2,209	3,677	4,554
Unearned revenue	7,886	-	7,886	4,290
Long-term liabilities:				
Due within one year	25,127	3,268	28,395	26,162
Due in more than one year	423,600	160,493	584,093	534,531
Net OPEB obligation	24,608	-	24,608	-
Total liabilities	507,595	172,273	679,868	606,593
NET ASSETS				
Invested in capital assets, net of related debt	594,070	399,813	993,883	1,024,036
Restricted for:				
Capital projects	62,277	39,503	101,780	107,230
Debt service	2,990	65	3,055	2,660
Loan programs	60,453	-	60,453	58,666
Low- and moderate-income housing	21,374	-	21,374	18,535
City-County library	5,205	-	5,205	5,279
Public safety	2,324	-	2,324	2,803
Street improvements	5,605	-	5,605	3,580
Special maintenance districts	7,245	-	7,245	5,858
Endowments:				
Nonexpendable	1,604	-	1,604	1,604
Expendable	333	-	333	297
Other purposes	2,678	-	2,678	2,333
Unrestricted	(21,053)	39,138	18,085	32,307
Total net assets	\$ 745,105	\$ 478,519	\$ 1,223,624	\$ 1,265,188

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, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 27,819	\$ 12,141	\$ 17	\$ -
Public safety	181,187	30,738	2,257	499
Public works	134,737	30,429	604	33,853
Library	14,723	1,462	6,903	-
Parks and recreation	33,138	9,741	571	9,522
Interest and fiscal charges	17,921	-	-	-
Total governmental activities	<u>409,525</u>	<u>84,511</u>	<u>10,352</u>	<u>43,874</u>
Business-type activities:				
Water utility	22,070	22,882	-	3,445
Wastewater utility	40,045	33,661	-	6,212
Stormwater utility	6,696	6,160	-	3,594
Central parking district	5,002	3,815	-	-
Other	2,093	2,065	-	-
Total business-type activities	<u>75,906</u>	<u>68,583</u>	<u>-</u>	<u>13,251</u>
Total	<u>\$ 485,431</u>	<u>\$ 153,094</u>	<u>\$ 10,352</u>	<u>\$ 57,125</u>

General revenues:

Taxes:

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

Shared revenue:

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

Investment earnings

Miscellaneous

Gain from disposal of capital assets

Transfers

Total general revenues and transfers

Change in net assets

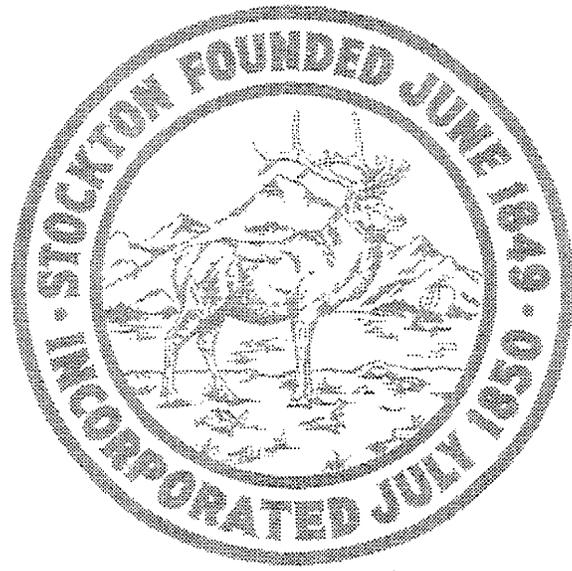
Net assets, beginning of year, as restated

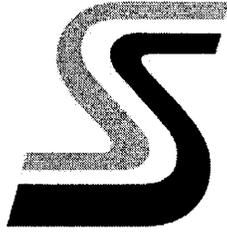
Net assets, end of year

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

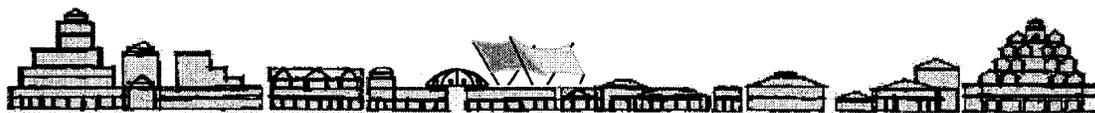
Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2008	2007
\$ (15,661)		\$ (15,661)	\$ (18,019)
(147,693)		(147,693)	(125,232)
(69,851)		(69,851)	40,773
(6,358)		(6,358)	(5,382)
(13,304)		(13,304)	(13,758)
(17,921)		(17,921)	(11,746)
<u>(270,788)</u>		<u>(270,788)</u>	<u>(133,364)</u>
	\$ 4,257	4,257	7,977
	(172)	(172)	1,858
	3,058	3,058	4,112
	(1,187)	(1,187)	(764)
	(28)	(28)	(69)
	<u>5,928</u>	<u>5,928</u>	<u>13,114</u>
<u>(270,788)</u>	<u>5,928</u>	<u>(264,860)</u>	<u>(120,250)</u>
63,998	-	63,998	60,015
10,164	-	10,164	11,070
30,861	-	30,861	30,101
9,409	-	9,409	9,249
11,537	-	11,537	10,817
10,772	-	10,772	10,285
2,287	-	2,287	2,180
686	-	686	1,187
246	1,055	1,301	1,238
24,051	-	24,051	22,661
36,098	-	36,098	36,745
389	-	389	384
15,007	5,892	20,899	17,409
756	-	756	786
88	-	88	-
1,049	(1,049)	-	-
<u>217,398</u>	<u>5,898</u>	<u>223,296</u>	<u>214,127</u>
(53,390)	11,826	(41,564)	93,877
<u>798,495</u>	<u>466,693</u>	<u>1,265,188</u>	<u>1,171,311</u>
<u>\$ 745,105</u>	<u>\$ 478,519</u>	<u>\$ 1,223,624</u>	<u>\$ 1,265,188</u>





CITY OF STOCKTON



FUND FINANCIAL STATEMENTS

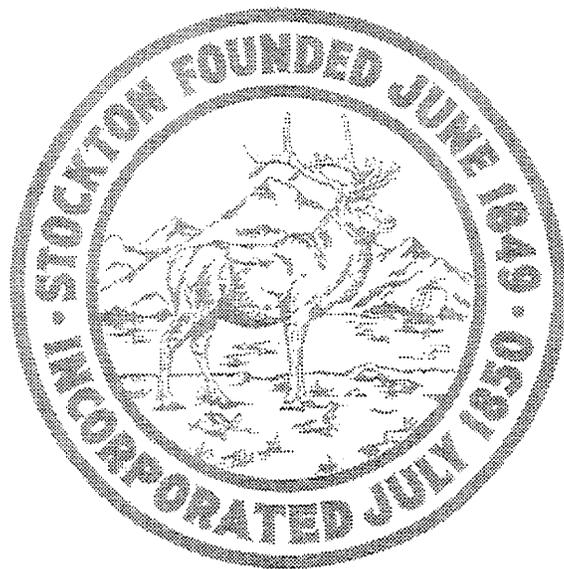
FUND FINANCIAL STATEMENTS

Governmental Fund Types

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

Major Governmental Funds include:

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



Proprietary Fund Types

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

Major enterprise funds include:

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

Fiduciary Fund Type

The fiduciary funds are the:

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

CITY OF STOCKTON

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

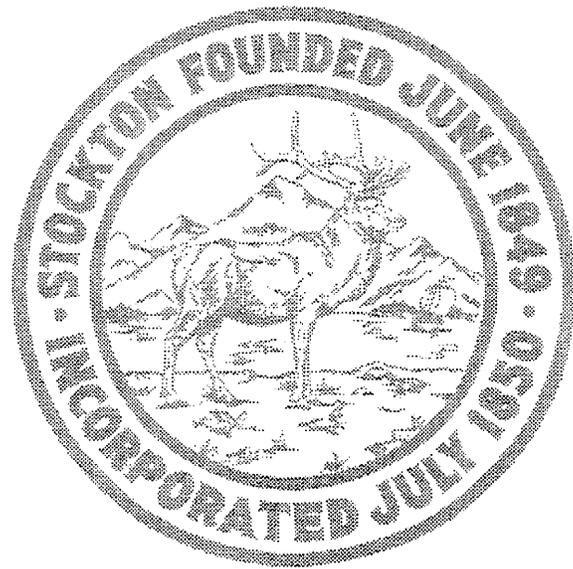
(With comparative totals as of June 30, 2007)

(Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
ASSETS			
Cash and investments	\$ 3,463	\$ 61,607	\$ 6,224
Cash and investments with fiscal agents	-	-	5,255
Receivables:			
Interest	378	626	73
Taxes and special assessments	9	-	-
Accounts and other receivables	21,380	1,583	36
Allowance for uncollectibles	(8,187)	-	-
Due from other funds	1,238	-	3,673
Due from other governments	8,394	-	6,064
Allowance for uncollectibles	(16)	-	(737)
Due from other agencies	619	-	-
Prepaid items	738	-	-
Inventory of supplies	176	-	-
Deposits	-	446	630
Advances to other funds	9,770	1,116	19,685
Advances to property owners	-	-	-
Total assets	<u>\$ 37,962</u>	<u>\$ 65,378</u>	<u>\$ 40,903</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 2,057	\$ 1,832	\$ 1,637
Accrued payroll and benefits	4,277	-	-
Due to other funds	-	-	-
Due to other governments	-	-	30
Due to other agencies	111	-	-
Deposits and other liabilities	359	-	-
Deferred revenue	8,033	1,163	5,801
Advances from other funds	-	1,866	350
Total liabilities	<u>14,837</u>	<u>4,861</u>	<u>7,818</u>
FUND BALANCES:			
Reserved	13,498	60,517	22,039
Unreserved, reported in:			
General Fund:			
Designated	9,627	-	-
Special revenue funds:			
Designated	-	-	-
Undesignated	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	11,046
Permanent fund	-	-	-
Total fund balances	<u>23,125</u>	<u>60,517</u>	<u>33,085</u>
Total liabilities and fund balances	<u>\$ 37,962</u>	<u>\$ 65,378</u>	<u>\$ 40,903</u>

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2008	2007
\$ 4,305	\$ 33,870	\$ 109,469	\$ 106,725
77,079	25,668	108,002	107,009
178	166	1,421	832
-	-	9	9
34	2,287	25,320	19,753
-	-	(8,187)	(7,311)
-	-	4,911	8,599
564	13,669	28,691	39,701
-	(237)	(990)	(990)
-	-	619	523
-	-	738	1,007
-	-	176	174
38	-	1,114	1,420
-	15,271	45,842	46,758
90	80,553	80,643	66,957
<u>\$ 82,288</u>	<u>\$ 171,247</u>	<u>\$ 397,778</u>	<u>\$ 391,166</u>
\$ 2,642	\$ 5,543	\$ 13,711	\$ 15,737
-	-	4,277	3,729
-	4,780	4,780	8,471
-	52	82	64
-	-	111	116
4	777	1,140	2,209
-	2,085	17,082	11,832
34,083	8,062	44,361	45,287
<u>36,729</u>	<u>21,299</u>	<u>85,544</u>	<u>87,445</u>
81,912	124,900	302,866	311,772
-	-	9,627	15,761
-	132	132	132
-	24,545	24,545	3,854
-	38	38	(196)
(36,353)	-	(25,307)	(27,899)
-	333	333	297
<u>45,559</u>	<u>149,948</u>	<u>312,234</u>	<u>303,721</u>
<u>\$ 82,288</u>	<u>\$ 171,247</u>	<u>\$ 397,778</u>	<u>\$ 391,166</u>



CITY OF STOCKTON

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS JUNE 30, 2008 (With comparative totals as of June 30, 2007) (Dollar amounts in thousands)

	2008	2007
Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances - total governmental	\$ 312,234	\$ 303,721
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Nondepreciable capital assets	133,587	166,693
Depreciable capital assets, net	570,169	531,166
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.	(10,602)	7,415
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	(18,159)	(18,538)
Bonds payable and other long-term debt	(249,626)	(197,207)
Unamortized bond discounts, premiums and deferred amount on refunding	(2,748)	(2,837)
Accrued interest	(3,291)	(3,219)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are:		
deferred in the governmental funds, or	9,196	7,542
not recorded in the governmental funds.	<u>4,345</u>	<u>3,759</u>
Net assets of governmental activities	<u>\$ 745,105</u>	<u>\$ 798,495</u>

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

CITY OF STOCKTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
REVENUES:			
Taxes:			
Property	\$ 37,077	\$ -	\$ -
In lieu of sales tax	10,164	-	-
Utility user	30,861	-	-
Sales - levied by City	-	-	-
Franchise fees	11,537	-	-
Business license	10,134	-	-
Hotel/motel room	2,287	-	-
Document transfer	686	-	-
Other	2	-	-
Licenses and permits	377	-	-
Intergovernmental:			
Federal grants and subsidies	-	-	3
Sales and use tax - levied by state	31,900	-	-
Other governmental	24,872	-	9,528
Charges for services	10,213	24,251	-
Fines and forfeitures	3,302	-	-
Use of money and property	2,462	86	1,665
Investment income:			
Interest income	1,316	2,896	422
Net increase (decrease) in fair value of investments	302	450	398
Refunds and reimbursements	3,709	3	300
Miscellaneous	6,086	-	-
Total revenues	187,287	27,686	12,316
EXPENDITURES:			
Current:			
General government	15,089	-	-
Public safety	143,955	-	-
Public works	13,936	-	-
Library	-	-	-
Parks and recreation	8,904	-	-
Capital outlay	86	26,029	46,239
Debt service:			
Principal retirement	-	-	-
Cost of issuance	30	-	703
Interest and fiscal charges	-	-	-
Total expenditures	182,000	26,029	46,942
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,287	1,657	(34,626)

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2008	2007
\$ 26,921	\$ -	\$ 63,998	\$ 60,015
-	-	10,164	11,070
-	-	30,861	30,101
-	9,409	9,409	9,249
-	-	11,537	10,817
-	638	10,772	10,285
-	-	2,287	2,180
-	-	686	1,187
-	244	246	257
-	4,896	5,273	6,777
-	13,614	13,617	26,532
-	4,198	36,098	36,745
325	25,251	59,976	63,064
2	20,778	55,244	51,739
-	19	3,321	3,323
6	8,703	12,922	9,709
5,455	1,496	11,585	8,551
67	298	1,515	1,238
1	240	4,253	8,199
454	1,975	8,515	9,163
<u>33,231</u>	<u>91,759</u>	<u>352,279</u>	<u>360,201</u>
16	7,180	22,285	20,030
-	24,417	168,372	163,479
-	4,528	18,464	19,478
-	13,432	13,432	12,648
-	18,281	27,185	25,747
39,212	23,505	135,071	98,819
27	990	1,017	591
-	44	777	2,069
32	10,739	10,771	7,892
<u>39,287</u>	<u>103,116</u>	<u>397,374</u>	<u>350,753</u>
<u>(6,056)</u>	<u>(11,357)</u>	<u>(45,095)</u>	<u>9,448</u>

(Continued)

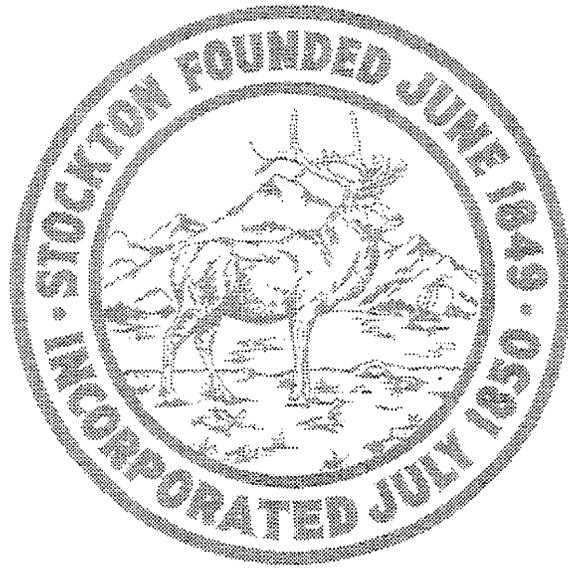
CITY OF STOCKTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	General	Public Facilities Impact Fees	Capital Improvement
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,287</u>	<u>1,657</u>	<u>(34,626)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	5,845	-	3,144
Transfers out	(17,019)	(137)	-
Issuance of long-term debt	-	-	40,770
Sales of capital assets	44	-	-
Premiums on debt issuances	-	-	-
Discounts on debt issuances	(24)	-	-
Total other financing sources (uses)	<u>(11,154)</u>	<u>(137)</u>	<u>43,914</u>
NET CHANGE IN FUND BALANCES	(5,867)	1,520	9,288
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>28,992</u>	<u>58,997</u>	<u>23,797</u>
FUND BALANCES, END OF YEAR	<u>\$ 23,125</u>	<u>\$ 60,517</u>	<u>\$ 33,085</u>

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

Redevelopment Agency	Other Governmental	Total Governmental	
		2008	2007
<u>(6,056)</u>	<u>(11,357)</u>	<u>(45,095)</u>	<u>9,448</u>
205	50,797	59,991	78,825
(19,367)	(23,316)	(59,839)	(80,506)
366	12,300	53,436	110,509
-	-	44	5
-	-	-	2,377
<u>-</u>	<u>-</u>	<u>(24)</u>	<u>-</u>
<u>(18,796)</u>	<u>39,781</u>	<u>53,608</u>	<u>111,210</u>
(24,852)	28,424	8,513	120,658
<u>70,411</u>	<u>121,524</u>	<u>303,721</u>	<u>183,063</u>
<u>\$ 45,559</u>	<u>\$ 149,948</u>	<u>\$ 312,234</u>	<u>\$ 303,721</u>



CITY OF STOCKTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

(With comparative totals for the year ended June 30, 2007)

(Dollar amounts in thousands)

	2008	2007
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental	\$ 8,513	\$ 120,658
Governmental funds report capital outlays as expenditures. As donated capital assets don't create or use financial resources, they are not reported in governmental funds. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. Capital outlays, donated capital assets and depreciation expense are as follows:		
Capitalized capital outlays	88,819	55,629
Donated capital assets	4,894	19,382
Depreciation expense	(17,276)	(13,324)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, dispositions, etc.) is to decrease net assets. The 2008 amount is for completed construction in progress transferred to other entities.	(70,540)	(10)
Long-term debt (including refunding debt), net of bond premiums and discounts, provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal (including bond refundings) and costs of issuance are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets, and the costs of issuance increase deferred charges in the statement of net assets. Long-term debt proceeds, bond premiums, discounts, repayment of principal, costs of issuance and bond refundings are as follows:		
Long-term debt issuance	(53,436)	(110,509)
Premiums on debt issuances	-	(2,377)
Discounts on debt issuances	24	-
Repayment of principal	1,017	591
Costs of issuance	777	2,069
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.	(18,017)	6,923
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,654	(1,406)
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	379	(1,077)
Amortization of bond discounts and premiums, costs of issuance, and deferred amount on refunding	(126)	(90)
Change in accrued interest	(72)	(2,134)
Change in net assets of governmental activities	<u>\$ (53,390)</u>	<u>\$ 74,325</u>

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

CITY OF STOCKTON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2008

(With comparative totals as of June 30, 2007)

(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
ASSETS			
Current assets:			
Cash and investments	\$ 22,833	\$ 11,510	\$ 3,096
Cash and investments with fiscal agents	-	-	-
Receivables:			
Interest	271	485	33
Accounts and other receivables	2,530	5,964	1,104
Allowance for uncollectibles	(490)	(1,285)	(342)
Inventory of supplies	-	1,201	-
Total current assets	<u>25,144</u>	<u>17,875</u>	<u>3,891</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	3,796	35,707	-
Cash and investments with fiscal agents	16,731	2,252	-
Advances to other funds	-	65	-
Loans receivable	-	92	-
Deferred charges	742	1,062	-
Pension asset	-	-	-
Capital assets, net:			
Nondepreciable	21,736	87,345	1,220
Depreciable, net	87,656	251,732	51,681
Total noncurrent assets	<u>130,661</u>	<u>378,255</u>	<u>52,901</u>
Total assets	<u>155,805</u>	<u>396,130</u>	<u>56,792</u>
LIABILITIES			
Current liabilities:			
Accounts payable	798	2,579	132
Due to other funds	-	-	-
Due to other governments	178	-	-
Deposits and other liabilities	1,872	48	10
Accrued interest	427	1,607	-
Compensated absences - current	19	142	14
Self-insurance claims and judgments - current	-	-	-
Other long-term debt - current	600	2,310	-
Total current liabilities	<u>3,894</u>	<u>6,686</u>	<u>156</u>
Noncurrent liabilities:			
Advances from other funds	-	-	-
Compensated absences - long-term	36	203	-
Self-insurance claims and judgments - long-term	-	-	-
Capital lease obligations	-	-	-
Notes payable	610	-	-
Certificates of participation	-	92,073	-
Bonds payable	35,199	-	-
Net OPEB obligation	-	-	-
Total noncurrent liabilities	<u>35,845</u>	<u>92,276</u>	<u>-</u>
Total liabilities	<u>39,739</u>	<u>98,962</u>	<u>156</u>
NET ASSETS			
Invested in capital assets, net of related debt	90,381	246,931	52,901
Restricted for capital projects	3,796	35,707	-
Restricted for debt service	5	15	-
Unrestricted	21,884	14,515	3,735
Total net assets	<u>\$ 116,066</u>	<u>\$ 297,168</u>	<u>\$ 56,636</u>

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2008	2007	2008	2007
\$ 709	\$ 223	\$ 38,371	\$ 34,321	\$ 55,684	\$ 48,951
-	-	-	1,209	-	-
6	(1)	794	656	-	-
393	155	10,146	9,837	982	541
(110)	(114)	(2,341)	(2,390)	(133)	(127)
-	33	1,234	1,196	-	-
<u>998</u>	<u>296</u>	<u>48,204</u>	<u>44,829</u>	<u>56,533</u>	<u>49,365</u>
-	-	39,503	46,785	-	-
3,101	-	22,084	32,512	93	10
847	-	912	922	530	-
-	-	92	398	-	-
821	-	2,625	2,747	1,682	1,672
-	-	-	-	126,105	123,675
8,315	360	118,976	96,299	-	-
29,171	1,210	421,450	425,147	11,019	10,915
<u>42,255</u>	<u>1,570</u>	<u>605,642</u>	<u>604,810</u>	<u>139,429</u>	<u>136,272</u>
<u>43,253</u>	<u>1,866</u>	<u>653,846</u>	<u>649,639</u>	<u>195,962</u>	<u>185,637</u>
93	119	3,721	9,255	1,338	878
-	131	131	128	-	-
-	-	178	113	-	-
101	-	2,031	1,917	135	135
548	-	2,582	2,622	2,289	1,616
17	3	195	207	3,285	3,232
-	-	-	-	11,827	11,266
163	-	3,073	2,776	71	250
<u>922</u>	<u>253</u>	<u>11,911</u>	<u>17,018</u>	<u>18,945</u>	<u>17,377</u>
2,160	763	2,923	2,393	-	-
23	-	262	172	917	2,402
-	-	-	-	36,131	33,383
-	-	-	-	923	-
-	-	610	731	-	-
-	-	92,073	94,383	-	-
32,349	-	67,548	68,249	125,040	125,060
-	-	-	-	24,608	-
<u>34,532</u>	<u>763</u>	<u>163,416</u>	<u>165,928</u>	<u>187,619</u>	<u>160,845</u>
<u>35,454</u>	<u>1,016</u>	<u>175,327</u>	<u>182,946</u>	<u>206,564</u>	<u>178,222</u>
8,030	1,570	399,813	387,198	10,045	10,915
-	-	39,503	46,785	-	-
45	-	65	65	93	10
(276)	(720)	39,138	32,645	(20,740)	(3,510)
<u>\$ 7,799</u>	<u>\$ 850</u>	<u>\$ 478,519</u>	<u>\$ 466,693</u>	<u>\$ (10,602)</u>	<u>\$ 7,415</u>

CITY OF STOCKTON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND

NET ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

(With comparative totals for the year ended June 30, 2007)

(Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
OPERATING REVENUES:			
Charges for services	\$ 22,234	\$ 33,104	\$ 5,077
Miscellaneous	641	536	1,083
Total operating revenues	<u>22,875</u>	<u>33,640</u>	<u>6,160</u>
OPERATING EXPENSES:			
Operation and maintenance	6,861	18,248	1,572
General and administrative	4,784	7,385	3,560
Depreciation and amortization	2,291	9,234	1,531
Purchased water	6,365	-	-
Total operating expenses	<u>20,301</u>	<u>34,867</u>	<u>6,663</u>
OPERATING INCOME (LOSS)	<u>2,574</u>	<u>(1,227)</u>	<u>(503)</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Investment income:			
Interest income	2,090	2,527	141
Net increase (decrease) in fair value of investments	163	664	40
Gain (loss) from disposal of capital assets	-	-	(33)
Interest expense and fiscal charges	(1,769)	(5,178)	-
Other non-operating revenues	7	21	-
Total non-operating revenues (expenses)	<u>491</u>	<u>(1,966)</u>	<u>148</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>3,065</u>	<u>(3,193)</u>	<u>(355)</u>
Capital contributions	3,445	6,212	3,594
Transfers in	-	-	-
Transfers out	(174)	(94)	(7)
CHANGE IN NET ASSETS	<u>6,336</u>	<u>2,925</u>	<u>3,232</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>109,730</u>	<u>294,243</u>	<u>53,404</u>
NET ASSETS, END OF YEAR	<u>\$ 116,066</u>	<u>\$ 297,168</u>	<u>\$ 56,636</u>

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

		Enterprise					
Central Parking District	Other	Totals		Internal Service			
		2008	2007	2008	2007		
\$ 3,813	\$ 1,391	\$ 65,619	\$ 65,176	\$ 108,061	\$ 102,343		
2	674	2,936	1,560	-	-		
<u>3,815</u>	<u>2,065</u>	<u>68,555</u>	<u>66,736</u>	<u>108,061</u>	<u>102,343</u>		
2,562	2,006	31,249	33,631	113,624	90,087		
-	-	15,729	16,498	6,465	6,073		
795	87	13,938	13,194	2,793	2,885		
-	-	6,365	5,275	-	-		
<u>3,357</u>	<u>2,093</u>	<u>67,281</u>	<u>68,598</u>	<u>122,882</u>	<u>99,045</u>		
458	(28)	1,274	(1,862)	(14,821)	3,298		
1,055	-	1,055	981	-	-		
163	(6)	4,915	5,215	1,803	1,322		
108	2	977	758	104	325		
-	-	(33)	-	30	61		
(1,645)	-	(8,592)	(8,750)	(6,897)	(1,616)		
-	-	28	5	688	1,195		
<u>(319)</u>	<u>(4)</u>	<u>(1,650)</u>	<u>(1,791)</u>	<u>(4,272)</u>	<u>1,287</u>		
139	(32)	(376)	(3,653)	(19,093)	4,585		
-	-	13,251	23,721	179	141		
-	-	-	95	3,949	2,197		
(774)	-	(1,049)	(611)	(3,052)	-		
<u>(635)</u>	<u>(32)</u>	<u>11,826</u>	<u>19,552</u>	<u>(18,017)</u>	<u>6,923</u>		
<u>8,434</u>	<u>882</u>	<u>466,693</u>	<u>447,141</u>	<u>7,415</u>	<u>492</u>		
<u>\$ 7,799</u>	<u>\$ 850</u>	<u>\$ 478,519</u>	<u>\$ 466,693</u>	<u>\$ (10,602)</u>	<u>\$ 7,415</u>		

CITY OF STOCKTON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 23,473	\$ 33,213	\$ 5,954
Receipts for interfund services provided	-	-	-
Payments to suppliers	(16,669)	(21,013)	(3,452)
Payments to employees	(2,718)	(5,838)	(1,022)
Payments for interfund services used	(105)	(2,331)	(1,075)
Net cash provided by operating activities	<u>3,981</u>	<u>4,031</u>	<u>405</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	-
Transfers out	(174)	(94)	(7)
Receipt of due to other funds	-	-	-
Repayment of advances from other funds	-	-	-
Advances 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	<u>(174)</u>	<u>(84)</u>	<u>(7)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	-	-	-
Proceeds from debt	-	-	-
Principal paid on debt	(599)	(2,510)	-
Payment of pension asset	-	-	-
Purchases of capital assets	(6,608)	(17,189)	(28)
Interest paid on debt	(1,759)	(4,866)	-
Capital contributions	1,387	3,436	-
Net cash used for capital and related financing activities	<u>(7,579)</u>	<u>(21,129)</u>	<u>(28)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	<u>2,178</u>	<u>3,137</u>	<u>176</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,594)	(14,045)	546
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>44,954</u>	<u>63,514</u>	<u>2,550</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 43,360</u>	<u>\$ 49,469</u>	<u>\$ 3,096</u>

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

Enterprise					
Central Parking District	Other	Totals		Internal Service	
		2008	2007	2008	2007
\$ 3,795	\$ 2,096	\$ 68,531	\$ 66,648	\$ 1,334	\$ 2,161
-	-	-	-	106,980	101,167
(1,051)	(1,369)	(43,554)	(42,000)	(78,858)	(79,634)
(1,235)	(513)	(11,326)	(5,693)	(16,470)	(13,479)
(260)	(7)	(3,778)	(3,847)	(311)	(250)
<u>1,249</u>	<u>207</u>	<u>9,873</u>	<u>15,108</u>	<u>12,675</u>	<u>9,965</u>
-	-	-	95	3,949	2,197
(774)	-	(1,049)	(611)	(3,052)	-
-	3	3	76	-	-
-	-	-	(151)	-	-
530	-	530	-	-	-
-	-	-	-	(530)	-
-	-	10	9	-	-
<u>1,055</u>	<u>-</u>	<u>1,055</u>	<u>981</u>	<u>-</u>	<u>-</u>
<u>811</u>	<u>3</u>	<u>549</u>	<u>399</u>	<u>367</u>	<u>2,197</u>
-	-	-	-	43	89
-	-	-	-	1,000	123,685
(125)	-	(3,234)	(3,066)	(276)	-
-	-	-	-	-	(123,675)
(537)	-	(24,362)	(19,664)	(2,676)	(2,507)
(1,647)	-	(8,272)	(8,427)	(6,224)	-
-	-	4,823	6,803	-	-
<u>(2,309)</u>	<u>-</u>	<u>(31,045)</u>	<u>(24,354)</u>	<u>(8,133)</u>	<u>(2,408)</u>
<u>267</u>	<u>(4)</u>	<u>5,754</u>	<u>5,760</u>	<u>1,907</u>	<u>1,647</u>
18	206	(14,869)	(3,087)	6,816	11,401
<u>3,792</u>	<u>17</u>	<u>114,827</u>	<u>117,914</u>	<u>48,961</u>	<u>37,560</u>
<u>\$ 3,810</u>	<u>\$ 223</u>	<u>\$ 99,958</u>	<u>\$ 114,827</u>	<u>\$ 55,777</u>	<u>\$ 48,961</u>

(Continued)

CITY OF STOCKTON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	Enterprise		
	Water Utility	Wastewater Utility	Stormwater Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 2,574	\$ (1,227)	\$ (503)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,291	9,234	1,531
Provision for uncollectible accounts	277	(377)	(3)
Self-insurance	-	-	-
Other non-operating revenues	7	21	-
Changes in assets and liabilities:			
Accounts and other receivables	314	(377)	(203)
Inventory of supplies	-	(63)	-
Loans receivable	-	306	-
Deferred charges	-	-	-
Pension asset	-	-	-
Accounts payable	(1,675)	(3,549)	(425)
Due to other governments	65	-	-
Deposits and other liabilities	98	4	10
Compensated absences	30	59	(2)
Net OPEB obligation	-	-	-
Net cash provided by operating activities	<u>\$ 3,981</u>	<u>\$ 4,031</u>	<u>\$ 405</u>
NONCASH TRANSACTIONS:			
Net increase in fair value of investments	\$ 163	\$ 664	\$ 40
Amortization of issuance discounts	14	27	-
Costs of issuance paid from bond proceeds	-	-	-
Amortization of issuance premiums	4	-	-
Amortization of loss on refunding	17	343	-
Donation of capital assets	2,058	2,776	3,594
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS:			
Cash and investments	\$ 22,833	\$ 11,510	\$ 3,096
Cash with investments fiscal agents	-	-	-
Restricted assets:			
Cash and investments	3,796	35,707	-
Cash and investments with fiscal agents	16,731	2,252	-
Total cash and investments	<u>\$ 43,360</u>	<u>\$ 49,469</u>	<u>\$ 3,096</u>

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

		Enterprise				Internal Service	
Central Parking		Totals				2008	2007
District	Other	2008	2007	2008	2007		
\$ 458	\$ (28)	\$ 1,274	\$ (1,862)	\$ (14,821)	\$ 3,298		
795	87	13,938	13,194	2,793	2,885		
52	2	(49)	253	6	-		
-	-	-	-	3,309	773		
-	-	28	5	688	1,195		
(72)	29	(309)	(530)	(441)	(168)		
-	25	(38)	50	-	-		
-	-	306	-	-	-		
-	-	-	-	(65)	-		
-	-	-	-	(2,430)	-		
18	97	(5,534)	3,900	460	167		
-	-	65	83	-	-		
2	-	114	(128)	-	25		
(4)	(5)	78	143	(1,432)	1,790		
-	-	-	-	24,608	-		
<u>\$ 1,249</u>	<u>\$ 207</u>	<u>\$ 9,873</u>	<u>\$ 15,108</u>	<u>\$ 12,675</u>	<u>\$ 9,965</u>		
\$ 108	\$ 2	\$ 977	\$ 758	\$ 104	\$ 325		
2	-	43	44	-	-		
-	-	-	-	-	1,625		
-	-	4	4	-	-		
-	-	360	360	-	-		
-	-	8,428	16,918	179	141		
\$ 709	\$ 223	\$ 38,371	\$ 34,321	\$ 55,684	\$ 48,951		
-	-	-	1,209	-	-		
-	-	39,503	46,785	-	-		
3,101	-	22,084	32,512	93	10		
<u>\$ 3,810</u>	<u>\$ 223</u>	<u>\$ 99,958</u>	<u>\$ 114,827</u>	<u>\$ 55,777</u>	<u>\$ 48,961</u>		

CITY OF STOCKTON

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

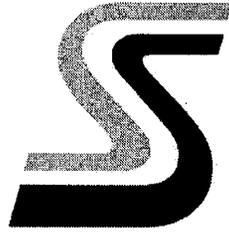
JUNE 30, 2008

(With comparative totals as of June 30, 2007)

(Dollar amounts in thousands)

	2008	2007
ASSETS		
Cash and investments	\$ 60,636	\$ 57,712
Cash and investments with fiscal agents	31,395	21,399
Receivables:		
Interest	518	403
Accounts and other receivables	2,057	1,469
Due from other governments	<u>1</u>	<u>-</u>
Total assets	<u>\$ 94,607</u>	<u>\$ 80,983</u>
LIABILITIES		
Accounts payable	\$ 1,122	\$ 199
Due to other governments	7,330	3,260
Deposits and other liabilities	<u>86,155</u>	<u>77,524</u>
Total liabilities	<u>\$ 94,607</u>	<u>\$ 80,983</u>

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



CITY OF STOCKTON



NOTES TO THE FINANCIAL STATEMENTS

CITY OF STOCKTON

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Note		Page
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CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

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 (SJAFCFA) which is jointly governed by the City and San Joaquin County. The City retains neither on-going financial interest in nor obligation to SJAFCFA, therefore financial information for the organization is not included in the accompanying financial statements.

Basis of Accounting and Measurement Focus -

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

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

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major enterprise funds:

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. In accordance with generally accepted accounting principles, the City capitalizes net interest cost of funds borrowed to finance the construction of capital assets in the proprietary fund types. For the year ended June 30, 2008, there was no capitalized interest cost associated with the construction in progress.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Comparative Data – The 2007 comparative data amounts are presented only to facilitate financial analysis. These columns do not present information that reflects financial position, changes in financial position or cash flows in accordance with generally accepted accounting principles. Certain amounts in the 2007 comparative data have been restated for the effect of the prior period adjustments described in Note 14 to conform to the 2008 financial statements presentation.

New Pronouncements – For fiscal year ended June 30, 2008, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of other post employment benefits (OPEB) expenses/expenditures, related assets and liabilities, note disclosures and required supplementary information.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has also implemented GASB Statement No. 50, *Pension Disclosures* which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. This statement requires governments to disclose in the notes to the financial statements the current funding status of the plan. This requirement more closely aligns current pension disclosure requirements with GASB Statement No. 45 requirements.

2. CASH AND INVESTMENTS

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

Summary of carrying amounts at June 30, 2008 (dollar amounts in thousands):

Deposits	\$ 13,857
Investments	451,380
Total cash and investments	<u>\$ 465,237</u>
Presented in the government-wide statement of net assets:	
Cash and investments	\$ 203,524
Restricted cash and investments	169,682
Presented in the statement of fiduciary net assets:	
Cash and investments	60,636
Cash and investments with fiscal agents	31,395
Total cash and investments	<u>\$ 465,237</u>

Deposits – At June 30, 2008, the recorded amount of the City's deposits was \$13,856,621; and the bank balance was \$20,197,753. The bank balance and carrying amount differ due to deposits in transit of \$664,286, and outstanding checks of \$7,005,418.

The bank balances were entirely insured or collateralized at June 30, 2008. Section 53652 of the California Government Code requires financial institutions to secure a city's deposits, in excess of insured amounts, by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of a city's deposits. California law also allows financial institutions to secure a city's deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

2. CASH AND INVESTMENTS (Continued)

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

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

The City has entered into nonparticipating guaranteed investment contracts, which are in compliance with the City’s investment policy. The investment contracts bear interest ranging from 4.46% to 5.58%. All but \$3,568,828 of the investment contracts is collateralized by investments with \$100,331,774 collateralized at 100% to 105%. The uncollateralized investment contracts have clauses requiring collateralization should the provider’s rating fall below an investment grade rating of A.

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 \$39,086,350. The total amount invested by all public agencies in LAIF at June 30, 2008 was \$25.2 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2008 was \$70.0 billion. Of this amount, 3.60% is invested in short-term asset backed commercial paper, and 11.12% 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 212 days as of June 30, 2008.

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

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 ten years. Investments maturing beyond a five-year horizon should not exceed fifteen percent (15%) of the total portfolio value at any given time. Specific maturities of investments depend on liquidity needs.

Credit Risk - It is the City's policy that commercial paper must have a rating of A-1/P or better. Banker's acceptance do not have credit rating limits. Medium-term notes must have a rating of A or better. Money market mutual funds and federal agency securities must have the highest rating issued by the nationally recognized statistical rating organizations. The Local Agency Investment Fund (LAIF) administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

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

As of June 30, 2008, 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 A2 to Aaa by Moody's. Commercial paper is rated A-1+ by Standard and Poor's and P-1 by Moody's. LAIF, and negotiable CD'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. As permitted under bond covenants, GICs issued by Societe Generale total \$61,029,042, representing 13.51% of total investments. The investments are collateralized with federal securities, as required by bond covenants. GICs are not rated. A summary of investments by category and maturity at June 30, 2008 (dollar amounts in thousands):

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

2. CASH AND INVESTMENTS (Continued)

Investment Type	Fair Value	Investment Maturities			
		1 year or less	1-3 years	3-5 years	5 years or more
U. S. Agencies	\$ 92,976	\$ -	\$ 60,203	\$ 29,499	\$ 3,274
U. S. Treasuries	41,717	26	5,270	36,342	79
Medium term notes	72,626	19,862	52,764	-	-
LAIF	39,086	39,086	-	-	-
Money market mutual funds	71,985	71,985	-	-	-
Commercial paper	11,000	11,000	-	-	-
Negotiable CD's	585	-	-	585	-
Tax exempt Municipal bonds	1,784	-	-	-	1,784
Repurchase agreement	15,720	15,720	-	-	-
GICs	103,901	90,331	-	706	12,864
Total	\$ 451,380	\$ 248,010	\$ 118,237	\$ 67,132	\$ 18,001
Allocation by percentage	100	55	26	15	4

The average life of the portfolio was 2.08 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 statements of net assets because their use is limited by applicable indentures or covenants. These covenants provide that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments, not permitted by the City's general investment policy, been authorized. The major part of this restriction is for the construction or acquisition of facilities, but also includes reserves for payment of debt service as required by the bond indentures.

At June 30, 2008, restricted cash and investments are as follows (dollar amounts in thousands):

Governmental activities	<u>\$ 108,095</u>
Business-type activities	
Water Utility	20,527
Wastewater Utility	37,959
Central Parking District	3,101
Total	<u>61,587</u>
	<u>\$ 169,682</u>

CITY OF STOCKTON

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008**

3. INTERFUND RECEIVABLES / PAYABLES

Interfund receivables and payables are as follows at June 30, 2008:

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

		<u>Receivable Funds</u>		
		General Fund	Capital Improvement	Total
Payable Funds	Other Governmental	\$ 1,238	\$ 3,542	\$ 4,780
	Other Enterprise	-	131	131
Total		<u>\$ 1,238</u>	<u>\$ 3,673</u>	<u>\$ 4,911</u>

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

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

		<u>Receivable Funds</u>							Total
		General	Public Facilities Impact Fees	Capital Improvement	Other Governmental	Wastewater Utility	Central Parking District	Internal Service	
Payable Funds	Public Facilities Impact Fee	-	-	\$ 1,866	-	-	-	-	\$ 1,866
	Capital Improvement	350	-	-	-	-	-	-	350
	Redevelopment Agency	728	116	17,056	15,271	65	847	-	34,033
	Other Governmental	8,062	-	-	-	-	-	-	8,062
	Central Parking District	630	1,000	-	-	-	-	530	2,160
	Other Enterprise	-	-	763	-	-	-	-	763
Total		<u>\$ 9,770</u>	<u>\$ 1,116</u>	<u>\$ 19,685</u>	<u>\$ 15,271</u>	<u>\$ 65</u>	<u>\$ 847</u>	<u>\$ 530</u>	<u>\$ 47,284</u>

“Advances to” and “advances 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 \$8,062,000 is a loan that represents the remaining balance for subsidies from the General Fund to the Development Services Fund for the period of 1992 through 2002. The \$630,000 loan from the General Fund to the Central Parking District is for settlement costs of property acquisition through eminent domain.

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

3. INTERFUND RECEIVABLES / PAYABLES (Continued)

The \$1,866,000 loan from Capital Improvement to Public Facilities Impact Fees is for architectural and construction costs for community centers and fire stations. The \$17,056,000 from Capital Improvement to the Redevelopment Agency represents loans for various project areas. The \$763,000 loan from the Capital Improvement Fund to the Swenson Golf Course Fund is for an Irrigation System.

The \$15,271,000 represents loans in the amount of \$197,000 from the Development Services Fund, \$4,686,000 from the Urban Development Action Grant Fund, and \$10,388,000 from the Community Development Loan Fund to the Redevelopment Agency to provide funds 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 \$530,000 advance from the General Liability Insurance Fund to the Central Parking District is for settlement costs of property acquisition through eminent domain.

4. TRANSFERS

Transfers for the year ended June 30, 2008 (dollar amounts in thousands):

		Transfers In					
		General	Capital Improvement	Redevelopment Agency	Other Governmental	Internal Service	Total
Transfers Out	General	\$ -	\$ -	\$ -	\$ 14,820	\$ 2,199	\$ 17,019
	Public Facilities Impact Fees	-	-	-	137	-	137
	Redevelopment Agency	-	-	-	19,367	-	19,367
	Other Governmental	5,071	1,076	205	16,418	546	23,316
	Water Utility	-	69	-	-	105	174
	Wastewater Utility	-	70	-	-	24	94
	Stormwater Utility	-	7	-	-	-	7
	Central Parking District	774	-	-	-	-	774
	Internal Service	-	1,922	-	55	1,075	3,052
Total		<u>\$ 5,845</u>	<u>\$ 3,144</u>	<u>\$ 205</u>	<u>\$ 50,797</u>	<u>\$ 3,949</u>	<u>\$ 63,940</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

4. TRANSFERS (Continued)

During the year various interfund transfers were made to finance expenditures, subsidize operating losses, and service debt. The \$17,019,000 General Fund transfers out include transfers of \$7,148,000 to Recreation Services, \$6,703,000 to the City-County Library, \$774,000 to the Stockton Public Financing Authority (SPFA) Debt Service Fund, \$195,000 to the Special Grants Fund to match funds on specific projects, and \$2,199,000 to the Internal Service Funds for fleet acquisition and technology improvements.

The General Fund received transfers in of \$5,071,000 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 the payment of debt service on the Stewart Eberhardt Building / Parking Structure.

The Capital Improvement Fund received transfers from various funds in the amount of \$3,144,000 to finance special projects. The transfers included \$1,076,000 from the City Administration Building Fund to cover the costs of design, space planning, moving expenses and \$1,922,000 from the Other Equipment Internal Services Fund to provide for underground and fiber optic cabling required to connect the new administration building to the city's communication network.

The \$19,367,000 Redevelopment Agency Fund transfers out include \$10,946,000 to the Redevelopment Agency Loan Fund to provide loans for neighborhood revitalization and improve housing affordability; \$7,809,000 to the Redevelopment Agency Debt Service Fund, and \$612,000 to the Stockton Public Financing Authority (SPFA) Debt Service Fund.

Transfers out of \$23,316,000 from the Other Governmental Funds include \$5,071,000 from the Gas Tax Fund to the General Fund primarily for the reimbursement of qualified street repair and maintenance expenditures, \$1,076,000 from the City Administration Building Fund to the Capital Improvement Fund to cover the costs of design, space planning and moving expenses, \$14,554,000 from the Community Development Loan Fund to the CDBG Revolving Loan Fund to move advances to property owners, \$1,002,000 from Community Development Block Grant Fund to the Community Development Loan Fund to service loans, \$850,000 from the City Administration Building Fund to the Stockton Public Financing Authority (SPFA) Debt Service Fund, and \$546,000 from various Other Governmental Funds to the Central Garage Internal Service Fund for fleet acquisition and lease payments.

Finally, the Internal Service Funds had transfers of \$1,075,000. The transfers include \$500,000 from the Other Insurance Fund to the Central Garage Internal Service Fund, \$500,000 from the Other Insurance Fund to the Computer Equipment Internal Service Fund, and \$75,000 from the Other Insurance Fund to the Radio Equipment Internal Service Fund.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 (dollar amounts in thousands):

	Restated Balance July 1, 2007	Acquisitions	Dispositions	Balance June 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 35,014	\$ 2,181	\$ -	\$ 37,195
Construction in progress	131,679	85,854	(121,141)	96,392
Total capital assets, not being depreciated	<u>166,693</u>	<u>88,035</u>	<u>(121,141)</u>	<u>133,587</u>
Capital assets, being depreciated:				
Infrastructure	394,822	12,507	(1,154)	406,175
Buildings and improvements	247,447	44,344	-	291,791
Machinery and equipment	42,298	3,437	(2,147)	43,588
Total capital assets, being depreciated	<u>684,567</u>	<u>60,288</u>	<u>(3,301)</u>	<u>741,554</u>
Less accumulated depreciation for:				
Infrastructure	(67,339)	(10,579)	-	(77,918)
Buildings and improvements	(47,376)	(6,068)	-	(53,444)
Machinery and equipment	(27,771)	(3,367)	2,134	(29,004)
Total accumulated depreciation	<u>(142,486)</u>	<u>(20,014)</u>	<u>2,134</u>	<u>(160,366)</u>
Total capital assets, being depreciated, net	<u>542,081</u>	<u>40,274</u>	<u>(1,167)</u>	<u>581,188</u>
Governmental activities capital assets, net	<u>\$ 708,774</u>	<u>\$ 128,309</u>	<u>\$ (122,308)</u>	<u>\$ 714,775</u>

Governmental activities' beginning capital assets have been restated for construction in progress. See Note 14 for additional detail.

	Balance July 1, 2007	Acquisitions	Dispositions	Balance June 30, 2008
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 14,635	\$ 530	\$ -	\$ 15,165
Construction in progress	81,664	23,844	(1,697)	103,811
Total capital assets, not being depreciated	<u>96,299</u>	<u>24,374</u>	<u>(1,697)</u>	<u>118,976</u>
Capital assets, being depreciated:				
Buildings and improvements	577,493	10,080	-	587,573
Machinery and equipment	8,730	-	-	8,730
Total capital assets, being depreciated	<u>586,223</u>	<u>10,080</u>	<u>-</u>	<u>596,303</u>
Less accumulated depreciation for:				
Buildings and improvements	(155,143)	(13,609)	-	(168,752)
Machinery and equipment	(5,933)	(168)	-	(6,101)
Total accumulated depreciation	<u>(161,076)</u>	<u>(13,777)</u>	<u>-</u>	<u>(174,853)</u>
Total capital assets, being depreciated, net	<u>425,147</u>	<u>(3,697)</u>	<u>-</u>	<u>421,450</u>
Business-type activities capital assets, net	<u>\$ 521,446</u>	<u>\$ 20,677</u>	<u>\$ (1,697)</u>	<u>\$ 540,426</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

5. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 3,581
Public safety	885
Public works	10,736
Library	116
Parks & recreation	1,958
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	2,738
Total depreciation expense - governmental activities	<u>\$ 20,014</u>
Business-type activities:	
Water utility	\$ 2,250
Wastewater utility	9,147
Stormwater utility	1,531
Central parking district	762
Golf courses	87
Total depreciation expense - business-type activities	<u>\$ 13,777</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

6. LONG-TERM DEBT

Governmental Activities

Summary of changes in governmental activities long-term liabilities for the year ended June 30, 2008 (dollar amounts in thousands):

Governmental activities:	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Lease Revenue Refunding Bonds:					
2006 Series A (Essential Services Building)	\$ 13,860	\$ -	\$ (325)	13,535	\$ 340
Deferred amount on refunding	(769)	-	32	(737)	(32)
Variable Rate Demand Lease Revenue Bonds					
2007 Series A	-	36,500	-	36,500	-
2007 Series B	-	4,270	-	4,270	-
Unamortized discount	(82)	-	3	(79)	(3)
Total Lease Revenue Bonds	<u>13,009</u>	<u>40,770</u>	<u>(290)</u>	<u>53,489</u>	<u>305</u>
Certificates of Participation:					
Series 2003A (Redevelopment Housing)	1,160	-	-	1,160	-
Series 2003B (Redevelopment Housing)	12,140	-	-	12,140	-
Unamortized discount	(86)	-	3	(83)	(3)
Total Certificates of Participation	<u>13,214</u>	<u>-</u>	<u>3</u>	<u>13,217</u>	<u>(3)</u>
Pension Obligation Bonds:					
2007 Series A	96,985	-	(250)	96,735	20
2007 Series B	28,325	-	-	28,325	-
Total Pension Obligation Bonds	<u>125,310</u>	<u>-</u>	<u>(250)</u>	<u>125,060</u>	<u>20</u>
Other long-term obligations:					
Notes payable:					
U.S. Dept. of Housing and Urban Development	11,105	12,300	(490)	22,915	525
California Housing Finance Agency	1,050	-	-	1,050	-
Capital Lease Obligations	-	1,000	(26)	974	51
Estimated liability for self-insurance	44,649	38,213	(34,904)	47,958	11,827
Compensated absences	24,172	6,894	(8,705)	22,361	10,257
Total other long-term obligations	<u>80,976</u>	<u>58,407</u>	<u>(44,125)</u>	<u>95,258</u>	<u>22,660</u>
Redevelopment Agency:					
Revenue Bonds:					
Series 2004 (Stockton Events Center-Arena)	47,000	-	(175)	46,825	225
2006 Series A (Redevelopment Projects)	75,755	-	-	75,755	-
2006 Series B (Redevelopment Projects)	8,445	-	-	8,445	1,395
2006 Series C (Housing Projects)	25,985	-	-	25,985	370
Unamortized premium	3,774	-	(127)	3,647	127
Note payable	707	366	(27)	1,046	28
Total Redevelopment Agency	<u>161,666</u>	<u>366</u>	<u>(329)</u>	<u>161,703</u>	<u>2,145</u>
Total governmental activities - long-term liabilities	<u>\$ 394,175</u>	<u>\$ 99,543</u>	<u>\$ (44,991)</u>	<u>\$ 448,727</u>	<u>\$ 25,127</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

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, 2008, bonds totaling \$13,535,000 are due in installments ranging from \$340,000 to \$875,000 through August 1, 2031, with interest rates ranging from 4.0% to 5.0% on bonds outstanding. The Bonds were issued to advance refund and defease \$13,795,000 in outstanding 1999 Certificates of Participation which were used to finance a portion of the acquisition and construction of an essential services building and an adjacent parking facility. Repayment of the Bonds is financed from lease payments pledged by the City to the SPFA. The primary sources for repayment are as follows: approximately 85% is paid by the Central Parking District Fund and approximately 15% is paid from the police public facility fee. The principal amount due is reported net of a negative deferred amount on refunding of \$737,000 and unamortized discount \$79,000.

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 Stockton Public Financing Authority on November 29, 2007. As of June 30, 2008 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, 2008, the rate being paid was 1.60%. Rates paid during the fiscal year varied from a low of 1.20% to a high of 3.52%

The 2007 Variable Rate Demand Lease Revenue Bonds, Series B (Taxable) were issued in the amount of \$4,270,000 by the Stockton Public Financing Authority on November 29, 2007. As of June 30, 2008 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, 2008, the rate being paid 2.48%. Rates paid during the fiscal year varied from a low of 2.38% to a high of 5.25%

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

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 the City, which will be converted into the City Administration building, which will replace an aging City hall and other City offices. Debt service on both the A and the B series bonds is currently being paid for with revenues from leases of portions of the building.

Both the A and the B series bonds are subject to conversion of the reset period used to determine the variable rate and are also subject to conversion to fixed rate structure.

There is not currently a hedge instrument in place on these variable rate bonds.

Certificates of Participation

Certificates of Participation Series 2003A (Redevelopment Housing Projects) were issued in the amount of \$1,160,000 on June 17, 2003. As of June 30, 2008, certificates totaling \$1,160,000 are due in installments ranging from \$35,000 to \$75,000 beginning September 1, 2011 through September 1, 2033, with interest rates ranging from 3.0% to 4.375% on certificates outstanding. The Certificates were issued to finance certain redevelopment housing projects. Repayment of the Certificates is financed from lease payments pledged by the City to the SPFA. The primary source of repayment is 20% Redevelopment the Agency housing set-aside. The principal amount due is reported net of unamortized discount of \$18,000.

Certificates of Participation Taxable Series 2003B (Redevelopment Housing Projects) were issued in the amount of \$12,140,000 on June 17, 2003. As of June 30, 2008, certificates totaling \$12,140,000 are due in installments ranging from \$295,000 to \$870,000 through September 1, 2033, with interest rates ranging from 4.52% to 5.28% on certificates outstanding. The Certificates were issued to finance certain redevelopment housing projects. Repayment of the Certificates is financed from lease payments pledged by the City to the SPFA. The primary source of repayment is the 20% Redevelopment Agency housing set-aside. The principal amount due is reported net of unamortized discount of \$65,000.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Pension Obligation Bonds

The 2007 Taxable Pension Obligation Bonds, Series A were issued in the amount of \$96,985,000 by the City of Stockton on March 26, 2007. As of June 30, 2008, bonds totaling \$96,735,000 are due in installments ranging from \$20,000 to \$8,400,000 through September 1, 2037, with interest rates ranging from 5.14% to 5.455% on bonds outstanding. The Bonds were issued to refinance a portion of the City's unfunded actuarial liability with respect to retirement benefits accruing to its members of the California Public Employees' Retirement System (CalPERS). The obligation of the City to make payments with respect to the Bonds is not limited to any special source of funds and is payable from any legally available moneys or funds of the City. Funds for repayment of the Bonds will come from the amounts previously budgeted for payment of the City's annual required contributions to CalPERS.

The 2007 Taxable Pension Obligation Bonds, Series B were issued in the amount of \$28,325,000 by the City of Stockton on March 26, 2007. As of June 30, 2008, bonds totaling \$28,325,000 are due in installments ranging from \$715,000 to \$2,800,000 beginning September 1, 2018 through September 1, 2037, with interest rates ranging from 5.675% to 5.795% on bonds outstanding. The Bonds were issued to refinance a portion of the City's unfunded actuarial liability with respect to retirement benefits accruing to its members of the California Public Employees' Retirement System (CalPERS). The obligation of the City to make payments with respect to the Bonds is not limited to any special source of funds and is payable from any legally available moneys or funds of the City. Funds for repayment of the Bonds will come from the amounts previously budgeted for payment of the City's annual required contributions to CalPERS.

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

Year Ending June 30,	Lease Revenue Bonds		Certificates of Participation		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 340	\$ 1,260	\$ -	\$ 667	20	6,846
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
2014-2018	3,185	5,596	1,965	2,978	10,240	32,601
2019-2023	4,335	4,946	2,470	2,453	17,395	28,977
2024-2028	6,275	4,053	3,165	1,735	22,265	23,369
2029-2033	7,815	2,894	4,080	799	29,515	16,505
2034-2038	6,500	2,141	945	25	43,935	6,579
2039-2043	8,955	1,514	-	-	-	-
2044-2048	11,995	663	-	-	-	-
2049	2,825	8	-	-	-	-
Total	<u>\$ 54,305</u>	<u>\$ 27,930</u>	<u>\$ 13,300</u>	<u>\$ 11,296</u>	<u>\$ 125,060</u>	<u>\$ 142,150</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Other Long-term Obligations

Notes Payable

The City entered into three Section 108 loan guarantee agreements with the U.S. Department of Housing and Urban Development (HUD) to complete redevelopment projects. Outstanding balances are \$2,360,000, \$8,055,000, and \$12,500,000, respectively, as of June 30, 2008. Final payment on the first two loans is due in August 2020; the third is due in August 2025. Interest on the first two loans is calculated at a variable rate based on the London Interbank Offered Rate (LIBOR) plus 20 basis points per annum. Interest on the third loan is not included in the debt service schedule below as HUD has yet to provide the City with an amortization schedule on that loan. Accumulated interest will be recognized as expenditures when paid. Repayment of the loans will be financed from Community Development Block Grant entitlement funds.

The City also entered into two loan agreements with the California Housing Finance Agency for the purposes of the operation of a local housing program. Outstanding balances are \$500,000 and \$550,000, respectively, as of June 30, 2008. Simple interest is calculated at 3.0% per annum. The term of the loans are 10 years and 8 years from the date of the agreements and will be due on June 24, 2013 and April 4, 2013, along with all interest charges incurred during the term of the loans.

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

Year Ending June 30,	Notes Payable	
	Principal	Interest
2009	\$ 525	\$ 947
2010	970	1,120
2011	1,200	1,073
2012	1,220	1,946
2013	1,250	958
2014-2018	7,895	4,060
2019-2023	8,370	1,614
2024-2028	2,535	98
Total	<u>\$ 23,965</u>	<u>\$ 11,816</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Capital Lease Obligations

The City entered into a \$1,000,000 long-term master lease agreement with Banc of America Public Capital Corporation for the purchase of an aerial fire truck and water rescue vehicle. Lease payments are due on April and October 26th through October 26, 2022 with an interest rate of 3.862%.

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

Machinery and Equipment	\$	1,000
Less: Accumulated depreciation		(46)
Total	\$	<u>954</u>

This lease qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments beginning October 26, 2007. As of June 30, 2008, 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	
	Principal	Interest
2009	\$ 51	\$ 37
2010	53	35
2011	55	33
2012	58	31
2013	60	29
2014-2018	336	107
2019-2023	361	36
Total	<u>\$ 974</u>	<u>\$ 308</u>

Estimated Liability for Self-insurance

Internal service funds predominantly serve the governmental funds. Accordingly, estimated long-term liabilities for these funds are included in the totals for governmental activities. As of June 30, 2008, the long-term liabilities for the General Liability Insurance, Workers' Compensation Insurance, and Health Benefits Insurance Funds total \$47,958,000 See Note 10 for additional disclosures regarding risk management.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Compensated Absences

Compensated absences related to governmental activities total \$22,361,000 at year-end. These balances are generally paid by the General Fund. The above balance includes \$4,202,000 of compensated absences from the internal service funds.

Redevelopment Agency

Revenue Bonds

Revenue Bonds, Series 2004 (Stockton Events Center-Arena) were issued in the amount of \$47,000,000 on March 18, 2004 by the Redevelopment Agency (Agency). As of June 30, 2008, bonds totaling \$46,825,000 are due in installments ranging from \$225,000 to \$4,035,000 through September 1, 2036, with interest rates ranging from 2.0% to 5.0% on bonds outstanding. The Bonds were issued to finance a portion of the costs of an indoor arena, including facilities for ice hockey, indoor football, indoor soccer, concerts, and other events, with a seating capacity of approximately 10,000. The Bonds are special obligations of the Agency payable from revenues consisting primarily of lease payments payable by the City to the Agency and pledge payments to be made by the Agency from certain tax increment revenues derived from specified Redevelopment Agency project areas. The principal amount due is reported net of unamortized premium of \$1,422,000.

Revenue Bonds, 2006 Series A (Redevelopment Projects), were issued in the amount of \$75,755,000 on July 12, 2006 by the Stockton Public Financing Authority (SPFA). As of June 30, 2008, bonds totaling \$75,755,000 are due in installments ranging from \$410,000 to \$4,790,000 and are to be paid beginning September 1, 2012 through September 1, 2037, with interest rates ranging from 5.0% to 5.25% on bonds outstanding. The Bonds were issued as part of the Strong Neighborhoods Initiative to fund a portion of three loans (collectively, the Redevelopment Loans) made pursuant to three loan agreements (the Redevelopment Agreement) between the SPFA and the Redevelopment Agency (Agency), relating, respectively, to the Agency's Midtown Merged Redevelopment Project, North Stockton Redevelopment Project and South Stockton Merged Redevelopment Project (collectively, the Merged Midtown, North Stockton, and South Stockton Merged Redevelopment Projects). The portion of each Redevelopment Loan allocable to the Series A Bonds will be used by the Agency to finance certain redevelopment projects within or of benefit to the Merged Midtown, North Stockton, and South Stockton Merged Redevelopment Projects. The Bonds are special obligations of the Agency payable from tax increment revenues from the Midtown Merged, North Stockton, and South Stockton Merged Redevelopment Project Area. The principal amount due is reported net of unamortized premium of \$2,225,000.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

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

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

CITY OF STOCKTON

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008**

6. LONG-TERM DEBT (Continued)

Note Payable

The Redevelopment Agency entered into a loan with the California Department of Boating and Waterways (DBAW) to complete a planning report and to develop a small craft harbor facility. The loan amount outstanding at June 30, 2008 is \$1,046,000 and will be paid in annual installments through August 1, 2013, with an interest rate of 4.5%. Repayment of the loan will be financed from tax increment revenues of the Redevelopment Agency. It is anticipated that all remaining funds for the development portion will be drawn for use during the next fiscal year.

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

Year Ending June 30,	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2009	\$ 1,990	\$ 8,261	\$ 28	\$ 42
2010	2,155	8,145	119	41
2011	2,325	8,021	120	36
2012	2,505	7,887	121	31
2013	2,695	7,745	123	26
2014-2018	16,550	36,396	446	21
2019-2023	22,595	31,534	89	4
2024-2028	26,880	25,200	-	-
2029-2033	35,540	16,941	-	-
2034-2038	43,775	5,848	-	-
			-	-
Total	<u>\$ 157,010</u>	<u>\$ 155,978</u>	<u>\$ 1,046</u>	<u>\$ 201</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Business-type Activities

Summary of changes in business-type activities long-term liabilities for the year ended June 30, 2008 (dollar amounts in thousands):

Business-type activities:	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Water Utility					
California Statewide Community Development Authority Revenue Bonds Series 2002A (Water System Capital Improvements)	\$ 12,385	\$ -	\$ (540)	\$ 11,845	\$ 565
Deferred amounts on refunding	(266)	-	17	(249)	(17)
Unamortized discount	(226)	-	14	(212)	(14)
Stockton Public Financing Authority Revenue Bonds Series 2005A (Water System Capital Improvements)	24,230	-	-	24,230	-
Unamortized premium	127	-	(4)	123	4
Note payable Federal Drought Relief Act Loan	731	-	(59)	672	62
Total Water Utility	<u>36,981</u>	<u>-</u>	<u>(572)</u>	<u>36,409</u>	<u>600</u>
Wastewater Utility					
Stockton Public Financing Authority Certificates of Participation Revenue COP 1998 Series A (Wastewater Projects)	88,740	-	(1,935)	86,805	2,020
Refunding COP 2003 Series A (Wastewater Projects)	12,480	-	(575)	11,905	585
Deferred amounts on refunding	(4,183)	-	343	(3,840)	(268)
Unamortized discount	(514)	-	27	(487)	(27)
Total Wastewater Utility	<u>96,523</u>	<u>-</u>	<u>(2,140)</u>	<u>94,383</u>	<u>2,310</u>
Central Parking District					
Stockton Public Financing Authority Lease Revenue Bonds Series 2004 (Parking and Capital Projects)	32,700	-	(125)	32,575	165
Unamortized discount	(65)	-	2	(63)	(2)
Total Central Parking District	<u>32,635</u>	<u>-</u>	<u>(123)</u>	<u>32,512</u>	<u>163</u>
Other long-term obligations:					
Compensated absences	379	111	(33)	457	195
Total other long-term obligations	<u>379</u>	<u>111</u>	<u>(33)</u>	<u>457</u>	<u>195</u>
Total business-type activities - long-term liabilities	<u>\$ 166,518</u>	<u>\$ 111</u>	<u>\$ (2,868)</u>	<u>\$ 163,761</u>	<u>\$ 3,268</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

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, 2008, bonds totaling \$11,845,000 are due in installments ranging from \$565,000 to \$1,090,000 through October 1, 2022, with interest rates ranging from 3.9% to 5.125% on bonds outstanding. The Bonds were issued to refinance prior water system expansion bonds. Repayment of the Bonds is financed from net revenues pledged by the Water Utility Fund to CSCDA. The principal amount due is reported net of a negative deferred amount on refunding of \$249,000 and unamortized discount of \$212,000.

The 2005 Water Revenue Bonds, Series A (Water System Capital Improvement Projects) were issued in the amount of \$24,230,000 by the SPFA on November 3, 2005. As of June 30, 2008, bonds totaling \$24,230,000 are due in installments ranging from \$150,000 to \$2,350,000 beginning September 1, 2017 through September 1, 2035, with interest rates ranging from 4.0% to 5.0% on bonds outstanding. The Bonds were issued to finance various water system capital improvement projects. Repayment of the Bonds is financed from net revenues pledged by the Water Utility Fund to the SPFA. The principal amount due is reported net of unamortized premium of \$123,000.

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, 2008 the outstanding balance on this loan was \$672,000. The loan bears interest at 5.0% per annum with final payment due in July 2017.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Wastewater Utility

Certificates of Participation

Revenue Certificates of Participation 1998 Series A (Wastewater System Project) were issued in the amount of \$101,650,000 by the SPFA on February 3, 1998. As of June 30, 2008, certificates totaling \$86,805,000 are due in installments ranging from \$2,020,000 to \$7,325,000 through September 1, 2029, with interest rates ranging from 4.3% to 5.2% on certificates outstanding. The proceeds of the 1998 issue were used to finance the design and construction of a sewer interceptor, to make improvements and modifications to the southern industrial sewer trunk line, and to refund the 1995 Certificates of Participation issue that was used to finance the design, improvements and modifications to the regional wastewater control facilities serving the citizens of the City of Stockton. Repayment of the Certificates is financed from net revenues pledged by the Wastewater Utility Fund to the SPFA. The principal amount due is reported net of a negative deferred amount on refunding of \$3,825,000 and unamortized discount of \$326,000.

Refunding Certificates of Participation 2003 Series A (Wastewater System Project) were issued in the amount of \$14,135,000 by the SPFA on May 21, 2003. As of June 30, 2008 certificates totaling \$11,905,000 are due in installments ranging from \$585,000 to \$965,000 through September 2, 2023, with interest rates ranging from 2.0% to 4.25% on certificates outstanding. The Certificates were issued to advance refund the 1993 certificates of participation. Repayment of the Certificates is financed from net revenues pledged by the Wastewater Utility Fund to the SPFA. The principal amount due is reported net of a negative deferred amount on refunding of \$15,000 and unamortized discount of \$161,000.

Central Parking District

Lease Revenue Bonds

Lease Revenue Bonds, Series 2004 (Parking and Capital Projects) were issued in the amount of \$32,785,000 by the SPFA on June 16, 2004. As of June 30, 2008, bonds totaling \$32,575,000 are due in installments ranging from \$165,000 to \$2,950,000 through September 1, 2034, with interest rates ranging from 4.0% to 5.375% on bonds outstanding. The Bonds were issued to finance the construction of the Edward S. Coy Parking Garage, the Stockton Events Center Parking Structure, and other parking facilities within the Central Parking District. Repayment of the Bonds is financed from lease payments pledged by the Central Parking District Fund to the SPFA. The principal amount due is reported net of unamortized discount of \$63,000.

CITY OF STOCKTON

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008**

6. LONG-TERM DEBT (Continued)

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

Year Ending June 30,	Water Utility		Wastewater Utility		Central Parking District	
	Revenue Bonds		Certificates of Participation		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 565	\$ 1,694	\$ 2,605	\$ 4,770	\$ 165	\$ 1,641
2010	590	1,669	2,720	4,659	210	1,634
2011	620	1,645	2,840	4,539	255	1,625
2012	640	1,619	2,955	4,417	305	1,613
2013	670	1,592	3,090	4,287	360	1,600
2014-2018	3,995	7,466	17,825	19,048	2,680	7,709
2019-2023	5,745	6,291	22,695	14,189	4,605	6,869
2024-2028	7,270	4,765	29,700	7,739	7,325	5,344
2029-2033	9,250	2,778	14,280	752	10,980	3,012
2034-2038	6,730	489	-	-	5,690	304
Total	<u>\$ 36,075</u>	<u>\$ 30,008</u>	<u>\$ 98,710</u>	<u>\$ 64,400</u>	<u>\$ 32,575</u>	<u>\$ 31,351</u>

Year Ending June 30,	Note Payable	
	Principal	Interest
2009	\$ 62	\$ 34
2010	65	30
2011	68	27
2012	71	24
2013	75	20
2014-2018	331	42
Total	<u>\$ 672</u>	<u>\$ 177</u>

Other Long-term Obligations

Compensated Absences

At year-end, \$457,000 of enterprise funds compensated absences is included in the totals for business-type activities.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Defeasance of Debt

The City and the SPFA defeased certain long-term debt by placing the proceeds of new debt in irrevocable trusts to provide for all future debt service payments on the old debt until called. Accordingly, the trust account assets and liabilities for the following defeased debt issues are not included in the City's financial statements. At June 30, 2008, the outstanding balances of the bonds considered defeased were as follows:

1999 Certificates of Participation – ESB/Parking	\$ 13,295,000
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Debt without City Commitment

Land Secured Debt Financing (No City Commitment) – The City has authorized the formation of community facilities districts (CFDs) and assessment districts (local improvement districts) (LIDs) and the issuance of bonds under various public improvement acts of the State of California to finance eligible public facilities necessary to serve developing commercial, industrial, residential and/or mixed use developments. The bonds are secured by annual special tax levies or liens placed on the property within the districts. The City is not liable for repayment and acts only as an agent for the property owners in collecting the special taxes or assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from special taxes or assessments, specific reserves, and the proceeds from property foreclosures. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements. As of June 30, 2008, there were ten CFD special tax bonds, six special assessment bonds, and 5 revenue bonds outstanding with aggregate principal amounts payable of \$111,410,000, \$28,125,000, and \$46,375,000, respectively.

Conduit Debt (No City Commitment) – Revenue bonds and certificates of participation have been issued to provide financial assistance to public and private sector entities for the funding of mortgage loans, capital improvements to medical facilities and refinancing of previously existing debt deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying assets. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements. As of June 30, 2008, there were four series of revenue bonds with an aggregate principal amount payable of \$28,435,000.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

7. SHORT-TERM DEBT

Governmental Activities

Summary of the governmental activities short-term debt for the year ended June 30, 2008 (dollar amounts in thousands):

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
Governmental activities:				
2007 CSCDA Tax and Revenue Anticipation Notes	\$ -	\$ 36,020	\$ 36,020	\$ -
Total governmental activities short-term debt	<u>\$ -</u>	<u>\$ 36,020</u>	<u>\$ 36,020</u>	<u>\$ -</u>

The 2008 Tax and Revenue Anticipation Notes (TRAN) were issued in the amount of \$36,020,000 on July 2, 2007 by the California State Communities Development Authority (CSCDA) and matured on June 30, 2008. 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.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

8. EQUITY (Continued)

Summary of reported reserves and designations by fund at June 30, 2008 (dollar amounts in thousands):

	Governmental Funds					Total
	Public		Capital Improvement	Redevelopment Agency	Other	
	General	Facilities Impact Fees				
Reserves:						
Encumbrances	\$ 1,361	\$ 19,100	\$ 2,329	\$ 14,821	\$ 10,042	\$ 47,653
Advances	9,770	1,116	19,685	90	95,824	126,485
Debt service	-	-	-	-	12,827	12,827
Capital projects	-	40,301	25	58,848	-	99,174
Low and moderate income housing	-	-	-	8,113	-	8,113
Public Safety	-	-	-	-	1,549	1,549
Endowments	-	-	-	-	1,604	1,604
Other items	2,367	-	-	40	3,054	5,461
Total reserves	<u>13,498</u>	<u>60,517</u>	<u>22,039</u>	<u>81,912</u>	<u>124,900</u>	<u>302,866</u>
Designations:						
Catastrophic events	1,620	-	-	-	-	1,620
Budget contingency/ budget uncertainty	1,620	-	-	-	-	1,620
Termination pay	-	-	-	-	132	132
Compensated Absences	1,600	-	-	-	-	1,600
Future appropriations	4,787	-	-	-	-	4,787
Total designations	<u>9,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132</u>	<u>9,759</u>
Total Reserves and Designations	<u>\$ 23,125</u>	<u>\$ 60,517</u>	<u>\$ 22,039</u>	<u>\$ 81,912</u>	<u>\$ 125,032</u>	<u>\$ 312,625</u>

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

Advances – Council approved loans made for the purposes described in Note 3 and advances 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.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

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.

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

Compensated Absences – Set aside for future compensated absences payments.

Future Appropriations – Set aside for future unanticipated budgetary needs.

Net Assets

The government-wide statement of net assets reports \$211,656,000 of restricted net assets, of which \$104,104,000 is restricted by enabling legislation.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

9. RETIREMENT PLAN

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

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

Funding Policy – Safety Plan participants are required to contribute 9% of their annual covered salary. Miscellaneous Plan participants are required to contribute 7% of their annual covered salary. As part of the City employees' benefit package, the City pays the employees' contribution. The City is required to contribute at an actuarially determined rate. The rate for Safety members was 21.426% of annual covered payroll. The rate for Miscellaneous members was 12.378% 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, 2008, the City's annual pension costs were \$9,220,209 for the Safety Plan and \$6,064,762 for the Miscellaneous Plan. The annual pension costs were less than the City's required and actual contributions of \$10,979,501 and \$6,735,567 respectively due to interest earnings on the net pension asset offset by the amortization of the net pension asset. The required contribution rates were determined as part of the June 30, 2005 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary depending on age, service, and type of employment from 3.25% to 14.45%; (c) inflation of 3.00%; and (d) payroll growth of 3.25%. The actuarial values of the Plans' assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. The City's CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Based on the actuarial valuations dated June 30, 2006 (most recent valuations), the remaining amortization periods as of June 30, 2008 were 30 years for the Safety Plan and 17 years for the Miscellaneous Plan.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

9. RETIREMENT PLAN (continued)

Funded Status and Funding Progress – As of June 30, 2006, the most recent valuation date, the Safety and Miscellaneous plans were 79.7% and 87.8% funded, respectively. For the Safety and Miscellaneous plans, respectively, the actuarial accrued liabilities for benefits were \$579,611,000 and \$421,342,000 and the actuarial value of assets were \$462,052,000 and \$370,044,000, resulting in unfunded actuarial accrued liabilities (UAAL) of \$117,559,000 and \$51,298,000. The covered payroll (annual payroll of active employees covered by the plan) was \$52,289,000 for safety employees and \$53,640,000 for miscellaneous employees, and the ratio of the UAAL to the covered payroll was 224.8% and 95.6% respectively.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear 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 with proceeds from the 2007 Taxable Pension Obligation Bonds Series A and Series B. (See Note 6). 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. They are being amortized over 30 years for both plans. The pension asset balances at June 30, 2008 are as follows: \$91,295,002 for the Safety Plan and \$34,810,094 for the Miscellaneous Plan.

The City's annual pension cost and pension asset for the year ended June 30, 2008, were as follows: (dollar amounts in thousands):

	Safety Plan	Miscellaneous Plan
Annual required contribution	\$ 10,979	\$ 6,736
Interest on beginning net pension asset	(6,939)	(2,646)
Adjustment to the annual required contribution	5,180	1,975
Annual pension cost	<u>\$ 9,220</u>	<u>\$ 6,065</u>
Contributions made	\$ 10,979	\$ 6,736
Less: annual pension cost	(9,220)	(6,065)
Change in pension asset	1,759	671
Pension asset, beginning of the year	89,536	34,139
Pension asset, end of the year	<u>\$ 91,295</u>	<u>\$ 34,810</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

9. RETIREMENT PLAN (continued)

Three-Year Trend Information (Dollar amounts in thousands)

SAFETY PLAN

Fiscal Year	Annual Pension Cost (APC)	Contributions	Percentage of APC Contributed	Pension Asset
6/30/08	\$ 9,220	\$ 10,979	119 %	\$ 91,295
6/30/07	15,375	104,911	682	89,536
6/30/06	17,894	17,894	100	-

MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	Contributions	Percentage of APC Contributed	Pension Asset
6/30/08	\$ 6,065	\$ 6,736	111 %	\$ 34,810
6/30/07	8,787	42,926	489	34,139
6/30/06	9,132	9,132	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.

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.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

10. RISK SERVICES (Continued)

The City contracts with independent actuaries to perform an analysis of the City's potential liability for the City's retained risk portions of the various self-insurance programs. The amounts recorded as liabilities represent estimates of amounts to be paid for reported claims, as well as incurred but not reported claims based upon past experience, modified for current trends and information. For general liability and workers' compensation for the current year, the present value of estimated outstanding losses is recognized at a 70% confidence level, using a 2.91% for general liability and 3.34% 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, 2008 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 increased from \$210,000 to \$250,000.

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

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Health Benefits</u>	<u>Total</u>
Balance, June 30, 2006	\$ 5,969	\$ 35,077	\$ 2,830	\$ 43,876
Claims incurred	167	8,177	22,294	30,638
Claims paid	(1,858)	(6,008)	(21,999)	(29,865)
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	<u>\$ 4,049</u>	<u>\$ 40,097</u>	<u>\$ 3,812</u>	<u>\$ 47,958</u>

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

10. RISK SERVICES (Continued)

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, 2008 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 the Program, for a combined total of \$200 million per occurrence.

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.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

10. RISK SERVICES (Continued)

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. POST EMPLOYMENT HEALTH CARE BENEFITS

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

Plan Description The City of Stockton's retiree healthcare plan 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 Retiree Medical Plan at age 50. Other miscellaneous employees who receive a CalPERS retirement allowance with 15 or more years of service are eligible for coverage at age 50 or 55, depending on bargaining unit. Some employees, retired for disability, may qualify at a younger age. Full medical benefits are continued until age 65 or a maximum of 15 years whichever occurs first. Such coverage includes the retiree and one dependent. At age 65, eligible retirees are covered under a Medicare Supplemental Plan, which pays secondary to Medicare. This is a lifetime benefit provided to the retired employee and his or her eligible dependent. Currently, 753 retirees meet these eligibility requirements and participate in the Plan.

Funding Policy The contribution requirements are paid by City departments and are based on amounts established in the City's Annual Budget. For fiscal 2008, the City's contributions were financed on a pay-as-you-go basis. During the year, expenditures of approximately \$9,193,000 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 Plan. The City intends to develop a 12-year plan to phase in the funding of the ARC.

CITY OF STOCKTON

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008**

11. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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 following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan (dollar amounts in thousands):

Annual required contribution	\$ 33,801
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>33,801</u>
Contributions made	<u>(9,193)</u>
Increase in net OPEB obligation	24,608
Net OPEB obligation, beginning of the year	-
Net OPEB obligation, end of the year	<u>\$ 24,608</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 are as follows (dollar amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

11. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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 zero, 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007 is 30 years.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

12. COMMITMENTS AND CONTINGENCIES

Contingent Liability Footnote Disclosure – Pending Litigation

There are various claims and legal actions pending against the City, seven of which have a reasonable possibility for an unfavorable outcome. The nature of these legal actions involve property claims, personal injury, civil rights violations, challenges to the City's Emergency Communications System Access Fee and the City's vehicle forfeiture ordinance, a lawsuit seeking to invalidate the City's past practice of charging an in lieu of property tax fee to the utility funds, and a challenge of the City's building permit and inspection fees. Should there be unfavorable outcomes in the above legal actions, it is estimated that the potential impact would be in the range of \$525,000 to \$1,565,000 on the General Liability Insurance Fund and \$5,750,000 to \$13,900,000 on the General Fund.

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

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

Commitments - The City is undertaking a number of capital improvement projects, the most significant of which include the following encumbrances at June 30, 2008 (dollar amounts in thousands):

• Airport Way	\$ 4,403
• Street Improvements	17,676
• Wastewater Utility	3,723
• Park Improvements & Community Centers	6,091
• Water Utility	1,907
• Stormwater Utility	715

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

12. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases - Operating lease obligations are primarily for rental of parking facilities space, but other lease obligations are included. Total expenditures for leases were \$246,000 for the year ended June 30, 2008. The future minimum lease payments required for those operating leases are as follows (dollar amounts in thousands):

June 30,	Amount
2009	\$ 259
2010	272
2011	285
2012	299
2013	314
2014-2018	1,824
2019-2023	<u>2,328</u>
Total	<u>\$ 5,581</u>

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

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

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

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

12. COMMITMENTS AND CONTINGENCIES (Continued)

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

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

13. DEFICIT FUND EQUITY

- The Community Development Block Grant Fund had a deficit fund balance of \$581,000 due to a transfer of expenditures to the Community Development Block Grant Loan Fund for a multi year project completed in 2008.
- The City Administration Building Fund had a deficit fund balance of \$274,000 at June 30, 2008 due to transfer of funds for building improvements that will be reimbursed in the next fiscal year.
- The Development Services Fund had a deficit fund balance of \$8,624,000 due to the recording of the remaining advance balance due to the General Fund.
- The Solid Waste Fund had a deficit in net assets of \$95,000 at June 30, 2008 due to the transfer of billing services to California Water Service Company and the resulting write off of residual uncollectible receivables.
- The City budgets revenues and projects expenses in the General Liability Insurance Fund (internal service) based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the General Liability Insurance Fund has a long-term liability of \$2,279,000 and a deficit in net assets of \$619,000. The cash balance of the fund at June 30, 2008 is \$2,933,000. 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 \$33,852,000 and a deficit in net assets of \$9,655,000. The cash balance of the fund at June 30, 2008 is \$30,285,000. 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 Insurance Fund (internal service) based upon an analysis of cash flows in the fund. On an accrual basis of accounting, the Health Insurance Fund has a deficit in net assets of \$26,879,000. The cash balance of the fund at June 30, 2008 is \$1,632,000. The City will fund the deficit over time by adjusting the rates paid by City funds.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

14. RESTATEMENT OF BEGINNING NET ASSETS AND BEGINNING FUND BALANCES

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

Prior period adjustments:

- Construction in progress was overstated in prior years by \$35,566,000 for certain non-capital public works expenditures primarily for street repair and overlay projects.
- Federal grants revenue reported in the Other Governmental Community Development Block Grant (CDBG) Fund were overstated in the prior fiscal year.
- In the Other Governmental Home Program Fund, advances to property owners and due from other governments were understated by \$3,794,000 and \$759,000, respectively, while deferred revenue was overstated by \$2,939,000 in the prior fiscal year.
- An advance from the General Fund to the Other Governmental Development Services Fund had a remaining balance of \$8,062,000 at the end of the prior fiscal year.
- A liability for compensated absences totaling \$4,878,000 was reported in the Other Insurance Internal Service Fund to recognize the portion of the liability that is provided for in the fund.

Changes in beginning net assets and beginning fund balances are summarized below (dollar amounts in thousands) and are reflected in the Government Wide Statement of Activities, the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, and the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets.

	Governmental Activities	General Fund	Other Governmental Funds	Internal Service Funds
Net assets/Fund balances, beginning of year, as originally reported	\$ 837,038	\$ 20,930	\$ 132,563	\$ 12,293
Capital assets - Construction in progress	(35,566)	-	-	-
CDBG revenue	(10,469)	-	(10,469)	-
Home - Advances to property owners	7,492	-	7,492	-
Interfund advances	-	8,062	(8,062)	-
Compensated absences	-	-	-	(4,878)
Net assets/Fund balances, beginning of year, as restated	<u>\$ 798,495</u>	<u>\$ 28,992</u>	<u>\$ 121,524</u>	<u>\$ 7,415</u>

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

15. SUBSEQUENT EVENTS

Variable Rate Interest Rate Risk

In November 2007, the Stockton Public Financing Authority (SPFA) issued variable rate demand lease revenue bonds amounting to \$36.5 million (tax-exempt Series A) and \$4.27 million (taxable Series B). This is the only City or SPFA debt obligation whose interest rate is variable. The net proceeds were used for the acquisition of the downtown Washington Mutual building and for certain tenant improvements on the acquired building. These variable rate bonds currently bear interest at a "weekly rate" established by the remarketing agent based on prevailing financial market conditions. The maximum interest rate allowed on the bonds is 12% per annum (tax-exempt) and 15% per annum (taxable).

Variable interest rate bonds expose the City to interest rate risk. In order to actively manage this interest rate risk exposure, 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

On March 25, 2008, the City Council approved an amendment to the bond documents allowing for the conversion of the weekly interest rate reset to a different reset term: daily, monthly, annually, every two or three-years. This authority was requested as part of a debt strategy to provide the tools for the City to avoid the volatility resulting from capital market events outside the City's realm of influence. Due to subsequent market conditions, the City has not yet elected to exercise this available option.

Additionally, an IRS notice dated October 1, 2008 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 benefit to a governmental entity of purchasing its own bonds is that the weekly interest rate reset would be both the amount in which the entity would be paying on debt service and earning as an investment, netting to a zero sum interest expense.

The City will be judiciously managing this available investment option to match the savings to be incurred by defraying rising interest costs with the alternative loss of investment income.

CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

15. SUBSEQUENT EVENTS (Continued)

The Effects of Market Conditions on the City's Investment Portfolio

The City's investment portfolio has also experienced the effects of the global financial market crisis of September and October of 2008. The investment portfolio is comprised of the City's pooled investments as well as cash and investments that are held with fiscal agents.

Pooled Investments – The City's pooled investments have experienced an overall decline in fair market value of approximately \$900 thousand since June 30, 2008. However, the fair value of the City's pooled investments exceeds par value by more than \$1.5 million. The current make-up of the City's investment pool includes 65% in federal securities, which are increasing in fair value, and 35% in corporate notes and other investments. The City possesses sufficient liquidity to maintain the practice of holding investments to maturity, unless there is an opportunity to liquidate investments at a gain.

The City's exposure to credit ratings downgrades in the investment pool is limited to two corporate notes with a combined par value of \$4.15 million. The notes were issued by subsidiaries of American International Group (AIG) which has recently received substantial backing from the federal government during this financial crisis. The City has evaluated all of its pooled investments and does not anticipate any liquidity risks due to default.

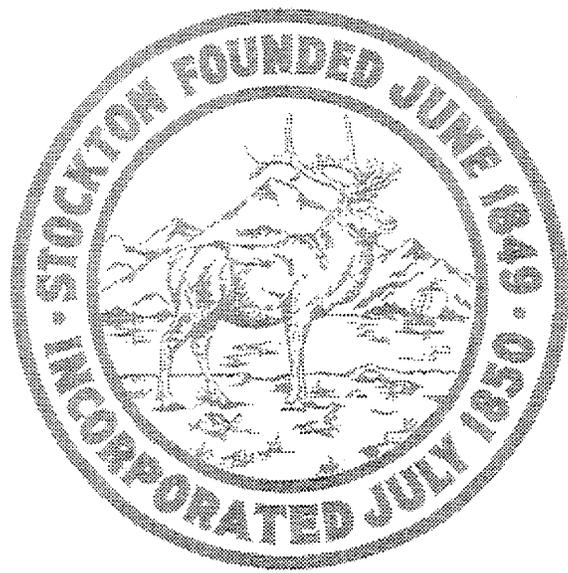
Cash and Investments with Fiscal Agents – As of June 30, 2008, cash and investments held by fiscal agents included multiple guaranteed investment contracts (GICs). The insurer identified in each GIC is required to maintain a credit rating above a specific level. Some GICs also require that federal securities equal to a specific percentage of the value of the investment be posted as collateral. Subsequent to June 30, 2008, the credit ratings for some of the insurers of the City's GICs have been down-graded. As a result, one GIC provider has posted collateral, as required under the investment contract. All GICs that were held by the City at June 30, 2008 continue to maintain the required combination of insurer credit ratings and collateral. The City is vigilantly monitoring this situation and is prepared to take immediate action to protect the security of these investments.

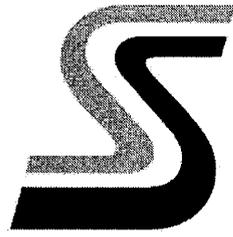
CITY OF STOCKTON

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

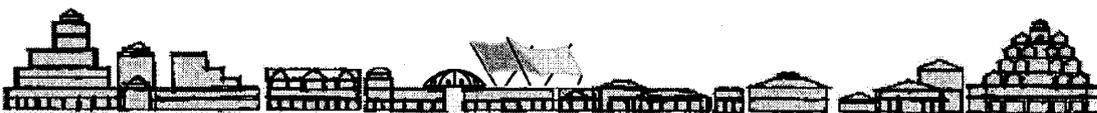
16. FUTURE GASB PRONOUNCEMENTS

In June 2007, the Governmental Accounting Standards Board (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. GASB No. 51 will be effective for the fiscal year ending June 30, 2010. The City is currently analyzing the impact of the implementation of this new statement on its future financial statements.





CITY OF STOCKTON



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STOCKTON

SCHEDULES OF DEFINED BENEFIT PENSION PLANS FUNDED STATUS FOR THE YEAR ENDED JUNE 30, 2008

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

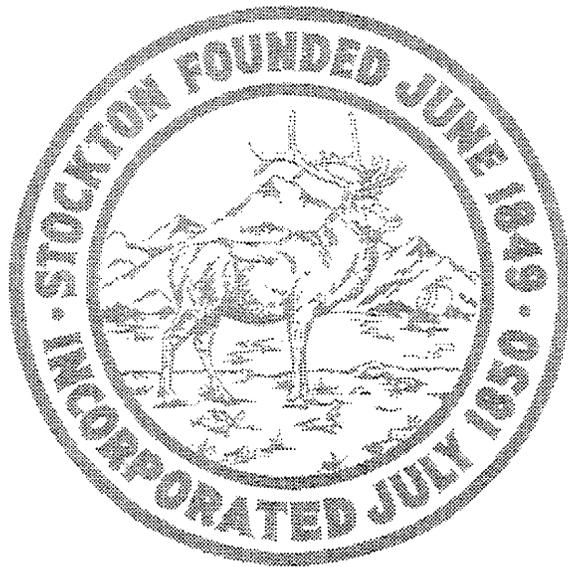
SAFETY PLAN (dollar amounts in thousands)

Valuation Date	Accrued Liability (1)	Value of Assets (2)	Unfunded Liability (1)-(2)	Funded Status (2)/(1)	Covered Payroll (3)	Percentage of Payroll [(1)-(2)]/(3)
6/30/06	\$ 579,611	\$ 462,052	117,559	79.7%	\$ 52,289	224.8%
6/30/05	536,143	428,575	107,568	79.9%	48,326	222.6%
6/30/04	504,303	401,038	103,265	79.5%	45,116	228.9%

MISCELLANEOUS PLAN (dollar amounts in thousands)

Valuation Date	Accrued Liability (1)	Value of Assets (2)	Unfunded Liability (1)-(2)	Funded Status (2)/(1)	Covered Payroll (3)	Percentage of Payroll [(1)-(2)]/(3)
6/30/06	\$ 421,342	\$ 370,044	51,298	87.8%	\$ 53,640	95.6%
6/30/05	393,458	345,177	48,281	87.7%	51,317	94.1%
6/30/04	366,460	321,947	44,513	87.9%	50,602	88.0%

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



CITY OF STOCKTON

**SCHEDULE OF DEFINED OPEB
 PLAN FUNDED STATUS
 FOR THE YEAR ENDED JUNE 30, 2008**

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	\$ 0	\$ 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.

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

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 37,460	\$ 37,460	\$ 37,077	\$ (383)
In lieu of sales tax	11,551	11,551	10,164	(1,387)
Utility user	32,439	32,439	30,861	(1,578)
Franchise fees	11,212	11,212	11,537	325
Business license	11,000	11,000	10,134	(866)
Hotel/motel room	2,300	2,300	2,287	(13)
Document transfer	1,538	1,538	686	(852)
Other	-	-	2	2
Licenses and permits	364	364	377	13
Intergovernmental:				
Sales and use tax - levied by state	35,273	35,273	31,900	(3,373)
Other governmental	24,546	24,546	24,872	326
Charges for services	9,583	9,611	10,213	602
Fines and forfeitures	3,898	3,898	3,302	(596)
Use of money and property	2,082	2,096	2,462	366
Investment income:				
Interest income	690	690	1,316	626
Net increase in fair value of investments	-	-	302	302
Refunds and reimbursements	3,328	3,328	3,709	381
Miscellaneous	5,724	5,724	6,086	362
Total revenues	192,988	193,030	187,287	(5,743)
EXPENDITURES:				
General government:				
City council	653	653	636	17
City manager	1,586	1,624	1,421	203
City attorney	1,441	1,462	1,293	169
City clerk	1,051	1,052	989	63
City auditor	683	759	668	91
Administrative services	3,335	3,695	3,413	282
Human resources	2,489	2,514	2,121	393
Housing and redevelopment	923	900	798	102
Non-departmental	3,656	4,002	4,295	(293)
Total general government	15,817	16,661	15,634	1,027

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, 2008 (Dollar amounts in thousands)

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety:				
Police	96,658	96,819	94,654	2,165
Fire	50,320	50,150	49,864	286
Total public safety	146,978	146,969	144,518	2,451
Public works	13,614	14,079	14,079	-
Parks and recreation	9,090	9,428	9,099	329
Debt service - cost of issuance	-	30	30	-
Total expenditures	185,499	187,167	183,360	3,807
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	7,489	5,863	3,927	(1,936)
OTHER FINANCING SOURCES (USES):				
Transfers in	6,674	6,245	5,845	(400)
Transfers out	(17,381)	(17,037)	(17,019)	18
Sale of capital assets	-	-	44	44
Discounts on debt issuances	-	(24)	(24)	-
Total other financing sources (uses)	(10,707)	(10,816)	(11,154)	(338)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (3,218)</u>	<u>\$ (4,953)</u>	(7,227)	<u>\$ (2,274)</u>
BASIS ADJUSTMENT:				
Encumbrances			1,360	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			(5,867)	
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED			28,992	
FUND BALANCE, END OF YEAR			<u>\$ 23,125</u>	

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

CITY OF STOCKTON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2008

1. DEFINED BENEFIT PENSION PLANS

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

2. POSTEMPLOYMENT HEALTHCARE PLAN

The schedule of 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 budget comparison basis; therefore, budgetary data related to these funds has not been presented.

CITY OF STOCKTON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (Continued) FOR THE YEAR ENDED JUNE 30, 2008

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 are that for budgetary purposes:

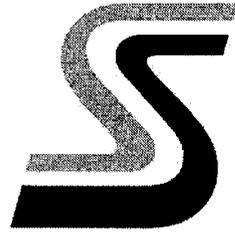
- Outstanding commitments relating to construction contracts and other purchases of goods and services are recorded as expenditures at the time contracts or purchase agreements are entered into. Under GAAP, these obligations are recognized when goods are received or services are rendered.
- The write off of uncollectible accounts receivables is not recognized as an expenditure. Under GAAP, these write offs are recognized as expenditures when the accounts receivables are determined to be uncollectible.

CITY OF STOCKTON

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE YEAR ENDED JUNE 30, 2008**

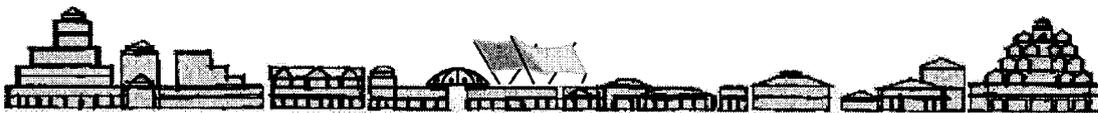
3. BUDGET (Continued)

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

SUPPLEMENTARY INFORMATION
NONMAJOR GOVERNMENTAL FUNDS



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.

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.

Recreation Services

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

SPECIAL REVENUE FUNDS (Continued)

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, 2008

(With comparative totals for June 30, 2007)

(Dollar amounts in thousands)

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Sales Tax
ASSETS				
Cash and investments	\$ 121	\$ 1,839	\$ -	\$ 1,804
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Interest	5	19	-	21
Accounts and other receivables	165	57	-	-
Due from other governments	981	-	3,171	5,536
Allowance for uncollectibles	-	-	-	(237)
Inventory of supplies	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	-	-	-	-
Advances to property owners	-	-	-	-
	<u>1,272</u>	<u>1,915</u>	<u>3,171</u>	<u>7,124</u>
Total assets	\$ 1,272	\$ 1,915	\$ 3,171	\$ 7,124
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 38	\$ 45	\$ 394	\$ 1,497
Due to other funds	-	-	2,049	-
Due to other governments	-	-	-	-
Deposits and other liabilities	-	26	-	-
Deferred revenue	1,159	-	-	22
Advances from other funds	-	-	-	-
	<u>1,197</u>	<u>71</u>	<u>2,443</u>	<u>1,519</u>
Total liabilities	1,197	71	2,443	1,519
FUND BALANCES (DEFICIT):				
Reserved for:				
Encumbrances	138	6	3,019	4,271
Advances	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Endowments	-	-	-	-
Other items	-	-	-	-
Unreserved, reported in:				
Special revenue funds:				
Designated for termination pay	-	-	-	-
Undesignated	(63)	1,838	(2,291)	1,334
Debt service funds	-	-	-	-
Permanent fund	-	-	-	-
	<u>75</u>	<u>1,844</u>	<u>728</u>	<u>5,605</u>
Total fund balances (deficit)	75	1,844	728	5,605
Total liabilities and fund balances (deficit)	\$ 1,272	\$ 1,915	\$ 3,171	\$ 7,124

Special Revenue					
Measure W Public Safety Tax	City- County Library	Special Assessments	Redevelopment Agency Loan	Urban Development Action Grant	Community Development Block Grant
\$ 698	\$ 5,551	\$ 7,285	\$ 8,303	\$ -	\$ -
-	-	-	-	-	-
11	-	69	-	-	(5)
-	9	127	-	-	2
1,615	201	-	-	-	347
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,686	-
-	-	-	34,857	-	-
<u>\$ 2,324</u>	<u>\$ 5,761</u>	<u>\$ 7,481</u>	<u>\$ 43,160</u>	<u>\$ 4,686</u>	<u>\$ 344</u>
\$ -	\$ 556	\$ 121	\$ 1,262	\$ -	\$ 129
-	-	-	-	-	796
-	-	-	-	-	-
-	-	115	-	-	-
-	-	-	-	-	-
-	556	236	1,262	-	925
14	1,271	546	-	-	146
-	-	-	34,857	4,686	-
-	-	-	-	-	-
1,549	-	-	-	-	-
-	-	-	-	-	-
-	-	184	-	-	-
-	132	-	-	-	-
761	3,802	6,515	7,041	-	(727)
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,324</u>	<u>5,205</u>	<u>7,245</u>	<u>41,898</u>	<u>4,686</u>	<u>(581)</u>
<u>\$ 2,324</u>	<u>\$ 5,761</u>	<u>\$ 7,481</u>	<u>\$ 43,160</u>	<u>\$ 4,686</u>	<u>\$ 344</u>

(Continued)

CITY OF STOCKTON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2008

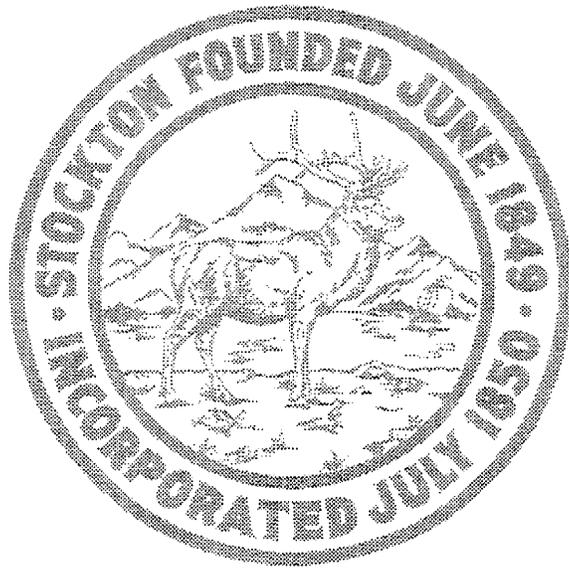
(With comparative totals for June 30, 2007)

(Dollar amounts in thousands)

	Special Revenue			
	Community Development Loan	CDBG Revolving Loan	Special Grant and Loan Programs	Home Program
ASSETS				
Cash and investments	\$ 635	\$ 764	\$ 243	\$ -
Cash and investments with fiscal agents	-	-	12,073	-
Receivables:				
Interest	4	10	(1)	(1)
Accounts and other receivables	-	-	-	-
Due from other governments	-	-	246	1,404
Allowance for uncollectibles	-	-	-	-
Inventory of supplies	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	10,388	-	-	-
Advances to property owners	4,205	14,161	-	24,301
	<u>4,205</u>	<u>14,161</u>	<u>-</u>	<u>24,301</u>
Total assets	<u>\$ 15,232</u>	<u>\$ 14,935</u>	<u>\$ 12,561</u>	<u>\$ 25,704</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 5	\$ 2	\$ -	\$ 175
Due to other funds	-	-	-	894
Due to other governments	-	52	-	-
Deposits and other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Advances from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5</u>	<u>54</u>	<u>-</u>	<u>1,069</u>
FUND BALANCES (deficit):				
Reserved for:				
Encumbrances	-	-	-	-
Advances	14,593	14,161	-	24,301
Debt service	-	-	-	-
Public safety	-	-	-	-
Endowments	-	-	-	-
Other items	1,498	-	-	-
Unreserved, reported in:				
Special revenue funds:				
Designated for termination pay	-	-	-	-
Undesignated	(864)	720	12,561	334
Debt service funds	-	-	-	-
Permanent fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>15,227</u>	<u>14,881</u>	<u>12,561</u>	<u>24,635</u>
Total liabilities and fund balances (deficit)	<u>\$ 15,232</u>	<u>\$ 14,935</u>	<u>\$ 12,561</u>	<u>\$ 25,704</u>

Special Revenue					Debt Service	
Emergency Communication	City Administration Building	Recreation Services	Development Services	Other Special Revenue	Redevelopment Agency	Stockton Public Financing Authority
\$ 313	\$ 36	\$ 2,227	\$ 347	\$ 1,783	\$ -	\$ -
-	-	-	-	-	12,314	1,281
3	(1)	-	-	14	-	-
1,327	173	122	265	40	-	-
-	-	35	-	133	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	197	-	-	-
-	-	-	-	3,029	-	-
<u>\$ 1,643</u>	<u>\$ 208</u>	<u>\$ 2,384</u>	<u>\$ 809</u>	<u>\$ 4,999</u>	<u>\$ 12,314</u>	<u>\$ 1,281</u>
\$ 5	\$ 114	\$ 899	\$ 225	\$ 74	\$ -	\$ -
-	-	-	669	372	-	-
-	-	-	-	-	-	-
-	-	279	472	-	-	-
-	368	263	5	153	-	-
-	-	-	8,062	-	-	-
<u>5</u>	<u>482</u>	<u>1,441</u>	<u>9,433</u>	<u>599</u>	<u>-</u>	<u>-</u>
3	-	135	432	60	-	-
-	-	-	197	3,029	-	-
-	-	-	-	-	11,825	1,002
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	643	454	276
-	-	-	-	-	-	-
1,635	(274)	808	(9,253)	668	-	-
-	-	-	-	-	35	3
-	-	-	-	-	-	-
<u>1,638</u>	<u>(274)</u>	<u>943</u>	<u>(8,624)</u>	<u>4,400</u>	<u>12,314</u>	<u>1,281</u>
<u>\$ 1,643</u>	<u>\$ 208</u>	<u>\$ 2,384</u>	<u>\$ 809</u>	<u>\$ 4,999</u>	<u>\$ 12,314</u>	<u>\$ 1,281</u>

(Continued)



CITY OF STOCKTON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2008

(With comparative totals for June 30, 2007)

(Dollar amounts in thousands)

	Permanent		
	Miscellaneous	Totals	
		2008	2007
ASSETS			
Cash and investments	\$ 1,921	\$ 33,870	\$ 29,990
Cash and investments with fiscal agents	-	25,668	13,288
Receivables:			
Interest	18	166	114
Accounts and other receivables	-	2,287	1,642
Due from other governments	-	13,669	20,609
Allowance for uncollectibles	-	(237)	(237)
Inventory of supplies	-	-	-
Deposits	-	-	20
Advances to other funds	-	15,271	15,881
Advances to property owners	-	80,553	66,932
Total assets	<u>\$ 1,939</u>	<u>\$ 171,247</u>	<u>\$ 148,239</u>
LIABILITIES AND FUND BALANCES (DEFICIT)			
LIABILITIES:			
Accounts payable	\$ 2	\$ 5,543	\$ 7,821
Due to other funds	-	4,780	6,316
Due to other governments	-	52	34
Deposits and other liabilities	-	777	1,415
Deferred revenue	-	2,085	3,067
Advances from other funds	-	8,062	8,062
Total liabilities	<u>2</u>	<u>21,299</u>	<u>26,715</u>
FUND BALANCES (deficit):			
Reserved for:			
Encumbrances	-	10,041	10,208
Advances	-	95,824	82,813
Debt service	-	12,827	12,827
Public safety	-	1,549	1,549
Endowments	1,604	1,604	1,604
Other items	-	3,055	8,436
Unreserved, reported in:			
Special revenue funds:			
Designated for termination pay	-	132	132
Undesignated	-	24,545	3,854
Debt service funds	-	38	(196)
Permanent fund	333	333	297
Total fund balances (deficit)	<u>1,937</u>	<u>149,948</u>	<u>121,524</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,939</u>	<u>\$ 171,247</u>	<u>\$ 148,239</u>

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	Special Revenue			
	Special Grants	Solid Waste & Recycling	Gas Tax	Measure K Sales Tax
REVENUES:				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Other	-	-	244	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	1,475	-	4,802	-
Sales and use tax - levied by state	-	-	-	4,198
Other governmental	1,283	-	5,073	11,573
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	1
Investment income:				
Interest income	74	88	(9)	63
Net increase (decrease) in fair value of investments	12	88	(6)	117
Refunds and reimbursements	6	56	-	1
Miscellaneous	-	1,196	-	-
Total revenues	2,850	1,428	10,104	15,953
EXPENDITURES:				
Current:				
General government	17	-	-	-
Public safety	1,721	-	-	-
Public works	65	1,271	-	-
Library	214	-	-	-
Parks and recreation	368	-	-	-
Capital outlay	164	-	4,869	13,928
Debt service:				
Principal retirement	-	-	-	-
Cost of issuance	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,549	1,271	4,869	13,928
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	301	157	5,235	2,025
OTHER FINANCING SOURCES (USES):				
Transfers in	208	-	-	-
Transfers out	(161)	-	(5,071)	-
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	47	-	(5,071)	-
NET CHANGE IN FUND BALANCES	348	157	164	2,025
FUND BALANCES (DEFICIT), BEGINNING OF YEAR, AS RESTATED	(273)	1,687	564	3,580
FUND BALANCES (DEFICIT), END OF YEAR	\$ 75	\$ 1,844	\$ 728	\$ 5,605

Special Revenue						
Measure W Public Safety Tax	City- County Library	Special Assessments	Redevelopment Agency Loan	Urban Development Action Grant	Community Development Block Grant	
\$ 9,409	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	638	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	4,519
-	-	-	-	-	-	-
-	6,678	-	-	-	-	-
-	227	3,821	-	-	-	-
-	-	-	-	-	-	-
-	7	-	-	-	-	-
53	-	297	-	-	-	(55)
(14)	-	40	-	-	-	(21)
69	60	-	-	-	-	2
-	-	-	-	-	-	41
<u>9,517</u>	<u>6,972</u>	<u>4,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,486</u>
-	-	518	-	-	-	-
9,862	-	-	-	-	-	-
-	-	285	-	-	-	-
-	12,999	-	-	-	-	-
-	-	2,606	-	-	-	-
-	750	-	-	-	-	3,361
-	-	-	-	-	-	490
-	-	-	-	-	-	-
-	-	-	-	-	-	622
<u>9,862</u>	<u>13,749</u>	<u>3,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,473</u>
<u>(345)</u>	<u>(6,777)</u>	<u>1,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>
-	6,703	-	10,946	-	-	-
(134)	-	-	-	-	-	(1,002)
-	-	-	-	-	-	-
<u>(134)</u>	<u>6,703</u>	<u>-</u>	<u>10,946</u>	<u>-</u>	<u>-</u>	<u>(1,002)</u>
(479)	(74)	1,387	10,946	-	-	(989)
<u>2,803</u>	<u>5,279</u>	<u>5,858</u>	<u>30,952</u>	<u>4,686</u>	<u>-</u>	<u>408</u>
<u>\$ 2,324</u>	<u>\$ 5,205</u>	<u>\$ 7,245</u>	<u>\$ 41,898</u>	<u>\$ 4,686</u>	<u>\$ -</u>	<u>\$ (581)</u>

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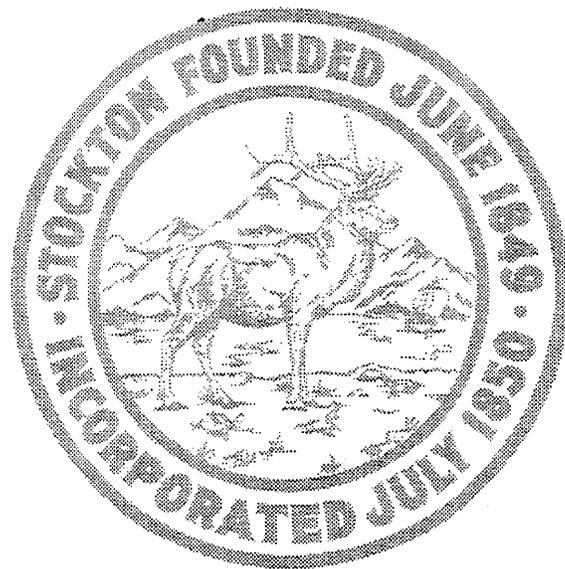
CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	Special Revenue			
	Community Development Loan	CDBG Revolving Loan	Special Grant and Loan Programs	Home Program
REVENUES:				
Taxes:				
Sales - levied by City	\$ -	\$ -	\$ -	\$ -
Business licenses	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal grants and subsidies	-	-	245	2,412
Sales and use tax - levied by state	-	-	-	-
Other governmental	-	-	-	-
Charges for services	1	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	118	-	-	39
Investment income:				
Interest income	14	-	7	(1)
Net increase (decrease) in fair value of investments	5	(2)	(59)	-
Refunds and reimbursements	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>138</u>	<u>(2)</u>	<u>193</u>	<u>2,450</u>
EXPENDITURES:				
Current:				
General government	800	-	-	-
Public safety	-	-	-	-
Public works	98	48	6	-
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	405
Debt service:				
Principal retirement	-	-	-	-
Cost of issuance	-	-	44	-
Interest and fiscal charges	-	-	1	-
Total expenditures	<u>898</u>	<u>48</u>	<u>51</u>	<u>405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(760)</u>	<u>(50)</u>	<u>142</u>	<u>2,045</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,002	14,554	-	-
Transfers out	(14,554)	-	(200)	-
Issuance of long-term debt	-	-	12,300	-
Total other financing sources (uses)	<u>(13,552)</u>	<u>14,554</u>	<u>12,100</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(14,312)</u>	<u>14,504</u>	<u>12,242</u>	<u>2,045</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR, AS RESTATED	<u>29,539</u>	<u>377</u>	<u>319</u>	<u>22,590</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 15,227</u>	<u>\$ 14,881</u>	<u>\$ 12,561</u>	<u>\$ 24,635</u>

Special Revenue					Debt Service	
Emergency Communication	City Administration Building	Recreation Services	Development Services	Other Special Revenue	Redevelopment Agency	Stockton Public Financing Authority
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	4,816	80	-	-
-	-	-	-	161	-	-
-	-	-	-	-	-	-
-	-	-	-	644	-	-
5,393	-	2,288	8,802	246	-	-
7	-	-	12	-	-	-
-	2,598	5,932	-	8	-	-
25	10	-	-	57	734	53
8	-	-	53	4	46	27
28	-	-	8	6	-	-
-	-	14	2	722	-	-
<u>5,461</u>	<u>2,608</u>	<u>8,234</u>	<u>13,693</u>	<u>1,928</u>	<u>780</u>	<u>80</u>
-	818	-	4,823	42	22	90
5,221	-	-	7,081	532	-	-
-	-	-	2,755	-	-	-
-	-	-	-	215	-	-
-	-	15,060	-	247	-	-
-	-	15	13	-	-	-
-	-	-	-	-	175	325
-	-	-	-	-	-	-
-	-	-	-	-	8,318	1,798
<u>5,221</u>	<u>818</u>	<u>15,075</u>	<u>14,672</u>	<u>1,036</u>	<u>8,515</u>	<u>2,213</u>
<u>240</u>	<u>1,790</u>	<u>(6,841)</u>	<u>(979)</u>	<u>892</u>	<u>(7,735)</u>	<u>(2,133)</u>
-	-	7,203	-	-	7,809	2,372
-	(2,064)	(112)	(12)	-	(6)	-
-	-	-	-	-	-	-
-	(2,064)	7,091	(12)	-	7,803	2,372
240	(274)	250	(991)	892	68	239
<u>1,398</u>	<u>-</u>	<u>693</u>	<u>(7,633)</u>	<u>3,508</u>	<u>12,246</u>	<u>1,042</u>
<u>\$ 1,638</u>	<u>\$ (274)</u>	<u>\$ 943</u>	<u>\$ (8,624)</u>	<u>\$ 4,400</u>	<u>\$ 12,314</u>	<u>\$ 1,281</u>

(Continued)



CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	Permanent	Totals	
	Miscellaneous	2008	2007
REVENUES:			
Taxes:			
Sales - levied by City	\$ -	\$ 9,409	\$ 9,249
Business licenses	-	638	87
Other	-	244	250
Licenses and permits	-	4,896	6,440
Intergovernmental:			
Federal grants and subsidies	-	13,614	25,798
Sales and use tax - levied by state	-	4,198	4,357
Other governmental	-	25,251	33,670
Charges for services	-	20,778	21,045
Fines and forfeitures	-	19	31
Use of money and property	-	8,703	5,676
Investment income:			
Interest income	86	1,496	666
Net increase (decrease) in fair value of investments	-	298	355
Refunds and reimbursements	4	240	193
Miscellaneous	-	1,975	2,391
Total revenues	90	91,759	110,208
EXPENDITURES:			
Current:			
General government	50	7,180	5,254
Public safety	-	24,417	25,196
Public works	-	4,528	5,428
Library	4	13,432	12,648
Parks and recreation	-	18,281	16,920
Capital outlay	-	23,505	46,854
Debt service:			
Principal retirement	-	990	565
Cost of issuance	-	44	-
Interest and fiscal charges	-	10,739	7,874
Total expenditures	54	103,116	120,739
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	36	(11,357)	(10,531)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	50,797	65,985
Transfers out	-	(23,316)	(19,627)
Issuance of long-term debt	-	12,300	-
Total other financing sources (uses)	-	39,781	46,358
NET CHANGE IN FUND BALANCES	36	28,424	35,827
FUND BALANCES (DEFICIT), BEGINNING OF YEAR, AS RESTATED	1,901	121,524	85,697
FUND BALANCES (DEFICIT), END OF YEAR	\$ 1,937	\$ 149,948	\$ 121,524

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, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Charges for services	\$ 34,171	\$ 24,251	\$ (9,920)
Use of money and property	-	86	86
Investment income:			
Interest income	885	2,896	2,011
Net increase in fair value of investments	-	450	450
Refunds and reimbursements	-	3	3
Total revenues	35,056	27,686	(7,370)
EXPENDITURES:			
General government	3,917	1,692	2,225
Public safety	8,923	4,407	4,516
Public works	36,994	27,477	9,517
Library	2,111	185	1,926
Park and recreation	16,282	11,368	4,914
Total expenditures	68,227	45,129	23,098
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(33,171)	(17,443)	15,728
OTHER FINANCING USES:			
Transfers out	(136)	(137)	(1)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (33,307)	(17,580)	\$ 15,727
BASIS ADJUSTMENT:			
Encumbrances		19,100	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		1,520	
FUND BALANCE, BEGINNING OF YEAR		58,997	
FUND BALANCE, END OF YEAR		\$ 60,517	

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, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Other	\$ 4	\$ -	\$ (4)
Intergovernmental:			
Federal grants and subsidies	13	3	(10)
Other governmental	17,143	9,528	(7,615)
Use of money and property	1,604	1,665	61
Investment income:			
Interest income	35	422	387
Net increase in fair value of investments	-	398	398
Refunds and reimbursements	-	300	300
Total revenues	<u>18,799</u>	<u>12,316</u>	<u>(6,483)</u>
EXPENDITURES:			
General government	46,394	35,961	10,433
Public safety	2,669	1,238	1,431
Public works	5,985	1,281	4,704
Park and recreation	10,221	10,087	134
Debt service - cost of issuance	770	703	67
Total expenditures	<u>66,039</u>	<u>49,270</u>	<u>16,769</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	<u>(47,240)</u>	<u>(36,954)</u>	<u>10,286</u>
OTHER FINANCING SOURCES:			
Transfers in	3,189	3,144	(45)
Issuance of long-term debt	40,770	40,770	-
Total other financing sources	<u>43,959</u>	<u>43,914</u>	<u>(45)</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (3,281)</u>	6,960	<u>\$ 10,241</u>
BASIS ADJUSTMENT:			
Encumbrances		<u>2,328</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		9,288	
FUND BALANCE, BEGINNING OF YEAR		<u>23,797</u>	
FUND BALANCE, END OF YEAR		<u>\$ 33,085</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS SOLID WASTE & RECYCLING NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Use of money and property	\$ 1	\$ -	\$ (1)
Investment income:			
Interest income	-	88	88
Net increase in fair value of investments	-	88	88
Refunds and reimbursements	8	56	48
Miscellaneous	1,240	1,196	(44)
Total revenues	1,249	1,428	179
EXPENDITURES:			
Public works	1,072	1,277	(205)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ 177</u>	151	<u>\$ (26)</u>
BASIS ADJUSTMENT:			
Encumbrances		6	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		157	
FUND BALANCE, BEGINNING OF YEAR		1,687	
FUND BALANCE, END OF YEAR		<u>\$ 1,844</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS GAS TAX NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Other	\$ 244	\$ 244	\$ -
Intergovernmental:			
Federal grants and subsidies	11,513	4,802	(6,711)
Other governmental	5,458	5,073	(385)
Fines and forfeitures	(2)	-	2
Investment income:			
Interest income	15	(9)	(24)
Net increase in fair value of investments	-	(6)	(6)
Total revenues	17,228	10,104	(7,124)
EXPENDITURES:			
Public works	11,629	7,888	3,741
EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	5,599	2,216	(3,383)
OTHER FINANCING USES:			
Transfers out	(5,473)	(5,071)	402
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ 126	(2,855)	\$ (2,981)
BASIS ADJUSTMENT:			
Encumbrances		3,019	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		164	
FUND BALANCE, BEGINNING OF YEAR		564	
FUND BALANCE, END OF YEAR		\$ 728	

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, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Intergovernmental:			
Sales and use tax - levied by state	\$ 4,760	\$ 4,198	\$ (562)
Other governmental	15,150	11,573	(3,577)
Use of money and property	-	1	1
Investment income:			
Interest income	15	63	48
Net increase in fair value of investments	-	117	117
Refunds and reimbursements	-	1	1
	<u>19,925</u>	<u>15,953</u>	<u>(3,972)</u>
Total revenues			
EXPENDITURES:			
Public works	19,910	18,067	1,843
Park and recreation	72	132	(60)
	<u>19,982</u>	<u>18,199</u>	<u>1,783</u>
Total expenditures			
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (57)</u>	<u>(2,246)</u>	<u>\$ (2,189)</u>
BASIS ADJUSTMENT:			
Encumbrances		<u>4,271</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		2,025	
FUND BALANCE, BEGINNING OF YEAR		<u>3,580</u>	
FUND BALANCE, END OF YEAR		<u>\$ 5,605</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS MEASURE W PUBLIC SAFETY TAX NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Sales - levied by City	\$ 9,840	\$ 9,409	\$ (431)
Investment income:			
Interest income	-	53	53
Net decrease in fair value of investments	-	(14)	(14)
Refunds and reimbursements	-	69	69
Total revenues	9,840	9,517	(323)
EXPENDITURES:			
Public safety	10,233	9,876	357
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(393)	(359)	34
OTHER FINANCING USES:			
Transfers out	(627)	(134)	493
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (1,020)</u>	(493)	<u>\$ 527</u>
BASIS ADJUSTMENT:			
Encumbrances		14	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(479)	
FUND BALANCE, BEGINNING OF YEAR		2,803	
FUND BALANCE, END OF YEAR		<u>\$ 2,324</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS CITY-COUNTY LIBRARY NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Intergovernmental:			
Other governmental	\$ 6,760	\$ 6,678	\$ (82)
Charges for services	219	227	8
Use of money and property	-	7	7
Refunds and reimbursements	28	60	32
	<u>7,007</u>	<u>6,972</u>	<u>(35)</u>
Total revenues			
EXPENDITURES:			
Library	<u>16,754</u>	<u>15,020</u>	<u>1,734</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(9,747)	(8,048)	1,699
OTHER FINANCING SOURCES:			
Transfers in	<u>6,703</u>	<u>6,703</u>	<u>-</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (3,044)</u>	<u>(1,345)</u>	<u>\$ 1,699</u>
BASIS ADJUSTMENT:			
Encumbrances		<u>1,271</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(74)	
FUND BALANCE, BEGINNING OF YEAR		<u>5,279</u>	
FUND BALANCE, END OF YEAR		<u>\$ 5,205</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS SPECIAL ASSESSMENTS NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Taxes:			
Special assessments	\$ 532	\$ 638	\$ 106
Charges for services	4,832	3,821	(1,011)
Investment income:			
Interest income	-	297	297
Net increase in fair value of investments	-	40	40
	<u>5,364</u>	<u>4,796</u>	<u>(568)</u>
Total revenues			
EXPENDITURES:			
General government	532	518	14
Public works	1,063	297	766
Parks and recreation	5,092	3,140	1,952
	<u>6,687</u>	<u>3,955</u>	<u>2,732</u>
Total expenditures			
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (1,323)</u>	841	<u>\$ 2,164</u>
BASIS ADJUSTMENT:			
Encumbrances		<u>546</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		1,387	
FUND BALANCE, BEGINNING OF YEAR		<u>5,858</u>	
FUND BALANCE, END OF YEAR		<u>\$ 7,245</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - ON A BUDGETARY BASIS EMERGENCY COMMUNICATION NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Charges for services	\$ 5,395	\$ 5,393	\$ (2)
Fines and forfeitures	-	7	7
Investment income:			
Interest income	-	25	25
Net decrease in fair value of investments	-	8	8
Refunds and reimbursements	-	28	28
	<u>5,395</u>	<u>5,461</u>	<u>66</u>
Total revenues	5,395	5,461	66
EXPENDITURES:			
Public safety	<u>5,434</u>	<u>5,224</u>	<u>210</u>
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	<u>\$ (39)</u>	237	<u>\$ 276</u>
BASIS ADJUSTMENT:			
Encumbrances		<u>3</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		240	
FUND BALANCE, BEGINNING OF YEAR		<u>1,398</u>	
FUND BALANCE, END OF YEAR		<u>\$ 1,638</u>	

CITY OF STOCKTON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS RECREATIONAL SERVICES NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
Charges for services	\$ 3,022	\$ 2,288	\$ (734)
Use of money and property	6,710	5,932	(778)
Miscellaneous	3	14	11
Total revenues	9,735	8,234	(1,501)
EXPENDITURES:			
Parks and recreation	16,828	15,210	1,618
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	(7,093)	(6,976)	117
OTHER FINANCING SOURCES (USES):			
Transfers in	7,203	7,203	-
Transfers out	(112)	(112)	-
Total other financing sources (uses)	7,091	7,091	-
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (2)	115	\$ 117
BASIS ADJUSTMENT:			
Encumbrances		135	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		250	
FUND DEFICIT, BEGINNING OF YEAR		693	
FUND BALANCE, END OF YEAR		\$ 943	

CITY OF STOCKTON

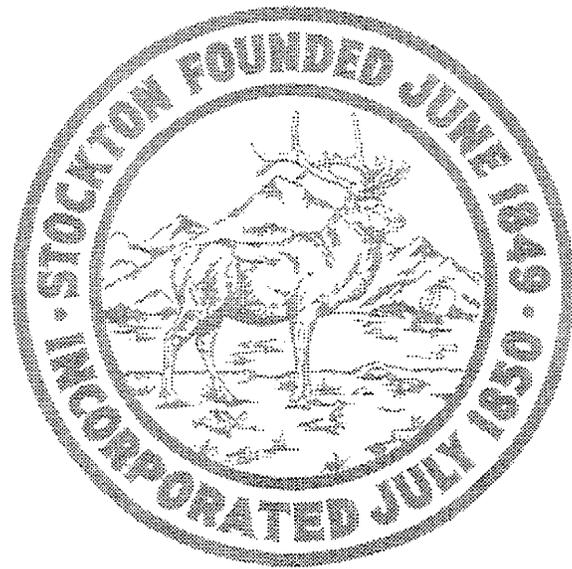
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ON A BUDGETARY BASIS DEVELOPMENT SERVICES NONMAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
License and permits	\$ 6,443	\$ 4,816	\$ (1,627)
Charges for services	10,145	8,802	(1,343)
Fines and forfeitures	15	12	(3)
Investment income:			
Net decrease in fair value of investments	-	53	53
Refunds and reimbursements	57	8	(49)
Miscellaneous	2	2	-
Total revenues	16,662	13,693	(2,969)
EXPENDITURES:			
General government	5,527	4,922	605
Public safety	8,001	7,141	860
Public works	3,121	3,041	80
Total expenditures	16,649	15,104	1,545
DEFICIENCY OF REVENUES UNDER EXPENDITURES (BUDGETARY BASIS)	13	(1,411)	(1,424)
OTHER FINANCING USES:			
Transfers out	(12)	(12)	-
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ 1	(1,423)	\$ (1,424)
BASIS ADJUSTMENT:			
Encumbrances		432	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		(991)	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR		(7,633)	
FUND BALANCE (DEFICIT), END OF YEAR		\$ (8,624)	

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, 2008 (Dollar amounts in thousands)

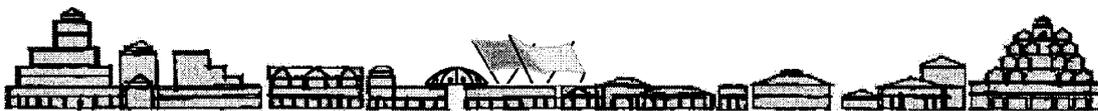
	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:			
License and permits	\$ 66	\$ 80	\$ 14
Intergovernmental:			
Federal grants and subsidies	25	161	136
Other governmental	1,115	644	(471)
Charges for services	251	246	(5)
Use of money and property	-	8	8
Investment income:			
Interest income	4	57	53
Net increase in fair value of investments	-	4	4
Refunds and reimbursements	3	6	3
Miscellaneous	775	722	(53)
Total revenues	2,239	1,928	(311)
EXPENDITURES:			
General government	96	41	55
Public safety	644	581	63
Public works	1,042	-	1,042
Library	807	216	591
Parks and recreation	471	258	213
Total expenditures	3,060	1,096	1,964
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)	(821)	832	1,653
OTHER FINANCING SOURCES:			
Issuance of long-term debt	113	-	(113)
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	\$ (708)	832	\$ 1,540
BASIS ADJUSTMENT:			
Encumbrances		60	
NET CHANGE IN FUND BALANCE (GAAP BASIS)		892	
FUND BALANCE, BEGINNING OF YEAR		3,508	
FUND BALANCE, END OF YEAR		\$ 4,400	





CITY OF STOCKTON

NONMAJOR ENTERPRISE FUNDS



NONMAJOR ENTERPRISE FUNDS

NONMAJOR ENTERPRISE FUNDS

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

Solid Waste

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

Golf Courses

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

CITY OF STOCKTON

COMBINING STATEMENT OF NET ASSETS

- NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2008

(With comparative totals as of June 30, 2007)

(Dollar amounts in thousands)

	Solid Waste	Golf Courses	Totals	
			2008	2007
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 223	\$ 223	\$ 17
Receivables:				
Interest	(1)	-	(1)	(1)
Accounts and other receivables	151	4	155	184
Allowance for uncollectibles	(114)	-	(114)	(112)
Inventory of supplies	-	33	33	58
Total current assets	<u>36</u>	<u>260</u>	<u>296</u>	<u>146</u>
Noncurrent assets:				
Capital assets, net:				
Nondepreciable	-	360	360	360
Depreciable, net	-	1,210	1,210	1,297
Total noncurrent assets	<u>-</u>	<u>1,570</u>	<u>1,570</u>	<u>1,657</u>
Total assets	<u>36</u>	<u>1,830</u>	<u>1,866</u>	<u>1,803</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	119	119	22
Due to other funds	131	-	131	128
Compensated absences - current	-	3	3	8
Total current liabilities	<u>131</u>	<u>122</u>	<u>253</u>	<u>158</u>
Noncurrent liabilities:				
Advances from other funds	-	763	763	763
Compensated absences - long-term	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>763</u>	<u>763</u>	<u>763</u>
Total liabilities	<u>131</u>	<u>885</u>	<u>1,016</u>	<u>921</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	-	1,570	1,570	1,657
Unrestricted (deficit)	(95)	(625)	(720)	(775)
Total net assets (deficit)	<u>\$ (95)</u>	<u>\$ 945</u>	<u>\$ 850</u>	<u>\$ 882</u>

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	Solid Waste	Golf Courses	Totals	
			2008	2007
OPERATING REVENUES:				
Charges for services	\$ -	\$ 1,391	\$ 1,391	\$ 1,296
Miscellaneous	-	674	674	692
Total operating revenues	-	2,065	2,065	1,988
OPERATING EXPENSES:				
Operation and maintenance	2	2,004	2,006	1,919
Depreciation and amortization	-	87	87	138
Total operating expenses	2	2,091	2,093	2,057
OPERATING LOSS	(2)	(26)	(28)	(69)
NON-OPERATING REVENUES:				
Investment income:				
Interest income	(6)	-	(6)	(5)
Net increase (decrease) in fair value of investments	2	-	2	(1)
Total non-operating revenues	(4)	-	(4)	(6)
CHANGE IN NET ASSETS	(6)	(26)	(32)	(75)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(89)	971	882	957
NET ASSETS (DEFICIT), END OF YEAR	\$ (95)	\$ 945	\$ 850	\$ 882

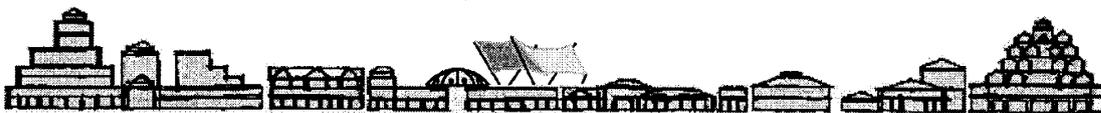
CITY OF STOCKTON

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	Solid Waste	Golf Courses	Totals	
			2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 3	\$ 2,093	\$ 2,096	\$ 1,996
Payments to suppliers	(2)	(1,367)	(1,369)	(1,340)
Payments to employees	-	(513)	(513)	(536)
Payments for interfund services used	-	(7)	(7)	(3)
Net cash provided by operating activities	<u>1</u>	<u>206</u>	<u>207</u>	<u>117</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Receipt of due to other funds	3	-	3	4
Repayment of advances from other funds	-	-	-	(151)
Net cash provided by (used for) noncapital financing activities	<u>3</u>	<u>-</u>	<u>3</u>	<u>(147)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	<u>(4)</u>	<u>-</u>	<u>(4)</u>	<u>(6)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	206	206	(36)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	17	17	53
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 223</u>	<u>\$ 223</u>	<u>\$ 17</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating loss	\$ (2)	\$ (26)	\$ (28)	\$ (69)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation and amortization	-	87	87	138
Provision for uncollectible accounts	2	-	2	-
Changes in assets and liabilities:				
Accounts and other receivables	1	28	29	8
Inventory of supplies	-	25	25	51
Accounts payable	-	97	97	(18)
Compensated absences	-	(5)	(5)	7
Net cash provided by operating activities	<u>\$ 1</u>	<u>\$ 206</u>	<u>\$ 207</u>	<u>\$ 117</u>
NONCASH TRANSACTIONS:				
Net increase (decrease) in fair value of investments	\$ 2	\$ -	\$ 2	\$ (1)



CITY OF STOCKTON



INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

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

Central Garage

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

Computer Equipment

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

Radio Equipment

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

Other Equipment

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

General Liability Insurance

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

Workers' Compensation Insurance

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

Health Benefits Insurance

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

Retirement Benefits

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

Other Insurance

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

CITY OF STOCKTON

COMBINING STATEMENT OF NET ASSETS

- INTERNAL SERVICE FUNDS

JUNE 30, 2008

(With comparative totals as of June 30, 2007)

(Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
ASSETS				
Current assets:				
Cash and investments	\$ 2,113	\$ 3,066	\$ 1,526	\$ 2,031
Receivables:				
Accounts and other receivables	461	8	-	-
Allowance for uncollectibles	(133)	-	-	-
Total current assets	<u>2,441</u>	<u>3,074</u>	<u>1,526</u>	<u>2,031</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments with fiscal agents	6	-	-	-
Advances to other funds	-	-	-	-
Deferred charges	-	-	-	-
Pension asset	-	-	-	-
Capital assets	28,939	5,287	2,537	675
Accumulated depreciation	(19,861)	(4,204)	(1,788)	(566)
Total noncurrent assets	<u>9,084</u>	<u>1,083</u>	<u>749</u>	<u>109</u>
Total assets	<u>11,525</u>	<u>4,157</u>	<u>2,275</u>	<u>2,140</u>
LIABILITIES				
Current liabilities:				
Accounts payable	623	162	71	108
Deposits and other liabilities	-	-	-	-
Accrued interest	7	-	-	-
Compensated absences - current	119	131	4	3
Self-insurance claims and judgments - current	-	-	-	-
Other long-term debt - current	51	-	-	-
Total current liabilities	<u>800</u>	<u>293</u>	<u>75</u>	<u>111</u>
Noncurrent liabilities:				
Compensated absences - long-term	196	149	-	9
Self-insurance claims and judgments - long-term	-	-	-	-
Capital lease obligations	923	-	-	-
Bonds payable	-	-	-	-
Net OPEB obligation	-	-	-	-
Total noncurrent liabilities	<u>1,119</u>	<u>149</u>	<u>-</u>	<u>9</u>
Total liabilities	<u>1,919</u>	<u>442</u>	<u>75</u>	<u>120</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	8,104	1,083	749	109
Restricted for debt service	6	-	-	-
Unrestricted (deficit)	1,496	2,632	1,451	1,911
Total net assets (deficit)	<u>\$ 9,606</u>	<u>\$ 3,715</u>	<u>\$ 2,200</u>	<u>\$ 2,020</u>

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement Benefits	Other Insurance	Totals	
					2008	2007
\$ 2,933	\$ 30,285	\$ 1,632	\$ 7,339	\$ 4,759	\$ 55,684	\$ 48,951
105	300	59	49	-	982	541
-	-	-	-	-	(133)	(127)
<u>3,038</u>	<u>30,585</u>	<u>1,691</u>	<u>7,388</u>	<u>4,759</u>	<u>56,533</u>	<u>49,365</u>
-	-	-	87	-	93	10
530	-	-	-	-	530	-
-	-	125	1,557	-	1,682	1,672
-	-	-	126,105	-	126,105	123,675
-	-	-	-	-	37,438	36,860
-	-	-	-	-	(26,419)	(25,945)
<u>530</u>	<u>-</u>	<u>125</u>	<u>127,749</u>	<u>-</u>	<u>139,429</u>	<u>136,272</u>
<u>3,568</u>	<u>30,585</u>	<u>1,816</u>	<u>135,137</u>	<u>4,759</u>	<u>195,962</u>	<u>185,637</u>
48	72	254	-	-	1,338	878
80	52	3	-	-	135	135
-	-	-	2,282	-	2,289	1,616
9	14	7	-	2,998	3,285	3,232
1,770	6,245	3,812	-	-	11,827	11,266
-	-	-	20	-	71	250
<u>1,907</u>	<u>6,383</u>	<u>4,076</u>	<u>2,302</u>	<u>2,998</u>	<u>18,945</u>	<u>17,377</u>
1	5	11	-	546	917	2,402
2,279	33,852	-	-	-	36,131	33,383
-	-	-	-	-	923	-
-	-	-	125,040	-	125,040	125,060
-	-	24,608	-	-	24,608	-
<u>2,280</u>	<u>33,857</u>	<u>24,619</u>	<u>125,040</u>	<u>546</u>	<u>187,619</u>	<u>160,845</u>
<u>4,187</u>	<u>40,240</u>	<u>28,695</u>	<u>127,342</u>	<u>3,544</u>	<u>206,564</u>	<u>178,222</u>
-	-	-	-	-	10,045	10,915
-	-	-	87	-	93	10
<u>(619)</u>	<u>(9,655)</u>	<u>(26,879)</u>	<u>7,708</u>	<u>1,215</u>	<u>(20,740)</u>	<u>(3,510)</u>
<u>\$ (619)</u>	<u>\$ (9,655)</u>	<u>\$ (26,879)</u>	<u>\$ 7,795</u>	<u>\$ 1,215</u>	<u>\$ (10,602)</u>	<u>\$ 7,415</u>

CITY OF STOCKTON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2008 (With comparative totals for the year ended June 30, 2007) (Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
OPERATING REVENUES:				
Charges for services	\$ 8,095	\$ 7,982	\$ 1,203	\$ 1,714
Total operating revenues	8,095	7,982	1,203	1,714
OPERATING EXPENSES:				
Operation and maintenance	5,707	7,006	995	1,552
General and administrative	2,065	-	-	-
Depreciation and amortization	1,929	624	136	49
Total operating expenses	9,701	7,630	1,131	1,601
OPERATING INCOME (LOSS)	(1,606)	352	72	113
NON-OPERATING REVENUES (EXPENSES):				
Investment income:				
Interest income	12	-	-	-
Net increase (decrease) in fair value of investments	-	-	-	-
Gain (loss) from disposal of capital assets	28	5	-	(3)
Interest expense and fiscal charges	(26)	-	-	-
Other non-operating revenues	28	1	-	-
Total non-operating revenues (expenses)	42	6	-	(3)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,564)	358	72	110
Capital contributions	179	-	-	-
Transfers in	1,883	1,777	75	214
Transfers out	-	-	-	(1,922)
CHANGE IN NET ASSETS	498	2,135	147	(1,598)
NET ASSETS (DEFICIT), BEGINNING OF YEAR, AS RESTATED	9,108	1,580	2,053	3,618
NET ASSETS (DEFICIT), END OF YEAR	\$ 9,606	\$ 3,715	\$ 2,200	\$ 2,020

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement Benefits	Other Insurance	Totals	
					2008	2007
\$ 4,842	\$ 13,800	\$ 27,583	\$ 37,600	\$ 5,242	\$ 108,061	\$ 102,343
4,842	13,800	27,583	37,600	5,242	108,061	102,343
2,415	11,123	54,471	26,139	4,216	113,624	90,087
1,344	2,172	884	-	-	6,465	6,073
-	-	-	55	-	2,793	2,885
3,759	13,295	55,355	26,194	4,216	122,882	99,045
1,083	505	(27,772)	11,406	1,026	(14,821)	3,298
91	1,307	138	255	-	1,803	1,322
40	71	(44)	37	-	104	325
-	-	-	-	-	30	61
-	-	-	(6,871)	-	(6,897)	(1,616)
-	1	658	-	-	688	1,195
131	1,379	752	(6,579)	-	(4,272)	1,287
1,214	1,884	(27,020)	4,827	1,026	(19,093)	4,585
-	-	-	-	-	179	141
-	-	-	-	-	3,949	2,197
-	-	-	-	(1,130)	(3,052)	-
1,214	1,884	(27,020)	4,827	(104)	(18,017)	6,923
(1,833)	(11,539)	141	2,968	1,319	7,415	492
\$ (619)	\$ (9,655)	\$ (26,879)	\$ 7,795	\$ 1,215	\$ (10,602)	\$ 7,415

CITY OF STOCKTON

COMBINING STATEMENT OF CASH FLOWS

- INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

(With comparative totals for the year ended June 30, 2007)

(Dollar amounts in thousands)

	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 37	\$ 94	\$ -	\$ -
Receipts for interfund services provided	7,764	7,883	1,203	1,714
Payments to suppliers	(3,760)	(3,453)	(803)	(806)
Payments to employees	(3,633)	(3,650)	(159)	(494)
Payments for interfund services used	(40)	(46)	-	(177)
	<u>368</u>	<u>828</u>	<u>241</u>	<u>237</u>
Net cash provided by (used for) operating activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	1,883	1,777	75	214
Transfers out	-	-	-	(1,922)
Advances to other funds	-	-	-	-
	<u>1,883</u>	<u>1,777</u>	<u>75</u>	<u>(1,708)</u>
Net cash provided by (used for) noncapital financing activities				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sales of capital assets	33	10	-	-
Proceeds from debt	1,000	-	-	-
Principal paid on debt	(26)	-	-	-
Payment of pension asset	-	-	-	-
Purchases of capital assets	(2,452)	(179)	(7)	(38)
Interest paid on debt	(19)	-	-	-
	<u>(1,464)</u>	<u>(169)</u>	<u>(7)</u>	<u>(38)</u>
Net cash used for capital and related financing activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	12	-	-	-
	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	799	2,436	309	(1,509)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR				
	<u>1,320</u>	<u>630</u>	<u>1,217</u>	<u>3,540</u>
CASH AND CASH EQUIVALENTS, END OF YEAR				
	<u>\$ 2,119</u>	<u>\$ 3,066</u>	<u>\$ 1,526</u>	<u>\$ 2,031</u>

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement Benefits	Other Insurance	Totals	
					2008	2007
\$ 100	\$ 440	\$ 663	\$ -	\$ -	\$ 1,334	\$ 2,161
4,735	13,275	27,584	37,580	5,242	106,980	101,167
(2,720)	(8,042)	(29,441)	(28,393)	(1,440)	(78,858)	(79,634)
(1,228)	(2,344)	(674)	(178)	(4,110)	(16,470)	(13,479)
<u>(31)</u>	<u>(8)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(311)</u>	<u>(250)</u>
<u>856</u>	<u>3,321</u>	<u>(1,877)</u>	<u>9,009</u>	<u>(308)</u>	<u>12,675</u>	<u>9,965</u>
-	-	-	-	-	3,949	2,197
-	-	-	-	(1,130)	(3,052)	-
<u>(530)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(530)</u>	<u>-</u>
<u>(530)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,130)</u>	<u>367</u>	<u>2,197</u>
-	-	-	-	-	43	89
-	-	-	-	-	1,000	123,685
-	-	-	(250)	-	(276)	-
-	-	-	-	-	-	(123,675)
-	-	-	-	-	(2,676)	(2,507)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,205)</u>	<u>-</u>	<u>(6,224)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,455)</u>	<u>-</u>	<u>(8,133)</u>	<u>(2,408)</u>
<u>131</u>	<u>1,378</u>	<u>94</u>	<u>292</u>	<u>-</u>	<u>1,907</u>	<u>1,647</u>
457	4,699	(1,783)	2,846	(1,438)	6,816	11,401
<u>2,476</u>	<u>25,586</u>	<u>3,415</u>	<u>4,580</u>	<u>6,197</u>	<u>48,961</u>	<u>37,560</u>
<u>\$ 2,933</u>	<u>\$ 30,285</u>	<u>\$ 1,632</u>	<u>\$ 7,426</u>	<u>\$ 4,759</u>	<u>\$ 55,777</u>	<u>\$ 48,961</u>

(Continued)

CITY OF STOCKTON

COMBINING STATEMENT OF CASH FLOWS

- INTERNAL SERVICE FUNDS (Continued)

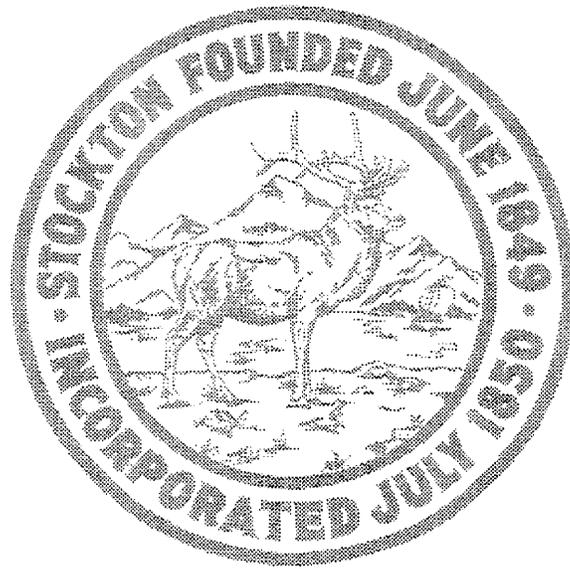
FOR THE YEAR ENDED JUNE 30, 2008

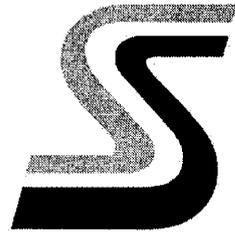
(With comparative totals for the year ended June 30, 2007)

(Dollar amounts in thousands)

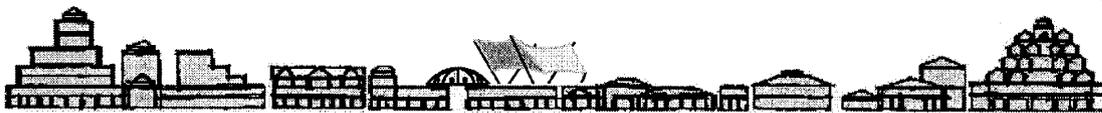
	Central Garage	Computer Equipment	Radio Equipment	Other Equipment
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,606)	\$ 352	\$ 72	\$ 113
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,929	624	136	49
Provision for uncollectible accounts	6	-	-	-
Self-insurance	-	-	-	-
Other non-operating revenues	28	1	-	-
Changes in assets and liabilities:				
Accounts and other receivables	(328)	(6)	-	-
Deferred charges	-	-	-	-
Pension asset	-	-	-	-
Accounts payable	374	(126)	32	93
Deposits and other liabilities	-	-	-	-
Compensated absences	(35)	(17)	1	(18)
Net OPEB obligation	-	-	-	-
Net cash provided by (used for) operating activities	<u>\$ 368</u>	<u>\$ 828</u>	<u>\$ 241</u>	<u>\$ 237</u>
NONCASH TRANSACTIONS:				
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ -	\$ -
Costs of issuance paid from bond proceeds	-	-	-	-
Donation of capital assets	179	-	-	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS:				
Cash and investments	\$ 2,113	\$ 3,066	\$ 1,526	\$ 2,031
Restricted assets:				
Cash with investments fiscal agents	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 2,119</u>	<u>\$ 3,066</u>	<u>\$ 1,526</u>	<u>\$ 2,031</u>

General Liability Insurance	Workers' Compensation Insurance	Health Benefits Insurance	Retirement Benefits	Other Insurance	Total	
					2008	2007
\$ 1,083	\$ 505	\$ (27,772)	\$ 11,406	\$ 1,026	\$ (14,821)	\$ 3,298
-	-	-	55	-	2,793	2,885
-	-	-	-	-	6	-
(229)	2,851	687	-	-	3,309	773
-	1	658	-	-	688	1,195
(7)	(86)	6	(20)	-	(441)	(168)
-	-	(65)	-	-	(65)	-
-	-	-	(2,430)	-	(2,430)	-
25	63	1	(2)	-	460	167
-	-	-	-	-	-	25
(16)	(13)	-	-	(1,334)	(1,432)	1,790
-	-	24,608	-	-	24,608	-
<u>\$ 856</u>	<u>\$ 3,321</u>	<u>\$ (1,877)</u>	<u>\$ 9,009</u>	<u>\$ (308)</u>	<u>\$ 12,675</u>	<u>\$ 9,965</u>
\$ 40	\$ 71	\$ (44)	\$ 37	\$ -	\$ 104	\$ 325
-	-	-	-	-	-	1,625
-	-	-	-	-	179	141
\$ 2,933	\$ 30,285	\$ 1,632	\$ 7,339	\$ 4,759	\$ 55,684	\$ 48,951
-	-	-	87	-	93	10
<u>\$ 2,933</u>	<u>\$ 30,285</u>	<u>\$ 1,632</u>	<u>\$ 7,426</u>	<u>\$ 4,759</u>	<u>\$ 55,777</u>	<u>\$ 48,961</u>





CITY OF STOCKTON



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, 2008 (Dollar amounts in thousands)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Land Secured Financing</u>				
ASSETS				
Cash and investments	\$ 38,550	\$ 32,455	\$ 34,489	\$ 36,516
Cash and investments with fiscal agents	21,399	77,641	67,645	31,395
Receivables:				
Interest	256	315	258	313
Accounts and other receivables	627	1,528	862	1,293
Total assets	<u>\$ 60,832</u>	<u>\$ 111,939</u>	<u>\$ 103,254</u>	<u>\$ 69,517</u>
LIABILITIES				
Accounts payable	\$ 19	\$ 1,059	\$ 25	\$ 1,053
Due to other governments	188	-	-	188
Deposits and other liabilities	60,625	26,373	18,722	68,276
Total liabilities	<u>\$ 60,832</u>	<u>\$ 27,432</u>	<u>\$ 18,747</u>	<u>\$ 69,517</u>
<u>Employee Withholdings</u>				
ASSETS				
Cash and investments	\$ 1,283	\$ 1,053	\$ 927	\$ 1,409
Total assets	<u>\$ 1,283</u>	<u>\$ 1,053</u>	<u>\$ 927</u>	<u>\$ 1,409</u>
LIABILITIES				
Due to other governments	\$ 854	\$ 937	\$ 856	\$ 935
Deposits and other liabilities	429	118	73	474
Total liabilities	<u>\$ 1,283</u>	<u>\$ 1,055</u>	<u>\$ 929</u>	<u>\$ 1,409</u>
<u>Area of Benefit Fees</u>				
ASSETS				
Cash and investments	\$ 10,475	\$ 1,825	\$ 498	\$ 11,802
Receivables:				
Interest	83	120	84	119
Total assets	<u>\$ 10,558</u>	<u>\$ 1,945</u>	<u>\$ 582</u>	<u>\$ 11,921</u>
LIABILITIES				
Accounts payable	\$ -	\$ 375	\$ 375	\$ -
Deposits and other liabilities	10,558	2,560	1,197	11,921
Total liabilities	<u>\$ 10,558</u>	<u>\$ 2,935</u>	<u>\$ 1,572</u>	<u>\$ 11,921</u>

(Continued)

CITY OF STOCKTON

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

- AGENCY FUNDS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2008
 (Dollar amounts in thousands)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Public Facilities Fees</u>				
ASSETS				
Cash and investments	\$ 2,276	\$ 10,996	\$ 7,069	\$ 6,203
Receivables:				
Interest	13	36	13	36
Accounts and other receivables	22	-	-	22
Total assets	<u>\$ 2,311</u>	<u>\$ 11,032</u>	<u>\$ 7,082</u>	<u>\$ 6,261</u>
LIABILITIES				
Accounts payable	\$ 108	\$ 6,256	\$ 6,364	\$ -
Due to other governments	2,203	11,143	7,085	6,261
Total liabilities	<u>\$ 2,311</u>	<u>\$ 17,399</u>	<u>\$ 13,449</u>	<u>\$ 6,261</u>
<u>Miscellaneous</u>				
ASSETS				
Cash and investments	\$ 4,656	\$ 20,318	\$ 20,753	\$ 4,221
Receivables:				
Interest	47	46	47	46
Accounts and other receivables	814	12,673	12,745	742
Total assets	<u>\$ 5,517</u>	<u>\$ 33,037</u>	<u>\$ 33,545</u>	<u>\$ 5,009</u>
LIABILITIES				
Accounts payable	\$ 51	\$ 1,113	\$ 1,123	\$ 41
Due to other governments	15	187	256	(54)
Deposits and other liabilities	5,451	20,175	20,604	5,022
Total liabilities	<u>\$ 5,517</u>	<u>\$ 21,475</u>	<u>\$ 21,983</u>	<u>\$ 5,009</u>
<u>All Other</u>				
ASSETS				
Cash and investments	\$ 472	\$ 285	\$ 272	\$ 485
Receivables:				
Interest	4	4	4	4
Accounts and other receivables	6	-	6	-
Due from other governments	-	1	-	1
Total assets	<u>\$ 482</u>	<u>\$ 290</u>	<u>\$ 282</u>	<u>\$ 490</u>
LIABILITIES				
Accounts payable	\$ 21	\$ 239	\$ 232	\$ 28
Deposits and other liabilities	461	303	302	462
Total liabilities	<u>\$ 482</u>	<u>\$ 542</u>	<u>\$ 534</u>	<u>\$ 490</u>

(Continued)

CITY OF STOCKTON

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

- AGENCY FUNDS (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

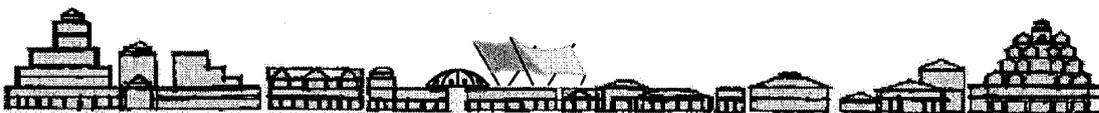
(Dollar amounts in thousands)

<u>Total</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
ASSETS				
Cash and investments	\$ 57,712	\$ 66,932	\$ 64,008	\$ 60,636
Cash and investments with fiscal agents	21,399	77,641	67,645	31,395
Receivables:				
Interest	403	521	406	518
Accounts and other receivables	1,469	14,201	13,613	2,057
Due from other governments	-	1	-	1
Total assets	<u>\$ 80,983</u>	<u>\$ 159,296</u>	<u>\$ 145,672</u>	<u>\$ 94,607</u>
LIABILITIES				
Accounts payable	\$ 199	\$ 9,042	\$ 8,119	\$ 1,122
Due to other governments	3,260	12,267	8,197	7,330
Deposits and other liabilities	77,524	49,529	40,898	86,155
Total liabilities	<u>\$ 80,983</u>	<u>\$ 70,838</u>	<u>\$ 57,214</u>	<u>\$ 94,607</u>



CITY OF STOCKTON

CAPITAL ASSETS
GOVERNMENTAL FUNDS



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

CITY OF STOCKTON

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

COMPARATIVE SCHEDULE BY SOURCE

JUNE 30, 2008

(With comparative totals as of June 30, 2007)

(Dollar amounts in thousands)

	2008	2007
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 37,195	\$ 35,014
Buildings and improvements	291,791	247,447
Infrastructure	406,045	394,692
Equipment	4,882	4,714
Public art collections	1,266	853
Construction in progress	96,392	131,679
	<u>837,571</u>	<u>814,399</u>
Total	<u>\$ 837,571</u>	<u>\$ 814,399</u>
INVESTMENTS IN GOVERNMENTAL FUND CAPITAL ASSETS BY SOURCE:		
General Fund	\$ 3,089	\$ 3,002
Special revenue funds	118,340	73,161
Capital projects funds	426,297	453,391
Donations	289,845	284,845
	<u>837,571</u>	<u>814,399</u>
Total	<u>\$ 837,571</u>	<u>\$ 814,399</u>

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

CITY OF STOCKTON

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION JUNE 30, 2008 (Dollar amounts in thousands)

	Land	Buildings and Improvements	Infrastructure	Equipment	Public Art Collections	Construction in Progress	Total
General government	\$ 1,690	\$ 46,303	\$ -	\$ 168	\$ -	\$ -	\$ 48,161
Public safety	4,693	44,212	-	3,425	-	-	52,330
Public works	5,045	2,308	398,738	218	-	-	406,309
Library	1,208	6,885	-	419	-	-	8,512
Parks and recreation	12,530	182,313	1,545	490	1,266	-	198,144
Other property	2,081	-	-	3	-	-	2,084
Redevelopment Agency	9,948	9,770	5,762	159	-	-	25,639
Construction in progress	-	-	-	-	-	96,392	96,392
Total	\$ 37,195	\$ 291,791	\$ 406,045	\$ 4,882	\$ 1,266	\$ 96,392	\$ 837,571

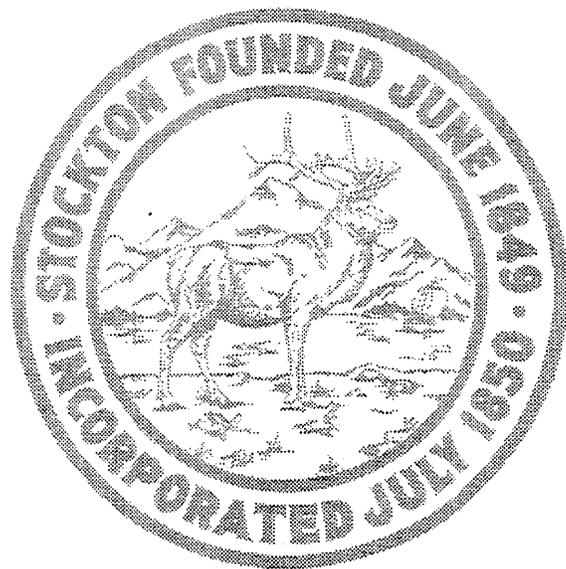
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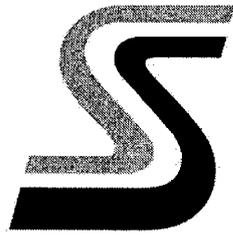
CITY OF STOCKTON

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION FOR THE YEAR ENDED JUNE 30, 2008 (Dollar amounts in thousands)

	Restated Balance 6/30/07	Additions	Deductions	Transfers & Adjustments	Balance 6/30/08
General government	\$ 8,830	\$ 1,283	\$ -	\$ 38,048	\$ 48,161
Public safety	51,966	469	-	(105)	52,330
Public works	395,194	5,074	-	6,041	406,309
Library	8,512	-	-	-	8,512
Parks and recreation	190,565	1,032	-	6,547	198,144
Other property	2,174	-	-	(90)	2,084
Redevelopment Agency	25,479	-	-	160	25,639
Construction in progress	<u>131,679</u>	<u>85,854</u>	<u>-</u>	<u>(121,141)</u>	<u>96,392</u>
Total	<u>\$ 814,399</u>	<u>\$ 93,712</u>	<u>\$ -</u>	<u>\$ (70,540)</u>	<u>\$ 837,571</u>

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





CITY OF STOCKTON

STATISTICAL SECTION



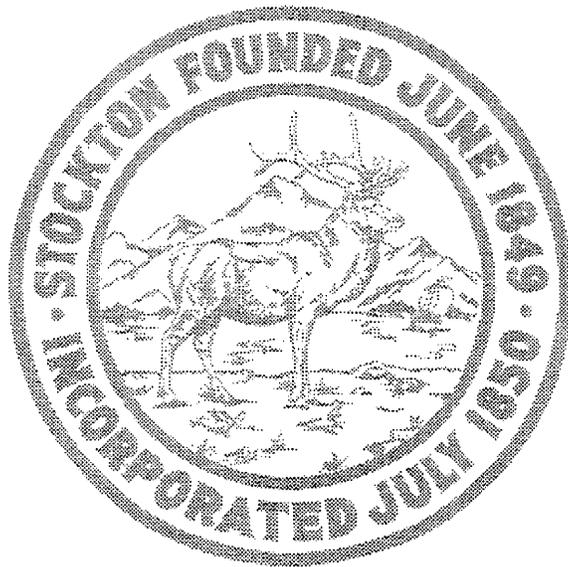
STATISTICAL SECTION

STATISTICAL SECTION

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	161-171
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.	172-179
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	180-187
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	188-189
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	191-198

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 SEVEN FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Governmental activities:							
Invested in capital assets, net of related debt	\$ 594,070	\$ 636,838	\$ 603,068	\$ 529,250	\$ 289,507	\$ 215,070	\$ 217,640
Restricted	172,088	161,995	154,758	134,804	143,431	144,275	132,692
Unrestricted	(21,053)	(338)	(8,497)	(19,407)	5,071	16,162	6,551
Total governmental activities net assets	\$ 745,105	\$ 798,495	\$ 749,329	\$ 644,647	\$ 438,009	\$ 375,507	\$ 356,883
Business-type activities:							
Invested in capital assets, net of related debt	\$ 399,813	\$ 387,198	\$ 368,222	\$ 348,229	\$ 302,497	\$ 265,548	\$ 221,398
Restricted	39,568	46,850	48,454	55,386	52,415	29,799	24,830
Unrestricted	39,138	32,645	30,465	30,282	48,023	83,815	95,269
Total business-type activities net assets	\$ 478,519	\$ 466,693	\$ 447,141	\$ 433,897	\$ 402,935	\$ 379,162	\$ 341,497
Primary government:							
Invested in capital assets, net of related debt	\$ 993,883	\$ 1,024,036	\$ 971,290	\$ 877,479	\$ 592,004	\$ 480,618	\$ 439,038
Restricted	211,656	208,845	203,212	190,190	195,846	174,074	157,522
Unrestricted	18,085	32,307	21,968	10,875	53,094	99,977	101,820
Total primary government net assets	\$ 1,223,624	\$ 1,265,188	\$ 1,196,470	\$ 1,078,544	\$ 840,944	\$ 754,669	\$ 698,380

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

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

Source: City of Stockton Department of Financial Management

CITY OF STOCKTON

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

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Expenses							
Governmental activities:							
General government	\$ 27,819	\$ 26,517	\$ 20,171	\$ 19,894	\$ 17,569	\$ 15,454	\$ 16,844
Public safety	181,187	161,895	149,512	145,703	125,837	126,815	106,062
Public works	134,737	59,897	36,481	33,328	42,848	46,031	30,895
Library	14,723	13,261	13,545	13,190	11,530	11,594	11,475
Parks and recreation	33,138	27,429	26,352	19,365	15,854	15,397	16,203
Interest and fiscal charges	17,921	11,746	4,136	4,346	13,081	11,954	11,186
Total governmental activities	\$ 409,525	\$ 300,745	\$ 250,197	\$ 235,826	\$ 226,719	\$ 227,245	\$ 192,665
Business-type activities:							
Water utility	22,070	21,750	19,063	14,809	15,548	14,672	13,742
Wastewater utility	40,045	42,084	36,458	31,607	32,674	29,427	25,743
Stormwater utility	6,696	7,219	6,009	5,653	6,910	5,657	4,612
Central parking district	5,002	4,238	3,162	2,487	2,585	2,260	1,978
Other	2,093	2,057	2,460	2,448	5,022	4,991	4,898
Total business-type activities	75,906	77,348	67,152	57,004	62,739	57,007	50,973
Total expenses	\$ 485,431	\$ 378,093	\$ 317,349	\$ 292,830	\$ 289,458	\$ 284,252	\$ 243,638
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 12,141	\$ 8,429	\$ 10,154	\$ 11,264	\$ 7,962	\$ 9,928	\$ 6,429
Public safety	30,738	32,447	37,603	39,329	29,960	46,677	29,272
Public works	30,429	21,140	35,054	23,733	21,683	8,693	5,675
Library	1,462	1,105	1,489	1,920	1,859	515	387
Parks and recreation	9,741	9,957	12,407	9,988	10,050	1,736	1,725
Operating grants and contributions	10,352	11,065	12,388	9,715	7,924	8,741	8,950
Capital grants and contributions	43,874	83,238	45,745	44,309	47,789	48,914	27,654
Total governmental activities	\$ 138,737	\$ 167,381	\$ 154,840	\$ 140,258	\$ 127,227	\$ 125,204	\$ 80,092
Business-type activities:							
Charges for services:							
Water utility	\$ 22,882	\$ 23,092	\$ 20,268	\$ 20,125	\$ 18,328	\$ 15,576	\$ 15,720
Wastewater utility	33,661	33,099	32,746	31,926	30,483	29,432	27,298
Stormwater utility	6,160	5,088	5,063	4,751	4,827	4,391	4,288
Central parking district	3,815	3,474	3,502	2,696	2,694	2,645	2,273
Other	2,065	1,988	2,284	2,433	4,639	7,428	6,670
Capital grants and contributions	13,251	23,721	20,324	28,655	31,535	37,765	15,824
Total business-type activities	81,834	90,462	84,187	90,586	92,506	97,237	72,073
Total program revenues	\$ 220,571	\$ 257,843	\$ 239,027	\$ 230,844	\$ 219,733	\$ 222,441	\$ 152,165
Net (Expense)/Revenue							
Governmental activities	\$ (270,788)	\$ (133,364)	\$ (95,357)	\$ (95,568)	\$ (99,492)	\$ (102,041)	\$ (112,573)
Business-type activities	5,928	13,114	17,035	33,582	29,767	40,230	21,100
Total net expense	\$ (264,860)	\$ (120,250)	\$ (78,322)	\$ (61,986)	\$ (69,725)	\$ (61,811)	\$ (91,473)

(Continued)

CITY OF STOCKTON

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

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
General Revenues and Other							
Changes in Net Assets:							
Governmental activities:							
Taxes:							
Property	\$ 63,998	\$ 60,015	\$ 47,495	\$ 33,723	\$ 28,365	\$ 23,449	\$ 20,742
In lieu of sales tax	10,164	11,070	9,274	8,750	-	-	-
Utility user	30,861	30,101	34,313	34,908	33,322	32,157	31,462
Sales - levied by city (1)	9,409	9,249	9,941	1,047	-	-	-
Franchise fees	11,537	10,817	10,333	9,812	5,725	5,623	5,364
Business licenses	10,772	10,285	11,222	8,960	8,014	7,899	6,691
Hotel/motel room	2,287	2,180	2,171	2,160	2,030	2,048	2,005
Document transfer	686	1,187	2,010	2,036	1,525	1,043	777
Special assessments	-	-	-	-	18,211	18,591	18,135
Other	246	257	218	373	187	174	254
Shared revenue:							
Vehicle License Fees	24,051	22,661	18,173	14,548	11,633	15,008	13,847
state (1)	36,098	36,745	42,063	37,198	40,333	36,628	35,812
Other	389	384	456	1,589	1,705	1,685	1,607
Investment earnings	15,007	11,436	3,457	5,554	1,243	5,310	7,944
Gain on sale of capital assets	88	-	-	-	496	449	99
Miscellaneous	756	786	1,010	6,603	1,652	2,896	4,047
Transfers	1,049	516	7,903	8,076	7,553	6,477	5,627
Total governmental activities	\$ 217,398	\$ 207,689	\$ 200,039	\$ 175,337	\$ 161,994	\$ 159,437	\$ 154,413
Business-type activities:							
Other taxes	\$ 1,055	\$ 981	\$ 713	\$ 733	\$ 675	\$ 596	\$ 580
Grants and contributions not	-	-	-	881	-	1,909	6,974
Investment earnings	5,892	5,973	3,399	3,842	808	4,052	5,864
Gain on sale of capital assets	-	-	-	-	76	-	-
Transfers	(1,049)	(516)	(7,903)	(8,076)	(7,553)	(6,477)	(5,627)
Total business-type activities	5,898	6,438	(3,791)	(2,620)	(5,994)	80	7,791
Total general revenues and other changes in net assets	\$ 223,296	\$ 214,127	\$ 196,248	\$ 172,717	\$ 156,000	\$ 159,517	\$ 162,204
Change in Net Assets							
Governmental activities	\$ (53,390)	\$ 74,325	\$ 104,682	\$ 79,769	\$ 62,502	\$ 57,396	\$ 41,840
Business-type activities	11,826	19,552	13,244	30,962	23,773	40,310	28,891
Total primary government	\$ (41,564)	\$ 93,877	\$ 117,926	\$ 110,731	\$ 86,275	\$ 97,706	\$ 70,731

(1) Measure W, Public Safety Tax, approved an additional .25% sales tax which was effective April 1, 2005 to hire 40 additional police officers and 40 additional firefighters. Fiscal 2006 included two additional months of revenue to align revenues to the month they were earned.

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

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

Source: City of Stockton Department of Financial Management

CITY OF STOCKTON

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

	Fiscal Year				
	2008	2007	2006	2005	2004
General Fund					
Reserved	\$ 13,498	\$ 13,231	\$ 8,352	\$ 6,958	\$ 6,117
Unreserved	9,627	15,761	23,116	16,506	11,730
Total General Fund	<u>\$ 23,125</u>	<u>\$ 28,992</u>	<u>\$ 31,468</u>	<u>\$ 23,464</u>	<u>\$ 17,847</u>
All other governmental funds					
Reserved	\$ 289,368	\$ 298,541	\$ 197,170	\$ 246,051	\$ 317,874
Unreserved, reported in:					
Special revenue funds	24,677	3,986	(20,727)	(57,435)	8,627
Debt service funds	38	(196)	(213)	(42)	(179)
Capital projects funds	(25,307)	(27,899)	(26,296)	(27,487)	(46,437)
Permanent Fund	333	297	252	265	207
Total all other governmental funds	<u>\$ 289,109</u>	<u>\$ 274,729</u>	<u>\$ 150,186</u>	<u>\$ 161,352</u>	<u>\$ 280,092</u>
Total Fund Balances	<u><u>\$ 312,234</u></u>	<u><u>\$ 303,721</u></u>	<u><u>\$ 181,654</u></u>	<u><u>\$ 184,816</u></u>	<u><u>\$ 297,939</u></u>

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

Source: City of Stockton Department of Financial Management

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

CITY OF STOCKTON

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

	Fiscal Year		
	2008	2007	2006
Revenues:			
Taxes:			
Property	\$ 63,998	\$ 60,015	\$ 47,495
In lieu of sales tax	10,164	11,070	9,274
Utility user	30,861	30,101	34,313
Sales (levied by city) (1)	9,409	9,249	9,941
Franchise fees	11,537	10,817	10,333
Business license	10,772	10,285	11,222
Hotel/motel room	2,287	2,180	2,171
Document transfer	686	1,187	2,010
Special assessments	-	-	-
Other	246	257	218
Licenses and permits	5,273	6,777	8,960
Federal grants and subsidies	13,617	26,532	21,529
Other shared revenue (sales and use tax levied by state) (1)	36,098	36,745	42,063
Other governmental	59,976	63,064	52,402
Charges for services	55,244	51,739	66,443
Fines and forfeitures	3,321	3,323	3,933
Use of money and property	12,922	9,709	6,274
Investment income:			
Interest income	11,585	8,551	2,702
Net increase (decrease) in fair value of investments	1,515	1,238	129
Refunds and reimbursements	4,253	8,199	8,284
Miscellaneous	8,515	9,163	8,707
Total revenues	\$ 352,279	\$ 360,201	\$ 348,403
Expenditures:			
Current:			
General government	\$ 22,285	\$ 20,030	\$ 23,935
Public safety	168,372	163,479	157,299
Public works	18,464	19,478	30,959
Library	13,432	12,648	13,283
Parks and recreation	27,185	25,747	25,637
Capital outlay	135,071	98,819	101,399
Debt service:			
Principal retirement	1,017	591	689
Cost of issuance	777	2,069	341
Interest and fiscal charges	10,771	7,892	4,314
Total expenditures	\$ 397,374	\$ 350,753	\$ 357,856
Excess (deficiency) of revenues			
Over (under) expenditures	\$ (45,095)	\$ 9,448	\$ (9,453)

Fiscal Year						
2005	2004	2003	2002	2001	2000	1999
\$ 33,723	\$ 28,365	\$ 23,449	\$ 20,742	\$ 19,035	\$ 17,584	\$ 16,747
8,750	-	-	-	-	-	-
34,908	33,322	32,157	31,462	31,188	25,468	24,160
1,047	-	-	-	-	-	-
9,812	5,725	5,623	5,364	5,255	4,222	4,630
8,960	8,014	8,065	6,897	6,643	6,133	5,714
2,160	2,030	2,048	2,005	1,994	1,559	1,385
2,036	1,525	1,043	777	692	478	1,095
-	18,211	18,591	18,135	15,877	15,680	16,591
193	187	174	254	174	154	132
11,112	9,977	11,444	5,493	3,758	3,333	2,507
10,465	11,301	15,598	9,188	18,073	8,535	11,838
35,904	40,333	36,628	35,812	36,323	31,722	27,265
44,737	35,330	40,025	42,250	40,706	38,588	24,804
61,903	57,316	43,181	32,117	26,557	26,044	20,665
3,250	1,905	1,490	1,552	1,445	1,115	899
3,370	1,640	2,011	1,806	1,416	1,467	1,701
4,686	5,000	5,422	6,686	9,069	6,422	5,654
333	(3,824)	(367)	715	2,866	(908)	(1,136)
5,524	3,213	4,864	3,310	2,822	1,250	7,098
11,662	6,314	8,791	6,661	5,884	7,521	6,414
\$ 294,535	\$ 265,884	\$ 260,237	\$ 231,226	\$ 229,777	\$ 196,367	\$ 178,163
\$ 23,520	\$ 22,812	\$ 16,321	\$ 16,182	\$ 14,591	\$ 13,185	\$ 11,498
142,211	123,948	112,668	102,626	91,308	85,462	80,322
27,346	38,122	33,987	15,206	12,721	12,183	10,059
12,391	11,303	10,475	10,403	9,636	8,800	8,443
17,931	14,937	13,330	13,433	12,034	10,653	9,638
108,560	60,827	60,390	60,652	65,957	49,950	32,199
669	8,356	9,654	7,290	7,085	5,198	6,570
22	2,177	983	466	-	-	-
4,183	12,460	11,937	10,814	10,430	9,479	9,221
\$ 336,833	\$ 294,942	\$ 269,745	\$ 237,072	\$ 223,762	\$ 194,910	\$ 167,950
\$ (42,298)	\$ (29,058)	\$ (9,508)	\$ (5,846)	\$ 6,015	\$ 1,457	\$ 10,213

(Continued)

CITY OF STOCKTON

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

	Fiscal Year		
	2008	2007	2006
Other financing sources (uses):			
Transfers in	\$ 59,991	\$ 78,825	\$ 45,192
Transfers out	(59,839)	(80,506)	(38,821)
Operating transfers out to a component unit	-	-	-
Issuance of long-term debt	53,436	110,509	14,608
Proceeds of current refunding bonds	-	-	-
Payment to refunding bond escrow agent - current refunding	-	-	-
Sales of capital assets	44	5	2
Advances from other funds	-	-	-
Current refunding	-	-	-
Payment to refunded bond escrow agent	-	-	(14,604)
Repayment of advances from other funds	-	-	-
Premiums on debt issuances	-	2,377	-
Discounts on debt issuances	(24)	-	(86)
Total other financing sources (uses)	\$ 53,608	\$ 111,210	\$ 6,291
Net change in fund balances	8,513	120,658	(3,162)
Fund balances, beginning of year	303,721	183,063	184,816
Residual equity transfers in	-	-	-
Residual equity transfers out	-	-	-
Fund balances, end of year	\$ 312,234	\$ 303,721	\$ 181,654
Debt service as a percentage of noncapital expenditures	4.2%	3.7%	2.1%

(1) Measure W, Public Safety Tax, approved an additional .25% sales tax which was effective April 1, 2005 to hire 40 additional police officers and 40 additional firefighters. Fiscal 2006 included two additional months of revenue to align revenues to the month they were earned.

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

Source: City of Stockton Department of Financial Management

Fiscal Year						
2005	2004	2003	2002	2001	2000	1999
\$ 46,449	\$ 64,132	\$ 71,393	\$ 38,960	\$ 28,561	\$ 20,609	\$ 18,449
(39,845)	(59,459)	(65,969)	(35,648)	(27,643)	(20,609)	(18,332)
-	-	-	-	-	(98)	(98)
592	79,713	38,110	32,946	6,275	16,945	3,100
-	-	-	-	2,744	11,610	8,775
-	-	-	-	(1,879)	(10,320)	(9,408)
2	5	719	-	171	104	35
-	-	-	-	-	-	5,733
-	-	-	-	(680)	(3,000)	-
-	-	(17,205)	-	-	-	-
-	-	-	-	(867)	(374)	(570)
-	1,637	-	-	-	-	-
-	(219)	(554)	(604)	-	-	-
<u>\$ 7,198</u>	<u>\$ 85,809</u>	<u>\$ 26,494</u>	<u>\$ 35,654</u>	<u>\$ 6,682</u>	<u>\$ 14,867</u>	<u>\$ 7,684</u>
(35,100)	56,751	16,986	29,808	12,697	16,324	17,897
219,916	241,188	224,202	194,394	201,332	185,383	167,983
-	-	-	-	15,951	-	-
-	-	-	-	(1,234)	(375)	(497)
<u>\$ 184,816</u>	<u>\$ 297,939</u>	<u>\$ 241,188</u>	<u>\$ 224,202</u>	<u>\$ 228,746</u>	<u>\$ 201,332</u>	<u>\$ 185,383</u>
2.2%	10.9%	12.1%	11.8%	12.5%	11.3%	13.2%

CITY OF STOCKTON

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

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Property (1)	\$ 63,998	\$ 60,015	\$ 47,495	\$ 33,723	\$ 28,365	\$ 23,449
In lieu of sales tax (2)	10,164	11,070	9,274	8,750	-	-
Utility user (3)	30,861	30,101	34,313	34,908	33,322	32,157
Sales (levied by city) (4)	9,409	9,249	9,941	1,047	-	-
Franchise fees (5)	11,537	10,817	10,333	9,812	5,725	5,623
Business licenses (6)	10,772	10,285	11,222	8,960	8,014	8,065
Hotel/motel room	2,287	2,180	2,171	2,160	2,030	2,048
Document transfer (7)	686	1,187	2,010	2,036	1,525	1,043
Special assessments (8)	-	-	-	-	18,211	18,591
Other	246	257	218	193	187	174
Totals	\$ 139,960	\$ 135,161	\$ 126,977	\$ 101,589	\$ 97,379	\$ 91,150

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

(2) Effective with fiscal year 2005, the City began receiving property tax in-lieu of sales tax under provisions of Proposition 1A approved by the voters of the State of California. 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. A mild winter combined with lower prices for natural gas and a rebate given to PG & E customers added to the overall reduction in revenue in 2007.

(4) Measure W, Public Safety Tax, approved an additional .25% sales tax which was effective April 1, 2005 to hire 40 additional police officers and 40 additional firefighters. Fiscal 2006 included two additional months of revenue to align revenues to the month they were earned.

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

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

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

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

Source: City of Stockton Department of Financial Management

Fiscal Year				
2002	2001	2000	1999	% Change 1999 to 2008
\$ 20,742	\$ 19,035	\$ 17,584	\$ 16,747	282%
-	-	-	-	-
31,462	31,188	25,468	24,160	28%
-	-	-	-	-
5,364	5,255	4,222	4,630	149%
6,897	6,643	6,133	5,714	89%
2,005	1,994	1,559	1,385	65%
777	692	478	1,095	-37%
18,135	15,877	15,680	16,591	-100%
254	174	154	132	86%
<u>\$ 85,636</u>	<u>\$ 80,858</u>	<u>\$ 71,278</u>	<u>\$ 70,454</u>	99%

CITY OF STOCKTON

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

	Fiscal Year			
	2008	2007	2006	2005
Secured roll	\$ 21,520,451	\$ 19,823,995	\$ 16,860,177	\$ 14,398,725
Utility roll	5,652	14,092	15,883	16,316
Unsecured roll	1,234,912	1,195,948	1,127,627	1,015,499
Gross assessed value	\$ 22,761,015	\$ 21,034,035	\$ 18,003,687	\$ 15,430,540
Less exemptions (1)	1,302,249	1,238,271	1,185,310	1,111,509
Net assessed value	\$ 21,458,766	\$ 19,795,764	\$ 16,818,377	\$ 14,319,031
Land	\$ 6,661,962	\$ 5,992,555	\$ 4,811,339	\$ 4,104,660
Improvements	15,092,621	14,034,608	12,251,910	10,509,572
Personal property	1,006,432	1,006,872	940,438	816,308
Gross assessed value	\$ 22,761,015	\$ 21,034,035	\$ 18,003,687	\$ 15,430,540
Less exemptions (1)	1,302,249	1,238,271	1,185,310	1,111,509
Net assessed value	\$ 21,458,766	\$ 19,795,764	\$ 16,818,377	\$ 14,319,031
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%

(1) For FY 2008, all exemptions (secured, utility, and unsecured rolls) are: homeowners - \$269,233 and other - \$1,033,016 = \$1,302,249

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					
2004	2003	2002	2001	2000	1999
\$ 12,567,832	\$ 11,300,938	\$ 10,201,671	\$ 8,719,177	\$ 8,347,987	\$ 8,165,852
15,054	12,683	13,536	15,364	17,038	14,893
951,164	904,354	834,424	799,923	775,627	786,120
\$ 13,534,050	\$ 12,217,975	\$ 11,049,631	\$ 9,534,464	\$ 9,140,652	\$ 8,966,865
1,061,968	1,003,662	952,815	902,578	780,309	755,604
\$ 12,472,082	\$ 11,214,313	\$ 10,096,816	\$ 8,631,886	\$ 8,360,343	\$ 8,211,261
\$ 3,532,906	\$ 3,132,565	\$ 2,756,278	\$ 2,439,069	\$ 2,373,758	\$ 2,329,276
9,220,951	8,350,637	7,579,417	6,381,458	6,089,228	5,984,645
780,193	734,773	713,936	713,937	677,666	652,944
\$ 13,534,050	\$ 12,217,975	\$ 11,049,631	\$ 9,534,464	\$ 9,140,652	\$ 8,966,865
1,061,968	1,003,662	952,815	902,578	780,309	755,604
\$ 12,472,082	\$ 11,214,313	\$ 10,096,816	\$ 8,631,886	\$ 8,360,343	\$ 8,211,261
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

CITY OF STOCKTON

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

Fiscal Year	Basic Countywide Levy	City	Total Direct	Stockton Unified School District (1)	Groundwater Investigation (2)	San Joaquin Delta College District	Total
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	0.0034	-	1.0037
1999	1.0000	-	1.0000	0.0206	0.0034	-	1.0240

(1) Stockton Unified School District Building Loan Repayment.

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

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

Source: San Joaquin County Tax Rate Book

CITY OF STOCKTON

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

Taxpayer	Fiscal Year					
	2008			1999		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Levine Investments Ltd PTP - Park West Place	\$ 80,623	1	0.398 %	-	-	-
Corn Products International Inc	64,845	2	0.320	\$ 98,256	1	1.324 %
Simpson Manufacturing Co Inc	59,834	3	0.295	-	-	-
Diamond Walnut Growers Inc	59,244	4	0.292	49,007	3	0.660
FR Net Lease Co-Invest Prog 10 LLC	43,000	5	0.212	-	-	-
Sherwood Mall LLC	42,088	6	0.208	-	-	-
WTM Glimcher LLC - Weberstown Mall	41,524	7	0.205	-	-	-
Pavilions Apartments LP	39,229	8	0.194	-	-	-
Inland WesternStkn Airport Way LLC - Cost Plus Inc	37,776	9	0.186	-	-	-
Toys R US Inc-TRU Properties Inc	37,691	10	0.186	23,232	7	0.313
Kaiser Foundation	-	-	-	89,370	2	1.204
Newark Group Inc	-	-	-	31,940	4	0.430
Washington Mutual Inc	-	-	-	26,954	5	0.363
Cargill Incorporated	-	-	-	23,376	6	0.315
Del Monte Corp.	-	-	-	18,824	8	0.254
American Honda Motor Company	-	-	-	18,660	9	0.251
Jennaro Properties	-	-	-	16,736	10	0.225
Principal Secured Property Valuation	\$ 505,854		2.497 %	\$ 396,355		5.339 %
Other Secured Taxpayers	21,014,597		103.718	7,769,497		104.667
Total Secured Property Valuation Before Exemptions	\$ 21,520,451		106.215 %	\$ 8,165,852		110.006 %
Less Exemptions relative to secured tax roll (1)	1,259,157		6.215	742,758		10.006
Total Secured Property Valuation	\$ 20,261,294		100.000 %	\$ 7,423,094		100.000 %

(1) Exemptions relative to secured tax roll are: FY 2008 - homeowners - \$269,059 and other - \$990,099 = \$1,259,157
FY 1999 - homeowners - \$229,618 and other - \$513,140 = \$742,758

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

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

CITY OF STOCKTON

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

Fiscal Year	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
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 TYPE OF CUSTOMER
LAST THREE FISCAL YEARS**

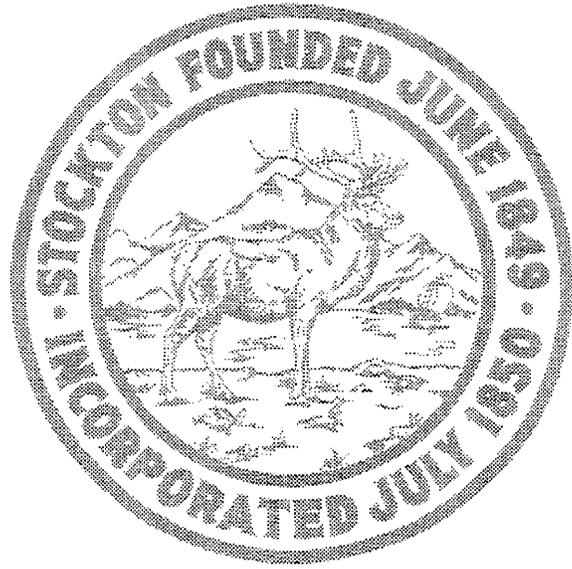
	Fiscal Year		
	2008	2007	2006 (1)
<u>Type of Customer</u>			
Residential	10,771,115 cf	11,995,309 cf	10,774,487 cf
Institutional	788,914	914,345	786,155
Commercial/Industrial	1,624,218	1,704,698	1,727,550
Irrigation	<u>1,832,861</u>	<u>1,786,611</u>	<u>1,379,830</u>
Total	<u>15,017,108</u> cf	<u>16,400,963</u> cf	<u>14,668,022</u> cf

cf = 100 cubic feet (748 gallons)

(1) Figures for 2006 have been restated.

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

Source: City of Stockton Department of Financial Management



CITY OF STOCKTON

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

<u>Fiscal Year</u>	<u>Water</u>		<u>Wastewater</u>	
	<u>Monthly Base Rate</u>	<u>Per 100 cf</u>	<u>Monthly Base Rate</u>	
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
1999	13.79	0.67		18.33

cf = 100 cubic feet (748 gallons)

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

The utility charges an excess use rate above normal demand.

Source: City of Stockton Department of Financial Management

CITY OF STOCKTON

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

Fiscal Year	Governmental Activities							Total Governmental Activities
	Revenue Bonds (1)	Certificates of Participation	Redevelopment Agency Revenue Bonds	Notes Payable	Special Assessment/Mello-Roos Bonds (1)	Pension Bonds		
2008	\$ 54,305	\$ 13,300	\$ 157,010	\$ 25,011	\$ -	\$ 125,060	\$ 374,686	
2007	13,860	13,300	157,185	12,862	-	125,310	322,517	
2006	13,965	13,300	47,000	13,024	-	-	87,289	
2005	-	27,330	47,000	12,835	-	-	87,165	
2004	98,060	27,550	47,000	12,692	106,927	-	292,229	
2003	102,720	27,760	-	8,270	82,122	-	220,872	
2002	109,415	14,665	-	8,680	76,861	-	209,621	
2001	111,005	14,860	-	-	51,486	-	177,351	
2000	115,145	14,860	-	-	47,822	-	177,827	
1999	106,941	-	-	-	59,995	-	166,936	

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

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

(2) See Table 17 for personal income and population data. These ratios are calculated using the latest available data, personal income for fiscal year 2007 and population for fiscal year 2008.

Sources: City of Stockton Department of Financial Management & Community Development Department
US Dept of Commerce, Bureau of Economic Analysis

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)
\$ 68,650	\$ 98,710	\$ 672	\$ -	\$ -	\$ 168,032	\$ 542,718	2.81 %	\$ 1,872
69,315	101,220	731	-	-	171,266	493,783	2.56	1,704
69,910	103,635	787	-	-	174,332	261,621	1.43	915
46,166	105,965	1,007	-	-	153,138	240,303	1.38	860
46,625	108,215	1,219	-	-	156,059	448,288	2.70	1,666
14,280	109,855	1,421	6,180	-	131,736	352,608	2.27	1,349
14,280	111,690	1,634	6,180	210	133,994	343,615	2.33	1,354
-	129,235	1,823	-	7,005	138,063	315,414	2.21	1,256
-	131,370	2,009	-	7,970	141,349	319,176	2.32	1,291
-	133,415	2,190	-	9,040	144,645	311,581	2.47	1,279

CITY OF STOCKTON

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

Fiscal Year	General Bonded Debt Outstanding					Total	Percent of Assessed Value (1) of Property	Per Capita
	Lease Revenue Bonds	Certificates of Participation	Pension Obligation Bonds	Redevelopment Agency Bonds				
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
1999	-	-	-	-		-	0.000	-

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

(1) Assessed value figures from S.J. County Auditor Controller have been used because the actual value of taxable property is not readily available in the State of California.

Source: City of Stockton Department of Financial Management
 San Joaquin County Auditor-Controller's Office

CITY OF STOCKTON

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

	Total Debt 6/30/2008	Percentage Applicable (1)	City's share of Debt 6/30/2008
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Joaquin Delta Community College District	\$ 80,176,115	30.332 %	\$ 24,319,019
Stockton Unified School District	256,960,000	80.440	206,698,624
Lodi Unified School District	104,520,000	38.018	39,736,414
Lodi Unified School District School Facilities Improvement District No. 1	50,000,000	86.256	43,128,000
Lincoln Unified School District	49,061,417	87.094	42,729,551
Lincoln Unified School District Community Facilities District No. 1	34,611,417	84.461	29,233,149
Manteca Unified School District	65,042,004	19.830	12,897,829
Manteca Unified School District Community Facilities District No. 1989-1	36,866,013	100.000	36,866,013
Tracy Joint Unified School District	33,020,000	0.005	1,651
City of Stockton Community Facilities District No. 1	26,185,000	100.000	26,185,000
City of Stockton Community Facilities District No. 90-1	5,565,000	100.000	5,565,000
City of Stockton Community Facilities District No. 90-2	23,405,000	100.000	23,405,000
City of Stockton Community Facilities District No. 90-4	9,988,256	100.000	9,988,256
City of Stockton Community Facilities District No. 96-1	3,260,000	100.000	3,260,000
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)	20,800,000	100.000	20,800,000
City of Stockton Community Facilities District No. 2003-1	3,075,000	100.000	3,075,000
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	64,511,744	100.000	64,511,744
Reclamation District No. 2042 Community Facilities District No. 2001-1	7,315,000	18.211	1,332,135
San Joaquin Area Flood Control Assessment District	10,680,000	81.537	8,708,152
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			631,560,537
OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	\$ 207,495,000	33.343 %	69,185,058
Lincoln Unified School District Certificates of Participation	3,260,000	87.094	2,839,264
Lodi Unified School District Certificates of Participation	49,000,000	38.018	18,628,820
Stockton Unified School District Certificates of Participation	50,305,000	80.440	40,465,342
South San Joaquin Irrigation District Certificates of Participation	4,500,000	1.209	54,405
TOTAL OVERLAPPING GENERAL FUND DEBT			131,172,889
TOTAL OVERLAPPING DEBT			762,733,426
DIRECT GENERAL FUND DEBT:			
City of Stockton General Fund Obligations	147,005,000	100.000	147,005,000
City of Stockton Pension Obligations	125,060,000	100.000	125,060,000
			272,065,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			403,237,889
Less: South San Joaquin Irrigation District (100% self-supporting)			54,405
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			403,183,484
GROSS COMBINED TOTAL DEBT (2)			1,034,798,426 (2)
NET COMBINED TOTAL DEBT			\$ 1,034,744,021
2007-08 Assessed Valuation:	\$19,281,142,316		
(after deducting 2,446,856,018 Redevelopment Incremental Valuation)			
2007-08 Population	289,927		
Debt Ratios		Per Capita	Value
Total Gross Debt	\$ 1,034,798,426	\$ 3,569	5,367 %
Total Net Debt	1,034,744,021	3,569	5,367
Ratios to 2007-08 Assessed Valuation: Total Overlapping Tax and Assessment Debt			2.910
Ratios to Adjusted Assessed Valuation: Combined Direct Debt	272,065,000		1.410
STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08:	\$1,683		

(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-Community Development Department

CITY OF STOCKTON

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

	Fiscal Year			
	2008	2007	2006	2005
Assessed valuation (1)	\$19,281,142	\$ 18,043,181	\$ 15,761,940	\$ 14,037,055
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 4,820,286	\$ 4,510,795	\$ 3,940,485	\$ 3,509,264
Debt limit percentage	15%	15%	15%	15%
Debt Limit	\$ 723,043	\$ 676,619	\$ 591,073	\$ 526,390
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ 723,043	\$ 676,619	\$ 591,073	\$ 526,390

(1) Reflects City assessed valuation with Redevelopment tax increments of \$2,446,856 and other exemptions of \$1,033,017 deducted.

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

Sources: City of Stockton Department of Financial Management
California Municipal Statistics, Inc., San Francisco, CA

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 12,313,597	\$ 11,246,185	\$ 10,192,890	\$ 8,699,045	\$ 8,449,173	\$ 8,318,150
25%	25%	25%	25%	25%	25%
\$ 3,078,399	\$ 2,811,546	\$ 2,548,223	\$ 2,174,761	\$ 2,112,293	\$ 2,079,538
15%	15%	15%	15%	15%	15%
\$ 461,760	\$ 421,732	\$ 382,233	\$ 326,214	\$ 316,844	\$ 311,931
-	-	-	-	-	-
<u>\$ 461,760</u>	<u>\$ 421,732</u>	<u>\$ 382,233</u>	<u>\$ 326,214</u>	<u>\$ 316,844</u>	<u>\$ 311,931</u>

CITY OF STOCKTON

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

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Water Revenue Bonds							
2008	\$ 25,135	\$ 18,010	\$ 7,125	\$ 540	\$ 1,722	\$ 2,262	\$ 3.16
2007	25,327	17,687	7,640	510	1,749	2,259	3.38
2006	21,130	15,631	5,499	486	1,050	1,536	3.58
2005	20,690	12,158	8,532	460	647	1,107	7.71
2004	18,391	13,324	5,067	440	671	1,111	4.56
2003	16,332	12,320	4,012	-	614	614	6.53
2002	16,943	11,295	5,648	-	887	887	6.37
2001	16,161	11,305	4,856	355	906	1,261	3.85
2000	14,616	9,873	4,743	335	922	1,257	3.77
1999	13,814	10,294	3,520	320	938	1,258	2.80
Wastewater Certificates of Participation							
2008	\$ 36,852	\$ 25,633	\$ 11,219	\$ 2,510	\$ 4,867	\$ 7,377	\$ 1.53
2007	36,413	27,791	8,622	2,415	4,959	7,374	1.17
2006	34,877	22,357	12,520	2,330	5,044	7,374	1.70
2005	34,603	17,526	17,077	2,250	5,126	7,376	2.32
2004	31,222	22,418	8,804	1,640	5,079	6,719	1.31
2003	32,413	22,949	9,464	1,935	5,583	7,518	1.26
2002	31,313	20,859	10,454	1,855	5,661	7,516	1.39
2001	33,206	18,430	14,776	1,780	5,736	7,516	1.97
2000	32,973	20,504	12,469	1,710	5,807	7,517	1.66
1999	34,255	20,090	14,165	300	5,931	6,231	2.27

(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			Coverage
				Principal	Interest	Total	
Central Parking District Lease Revenue Bonds							
2008	\$ 5,141	\$ 2,562	\$ 2,579	\$ 125	\$ 1,647	\$ 1,772	\$ 1.46
2007	4,708	2,205	2,503	85	1,652	1,737	1.44
2006	4,527	2,021	2,506	-	1,653	1,653	1.52
2005	3,873	1,957	1,916	-	1,130	1,130	1.70
2004	3,337	1,861	1,476	6,180	385	6,565	0.22
2003	3,283	1,359	1,924	210	301	511	3.77
2002	2,949	1,245	1,704	6,799	245	7,044	0.24
2001	2,453	1,192	1,261	555	553	1,108	1.14
2000	2,353	1,082	1,271	515	573	1,088	1.17
1999	2,230	1,087	1,143	490	606	1,096	1.04

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

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

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

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

Source: City of Stockton Department of Financial Management

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
2008	289,927	n/a	n/a	10.0 %	127,200	96,553	3.09	\$ 61,300	91,744
2007	289,789	\$ 19,286	\$ 28,743	9.3	120,800	95,864	3.11	60,300	83,440
2006	286,041	18,125	27,272	7.2	120,000	94,409	3.05	57,100	77,982
2005	279,513	17,257	26,239	9.4	119,214	91,725	3.13	55,300	72,097
2004	269,100	16,573	25,527	9.6	118,127	88,826	3.11	55,100	67,674
2003	261,300	15,543	24,620	11.0	121,133	85,988	3.12	50,600	61,853
2002	253,800	14,747	24,150	10.2	116,126	84,303	3.08	47,500	61,006
2001	251,100	14,281	24,086	8.2	111,767	82,798	3.06	46,900	57,970
2000	247,300	13,757	24,209	8.3	109,226	82,042	3.04	45,400	59,451
1999	243,700	12,632	22,867	10.2	106,349	80,465	3.03	44,300	64,059

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 Financial Management & Community Development Department
CA Dept of Finance and Employment Development Department
US Dept of Commerce, Bureau of Economic Analysis
US Dept of HUD

CITY OF STOCKTON

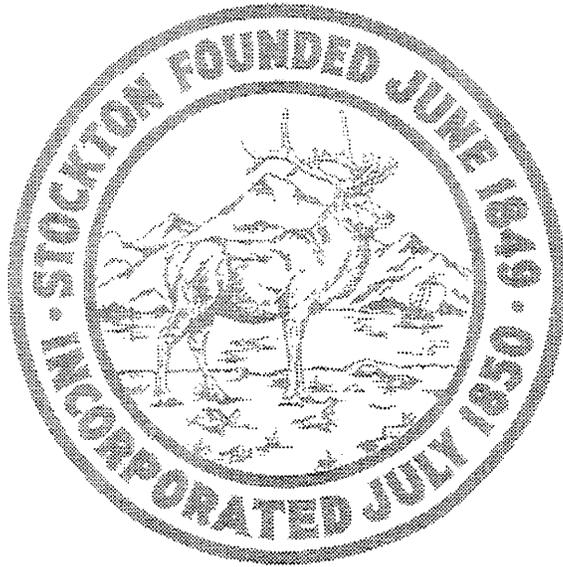
**TABLE 18
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year					
	Current			Nine Years Ago		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
San Joaquin County (1)	6,700	1	5.27 %	3,430	2	3.23 %
Stockton Unified School District	4,100	2	3.22	5,800	1	5.45
St. Joseph's Medical Center	2,650	3	2.08	2,000	4	1.88
City of Stockton	1,754	4	1.38	1,600	5	1.50
Dameron Hospital	1,200	5	0.94	1,036	9	0.97
Kaiser Permanente	1,060	6	0.83	-	-	-
University of the Pacific	1,000	7	0.79	-	-	-
Diamond Walnut	1,000	8	0.79	-	-	-
California Department of Transportation	750	9	0.59	-	-	-
Washington Mutual	650	10	0.51	-	-	-
San Joaquin General Hospital (1)	-	-	-	3,000	3	2.82
Del Monte Foods USA	-	-	-	1,200	6	1.13
Lipton	-	-	-	1,200	7	1.13
Pacific Gas and Electric	-	-	-	1,100	8	1.03
San Joaquin Delta College	-	-	-	1,035	10	0.97
Total	20,864		16.40 %	21,401		20.12 %

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

Note: Principal employers are based on best available information.

Sources: City of Stockton Economic Development and Human Resources Departments



CITY OF STOCKTON

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

Function/Program/Department:	Fiscal Year		
	2008	2007	2006
Financial Management (1)	58	57	86
City Attorney	16	17	18
City Auditor	7	6	5
City Clerk	8	8	8
City Council	2	2	3
City Manager	28	26	27
Community Development	51	53	46
Housing (2)	12	10	Inc. in Econ. Dev.
Human Resources	26	24	24
Information Technology (1)	42	35	Inc. in Fin.Mgmt.
Economic Development (2)	3	4	24
Police:			
Sworn	410	408	408
Non-sworn	215	201	205
Animal control	16	15	18
Total Police	641	624	631
Fire:			
Firefighters-sworn	257	266	275
Firefighters-auxiliary	45	35	25
Non-sworn personnel	28	28	32
Paramedic teams (2 per team)	-	-	13
Total Fire	330	329	345
Public Works	176	170	168
Library	91	92	86
Parks and Recreation	95	98	99
Redevelopment (2)	18	16	Inc. in Econ. Dev.
Water Utility (3)	33	5	3
Wastewater Utility (3)	107	17	12
Stormwater Utility (3)	7	-	2
Central Parking District	3	2	2
Total	1,754	1,595	1,589

(1) Information Technology was reported in the Financial Management total for 2006.

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

(3) Municipal Utility functions were returned to the City March 1, 2008.

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 THREE FISCAL YEARS**

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

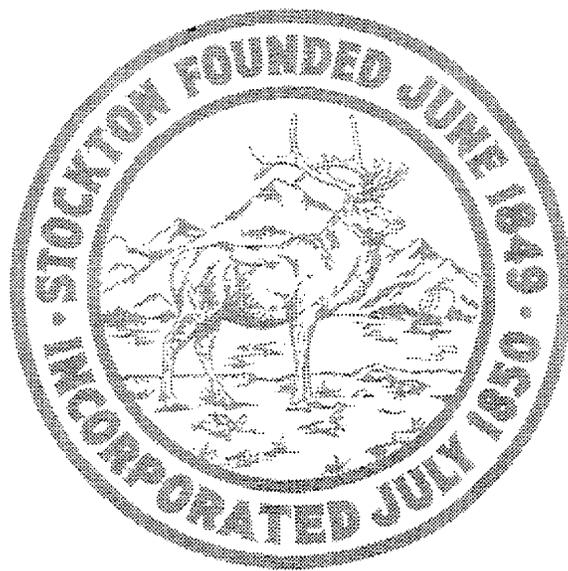
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CITY OF STOCKTON

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

	Fiscal Year		
	2008	2007	2006
Library:			
Registered borrowers	307,991	280,028	246,983
Circulation of library materials	2,110,819	2,003,983	2,073,852
Reference, research and informational questions answered	415,195	461,328	336,650
Annual attendance at libraries	1,524,719	1,946,347	1,587,653
Number of programs offered	2,930	2,140	2,003
Annual attendance at programs	90,216	51,184	53,222
Parks and recreation:			
Boat launches	n/a	4,527	n/a
Golf rounds:			
Lyons golf course (1)	-	-	23,513
Swenson Park golf course	57,731	57,976	59,670
Van Buskirk golf course	24,655	27,371	24,180
Trees planted	660	1,133	882
Heritage tree removal-permits issued	19	10	16
After school program registration (number of participants) (2)	90,074	2,700	2,000 @ 54 sites
Day camps in winter (number of participants)	177	187	114
Day camps in summer (number of participants)	1,434	1,467	2,359
Day camps at Children's Museum (number of participants)	1,010	2,084	2,131
Day camps in spring (number of participants)	217	283	n/a
Day camps in fall (number of participants)	453	243	n/a
Mobile recreation programs (number of participants) (2)	304	765	800
Instructional classes	4,064	3,142	132
Softball/baseball diamonds bookings	2,794	2,909	2,773
Showmobile bookings	23	33	31
Community center bookings	59	222	12
Picnic facility bookings	668	669	583
Adult sports (number of teams):			
Softball	573	701	610
Basketball	110	139	52
Volleyball	0	8	10
Youth sports (basketball, track, soccer, baseball, volleyball, flag football) (number of participants) (2)	6,652	2,889	12,499

(Continued)



CITY OF STOCKTON

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

	Fiscal Year		
	2008	2007	2006
Admissions to:			
Pixie Woods	32,614	34,037	42,320
Swimming pools	19,816	9,697	12,720
Teen Center	15,661	15,141	15,000
Silver Lake	1,652	1,832	1,798
Children's Museum	54,388	58,432	55,969
Oak Park Tennis	18,098	19,395	n/a
Senior Center memberships	1,779	790	469
Civic Auditorium bookings	231	164	309
Parks and Recreation sponsored events	28	31	9
Philomathean Club bookings	0	-	6
Weber Point Events Center bookings	25	23	27
Housing:			
Rental Housing Units	91	42	22
Owner Housing (Emergency Repair or Rehabilitation)	11	25	27
Down Payment Assistance	21	20	20
Special Needs (Homes Repaired or Rehabilitated)	9	18	45
Public Facilities (Rehabilitated or Constructed)	1	3	-
Façade Program (Commercial Façade Repair/Rehabilitated)	9	10	9
Public Services Provided	18,060	22,865	22,456
Homeless Services Provided	10,658	4,744	4,657
Meals Provided to Homeless	388,061	330,814	335,923
Water utility:			
New connections	450	798	2,563
Water main breaks	22	17	20
Wastewater utility:			
Average daily treatment (million gal/day)	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.

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 FOUR FISCAL YEARS**

	Fiscal Year			
	2008	2007	2006	2005
General government:				
Land use-square miles:				
Residential	33.04	33.31	33.29	32.93
Mixed use	1.61	1.62	1.62	1.62
Commercial	5.46	6.05	5.92	4.99
Industrial	10.56	11.01	10.99	10.97
Institutional	5.29	4.86	4.86	4.86
All other uses	3.22	3.63	3.71	3.26
Total square miles	59.18	60.48	60.39	58.63
Public safety:				
Police:				
Facilities:				
Stations and substations	5	5	5	4
Animal control facility	1	1	1	1
Police training facility (pistol range)	1	1	1	1
Vehicles:				
Marked patrol cars	175	140	119	127
Motorcycles and scooters	42	42	30	27
Animal control vehicles	9	9	9	9
VIPS vehicles	7	5	5	5
Other automobiles	131	131	125	122
Other mobile units (all others)	40	37	37	37
Public area security cameras	76	34	32	23
Fire:				
Fire stations	13	13	13	13
Training facilities	1	1	1	1
Fire hydrants	8,508	8,503	8,338	7,087
Public works:				
Miles of streets	754	750	734	706
Traffic signals	291	290	284	278
Street lights	21,000	19,682	19,164	n/a

(Continued)

CITY OF STOCKTON

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

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

(Continued)

CITY OF STOCKTON

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

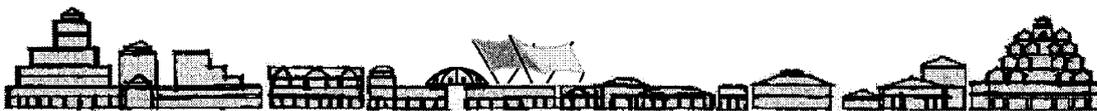
	Fiscal Year			
	2008	2007	2006	2005
Library:				
Central library	1	1	1	1
City branches	4	4	3	3
Library mobile units	2	2	2	2
San Joaquin County branches	8	8	7	7
Total items in collection	1,109,819	1,097,783	1,055,726	1,152,475
Cargo delivery van	2	2	1	1
Cargo van	1	1	1	1
Undeveloped land for branch library	2	5	2	2
Integrated library system	1	1	1	1
Microform readers	5	5	5	5
Microform readers/printers	3	3	3	3
Self check out machines	14	14	13	13
Water utility:				
Water main lines	641	586	520	480
Storage capacity (thousand gallons)	18,800	15,800	15,800	15,800
Water wells	40	40	39	37
Water reservoirs	6	5	5	5
Wastewater utility:				
Wastewater main lines (miles)	1,033	987	875	820
Treatment capacity (million gals/day)	48	48	42	42
Wastewater pump stations	26	24	24	24
Stormwater utility:				
Stormwater main drain lines (miles)	802	650	584	550
Stormwater pump stations	73	73	72	72
Central parking district:				
Parking spaces	5,262	4,745	4,745	n/a
Parking lots	20	19	19	n/a

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

Source: City of Stockton Departments



CITY OF STOCKTON



SINGLE AUDIT SECTION

SINGLE AUDIT SECTION



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City Council
City of Stockton
Stockton, California

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

Compliance

We have audited the compliance of the City of Stockton, California (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 08-4 and 08-5.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 08-4 and 08-5 to be significant deficiencies.

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. The significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 08-4 and 08-5, we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 10, 2008. Our report contained an explanatory paragraph discussing the City's implementation of the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and 27)* during the year ended June 30, 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 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 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
November 10, 2008



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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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 10, 2008. Our report contained an explanatory paragraph discussing the City's implementation of the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and 27)* during the year ended June 30, 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 City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 08-1, 08-2, 08-3, 08-4, and 08-5 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. We believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Stockton, in a separate letter dated November 10, 2008.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 10, 2008

**CITY OF STOCKTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008
(Dollar Amounts in Thousands)**

Federal Department

Federal Agency

Pass-Through Agency (if not direct)

Program Title	CFDA No.	Grant Period	Grant Number	Receipts		Expenditures	
				Federal	Local	Federal	Local
Department of Housing and Urban Development							
Direct							
Community Development Block Grants/ Entitlement Grants	14.218	07/01/07-06/30/08	B-07-MC-060026	\$ 5,081	\$ -	\$ 4,302	\$ -
Community Development Block Grants/ Entitlement Grants (2007 loan balance)	14.218		loans with continuing compliance requirements	-	-	9,249	-
Community Development Block Grants/ Entitlement Grants	14.218		program income	458	-	918	-
Total Community Development Block Grants Entitlement Grants				5,539	-	14,469	-
Emergency Shelter Grants Program	14.231	07/01/07-06/30/08	S-07-MC-060026	225	-	217	-
HOME Investment Partnerships Program	14.239	07/01/07-06/30/08	M-07-MC-060021	1,813	-	2,412	-
HOME Investment Partnerships Program (2007 loan balance)	14.239		loans with continuing compliance requirements	-	-	12,875	-
HOME Investment Partnerships Program	14.239		program income	467	-	467	-
Total HOME Investment Partnerships Program				2,280	-	15,754	-
Community Development Block Grants/ Brownfields Economic Development Initiative	14.246	07/01/07-06/30/08	B-05-SP-CA-0718	-	-	3	-
Community Development Block Grants - Section 108 Loan Guarantees	14.248	07/01/07-06/30/08	B-03-MC-060026	12,300	-	245	-
HUD Cameras	14.unknown			101	-	87	-
Housing Authority of the County of San Joaquin Public Housing Drug Elimination Program P.D.	14.854	01/01/08-12/31/09	CA-024	296	-	301	-
Total Department of Housing and Urban Development				20,741	-	31,076	-
Department of Interior							
Direct							
U.S. Geological Survey - Research and Data Collection	15.808	10/1/06-1/31/08	06WRAG0035	17	-	17	-
Total Department of Interior				17	-	17	-
Department of Justice							
Direct							
Local Law Enforcement Block Grant Program	16.592	07/01/07-06/30/11	2007 F3402	99	-	50	-
Public Safety Partnership and Community Policing Grants	16.710	11/22/05-11/21/08	2006CKWX0195	41	-	5	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07/01/06-06/30/11	2007F3402-CA-DJ	-	-	55	-
State of California Corrections Standards Authority Juvenile Accountability Block Grants	16.523	07/01/06-06/30/07	CSA 182-07	-	2	14	2

(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, 2008
(Dollar Amounts in Thousands)**

Federal Department

Federal Agency

Pass-Through Agency (if not direct)

Program Title	CFDA No.	Grant Period	Grant Number	Receipts		Expenditures	
				Federal	Local	Federal	Local
Department of Justice (Continued)							
State of California Office of Emergency Services							
Violence Against Women Formula Grants	16.588	01/01/08-12/31/08	LE07 05 8019	-	17	40	17
Violence Against Women Formula Grants	16.588	07/01/06-12/31/07	LE06 04 8019	69	16	48	16
Total Violence Against Women Formula Grants				69	33	88	33
Anti-Gang Initiative	16.744	07/01/07-09/30/08	AG07 01 8019	-	-	35	-
San Joaquin County District Attorney's Office							
Edward Byrne Memorial Formula Grant Program	16.579	07/01/07-06/30/08	DC06 17 0390	\$ 170	\$ -	\$ 184	\$ -
Edward Byrne Memorial Formula Grant Program	16.579		asset seizures	208	-	55	-
Edward Byrne Memorial Formula Grant Program	16.579		asset seizures	40	-	106	-
Total Edward Byrne Memorial Formula Grant Program				418	-	345	-
State of California Peace Officer's Association							
Community Prosecution and Project Safe Neighborhoods	16.609	01/01/05-06/30/05	2004-PSN-1010	11	-	(14)	-
Community Prosecution and Project Safe Neighborhoods	16.609	07/01/05-06/30/06	2004-PSN-1010	73	7	-	7
Community Prosecution and Project Safe Neighborhoods	16.609	07/01/06-12/31/06	2004-PSN-1010	22	75	22	75
Total Community Prosecution and Project Safe Neighborhoods				106	82	8	82
Total Department of Justice				733	117	600	117
Department of Transportation							
State of California Department of Transportation							
Highway Planning and Construction	20.205	03/27/03-06/30/12	BRLS-5008(055)	42	43	154	43
Highway Planning and Construction	20.205	01/08/03-06/30/12	STPLH-5008(061)	15	-	-	-
Highway Planning and Construction	20.205	09/01/07-08/31/09	STPLR-7500(069)	-	-	6	-
Highway Planning and Construction	20.205	08/19/03-06/30/09	STPLH-5008(069)	-	-	7	-
Highway Planning and Construction	20.205	03/30/04-06/30/12	BHLO-5008(070)	70	-	-	-
Highway Planning and Construction	20.205	08/02/04-06/30/14	STPLN-5008(072)	7,016	7,833	3,375	7,833
Highway Planning and Construction	20.205	08/23/05-06/30/12	CML-5008(074)	158	21	46	21
Highway Planning and Construction	20.205	12/15/06-06/30/12	BPMP-5008(076)	12	2	15	2
Highway Planning and Construction	20.205	08/19/03-06/30/12	RPSTPLE-5008(077)	-	-	41	-
Highway Planning and Construction	20.205	10/11/07-06/30/13	RPSTPLE-5008(077)	-	1,234	224	1,234
Highway Planning and Construction	20.205	06/27/07-06/30/17	HPLULN-5008(079)	-	1,546	934	1,546
Highway Planning and Construction	20.205	10/01/04-9/30/06	RS0522	-	-	-	-
Total Highway Planning and Construction				7,313	10,679	4,802	10,679
State of California Office of Traffic Safety							
State and Community Highway Safety	20.600	10/01/07-01/31/11	AL0837	11	-	18	-
State and Community Highway Safety	20.600	05/01/05-05/31/07	PT0563	30	-	-	-
State and Community Highway Safety	20.600	10/01/06-09/30/08	PT0746	369	-	301	-
State and Community Highway Safety	20.600	03/01/07-09/30/07	CT073901	69	-	-	-
State and Community Highway Safety	20.600	10/01/07-07/31/08	CT08420	-	-	15	-
State and Community Highway Safety	20.600	10/01/06-09/30/07	EM0708	281	-	19	-
Total State and Community Highway Safety				760	-	353	-
Total Department of Transportation				8,073	10,679	5,155	10,679

(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, 2008
(Dollar Amounts in Thousands)**

Federal Department				Receipts		Expenditures	
Federal Agency	CFDA	Grant	Grant	Federal	Local	Federal	Local
Pass-Through Agency (if not direct)	No.	Period	Number				
Program Title							
National Endowment of the Arts							
Direct							
Promotion of the Arts - Grants to Organizations and Individuals	45.024	01/01/08-06/30/08	27702	8	-	10	-
Total National Endowment of the Arts				8	-	10	-
Department of Health and Human Services							
National Association of City and County Health Officials							
Medical Reserve Corps Small Grant Program	93.008	05/07/07-07/31/07	1MRCSG061001-01	\$ 5	\$ -	\$ 3	\$ -
Total Department of Health and Human Services				5	-	3	-
Department of Homeland Security							
Direct							
Assistance to Firefighters Grant	97.044	05/25/07-05/24/08	EMW-2006-FP-02395	49	-	49	-
Metropolitan Medical Response System	97.071	10/01/04-03/31/07	EMW-2004-GR0712	-	-	36	-
Buffer Zone Protection Program (BZPP)	97.078	07/01/06-09/30/08	2006-BZ-T6-0045	-	-	180	-
Total Department of Homeland Security				49	-	265	-
TOTAL FEDERAL ASSISTANCE				\$ 29,626	\$ 10,796	\$ 37,126	\$ 10,796

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, 2008

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, 2008. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the SEFA. The City's reporting entity is defined in Note 1 to the City's financial statements.

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

NOTE B – BASIS OF ACCOUNTING

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

NOTE C – LOAN GUARANTEES

The City entered into three loan guarantee agreements with the U.S. Department of Housing and Urban Development (CFDA No. 14.248) to complete redevelopment projects. The loan amounts are for a maximum of \$3,000,000, \$10,000,000, and \$12,500,000 each. The City drew down an additional \$12,300,000 on the third loan during the year, however only \$245,000 was expended during the year. The balance of \$12,055,000 was being held in a fiscal agent account at June 30, 2008 and is expected to be expended during the year ending June 30, 2009. Principal of \$490,000 was paid on these loans during fiscal year 2008; \$110,000, \$380,000, and \$0, respectively; leaving outstanding balances of \$2,360,000, \$8,055,000, and \$12,500,000, respectively, as of June 30, 2008. Final payment on the first two loans is due in August 2020; the third is due in August 2025. Interest is calculated at a variable rate based on the London Interbank Offered Rate (LIBOR) plus 20 basis points per annum. Accumulated interest will be recognized as expenditures when paid. Repayment of the loans will be financed from Community Development Block Grant entitlement funds.

CITY OF STOCKTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

NOTE D – SUBRECIPIENTS

Federal assistance provided to subrecipients is summarized as follows:

Federal Agency Program Title	Federal CFDA #	Subrecipient	Expended
Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218	San Joaquin Fair Housing	\$ 139,301
		Alcohol/Drug Awareness	106,965
		Boys and Girls Club	20,461
		Second Harvest Food Bank	8,316
		San Joaquin County Hispanic Disability Recource Center	17,955
		San Joaquin Delta College	3,685
		St. Mary's Day Worker Program	52,414
			4,654
Emergency Shelter Grants Program	14.231	San Joaquin County Neighborhood Preservation	216,474
			<u>\$ 570,225</u>

NOTE E – HOUSING AND REHABILITATION PROGRAM LOANS

The City participates in federal housing and rehabilitation programs whereby funds have been received in the current year and prior years for housing and rehabilitation loans. Total loans outstanding for these programs are \$42,667,000 at June 30, 2008. Of this amount, loans totaling \$22,736,000 had continuing compliance requirements. The balance of these loans as of June 30, 2007 amounted to \$22,124,000. 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 \$9,249,000 and the HOME Investment Partnership Program (CFDA No. 14.239) in the amount of \$12,875,000. Interest earned and repayment of the loans are not refunded to the federal government, but are used to make additional loans.

CITY OF STOCKTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE F – OFFICE OF EMERGENCY SERVICES AND CORRECTIONS STANDARDS AUTHORITY

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

Grant No. LE06048019 – The City reported total cumulative expenditures for the period July 1, 2007 through December 31, 2007 on Form 201 as follows:

	Budget	Actual		Total	Variance
		Prior	Current		
Personal Services	\$ 97,103	\$ 65,101	\$ 31,999	\$ 97,100	\$ 3
Operating Expenses	94,299	60,671	32,721	93,392	907
Total Expenditures per Form 201	<u>\$ 191,402</u>	<u>\$ 125,772</u>	<u>\$ 64,720</u>	<u>\$ 190,492</u>	<u>\$ 910</u>
		Federal	Local	Total	
Passed through California:					
Office of Emergency Services		<u>\$ 48,463</u>	<u>\$ 16,257</u>	<u>\$ 64,720</u>	
Total Expenditures per SEFA as CFDA No. 16.588		<u>\$ 48,463</u>	<u>\$ 16,257</u>	<u>\$ 64,720</u>	

Grant No. LE07058019 – The City reported total cumulative expenditures for the period January 1, 2008 through June 30, 2008 on Form 201 as follows:

	Budget	Actual	Variance
Personal Services	\$ 65,993	\$ 38,930	\$ 27,063
Operating Expenses	61,608	18,138	43,470
Total Expenditures per Form 201	<u>\$ 127,601</u>	<u>\$ 57,068</u>	<u>\$ 70,533</u>
	Federal	Local	Total
Passed through California:			
Office of Emergency Services	<u>\$ 39,527</u>	<u>\$ 17,541</u>	<u>\$ 57,068</u>
Total Expenditures per SEFA as CFDA No. 16.588	<u>\$ 39,527</u>	<u>\$ 17,541</u>	<u>\$ 57,068</u>

CITY OF STOCKTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

	Budget	Current	Variance
Personal Services	\$ 65,993	\$ 19,777	\$ 46,216
Operating Expenses	61,608	15,000	46,608
Total Expenditures per Form 201	<u>\$ 127,601</u>	<u>\$ 34,777</u>	<u>\$ 92,824</u>
	Federal	Local	Total
Passed through California:			
Office of Emergency Services	<u>\$ 34,777</u>	<u>\$ -</u>	<u>\$ 34,777</u>
Total Expenditures per SEFA as CFDA No. 16.744	<u>\$ 34,777</u>	<u>\$ -</u>	<u>\$ 34,777</u>

Grant No. CSA 182-07 – The City reported total cumulative expenditures for the period July 1, 2007 through June 30, 2008 on Form 201 as follows:

	Budget	Actual	Variance
Personal Services	<u>\$ 15,819</u>	<u>\$ 15,819</u>	<u>\$ -</u>
	Federal	Local	Total
Passed through California:			
Corrections Standards Authority	<u>\$ 14,237</u>	<u>\$ 1,582</u>	<u>\$ 15,819</u>
Total Expenditures per SEFA as CFDA No. 16.523	<u>\$ 14,237</u>	<u>\$ 1,582</u>	<u>\$ 15,819</u>

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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?	None reported
Noncompliance material to financial statements noted	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with § 510(a) of Circular A-133?	Yes
Identification of major programs:	
CFDA #14.239 HOME Investment Partnerships Program	
CFDA #20.205 Highway Planning and Construction	
CFDA #20.600 State and Community Highway Safety	
Dollar threshold used to distinguish between Type A and Type B programs:	\$450,000
Auditee qualified as low-risk auditee?	Yes

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

Section II – 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 in the attached financial statements (see Note 14 of the attached notes to the financial statements) 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.

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 (see Note 14 of the attached notes to the financial statements) 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 Department of Financial Management 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.

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

Section II – 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 (see Note 14 of the attached notes to the financial statements) 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 that portion of its termination pay liability which is equal to the funds accumulated in the fund to pay the liability.

Finding 08-4 – Community Development Block Grant Expenditures

See detailed description of finding in Section III starting below.

Finding 08-5 – HOME Program Advances to Property Owners

See detailed description of finding in Section III starting below.

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

Section III – Federal Award Findings and Questioned Costs

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 in the attached 2008 financial statements (see Note 14 of the attached notes to the financial statements) 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 FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

Section III – Federal Award Findings and Questioned Costs (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.

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 attached 2008 financial statements (see Note 14 of the attached notes to the financial statements) to correct this error. In addition, the City understated in its schedule of expenditures of federal awards for the year ended June 30, 2007 federal expenditures of the HOME Investment Partnerships Program.

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.

CITY OF STOCKTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2008

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

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.

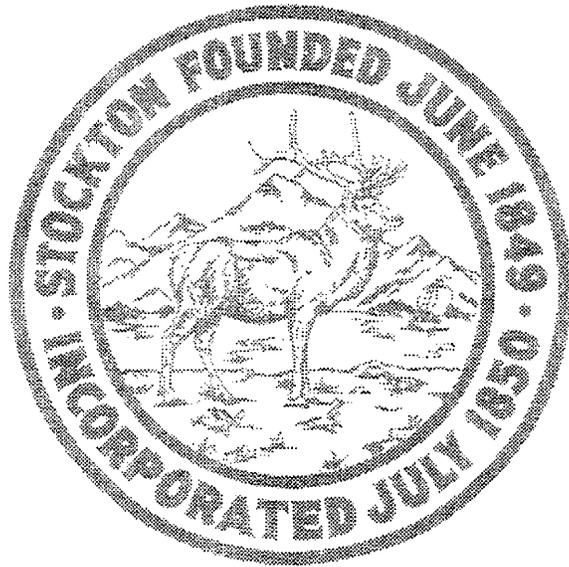
In addition, a procedure will be implemented to reconcile the general ledger balances for advances to property owners with the third party subsidiary ledger of outstanding loan balances.

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

CITY OF STOCKTON

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

No findings were reported in the prior year.





The City of Stockton accounting section is pictured outside the Stockton Memorial Civic Auditorium.
Front row (left to right): Teri Chapa, Maryann Garcia, and Susan Jamison
Back row (left to right): Katharine Moon, Armando Castillo, Lynne Farrar, Kevin Beltz,
Cathy Lucas and Mike Gunn.



In October, 1920, a bond election was held in order to raise funds to purchase a site and construct a Memorial Auditorium in Stockton. The City had been considering the necessity for a large facility to house community events for many years. Following World War I, when plans were being made to commemorate the Stockton men who had lost their lives in the war, it was proposed that an auditorium be built.

When the building was dedicated, it included two bronze tablets in the lobby, with the inscriptions: *"To the men of Stockton, California who gave their lives in the World War"* from the Women of Stockton; and *"To the men of San Joaquin County who gave their lives in the World War"* from the Board of Supervisors.

The inscription on the building was written by City Clerk Albertis L. Banks. It says: *"Tomorrow and forever, the people of Stockton will hold in memory the valor of their sons who, on land and sea, at home and abroad, served their country in defense of liberty."*

The completed building was accepted by the City on November 4, 1925, and dedicated on Veteran's Day that same year.

The Auditorium has served the community of Stockton as a site for all sorts of patriotic, civic and social events. In 1990, the building was designated a Stockton Historic Landmark by the City Council.



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

